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

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **March 31, 2018**

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 000-53533



TRANSOCEAN LTD.

(Exact name of registrant as specified in its charter)

Zug, Switzerland

(State or other jurisdiction of incorporation or organization)

98-0599916

(I.R.S. Employer Identification No.)

**Turmstrasse 30
Steinhausen, Switzerland**

(Address of principal executive offices)

6312

(Zip Code)

+41 (41) 749-0500

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer (do not check if a smaller reporting company)
Smaller reporting company Emerging growth company

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

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

As of April 24, 2018, 461,715,265 shares were outstanding.

TRANSOCEAN LTD. AND SUBSIDIARIES
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QUARTER ENDED MARCH 31, 2018

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PART I. FINANCIAL INFORMATION**Item I. Financial Statements****TRANSOCEAN LTD. AND SUBSIDIARIES**
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

(Unaudited)

	Three months ended	
	March 31,	
	2018	2017
Contract drilling revenues	\$ 664	\$ 738
Other revenues	—	47
	664	785
Costs and expenses		
Operating and maintenance	424	347
Depreciation	202	232
General and administrative	47	39
	673	618
Gain on disposal of assets, net	5	2
Operating income (loss)	(4)	169
Other income (expense), net		
Interest income	12	6
Interest expense, net of amounts capitalized	(147)	(127)
Other, net	(10)	7
	(145)	(114)
Income (loss) before income tax expense (benefit)	(149)	55
Income tax expense (benefit)	63	(40)
Net income (loss)	(212)	95
Net income (loss) attributable to noncontrolling interest	(2)	4
Net income (loss) attributable to controlling interest	\$ (210)	\$ 91
Earnings (loss) per share		
Basic	\$ (0.48)	\$ 0.23
Diluted	\$ (0.48)	\$ 0.23
Weighted-average shares outstanding		
Basic	438	390
Diluted	438	390

See accompanying notes.

TRANSOCEAN LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In millions)

(Unaudited)

	Three months ended	
	March 31,	
	2018	2017
Net income (loss)	\$ (212)	\$ 95
Net income (loss) attributable to noncontrolling interest	(2)	4
Net income (loss) attributable to controlling interest	(210)	91
Components of net periodic benefit costs before reclassifications	(4)	(2)
Components of net periodic benefit costs reclassified to net income	2	1
Other comprehensive loss before income taxes	(2)	(1)
Income taxes related to other comprehensive loss	—	—
Other comprehensive loss	(2)	(1)
Other comprehensive income attributable to noncontrolling interest	—	—
Other comprehensive loss attributable to controlling interest	(2)	(1)
Total comprehensive income (loss)	(214)	94
Total comprehensive income (loss) attributable to noncontrolling interest	(2)	4
Total comprehensive income (loss) attributable to controlling interest	\$ (212)	\$ 90

See accompanying notes.

TRANSOCEAN LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

(Unaudited)

	March 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	\$ 2,712	\$ 2,519
Short-term investments	150	450
Accounts receivable, net of allowance for doubtful accounts of less than \$1 at March 31, 2018 and December 31, 2017	576	596
Materials and supplies, net of allowance for obsolescence of \$149 and \$141 at March 31, 2018 and December 31, 2017, respectively	457	418
Restricted cash accounts and investments	484	466
Other current assets	164	157
Total current assets	4,543	4,606
Property and equipment	25,165	22,693
Less accumulated depreciation	(5,494)	(5,291)
Property and equipment, net	19,671	17,402
Goodwill	460	—
Contract intangible assets	613	—
Deferred income taxes, net	54	47
Other assets	354	355
Total assets	\$ 25,695	\$ 22,410
Liabilities and equity		
Accounts payable	\$ 211	\$ 201
Accrued income taxes	112	79
Debt due within one year	1,879	250
Other current liabilities	820	839
Total current liabilities	3,022	1,369
Long-term debt	7,976	7,146
Deferred income taxes, net	82	44
Other long-term liabilities	1,131	1,082
Total long-term liabilities	9,189	8,272
Commitments and contingencies		
Redeemable noncontrolling interest	57	58
Shares, CHF 0.10 par value, 509,382,402 authorized, 143,783,041 conditionally authorized, 462,853,862 issued and 461,628,198 outstanding at March 31, 2018, and 417,060,033 authorized, 143,783,041 conditionally authorized, 394,801,990 issued and 391,237,308 outstanding at December 31, 2017	44	37
Additional paid-in capital	11,953	11,031
Retained earnings	1,719	1,929
Accumulated other comprehensive loss	(292)	(290)
Total controlling interest shareholders' equity	13,424	12,707
Noncontrolling interest	3	4
Total equity	13,427	12,711
Total liabilities and equity	\$ 25,695	\$ 22,410

See accompanying notes.

TRANSOCEAN LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In millions)

(Unaudited)

	Three months ended March 31,		Three months ended March 31,	
	2018	2017	2018	2017
	Quantity		Amount	
Shares				
Balance, beginning of period	391	389	\$ 37	\$ 36
Issuance of shares under share-based compensation plans	3	2	—	1
Issuance of shares in acquisition transactions	68	—	7	—
Balance, end of period	462	391	\$ 44	\$ 37
Additional paid-in capital				
Balance, beginning of period			\$ 11,031	\$ 10,993
Share-based compensation			10	10
Issuance of shares under share-based compensation plans			—	(1)
Issuance of shares in acquisition transactions			739	—
Equity component of convertible debt instruments			172	—
Allocated capital for transactions with holders of noncontrolling interest			3	—
Other, net			(2)	(2)
Balance, end of period			\$ 11,953	\$ 11,000
Retained earnings				
Balance, beginning of period			\$ 1,929	\$ 5,056
Net income (loss) attributable to controlling interest			(210)	91
Balance, end of period			\$ 1,719	\$ 5,147
Accumulated other comprehensive loss				
Balance, beginning of period			\$ (290)	\$ (283)
Other comprehensive loss attributable to controlling interest			(2)	(1)
Balance, end of period			\$ (292)	\$ (284)
Total controlling interest shareholders' equity				
Balance, beginning of period			\$ 12,707	\$ 15,802
Total comprehensive income (loss) attributable to controlling interest			(212)	90
Share-based compensation			10	10
Issuance of shares in acquisition transactions			746	—
Equity component of convertible debt instruments			172	—
Allocated capital for transactions with holders of noncontrolling interest			3	—
Other, net			(2)	(2)
Balance, end of period			\$ 13,424	\$ 15,900
Noncontrolling interest				
Balance, beginning of period			\$ 4	\$ 3
Total comprehensive loss attributable to noncontrolling interest			(1)	(3)
Recognition of noncontrolling interest in business combination			33	—
Acquisition of noncontrolling interest in compulsory acquisition			(30)	—
Allocated capital for transactions with holders of noncontrolling interest			(3)	—
Balance, end of period			\$ 3	\$ —
Total equity				
Balance, beginning of period			\$ 12,711	\$ 15,805
Total comprehensive income (loss)			(213)	87
Share-based compensation			10	10
Issuance of shares in acquisition transactions			746	—
Equity component of convertible debt instruments			172	—
Recognition of noncontrolling interest in business combination			33	—
Acquisition of noncontrolling interest acquired in compulsory acquisition			(30)	—
Other, net			(2)	(2)
Balance, end of period			\$ 13,427	\$ 15,900

See accompanying notes.

TRANSOCEAN LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Three months ended	
	March 31,	
	2018	2017
Cash flows from operating activities		
Net income (loss)	\$ (212)	\$ 95
Adjustments to reconcile to net cash provided by operating activities:		
Contract intangible asset amortization	19	—
Depreciation	202	232
Share-based compensation expense	10	10
Gain on disposal of assets, net	(5)	(2)
Deferred income tax benefit	(3)	(19)
Other, net	13	7
Changes in deferred revenues, net	(20)	(68)
Changes in deferred costs, net	1	16
Changes in other operating assets and liabilities, net	98	(90)
Net cash provided by operating activities	103	181
Cash flows from investing activities		
Capital expenditures	(53)	(122)
Proceeds from disposal of assets, net	13	4
Unrestricted and restricted cash acquired in business combination	131	—
Deposits into short-term investments	(50)	—
Proceeds from maturities of short-term investments	350	—
Other, net	(15)	—
Net cash provided by (used in) investing activities	376	(118)
Cash flows from financing activities		
Repayments of debt	(168)	(72)
Proceeds from investments restricted for financing activities	26	50
Payments to terminate derivative instruments	(92)	—
Other, net	(14)	(3)
Net cash used in financing activities	(248)	(25)
Net increase in unrestricted and restricted cash and cash equivalents	231	38
Unrestricted and restricted cash and cash equivalents at beginning of period	2,975	3,433
Unrestricted and restricted cash and cash equivalents at end of period	\$ 3,206	\$ 3,471

See accompanying notes.

TRANSOCEAN LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1—Business

Overview—Transocean Ltd. (together with its subsidiaries and predecessors, unless the context requires otherwise, “Transocean,” “we,” “us” or “our”) is a leading international provider of offshore contract drilling services for oil and gas wells. We specialize in technically demanding sectors of the offshore drilling business with a particular focus on ultra-deepwater and harsh environment drilling services. Our mobile offshore drilling fleet is considered one of the most versatile fleets in the world. We contract our drilling rigs, related equipment and work crews predominantly on a dayrate basis to drill oil and gas wells. At March 31, 2018, we owned or had partial ownership interests in and operated 47 mobile offshore drilling units, including 27 ultra-deepwater floaters, 12 harsh environment floaters, two deepwater floaters and six midwater floaters. Additionally, at March 31, 2018, we operated two high-specification jackups that were under contract when we sold the rigs, and we continue to operate such rigs until completion or novation of the respective drilling contracts. At March 31, 2018, we are constructing two additional ultra-deepwater drillships. See Note 7—Drilling Fleet.

Business combination—On January 30, 2018, we acquired an approximate 97.7 percent ownership interest in Songa Offshore SE, a European public company limited by shares, or *societas Europaea*, existing under the laws of Cyprus (“Songa”). On March 28, 2018, we acquired the remaining shares not owned by us through a compulsory acquisition under Cyprus law, and as a result, Songa became our wholly owned subsidiary. In connection with these transactions, we issued an aggregate of 68.0 million shares and \$863 million aggregate principal amount of 0.50% exchangeable senior bonds due January 30, 2023 (the “Exchangeable Bonds”). As a result of the acquisition, we acquired seven mobile offshore drilling units, including five harsh environment floaters and two midwater floaters. See Note 4—Business Combination.

Note 2—Significant Accounting Policies

Presentation—We have prepared our accompanying unaudited condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States (“U.S.”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission (“SEC”). Pursuant to such rules and regulations, these financial statements do not include all disclosures required by accounting principles generally accepted in the U.S. for complete financial statements. The condensed consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary for a fair presentation of financial position, results of operations and cash flows for the interim periods. Such adjustments are considered to be of a normal recurring nature unless otherwise noted. Operating results for the three months ended March 31, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018, or for any future period. The accompanying condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto as of December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, included in our annual report on Form 10-K filed on February 21, 2018.

Accounting estimates—To prepare financial statements in accordance with accounting principles generally accepted in the U.S., we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and assumptions, including those related to our allowance for doubtful accounts, materials and supplies obsolescence, property and equipment, assets held for sale, goodwill, income taxes, contingencies, share-based compensation and postemployment benefit plans. We base our estimates and assumptions on historical experience and on various other factors we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results could differ from such estimates.

Fair value measurements—We estimate fair value at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability. Our valuation techniques require inputs that we categorize using a three-level hierarchy, from highest to lowest level of observable inputs, as follows: (1) significant observable inputs, including unadjusted quoted prices for identical assets or liabilities in active markets (“Level 1”), (2) significant other observable inputs, including direct or indirect market data for similar assets or liabilities in active markets or identical assets or liabilities in less active markets (“Level 2”) and (3) significant unobservable inputs, including those that require considerable judgment for which there is little or no market data (“Level 3”). When multiple input levels are required for a valuation, we categorize the entire fair value measurement according to the lowest level of input that is significant to the measurement even though we may have also utilized significant inputs that are more readily observable.

Business combination—In connection with our acquisition of Songa, we applied the acquisition method of accounting. Accordingly, we recorded the acquired assets and assumed liabilities at fair value and recognized goodwill to the extent the consideration transferred exceeded the fair value of the net assets acquired. We estimated the fair values of the acquired assets and assumed liabilities as of the date of the acquisition, and our estimates are subject to adjustment based on our final assessments of the fair values of property and equipment, intangible assets, liabilities and our evaluation of tax positions and contingencies, which are ongoing. We will complete our final assessments of the fair values of the acquired assets and assumed liabilities and our final evaluations of uncertain tax positions and contingencies within one year of the acquisition date. See Note 4—Business Combination.

TRANSOCEAN LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued

(Unaudited)

Goodwill—We conduct impairment testing for our goodwill annually as of October 1 and more frequently, on an interim basis, when an event occurs or circumstances change that indicate that the fair value of a reporting unit may have declined below its carrying value. We test goodwill at the reporting unit level, which is defined as an operating segment or one level below an operating segment that constitutes a business for which financial information is available and is regularly reviewed by management. We determined that we have a single reporting unit for this purpose. Before testing goodwill, we consider whether or not to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, as the result of our qualitative assessment, we determine that an impairment test is required, or, alternatively, if we elect to forgo the qualitative assessment, we record an impairment to goodwill to the extent the carrying amount of the reporting unit, including goodwill, exceeds the fair value of the reporting unit. At March 31, 2018, the carrying amount of our goodwill was \$460 million. See Note 3—Accounting Standards Updates and Note 4—Business Combination.

Contract intangible assets—In connection with our acquisition of Songa, we recognized drilling contract intangible assets related to the acquired drilling contracts for future contract drilling services. The drilling contract intangible assets represent the amount by which the fixed dayrates of the acquired contracts were above the market dayrates that were available or expected to be available during the term of the contract for similar contracts, measured as of the acquisition date. We recognize the amortization on a straight-line basis over the firm contract period as a component of contract drilling revenues. At March 31, 2018, the carrying amount of our drilling contract intangible assets was \$613 million. See Note 4—Business Combination.

Derivative instruments—We record derivatives on our consolidated balance sheet, measured at fair value. We recognize the gains and losses associated with changes in the fair value in current period earnings. See Note 10—Derivative Instruments.

Capitalized interest—We capitalize interest costs for qualifying construction and upgrade projects and only capitalize interest costs during periods in which progress for the construction projects continues to be underway. As of March 31, 2018, we had ceased capitalization of interest costs on one of our two uncontracted newbuild drillships due to a pause in construction in progress. In the three months ended March 31, 2018 and 2017, we capitalized interest costs of \$13 million and \$30 million, respectively, for our construction work in progress.

Reclassifications—We have made certain reclassifications to prior period amounts to conform with the current period's presentation. In our condensed consolidated balance sheet as of December 31, 2017, we reclassified certain balances receivable from non-customers, totaling \$45 million, from accounts receivable, net, to other current assets. Such reclassifications did not have a material effect on our condensed consolidated statement of financial position, results of operations or cash flows.

Note 3—Accounting Standards Updates

Recently adopted accounting standards

Revenue from contracts with customers—Effective January 1, 2018, we adopted the accounting standards update that requires an entity to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In our evaluation of the requirements, we determined that reimbursement revenues and contract early cancellation and termination fees were part of our single performance obligation, and we determined that reimbursement revenues should be recorded on a gross basis as the service is performed. Our adoption, using the modified retrospective approach, for which we were not required to make any changes to the prior year presentation, did not have a material effect on our condensed consolidated statements of financial position, operations and cash flows. See Note 6—Revenues.

Income taxes—Effective January 1, 2018, we adopted the accounting standards update that requires an entity to recognize the income tax consequences of an intra entity transfer of an asset other than inventory when the transaction occurs as opposed to deferring such recognition into future periods. Our adoption did not have a material effect on our condensed consolidated statements of financial position, operations or cash flows or on the disclosures contained in our notes to condensed consolidated financial statements.

Statement of cash flows—Effective January 1, 2018, we adopted the accounting standards update that requires amounts generally described as restricted cash or restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning and end of period total amounts presented on the statement of cash flows. Aside from presenting the restricted cash and restricted cash equivalents as a component of the beginning and ending cash balances on our condensed consolidated statements of cash flows, we removed the effect of proceeds from and deposits to restricted accounts from our cash flows provided by or used in operating and financing activities, as applicable. For the three months ended March 31, 2018 and 2017, such changes did not have a material effect on our condensed consolidated statements of financial position, operations or cash flows or on the disclosures contained in our notes to condensed consolidated financial statements.

TRANSOCEAN LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued

(Unaudited)

Retirement benefits—Effective January 1, 2018, we adopted the accounting standards update that requires an employer to disaggregate the service cost component from the other components of net benefit cost related to defined benefit retirement plans and other postemployment benefit plans. The update requires that the service cost component be presented in the same line item as other compensation costs for employees and the other components of net benefit cost in other income and expense on our condensed consolidated statements of operations. The update also allows only the service cost component of net benefit cost to be eligible for capitalization. Our adoption did not have a material effect on our condensed consolidated statements of financial position, operations or cash flows or on the disclosures contained in our notes to condensed consolidated financial statements.

Goodwill—Effective January 1, 2018, we early adopted the accounting standards update that simplifies the method for measuring the implied value of goodwill when performing a goodwill impairment test by performing a one-step test, comparing the fair value of the reporting unit with its carrying amount. The update eliminates the two-step requirement to perform procedures to determine the fair value of assets and liabilities on the same basis as required in a business combination. The update, which permits early adoption, is effective for interim and annual periods beginning after December 15, 2019, including interim periods within those annual periods. Our adoption did not have an effect on our condensed consolidated statements of financial position, operations and cash flows and on the disclosures contained in our notes to condensed consolidated financial statements.

Recently issued accounting standards

Leases—Effective no later than January 1, 2019, we will adopt the accounting standards update that (a) requires lessees to recognize a right to use asset and a lease liability for virtually all leases, and (b) updates previous accounting standards for lessors to align certain requirements with the updates to lessee accounting standards and the revenue recognition accounting standards. The update, which permits early adoption, is effective for interim and annual periods beginning after December 15, 2018, including interim periods within those annual periods. Under the updated definition of a lease, we have determined that our drilling contracts could contain a lease component. In a recent update, targeted improvements were proposed to the accounting standards that provide for (a) an optional new transition method for adoption that results in initial recognition of a cumulative effect adjustment to retained earnings in the year of adoption and (b) a practical expedient for lessors, under certain circumstances, to combine the lease and non-lease components of revenues for presentation purposes. Our adoption, and the ultimate effect on our consolidated financial statements, will be based on an evaluation of the contract-specific facts and circumstances. Additionally, based on the lease arrangements under which we are the lessee as of March 31, 2018, we expect to recognize an aggregate lease liability and a corresponding right-to-use asset of between \$75 million and \$85 million. We do not expect our adoption to have a material effect on our condensed consolidated statements of financial position, operations and cash flows. We continue to evaluate the requirements with regard to arrangements under which we are the lessor, the proposed targeted updates and the effects such requirements may have on the disclosures contained in our notes to condensed consolidated financial statements.

Other comprehensive income—Effective no later than January 1, 2019, we will adopt the accounting standards update that allows for reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017 (the “2017 Tax Act”). The update, which permits early adoption is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those annual periods. We continue to evaluate the requirements and do not expect our adoption to have a material effect on our condensed consolidated statements of financial position, operations and cash flows and on the disclosures contained in our notes to condensed consolidated financial statements.

Note 4—Business Combination

Overview—On August 13, 2017, we entered into a transaction agreement with Songa pursuant to which we agreed to offer to acquire all of the issued and outstanding shares of Songa subject to certain conditions, through a voluntary exchange offer (the “Offer”) in exchange for consideration per Songa share consisting of (i) 0.3572 newly issued shares of Transocean Ltd. and (ii) approximately \$2.99726 principal amount of Exchangeable Bonds to be issued by Transocean Inc., our wholly owned direct subsidiary and a Cayman Islands exempted company. Additionally, each Songa shareholder could elect to receive a cash payment of NOK 47.50 per Songa share up to a maximum of NOK 125,000 per shareholder in lieu of some or all of the consideration such shareholder would otherwise be entitled to receive in the Offer. In connection with the acquisition, shareholders at our extraordinary general meeting, on January 16, 2018, approved: (1) the issuance of up to 68.6 million Transocean Ltd. shares, (2) an amendment of our articles of association to create additional authorized share capital, (3) the election of a new director to our board of directors and (4) the issuance of consideration shares from our authorized share capital and shares issuable upon exchange of the Exchangeable Bonds.

We believe the acquisition of Songa strengthens our position as a leader in harsh environment and ultra-deepwater drilling services by adding high value assets, including four high-specification harsh environment floaters, supported by significant contract backlog. Additionally, the acquisition strengthens our footprint in harsh environment operating areas. We believe the goodwill resulting from the business combination can be attributed to synergies expected to be realized and intangible assets that do not qualify for separate recognition. In the three months ended March 31, 2018, we incurred acquisition costs of \$7 million, recorded in general and administrative costs and expenses.

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

(Unaudited)

Consideration—On January 30, 2018, we acquired an approximate 97.7 percent ownership interest in Songa. In connection with the acquisition, we issued 66.9 million shares with a market value of \$10.99 per share, based on the market value of our shares on the acquisition date. We also issued \$854 million aggregate principal amount of Exchangeable Bonds, including \$562 million aggregate principal amount as partial consideration to Songa shareholders and \$292 million aggregate principal amount as settlement for certain Songa indebtedness. The aggregate fair value of the consideration transferred in the business combination was as follows (in millions):

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

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

	<u>Total</u>
Assets acquired	
Cash and cash equivalents	\$ 113
Accounts receivable	115
Other current assets	80
Property and equipment	2,415
Goodwill	460
Contract intangible assets	632
Liabilities assumed	
Accounts payable and other current liabilities	177
Debt	1,768
Other long-term liabilities	76
Net assets acquired	<u>1,794</u>
Noncontrolling interest in business combination	33
Controlling interest acquired in business combination	<u>\$ 1,761</u>

We estimated the fair value of the rigs and related equipment by applying a combination of income and market approaches, using projected discounted cash flows and estimates of the exchange price that would be received for the assets in the principal or most advantageous markets for the assets in an orderly transaction between participants as of the acquisition date. Additionally, we estimated the fair value of the drilling contracts by comparing the contractual dayrates over the remaining firm contract term and option periods relative to the projected market dayrates as of the acquisition date. Our estimates of fair value for these assets required us to use significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of our contract drilling services reporting unit, such as future commodity prices, projected demand for our services, rig availability and dayrates. We estimated the fair value of the debt using significant other observable inputs, representative of a Level 2 fair value measurement, including the terms and credit spreads for the instruments.

We have not completed our estimates of the fair values of assets acquired and liabilities assumed. We continue to review the estimated fair values of property and equipment, intangible assets, and other assets and liabilities, and to evaluate the assumed tax positions and contingencies. Estimating fair value for such assets and liabilities requires significant assumptions and judgment, which increases the likelihood that the estimates may require adjustment, and such adjustments could be material.

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

Contract intangible assets—In the three months ended March 31, 2018, we recognized contract intangible amortization of \$19 million, recorded as a reduction of contract drilling revenues. At March 31, 2018, the aggregate carrying amount of contract intangible assets was \$613 million, which we expect to amortize over the remaining contract periods, through March 2024. As of March 31, 2018, the estimated future amortization of contract intangible assets was as follows (in millions):

TRANSOCEAN LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued

(Unaudited)

	<u>Total</u>
Twelve months ending March 31,	
2019	\$ 118
2020	117
2021	117
2022	117
2023	106
Thereafter	38
Total carrying amount of contract intangible assets	<u>\$ 613</u>

Pro forma combined operating results—We have included the operating results of Songa in our condensed consolidated results of operations, commencing on the acquisition date, January 30, 2018. In the three months ended March 31, 2018, our condensed consolidated statement of operations includes revenues and net loss of \$84 million and \$3 million, respectively, associated with the operations of Songa. Pro forma combined operating results, assuming the acquisition was completed as of January 1, 2017, were as follows (in millions, except per share data):

	Three months ended	
	March 31,	
	<u>2018</u>	<u>2017</u>
Contract drilling revenues	\$ 713	\$ 904
Net income (loss)	(205)	100
Per share earnings (loss) - basic and diluted	(0.44)	0.21

The pro forma financial information includes various adjustments, primarily related to additional depreciation resulting from the fair value adjustments to the acquired property and equipment and amortization resulting from the contract intangible assets. The pro forma information is not necessarily indicative of the results of operations had the acquisition of Songa been completed on the assumed dates or the results of operations for any future periods.

Note 5—Variable Interest Entity

Angola Deepwater Drilling Company Limited (“ADDCL”), a consolidated Cayman Islands company, is a variable interest entity for which we are the primary beneficiary. The carrying amount of ADDCL, after eliminating the effect of intercompany transactions, was as follows (in millions):

	<u>March 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Assets	\$ 710	\$ 716
Liabilities	5	7
Net carrying amount	<u>\$ 705</u>	<u>\$ 709</u>

Note 6—Revenues

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

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

The duration of our performance obligation varies by contract. At March 31, 2018, the expected remaining duration of our drilling contracts extends through February 2028, excluding unexercised options. In the three months ended March 31, 2018, we recognized

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued

(Unaudited)

revenues of \$48 million from performance obligations satisfied in previous periods, primarily related to our customer’s termination of the contract for *Discoverer Clear Leader*, effective November 2017, and certain revenues recognized on a cash basis.

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

To obtain contracts with our customers, we incur costs to prepare a rig for contract and deliver, or mobilize a rig to the drilling location. We defer pre-operating costs, such as contract preparation and mobilization costs, and recognize such costs on a straight-line basis, consistent with the general pace of activity, in operating and maintenance costs over the estimated firm period of drilling. In the three months ended March 31, 2018 and 2017, we recognized costs of \$12 million and \$13 million, respectively, associated with pre-operating costs for contracts with customers. At March 31, 2018 and December 31, 2017, the unrecognized pre-operating costs to obtain contracts was \$22 million and \$18 million, respectively, recorded in other assets.

Revenue disaggregation—In the three months ended March 31, 2018 and 2017, we recognized revenues as follows (in millions):

	Three months ended March 31, 2018					Total
	U.S.	U.K.	Norway	Brazil	Other	
Ultra-deepwater floaters	\$ 349	\$ —	\$ —	\$ —	\$ 29	\$ 378
Harsh environment floaters	—	22	122	—	60	204
Deepwater floaters	—	—	—	24	11	35
Midwater floaters	—	11	—	—	9	20
High-specification jackups	—	—	—	—	27	27
Total revenues	\$ 349	\$ 33	\$ 122	\$ 24	\$ 136	\$ 664

	Three months ended March 31, 2017					Total
	U.S.	U.K.	Norway	Brazil	Other	
Ultra-deepwater floaters	\$ 404	\$ —	\$ —	\$ 83	\$ 58	\$ 545
Harsh environment floaters	—	80	16	—	28	124
Deepwater floaters	—	—	—	24	11	35
Midwater floaters	—	5	—	—	9	14
High-specification jackups	—	21	—	—	46	67
Total revenues	\$ 404	\$ 106	\$ 16	\$ 107	\$ 152	\$ 785

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

	March 31, 2018	January 1, 2018
Deferred contract revenues, recorded in other current liabilities	\$ 174	\$ 203
Deferred contract revenues, recorded in other long-term liabilities	431	422
Total contract liabilities	\$ 605	\$ 625

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

	Three months ended March 31, 2018
Total contract liabilities, at beginning of period	625
Decrease due to recognition of revenues for goods and services	(65)
Increase due to goods and services transferred over time	45
Total contract liabilities, at end of period	\$ 605

TRANSOCEAN LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued

(Unaudited)

Note 7—Drilling Fleet

Construction work in progress—For the three months ended March 31, 2018 and 2017, the changes in our construction work in progress, including capital expenditures and other capital additions, were as follows (in millions):

	Three months ended March 31,	
	2018	2017
Construction work in progress, at beginning of period	\$ 1,392	\$ 2,171
Capital expenditures		
Newbuild construction program	30	88
Other equipment and construction projects	23	34
Total capital expenditures	53	122
Changes in accrued capital additions	1	(18)
Construction work in progress acquired in business combination	26	—
Property and equipment placed into service		
Newbuild construction program	(903)	—
Other property and equipment	(3)	(41)
Construction work in progress, at end of period	\$ 566	\$ 2,234

Dispositions—During the three months ended March 31, 2018, in connection with our efforts to dispose of non-strategic assets, we completed the sale of the ultra-deepwater floaters *Cajun Express*, *Sedco Energy* and *Sedco Express*, along with related assets. In the three months ended March 31, 2018, we received aggregate net cash proceeds of \$12 million associated with the disposal of these assets. In the three months ended March 31, 2018, we received aggregate net cash proceeds of \$1 million and recognized an aggregate net gain of \$5 million associated with the disposal of assets unrelated to rig sales.

During the three months ended March 31, 2017, in connection with our efforts to dispose of non-strategic assets, we completed the sale of the midwater floater *GSF Rig 140*, along with related assets. In the three months ended March 31, 2017, we received aggregate net cash proceeds of \$3 million and recognized an aggregate net gain of \$2 million associated with the disposal of this asset. In the three months ended March 31, 2017, we received cash proceeds of \$1 million and recognized an aggregate net gain of less than \$1 million associated with the disposal of assets unrelated to rig sales.

Assets held for sale—At March 31, 2018, the aggregate carrying amount of our assets held for sale, including the ultra-deepwater floater *Deepwater Pathfinder* and the deepwater floater *Transocean Marianas*, along with related assets, was \$10 million, recorded in other current assets. At December 31, 2017, the aggregate carrying amount of our assets held for sale, including the ultra-deepwater floaters *Cajun Express*, *Deepwater Pathfinder*, *Sedco Energy* and *Sedco Express* and the deepwater floater *Transocean Marianas*, along with related assets, was \$22 million, recorded in other current assets.

Note 8—Income Taxes

Tax provision and rate—Transocean Ltd., a holding company and Swiss resident, is exempt from cantonal and communal income tax in Switzerland, but is subject to Swiss federal income tax. Our provision for income taxes is based on the tax laws and rates applicable in the jurisdictions in which we operate and earn income. In the three months ended March 31, 2018 and 2017, our estimated effective tax rate, excluding discrete items, was (42.8) percent and 82.1 percent, respectively, based on estimated annual income or loss before income taxes. In the three months ended March 31, 2018, compared to the three months ended March 31, 2017, our effective tax rate decreased primarily due to changes in the relative blend of income from operations in certain jurisdictions partially offset by the U.S. base erosion and anti-abuse tax.

We consider the tax effect, if any, of the excluded items as well as settlements of prior year tax estimates to be discrete period tax expenses or benefits. In the three months ended March 31, 2018 and 2017, the effect of the various discrete period tax items was a net tax benefit of \$1 million and \$77 million, respectively. In the three months ended March 31, 2018, such discrete items were primarily related to the tax benefit of changes in unrecognized tax benefit associated with tax positions taken in prior years and remeasurement of the deferred tax assets for a tax rate change. In the three months ended March 31, 2017, such discrete items were primarily related to the tax benefit of changes in unrecognized tax benefit associated with tax positions taken in prior years and valuation allowances on deferred tax assets for losses not expected to be realized. For the three months ended March 31, 2018 and 2017, these discrete tax items, coupled with the excluded income and expense items noted above, resulted in an effective tax rate of (42.2) percent and (73.0) percent, respectively, based on income or loss before income tax expense.

U.S. tax reform—In December 2017, the U.S. enacted the 2017 Tax Act, which included prospective changes beginning in 2018, including a base erosion and anti-abuse tax (“BEAT”), a global intangible low-taxed income (“GILTI”) tax, additional limitations on the deductibility of executive compensation, limitations on the deductibility of interest and repeal of the domestic manufacturing deduction.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued

(Unaudited)

Effective January 1, 2018, we elected to treat any potential GILTI inclusions as a period cost. We have evaluated our bare boat charter structure and believe that our U.S. operations are subject to BEAT and have reflected the estimated impact of this tax in our provision for the three months ended March 31, 2018.

Transition tax on foreign earnings—Upon enactment of the 2017 Tax Act, we did not have the necessary information available, prepared and analyzed to develop a reasonable estimate of the transition tax. We have not yet completed our calculation of the post-1986 earnings and profits for the foreign subsidiaries of our U.S. subsidiaries or determined the amounts of those earnings held in cash and other assets necessary to determine the transition tax. The determination of the transition tax requires further analysis regarding the amount and composition of our historical foreign earnings, which is expected to be completed and reflected in our financial statements issued for subsequent reporting periods that fall within the measurement period provided by Staff Accounting Bulletin No. 118. The transition tax will also impact the utilization of our foreign tax credits and net operating losses generated in the U.S. which will impact our valuation allowance analysis related to those deferred tax assets and could have a material impact to our valuation allowances. Because we have not completed our analysis of the amount and composition of our historical foreign earnings and the associated transition tax, we also cannot determine the associated impact on our assertion that the unremitted earnings of the foreign subsidiaries of our U.S. subsidiaries will be indefinitely reinvested.

Tax returns—We file federal and local tax returns in several jurisdictions throughout the world. With few exceptions, we are no longer subject to examinations of our U.S. and non-U.S. tax matters for years prior to 2010. Our tax returns in the major jurisdictions in which we operate, other than Brazil, as mentioned below, are generally subject to examination for periods ranging from three to six years. We have agreed to extensions beyond the statute of limitations in two major jurisdictions for up to 20 years. Tax authorities in certain jurisdictions are examining our tax returns and in some cases have issued assessments. We are defending our tax positions in those jurisdictions. While we cannot predict or provide assurance as to the timing or the outcome of these proceedings, we do not expect the ultimate liability to have a material adverse effect on our condensed consolidated statement of financial position or results of operations, although it may have a material adverse effect on our condensed consolidated statement of cash flows.

Brazil tax investigations—In December 2005, the Brazilian tax authorities issued a tax assessment with respect to our tax returns for the years 2000 through 2004, which is currently for an aggregate amount of BRL 857 million, equivalent to approximately \$259 million, including penalties and interest. On January 25, 2008, we filed a protest letter with the Brazilian tax authorities for this tax assessment, and we are currently engaged in the appeals process. On May 19, 2014, the Brazilian tax authorities issued a tax assessment with respect to our Brazilian income tax returns for the years 2009 and 2010, which is currently for an aggregate amount of BRL 145 million, equivalent to approximately \$44 million, including penalties and interest. On June 18, 2014, we filed a protest letter with the Brazilian tax authorities for this tax assessment. We believe our returns are materially correct as filed, and we are vigorously contesting these assessments. An unfavorable outcome on these proposed assessments could result in a material adverse effect on our condensed consolidated statement of financial position, results of operations or cash flows.

Other tax matters—We conduct operations through our various subsidiaries in a number of countries throughout the world. Each country has its own tax regimes with varying nominal rates, deductions, employee contribution requirements and tax attributes. From time to time, we may identify changes to previously evaluated tax positions that could result in adjustments to our recorded assets and liabilities. Although we are unable to predict the outcome of these changes, we do not expect the effect, if any, resulting from these adjustments to have a material adverse effect on our condensed consolidated statement of financial position, results of operations or cash flows.

TRANSOCEAN LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued

(Unaudited)

Note 9—Debt

Overview

Outstanding debt—The aggregate principal amounts and aggregate carrying amounts, net of debt-related balances, including unamortized discounts, premiums, issue costs and fair value adjustments of our debt, were as follows (in millions):

	Principal amount		Carrying amount	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Eksporthfinans Loan due January 2018	\$ —	\$ 26	\$ —	\$ 26
6.50% Senior Notes due November 2020	286	286	288	288
6.375% Senior Notes due December 2021	328	328	327	327
5.52% Senior Secured Notes due May 2022	343	362	337	356
3.80% Senior Notes due October 2022	506	506	502	502
0.50% Exchangeable Bonds due January 2023	863	—	862	—
9.00% Senior Notes due July 2023	1,250	1,250	1,217	1,216
7.75% Senior Secured Notes due October 2024	540	540	527	526
6.25% Senior Secured Notes due December 2024	562	562	550	549
Senior Secured Term Loan Facility due August 2025	578	—	583	—
7.50% Junior Secured Bonds due August 2025	177	—	179	—
7.50% Senior Notes due January 2026	750	750	742	742
Senior Secured Term Loan Facility due March 2026	879	—	885	—
7.45% Notes due April 2027	88	88	86	86
8.00% Debentures due April 2027	57	57	57	57
7.00% Notes due June 2028	300	300	307	307
Capital lease contract due August 2029	533	541	533	541
7.50% Notes due April 2031	588	588	585	585
6.80% Senior Notes due March 2038	1,000	1,000	991	991
7.35% Senior Notes due December 2041	300	300	297	297
Total debt	9,928	7,484	9,855	7,396
Less debt due within one year				
Eksporthfinans Loan due January 2018	—	26	—	26
5.52% Senior Secured Notes due May 2022	80	79	77	77
3.80% Senior Notes due October 2022	8	—	8	—
7.75% Senior Secured Notes due October 2024	60	60	57	57
6.25% Senior Secured Notes due December 2024	62	62	60	60
Senior Secured Term Loan Facility due August 2025	578	—	583	—
7.50% Junior Secured Bonds due August 2025	177	—	179	—
Senior Secured Term Loan Facility due March 2026	879	—	885	—
Capital lease contract due August 2029	30	30	30	30
Total debt due within one year	1,874	257	1,879	250
Total long-term debt	\$ 8,054	\$ 7,227	\$ 7,976	\$ 7,146

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

Twelve months ending March 31,	Total
2019	\$ 1,874
2020	240
2021	532
2022	559
2023	1,544
Thereafter	5,179
Total principal amount of debt	9,928
Total debt-related balances, net	(73)
Total carrying amount of debt	\$ 9,855

Interest rate adjustments—The interest rates for certain of our notes are subject to adjustment from time to time upon a change to the credit rating of our non-credit enhanced senior unsecured long-term debt (“Debt Rating”). As of March 31, 2018, the interest rate in effect for the 6.375% senior notes due December 2021, 3.80% senior notes due October 2022 and the 7.35% senior notes due December 2041 was 8.375 percent, 5.80 percent and 9.35 percent, respectively.

TRANSOCEAN LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued

(Unaudited)

Five-Year Revolving Credit Facility—In June 2014, we entered into an amended and restated bank credit agreement, which established a \$3.0 billion unsecured five-year revolving credit facility, which is scheduled to expire on June 28, 2019 (the “Five-Year Revolving Credit Facility”). Among other things, the Five-Year Revolving Credit Facility includes limitations on creating liens, incurring subsidiary debt, transactions with affiliates, sale/leaseback transactions, mergers and the sale of substantially all assets. The Five-Year Revolving Credit Facility also includes a covenant imposing a maximum consolidated indebtedness to total tangible capitalization ratio of 0.6 to 1.0. Borrowings under the Five-Year Revolving Credit Facility are subject to acceleration upon the occurrence of an event of default. Additionally, such borrowings are guaranteed by Transocean Ltd. and may be prepaid in whole or in part without premium or penalty.

We may borrow under the Five-Year Revolving Credit Facility at either (1) the adjusted London Interbank Offered Rate (“LIBOR”) plus a margin (the “Five-Year Revolving Credit Facility Margin”), which ranges from 1.125 percent to 2.0 percent based on the Debt Rating, or (2) the base rate specified in the credit agreement plus the Five-Year Revolving Credit Facility Margin, less one percent per annum. Throughout the term of the Five-Year Revolving Credit Facility, we pay a facility fee on the daily unused amount of the underlying commitment which ranges from 0.15 percent to 0.35 percent based on our Debt Rating. At March 31, 2018, based on our Debt Rating on that date, the Five-Year Revolving Credit Facility Margin was 2.0 percent and the facility fee was 0.35 percent. At March 31, 2018, we had no borrowings outstanding, \$7 million of letters of credit issued, and we had \$3.0 billion of available borrowing capacity under the Five-Year Revolving Credit Facility. See Note 13—Commitments and Contingencies—Global Marine litigation.

Debt issuance

Exchangeable bonds—In connection with the Songa acquisition transactions, we issued \$863 million aggregate principal amount of Exchangeable Bonds, as partial consideration for the Songa shares and as consideration for refinancing certain Songa indebtedness. Transocean Inc., our wholly owned direct subsidiary, is the issuer of the Exchangeable Bonds, for which Transocean Ltd. has provided a full and unconditional guarantee. We are required to pay interest on the Exchangeable Bonds semiannually on January 30 and July 30 of each year, beginning on July 30, 2018. The Exchangeable Bonds may be converted at any time prior to the maturity date at an exchange rate of 97.29756 shares per \$1,000 note equivalent to a conversion price of \$10.28 per share, subject to adjustment upon the occurrence of certain events. Holders of Exchangeable Bonds may require us to repurchase all or a portion of such holder’s Exchangeable Bonds upon the occurrence of certain events. The Exchangeable Bonds had an aggregate fair value of \$1.04 billion, measured as of the issuance date, and we recorded the value above par, representing a substantial premium of \$172 million, to additional paid-in capital. We estimated the fair value using significant other observable inputs, representative of a Level 2 fair value measurement, including the terms and credit spreads for the instruments.

Debt assumption

Senior Secured Term Loan Facilities—In connection with the Songa acquisition, we assumed rights and obligations under credit agreements establishing the senior secured term loan facility due August 2025 (the “Senior Secured Term Loan due August 2025”) and the senior secured term loan facility due March 2026 (the “Senior Secured Term Loan due March 2026”) and, together, the “Senior Secured Term Loans”). Borrowings under the Senior Secured Term Loan due August 2025 and the Senior Secured Term Loan due March 2026 bear interest at LIBOR plus 3.00 percent and LIBOR plus 2.50 percent, respectively. The Senior Secured Term Loans require scheduled quarterly installments of interest and principal. The credit agreements for the Senior Secured Term Loans limit the ability of our subsidiaries that own or operate the collateral rigs to declare or pay dividends to their affiliates, limit our ability to incur certain liens on our drilling units without equally and ratably securing the notes, to engage in certain sale and lease back transactions covering any of our drilling units, to allow our subsidiaries to incur certain additional debt, or to engage in certain merger, consolidation or reorganization transactions or to enter into a scheme of arrangement qualifying as an amalgamation. Additionally, the credit agreements contain covenants that require us to maintain the following: (a) minimum amounts of liquidity, working capital and equity, (b) a maximum leverage ratio and (c) minimum ratios of equity, interest coverage and asset value-to-loan coverage. The borrowings under the Senior Secured Term Loans are secured by the assets and earnings associated with the harsh environment floaters *Songa Equinox*, *Songa Endurance*, *Songa Encourage* and *Songa Enabler*. At March 31, 2018, the weighted average interest rate for borrowings under the Senior Secured Term Loan due August 2025 and the Senior Secured Term Loan due March 2026 was 4.77 percent and 3.83 percent, respectively.

The credit agreements also contain change of control clauses, for which we received waivers from the lenders, which expire on August 31, 2018. Accordingly, we have classified the borrowings under the Senior Secured Term Loans as debt due within one year. We are evaluating alternatives for refinancing, restructuring or retiring the Senior Secured Term Loans.

Junior Secured Bonds—In connection with the Songa acquisition, we assumed the rights and obligations under a subscription agreement establishing a junior secured bond facility, which is scheduled to expire in August 2025 (the “Junior Secured Bonds”). Borrowings under the Junior Secured Bonds bear interest at 7.50 percent. The Junior Secured Bonds require scheduled quarterly installments of interest and principal. The subscription agreement for the Junior Secured Bonds contains covenants consistent with those under the credit agreements for the Senior Secured Term Loans. The borrowings under the Junior Secured Bonds are secured by the assets and earnings associated with the harsh environment floaters *Songa Equinox* and *Songa Endurance*, and such borrowings are subordinate to the borrowings under the Senior Secured Term Loans.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued

(Unaudited)

The subscription agreement also contains change of control clauses, for which we received waivers from the lenders, which expire on August 31, 2018. On February 12, 2018, we served notice of our intent to call the Junior Secured Bonds, effective August 12, 2018. Accordingly, we have classified the borrowings under the Junior Secured Bonds as debt due within one year.

Other debt—In connection with the Songa acquisition, we assumed the indebtedness related to two bond loans (together, the “Bond Loans”), previously publicly traded on the Oslo stock exchange. On the acquisition date, the Bond Loans had an aggregate principal amount of NOK 337 million, equivalent to \$44 million. On March 14, 2018, we made a cash payment of NOK 345 million, equivalent to \$44 million, to repay the Bond Loans.

We also assumed the rights and obligations under a credit agreement, expiring March 31, 2018, for a secured borrowing facility. On February 2, 2018, we made a cash payment of \$23 million to repay the borrowings outstanding under the secured borrowing facility.

Debt retirements

During the three months ended March 31, 2017, we repurchased in the open market an aggregate principal amount of \$15 million of our debt securities for an aggregate cash payment of \$15 million. As a result of the repurchases, we retired the respective aggregate principal amounts of our debt securities as follows: \$3 million of the 6.50% Senior Notes due November 2020, \$6 million of the 6.375% Senior Notes due 2021, and \$6 million of the 3.80% Senior Notes due 2022.

Note 10—Derivative Instruments

Interest rate swaps—In connection with the Songa acquisition, we acquired interest rate swaps, which were previously designated but no longer qualify as a cash flow hedge, to reduce the variability of cash interest payments associated with the variable rate borrowings under the Senior Secured Term Loan Facilities, which are expected to be refinanced, restructured or retired by August 31, 2018. On the acquisition date, the aggregate fair value of the undesignated interest rate swaps represented an asset of \$14 million. In the three months ended March 31, 2018, we recognized a gain of \$3 million, recorded in other, net, associated with the fair value adjustments to the undesignated interest rate swaps. At March 31, 2018, the aggregate fair value of the undesignated interest rate swaps was \$17 million, recorded in other current assets.

At March 31, 2018, the aggregate notional amounts and weighted average interest rates for our undesignated interest rate swaps were as follows (in millions, except weighted average interest rates):

	Pay			Receive		
	Aggregate notional amount	Fixed or variable rate	Weighted average rate	Aggregate notional amount	Fixed or variable rate	Weighted average rate
Undesignated interest rate swaps	\$ 743	fixed	1.65 %	\$ 743	variable	2.19 %

Forward exchange contracts—In connection with the Songa acquisition, we acquired certain undesignated forward exchange contracts, extending through May 2018, which represent an economic hedge to reduce the variability of cash payments of expenditures denominated in Norwegian krone. On the acquisition date, the aggregate fair value of the forward exchange contracts represented an asset of \$4 million. In the three months ended March 31, 2018, we recognized a loss of \$3 million, recorded in other, net, associated with the fair value adjustments resulting from currency exchange rates. At March 31, 2018, the aggregate fair value of the undesignated forward exchange contracts was \$1 million, recorded in other current assets.

At March 31, 2018, the aggregate notional amounts and a weighted average exchange rate for our undesignated forward exchange contracts were as follows (in millions, except weighted average exchange rate):

	Aggregate notional amount		Exchange rate
	Pay	Receive	
Undesignated forward exchange contracts	\$ 30	NOK 245	8.15

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued

(Unaudited)

Note 11—Postemployment Benefit Plans

The components of net periodic benefit costs, before tax, and funding contributions for our postemployment benefit plans were as follows (in millions):

	Three months ended March 31, 2018				Three months ended March 31, 2017			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Net periodic benefit costs								
Service cost	\$ —	\$ 2	\$ —	\$ 2	\$ 1	\$ 1	\$ —	\$ 2
Interest cost	15	3	—	18	16	3	—	19
Expected return on plan assets	(18)	(6)	—	(24)	(18)	(5)	—	(23)
Actuarial loss, net	2	1	—	3	1	—	—	1
Prior service cost, net	—	—	(1)	(1)	—	—	(1)	(1)
Net periodic benefit costs	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ (1)</u>	<u>\$ (2)</u>	<u>\$ —</u>	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ (2)</u>
Funding contributions	<u>\$ —</u>	<u>\$ 9</u>	<u>\$ 1</u>	<u>\$ 10</u>	<u>\$ 1</u>	<u>\$ 6</u>	<u>\$ 1</u>	<u>\$ 8</u>

Note 12—Earnings (Loss) Per Share

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

	Three months ended March 31,			
	2018		2017	
	Basic	Diluted	Basic	Diluted
Numerator for earnings (loss) per share				
Net income (loss) attributable to controlling interest	\$ (210)	\$ (210)	\$ 91	\$ 91
Undistributed earnings allocable to participating securities	—	—	(2)	(2)
Net income (loss) available to shareholders	<u>\$ (210)</u>	<u>\$ (210)</u>	<u>\$ 89</u>	<u>\$ 89</u>
Denominator for earnings (loss) per share				
Weighted-average shares outstanding	438	438	390	390
Effect of stock options and other share-based awards	—	—	—	—
Weighted-average shares for per share calculation	<u>438</u>	<u>438</u>	<u>390</u>	<u>390</u>
Per share earnings (loss)	<u>\$ (0.48)</u>	<u>\$ (0.48)</u>	<u>\$ 0.23</u>	<u>\$ 0.23</u>

In the three months ended March 31, 2018 and 2017, we excluded from the calculation 11.0 million and 1.9 million share-based awards, respectively, since the effect would have been anti-dilutive. In the three months ended March 31, 2018, we excluded from the calculation 56.3 million shares issuable upon conversion of the Exchangeable Bonds, since the effect would have been anti-dilutive.

Note 13—Commitments and Contingencies
Macondo well incident commitments and contingencies

Overview—On April 22, 2010, the ultra-deepwater floater *Deepwater Horizon* sank after a blowout of the Macondo well caused a fire and explosion on the rig off the coast of Louisiana. At the time of the explosion, *Deepwater Horizon* was contracted to an affiliate of BP plc (together with its affiliates, “BP”). Following the incident, we have been subject to civil and criminal claims, as well as causes of action, fines and penalties by local, state and federal governments. Litigation commenced shortly after the incident, and most claims against us were consolidated by the U.S. Judicial Panel on Multidistrict Litigation and transferred to the U.S. District Court for the Eastern District of Louisiana (the “MDL Court”). A significant portion of the contingencies arising from the Macondo well incident has now been resolved or is pending release of funds from escrow (see “—PSC Settlement Agreement”). As for any actions not resolved by our previous settlements, including any claims by individuals who opted out of the settlement agreement that we and the Plaintiff Steering Committee (the “PSC”) filed with the MDL Court in May 2015 (the “PSC Settlement Agreement”), we will vigorously defend those claims and pursue any and all defenses available.

We have recognized a liability for the remaining estimated loss contingencies associated with litigation resulting from the Macondo well incident that we believe are probable and for which a reasonable estimate can be made. At March 31, 2018 and December 31, 2017, the liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made was \$219 million, recorded in other current liabilities, the majority of which is related to our settlement with the PSC.

TRANSOCEAN LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued

(Unaudited)

Plea Agreement—Pursuant to the plea agreement (the “Plea Agreement”), one of our subsidiaries pled guilty to one misdemeanor count of negligently discharging oil into the U.S. Gulf of Mexico, in violation of the Clean Water Act, for which our subsidiary is no longer subject to probation. We also agreed to make an aggregate cash payment of \$400 million, including a criminal fine and certain cash contributions payable in scheduled installments. In the three months ended March 31, 2017, we made a cash payment of \$60 million, representing the final installment for our obligations under the Plea Agreement.

PSC Settlement Agreement—On May 29, 2015, together with the PSC, we filed the PSC Settlement Agreement with the MDL Court for approval. Through the PSC Settlement Agreement, we agreed to pay a total of \$212 million, plus up to \$25 million for partial reimbursement of attorneys’ fees, to be allocated between two classes of plaintiffs as follows: (1) 72.8 percent to private plaintiffs, businesses, and local governments who could have asserted punitive damages claims against us under general maritime law ; and (2) 27.2 percent to private plaintiffs who previously settled economic damages claims against BP and were assigned certain claims BP had made against us. In exchange for these payments, each of the classes agreed to release all respective claims it has against us. Thirty claimants elected to opt out of the PSC Settlement Agreement. In June 2016 and August 2015, we made a cash deposit of \$25 million and \$212 million, respectively, into escrow accounts established by the MDL Court for the settlement. On February 15, 2017, the MDL Court entered a final order and judgement approving the PSC Settlement Agreement, which is no longer subject to appeal. In November 2017, the MDL Court released \$25 million from the escrow accounts for payment of attorneys’ fees. At March 31, 2018 and December 31, 2017, the aggregate cash balance in escrow accounts was \$213 million and \$212 million, respectively, recorded in restricted cash accounts and investments.

Other legal proceedings

Asbestos litigation—In 2004, several of our subsidiaries were named, along with numerous other unaffiliated defendants, in complaints filed in the Circuit Courts of the State of Mississippi, and in 2014, a group of similar complaints were filed in Louisiana. The plaintiffs, former employees of some of the defendants, generally allege that the defendants used or manufactured asbestos containing drilling mud additives for use in connection with drilling operations, claiming negligence, products liability, strict liability and claims allowed under the Jones Act and general maritime law. The plaintiffs generally seek awards of unspecified compensatory and punitive damages, but the court-appointed special master has ruled that a Jones Act employer defendant, such as us, cannot be sued for punitive damages. At March 31, 2018, eight plaintiffs have claims pending in Louisiana in which we have or may have an interest. We intend to defend these lawsuits vigorously, although we can provide no assurance as to the outcome. We historically have maintained broad liability insurance, although we are not certain whether insurance will cover the liabilities, if any, arising out of these claims. Based on our evaluation of the exposure to date, we do not expect the liability, if any, resulting from these claims to have a material adverse effect on our condensed consolidated statement of financial position, results of operations or cash flows.

One of our subsidiaries has been named as a defendant, along with numerous other companies, in lawsuits arising out of the subsidiary’s manufacture and sale of heat exchangers, and involvement in the construction and refurbishment of major industrial complexes alleging bodily injury or personal injury as a result of exposure to asbestos. As of March 31, 2018, the subsidiary was a defendant in approximately 98 lawsuits with a corresponding number of plaintiffs. For many of these lawsuits, we have not been provided with sufficient information from the plaintiffs to determine whether all or some of the plaintiffs have claims against the subsidiary, the basis of any such claims, or the nature of their alleged injuries. The operating assets of the subsidiary were sold and its operations were discontinued in 1989, and the subsidiary has no remaining assets other than insurance policies, rights and proceeds, including (i) certain policies subject to litigation and (ii) certain rights and proceeds held directly or indirectly through a qualified settlement fund. The subsidiary has in excess of \$1.0 billion in insurance limits potentially available to the subsidiary. Although not all of the policies may be fully available due to the insolvency of certain insurers, we believe that the subsidiary will have sufficient funding directly or indirectly, including from settlements and payments from insurers, assigned rights from insurers and coverage-in-place settlement agreements with insurers to respond to these claims. While we cannot predict or provide assurance as to the outcome of these matters, we do not expect the ultimate liability, if any, resulting from these claims to have a material adverse effect on our condensed consolidated statement of financial position, results of operations or cash flows.

Rio de Janeiro tax assessment—In the year ended December 31, 2006, the state tax authorities of Rio de Janeiro in Brazil issued to one of our subsidiaries tax assessments on equipment imported into the state in connection with our operations, resulting from a preliminary finding by these authorities that our record keeping practices were deficient. At March 31, 2018, the aggregate tax assessment was for BRL 534 million, equivalent to approximately \$162 million, including interest and penalties. In September 2006, we filed an initial response refuting these tax assessments, and, in September 2007, the state tax authorities confirmed that they believe the tax assessments are valid. On September 27, 2007, we filed an appeal with the state Taxpayer’s Council contesting the assessments. In November 2017, the Third Chamber of the Taxpayer’s Council for administrative proceedings ruled in our favor on the validity of the initial tax claims. The ruling is subject to appeal by the state tax authorities. While we cannot predict or provide assurance as to the final outcome of these proceedings, we do not expect it to have a material adverse effect on our condensed consolidated statement of financial position, results of operations or cash flows.

Nigerian Cabotage Act litigation—In October 2007, three of our subsidiaries were each served a Notice and Demand from the Nigeria Maritime Administration and Safety Agency, imposing a two percent surcharge on the value of all contracts performed by us in

TRANSOCEAN LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued

(Unaudited)

Nigeria pursuant to the Coastal and Inland Shipping (Cabotage) Act 2003 (the “Cabotage Act”). Our subsidiaries each filed an originating summons in the Federal High Court in Lagos challenging the imposition of this surcharge on the basis that the Cabotage Act and associated levy is not applicable to drilling rigs. The respondents challenged the competence of the suits on several procedural grounds. The court upheld the objections and dismissed the suits. In December 2010, our subsidiaries filed a new joint Cabotage Act suit. While we cannot predict or provide assurance as to the outcome of these proceedings, we do not expect the proceedings to have a material adverse effect on our condensed consolidated statement of financial position, results of operations or cash flows.

Global Marine litigation—On November 28, 2017, Wilmington Trust Company, in its capacity as trustee, filed a lawsuit in the Supreme Court of the State of New York, County of New York, against Global Marine Inc. (“Global Marine”), one of our wholly owned, indirect subsidiaries, seeking a declaratory judgment that Global Marine is in default under the indenture governing its \$300 million of outstanding 7.00% Notes due June 2028. We disagree with the assertions in the lawsuit and believe that Global Marine is in compliance with the indenture and has meritorious defenses against these allegations, although it can make no assurance regarding the outcome of the lawsuit, including the actual amount that would be due in the event that the lawsuit is successful. The notes are neither guaranteed by, nor recourse to, Transocean Ltd. or our other subsidiaries. The claimants seek payment prior to the scheduled maturity of the principal amount of notes outstanding and accrued but unpaid interest as well as make-whole amounts under the indenture. In addition, the acceleration of the amounts due under the indenture could, absent a waiver from the requisite lenders, result in an event of default under our currently undrawn Five -Year Revolving Credit Facility. We intend to vigorously defend the lawsuit. While we cannot predict or provide assurance as to the outcome of these proceedings, we do not expect the proceedings to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Other matters—We are involved in various tax matters, various regulatory matters, and a number of claims and lawsuits, asserted and unasserted, all of which have arisen in the ordinary course of our business. We do not expect the liability, if any, resulting from these other matters to have a material adverse effect on our condensed consolidated statement of financial position, results of operations or cash flows. We cannot predict with certainty the outcome or effect of any of the litigation matters specifically described above or of any such other pending, threatened, or possible litigation or liability. We can provide no assurance that our beliefs or expectations as to the outcome or effect of any tax, regulatory, lawsuit or other litigation matter will prove correct and the eventual outcome of these matters could materially differ from management’s current estimates.

Other environmental matters

Hazardous waste disposal sites—We have certain potential liabilities under the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”) and similar state acts regulating cleanup of various hazardous waste disposal sites, including those described below. CERCLA is intended to expedite the remediation of hazardous substances without regard to fault. Potentially responsible parties (“PRPs”) for each site include present and former owners and operators of, transporters to and generators of the substances at the site. Liability is strict and can be joint and several.

We have been named as a PRP in connection with a site located in Santa Fe Springs, California, known as the Waste Disposal, Inc. site. We and other PRPs have agreed with the Environmental Protection Agency (the “EPA”) and the DOJ to settle our potential liabilities for this site by agreeing to perform the remaining remediation required by the EPA. The parties to the settlement have entered into a participation agreement, which makes us liable for approximately eight percent of the remediation and related costs. The remediation is complete, and we believe our share of the future operation and maintenance costs of the site is not material. There are additional potential liabilities related to the site, but these cannot be quantified, and we have no reason at this time to believe that they will be material.

One of our subsidiaries has been ordered by the California Regional Water Quality Control Board (“CRWQCB”) to develop a testing plan for a site known as Campus 1000 Fremont in Alhambra, California, which is now a part of the San Gabriel Valley, Area 3, Superfund site. We were also advised that one or more of our subsidiaries that formerly owned and operated the site would likely be named by the EPA as PRPs. The current property owner, an unrelated party, performed the required testing and detected no contaminants. In discussions with CRWQCB staff, we were advised of their intent to issue us a “no further action” letter, but it has not yet been received. Based on the test results, we would contest any potential liability. We have no knowledge at this time of the potential cost of any remediation, who else will be named as PRPs, and whether in fact any of our subsidiaries is a responsible party. The subsidiaries in question do not own any operating assets and have limited ability to respond to any liabilities.

Resolutions of other claims by the EPA, the involved state agency or PRPs are at various stages of investigation. These investigations involve determinations of (a) the actual responsibility attributed to us and the other PRPs at the site, (b) appropriate investigatory or remedial actions and (c) allocation of the costs of such activities among the PRPs and other site users. Our ultimate financial responsibility in connection with those sites may depend on many factors, including (i) the volume and nature of material, if any, contributed to the site for which we are responsible, (ii) the number of other PRPs and their financial viability and (iii) the remediation methods and technology to be used.

It is difficult to quantify with certainty the potential cost of these environmental matters, particularly in respect of remediation obligations. Nevertheless, based upon the information currently available, we believe that our ultimate liability arising from all

TRANSOCEAN LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued

(Unaudited)

environmental matters, including the liability for all other related pending legal proceedings, asserted legal claims and known potential legal claims that are likely to be asserted, is adequately accrued and should not have a material effect on our condensed consolidated statement of financial position, results of operations or cash flows.

Note 14—Financial Instruments

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

	March 31, 2018		December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	\$ 2,712	\$ 2,712	\$ 2,519	\$ 2,519
Short-term investments	150	150	450	450
Restricted cash and cash equivalents	494	494	456	456
Restricted investments	7	7	33	33
Long-term debt, including current maturities	9,855	9,941	7,396	7,538
Derivative instruments, assets	18	18	—	—

We estimated the fair value of each class of financial instruments, for which estimating fair value is practicable, by applying the following methods and assumptions:

Cash and cash equivalents—The carrying amount of our cash and cash equivalents represents the historical cost, plus accrued interest. Our cash equivalents are primarily invested in short-term time deposits and money market funds. The carrying amount of our cash and cash equivalents approximates fair value because of the short maturities of the instruments. At March 31, 2018 and December 31, 2017, the aggregate carrying amount of our cash equivalents was \$2.0 billion and \$2.1 billion, respectively.

Short-term investments—The carrying amount of our unrestricted short-term investments represents the historical cost of the time deposits in which they are invested. The carrying amount of such short-term investments approximates fair value because of the near-term maturities of the instruments.

Restricted cash and cash equivalents—The carrying amount of our restricted cash and cash equivalents, which are subject to restrictions due to collateral requirements, legislation, regulation or court order, approximates fair value due to the near-term maturities of the instruments in which the restricted balances are held. At March 31, 2018, the aggregate carrying amount of such restricted cash and cash equivalents was \$494 million, including \$484 million and \$10 million recorded in current assets and other assets, respectively. At December 31, 2017, the aggregate carrying amount of such restricted cash and cash equivalents was \$456 million, including \$440 million and \$16 million recorded in current assets and other assets, respectively.

Restricted investments—The carrying amount of our restricted investments, which are pledged for security of certain other credit arrangements, represents the amortized historical cost of the investment. The carrying amount of such restricted investments approximates fair value because of the near-term maturities of the instruments. At March 31, 2018, the aggregate carrying amount of the restricted cash investments was \$7 million, recorded in other assets. At December 31, 2017, the aggregate carrying amount of the restricted cash investments was \$26 million and \$7 million, recorded in current assets and other assets, respectively.

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

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

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

Forward-Looking Information

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

- § our results of operations, our revenue efficiency and other performance indicators and our cash flow from operations;
- § the offshore drilling market, including the effects of declines in commodity prices, supply and demand, utilization rates, dayrates, customer drilling programs, stacking and reactivation of rigs, effects of new rigs on the market, the impact of changes to regulations in the jurisdictions in which we operate and changes in the global economy or market outlook for our various geographical operating sectors and classes of rigs;
- § customer drilling contracts, including contract backlog, force majeure provisions, contract awards, commencements, extensions, terminations, contract option exercises, contract revenues, early termination payments, indemnity provisions and rig mobilizations;
- § liquidity, including availability under our bank credit agreement, and adequacy of cash flows for our obligations;
- § regulatory or other limitations imposed as a result of the acquisition of Songa Offshore SE, a European public company limited by shares, or *societas Europaea*, existing under the laws of Cyprus ("Songa");
- § the success of our business following completion of the Songa acquisition;
- § the ability to successfully integrate our business with the Songa business;
- § the risk that we may be unable to achieve expected synergies from our acquisition of Songa or that it may take longer or be more costly than expected to achieve those synergies;
- § extension or replacement of our Five-Year Revolving Credit Facility before the expiration of the underlying bank credit agreement;
- § debt levels, including impacts of a financial and economic downturn, and interest rates;
- § newbuild, upgrade, shipyard and other capital projects, including completion, delivery and commencement of operation dates, expected downtime and lost revenue, the level of expected capital expenditures and the timing and cost of completion of capital projects;
- § the cost and timing of acquisitions and the proceeds and timing of dispositions;
- § the optimization of rig-based spending;
- § tax matters, including our effective tax rate, changes in tax laws, treaties and regulations, tax assessments and liabilities for tax issues, including those associated with our activities in Brazil, Nigeria, Norway, the United Kingdom ("U.K.") and the U.S.;
- § legal and regulatory matters, including results and effects of legal proceedings and governmental audits and assessments, outcomes and effects of internal and governmental investigations, customs and environmental matters;
- § insurance matters, including adequacy of insurance, renewal of insurance, insurance proceeds and cash investments of our wholly owned captive insurance company;
- § effects of accounting changes and adoption of accounting policies; and
- § investment in recruitment, retention and personnel development initiatives, defined benefit pension plan contributions, the timing of severance payments and benefit payments.

Forward-looking statements in this quarterly report are identifiable by use of the following words and other similar expressions:

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

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

- § those described under "Item 1A. Risk Factors" included in Part I of our annual report on Form 10-K for the year ended December 31, 2017;
- § the adequacy of and access to sources of liquidity;
- § our inability to obtain drilling contracts for our rigs that do not have contracts;
- § our inability to renew drilling contracts at comparable dayrates;
- § operational performance;
- § the cancellation of drilling contracts currently included in our reported contract backlog;
- § losses on impairment of long-lived assets;
- § shipyard, construction and other delays;
- § the results of meetings of our shareholders;
- § changes in political, social and economic conditions;
- § the effect and results of litigation, regulatory matters, settlements, audits, assessments and contingencies; and
- § other factors discussed in this quarterly report and in our other filings with the U.S. Securities and Exchange Commission ("SEC"), which are available free of charge on the SEC website at www.sec.gov.

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

beliefs with regard to the statement or any change in events, conditions or circumstances on which any forward-looking statement is based, except as required by law.

Business

Transocean Ltd. (together with its subsidiaries and predecessors, unless the context requires otherwise, “Transocean”, “we,” “us” or “our”) is a leading international provider of offshore contract drilling services for oil and gas wells. As of April 24, 2018, we owned or had partial ownership interests in and operated 47 mobile offshore drilling units, including 27 ultra-deepwater floaters, 12 harsh environment floaters, two deepwater floaters and six midwater floaters. We also operate one high-specification jackup that was under a drilling contract when the rig was sold, and we continue to operate the rig until completion or novation of the drilling contract. At April 24, 2018, we are constructing two additional ultra-deepwater drillships. See “—Significant Events.”

We provide contract drilling services in a single, global operating segment, which involves contracting our mobile offshore drilling fleet, related equipment and work crews primarily on a dayrate basis to drill oil and gas wells. We specialize in technically demanding regions of the offshore drilling business with a particular focus on ultra-deepwater and harsh environment drilling services. We believe our drilling fleet is one of the most versatile fleets in the world, consisting of drillships and semisubmersible floaters used in support of offshore drilling activities and offshore support services on a worldwide basis.

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

Significant Events

Business combination—On January 30, 2018, we acquired an approximate 97.7 percent ownership interest in Songa. On March 28, 2018, we acquired the remaining shares not owned by us through a compulsory acquisition under Cyprus law, and as a result, Songa became our wholly owned subsidiary. In connection with these transactions, we issued 68.0 million shares and \$863 million aggregate principal amount of 0.50% exchangeable senior bonds due January 30, 2023 (the “Exchangeable Bonds”). As a result of the acquisition, we acquired seven mobile offshore drilling units, including five harsh environment floaters and two midwater floaters. See Notes to Condensed Consolidated Financial Statements—Note 4—Business Combination and “—Liquidity and Capital Resources—Sources and uses of liquidity.”

Fleet expansion—In February 2018, we completed the construction of and placed into service the ultra-deepwater floater *Deepwater Poseidon*. See “—Liquidity and Capital Resources—Drilling fleet.”

Dispositions—During the three months ended March 31, 2018, we completed the sale of three ultra-deepwater floaters, along with related equipment, for which we received aggregate net cash proceeds of \$12 million. See “—Operating Results” and “—Liquidity and Capital Resources—Drilling Fleet.”

Outlook

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

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

As of April 18, 2018, our contract backlog was \$12.5 billion compared to \$12.8 billion as of February 19, 2018. The risks of drilling project delays, contract renegotiations and contract terminations and cancellations have diminished.

Fleet status—We refer to the availability of our rigs in terms of the uncommitted fleet rate. The uncommitted fleet rate is defined as the number of uncommitted days divided by the total number of rig calendar days in the measurement period, expressed as a percentage. An uncommitted day is defined as a calendar day during which a rig is idle or stacked, is not contracted to a customer and is not committed to a shipyard. The uncommitted fleet rates exclude the effect of priced options. As of April 18, 2018, the uncommitted fleet rates for the remainder of 2018 and each of the four years in the period ending December 31, 2022 were as follows:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Uncommitted fleet rate					
Ultra-deepwater floaters	68 %	69 %	81 %	83 %	86 %
Harsh environment floaters	50 %	59 %	55 %	58 %	64 %
Deepwater floaters	46 %	100 %	100 %	100 %	100 %
Midwater floaters	85 %	93 %	100 %	100 %	100 %

Performance and Other Key Indicators

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

The contract backlog represents the maximum contract drilling revenues that can be earned considering the contractual operating dayrate in effect during the firm contract period and represents the basis for the maximum revenues in our revenue efficiency measurement. To determine maximum revenues for purposes of calculating revenue efficiency, however, we include the revenues earned for mobilization, demobilization and contract preparation, other incentive provisions or cost escalation provisions, which are excluded from the amounts presented for contract backlog. The contract backlog for our fleet was as follows:

	<u>April 18, 2018</u>	<u>February 19, 2018</u>	<u>October 26, 2017</u>
Contract backlog		(In millions)	
Ultra-deepwater floaters	\$ 8,142	\$ 8,367	\$ 8,664
Harsh environment floaters	4,163	4,269	450
Deepwater floaters	81	105	155
Midwater floaters	48	60	83
High-specification jackups	25	38	71
Total contract backlog	<u>\$ 12,459</u>	<u>\$ 12,839</u>	<u>\$ 9,423</u>

Our contract backlog includes only firm commitments, which are represented by signed drilling contracts or, in some cases, by other definitive agreements awaiting contract execution. Our contract backlog includes amounts associated with our newbuild units that are currently under construction. The contractual operating dayrate may be higher than the actual dayrate we ultimately receive or an alternative contractual dayrate, such as a waiting-on-weather rate, repair rate, standby rate or force majeure rate, may apply under certain circumstances. The contractual operating dayrate may also be higher than the actual dayrate we ultimately receive because of a number of factors, including rig downtime or suspension of operations. In certain contracts, the dayrate may be reduced to zero if, for example, repairs extend beyond a stated period of time.

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

The contract backlog for high-specification jackups represents the backlog for one high-specification jackup that was under contract when we sold the rig, and we continue to operate such rig until completion or novation of the respective drilling contract. See “—Operating Results” and “—Liquidity and Capital Resources—Drilling Fleet.”

In February 2018, after experiencing equipment breakdown that could not be repaired timely, we and our customer mutually agreed to amend the drilling contract for *Transocean Leader* at a reduced dayrate and for reduced duration, which resulted in the removal of approximately \$112 million from the contract backlog for harsh environment floaters, as presented above.

Average daily revenue—Average daily revenue is defined as contract drilling revenues, excluding revenues for contract terminations and reimbursements, earned per operating day. An operating day is defined as a calendar day during which a rig is contracted to earn a dayrate during the firm contract period after commencement of operations. The average daily revenue for our fleet was as follows:

	Three months ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Average daily revenue			
Ultra-deepwater floaters	\$ 381,600	\$ 440,000	\$ 519,900
Harsh environment floaters	\$ 279,100	\$ 202,900	\$ 276,700
Deepwater floaters	\$ 193,400	\$ 202,400	\$ 192,000
Midwater floaters	\$ 111,500	\$ 90,300	\$ 92,300
High-specification jackups	\$ 150,000	\$ 145,500	\$ 141,200
Total fleet average daily revenue	\$ 287,600	\$ 296,700	\$ 337,700

Our average daily revenue fluctuates relative to market conditions and our revenue efficiency. The average daily revenue may also be affected by revenues for lump sum bonuses or demobilization fees received from our customers and is reduced by the amortization of the contract intangible assets acquired in the Songa acquisition. Our total fleet average daily revenue is also affected by the mix of rig classes being operated, as deepwater floaters, midwater floaters and high-specification jackups are typically contracted at lower dayrates compared to ultra-deepwater floaters and harsh environment floaters. We include newbuilds in the calculation when the rigs commence operations upon acceptance by the customer. We remove rigs from the calculation upon disposal or classification as held for sale, except when we continue to operate rigs subsequent to sale, as we do with one of the high-specification jackups sold in May 2017.

Revenue efficiency—Revenue efficiency is defined as actual contract drilling revenues, excluding revenues for contract terminations and reimbursements, for the measurement period divided by the maximum revenue calculated for the measurement period, expressed as a percentage. Maximum revenue is defined as the greatest amount of contract drilling revenues, excluding revenues for contract terminations and reimbursements, the drilling unit could earn for the measurement period, excluding amounts related to incentive provisions. The revenue efficiency rates for our fleet were as follows:

	Three months ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Revenue efficiency			
Ultra-deepwater floaters	88 %	91 %	98 %
Harsh environment floaters	95 %	95 %	97 %
Deepwater floaters	93 %	96 %	93 %
Midwater floaters	97 %	96 %	91 %
High-specification jackups	99 %	99 %	104 %
Total fleet average revenue efficiency	92 %	92 %	98 %

Our revenue efficiency rate varies due to revenues earned under alternative contractual dayrates, such as a waiting-on-weather rate, repair rate, standby rate, force majeure rate or zero rate, that may apply under certain circumstances. We include newbuilds in the calculation when the rigs commence operations upon acceptance by the customer. We exclude rigs that are not operating under contract, such as those that are stacked.

Rig utilization—Rig utilization is defined as the total number of operating days divided by the total number of rig calendar days in the measurement period, expressed as a percentage. The rig utilization rates for our fleet were as follows:

	Three months ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Rig utilization			
Ultra-deepwater floaters	35 %	39 %	36 %
Harsh environment floaters	84 %	80 %	70 %
Deepwater floaters	100 %	100 %	67 %
Midwater floaters	38 %	50 %	27 %
High-specification jackups	97 %	100 %	50 %
Total fleet average rig utilization	52 %	53 %	43 %

Our rig utilization rate declines as a result of idle and stacked rigs and during shipyard and mobilization periods to the extent these rigs are not earning revenues. We include newbuilds in the calculation when the rigs commence operations upon acceptance by the customer. We remove rigs from the calculation upon disposal, classification as held for sale or classification as discontinued operations. Accordingly, our rig utilization can increase when idle or stacked units are removed from our drilling fleet.

Operating Results

Three months ended March 31, 2018 compared to the three months ended March 31, 2017

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

	Three months ended March 31,		Change	% Change
	2018	2017		
	(In millions, except day amounts and percentages)			
Operating days	2,153	2,187	(34)	(2)%
Average daily revenue	\$ 287,600	\$ 337,700	\$ (50,100)	(15)%
Revenue efficiency	92 %	98 %		
Rig utilization	52 %	43 %		
Contract drilling revenues	\$ 664	\$ 738	\$ (74)	(10)%
Other revenues	—	47	(47)	nm
Operating and maintenance expense	(424)	(347)	(77)	(22)%
Depreciation expense	(202)	(232)	30	13 %
General and administrative expense	(47)	(39)	(8)	(21)%
Gain on disposal of assets, net	5	2	3	nm
Operating income (loss)	(4)	169	(173)	nm
Other income (expense), net				
Interest income	12	6	6	nm
Interest expense, net of amounts capitalized	(147)	(127)	(20)	(16)%
Other, net	(10)	7	(17)	nm
Income (loss) before income tax expense	(149)	55	(204)	nm
Income tax (expense) benefit	(63)	40	(103)	nm
Net income (loss)	\$ (212)	\$ 95	\$ (307)	nm

“nm” means not meaningful.

Contract drilling revenues—Contract drilling revenues decreased for the three months ended March 31, 2018, compared to the three months ended March 31, 2017, primarily due to the following: (a) approximately \$100 million resulting from lower dayrates, (b) approximately \$80 million resulting from a greater number of rigs idle or stacked, (c) approximately \$60 million resulting from lower activity across the fleet, (d) approximately \$45 million resulting from lower revenue efficiency and (e) approximately \$40 million resulting from rigs sold or classified as held for sale. These decreases were partially offset by the following: (a) approximately \$84 million resulting from the Songa acquisition, (b) approximately \$75 million resulting from our newbuild ultra-deepwater drillship that commenced operations subsequent to January 1, 2017, (c) approximately \$60 million resulting from the reactivation of one rig, (d) approximately \$38 million resulting from contract early terminations and cancellations and (e) approximately \$26 million of reimbursement revenues.

Other revenues for the three months ended March 31, 2017 included revenues of \$37 million resulting from contract early terminations and cancellations and \$10 million of reimbursement revenues. For the three months ended March 31, 2018, these activities are presented in contract drilling revenues as part of our single performance obligation.

Costs and expenses—Operating and maintenance costs and expenses increased for the three months ended March 31, 2018, compared to the three months ended March 31, 2017, primarily due to the following: (a) approximately \$50 million resulting from operations acquired in the Songa acquisition, (b) approximately \$35 million resulting from the reactivation of three rigs, (c) approximately \$20 million resulting from our newbuild ultra-deepwater drillship that commenced operations subsequent to January 1, 2017 and (d) approximately \$15 million resulting from increased reimbursable costs. These increases were partially offset by: (a) approximately \$30 million resulting from a greater number of rigs idle or stacked and (b) approximately \$20 million resulting from rigs sold or classified as held for sale.

Depreciation expense decreased for the three months ended March 31, 2018, compared to the three months ended March 31, 2017, primarily due to the following: (a) approximately \$44 million resulting from rigs sold or classified as held for sale and (b) approximately \$8 million resulting from the retirement or full depreciation of certain assets. These decreases were partially offset by: (a) approximately \$14 million related to the harsh environment floaters acquired in connection with our acquisition of Songa and (b) approximately \$12 million resulting from our newbuild ultra-deepwater drillships placed into service subsequent to March 31, 2017.

General and administrative expense increased primarily due to \$7 million of acquisition costs incurred in connection with our acquisition of Songa in the three months ended March 31, 2018.

Gain on disposal of assets—In the three months ended March 31, 2018 and 2017, we recognized an aggregate net gain of \$5 million and less than \$1 million, respectively, associated with the disposal of assets unrelated to rig sales. In the three months ended March 31, 2017, we recognized an aggregate net gain of \$2 million associated with the sale of one midwater floater, along with related assets.

Other income and expense—Interest expense, net of amounts capitalized, increased in the three months ended March 31, 2018, compared to the three months ended March 31, 2017, primarily due to the following: (a) approximately \$20 million of increased interest expense resulting from debt issued subsequent to March 31, 2017, (b) approximately \$19 million of increased interest expense resulting from reduced interest costs capitalized for our newbuild ultra-deepwater drillships that commenced operations subsequent to March 31, 2017 and (c) approximately \$11 million of increased interest expense resulting from the debt and related undesignated derivative instruments issued or assumed in connection with our acquisition of Songa in the three months ended March 31, 2018. Partially offsetting these increases was approximately \$32 million of decreased interest expense resulting from the retirement of debt.

Other expenses, net, increased in the three months ended March 31, 2018, compared to the three months ended March 31, 2017, primarily related to the following: (a) a loss of \$17 million associated with currency exchange, primarily resulting from undesignated derivative instruments acquired in the Songa acquisition, partially offset by (b) a gain of \$3 million associated with the fair value adjustments of undesignated interest rate swaps acquired in the Songa acquisition.

Income tax expense—We operate internationally and provide for income taxes based on the tax laws and rates in the countries in which we operate and earn income. In the three months ended March 31, 2018 and 2017, our effective tax rate was (42.2) percent and (73.0) percent, respectively, based on income or loss before income tax expense. In the three months ended March 31, 2018 and 2017, the effect of the various discrete period tax items was a net tax benefit of \$1 million and \$77 million, respectively. In the three months ended March 31, 2018, such discrete items were primarily related to the tax benefit of changes in unrecognized tax benefits associated with tax positions taken in prior years and remeasurement of the deferred tax assets for a tax rate change. In the three months ended March 31, 2017, such discrete items were primarily related to the tax benefit of changes in unrecognized tax benefits associated with tax positions taken in prior years and valuation allowances on deferred tax assets for losses not expected to be realized. In the three months ended March 31, 2018 and 2017, our effective tax rate, excluding discrete items, was (42.8) percent and 82.1 percent, respectively, based on income or loss before income tax expense. In the three months ended March 31, 2018 compared to the three months ended March 31, 2017, our effective tax rate decreased primarily due to changes in the relative blend of income from operations in certain jurisdictions, partially offset by the U.S. base erosion and anti-abuse tax.

In December 2017, the United States (“U.S.”) enacted the 2017 Tax Act, which includes a number of changes to existing U.S. tax laws that have an impact on our income tax provision, most notably a reduction of the U.S. corporate income tax rate and the creation of a territorial tax system with a one-time mandatory tax on certain unremitted earnings and profits of the foreign subsidiaries of our U.S. subsidiaries. The 2017 Tax Act also makes prospective changes beginning in 2018, including a base erosion and anti-abuse tax, a global intangible low-taxed income tax, additional limitations on the deductibility of executive compensation, limitations on the deductibility of interest, and repeal of the domestic manufacturing deduction. We are still analyzing certain aspects of the 2017 Tax Act and refining our calculations which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts.

Due to a number of factors related to our operating activities and organizational structure, our income tax expense does not change proportionally with our income before income taxes. Significant decreases in our income before income taxes typically lead to higher effective tax rates, while significant increases in income before income taxes can lead to lower effective tax rates, subject to the other factors impacting income tax expense noted above. With respect to the effective tax rate calculation for the three months ended March 31, 2018, a significant portion of our income tax expense was generated in countries in which income taxes are imposed on gross revenues, with the most significant of these countries being Angola and India. Conversely, the countries in which we incurred the most significant income taxes during this period that were based on income before income tax include Brazil, Switzerland, Norway, the U.K. and the U.S. Our rig operating structures further complicate our tax calculations, especially in instances where we have more than one operating structure for the particular taxing jurisdiction and, thus, more than one method of calculating taxes depending on the operating structure utilized by the rig under the contract. For example, two rigs operating in the same country could generate significantly different provisions for income taxes if they are owned by two different subsidiaries that are subject to differing tax laws and regulations in the respective country of incorporation.

Liquidity and Capital Resources

Sources and uses of cash

At March 31, 2018, we had \$2.7 billion in unrestricted cash and cash equivalents, \$150 million in unrestricted short-term investments and \$494 million in restricted cash and cash equivalents. In the three months ended March 31, 2018, our primary sources of cash were proceeds from maturities of short-term investments, unrestricted and restricted cash acquired in our business combination and our cash flows from operating activities, including cash proceeds from customers for early terminations or cancellations of drilling contracts. Our primary uses of cash were capital expenditures, primarily associated with our newbuild construction projects and our acquisition of Songa.

	Three months ended March 31,		Change
	2018	2017	
	(In millions)		
Cash flows from operating activities			
Net income (loss)	\$ (212)	\$ 95	\$ (307)
Contract intangible asset amortization	19	—	19
Depreciation	202	232	(30)
Deferred income tax benefit	(3)	(19)	16
Other non-cash items, net	18	15	3
Changes in deferred revenues and costs, net	(19)	(52)	33
Changes in other operating assets and liabilities, net	98	(90)	188
	<u>\$ 103</u>	<u>\$ 181</u>	<u>\$ (78)</u>

Net cash provided by operating activities decreased primarily due to reduced operating activities.

	Three months ended March 31,		Change
	2018	2017	
	(In millions)		
Cash flows from investing activities			
Capital expenditures	\$ (53)	\$ (122)	\$ 69
Proceeds from disposal of assets, net	13	4	9
Unrestricted and restricted cash acquired in business combination	131	—	131
Proceeds from maturities of short-term investments, net of deposits	300	—	300
Other, net	(15)	—	(15)
	<u>\$ 376</u>	<u>\$ (118)</u>	<u>\$ 494</u>

Net cash provided by investing activities increased primarily due to (a) proceeds from maturities of short-term investments, net of deposits, (b) unrestricted and restricted cash acquired in the Songa acquisition and (c) reduced capital expenditures, primarily associated with our major construction projects.

	Three months ended March 31,		Change
	2018	2017	
	(In millions)		
Cash flows from financing activities			
Repayments of debt	(168)	(72)	(96)
Proceeds from investments restricted for financing activities	26	50	(24)
Payments to terminate derivative instruments	(92)	—	(92)
Other, net	(14)	(3)	(11)
	<u>\$ (248)</u>	<u>\$ (25)</u>	<u>\$ (223)</u>

Net cash used in financing activities increased primarily due to (a) increased cash used to repay debt, primarily due to scheduled installments and early retirements of debt assumed in the Songa acquisition, and (b) cash used to settle and terminate certain derivative instruments acquired in the Songa acquisition.

Sources and uses of liquidity

Overview—We expect to use existing unrestricted cash balances and short-term investments, internally generated cash flows, borrowings under our existing bank credit agreement, proceeds from the disposal of assets or proceeds from the issuance of additional debt to fulfill anticipated obligations, which may include capital expenditures, working capital and other operational requirements, scheduled debt maturities or other payments. We may also consider establishing additional financing arrangements with banks or other capital providers. Subject to market conditions and other factors, we may also be required to provide collateral for future financing arrangements. In each case subject to then existing market conditions and to our then expected liquidity needs, among other factors, we may continue to use a portion of our internally generated cash flows and proceeds from asset sales to reduce debt prior to scheduled maturities through debt repurchases, either in the open market or in privately negotiated transactions, or through debt redemptions or tender offers.

Our access to debt and equity markets may be limited due to a variety of events, including, among others, credit rating agency downgrades of our debt ratings, industry conditions, general economic conditions, market conditions and market perceptions of us and our industry. The rating of our non-credit enhanced senior unsecured long-term debt (“Debt Rating”) are below investment grade. Such Debt Rating has caused us to experience increased fees under our credit facility and interest rates under agreements governing certain of our senior notes. Further downgrades may affect or limit our ability to access debt markets in the future. Our ability to access such markets may be severely restricted at a time when we would like, or need, to access such markets, which could have an impact on our flexibility to react to changing economic and business conditions. An economic downturn could have an impact on the lenders participating in our credit facilities or on our customers, causing them to fail to meet their obligations to us.

Our internally generated cash flows are directly related to our business and the market sectors in which we operate. Should the drilling market deteriorate, or should we experience poor results in our operations, cash flows from operations may be reduced. We have, however, continued to generate positive cash flows from operating activities over recent years and expect that such cash flows will continue to be positive over the next year.

Share issuances—On January 30, 2018, we acquired an approximate 97.7 percent ownership interest in Songa. On March 28, 2018, we acquired the remaining shares not owned by us through a compulsory acquisition under Cyprus law, and as a result, Songa became our wholly owned subsidiary. In connection with these transactions, we issued 68.0 million shares.

Debt issuances—In connection with the Songa acquisition transactions, we also issued \$863 million aggregate principal amount of Exchangeable Bonds as partial consideration for the acquisition of the acquired Songa shares and partial settlement of certain Songa indebtedness. We will pay interest on the Exchangeable Bonds semiannually, commencing July 30, 2018. Holders of the Exchangeable Bonds may convert the notes into shares of Transocean Ltd. under certain circumstances at a rate of 97.29756 shares per \$1,000 note, equivalent to a conversion price of \$10.28 per share, subject to adjustment due to the occurrence of certain events.

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

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

On October 19, 2016 and December 8, 2016, we completed an offering of \$600 million aggregate principal amount of 7.75% Senior Secured Notes and \$625 million of the 6.25% Senior Secured Notes, respectively, and we received aggregate cash proceeds of \$583 million and \$609 million, respectively, net of initial discount and costs payable by us. The indentures that govern the 7.75% Senior Secured Notes and the 6.25% Senior Secured Notes contain covenants that limit the ability of our subsidiaries that own or operate *Deepwater Thalassa* and *Deepwater Proteus* to declare or pay dividends to affiliates and impose a maximum collateral rig leverage ratio (“Maximum Collateral Ratio”), represented by each rig’s earnings relative to the debt balance, that changes over the terms of the notes. At December 31, 2016, the Maximum Collateral Ratio under both indentures was 5.75:1.00, and the collateral leverage ratio of each subsidiary was less than 5.00:1.00.

Debt assumption—In connection with the Songa acquisition, we assumed rights and obligations under credit agreements establishing two senior secured term loan facilities (together, the “Senior Secured Term Loan Facilities”) and a subscription agreement establishing a junior secured bond facility (the “Junior Secured Bonds”). The credit agreements and the subscription agreement contain covenants that, among other things, require us to maintain the following: (a) minimum amounts of liquidity, working capital and equity and (b) minimum ratios of leverage, equity, interest coverage and asset value-to-loan coverage. The credit agreements and the subscription agreement for the assumed debt contain change of control clauses. For the Senior Secured Term Loan Facilities, we received waivers from the lenders, which expire on August 31, 2018. We intend to restructure the existing credit agreements or retire the borrowings through new financing arrangements with commercial banks or capital market sources. We also have available credit under the Five-Year Revolving Credit Facility. Economic conditions could impact the availability of these sources of funding. On February 12, 2018, we served

notice of our intent to call the borrowings under the Junior Secured Bonds, effective August 12, 2018. At April 24, 2018, the aggregate borrowings outstanding under the Senior Secured Term Loan Facilities and the Junior Secured Bonds was \$1.5 billion and \$177 million, respectively.

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

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

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

In the year ended December 31, 2017, we repurchased in the open market \$156 million aggregate principal amount of our debt securities for an aggregate cash payment of \$157 million.

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

Derivative instruments—In connection with the acquisition of Songa, we acquired certain currency swaps, which were previously designated as a cash flow hedge associated with the Songa Bonds, which were denominated in Norwegian kroner. In February 2018, we terminated and settled the currency swaps for an aggregate cash payment of \$92 million.

Revolving credit facility—In June 2014, we entered into an amended and restated bank credit agreement, which established a \$3.0 billion unsecured five-year revolving credit facility, that is scheduled to expire on June 28, 2019 (the “Five-Year Revolving Credit Facility”). Among other things, the Five-Year Revolving Credit Facility includes limitations on creating liens, incurring subsidiary debt, transactions with affiliates, sale/leaseback transactions, mergers and the sale of substantially all assets. The Five-Year Revolving Credit Facility also includes a covenant imposing a maximum consolidated indebtedness to total tangible capitalization ratio of 0.6 to 1.0. At March 31, 2018, our consolidated indebtedness to total tangible capitalization ratio, as defined in the Five-Year Revolving Credit Facility, was 0.4 to 1.0. In order to borrow or have letters of credit issued under the Five-Year Revolving Credit Facility, we must, at the time of the borrowing request, not be in default under the bank credit agreements and make certain representations and warranties, including with respect to compliance with laws and solvency, to the lenders, but we are not required to make any representation to the lenders as to the absence of a material adverse effect. Repayment of borrowings under the Five-Year Revolving Credit Facility is subject to acceleration upon the occurrence of an event of default. We are also subject to various covenants under the indentures pursuant to which our public debt was issued, including restrictions on creating liens, engaging in sale/leaseback transactions and engaging in certain merger, consolidation or reorganization transactions. A default under our public debt indentures, our capital lease contract or any other debt owed to unaffiliated entities that exceeds \$125 million could trigger a default under the Five-Year Revolving Credit Facility and, if not waived by the lenders, could cause us to lose access to the Five-Year Revolving Credit Facility.

We may borrow under the Five-Year Revolving Credit Facility at either (1) the adjusted London Interbank Offered Rate plus a margin (the “Five-Year Revolving Credit Facility Margin”), which ranges from 1.125 percent to 2.0 percent based on the Debt Rating, or (2) the base rate specified in the credit agreement plus the Five-Year Revolving Credit Facility Margin, less one percent per annum. Throughout the term of the Five-Year Revolving Credit Facility, we pay a facility fee on the daily unused amount of the underlying commitment which ranges from 0.15 percent to 0.35 percent based on our Debt Rating. At April 24, 2018, based on our Debt Rating on that date, the Five-Year Revolving Credit Facility Margin was 2.0 percent and the facility fee was 0.35 percent. At April 24, 2018, we had no borrowings outstanding, \$7 million letters of credit issued, and \$3.0 billion of available borrowing capacity under the Five-Year Revolving Credit Facility.

Litigation settlements—On May 29, 2015, together with the Plaintiff Steering Committee, (the “PSC”) we filed a settlement agreement (the “PSC Settlement Agreement”) in which we agreed to pay a total of \$212 million, plus up to \$25 million for partial reimbursement of attorneys’ fees, to resolve (1) punitive damages claims of private plaintiffs, businesses, and local governments and (2) certain claims that BP plc. (together with its affiliates, “BP”) had made against us and had assigned to private plaintiffs who previously settled economic damages claims against BP. On February 15, 2017, the U.S. District Court for the Eastern District of Louisiana (the “MDL Court”) entered a final order and judgement approving the PSC Settlement Agreement, which is no longer subject to appeal. In June 2016 and August 2015, we made a cash deposit of \$25 million and \$212 million, respectively, into an escrow account established by the MDL Court for the settlement. In November 2017, the MDL Court released \$25 million from the escrow accounts for partial payment of attorneys’ fees. As of April 24, 2018, the aggregate cash balance of our escrow accounts was \$212 million.

Share repurchase program—In May 2009, at our annual general meeting, our shareholders approved and authorized our board of directors, at its discretion, to repurchase an amount of our shares for cancellation with an aggregate purchase price of up to

CHF 3.5 billion. On February 12, 2010, our board of directors authorized our management to implement the share repurchase program. We intend to fund any repurchases using available cash balances and cash from operating activities. The share repurchase program could be suspended or discontinued by our board of directors or company management, as applicable, at any time. We may decide, based upon our ongoing capital requirements, the price of our shares, regulatory and tax considerations, cash flow generation, the amount and duration of our contract backlog, general market conditions, debt rating considerations and other factors, that we should retain cash, reduce debt, make capital investments or acquisitions or otherwise use cash for general corporate purposes. Decisions regarding the amount, if any, and timing of any share repurchases will be made from time to time based upon these factors. Any repurchased shares under the share repurchase program would be held by us for cancellation by the shareholders at a future general meeting of shareholders. In the three months ended March 31, 2018 and the year ended December 31, 2017, we did not purchase shares under our share repurchase program. At April 24, 2018, the authorization remaining under the share repurchase program was for the repurchase of up to CHF 3.2 billion, equivalent to approximately \$3.3 billion, of our outstanding shares.

Contractual obligations—As of March 31, 2018, with exception to the following, there have been no material changes to the contractual obligations as previously disclosed in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our annual report on Form 10-K for the year ended December 31, 2017:

	Total	For the twelve months ending March 31,			Thereafter
		2019	2020 - 2021	2022 - 2023	
(in millions)					
Contractual obligations					
Debt	\$ 9,395	\$ 1,844	\$ 704	\$ 2,024	\$ 4,823
Interest on debt	5,455	593	1,085	948	2,829
Total	\$ 14,850	\$ 2,437	\$ 1,789	\$ 2,972	\$ 7,652

Other commercial commitments—As of March 31, 2018, there have been no material changes to the commercial commitments as previously disclosed in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our annual report on Form 10-K for the year ended December 31, 2017.

Drilling fleet

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

During the three months ended March 31, 2018, we completed our acquisition of Songa. In connection with the acquisition, we acquired seven mobile offshore drilling units, including five harsh environment floaters and two midwater floaters. See Notes to Condensed Consolidated Financial Statements—Note 4—Business Combination.

In the three months ended March 31, 2018, we made capital expenditures of \$53 million, including capitalized interest of \$13 million. We only capitalize interest costs during periods in which progress for construction projects continues to be underway. As of March 31, 2018, we had ceased capitalization of interest costs on one of our two uncontracted newbuilds due to a pause in construction. The historical and projected capital expenditures and other capital additions, including capitalized interest, for our ongoing major construction projects were as follows:

	Total costs through December 31, 2017	Total costs for the three months ended March 31, 2018	Expected costs for the nine months ending December 31, 2018	For the years ending December 31,		Total estimated costs at completion
				2019	2020	
(In millions)						
Deepwater Poseidon (a)	871	32	—	—	—	903
Ultra-Deepwater drillship TBN1 (b)	266	6	22	55	461	810
Ultra-Deepwater drillship TBN2 (b)	200	—	18	39	503	760
Total	\$ 1,337	\$ 38	\$ 40	\$ 94	\$ 964	\$ 2,473

- (a) In February 2018, the ultra-deepwater floater *Deepwater Poseidon* was placed into service and commenced operations.
- (b) Our two unnamed ultra-deepwater drillships under construction at the Jurong Shipyard Pte Ltd. in Singapore do not yet have drilling contracts and are expected to be delivered in the second quarter of 2020 and the fourth quarter of 2020, respectively. The delivery expectations and the cost projections presented above reflect the terms of our construction agreements, as amended to delay delivery in consideration of current market conditions.

The ultimate amount of our capital expenditures is partly dependent upon financial market conditions, the actual level of operational and contracting activity, the costs associated with the current regulatory environment and customer requested capital improvements and equipment for which the customer agrees to reimburse us. As with any major shipyard project that takes place over an extended period of time, the actual costs, the timing of expenditures and the project completion date may vary from estimates based on numerous factors, including actual contract terms, weather, exchange rates, shipyard labor conditions, availability of suppliers to recertify equipment and the market demand for components and resources required for drilling unit construction. We intend to fund the cash requirements relating to our capital expenditures through available cash balances, cash generated from operations and asset sales and commercial banks or capital market financings. We also have available credit under the Five-Year Revolving Credit Facility, which is expected to be extended or replaced with another credit facility before expiration of the underlying bank credit agreement on June 28, 2019. Economic conditions could impact the availability of these sources of funding.

Dispositions—From time to time, we may also review the possible disposition of non-strategic drilling units. Considering recent market conditions, we have committed to plans to sell certain lower-specification drilling units for scrap value. During the year ended December 31, 2017, we identified seven such drilling units that we have sold or intend to sell for scrap value. We continue to evaluate the drilling units in our fleet and may identify additional lower specification drilling units to be sold for scrap value.

During the three months ended March 31, 2018, we completed the sale of three ultra-deepwater floater, along with related assets, and we received net cash proceeds of \$12 million. During the year ended December 31, 2017, we completed the sale of one ultra-deepwater floaters and three midwater floaters, along with related assets, and we received aggregate net cash proceeds of \$22 million.

Other Matters

Regulatory matters

Consent Decree—Under the civil consent decree (the “Consent Decree”), we agreed to undertake certain actions, including enhanced safety and compliance actions when operating in U.S. waters. The Consent Decree also requires us to submit and make publicly available certain plans, reports and other submissions. One such plan is a performance plan approved on January 2, 2014, that contains, among other things, interim milestones for actions in specified areas and schedules for reports required under the Consent Decree. Additionally, as required, we retained an independent auditor to review and report to the DOJ our compliance with the Consent Decree and an independent process safety consultant to review, report and assist with the process safety requirements of the Consent Decree. We may request termination of the Consent Decree after January 2, 2019, provided we meet certain conditions. The Consent Decree resolved the claim by the U.S. for civil penalties under the Clean Water Act. We also agreed to pay, and have satisfied our obligations to pay, civil penalties of \$1.0 billion plus interest.

Other regulatory matters—In addition, from time to time, we receive inquiries from governmental regulatory agencies regarding our operations around the world, including inquiries with respect to various tax, environmental, regulatory and compliance matters. To the extent appropriate under the circumstances, we investigate such matters, respond to such inquiries and cooperate with the regulatory agencies.

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

Tax matters

We conduct operations through our various subsidiaries in a number of countries throughout the world. Each country has its own tax regimes with varying nominal rates, deductions and tax attributes. From time to time, we may identify changes to previously evaluated tax positions that could result in adjustments to our recorded assets and liabilities. Although we are unable to predict the outcome of these changes, we do not expect the effect, if any, resulting from these adjustments to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows. We file federal and local tax returns in several jurisdictions throughout the world. Tax authorities in certain jurisdictions are examining our tax returns and in some cases have issued assessments. We are defending our tax positions in those jurisdictions. While we cannot predict or provide assurance as to the final outcome of these proceedings, we do not expect the ultimate liability to have a material adverse effect on our consolidated statement of financial position or results of operations, although it may have a material adverse effect on our consolidated cash flows.

See Notes to Condensed Consolidated Financial Statements—Note 8—Income Taxes.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements. This discussion should be read in conjunction with disclosures included in the notes to our condensed consolidated financial statements related to estimates, contingencies and other accounting policies. We disclose our significant accounting policies in Note 2 to our condensed consolidated financial statements in this quarterly report on Form 10-Q and in Note 2 to our consolidated financial statements in our annual report on Form 10-K for the year ended December 31, 2017.

We prepare our condensed consolidated financial statements in accordance with accounting principles generally accepted in the U.S., which require us to make estimates that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures

of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to our allowance for doubtful accounts, materials and supplies obsolescence, property and equipment, assets held for sale, short-term investments, goodwill, income taxes, contingencies, share-based compensation and postemployment benefit plans. These estimates require significant judgments and assumptions. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

For a discussion of the critical accounting policies and estimates that we use in the preparation of our condensed consolidated financial statements, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” in our annual report on Form 10-K for the year ended December 31, 2017. We have discussed the development, selection and disclosure of these critical accounting policies and estimates with the audit committee of our board of directors. As of March 31, 2018, with exception to the following, there have been no material changes to the types of judgments, assumptions and estimates upon which our critical accounting policies and estimates are based.

Revenue recognition—Effective January 1, 2018, we adopted the accounting standards update that requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. See Notes to Condensed Consolidated Financial Statements—Note 6—Revenues.

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

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

Our estimates of fair value require us to use significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of our contract drilling services reporting unit, such as future commodity prices, projected demand for our services, rig utilization and dayrates. Because our business is cyclical in nature, the results of our impairment testing are expected to vary significantly depending on the timing of the assessment relative to the business cycle. Altering either the timing of or the assumptions used in a reporting unit’s fair value calculations could result in an estimate that is significantly below its carrying amount, which may indicate its goodwill is impaired.

Accounting Standards Updates

For a discussion of the new accounting standards updates that have had or are expected to have an effect on our condensed consolidated financial statements, see Notes to Condensed Consolidated Financial Statements—Note 3—Accounting Standards Updates in this quarterly report on Form 10-Q and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our annual report on Form 10-K for the year ended December 31, 2017.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to interest rate risk, primarily associated with our long-term debt, including current maturities, restricted cash balances, short-term investments and undesignated derivative instruments. Additionally, we are exposed to currency exchange rate risk related to our international operations. For a complete discussion of our interest rate risk and currency exchange rate risk, see “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in our annual report on Form 10-K for the year ended December 31, 2017.

For our debt and derivative instruments, the following table presents the notional amounts and related weighted-average interest rates by contractual maturity date. The following table presents information for the 12-month periods ending March 31 (in millions, except interest rate percentages):

	Scheduled Maturity Date (a)						Total	Fair Value
	2019	2020	2021	2022	2023	Thereafter		
Debt								
Fixed rate (USD)	\$ 417	\$ 240	\$ 532	\$ 559	\$ 1,544	\$ 5,179	\$ 8,471	\$ 8,473
Average interest rate	6.96 %	6.57 %	6.53 %	7.67 %	2.98 %	7.78 %		
Floating rate (USD)	\$ 1,457	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,457	\$ 1,468
Average interest rate	4.20 %	— %	— %	— %	— %	— %		
Interest rate swaps								
Fixed to variable (USD)	\$ —	\$ 540	\$ 203	\$ —	\$ —	\$ —	\$ 743	\$ 17
Average receive rate	— %	2.14 %	2.30 %	— %	— %	— %		
Average pay rate	— %	1.81 %	1.23 %	— %	— %	— %		

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

Interest rate risk—At March 31, 2018 and December 31, 2017, the fair value of debt, presented above, was \$9.9 billion and \$7.5 billion, respectively. During the three months ended March 31, 2018, the fair value of such debt increased by \$2.4 billion due to the following: (a) an increase of approximately \$1.6 billion due to assumed debt in connection with the Songa acquisition, (b) an increase of approximately \$984 million due to the issuance of exchangeable bonds, partially offset by (c) a decrease of approximately \$175 million resulting from the change in market prices for our outstanding U.S. dollar-denominated debt and (d) a decrease of approximately \$53 million resulting from the scheduled maturities of debt.

Item 4. Controls and Procedures

Disclosure controls and procedures—We carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as defined in the Exchange Act, Rules 13a-15 and 15d-15, as of the end of the period covered by this report. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is (1) accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure and (2) recorded, processed, summarized and reported within the time periods specified in the United States (“U.S.”) Securities and Exchange Commission’s rules and forms. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2018.

Internal control over financial reporting—There were no changes to our internal control over financial reporting during the quarter ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION**Item 1. Legal Proceedings**

Transocean Ltd. (together with its subsidiaries and predecessors, unless the context requires otherwise, “Transocean,” “we,” “us,” or “our”) has certain actions, claims and other matters pending as discussed and reported in “Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 10—Commitments and Contingencies” and “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Other Matters—Macondo well incident” in our annual report on Form 10-K for the year ended December 31, 2017. We are also involved in various tax matters as described in “Part II. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 6—Income Taxes” and in “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Other Matters—Tax matters” in our annual report on Form 10-K for the year ended December 31, 2017. All such actions, claims, tax and other matters are incorporated herein by reference.

As of March 31, 2018, we were also involved in a number of other lawsuits, claims and disputes, which have arisen in the ordinary course of our business and for which we do not expect the liability, if any, to have a material adverse effect on our current consolidated statement of financial position, results of operations or cash flows. We cannot predict with certainty the outcome or effect of any of the matters referred to above or of any such other pending or threatened litigation or legal proceedings. There can be no assurance that our beliefs or expectations as to the outcome or effect of any lawsuit or claim or dispute will prove correct and the eventual outcome of these matters could materially differ from management’s current estimates.

In addition to the legal proceedings described above, we may from time to time identify other matters that we monitor through our compliance program and in response to events arising generally within our industry and in the markets where we do business. We previously disclosed that we completed an internal investigation into statements made by a former employee of Petroleo Brasileiro S.A. (“Petrobras”) related to the award to us of a drilling services contract in Brazil, and that our investigation did not identify any wrongdoing by any of our employees or agents in connection with our business. We further disclosed that we had voluntarily met with governmental authorities in the U.S. to discuss the statements made by the former Petrobras employee, our internal investigation, as well as our findings. On March 5, 2018, we received a letter from the U.S. Securities and Exchange Commission (“SEC”) Division of Enforcement stating that the SEC’s investigation had been concluded and that the SEC did not intend to recommend any enforcement action against Transocean by the SEC. On April 4, 2018, we received a letter from the U.S. Department of Justice (“DOJ”) stating that the DOJ had closed its inquiry into the matter. Based upon our findings and the statements from the SEC and DOJ, we do not expect further inquiries from U.S. governmental authorities regarding this matter.

Item 1A. Risk Factors

There have been no material changes to the risk factors as previously disclosed in “Item 1A. Risk Factors” in our annual report on Form 10-K for the year ended December 31, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**Issuer Purchases of Equity Securities**

Period	Total Number of Shares Purchased (a)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (a)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) (b)
January 2018	—	\$ —	—	\$ 3,391
February 2018	18,157	9.18	—	3,391
March 2018	—	—	—	3,391
Total	18,157	\$ 9.18	—	\$ 3,391

- (a) Total number of shares purchased in the three months ended March 31, 2018 were withheld by us through a broker arrangement and limited to statutory tax amounts due upon vesting of restricted share units awarded to our employees under our long-term incentive plan.
- (b) In May 2009, at our annual general meeting, our shareholders approved and authorized our board of directors, at its discretion, to repurchase for cancellation any amount of our shares for an aggregate purchase price of up to CHF 3.5 billion. At March 31, 2018, the authorization remaining under the share repurchase program was for the repurchase of our outstanding shares for an aggregate cost of up to CHF 3.2 billion, equivalent to \$3.4 billion. The share repurchase program could be suspended or discontinued by our board of directors or company management, as applicable, at any time. See “Part I. Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources and uses of liquidity.”

Item 4. Mine Safety Disclosures

Not applicable.

Item 6 Exhibits

(a) Exhibits

The following exhibits are filed in connection with this Report:

Number	Description	Location
3.1	Articles of Association of Transocean Ltd.	Filed herewith.
3.2	Organizational Regulations of Transocean Ltd., adopted November 18, 2016.	Exhibit 3.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on November 23, 2016.
4.1	Indenture, dated as of January 30, 2018, among Transocean Inc., Transocean Ltd., as guarantor, and Computershare Trust Company, N.A. and Computershare Trust Company of Canada, as co-trustees.	Exhibit 4.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-38373) filed on January 30, 2018.
4.2	Form of 0.50% Exchangeable Senior Bonds due 2023.	Exhibit A of Exhibit 4.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-38373) filed on January 30, 2018.
4.3	Registration Rights Agreement, dated as of January 30, 2018, among Transocean Ltd., Transocean Inc. and the security holders named therein.	Exhibit 4.3 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-38373) filed on January 30, 2018.
4.4	First Supplemental Indenture, dated as of March 28, 2018, among Transocean Inc., Transocean Ltd., as guarantor, and Computershare Trust Company, N.A. and Computershare Trust Company of Canada, as co-trustees, supplementing indenture, dated as of January 30, 2018.	Filed herewith.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 and Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 and Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
101	Interactive data files.	Filed herewith.

* Compensatory plan or arrangement

Certain instruments relating to our long-term debt and our subsidiaries have not been filed as exhibits as permitted by paragraph (b)(4)(iii)(A) of Item 601 of Regulation S-K since the total amount of securities authorized under any such instrument does not exceed 10 percent of our total assets and our subsidiaries on a consolidated basis. We agree to furnish a copy of each such instrument to the SEC upon request.

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 May 1, 2018.

TRANSOCEAN LTD.

By: /s/ Mark L. Mey
Mark L. Mey
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

By: /s/ David Tonnel
David Tonnel
Senior Vice President and Corporate Controller
(Principal Accounting Officer)

Statuten
von Transocean Ltd.
vom 27. März 2018

Articles of Association of
Transocean Ltd.
as of March 27, 2018

Abschnitt 1:
Firma, Sitz, Zweck und Dauer der Gesellschaft

Artikel 1

Firma, Sitz

Unter der Firma
Transocean Ltd.
(die **Gesellschaft**)

Name, Place of
Incorporation

besteht eine Aktiengesellschaft mit Sitz in
Steinhausen, Kanton Zug, Schweiz.

Zweck

Artikel 2

Purpose

- 1 Zweck der Gesellschaft ist der Erwerb, das Halten, die Verwaltung, die Verwertung und die Veräusserung von Beteiligungen an Unternehmen im In- und Ausland, ob direkt oder indirekt, insbesondere an Unternehmen, die im Bereich der Erbringung von Dienstleistungen für Offshore Öl- und Gasbohrungen, einschliesslich Management Dienstleistungen, Bohringenieurs- und Bohr-Projekt Management-Dienstleistungen für Öl- und Gasbohrungen, sowie von Öl- und Gas-Exploration und -Produktionsaktivitäten tätig sind, sowie die Finanzierung dieser Aktivitäten. Die Gesellschaft kann Grundstücke und gewerbliche Schutzrechte im In- und Ausland erwerben, halten, verwalten, belasten und verkaufen.

- 2 Die Gesellschaft kann alle Tätigkeiten ausüben und Massnahmen ergreifen, die geeignet erscheinen, den Zweck der Gesellschaft zu fördern, oder die mit diesem zusammenhängen.

Artikel 3

Dauer

Die Dauer der Gesellschaft ist
unbeschränkt.

Duration

Section 1:
Name, Place of Incorporation, Purpose and Duration of the Company

Article 1

Under the name
Transocean Ltd.
(the **Company**)

there exists a corporation with its place of incorporation in Steinhausen, Canton of Zug, Switzerland.

Article 2

- 1 The purpose of the Company is to acquire, hold, manage, exploit and sell, whether directly or indirectly, participations in businesses in Switzerland and abroad, in particular in businesses that are involved in offshore contract drilling services for oil and gas wells, oil and gas drilling management services, drilling engineering services and drilling project management services and oil and gas exploration and production activities, and to provide financing for this purpose. The Company may acquire, hold, manage, mortgage and sell real estate and intellectual property rights in Switzerland and abroad.

- 2 The Company may engage in all types of transactions and may take all measures that appear appropriate to promote the purpose of the Company or that are related thereto.

Article 3

The duration of the Company is
unlimited.

Abschnitt 2:
Aktienkapital

Section 2:
Share Capital

Artikel 4

Article 4

Aktienkapital

Das Aktienkapital der Gesellschaft beträgt CHF 46'285'269.50, eingeteilt in 462,852,695 voll liberierte Namenaktien. Jede Namenaktie hat einen Nennwert von CHF 0.10 (jede Namenaktie nachfolgend bezeichnet als **Aktie** bzw. die **Aktien**).

Share Capital

The share capital of the Company is CHF 46,285,269.50 and is divided into 462,852,695 fully paid registered shares. Each registered share has a par value of CHF 0.10 (each such registered share hereinafter a **Share** and collectively the **Shares**).

Artikel 5

Article 5

Genehmigtes Aktienkapital

- 1 Der Verwaltungsrat ist ermächtigt, das Aktienkapital jederzeit bis zum 12. Mai 2018 im Maximalbetrag von CHF 2'225'804.30 durch Ausgabe von höchstens 22'258'043 vollständig zu liberierenden Aktien mit einem Nennwert von je CHF 0.10 zu erhöhen. Eine Erhöhung (i) auf dem Weg einer Festübernahme durch eine Bank, ein Bankenkonsortium oder Dritte und eines anschliessenden Angebots an die bisherigen Aktionäre sowie (ii) in Teilbeträgen ist zulässig.
- 2 Der Verwaltungsrat legt den Zeitpunkt der Ausgabe, den Ausgabebetrag, die Art, wie die neuen Aktien zu liberieren sind, den Beginn der Dividendenberechtigung, die Bedingungen für die Ausübung der Bezugsrechte sowie die Zuteilung der Bezugsrechte, welche nicht ausgeübt wurden, fest. Nicht-ausgeübte Bezugsrechte kann der Verwaltungsrat verfallen lassen, oder er kann diese bzw. Aktien, für welche Bezugsrechte eingeräumt, aber nicht ausgeübt werden, zu Marktkonditionen platzieren oder anderweitig im Interesse der Gesellschaft verwenden.
- 3 Der Verwaltungsrat ist ermächtigt, die Bezugsrechte der Aktionäre zu entziehen oder zu beschränken und einzelnen Aktionären oder Dritten zuzuweisen:

Authorized Share Capital

- 1 The Board of Directors is authorized to increase the share capital, at any time until May 12, 2018, by a maximum amount of CHF 2,225,804.30 by issuing a maximum of 22,258,043 fully paid up Shares with a par value of CHF 0.10 each. An increase of the share capital (i) by means of an offering underwritten by a financial institution, a syndicate of financial institutions or another third party or third parties, followed by an offer to the then-existing shareholders of the Company, and (ii) in partial amounts shall be permissible.
- 2 The Board of Directors shall determine the time of the issuance, the issue price, the manner in which the new Shares have to be paid up, the date from which the Shares carry the right to dividends, the conditions for the exercise of the preemptive rights and the allotment of preemptive rights that have not been exercised. The Board of Directors may allow the preemptive rights that have not been exercised to expire, or it may place such rights or Shares, the preemptive rights of which have not been exercised, at market conditions or use them otherwise in the interest of the Company.
- 3 The Board of Directors is authorized to withdraw or limit the preemptive rights of the shareholders and to allot them to individual shareholders or third parties:



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

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

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

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

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

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

Artikel 5^{bis}

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

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

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

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

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

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

Artikel 5^{bis}

Genehmigtes
Aktienkapital im
Zusammenhang
mit einem
Pflichtangebot
oder einem
Zwangserwerb
der Aktien von
Songa Offshore
SE

- 1 Der Verwaltungsrat ist ermächtigt, das Aktienkapital jederzeit bis zum 16. Januar 2020 im Maximalbetrag von CHF 2'427'166.40 durch Ausgabe von höchstens 24'271'664 vollständig zu liberierenden Aktien mit einem Nennwert von je CHF 0.10 zu erhöhen im Zusammenhang mit einem Pflichtangebot oder einem Zwangserwerb der Aktien von Songa Offshore SE, die von der Gesellschaft bei Vollzug des öffentlichen Angebots der Gesellschaft vom oder um den 21. Dezember 2017 herum für alle Aktien der Songa Offshore SE nicht erworben wurden (die **Nicht-Erworbenen Zielgesellschafts-Aktien**). Eine Erhöhung (i) auf dem Weg einer Festübernahme durch eine Bank, ein Bankenkonsortium oder Dritte und eines anschliessenden Angebots an die bisherigen Aktionäre sowie (ii) in Teilbeträgen ist zulässig. Die Bezugsrechte der Aktionäre werden für die hierin statuierten Zwecke entzogen und den Inhabern der Nicht-Erworbenen Zielgesellschafts-Aktien zugewiesen.
- 2 Der Verwaltungsrat legt den Zeitpunkt der Ausgabe, den Ausgabebetrag, die Art, wie die neuen Aktien zu liberieren sind, den Beginn der Dividendenberechtigung, die Bedingungen für die Ausübung der zugewiesenen Bezugsrechte sowie die Zuteilung der zugewiesenen Bezugsrechte, welche nicht ausgeübt wurden, fest. Nicht-ausgeübte zugewiesene Bezugsrechte kann der Verwaltungsrat verfallen lassen, oder er kann diese bzw. Aktien, für welche Bezugsrechte zugewiesen, aber nicht ausgeübt werden, zu Marktkonditionen platzieren oder anderweitig im Interesse der Gesellschaft verwenden.
- 3 Die neuen Aktien unterliegen den Eintragungsbeschränkungen in das Aktienbuch von Artikel 7 und 9 dieser Statuten.

Artikel 6

Authorized
Share
Capital in
Connection
with a
Mandatory
Offer or a
Compulsory
Acquisition of
the Shares in
Songa
Offshore SE

- 1 ¹ The Board of Directors is authorized to increase the share capital, at any time until January 16, 2020, by a maximum amount of CHF 2,427,166.40 by issuing a maximum of 24,271,664 fully paid up Shares with a par value of CHF 0.10 each in connection with a mandatory offer or a compulsory acquisition of the shares in Songa Offshore SE not acquired by the Company upon completion of the public tender offer by the Company, dated on or about December 21, 2017 for all shares of Songa Offshore SE (the **Non-Acquired Target Shares**). An increase of the share capital (i) by means of an offering underwritten by a financial institution, a syndicate of financial institutions or another third party or third parties, followed by an offer to the then-existing shareholders of the Company, and (ii) in partial amounts shall be permissible. The preemptive rights of the shareholders are excluded for the purposes stated herein and allotted to the holders of the Non-Acquired Target Shares.
- 2 The Board of Directors shall determine the time of the issuance, the issue price, the manner in which the new Shares have to be paid up, the date from which the Shares carry the right to dividends, the conditions for the exercise of the allotted preemptive rights and the allotment of allotted preemptive rights that have not been exercised. The Board of Directors may allow the allotted preemptive rights that have not been exercised to expire, or it may place such rights or Shares, the preemptive rights of which have been allotted but not exercised, at market conditions or use them otherwise in the interest of the Company.
- 3 The new Shares shall be subject to the limitations for registration in the share register pursuant to Articles 7 and 9 of these Articles of Association.

Article 6

Bedingtes
Aktienkapital

- 1 Das Aktienkapital kann sich durch Ausgabe von höchstens 143'783'041 voll zu liberierenden Aktien im Nennwert von je CHF 0.10 um höchstens CHF 14'378'304.10 erhöhen durch:
- (a)
die Ausübung von Wandel-, Tausch-, Options-, Bezugs- oder ähnlichen Rechten auf den Bezug von Aktien (nachfolgend die **Rechte**), welche Dritten oder Aktionären in Verbindung mit auf nationalen oder internationalen Kapitalmärkten neu oder bereits begebenen Anlehensobligationen, Optionen, Warrants oder anderen Finanzmarktinstrumenten oder neuen oder bereits bestehenden vertraglichen Verpflichtungen der Gesellschaft, einer ihrer Gruppengesellschaften oder einer deren Rechtsvorgänger eingeräumt werden (nachfolgend zusammen die **mit Rechten verbundenen Obligationen**); und/oder
- (b)
die Ausgabe von Aktien oder mit Rechten verbundenen Obligationen an Mitglieder des Verwaltungsrates, Mitglieder der Geschäftsleitung, Arbeitnehmer, Beauftragte, Berater oder anderen Personen, welche Dienstleistungen für die Gesellschaft oder ihre Tochtergesellschaften erbringen.
- 2 Bei der Ausgabe von mit Rechten verbundenen Obligationen durch die Gesellschaft, eine ihrer Gruppengesellschaften oder eine deren Rechtsvorgänger ist das Bezugsrecht der Aktionäre ausgeschlossen. Zum Bezug der neuen Aktien, die bei Ausübung von mit Rechten verbundenen Obligationen ausgegeben werden, sind die jeweiligen Inhaber der mit Rechten verbundenen Obligationen berechtigt. Die Bedingungen der mit Rechten verbundenen Obligationen sind durch den Verwaltungsrat festzulegen.

Conditional
Share Capital

- 1 The share capital may be increased in an amount not to exceed CHF 14,378,304.10 through the issuance of up to 143,783,041 fully paid-up Shares with a par value of CHF 0.10 per Share through:
- (a)
the exercise of conversion, exchange, option, warrant or similar rights for the subscription of Shares (hereinafter the **Rights**) granted to third parties or shareholders in connection with bonds, options, warrants or other securities newly or already issued in national or international capital markets or new or already existing contractual obligations by or of the Company, one of its group companies, or any of their respective predecessors (hereinafter collectively, the **Rights-Bearing Obligations**); and/or
- (b)
the issuance of Shares or Rights-Bearing Obligations granted to members of the Board of Directors, members of the executive management, employees, contractors, consultants or other persons providing services to the Company or its subsidiaries.
- 2 The preemptive rights of the shareholders shall be excluded in connection with the issuance of any Rights-Bearing Obligations by the Company, one of its group companies, or any of their respective predecessors. The then-current owners of such Rights-Bearing Obligations shall be entitled to subscribe for the new Shares issued upon conversion, exchange or exercise of any Rights-Bearing Obligations. The conditions of the Rights-Bearing Obligations shall be determined by the Board of Directors.
-

- 3 Der Verwaltungsrat ist ermächtigt, die Vorwegzeichnungsrechte der Aktionäre im Zusammenhang mit der Ausgabe von mit Rechten verbundenen Obligationen durch die Gesellschaft oder eine ihrer Gruppengesellschaften zu beschränken oder aufzuheben, falls (1) die Ausgabe zum Zwecke der Finanzierung oder Refinanzierung der Übernahme von Unternehmen, Unternehmensteilen, Beteiligungen oder Investitionen, oder (2) die Ausgabe auf nationalen oder internationalen Finanzmärkten oder im Rahmen einer Privatplatzierung erfolgt.
- Wird das Vorwegzeichnungsrecht weder direkt noch indirekt durch den Verwaltungsrat gewährt, gilt Folgendes:
- (a)
Die mit Rechten verbundenen Obligationen sind zu den jeweils marktüblichen Bedingungen auszugeben oder einzugehen; und
- (b)
der Umwandlungs-, Tausch- oder sonstige Ausübungspreis der mit Rechten verbundenen Obligationen ist unter Berücksichtigung des Marktpreises im Zeitpunkt der Ausgabe der mit Rechten verbundenen Obligationen festzusetzen; und
- (c)
die mit Rechten verbundenen Obligationen sind höchstens während 30 Jahren ab dem jeweiligen Zeitpunkt der betreffenden Ausgabe oder des betreffenden Abschlusses wandel-, tausch- oder ausübbar.

- 3 The Board of Directors shall be authorized to withdraw or limit the advance subscription rights of the shareholders in connection with the issuance by the Company or one of its group companies of Rights-Bearing Obligations if (1) the issuance is for purposes of financing or refinancing the acquisition of an enterprise, parts of an enterprise, participations or investments or (2) the issuance occurs in national or international capital markets or through a private placement.
- If the advance subscription rights are neither granted directly nor indirectly by the Board of Directors, the following shall apply:
- (a)
The Rights-Bearing Obligations shall be issued or entered into at market conditions; and
- (b)
the conversion, exchange or exercise price of the Rights-Bearing Obligations shall be set with reference to the market conditions prevailing at the date on which the Rights-Bearing Obligations are issued; and
- (c)
the Rights-Bearing Obligations may be converted, exchanged or exercised during a maximum period of 30 years from the date of the relevant issuance or entry.
-

- 4 Bei der Ausgabe von Aktien oder mit Rechten verbundenen Obligationen gemäss Artikel 6 Absatz 1(b) dieser Statuten sind das Bezugsrecht wie auch das Vorwegzeichnungsrecht der Aktionäre der Gesellschaft ausgeschlossen. Die Ausgabe von Aktien oder mit Rechten verbundenen Obligationen an die in Artikel 6 Absatz 1(b) dieser Statuten genannten Personen erfolgt gemäss einem oder mehreren Beteiligungsplänen der Gesellschaft. Die Ausgabe von Aktien an die Artikel 6 Absatz 1(b) dieser Statuten genannten Personen kann zu einem Preis erfolgen, der unter dem Kurs der Börse liegt, an der die Aktien gehandelt werden, muss aber mindestens zum Nennwert erfolgen.
- 5 Die neuen Aktien, welche über die Ausübung von mit Rechten verbundenen Obligationen erworben werden, unterliegen den Eintragungsbeschränkungen in das Aktienbuch gemäss Artikel 7 und 9 dieser Statuten.

Artikel 7

- 1 Die Gesellschaft oder von ihr beauftragte Dritte führen ein Aktienbuch. Darin werden die Eigentümer und Nutzniesser der Aktien sowie Nominees mit Namen und Vornamen, Wohnort, Adresse und Staatsangehörigkeit (bei juristischen Personen mit Firma und Sitz) eingetragen. Die Gesellschaft oder der von ihr mit der Aktienbuchführung beauftragte Dritte ist berechtigt, bei Eintragung im Aktienbuch von der antragstellenden Person einen angemessenen Nachweis seiner Berechtigung an den Aktien zu verlangen. Ändert eine im Aktienbuch eingetragene Person ihre Adresse, so hat sie dies dem Aktienbuchführer mitzuteilen. Solange dies nicht geschehen ist, gelten alle brieflichen Mitteilungen der Gesellschaft an die im Aktienbuch eingetragenen Personen als rechtsgültig an die bisher im Aktienbuch eingetragene Adresse erfolgt.

Share Register,
Exercise of
Rights,
Restrictions on
Registration,
Nominees

- 4 The preemptive rights and advance subscription rights of the shareholders shall be excluded in connection with the issuance of any Shares or Rights-Bearing Obligations pursuant to Article 6 para 1(b) of these Articles of Association. Shares or Rights-Bearing Obligations shall be issued to any of the persons referred to in Article 6 para 1(b) of these Articles of Association in accordance with one or more benefit or incentive plans of the Company. Shares may be issued to any of the persons referred to in Article 6 para 1(b) of these Articles of Association at a price lower than the current market price quoted on the stock exchange on which the Shares are traded, but at least at par value.
- 5 The new Shares acquired through the exercise of Rights-Bearing Obligations shall be subject to the limitations for registration in the share register pursuant to Articles 7 and 9 of these Articles of Association.

Article 7

- 1 The Company shall maintain, itself or through a third party, a share register that lists the surname, first name, address and citizenship (in the case of legal entities, the company name and company seat) of the holders and usufructuaries of the Shares as well as the nominees. The Company or the third party maintaining the share register on behalf of the Company shall be entitled to request at the time of the entry into the share register from the Person requesting such entry appropriate evidence of that Person's title to the Shares. A person recorded in the share register shall notify the share registrar of any change in address. Until such notification shall have occurred, all written communication from the Company to persons of record shall be deemed to have validly been made if sent to the address recorded in the share register.

- 2 Ein Erwerber von Aktien wird auf Gesuch als Aktionär mit Stimmrecht im Aktienbuch eingetragen, vorausgesetzt, dass ein solcher Erwerber ausdrücklich erklärt, die Aktien im eigenen Namen und auf eigene Rechnung erworben zu haben. Der Verwaltungsrat kann Nominees, welche Aktien im eigenen Namen aber auf fremde Rechnung halten, als Aktionäre mit Stimmrecht im Aktienbuch der Gesellschaft eintragen. Die an den Aktien wirtschaftlich Berechtigten, welche die Aktien über einen Nominee halten, üben Aktionärsrechte mittelbar über den Nominee aus.
- 3 Der Verwaltungsrat kann nach Anhörung des eingetragenen Aktionärs dessen Eintragung im Aktienbuch als Aktionär mit Stimmrecht mit Rückwirkung auf das Datum der Eintragung streichen, wenn diese durch falsche oder irreführende Angaben zustande gekommen ist. Der Betroffene muss über die Streichung sofort informiert werden.

Artikel 8

Form der Aktien

- 1 Die Gesellschaft gibt Aktien in Form von Einzelurkunden, Globalurkunden oder Wertrechten aus. Der Gesellschaft steht es im Rahmen der gesetzlichen Vorgaben frei, ihre in einer dieser Formen ausgegebenen Aktien jederzeit und ohne Zustimmung der Aktionäre in eine andere Form umzuwandeln. Die Gesellschaft trägt die Kosten, die bei einer solchen Umwandlung anfallen.
- 2 Ein Aktionär hat keinen Anspruch auf Umwandlung von in bestimmter Form ausgegebenen Aktien in eine andere Form. Jeder Aktionär kann jedoch jederzeit die Ausstellung einer Bescheinigung über die von ihm gemäss Aktienbuch gehaltenen Namenaktien verlangen.

Form of Shares

- 2 An acquirer of Shares shall be recorded upon request in the share register as a shareholder with voting rights; *provided, however*, that any such acquirer expressly declares to have acquired the Shares in its own name and for its own account, save that the Board of Directors may record nominees who hold Shares in their own name, but for the account of third parties, as shareholders of record with voting rights in the share register of the Company. Beneficial owners of Shares who hold Shares through a nominee exercise the shareholders' rights through the intermediation of such nominee.
- 3 After hearing the registered shareholder concerned, the Board of Directors may cancel the registration of such shareholder as a shareholder with voting rights in the share register with retroactive effect as of the date of registration, if such registration was made based on false or misleading information. The relevant shareholder shall be informed promptly of the cancellation.

Article 8

- 1 The Company may issue Shares in the form of individual certificates, global certificates or uncertificated securities. Subject to applicable law, the Company may convert the Shares from one form into another form at any time and without the approval of the shareholders. The Company shall bear all cost associated with any such conversion.
 - 2 A shareholder has no right to request a conversion of the Shares from one form into another form. Each shareholder may, however, at any time request a written attestation of the number of Shares held by it as reflected in the share register.
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- 3 Werden Bucheffekten im Auftrag der Gesellschaft oder des Aktionärs von einer Verwahrungsstelle, einem Registrar, Transfer Agenten, einer Trust Gesellschaft, Bank oder einer ähnlichen Gesellschaft verwaltet (die **Verwahrungsstelle**), so setzt Wirksamkeit gegenüber der Gesellschaft voraus, dass diese Bucheffekten und die damit verbundenen Rechte unter Mitwirkung der Verwahrungsstelle übertragen oder daran Sicherheiten bestellt werden.
- 4 Für den Fall, dass die Gesellschaft beschliesst, Aktienzertifikate zu drucken und auszugeben, müssen die Aktienzertifikate die Unterschrift von zwei zeichnungsberechtigten Personen tragen. Mindestens eine dieser Personen muss ein Mitglied des Verwaltungsrates sein. Faksimile-Unterschriften sind erlaubt.

Artikel 9

Rechtsausübung

- 1 Die Gesellschaft anerkennt nur einen Vertreter pro Aktie.
- 2 Stimmrechte und die damit verbundenen Rechte können der Gesellschaft gegenüber von einem Aktionär, Nutzniesser der Aktien oder Nominee jeweils nur im Umfang ausgeübt werden, wie dieser mit Stimmrecht im Aktienbuch eingetragen ist.

Exercise of Rights

- 3 If intermediated securities are administered on behalf of the Company or a shareholder by an intermediary, registrar, transfer agent, trust company, bank or similar entity (the **Intermediary**), any transfer or grant of a security interest in such intermediated securities and the appurtenant rights associated therewith, in order for such transfer or grant of a security interest to be valid against the Company, requires the cooperation of the Intermediary.
- 4 If the Company decides to print and deliver share certificates, the share certificates shall bear the signatures of two duly authorized signatories of the Company, at least one of which shall be a member of the Board of Directors. These signatures may be facsimile signatures.

Article 9

- 1 The Company shall only accept one representative per Share.
- 2 Voting rights and appurtenant rights associated therewith may be exercised in relation to the Company by a shareholder, usufructuary of Shares or nominee only to the extent that such person is recorded in the share register with the right to exercise his voting rights.

Abschnitt 3:
Gesellschaftsorgane

A. Generalversammlung

Artikel 10

Zuständigkeit

Die Generalversammlung ist das oberste Organ der Gesellschaft.

Authority

Artikel 11

Section 3:
Corporate Bodies

A. General Meeting of Shareholders

Article 10

The General Meeting of Shareholders is the supreme corporate body of the Company.

Article 11

Ordentliche
Generalver-
sammlung

Die ordentliche Generalversammlung findet alljährlich innerhalb von sechs Monaten nach Schluss des Geschäftsjahres statt. Spätestens zwanzig Kalendertage vor der Versammlung sind der Geschäftsbericht, der Vergütungsbericht und die Revisionsberichte den Aktionären am Gesellschaftssitz zur Einsicht aufzulegen. Jeder Aktionär kann verlangen, dass ihm unverzüglich eine Ausfertigung des Geschäftsberichts, des Vergütungsberichts und der Revisionsberichte ohne Kostenfolge zugesandt wird. Die im Aktienbuch eingetragenen Aktionäre werden über die Verfügbarkeit des Geschäftsberichts, des Vergütungsberichts und der Revisionsberichte durch schriftliche Mitteilung unterrichtet.

Artikel 12

Ausser-ordentliche
Generalversammlung

- 1 Ausserordentliche Generalversammlungen finden in den vom Gesetz vorgesehenen Fällen statt, insbesondere, wenn der Verwaltungsrat es für notwendig oder angezeigt erachtet oder die Revisionsstelle dies verlangt.
- 2 Ausserdem muss der Verwaltungsrat eine ausserordentliche Generalversammlung einberufen, wenn es eine Generalversammlung so beschliesst oder wenn ein oder mehrere Aktionäre, welche zusammen mindestens den zehnten Teil des im Handelsregister eingetragenen Aktienkapitals vertreten, dies verlangen, unter der Voraussetzung, dass folgende Angaben gemacht werden: (a)(1) die Verhandlungsgegenstände, schriftlich unterzeichnet von dem/den antragstellenden Aktionär(en), (2) die Anträge sowie (3) der Nachweis der erforderlichen Anzahl der im Aktienbuch eingetragenen Aktien; und (b) die weiteren Informationen, die von der Gesellschaft nach den Regeln der U.S. Securities and Exchange Commission (**SEC**) in einem sog. Proxy Statement aufgenommen und veröffentlicht werden müssen.

Artikel 13

Annual
General
Meeting

The Annual General Meeting shall be held each year within six months after the close of the fiscal year of the Company. The Annual Report, the Compensation Report and the Auditor's Reports shall be made available for inspection by the shareholders at the registered office of the Company no later than twenty calendar days prior to the Annual General Meeting. Each shareholder is entitled to request prompt delivery of a copy of the Annual Report, the Compensation Report and the Auditor's Reports free of charge. Shareholders of record will be notified of the availability of the Annual Report, the Compensation Report and the Auditor's Reports in writing.

Article 12

Extraordinary
General
Meetings

- 1 Extraordinary General Meetings shall be held in the circumstances provided by law, in particular when deemed necessary or appropriate by the Board of Directors or if so requested by the Auditor.
- 2 An Extraordinary General Meeting shall further be convened by the Board of Directors upon resolution of a General Meeting of Shareholders or if so requested by one or more shareholders who, in the aggregate, represent at least one-tenth of the share capital recorded in the Commercial Register and who submit (a)(1) a request signed by such shareholder(s) that specifies the item(s) to be included on the agenda, (2) the respective proposals of the shareholders and (3) evidence of the required shareholdings recorded in the share register and (b) such other information as would be required to be included in a proxy statement pursuant to the rules of the U.S. Securities and Exchange Commission (**SEC**).

Article 13

Einberufung	<p>1 Die Generalversammlung wird durch den Verwaltungsrat, nötigenfalls die Revisionsstelle, spätestens 20 Kalendertage vor dem Tag der Generalversammlung einberufen. Die Einberufung erfolgt durch einmalige Bekanntmachung im Publikationsorgan der Gesellschaft gemäss Artikel 32 dieser Statuten. Für die Einhaltung der Einberufungsfrist ist der Tag der Veröffentlichung der Einberufung im Publikationsorgan massgeblich, wobei der Tag der Veröffentlichung nicht mitzuzählen ist. Die im Aktienbuch eingetragenen Aktionäre können zudem auf dem ordentlichen Postweg über die Generalversammlung informiert werden.</p> <p>2 Die Einberufung muss die Verhandlungsgegenstände sowie die Anträge des Verwaltungsrates und des oder der Aktionäre, welche die Durchführung einer Generalversammlung oder die Traktandierung eines Verhandlungsgegenstandes verlangt haben, und bei Wahlgeschäften die Namen des oder der zur Wahl vorgeschlagenen Kandidaten enthalten.</p>	Notice of Shareholders' Meetings	<p>1 Notice of a General Meeting of Shareholders shall be given by the Board of Directors or, if necessary, by the Auditor, no later than twenty calendar days prior to the date of the General Meeting of Shareholders. Notice of the General Meeting of Shareholders shall be given by way of a one-time announcement in the official means of publication of the Company pursuant to Article 32 of these Articles of Association. The notice period shall be deemed to have been observed if notice of the General Meeting of Shareholders is published in such official means of publication, it being understood that the date of publication is not to be included for purposes of computing the notice period. Shareholders of record may in addition be informed of the General Meeting of Shareholders by ordinary mail.</p> <p>2 The notice of a General Meeting of Shareholders shall specify the items on the agenda and the proposals of the Board of Directors and the shareholder(s) who requested that a General Meeting of Shareholders be held or an item be included on the agenda, and, in the event of elections, the name(s) of the candidate(s) that has or have been put on the ballot for election.</p>
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Artikel 14

Article 14

- Traktandierung
- 1 Jeder Aktionär kann die Traktandierung eines Verhandlungsgegenstandes verlangen. Das Traktandierungsbegehren muss mindestens 30 Kalendertage vor dem Jahrestag des sog. Proxy Statements der Gesellschaft, das im Zusammenhang mit der Generalversammlung im jeweiligen Vorjahr veröffentlicht und gemäss den anwendbaren SEC Regeln bei der SEC eingereicht wurde, schriftlich unter Angabe des Verhandlungsgegenstandes und der Anträge sowie unter Nachweis der erforderlichen Anzahl im Aktienbuch eingetragenen Aktien eingereicht werden. Falls das Datum der anstehenden Generalversammlung mehr als 30 Kalendertage vor oder nach dem Jahrestag der vorangegangenen Generalversammlung angesetzt worden ist, ist das Traktandierungsbegehren stattdessen spätestens 10 Kalendertage nach dem Tag einzureichen, an dem die Gesellschaft das Datum der Generalversammlung öffentlich bekannt gemacht hat.
 - 2 Zu nicht gehörig angekündigten Verhandlungsgegenständen können keine Beschlüsse gefasst werden. Hiervon ausgenommen sind jedoch der Beschluss über den in einer Generalversammlung gestellten Antrag auf (i) Einberufung einer ausserordentlichen Generalversammlung sowie (ii) Durchführung einer Sonderprüfung gemäss Artikel 697a des Schweizerischen Obligationenrechts (**OR**).
 - 3 Zur Stellung von Anträgen im Rahmen der Verhandlungsgegenstände und zu Verhandlungen ohne Beschlussfassung bedarf es keiner vorgängigen Ankündigung.

Artikel 15

- Agenda
- 1 Any shareholder may request that an item be included on the agenda of a General Meeting of Shareholders. An inclusion of an item on the agenda must be requested in writing at least 30 calendar days prior to the anniversary date of the Company's proxy statement in connection with the previous year's General Meeting of Shareholders, as filed with the SEC pursuant to the applicable rules of the SEC, and shall specify in writing the relevant agenda items and proposals, together with evidence of the required shareholdings recorded in the share register; *provided, however*, that if the date of the General Meeting of Shareholders is more than 30 calendar days before or after such anniversary date, such request must instead be made at least by the 10th calendar day following the date on which the Company has made public disclosure of the date of the General Meeting of Shareholders.
 - 2 No resolution may be passed at a General Meeting of Shareholders concerning an agenda item in relation to which due notice was not given. Proposals made during a General Meeting of Shareholders to (i) convene an Extraordinary General Meeting or (ii) initiate a special investigation in accordance with article 697a of the Swiss Code of Obligations (**CO**) are not subject to the due notice requirement set forth herein.
 - 3 No prior notice is required to bring motions related to items already on the agenda or for the discussion of matters on which no resolution is to be taken.

Article 15

Vorsitz der
Generalver-
sammlung,
Protokoll,
Stimmzähler

- 1 An der Generalversammlung führt der Präsident des Verwaltungsrates oder, bei dessen Verhinderung, der Vizepräsident oder eine andere vom Verwaltungsrat bezeichnete Person den Vorsitz.
- 2 Der Vorsitzende der Generalversammlung bestimmt den Protokollführer und die Stimmzähler, die alle nicht Aktionäre sein müssen. Das Protokoll ist vom Vorsitzenden und vom Protokollführer zu unterzeichnen.
- 3 Der Vorsitzende der Generalversammlung hat sämtliche Leitungsbefugnisse, die für die ordnungsgemässe Durchführung der Generalversammlung nötig und angemessen sind.

Artikel 16

Recht auf
Teilnahme,
Vertretung der
Aktionäre

- 1 Jeder im Aktienbuch eingetragene Aktionär ist berechtigt, an der Generalversammlung und deren Beschlüssen teilzunehmen. Ein Aktionär kann sich an der Generalversammlung durch einen unabhängigen Stimmrechtsvertreter vertreten lassen, wobei die Vollmacht und die Weisungen an den unabhängigen Stimmrechtsvertreter auch in einer vom Verwaltungsrat von Zeit zu Zeit näher bestimmten elektronischen Form erteilt werden können, oder durch jeden anderen Bevollmächtigten, der jedoch kein Aktionär sein muss. Der Verwaltungsrat regelt die Einzelheiten über die Vertretung und Teilnahme an der Generalversammlung in Verfahrensvorschriften, einschliesslich mittels Verfahrensvorschriften in der Einladung zur Generalversammlung oder in den Stimmrechtskarten, die den Aktionären zugestellt werden.

Acting Chair,
Minutes, Vote
Counters

- 1 At the General Meeting of Shareholders the Chairman of the Board of Directors or, in his absence, the Vice-Chairman or any other person designated by the Board of Directors, shall take the chair.
- 2 The acting chair of the General Meeting of Shareholders shall appoint the secretary and the vote counters, none of whom need be shareholders. The minutes of the General Meeting of Shareholders shall be signed by the acting chair and the secretary.
- 3 The acting chair of the General Meeting of Shareholders shall have all powers and authority necessary and appropriate to ensure the orderly conduct of the General Meeting of Shareholders.

Article 16

Right to
Participation
and
Representation

- 1 Each shareholder recorded in the share register is entitled to participate at the General Meeting of Shareholders and in any vote taken. The shareholders may be represented by the independent proxy, including, without limitation, by granting proxy and providing instructions to such independent proxy by electronic means, as determined by the Board of Directors from time to time, or by any other proxy who need not be a shareholder. The Board of Directors shall issue the particulars of the right to representation and participation at the General Meeting of Shareholders in procedural rules, including in procedural rules included in the notice of the General Meeting of Shareholders or the proxy cards made available to shareholders.

- 2 Die Aktionäre wählen den unabhängigen Stimmrechtsvertreter an einer Generalversammlung für eine Amtszeit bis zum Abschluss der nächsten ordentlichen Generalversammlung. Wiederwahl ist möglich. Ist das Amt des unabhängigen Stimmrechtsvertreters aus irgendeinem Grund vakant, ernennt der Verwaltungsrat den unabhängigen Stimmrechtsvertreter für die nächste Generalversammlung.

Artikel 17

Stimmrecht

Jede Aktie berechtigt zu einer Stimme. Das Stimmrecht untersteht den Bedingungen von Artikel 7 und 9 dieser Statuten.

Voting Rights

- 2 Shareholders shall elect the independent proxy at a General Meeting of Shareholders for a term of office extending until completion of the next Annual General Meeting. Re-election is possible. If the office of the independent proxy is vacant, for any reason, the Board of Directors shall appoint the independent proxy for the next General Meeting of Shareholders.

Article 17

Each Share shall convey the right to one vote. The right to vote is subject to the conditions of Articles 7 and 9 of these Articles of Association.

Artikel 18

Beschlüsse und Wahlen

- 1 Die Generalversammlung fasst Beschlüsse und entscheidet Wahlen, soweit das Gesetz oder diese Statuten es nicht anders bestimmen, mit der relativen Mehrheit der abgegebenen Aktienstimmen (wobei Enthaltungen, sog. Broker Nonvotes, leere oder ungültige Stimmen für die Bestimmung des Mehrs nicht berücksichtigt werden).

Resolutions and Elections

- 1 Unless otherwise required by law or these Articles of Association, the General Meeting of Shareholders shall take resolutions and decide elections upon a relative majority of the votes cast at the General Meeting of Shareholders (whereby abstentions, broker nonvotes, blank or invalid ballots shall be disregarded for purposes of establishing the majority).

Article 18

- 2 Die Generalversammlung entscheidet über die Wahl von Mitgliedern des Verwaltungsrates nach dem proportionalen Wahlverfahren, wonach diejenige Person, welche die grösste Zahl der abgegebenen Aktienstimmen für einen Verwaltungsratssitz erhält, als für den betreffenden Verwaltungsratssitz gewählt gilt. Aktienstimmen gegen einen Kandidaten, Stimmenthaltungen, sog. Broker Nonvotes, ungültige oder leere Stimmen haben für die Zwecke dieses Artikels 18 Abs. 2 keine Auswirkungen auf die Wahl von Mitgliedern des Verwaltungsrates.

- 2 The General Meeting of Shareholders shall decide elections of members of the Board of Directors upon a plurality of the votes cast at the General Meeting of Shareholders. A plurality means that the individual who receives the largest number of votes for a board seat is elected to that board seat. Votes against any candidate, abstentions, broker nonvotes, blank or invalid ballots shall have no impact on the election of members of the Board of Directors under this Article 18 para. 2.

- 3 Für die Abwahl von amtierenden Mitgliedern des Verwaltungsrates gilt das Mehrheitserfordernis gemäss Artikel 20 Abs. 2(e) sowie das Präsenzquorum von Artikel 21 Abs. 1(a).
- 4 Die Abstimmungen und Wahlen erfolgen offen, es sei denn, dass die Generalversammlung schriftliche Abstimmung respektive Wahl beschliesst oder der Vorsitzende dies anordnet. Der Vorsitzende kann Abstimmungen und Wahlen auch mittels elektronischem Verfahren durchführen lassen. Elektronische Abstimmungen und Wahlen sind schriftlichen Abstimmungen und Wahlen gleichgestellt.
- 5 Der Vorsitzende kann eine offene Wahl oder Abstimmung immer durch eine schriftliche oder elektronische wiederholen lassen, sofern nach seiner Meinung Zweifel am Abstimmungsergebnis bestehen. In diesem Fall gilt die vorausgegangene offene Wahl oder Abstimmung als nicht geschehen.

Artikel 19

- 3 For the removal of a serving member of the Board of Directors, the voting requirement set forth in Article 20 para. 2(e) and the presence quorum set forth in Article 21 para. 1(a) shall apply.
- 4 Resolutions and elections shall be decided by a show of hands, unless a written ballot is resolved by the General Meeting of Shareholders or is ordered by the acting chair of the General Meeting of Shareholders. The acting chair may also hold resolutions and elections by use of an electronic voting system. Electronic resolutions and elections shall be considered equal to resolutions and elections taken by way of a written ballot.
- 5 The chair of the General Meeting of Shareholders may at any time order that an election or resolution decided by a show of hands be repeated by way of a written or electronic ballot if he considers the vote to be in doubt. The resolution or election previously held by a show of hands shall then be deemed to have not taken place.

Article 19

Der Generalversammlung sind folgende
Geschäfte vorbehalten:

- (a) Die Festsetzung und Änderung dieser Statuten;
- (b) die Wahl der Mitglieder des Verwaltungsrates, des Verwaltungsratspräsidenten, der Mitglieder des Vergütungsausschusses, der Revisionsstelle und des unabhängigen Stimmrechtsvertreters;
- (c) die Genehmigung des Lageberichts und der Konzernrechnung;
- (d) die Genehmigung der Jahresrechnung sowie die Beschlussfassung über die Verwendung des Bilanzgewinnes, insbesondere die Festsetzung der Dividende;
- (e) die Genehmigung der Vergütung des Verwaltungsrates und der Geschäftsleitung gemäss Artikel 29a dieser Statuten;
- (f) die Entlastung der Mitglieder des Verwaltungsrates und der Geschäftsleitung;
- (g) die Genehmigung eines Zusammenschlusses mit einem Nahestehenden Aktionär (gemäss der Definition dieser Begriffe in Artikel 35 dieser Statuten); und
- (h) die Beschlussfassung über die Gegenstände, die der Generalversammlung durch das Gesetz oder die Statuten vorbehalten sind oder ihr, vorbehaltlich Artikel 716a OR, durch den Verwaltungsrat vorgelegt werden.

The following powers shall be vested
exclusively in the General Meeting of
Shareholders:

- (a) The adoption and amendment of these Articles of Association;
- (b) the election of the members of the Board of Directors, the Chair of the Board of Directors, the members of the Compensation Committee, the Auditor and the independent proxy;
- (c) the approval of the Management Report and the Consolidated Financial Statements;
- (d) the approval of the Annual Statutory Financial Statements of the Company and the resolution on the allocation of profit shown on the Annual Statutory Balance Sheet, in particular the determination of any dividend;
- (e) the ratification of the compensation of the Board of Directors and the Executive Management Team pursuant to Article 29a of these Articles of Association;
- (f) the discharge from liability of the members of the Board of Directors and the Executive Management Team;
- (g) the approval of a Business Combination with an Interested Shareholder (as each such term is defined in Article 35 of these Articles of Association); and
- (h) the adoption of resolutions on matters that are reserved to the General Meeting of Shareholders by law, these Articles of Association or, subject to article 716a CO, that are submitted to the General Meeting of Shareholders by the Board of Directors.

Besonderes
Quorum

- | | | | | |
|---|--|--------------|---|--|
| 1 | Ein Beschluss der Generalversammlung, der mindestens zwei Drittel der an der Generalversammlung vertretenen Stimmen und die absolute Mehrheit der an der Generalversammlung vertretenen Aktiennennwerte auf sich vereinigt, ist erforderlich für:
(a)
Die Ergänzung oder Änderung des Gesellschaftszweckes gemäss Artikel 2 dieser Statuten;
(b)
die Einführung und Abschaffung von Stimmrechtsaktien;
(c)
die Beschränkung der Übertragbarkeit der Aktien und die Aufhebung einer solche Beschränkung;
(d)
die Beschränkung der Ausübung des Stimmrechts und die Aufhebung einer solchen Beschränkung;
(e)
eine genehmigte oder bedingte Kapitalerhöhung;
(f)
die Kapitalerhöhung (i) aus Eigenkapital, (ii) gegen Sacheinlage oder zwecks Sachübernahme oder (iii) die Gewährung von besonderen Vorteilen;
(g)
die Einschränkung oder Aufhebung des Bezugsrechts;
(h)
die Verlegung des Sitzes der Gesellschaft;
(i)
die Umwandlung von Namen- in Inhaberaktien und umgekehrt; und
(j)
die Auflösung der Gesellschaft. | Special Vote | 1 | The approval of at least two-thirds of the votes and the absolute majority of the par value of Shares, each as represented at a General Meeting of Shareholders, shall be required for resolutions with respect to:
(a)
The amendment or modification of the purpose of the Company as described in Article 2 of these Articles of Association;
(b)
the creation and the cancelation of shares with privileged voting rights;
(c)
the restriction on the transferability of Shares and the cancelation of such restriction;
(d)
the restriction on the exercise of the right to vote and the cancelation of such restriction;
(e)
an authorized or conditional increase in share capital;
(f)
an increase in share capital (i) through the conversion of capital surplus, (ii) through contribution in kind or for purposes of an acquisition of assets, or (iii) the granting of special privileges;
(g)
the limitation on or withdrawal of preemptive rights;
(h)
the relocation of the registered office of the Company;
(i)
the conversion of registered shares into bearer shares and vice versa; and
(j)
the dissolution of the Company. |
| 2 | Ein Beschluss der Generalversammlung, der mindestens zwei Drittel aller stimmberechtigten Aktien auf sich vereinigt, ist erforderlich für:
(a)
Jede Änderung von Artikel 14 Abs. 1 dieser Statuten;
(b)
jede Änderung von Artikel 18 dieser Statuten; | 2 | 2 | The approval of at least two-thirds of the Shares entitled to vote shall be required for:
(a)
Any change to Article 14 para. 1 of these Articles of Association;
(b)
any change to Article 18 of these Articles of Association; |
-

- (c) jede Änderung dieses Artikels 20 Abs. 2;
- (d) jede Änderung von Artikel 21, 22, 23 oder 24 dieser Statuten; und
- (e) die Abwahl eines amtierenden Mitglieds des Verwaltungsrates.
- 3 Zusätzlich zu etwaigen gesetzlich bestehenden Zustimmungserfordernissen ist ein Beschluss der Generalversammlung mit einer Mehrheit, die mindestens die Summe von: (i) zwei Drittel aller stimmberechtigten Aktien; zuzüglich (ii) einer Zahl von stimmberechtigten Aktien, die einem Drittel der von Nahestehenden Aktionären (wie in Artikel 35 dieser Statuten definiert) gehaltenen Aktienstimmen entspricht, auf sich vereinigt, erforderlich für (1) jeden Zusammenschluss der Gesellschaft mit einem Nahestehenden Aktionär innerhalb eines Zeitraumes von drei Jahren, seitdem diese Person zu einem Nahestehenden Aktionär wurde, (2) jede Änderung von Artikel 19(f) dieser Statuten oder (3) jede Änderung von Artikel 20 Abs. 3 dieser Statuten (einschliesslich der dazugehörigen Definitionen in Artikel 35 dieser Statuten). Das im vorangehenden Satz aufgestellte Zustimmungserfordernis ist jedoch nicht anwendbar falls:
- (a) der Verwaltungsrat, bevor diese Person zu einem Nahestehenden Aktionär wurde, entweder den Zusammenschluss oder eine andere Transaktion genehmigte, als Folge derer diese Person zu einem Nahestehenden Aktionär wurde;
- (c) any change to this Article 20 para. 2;
- (d) any change to Article 21, 22, 23 or 24 of these Articles of Association; and
- (e) a resolution with respect to the removal of a serving member of the Board of Directors.
- 3 In addition to any approval that may be required under applicable law, the approval of a majority at least equal to the sum of: (i) two-thirds of the Shares entitled to vote; plus (ii) a number of Shares entitled to vote that is equal to one-third of the number of Shares held by Interested Shareholders (as defined in Article 35 of these Articles of Association), shall be required for the Company to (1) engage in any Business Combination with an Interested Shareholder for a period of three years following the time that such Person became an Interested Shareholder, (2) amend Article 19(f) of these Articles of Association or (3) amend this Article 20 para. 3 of these Articles of Association (including any of the definitions pertaining thereto as set forth in Article 35 of these Articles of Association); *provided, however*, that the approval requirement in the preceding sentence shall not apply if:
- (a) Prior to such time that such Person became an Interested Shareholder, the Board of Directors approved either the Business Combination or the transaction which resulted in such Person becoming an Interested Shareholder;
-

(b) nach Vollzug der Transaktion, als Folgederer diese Person zu einem Nahestehenden Aktionär wurde, der Nahestehende Aktionär mindestens 85% der unmittelbar vor Beginn der betreffenden Transaktion allgemein stimmberechtigten Aktien hält, wobei zur Bestimmung der Anzahl der allgemein stimmberechtigten Aktien (nicht jedoch zur Bestimmung der durch den Nahestehenden Aktionär gehaltenen Aktien) folgende Aktien nicht zu berücksichtigen sind: Aktien, (x) welche von Personen gehalten werden, die sowohl Verwaltungsrats- wie Geschäftsleitungsmitglieder sind, und (y) welche für Mitarbeiteraktienpläne reserviert sind, soweit die diesen Plänen unterworfenen Mitarbeiter nicht das Recht haben, unter Wahrung der Vertraulichkeit darüber zu entscheiden, ob Aktien, die dem betreffenden Mitarbeiteraktienplan unterstehen, in einem Übernahme- oder Austauschangebot angedient werden sollen oder nicht;

(c) eine Person unbeabsichtigterweise zu einem Nahestehenden Aktionär wird und (x) das Eigentum an einer genügenden Anzahl Aktien sobald als möglich veräußert, so dass sie nicht mehr länger als Nahestehender Aktionär qualifiziert und (y) zu keinem Zeitpunkt während der drei dem Zusammenschluss zwischen der Gesellschaft und dieser Person unmittelbar vorangehenden Jahren als Nahestehender Aktionär gegolten hätte, ausgenommen aufgrund des unbeabsichtigten Erwerbs der Eigentümerschaft.

(b) upon consummation of the transaction which resulted in such Person becoming an Interested Shareholder, the Interested Shareholder Owned at least 85% of the Shares generally entitled to vote at the time the transaction commenced, excluding for purposes of determining such number of Shares then in issue (but not for purposes of determining the Shares Owned by the Interested Shareholder), those Shares Owned (x) by Persons who are both members of the Board of Directors and officers of the Company and (y) by employee share plans in which employee participants do not have the right to determine confidentially whether Shares held subject to the plan will be tendered in a tender or exchange offer;

(c) a Person becomes an Interested Shareholder inadvertently and (x) as soon as practicable divests itself of Ownership of sufficient Shares so that such Person ceases to be an Interested Shareholder and (y) would not, at any time within the three-year period immediately prior to a Business Combination between the Company and such Person, have been an Interested Shareholder but for the inadvertent acquisition of Ownership;

(d) der Zusammenschluss vor Vollzug oder Verzicht auf und nach öffentlicher Bekanntgabe oder der nach diesem Abschnitt erforderlichen Mitteilung (was auch immer früher erfolgt) eine(r) beabsichtigten Transaktion vorgeschlagen wird, welche (i) eine der Transaktionen im Sinne des zweiten Satzes dieses Artikels 20 Abs. 3(d) darstellt; (ii) mit oder von einer Person abgeschlossen wird, die entweder während den letzten drei Jahren kein Nahestehender Aktionär war oder zu einem Nahestehenden Aktionär mit der Genehmigung des Verwaltungsrates wurde; und (iii) von einer Mehrheit der dannzumal amtierenden Mitglieder des Verwaltungsrates (aber mindestens einem) genehmigt oder nicht abgelehnt wird, die entweder bereits Verwaltungsratsmitglieder waren, bevor in den drei vorangehenden Jahren irgendeine Person zu einem Nahestehenden Aktionär wurde, oder die auf Empfehlung einer Mehrheit solcher Verwaltungsratsmitglieder als deren Nachfolger zur Wahl vorgeschlagen wurden. Die im vorangehenden Satz erwähnten beabsichtigten Transaktionen sind auf folgende beschränkt: (x) eine Fusion oder andere Form des Zusammenschlusses der Gesellschaft (mit Ausnahme einer Fusion, welche keine Genehmigung durch die Generalversammlung der Gesellschaft voraussetzt); (y) ein Verkauf, eine Vermietung oder Verpachtung, hypothekarische Belastung oder andere Verpfändung, Übertragung oder andere Verfügung (ob in einer oder mehreren Transaktionen), einschliesslich im Rahmen eines Tauschs, von Vermögenswerten der Gesellschaft oder einer direkten oder indirekten Tochtergesellschaft, die zur Mehrheit von der Gesellschaft gehalten wird (jedoch nicht an eine direkt oder indirekt zu 100% gehaltene Konzerngesellschaft oder an die Gesellschaft), soweit diese Vermögenswerte einen Marktwert von 50% oder mehr entweder des auf konsolidierter Basis aggregierten Marktwertes aller Vermögenswerte der Gesellschaft oder des aggregierten Marktwertes aller dann ausgegebenen Aktien haben, unabhängig davon, ob eine dieser Transaktionen Teil einer Auflösung der Gesellschaft ist oder nicht; oder (z) ein vorgeschlagenes Übernahme- oder Umtauschangebot für 50% oder mehr der ausstehenden Stimmrechte der Gesellschaft. Die Gesellschaft muss Nahestehenden Aktionären sowie den übrigen Aktionären den Vollzug einer der unter

(d) the Business Combination is proposed prior to the consummation or abandonment of and subsequent to the earlier of the public announcement or the notice required hereunder of a proposed transaction which (i) constitutes one of the transactions described in the second sentence of this Article 20 para. 3(d); (ii) is with or by a person who either was not an Interested Shareholder during the previous three years or who became an Interested Shareholder with the approval of the Board of Directors; and (iii) is approved or not opposed by a majority of the members of the Board of Directors then in office (but not less than one) who were Directors prior to any person becoming an Interested Shareholder during the previous three years or were recommended for election to succeed such Directors by a majority of such Directors. The proposed transactions referred to in the preceding sentence are limited to (x) a merger or consolidation of the Company (except for a merger in respect of which no vote of the Company's shareholders is required); (y) a sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), whether as part of a dissolution or otherwise, of assets of the Company or of any direct or indirect majority-Owned subsidiary of the Company (other than to any direct or indirect wholly Owned subsidiary or to the Company) having an aggregate market value equal to 50% or more of either that aggregate market value of all of the assets of the Company determined on a consolidated basis or the aggregate market value of all the issued shares; or (z) a proposed tender or exchange offer for 50% or more of the voting shares then in issue. The Company shall give not less than 20 days' notice to all Interested Shareholders as well as to the other shareholders prior to the consummation of any of the transactions described in clause (x) or (y) of the second sentence of this Article 20 para. 3(d).

(x) oder (y) des zweiten Satzes dieses
Artikels 20 Abs. 3(d) erwähnten
Transaktionen mindestens 20
Kalendertage vorher mitteilen.

Artikel 21

Article 21

Präsenzquorum 1 Die nachfolgend aufgeführten Angelegenheiten erfordern zum Zeitpunkt der Konstituierung der Generalversammlung ein Präsenzquorum von Aktionären oder deren Vertretern, welche mindestens zwei Drittel des im Handelsregister eingetragenen Aktienkapitals vertreten, damit die Generalversammlung beschlussfähig ist:

- (a) Die Beschlussfassung über die Abwahl eines amtierenden Verwaltungsratsmitglieds; und
- (b) die Beschlussfassung, diesen Artikel 21 oder Artikel 18, 19(f), 20, 22, 23 oder 24 dieser Statuten zu ergänzen, zu ändern, nicht anzuwenden oder ausser Kraft zu setzen.

2 Jede andere Beschlussfassung oder Wahl setzt zu ihrer Gültigkeit voraus, dass zum Zeitpunkt der Konstituierung der Generalversammlung zumindest die Mehrheit aller stimmberechtigten Aktien anwesend ist. Die Aktionäre können mit der Behandlung der Traktanden fortfahren, selbst wenn Aktionäre nach Bekanntgabe des Quorums durch den Vorsitzenden die Generalversammlung verlassen und damit weniger als das geforderte Präsenzquorum an der Generalversammlung verbleibt.

Presence Quorum 1 The matters set forth below require that a quorum of shareholders of record holding in person or by proxy at least two-thirds of the share capital recorded in the Commercial Register are present at the time when the General Meeting of Shareholders proceeds to business:

- (a) the adoption of a resolution to remove a serving Director; and
- (b) the adoption of a resolution to amend, vary, suspend the operation of, disapply or cancel this Article 21 or Articles 18, 19(f), 20, 22, 23 or 24 of these Articles of Association.

2 The adoption of any other resolution or election requires that at least a majority of all the Shares entitled to vote be represented at the time when the General Meeting of Shareholders proceeds to business. The shareholders present at a General Meeting of Shareholders may continue to transact business, despite the withdrawal of shareholders from such General Meeting of Shareholders following announcement of the presence quorum at that meeting.

B. Verwaltungsrat

B. Board of Directors

Artikel 22

Article 22

Anzahl der Verwaltungsräte Der Verwaltungsrat besteht aus mindestens zwei und höchstens 11 Mitgliedern. Vorbehalten bleibt Artikel 38 dieser Statuten.

Number of Directors The Board of Directors shall consist of no less than two and no more than 11 members. Article 38 of these Articles of Association remains reserved.

Artikel 23

Article 23

Amtsdauer	<p>1 Die Aktionäre wählen die Mitglieder des Verwaltungsrates und den Verwaltungsratspräsidenten einzeln an einer Generalversammlung für eine Amtsdauer bis zum Abschluss der nächsten ordentlichen Generalversammlung. Wiederwahl ist möglich. Ist das Amt des Verwaltungsratspräsidenten aus irgendeinem Grund vakant, ernennt der Verwaltungsrat den Verwaltungsratspräsidenten für eine Amtsdauer bis zum Abschluss der nächsten ordentlichen Generalversammlung.</p> <p>2 Wenn ein Verwaltungsratsmitglied vor Ablauf seiner Amtsdauer aus welchen Gründen auch immer ersetzt wird, endet die Amtsdauer des an seiner Stelle gewählten neuen Verwaltungsratsmitgliedes mit dem Ende der Amtsdauer seines Vorgängers.</p>	Term of Office	<p>1 The Shareholders shall elect the members of the Board of Directors and the Chair of the Board of Directors individually at a General Meeting of Shareholders for a term of office extending until completion of the next Annual General Meeting. Re-election is possible. If the office of the Chair of the Board of Directors is vacant, for any reason, the Board of Directors shall appoint the Chair from among its members for a term of office extending until completion of the next Annual General Meeting.</p> <p>2 If, before the expiration of his term of office, a Director should be replaced for whatever reason, the term of office of the newly elected member of the Board of Directors shall expire at the end of the term of office of his predecessor.</p>
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Artikel 24

Article 24

Organisation des 1 Vorbehältlich der Wahl des
Verwaltungs- rates, 1 Verwaltungsratspräsidenten und der
Entschädigung Mitglieder des Vergütungsausschusses
durch die Aktionäre an einer
Generalversammlung bestimmt der
Verwaltungsrat seine Organisation selbst.
Er kann einen oder mehrere Vize-
Präsidenten wählen. Er bestellt weiter
einen Sekretär, welcher nicht Mitglied des
Verwaltungsrates sein muss. Der
Verwaltungsrat regelt unter Vorbehalt der
Bestimmungen des Gesetzes und dieser
Statuten die Einzelheiten seiner
Organisation in einem
Organisationsreglement.

Organization of 1 Except for the election of the Chair of
the Board, 1 the Board of Directors and the
Remuneration members of the Compensation
Committee by the shareholders at a
General Meeting of Shareholders,
the Board of Directors shall
determine its own organization. It
may elect one or more Vice-Chairs.
It shall further appoint a Secretary,
who need not be a member of the
Board of Directors. Subject to
applicable law and these Articles of
Association, the Board of Directors
shall establish the particulars of its
organization in organizational
regulations.

2 [absichtlich leer gelassen]

2 [intentionally omitted]

- 3 Soweit gesetzlich zulässig, hält die Gesellschaft aktuelle und ehemalige Mitglieder des Verwaltungsrates und der Geschäftsleitung sowie deren Erben, Konkurs- oder Nachlassmassen aus Gesellschaftsmitteln für Schäden, Verluste und Kosten aus drohenden, hängigen oder abgeschlossenen Klagen, Verfahren oder Untersuchungen zivil-, straf- oder verwaltungsrechtlicher oder anderer Natur schadlos, welche ihnen oder ihren Erben, Konkurs- oder Nachlassmassen entstehen aufgrund von tatsächlichen oder behaupteten Handlungen, Zustimmungen oder Unterlassungen im Zusammenhang mit der Ausübung ihrer Pflichten oder behaupteten Pflichten oder aufgrund der Tatsache, dass sie Mitglied des Verwaltungsrates oder der Geschäftsleitung der Gesellschaft sind oder waren oder auf Aufforderung der Gesellschaft als Mitglied des Verwaltungsrates, der Geschäftsleitung oder als Arbeitnehmer oder Agent eines anderen Unternehmens, einer anderen Gesellschaft, einer nicht-rechtsfähigen Personengesellschaft oder eines Trusts sind oder waren. Diese Pflicht zur Schadloshaltung besteht nicht, soweit in einem endgültigen, nicht weiterziehbaren Entscheid eines zuständigen Gerichts bzw. einer zuständigen Verwaltungsbehörde entschieden worden ist, dass eine der genannten Personen ihre Pflichten als Mitglied des Verwaltungsrates oder der Geschäftsleitung absichtlich oder grobfahrlässig verletzt hat.
- 3 The Company shall indemnify and hold harmless, to the fullest extent permitted by law, the existing and former members of the Board of Directors and officers, and their heirs, executors and administrators, out of the assets of the Company from and against all threatened, pending or completed actions, suits or proceedings – whether civil, criminal, administrative or investigative – and all costs, charges, losses, damages and expenses which they or any of them, their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done or alleged to be done, concurred or alleged to be concurred in or omitted or alleged to be omitted in or about the execution of their duty, or alleged duty, or by reason of the fact that he is or was a member of the Board of Director or officer of the Company, or while serving as a member of the Board of Director or officer of the Company is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise; *provided, however*, that this indemnity shall not extend to any matter in which any of said persons is found, in a final judgment or decree of a court or governmental or administrative authority of competent jurisdiction not subject to appeal, to have committed an intentional or grossly negligent breach of his statutory duties as a member of the Board of Director or officer.
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- 4 Ohne den vorangehenden Absatz 3 dieses Artikels 24 einzuschränken, bevorschusst die Gesellschaft Mitgliedern des Verwaltungsrates und der Geschäftsleitung Gerichts- und Anwaltskosten. Die Gesellschaft kann solche Vorschüsse zurückfordern, wenn ein zuständiges Gericht oder eine zuständige Verwaltungsbehörde in einem endgültigen, nicht weiterziehbaren Urteil bzw. Entscheid zum Schluss kommt, dass eine der genannten Personen ihre Pflichten als Mitglied des Verwaltungsrates oder der Geschäftsleitung absichtlich oder grobfahrlässig verletzt hat.

Artikel 25

Befugnisse des Verwaltungsrates

- 1 Der Verwaltungsrat hat die in Artikel 716a OR statuierten unübertragbaren und unentziehbaren Aufgaben, insbesondere:
- (a) die Oberleitung der Gesellschaft und die Erteilung der nötigen Weisungen;
 - (b) die Festlegung der Organisation; und
 - (c) die Oberaufsicht über die mit der Geschäftsführung betrauten Personen, namentlich im Hinblick auf die Befolgung der Gesetze, Statuten, Reglemente und Weisungen.
- 2 Der Verwaltungsrat kann überdies in allen Angelegenheiten Beschluss fassen, die nicht nach Gesetz oder Statuten der Generalversammlung zugeteilt sind.
- 3 Der Verwaltungsrat kann Beteiligungspläne der Gesellschaft der Generalversammlung zur Genehmigung vorlegen.

Artikel 26

- 4 Without limiting the foregoing paragraph 3 of this Article 24, the Company shall advance court costs and attorneys' fees to the existing and former members of the Board of Directors and officers. The Company may however recover such advanced costs if any of said persons is found, in a final judgment or decree of a court or governmental or administrative authority of competent jurisdiction not subject to appeal, to have committed an intentional or grossly negligent breach of his statutory duties as a Director of officer.

Article 25

Specific Powers of the Board

- 1 The Board of Directors has the non-delegable and inalienable duties as specified in Article 716a CO, in particular:
- (a) the ultimate direction of the business of the Company and the issuance of the required directives;
 - (b) the determination of the organization of the Company; and
 - (c) the ultimate supervision of the persons entrusted with management duties, in particular with regard to compliance with law, these Articles of Association, regulations and directives.
- 2 In addition, the Board of Directors may pass resolutions with respect to all matters that are not reserved to the General Meeting of Shareholders by law or under these Articles of Association.
- 3 The Board of Directors may submit benefit or incentive plans of the Company to the General Meeting of Shareholders for approval.

Article 26

Übertragung von Befugnissen	Der Verwaltungsrat kann unter Vorbehalt von Artikel 25 Abs. 1 dieser Statuten sowie der Vorschriften des OR die Geschäftsleitung nach Massgabe eines Organisationsreglements ganz oder teilweise an eines oder mehrere seiner Mitglieder, an einen oder mehrere Ausschüsse des Verwaltungsrates oder an Dritte übertragen. Die Verwaltungsratsmitglieder, Ausschüsse oder die Dritten, die vom Verwaltungsrat mit Geschäftsleitungsaufgaben betraut sind, werden in diesen Statuten als " Geschäftsleitung " bezeichnet.	Delegation of Powers	Subject to Article 25 para. 1 of these Articles of Association and the applicable provisions of the CO, the Board of Directors may delegate the executive management of the Company in whole or in part to individual directors, one or more committees of the Board of Directors or to persons other than Directors pursuant to organizational regulations. The directors, committees or persons to whom the Board of Directors delegates executive management shall be referred to in these Articles of Association as the " Executive Management Team. "
Sitzungen des Verwaltungsrats	<p>Artikel 27</p> <p>1 Sofern das vom Verwaltungsrat erlassene Organisationsreglement nichts anderes festlegt, ist zur gültigen Beschlussfassung über Geschäfte des Verwaltungsrates die Anwesenheit einer Mehrheit der Mitglieder des gesamten Verwaltungsrates notwendig. Kein Präsenzquorum ist erforderlich für die Statutenanpassungs- und Feststellungsbeschlüsse des Verwaltungsrates im Zusammenhang mit Kapitalerhöhungen.</p> <p>2 Der Verwaltungsrat fasst seine Beschlüsse mit einer Mehrheit der von den anwesenden Verwaltungsräten abgegebenen Stimmen, vorausgesetzt, das Präsenzquorum von Absatz 1 dieses Artikels 27 ist erfüllt. Der Vorsitzende hat bei Stimmengleichheit keinen Stichentscheid.</p>	Meeting of the Board of Directors	<p>Article 27</p> <p>1 Except as otherwise set forth in organizational regulations of the Board of Directors, the attendance quorum necessary for the transaction of the business of the Board of Directors shall be a majority of the whole Board of Directors. No attendance quorum shall be required for resolutions of the Board of Directors providing for the confirmation of a capital increase or for the amendment of the Articles of Association in connection therewith.</p> <p>2 The Board of Directors shall pass its resolutions with the majority of the votes cast by the Directors present at a meeting at which the attendance quorum of para. 1 of this Article 27 is satisfied. The Chairman shall have no casting vote.</p>
Zeichnungsberechtigung	<p>Artikel 28</p> <p>Die rechtsverbindliche Vertretung der Gesellschaft durch Mitglieder des Verwaltungsrates und durch Dritte wird in einem Organisationsreglement festgelegt.</p>	Signature Power	<p>Article 28</p> <p>The due and valid representation of the Company by members of the Board of Directors and other persons shall be set forth in organizational regulations.</p>

Artikel 28a

Amts-dauer,
Organisation des
Vergütungs-aus-
schusses

- 1 Der Vergütungsausschuss (der **Vergütungsausschuss**) ist der Ausschuss des Verwaltungsrates, der für Vergütungsfragen zuständig ist. Er besteht aus mindestens drei (3) Mitgliedern des Verwaltungsrates. Die Mitglieder des Vergütungsausschusses müssen die anwendbaren Anforderungen an Unabhängigkeit, Erfahrung oder andere regulatorische oder börsenspezifische Anforderungen erfüllen.
- 2 Die Aktionäre wählen die Mitglieder des Vergütungsausschusses einzeln an einer Generalversammlung für eine Amts-dauer bis zum Abschluss der nächsten ordentlichen Generalversammlung. Wiederwahl ist möglich. Ist der Vergütungsausschuss nicht vollständig besetzt, ernennt der Verwaltungsrat aus seiner Mitte Ersatzmitglieder für eine Amts-dauer bis zum Abschluss der nächsten ordentlichen Generalversammlung.
- 3 Der Verwaltungsrat ernennt den Vorsitzenden des Vergütungsausschusses. Unter Vorbehalt der Bestimmungen des Gesetzes und dieser Statuten regelt der Verwaltungsrat die Einzelheiten der Organisation des Vergütungsausschusses in einem Reglement oder einer Satzung.

Artikel 28b

Term of office,
Organization of
the
Compensation
Committee

Article 28a

- 1 The compensation committee (the **Compensation Committee**) shall be the committee of the Board of Directors responsible for compensation matters. It shall consist of no fewer than three (3) members of the Board of Directors. The members of the Compensation Committee shall meet any applicable independence, experience or other regulatory or stock exchange requirements.
- 2 The shareholders shall elect the members of the Compensation Committee individually at a General Meeting of Shareholders for a term of office extending until completion of the next Annual General Meeting. Re-election is possible. If there are vacancies on the Compensation Committee, the Board of Directors shall appoint from among its members substitutes for a term of office extending until completion of the next Annual General Meeting.
- 3 The Board of Directors shall elect the Chair of the Compensation Committee. Subject to applicable law and these Articles of Association, the Board of Directors shall establish the particulars of the organization of the Compensation Committee in regulations or in a charter.

Article 28b

Befugnisse und Pflichten	1 Der Vergütungsausschuss hat unter anderem die Aufgabe, den Verwaltungsrat (1) bei der Erarbeitung eines angemessenen Vergütungs- und Leistungsprogrammes für die Mitglieder des Verwaltungsrates und der Geschäftsleitung und (2) bei der Vorbereitung der Anträge des Verwaltungsrates an die Generalversammlung betreffend die Vergütung des Verwaltungsrates und der Geschäftsleitung zu unterstützen. Der Vergütungsausschuss übernimmt weiter andere mit der Vergütung in Zusammenhang stehende Aufgaben, wie sie von Zeit zu Zeit vom Verwaltungsrat an ihn delegiert werden.	Powers and Duties	1 The Compensation Committee shall, among other things, assist the Board of Directors in (1) developing an appropriate compensation and benefit program for the members of the Board of Directors and the Executive Management Team and (2) preparing the proposals of the Board of Directors to the General Meeting of Shareholders regarding the compensation of the Board of Directors and the Executive Management Team. The Compensation Committee shall further perform such other compensation-related duties as delegated to it by the Board of Directors from time to time.
	2 Der Verwaltungsrat regelt die Einzelheiten der Befugnisse und Pflichten des Vergütungsausschusses in einem Reglement oder einer Satzung. Insbesondere legt der Verwaltungsrat fest, inwieweit der Vergütungsausschuss Leistungsziele, Zielwerte und die individuelle Vergütung der Mitglieder des Verwaltungsrates und der Geschäftsleitung selbst bestimmt, und inwieweit der Vergütungsausschuss dem Verwaltungsrat Vorschläge hierzu zur definitiven Beschlussfassung unterbreitet.		2 The Board of Directors shall establish the particulars of the powers and duties of the Compensation Committee in regulations or in a charter. In particular, the Board of Directors shall establish to what extent the Compensation Committee shall determine performance objectives, target values and the individual compensation of the members of the Board of Directors and the Executive Management Team itself, and to what extent the Compensation Committee shall submit proposals in relation thereto to the Board of Directors for its final determination.
	3 Der Verwaltungsrat kann weitere Befugnisse und Pflichten an den Vergütungsausschuss delegieren.		3 The Board of Directors may delegate further authorities and duties to the Compensation Committee.
	<i>C. Revisionsstelle</i>		<i>C. Auditor</i>
	Artikel 29		Article 29
Amtsdauer, Befugnisse und Pflichten	1 Die Revisionsstelle wird von der Generalversammlung gewählt und es obliegen ihr die vom Gesetz zugewiesenen Befugnisse und Pflichten.	Term, Powers and Duties	1 The Auditor shall be elected by the General Meeting of Shareholders and shall have the powers and duties vested in it by law.
	2 Die Amtsdauer der Revisionsstelle beträgt ein Jahr, beginnend am Tage der Wahl an einer ordentlichen Generalversammlung und endend am Tage der nächsten ordentlichen Generalversammlung.		2 The term of office of the Auditor shall be one year, commencing on the day of election at an Annual General Meeting of Shareholders and terminating on the day of the next Annual General Meeting of Shareholders.

Abschnitt 3a:
*Vergütung des Verwaltungsrates und der
Geschäftsleitung*

Artikel 29a

- Genehmigung der Vergütung des Verwaltungsrates und der Geschäftsleitung durch die Aktionäre
- 1 Die Aktionäre genehmigen, unter Vorbehalt der nachstehenden Abs. 3 und Abs. 4, an jeder ordentlichen Generalversammlung die Anträge des Verwaltungsrates betreffend den Maximalgesamtbetrag (in US Dollars, Schweizer Franken oder einer anderen Währung):
- (a) der Vergütung des Verwaltungsrates für die Periode zwischen der ordentlichen Generalversammlung, an der um Genehmigung ersucht wird, und der nächsten ordentlichen Generalversammlung; und
- (b) der Vergütung der Geschäftsleitung für das Geschäftsjahr, das nach der ordentlichen Generalversammlung, an der um Genehmigung ersucht wird, beginnt.
- 2 Der Verwaltungsrat kann die Aktionäre an einer Generalversammlung um Genehmigung eines Gesamtbetrages oder eines Maximalgesamtbetrages der Vergütung des Verwaltungsrates bzw. der Geschäftsleitung, oder von Elementen davon, oder zusätzlicher oder bedingter Beträge für von Abs. 1 dieses Artikels 29a abweichende Zeitperioden ersuchen, sei es auf retrospektiver Basis, prospektiver Basis oder einer Kombination davon.

Section 3a:
*Compensation of the Board of
Directors and the Executive
Management Team*

Article 29a

- Shareholder Ratification of Compensation of the Board of Directors and the Executive Management Team
- 1 The shareholders shall, subject to para. 3 and para. 4 below, at each Annual General Meeting ratify the proposals of the Board of Directors as regards the maximum aggregate amount (expressed in U.S. dollars, Swiss francs or any other currency) of, respectively:
- (a) the compensation of the Board of Directors for the period between the Annual General Meeting at which ratification is sought and the next Annual General Meeting; and
- (b) the compensation of the Executive Management Team for the fiscal year commencing after the Annual General Meeting at which ratification is sought.
- 2 The Board of Directors may seek ratification by the shareholders at a General Meeting of Shareholders on a retrospective or prospective basis, or a combination thereof, of the aggregate amount, or maximum aggregate amount, of compensation, respectively, of the Board of Directors and the Executive Management Team, or any element thereof, or any additional or contingent amount, in relation to different time periods than those referred to in para. 1 of this Article 29a.

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|---|--|---|--|
| 3 | Innerhalb des von den Aktionären an der jeweiligen Generalversammlung genehmigten Gesamtbetrages oder Maximalgesamtbetrages ist ausschliesslich der Verwaltungsrat, oder soweit delegiert, der Vergütungsausschuss befugt und verantwortlich, die tatsächliche individuelle Vergütung jedes Mitglieds des Verwaltungsrates beziehungsweise der Geschäftsleitung zu bestimmen. Zu diesem Zweck wird der Wert der Vergütung in der Regel gemäss allgemein anerkannten Bewertungsmethoden per Datum der Zuteilung des jeweiligen Vergütungselements bestimmt. | 3 | Within the aggregate amount, or maximum aggregate amount ratified by the shareholders at the relevant General Meeting of Shareholders, it shall be the exclusive authority and responsibility of the Board of Directors or, where delegated to it, the Compensation Committee, to determine the actual individual compensation of, respectively, each member of the Board of Directors and the Executive Management Team. For such purposes, the value of compensation shall as a rule be determined in accordance with generally recognized valuation methods as per the grant date of the respective compensation element. |
| 4 | Genehmigen die Aktionäre an einer Generalversammlung einen Antrag des Verwaltungsrates gemäss Abs. 1 oder Abs. 2 hiervor nicht, so zieht der Verwaltungsrat oder, soweit delegiert, der Vergütungsausschuss den nicht-genehmigten Antrag unter Berücksichtigung, soweit feststellbar, der Gründe, aus denen die Aktionäre den Antrag nicht genehmigt haben, in Wiedererwägung und ersucht die Aktionäre um Genehmigung eines revidierten Antrags; die Genehmigung kann an der Generalversammlung, an welcher der Antrag gemäss Abs. 1 oder Abs. 2 hiervor nicht genehmigt wurde, an einer ausserordentlichen Generalversammlung oder an der nächsten ordentlichen Generalversammlung erfolgen. | 4 | If the shareholders at a General Meeting of Shareholders have not ratified a proposal of the Board of Directors pursuant to para. 1 or para. 2 above, the Board of Directors or, where delegated to it, the Compensation Committee shall reconsider the proposal that has not been ratified, taking into account, to the extent identifiable, the reasons for which the shareholders did not ratify the proposal, and seek shareholder ratification for a revised proposal at the General Meeting of Shareholders at which the proposal pursuant to para. 1 or para. 2 above has not been ratified, at an Extraordinary General Meeting or at the next Annual General Meeting. |
| 5 | Die Gesellschaft oder von ihr kontrollierte Gesellschaften können, unter Vorbehalt der nachträglichen Genehmigung durch die Aktionäre, Vergütung vor der Genehmigung durch die Aktionäre an einer Generalversammlung zuteilen oder bezahlen. | 5 | The Company or companies under its control may grant or pay compensation subject to subsequent shareholder ratification prior to shareholder ratification at a General Meeting of Shareholders. |
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- 6 Der Begriff "Vergütung", so wie er in diesen Statuten verwendet wird (ausser soweit im Rahmen einer spezifischen Bestimmung dieser Statuten anders definiert), umfasst jegliche Form der Entschädigung, einschliesslich (ohne Beschränkung auf) anteilsbasierte Vergütung oder Leistungs-, Erfolgs- oder andere Vergütung, in bar, Aktien, gesperrten Aktien, gesperrten Aktieneinheiten, aufgeschobenen Einheiten, Optionen, Aktienwertsteigerungsrechten, Bonus-Aktien, Leistungsprämien oder anderen Finanzinstrumenten oder Derivaten, oder irgendeine Kombination davon, und andere Leistungen und Vorteile, welche den betreffenden Empfängern zugeteilt oder bezahlt wird bzw. welche diese erhalten (vorausgesetzt, dass Mitglieder des Verwaltungsrates nur eine anteilsbasierte Vergütung in der Form von Aktien, gesperrten Aktien, gesperrten Aktieneinheiten, aufgeschobenen Einheiten oder ähnlichen Instrumenten erhalten dürfen), in jedem Fall unabhängig davon, ob die Vergütung, die Leistungen oder die Vorteile in Aktien, in anderen Finanzmarktinstrumenten, in bar oder als Sach- oder Dienstleistung ausgerichtet oder beglichen werden. Der Begriff "Vergütung" umfasst nicht den Ersatz oder die Bevorschussung von Auslagen, die der betreffende Empfänger im Interesse der Gesellschaft oder von ihr kontrollierten Gesellschaften getätigt hat, oder eine Schadloshaltung oder Bevorschussung von Auslagen, die an ein Mitglied des Verwaltungsrates oder der Geschäftsleitung gemäss Artikel 24 Abs. 3 und Abs. 4 dieser Statuten ausgerichtet wird.

Artikel 29b

- 6 The term "compensation," as used in these Articles of Association (except to the extent defined otherwise in a specific provision of these Articles of Association), shall include any form of remuneration, including, without limitation, equity awards, or incentive awards or other awards, in cash, shares, restricted shares, restricted share units, deferred units, options, share appreciation rights, bonus shares, performance awards, awards of other financial instruments or derivatives, or any combination of the foregoing, granted or paid to, and any other benefits and perquisites received by, the respective recipients (it being understood that members of the Board of Directors may only receive equity awards in the form of shares, restricted shares, restricted share units, deferred units or similar instruments), in each case irrespective of whether any of such awards, benefits or perquisites are provided or settled in shares, other securities, cash, in kind or in form of services. The term "compensation" shall not include the reimbursement or the advancement of expenses incurred by the respective recipient in the interest of the Company or companies under its control, or any indemnification or advancement of expenses provided to a member of the Board of Directors or the Executive Management Team pursuant to Article 24 para. 3 and para. 4 of these Articles of Association.

Article 29b

- 1 Die Vergütung des Verwaltungsrates kann (i) Barkomponenten, (ii) Aktien, gesperrte Aktien, gesperrte Aktieneinheiten, aufgeschobene Einheiten oder ähnliche Instrumente und/oder (iii) Leistungen oder Vorteile in der Form von Sach- oder Dienstleistungen umfassen, wie im Einzelnen vom Verwaltungsrat oder, soweit delegiert, vom Vergütungsausschuss von Zeit zu Zeit unter Vorbehalt der anwendbaren Planbestimmungen festgelegt. Die so festgelegte Vergütung soll unter anderem die Funktion und die Aufgaben der Verwaltungsräte im Verwaltungsrat und in Ausschüssen des Verwaltungsrates berücksichtigen. Exekutive Verwaltungsräte erhalten keine Vergütung zusätzlich zur Vergütung, welche ihnen im Rahmen ihrer Funktion als Officers der Gesellschaft ausgerichtet wird.
- 2 Sofern vom Verwaltungsrat oder, soweit delegiert, vom Vergütungsausschuss nicht anders festgelegt, besteht die Vergütung der Geschäftsleitung in der Regel aus (i) einem Basissalär, (ii) kurzfristiger Leistungs- oder Erfolgsvergütung gemäss den anwendbaren Plänen, (iii) langfristiger Leistungs- oder Erfolgsvergütung gemäss den anwendbaren Plänen und (iv) weiterer Vergütung, die der Verwaltungsrat oder, soweit delegiert, der Vergütungsausschuss als angemessen erachtet, einschliesslich (ohne Beschränkung auf) Beiträge an Vorsorgeleistungspläne und Spesenpauschalen.

- 1 The compensation of the Board of Directors may include (i) cash components, (ii) shares, restricted shares, restricted share units, deferred units or similar instruments, and/or (iii) benefits or perquisites in kind or in the form of services, as shall be determined by the Board of Directors or, where delegated to it, the Compensation Committee from time to time, subject to the terms of the applicable plans. The compensation so determined shall, among other things, take into account the position and the roles of the directors within the Board of Directors and on committees of the Board of Directors. Executive directors shall not receive any compensation in addition to the compensation paid to them in their roles as officers of the Company.
 - 2 Except as otherwise determined by the Board of Directors or, where delegated to it, the Compensation Committee, the compensation of the Executive Management Team shall generally consist of (i) a base salary, (ii) short-term incentive compensation pursuant to the applicable plans, (iii) long-term incentive compensation pursuant to the applicable plans and (iv) any other compensation as deemed appropriate by the Board of Directors or, where delegated to it, the Compensation Committee, including, without limitation, contributions to post-retirement benefit plans and allowances.
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- 3 Kurzfristige Leistungs- oder Erfolgsvergütung soll Mitgliedern der Geschäftsleitung die Möglichkeit geben, einen jährlichen Bar-Bonus, andere an kurzfristigen Leistungs- oder Erfolgszielen ausgerichtete Vergütung, oder eine Kombination davon zu verdienen, jeweils wie vom Verwaltungsrat oder, soweit delegiert, vom Vergütungsausschuss von Zeit zu Zeit festgelegt, und ist gestützt auf Performance festzulegen, gemessen an vordefinierten Zielen, einschliesslich (ohne Beschränkung auf) Sicherheitszielen, finanziellen Zielen, strategischen Unternehmenszielen, individuellen Leistungszielen, Leistungszielen bezogen auf vergleichbare Unternehmen, und anderen Zielen, wie vom Verwaltungsrat, oder soweit delegiert, vom Vergütungsausschuss von Zeit zu Zeit festgelegt.
- 3 Short-term incentive compensation shall provide members of the Executive Management Team with the opportunity to earn an annual cash bonus, other short-term incentive awards, or a combination thereof, as shall be determined by the Board of Directors or, where delegated to it, the Compensation Committee from time to time, and shall be based on performance as measured against predetermined objectives, including, without limitation, safety performance objectives, financial performance objectives, strategic corporate objectives, individual performance objectives, peer performance objectives, and such other objectives, all as established by the Board of Directors or, where delegated to it, the Compensation Committee from time to time.
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- 4 Langfristige Leistungs- oder Erfolgsvergütung ist mit dem Ziel auszugestalten, einen Anreiz für eine erhöhte Leistung und die Erreichung von langfristigen Zielen durch die Geschäftsleitung zu setzen, das Wachstum von Shareholder Value zu fördern und Schlüsseltalente anzubinden, unter anderem dadurch, dass Mitgliedern der Geschäftsleitung Möglichkeiten gegeben werden, am langfristigen Wachstum und der Profitabilität der Gesellschaft teilzuhaben. Zu diesem Zweck, einschliesslich (ohne Beschränkung) zwecks Bestimmung der relevanten Zielwerte der Vergütung gemäss den anwendbaren Plänen, kann der Verwaltungsrat oder, soweit delegiert, der Vergütungsausschuss unter anderem die Position und den Grad der Verantwortung des betreffenden Vergütungsempfängers, individuelle Leistungsziele, Ziele der Gesellschaft oder Teilen davon, einschliesslich (ohne Beschränkung) die Aktienrendite im Verhältnis zum Markt, anderen Unternehmen oder anderen Richtgrössen, berücksichtigen. Der endgültige Wert von langfristigen Leistungs- oder Erfolgsvergütung kann den jeweiligen Zielwert übersteigen. Der Verwaltungsrat oder, soweit delegiert, der Vergütungsausschuss bestimmt das relative Gewicht der Leistungskriterien und die jeweiligen Referenzwerte.
- 5 Der Verwaltungsrat, oder soweit delegiert, der Vergütungsausschuss legt, soweit anwendbar, die Zuteilungs-, Vesting-, Ausübungs- und Verfallsbedingungen fest; der Verwaltungsrat, oder soweit delegiert, der Vergütungsausschuss kann vorsehen, dass bei Eintritt von im Voraus bestimmten Ereignissen wie etwa einem Kontrollwechsel oder der Beendigung eines Arbeits-, Mandats- oder anderen Vertrags Vesting- und Ausübungsbedingungen fortbestehen, verkürzt oder aufgehoben werden, Vergütungen unter Annahme der Zielerreichung ausgerichtet werden oder Vergütungen verfallen.
- 4 Long-term incentive compensation shall be designed so as to motivate superior performance and achievement of long-term goals by the Executive Management Team, to promote the growth of shareholder value and retain key talent, among other things, by providing members of the Executive Management Team with opportunities to participate in the long-term growth and profitability of the Company. For such purposes, including, without limitation, for purposes of determining the relevant target values of compensation pursuant to the applicable plans, the Board of Directors or, where delegated to it, the Compensation Committee may, among other things, take into account the position and level of responsibility of the respective compensation recipient, individual performance targets, targets of the Company or parts thereof, including, without limitation, total shareholder return relative to market, other companies or other benchmarks. The definitive value of long-term incentive compensation may exceed the relevant target value. The Board of Directors or, where delegated to it, the Compensation Committee shall determine the relative weight of the performance criteria and the respective target values.
- 5 The Board of Directors or, where delegated to it, the Compensation Committee shall, as applicable, determine the grant, vesting, exercise and forfeiture conditions; the Board of Directors or, where delegated to it, the Compensation Committee may provide for the continuation, acceleration or removal of vesting and exercise conditions, for the payment or grant of compensation based upon assumed target achievement, or for forfeiture, in each case with regard to pre-determined events such as a change-in-control or termination of an employment, mandate or other agreement.
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- 6 Die Gesellschaft oder von ihr kontrollierte Gesellschaften können die Aktien, die im Rahmen der aktienbezogenen Vergütung an die Begünstigten auszugeben oder zu liefern sind, jeweils soweit verfügbar, aus genehmigtem oder bedingtem Aktienkapital oder unter Verwendung von eigenen Aktien bereitstellen.
- 7 Vergütung gemäss diesen Statuten kann durch die Gesellschaft oder durch von ihr kontrollierte Gesellschaften zugeteilt oder bezahlt werden.

Artikel 29c

- 6 The Company or companies under its control may procure the Shares to be issued or delivered to beneficiaries of equity-based awards, to the extent available, from authorized share capital, conditional share capital, or through use of treasury shares.
- 7 Compensation pursuant to these Articles of Association may be granted or paid by the Company or companies under its control.

Article 29c

Zusatzbetrag
für Änderungen
in der
Geschäfts-
leitung

Reicht der von den Aktionären an einer Generalversammlung genehmigte Maximalgesamtbetrag der Vergütung der Geschäftsleitung für die Vergütung einer Person, die während einer Vergütungsperiode, für welche die Aktionäre bereits ihre Genehmigung erteilt haben, neu eine Geschäftsleitungsfunktion antritt, nicht aus, sind die Gesellschaft oder von ihr kontrollierte Gesellschaften ermächtigt, jeder solchen Person für die Dauer der bereits durch die Aktionäre an einer Generalversammlung genehmigten Vergütungsperiode(n) eine Vergütung (der **Zusatzbetrag**) zuzuteilen oder zu bezahlen, die keiner Genehmigung durch die Aktionäre unterliegt. Als Zusatzbetrag können die Gesellschaft oder von ihr kontrollierte Gesellschaften jeder solcher Person je relevante Vergütungsperiode für jeden der beiden nachfolgenden Zwecke je einen die Gesamtjahresvergütung des betreffenden Vorgängers bzw. für eine ähnliche vorbestehende Funktion um bis zu 40% übersteigenden Betrag zuteilen oder bezahlen: (1) als Vergütung für die relevante Vergütungsperiode; und zusätzlich (2) zum Ausgleich der Nachteile, die im Zusammenhang mit dem Stellenwechsel entstehen. Für die Zwecke dieser Bestimmung gilt als Gesamtjahresvergütung die im jüngsten Proxy Statement der Gesellschaft für das vorangehende Geschäftsjahr ausgewiesene Gesamtjahresvergütung des betreffenden Vorgängers bzw. für eine ähnliche vorbestehende Funktion; für die kurzfristige und langfristige Leistungs- oder Erfolgsvergütung ist dabei auf die tatsächlichen Werte oder, sofern höher, die Zielwerte der betreffenden Vergütungselemente abzustellen, je wie sie im jüngsten Proxy Statement der Gesellschaft für das vorangehende Geschäftsjahr ausgewiesen sind. Die Gesellschaft oder von ihr kontrollierte Gesellschaften dürfen gestützt auf die Bestimmung dieses Artikel 29c je relevante Vergütungsperiode keinesfalls an mehr als fünf (5) Personen einen Zusatzbetrag im Rahmen der Maximalwerte gemäss der Bestimmung dieses Artikels 29c zuteilen oder bezahlen.

Supplementary
Amount for
Changes to the
Executive
Management
Team

If the maximum aggregate amount of compensation of the Executive Management Team ratified by shareholders at a General Meeting of Shareholders is not sufficient to also cover the compensation of a person who newly assumes an Executive Management Team function during a compensation period for which shareholder ratification has already been granted, the Company or companies under its control shall be authorized to grant or pay, in relation to the compensation period(s) already ratified by the shareholders at a General Meeting of Shareholders, to each such person compensation (the **Supplementary Amount**), which shall not be subject to ratification by the shareholders. The Company or companies under its control may grant or pay as Supplementary Amount to each such person for each relevant compensation period for each of the following two purposes a separate amount of up to 40% in excess of the Total Annual Compensation of the respective predecessor or for a similar preexisting position: (1) as compensation for the relevant compensation period; and, in addition, (2) as compensation for any prejudice incurred in connection with the change of employment. For purposes of this provision, Total Annual Compensation shall mean the total annual compensation of the respective predecessor or for a similar preexisting position as disclosed in the most recent proxy statement of the Company in relation to the preceding fiscal year; for such purposes, short-term and long-term incentive compensation shall be included on the basis of the actual values or, if higher, the target values of the respective compensation elements, in each case as disclosed in the most recent proxy statement of the Company in relation to the preceding fiscal year. On the basis of this Article 29c, the Company or companies under its control may in no event grant or pay, in each relevant compensation period, a Supplementary Amount to more than five (5) persons within the limitations of the maximum values pursuant to the provision of this Article 29c.

Abschnitt 3b:
Verträge betreffend Vergütung mit Mitgliedern des Verwaltungsrates und der Geschäftsleitung

Artikel 29d

Verträge betreffend Vergütung mit Mitgliedern des Verwaltungsrates und der Geschäftsleitung

- 1 Die Gesellschaft oder von ihr kontrollierte Gesellschaften können mit Mitgliedern des Verwaltungsrates unbefristete oder befristete Mandatsverträge oder andere Verträge über deren Vergütung als Verwaltungsräte abschliessen. Die Dauer von befristeten Verträgen darf die Amtsdauer eines Verwaltungsrates nicht überschreiten. Eine Erneuerung eines befristeten Vertrags ist zulässig. Unbefristete Verträge haben eine Kündigungsfrist von maximal einer Amtsdauer.
- 2 Die Gesellschaft oder von ihr kontrollierte Gesellschaften können mit Mitgliedern der Geschäftsleitung unbefristete oder befristete Arbeitsverträge oder andere Verträge über ihre Vergütung als Mitglieder der Geschäftsleitung abschliessen. Die maximale Dauer eines befristeten Vertrags beträgt ein (1) Jahr. Eine Erneuerung eines befristeten Vertrags ist zulässig. Unbefristete Verträge haben eine Kündigungsfrist von maximal zwölf (12) Monaten.
- 3 Mitglieder der Geschäftsleitung können während der Kündigungsfrist von ihrer Arbeitspflicht befreit werden. Des Weiteren ist es zulässig, dass die Gesellschaft oder von ihr kontrollierte Gesellschaften Aufhebungs- oder ähnliche Vereinbarungen abschliessen.

Agreements Regarding Compensation With Members of the Board of Directors and the Executive Management Team

Section 3b:
Agreements Regarding Compensation With Members of the Board of Directors and the Executive Management Team

Article 29d

- 1 The Company or companies under its control may enter into mandate or other agreements with the members of the Board of Directors regarding their compensation as directors for a fixed term or for an indefinite term. The duration of fixed term agreements may not exceed a director's term of office. A renewal of a fixed term agreement is permissible. Agreements for an indefinite term may have a termination notice period not exceeding a term of office.
- 2 The Company or companies under its control may enter into employment or other agreements with the members of the Executive Management Team regarding their compensation as members of the Executive Management Team for a fixed term or for an indefinite term. The duration of fixed term agreements may not exceed one (1) year. A renewal of a fixed term agreement is permissible. Agreements for an indefinite term may have a termination notice period of a maximum of twelve (12) months.
- 3 Members of the Executive Management Team may be released from their obligation of work during the period of the termination notice period. Further, it shall be permissible for the Company or companies under its control to enter into termination or similar agreements.

- 4 Die Gesellschaft oder von ihr kontrollierte Gesellschaften können mit Mitgliedern der Geschäftsleitung Konkurrenzverbote für die Zeit nach Beendigung des Arbeitsvertrags vereinbaren. Die Dauer eines solchen Konkurrenzverbots für ein Mitglied der Geschäftsleitung darf ein (1) Jahr nicht überschreiten, und die Entschädigung für ein Konkurrenzverbot darf die Summe des Basissalärs und des Ziel-Bar-Bonus des betreffenden Mitglieds der Geschäftsleitung im letzten vollen Geschäftsjahr, während dem er oder sie von der Gesellschaft oder von einer von ihr kontrollierten Gesellschaft angestellt war, nicht übersteigen.

Abschnitt 3c:

Mandate ausserhalb des Konzerns, Darlehen, Vorsorgeleistungen ausserhalb der beruflichen Vorsorge

Artikel 29e

Mandate
ausserhalb des
Konzerns

- 1 Kein Mitglied des Verwaltungsrates kann zusätzlich zum Mandat bei der Gesellschaft mehr als zehn (10) Mandate in Personen wahrnehmen, wovon nicht mehr als vier (4) in Personen sein dürfen, deren Aktien an einer Börse kotiert sind.
- 2 Kein Mitglied der Geschäftsleitung kann mehr als vier (4) Mandate in Personen wahrnehmen, wovon zusätzlich zu einem allfälligen Mandat bei der Gesellschaft nicht mehr als eines (1) in einer Person sein darf, deren Aktien an einer Börse kotiert sind.
- 3 Die folgenden Mandate fallen nicht unter die Beschränkungen gemäss Abs. 1 und Abs. 2 dieses Artikels 29e:

Mandates
Outside the
Group

- 4 The Company or companies under its control may enter into non-competition agreements with members of the Executive Management Team for the period after the termination of the employment agreement. The duration of any such non-competition undertaking by an Executive Management Team member shall not exceed one (1) year, and the consideration paid for a non-competition undertaking shall not exceed the sum of the base salary and the target cash bonus of the respective Executive Management Team member in the last full fiscal year in which he or she was employed with the Company or one of its companies under its control.

Section 3c:

Mandates Outside the Group, Loans, Post-Retirement Benefits Beyond Occupational Pensions

Article 29e

- 1 No member of the Board of Directors may hold more than ten (10) Mandates in Persons other than the Company, of which not more than four (4) may be in Persons whose shares are listed on a stock exchange.
- 2 No member of the Executive Management Team may hold more than four (4) Mandates in Persons of which, in addition to a Mandate at the Company, if any, not more than one (1) may be in Persons whose shares are listed on a stock exchange.
- 3 The following Mandates shall not be subject to the limitations set forth in para. 1 and para. 2 of this Article 29e:

(a)
Mandate in Personen, welche die Gesellschaft kontrollieren, durch die Gesellschaft kontrolliert werden oder unter gemeinsamer Kontrolle mit der Gesellschaft stehen;

(b)
Ohne Einschränkung von lit. a hiavor, Mandate, die auf Anordnung der Gesellschaft oder von Personen, welche die Gesellschaft kontrollieren, durch die Gesellschaft kontrolliert werden oder unter gemeinsamer Kontrolle mit der Gesellschaft stehen, wahrgenommen werden. Kein Mitglied des Verwaltungsrates oder der Geschäftsleitung kann mehr als zehn (10) solche Mandate wahrnehmen; und

(c)
Mandate in Vereinen und Verbänden, gemeinnützigen Organisationen, Non-For-Profit Organisationen, Stiftungen (einschliesslich Personalfürsorgestiftungen), Trusts und ähnliche Personen. Kein Mitglied des Verwaltungsrates oder der Geschäftsleitung kann mehr als zehn (10) solche Mandate wahrnehmen.

- 4 Der Begriff "Mandat", so wie er in diesen Statuten verwendet wird, umfasst jeglichen Einsitz in das oberste Leitungs- oder Verwaltungsorgan einer Person, die zur Eintragung in ein schweizerisches Handelsregister oder ein entsprechendes ausländisches Register verpflichtet ist. Bis zu zehn (10) Mandate in verschiedenen Personen, welche ausserhalb des Anwendungsbereichs von Artikel 29e Abs. 3(a) unter einheitlicher Kontrolle oder gleicher wirtschaftlicher Berechtigung stehen, gelten als ein Mandat.

Artikel 29f

(a)
Mandates in any Person which Controls, is Controlled by or is under common Control with the Company;

(b)
Without limitation to subpara. a above, Mandates held at the instruction of the Company or any Person which Controls, is Controlled by or is under common Control with the Company; *provided, however*, that no member of the Board of Directors or the Executive Management Team shall hold more than ten (10) such Mandates; and

(c)
Mandates in associations, charitable organizations, non-for-profit organizations, foundations (including in relation to post-retirement benefits), trusts and similar Persons; *provided, however*, that no member of the Board of Directors or the Executive Management Team shall hold more than ten (10) such Mandates.

- 4 The term "Mandate," as used in these Articles of Association, shall refer to any position in the supreme governing body of a Person that is required to be registered in a Swiss Commercial Register or a foreign register of equivalent nature. Up to ten (10) Mandates in different Persons that are under joint Control or common beneficial ownership outside the scope of application of Article 29e para. 3(a) shall be deemed to be one Mandate.

Article 29f

Darlehen / Vorsorge- leistungen ausserhalb der beruflichen Vorsorge	1 Die Gesellschaft oder von ihr kontrollierte Gesellschaften entrichten keine Darlehen an Mitglieder des Verwaltungsrates oder der Geschäftsleitung.	Loans / Post- Retirement Benefits Beyond Occupational Pensions	1 The Company or companies under its control shall not grant any loans to members of the Board of Directors or the Executive Management Team.
	2 Die Gesellschaft oder von ihr kontrollierte Gesellschaften können an ein Mitglied der Geschäftsleitung Vorsorgeleistungen ausserhalb der beruflichen Vorsorge ausrichten, wobei solche Vorsorgeleistungen 50% des Basissalärs im Geschäftsjahr, das der Pensionierung unmittelbar vorausgeht, nicht übersteigen dürfen.		2 The Company or companies under its control may grant a member of the Executive Management Team post-retirement benefits beyond occupational pensions; <i>provided, however</i> , that any such post-retirement benefits may not exceed 50% of the base salary in the fiscal year immediately preceding the retirement.
<hr/> Abschnitt 4: <i>Jahresrechnung, Konzernrechnung und Gewinnverteilung</i> <hr/>		<hr/> Section 4: <i>Annual Statutory Financial Statements, Consolidated Financial Statements and Profit Allocation</i> <hr/>	
Geschäftsjahr	Artikel 30 Der Verwaltungsrat legt das Geschäftsjahr fest.	Fiscal Year	Article 30 The Board of Directors determines the fiscal year.
	Verteilung des Bilanzgewinns, Reserven		Artikel 31 1 Über den Bilanzgewinn verfügt die Generalversammlung im Rahmen der anwendbaren gesetzlichen Vorschriften. Der Verwaltungsrat unterbreitet ihr seine Vorschläge.
2 Neben der gesetzlichen Reserve können weitere Reserven geschaffen werden.		2 Further reserves may be taken in addition to the reserves required by law.	
3 Dividenden, welche nicht innerhalb von fünf Jahren nach ihrem Auszahlungsdatum bezogen werden, fallen an die Gesellschaft und werden in die allgemeinen gesetzlichen Reserven verbucht.		3 Dividends that have not been collected within five years after their payment date shall enure to the Company and be allocated to the general statutory reserves.	

Abschnitt 5:
Auflösung und Liquidation

Artikel 32

- Auflösung und Liquidation
- 1 Die Generalversammlung kann jederzeit die Auflösung und Liquidation der Gesellschaft nach Massgabe der gesetzlichen und statutarischen Vorschriften beschliessen.
 - 2 Die Liquidation wird durch den Verwaltungsrat durchgeführt, sofern sie nicht durch die Generalversammlung anderen Personen übertragen wird.
 - 3 Die Liquidation der Gesellschaft erfolgt nach Massgabe der gesetzlichen Vorschriften.
 - 4 Nach erfolgter Tilgung der Schulden wird das Vermögen unter die Aktionäre nach Massgabe der eingezahlten Beträge verteilt, soweit diese Statuten nichts anderes vorsehen.

Winding-up and Liquidation

Section 5:
Winding-up and Liquidation

Article 32

- 1 The General Meeting of Shareholders may at any time resolve on the winding-up and liquidation of the Company pursuant to applicable law and the provisions set forth in these Articles of Association.
- 2 The liquidation shall be effected by the Board of Directors, unless the General Meeting of Shareholders shall appoint other persons as liquidators.
- 3 The liquidation of the Company shall be effectuated pursuant to the statutory provisions.
- 4 Upon discharge of all liabilities, the assets of the Company shall be distributed to the shareholders pursuant to the amounts paid in, unless these Articles of Association provide otherwise.

Abschnitt 6:
Bekanntmachungen, Mitteilungen

Artikel 33

- Bekanntmachungen, Mitteilungen
- 1 Publikationsorgan der Gesellschaft ist das Schweizerische Handelsamtsblatt.

Announcements, Communications

Section 6:
Announcements, Communications

Article 33

- 1 The official means of publication of the Company shall be the Swiss Official Gazette of Commerce.
-

2 Soweit keine individuelle Benachrichtigung durch das Gesetz, börsengesetzliche Bestimmungen oder diese Statuten verlangt wird, gelten sämtliche Mitteilungen an die Aktionäre als gültig erfolgt, wenn sie im Schweizerischen Handelsamtsblatt veröffentlicht worden sind. Schriftliche Bekanntmachungen der Gesellschaft an die Aktionäre werden auf dem ordentlichen Postweg an die letzte im Aktienbuch verzeichnete Adresse des Aktionärs oder des bevollmächtigten Empfängers geschickt. Finanzinstitute, welche Aktien für wirtschaftlich Berechtigte halten und als solches im Aktienbuch eingetragen sind, gelten als bevollmächtigte Empfänger.

2 To the extent that individual notification is not required by law, stock exchange regulations or these Articles of Association, all communications to the shareholders shall be deemed valid if published in the Swiss Official Gazette of Commerce. Written communications by the Company to its shareholders shall be sent by ordinary mail to the last address of the shareholder or authorized recipient recorded in the share register. Financial institutions holding Shares for beneficial owners and recorded in such capacity in the share register shall be deemed to be authorized recipients.

Abschnitt 7:
Verbindlicher Originaltext

Artikel 34

Falls sich zwischen der deutschen und englischen Fassung dieser Statuten Differenzen ergeben, hat die deutsche Fassung Vorrang.

Section 7:
Original Language

Article 34

In the event of deviations between the German and English version of these Articles of Association, the German text shall prevail.

Verbindlicher
Originaltext

Original
Language

Abschnitt 8:
Definitionen

Artikel 35

Der Begriff **Aktie(n)** hat die in Artikel 4 dieser Statuten aufgeführte Bedeutung.

Section 8:
Definitions

Article 35

The term **Share(s)** has the meaning assigned to it in Article 4 of these Articles of Association.

Aktie(n)

1

Share(s)

1

Eigentümer

2

Eigentümer(in), unter Einschluss der Begriffe **Eigentum**, **halten**, **gehalten**, **Eigentümerschaft** oder ähnlicher Begriffe, bedeutet, wenn verwendet mit Bezug auf Aktien, jede Person, welche allein oder zusammen mit oder über Nahestehende Gesellschaften oder Nahestehende Personen:

Owner

2

Owner, including the terms **Own**, **Owned** and **Ownership** when used with respect to any Shares means a Person that individually or with or through any of its Affiliates or Associates:

(a)

wirtschaftliche Eigentümerin dieser Aktien ist, ob direkt oder indirekt;

(a)

beneficially Owns such Shares, directly or indirectly;

(b)

(1) das Recht hat, aufgrund eines Vertrags, einer Absprache oder einer anderen Vereinbarung, oder aufgrund der Ausübung eines Wandel-, Tausch-, Bezugs- oder Optionsrechts oder anderweitig Aktien zu erwerben (unabhängig davon, ob dieses Recht sofort ausübbar ist oder nur nach einer gewissen Zeit); vorausgesetzt, dass eine Person nicht als Eigentümerin derjenigen Aktien gelten soll, die im Rahmen eines Übernahme- oder Umtauschangebots, das diese Person oder eine dieser Person Nahestehende Gesellschaft oder Nahestehende Person eingeleitet hat, angeboten werden, bis diese Aktien zum Kauf oder Tausch akzeptiert werden; oder (2) das Recht hat, die Stimmrechte dieser Aktien aufgrund eines Vertrags, einer Absprache oder einer anderen Vereinbarung auszuüben; vorausgesetzt, dass eine Person nicht als Eigentümerin von Aktien gilt infolge des Rechts, das Stimmrecht auszuüben, soweit der diesbezügliche Vertrag, die diesbezügliche Absprache oder die diesbezügliche andere Vereinbarung nur aufgrund einer widerruflichen Vollmacht (*proxy*) oder Zustimmung zustande gekommen ist, und diese Vollmacht (*proxy*) oder Zustimmung in Erwiderung auf eine an 10 oder mehr Personen gemachte diesbezügliche Aufforderung ergangen ist; oder

(c)

zwecks Erwerbs, Haltens, Stimmrechtsausübung (mit Ausnahme der Stimmrechtsausübung aufgrund einer widerruflichen Vollmacht (*proxy*) oder Zustimmung wie in Artikel 35 Abs. 2(b)(ii)(2) umschrieben) oder Veräußerung dieser Aktien mit einer anderen Person in einen Vertrag, eine Absprache oder eine andere Vereinbarung getreten ist, die direkt oder indirekt entweder selbst oder über ihr Nahestehende Gesellschaften oder Nahestehende Personen wirtschaftlich Eigentümerin dieser Aktien ist.

(b)

has (1) the right to acquire such Shares (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise; *provided, however*, that a Person shall not be deemed the Owner of Shares tendered pursuant to a tender or exchange offer made by such Person or any of such Person's Affiliates or Associates until such tendered Shares are accepted for purchase or exchange; or (2) the right to vote such Shares pursuant to any agreement, arrangement or understanding; *provided, however*, that a Person shall not be deemed the Owner of any Shares because of such Person's right to vote such Shares if the agreement, arrangement or understanding to vote such Shares arises solely from a revocable proxy or consent given in response to a proxy or consent solicitation made to 10 or more Persons; or

(c)

has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent as described in Article 35 para. 2(b)(ii)(2)), or disposing of such Shares with any other Person that beneficially Owns, or whose Affiliates or Associates beneficially Own, directly or indirectly, such Shares.

Gesamtjahresvergütung	2a	Der Begriff Gesamtjahresvergütung hat für Zwecke der Bestimmung von Artikel 29c dieser Statuten die in Artikel 29c dieser Statuten aufgeführte Bedeutung.	Total Annual Compensation	2a	The term Total Annual Compensation has, for purposes of the provision of Article 29c of these Articles of Association, the meaning assigned to it in Article 29c of these Articles of Association.
Geschäftsleitung	2b	Der Begriff Geschäftsleitung hat die in Artikel 26 dieser Statuten aufgeführte Bedeutung. In Bezug auf Artikel 20 Abs. 3 und den dazugehörigen Definitionen in diesem Abschnitt 8 sowie in Bezug auf Artikel 24 Abs. 3 und Abs. 4 ist der Begriff "Mitglieder der Geschäftsleitung" weiterhin als Bezugnahme auf alle Mitglieder der Geschäftsleitung zusammen mit allen anderen Officers der Gesellschaft zu verstehen.	Executive Management Team	2b	The term Executive Management Team has the meaning assigned to it in Article 26 of these Articles of Association. In relation to Article 20 para. 3 and the definitions pertaining thereto as set forth in this Section 8 and Article 24 para. 3 and para. 4, the term "officer" shall continue to be a reference to the members of the Executive Management Team together with all other officers of the Company.
Gesellschaft	3	Der Begriff Gesellschaft hat die in Artikel 1 dieser Statuten aufgeführte Bedeutung.	Company	3	The term Company has the meaning assigned to it in Article 1 of these Articles of Association.

Kontrolle

4 **Kontrolle**, einschliesslich die Begriffe **kontrollierend, kontrolliert von und unter gemeinsamer Kontrolle mit**, bedeutet die Möglichkeit, direkt oder indirekt auf die Geschäftsführung und die Geschäftspolitik einer Person Einfluss zu nehmen, sei es aufgrund des Haltens von Stimmrechten, eines Vertrags oder auf andere Weise. Eine Person, welche 20% oder mehr der ausgegebenen oder ausstehenden Stimmrechte einer Kapitalgesellschaft, rechts- oder nicht-rechtsfähigen Personengesellschaft oder eines anderen Rechtsträgers hält, hat mangels Nachweises des Gegenteils unter Anwendung des Beweismasses der überwiegenden Wahrscheinlichkeit der Beweismittel vermutungsweise Kontrolle über einen solchen Rechtsträger. Ungeachtet des Voranstehenden gilt diese Vermutung der Kontrolle nicht, wenn eine Person in Treu und Glauben und nicht zur Umgehung dieser Bestimmung Stimmrechte als Stellvertreter (*agent*), Bank, Börsenmakler (*broker*), Nominee, Depotbank (*custodian*) oder Treuhänder (*trustee*) für einen oder mehrere Eigentümer hält, die für sich allein oder zusammen als Gruppe keine Kontrolle über den betreffenden Rechtsträger haben.

Control

4 **Control**, including the terms **controlling, controlled by and under common control** with, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the Ownership of voting shares, by contract, or otherwise. A Person who is the Owner of 20% or more of the issued or outstanding voting shares of any corporation, partnership, unincorporated association or other entity shall be presumed to have control of such entity, in the absence of proof by a preponderance of the evidence to the contrary. Notwithstanding the foregoing, a presumption of control shall not apply where such Person holds voting shares, in good faith and not for the purpose of circumventing this provision, as an agent, bank, broker, nominee, custodian or trustee for one or more Owners who do not individually or as a group have control of such entity.

Mandat

4a Der Begriff **Mandat** hat die in Artikel 29e Abs. 4 dieser Statuten aufgeführte Bedeutung.

Mandate

4a The term **Mandate** has the meaning assigned to it in Article 29e para. 4 of these Articles of Association.

Nahestehender
Aktionär

5 **Nahestehender Aktionär** bedeutet jede Person (unter Ausschluss der Gesellschaft oder jeder direkten oder indirekten Tochtergesellschaft, die zur Mehrheit von der Gesellschaft gehalten wird), (i) die Eigentümerin von 15% oder mehr der ausgegebenen Aktien ist, oder (ii) die als Nahestehende Gesellschaft oder Nahestehende Person anzusehen ist und irgendwann in den drei unmittelbar vorangehenden Jahren vor dem Zeitpunkt, zu dem bestimmt werden muss, ob diese Person ein Nahestehender Aktionär ist, Eigentümerin von 15% oder mehr der ausgegebenen Stimmrechte gewesen ist, ebenso wie jede Nahestehende Gesellschaft und Nahestehende Person dieser Person; vorausgesetzt, dass eine Person nicht als **Nahestehender Aktionär** gilt, die aufgrund von Handlungen, die ausschliesslich der Gesellschaft zuzurechnen sind, Eigentümerin von Aktien in Überschreitung der 15%-Beschränkung ist; wobei jedoch jede solche Person dann als Nahestehender Aktionär gilt, falls sie später zusätzliche Aktien erwirbt, ausser dieser Erwerb erfolgt aufgrund von weiteren Gesellschaftshandlungen, die weder direkt noch indirekt von dieser Person beeinflusst werden. Zur Bestimmung, ob eine Person ein Nahestehender Aktionär ist, sind die als ausgegeben geltenden Aktien unter Einschluss der von dieser Person gehaltenen Aktien (unter Anwendung des Begriffs "gehalten" wie in Artikel 35 Abs. 2 dieser Statuten definiert) zu berechnen, jedoch unter Ausschluss von nichtausgegebenen Aktien, die aufgrund eines Vertrags, einer Absprache oder einer anderen Vereinbarung, oder aufgrund der Ausübung eines Wandel-, Bezugs- oder Optionsrechts oder anderweitig ausgegeben werden können;

Interested
Shareholder

5 **Interested Shareholder** means any Person (other than the Company or any direct or indirect majority-Owned subsidiary of the Company) (i) that is the Owner of 15% or more of the issued Shares of the Company or (ii) that is an Affiliate or Associate of the Company and was the Owner of 15% or more of the issued Shares at any time within the three-year period immediately prior to the date on which it is sought to be determined whether such Person is an Interested Shareholder, and also the Affiliates and Associates of such Person; *provided, however*, that the term Interested Shareholder shall not include any Person whose Ownership of Shares in excess of the 15% limitation is the result of action taken solely by the Company; provided that such Person shall be an Interested Shareholder if thereafter such Person acquires additional Shares, except as a result of further corporate action not caused, directly or indirectly, by such Person. For the purpose of determining whether a Person is an Interested Shareholder, the Shares deemed to be in issue shall include Shares deemed to be Owned by the Person (through the application of the definition of Owner in Article 35 para. 2 of these Articles of Association) but shall not include any other unissued Shares which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

Nahestehende Gesellschaft	6	Nahestehende Gesellschaft bedeutet jede Person, die direkt oder indirekt über eine oder mehrere Mittelspersonen eine andere Person kontrolliert, von einer anderen Person kontrolliert wird, oder unter gemeinsamer Kontrolle mit einer anderen Person steht.	Affiliate	6	Affiliate means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another Person.
Nahestehende Person	7	Nahestehende Person bedeutet, wenn verwendet zur Bezeichnung einer Beziehung zu einer Person, (i) jede Kapitalgesellschaft, rechts- oder nicht-rechtsfähige Personengesellschaft oder ein anderer Rechtsträger, von welcher diese Person Mitglied des Leitungs- oder Verwaltungsorgans, der Geschäftsleitung oder Gesellschafter ist oder von welcher diese Person, direkt oder indirekt, Eigentümerin von 20% oder mehr einer Kategorie von Aktien oder anderer Anteilsrechte ist, die ein Stimmrecht vermitteln, (ii) jedes Treuhandvermögen (<i>Trust</i>) oder jede andere Vermögenseinheit, an der diese Person wirtschaftlich einen Anteil von 20% oder mehr hält oder in Bezug auf welche diese Person als Verwalter (<i>trustee</i>) oder in ähnlich treuhändischer Funktion tätig ist, und (iii) jeder Verwandte, Ehe- oder Lebenspartner dieser Person, oder jede Verwandte des Ehe- oder Lebenspartners, jeweils soweit diese den gleichen Wohnsitz haben wie diese Person.	Associate	7	Associate , when used to indicate a relationship with any Person, means (i) any corporation, partnership, unincorporated association or other entity of which such Person is a director, officer or partner or is, directly or indirectly, the Owner of 20% or more of any class of voting shares, (ii) any trust or other estate in which such Person has at least a 20% beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity, and (iii) any relative or spouse of such Person, or any relative of such spouse, who has the same residence as such Person.
OR	8	Der Begriff OR hat die in Artikel 14 Abs. 2 dieser Statuten aufgeführte Bedeutung.	CO	8	The term CO has the meaning assigned to it in Article 14 para. 2 of these Articles of Association.
Person	9	Person bedeutet jede natürliche Person, jede Kapitalgesellschaft, rechts- oder nicht-rechtsfähige Personengesellschaft oder jeder andere Rechtsträger. Für die Zwecke von Artikel 29e dieser Statuten sind Individuen nicht erfasst.	Person	9	Person means any individual, corporation, partnership, unincorporated association or other entity. For purposes of Article 29e of these Articles of Association, it shall not include individuals.

Rechte	10	Der Begriff Rechte hat die in Artikel 6 Abs. 1 dieser Statuten aufgeführte Bedeutung.	Rights	10	The term Rights has the meaning assigned to it in Article 6 para. 1 of these Articles of Association.
Mit Rechten verbundenen Obligationen	11	Der Begriff mit Rechten verbundenen Obligationen hat die in Artikel 6 Abs. 1 dieser Statuten aufgeführte Bedeutung.	Rights-Bearing Obligations	11	The term Rights-Bearing Obligations has the meaning assigned to it in Article 6 para. 1 of these Articles of Association.
SEC	12	Der Begriff SEC hat die in Artikel 12 Abs. 2 dieser Statuten aufgeführte Bedeutung.	SEC	12	The term SEC has the meaning assigned to it in Article 12 para. 2 of these Articles of Association.
Transfer Agent	13	Der Begriff Transfer Agent hat die in Artikel 8 Abs. 3 dieser Statuten aufgeführte Bedeutung.	Transfer Agent	13	The term Transfer Agent has the meaning assigned to it in Article 8 para. 3 of these Articles of Association.
Vergütung	13a	Der Begriff Vergütung hat die in Artikel 29a Abs. 6 dieser Statuten aufgeführte Bedeutung.	Compensation	13a	The term Compensation has the meaning assigned to it in Article 29a para. 6 of these Articles of Association.
Vergütungs-ausschuss	13b	Der Begriff Vergütungsausschuss hat die in Artikel 28a Abs. 1 dieser Statuten aufgeführte Bedeutung.	Compensation Committee	13b	The term Compensation Committee has the meaning assigned to it in Article 28a para. 1 of these Articles of Association.
Zusammenschluss	14	Zusammenschluss bedeutet, wenn im Rahmen dieser Statuten in Bezug auf die Gesellschaft oder einen Nahestehenden Aktionär der Gesellschaft verwendet:	Business Combination	14	Business Combination , when used in these Articles of Association in reference to the Company and any Interested Shareholder of the Company, means:

(a)

Jede Fusion oder andere Form des Zusammenschlusses der Gesellschaft oder einer direkten oder indirekten Tochtergesellschaft, die zur Mehrheit von der Gesellschaft gehalten wird, mit (1) dem Nahestehenden Aktionär oder (2) einer anderen Kapitalgesellschaft, rechts- oder nicht-rechtsfähigen Personengesellschaft oder einem anderen Rechtsträger, soweit diese Fusion oder andere Form des Zusammenschlusses durch den Nahestehenden Aktionär verursacht worden ist und als Folge dieser Fusion oder anderen Form des Zusammenschlusses Artikel 19(f) und Artikel 20 Abs. 3 dieser Statuten (sowie jede der dazu gehörigen Definition in Artikel 35 dieser Statuten) oder im Wesentlichen gleiche Bestimmungen wie Artikel 19(f), Artikel 20 Abs. 3 (und die dazugehörigen Definitionen in Artikel 35 dieser Statuten auf den überlebenden Rechtsträger) nicht anwendbar sind;

(a)

Any merger or consolidation of the Company or any direct or indirect majority-Owned subsidiary of the Company with (1) the Interested Shareholder or (2) with any other corporation, partnership, unincorporated association or other entity if the merger or consolidation is caused by the Interested Shareholder and as a result of such merger or consolidation Article 19(f) and Article 20 para. 3 of these Articles of Association (including the relevant definitions in Article 35 of these Articles of Association pertaining thereto) or a provision substantially the same as such Article 19(f) and Article 20 para. 3 (including the relevant definitions in Article 35) are not applicable to the surviving entity;

(b)
jeder Verkauf, Vermietung oder Verpachtung, hypothekarische Belastung oder andere Verpfändung, Übertragung oder andere Verfügung (ob in einer oder mehreren Transaktionen), einschliesslich im Rahmen eines Tauschs, von Vermögenswerten der Gesellschaft oder einer direkten oder indirekten Tochtergesellschaft, die zur Mehrheit von der Gesellschaft gehalten wird, an einen Nahestehenden Aktionär (ausser soweit der Zuerwerb unter einer der genannten Transaktionen proportional als Aktionär erfolgt), soweit diese Vermögenswerte einen Marktwert von 10% oder mehr entweder des auf konsolidierter Basis aggregierten Marktwertes aller Vermögenswerte der Gesellschaft oder des aggregierten Marktwertes aller dann ausgegebenen Aktien haben, unabhängig davon, ob eine dieser Transaktionen Teil einer Auflösung der Gesellschaft ist oder nicht;

(b)
any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), except proportionately as a shareholder, to or with the Interested Shareholder, whether as part of a dissolution or otherwise, of assets of the Company or of any direct or indirect majority-Owned subsidiary of the Company which assets have an aggregate market value equal to 10% or more of either the aggregate market value of all the assets of the Company determined on a consolidated basis or the aggregate market value of all the Shares then in issue;

(c) jede Transaktion, die dazu führt, dass die Gesellschaft oder eine direkte oder indirekte Tochtergesellschaft, die zur Mehrheit von der Gesellschaft gehalten wird, Aktien oder Tochtergesellschafts-Aktien an den Nahestehenden Aktionär ausgibt oder überträgt, es sei denn (1) aufgrund der Ausübung, des Tauschs oder der Wandlung von Finanzmarktinstrumenten, die in Aktien oder Aktien einer direkten oder indirekten Tochtergesellschaft, die zur Mehrheit von der Gesellschaft gehalten wird, ausgeübt, getauscht oder gewandelt werden können, vorausgesetzt, die betreffenden Finanzmarktinstrumente waren zum Zeitpunkt, in dem der Nahestehende Aktionär zu einem solchem wurde, bereits ausgegeben; (2) als Dividende oder Ausschüttung an alle Aktionäre, oder aufgrund der Ausübung, des Tauschs oder der Wandlung von Finanzmarktinstrumenten, die in Aktien oder Aktien einer direkten oder indirekten Tochtergesellschaft, die zur Mehrheit von der Gesellschaft gehalten wird, ausgeübt, getauscht oder gewandelt werden können, vorausgesetzt, diese Finanzinstrumente werden allen Aktionäre anteilmässig ausgegeben, nachdem der Nahestehende Aktionär zu einem solchem wurde; (3) gemäss einem Umtauschangebot der Gesellschaft, Aktien von allen Aktionären zu den gleichen Bedingungen zu erwerben; oder (4) aufgrund der Ausgabe oder der Übertragung von Aktien durch die Gesellschaft; vorausgesetzt, dass in keinem der unter (2) bis (4) genannten Fällen der proportionale Anteil des Nahestehenden Aktionärs an den Aktien erhöht werden darf;

(c) any transaction which results in the issuance or transfer by the Company or by any direct or indirect majority-Owned subsidiary of the Company of any Shares or shares of such subsidiary to the Interested Shareholder, except (1) pursuant to the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into Shares or the shares of a direct or indirect majority-Owned subsidiary of the Company which securities were in issue prior to the time that the Interested Shareholder became such; (2) pursuant to a dividend or distribution paid or made, or the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into Shares or the shares of a direct or indirect majority-Owned subsidiary of the Company which security is distributed, pro rata, to all shareholders subsequent to the time the Interested Shareholder became such; (3) pursuant to an exchange offer by the Company to purchase Shares made on the same terms to all holders of said Shares; or (4) any issuance or transfer of Shares by the Company; *provided, however*, that in no case under (2)–(4) above shall there be an increase in the Interested Shareholder's proportionate interest in the Shares;

(d)
jede Transaktion, in welche die Gesellschaft oder eine direkte oder indirekte Tochtergesellschaft, die zur Mehrheit von der Gesellschaft gehalten wird, involviert ist, und die direkt oder indirekt dazu führt, dass der proportionale Anteil der vom Nahestehenden Aktionär gehaltenen Aktien, in Aktien wandelbare Obligationen oder Tochtergesellschafts-Aktien erhöht wird, ausser eine solche Erhöhung ist nur unwesentlich und die Folge eines Spitzenausgleichs für Fraktionen oder eines Rückkaufs oder einer Rücknahme von Aktien, soweit diese(r) weder direkt noch indirekt durch den Nahestehenden Aktionär verursacht wurde; oder

(e)
jede direkte oder indirekte Gewährung von Darlehen, Vorschüssen, Garantien, Bürgschaften, oder garantieähnlicher Verpflichtungen, Pfändern oder anderen finanziellen Begünstigungen (mit Ausnahme einer solchen, die gemäss den Unterabschnitten (a) – (d) dieses Artikels 35 Abs. 14 ausdrücklich erlaubt ist sowie einer solchen, die proportional an alle Aktionäre erfolgt) durch die oder über die Gesellschaft oder eine direkte oder indirekte Tochtergesellschaft, die zur Mehrheit von der Gesellschaft gehalten wird, an den Nahestehenden Aktionär.

Zusatzbetrag 15

Der Begriff **Zusatzbetrag** hat die in Artikel 29c dieser Statuten aufgeführte Bedeutung.

Supplementary Amount 15

(d)
any transaction involving the Company or any direct or indirect majority-Owned subsidiary of the Company which has the effect, directly or indirectly, of increasing the proportionate interest in the Shares, or securities convertible into the Shares, or in the shares of any such subsidiary which is Owned by the Interested Shareholder, except as a result of immaterial changes due to fractional share adjustments or as a result of any purchase or redemption of any Shares not caused, directly or indirectly, by the Interested Shareholder; or

(e)
any receipt by the Interested Shareholder of the benefit, directly or indirectly (except proportionately as a shareholder), of any loans, advances, guarantees, pledges or other financial benefits (other than those expressly permitted in subsections (a)–(d) of this Article 35 para. 14) provided by or through the Company or any direct or indirect majority-Owned subsidiary of the Company.

The term **Supplementary Amount** has the meaning assigned to it in Article 29c of these Articles of Association.

Abschnitt 9:
Übergangsbestimmungen

Artikel 36

Section 9:
Transitional Provisions

Article 36

Sacheinlage

Die Gesellschaft übernimmt bei der Kapitalerhöhung vom 19. Dezember 2008 von der Transocean Inc. in Grand Cayman, Cayman Islands (**Transocean Inc.**), gemäss Sacheinlagevertrag per 18. Dezember 2008 (**Sacheinlagevertrag**) 319'228'632 Aktien (*ordinary shares*) der Transocean Inc. Diese Aktien werden zu einem Übernahmewert von insgesamt CHF 16'476'107'961.80 übernommen. Als Gegenleistung für diese Sacheinlage gibt die Gesellschaft einem Umtauschagenten, handelnd auf Rechnung der Aktionäre der Transocean Inc. im Zeitpunkt unmittelbar vor Vollzug des Sacheinlagevertrages und im Namen und auf Rechnung der Transocean Inc., insgesamt 335'228'632 voll einbezahlte Aktien mit einem Nennwert von insgesamt CHF 5'028'429'480 aus. Die Gesellschaft weist die Differenz zwischen dem totalen Nennwert der ausgegebenen Aktien und dem Übernahmewert der Sacheinlage im Gesamtbetrag von CHF 11'447'678'481.80 den Reserven der Gesellschaft zu.

Contribution in Kind

In connection with the capital increase of December 19, 2008, and in accordance with the contribution in kind agreement as of December 18, 2008 (the **Contribution in Kind Agreement**), the Company acquires 319,228,632 ordinary shares of Transocean Inc., Grand Cayman, Cayman Islands (**Transocean Inc.**). The shares of Transocean Inc. are acquired for a total value of CHF 16,476,107,961.80. As consideration for this contribution, the Company issues to an exchange agent, acting for the account of the holders of ordinary shares of Transocean Inc. outstanding immediately prior to the completion of the Contribution in Kind Agreement and in the name and the account of Transocean Inc, a total of 335,228,632 fully paid Shares with a total par value of CHF 5,028,429,480. The difference between the aggregate par value of the issued Shares and the total value of CHF 11,447,678,481.80 is allocated to the reserves of the Company.

Artikel 36^{bis}

Article 36^{bis}

Die Gesellschaft übernimmt in der ordentlichen Kapitalerhöhung vom 30. Januar 2018 gemäss dem Einlagevertrag vom 30. Januar 2018 (der **Einlagevertrag**) von der Clarksons Platou Securities AS (die **Einlegerin**), handelnd im eigenen Namen aber auf Rechnung der Inhaber der Aktien mit einem Nennwert von je EUR 0.10 der Songa Offshore SE, in Limassol (CY) (die **Zielgesellschafts-Aktien**), die ihre Zielgesellschafts-Aktien im Rahmen des öffentlichen Angebots der Gesellschaft vom 21. Dezember 2017 für sämtliche ausgegebenen und ausstehenden Zielgesellschafts-Aktien angedient und die Einlegerin als Umtauschagenten bezeichnet haben (die **Andienenden Aktionäre**), insgesamt 187'390'391 Zielgesellschafts-Aktien. Die Zielgesellschafts-Aktien werden zu einem Übernahmewert von insgesamt USD 1'122'468'442.09 übernommen. Im Einklang mit dem Einlagevertrag (i) weist die Gesellschaft der Einlegerin, handelnd im eigenen Namen aber auf Rechnung der Andienenden Aktionäre, insgesamt 66'929'504 Namenaktien mit einem Nennwert von je CHF 0.10 und gesamthaft CHF 6'692'950.40 zu, (ii) leistet eine Barzahlung von insgesamt NOK 2'645'280 an die Andienenden Aktionäre (die **Barzahlung**) und (iii) gibt ein Wandeldarlehen an Transocean, Inc., Grand Cayman (CI) (**TINC**), im Nominalwert von insgesamt USD 561'440'000 aus, zwecks Finanzierung der von TINC an die Andienenden Aktionäre ausgegebenen Wandelanleihen im Nominalwert von insgesamt USD 561'440'000 (das **Wandeldarlehen** bzw. die **Wandelanleihen**). Die Gesellschaft weist die Differenz zwischen (i) dem Übernahmewert der Einlage und (ii) (x) dem Gesamtnennwert der neu ausgegebenen Namenaktien mit einem Nennwert von je CHF 0.10, (y) der Barzahlung und (z) dem Wandeldarlehen den Kapitaleinlagereserven der Gesellschaft zu.

In connection with the ordinary share capital increase of January 30, 2018, and in accordance with the contribution agreement of January 30, 2018 (the **Contribution Agreement**), the Company acquires from Clarksons Platou Securities AS (the **Contributor**), acting in its own name but for the account of the holders of shares with a nominal value of EUR 0.10 each in Songa Offshore SE, in Limassol (CY) (the **Target Shares**), who have tendered their Target Shares to the public tender offer of the Company of December 21, 2017, for all issued and outstanding Target Shares and who have appointed the Contributor as exchange agent (the **Tendering Shareholders**), in the aggregate 187,390,391 Target Shares. The Target Shares are acquired for a total value of USD 1,122,468,442.09. As consideration for this contribution, the Company, in accordance with the Contribution Agreement, (i) issues to the Contributor, acting in its own name but for the account of the Tendering Shareholders, an aggregate number of 66,929,504 registered shares with a nominal value of CHF 0.10 each and an aggregate nominal value of CHF 6,692,950.40, (ii) makes a cash payment in the aggregate amount of NOK 2,645,280 to the Tendering Shareholders (the **Cash Payment**) and (iii) issues a convertible loan to Transocean, Inc., Grand Cayman (CI) (**TINC**), in an aggregate nominal value of USD 561,440,000, for the purpose of financing the exchangeable bonds issued by TINC to the Tendering Shareholders in the aggregate amount of USD 561,440,000 (the **Convertible Loan** and the **Exchangeable Bonds**, respectively). The difference between (i) the total value of the contribution and (ii) (x) the sum of the aggregate nominal value of the newly issued registered shares, nominal value of CHF 0.10 each, (y) the Cash Payment and (z) the Convertible Loan is allocated to the Company's reserves of capital contribution.

Die Gesellschaft übernimmt in der genehmigten Kapitalerhöhung vom 27. März 2018 gemäss dem Sacheinlagevertrag vom 27. März 2018 (der **Einlagevertrag**) von der Clarksons Platou Securities AS (die **Einlegerin**), handelnd im eigenen Namen aber auf Rechnung der Inhaber der Aktien mit einem Nennwert von je EUR 0.10 der Songa Offshore SE, in Limassol (CY) (die **Songa Aktien**), deren Songa Aktien (a) am 30. Januar 2018 im Rahmen des Vollzugs des öffentlichen Übernahmeangebots der Gesellschaft vom 21. Dezember 2017 für sämtliche ausgegebenen und ausstehenden Songa Aktien von der Gesellschaft nicht erworben wurden, (b) somit dem Zwangserwerb der Gesellschaft gemäss dem Supplemental Prospectus vom 16. Februar 2018 und Artikel 36 des zypriotischen Takeover Bids Law (L.41(I)/2007) unterliegen und (c) von der Einlegerin in die Gesellschaft eingelegt werden (die **Squeeze-out Aktionäre**), insgesamt 4'475'201 Songa Aktien. Die Songa Aktien werden zu einem Übernahmewert von insgesamt USD 26'806'453.99 übernommen. Im Einklang mit dem Einlagevertrag (i) weist die Gesellschaft der Einlegerin, handelnd im eigenen Namen aber auf Rechnung der Squeeze-out Aktionäre, insgesamt 1'121'201 Namenaktien mit einem Nennwert von je CHF 0.10 und gesamthaft CHF 112'120.10 zu, (ii) leistet eine Barzahlung von insgesamt NOK 63'745'857.21 an die Squeeze-out Aktionäre (die **Barzahlung**) und (iii) gibt an Transocean Inc., Grand Cayman (CI) (**TINC**) Exchangeable Loan Notes im Nominalwert von insgesamt USD 9'375'000 (die **Exchangeable Loan Notes**) aus zwecks Finanzierung der von TINC an die Squeeze-out Aktionäre ausgegebenen Wandelanleihen im Nominalwert von insgesamt USD 9'375'000 (die **Wandelanleihen**). Die Gesellschaft weist die Differenz zwischen (i) dem Übernahmewert der Einlage und (ii)(x) dem Gesamtnennwert der neu ausgegebenen Namenaktien mit einem Nennwert von je CHF 0.10, (y) der Barzahlung und (z) dem Gesamtnominalwert der Exchangeable Loan Notes den gesetzlichen Kapitaleinlagereserven der Gesellschaft zu.

In connection with the authorized share capital increase of 27 March 2018, and in accordance with the contribution agreement of 27 March 2018 (the **Contribution Agreement**), the Company acquires from Clarksons Platou Securities AS (the **Contributor**), acting in its own name but for the account of the holders of shares with a nominal value of EUR 0.10 each in Songa Offshore SE, in Limassol (CY) (the **Songa Shares**), whose Songa Shares (a) were not acquired on January 30, 2018 by the Company upon settlement of the public tender offer of the Company of December 21, 2017, for all issued and outstanding Songa Shares, (b) are therefore subject to a compulsory acquisition pursuant to the Supplemental Prospectus dated as of February 16, 2018 and article 36 of the Cyprus Takeover Bids Law (L.41(I)/2007), and (c) are contributed to the Company by the Contributor (the **Squeeze-out Shareholders**), 4,475'201 Songa Shares in the aggregate. The Songa Shares are acquired for a total value of USD 26,806,453.99. As consideration for this contribution, the Company, in accordance with the Contribution Agreement, (i) issues to the Contributor, acting in its own name but for the account of the Squeeze-out Shareholders, an aggregate number of 1,121,201 registered shares with a nominal value of CHF 0.10 each and an aggregate nominal value of CHF 112,120.10, (ii) makes a cash payment in the aggregate amount of NOK 63'745'857.21 to the Squeeze-out Shareholders (the **Cash Payment**) and (iii) issues exchangeable loan notes to Transocean Inc., Grand Cayman (CI) (**TINC**), with an aggregate nominal value of USD 9,375,000 (the **Exchangeable Loan Notes**) for the purpose of financing the exchangeable bonds issued by TINC to the Squeeze-out Shareholders in the aggregate amount of USD 9,375,000 (the **Exchangeable Bonds**). The difference between (i) the total value of the contribution and (ii)(x) the sum of the aggregate nominal value of the newly issued registered shares, nominal value of CHF 0.10 each, (y) the Cash Payment and (z) the aggregate nominal value of the Exchangeable Loan Notes is allocated to the Company's statutory capital reserves from capital contribution.

Artikel 37

Genehmigung der Vergütung gemäss Artikel 29a Abs. 1

Die Genehmigung der Vergütung des Verwaltungsrates und der Geschäftsleitung durch die Aktionäre gemäss Artikel 29a Abs. 1 dieser Statuten findet erstmals an der ordentlichen Generalversammlung 2015 statt.

Ratification of the compensation pursuant to Article 29a para. 1

Article 37

The ratification by shareholders of the compensation of the Board of Directors and the Executive Management Team pursuant to Article 29a para. 1 of these Articles of Association shall take place for the first time at the 2015 Annual General Meeting.

Artikel 38

Übergangsrechtliche Ausnahme zu Artikel 22 dieser Statuten betreffend die Höchstzahl der Mitglieder des Verwaltungsrates

- 1 Bis zum Abschluss der ordentlichen Generalversammlung 2015 kann die Höchstzahl der Mitglieder des Verwaltungsrates gemäss Artikel 22 dieser Statuten aufgrund der Wahl eines neuen Mitglieds des Verwaltungsrates an der ausserordentlichen Generalversammlung vom 22. September 2014 und des Verbleibs im Amt dieses neuen Mitglieds des Verwaltungsrates und der 11 an der ordentlichen Generalversammlung 2014 gewählten Mitglieder des Verwaltungsrates vorübergehend überschritten werden und 12 betragen.
- 2 Jede Änderung dieses Artikels 38 untersteht den gleichen Präsenz- und Mehrheitsquoten wie eine Änderung von Artikel 22.

Transitory exception to the maximum number of the members of the Board of Directors pursuant to Article 22 of the Articles of Association

Article 38

- 1 Until completion of the 2015 Annual General Meeting the maximum number of the members of the Board of Directors pursuant to Article 22 of these Articles of Association may be temporarily exceeded as a result of the election of one new member of the Board of Directors at the Extraordinary General Meeting of Shareholders of September 22, 2014 and the continuance in office of this new member of the Board of Directors and the 11 members of the Board of Directors elected at the 2014 Annual General Meeting and amount to 12.
- 2 Any amendment to this Article 38 shall be subject to the same presence quorum and voting majority requirements as an amendment to Article 22.

Zug, 27. März 2018

Die unterzeichnende Urkundsperson des Kantons Zugs, Thomas Stoltz, Rechtsanwalt, Baarerstrasse 8, 6302 Zug, erklärt hiermit, dass es sich bei den vorliegenden Statuten um die vollständigen, unter Berücksichtigung der Änderungen vom 27. März 2018 und aller vorhergehenden Änderungen, gültigen Statuten der Transocean Ltd. handelt.

The undersigned Civil Law Notary of the Canton of Zug, Thomas Stoltz, attorney-at-law, Baarerstrasse 8, 6302 Zug, declares the present articles of association of Transocean Ltd. as being complete and valid in respect of the changes made on March 27, 2018, including all previous changes.

Zug, 27. März 2018
Zug, March 27, 2018

Die Urkundsperson:
The Civil Law Notary:

FIRST SUPPLEMENTAL INDENTURE

FIRST SUPPLEMENTAL INDENTURE dated as of March 28, 2018, to the Indenture, dated as of January 30, 2018, among TRANSOCEAN INC., a Cayman Islands exempted company, as issuer (the “**Company**”), TRANSOCEAN LTD., a company organized under the laws of Switzerland, as guarantor (the “**Guarantor**”), and COMPUTERSHARE TRUST COMPANY, N.A. and COMPUTERSHARE TRUST COMPANY OF CANADA (each a “**Co-Trustee**” and, together, the “**Trustee**”).

WITNESSETH:

WHEREAS, the Company, the Guarantor and the Trustee have entered into an Indenture dated as of January 30, 2018 (the “**Indenture**”), related to the issuance by the Company of 0.5% Exchangeable Senior Bonds due 2023 (the “**Bonds**”); and

WHEREAS, on January 30, 2018, the Company issued \$853,804,000 aggregate principal amount of Bonds in connection with the settlement of the exchange offer contemplated by the Prospectus; and

WHEREAS, Section 2.10 of the Indenture contains a scrivener’s error that states that the Maximum Issue Amount is \$853,804,000, which is the same amount listed for the initial issuance on January 30, 2018 in Section 2.01 of the Indenture; and

WHEREAS, the Prospectus contemplates that additional Bonds would be issued under the Indenture in settlement of the compulsory acquisition described in the Prospectus, which compulsory acquisition is to be settled on or about the date hereof; and

WHEREAS, pursuant to Section 10.01 of the Indenture, the Company and the Guarantor may enter into an indenture supplemental to the Indenture without the consent of the Holders to conform the provisions of the Indenture or the Bonds to the “Description of Transocean Exchangeable Bonds” Section of the Prospectus, which contemplates that bonds in the compulsory acquisition would be issued under the Indenture; and

WHEREAS, the Company and the Guarantor now desire to amend Section 2.10 of the Indenture to provide for the issuance of Bonds in connection with the settlement of the compulsory acquisition described in the Prospectus.

NOW, THEREFORE, the parties hereto hereby formally covenant and agree as follows:

Section 1.01 *Incorporation of Certain Definitions.* Capitalized terms not otherwise defined herein shall have the meaning given to such terms in the Indenture.

Section 1.02 *Amendment to Section 2.10.* The first sentence of Section 2.10 of the Indenture is hereby amended by striking such sentence in its entirety and by inserting in lieu thereof the following sentence:

The Company may, from time to time, without notice to or the consent of the Holders and notwithstanding Section 2.01, reopen this Indenture and issue additional Bonds hereunder

with the same terms as the Bonds initially issued hereunder (other than differences in the issue price and interest accrued prior to the issue date of such additional Bonds) up to an aggregate principal amount of \$863,179,000 (the “**Maximum Issue Amount**”).

Section 1.03 *Miscellaneous*. Except as expressly set forth herein, the Indenture shall remain in full force and effect.

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IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed as of the date first written above.

TRANSOCEAN INC., as Issuer

By: /s/ C. Stephen McFadin
Name: C. Stephen McFadin
Title: President

TRANSOCEAN LTD., as Guarantor

By: /s/ Brady K. Long
Name: Brady K. Long
Title: Executive Vice President and General Counsel

COMPUTERSHARE TRUST COMPANY, N.A.,
as Co-Trustee

By: /s/ Rose Stroud
Name: Rose Stroud
Title: Trust Officer

COMPUTERSHARE TRUST COMPANY OF CANADA, as
Co-Trustee

By: /s/ Carl Blanchette
Name: Carl Blanchette
Title: Corporate Trust Officer

By: /s/ Nicolas Richard
Name: Nicolas Richard
Title: Corporate Trust Officer

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

I, Jeremy D. Thigpen, certify that:

1. I have reviewed this report on Form 10-Q of Transocean Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 1, 2018

/s/ Jeremy D. Thigpen

Jeremy D. Thigpen

President and Chief Executive Officer

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

I, Mark L. Mey, certify that:

1. I have reviewed this report on Form 10-Q of Transocean Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 1, 2018

/s/ Mark L. Mey

Mark L. Mey
Executive Vice President, Chief Financial Officer

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

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

- (1) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 1, 2018

/s/ Jeremy D. Thigpen

Jeremy D. Thigpen
President and Chief Executive Officer

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

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

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

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

(1) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: May 1, 2018

/s/ Mark L. Mey

Mark L. Mey

Executive Vice President, Chief Financial Officer

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

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