

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 September 30, 2014

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.)

**10 Chemin de Blandonnet**

**Vernier, Switzerland**

(Address of principal executive offices)

**1214**

(Zip Code)

**+41 (22) 930-9000**

(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 (§232.405 of this chapter) 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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

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 October 28, 2014, 362,242,494 shares were outstanding.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
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**QUARTER ENDED SEPTEMBER 30, 2014**

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## Item 1. Financial Statements

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In millions, except per share data)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
<b>Operating revenues</b>				
Contract drilling revenues	\$ 2,215	\$ 2,402	\$ 6,785	\$ 6,868
Other revenues	55	47	152	129
	2,270	2,449	6,937	6,997
<b>Costs and expenses</b>				
Operating and maintenance	1,318	1,386	3,800	4,102
Depreciation	288	273	849	834
General and administrative	52	67	172	211
	1,658	1,726	4,821	5,147
Loss on impairment	(2,768)	(17)	(2,833)	(54)
Gain (loss) on disposal of assets, net	(12)	32	(14)	23
<b>Operating income (loss)</b>	<b>(2,168)</b>	<b>738</b>	<b>(731)</b>	<b>1,819</b>
<b>Other income (expense), net</b>				
Interest income	6	11	31	39
Interest expense, net of amounts capitalized	(122)	(142)	(360)	(445)
Other, net	6	(4)	12	(21)
	(110)	(135)	(317)	(427)
Income (loss) from continuing operations before income tax expense	(2,278)	603	(1,048)	1,392
Income tax expense (benefit)	(16)	63	136	214
<b>Income (loss) from continuing operations</b>	<b>(2,262)</b>	<b>540</b>	<b>(1,184)</b>	<b>1,178</b>
Income (loss) from discontinued operations, net of tax	(1)	8	(16)	(6)
<b>Net income (loss)</b>	<b>(2,263)</b>	<b>548</b>	<b>(1,200)</b>	<b>1,172</b>
Net income (loss) attributable to noncontrolling interest	(46)	2	(26)	(2)
<b>Net income (loss) attributable to controlling interest</b>	<b>\$ (2,217)</b>	<b>\$ 546</b>	<b>\$ (1,174)</b>	<b>\$ 1,174</b>
<b>Earnings (loss) per share-basic</b>				
Earnings (loss) from continuing operations	\$ (6.12)	\$ 1.48	\$ (3.20)	\$ 3.25
Earnings (loss) from discontinued operations	—	0.02	(0.04)	(0.02)
Earnings (loss) per share	\$ (6.12)	\$ 1.50	\$ (3.24)	\$ 3.23
<b>Earnings (loss) per share-diluted</b>				
Earnings (loss) from continuing operations	\$ (6.12)	\$ 1.48	\$ (3.20)	\$ 3.25
Earnings (loss) from discontinued operations	—	0.02	(0.04)	(0.02)
Earnings (loss) per share	\$ (6.12)	\$ 1.50	\$ (3.24)	\$ 3.23
<b>Weighted-average shares outstanding</b>				
Basic	362	360	362	360
Diluted	362	361	362	360

See accompanying notes.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(In millions)  
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
<b>Net income (loss)</b>	\$ (2,263)	\$ 548	\$ (1,200)	\$ 1,172
Net income (loss) attributable to noncontrolling interest	(46)	2	(26)	(2)
<b>Net income (loss) attributable to controlling interest</b>	<b>(2,217)</b>	<b>546</b>	<b>(1,174)</b>	<b>1,174</b>
<b>Other comprehensive income (loss) before reclassifications</b>				
Components of net periodic benefit costs	(3)	(1)	70	47
Loss on derivative instruments	—	—	—	(5)
<b>Reclassifications to net income</b>				
Components of net periodic benefit costs	7	12	13	39
(Gain) loss on derivative instruments	—	—	(2)	18
Other comprehensive income before income taxes	4	11	81	99
Income taxes related to other comprehensive income	(1)	(2)	(4)	(2)
<b>Other comprehensive income</b>	<b>3</b>	<b>9</b>	<b>77</b>	<b>97</b>
Other comprehensive income attributable to noncontrolling interest	—	1	—	2
<b>Other comprehensive income attributable to controlling interest</b>	<b>3</b>	<b>8</b>	<b>77</b>	<b>95</b>
<b>Total comprehensive income (loss)</b>	<b>(2,260)</b>	<b>557</b>	<b>(1,123)</b>	<b>1,269</b>
Total comprehensive income (loss) attributable to noncontrolling interest	(46)	3	(26)	—
<b>Total comprehensive income (loss) attributable to controlling interest</b>	<b>\$ (2,214)</b>	<b>\$ 554</b>	<b>\$ (1,097)</b>	<b>\$ 1,269</b>

See accompanying notes.

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

	September 30, 2014	December 31, 2013
<b>Assets</b>		
Cash and cash equivalents	\$ 2,873	\$ 3,243
Accounts receivable, net of allowance for doubtful accounts of \$14 at September 30, 2014 and December 31, 2013	2,174	2,162
Materials and supplies, net of allowance for obsolescence of \$95 and \$80 at September 30, 2014 and December 31, 2013, respectively	835	737
Assets held for sale	50	148
Deferred income taxes, net	160	151
Other current assets	275	331
<b>Total current assets</b>	<b>6,367</b>	<b>6,772</b>
Property and equipment	30,107	29,518
Less accumulated depreciation	(8,419)	(7,811)
<b>Property and equipment, net</b>	<b>21,688</b>	<b>21,707</b>
Goodwill	1,014	2,987
Other assets	895	1,080
<b>Total assets</b>	<b>\$ 29,964</b>	<b>\$ 32,546</b>
<b>Liabilities and equity</b>		
Accounts payable	\$ 892	\$ 1,106
Accrued income taxes	130	53
Debt due within one year	362	323
Other current liabilities	2,162	2,072
<b>Total current liabilities</b>	<b>3,546</b>	<b>3,554</b>
Long-term debt	9,991	10,379
Deferred income taxes, net	258	374
Other long-term liabilities	1,210	1,554
<b>Total long-term liabilities</b>	<b>11,459</b>	<b>12,307</b>
Commitments and contingencies		
Redeemable noncontrolling interest	7	—
Shares, CHF 15.00 par value, 396,260,487 authorized, 167,617,649 conditionally authorized, 373,830,649 issued and 362,234,868 outstanding at September 30, 2014 and 373,830,649 authorized, 167,617,649 conditionally authorized, 373,830,649 issued and 360,764,100 outstanding at December 31, 2013	5,168	5,147
Additional paid-in capital	5,775	6,784
Treasury shares, at cost, 2,863,267 held at September 30, 2014 and December 31, 2013	(240)	(240)
Retained earnings	4,088	5,262
Accumulated other comprehensive loss	(185)	(262)
<b>Total controlling interest shareholders' equity</b>	<b>14,606</b>	<b>16,691</b>
Noncontrolling interest	346	(6)
<b>Total equity</b>	<b>14,952</b>	<b>16,685</b>
<b>Total liabilities and equity</b>	<b>\$ 29,964</b>	<b>\$ 32,546</b>

See accompanying notes.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**

(In millions)  
(Unaudited)

	Nine months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	Shares		Amount	
<b>Shares</b>				
Balance, beginning of period	361	360	\$ 5,147	\$ 5,130
Issuance of shares under share-based compensation plans	1	1	21	15
Balance, end of period	362	361	\$ 5,168	\$ 5,145
<b>Additional paid-in capital</b>				
Balance, beginning of period			\$ 6,784	\$ 7,521
Share-based compensation			75	85
Issuance of shares under share-based compensation plans			(20)	(30)
Reclassification of obligation for distribution of qualifying additional paid-in capital			(1,088)	(808)
Allocated capital for sale of noncontrolling interest			33	—
Other, net			(9)	(2)
Balance, end of period			\$ 5,775	\$ 6,766
<b>Treasury shares, at cost</b>				
Balance, beginning of period			\$ (240)	\$ (240)
Balance, end of period			\$ (240)	\$ (240)
<b>Retained earnings</b>				
Balance, beginning of period			\$ 5,262	\$ 3,855
Net income (loss) attributable to controlling interest			(1,174)	1,174
Balance, end of period			\$ 4,088	\$ 5,029
<b>Accumulated other comprehensive loss</b>				
Balance, beginning of period			\$ (262)	\$ (521)
Other comprehensive income attributable to controlling interest			77	95
Balance, end of period			\$ (185)	\$ (426)
<b>Total controlling interest shareholders' equity</b>				
Balance, beginning of period			\$ 16,691	\$ 15,745
Total comprehensive income (loss) attributable to controlling interest			(1,097)	1,269
Share-based compensation			75	85
Issuance of shares under share-based compensation plans			1	(15)
Reclassification of obligation for distribution of qualifying additional paid-in capital			(1,088)	(808)
Allocated capital for sale of noncontrolling interest			33	—
Other, net			(9)	(2)
Balance, end of period			\$ 14,606	\$ 16,274
<b>Noncontrolling interest</b>				
Balance, beginning of period			\$ (6)	\$ (15)
Total comprehensive loss attributable to noncontrolling interest			(31)	—
Sale of noncontrolling interest, net of issue costs			416	—
Allocated capital for sale of noncontrolling interest			(33)	—
Balance, end of period			\$ 346	\$ (15)
<b>Total equity</b>				
Balance, beginning of period			\$ 16,685	\$ 15,730
Total comprehensive income (loss)			(1,128)	1,269
Share-based compensation			75	85
Issuance of shares under share-based compensation plans			1	(15)
Reclassification of obligation for distribution of qualifying additional paid-in capital			(1,088)	(808)
Sale of noncontrolling interest, net of issue costs			416	—
Allocated capital for sale of noncontrolling interest			—	—
Other, net			(9)	(2)
Balance, end of period			\$ 14,952	\$ 16,259

See accompanying notes.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions)  
(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2014	2013	2014	2013
<b>Cash flows from operating activities</b>				
Net income (loss)	\$ (2,263)	\$ 548	\$ (1,200)	\$ 1,172
Adjustments to reconcile to net cash provided by operating activities				
Amortization of drilling contract intangibles	(4)	(5)	(12)	(21)
Depreciation	288	273	849	834
Share-based compensation expense	24	36	75	85
Loss on impairment	2,768	17	2,833	54
Loss on impairment of assets in discontinued operations	—	14	—	14
(Gain) loss on disposal of assets, net	12	(32)	14	(23)
(Gain) loss on disposal of assets in discontinued operations, net	—	(31)	10	(49)
Deferred income taxes	(94)	(28)	(134)	(64)
Other, net	10	27	27	77
Changes in deferred revenue, net	10	(33)	80	(68)
Changes in deferred costs, net	(52)	30	(32)	38
Changes in operating assets and liabilities	183	(193)	(856)	(904)
<b>Net cash provided by operating activities</b>	<b>882</b>	<b>623</b>	<b>1,654</b>	<b>1,145</b>
<b>Cash flows from investing activities</b>				
Capital expenditures	(365)	(450)	(1,847)	(1,290)
Proceeds from disposal of assets, net	102	170	203	174
Proceeds from disposal of assets in discontinued operations, net	(1)	68	35	131
Proceeds from repayment of notes receivable	—	2	101	14
Proceeds from sale of preference shares	—	—	—	185
Other, net	—	—	(15)	—
<b>Net cash used in investing activities</b>	<b>(264)</b>	<b>(210)</b>	<b>(1,523)</b>	<b>(786)</b>
<b>Cash flows from financing activities</b>				
Repayments of debt	(75)	(77)	(318)	(1,673)
Proceeds from restricted cash investments	69	77	176	283
Deposits to restricted cash investments	—	(8)	(20)	(112)
Proceeds from sale of noncontrolling interest	443	—	443	—
Distribution of qualifying additional paid-in capital	(272)	(202)	(746)	(404)
Other, net	(27)	(1)	(36)	(28)
<b>Net cash provided by (used in) financing activities</b>	<b>138</b>	<b>(211)</b>	<b>(501)</b>	<b>(1,934)</b>
Net increase (decrease) in cash and cash equivalents	756	202	(370)	(1,575)
Cash and cash equivalents at beginning of period	2,117	3,357	3,243	5,134
<b>Cash and cash equivalents at end of period</b>	<b>\$ 2,873</b>	<b>\$ 3,559</b>	<b>\$ 2,873</b>	<b>\$ 3,559</b>

See accompanying notes.

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

**Note 1—Nature of Business**

Transocean Ltd. (together with its subsidiaries and predecessors, unless the context requires otherwise, “Transocean,” the “Company,” “we,” “us” or “our”) is a leading international provider of offshore contract drilling services for oil and gas wells. We specialize in technically demanding sectors of the offshore drilling business with a particular focus on 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 September 30, 2014, we owned or had partial ownership interests in and operated 79 mobile offshore drilling units associated with our continuing operations. At September 30, 2014, our fleet consisted of 48 High-Specification Floaters (Ultra-Deepwater, Deepwater and Harsh Environment semisubmersibles and drillships), 21 Midwater Floaters, and 10 High-Specification Jackups. At September 30, 2014, we also had seven Ultra-Deepwater drillships and five High-Specification Jackups under construction or under contract to be constructed. See Note 9—Drilling Fleet.

In February 2014, in connection with our efforts to discontinue non-strategic operations, we completed the sale of Applied Drilling Technology International Limited (“ADTI”), a United Kingdom (“U.K.”) company, which performs drilling management services in the North Sea. See Note 7—Discontinued Operations.

On August 5, 2014, we completed an initial public offering to sell a noncontrolling interest in Transocean Partners LLC (“Transocean Partners”), a Marshall Islands limited liability company, which was formed on February 6, 2014, by Transocean Partners Holdings Limited, a Cayman Islands company and our wholly owned subsidiary, to own, operate and acquire modern, technologically advanced offshore drilling rigs. See Note 15—Noncontrolling Interest.

**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 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 and nine months ended September 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014 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, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 included in our annual report on Form 10-K filed on February 27, 2014.

**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 discontinued operations, allowance for doubtful accounts, materials and supplies obsolescence, assets held for sale, property and equipment, investments, loans receivable, goodwill, income taxes, contingencies, share-based compensation, defined benefit pension plans and other postretirement benefits. 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.

**Consolidation**—We consolidate entities in which we have a majority voting interest and entities that meet the criteria for variable interest entities for which we are deemed to be the primary beneficiary for accounting purposes. We eliminate intercompany transactions and accounts in consolidation. We apply the equity method of accounting for an investment in an entity if we have the ability to exercise significant influence over the entity that (a) does not meet the variable interest entity criteria or (b) meets the variable interest entity criteria, but for which we are not deemed to be the primary beneficiary. We apply the cost method of accounting for an investment in an entity if we do not have the ability to exercise significant influence over the unconsolidated entity. See Note 4—Variable Interest Entities.

**Share-based compensation**—In the three and nine months ended September 30, 2014, we recognized share-based compensation expense of \$24 million and \$75 million, respectively. In the three and nine months ended September 30, 2013, we recognized share-based compensation expense of \$36 million and \$85 million, respectively.



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

**Capitalized interest**—We capitalize interest costs for qualifying construction and upgrade projects. In the three and nine months ended September 30, 2014, we capitalized interest costs on construction work in progress of \$33 million and \$109 million, respectively. In the three and nine months ended September 30, 2013, we capitalized interest costs on construction work in progress of \$19 million and \$56 million, respectively.

**Reclassifications**—We have made certain reclassifications, which did not have an effect on net income, to prior period amounts to conform with the current period’s presentation, including certain reclassifications to our consolidated statements of operations and cash flows to present discontinued operations (see Note 7—Discontinued Operations) and reclassification of an intracompany note (see Note 17—Condensed Consolidating Financial Information). Other reclassifications did not have a material effect on our condensed consolidated statement of financial position, results of operations or cash flows.

**Subsequent events**—We evaluate subsequent events through the time of our filing on the date we issue our financial statements. See Note 18—Subsequent Events.

**Note 3—New Accounting Pronouncements**

**Recently adopted accounting standards**

**Income taxes**—Effective January 1, 2014, we adopted the accounting standards update that requires an unrecognized tax benefit to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward if net settlement is required or expected. The update is effective for interim and annual periods beginning on or after December 15, 2013. Our adoption did not have a material effect on our condensed consolidated balance sheets or the disclosures contained in our notes to condensed consolidated financial statements.

**Recently issued accounting standards**

**Presentation of financial statements**—Effective January 1, 2015, we will adopt the accounting standards update that changes the criteria for reporting discontinued operations. The update expands the disclosures for discontinued operations and requires new disclosures related to the disposal of individually significant components of an entity that do not qualify for discontinued operations. The update is effective for interim and annual periods beginning on or after December 15, 2014. We do not expect that our adoption will have a material effect on our condensed consolidated balance sheets or the disclosures contained in our notes to condensed consolidated financial statements.

**Revenue from contracts with customers**—Effective January 1, 2017, we will adopt the new 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. The update is effective for interim and annual periods beginning on or after December 15, 2016. We are evaluating the requirements to determine the effect such requirements may have on our revenue recognition policies.

**Note 4—Variable Interest Entities**

**Consolidated variable interest entities**—Angola Deepwater Drilling Company Limited (“ADDCL”), a consolidated Cayman Islands company, and Transocean Drilling Services Offshore Inc. (“TDSOI”), a consolidated British Virgin Islands company, are variable interest entities for which we are the primary beneficiary. Accordingly, we consolidate the operating results, assets and liabilities of ADDCL and TDSOI.

The carrying amounts associated with our consolidated variable interest entities, after eliminating the effect of intercompany transactions, were as follows (in millions):

	September 30, 2014	December 31, 2013
Assets	\$ 1,276	\$ 1,280
Liabilities	81	261
Net carrying amount	<u>\$ 1,195</u>	<u>\$ 1,019</u>

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

**Note 5—Impairments**

**Goodwill**—We conduct impairment testing of goodwill annually and when events occur or circumstances change that would more likely than not reduce the fair value of our reporting unit below its carrying amount. During the three months ended September 30, 2014, we noted rapid and significant declines in the market value of our stock, oil and natural gas prices and the actual and projected declines in dayrates and utilization. We identified these as indicators that the fair value of our goodwill could have fallen below its carrying amount. As a result, we performed a goodwill impairment test as of September 30, 2014 and determined that the goodwill associated with our contract drilling services reporting unit was impaired. In the three and nine months ended September 30, 2014, we recognized a loss of \$2.0 billion associated with the impairment of our goodwill, which had no tax effect, and of which \$1.9 billion was attributable to controlling interest (\$5.29 per diluted share and \$5.28 per diluted share from continuing operations, respectively) and \$52 million was attributable to noncontrolling interest. We estimated the implied fair value of the goodwill using a variety of valuation methods, including the income and market approaches. Our estimate of fair value required us to use significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of our contract drilling services reporting unit, such as future oil and natural gas prices, projected demand for our services, rig availability and dayrates.

We have not completed the measurement of our goodwill impairment due to the complexities involved in determining the implied fair value of goodwill. Our estimate, is therefore, subject to adjustment. We expect to complete the measurement of our goodwill impairment in the three months ended December 31, 2014. Further, continued adverse market conditions could result in our recognition of additional losses on the impairment of goodwill if we determine that the fair value of our reporting unit has again fallen below its carrying amount. See Note 18—Subsequent Events.

**Assets held and used**—During the three months ended September 30, 2014, we identified indicators that our asset groups in our contract drilling services reporting unit may be impaired as a result of recent market developments, including recent low dayrate fixtures, partly caused by more technologically advanced drilling units competing with less capable drilling units, and projected declines in dayrates and utilization, particularly for the Deepwater Floater asset group. We conducted testing for impairment, and as a result, we determined that the carrying amount of the Deepwater Floater asset group exceeded its fair value. In the three and nine months ended September 30, 2014, we recognized a loss of \$788 million (\$693 million, or \$1.91 per diluted share from continuing operations, net of tax) associated with the impairment of these long-lived assets. We measured the fair value of the asset group by applying a combination of income, market and cost approaches, using projected discounted cash flows and estimates of the exchange price that would be received for the assets in the principal or most advantageous market for the assets in an orderly transaction between market participants as of the measurement date. Our estimate of fair value required us to use significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of our contract drilling services reporting unit, such as future commodity prices, projected demand for our services, rigs availability and dayrates.

In the three and nine months ended September 30, 2013, we recognized a loss of \$17 million associated with the impairment of certain corporate assets. We estimated the fair value of the assets using significant other observable inputs, representative of a Level 2 fair value measurement, including comparable market data for the corporate assets.

**Assets held for sale**—In the three and nine months ended September 30, 2014, we recognized an aggregate loss of \$7 million (\$0.02 per diluted share) and \$72 million (\$0.20 per diluted share), respectively, which had no tax effect, associated with the impairment of the Deepwater Floater *Sedco 709*, the Midwater Floaters *C. Kirk Rhein, Jr.*, *Sedco 703* and *Sedneth 701* and the High-Specification Jackups *GSF Magellan* and *GSF Monitor*, along with related equipment, which were classified as assets held for sale at the time of impairment. We measured the impairments of the drilling units and related equipment as the amount by which the carrying amount exceeded the estimated fair value less costs to sell. We estimated the fair value of the assets using significant other observable inputs, representative of Level 2 fair value measurements, including a binding sale and purchase agreement for the drilling unit and related equipment or indicative market values for the drilling unit and related equipment to be sold for scrap value.

In the nine months ended September 30, 2013, we recognized an aggregate loss of \$37 million (\$0.10 per diluted share from continuing operations), which had no tax effect, associated with the impairment of the Deepwater Floater *Sedco 709* and the Midwater Floaters *C. Kirk Rhein, Jr.* and *Sedco 703*, all of which were classified as assets held for sale at the time of impairment. We measured the impairments of the drilling units and related equipment as the amount by which the carrying amounts exceeded the estimated fair values less costs to sell. We estimated the fair values of the assets using significant other observable inputs, representative of Level 2 fair value measurements, including nonbinding sale and purchase agreements for the drilling units and related equipment to be sold for scrap value.

**Note 6—Income Taxes**

**Tax 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. At the federal level, qualifying net dividend income and net capital gains on the sale of qualifying investments in subsidiaries are exempt from Swiss federal income tax. Consequently, Transocean Ltd. expects dividends from its subsidiaries and capital gains from sales of investments in its subsidiaries to be exempt from 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. The relationship between our provision for or benefit from income taxes and our income or loss before income taxes can vary significantly from period to period considering, among other factors, (a) the overall level of income before income taxes, (b) changes in the blend of income that is taxed based on gross revenues rather than income before taxes, (c) rig movements between taxing jurisdictions and (d) our rig operating structures. Generally, our annual marginal tax rate is lower than our annual effective tax rate.

In December 2013, the U.K. Treasury released draft proposals that would cap the amount a U.K.-based contractor would be able to claim as a deductible expense for charter payments made to related companies. A ring fence was also proposed to ensure that the profits from activities in relation to the chartering of rigs from affiliates are not reduced by tax relief from any unconnected activities. On July 17, 2014, the U.K. legislation received Royal Assent with retroactive application effective as of April 2014.

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In the three months ended September 30, 2014, we adjusted our estimated annual effective tax rate to reflect the U.K. legislation change that caps the amount a U.K. based contractor can claim as a deductible expense for charter payments made to affiliated companies, effective April 1, 2014, resulting from legislation that was enacted on July 17, 2014. As a result, we adjusted income tax expense to reflect the effect of the change in the law by increasing income tax expense in the three months ended September 30, 2014 by \$9 million. The change in the law did not affect existing deferred balances. In the nine months ended September 30, 2014 and 2013, our estimated annual effective tax rates were 16.7 percent and 20.6 percent, respectively.

**Deferred taxes**—The valuation allowance for our non-current deferred tax assets was as follows (in millions):

	September 30, 2014	December 31, 2013
Valuation allowance for non-current deferred tax assets	\$ 306	\$ 247

The increase in the valuation allowance for our non-current deferred tax assets was primarily related to the current net operating losses generated in Norway and the U.K. carryforward deductions related to charter payments.

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

	September 30, 2014	December 31, 2013
Unrecognized tax benefits, excluding interest and penalties	\$ 298	\$ 326
Interest and penalties	162	176
Unrecognized tax benefits, including interest and penalties	\$ 460	\$ 502

In the year ending December 31, 2014, it is reasonably possible that our existing liabilities for unrecognized tax benefits may increase or decrease primarily due to the progression of open audits or the expiration of statutes of limitation. However, we cannot reasonably estimate a range of potential changes in our existing liabilities for unrecognized tax benefits due to various uncertainties, such as the unresolved nature of various audits or court decisions.

**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 the U.S., Norway and Brazil, which are 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 19 years. Tax authorities in certain jurisdictions are examining our tax returns and in some cases have issued assessments. We are defending our tax positions in those jurisdictions. While we cannot predict or provide assurance as to the timing or the outcome of these proceedings, we do not expect the ultimate liability to have a material adverse effect on our consolidated statement of financial position or results of operations, although it may have a material adverse effect on our consolidated statement of cash flows.

**U.S. tax investigations**—During the nine months ended September 30, 2014, we received an assessment from the U.S. tax authorities related to our 2010 and 2011 U.S. federal income tax returns. The significant issue raised in the assessment relates to transfer pricing for certain charters of drilling rigs between our subsidiaries. This issue, if successfully challenged, would result in net adjustments of approximately \$290 million of additional taxes, excluding interest and penalties. An unfavorable outcome on these adjustments could result in a material adverse effect on our consolidated statement of financial position, results of operations or cash flows. Furthermore, if the authorities were to continue to pursue these positions with respect to subsequent years and were successful in such assertions, our effective tax rate on worldwide earnings with respect to years following 2011 could increase substantially, and could have a material adverse effect on our consolidated results of operations or cash flows. We believe our U.S. federal income tax returns are materially correct as filed, and we intend to continue to vigorously defend against all such claims to the contrary.

**Norway tax investigations and trial**—Norwegian civil tax and criminal authorities are investigating various transactions undertaken by our subsidiaries in 1999, 2001 and 2002 as well as the actions of certain employees of our former external tax advisors on these transactions. The authorities issued tax assessments as follows: (a) NOK 684 million, equivalent to approximately \$106 million, plus interest, related to the migration of our subsidiary that was previously subject to tax in Norway, (b) NOK 412 million, equivalent to approximately \$64 million, plus interest, related to a 2001 dividend payment and (c) NOK 43 million, equivalent to approximately \$7 million, plus interest, related to certain foreign exchange deductions and dividend withholding tax. In November 2012, the Norwegian district court in Oslo heard the civil tax case regarding the disputed tax assessment of NOK 684 million related to the migration of our subsidiary. On March 1, 2013, the Norwegian district court in Oslo overturned the initial civil tax assessment and ruled in our favor, and the tax authorities filed an appeal. On June 26, 2014, the Norwegian district court in Oslo ruled that our subsidiary was liable for the civil tax assessment of NOK 412 million, equivalent to approximately \$64 million, but waived all penalties and interest. On September 12, 2014, we filed an appeal. We intend to take all other appropriate action to continue to support our position that our Norwegian tax returns are materially correct as filed.

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In October 2011, we provided a parent company guarantee in the amount of NOK 699 million, equivalent to approximately \$109 million, with respect to one of the tax disputes. In September 2014, the Norwegian tax authorities formally abandoned part of the claim by issuing a revised writ, and we reduced our parent guarantee to NOK 35 million, equivalent to approximately \$5 million. See Note 18—Subsequent Events.

In June 2011, the Norwegian authorities issued criminal indictments against two of our subsidiaries alleging misleading or incomplete disclosures in Norwegian tax returns for the years 1999 through 2002, as well as inaccuracies in Norwegian statutory financial statements for the years ended December 31, 1996 through 2001. Two employees of our former external tax advisors were also issued criminal indictments with respect to the disclosures in our tax returns, and our former external Norwegian tax attorney was issued criminal indictments related to certain of our restructuring transactions and the 2001 dividend payment. In January 2012, the Norwegian authorities supplemented the previously issued criminal indictments by issuing a financial claim of NOK 1.8 billion, equivalent to approximately \$280 million, jointly and severally, against our two subsidiaries, the two external tax advisors and the external tax attorney. In February 2012, the authorities dropped the previously existing civil tax claim related to a certain restructuring transaction. In April 2012, the Norwegian tax authorities supplemented the previously issued criminal indictments against our two subsidiaries by extending a criminal indictment against a third subsidiary, alleging misleading or incomplete disclosures in Norwegian tax returns for the years 2001 and 2002. The criminal trial commenced in December 2012. In May 2013, the Norwegian authorities dropped the financial claim of NOK 1.8 billion against one of our subsidiaries and the criminal case related to the migration case of another subsidiary. The criminal trial proceedings ended in September 2013. The Norwegian authorities subsequently suggested, if we were found guilty, that the court assess criminal penalties of NOK 230 million, equivalent to approximately \$36 million, against three of our subsidiaries in addition to any civil tax penalties and the financial claim.

On July 2, 2014, the Norwegian district court in Oslo acquitted our three subsidiaries, two external tax attorneys and an external tax advisor of all criminal charges related to the disclosures in our Norwegian tax returns for the years 1999 through 2002 and statutory financial statements for the years ended December 31, 1996 through 2001. On July 16, 2014, the Norwegian authorities dropped the financial claim of NOK 1.8 billion, equivalent to approximately \$280 million, against two of our subsidiaries, fully closing this matter, and on the same date, filed an appeal with respect to the following charges: (a) disclosures in our Norwegian tax returns related to a dividend payment in 2001, (b) disclosures in our Norwegian tax returns related to an intercompany rig sale in 1999 and (c) certain inaccuracies in Norwegian statutory financial statements for the years ended December 31, 1996 through 2001. We believe our Norwegian tax returns are materially correct as filed, and we intend to continue to vigorously contest any assertions to the contrary by the Norwegian civil and criminal authorities in connection with the various transactions being investigated. An unfavorable outcome on the Norwegian civil or criminal tax matters could result in a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

*Brazil tax investigations*—Certain of our Brazilian income tax returns for the years 2000 through 2004 are currently under examination. In December 2005, the Brazilian tax authorities issued an aggregate tax assessment of BRL 704 million, equivalent to approximately \$288 million, including a 75 percent penalty and interest. On January 25, 2008, we filed a protest letter with the Brazilian tax authorities, and we are currently engaged in the appeals process. On May 19, 2014, with respect to our Brazilian income tax returns for the years 2009 and 2010, the Brazilian tax authorities issued an aggregate tax assessment of BRL 144 million, equivalent to approximately \$59 million, including a 75 percent penalty and interest. On June 18, 2014, we filed a protest letter with the Brazilian tax authorities. We believe our returns are materially correct as filed, and we are vigorously contesting these assessments. An unfavorable outcome on these proposed assessments could result in a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

*Other tax matters*—We conduct operations through our various subsidiaries in 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.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued**  
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**Note 7—Discontinued Operations**

**Summarized results of discontinued operations**

The summarized results of operations included in income from discontinued operations were as follows (in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Operating revenues	\$ 20	\$ 302	\$ 153	\$ 817
Operating and maintenance expense	(15)	(291)	(146)	(825)
Loss on impairment of assets in discontinued operations	—	(14)	—	(14)
Gain (loss) on disposal of assets in discontinued operations, net	—	31	(10)	49
Income (loss) from discontinued operations before income tax expense	5	28	(3)	27
Income tax expense	(6)	(20)	(13)	(33)
Income (loss) from discontinued operations, net of tax	<u>\$ (1)</u>	<u>\$ 8</u>	<u>\$ (16)</u>	<u>\$ (6)</u>

**Assets and liabilities of discontinued operations**

The carrying amounts of the major classes of assets and liabilities associated with our discontinued operations were classified as follows (in millions):

	September 30, 2014	December 31, 2013
<b>Assets</b>		
Materials and supplies, net	\$ 2	\$ 18
Other related assets	—	1
Assets held for sale	2	19
Other current assets	—	6
Total current assets	<u>\$ 2</u>	<u>\$ 25</u>
<b>Liabilities</b>		
Deferred revenues	\$ —	\$ 8
Other current liabilities	\$ —	\$ 8

**Standard jackup and swamp barge contract drilling services**

**Overview**—In September 2012, in connection with our efforts to dispose of non-strategic assets and to reduce our exposure to low-specification drilling units, we committed to a plan to discontinue operations associated with the standard jackup and swamp barge asset groups, components of our contract drilling services operating segment.

**Impairments**—In the three and nine months ended September 30, 2013, we recognized an aggregate loss of \$14 million (\$0.04 per diluted share), which had no tax effect, associated with the impairment of Standard Jackups *GSF Rig 127* and *GSF Rig 134*, which were classified as assets held for sale at the time of impairment. We measured the impairment of the drilling units and related equipment as the amount by which the carrying amounts exceeded the estimated fair values less costs to sell. We estimated the fair value of the assets using significant other observable inputs, representative of Level 2 fair value measurements, including a binding sale and purchase agreement for the drilling units and related equipment.

**Sale transactions with Shelf Drilling**—In November 2012, we completed the sale of 38 drilling units to Shelf Drilling Holdings, Ltd. (“Shelf Drilling”). For a transition period following the completion of the sale transactions, we agreed to continue to operate a substantial portion of the standard jackups under operating agreements with Shelf Drilling and to provide certain other transition services to Shelf Drilling. Under the operating agreements, we have agreed to remit the collections from our customers under the associated drilling contracts to Shelf Drilling, and Shelf Drilling has agreed to reimburse us for our direct costs and expenses incurred while operating the standard jackups on behalf of Shelf Drilling with certain exceptions. Amounts due to Shelf Drilling under the operating agreements and transition services agreement may be contractually offset against amounts due from Shelf Drilling. The costs to us for providing such operating and transition services, including allocated indirect costs, have exceeded the amounts we have received from Shelf Drilling for providing such services.

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Under the operating agreements, we agreed to continue to operate these standard jackups on behalf of Shelf Drilling until the earlier of expiration or novation of the underlying drilling contracts by Shelf Drilling. As of September 30, 2014, we operated two standard jackups under operating agreements with Shelf Drilling, and we expect to complete performing services under such operating agreements before December 31, 2014. Until the expiration or novation of such drilling contracts, we retain possession of the materials and supplies associated with the standard jackups that we operate under the operating agreements. In the nine months ended September 30, 2014, we received cash proceeds of \$25 million and recognized net gains of \$2 million, which had no tax effect, associated with the sale of equipment and materials and supplies to Shelf Drilling upon expiration or novation of the drilling contracts. In the three and nine months ended September 30, 2013, we received cash proceeds of \$27 million and recognized aggregate net gains of \$2 million and \$5 million, respectively, associated with the disposal of assets unrelated to rig sales. At September 30, 2014 and December 31, 2013, the materials and supplies associated with the drilling units that we operated under operating agreements with Shelf Drilling had an aggregate carrying amount of \$2 million and \$19 million, respectively. Under a transition services agreement, we provided certain transition services through May 2014.

For a period through November 2015, we agreed to provide to Shelf Drilling up to \$125 million of financial support by maintaining letters of credit, surety bonds and guarantees for various contract bidding and performance activities associated with the drilling units sold to Shelf Drilling and in effect at the closing of the sale transactions. At the time of the sale transactions, we had \$113 million of outstanding letters of credit, issued under our committed and uncommitted credit lines, in support of rigs sold to Shelf Drilling. Included within the \$125 million maximum amount, we agreed to provide up to \$65 million of additional financial support in connection with any new drilling contracts related to such drilling units. Shelf Drilling is required to reimburse us in the event that any of these instruments are called. At September 30, 2014 and December 31, 2013, we had \$89 million and \$104 million, respectively, of outstanding letters of credit, issued under our committed and uncommitted credit lines, in support of drilling units sold to Shelf Drilling. See Note 13—Commitments and Contingencies.

**Other dispositions**—During the nine months ended September 30, 2013, we completed the sale of the Standard Jackups *D.R. Stewart*, *GSF Adriatic VIII*, *Interocean III*, *Trident IV-A* and *Trident VI* along with related equipment. In the three and nine months ended September 30, 2013, in connection with the disposal of these assets, we received aggregate net cash proceeds of \$41 million and \$104 million, respectively, and we recognized aggregate net gains of \$29 million (\$0.08 per diluted share) and \$44 million (\$0.12 per diluted share), respectively, which had no tax effect.

**Drilling management services**

**Overview**—In February 2014, in connection with our efforts to discontinue non-strategic operations, we completed the sale of ADTI, which performs drilling management services in the North Sea. As a result of the sale, we reclassified the results of operations of our drilling management services operating segment to discontinued operations for all periods presented. At December 31, 2013, the carrying amount of assets of the drilling management services operating segment was \$6 million.

**Disposition**—In the nine months ended September 30, 2014, we received net cash proceeds of \$10 million and recognized a net loss of \$12 million (\$0.04 per diluted share), which had no tax effect, associated with the sale of the drilling management services business. In the three months ended September 30, 2014, we paid selling costs of \$1 million associated with the sale of the drilling management services business. We provided a limited guarantee in favor of one customer through completion of its drilling project, which concluded during the three months ended September 30, 2014. We also agreed to provide a \$15 million working capital line of credit to the buyer through March 2016. We earn interest on the outstanding borrowings at a fixed rate of 8.3 percent per annum, payable quarterly. At September 30, 2014, ADTI had borrowings of \$15 million outstanding under the working capital line of credit, recorded in other assets.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
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**Note 8—Earnings (Loss) Per Share**

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

	Three months ended September 30,				Nine months ended September 30,			
	2014		2013		2014		2013	
	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted
<b>Numerator for earnings (loss) per share</b>								
Income (loss) from continuing operations attributable to controlling interest	\$ (2,216)	\$ (2,216)	\$ 538	\$ 538	\$ (1,158)	\$ (1,158)	\$ 1,180	\$ 1,180
Undistributed earnings allocable to participating securities	—	—	(5)	(5)	—	—	(10)	(10)
Income (loss) from continuing operations available to shareholders	\$ (2,216)	\$ (2,216)	\$ 533	\$ 533	\$ (1,158)	\$ (1,158)	\$ 1,170	\$ 1,170
<b>Denominator for earnings (loss) per share</b>								
Weighted-average shares outstanding	362	362	360	361	362	362	360	360
Effect of stock options and other share-based awards	—	—	—	—	—	—	—	—
Weighted-average shares for per share calculation	362	362	360	361	362	362	360	360
<b>Per share earnings (loss) from continuing operations</b>	<b>\$ (6.12)</b>	<b>\$ (6.12)</b>	<b>\$ 1.48</b>	<b>\$ 1.48</b>	<b>\$ (3.20)</b>	<b>\$ (3.20)</b>	<b>\$ 3.25</b>	<b>\$ 3.25</b>

In the three and nine months ended September 30, 2014, we excluded 2.9 million and 2.3 million share-based awards, respectively, from the calculation since the effect would have been anti-dilutive. In the three and nine months ended September 30, 2013, we excluded 2.2 million share-based awards from the calculation since the effect would have been anti-dilutive.

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**Note 9—Drilling Fleet**

**Construction work in progress**—For the nine months ended September 30, 2014 and 2013, the changes in our construction work in progress, including capital expenditures and capitalized interest, were as follows (in millions):

	Nine months ended September 30,	
	2014	2013
Construction work in progress, at beginning of period	\$ 2,710	\$ 2,010
Newbuild construction program		
Transocean Siam Driller (a) (b)	—	74
Transocean Andaman (a) (b)	—	82
Transocean Ao Thai (a) (b)	—	85
Deepwater Invictus (a) (c)	492	42
Deepwater Asgard (a) (c)	291	56
Deepwater Thalassa (d)	69	144
Deepwater Proteus (d)	56	88
Deepwater Conqueror (e)	113	—
Deepwater Pontus (d)	148	62
Deepwater Poseidon (d)	84	7
Transocean Cassiopeia (f)	4	—
Transocean Centaurus (f)	3	—
Transocean Cephus (f)	3	—
Transocean Cetus (f)	3	—
Ultra-Deepwater drillship TBN1 (g)	30	—
Transocean Circinus (f)	3	—
Ultra-Deepwater drillship TBN2 (g)	27	—
Other construction projects and capital additions	521	650
Total capital expenditures	1,847	1,290
Changes in accrued capital expenditures	(36)	(14)
Property and equipment placed into service		
Transocean Siam Driller (a) (b)	—	(236)
Transocean Andaman (a) (b)	—	(242)
Deepwater Invictus (a) (c)	(736)	—
Deepwater Asgard (a) (c)	(786)	—
Other property and equipment	(608)	(663)
Construction work in progress, at end of period	\$ 2,391	\$ 2,145

- (a) The accumulated construction costs of this rig are no longer included in construction work in progress, as the construction project had been completed as of September 30, 2014.
- (b) The High-Specification Jackups *Transocean Siam Driller*, *Transocean Andaman* and *Transocean Ao Thai* commenced operations in March 2013, May 2013 and October 2013, respectively.
- (c) The Ultra-Deepwater drillships *Deepwater Invictus* and *Deepwater Asgard*, commenced operations in July 2014 and August 2014, respectively. The total carrying amount included capitalized costs of \$272 million, representing the estimated fair value of construction in progress acquired in connection with our acquisition of Aker Drilling ASA in October 2011.
- (d) *Deepwater Thalassa*, *Deepwater Proteus*, *Deepwater Pontus* and *Deepwater Poseidon*, four newbuild Ultra-Deepwater drillships under construction at the Daewoo Shipbuilding & Marine Engineering Co. Ltd. shipyard in Korea, are expected to commence operations in the first quarter of 2016, the second quarter of 2016, the fourth quarter of 2016 and the second quarter of 2017, respectively.
- (e) *Deepwater Conqueror*, a newbuild Ultra-Deepwater drillship under construction at the Daewoo Shipbuilding & Marine Engineering Co. Ltd. shipyard in Korea, is expected to commence operations in the fourth quarter of 2016.
- (f) *Transocean Cassiopeia*, *Transocean Centaurus*, *Transocean Cephus*, *Transocean Cetus* and *Transocean Circinus*, five Keppel FELS Super B 400 Bigfoot class design newbuild High-Specification Jackups under construction at Keppel FELS' shipyard in Singapore do not yet have drilling contracts and are expected to be delivered in the first quarter of 2016, the third quarter of 2016, the fourth quarter of 2016, the first quarter of 2017 and the third quarter of 2017, respectively.
- (g) Our two unnamed dynamically positioned 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 2017 and the first quarter of 2018, respectively.



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**Dispositions**—During the nine months ended September 30, 2014, in connection with our efforts to dispose of non-strategic assets, we completed the sale of the High-Specification Jackups *GSF Magellan* and *GSF Monitor* along with related equipment. In the three and nine months ended September 30, 2014, in connection with the disposal of these assets, we received aggregate net cash proceeds of \$99 million and \$182 million, respectively. In the three and nine months ended September 30, 2014, we received cash proceeds of \$3 million and \$21 million, respectively, and recognized an aggregate net loss of \$10 million and \$12 million, respectively, associated with the disposal of assets unrelated to rig sales.

During the three months ended September 30, 2013, in connection with our efforts to dispose of non-strategic assets, we completed the sale of the Deepwater Floater *Transocean Richardson* along with related equipment. In the three and nine months ended September 30, 2013, in connection with the disposal of *Transocean Richardson* and related assets, we received cash proceeds of \$145 million and recognized a net gain of \$34 million (\$22 million or \$0.06 per diluted share, net of tax). In the three and nine months ended September 30, 2013, we received cash proceeds of \$25 million and \$29 million, respectively, and recognized aggregate net losses of \$2 million and \$11 million, respectively, associated with the disposal of assets unrelated to rig sales.

During the nine months ended September 30, 2014, in connection with our efforts to dispose of non-strategic assets, we committed to plans to sell the Midwater Floater *Sedneth 701* along with related equipment. At September 30, 2014, in addition to the remaining assets associated with our discontinued operations, the Deepwater Floater *Sedco 709* and the Midwater Floaters *C. Kirk Rhein, Jr., Falcon 100, Sedco 703* and *Sedneth 701*, along with related equipment, and certain corporate assets were classified as assets held for sale with an aggregate carrying amount of \$48 million. At December 31, 2013, in addition to the remaining assets associated with our discontinued operations, the Deepwater Floater *Sedco 709*, the Midwater Floaters *C. Kirk Rhein, Jr., Falcon 100* and *Sedco 703* and the High-Specification Jackup *GSF Monitor* along with related equipment, were classified as assets held for sale with an aggregate carrying amount of \$129 million. See Note 5—Impairments and Note 7—Discontinued Operations.

**Note 10—Debt**

Debt, net of unamortized discounts, premiums and fair value adjustments, was comprised of the following (in millions):

	September 30, 2014	December 31, 2013
4.95% Senior Notes due November 2015 (a)	\$ 1,109	\$ 1,113
5.05% Senior Notes due December 2016 (a)	999	999
2.5% Senior Notes due October 2017 (a)	748	748
ADDCL Credit Facilities due December 2017	—	163
Eksporfinans Loans due January 2018	427	591
6.00% Senior Notes due March 2018 (a)	997	998
7.375% Senior Notes due April 2018 (a)	247	247
6.50% Senior Notes due November 2020 (a)	900	900
6.375% Senior Notes due December 2021 (a)	1,199	1,199
3.8% Senior Notes due October 2022 (a)	745	745
7.45% Notes due April 2027 (a)	97	97
8% Debentures due April 2027 (a)	57	57
7% Notes due June 2028	310	311
Capital lease contract due August 2029	621	637
7.5% Notes due April 2031 (a)	598	598
6.80% Senior Notes due March 2038 (a)	999	999
7.35% Senior Notes due December 2041 (a)	300	300
Total debt	10,353	10,702
Less debt due within one year		
ADDCL Credit Facilities due December 2017	—	163
4.95% Senior Notes due November 2015 (a)	209	—
Eksporfinans Loans due January 2018	132	140
Capital lease contract due August 2029	21	20
Total debt due within one year	362	323
Total long-term debt	\$ 9,991	\$ 10,379

(a) Transocean Inc., a 100 percent owned subsidiary of Transocean Ltd., is the issuer of the notes and debentures, which have been guaranteed by Transocean Ltd. Transocean Ltd. has also guaranteed borrowings under the New Five-Year Revolving Credit Facility. Transocean Ltd. and Transocean Inc. are not subject to any significant restrictions on their ability to obtain funds from their consolidated subsidiaries by dividends, loans or return of capital distributions. See Note 17—Condensed Consolidating Financial Information.

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

**Scheduled maturities**—At September 30, 2014, the scheduled maturities of our debt were as follows (in millions):

Twelve months ending September 30,	Total
2015	\$ 360
2016	1,050
2017	1,159
2018	2,059
2019	31
Thereafter	5,695
Total debt, excluding unamortized discounts, premiums and fair value adjustments	10,354
Total unamortized discounts, premiums and fair value adjustments, net	(1)
Total debt	<u>\$ 10,353</u>

**New 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, that is scheduled to expire on June 28, 2019 (the “New Five-Year Revolving Credit Facility”). Among other things, the New 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 New Five-Year Revolving Credit Facility also includes a covenant imposing a maximum debt to 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, borrowings are guaranteed by Transocean Ltd. and may be prepaid in whole or in part without premium or penalty.

We may borrow under the New Five-Year Revolving Credit Facility at either (1) the adjusted London Interbank Offered Rate (“LIBOR”) plus a margin (the “New Five-Year Revolving Credit Facility Margin”), which ranges from 1.125 percent to 2.0 percent based on the credit rating of our non-credit enhanced senior unsecured long-term debt (“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 New 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 depending on our Debt Rating. At September 30, 2014, based on our Debt Rating on that date, the New Five-Year Revolving Credit Facility Margin was 1.5 percent and the facility fee was 0.225 percent. At September 30, 2014, we had no borrowings outstanding, we had \$20 million in letters of credit issued, and we had \$3.0 billion of available borrowing capacity under the New Five-Year Revolving Credit Facility.

**Former Five-Year Revolving Credit Facility**—We had a \$2.0 billion five-year revolving credit facility, established under a bank credit agreement dated November 1, 2011, as amended, that was scheduled to expire on November 1, 2016 (the “Former Five-Year Revolving Credit Facility”). In June 2014, we replaced the Former Five-Year Revolving Credit Facility with the New Five-Year Revolving Credit Facility.

**Former Three-Year Secured Revolving Credit Facility**—We had a \$900 million three-year secured revolving credit facility, established under a bank credit agreement dated October 25, 2012, that was scheduled to expire on October 25, 2015 (the “Former Three-Year Secured Revolving Credit Facility”). Borrowings under the Former Three-Year Secured Revolving Credit Facility were secured by the Ultra-Deepwater Floaters *Deepwater Champion*, *Discoverer Americas* and *Discoverer Inspiration*. At December 31, 2013, the aggregate carrying amount of *Deepwater Champion*, *Discoverer Americas* and *Discoverer Inspiration* was \$2.2 billion. In June 2014, we terminated the Former Three-Year Secured Revolving Credit Facility and the related security agreements. No borrowings were outstanding under the Former Three-Year Secured Revolving Credit Facility at the time of its termination. In the nine months ended September 30, 2014, we recognized a loss of \$4 million associated with the early termination of the Former Three-Year Secured Revolving Credit Facility.

**ADDCL Credit Facilities**—ADDCL had a senior secured credit facility, comprised of Tranche A for \$215 million and Tranche C for \$399 million, established under a bank credit agreement dated June 2, 2008 that was scheduled to expire in December 2017 (the “ADDCL Primary Loan Facility”). Unaffiliated financial institutions provided the commitment for and borrowings under Tranche A, and one of our subsidiaries provided the commitment for Tranche C. ADDCL also had a \$90 million secondary credit facility, established under a bank credit agreement dated June 2, 2008 that was scheduled to expire in December 2015 (the “ADDCL Secondary Loan Facility” and together with the ADDCL Primary Loan Facility, the “ADDCL Credit Facilities”). One of our subsidiaries provided 65 percent of the total commitment under the ADDCL Secondary Loan Facility. At December 31, 2013, borrowings of \$534 million and \$80 million were outstanding under the ADDCL Primary Loan Facility and the ADDCL Secondary Loan Facility, respectively, of which \$399 million and \$52 million, respectively, were provided by one of our subsidiaries and were eliminated in consolidation. In February 2014, we repaid the outstanding borrowings under the ADDCL Credit Facilities and terminated the bank credit agreements under which the credit facilities were established.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued**  
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ADDCL was required to maintain certain cash balances in restricted accounts for the payment of the scheduled installments on the ADDCL Credit Facilities. At December 31, 2013, ADDCL had restricted cash investments of \$20 million. The restricted cash investments were released as a result of our repayment of borrowings under the ADDCL Credit Facilities.

**Eksportfinans Loans**—We have borrowings under the Loan Agreement dated September 12, 2008 and the Loan Agreement dated November 18, 2008, between one of our subsidiaries and Eksportfinans ASA (together, the “Eksportfinans Loans”). At September 30, 2014 and December 31, 2013, aggregate borrowings of NOK 2.8 billion and NOK 3.6 billion, respectively, equivalent to approximately \$429 million and \$594 million, respectively, were outstanding under the Eksportfinans Loans.

The Eksportfinans Loans require collateral to be held by a financial institution through expiration (the “Aker Restricted Cash Investments”). At September 30, 2014 and December 31, 2013, the aggregate principal amount of the Aker Restricted Cash Investments was NOK 2.8 billion and NOK 3.6 billion, respectively, equivalent to approximately \$429 million and \$594 million, respectively.

**4.95% Senior Notes due November 2015**—In September 2014, in connection with our efforts to reduce debt, we committed to a plan to redeem \$207 million aggregate principal amount of the 4.95% Senior Notes due November 2015 and reclassified the respective carrying amount to debt due within one year. We expect to redeem the aggregate principal amount, together with interest and a make-whole provision, in November 2014. At September 30, 2014 and December 31, 2013, the aggregate principal amount of the 4.95% Senior Notes due November 2015 was \$1.1 billion.

**Note 11—Derivatives and Hedging**

**Derivatives designated as hedging instruments**—During the nine months ended September 30, 2014, we entered into interest rate swaps, which are designated and qualify as a fair value hedge, to reduce our exposure to changes in the fair value of the 6.0% Senior Notes due March 2018 and the 6.5% Senior Notes due November 2020. The interest rate swaps have aggregate notional amounts equal to the corresponding face values of the hedged instruments and have stated maturities that coincide with those of the hedged instruments. We have determined that the hedging relationships qualify for, and we have applied, the shortcut method of accounting under which the interest rate swaps are considered to have no ineffectiveness and no ongoing assessment of effectiveness is required. Accordingly, changes in the fair value of the interest rate swaps recognized in interest expense offset the changes in the fair value of the hedged fixed-rate notes.

At September 30, 2014, the aggregate notional amounts and the weighted average interest rates associated with our derivatives designated as hedging instruments 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
Interest rate swaps, fair value hedge	\$ 1,500	Variable	4.65%	\$ 1,500	Fixed	6.25%

At September 30, 2014, our derivatives designated as hedging instruments had aggregate carrying amounts of \$1 million and \$3 million, recorded in other assets and other long-term liabilities, respectively, measured at fair value.

**Note 12—Postemployment Benefit Plans**

We have several defined benefit pension plans, both funded and unfunded, covering substantially all of our U.S. employees, including certain frozen plans, assumed in connection with our mergers, that cover certain current employees and certain former employees and directors of our predecessors (the “U.S. Plans”). We also have various defined benefit plans in the U.K., Norway, Nigeria, Egypt and Indonesia that cover our employees in those areas (the “Non-U.S. Plans”). Additionally, we offer several unfunded contributory and noncontributory other postretirement employee benefit plans covering substantially all of our U.S. employees (the “OPEB Plans”).

In June 2014, we committed to freeze benefits of our qualified defined benefit pension plan in the U.S., which covers substantially all U.S. employees, and one of our unfunded supplemental benefit plans. We also committed to enhance the benefits under our defined contribution plan in the U.S. Each of these amendments will be effective as of January 1, 2015. In September 2014, we recognized settlement and curtailment charges for two of our unfunded defined benefit plans in Nigeria and Egypt associated with certain employee terminations. As a result of these events, we remeasured the funded status of the four plans and in the nine months ended September 30, 2014, we reduced the aggregate liability by \$70 million with a corresponding entry to accumulated other comprehensive loss. As of September 30, 2014 and December 31, 2013, our defined benefit pension and other post retirement plans had an aggregate liability of \$315 million and \$417 million, respectively, representing the aggregate projected benefit obligation, net of the aggregate fair value of plan assets.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
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The components of net periodic benefit costs, before tax, and funding contributions for these plans were as follows (in millions):

	Three months ended September 30, 2014				Three months ended September 30, 2013			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
<b>Net periodic benefit costs</b>								
Service cost	\$ 9	\$ 8	\$ —	\$ 17	\$ 13	\$ 6	\$ 1	\$ 20
Interest cost	15	6	1	22	16	5	—	21
Expected return on plan assets	(19)	(7)	—	(26)	(18)	(5)	—	(23)
Settlements and curtailments	—	2	—	2	—	1	—	1
Actuarial losses, net	3	2	—	5	10	—	—	10
Prior service cost, net	—	—	—	—	—	1	—	1
Net periodic benefit costs	<u>\$ 8</u>	<u>\$ 11</u>	<u>\$ 1</u>	<u>\$ 20</u>	<u>\$ 21</u>	<u>\$ 8</u>	<u>\$ 1</u>	<u>\$ 30</u>
<b>Funding contributions</b>	<u>\$ —</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 9</u>	<u>\$ 1</u>	<u>\$ 10</u>

	Nine months ended September 30, 2014				Nine months ended September 30, 2013			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
<b>Net periodic benefit costs</b>								
Service cost	\$ 30	\$ 23	\$ —	\$ 53	\$ 42	\$ 20	\$ 1	\$ 63
Interest cost	49	20	2	71	47	16	1	64
Expected return on plan assets	(56)	(22)	—	(78)	(52)	(16)	—	(68)
Settlements and curtailments	(6)	3	—	(3)	1	1	—	2
Actuarial losses, net	13	4	—	17	36	2	—	38
Prior service cost, net	(1)	—	—	(1)	(1)	1	—	—
Net periodic benefit costs	<u>\$ 29</u>	<u>\$ 28</u>	<u>\$ 2</u>	<u>\$ 59</u>	<u>\$ 73</u>	<u>\$ 24</u>	<u>\$ 2</u>	<u>\$ 99</u>
<b>Funding contributions</b>	<u>\$ 42</u>	<u>\$ 28</u>	<u>\$ —</u>	<u>\$ 70</u>	<u>\$ 60</u>	<u>\$ 30</u>	<u>\$ 2</u>	<u>\$ 92</u>

**Note 13—Commitments and Contingencies**

***Macondo well incident settlement obligations***

**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. Eleven persons were declared dead and others were injured as a result of the incident. At the time of the explosion, *Deepwater Horizon* was located approximately 41 miles off the coast of Louisiana in Mississippi Canyon Block 252 and was contracted to an affiliate of BP plc. (together with its affiliates, “BP”).

On January 3, 2013, we reached an agreement with the U.S. Department of Justice (“DOJ”) to resolve certain outstanding civil and potential criminal charges against us arising from the Macondo well incident. As part of this resolution, we agreed to a guilty plea (“Plea Agreement”) and a civil consent decree (“Consent Decree”) by which, among other things, we agreed to pay \$1.4 billion in fines, recoveries and civil penalties, plus interest at a fixed rate of 2.15 percent, in scheduled payments through February 2017.

In the nine months ended September 30, 2014, we made an aggregate cash payment of \$60 million in satisfaction of amounts due under the Plea Agreement, including \$53 million to the National Fish and Wildlife Foundation and \$7 million to the National Academy of Sciences. In the nine months ended September 30, 2013, we made an aggregate cash payment of \$160 million in satisfaction of amounts due under the Plea Agreement, including \$100 million for the payment of the criminal fine, \$58 million for the initial payment to the National Fish and Wildlife Foundation and \$2 million for the initial payment to the National Academy of Sciences.

In the nine months ended September 30, 2014 and 2013, we paid \$412 million and \$404 million, respectively, including interest, in satisfaction of amounts due under the Consent Decree.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued**  
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At September 30, 2014, the aggregate future payments required under our outstanding settlement obligations under the Plea Agreement and the Consent Decree, excluding interest, were as follows (in millions):

	Plea Agreement	Consent Decree	Settlement obligations
<b>Twelve months ending September 30,</b>			
2015	\$ 60	\$ 200	\$ 260
2016	60	—	60
2017	60	—	60
Total settlement obligations	<u>\$ 180</u>	<u>\$ 200</u>	<u>\$ 380</u>

The resolution with the DOJ of such civil and potential criminal claims did not include potential claims arising from the False Claims Act investigation. As part of the settlement discussions, however, we inquired whether the U.S. intends to pursue any actions under the False Claims Act as discussed below. In response, the DOJ sent us a letter stating that the Civil Division of the DOJ, based on facts then known, was no longer pursuing any investigation or claims, and did not have any present intention to pursue any investigation or claims, under the False Claims Act against the various Transocean entities for their involvement in the Macondo well incident.

We also agreed that payments made pursuant to the Plea Agreement or the Consent Decree are not deductible for tax purposes and that payments made pursuant to the Consent Decree are not to be used as a basis for indemnity or reimbursement from BP or other non-insurer defendants named in the complaint by the U.S.

**Plea Agreement**—Pursuant to the Plea Agreement, which was accepted by the court on February 14, 2013, 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 (“CWA”). We agreed to pay a criminal fine of \$100 million and to consent to the entry of an order requiring us to pay a total of \$150 million to the National Fish & Wildlife Foundation and \$150 million to the National Academy of Sciences.

Our subsidiary also agreed to be subject to probation through February 2018. The DOJ agreed, subject to the provisions of the Plea Agreement, not to further prosecute us for certain conduct generally regarding matters under investigation by the DOJ’s *Deepwater Horizon* Task Force. In addition, we agreed to continue to cooperate with the *Deepwater Horizon* Task Force in any ongoing investigation related to or arising from the accident.

**Consent Decree**—Pursuant to the Consent Decree, which was approved by the court on February 19, 2013, we agreed to take specified actions relating to operations in U.S. waters, including, among other things, the design and implementation of, and compliance with, additional systems and procedures; blowout preventer certification and reports; measures to strengthen well control competencies, drilling monitoring, recordkeeping, incident reporting, risk management and oil spill training, exercises and response planning; communication with operators; alarm systems; transparency and responsibility for matters relating to the Consent Decree; and technology innovation, with a first emphasis on more efficient, reliable blowout preventers. We agreed to submit a performance plan (the “Performance Plan”) for approval by the DOJ within 120 days after the date of entry of the Consent Decree. On June 14, 2013, we submitted our proposed Performance Plan, containing among other required items, interim milestones for actions in specified areas and a proposed schedule for reports required under the Consent Decree. On January 2, 2014, the DOJ approved the Performance Plan.

The Consent Decree also provides for the appointment of (i) an independent auditor to review, audit and report on our compliance with the injunctive provisions of the Consent Decree and (ii) an independent process safety consultant to review, report on and assist with respect to the process safety aspects of the Consent Decree, including operational risk identification and risk management. The Consent Decree requires certain plans, reports and submissions be made and be acceptable to the U.S. and also requires certain publicly available filings. On March 31, 2014, the DOJ approved the appointment of Labyrinth Group to act as the independent auditor. On May 12, 2014, the DOJ approved the appointment of Mr. Malcolm Sharples as the independent process safety consultant.

Under the terms of the Consent Decree, the U.S. agreed not to sue Transocean Ltd. and certain of our subsidiaries and certain related individuals for civil or administrative penalties for the Macondo well incident under specified provisions of the CWA, the Outer Continental Shelf Lands Act (“OSCLA”), the Endangered Species Act, the Marine Mammal Protection Act, the National Marine Sanctuaries Act, the federal Oil and Gas Royalty Management Act, the Comprehensive Environmental Response, the Compensation and Liability Act (“CERCLA”), the Emergency Planning and Community Right-to-Know Act (“EPCRA”) and the Clean Air Act. In addition, the Consent Decree resolved our appeal of the incidents of noncompliance under the OSCLA issued by the Bureau of Safety and Environmental Enforcement on October 12, 2011 without any admission of liability by us, and we subsequently dismissed our appeal.

The Consent Decree did not resolve the rights of the U.S. with respect to all other matters, including certain liabilities under the Oil Pollution Act of 1990 (“OPA”) for removal costs or resulting from a natural resources damages assessment (“NRDA”). The U.S. District Court, Eastern District of Louisiana (the “MDL Court”) held that we are not a responsible party under OPA for damages resulting from subsurface discharge from the Macondo well incident. If this ruling is upheld on appeal, our NRDA liability as a responsible party would be limited to any such damages arising from any above-surface discharge. However, in its Findings of Fact and Conclusions of Law from the Phase One Trial, the MDL Court ruled that Transocean was the “operator” of the Macondo well and was, therefore, liable for removal costs under 33 U.S.C. § 2704(c)(3), a separate provision of OPA that permits government entities to recover removal costs by owners and operators of a facility or vessel from which oil discharges. As discussed below, however, the MDL Court found that “Transocean’s liability to government entities for removal costs is ultimately shifted to BP by virtue of the contractual indemnity.”

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
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We may request termination of the Consent Decree after we have: (i) completed timely the civil penalty payment requirements of the Consent Decree; (ii) operated under a fully approved Performance Plan required under the Consent Decree through a five-year performance period ending January 2, 2019; (iii) complied with the terms of the Performance Plan and certain provisions of the Consent Decree, generally relating to a framework and outline of measures to improve performance, for at least 12 consecutive months prior to seeking termination; and (iv) complied with the other requirements of the Consent Decree, including payment of any stipulated penalties and compliant reporting.

**EPA Agreement**—On February 25, 2013, we and the U.S. Environmental Protection Agency (“EPA”) entered into an administrative agreement (the “EPA Agreement”), which has a five-year term. The EPA Agreement resolved all matters relating to suspension, debarment and statutory disqualification arising from the matters contemplated by the Plea Agreement. Subject to our compliance with the terms of the EPA Agreement, the EPA agreed that it will not suspend, debar or statutorily disqualify us and will lift any existing suspension, debarment or statutory disqualification.

In the EPA Agreement, we agreed to, among other things, (1) comply with our obligations under the Plea Agreement and the Consent Decree; (2) continue the implementation of certain programs and systems, including the scheduled revision of our environmental management system and maintenance of certain compliance and ethics programs; (3) comply with certain employment and contracting procedures; (4) engage independent compliance auditors and a process safety consultant to, among other things, assess and report to the EPA on our compliance with the terms of the Plea Agreement, the Consent Decree and the EPA Agreement; and (5) give reports and notices with respect to various matters, including those relating to compliance, misconduct, legal proceedings, audit reports, the EPA Agreement, the Consent Decree and the Plea Agreement. Subject to certain exceptions, the EPA Agreement prohibits us from entering into, extending or engaging in certain business relationships with individuals or entities that are debarred, suspended, proposed for debarment or similarly restricted.

***Macondo well incident contingencies***

**Overview**—We have recognized a liability for estimated loss contingencies associated with litigation and investigations resulting from the Macondo well incident that we believe are probable and for which a reasonable estimate can be made. At September 30, 2014 and December 31, 2013, the liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made was \$431 million and \$464 million, respectively, recorded in other current liabilities. The litigation and investigations also give rise to certain loss contingencies that we believe are either reasonably possible or probable but for which we do not believe a reasonable estimate can be made. Although we have not recognized a liability for such loss contingencies, these contingencies could result in liabilities that we ultimately recognize.

We have also recognized an asset associated with the portion of our estimated losses that we believe is probable of recovery from insurance. At September 30, 2014 and December 31, 2013, the insurance recoverable asset was \$34 million and \$10 million, respectively, recorded in other assets. Although we have available policy limits that could result in additional amounts recoverable from insurance, recovery of such additional amounts is not probable and we are not currently able to estimate such amounts (see “—Insurance coverage”). Our estimates involve a significant amount of judgment. As a result of new information or future developments, we may increase our estimated loss contingencies arising out of the Macondo well incident or reduce our estimated recoveries from insurance, and the resulting losses could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

**Multidistrict litigation proceeding**—Many of the Macondo well related claims are pending in the MDL Court. Phase One of the trial began on February 25, 2013 and testimony concluded on April 17, 2013. This phase addressed fault issues, including negligence, gross negligence, or other bases of liability of the various defendants with respect to the cause of the blowout and the initiation of the oil spill, as well as limitation of liability issues. In June and July 2013, the parties filed post-trial briefs and proposed findings of fact and conclusions of law.

On September 4, 2014, the MDL Court entered Findings of Fact and Conclusions of Law for the Phase One trial. The MDL Court concluded that BP was grossly negligent and reckless and 67 percent at fault for the blowout, explosion, and spill; that Transocean was negligent and 30 percent at fault; and that Halliburton Company (“Halliburton”) was negligent and three percent at fault. Because the MDL Court found that Transocean was not grossly negligent, it concluded that BP’s contractual agreement to indemnify us for compensatory damages is valid and enforceable and, as a result, we no longer have exposure for punitive damages. The MDL Court also ruled that BP’s contractual agreement to release its own claims against us is valid and enforceable. This release bars the Plaintiff’s Steering Committee (the “PSC”) from pursuing claims that have been assigned to it by BP in the BP/PSC settlement.

The MDL Court’s rulings include a number of Transocean-specific findings and conclusions. The MDL Court found that the *Deepwater Horizon*’s crew was negligent in its conduct of a negative pressure test, which was intended, among other things, to test the integrity of the cement in the well, and in certain well control decisions in the hour before the blowout. The MDL Court found three other bases for imposing negligence liability on Transocean as follows: (1) the crew’s improper diversion of fluids that had entered the riser to the rig’s mud-gas separator instead of overboard; (2) the crew’s failure to properly maintain the BOP; and (3) the master’s failure to timely activate the Emergency Disconnect System as a consequence of an ambiguous command structure. The MDL Court held that these three failures were “within Transocean’s privity and knowledge.” As a result, the MDL Court held that Transocean Holdings LLC, Transocean Deepwater Inc., and Transocean Offshore Deepwater Drilling Inc., three of our wholly owned subsidiaries, could not limit their liability under the Limitation of Liability Act. Under the MDL Court’s ruling, however, we are entitled to indemnity from BP for any compensatory damages resulting from oil discharged from the Macondo well.

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The MDL Court also concluded that we were an “operator” of the Macondo well for purposes of 33 U.S.C. § 2704(c)(3), a provision of OPA that permits government entities to recover removal costs by owners and operators of a facility or vessel that caused a discharge. The MDL Court, however, reiterated that “Transocean’s liability to government entities for removal costs is ultimately shifted to BP by virtue of contractual indemnity.”

The MDL Court released two Transocean entities from liability under general maritime law. First, the MDL Court held that Transocean Ltd. was not liable under general maritime law. The MDL Court also granted a motion for judgment on partial findings by Triton Asset Leasing GmbH, the entity that owned *Deepwater Horizon* and our wholly owned subsidiary, on the grounds that any negligence or unseaworthiness that caused the blowout arose after the bareboat charter commenced.

The Phase One ruling did not quantify damages or result in a final monetary judgment. However, because it is a determination of liability under maritime law, the Phase One ruling is likely appealable.

Before the Phase One trial, in March 2012, BP and the PSC announced that they had agreed to a partial settlement related primarily to private party environmental and economic loss claims as well as response effort related claims (the “BP/PSC Settlement”). The BP/PSC Settlement agreement provides that (a) to the extent permitted by law, BP will assign to the settlement class certain of BP’s claims, rights and recoveries against us for damages with protections such that the settlement class is barred from collecting any amounts from us unless it is finally determined that we cannot recover such amounts from BP, and (b) the settlement class releases all claims for compensatory damages against us but purports to retain claims for punitive damages against us.

On December 21, 2012, the MDL Court granted final approval of the economic and property damage class settlement between BP and the PSC. Various parties who objected to the BP/PSC Settlement have filed appeals in the U.S. Court of Appeals for the Fifth Circuit (the “Fifth Circuit”) challenging the MDL Court’s final approval of the BP/PSC Settlement. BP filed appeals in the Fifth Circuit challenging the manner in which the BP/PSC Settlement has been interpreted by the MDL Court with respect to business economic loss claims (“BEL Claims”). In these appeals, BP argued that, if the MDL Court’s interpretation of the settlement with respect to BEL Claims was not overturned, the entire BP/PSC Settlement was invalid and should not have been approved. On October 2, 2013, a panel of the Fifth Circuit issued an opinion questioning the manner in which the settlement had been interpreted with respect to BEL Claims. On December 24, 2013, the MDL Court issued an order (the “BEL Order”) regarding the BEL Claims in which it ruled that (a) variable profits should be determined under the settlement agreement by matching revenue with corresponding expenses; (b) BP was judicially estopped from arguing that claimants were required to submit evidence to prove causation; and (c) as construed by the court, the settlement was consistent with Article III of the U.S. Constitution, Rule 23, and the U.S. Rules Enabling Act. BP appealed the BEL Order, but on March 3, 2014, the same panel of the Fifth Circuit affirmed the MDL Court’s ruling that claimants were not required to submit evidence of causation.

On January 10, 2014, another panel of the Fifth Circuit affirmed the MDL Court’s final approval of the BP/PSC Settlement. Thereafter, BP and certain plaintiffs who objected to the settlement filed petitions seeking rehearing in the Fifth Circuit of both decisions. On May 20, 2014, the Fifth Circuit denied those petitions. On August 1, 2014, BP filed a petition for writ of certiorari in the U.S. Supreme Court seeking review of the Fifth Circuit’s decisions. The U.S. Supreme Court has not yet ruled on the petition.

In December 2012, in response to the BP/PSC Settlement, we filed three motions seeking partial summary judgment on various claims, including punitive damages claims. The MDL Court has not formally ruled on these motions, but the MDL Court ruled in the Phase One Findings of Fact and Conclusions of Law that we were not reckless or grossly negligent and thus are not liable for punitive damages.

In May 2013, we filed a motion seeking partial summary judgment on claims asserted by BP against us seeking damages from loss of the well and for source-control and cleanup costs (the “Direct Damages” claims). The Direct Damages claims are included in the claims BP assigned to the economic and property damages settlement class. The motion argues that BP released the Direct Damages claims in its contract with us and that the release is enforceable even if we are found grossly negligent. Some courts have held that such agreements will not be enforced if the defendant is found grossly negligent. The MDL Court has not ruled on this motion, but, as discussed above, the MDL Court ruled in the Phase One Findings of Fact and Conclusions of Law that we were not grossly negligent and thus found that BP’s release of claims is valid and enforceable.

On September 2, 2014, Halliburton and the PSC filed a proposed settlement of the PSC’s punitive damages and assigned claims against Halliburton. The proposed settlement agreement prohibits the PSC from settling any assigned claims against us unless we agree to release Halliburton from any claims for contribution or indemnity for amounts paid under the settlement. The proposed agreement purports to reserve the PSC’s rights to continue pursuing assigned or punitive damages claims against us, but the MDL Court’s Phase One Findings of Fact and Conclusions of Law prevent the PSC from pursuing those claims. The MDL Court has not yet approved the settlement.

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Phase Two of the trial began on September 30, 2013 and concluded on October 17, 2013. This phase addressed BP's conduct related to stopping the release of hydrocarbons after April 22, 2010 and quantification of the amount of oil discharged. In light of BP's criminal plea agreement with the DOJ acknowledging that it provided the government with false or misleading information throughout the spill response, we argued at trial that BP's fraud delayed the final capping of the well and that we should not be liable for damages resulting from this delay. On December 20, 2013, the parties filed post-trial briefs and proposed findings of fact and conclusions of law, and on January 24, 2014, the parties filed response briefs. The MDL Court has not yet ruled on the issues tried in the second phase of the trial.

We can provide no assurances as to the outcome of the Phase Two trial or, any appeals of the Phase One ruling, as to the timing of any further rulings, that we will not enter into additional settlements as to some or all of the matters related to the Macondo well incident, including those to be determined at a trial, or the timing or terms of any such settlements.

See Note 18—Subsequent Events.

**Litigation**—As of September 30, 2014, approximately 1,412 actions or claims were pending against us, along with other unaffiliated defendants, in state and federal courts. Additionally, government agencies have initiated investigations into the Macondo well incident. We have categorized below the nature of the legal actions or claims. We are evaluating all claims and intend to vigorously defend any claims and pursue any and all defenses available. In addition, we believe we are entitled to contractual defense and indemnity for all wrongful death and personal injury claims made by non-employees and third-party subcontractors' employees as well as all liabilities for pollution or contamination, other than for pollution or contamination originating on or above the surface of the water. See “—Contractual indemnity.”

*Wrongful death and personal injury*—As of September 30, 2014, we have been named, along with other unaffiliated defendants, in nine complaints that were pending in state and federal courts in Louisiana and Texas involving multiple plaintiffs that allege wrongful death and other personal injuries arising out of the Macondo well incident. Nine complaints involve fatalities and 63 complaints seek recovery for bodily injuries. A number of these lawsuits have been settled. Per the order of the Multidistrict Litigation Panel (“MDL”), all claims but one have been centralized for discovery purposes in the MDL Court. The complaints generally allege negligence and seek awards of unspecified economic damages and punitive damages. BP, MI-SWACO, Weatherford International Ltd. and Cameron International Corporation (“Cameron”) and certain of their affiliates, have, based on contractual arrangements, also made indemnity demands upon us with respect to personal injury and wrongful death claims asserted by our employees or representatives of our employees against these entities. See “—Contractual indemnity.”

*Economic loss*—As of September 30, 2014, we and certain of our subsidiaries were named, along with other unaffiliated defendants, in 996 pending individual complaints as well as 183 putative class-action complaints that were pending in the federal and state courts in Louisiana, Texas, Mississippi, Alabama, Georgia, Kentucky, South Carolina, Tennessee, Florida and possibly other courts. The complaints generally allege, among other things, potential economic losses as a result of environmental pollution arising out of the Macondo well incident and are based primarily on OPA and state OPA analogues. The plaintiffs are generally seeking awards of unspecified economic, compensatory and punitive damages, as well as injunctive relief. No classes have been certified at this time. Most of these actions have either been transferred to or are the subject of motions to transfer to the MDL. See “—Contractual indemnity.”

*Cross-claims, counter-claims, and third-party claims*—In April 2011, several defendants in the MDL litigation filed cross-claims or third-party claims against us and certain of our subsidiaries, and other defendants. BP filed a claim seeking contribution under OPA and maritime law, subrogation and claimed breach of contract, unseaworthiness, negligence and gross negligence. Through these claims, BP sought to recover from us damages it has paid or may pay arising from the Macondo well incident. BP also sought a declaration that it is not liable in contribution, indemnification, or otherwise to us. Anadarko Petroleum Corporation (“Anadarko”), which owned a 25 percent non-operating interest in the Macondo well, asserted claims of negligence, gross negligence, and willful misconduct and is seeking indemnity under state and maritime law and contribution under maritime and state law as well as OPA. MOEX Offshore 2007 LLC (“MOEX”), which owned a 10 percent non-operating interest in the Macondo well, filed claims of negligence under state and maritime law, gross negligence under state law, gross negligence and willful misconduct under maritime law and is seeking indemnity under state and maritime law and contribution under maritime law and OPA. Cameron, the manufacturer and designer of the blowout preventer, asserted multiple claims for contractual indemnity and declarations regarding contractual obligations under various contracts and quotes and is also seeking non-contractual indemnity and contribution under maritime law and OPA. As part of the BP/PSC Settlement, one or more of these claims against us and certain of our subsidiaries have been assigned to the PSC settlement class. Halliburton, which provided cementing and mud-logging services to the operator, filed a claim against us seeking contribution and indemnity under maritime law, contractual indemnity and alleging negligence and gross negligence. Additionally, certain other third parties filed claims against us for indemnity and contribution.

In April 2011, we filed cross-claims and counter-claims against BP, Halliburton, Anadarko, MOEX, certain of these parties' affiliates, the U.S. and certain other third parties. We seek indemnity, contribution, including contribution under OPA, and subrogation under OPA, and we have asserted claims for breach of warranty of workmanlike performance, strict liability for manufacturing and design defect, breach of express contract, and damages for the difference between the fair market value of *Deepwater Horizon* and the amount received from insurance proceeds. The Consent Decree limits our ability to seek indemnification or reimbursement with respect to certain of these matters against the owners of the Macondo well and dismissed our claims against the U.S. We are not pursuing arbitration on the key contractual issues with BP; instead, we are relying on the court to resolve the disputes.



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*Federal securities claims*—On September 30, 2010, a federal securities proposed class action was filed in the U.S. District Court, Southern District of New York, naming us and former chief executive officers of Transocean Ltd. and one of our acquired companies as defendants. In the action, a former shareholder of the acquired company alleged that the joint proxy statement related to our shareholder meeting in connection with our merger with the acquired company violated Section 14(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), Rule 14a-9 promulgated thereunder and Section 20(a) of the Exchange Act. The plaintiff claimed that the acquired company’s shareholders received inadequate consideration for their shares as a result of the alleged violations and sought compensatory and rescissory damages and attorneys’ fees on behalf of itself and the proposed class members. In connection with that action, we were obligated to pay the defense fees and costs for the individual defendants, which may be covered by our directors’ and officers’ liability insurance, subject to a deductible. On October 4, 2012, the court denied our motion to dismiss the action. On June 27, 2013, the U.S. Court of Appeals for the Second Circuit (the “Second Circuit”) ruled in the unrelated action on an issue that could be relevant to the disposition of this case in a manner that supported our position that the plaintiff’s existing claims alleged in the action are time-barred. On August 30, 2013, we filed a motion to dismiss on the ground that the claims are time-barred, citing the ruling of the Second Circuit. On September 20, 2013, plaintiffs filed an opposition to our motion to dismiss and on September 24, 2013, we filed a reply to that opposition. On March 11, 2014, the court granted the defendants’ motion and dismissed the claims as time-barred. On March 13, 2014, judgment was entered and the case was closed. On March 19, 2014, plaintiffs filed a notice of appeal to the Second Circuit. On April 23, 2014, the Second Circuit granted plaintiff’s motion to stay pending the U.S. Supreme Court’s decision in *Public Employees Retirement System of Mississippi v. IndyMac MBS Inc.*, in which certiorari was granted at 134 S. Ct. 1515 (2014).

*Other federal statutes*—Several of the claimants have made assertions under the statutes, including the CWA, the Endangered Species Act, the Migratory Bird Treaty Act, the Clean Air Act, the CERCLA and the EPCRA.

*Shareholder derivative claims*—In June 2010, two shareholder derivative suits were filed in the state district court in Texas by our shareholders naming us as a nominal defendant and certain of our current and former officers and directors as defendants. These cases allege breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement and waste of corporate assets in connection with the Macondo well incident. The plaintiffs are generally seeking to recover, on behalf of us, damages to Transocean Ltd. and disgorgement of all profits, benefits, and other compensation from the individual defendants. Any recovery of the damages or disgorgement by the plaintiffs in these actions would be paid to us. If the plaintiffs prevail, we could be required to pay plaintiffs’ attorneys’ fees. In addition, we are obligated to pay the defense fees and costs for the individual defendants, which may be covered by our directors’ and officers’ liability insurance, subject to a deductible. The two actions have been consolidated before a single judge. In August 2012, the defendants filed a motion to dismiss the complaint on the grounds that the actions must be maintained in the courts of Switzerland and that the plaintiffs lack standing to assert the claims alleged. In December 2012, in response to defendants’ motion to dismiss for lack of standing, the plaintiffs dismissed their action without prejudice. In January 2013, one of the plaintiffs re-filed a previously dismissed complaint seeking to recover damages to Transocean Ltd. and disgorgement of all profits, benefits, and other compensation from the individual defendants. Certain defendants filed a motion to dismiss the re-filed complaint in March 2013 on the ground that the action must be maintained in the courts of Switzerland. On July 30, 2013, the court granted the motion to dismiss. On August 29, 2013, the state district court of Texas dismissed the action in its entirety as to all defendants. Plaintiffs filed an appeal in the Court of Appeals for the First District of Texas on September 6, 2013 and filed a brief in support of their appeal on November 27, 2013. On February 10, 2014, the defendants filed a response to the appeal, and on March 3, 2014, the plaintiffs filed a reply. On July 24, 2014, the Court of Appeals for the First District of Texas affirmed the trial court’s order granting defendants’ motion to dismiss. Plaintiffs had until August 8, 2014 to seek a rehearing or reconsideration of the decision by the Court of Appeals for the First District of Texas and until September 8, 2014 to seek review by the Texas Supreme Court, but let both deadlines pass.

*U.S. Department of Justice claims*—On December 15, 2010, the DOJ filed a civil lawsuit against us and other unaffiliated defendants. The complaint alleged violations under OPA and the CWA, including claims for per barrel civil penalties of up to \$1,100 per barrel or up to \$4,300 per barrel if gross negligence or willful misconduct is established, and the DOJ reserved its rights to amend the complaint to add new claims and defendants. The U.S. government has estimated that up to 4.1 million barrels of oil were discharged and subject to penalties. The complaint asserted that all defendants named are jointly and severally liable for all removal costs and damages resulting from the Macondo well incident. In response to the U.S. complaint, BP and Anadarko filed claims seeking contribution from us for any damages for which they may be found liable, including OPA damages.

On February 22, 2012, the MDL Court ruled on cross-motions for partial summary judgment filed by DOJ, Anadarko and us that we are not liable as a responsible party for damages under OPA with respect to the below surface discharges from the Macondo well. The MDL Court also ruled that, for purpose of the CWA, oil discharged from the well facility, and not from the *Deepwater Horizon* vessel, and that we, therefore, are not liable for such discharges under the CWA as an owner of the vessel. However, the MDL Court ruled that the issue of whether we could be held liable for such discharge under the CWA as an operator of the well facility could not be resolved on summary judgment. The MDL Court later ruled in the Phase One Findings of Fact and Conclusions of Law that we were the operator of the well facility. In January 2013, we entered into an agreement with the DOJ regarding liability to the U.S. with respect to its CWA claim through the Consent Decree. The Consent Decree did not resolve the rights of the U.S. with respect to certain liabilities under OPA for removal costs or resulting from NRDA.

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In August and September 2012, Anadarko and BP filed appeals to the Fifth Circuit, in which they argued that, under the CWA, oil discharged from the vessel, not from the well facility. On June 4, 2014, the Fifth Circuit affirmed the ruling of the MDL Court that BP and Anadarko are liable for civil penalties under the CWA. The opinion did not address whether we could be considered the operator of the well for purposes of penalties under the CWA. BP and Anadarko have petitioned for rehearing. The Fifth Circuit, however, has not acted on the petition. As a result of our Consent Decree agreement, the outcome of this appeal does not affect our CWA civil penalty liability for the Macondo well incident. See “—Macondo well incident settlement obligations.”

In addition to the civil complaint, the DOJ served us with civil investigative demands on December 8, 2010. These demands were part of an investigation by the DOJ to determine if we made false claims, or false statements in support of claims, in violation of the False Claims Act, in connection with the operator’s acquisition of the leasehold interest in the Mississippi Canyon Block 252, Gulf of Mexico and drilling operations on *Deepwater Horizon*. As part of the settlement discussions, we inquired whether the U.S. intends to pursue any actions under the False Claims Act. In response, the DOJ sent us a letter stating that the Civil Division of the DOJ, based on facts then known, is no longer pursuing any investigation or claims, and did not have any present intention to pursue any investigation or claims, under the False Claims Act against the various Transocean entities for their involvement in the Macondo well incident.

As noted above, the DOJ also conducted a criminal investigation into the Macondo well incident. On March 7, 2011, the DOJ announced the formation of the *Deepwater Horizon* Task Force to lead the criminal investigation. The task force investigated possible violations by us and certain unaffiliated parties of the CWA, the Migratory Bird Treaty Act, the Refuse Act, the Endangered Species Act, and the Seaman’s Manslaughter Act, among other federal statutes, and possible criminal liabilities, including fines under those statutes and under the Alternative Fines Act. As discussed above, on January 3, 2013, we entered into the Plea Agreement with the DOJ resolving these claims. See “—Macondo well incident settlement obligations.”

**State and other government claims**—In June 2010, the Louisiana Department of Environmental Quality (the “LDEQ”) issued a consolidated compliance order and notice of potential penalty to us and certain of our subsidiaries asking us to eliminate and remediate discharges of oil and other pollutants into waters and property located in the State of Louisiana, and to submit a plan and report in response to the order. In October 2010, the LDEQ rescinded its enforcement actions against us and our subsidiaries but reserved its rights to seek civil penalties for future violations of the Louisiana Environmental Quality Act. In September 2010, the State of Louisiana filed an action for declaratory judgment seeking to designate us as a responsible party under OPA and the Louisiana Oil Spill Prevention and Response Act for the discharges emanating from the Macondo well.

Prior to the possible expiration of the statute of limitations in April 2013, suits were filed by over 200 state, local and foreign governments, including the U.S. States of Alabama, Florida, Louisiana, Mississippi and Texas; the Mexican States of Veracruz, Quintana Roo and Tamaulipas (“Mexican States”); the Federal Government of Mexico and by other local governments by and on behalf of multiple towns and parishes. These governments generally assert claims under OPA, other statutory environmental state claims and various common law claims. A local government master complaint also was filed in which cities, municipalities, and other local government entities can, and have, joined. Most of these new government cases, including the suits filed by the attorneys general of Alabama, Florida, Louisiana, Mississippi and Texas, have been transferred to the MDL.

The Mexican States’ OPA claims were subsequently dismissed for failure to demonstrate that recovery under OPA was authorized by treaty or executive agreement. However, the Court preserved some of the Mexican States’ negligence and gross negligence claims, but only to the extent there has been a physical injury to a proprietary interest. On September 6, 2013, the MDL Court ruled that the Federal Government of Mexico rather than the Mexican States had the proprietary interest in the property and natural resources allegedly injured by the spill and, on that basis, dismissed the remaining claims of the Mexican States. The Mexican States have appealed to the Fifth Circuit, and the Fifth Circuit has scheduled oral argument for October 27, 2014. The claims of the Federal Government of Mexico remain pending. On September 18, 2013, the Mexican State of Yucatan filed a suit similar to those filed by the other Mexican States.

By letter dated May 5, 2010, the Attorneys General of the five Gulf Coast states of Alabama, Florida, Louisiana, Mississippi and Texas informed us that they intend to seek recovery of pollution cleanup costs and related damages arising from the Macondo well incident. In addition, by letter dated June 21, 2010, the Attorneys General of the 11 Atlantic Coast states of Connecticut, Delaware, Georgia, Maine, Maryland, Massachusetts, New Hampshire, New York, North Carolina, Rhode Island and South Carolina informed us that their states have not sustained any damage from the Macondo well incident but they would like assurances that we will be responsible financially if damages are sustained. We responded to each letter from the Attorneys General and indicated that we intend to fulfill our obligations as a responsible party for any discharge of oil from *Deepwater Horizon* on or above the surface of the water, and we assume that the operator will similarly fulfill its obligations under OPA for discharges from the undersea well.

On August 26, 2011, the MDL Court ruled on the motion to dismiss certain economic loss claims. The MDL Court ruled that state law, both statutory and common law, is inapplicable to the Macondo well incident. Accordingly, all claims brought under state law were dismissed. Secondly, general maritime law claims that do not allege physical damage to a proprietary interest were dismissed, unless the claim falls into the commercial fisherman exception. The court ruled that OPA claims for economic loss do not require physical damage to a proprietary interest. Third, the MDL Court ruled that presentment under OPA is a mandatory condition precedent to filing suit against a responsible party. Finally, the MDL Court ruled that claims for punitive damages may be available under general maritime law in claims against responsible parties and non-responsible parties. Certain Louisiana parishes appealed the dismissal of the state law penalty claims. On February 24, 2014, the Fifth Circuit affirmed the MDL Court’s dismissal of the state law claims.

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The state, local and foreign government claims include claims under OPA. On February 22, 2012, the MDL Court ruled that we are not a responsible party under OPA for damages with respect to subsurface discharge from the Macondo well. The MDL Court subsequently found that we are an “operator” under OPA and are liable to the government for removal costs, though it also concluded that BP must indemnify us for this liability.

Prior to the possible expiration of the three-year statute of limitations on April 20, 2013, additional private plaintiffs filed new lawsuits relating to the Macondo well incident. We are named as a defendant in many but not all of the new lawsuits. The lawsuits seek recoveries for economic loss and punitive damages and allege claims under OPA, maritime law and state law. Some of the new lawsuits were filed in the MDL Court, but many were filed in state and federal courts outside of the MDL Court. Most of these cases have been transferred to the MDL and, consistent with our prior experience, we expect the remaining cases to be transferred to the MDL Court.

The MDL Court has begun proceeding with respect to Alabama’s compensatory damages claims under OPA and general maritime law. On January 14, 2014, the MDL Court ordered briefing on BP’s motion to strike Alabama’s demand for a jury trial. BP filed its motion on February 14, 2014. We and Halliburton filed briefs in support of the motion. Alabama opposed the motion and the other Gulf Coast states filed briefs in support of Alabama. BP filed its reply on March 25, 2014, and Transocean filed a reply memorandum on March 28, 2014. The MDL Court has not yet ruled on the motion. The MDL Court has set a schedule for pretrial discovery in the Alabama damages case. Fact discovery is scheduled to end on January 30, 2015, and expert discovery is scheduled to end on May 29, 2015. The MDL Court has not yet scheduled a trial date.

*Natural Resources Damages Assessments*—Under OPA, designated state and federal trustees are authorized to undertake a NRDA to assess potential natural resource injuries resulting from a discharge of oil or the substantial threat of a discharge and response activities and develop and implement a plan for restoration of injured resources, if any. The trustees will invite responsible parties to participate in and fund such efforts. As of September 30, 2014, we have received 11 such requests as follows: (1) on September 27, 2010, from the U.S. Department of Commerce-National Oceanic and Atmospheric Association; (2) on October 14, 2010 from the U.S. Department of the Interior-Fish and Wildlife Service; (3) on November 19, 2010, from the Louisiana Department of Public Safety and Corrections-Public Safety Services; (4) on December 23, 2011, from the U.S. Department of the Interior-Fish and Wildlife Service; (5) on December 23, 2011, from the U.S. Department of Commerce-National Oceanic and Atmospheric Association; (6) on May 4, 2012, from the U.S. Department of Commerce-National Oceanic and Atmospheric Association; (7) on July 27, 2012, from the U.S. Department of Commerce-National Oceanic and Atmospheric Administration; (8) on September 19, 2012, from the U.S. Department of Commerce-National Oceanic and Atmospheric Administration; (9) on September 24, 2012, from the U.S. Department of Commerce-National Oceanic and Atmospheric Administration; (10) on October 4, 2012, from the U.S. Department of the Interior-Fish and Wildlife Service; and (11) on July 11, 2013, from the U.S. Department of Commerce-National Oceanic and Atmospheric Administration. We responded to these requests and declined to participate in the funding on the grounds that we are not a responsible party for discharges from the wellhead. The government is proceeding with the NRDA with funding provided by BP.

*Citizen suits under environmental statutes*—The Center for Biological Diversity (the “Center”), a private environmental group, sued BP, us and certain of our affiliates under multiple federal environmental statutes seeking monetary penalties and injunctive relief. The MDL Court dismissed all of the claims, and in January 2013, the Fifth Circuit affirmed that dismissal with one exception: the Fifth Circuit remanded to the district court the Center’s claim for injunctive relief, but not for penalties, based on BP and Transocean’s alleged failure to make certain reports about the constituents of oil spilled into the U.S. Gulf of Mexico as required by federal EPCRA.

On April 15, 2014, BP and we moved for summary judgment. On the same day, the Center moved for partial summary judgment against BP. It did not move for partial summary judgment against us, though it purported to reserve its right to do so in the future. Opposition briefs were filed on May 5, 2014, and reply briefs were filed on May 19, 2014. The MDL Court has not yet scheduled a hearing date for oral argument or indicated when it will rule on the motions.

*Wreck removal*—By letter dated December 6, 2010, the U.S. Coast Guard requested us to formulate and submit a comprehensive oil removal plan to remove any diesel fuel contained in the sponsons and fuel tanks that can be recovered from *Deepwater Horizon*. We have conducted a survey of the rig wreckage and have confirmed that no diesel fuel remains on the rig. The U.S. Coast Guard has not requested that we remove the rig wreckage from the sea floor. In October 2012, a new sheen was reported and preliminarily determined to have originated from the Macondo well. We understand that BP was notified of the sheen in early September 2012 and had commenced an investigation to determine the source, whether the oil and mud were from the sea floor, the rig or rig equipment, or other sources. In February 2013, the U.S. Coast Guard submitted a request seeking analysis and recommendations as to the potential life of the rig’s riser and cofferdam resting on the seafloor and potential remediation or removal options. We have insurance coverage for wreck removal for up to 25 percent of *Deepwater Horizon*’s insured value, or \$140 million, with any excess wreck removal liability generally covered to the extent of our remaining excess liability limits.

**Insurance coverage**—At the time of the Macondo well incident, our excess liability insurance program offered aggregate insurance coverage of \$950 million, excluding a \$15 million deductible and a \$50 million self-insured layer through our wholly owned captive insurance subsidiary. This excess liability insurance coverage consisted of a first and a second layer of \$150 million each, a third and fourth layer of \$200 million each and a fifth layer of \$250 million. The first four excess layers have similar coverage and contractual terms, while the \$250 million fifth layer is on a different policy form, which varies to some extent from the underlying coverage and contractual terms. Generally, we believe that the policy forms for all layers include coverage for personal injury and fatality claims of our crew and vendors, actual and compensatory damages, punitive damages and related legal defense costs and that the policy forms for the first four excess layers provide coverage for fines; however, we do not expect payments deemed to be criminal in nature to be covered by any of the layers.

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In May 2010, we received notice from BP maintaining that it believes that it is entitled to additional insured status under our excess liability insurance program. Our insurers have also received notices from Anadarko and MOEX advising of their intent to preserve any rights they may have to our insurance policies as an additional insured under the drilling contract. In response, our wholly owned captive insurance subsidiary and our first four excess layer insurers filed declaratory judgment actions in the Houston Division of the U.S. District Court for the Southern District of Texas in May 2010 seeking a judgment declaring that they have limited additional insured obligations to BP, Anadarko and MOEX. We are parties to the declaratory judgment actions, which were transferred to the MDL Court for discovery and other purposes. On November 15, 2011, the MDL Court ruled that BP's coverage rights are limited to the scope of our indemnification of BP in the drilling contract. A final judgment was entered against BP, Anadarko and MOEX, and BP appealed. On March 1, 2013, the Fifth Circuit Court of Appeals issued an opinion reversing the decision of the MDL Court, and holding that BP is an unrestricted additional insured under the policies issued by our wholly owned captive insurance company and the first four excess layer insurers. We and the insurers filed petitions for rehearing with the Fifth Circuit Court of Appeals. On August 29, 2013, the Fifth Circuit Court of Appeals issued an opinion withdrawing the March 1, 2013 opinion and certifying certain insurance law questions to the Texas Supreme Court. On September 6, 2013, the Texas Supreme Court accepted certification of these questions. The parties' briefing to the Texas Supreme Court was completed on March 10, 2014. Oral argument was held on September 16, 2014. The Texas Supreme Court has not ruled on the certified questions.

We believe that additional insured coverage for BP, Anadarko or MOEX under the \$250 million fifth layer of our insurance program is limited to the scope of our indemnification of BP under the drilling contract. While we cannot predict the outcome of the matter before the Texas Supreme Court or the outcome of any subsequent proceedings in the Fifth Circuit, we do not expect them to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

On June 17, 2011 and July 31, 2012, our first layer and second layer of excess insurers, respectively, each representing \$150 million of insurance coverage, filed interpleader actions. On February 14, 2013, the third and fourth layers, each representing \$200 million of insurance coverage, filed interpleader actions substantially similar to the prior filings. The insurers contend that they face multiple, and potentially competing, claims to the relevant insurance proceeds. In these actions, the insurers effectively ask the court to manage disbursement of the funds to the alleged claimants, as appropriate, and discharge the insurers of any additional liability. The parties to the first and second excess insurer interpleader actions have executed protocol agreements to facilitate the reimbursement and funding of settlements of personal injury and fatality claims of our crew and vendors (collectively, "crew claims") using insurance funds and claims were submitted to the court for review. Following the court's determination and approval of the amounts to be paid by the insurers with respect to the crew claims submitted by the parties, the first layer of excess insurers made reimbursement payments to the parties for crew claims during the year ended December 31, 2013. Additional claims have been submitted to the court in 2014, and we are awaiting the court's determination and approval of the amounts to be paid by insurers. Parties to the third and fourth excess insurer interpleader actions have agreed to adjourn the deadline for responses to the pleadings to an unspecified date that will follow a decision in another action that pertains to our insurance.

**Contractual indemnity**—Under our drilling contract for *Deepwater Horizon*, the operator has agreed, among other things, to assume full responsibility for and defend, release and indemnify us from any loss, expense, claim, fine, penalty or liability for pollution or contamination, including control and removal thereof, arising out of or connected with operations under the contract other than for pollution or contamination originating on or above the surface of the water from hydrocarbons or other specified substances within the control and possession of the contractor, as to which we agreed to assume responsibility and protect, release and indemnify the operator. Although we do not believe it is applicable to the Macondo well incident, we also agreed to indemnify and defend the operator up to a limit of \$15 million for claims for loss or damage to third parties arising from pollution caused by the rig while it is off the drilling location, while the rig is underway or during drive off or drift off of the rig from the drilling location. The operator has also agreed, among other things, (1) to defend, release and indemnify us against loss or damage to the reservoir, and loss of property rights to oil, gas and minerals below the surface of the earth and (2) to defend, release and indemnify us and bear the cost of bringing the well under control in the event of a blowout or other loss of control. We agreed to defend, release and indemnify the operator for personal injury and death of our employees, invitees and the employees of our subcontractors while the operator agreed to defend, release and indemnify us for personal injury and death of its employees, invitees and the employees of its other subcontractors, other than us. We have also agreed to defend, release and indemnify the operator for damages to the rig and equipment, including salvage or removal costs.

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Although we believe we are entitled to contractual defense and indemnity, the operator has sought to avoid its indemnification obligations. In April 2011, the operator filed a claim seeking a declaration that it is not liable to us in contribution, indemnification, or otherwise. On November 1, 2011, we filed a motion for partial summary judgment, seeking enforcement of the indemnity obligations for pollution and civil fines and penalties contained in the drilling contract with the operator. On January 26, 2012, the court ruled that the drilling contract requires the operator to indemnify us for compensatory damages asserted by third parties against us related to pollution that did not originate on or above the surface of the water, even if the claim is the result of our strict liability, negligence, or gross negligence. The court also held that the operator does not owe us indemnity to the extent that we are held liable for civil penalties under the CWA or for punitive damages, and we have since agreed with the DOJ that we will not seek indemnity or reimbursement of our Consent Decree payments from the operator or the other non-insurer defendants named in the complaint by the U.S. The court initially deferred ruling on the operator's argument that we committed a core breach of the drilling contract or otherwise materially increased the operator's risk or prejudiced its rights so as to vitiate the operator's indemnity obligations. In the September 4, 2014 ruling, however, the MDL Court upheld the indemnities, implicitly finding no core breach of contract occurred. Our motion for partial summary judgment and the court's ruling did not address the issue of contractual indemnity for criminal fines and penalties. The law generally considers contractual indemnity for criminal fines and penalties to be against public policy. Our motion did not ask the court to rule on the validity of BP's agreement in the drilling contract to release us from any claims asserted by BP itself. Some courts have held that such agreements will not be enforced if the defendant is found to be grossly negligent. In May 2013, we filed another motion for partial summary judgment seeking to enforce BP's agreement to release claims made by BP itself and asking the MDL Court to dismiss certain claims BP assigned to PSC as part of their settlement. In its Phase One Findings of Fact and Conclusions of Law, the MDL Court ruled that BP's agreement to indemnify us and BP's release of claims against us are valid and enforceable, barring the PSC from pursuing assigned claims against us. This ruling may be subject to appeal under maritime law.

***Other legal proceedings***

**Asbestos litigation**—In 2004, several of our subsidiaries were named, along with numerous other unaffiliated defendants, in 21 complaints filed on behalf of 769 plaintiffs in the Circuit Courts of the State of Mississippi and which claimed injuries arising out of exposure to asbestos allegedly contained in drilling mud during these plaintiffs' employment in drilling activities between 1965 and 1986. The Circuit Courts subsequently dismissed the original 21 multi-plaintiff complaints and required each plaintiff to file a separate lawsuit. After certain individual claims were dismissed, 593 separate lawsuits remained, each with a single plaintiff. We have or may have direct or indirect interest in a total of 20 cases in Mississippi. The complaints generally allege that the defendants used or manufactured asbestos-containing drilling mud additives for use in connection with drilling operations and have included allegations of 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. In each of these cases, the complaints have named other unaffiliated defendant companies, including companies that allegedly manufactured the drilling-related products that contained asbestos. With the exception of cases pending in Jones and Jefferson counties, these cases are being governed for discovery and trial setting by a single Case Management Order entered by a Special Master appointed by the court to preside over the cases. Of the 20 cases in which we have or may have an interest, two have been scheduled for trial. During the year ended December 31, 2013, one of these two cases was resolved through a negotiated settlement for a nominal sum. In the other case, we were not named as a direct defendant, but the Special Master granted a Motion for Summary Judgment based on the absence of medical evidence in favor of all defendants. We have obtained a similar ruling on summary judgment dismissing three additional cases where we were a direct defendant. The resolution of these five cases leaves 15 remaining lawsuits in Mississippi in which we have or may have an interest.

In 2011, the Special Master issued a ruling that a Jones Act employer defendant, such as us, cannot be sued for punitive damages, and this ruling has now been obtained in three of our cases. To date, seven of the 593 cases have gone to trial against defendants who allegedly manufactured or distributed drilling mud additives. None of these cases has involved an individual Jones Act employer, and we have not been a defendant in any of these cases.

During the year ended December 31, 2013, a group of lawsuits premised on the same allegations as those in Mississippi were filed in Louisiana. Four of the original cases were dismissed through early motions. As of September 30, 2014, 20 plaintiffs have claims pending against one or more of our subsidiaries in four different lawsuits in Louisiana. We intend to defend these lawsuits vigorously, although we can provide no assurance as to the outcome. We historically have maintained broad liability insurance, although we are not certain whether insurance will cover the liabilities, if any, arising out of these claims. Based on our evaluation of the exposure to date, we do not expect the liability, if any, resulting from these claims to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

One of our subsidiaries was involved in lawsuits arising out of the subsidiary's involvement in the design, construction and refurbishment of major industrial complexes. The operating assets of the subsidiary were sold and its operations discontinued in 1989, and the subsidiary has no remaining assets other than the insurance policies involved in its litigation, with its insurers and, either directly or indirectly through a qualified settlement fund. The subsidiary has been named as a defendant, along with numerous other companies, in lawsuits alleging bodily injury or personal injury as a result of exposure to asbestos. As of September 30, 2014, the subsidiary was a defendant in approximately 881 lawsuits, some of which include multiple plaintiffs, and we estimate that there are approximately 1,692 plaintiffs in these lawsuits. 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 first of the asbestos-related lawsuits was filed against the subsidiary in 1990. Through September 30, 2014, the costs incurred to resolve claims, including both defense fees and expenses and settlement costs, have not been material, all known deductibles have been satisfied or are inapplicable, and the subsidiary's defense fees and expenses and settlement costs have been met by insurance made available to the subsidiary. The subsidiary continues to be named as a defendant in additional lawsuits, and we cannot predict the number of additional cases in which it may be named a defendant nor can we predict the potential costs to resolve such additional cases or to resolve the pending cases. However, 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 from settlements and claims 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 believe that the ultimate liability, if any, arising from these claims will have a material impact on our consolidated statement of financial position, results of operations or cash flows.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued**  
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**Rio de Janeiro tax assessment**—In the third quarter of 2006, we received tax assessments of BRL 415 million, equivalent to approximately \$170 million, including interest and penalties, from the state tax authorities of Rio de Janeiro in Brazil against one of our Brazilian subsidiaries for taxes on equipment imported into the state in connection with our operations. The assessments resulted from a preliminary finding by these authorities that our record keeping practices were deficient. We currently believe that the substantial majority of these assessments are without merit. We filed an initial response with the Rio de Janeiro tax authorities on September 9, 2006 refuting these additional tax assessments. In September 2007, we received confirmation from the state tax authorities that they believe the additional tax assessments are valid, and as a result, we filed an appeal on September 27, 2007 to the state Taxpayer’s Council contesting these assessments. 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 consolidated statement of financial position, results of operations or cash flows.

**Brazilian import license assessment**—In the fourth quarter of 2010, we received an assessment from the Brazilian federal tax authorities in Rio de Janeiro of BRL 552 million, equivalent to approximately \$226 million, including interest and penalties, based upon the alleged failure to timely apply for import licenses for certain equipment and for allegedly providing improper information on import license applications. We believe that a substantial majority of the assessment is without merit and are vigorously pursuing legal remedies. The case was decided partially in favor of our Brazilian subsidiary in the lower administrative court level. The decision cancelled the majority of the assessment, reducing the total assessment to BRL 34 million, equivalent to approximately \$14 million. On July 14, 2011, we filed an appeal to eliminate the assessment. On May 23, 2013, a ruling was issued that eliminated all assessment amounts. A further appeal by the taxing authorities is possible. While we cannot predict or provide assurance as to the outcome of these proceedings, we do not expect it to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

**Petrobras withholding taxes**—In July 2014, we received letters from Petróleo Brasileiro S.A. (“Petrobras”) informing us that the Brazilian Federal Revenue Service (the “RFB”) is assessing Petrobras for withholding taxes presumably due and unpaid on payments made in 2008 and 2009 to beneficiaries domiciled outside of Brazil in connection with the charter agreements related to work performed by its contractors, including us. Petrobras is challenging such tax assessment and has indicated that, if it loses the tax dispute, it will seek to recover from its contractors, including us, any taxes, penalties, interest and fees that Petrobras is being requested to pay. Petrobras has informed us that it has received from the RFB notices of deficiencies for BRL 283 million, equivalent to approximately \$116 million, excluding penalties, interest and fees, related to work performed by us. We have informed Petrobras that we believe it has no basis for seeking reimbursement from us, and we intend to vigorously challenge any assertions to the contrary. An unfavorable outcome on these matters could result in a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

**Nigerian Cabotage Act litigation**—In October 2007, three of our subsidiaries were each served a Notice and Demand from the Nigeria Maritime Administration and Safety Agency, imposing a two percent surcharge on the value of all contracts performed by us in Nigeria pursuant to the Coastal and Inland Shipping (Cabotage) Act 2003 (the “Cabotage Act”). Our subsidiaries each filed an originating summons in the Federal High Court in Lagos challenging the imposition of this surcharge on the basis that the Cabotage Act and associated levy is not applicable to drilling rigs. The respondents challenged the competence of the suits on several procedural grounds. The court upheld the objections and dismissed the suits. In December 2010, our subsidiaries filed a new joint Cabotage Act suit. The Federal High Court in Lagos has scheduled the matter for hearing on January 22, 2015. While we cannot predict or provide assurance as to the outcome of these proceedings, we do not expect it to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

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

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued**  
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**Other environmental matters**

**Hazardous waste disposal sites**—We have certain potential liabilities under 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 EPA and the DOJ to settle our potential liabilities for this site by agreeing to perform the remaining remediation required by the EPA. The form of the agreement is a consent decree, which has been entered by the court. 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. This site was formerly owned and operated by certain of our subsidiaries. It is presently owned by an unrelated party, which has received an order to test the property. We have also been advised that one or more of our subsidiaries is likely to be named by the EPA as a PRP for the San Gabriel Valley, Area 3, Superfund site, which includes this property. Testing has been completed at the property, but no contaminants of concern were detected. 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.

On February 24, 2011, the Housing Authority of the City of Los Angeles (“HACLA”) filed an original complaint against multiple defendants for releases of hazardous substances and other hazardous materials based on prior use of a site it now owns between the late 1930s and 2008. HACLA seeks recovery for response costs and other damages resulting from the release of those hazardous substances and materials. On September 20, 2013, one of the third-party defendants filed claims against one of our subsidiaries as a fourth party defendant asserting cost recovery and contribution under CERCLA, contribution pursuant to California Health and Safety Code, equitable contribution and indemnity and declaratory judgment. Our subsidiary never owned or leased the site, and our subsidiary’s involvement at the site was primarily related to the demolition, excavation and grading of the site between 1979 and 1980. On May 23, 2014, our subsidiary and its insurer agreed to settle the matter with the third-party defendant, and on August 1, 2014, the U.S. District Court in the Central District of California entered an order barring all persons and entities from pursuing claims or causes of action against our subsidiary arising from this litigation and, accordingly, our subsidiary was dismissed from the lawsuit.

Resolutions of other claims by the EPA, the involved state agency or PRPs are at various stages of investigation. These investigations involve determinations of:

- § the actual responsibility attributed to us and the other PRPs at the site;
- § appropriate investigatory or remedial actions; and
- § 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:

- § the volume and nature of material, if any, contributed to the site for which we are responsible;
- § the number of other PRPs and their financial viability; and
- § 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 environmental matters, including the liability for all other related pending legal proceedings, asserted legal claims and known potential legal claims which are likely to be asserted, is adequately accrued and should not have a material effect on our consolidated statement of financial position or results of operations.

**Retained risk**

**Overview**—Our hull and machinery and excess liability insurance program is comprised of commercial market and captive insurance policies that we renew annually on May 1. We periodically evaluate our insurance limits and self-insured retentions. At September 30, 2014, the insured value of our drilling rig fleet was approximately \$27.8 billion, excluding our rigs under construction.

We generally do not carry commercial market insurance coverage for loss of revenues, unless it is contractually required, or for losses resulting from physical damage to our fleet caused by named windstorms in the U.S. Gulf of Mexico, including liability for wreck removal costs.

**Hull and machinery coverage**—At September 30, 2014, under the hull and machinery program, we generally maintained a \$125 million per occurrence deductible, limited to a maximum of \$200 million per policy period. Subject to the same shared deductible, we also had coverage for an amount equal to 50 percent of a rig’s insured value for combined costs incurred to mitigate rig damage, wreck or debris removal and collision liability. Any excess wreck or debris removal costs and excess collision liability costs are generally covered to the extent of our remaining excess liability coverage.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued**  
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**Excess liability coverage**—At September 30, 2014, we carried excess liability coverage of \$700 million in the commercial market excluding deductibles and self-insured retention, noted below, which generally covers offshore risks such as personal injury, third-party property claims, and third-party non-crew claims, including wreck removal and pollution. Our excess liability coverage had separate \$10 million per occurrence deductibles on collision liability claims and \$5 million per occurrence deductibles on crew personal injury claims and on other third-party non-crew claims. Through our wholly owned captive insurance company, we retained the risk of the primary \$50 million excess liability coverage. In addition, we generally retained the risk for any liability losses in excess of \$750 million.

**Other insurance coverage**—At September 30, 2014, we also carried \$100 million of additional insurance that generally covers expenses that would otherwise be assumed by the well owner, such as costs to control the well, redrill expenses and pollution from the well. This additional insurance provides coverage for such expenses in circumstances in which we have legal or contractual liability arising from our gross negligence or willful misconduct.

**Letters of credit and surety bonds**

At September 30, 2014 and December 31, 2013, we had outstanding letters of credit totaling \$418 million and \$575 million, respectively, issued under various committed and uncommitted credit lines provided by several banks to guarantee various contract bidding, performance activities and customs obligations, including letters of credit totaling \$89 million and \$104 million, respectively, that we agreed to maintain in support of the operations for Shelf Drilling (see Note 7—Discontinued Operations).

As is customary in the contract drilling business, we also have various surety bonds in place that secure customs obligations relating to the importation of our rigs and certain performance and other obligations. At September 30, 2014 and December 31, 2013, we had outstanding surety bonds totaling \$6 million.

**Note 14—Shareholders' Equity**

**Distributions of qualifying additional paid-in capital**—In May 2014, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of \$3.00 per outstanding share, payable in four quarterly installments of \$0.75 per outstanding share, subject to certain limitations. We do not pay the distribution of qualifying additional paid-in capital with respect to our shares held in treasury or held by our subsidiary. In May 2014, we recognized a liability of \$1.1 billion for the distribution payable, recorded in other current liabilities, with a corresponding entry to additional paid-in capital. On June 18 and September 17, 2014, we paid the first two installments in the aggregate amount of \$544 million to shareholders of record as of May 30 and August 22, 2014, respectively. At September 30, 2014, the aggregate carrying amount of the distribution payable was \$544 million.

In May 2013, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of \$2.24 per outstanding share, payable in four quarterly installments of \$0.56 per outstanding share, subject to certain limitations. We did not pay the distribution of qualifying additional paid-in capital with respect to our shares held in treasury or held by our subsidiary. In May 2013, we recognized a liability of \$808 million for the distribution payable, recorded in other current liabilities, with a corresponding entry to additional paid-in capital. On June 19 and September 18, 2013, we paid the first two installments in the aggregate amount of \$404 million to shareholders of record as of May 31 and August 23, 2013, respectively. At December 31, 2013, the carrying amount of the unpaid distribution payable was \$202 million. On March 19, 2014, we paid the final installment in the aggregate amount of \$202 million to shareholders of record as of February 21, 2014.

**Shares held by subsidiary**—One of our subsidiaries holds our shares for future use to satisfy our obligations to deliver shares in connection with awards granted under our incentive plans or other rights to acquire our shares. At September 30, 2014 and December 31, 2013, our subsidiary held 8.7 million shares and 10.2 million shares, respectively.



**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued**  
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**Accumulated other comprehensive loss**—The changes in accumulated other comprehensive loss, presented net of tax, were as follows (in millions):

	<u>Three months ended September 30, 2014</u>			<u>Three months ended September 30, 2013</u>		
	Defined benefit pension plans	Derivative instruments	Total	Defined benefit pension plans	Derivative instruments	Total
Balance, beginning of period	\$ (188)	\$ —	\$ (188)	\$ (437)	\$ 3	\$ (434)
Other comprehensive loss before reclassifications	(3)	—	(3)	(2)	(1)	(3)
Reclassifications to net income	6	—	6	11	—	11
Other comprehensive income (loss), net	3	—	3	9	(1)	8
Balance, end of period	<u>\$ (185)</u>	<u>\$ —</u>	<u>\$ (185)</u>	<u>\$ (428)</u>	<u>\$ 2</u>	<u>\$ (426)</u>

	<u>Nine months ended September 30, 2014</u>			<u>Nine months ended September 30, 2013</u>		
	Defined benefit pension plans	Derivative instruments	Total	Defined benefit pension plans	Derivative instruments	Total
Balance, beginning of period	\$ (264)	\$ 2	\$ (262)	\$ (511)	\$ (10)	\$ (521)
Other comprehensive income (loss) before reclassifications	70	—	70	47	(6)	41
Reclassifications to net income	9	(2)	7	36	18	54
Other comprehensive income (loss), net	79	(2)	77	83	12	95
Balance, end of period	<u>\$ (185)</u>	<u>\$ —</u>	<u>\$ (185)</u>	<u>\$ (428)</u>	<u>\$ 2</u>	<u>\$ (426)</u>

Significant reclassifications from accumulated other comprehensive income to net income (loss) included the following (in millions):

	<u>Statement of operations classification</u>	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
		2014	2013	2014	2013
<b>Defined benefit pension plans</b>					
Actuarial losses		\$ 5	\$ 10	\$ 17	\$ 38
Prior service costs		—	1	(1)	—
Settlements and curtailments		2	1	(3)	1
Total amortization, before income taxes	Net periodic benefit costs (a)	7	12	13	39
Income tax benefit	Income tax expense	(1)	(1)	(4)	(3)
Total amortization, net of income taxes		<u>\$ 6</u>	<u>\$ 11</u>	<u>\$ 9</u>	<u>\$ 36</u>

- (a) We recognize the amortization of accumulated other comprehensive income components related to defined benefit pension plans in net periodic benefit costs. In the three and nine months ended September 30, 2014, the amortization components of our net periodic benefit costs were \$5 million and \$9 million, respectively, recorded in operating and maintenance costs, and \$2 million and \$4 million, respectively, recorded in general and administrative costs. In the three and nine months ended September 30, 2013, the amortization components of our net periodic benefit costs were \$9 million and \$30 million, respectively, recorded in operating and maintenance costs, and \$3 million and \$9 million, respectively, recorded in general and administrative costs. See Note 12—Postemployment Benefit Plans.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued**  
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**Note 15—Noncontrolling interest**

On February 6, 2014, we formed Transocean Partners to own, operate and acquire modern, technologically advanced offshore drilling rigs. The drilling units included in the initial fleet include 51 percent ownership interest in the entities that own and operate the Ultra-Deepwater drillships *Discoverer Inspiration* and *Discoverer Clear Leader* and the Ultra-Deepwater semisubmersible *Development Driller III*, all of which are currently located in the U.S. Gulf of Mexico.

On July 31, 2014, we announced the pricing of an initial public offering of common units representing limited liability company interests in Transocean Partners, which began trading on the New York Stock Exchange under the ticker symbol “RIGP,” for \$22.00 per unit. On August 5, 2014, we completed the initial public offering of 20.1 million common units, including the 2.6 million common units sold pursuant to the exercise in full of the underwriters’ option to purchase additional common units, which represented a 29.2 percent limited liability company interest in Transocean Partners. We hold the remaining 21.3 million common units and 27.6 million subordinated units, which collectively represented a 70.8 percent limited liability company interest. As a result of the offering, we received cash proceeds of \$416 million, net of \$27 million for underwriting discounts and commissions and other offering costs. In the three and nine months ended September 30, 2014, as a result of the transaction, we recognized an decrease of \$44 million to noncontrolling interest and a corresponding increase to additional paid-in capital.

During the three months ended September 30, 2014, we completed transactions with holders of noncontrolling interest in other subsidiaries, and as a result, we recognized an increase of \$11 million to noncontrolling interest and a corresponding decrease to additional paid-in capital.

See Note 5—Impairments and Note 18—Subsequent Events.

**Note 16—Financial Instruments**

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

	September 30, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	\$ 2,873	\$ 2,873	\$ 3,243	\$ 3,243
Notes and other loans receivable	15	15	101	101
Restricted cash investments	436	457	621	649
Long-term debt, including current maturities	10,353	10,954	10,702	11,784
Derivative instruments, assets	1	1	—	—
Derivative instruments, liabilities	3	3	—	—

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 cash and cash equivalents represents the historical cost, plus accrued interest, which approximates fair value because of the short maturities of those instruments. We measured the estimated fair value of our cash equivalents using significant other observable inputs, representative of a Level 2 fair value measurement, including the net asset values of the investments. At September 30, 2014 and December 31, 2013, the aggregate carrying amount of our cash equivalents was \$2.0 billion and \$2.3 billion, respectively.

**Notes and other loans receivable**—We hold certain notes and other loans receivable, which originated in connection with certain asset dispositions and supplier advances. The carrying amount represents the amortized cost of our investments. We measured the estimated fair value using significant unobservable inputs, representative of a Level 3 fair value measurement, including the credit ratings of the borrowers. At September 30, 2014, the aggregate carrying amount of our notes receivable and other loans receivable was \$15 million, recorded in other assets. At December 31, 2013, the aggregate carrying amount of our notes receivable and other loans receivable was \$101 million, including \$6 million and \$95 million, recorded in other current assets and other assets, respectively.

**Restricted cash investments**—The carrying amount of the Eksportfinans Restricted Cash Investments represents the amortized cost of our investment. We measured the estimated fair value of the Eksportfinans Restricted Cash Investments using significant other observable inputs, representative of a Level 2 fair value measurement, including the terms and credit spreads of the instruments. At September 30, 2014 and December 31, 2013, the aggregate carrying amount of the Eksportfinans Restricted Cash Investments was \$427 million and \$591 million, respectively. At September 30, 2014 and December 31, 2013, the estimated fair value of the Eksportfinans Restricted Cash Investments was \$448 million and \$619 million, respectively.

The carrying amount of the restricted cash investments for certain contingent obligations approximates fair value due to the short term nature of the instruments in which the restricted cash investments are held. At September 30, 2014 and December 31, 2013, the aggregate carrying amount of the restricted cash investments for certain contingent obligations was \$9 million and \$30 million, respectively.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued**  
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**Debt**—We measured the estimated fair value of our fixed-rate debt using significant other observable inputs, representative of a Level 2 fair value measurement, including the terms and credit spreads for the instruments. At September 30, 2014 and December 31, 2013, the aggregate carrying amount of our fixed-rate debt was \$10.4 billion and \$10.5 billion, respectively. At September 30, 2014 and December 31, 2013, the aggregate estimated fair value of our fixed-rate debt was \$11.0 billion and \$11.6 billion, respectively.

The carrying amount of the variable-rate debt of our consolidated variable interest entities approximates fair value because the terms of those debt instruments include short-term interest rates and exclude penalties for prepayments. We measured the estimated fair value of the debt of our consolidated variable interest entities using significant other observable inputs, representative of a Level 2 fair value measurement, including the terms and credit spreads of the instruments. At December 31, 2013, the aggregate carrying amount of the variable-rate debt of our consolidated variable interest entities was \$163 million. In February 2014, we repaid the variable-rate debt of our consolidated variable interest entities.

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

**Note 17—Condensed Consolidating Financial Information**

Transocean Inc., a wholly owned subsidiary of Transocean Ltd., is the issuer of certain notes and debentures, which have been guaranteed by Transocean Ltd. Transocean Ltd.'s guarantee of debt securities of Transocean Inc. is full and unconditional. Transocean Ltd. is not subject to any significant restrictions on its ability to obtain funds by dividends, loans or return of capital distributions from its consolidated subsidiaries.

The following tables present condensed consolidating financial information for (a) Transocean Ltd. (the "Parent Guarantor"), (b) Transocean Inc. (the "Subsidiary Issuer"), and (c) the other direct and indirect wholly owned and partially owned subsidiaries of the Parent Guarantor, none of which guarantee any indebtedness of the Subsidiary Issuer (the "Other Subsidiaries"). The condensed consolidating financial information may not be indicative of the results of operations, financial position or cash flows had the subsidiaries operated as independent entities.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued**  
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The following tables include the consolidating adjustments necessary to present the condensed financial statements on a consolidated basis (in millions):

	Three months ended September 30, 2014				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Operating revenues	\$ —	\$ —	\$ 2,273	\$ (3)	\$ 2,270
Cost and expenses	7	—	1,654	(3)	1,658
Loss on impairment	—	—	(2,768)	—	(2,768)
Loss on disposal of assets, net	—	—	(12)	—	(12)
<b>Operating loss</b>	<b>(7)</b>	<b>—</b>	<b>(2,161)</b>	<b>—</b>	<b>(2,168)</b>
<b>Other income (expense), net</b>					
Interest income (expense), net	—	(145)	29	—	(116)
Equity in loss	(2,210)	(1,995)	—	4,205	—
Other, net	—	—	6	—	6
	(2,210)	(2,140)	35	4,205	(110)
Loss from continuing operations before income tax expense	(2,217)	(2,140)	(2,126)	4,205	(2,278)
Income tax expense	—	—	(16)	—	(16)
<b>Loss from continuing operations</b>	<b>(2,217)</b>	<b>(2,140)</b>	<b>(2,110)</b>	<b>4,205</b>	<b>(2,262)</b>
Gain (loss) from discontinued operations, net of tax	—	(16)	15	—	(1)
<b>Net loss</b>	<b>(2,217)</b>	<b>(2,156)</b>	<b>(2,095)</b>	<b>4,205</b>	<b>(2,263)</b>
Net loss attributable to noncontrolling interest	—	—	(46)	—	(46)
<b>Net loss attributable to controlling interest</b>	<b>(2,217)</b>	<b>(2,156)</b>	<b>(2,049)</b>	<b>4,205</b>	<b>(2,217)</b>
Other comprehensive income before income taxes	—	2	2	—	4
Income taxes related to other comprehensive income	—	—	(1)	—	(1)
Other comprehensive income	—	2	1	—	3
<b>Total comprehensive loss</b>	<b>(2,217)</b>	<b>(2,154)</b>	<b>(2,094)</b>	<b>4,205</b>	<b>(2,260)</b>
Total comprehensive loss attributable to noncontrolling interest	—	—	(46)	—	(46)
<b>Total comprehensive loss attributable to controlling interest</b>	<b>\$ (2,217)</b>	<b>\$ (2,154)</b>	<b>\$ (2,048)</b>	<b>\$ 4,205</b>	<b>\$ (2,214)</b>

	Three months ended September 30, 2013				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Operating revenues	\$ —	\$ —	\$ 2,452	\$ (3)	\$ 2,449
Cost and expenses	9	2	1,718	(3)	1,726
Loss on impairment	—	—	(17)	—	(17)
Gain on disposal of assets, net	—	—	32	—	32
<b>Operating income (loss)</b>	<b>(9)</b>	<b>(2)</b>	<b>749</b>	<b>—</b>	<b>738</b>
<b>Other income (expense), net</b>					
Interest income (expense), net	(4)	(134)	7	—	(131)
Equity in earnings	559	704	—	(1,263)	—
Other, net	—	(14)	10	—	(4)
	555	556	17	(1,263)	(135)
Income from continuing operations before income tax expense	546	554	766	(1,263)	603
Income tax expense	—	—	63	—	63
<b>Income from continuing operations</b>	<b>546</b>	<b>554</b>	<b>703</b>	<b>(1,263)</b>	<b>540</b>
Gain (loss) from discontinued operations, net of tax	—	(19)	27	—	8
<b>Net Income</b>	<b>546</b>	<b>535</b>	<b>730</b>	<b>(1,263)</b>	<b>548</b>
Net income attributable to noncontrolling interest	—	—	2	—	2
<b>Net income attributable to controlling interest</b>	<b>546</b>	<b>535</b>	<b>728</b>	<b>(1,263)</b>	<b>546</b>
Other comprehensive income before income taxes	1	7	3	—	11
Income taxes related to other comprehensive income	—	—	(2)	—	(2)
Other comprehensive income	1	7	1	—	9
<b>Total comprehensive income</b>	<b>547</b>	<b>542</b>	<b>731</b>	<b>(1,263)</b>	<b>557</b>
Total comprehensive income attributable to noncontrolling interest	—	—	3	—	3
<b>Total comprehensive income attributable to controlling interest</b>	<b>\$ 547</b>	<b>\$ 542</b>	<b>\$ 728</b>	<b>\$ (1,263)</b>	<b>\$ 554</b>

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

	Nine months ended September 30, 2014				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Operating revenues	\$ —	\$ —	\$ 6,949	\$ (12)	\$ 6,937
Cost and expenses	25	2	4,806	(12)	4,821
Loss on impairment	—	—	(2,833)	—	(2,833)
Loss on disposal of assets, net	—	—	(14)	—	(14)
<b>Operating loss</b>	<b>(25)</b>	<b>(2)</b>	<b>(704)</b>	<b>—</b>	<b>(731)</b>
<b>Other income (expense), net</b>					
Interest income (expense), net	(10)	(423)	104	—	(329)
Equity in loss	(1,139)	(689)	—	1,828	—
Other, net	—	1	11	—	12
	(1,149)	(1,111)	115	1,828	(317)
Loss from continuing operations before income tax expense	(1,174)	(1,113)	(589)	1,828	(1,048)
Income tax expense	—	—	136	—	136
<b>Loss from continuing operations</b>	<b>(1,174)</b>	<b>(1,113)</b>	<b>(725)</b>	<b>1,828</b>	<b>(1,184)</b>
Loss from discontinued operations, net of tax	—	(13)	(3)	—	(16)
<b>Net Loss</b>	<b>(1,174)</b>	<b>(1,126)</b>	<b>(728)</b>	<b>1,828</b>	<b>(1,200)</b>
Net loss attributable to noncontrolling interest	—	—	(26)	—	(26)
<b>Net loss attributable to controlling interest</b>	<b>(1,174)</b>	<b>(1,126)</b>	<b>(702)</b>	<b>1,828</b>	<b>(1,174)</b>
Other comprehensive income before income taxes	12	59	10	—	81
Income taxes related to other comprehensive income	—	—	(4)	—	(4)
<b>Other comprehensive income</b>	<b>12</b>	<b>59</b>	<b>6</b>	<b>—</b>	<b>77</b>
<b>Total comprehensive loss</b>	<b>(1,162)</b>	<b>(1,067)</b>	<b>(722)</b>	<b>1,828</b>	<b>(1,123)</b>
Total comprehensive loss attributable to noncontrolling interest	—	—	(26)	—	(26)
<b>Total comprehensive loss attributable to controlling interest</b>	<b>\$ (1,162)</b>	<b>\$ (1,067)</b>	<b>\$ (696)</b>	<b>\$ 1,828</b>	<b>\$ (1,097)</b>

	Nine months ended September 30, 2013				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Operating revenues	\$ —	\$ —	\$ 7,011	\$ (14)	\$ 6,997
Cost and expenses	35	7	5,119	(14)	5,147
Loss on impairment	—	—	(54)	—	(54)
Gain on disposal of assets, net	—	—	23	—	23
<b>Operating income (loss)</b>	<b>(35)</b>	<b>(7)</b>	<b>1,861</b>	<b>—</b>	<b>1,819</b>
<b>Other income (expense), net</b>					
Interest expense, net	(10)	(400)	4	—	(406)
Equity in earnings	1,219	1,645	—	(2,864)	—
Other, net	—	(9)	(12)	—	(21)
	1,209	1,236	(8)	(2,864)	(427)
Income from continuing operations before income tax expense	1,174	1,229	1,853	(2,864)	1,392
Income tax expense	—	—	214	—	214
<b>Income from continuing operations</b>	<b>1,174</b>	<b>1,229</b>	<b>1,639</b>	<b>(2,864)</b>	<b>1,178</b>
Gain (loss) from discontinued operations, net of tax	—	(74)	68	—	(6)
<b>Net Income</b>	<b>1,174</b>	<b>1,155</b>	<b>1,707</b>	<b>(2,864)</b>	<b>1,172</b>
Net loss attributable to noncontrolling interest	—	—	(2)	—	(2)
<b>Net income attributable to controlling interest</b>	<b>1,174</b>	<b>1,155</b>	<b>1,709</b>	<b>(2,864)</b>	<b>1,174</b>
Other comprehensive income (loss) before income taxes	(5)	79	25	—	99
Income taxes related to other comprehensive income	—	—	(2)	—	(2)
<b>Other comprehensive income (loss)</b>	<b>(5)</b>	<b>79</b>	<b>23</b>	<b>—</b>	<b>97</b>
<b>Total comprehensive income</b>	<b>1,169</b>	<b>1,234</b>	<b>1,730</b>	<b>(2,864)</b>	<b>1,269</b>
Total comprehensive income attributable to noncontrolling interest	—	—	—	—	—
<b>Total comprehensive income attributable to controlling interest</b>	<b>\$ 1,169</b>	<b>\$ 1,234</b>	<b>\$ 1,730</b>	<b>\$ (2,864)</b>	<b>\$ 1,269</b>

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

	September 30, 2014				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
<b>Assets</b>					
Cash and cash equivalents	\$ 25	\$ 1,274	\$ 1,574	\$ —	\$ 2,873
Other current assets	5	1,009	4,790	(2,310)	3,494
<b>Total current assets</b>	<b>30</b>	<b>2,283</b>	<b>6,364</b>	<b>(2,310)</b>	<b>6,367</b>
Property and equipment, net	—	—	21,688	—	21,688
Goodwill	—	—	1,014	—	1,014
Investment in affiliates	15,179	30,661	—	(45,840)	—
Other assets	—	4,493	23,557	(27,155)	895
<b>Total assets</b>	<b>15,209</b>	<b>37,437</b>	<b>52,623</b>	<b>(75,305)</b>	<b>29,964</b>
<b>Liabilities and equity</b>					
Debt due within one year	—	208	154	—	362
Other current liabilities	561	537	4,396	(2,310)	3,184
<b>Total current liabilities</b>	<b>561</b>	<b>745</b>	<b>4,550</b>	<b>(2,310)</b>	<b>3,546</b>
Long-term debt	19	22,360	14,767	(27,155)	9,991
Other long-term liabilities	23	159	1,286	—	1,468
<b>Total long-term liabilities</b>	<b>42</b>	<b>22,519</b>	<b>16,053</b>	<b>(27,155)</b>	<b>11,459</b>
Commitments and contingencies					
Redeemable noncontrolling interest	—	—	7	—	7
<b>Total equity</b>	<b>14,606</b>	<b>14,173</b>	<b>32,013</b>	<b>(45,840)</b>	<b>14,952</b>
<b>Total liabilities and equity</b>	<b>\$ 15,209</b>	<b>\$ 37,437</b>	<b>\$ 52,623</b>	<b>\$ (75,305)</b>	<b>\$ 29,964</b>

	December 31, 2013				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
<b>Assets</b>					
Cash and cash equivalents	\$ 4	\$ 1,617	\$ 1,622	\$ —	\$ 3,243
Other current assets	22	1,302	4,607	(2,402)	3,529
<b>Total current assets</b>	<b>26</b>	<b>2,919</b>	<b>6,229</b>	<b>(2,402)</b>	<b>6,772</b>
Property and equipment, net	—	—	21,707	—	21,707
Goodwill	—	—	2,987	—	2,987
Investment in affiliates	16,914	31,308	—	(48,222)	—
Other assets	—	1,190	19,954	(20,064)	1,080
<b>Total assets</b>	<b>16,940</b>	<b>35,417</b>	<b>50,877</b>	<b>(70,688)</b>	<b>32,546</b>
<b>Liabilities and equity</b>					
Debt due within one year	—	—	323	—	323
Other current liabilities	214	526	4,893	(2,402)	3,231
<b>Total current liabilities</b>	<b>214</b>	<b>526</b>	<b>5,216</b>	<b>(2,402)</b>	<b>3,554</b>
Long-term debt	—	18,759	11,684	(20,064)	10,379
Other long-term liabilities	35	232	1,661	—	1,928
<b>Total long-term liabilities</b>	<b>35</b>	<b>18,991</b>	<b>13,345</b>	<b>(20,064)</b>	<b>12,307</b>
Commitments and contingencies					
<b>Total equity</b>	<b>16,691</b>	<b>15,900</b>	<b>32,316</b>	<b>(48,222)</b>	<b>16,685</b>
<b>Total liabilities and equity</b>	<b>\$ 16,940</b>	<b>\$ 35,417</b>	<b>\$ 50,877</b>	<b>\$ (70,688)</b>	<b>\$ 32,546</b>

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

	Nine months ended September 30, 2014				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
<b>Cash flows from operating activities</b>	\$ 534	\$ (1,019)	\$ 2,139	\$ —	\$ 1,654
<b>Cash flows from investing activities</b>					
Capital expenditures	—	—	(1,847)	—	(1,847)
Proceeds from disposal of assets, net	—	—	203	—	203
Proceeds from disposal of assets in discontinued operations, net	—	—	35	—	35
Proceeds from repayment of notes receivable	—	—	101	—	101
Investing activities with affiliates, net	19	1,188	497	(1,704)	—
Other, net	—	—	(15)	—	(15)
Net cash provided by (used in) investing activities	19	1,188	(1,026)	(1,704)	(1,523)
<b>Cash flows from financing activities</b>					
Repayments of debt	—	—	(318)	—	(318)
Proceeds from restricted cash investments	—	—	176	—	176
Deposits to restricted cash investments	—	—	(20)	—	(20)
Proceeds from sale of noncontrolling interest	—	—	443	—	443
Distribution of qualifying additional paid-in capital	(746)	—	—	—	(746)
Financing activities with affiliates, net	217	(506)	(1,415)	1,704	—
Other, net	(3)	(6)	(27)	—	(36)
Net cash used in financing activities	(532)	(512)	(1,161)	1,704	(501)
Net decrease in cash and cash equivalents	21	(343)	(48)	—	(370)
Cash and cash equivalents at beginning of period	4	1,617	1,622	—	3,243
Cash and cash equivalents at end of period	\$ 25	\$ 1,274	\$ 1,574	\$ —	\$ 2,873

	Nine months ended September 30, 2013				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
<b>Cash flows from operating activities</b>	\$ (39)	\$ (392)	\$ 1,576	\$ —	\$ 1,145
<b>Cash flows from investing activities</b>					
Capital expenditures	—	—	(1,290)	—	(1,290)
Proceeds from disposal of assets, net	—	—	174	—	174
Proceeds from disposal of discontinued operations, net	—	—	131	—	131
Proceeds from sale of preference shares	—	185	—	—	185
Proceeds from repayment of notes receivable	—	—	14	—	14
Investing activities with affiliates, net	—	(806)	(222)	1,028	—
Other, net	—	—	—	—	—
Net cash used in investing activities	—	(621)	(1,193)	1,028	(786)
<b>Cash flows from financing activities</b>					
Repayments of debt	—	(562)	(1,111)	—	(1,673)
Proceeds from restricted cash investments	—	—	283	—	283
Deposits to restricted cash investments	—	—	(112)	—	(112)
Proceeds from sale of noncontrolling interest	—	—	—	—	—
Distribution of qualifying additional paid-in capital	(404)	—	—	—	(404)
Financing activities with affiliates, net	436	30	562	(1,028)	—
Other, net	(4)	(15)	(9)	—	(28)
Net cash provided by (used in) financing activities	28	(547)	(387)	(1,028)	(1,934)
Net decrease in cash and cash equivalents	(11)	(1,560)	(4)	—	(1,575)
Cash and cash equivalents at beginning of period	24	3,155	1,955	—	5,134
Cash and cash equivalents at end of period	\$ 13	\$ 1,595	\$ 1,951	\$ —	\$ 3,559

**Note 18—Subsequent Events**

**Goodwill**—Subsequent to September 30, 2014, market conditions have continued to deteriorate, and we identified additional adverse trends, including continued declines of the market value of our stock and that of other industry participants, declines in oil and natural gas prices, the cancellation or suspension of drilling contracts, the permanent retirement of certain drilling units in the industry and increasingly unfavorable changes to actual and anticipated market conditions. On that basis, in the three months ending December 31, 2014, we expect to reevaluate whether the fair value of our reporting unit has again fallen below its carrying amount, which could result in us recognizing additional, potentially significant, losses on impairment of goodwill.

**Norwegian tax investigations and trial**—In October 2014, the Norwegian tax authorities formally dismissed all remaining claims related to the migration of our subsidiary that was previously subject to tax in Norway. As a result, we terminated the parent company guarantee of NOK 35 million, equivalent to approximately \$5 million.

**Macondo well incident multidistrict litigation proceeding**—On October 2, 2014, BP filed a motion to amend the Phase One Findings of Fact and Conclusions of Law, alter or amend the judgment, or for a new trial. That motion asserts that the MDL Court made errors in its conclusions about the causes of the failure of the cement in the well. The MDL Court has not yet ruled on the motion.



## 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 Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements in this quarterly report include, but are not limited to, statements about the following subjects:

- § the impact of the Macondo well incident, claims, settlement and related matters,
- § our results of operations and cash flow from operations, including revenues, revenue efficiency, costs and expenses,
- § the offshore drilling market, including the impact of enhanced regulations in the jurisdictions in which we operate, supply and demand, utilization rates, dayrates, customer drilling programs, commodity prices, stacking of rigs, reactivation of rigs, effects of new rigs on the market and effects of declines in commodity prices and the downturn 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 commencements, contract extensions, contract terminations, contract option exercises, contract revenues, indemnity provisions, contract awards and rig mobilizations,
- § liquidity and adequacy of cash flows for our obligations,
- § debt levels, including impacts of a financial and economic downturn,
- § uses of excess cash, including the payment of dividends and other distributions, share repurchases and debt retirement, including the amounts, timing and, as applicable shareholder proposals or approvals associated with uses of excess cash,
- § 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 timing, terms and results of our possible disposition of our United Kingdom (“U.K.”) North Sea Midwater Floaters,
- § the results and timing of our organizational efficiency initiative, including related costs and expenses,
- § the optimization of rig-based spending,
- § tax matters, including our effective tax rate, changes in tax laws, treaties and regulations, tax assessments and liabilities for tax issues, including those associated with our activities in Brazil, Norway, the U.K. and the United States (“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
- § investments in recruitment, retention and personnel development initiatives, pension plan and other postretirement benefit 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, 2013,
- § 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 impact of regulatory changes,
- § the cancellation of drilling contracts currently included in our reported contract backlog,
- § 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](http://www.sec.gov).

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

## Business

Transocean Ltd. (together with its subsidiaries and predecessors, unless the context requires otherwise, “Transocean,” the “Company,” “we,” “us” or “our”) is a leading international provider of offshore contract drilling services for oil and gas wells. As of October 28, 2014, we owned or had partial ownership interests in and operated 79 mobile offshore drilling units associated with our continuing operations. As of October 28, 2014, our fleet consisted of 48 High-Specification Floaters (Ultra-Deepwater, Deepwater and Harsh Environment semisubmersibles and drillships), 21 Midwater Floaters, and 10 High-Specification Jackups. At October 28, 2014, we also had seven Ultra-Deepwater drillships and five High-Specification Jackups under construction or under contract to be constructed.

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 deepwater and harsh environment drilling services. We believe our drilling fleet is one of the most versatile fleets in the world, consisting of floaters and high-specification jackups 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 build or upgrade rigs are determined by the activities and needs of our customers.

In February 2014, in connection with our efforts to discontinue non-strategic operations, we completed the sale of Applied Drilling Technology International Limited (“ADTI”), a U.K. company, which performs drilling management services in the North Sea. See Notes to Condensed Consolidated Financial Statements—Note 7—Discontinued Operations.

On August 5, 2014, we completed an initial public offering to sell a noncontrolling interest in Transocean Partners LLC (“Transocean Partners”), a Marshall Islands limited liability company, which was formed on February 6, 2014, by Transocean Partners Holdings Limited, a Cayman Islands company and our wholly owned subsidiary, to own, operate and acquire modern, technologically advanced offshore drilling rigs. See Notes to Condensed Consolidated Financial Statements—Note 15—Noncontrolling Interest.

## Significant Events

**Impairment of goodwill**—During the nine months ended September 30, 2014, we identified indicators, such as the rapid and significant decline in the market value of our stock and the actual and projected declines in dayrates and utilization, that the fair value of our goodwill could have fallen below its carrying amount. As a result, we performed a goodwill impairment test and determined that the goodwill associated with our contract drilling services reporting unit was impaired. In the three and nine months ended September 30, 2014, we recognized a loss of \$2.0 billion, which had no tax effect, associated with the impairment of our goodwill. See “—Operating Results.”

**Impairment of long-lived assets**—During the three months ended September 30, 2014, we determined that the Deepwater Floater asset group in our contract drilling services reporting unit was impaired due to projected declines in dayrates and utilization for this asset group. In the three months ended September 30, 2014, we recognized a loss of \$788 million, or \$693 million, net of tax, associated with the impairment of our Deepwater Floater asset group. See “—Operating Results.”

**Norwegian tax investigations and trial**—On July 2, 2014, the Norwegian authorities acquitted three of our subsidiaries of criminal charges relating to Norwegian tax returns filed for the years 1999 through 2002, as well as inaccuracies in Norwegian statutory financial statements for the years ended December 31, 1996 through 2001. See “—Contingencies—Tax matters.”

**Macondo well incident**—On September 4, 2014, the MDL Court entered Findings of Fact and Conclusions of Law for the Phase One trial. The MDL Court concluded that BP was grossly negligent and reckless and 67 percent at fault for the blowout, explosion, and spill; that Transocean was negligent and 30 percent at fault; and that Halliburton Company (“Halliburton”) was negligent and three percent at fault. Because the MDL Court found that Transocean was not grossly negligent, it concluded that BP’s contractual agreement to indemnify us for compensatory damages is valid and enforceable and that we no longer have exposure for punitive damages. The MDL Court also ruled that BP’s contractual agreement to release its own claims against us is valid and enforceable. This release bars the Plaintiff’s Steering Committee (the “PSC”) from pursuing claims that have been assigned to it by BP in the BP/PSC settlement. See “—Contingencies—Macondo well incident.”

**Transocean Partners**—On August 5, 2014, we completed an initial public offering to sell a noncontrolling interest in Transocean Partners. As a result of the offering, we received net cash proceeds of approximately \$416 million, after deducting approximately \$27 million for underwriting discounts and commissions and other estimated offering expenses. See “—Liquidity and Capital Resources—Sources and uses of liquidity.”

**Distributions of qualifying additional paid-in capital**—In May 2014, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of \$3.00 per outstanding share, payable in four quarterly installments of \$0.75 per outstanding share, subject to certain limitations. In May 2014, we recognized a liability of \$1.1 billion for the distribution payable, recorded in other current liabilities, with a corresponding entry to additional paid-in capital. On June 18 and September 17, 2014, we paid the first two installments in the aggregate amount of \$544 million to shareholders of record as of May 30 and August 22, 2014, respectively.

In May 2013, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of \$2.24 per outstanding share, payable in four quarterly installments, subject to certain limitations. In May 2013, we recognized a liability of \$808 million for the distribution payable, recorded in other current liabilities, with a corresponding entry to additional paid-in capital. In March 2014, we paid the final installment in the aggregate amount of \$202 million to shareholders as of the record date.

See “—Liquidity and Capital Resources—Sources and uses of liquidity.”

**Fleet expansion**—During the three months ended September 30, 2014, we completed construction of the Ultra-Deepwater drillships *Deepwater Invictus* and *Deepwater Asgard*, which have commenced operations under their contracts.

On February 26, 2014, we entered into agreements for the construction of two newbuild dynamically positioned Ultra-Deepwater drillships. We also entered into an options agreement to order up to three additional newbuild drillships with the same design and specifications. The first option must be exercised within one year, the second within 18 months and the final within 24 months.

See “—Liquidity and Capital Resources—Drilling fleet.”

**Dispositions**—During the nine months ended September 30, 2014, in connection with our efforts to dispose of non-strategic assets, we completed the sale of the High-Specification Jackups *GSF Magellan* and *GSF Monitor* along with related equipment. In connection with the sale of these assets, we received aggregate net cash proceeds of \$182 million. See “—Liquidity and Capital Resources—Drilling fleet.”

**Debt repayment**—Angola Deepwater Drilling Company Limited (“ADDCL”), a consolidated joint venture company, had two credit facilities, established under a bank credit agreement (the “ADDCL Credit Facilities”). On February 12, 2014, we repaid borrowings of \$163 million outstanding under the ADDCL Credit Facilities and terminated the bank credit agreement under which the credit facilities were established. See “—Liquidity and Capital Resources—Sources and uses of liquidity.”

**Debt redemption**—On October 6, 2014, in connection with our efforts to reduce debt, we issued notice of partial redemption to holders of our 4.95% Senior Notes due November 2015. We will redeem \$207 million aggregate principal amount of the outstanding senior notes on November 17, 2014. See “—Liquidity and Capital Resources—Sources and uses of liquidity.”

**Discontinued operations**—In February 2014, in connection with our efforts to discontinue non-strategic operations, we completed the sale of ADTI. In the nine months ended September 30, 2014, we received net cash proceeds of \$10 million and recognized a net loss of \$12 million in connection with the sale. See “—Operating Results—Discontinued operations.”

## Outlook

**Drilling market**—Although our long-term view of the offshore drilling market remains favorable, and particularly for high-specification assets, based upon our customers’ decisions to delay various exploration and development programs, coupled with the recent significant and rapid decline in oil and natural gas prices, we currently expect the pace of executing drilling contracts for the global floater fleet to remain stagnant in the near to mid term, resulting in excess capacity, lower dayrates and idle time for some rigs. Additionally, this excess capacity may result in some lower capability assets in the industry being permanently retired, ultimately reducing the available supply of drilling rigs, all else being equal. As of October 15, 2014, the contract backlog for our continuing operations was \$23.6 billion compared to \$25.0 billion as of July 16, 2014.

Following the Macondo well incident, the U.S. government implemented enhanced regulations related to offshore drilling in the U.S. Gulf of Mexico, which require operators to submit applications for new drilling permits that demonstrate compliance with such enhanced regulations. The enhanced regulations require independent third-party inspection, certification of well design and well control equipment and emergency response plans in the event of a blowout, among other requirements. The voluntary application by some of our customers of such third-party inspections and certifications of well control equipment operating outside the U.S. Gulf of Mexico has caused and may continue to cause us to experience additional out of service time and incur additional maintenance costs. We have entered into an agreement with the U.S. Department of Justice (“DOJ”) that also requires us to undertake certain inspections and certifications beyond current legal standards. Although the enhanced regulations and additional maintenance requirements have affected our revenues, costs and out of service time, we are unable to predict, with certainty, the magnitude with which these matters will continue to impact our operations.

**Fleet status**—As of October 15, 2014, uncommitted fleet rates for the remainder of 2014 and for 2015, 2016, 2017 and 2018 were as follows:

	2014	2015	2016	2017	2018
<b>Uncommitted fleet rate (a)</b>					
High-Specification Floaters	23%	41%	62%	71%	80%
Midwater Floaters	29%	50%	86%	100%	100%
High-Specification Jackups	—%	22%	62%	79%	87%

(a) 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.

As of October 15, 2014, we had 11 existing contracts associated with our continuing operations that had fixed-price or capped options to extend the contract terms that are exercisable, at the customer's discretion, any time through their expiration dates. Customers are more likely to exercise fixed-price options when dayrates are higher on new contracts relative to existing contracts, and customers are less likely to exercise fixed-price options when dayrates are lower on new contracts relative to existing contracts. Given current market conditions, we are uncertain whether these options will be exercised by our customers. Additionally, well-in-progress or similar provisions of our existing contracts may delay the start of higher or lower dayrates in subsequent contracts, and some of the delays could be significant.

*High-Specification Floaters*—During the third quarter of 2014, eight contracts for Ultra-Deepwater Floaters were entered into worldwide. Availability continues to exceed demand as customers increasingly focus on capital discipline, resulting in further delays to drilling programs and pressure on dayrates and utilization in the fourth quarter of 2014 and through 2015. Our Ultra-Deepwater Floater fleet has nine units with availability in 2014.

The Deepwater Floater fleet rig utilization rate for the industry decreased during the third quarter of 2014 with seven contracts entered into worldwide, including three new contracts for our fleet. Our Deepwater Floater fleet has two active units with availability in 2014. The pace of tendering and length of contract terms have decreased, and we are experiencing increased competition for each tendering opportunity. As of October 15, 2014, we had 34 of our 48 High-Specification Floaters contracted through the end of 2014.

Although we believe continued exploration successes in the major deepwater offshore provinces and the emerging markets will eventually generate additional demand and support our long-term positive outlook for our High-Specification Floater fleet, we expect reduced dayrates, increased idling of rigs and more intense competition for our floaters in the short term. We also expect some older high-specification drilling rigs, and particularly certain Deepwater Floaters in the industry, to be permanently retired, ultimately reducing the available supply of drilling rigs, all else being equal.

*Midwater Floaters*—Customer demand for our Midwater Floater fleet, which includes 21 semisubmersible rigs, continues to show signs of weakness in the U.K. and Norway. We have one unit available in our active fleet in 2014. Demand for rigs in this class has declined, pressuring global rig utilization rates and dayrates for this asset class. We have observed higher capability assets competing with these assets more frequently, increasing the likelihood that some of the industry's rigs in this asset class may be permanently retired.

*High-Specification Jackups*—We believe that market conditions will continue to support the high rig utilization rates and steady tendering and contracting activity through 2014. During the third quarter, one of our High-Specification Jackups was extended for an additional one-year term. As of October 15, 2014, one of our existing 10 High-Specification Jackups has availability in 2014. However, we believe that the expected introduction of over 40 uncontracted newbuild High-Specification Jackups in 2015 will result in some moderation of utilization and dayrates for this asset type.

**Operating results**—We expect our total revenues for the year ending December 31, 2014 to be less than our total revenues for the year ended December 31, 2013, primarily due to a decrease in rig utilization for certain Midwater Floaters, Deepwater Floaters and Ultra-Deepwater Floaters and a decrease in revenues associated with asset divestitures and rigs requiring out of service time. We expect these reductions to be partially offset by increased revenues from higher contractual dayrates, partial years of operations for our two newbuild Ultra-Deepwater Floaters placed into service in the third quarter of 2014, full years of operations for our three newbuild High-Specification Jackups placed into service in the year ended December 31, 2013 and higher revenue efficiency. We expect our total revenues for the year ending December 31, 2015 to be less than our total revenues for the year ending December 31, 2014 primarily due to increased idle time for our floater fleet and lower dayrates on new contracts, partially offset by full years of operations for our two newbuild Ultra-Deepwater Floaters placed into service in the third quarter of 2014 and fewer anticipated out of service days for maintenance and contract preparations. We are unable to predict, with certainty, the impact on our business from any changes to offshore activity levels, the results of our efforts to improve our revenue efficiency rates or the full impact that the enhanced regulations and other matters, described under “—Drilling market”, will have on our operations for the year ending December 31, 2014 and beyond.

We expect our total operating and maintenance expenses for the year ending December 31, 2014 to be less than our total operating and maintenance expenses for the year ended December 31, 2013, primarily due to a decrease in operating costs resulting from asset divestitures, a decrease in legal costs for ongoing Macondo well incident litigation, targeted decreases in our shore-based cost structure and optimization of rig-based spending, and a decrease in rig utilization for certain Midwater Floaters, Deepwater Floaters and Ultra-Deepwater Floaters. We expect these reductions to be partially offset by partial years of operations for our newbuild Ultra-Deepwater Floaters placed into service in the third quarter of 2014, full years of operations for our newbuild High-Specification Jackups placed into service in the year ended December 31, 2013, increased costs associated with higher out of service expenditures and normal inflationary trends for personnel, maintenance and other operating costs. We expect our total operating and maintenance expenses for the year ending December 31, 2015 to be less than our total operating and maintenance expenses for the year ending December 31, 2014 primarily due to lower costs resulting from increased idle time and stacked rigs, improvements to our cost structure, and asset divestitures, partially offset by full years of operations for our newbuild Ultra-Deepwater Floaters placed into service in the third quarter of 2014. Our projected operating and maintenance expenses for the year ending December 31, 2014 and 2015 are subject to change and could be affected by actual activity levels, changes in shipyard timing, rig reactivations, the effective execution of our margin improvement efforts, the enhanced regulations and other matters described under “—Drilling market”, the Macondo well incident and related contingencies, exchange rates and cost inflation above expectations, as well as other factors. It is difficult to project operating and maintenance expenses given the nature and variety of these factors that impact these expenses. See “—Forward-Looking Information.”

Although we are unable to estimate the full direct and indirect effect that the Macondo well incident will have on our business, the incident has had and could continue to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows. See “—Contingencies—Macondo well incident.”

In accordance with our critical accounting policies, we review our property and equipment for impairment when events occur or circumstances change that may indicate that the carrying amounts of our assets held and used may not be recoverable. In the three months ended September 30, 2014, in connection with the testing and full impairment of our goodwill, we also reviewed our assets held and used and determined that the Deepwater Floater asset group in our contract drilling services reporting unit was impaired due to projected declines in dayrates and utilization for this asset group, and we recognized a loss on impairment of \$788 million (see “—Operating Results”). If we are unable to secure new or extended contracts for our active units or the reactivation of any of our stacked units, or if we experience increasingly unfavorable changes to actual or anticipated dayrates or other impairment indicators, we may be required to recognize additional losses in future periods as a result of impairments of the carrying amount of one or more of our asset groups. We may also be required to recognize losses on the impairment of one or more of our asset groups as a result of any significant changes in composition of our asset groups, which could occur as the result of certain potential transactions in the near future. At September 30, 2014, the carrying amount of our property and equipment, net of accumulated depreciation, was \$22 billion, representing 72 percent of our total assets, taking into consideration the impairment we recognized in the three and nine months ended September 30, 2014.

Additionally, we conduct impairment testing of our goodwill annually and when events occur or circumstances change that would more likely than not reduce the fair value of our reporting unit below its carrying amount. In the three months ended September 30, 2014, we identified indicators, such as the rapid and significant decline in the market value of our stock, oil and natural gas prices and the actual and projected declines in dayrates and utilization, that the fair value of our goodwill could have fallen below its carrying amount, and as a result, we performed an interim goodwill impairment test. In the three months ended September 30, 2014, as a result of our testing, we recognized a loss of \$2.0 billion associated with the impairment of our goodwill. Subsequent to September 30, 2014, market conditions have continued to deteriorate, and we identified additional adverse trends, including continued declines of the market value of our stock and that of other industry participants, declines in oil and natural gas prices, the cancellation or suspension of drilling contracts, the permanent retirement of certain drilling units in the industry, and increasingly unfavorable changes to actual and anticipated market conditions. On that basis, in the three months ending December 31, 2014, we expect to reevaluate whether the fair value of our reporting unit has again fallen below its carrying amount, which could result in us recognizing additional, potentially significant, losses on impairment of goodwill. At September 30, 2014, the carrying amount of our goodwill was \$1.0 billion, representing three percent of our total assets, taking into consideration the impairment we recognized in the three and nine months ended September 30, 2014. See “—Critical Accounting Policies and Estimates” and “Item 1A. Risk Factors.”

## Performance and Other Key Indicators

**Contract backlog**—The contract backlog for our contract drilling services segment was as follows:

	October 15, 2014	July 16, 2014	April 17, 2014
<b>Contract backlog (a)</b>			
High-Specification Floaters		(In millions)	
Ultra-Deepwater Floaters	\$ 17,540	\$ 18,536	\$ 18,978
Deepwater Floaters	833	961	1,171
Harsh Environment Floaters	2,017	1,730	1,805
Total High-Specification Floaters	20,390	21,227	21,954
Midwater Floaters	2,165	2,637	3,002
High-Specification Jackups	1,018	1,091	1,156
<b>Total</b>	<b>\$ 23,573</b>	<b>\$ 24,955</b>	<b>\$ 26,112</b>

(a) 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 and contract preparation or other incentive provisions, 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, which are excluded from the amounts presented for contract backlog.

Our contract backlog includes only firm commitments for our contract drilling services segment, 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.

**Average daily revenue**—The average daily revenue for our contract drilling services segment was as follows:

	Three months ended		
	September 30, 2014	June 30, 2014	September 30, 2013
<b>Average daily revenue (a)</b>			
High-Specification Floaters			
Ultra-Deepwater Floaters	\$ 527,200	\$ 538,700	\$ 525,900
Deepwater Floaters	357,700	371,100	363,400
Harsh Environment Floaters	585,300	452,000	466,800
Total High-Specification Floaters	500,600	491,000	475,700
Midwater Floaters	353,000	363,100	316,400
High-Specification Jackups	167,800	173,400	164,300
<b>Total fleet average daily revenue</b>	<b>409,900</b>	<b>410,000</b>	<b>392,400</b>

(a) Average daily revenue is defined as contract drilling revenues 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.

Our average daily revenue fluctuates relative to market conditions and our revenue efficiency. Our total fleet average daily revenue is also affected by the mix of rig classes being operated, as Midwater Floaters and High-Specification Jackups are typically contracted at lower dayrates compared to High-Specification 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, classification as held for sale or classification as discontinued operations.

**Revenue efficiency**—The revenue efficiency rates for our contract drilling services segment were as follows:

	Three months ended		
	September 30, 2014	June 30, 2014	September 30, 2013
<b>Revenue efficiency (a)</b>			
High-Specification Floaters			
Ultra-Deepwater Floaters	92%	94%	93%
Deepwater Floaters	93%	95%	91%
Harsh Environment Floaters	95%	96%	100%
Total High-Specification Floaters	92%	94%	93%
Midwater Floaters	92%	97%	95%
High-Specification Jackups	97%	97%	99%
Total fleet average revenue efficiency	93%	95%	94%

(a) Revenue efficiency is defined as actual contract drilling revenues 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 the drilling unit could earn for the measurement period, excluding amounts related to incentive provisions.

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**—The rig utilization rates for our contract drilling services segment were as follows:

	Three months ended		
	September 30, 2014	June 30, 2014	September 30, 2013
<b>Rig utilization (a)</b>			
High-Specification Floaters			
Ultra-Deepwater Floaters	83%	88%	90%
Deepwater Floaters	59%	62%	83%
Harsh Environment Floaters	65%	88%	100%
Total High-Specification Floaters	74%	81%	90%
Midwater Floaters	65%	64%	63%
High-Specification Jackups	99%	95%	95%
Total fleet average utilization	75%	78%	83%

(a) 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.

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.



## Operating Results

### Three months ended September 30, 2014 compared to three months ended September 30, 2013

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

	Three months ended September 30,		Change	% Change
	2014	2013		
	(In millions, except day amounts and percentages)			
Operating days	5,393	6,113	(720)	(12)%
Average daily revenue	\$ 409,900	\$ 392,400	\$ 17,500	4%
Revenue efficiency	93%	94%		
Rig utilization	75%	83%		
Contract drilling revenues	\$ 2,215	\$ 2,402	\$ (187)	(8)%
Other revenues	55	47	8	17%
	2,270	2,449	(179)	(7)%
Operating and maintenance expense	(1,318)	(1,386)	68	5%
Depreciation expense	(288)	(273)	(15)	(5)%
General and administrative expense	(52)	(67)	15	22%
Loss on impairment	(2,768)	(17)	(2,751)	n/m
Gain (loss) on disposal of assets, net	(12)	32	(44)	n/m
Operating income (loss)	(2,168)	738	(2,906)	n/m
Other income (expense), net				
Interest income	6	11	(5)	(45)%
Interest expense, net of amounts capitalized	(122)	(142)	20	14%
Other, net	6	(4)	10	n/m
Income (loss) from continuing operations before income tax expense	(2,278)	603	(2,881)	n/m
Income tax (expense) benefit	16	(63)	79	n/m
Income (loss) from continuing operations	\$ (2,262)	\$ 540	\$ (2,802)	n/m

“n/m” means not meaningful.

**Operating revenues**—Contract drilling revenues decreased for the three months ended September 30, 2014 compared to the three months ended September 30, 2013 primarily due to the following: (a) approximately \$155 million of decreased revenues due to lower rig utilization caused by greater time dedicated to mobilization between contracts, shipyard projects and rig certifications, (b) approximately \$135 million of decreased revenues due to an increased number of idle rigs, (c) approximately \$80 million of decreased revenues due to rigs sold or classified as held for sale, which were excluded from our rig utilization computation subsequent to September 30, 2013 and (d) approximately \$35 million of decreased revenues due to lower revenue efficiency. These decreases were partially offset by the following: (a) approximately \$100 million of increased revenues due to higher earned dayrates, (b) approximately \$85 million of increased revenues due to our newbuild High-Specification Jackups that commenced operations in the year ended December 31, 2013 and our newbuild Ultra-Deepwater drillships that commenced operations in the three months ended September 30, 2014 and (c) approximately \$35 million of increased revenues related to reactivation of the Midwater Floater *Sedco 712*.

Other revenues increased for the three months ended September 30, 2014 compared to the three months ended September 30, 2013, primarily due to increased revenues associated with reimbursable items.

**Costs and expenses**—Operating and maintenance expense decreased for the three months ended September 30, 2014 compared to the three months ended September 30, 2013 primarily due to the following: (a) approximately \$40 million of decreased costs and expenses associated with stacked and idle rigs, (b) approximately \$35 million of decreased costs and expenses due to rigs sold or classified as held for sale subsequent to September 30, 2013 and (c) approximately \$58 million of decreased costs and expenses, net of insurance recoveries, associated with the Macondo well incident. These decreases were partially offset by the following: (a) approximately \$50 million of increased costs and expenses incurred during mobilization between contracts, shipyard projects and rig certifications and (b) approximately \$20 million of increased costs and expenses associated with our newbuild High-Specification Jackups that commenced operations in the year ended December 31, 2013 and our newbuild Ultra-Deepwater drillships that commenced operations in the three months ended September 30, 2014.

General and administrative expense decreased for the three months ended September 30, 2014 compared to the three months ended September 30, 2013 primarily due to the following: (a) a decrease of \$3 million associated with legal fees and (b) a decrease of \$7 million associated with reduced wages and salaries.

In the three months ended September 30, 2014, we recognized a loss on impairment primarily related to the following: (a) a loss of \$2.0 billion associated with the impairment of our goodwill, (b) a loss of \$788 million associated with the impairment of the Deepwater Floater asset group in our contract drilling services reporting unit and (c) a loss of \$7 million primarily associated with the impairment of the Midwater Floaters *Sedneth 701*, *C. Kirk Rhein, Jr.* and *Sedco 703*, and Deepwater Floater *Sedco 709*, and related equipment, all of which were classified as assets held for sale at the time of impairment. In the three months ended September 30, 2013, we recognized a loss of \$17 million associated with the impairment of certain corporate assets.

In the three months ended September 30, 2014, we recognized an aggregate net loss of \$12 million, primarily associated with the disposal of assets unrelated to rig sales. In the three months ended September 30, 2013, we recognized an aggregate net gain of \$34 million primarily related to the sale of the Deepwater Floater *Transocean Richardson* along with related equipment

**Other income and expense**—Interest expense, net of amounts capitalized, decreased in the three months ended September 30, 2014 compared to the three months ended September 30, 2013, primarily due to \$13 million of increased capitalized interest associated with our newbuild construction program and \$4 million of decreased interest expense associated with debt repaid or repurchased subsequent to the three months ended September 30, 2013.

**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. At September 30, 2014 and 2013, the annual effective tax rates were 24.8 percent and 19.1 percent, respectively, based on income from continuing operations before income taxes, after excluding certain items, such as losses on impairment, and gains and losses on certain asset disposals. The tax effect, if any, of the excluded items as well as settlements of prior year tax liabilities and changes in prior year tax estimates are all treated as discrete period tax expenses or benefits. For the three months ended September 30, 2014 and 2013, the effect of the various discrete period tax items was a net tax benefit of \$45 million and \$55 million, respectively. For the three months ended September 30, 2014 and 2013, the effective tax rates were 0.7 percent and 10.4 percent, respectively, based on income from continuing operations before income taxes, including these discrete tax items, coupled with the excluded income and expense items noted above.

In the three months ended September 30, 2014, we adjusted our estimated annual effective tax rate to reflect the U.K. legislation change that caps the amount a U.K. based contractor can claim as a deductible expense for charter payments made to affiliated companies, effective April 1, 2014, resulting from legislation that was enacted on July 17, 2014. As a result, we adjusted income tax expense to reflect the effect of the change in the law by increasing income tax expense in the three months ended September 30, 2014 by \$9 million.

The relationship between our provision for or benefit from income taxes and our income before income taxes can vary significantly from period to period considering, among other factors, (a) the overall level of income before income taxes, (b) changes in the blend of income that is taxed based on gross revenues versus income before taxes, (c) rig movements between taxing jurisdictions and (d) our rig operating structures. Generally, our annual marginal tax rate is lower than our annual effective tax rate. Consequently, 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 annual effective tax rate calculation for the three months ended September 30, 2014, 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, India, Nigeria, Indonesia, and the Republic of Congo. Conversely, the most significant countries in which we operated during this period that impose income taxes based on income before income tax include Norway, the U.K., Switzerland, Australia 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.

**Nine months ended September 30, 2014 compared to nine months ended September 30, 2013**

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

	Nine months ended September 30,		Change	% Change
	2014	2013		
(In millions, except day amounts and percentages)				
Operating days	16,479	18,071	(1,592)	(9)%
Average daily revenue	\$ 411,000	\$ 378,900	\$ 32,100	8%
Revenue efficiency	95%	92%		
Rig utilization	77%	81%		
Contract drilling revenues	\$ 6,785	\$ 6,868	\$ (83)	(1)%
Other revenues	152	129	23	18%
	6,937	6,997	(60)	(1)%
Operating and maintenance expense	(3,800)	(4,102)	302	7%
Depreciation expense	(849)	(834)	(15)	(2)%
General and administrative expense	(172)	(211)	39	18%
Loss on impairment	(2,833)	(54)	(2,779)	n/m
Gain (loss) on disposal of assets, net	(14)	23	(37)	n/m
Operating income (loss)	(731)	1,819	(2,550)	n/m
Other income (expense), net				
Interest income	31	39	(8)	(21)%
Interest expense, net of amounts capitalized	(360)	(445)	85	19%
Other, net	12	(21)	33	n/m
Income (loss) from continuing operations before income tax expense	(1,048)	1,392	(2,440)	n/m
Income tax expense	(136)	(214)	78	36%
Income (loss) from continuing operations	\$ (1,184)	\$ 1,178	\$ (2,362)	n/m

“n/m” means not meaningful

**Operating revenues**—Contract drilling revenues decreased for the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 primarily due to the following: (a) approximately \$325 million of decreased revenues due to a greater number of idle rigs in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, (b) approximately \$210 million of decreased revenues due to reduced rig utilization caused by increased time dedicated to mobilization between contracts, shipyard projects and rig certifications and (c) approximately \$155 million of decreased revenues due to rigs sold or classified as held for sale, which are excluded from our rig utilization computation, subsequent to September 30, 2013. These decreases were partially offset by the following: (a) approximately \$225 million of increased revenues due to improved earned dayrates, (b) approximately \$195 million of increased revenues due to improved revenue efficiency, (c) approximately \$145 million of increased revenues associated with our newbuild High-Specification Jackups that commenced operations in the year ended December 31, 2013 and our newbuild Ultra-Deepwater drillships that commenced operations in the three months ended September 30, 2014 and (d) approximately \$50 million of increased revenues associated with the reactivation of the Midwater Floater *Sedco 712*.

Other revenues increased for the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 primarily due to increased revenues associated with reimbursable items.

**Costs and expenses**—Operating and maintenance expense decreased for the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 primarily due to the following: (a) approximately \$167 million of decreased costs and expenses, net of insurance recoveries, associated with the Macondo well incident, (b) approximately \$100 million of decreased costs and expenses associated with stacked and idle rigs, (c) approximately \$80 million of decreased costs and expenses due to rigs sold or classified as held for sale subsequent to September 30, 2013. These decreases were partially offset by the following: (a) approximately \$45 million of increased costs and expenses associated with our newbuild High-Specification Jackups that commenced operations in the year ended December 31, 2013 and our newbuild Ultra-Deepwater drillships that commenced operations in the three months ended September 30, 2014 and (b) approximately \$25 million of increased costs and expense incurred during mobilization between contracts, shipyard projects and rig certifications.

General and administrative expense decreased for the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 primarily due to due to the following: (a) \$16 million of decreased legal and professional fees, primarily related to litigation and the 2013 proxy campaign, and (b) \$16 million of decreased personnel costs primarily associated with reduced wages and salaries.

In the nine months ended September 30, 2014, we recognized a loss on impairment primarily related to the following: (a) a loss of \$2.0 billion associated with the impairment of our goodwill, (b) a loss of \$788 million associated with impairment of the Deepwater Floater asset group in our contract drilling services reporting unit and (c) an aggregate loss of \$72 million associated with the impairment of the Deepwater Floater *Sedco 709*, the Midwater Floaters *C. Kirk Rhein, Jr.*, *Sedco 703* and *Sedneth 701* and the High-Specification Jackups *GSF Magellan* and *GSF Monitor*, and related equipment, which were classified as assets held for sale at the time of impairment. In the nine months ended September 30, 2013, we recognized an aggregate loss of \$54 million associated with the impairment of assets, including \$37 million associated with the impairment of the Deepwater Floater *Sedco 709* and the Midwater Floaters *C. Kirk Rhein, Jr.* and *Sedco 703*, which were classified as assets held for sale at the time of impairment, and we recognized a loss of \$17 million associated with the impairment of certain corporate assets.

In the nine months ended September 30, 2014, we completed the sale of the High-Specification Jackups *GSF Magellan* and *GSF Monitor* along with related equipment and recognized an aggregate net loss of \$2 million, and we recognized an aggregate net loss of \$12 million associated with the disposal of assets unrelated to rig sales. In the nine months ended September 30, 2013, we completed the sale of the Deepwater Floater *Transocean Richardson* along with related equipment and recognized a gain on disposal of assets of \$34 million.

**Other income and expense**—Interest expense, net of amounts capitalized, decreased in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, primarily due to \$53 million of increased capitalized interest associated with our newbuild construction program and \$27 million of decreased interest expense associated with debt repaid or repurchased subsequent to the three months ended September 30, 2013.

In the nine months ended September 30, 2014, we recognized other income, net primarily related to the following: (a) a gain of \$7 million associated with the prepayment of Awilco notes receivable and (b) a gain of \$7 million associated with settlement of litigation related to our dual-activity patent, partially offset by (c) a loss of \$4 million primarily associated with the early termination of our \$900 million three year secured revolving credit facility. In the nine months ended September 30, 2013, we recognized other expense, net primarily related to the following: (a) a loss of \$10 million associated with the sale of the Shelf Drilling preference shares, (b) a loss of \$9 million associated with the early termination of the interest rate swaps related to the TPDI Credit Facilities and (c) a loss of \$2 million associated with the redemption of the FRN Callable Bonds and the early termination of the TDPI Credit Facilities.

**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. At September 30, 2014 and 2013, the annual effective tax rates were 16.7 percent and 20.6 percent, respectively, based on income from continuing operations before income taxes, after excluding certain items, such as losses on impairment, and gains and losses on certain asset disposals. The tax effect, if any, of the excluded items as well as settlements of prior year tax liabilities and changes in prior year tax estimates are all treated as discrete period tax expenses or benefits. For the nine months ended September 30, 2014 and 2013, the effect of the various discrete period tax items was a net tax benefit of \$72 million and \$77 million, respectively. For the nine months ended September 30, 2014 and 2013, the effective tax rates were (13.0) percent and 15.4 percent, respectively, based on income from continuing operations before income taxes, including these discrete tax items, coupled with the excluded income and expense items noted above.

In the nine months ended September 30, 2014, we adjusted our estimated annual effective tax rate to reflect the U.K. legislation change that caps the amount a U.K. based contractor can claim as a deductible expense for charter payments made to affiliated companies, effective April 1, 2014, resulting from legislation that was enacted on July 17, 2014.

The relationship between our provision for or benefit from income taxes and our income before income taxes can vary significantly from period to period considering, among other factors, (a) the overall level of income before income taxes, (b) changes in the blend of income that is taxed based on gross revenues versus income before taxes, (c) rig movements between taxing jurisdictions and (d) our rig operating structures. Generally, our annual marginal tax rate is lower than our annual effective tax rate. Consequently, 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 annual effective tax rate calculation for the nine months ended September 30, 2014, 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, India, Nigeria, Indonesia, and the Republic of Congo. Conversely, the most significant countries in which we operated during this period that impose income taxes based on income before income tax include Norway, the U.K., Switzerland, Australia 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.

### Discontinued operations

**Overview**—We have discontinued the operations of (a) the standard jackup and swamp barge contract drilling services and (b) the drilling management services operating segment.

A summary of the results of our discontinued operations, before income taxes, was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	(in millions)		(in millions)	
Gain (loss) on disposal of assets in discontinued operations, net	\$ —	\$ 31	\$ (10)	\$ 49
Other income (loss) from operations of discontinued operations	5	(3)	7	(22)

In the three and nine months ended September 30, 2014, other income from operations of discontinued operations was negligible, primarily as the result of the operations of standard jackups under operating agreements with Shelf Drilling. In the three and nine months ended September 30, 2013, included in other loss from operations of discontinued operations, were losses of \$7 million and \$19 million, respectively, associated with the discontinued operations of the standard jackups under operating agreements with Shelf Drilling. In the three and nine months ended September 30, 2013, included in other income or loss from operations of discontinued operations, was income of \$4 million and losses of \$3 million, respectively, associated with the drilling management services operating segment. Net gains or losses on disposal of assets in discontinued operations are discussed below.

**Standard jackup and swamp barge contract drilling services**—In September 2012, in connection with our efforts to dispose of non-strategic assets and to reduce our exposure to low-specification drilling units, we committed to a plan to discontinue operations associated with the standard jackup and swamp barge asset groups. In November 2012, we completed the sale of 38 drilling units to Shelf Drilling.

For a transition period following the completion of the sale transactions, we agreed to continue to operate a substantial portion of the standard jackups under operating agreements with Shelf Drilling and to provide certain other transition services to Shelf Drilling. Under the operating agreements, we agreed to remit the collections from our customers under the associated drilling contracts to Shelf Drilling, and Shelf Drilling agreed to reimburse us for our direct costs and expenses incurred while operating the standard jackups on behalf of Shelf Drilling with certain exceptions. The costs to us for providing such operating and transition services, including allocated indirect costs, have exceeded the amounts we have received from Shelf Drilling for providing such services. As of October 28, 2014, we operated one standard jackup under an operating agreement with Shelf Drilling, and we expect to complete performing services under such operating agreement before December 31, 2014.

In the three and nine months ended September 30, 2013, we recognized an aggregate net gain of \$29 million and \$44 million, respectively, associated with the disposal of the Standard Jackups *D.R. Stewart*, *GSF Adriatic VIII*, *Interocean III*, *Trident IV-A* and *Trident VI* along with related equipment. In the three and nine months ended September 30, 2013, we recognized a net gain of \$2 million and \$5 million, respectively, associated with the disposal of assets unrelated to rig sales.

**Drilling management services**—In February 2014, in connection with our efforts to discontinue non-strategic operations, we completed the sale of ADTI, which performs drilling management services in the North Sea. Following the completion of the sale transaction, we agreed to provide a \$15 million working capital line of credit to the buyer through March 2016. We also provided a limited guarantee in favor of one customer through completion of its drilling project, which concluded in the third quarter of 2014. In the nine months ended September 30, 2014, we received net cash proceeds of \$10 million associated with the sale of the drilling management services business. In the three and nine months ended September 30, 2014, in connection with the sale, we recognized a net loss of \$12 million.

See Notes to Condensed Consolidated Financial Statements—Note 7—Discontinued Operations.

## Liquidity and Capital Resources

### Sources and uses of cash

At September 30, 2014, we had \$2.9 billion in cash and cash equivalents. At any given time, we may require a significant portion of our cash and cash equivalents for working capital and other needs related to the operation of our business. At September 30, 2014, we estimate the amount of cash required for these purposes, which is not generally available to us for other uses, was approximately \$1.5 billion.

For the nine months ended September 30, 2014, our primary sources of cash were our cash flows from operating activities, proceeds from sale of noncontrolling interest, net proceeds from restricted cash investments and proceeds from asset disposals. Our primary uses of cash were capital expenditures, primarily associated with our newbuild projects, and cash used to pay to our shareholders installments of distributions of qualifying paid-in capital.

	Nine months ended September 30,		Change
	2014	2013 (In millions)	
<b>Cash flows from operating activities</b>			
Net income (loss)	\$ (1,200)	\$ 1,172	\$ (2,372)
Depreciation	849	834	15
Loss on impairment	2,833	68	2,765
(Gain) loss on disposal of assets, net	24	(72)	96
Other non-cash items, net	4	47	(43)
Changes in Macondo well incident assets and liabilities, net	(517)	(492)	(25)
Changes in other operating assets and liabilities, net	(339)	(412)	73
	<u>\$ 1,654</u>	<u>\$ 1,145</u>	<u>\$ 509</u>

Net cash provided by operating activities increased primarily due to an increase in net income, after adjusting for non-cash items including losses of \$2.0 billion and \$788 million associated with the impairment of our goodwill and long-lived assets, respectively, and changes in working capital.

	Nine months ended September 30,		Change
	2014	2013 (In millions)	
<b>Cash flows from investing activities</b>			
Capital expenditures	\$ (1,847)	\$ (1,290)	\$ (557)
Proceeds from disposal of assets, net	238	305	(67)
Proceeds from payments on notes receivable	101	14	87
Proceeds from sale of preference shares	—	185	(185)
Other, net	(15)	—	(15)
	<u>\$ (1,523)</u>	<u>\$ (786)</u>	<u>\$ (737)</u>

Net cash used in investing activities increased primarily due to the following: (a) an increase in capital expenditures, primarily associated with milestone payments for our major construction projects and other shipyard projects, and (b) a reduction of proceeds from investments in debt and equity instruments, as cash proceeds from prepayments of the Awilco notes in the nine months ended September 30, 2014 were less than cash proceeds from the sale of Shelf Drilling preference shares in the nine months ended September 30, 2013.

	Nine months ended September 30,		Change
	2014	2013 (In millions)	
<b>Cash flows from financing activities</b>			
Repayments of debt	\$ (318)	\$ (1,673)	\$ 1,355
Proceeds from restricted cash investments, net of deposits	156	171	(15)
Distribution of qualifying additional paid-in capital	(746)	(404)	(342)
Proceeds from sale of noncontrolling interest	443	—	443
Other, net	(36)	(28)	(8)
	<u>\$ (501)</u>	<u>\$ (1,934)</u>	<u>\$ 1,433</u>

Net cash used in financing activities decreased primarily due to a reduction in cash used to repay debt during the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 and proceeds from our sale of a noncontrolling interest in Transocean Partners in the nine months ended September 30, 2014. Partially offsetting these decreases was an increase in cash used to pay to our shareholders installments of distributions of qualifying paid-in capital.

## 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 or new rig construction, including new rigs the construction of which we may begin without first obtaining customer contracts. Any such 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.

At September 30, 2014, we held options to order up to five Keppel FELS Super B 400 Bigfoot class design High-Specification Jackups. We expect to allow the first option, which must be exercised by November 2014, to expire unexercised. The remaining four options must be exercised within consecutive four-month intervals starting in March 2015. At September 30, 2014, we also held options with Jurong Shipyard PTE Ltd. in Singapore to order up to three newbuild Ultra-Deepwater drillships, the first of which must be exercised by February 2015, the second by August 2015 and the final by February 2016.

In the nine months ended September 30, 2014, we made capital expenditures of \$1.8 billion, including capitalized interest of \$109 million. The following table presents the historical and projected capital expenditures and capitalized interest, for our ongoing major construction projects:

	Total costs through December 31, 2013	Total costs for the nine months ended September 30, 2014	Expected costs for the remainder of 2014 (In millions)	Estimated costs thereafter	Total estimated costs at completion
Deepwater Invictus (a)	\$ 244	\$ 492	\$ —	\$ —	\$ 736
Deepwater Asgard (a)	495	291	—	—	786
Deepwater Thalassa (b)	293	69	19	539	920
Deepwater Proteus (b)	274	56	8	467	805
Deepwater Conqueror (c)	108	113	12	572	805
Deepwater Pontus (b)	141	148	12	504	805
Deepwater Poseidon (b)	142	84	56	528	810
Transocean Cassiopeia (d)	44	4	2	205	255
Transocean Centaurus (d)	44	3	2	206	255
Transocean Cephus (d)	44	3	2	206	255
Transocean Cetus (d)	44	3	1	212	260
Ultra-Deepwater drillship TBN1 (e)	—	30	2	658	690
Transocean Circinus (d)	44	3	1	212	260
Ultra-Deepwater drillship TBN2 (e)	—	27	1	667	695
Total	\$ 1,917	\$ 1,326	\$ 118	\$ 4,976	\$ 8,337

(a) The Ultra-Deepwater drillships *Deepwater Invictus* and *Deepwater Asgard*, commenced operations in July 2014 and August 2014, respectively. The total carrying amount included capitalized costs of \$272 million, representing the estimated fair value of construction in progress acquired in connection with our acquisition of Aker Drilling ASA in October 2011.

(b) *Deepwater Thalassa*, *Deepwater Proteus*, *Deepwater Pontus* and *Deepwater Poseidon*, four newbuild Ultra-Deepwater drillships under construction at the Daewoo Shipbuilding & Marine Engineering Co. Ltd. shipyard in Korea, are expected to commence operations in the first quarter of 2016, the second quarter of 2016, the fourth quarter of 2016 and the second quarter of 2017, respectively.

(c) *Deepwater Conqueror*, a newbuild Ultra-Deepwater drillship under construction at the Daewoo Shipbuilding & Marine Engineering Co. Ltd. shipyard in Korea, is expected to commence operations in the fourth quarter of 2016.

(d) *Transocean Cassiopeia*, *Transocean Centaurus*, *Transocean Cephus*, *Transocean Cetus* and *Transocean Circinus*, five Keppel FELS Super B 400 Bigfoot class design newbuild High-Specification Jackups under construction at Keppel FELS' shipyard in Singapore do not yet have drilling contracts and are expected to be delivered in the first quarter of 2016, the third quarter of 2016, the fourth quarter of 2016, the first quarter of 2017 and the third quarter of 2017, respectively.

(e) Our two unnamed dynamically positioned 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 2017 and the first quarter of 2018, respectively.

For the full year ending December 31, 2014, we expect total capital expenditures to be approximately \$2.3 billion, approximately \$1.4 billion of which is associated with our major construction projects. 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 new 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. We also have available credit under the New Five-Year Revolving Credit Facility, as described below, and may utilize other commercial bank or capital market financings. 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. During the nine months ended September 30, 2014, we completed the sale of the High-Specification Jackups *GSF Magellan* and *GSF Monitor* along with related equipment. In the three and nine months ended September 30, 2014, in connection with the disposal of these assets, we received aggregate net cash proceeds of \$99 million and \$182 million, respectively.

### **Sources and uses of liquidity**

**Overview**—We expect to use existing cash balances, internally generated cash flows, borrowings under our bank credit agreement and proceeds from the disposal of assets or proceeds from the sale of additional noncontrolling interests in or debt securities of Transocean Partners or other subsidiaries to fulfill anticipated obligations, such as scheduled debt maturities or other payments, repayment of debt due within one year, capital expenditures, shareholder-approved distributions, payments of our Macondo well incident settlement obligations, working capital and other needs in our operations. Subject in each case 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 or proceeds from the sale of additional noncontrolling interests in or debt securities of Transocean Partners to reduce debt prior to scheduled maturities through debt repurchases, either in the open market or in privately negotiated transactions, through debt redemptions or tender offers, or through repayments of bank borrowings.

At any given time, we may require a significant portion of our cash on hand for working capital and other needs related to the operation of our business. We currently estimate this amount to be approximately \$1.5 billion. As a result, this portion of cash is not generally available to us for other uses. From time to time, we may also use borrowings under our bank credit agreement to maintain liquidity for short-term cash needs.

On January 3, 2013, we reached an agreement with the DOJ to resolve certain outstanding civil and potential criminal charges against us arising from the Macondo well incident (see “—Plea Agreement obligations” and “—Consent Decree obligations”). However, we are unable to predict the ultimate outcome of the investigations of the Macondo well incident and the DOJ lawsuits and other litigation related to other claims that were not addressed in our resolution with the DOJ. We can give no assurance that the matters arising out of the Macondo well incident will not adversely affect our liquidity in the future.

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, potential liability related to the Macondo well incident, industry conditions, general economic conditions, market conditions and market perceptions of us and our industry. Uncertainty related to our potential liabilities from the Macondo well incident has had, and could continue to have, an adverse effect on our business and our financial condition. 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. Uncertainty related to our potential liabilities from the Macondo well incident has had an adverse effect on our share price, could impact our ability to access capital markets in the future and has had, and could continue to have, an adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Our internally generated cash flow is 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 flow from operations may be reduced. We have, however, continued to generate positive cash flow from operating activities over recent years and expect that such cash flow will continue to be positive over the next year.

**Distributions of qualifying additional paid-in capital**—In May 2014, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of \$3.00 per outstanding share, payable in four quarterly installments, subject to certain limitations. We do not pay the distribution of qualifying additional paid-in capital with respect to our shares held in treasury or held by our subsidiary. In May 2014, we recognized a liability of \$1.1 billion for the distribution payable, recorded in other current liabilities, with a corresponding entry to additional paid-in capital. On June 18 and September 17, 2014, we paid the first two installments in the aggregate amount of \$544 million to shareholders of record as of May 30 and August 22, 2014, respectively. At September 30, 2014, the carrying amount of the unpaid distribution payable was \$544 million, which we expect to pay in two installments in December 2014 and March 2015.

In May 2013, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of \$2.24 per outstanding share, payable in four quarterly installments, subject to certain limitations. We did not pay the distribution of qualifying additional paid-in capital with respect to our shares held in treasury or held by our subsidiary. In May 2013, we recognized a liability of \$808 million for the distribution payable, recorded in other current liabilities, with a corresponding entry to additional paid-in capital. On June 19 and September 18, 2013, we paid the first two installments in the aggregate amount of \$404 million to shareholders of record as of May 31 and August 23, 2013, respectively. On March 19, 2014, we paid the final installment in the aggregate amount of \$202 million to shareholders of record as of February 21, 2014.

**Noncontrolling interest in Transocean Partners**—On July 31, 2014, we announced the pricing of an initial public offering of common units representing limited liability company interests in Transocean Partners, which began trading on the New York Stock Exchange under the ticker symbol “RIGP,” for \$22.00 per unit. On August 5, 2014, we completed the initial public offering of 20.1 million common units, including 2.6 million common units sold pursuant to the exercise in full of the underwriters’ option to purchase additional common units, which represented a 29.2 percent limited liability company interest in Transocean Partners. Through Transocean Partners Holdings Limited, a Cayman Islands company and our wholly owned subsidiary, we hold the remaining 21.3 million common units and 27.6 million subordinated units, which collectively represented a 70.8 percent limited liability company interest. As a result of the offering, we received net cash proceeds of approximately \$416 million, after deducting approximately \$27 million for underwriting discounts and commissions and other estimated offering expenses. We may consider selling additional noncontrolling interests in or debt securities of Transocean Partners to provide additional sources of liquidity.

See Notes to Condensed Consolidated Financial Statements—Note 15—Noncontrolling interest.

**Primary Revolving Credit Facilities**—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 “New Five-Year Revolving Credit Facility”). Among other things, the New 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 New Five-Year Revolving Credit Facility also includes a covenant imposing a maximum debt to tangible capitalization ratio of 0.6 to 1.0. As of September 30, 2014, our debt to tangible capitalization ratio, as defined, was 0.4 to 1.0. In order to borrow or have letters of credit issued under the New 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 New 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 New Five-Year Revolving Credit Facility and, if not waived by the lenders, could cause us to lose access to the New Five-Year Revolving Credit Facility.

We may borrow under the New Five-Year Revolving Credit Facility at either (1) the adjusted London Interbank Offered Rate (“LIBOR”) plus a margin (the “New Five-Year Revolving Credit Facility Margin”), which ranges from 1.125 percent to 2.0 percent based on the credit rating of our non-credit enhanced senior unsecured long-term debt (“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 New 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 depending on our Debt Rating. At September 30, 2014, based on our Debt Rating on that date, the New Five-Year Revolving Credit Facility Margin was 1.5 percent and the facility fee was 0.225 percent. At October 28, 2014, we had no borrowings outstanding, we had \$20 million in letters of credit issued, and we had \$3.0 billion of available borrowing capacity under the New Five-Year Revolving Credit Facility.

We had a \$2.0 billion five-year revolving credit facility, established under a bank credit agreement dated November 1, 2011, as amended, that was scheduled to expire on November 1, 2016 (the “Former Five-Year Revolving Credit Facility”). We also had a \$900 million three-year secured revolving credit facility, established under a bank credit agreement dated October 25, 2012, that was scheduled to expire on October 25, 2015 (the “Former Three-Year Secured Revolving Credit Facility” and, together with the Former Five-Year Revolving Credit Facility, the “Former Revolving Credit Facilities”). Borrowings under the Former Three-Year Secured Revolving Credit Facility were secured by the Ultra-Deepwater Floaters *Deepwater Champion*, *Discoverer Americas* and *Discoverer Inspiration* and were guaranteed by Transocean Ltd. and Transocean Inc. In June 2014, we terminated the Former Three-Year Revolving Credit Facility and the related security agreements, and the New Five-Year Revolving Credit Facility replaced the Former Five-Year Revolving Credit Facility. At the time of their termination or replacement, no borrowings were outstanding under the Former Revolving Credit Facilities.

**Eksportfinans Loans**—We have outstanding borrowings under the Loan Agreement dated September 12, 2008 (“Eksportfinans Loan A”) and outstanding borrowings under the Loan Agreement dated November 18, 2008 (“Eksportfinans Loan B,” and together with Eksportfinans Loan A, the “Eksportfinans Loans”), between one of our subsidiaries and Eksportfinans ASA, which were established to finance the construction and delivery of the Harsh Environment Ultra-Deepwater semisubmersibles *Transocean Spitsbergen* and *Transocean Barents*. Eksportfinans Loan A and Eksportfinans Loan B bear interest at a fixed rate of 4.15 percent and require semi-annual installments of principal and interest through September 2017 and January 2018, respectively. At October 28, 2014, borrowings of \$198 million and \$231 million were outstanding under each of Eksportfinans Loan A and Eksportfinans Loan B.

The Eksportfinans Loans require restricted cash investments to be held by a certain financial institution through expiration (the “Eksportfinans Restricted Cash Investments”). The Eksportfinans Restricted Cash Investments bear interest at a fixed rate of 4.15 percent with semi-annual installments that correspond with those of the Eksportfinans Loans. At October 28, 2014, the aggregate principal amount of the Eksportfinans Restricted Cash Investments was \$429 million.

**Debt repayments**—ADDCL had two credit facilities, established under the ADDCL Credit Facilities. On February 12, 2014, we repaid borrowings of \$163 million outstanding under the ADDCL Credit Facilities and terminated the bank credit agreement under which the credit facilities were established.

**4.95% Senior Notes due November 2015**—On October 6, 2014, in connection with our efforts to reduce debt, we issued notice of partial redemption to holders of our 4.95% Senior Notes due November 2015. We will redeem \$207 million aggregate principal amount of the outstanding senior notes on November 17, 2014. At October 28, 2014, the aggregate principal amount of the 4.95% Senior Notes due November 2015 was \$1.1 billion.

**Capital lease contract**—*Petrobras 10000* is held by one of our subsidiaries under a capital lease contract that requires scheduled monthly payments of \$6 million through its stated maturity on August 4, 2029, at which time our subsidiary will have the right and obligation to acquire *Petrobras 10000* from the lessor for one dollar. Upon the occurrence of certain termination events, our subsidiary is also required to purchase *Petrobras 10000* and pay a termination amount determined by a formula based upon the total cost of the drillship. The capital lease contract includes limitations on creating liens on *Petrobras 10000* and requires our subsidiary to make certain representations in connection with each monthly payment, including with respect to the absence of pending or threatened litigation or other proceedings against our subsidiary or any of its affiliates, which, if determined adversely, could have a material adverse effect on our subsidiary's ability to perform its obligations under the capital lease contract. Additionally, Transocean Inc. has guaranteed the obligations under the capital lease contract, and Transocean Inc. is required to maintain an adjusted net worth, as defined, of at least \$5.0 billion as of the end of each fiscal quarter. In the event Transocean Inc. does not satisfy this covenant at the end of any fiscal quarter, it is required to deposit the deficit amount, determined as the difference between \$5.0 billion and the adjusted net worth for such fiscal quarter, into an escrow account for the benefit of the lessor. At October 28, 2014, \$621 million was outstanding under the capital lease contract.

**Plea Agreement obligations**—Pursuant to a cooperation guilty plea agreement by and among the DOJ and certain of our affiliates (the "Plea Agreement"), which was accepted by the court on February 14, 2013, we agreed to pay a criminal fine of \$100 million and to consent to the entry of an order requiring us to pay a total of \$150 million to the National Fish & Wildlife Foundation, and \$150 million to the National Academy of Sciences. In the nine months ended September 30, 2014, we made an aggregate cash payment of \$60 million. At October 28, 2014, the remaining balance of our Plea Agreement obligations was \$180 million, payable as follows: (a) \$39 million payable to the National Fish and Wildlife Foundation, which is due on or before February 13, 2015 and (b) \$141 million payable to the National Academy of Sciences, \$21 million of which is due on or before February 13, 2015, \$60 million of which is due on or before February 12, 2016 and \$60 million of which is due on or before February 14, 2017.

**Consent Decree obligations**—Pursuant to a civil consent decree by and among the DOJ and certain of our affiliates (the "Consent Decree"), which was approved by the court on February 19, 2013, we agreed to pay a civil penalty totaling \$1.0 billion, plus interest at a fixed rate of 2.15 percent. In the nine months ended September 30, 2014, we paid \$412 million, including interest. At October 28, 2014, the remaining balance of our Consent Decree obligations was \$200 million, excluding accrued interest, payable on or before February 19, 2015.

**Notes receivable**—We held two notes receivable from Awilco, a U.K. company listed on the Oslo Stock Exchange. The notes receivable were originally accepted in exchange for, and were secured by, two drilling units. In April 2014, Awilco repaid the notes, and we received cash proceeds of \$98 million as prepayment of the aggregate principal outstanding.

**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, which is equivalent to approximately \$3.7 billion at an exchange rate as of the close of trading on October 28, 2014 of \$1.00 to CHF 0.95. 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. On May 24, 2013, we received approval from the Swiss authorities for the continuation of the share repurchase program for an additional three-year repurchase period through May 23, 2016. In the nine months ended September 30, 2014, we did not purchase shares under our share repurchase program.

We may decide, based upon our ongoing capital requirements, our program of distributions to our shareholders, the price of our shares, matters relating to the Macondo well incident, regulatory and tax considerations, cash flow generation, the amount and duration of our contract backlog, general market conditions, debt ratings considerations and other factors, that we should retain cash, reduce debt, make capital investments or acquisitions or otherwise use cash for general corporate purposes, and consequently, repurchase fewer or no additional shares under this program. Decisions regarding the amount, if any, and timing of any share repurchases will be made from time to time based upon these factors.

Any shares repurchased under this program are expected to be purchased from time to time either, with respect to the U.S. market, from market participants that have acquired those shares on the open market and that can fully recover Swiss withholding tax resulting from the share repurchase or, with respect to the Swiss market, on the second trading line for our shares on the SIX. Repurchases could also be made by tender offer, in privately negotiated transactions or by any other share repurchase method. Any repurchased shares would be held by us for cancellation by the shareholders at a future annual general meeting. The share repurchase program could be suspended or discontinued by our board of directors or company management, as applicable, at any time.

Under Swiss corporate law, the right of a company and its subsidiaries to repurchase and hold its own shares is limited. A company may repurchase its shares to the extent it has freely distributable reserves as shown on its Swiss statutory balance sheet in the amount of the purchase price and the aggregate par value of all shares held by the company as treasury shares does not exceed 10 percent of the company's share capital recorded in the Swiss Commercial Register, whereby for purposes of determining whether the 10 percent threshold has been reached, shares repurchased under a share repurchase program for cancellation purposes authorized by the company's shareholders are disregarded. As of October 28, 2014, Transocean Inc., our wholly owned subsidiary, held as treasury shares approximately three percent of our issued shares. At the annual general meeting in May 2009, the shareholders approved the release of CHF 3.5 billion of additional paid-in capital to other reserves, or freely available reserves as presented on our Swiss statutory balance sheet, to create the freely available reserve necessary for the CHF 3.5 billion share repurchase program for the purpose of the cancellation of shares (the "Currently Approved Program"). At the May 2011 annual general meeting, our shareholders approved the reallocation of CHF 3.2 billion, which is the remaining amount authorized under the share repurchase program, from free reserve to legal reserve, reserve from capital contributions. This amount will continue to be available for Swiss federal withholding tax-free share repurchases. We may only repurchase shares to the extent freely distributable reserves are available. Our board of directors could, to the extent freely distributable reserves are available, authorize the repurchase of additional shares for purposes other than cancellation, such as to retain treasury shares for use in satisfying our obligations in connection with incentive plans or other rights to acquire our shares. Based on the current amount of shares held as treasury shares, approximately seven percent of our issued shares could be repurchased for purposes of retention as additional treasury shares. Although our board of directors has not approved such a share repurchase program for the purpose of retaining repurchased shares as treasury shares, if it did so, any such shares repurchased would be in addition to any shares repurchased under the Currently Approved Program.

**Contractual obligations**—As of September 30, 2014, there have been no material changes from the contractual obligations as previously disclosed in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our annual report on Form 10-K for the year ended December 31, 2013, except as noted below.

	For the twelve months ending September 30,				
	Total	2015	2016 - 2017 (in millions)	2018 - 2019	Thereafter
<b>Contractual obligations</b>					
Distribution of qualifying additional paid-in capital	\$ 544	\$ 544	\$ —	\$ —	\$ —
Purchase obligations	5,185	1,144	2,630	1,411	—

As of September 30, 2014, our defined benefit pension and other postretirement plans had an aggregate liability of \$315 million, representing the aggregate projected benefit obligation, net of the aggregate fair value of plan assets. The carrying amount of this liability is affected by net periodic benefit costs, funding contributions, participant demographics, plan amendments, significant current and future assumptions, and returns on plan assets. Due to the uncertainties resulting from these factors and since the carrying amount is not representative of future liquidity requirements, we have excluded this amount from the contractual obligations presented in the table above. See "— Pension plans and other postretirement benefit plans" and Notes to Condensed Consolidated Financial Statements—Note 12—Postemployment Benefit Plans.

As of September 30, 2014, our unrecognized tax benefits related to uncertain tax positions, net of deferred tax assets of \$1 million, represented a liability of \$459 million. Due to the high degree of uncertainty regarding the timing of future cash outflows associated with the liabilities recognized in this balance, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities, and we have excluded this amount from the contractual obligations presented in the table above. See Notes to Condensed Consolidated Financial Statements—Note 6—Income Taxes.

**Other commercial commitments**—As of September 30, 2014, there have been no material changes from the commercial commitments as previously disclosed in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our annual report on Form 10-K for the year ended December 31, 2013.

#### **Derivative instruments**

Our board of directors has approved policies and procedures for derivative instruments that require the approval of our Chief Financial Officer prior to entering into any derivative instruments. From time to time, we may enter into a variety of derivative instruments in connection with the management of our exposure to fluctuations in interest rates or currency exchange rates. We do not enter into derivative transactions for speculative purposes; however, we may enter into certain transactions that do not meet the criteria for hedge accounting. See Notes to Condensed Consolidated Financial Statements—Note 11—Derivatives and Hedging.

## Pension plans and other postretirement benefit plans

As of September 30, 2014, there have been no material changes to our pension plans and other postretirement benefit plans as previously disclosed in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our annual report on Form 10-K for the year ended December 31, 2013, except as noted below.

In June 2014, we committed to freeze benefits of our qualified defined benefit pension plan in the U.S., which covers substantially all U.S. employees, and one of our unfunded supplemental benefit plans, in each case, with an effective date of January 1, 2015. We also committed to enhance the benefits under our defined contribution plan in the U.S. with the same effective date. In September 2014, we recognized settlement and curtailment charges of \$2 million for two of our unfunded defined benefit plans in Nigeria and Egypt associated with certain employee terminations. As a result of these events, we remeasured the funded status of the four defined benefit plans. See Notes to Condensed Consolidated Financial Statements—Note 12—Postemployment Benefit Plans.

In October 2014, the Society of Actuaries released new actuarial tables for applying mortality assumptions to measure the obligations for qualified defined benefit pension plans. We are currently evaluating the application, financial impact and appropriateness of the new mortality table for measuring the funded status of our pension plans.

## Contingencies

Except as noted in this report, including in our Notes to Condensed Consolidated Financial Statements—Note 6—Income Taxes, Note 13—Commitments and Contingencies and Note 18—Subsequent Events, there have been no material changes to those actions, claims and other matters pending as discussed in Notes to Consolidated Financial Statements—Note 15—Commitments and Contingencies, Note 27—Subsequent Events and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contingencies—Macondo well incident” in our annual report on Form 10-K for the year ended December 31, 2013. As of September 30, 2014, we were also involved in a number of lawsuits which have arisen in the ordinary course of our business and for which we do not expect the liability, if any, resulting from these lawsuits to have a material adverse effect on our current consolidated financial position, results of operations or cash flows. We can provide no assurance that our expectations as to the outcome or effect of any lawsuit or other matters will prove correct and the eventual outcome of these matters could materially differ from management’s current estimates.

### Macondo well incident

**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. Eleven persons were declared dead and others were injured as a result of the incident. At the time of the explosion, *Deepwater Horizon* was located approximately 41 miles off the coast of Louisiana in Mississippi Canyon Block 252 and was contracted to an affiliate of BP plc. (together with its affiliates, “BP”). The rig was declared a total loss. Although we are unable to estimate the full direct and indirect effect that the Macondo well incident will have on our business, the incident has had and could continue to have a material adverse effect on our consolidated statement of financial position, results of operations and cash flows.

We have recognized a liability for estimated loss contingencies associated with litigation and investigations resulting from the incident that we believe are probable and for which a reasonable estimate can be made. At September 30, 2014 and December 31, 2013, the liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made was \$431 million and \$464 million, respectively, recorded in other current liabilities. The litigation and investigations also give rise to certain loss contingencies that we believe are either reasonably possible or probable but for which we do not believe a reasonable estimate can be made. Although we have not recognized a liability for such loss contingencies, these contingencies could result in liabilities that we ultimately recognize.

We have also recognized an asset associated with the portion of our estimated losses, primarily related to the personal injury and fatality claims of our crew and vendors, that we believe is probable of recovery from insurance. At September 30, 2014 and December 31, 2013, the insurance recoverable asset was \$34 million and \$10 million, respectively, recorded in other assets. Although we have available policy limits that could result in additional amounts recoverable from insurance, recovery of such additional amounts is not probable and we are not currently able to estimate such amounts. Our estimates involve a significant amount of judgment. As a result of new information or future developments, we may increase our estimated loss contingencies arising out of the Macondo well incident or reduce our estimated recoveries from insurance, and the resulting losses could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

We can provide no assurance as to the outcome of the trial, the timing of any upcoming phase of trial or ruling, that we will not enter into additional settlements as to some or all of the matters related to the Macondo well incident, including those to be determined at a trial, or the timing or terms of any such settlement. We can provide no assurance as to the estimated costs, insurance recoveries, or other actions that will result from the Macondo well incident.

**Multidistrict litigation proceeding**—Many of the Macondo well related claims are pending in the U.S. District Court, Eastern District of Louisiana (the “MDL Court”). In March 2012, BP and the Plaintiff’s Steering Committee (the “PSC”) announced that they had agreed to a partial settlement related primarily to private party environmental and economic loss claims as well as response effort related claims (the “BP/PSC Settlement”). On December 21, 2012, the MDL Court granted final approval of the economic and property damage class settlement between BP and the PSC. Various parties who objected to the BP/PSC Settlement filed appeals in the Fifth Circuit Court of Appeals (the “Fifth Circuit”) challenging the MDL Court’s final approval of the BP/PSC Settlement. BP filed appeals in the Fifth Circuit challenging the manner in which the BP/PSC Settlement has been interpreted by the MDL Court with respect to business economic loss claims (“BEL Claims”). In these appeals, BP argues that, if the MDL Court’s interpretation of the settlement with respect to BEL Claims is not overturned, the entire BP/PSC Settlement is invalid and should not have been approved. On October 2, 2013, a panel of the Fifth Circuit issued an opinion questioning the manner in which the settlement has been interpreted with respect to BEL Claims. On December 24, 2013, the MDL Court issued an order (the “BEL Order”) regarding the BEL Claims. BP appealed the BEL Order, but on March 3, 2014, the same panel of the Fifth Circuit affirmed the MDL Court’s ruling that claimants were not required to submit evidence of causation.

On January 10, 2014, another panel of the Fifth Circuit affirmed the MDL Court's final approval of the BP/PSC Settlement. Thereafter, BP and certain plaintiffs who objected to the settlement filed petitions seeking rehearing in the Fifth Circuit of both decisions. On May 20, 2014, the Fifth Circuit denied those petitions. On August 1, 2014, BP filed a petition for writ of certiorari in the U.S. Supreme Court seeking review of the Fifth Circuit's decisions. The U.S. Supreme Court has not yet ruled on the petition.

In December 2012, in response to the BP/PSC Settlement, we filed three motions seeking partial summary judgment on various claims, including punitive damages claims. If successful, these motions would eliminate or reduce our exposure to punitive damages. The MDL Court has not yet ruled on these motions.

The first phase of the trial began on February 25, 2013 and testimony concluded on April 17, 2013. This phase addressed fault issues, including negligence, gross negligence, or other bases of liability of the various defendants with respect to the cause of the blowout and the initiation of the oil spill, as well as limitation of liability issues. On September 4, 2014, the MDL Court entered Findings of Fact and Conclusions of Law for the Phase One trial. The MDL Court concluded that BP was grossly negligent and reckless and 67 percent at fault for the blowout, explosion, and spill; that Transocean was negligent and 30 percent at fault; and that Halliburton was negligent and three percent at fault. Because the MDL Court found that Transocean was not grossly negligent, it concluded that BP's contractual agreement to indemnify us for compensatory damages is valid and enforceable and that we no longer have exposure for punitive damages. The MDL Court also ruled that BP's contractual agreement to release its own claims against us is valid and enforceable. This release bars the PSC from pursuing claims that have been assigned to it by BP in the BP/PSC settlement.

On October 2, 2014, BP filed a motion to amend the Phase One Findings of Fact and Conclusions of Law, alter or amend the judgment, or for a new trial. That motion asserts that the MDL Court made errors in its conclusions about the causes of the failure of the cement in the well. The MDL Court has not yet ruled on the motion.

The second phase of the trial began on September 30, 2013, and taking of testimony concluded on October 17, 2013. This phase addressed conduct related to stopping the release of hydrocarbons after April 22, 2010 and quantification of the amount of oil discharged. On December 20, 2013, the parties filed post-trial briefs and proposed findings, and on January 24, 2014, the parties filed reply briefs. The MDL Court has not yet ruled on the issues tried in the first or second phases of the trial.

On August 26, 2011, the MDL Court ruled on the motion to dismiss certain economic loss claims. The MDL Court ruled that state law, both statutory and common law, is inapplicable to the Macondo well incident. Accordingly, all claims brought under state law were dismissed. Secondly, general maritime law claims that do not allege physical damage to a proprietary interest were dismissed, unless the claim falls into the commercial fisherman exception. The court ruled that OPA claims for economic loss do not require physical damage to a proprietary interest. Third, the MDL Court ruled that presentment under OPA is a mandatory condition precedent to filing suit against a responsible party. Finally, the MDL Court ruled that claims for punitive damages may be available under general maritime law in claims against responsible parties and non-responsible parties. Certain Louisiana parishes appealed the dismissal of the state law penalty claims. On February 24, 2014, the Fifth Circuit affirmed the MDL Court's dismissal of the state law claims. On October 10, 2014, the U.S. Supreme Court denied the parishes' petition for writ of certiorari.

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

#### **Insurance matters**

Our hull and machinery and excess liability insurance program is comprised of commercial market and captive insurance policies that we renew annually on May 1. We periodically evaluate our insurance limits and self-insured retentions. As of October 28, 2014, the insured value of our drilling rig fleet was approximately \$27.8 billion, excluding our rigs under construction. We generally do not carry commercial market insurance coverage for loss of revenues, unless it is contractually required, or for losses resulting from physical damage to our fleet caused by named windstorms in the U.S. Gulf of Mexico, including liability for wreck removal costs. See Notes to Condensed Consolidated Financial Statements—Note 13—Commitments and Contingencies.

#### **Tax matters**

We are a Swiss corporation, and we operate through our various subsidiaries in a number of countries throughout the world. Our provision for income taxes is based on the tax laws and rates applicable in the jurisdictions in which we operate and earn income. The relationship between our provision for or benefit from income taxes and our income or loss before income taxes can vary significantly from period to period considering, among other factors, (a) the overall level of income before income taxes, (b) changes in the blend of income that is taxed based on gross revenues rather than income before taxes, (c) rig movements between taxing jurisdictions and (d) our rig operating structures. Generally, our annual marginal tax rate is lower than our annual effective tax rate.

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. We are also defending against tax-related claims in courts, including our ongoing criminal trial in Norway.

Norwegian civil tax and criminal authorities are investigating various transactions undertaken by our subsidiaries in 1999, 2001 and 2002 as well as the actions of certain employees of our former external tax advisors on these transactions. The authorities issued three assessments, one of which was for NOK 684 million, equivalent to approximately \$106 million, plus interest, related to the migration of our subsidiary that was previously subject to tax in Norway. In October 2011, we provided a parent company guarantee in the amount of NOK 699 million, equivalent to approximately \$109 million. In September 2014, the Norwegian tax authorities formally abandoned part of this claim by issuing a revised writ, and we reduced our parent guarantee to NOK 35 million, equivalent to approximately \$5 million. In October 2014, the Norwegian tax authorities formally dismissed all remaining claims related to this matter and, as a result, we terminated the parent guarantee.

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 6—Income Taxes.

### **Regulatory matters**

For a description of regulatory and environmental matters relating to the Macondo well incident, please see “—Macondo well incident.”

### **Other 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.

### **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. Significant accounting policies are discussed 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, 2013.

To prepare financial statements, we are required to make estimates and judgments 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 discontinued operations, allowance for doubtful accounts, materials and supplies obsolescence, investments, property and equipment, goodwill, income taxes, defined benefit pension plans and other postretirement employee benefits, contingent liabilities and share-based compensation. These estimates require significant judgments, assumptions and estimates. 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” in our annual report on Form 10-K for the year ended December 31, 2013. We have discussed the development, selection and disclosure of these critical accounting policies and estimates with the audit committee of our board of directors. During the nine months ended September 30, 2014, there have been no material changes to the types of judgments, assumptions and estimates upon which our critical accounting estimates are based.

### **New Accounting Pronouncements**

For a discussion of the new accounting pronouncements 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—New Accounting Pronouncements 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, 2013.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

**Overview**—We are exposed to interest rate risk primarily associated with our restricted cash investments, our long-term and short-term debt and our derivative instruments. For our restricted cash investments and debt instruments, the following table presents the principal cash flows and related weighted-average interest rates by contractual maturity date. For our derivative instruments, the following table presents the notional amounts and weighted-average interest rates by contractual maturity dates. The information is stated in U.S. dollar equivalents. The instruments are denominated in either U.S. dollars or Norwegian kroner, as indicated. The following table presents information for the twelve-month periods ending September 30 (in millions, except interest rate percentages):

	Scheduled Maturity Date (a)							Total	Fair Value
	2015	2016	2017	2018	2019	Thereafter			
<b>Restricted cash investments</b>									
Fixed rate (NOK)	\$ 132	\$ 132	\$ 132	\$ 33	\$ —	\$ —	\$ 429	\$ 448	
Average interest rate	4.15%	4.15%	4.15%	4.15%	—%	—%			
<b>Debt</b>									
Fixed rate (USD)	\$ 228	\$ 918	\$ 1,027	\$ 2,026	\$ 31	\$ 5,695	\$ 9,925	\$ 10,291	
Average interest rate	5.21%	5.03%	5.12%	4.90%	7.76%	6.49%			
Fixed rate (NOK)	\$ 132	\$ 132	\$ 132	\$ 33	\$ —	\$ —	\$ 429	\$ 448	
Average interest rate	4.15%	4.15%	4.15%	4.15%	—%	—%			
<b>Interest rate swaps</b>									
Fixed to variable (USD)	\$ —	\$ —	\$ —	\$ 750	\$ —	\$ 750	\$ 1,500	\$ (2)	
Average receive rate	—%	—%	—%	6.00%	—%	6.50%			
Average pay rate	—%	—%	—%	4.81%	—%	4.48%			

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

We have engaged in certain hedging activities designed to reduce our exposure to interest rate risk. See Notes to Condensed Consolidated Financial Statements—Note 11—Derivatives and Hedging.

**Interest rate risk**—At September 30, 2014 and December 31, 2013, the face value of our variable-rate debt was approximately \$1.5 billion and \$163 million, which represented 14 percent and two percent of the face value of our total debt, respectively, after the effect of our hedging activities. At September 30, 2014, we were exposed to the variable interest rates associated with our interest rate swaps. At December 31, 2013, we were exposed to the variable interest rates associated with borrowings under the ADDCL Credit Facilities. Based upon variable-rate debt amounts outstanding as of September 30, 2014 and December 31, 2013, a hypothetical one percentage point change in annual interest rates would result in a corresponding change in annual interest expense of approximately \$15 million and \$2 million, respectively.

**Currency exchange rate risk**—We are exposed to currency exchange rate risk associated with our international operations. For a discussion of our 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, 2013. There have been no material changes to these previously reported matters during the nine months ended September 30, 2014.

### 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 of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures, as defined in the Exchange Act, Rules 13a-15 and 15d-15, were effective as of September 30, 2014 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is (1) accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure and (2) recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission’s rules and forms.

**Internal controls over financial reporting**—There were no changes to our internal controls during the quarter ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.



## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

We have certain actions, claims and other matters pending as discussed and reported in “Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 15—Commitments and Contingencies” and “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contingencies—Macondo well incident” in our annual report on Form 10-K for the year ended December 31, 2013. We are also involved in various tax matters as described in “Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 6—Income Taxes” and in “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contingencies—Tax matters” in our annual report on Form 10-K for the year ended December 31, 2013. All such actions, claims, tax and other matters are incorporated herein by reference.

As of September 30, 2014, we were also involved in a number of other lawsuits and other matters which have arisen in the ordinary course of our business and for which we do not expect the liability, if any, resulting from these lawsuits 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 other matters will prove correct and the eventual outcome of these matters could materially differ from management’s current estimates.

### Item 1A. Risk Factors

There have been no material changes from 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, 2013.

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

#### Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (2) (in millions)
July 2014	1,846	\$ 43.87	—	\$ 3,406
August 2014	578	38.96	—	3,406
September 2014	250	37.98	—	3,406
Total	2,674	\$ 42.25	—	\$ 3,406

(1) Total number of shares purchased in the third quarter of 2014 consists of 2,674 shares withheld by us through a broker arrangement and limited to statutory tax in satisfaction of withholding taxes due upon the vesting of restricted shares granted to our employees under our Long-Term Incentive Plan.

(2) In May 2009, at the annual general meeting of Transocean Ltd., 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, which is equivalent to approximately \$3.6 billion at an exchange rate as of September 30, 2014 of USD 1.00 to CHF 0.96. On February 12, 2010, our board of directors authorized our management to implement the share repurchase program. On May 24, 2013, we received approval from the Swiss authorities for the continuation of the share repurchase program for an additional three-year repurchase period through May 23, 2016. We may decide, based upon our ongoing capital requirements, our program of distributions to our shareholders, the price of our shares, matters relating to the Macondo well incident, 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, and consequently, repurchase fewer or no additional shares under this program. Decisions regarding the amount, if any, and timing of any share repurchases would be made from time to time based upon these factors. Through September 30, 2014, we have repurchased a total of 2,863,267 of our shares under this share repurchase program at a total cost of \$240 million, equivalent to an average cost of \$83.74 per share. See “—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:

<b>Number</b>	<b>Description</b>
† 3.1	Articles of Association of Transocean Ltd. dated as of May 16, 2014, as amended on September 22, 2014.
† 3.2	Organizational Regulations of Transocean Ltd. dated as of May 16, 2014.
10.1	Omnibus Agreement dated August 5, 2014 among Transocean Ltd., Transocean Inc., Transocean Partners Holdings Limited, Transocean Partners LLC, Triton RIGP DCL Holding Limited, Triton RIGP DIN Holding Limited, Triton RIGP DD3 Holding Limited, Triton RIGP DCL Holdco Limited, Triton RIGP DIN Holdco Limited, Triton RIGP DD3 Holdco Limited, Transocean RIGP DCL Opco Limited, Transocean RIGP DIN Opco Limited, Transocean RIGP DD3 Opco Limited, Transocean RIGP DCL LLC, Transocean RIGP DIN LLC and Transocean RIGP DD3 LLC (incorporated by reference to Exhibit 10.1 to Transocean Partners LLC's Current Report on Form 8-K (Commission File No. 001-36584) filed on August 5, 2014)
† 31.1	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
† 31.2	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
† 32.1	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
† 32.2	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
† 101.INS	XBRL Instance Document
† 101.SCH	XBRL Taxonomy Extension Schema
† 101.CAL	XBRL Taxonomy Extension Calculation Linkbase
† 101.DEF	XBRL Taxonomy Extension Definition Linkbase
† 101.LAB	XBRL Taxonomy Extension Label Linkbase
† 101.PRE	XBRL Taxonomy Extension Presentation Linkbase
†	Filed herewith.
*	Compensatory plan or arrangement.

## SIGNATURES

Pursuant to the requirements 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 November 10, 2014.

TRANSOCEAN LTD.

By: /s/ Esa Ikaheimonen  
Esa Ikaheimonen  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

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



**Statuten**

**von Transocean Ltd.**

vom 22. September 2014

**Articles of Association of**

**Transocean Ltd.**

as of September 22, 2014

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

Unter der Firma

Name, Place of  
Incorporation**Transocean Ltd.**  
(die **Gesellschaft**)

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

**Artikel 2**

- 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.

Purpose

**Artikel 3**

Die Dauer der Gesellschaft ist unbeschränkt.

Duration

**Abschnitt 2:***Aktienkapital***Artikel 4**Das Aktienkapital der Gesellschaft beträgt CHF 5'607'459'735, eingeteilt in 373'830'649 voll liberierte Namenaktien. Jede Namenaktie hat einen Nennwert von CHF 15 (jede Namenaktie nachfolgend bezeichnet als **Aktie** bzw. die **Aktien**).

Share Capital

**Artikel 5**

- 1 Der Verwaltungsrat ist ermächtigt, das Aktienkapital jederzeit bis zum 16. Mai 2016 im Maximalbetrag von CHF 336'447'570 durch Ausgabe von höchstens 22'429'838 vollständig zu liberierenden Aktien mit einem Nennwert von je CHF 15 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

Authorized Share  
Capital**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.

**Section 2:***Share Capital***Article 4**The share capital of the Company is CHF 5,607,459,735 and is divided into 373,830,649 fully paid registered shares. Each registered share has a par value of CHF 15 (each such registered share hereinafter a **Share** and collectively the **Shares**).**Article 5**

- 1 The Board of Directors is authorized to increase the share capital, at any time until May 16, 2016, by a maximum amount of CHF 336,447,570 by issuing a maximum of 22,429,838 fully paid up Shares with a par value of CHF 15 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

entziehen oder zu beschränken und einzelnen Aktionären oder Dritten zuzuweisen:

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

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

(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

(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) 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

(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) 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

(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) 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.

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

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 6

1 Das Aktienkapital kann sich durch Ausgabe von höchstens 167'617'649 voll zu liberierenden Aktien im Nennwert von je CHF 15 um höchstens CHF 2'514'264'735 erhöhen durch:

Conditional Share 1  
Capital

**Article 6**  
The share capital may be increased in an amount not to exceed CHF 2,514,264,735 through the issuance of up to 167,617,649 fully paid-up Shares with a par value of CHF 15 per Share through:

(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 Anleiheobligationen, 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

(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) 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.

(b) the issuance of Shares or Rights-Bearing Obligations granted to members of the Board of Directors, members of the

Bedingtes  
Aktienkapital

executive management, employees, contractors, consultants or other persons providing services to the Company or its subsidiaries.

- 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.
- 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:
- 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) Die mit Rechten verbundenen Obligationen sind zu den jeweils marktüblichen Bedingungen auszugeben oder einzugehen; und
- (a) The Rights-Bearing Obligations shall be issued or entered into at market conditions; and
- (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
- (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) 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.
- (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.
- 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 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.
- 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.



Aktienbuch, Rechtsausübung, Eintragungsbeschränkungen, Nominees	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	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.		2	An acquirer of Shares shall be recorded upon request in the share register as a shareholder with voting rights; <i>provided, however</i> , 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	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.		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.
Form der Aktien	1	<p><b>Artikel 8</b></p> <p>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.</p>	Form of Shares	1	<p><b>Article 8</b></p> <p>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.</p>
	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.		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.
	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 <b>Verwahrungsstelle</b> ), 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.		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 <b>Intermediary</b> ), 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	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.		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.
Rechtsausübung	1	<p><b>Artikel 9</b></p> <p>Die Gesellschaft anerkennt nur einen Vertreter pro Aktie.</p>	Exercise of Rights	1	<p><b>Article 9</b></p> <p>The Company shall only accept one representative per Share.</p>

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.

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.

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**Abschnitt 3:**

*Gesellschaftsorgane*

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*A. Generalversammlung*

**Artikel 10**

Die Generalversammlung ist das oberste Organ der Gesellschaft.

Authority

**Artikel 11**

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.

Annual General Meeting

**Artikel 12**

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.

Extraordinary General Meetings

Zuständigkeit

Ordentliche Generalversammlung

Ausser-ordentliche Generalversammlung 1

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**Section 3:**

*Corporate Bodies*

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*A. General Meeting of Shareholders*

**Article 10**

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

**Article 11**

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 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.

1

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.

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).

**Artikel 13**

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.

Notice of Shareholders' Meetings

**Article 13**

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.

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.

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.

**Artikel 14**

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.

Agenda

**Article 14**

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 10<sup>th</sup> calendar day following the date on which the Company has made public disclosure of the date of the General Meeting of Shareholders.

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

2 No resolution may be passed at a General Meeting of Shareholders concerning an agenda item in relation to which due

Einberufung

Traktandierung

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.

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.
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Vorsitz der Generalversammlung, Protokoll, Stimmzähler	<p><b>Artikel 15</b></p> <p>1 An der Generalversammlung führt der Präsident des Verwaltungsrates oder, bei dessen Verhinderung, der Vizepräsident oder eine andere vom Verwaltungsrat bezeichnete Person den Vorsitz.</p>	Acting Chair, Minutes, Vote Counters	<p><b>Article 15</b></p> <p>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.</p>
	<p>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.</p>		<p>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.</p>
	<p>3 Der Vorsitzende der Generalversammlung hat sämtliche Leitungsbefugnisse, die für die ordnungsgemässe Durchführung der Generalversammlung nötig und angemessen sind.</p>		<p>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.</p>
Recht auf Teilnahme, Vertretung der Aktionäre	<p><b>Artikel 16</b></p> <p>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.</p>	Right to Participation and Representation	<p><b>Article 16</b></p> <p>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.</p>
	<p>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.</p>		<p>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.</p>
Stimmrecht	<p><b>Artikel 17</b></p> <p>Jede Aktie berechtigt zu einer Stimme. Das Stimmrecht untersteht den Bedingungen von Artikel 7 und 9 dieser Statuten.</p>	Voting Rights	<p><b>Article 17</b></p> <p>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.</p>
Beschlüsse und Wahlen	<p><b>Artikel 18</b></p> <p>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).</p>	Resolutions and Elections	<p><b>Article 18</b></p> <p>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).</p>
	<p>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 Verwaltungsratsitz erhält, als für den betreffenden Verwaltungsratsitz 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.</p>		<p>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.</p>
	<p>3 Für die Abwahl von amtierenden Mitgliedern des Verwaltungsrates gilt das</p>		<p>3 For the removal of a serving member of</p>

Mehrheitserfordernis gemäss Artikel 20 Abs. 2(e) sowie das Präsenzquorum von Artikel 21 Abs. 1(a).

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.

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- 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 Wiederholung lassen, sofern nach seiner Meinung Zweifel am Abstimmungsergebnis bestehen. In diesem Fall gilt die vorausgegangene offene Wahl oder Abstimmung als nicht geschehen.

- 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.

**Artikel 19**

Der Generalversammlung sind folgende Geschäfte vorbehalten:

Powers of the General Meeting of Shareholders

**Article 19**

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

Befugnisse der Generalversammlung

- (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.

- (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	<b>Artikel 20</b>	Special Vote	1	<b>Article 20</b>
		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:			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) Die Ergänzung oder Änderung des Gesellschaftszweckes gemäss Artikel 2 dieser Statuten;			(a) The amendment or modification of the purpose of the Company as described in Article 2 of these Articles of Association;
		(b) die Einführung und Abschaffung von Stimmrechtsaktien;			(b) the creation and the cancelation of shares with privileged voting rights;
		(c) die Beschränkung der Übertragbarkeit der Aktien und die Aufhebung einer solche Beschränkung;			(c) the restriction on the transferability of Shares and the cancelation of such restriction;
		(d) die Beschränkung der Ausübung des Stimmrechts und die Aufhebung einer solchen Beschränkung;			(d) the restriction on the exercise of the right to vote and the cancelation of such restriction;
		(e) eine genehmigte oder bedingte Kapitalerhöhung;			(e) an authorized or conditional increase in share capital;
		(f) die Kapitalerhöhung (i) aus Eigenkapital, (ii) gegen Sacheinlage oder zwecks Sachübernahme oder (iii) die Gewährung von besonderen Vorteilen;			(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) die Einschränkung oder Aufhebung des Bezugsrechts;			(g) the limitation on or withdrawal of preemptive rights;
		(h) die Verlegung des Sitzes der Gesellschaft;			(h) the relocation of the registered office of the Company;
		(i) die Umwandlung von Namen- in Inhaberaktien und umgekehrt; und			(i) the conversion of registered shares into bearer shares and vice versa; and
		(j) die Auflösung der Gesellschaft.			(j) the dissolution of the Company.
	2	Ein Beschluss der Generalversammlung, der mindestens zwei Drittel aller stimmberechtigten Aktien auf sich vereinigt, ist erforderlich für:		2	The approval of at least two-thirds of the Shares entitled to vote shall be required for:
		(a) Jede Änderung von Artikel 14 Abs. 1 dieser Statuten;			(a) Any change to Article 14 para. 1 of these Articles of Association;
		(b) jede Änderung von Artikel 18 dieser Statuten;			(b) any change to Article 18 of these Articles of Association;
		(c) jede Änderung dieses Artikels 20 Abs. 2;			



(c) any change to this Article 20 para. 2;

(d) jede Änderung von Artikel 21, 22, 23 oder 24 dieser Statuten; und

(d) any change to Article 21, 22, 23 or 24 of these Articles of Association; and

(e) die Abwahl eines amtierenden Mitglieds des Verwaltungsrates.

(e) a resolution with respect to the removal of a serving member of the Board of Directors.

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:

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) 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;

(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 Folge derer 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 angegliedert werden sollen oder nicht;

(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) 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.

(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

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

(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).

#### Artikel 21

- Präsenzquorum 1 Die nachfolgend aufgeführten Angelegenheiten erfordern zum Zeitpunkt der Presence Quorum 1 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.

#### Article 21

- 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	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.		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>B. Verwaltungsrat</b>		<b>B. Board of Directors</b>
Anzahl der Verwaltungsräte		<b>Artikel 22</b> Der Verwaltungsrat besteht aus mindestens zwei und höchstens 11 Mitgliedern. Vorbehalten bleibt Artikel 38 dieser Statuten.	Number of Directors	<b>Article 22</b> 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.
Amtsdauer	1	<b>Artikel 23</b> 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, ernannt der Verwaltungsrat den Verwaltungsratspräsidenten für eine Amtsdauer bis zum Abschluss der nächsten ordentlichen Generalversammlung.	Term of Office	<b>Article 23</b> 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.
	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.		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.
Organisation des Verwaltungs-rates, Entschädigung	1	<b>Artikel 24</b> Vorbehältlich der Wahl des Verwaltungsratspräsidenten und der 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 the Board, Remuneration	<b>Article 24</b> 1 Except for the election of the Chair of the Board of Directors and the 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	<i>[absichtlich leer gelassen]</i>		2 <i>[intentionally omitted]</i>
	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; <i>provided, however</i> , 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.
	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. Entscheidung zum Schluss kommt, dass eine der genannten Personen ihre Pflichten als Mitglied des Verwaltungsrates oder der Geschäftsleitung absichtlich oder grobfahrlässig verletzt hat.		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.
Befugnisse des Verwaltungsrates	1	<b>Artikel 25</b> 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.	Specific Powers of the Board	1 <b>Article 25</b> 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	Der Verwaltungsrat kann überdies in allen Angelegenheiten Beschluss fassen, die nicht nach Gesetz oder Statuten der Generalversammlung zugeteilt sind.		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	Der Verwaltungsrat kann Beteiligungspläne der Gesellschaft der Generalversammlung zur Genehmigung vorlegen.		3 The Board of Directors may submit benefit or incentive plans of the Company to the General Meeting of Shareholders for approval.
Übertragung von Befugnissen		<b>Artikel 26</b> 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 Geschäftsführungsaufgaben betraut sind, werden in diesen Statuten als " <b>Geschäftsleitung</b> " bezeichnet.	Delegation of Powers	<b>Article 26</b> 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 " <b>Executive Management Team.</b> "
Sitzungen des Verwaltungsrats	1	<b>Artikel 27</b> 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.	Meeting of the Board of Directors	1 <b>Article 27</b> 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.
	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.		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.

Zeichnungs- berechtigung	<b>Artikel 28</b>	Die rechtsverbindliche Vertretung der Gesellschaft durch Mitglieder des Verwaltungsrates und durch Dritte wird in einem Organisationsreglement festgelegt.	Signature Power	<b>Article 28</b>	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.
Amts-dauer, Organisation des Vergütungs-aus- schusses	<i>B<sup>bis</sup>. Vergütungsausschuss</i> <b>Artikel 28a</b>	1 Der Vergütungsausschuss (der <b>Vergütungsausschuss</b> ) 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.	Term of office, Organization of the Compensation Committee	1	<i>B<sup>bis</sup>. Compensation Committee</i> <b>Article 28a</b> The compensation committee (the <b>Compensation Committee</b> ) 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 Die Aktionäre wählen die Mitglieder des Vergütungsausschusses einzeln an einer Generalversammlung für eine Amtsdauer 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 Amtsdauer bis zum Abschluss der nächsten ordentlichen Generalversammlung.		2	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 Der Verwaltungsrat ernannt 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.		3	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.
Befugnisse und Pflichten	<b>Artikel 28b</b>	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	<b>Article 28b</b> 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	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	3 The Board of Directors may delegate further authorities and duties to the Compensation Committee.
Amts-dauer, Befugnisse 1 und Pflichten	<i>C. Revisionsstelle</i> <b>Artikel 29</b>	Die Revisionsstelle wird von der Generalversammlung gewählt und es obliegen ihr die vom Gesetz zugewiesenen Befugnisse und Pflichten.	Term, Powers and Duties	1	<i>C. Auditor</i> <b>Article 29</b> 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	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.
	<b>Abschnitt 3a:</b>				<b>Section 3a:</b>

Genehmigung der Vergütung des Verwaltungsrates und der Geschäftsleitung durch die Aktionäre

1	<p><b>Artikel 29a</b> 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):</p> <p style="padding-left: 40px;">(a) der Vergütung des Verwaltungsrates für die Periode zwischen der ordentlichen Generalversammlung, an der um Genehmigung ersucht wird, und der nächsten ordentlichen Generalversammlung; und</p> <p style="padding-left: 40px;">(b) der Vergütung der Geschäftsleitung für das Geschäftsjahr, das nach der ordentlichen Generalversammlung, an der um Genehmigung ersucht wird, beginnt.</p>	Shareholder Ratification of Compensation of the Board of Directors and the Executive Management Team	1	<p>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:</p> <p style="padding-left: 40px;">(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</p> <p style="padding-left: 40px;">(b) the compensation of the Executive Management Team for the fiscal year commencing after the Annual General Meeting at which ratification is sought.</p>
2	<p>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.</p>		2	<p>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.</p>
3	<p>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.</p>		3	<p>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.</p>
4	<p>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.</p>		4	<p>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.</p>
5	<p>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.</p>		5	<p>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.</p>
6	<p>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</p>		6	<p>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</p>

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.

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.

**Artikel 29b**

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.

**Article 29b**

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.

Vergütungs-Prinzipien für Verwaltungsrat und Geschäftsleitung

1 Compensation Principles for the Board of Directors and the Executive Management Team

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.

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.

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.

4 Langfristige Leistungs- oder Erfolgsvergütung ist mit dem Ziel

4 Long-term incentive compensation shall

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.

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 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.

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.

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.

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 Vergütung gemäss diesen Statuten kann durch die Gesellschaft oder durch von ihr kontrollierte Gesellschaften zugeteilt oder bezahlt werden.

7 Compensation pursuant to these Articles of Association may be granted or paid by the Company or companies under its control.

**Artikel 29c**

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

Supplementary Amount for Changes to the Executive Management Team

**Article 29c**

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

Zusatzbetrag für Änderungen in der Geschäfts-leitung



Vergütungsperiode keinesfalls an mehr als fünf (5) Personen einen Zusatzbetrag im Rahmen der Maximalwerte gemäss der Bestimmung dieses Artikels 29c zuteilen oder bezahlen.

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*

**Section 3b:**

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

**Artikel 29d**

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.

**Article 29d**

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.

Verträge betreffend Vergütung mit Mitgliedern des Verwaltungsrates und der Geschäftsleitung

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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.

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.

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.

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.

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.

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.

### 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:

(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 hiervor, 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

Darlehen / Vorsorgeleistungen ausserhalb der beruflichen Vorsorge

- 1 Die Gesellschaft oder von ihr kontrollierte Gesellschaften entrichten keine Darlehen an Mitglieder des Verwaltungsrates oder der Geschäftsleitung.
- 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 Basisalters im Geschäftsjahr, das der Pensionierung unmittelbar vorausgeht, nicht übersteigen dürfen.

### Abschnitt 4:

### Section 3c:

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

#### Article 29e

Mandates Outside the Group

- 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) 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

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 The Company or companies under its control may grant a member of the Executive Management Team post-retirement benefits beyond occupational pensions; *provided, however*, that any such post-retirement benefits may not exceed 50% of the base salary in the fiscal year immediately preceding the retirement.

### Section 4:

	<b>Artikel 30</b>		<b>Article 30</b>
Geschäftsjahr	Der Verwaltungsrat legt das Geschäftsjahr fest.	Fiscal Year	The Board of Directors determines the fiscal year.
Verteilung des Bilanzgewinns, Reserven	<b>Artikel 31</b> 1 Über den Bilanzgewinn verfügt die Generalversammlung im Rahmen der anwendbaren gesetzlichen Vorschriften. Der Verwaltungsrat unterbreitet ihr seine Vorschläge.	Allocation of Profit Shown on the Annual Statutory Balance Sheet, Reserves	<b>Article 31</b> 1 The profit shown on the Annual Statutory Balance Sheet shall be allocated by the General Meeting of Shareholders in accordance with applicable law. The Board of Directors shall submit its proposals to the General Meeting of Shareholders.
	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.
	<b>Abschnitt 5:</b> <b>Auflösung und Liquidation</b>		<b>Section 5:</b> <b>Winding-up and Liquidation</b>
Auflösung und Liquidation	<b>Artikel 32</b> 1 Die Generalversammlung kann jederzeit die Auflösung und Liquidation der Gesellschaft nach Massgabe der gesetzlichen und statutarischen Vorschriften beschliessen.	Winding-up and Liquidation	<b>Article 32</b> 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 Die Liquidation wird durch den Verwaltungsrat durchgeführt, sofern sie nicht durch die Generalversammlung anderen Personen übertragen wird.		2 The liquidation shall be effected by the Board of Directors, unless the General Meeting of Shareholders shall appoint other persons as liquidators.
	3 Die Liquidation der Gesellschaft erfolgt nach Massgabe der gesetzlichen Vorschriften.		3 The liquidation of the Company shall be effectuated pursuant to the statutory provisions.
	4 Nach erfolgter Tilgung der Schulden wird das Vermögen unter die Aktionäre nach Massgabe der eingezahlten Beträge verteilt, soweit diese Statuten nichts anderes vorsehen.		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.
	<b>Abschnitt 6:</b> <b>Bekanntmachungen, Mitteilungen</b>		<b>Section 6:</b> <b>Announcements, Communications</b>
Bekanntmachungen, Mitteilungen	<b>Artikel 33</b> 1 Publikationsorgan der Gesellschaft ist das Schweizerische Handelsamtsblatt.	Announcements, Communications	<b>Article 33</b> 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.
	<b>Abschnitt 7:</b> <b>Verbindlicher Originaltext</b>		<b>Section 7:</b> <b>Original Language</b>
Verbindlicher Originaltext	<b>Artikel 34</b> Falls sich zwischen der deutschen und englischen Fassung dieser Statuten Differenzen ergeben, hat die deutsche Fassung Vorrang.	Original Language	<b>Article 34</b> In the event of deviations between the German and English version of these Articles of Association, the German text shall prevail.
	<b>Abschnitt 8:</b> <b>Definitionen</b>		<b>Section 8:</b> <b>Definitions</b>
Aktie(n)	<b>Artikel 35</b> 1 Der Begriff <b>Aktie(n)</b> hat die in Artikel 4 dieser Statuten aufgeführte Bedeutung.	Share(s)	<b>Article 35</b> 1 The term <b>Share(s)</b> has the meaning assigned to it in Article 4 of these Articles of Association.
Eigentümer	2 <b>Eigentümer(in)</b> , unter Einschluss der Begriffe <b>Eigentum, halten, gehalten, Eigentümerschaft</b> 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 <b>Owner</b> , including the terms <b>Own, Owned</b> and <b>Ownership</b> when used with respect to any Shares means a Person that

(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, angedient 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

(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) 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.

(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 <b>Gesamtjahresvergütung</b> hat für Zwecke der Bestimmung von Artikel 29c dieser Statuten die in Artikel 29c dieser Statuten aufgeführte Bedeutung.	Total Annual Compensation	2a	The term <b>Total Annual Compensation</b> 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 <b>Geschäftsleitung</b> 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 <b>Executive Management Team</b> 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 <b>Gesellschaft</b> hat die in Artikel 1 dieser Statuten aufgeführte Bedeutung.	Company	3	The term <b>Company</b> has the meaning assigned to it in Article 1 of these Articles of Association.
Kontrolle	4	<b>Kontrolle</b> , einschliesslich die Begriffe <b>kontrollierend, kontrolliert von</b> und <b>unter gemeinsamer Kontrolle mit</b> , 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	Control	4	<b>Control</b> , including the terms <b>controlling, controlled by</b> and <b>under common control</b> 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

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.

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 <b>Mandat</b> hat die in Artikel 29e Abs. 4 dieser Statuten aufgeführte Bedeutung.	Mandate	4a	The term <b>Mandate</b> has the meaning assigned to it in Article 29e para. 4 of these Articles of Association.
Nahestehender Aktionär	5	<b>Nahestehender Aktionär</b> 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 <b>Nahestehender Aktionär</b> 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	<b>Interested Shareholder</b> 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; <i>provided, however</i> , 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	<b>Nahestehende Gesellschaft</b> 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	<b>Affiliate</b> 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	<b>Nahestehende Person</b> 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	<b>Associate</b> , 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 <b>OR</b> hat die in Artikel 14 Abs. 2 dieser Statuten aufgeführte Bedeutung.	CO	8	The term <b>CO</b> has the meaning assigned to it in Article 14 para. 2 of these Articles of Association.
Person	9	<b>Person</b> 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	<b>Person</b> 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 <b>Rechte</b> hat die in Artikel 6 Abs. 1 dieser Statuten aufgeführte Bedeutung.	Rights	10	The term <b>Rights</b> has the meaning assigned to it in Article 6 para. 1 of these Articles of Association.
Mit Rechten verbundenen Obligationen	11	Der Begriff <b>mit Rechten verbundenen Obligationen</b> hat die in Artikel 6 Abs. 1 dieser Statuten aufgeführte Bedeutung.	Rights-Bearing Obligations	11	The term <b>Rights-Bearing Obligations</b> has the meaning assigned to it in Article 6 para. 1 of these Articles of Association.
SEC	12	Der Begriff <b>SEC</b> hat die in Artikel 12 Abs. 2 dieser Statuten aufgeführte Bedeutung.	SEC	12	The term <b>SEC</b> has the meaning assigned to it in Article 12 para. 2 of these Articles of Association.
Transfer Agent	13	Der Begriff <b>Transfer Agent</b> hat die in Artikel 8 Abs. 3 dieser Statuten aufgeführte Bedeutung.	Transfer Agent	13	The term <b>Transfer Agent</b> has the meaning assigned to it in Article 8 para. 3 of these Articles of Association.
Vergütung	13a	Der Begriff <b>Vergütung</b> hat die in Artikel 29a Abs. 6 dieser Statuten aufgeführte Bedeutung.	Compensation	13a	The term <b>Compensation</b> has the meaning assigned to it in Article 29a para. 6 of these Articles of Association.
Vergütungs-ausschuss	13b	Der Begriff <b>Vergütungsausschuss</b> hat die in Artikel 28a Abs. 1 dieser Statuten aufgeführte Bedeutung.	Compensation Committee	13b	The term <b>Compensation Committee</b> has the meaning assigned to it in Article 28a para. 1 of these Articles of Association.
Zusammenschluss	14	<b>Zusammenschluss</b> bedeutet, wenn im Rahmen dieser Statuten in Bezug auf die Gesellschaft oder einen Nahestehenden Aktionär der Gesellschaft verwendet:	Business Combination	14	<b>Business Combination</b> , 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;

(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;

(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

(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) 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) 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

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;

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

(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) 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.

(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.

Zusatzbetrag	15	Der Begriff <b>Zusatzbetrag</b> hat die in Artikel 29c dieser Statuten aufgeführte Bedeutung.	Supplementary Amount	15	The term <b>Supplementary Amount</b> has the meaning assigned to it in Article 29c of these Articles of Association.
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**Abschnitt 9:**  
Übergangsbestimmungen

**Section 9:**  
Transitional Provisions

**Artikel 36**

**Article 36**

Sacheinlage	15	Die Gesellschaft übernimmt bei der Kapitalerhöhung vom 19. Dezember 2008 von der Transocean Inc. in Grand Cayman, Cayman Islands ( <b>Transocean Inc.</b> ), gemäss Sacheinlagevertrag per 18. Dezember 2008 ( <b>Sacheinlagevertrag</b> ) 319'228'632 Aktien ( <i>ordinary shares</i> ) 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	Contribution in Kind	15	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 <b>Contribution in Kind Agreement</b> ), the Company acquires 319,228,632 ordinary shares of Transocean Inc., Grand Cayman, Cayman Islands ( <b>Transocean Inc.</b> ). The shares of Transocean Inc. are
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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.

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 37**

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**

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.

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**

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.

Jede Änderung dieses Artikels 38 untersteht den gleichen Präsenz- und Mehrheitsquoren wie eine Änderung von Artikel 22.

Any amendment to this Article 38 shall be subject to the same presence quorum and voting majority requirements as an amendment to Article 22.

Genehmigung der Vergütung gemäss Artikel 29a Abs. 1

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



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## ORGANIZATIONAL REGULATIONS

dated as of May 16, 2014

of

Transocean Ltd.,

a Swiss corporation with its registered office in Steinhausen, Switzerland

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## ARTICLE 1

### SCOPE AND BASIS

#### *Section 1.01. Basis.*

These Organizational Regulations (the **Organizational Regulations**) are enacted by the Board of Directors of Transocean Ltd. (the **Company**) pursuant to article 716b of the Swiss Code of Obligations (the **CO**) and Articles 24, 26, 27 and 28 of the Company's articles of association (the **Articles of Association**). The Organizational Regulations govern the internal organization and the duties, powers and responsibilities of the executive bodies of the Company (as defined below).

#### *Section 1.02. Group.*

The Company is the holding company of an international group of companies active 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. The executive bodies of the Company shall duly respect the legal independence of all Group companies and the local law applicable to them.

#### *Section 1.03. Organization.*

For the purposes of these Organizational Regulations, the **Group** shall mean the Company and its Subsidiaries, whereby **Subsidiaries** means all companies in which the Company holds directly or indirectly a majority of the voting rights or has the right to appoint a majority of the members of the Board.

#### *Section 1.04. Interpretation.*

- (a) Words importing the singular number shall also include the plural number and vice-versa.
- (b) Words importing the masculine gender shall also include the feminine gender.

## ARTICLE 2

### CORPORATE ORGANIZATION

The Company shall have the following functions and committees:

- (a) the Board of Directors (the **Board**);
- (b) the chairman of the Board (the **Chairman**);
- (c) the board committees established from time to time pursuant to the Articles of Association and these Organizational Regulations (the **Board Committees**);
- (d) the chief executive officer of the Company (the **Chief Executive Officer**); and
- (e) the Executive Management Team of the Company (the **Executive Management Team**).

## ARTICLE 3

### THE BOARD

#### *Section 3.01. Constitution.*

The Board may elect from among its members one or more Vice-Chairmen. It shall further appoint a Secretary who need not be a member of the Board. The Secretary shall keep the minutes of the General Meetings of Shareholders and the meetings of the Board and give notice of such meetings and shall perform like duties for the committees of the Board when so required. In the case of the absence or inability to act of the Secretary, any Assistant Secretary (or, in the case of keeping minutes of the General Meeting of Shareholders or the meetings of the Board, any other person designated by the presiding officer of such meeting) may act in the Secretary's place.

#### *Section 3.02. Board Composition.*

In selecting candidates for Board membership the Board shall give due consideration to the governance framework set forth in the Corporate Governance Guidelines of the Company.

#### *Section 3.03. Powers and Duties.*

- (a) The Board is the ultimate executive body of the Company and shall determine the principles of the business strategy and policies. The Board shall exercise its function as required by law, the Articles of Association and these Organizational Regulations.

- (b) The Board shall be authorized to pass resolutions on all matters that are not reserved to the General Meeting of Shareholders or to other executive bodies by applicable law, the Articles of Association or these Organizational Regulations.
- (c) In particular, the Board has the following powers and duties:
- (i) the ultimate direction of the Company and the issuance of the necessary guidelines in accordance with applicable law and regulations;
  - (ii) the determination of the Company's organizational structure, including the promulgation and the amendment of these Organizational Regulations;
  - (iii) the determination of the Company's accounting principles, financial control and financial planning;
  - (iv) the ultimate supervision of the persons entrusted with the management of the Company, in particular with regard to their compliance with applicable law, the Articles of Association, these Organizational Regulations and other applicable instructions and guidelines;
  - (v) the review and approval of the management report and the financial statements of the Company as well as the preparation of the General Meeting of Shareholders, the agenda thereof, the proposals for which shareholder approval or ratification is sought, and the implementation of its resolutions;
  - (vi) the adoption of resolutions concerning an increase in the share capital of the Company to the extent that such power is vested in the Board (article 651 para. 4 CO) and of resolutions concerning the confirmation of capital increases and corresponding amendments to the Articles of Association, as well as making the required report on the capital increase;
  - (vii) the notification of the court if the liabilities of the Company exceed the assets of the Company (article 725 CO);
  - (viii) the establishment of the Company's dividend policy;
  - (ix) the proposal to the General Meeting of Shareholders of candidates for election or re-election to the Board as members of the Board, as Chairman or as members of the Compensation Committee, upon recommendation of the Corporate Governance Committee;

- (x) the response to any takeover offer for the Company;
- (xi) the establishment of any code of ethics and business practice;
- (xii) the determination of any membership and terms of reference of any Board Committees (other than the Compensation Committee);
- (xiii) the approval of any agreements to which the Company is a party relating to mergers, demergers, transformations and/or transfer of assets, to the extent required pursuant to the Swiss Merger Act;
- (xiv) the appointment and removal of the Secretary, the members of Board Committees (subject to the rights of shareholders in relation to the Compensation Committee) and the Executive Management Team, as well as the determination of their signatory power (see Section 9.01);
- (xv) the approval of the annual investment and operating budget; and
- (xvi) the approval of share buybacks of the Company.

*Section 3.04. Delegation of Management.*

To the extent permitted by applicable law and stock exchange rules, the Board herewith delegates, in the sense of article 716b CO, all other duties, including the preparation and implementation of the Board resolutions as well as the supervision of particular aspects of the business and the management of the Company, to the Chief Executive Officer.

*Section 3.05. Meetings.*

- (a) The Board shall meet together for the dispatch of business, convening, adjourning and otherwise regulating its meetings as it thinks fit. The Board shall give due consideration to the governance framework set forth in the Corporate Governance Guidelines of the Company.
- (b) Regularly scheduled meetings of the Board may be held at such time and at such place as shall from time to time be determined by the Board. Special meetings of the Board may be called by the Chairman, the Chief Executive Officer, the President or a majority of the Board. Any member of the Board may request that the Chairman convene a meeting as soon as practicable, subject to providing a reason for so requesting a meeting.

(c) No notice need be given of any regular meeting of the Board or of any adjourned meeting of the Board. No notice need be given to any Director who signs a written waiver thereof or who attends the meeting without protesting the lack of notice. Notices need not state the purpose of the meeting. Attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except when a Director attends and makes it known that he is attending for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully convened, and such purpose is duly recorded in the minutes of such meeting.

(d) Notice of each special meeting of the Board shall be given to each Director either by first class United States mail, or if notice is sent off from a country other than the United States of America, by a mail service equivalent to first class United States mail, at least three days before the meeting, by "overnight" or other express delivery service at least two days before the meeting, or by telegram, telex, cable, telecopy, facsimile, personal written delivery, e-mail or telephone at least one day before the meeting. Any notice given by telephone shall be immediately confirmed by telegram, telex, cable, telecopy, facsimile, or e-mail. Notices are deemed to have been given: by mail, when deposited in the mail with postage prepaid; by "overnight" or other express delivery service, the day after sending; by telegram, telex, or cable, at the time of sending; by telecopy or facsimile, upon receipt of a transmittal confirmation; and by personal delivery, e-mail or telephone, at the time of delivery. Written notices shall be sent to a Director at the address or e-mail address designated by such Director for that purpose or, if none has been so designated, at such Director's last known residence, business or e-mail address. Notices need not state the purpose of the meeting.

(e) Any one or more Directors or any committee thereof may participate in a meeting of the Board or committee by conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

*Section 3.06. Attendance Quorum; Resolutions and Minutes.*

(a) Subject to Sections 3.09(e), the attendance quorum necessary for the transaction of the business of the Board shall be a majority of the whole Board. No attendance quorum shall be required for resolutions of the Board providing for the confirmation of a capital increase or for the amendment of the Articles of Association in connection therewith.

(b) The Board shall pass its resolutions with the majority of the votes cast by the Directors present at a meeting at which the attendance quorum of Section 3.06(a) above is satisfied. The Chairman shall have no casting vote but shall have the same vote as each other Director.

(c) Resolutions of the Board may be passed without a meeting by way of written consent by a majority of the whole Board, provided that no member of the Board requests oral deliberations. A resolution in writing (in one or more counterparts) signed by all the Directors or all the members of a committee of the Directors (including signed copies sent by facsimile or email) shall be as valid and effectual as if it had been passed at a meeting of the Board or committee, as the case may be, duly convened and held.

(d) The Board shall cause minutes to be made for the purpose of recording the proceedings at all meetings of the Company and the Directors and of committees of the Board. The minutes shall be signed by the acting chairman and the secretary and must be approved by the Board.

*Section 3.07. Information and Reporting.*

(a) At Board meetings, each member of the Board is entitled to request and receive from other Directors and from the Chief Executive Officer information on all affairs of the Company.

(b) Outside of Board meetings, each Director may request information from the Chief Executive Officer on the general course of business and, upon approval of the Chairman, each Director may obtain information on specific transactions and/or access to business documents.

*Section 3.08. Compensation.*

Each Director shall be entitled to receive as compensation for such Director's services as a Director or committee member or for attendance at meetings of the Board or committees, or both, such amounts (if any) as shall be fixed from time to time by the Board or the Compensation Committee, subject to shareholder ratification as required by law and the Articles of Association. In determining Directors' compensation, the Board shall give due consideration to applicable regulatory limitations, the governance framework set forth in the Corporate Governance Guidelines of the Company as well as the recommendations of the Compensation Committee. Each Director shall be entitled to reimbursement for reasonable traveling expenses incurred by such Director in attending any such meeting.



(a) Subject to the Articles of Association and the Corporate Governance Guidelines, a Director may hold any other office (other than as an outside auditor of the Company) or place of profit under the Company in conjunction with his office of Director for such period and on such terms as to remuneration and otherwise as the Board may determine.

(b) A Director may act by himself or for his firm in a professional capacity for the Company (other than as an outside auditor of the Company), and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; *provided, however*, that (i) he has disclosed his interest in the transaction at the first meeting held to consider the transaction or as soon thereafter as he becomes interested in the transaction, and (ii) that any professional services by a Director or his firm for the account of the Company shall be made at arm's length terms.

(c) Subject to any applicable law or regulation to the contrary, a Director may be or become a director or other officer of or otherwise interested in any company promoted by the Company or in which the Company may be interested as shareholder, member or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company.

(d) Subject to any applicable law or regulation to the contrary, a Director shall not be disqualified from the office of Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director shall be in any way interested or be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or transaction by reason of such Director holding office or of the fiduciary relation thereby established; *provided, however*, that (i) he has disclosed his interest in the transaction at the first meeting held to consider the transaction or as soon thereafter as he becomes interested in the transaction and (ii) he complies with the duty to abstain as set forth below in Section 3.09(e) below.

(e) Directors shall disclose any Conflicting Interest at a meeting of the Board and abstain from participating in any vote or discussion in matters involving a Conflicting Interest (as defined below). If a Board member is required to abstain from voting in a matter, he shall not be counted in the quorum of the meeting in question. In addition, such Director shall use his best efforts to ensure that he does not receive any confidential information with respect to such transaction.

**(f) Conflicting Interest** shall mean the special interest the Director has with respect to a transaction due to the fact that the Director or a Related Person has a financial or non-financial interest in, or is otherwise closely linked to, the transaction, and such interest is of such significance to the Director or a Related Person that the interest would reasonably be expected to interfere with the Director's judgment if he were called upon to vote on the transaction.

**(g) Related Person** of a Director means:

(i) the spouse (or a parent or sibling thereof) of the Director, or a child, grandchild, sibling, parent (or spouse of any thereof) of the Director, or an individual having the same home as the Board member, or trust or estate of which an individual specified in this Section 3.09(g)(i) is a substantial beneficiary;

(ii) a trust, estate, incompetent or minor of which the Director is a trustee, administrator or guardian; or

(iii) one of the following persons or entities: (1) an entity of which the Director is a director, general partner, agent, major shareholder, representative or employee; (2) a person that controls one or more of the entities specified in subclause (1) or an entity that is controlled by, or is under common control with, one or more of the entities specified in subclause (1); or (3) an individual who is a general partner, principal or employer of the Director.

#### ARTICLE 4

##### CHAIRMAN AND VICE-CHAIRMAN

*Section 4.01. Power and Duties.*

The Chairman of the Board shall preside at all meetings of the Board. Further, the Chairman has the following powers and duties:

(a) contact with the Chief Executive Officer between Board meetings in order to be informed about important business developments;

(b) preparing the agenda for the General Meetings of Shareholders and Board meetings;

(c) presiding over the General Meetings of Shareholders and Board meetings;

(d) informing the full Board without delay of material extraordinary events; and

(e) any other matters reserved by law, the Articles of Association or these Organizational Regulations to the Chairman.

*Section 4.02. Authority.*

Should the Chairman be unable or unavailable to exercise his functions, his functions shall be assumed by the Vice-Chairman, if one has been elected, or if the latter has not been elected or should be unable or unavailable, another Director appointed by the Board.

## **ARTICLE 5**

### **BOARD COMMITTEES**

*Section 5.01. General.*

(a) The Board may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the Directors, as designated by the Board (in relation to the Compensation Committee, subject to the election of the Directors so designated by the shareholders). The Board may designate one or more alternate Directors as members of any committee, except for the Compensation Committee, who may replace any absent member at any meeting of the committee. In the absence of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint, except in relation to the Compensation Committee, another member of the Board to act at the meeting in the place of any such absent member. At all meetings of any committee, a majority of its members (or the member, if only one) shall constitute a quorum for the transaction of business, and the act of a majority of the members present shall be the act of any such committee, unless otherwise specifically provided by law, the Articles of Association or these Organizational Regulations. Subject to provisions of applicable law and the Articles of Association in relation to the Compensation Committee, the Board shall have the power at any time to change the number and members of any such committee, to fill vacancies and to discharge any such committee.

(b) Section 3.05(b) through (d) above with respect to notice of, and participation in, meetings of the Board shall apply also to meetings of committees, unless different provisions shall be prescribed by the Board. Each committee shall serve at the pleasure of the Board. It shall keep minutes of its meetings and report the same to the Board when required and shall observe such procedures as are prescribed by the Board.

(c) Any committee of the Board, to the extent provided by the provisions set forth herein but subject to any limitation imposed by the Swiss Code of Obligations or other applicable law, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Company.

The committees of the Board shall be the Audit Committee, the Compensation Committee, the Finance Committee, the Corporate Governance Committee and the Health Safety and Environment Committee and any other committees designated by the Board.

## ARTICLE 6

### CHIEF EXECUTIVE OFFICER

#### Section 6.01. Powers and Duties.

Subject to applicable law, regulations and stock exchange rules, the Chief Executive Officer shall have the primary responsibility for the day-to-day executive management of the Company. If the President shall not be designated the Chief Executive Officer of the Company, such President shall have such authority and perform such duties as may be prescribed from time to time by the Board or the Chief Executive Officer.

#### Section 6.02. Reporting.

The Chief Executive Officer shall directly report to the Board and regularly inform the Board on the current course of business and all major business matters of the Company.

## ARTICLE 7

### OFFICERS | EXECUTIVE MANAGEMENT TEAM

#### Section 7.01. Officers.

The officers of the Company shall be appointed by the Board and shall include a Chief Executive Officer, a President and one or more Vice Presidents (who may be further classified by such descriptions as "Executive," "Senior" or "Assistant" as determined by the Board), and such other officers, as the Board may deem necessary or appropriate. The Board may from time to time authorize any officer to appoint and remove any other officer or agent and to prescribe such person's authority and duties. Any person may hold at one time two or more offices. Each officer shall have such authority and perform such duties, in addition to those specified in these Organizational Regulations, as may be prescribed by the Board from time to time.

The Executive Management Team shall include the Chief Executive Officer and such other officer expressly designated by the Board to be a member of the Executive Management Team. Under the direction of the Chief Executive Officer, the Executive Management Team shall have the primary responsibility to make significant operational decisions to implement the Company's strategic objectives.

*Section 7.03. Term of Office.*

Each officer shall hold office for the term for which appointed by the Board, and until the person's successor has been appointed and qualified or until such person's earlier resignation or removal. Any officer may be removed by the Board, with or without cause. The election or appointment of an officer shall not in and of itself create contractual rights against the Company. Any officer may resign at any time by giving written notice to the Board or the Secretary. Any such resignation shall take effect at the time specified therein or, if such time is not specified therein, then upon receipt of such notice, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

**ARTICLE 8**

**FISCAL YEAR**

*Section 8.01. Determination.*

The fiscal year of the Company shall start on January 1 and end on December 31.

**ARTICLE 9**

**GENERAL PROVISIONS**

*Section 9.01. Signatory Power.*

The Directors, officers and other persons authorized to represent the Company and the Subsidiaries shall have single or joint signatory power, as determined appropriate by the Board.

*Section 9.02. Insurance.*

The Company may procure directors' and officers' liability insurance for the Directors and for officers of the Company. Any costs of insurance shall be charged to the Company or its Subsidiaries.

*Section 9.03. Confidentiality.*

The proceedings and deliberations of the Board and its committees are confidential. Each Director is required to maintain the confidentiality of all information received in connection with his or her service as a Director (including not disclosing any such information, proceedings and deliberations to any third party (other than the Company's representatives who have a need to know), including such Director's employer in the case of a non-employee Director and any person or entity on whose behalf such Director may have been nominated).

*Section 9.04. Publicity.*

The Board believes that the Chief Executive Officer is responsible for all communications with the public. Accordingly, Directors are to refrain from making any public statements regarding the Company at any time unless specifically requested to do so by the Chief Executive Officer or the Board. All inquiries received by Directors should be directed to the Chief Executive Officer. The Chief Executive Officer has the responsibility for keeping the Chairman informed of all public announcements regarding the Company and shall consult with the Chairman as to all non-routine announcements in order to determine if the Directors should be notified prior to its release.

*Section 9.05. Certain Arrangements; Compliance.*

Each Director (A) shall not be a party to (1) any agreement, arrangement or understanding with, and shall not give any commitment or assurance to any person or entity as to how such Director will act or vote on any issue or question (a **Voting Commitment**) that has not been fully disclosed to the Board prior to such person being nominated as a Director, (2) any Voting Commitment that could limit or interfere with such Director's ability to comply with his or her fiduciary duties under applicable law or the duties under these Organizational Regulations or the Company's Corporate Governance Guidelines, or (3) any agreement, arrangement or understanding with any person or entity other than the Company with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a Director that has not been fully disclosed to the Board prior to such person being nominated as a Director, and (B) shall, in such Director's individual capacity and on behalf of any person or entity on whose behalf such Director was nominated to be a Director (if applicable), comply with all applicable corporate governance, conflict of interest, confidentiality, share ownership and trading policies and guidelines (including any insider trading policy) of the Company. The Company may require at any time that a Director or nominee for Director acknowledge his or her understanding of this Section 9.05 and agreement therewith.

**ARTICLE 10**

**FINAL PROVISIONS**

*Section 10.01. Effectiveness.*

These Organizational Regulations shall become effective upon approval by the Board.

*Section 10.02. Corporate Governance Guidelines.*

The provisions of the Corporate Governance Guidelines, as may be amended by the Board from time to time, are incorporated by reference into these Organizational Regulations in all respects.

*Section 10.03. Change of or Amendments to these Organizational Regulations.*

Any change of or amendment to these Organizational Regulations shall only be valid if the Board approved such change or amendment with the attendance quorum and the majority as set forth in Section 3.06(a), (b) and (c), respectively.

SO RESOLVED as of May 16, 2014.

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

I, Steven L. Newman, 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; and
  - 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; and
  - 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: November 10, 2014

/s/ Steven L. Newman

Steven L. Newman  
President and Chief Executive Officer

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

I, Esa Ikäheimonen, 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; and
  - 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; and
  - 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: November 10, 2014

/s/ Esa Ikäheimonen

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Esa Ikäheimonen  
Executive Vice President and 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, Steven L. Newman, 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 September 30, 2014 (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: November 10, 2014

/s/ Steven L. Newman  
Steven L. Newman  
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 Transocean Ltd. and will be retained by Transocean Ltd. 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, Esa Ikäheimonen, Executive Vice President and Chief Financial Officer of Transocean Ltd., a Swiss corporation (the "Company"), hereby certify, to my knowledge, that:

(1) the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 (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: November 10, 2014

/s/ Esa Ikäheimonen

—  
Esa Ikäheimonen  
Executive Vice President and Chief Financial Officer

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

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