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

FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

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 333-75899

TRANSOCEAN INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

CAYMAN ISLANDS	66-0582307
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
4 GREENWAY PLAZA HOUSTON, TEXAS	77046
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (713) 232-7500

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF CLASS	EXCHANGE ON WHICH REGISTERED
Ordinary Shares, par value $0.01 per share	New York Stock Exchange, Inc.

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer. Yes [x] No [ ]

As of June 30, 2003, 319,853,774 ordinary shares were outstanding and the aggregate market value of such shares held by non-affiliates was approximately $7.0 billion (based on the reported closing market price of the ordinary shares on such date of $21.97 and assuming that all directors and executive officers of the Company are "affiliates," although the Company does not acknowledge that any such person is actually an "affiliate" within the meaning of the federal securities laws). As of February 27, 2004, 320,711,252 ordinary shares were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days of December 31, 2003, for its 2003 annual general meeting of shareholders, are incorporated by reference into Part III of this Form 10-K.

TRANSOCEAN INC. AND SUBSIDIARIES
INDEX TO ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2003

PART I

ITEM 1. BUSINESS

Transocean Inc. (together with its subsidiaries and predecessors, unless the context requires otherwise, the "Company," "Transocean," "we," "us" or "our") is a leading international provider of offshore contract drilling services for oil and gas wells. As of March 1, 2004, we owned, had partial ownership interests in or operated 96 mobile offshore drilling units, excluding the fleet of TODCO (together with its subsidiaries and predecessors, unless the context requires otherwise, "TODCO"), a publicly traded drilling company in which we own a majority interest. As of this date, our fleet consisted of 32 High-Specification semisubmersibles and drillships ("floaters"), 26 Other Floaters, 26 Jackup Rigs and 12 Other Rigs. As of March 1, 2004, TODCO's fleet consisted of 24 jackup rigs, 30 drilling barges, nine land rigs, three submersible drilling rigs and four other drilling rigs.

Our mobile offshore drilling fleet is considered one of the most modern and versatile fleets in the world. Our primary business is to contract these drilling rigs, related equipment and work crews primarily on a dayrate basis to drill oil and gas wells. We specialize in technically demanding segments of the offshore drilling business with a particular focus on deepwater and harsh environment drilling services. We also provide additional services, including management of third party well service activities. Our ordinary shares are listed on the New York Stock Exchange under the symbol "RIG."

Transocean Inc. is a Cayman Islands exempted company with principal executive offices in the U.S. located at 4 Greenway Plaza, Houston, Texas 77046. Our telephone number at that address is (713) 232-7500.

BACKGROUND OF TRANSOCEAN

In June 1993, the Company, then known as "Sonat Offshore Drilling Inc.," completed an initial public offering of approximately 60 percent of the outstanding shares of its common stock as part of its separation from Sonat Inc., and in July 1995 Sonat Inc. sold its remaining 40 percent interest in the Company through a secondary public offering. In September 1996, the Company acquired Transocean ASA, a Norwegian offshore drilling company, and changed its name to "Transocean Offshore Inc." On May 14, 1999, the Company completed a corporate reorganization by which it changed its place of incorporation from Delaware to the Cayman Islands.

In December 1999, we completed our merger with Sedco Forex Holdings Limited ("Sedco Forex"), the former offshore contract drilling business of Schlumberger Limited ("Schlumberger"). Effective upon the merger, we changed our name to "Transocean Sedco Forex Inc." On January 31, 2001, we completed our merger transaction (the "R&B Falcon merger") with R&B Falcon Corporation ("R&B Falcon"). We accounted for the R&B Falcon merger using the purchase method of accounting with the Company treated as the accounting acquiror. At the time of the merger, R&B Falcon operated a diverse global drilling rig fleet, consisting of drillships, semisubmersibles, jackup rigs and other units in addition to the Gulf of Mexico Shallow and Inland Water segment fleet. In May 2002, we changed our name to "Transocean Inc."

In July 2002, we announced plans to pursue a divestiture of our Gulf of Mexico Shallow and Inland Water business, which was a part of R&B Falcon. R&B Falcon's overall business was considerably broader than the Gulf of Mexico Shallow and Inland Water business. In preparation for this divestiture, we began the transfer of all assets and businesses out of R&B Falcon that were unrelated to the Gulf of Mexico Shallow and Inland Water business. In December 2002, R&B Falcon changed its name to TODCO and, in January 2004, the Gulf of Mexico Shallow and Inland Water business segment became known as the TODCO segment.

In February 2004, we completed an initial public offering of TODCO, in which we sold 13.8 million shares of TODCO's class A common stock representing 23 percent of TODCO's outstanding common stock. Before the closing of the offering, TODCO completed the transfer to us of all unrelated assets and businesses. At March 1, 2004, we held approximately 77 percent of the outstanding common stock of TODCO, represented by 46.2 million shares of class B common stock, and consolidate TODCO in our financial statements. TODCO's class A common stock has one vote per share, and its class B common stock has five votes per share. Our current long-term intent is to dispose of our remaining interest in TODCO, which could be achieved through a number of possible transactions including additional public offerings, open market sales, sales to one or more third parties, a spin-off to our shareholders, split-off offerings to our shareholders that would allow for the opportunity to exchange our shares for shares of TODCO class A common stock or a combination of these transactions.

We provide contract drilling services in several market sectors and aggregate these operations into two business segments. Our Transocean Drilling segment (formerly called the "International and U.S. Floater Contract Drilling Services" business segment) is comprised of drillships, semisubmersibles, jackups and other drilling rigs. Our TODCO segment (formerly called the "Gulf of Mexico Shallow and Inland Water" business segment) consists of our interest in TODCO, which conducts jackup, drilling barge, land rig, submersible and other rig operations in the U.S. Gulf of Mexico and inland waters, Mexico, Trinidad and Venezuela. Our operations are aggregated into these two business segments based on the similarity of economic characteristics among the market sectors in which each operates. These characteristics include the services provided and the types of customers for which we provide these services. Although each of our business segments consists of various rig categories, the type of rig used to perform our drilling operations is dependent upon the needs and demands of our clients. As a result, operating decisions and allocation of assets and resources are determined by our customers.

For information about the revenues, operating income, assets and other information relating to our business segments and the geographic areas in which we operate, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 19 to our consolidated financial statements included in Item 8 of this report. For information about the risks and uncertainties relating to our business, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Risk Factors."

DRILLING FLEET

We principally use three types of drilling rigs:

- drillships;
- semisubmersibles; and
- jackups.

Also included in our fleet are barge drilling rigs, tenders, a mobile offshore production unit, a platform drilling rig and a land rig. TODCO's fleet consists of jackups, barge drilling rigs, submersibles, land drilling rigs, a platform rig and lake barges.

Most of our drilling equipment is suitable for both exploration and development drilling, and we normally engage in both types of drilling activity. Likewise, most of our drilling rigs are mobile and can be moved to new locations in response to client demand. All of our mobile offshore drilling units are designed for operations away from port for extended periods of time and most have living quarters for the crews, a helicopter landing deck and storage space for pipe and drilling supplies.

TRANSOCEAN DRILLING FLEET

As of March 1, 2004, our Transocean Drilling segment fleet of 96 rigs included:

- 32 High-Specification Floaters, which are comprised of:
  - 13 Fifth-Generation Deepwater Floaters;
  - 15 Other Deepwater Floaters; and
  - four Other High-Specification Floaters;
- 26 Other Floaters;
- 26 Jackups; and
- 12 Other Rigs, which are comprised of:
  - four barge drilling rigs;
  - four tenders;
  - one platform drilling rig;
  - one mobile offshore production unit;
  - one land rig; and
  - one coring drillship.

As of February 27, 2004, this segment's fleet was located in the U.S. Gulf of Mexico (14 units), Canada (one unit), Brazil (10 units), North Europe (17 units), the Mediterranean and Middle East (nine units), the Caspian Sea (one unit), Africa (18 units), India (10 units) and Asia and Australia (16 units).

We periodically review the use of the term "deepwater" in connection with our fleet. The term as used in the drilling industry to denote a particular segment of the market varies somewhat and continues to evolve with technological improvements. We generally view the deepwater market sector as that which begins in water depths of approximately 4,500 feet.

In the first quarter of 2004, we changed the categories we use to describe this segment's fleet into a "High-Specification Floaters" category, consisting of our "Fifth-Generation Deepwater Floaters," "Other Deepwater Floaters" and Other "High-Specification Floaters," an "Other Floaters" category, a "Jackups" category and an "Other Rigs" category. Within our High-Specification Floaters category, we consider our Fifth-Generation Deepwater Floaters to be those set forth in the fleet table listed below, which were built in the last construction cycle (approximately 1996-2001) and have high-pressure mud pumps and a water depth capability of 7,500 feet or greater. The Other Deepwater Floaters are generally those other semisubmersible rigs and drillships that have a water depth capacity of at least 4,500 feet and the Other High-Specification Floaters are harsh environment floaters that were built as fourth-generation rigs in the mid- to late-1980's and have greater displacement than previously constructed rigs resulting in larger variable load capacity, more usable deck space and better motion characteristics. Our Other Floaters category is generally comprised of those non-high-specification floaters with a water depth capacity of less than 4,500 feet. The Jackups category consists of this segment's jackup fleet, and the Other Rigs category consists of other rigs which are of a different type or use. We have changed these categories to better reflect how we view, and how we believe our investors and the industry view, our fleet in an effort to better reflect our strategic focus on the ownership and operation of premium high-specification floating rigs.

Drillships are generally self-propelled, shaped like conventional ships and are the most mobile of the major rig types. Our drillships are either dynamically positioned, which allows them to maintain position without anchors through the use of their onboard propulsion and station-keeping systems, or are operated in a moored configuration. Drillships typically have greater load capacity than semisubmersible rigs. This enables them to carry more supplies on board, which often makes them better suited for drilling in remote locations where resupply is more difficult. However, drillships are typically limited to calmer water conditions than those in which semisubmersibles can operate. Our three Enterprise-class drillships are equipped for dual-activity drilling, which is a well-construction technology we developed and patented that allows for drilling tasks associated with a single well to be accomplished in a parallel rather than sequential manner by utilizing two complete drilling systems under a single derrick. The dual-activity well-construction process is designed to reduce critical path activity and improve efficiency in both exploration and development drilling.

Semisubmersibles are floating vessels that can be submerged by means of a water ballast system such that the lower hulls are below the water surface during drilling operations. These rigs maintain their position over the well through the use of an anchoring system or computer controlled dynamic positioning thruster system. Some semisubmersible rigs are self-propelled and move between locations under their own power when afloat on the pontoons although most are relocated with the assistance of tugs. Typically, semisubmersibles are better suited for operations in rough water conditions than drillships. Our three Express-class semisubmersibles equipped with the unique tri-act derrick were designed to reduce overall well construction costs and effectively integrate new technology and working relationships.

Jackup rigs are mobile self-elevating drilling platforms equipped with legs that can be lowered to the ocean floor until a foundation is established to support the drilling platform. Once a foundation is established, the drilling platform is then jacked further up the legs so that the platform is above the highest expected waves. These rigs are generally suited for water depths of 300 feet or less.

Rigs described in the following tables as "operating" are under contract, including rigs being mobilized under contract. Rigs described as "warm stacked" are not under contract and may require the hiring of additional crew, but are generally ready for service with little or no capital expenditures and are being actively marketed. Rigs described as "cold stacked" are not being actively marketed on short or near term contracts, generally cannot be reactivated upon short notice and normally require the hiring of most of the crew, a maintenance review and possibly significant refurbishment before they can be reactivated. Our cold stacked rigs and some of our warm stacked rigs would require additional costs to return to service. The actual cost, which could fluctuate over time, is dependent upon various factors, including the availability and cost of shipyard facilities, cost of equipment and materials and the extent of repairs and maintenance that may ultimately be required. For some of these rigs, the cost could be significant. We would take these factors into consideration together with market conditions, length of contract and dayrate and other contract terms in deciding whether to return a particular idle rig to service. We may consider marketing some of our cold stacked rigs for alternative uses, including as accommodation units, from time to time until drilling activity increases and we obtain drilling contracts for these units.

HIGH-SPECIFICATION FLOATERS (32)

The following tables provide certain information regarding our High-Specification fleet in this segment as of February 27, 2004:

NAME	TYPE	YEAR ENTERED SERVICE/ UPGRADED(a)	WATER DEPTH CAPACITY (IN FEET)	DRILLING DEPTH CAPACITY (IN FEET)	LOCATION	CUSTOMER	ESTIMATED EXPIRATION (b)
FIFTH-GENERATION DEEPWATER FLOATERS (13)							
Deepwater Discovery (c)	HSD	2000	10,000	30,000	Nigeria	ExxonMobil	March 2004
					Nigeria	ExxonMobil	May 2004
Deepwater Expedition (c).	HSD	1999	10,000	30,000	Brazil	Petrobras	September 2005
Deepwater Frontier (c).	HSD	1999	10,000	30,000	Brazil	Petrobras	March 2004
Deepwater Millennium (c).	HSD	1999	10,000	30,000	U.S. Gulf	Anadarko	March 2004
					U.S. Gulf	Anadarko	April 2004
					U.S. Gulf	Dominion	May 2004
					U.S. Gulf	Dominion	June 2004
					U.S. Gulf	Burlington	November 2004
Deepwater Pathfinder (c).	HSD	1998	10,000	30,000	U.S. Gulf	ChevronTexaco	April 2004
Discoverer Deep Seas (c) (f).	HSD	2001	10,000	35,000	U.S. Gulf	ChevronTexaco	January 2006
Discoverer Enterprise (c) (f)	HSD	1999	10,000	35,000	U.S. Gulf	BP	December 2004
Discoverer Spirit (c) (f)	HSD	2000	10,000	35,000	U.S. Gulf	Unocal	September 2005
Deepwater Horizon (c)	HSS	2001	10,000	30,000	U.S. Gulf	BP	September 2004
Cajun Express (c) (g)	HSS	2001	8,500	35,000	U.S. Gulf	Dominion	May 2004
					U.S. Gulf	ChevronTexaco	August 2004
Deepwater Nautilus (d).	HSS	2000	8,000	30,000	U.S. Gulf	Shell	June 2005
Sedco Energy (c) (g).	HSS	2001	7,500	25,000	Nigeria	ChevronTexaco	October 2004
Sedco Express (c) (g)	HSS	2001	7,500	25,000	Brazil	Petrobras	August 2004
OTHER DEEPWATER FLOATERS (15)							
Deepwater Navigator (c)	HSD	2000	7,200	25,000	Brazil	Petrobras	July 2004
Peregrine I (c)	HSD	1982/1996	7,200	25,000	Brazil	Petrobras	March 2004
Discoverer 534 (c).	HSD	1975/1991	7,000	25,000	India	Reliance	May 2004
Discoverer Seven Seas (c)	HSD	1976/1997	7,000	25,000	India	ONGC	February 2007
Transocean Marianas	HSS	1979/1998	7,000	25,000	U.S. Gulf	Dominion	March 2004
Sedco 707 (c)	HSS	1976/1997	6,500	25,000	Brazil	Petrobras	December 2005
Jack Bates.	HSS	1986/1997	5,400	30,000	U.K. North Sea	Warm stacked	April 2004
					U.K. North Sea	TotalFinaElf	June 2004
Sedco 709 (c)	HSS	1977/1999	5,000	25,000	Nigeria	Shell	May 2004
M. G. Hulme, Jr. (e).	HSS	1983/1996	5,000	25,000	Nigeria	TotalFinaElf	March 2004
					Nigeria	TotalFinaElf	June 2004
Transocean Richardson	HSS	1988	5,000	25,000	Ivory Coast	CNR	October 2005
Jim Cunningham.	HSS	1982/1995	4,600	25,000	Egypt	GUPCO	July 2004
Transocean Leader	HSS	1987/1997	4,500	25,000	U.K. North Sea	Warm stacked	May 2004
					Norwegian N. Sea	Statoil	August 2005
Transocean Rather	HSS	1988	4,500	25,000	Angola	ExxonMobil	April 2004
Sovereign Explorer.	HSS	1984	4,500	25,000	Las Palmas	Cold stacked	-
Sedco 710 (c)	HSS	1983/1997	4,500	25,000	Brazil	Petrobras	October 2006

NAME	TYPE	YEAR ENTERED SERVICE/ UPGRADED(a)	WATER DEPTH CAPACITY (IN FEET)	DRILLING DEPTH CAPACITY (IN FEET)	LOCATION	CUSTOMER	ESTIMATED EXPIRATION (b)
OTHER HIGH-SPECIFICATION FLOATERS (4)							
Henry Goodrich.	HSS	1985	2,000	30,000	Canada	Terra Nova	February 2005
Paul B. Loyd, Jr.	HSS	1990	2,000	25,000	U.K. North Sea	BP	March 2004
					U.K. North Sea	BP	March 2005
Transocean Arctic	HSS	1986	1,650	25,000	Norwegian N. Sea	Cold stacked	-
Polar Pioneer	HSS	1985	1,500	25,000	Norwegian N. Sea	Norsk Hydro	October 2004
					Norwegian N. Sea	Statoil	June 2006

"HSD" means high-specification drillship.
"HSS" means high-specification semisubmersible.

(a) Dates shown are the original service date and the date of the most recent upgrade, if any.
(b) Expiration dates represent our current estimate of the earliest date the contract for each rig is likely to expire. Some rigs have two or more contracts in continuation, so the last line shows the last expected termination date. Some contracts may permit the client to extend the contract.
(c) Dynamically positioned.
(d) The Deepwater Nautilus is leased from its owner, an unrelated third party, pursuant to a fully defeased lease arrangement.
(e) The M. G. Hulme, Jr. is leased from its owner, an unrelated third party, under an operating lease as a result of a sale/leaseback transaction in November 1995.
(f) Enterprise-class rig.
(g) Express-class rig.

OTHER FLOATERS (26)

The following table provides certain information regarding our Other Floater drilling rigs in this segment as of February 27, 2004:

NAME	TYPE	YEAR ENTERED SERVICE/ UPGRADED(a)	WATER DEPTH CAPACITY (IN FEET)	DRILLING DEPTH CAPACITY (IN FEET)	LOCATION	CUSTOMER	ESTIMATED EXPIRATION (b)
Peregrine III (c) . .	OD	1976	4,200	25,000	U.S. Gulf	Cold stacked	-
Sedco 700	OS	1973/1997	3,600	25,000	Equatorial Guinea	Amerada Hess	July 2004
Transocean Amirante .	OS	1978/1997	3,500	25,000	U.S. Gulf	Cold stacked	-
Transocean Legend . .	OS	1983	3,500	25,000	Brazil	Petrobras	May 2004
C. Kirk Rhein, Jr.. .	OS	1976/1997	3,300	25,000	U.S. Gulf	Cold stacked	-
Transocean Driller. .	OS	1991	3,000	25,000	Brazil	Warm stacked	-
Falcon 100.	OS	1974/1999	2,400	25,000	U.S. Gulf	Cold stacked	-
Sedco 703	OS	1973/1995	2,000	25,000	Australia	BHPB	March 2004
					Australia	Apache	April 2004
					Australia	BHPB	May 2004
					Australia	Apache	June 2004
					Australia	ENI	July 2004
					Australia	ChevronTexaco	August 2004
Sedco 711	OS	1982	1,800	25,000	U.K. North Sea	Shell	March 2004
					U.K. North Sea	Shell	December 2004
Transocean John Shaw.	OS	1982	1,800	25,000	U.K. North Sea	Warm stacked	-
Sedco 714	OS	1983/1997	1,600	25,000	U.K. North Sea	EnCana	April 2004
Sedco 712	OS	1983	1,600	25,000	U.K. North Sea	Cold stacked	-
Actinia	OS	1982	1,500	25,000	Egypt	IEOC	June 2004
Sedco 600	OS	1983/1994	1,500	25,000	Singapore	Warm stacked	-
Sedco 601	OS	1983	1,500	25,000	Indonesia	Schlumberger	May 2004
Sedco 602	OS	1983	1,500	25,000	Singapore	Cold stacked	-
Sedco 702	OS	1973/1992	1,500	25,000	Australia	Cold stacked	-
Sedneth 701	OS	1972/1993	1,500	25,000	Angola	ChevronTexaco	September 2004

Transocean Prospect .	OS	1983/1992	1,500	25,000	U.K. North Sea	Cold stacked	-
Transocean Searcher .	OS	1983/1988	1,500	25,000	Norwegian N. Sea	Statoil	June 2004
					Norwegian N. Sea	Statoil	May 2005
Transocean Winner . .	OS	1983	1,500	25,000	Norwegian N. Sea	Cold stacked	-
Transocean Wildcat. .	OS	1977/1985	1,300	25,000	U.K. North Sea	Cold stacked	-
Transocean Explorer .	OS	1976	1,250	25,000	U.K. North Sea	Cold stacked	-
J. W. McLean.	OS	1974/1996	1,250	25,000	U.K. North Sea	Oilexco	March 2004
Sedco 704	OS	1974/1993	1,000	25,000	U.K. North Sea	ChevronTexaco	March 2004
					U.K. North Sea	ADTI	May 2004
Sedco 706	OS	1976/1994	1,000	25,000	U.K. North Sea	Cold stacked	-

"OD" means other drillship.
"OS" means other semisubmersible.

(a) Dates shown are the original service date and the date of the most recent upgrade, if any.
(b) Expiration dates represent our current estimate of the earliest date the contract for each rig is likely to expire. Some rigs have two or more contracts in continuation, so the last line shows the last expected termination date. Some contracts may permit the client to extend the contract.

JACKUP RIGS (26)

The following table provides certain information regarding our Jackup Rig fleet in this segment as of February 27, 2004:

NAME	YEAR ENTERED SERVICE/ UPGRADED(a)	WATER DEPTH CAPACITY (IN FEET)	DRILLING DEPTH CAPACITY (IN FEET)	LOCATION	CUSTOMER	ESTIMATED EXPIRATION (b)
Trident IX	1982	400	21,000	Vietnam	JVPC	August 2004
				Vietnam	JVPC	August 2005
Trident 17	1983	355	25,000	Vietnam	Carigali	June 2004
Harvey H. Ward . .	1981	300	25,000	Malaysia	Talisman	July 2004
J. T. Angel. . . .	1982	300	25,000	India	ONGC	May 2004
Roger W. Mowell. .	1982	300	25,000	Malaysia	Talisman	November 2004
Ron Tappmeyer. . .	1978	300	25,000	India	ONGC	November 2006
D. R. Stewart. . .	1980	300	25,000	Italy	ENI	March 2005
Randolph Yost. . .	1979	300	25,000	India	ONGC	November 2006
C. E. Thornton . .	1974	300	25,000	India	ONGC	June 2004
F. G. McClintock .	1975	300	25,000	India	ONGC	October 2004
Shelf Explorer . .	1982	300	25,000	Equatorial Guinea	Marathon	March 2004
Transocean III . .	1978/1993	300	20,000	Egypt	Devon	September 2004
Transocean Nordic.	1984	300	25,000	India	Reliance	March 2004
Trident II	1977/1985	300	25,000	India	ONGC	May 2006
Trident IV-A . . .	1980/1999	300	25,000	Angola	ChevronTexaco	April 2004
Trident VI	1981	300	21,000	Nigeria	Warm stacked	-
Trident VIII . . .	1981	300	21,000	Nigeria	ChevronTexaco	May 2004
Trident XII. . . .	1982/1992	300	25,000	India	ONGC	November 2006
Trident XIV. . . .	1982/1994	300	20,000	Angola	Warm stacked	-
Trident 15	1982	300	25,000	Thailand	Unocal	February 2005
Trident 16	1982	300	25,000	Thailand	PTTEP	May 2004
Trident 20	2000	350	25,000	Caspian Sea	Warm stacked	April 2004
				Caspian Sea	Petronas	December 2004

NAME	YEAR ENTERED SERVICE/ UPGRADED(a)	WATER DEPTH CAPACITY (IN FEET)	DRILLING DEPTH CAPACITY (IN FEET)	LOCATION	CUSTOMER	ESTIMATED EXPIRATION (b)
George H. Galloway.	1984	300	25,000	Italy	ENI	July 2004
Transocean Comet. .	1980	250	20,000	Egypt	GUPCO	October 2005
Transocean Mercury.	1969/1998	250	20,000	Egypt	GUPCO	June 2004
Transocean Jupiter.	1981/1997	170	16,000	United Arab Emirates	Cold stacked	-

(a) Dates shown are the original service date and the date of the most recent upgrade, if any.
(b) Expiration dates represent our current estimate of the earliest date the contract for each rig is likely to expire. Some rigs have two or more contracts in continuation, so the last line shows the last expected termination date. Some contracts may permit the client to extend the contract.

OTHER RIGS

In addition to our floaters and jackups, we also own or operate several other types of rigs in this segment. These rigs include four drilling barges, four tenders, a platform drilling rig, a mobile offshore production unit and a land rig, as well as a coring drillship.

TODCO FLEET

As of March 1, 2004, the TODCO segment fleet consisted of 24 jackups, 30 drilling barges, three submersible rigs and a platform drilling rig, as well as nine land rigs and three lake barges. As of March 1, 2004, TODCO's fleet was located in the U.S. (52 units), Mexico (three units), Venezuela (13 units) and Trinidad (two units). The following table contains information relating to TODCO's fleet as of such date:

LOCATION	NO. OF OPERATING RIGS	TOTAL NO. OF RIGS
U.S. Gulf of Mexico		
- Jackups	9	19
- Submersibles	-	3
U.S. Inland Waters		
- Drilling Barges	12	30
Mexico		
- Jackups	2	2
Venezuela		
- Jackups	1	1
- Land Rigs	1	9
- Lake Barges	-	3
Trinidad		
- Jackups	1	2
- Platform Rig	-	1

MARKETS

Our operations are geographically dispersed in oil and gas exploration and development areas throughout the world. Rigs can be moved from one region to another, but the cost of moving a rig and the availability of rig-moving vessels may cause the supply and demand balance to vary somewhat between regions. However, significant variations between regions do not tend to exist long-term because of rig mobility. Consequently, we operate in a single, global offshore drilling market. Because our drilling rigs are mobile assets and are able to be moved according to prevailing market conditions, we cannot predict the percentage of our revenues that will be derived from particular geographic or political areas in future periods.

In recent years, there has been increased emphasis by oil companies on exploring for hydrocarbons in deeper waters. This is, in part, because of technological developments that have made such exploration more feasible and cost-effective. For this reason, water-depth capability is a key component in determining rig suitability for a particular drilling project. Another distinguishing feature in some drilling market segments is a rig's ability to operate in harsh environments, including extreme marine and climatic conditions and temperatures.

The deepwater and mid-water market sectors are serviced by our semisubmersibles and drillships. While the use of the term "deepwater" as used in the drilling industry to denote a particular segment of the market can vary and continues to evolve with technological improvements, we generally view the deepwater market segment as that which begins in water depths of approximately 4,500 feet and extends to the maximum water depths in which rigs are capable of drilling, which is currently approximately 10,000 feet. We view the mid-water market sector as that which covers water depths of about 300 feet to approximately 4,500 feet.

The global shallow water market segment begins at the outer limit of the transition zone and extends to water depths of about 300 feet. We service this segment with our jackups and drilling tenders, which are located outside of the U.S. TODCO also operates in this market segment with jackups and submersibles. This segment has been developed to a significantly greater degree than the deepwater market segment because the shallower water depths have made it much more accessible than the deeper water market segments.

The "transition zone" market segment is characterized by marshes, rivers, lakes, shallow bay and coastal water areas. We operate in this segment using our drilling barges located in West Africa and Southeast Asia. TODCO operates in this market segment along the U.S. Gulf of Mexico coastline, which has been the world's largest market segment for barge rigs.

TODCO also conducts land rig operations in Venezuela.

MANAGEMENT SERVICES

We use our engineering and operating expertise to provide management of third party drilling service activities. These services are provided through service teams generally consisting of our personnel and third party subcontractors and we frequently serve as lead contractor. The work generally consists of individual contractual agreements to meet specific client needs and may be provided on either a dayrate or fixed price basis. As of March 1, 2004, we were performing such services in the North Sea, India and Malaysia. These management service revenues did not represent a material portion of our revenues during 2003.

DRILLING CONTRACTS

Our contracts to provide offshore drilling services are individually negotiated and vary in their terms and provisions. We obtain most of our contracts through competitive bidding against other contractors. Drilling contracts generally provide for payment on a dayrate basis, with higher rates while the drilling unit is operating and lower rates for periods of mobilization or when drilling operations are interrupted or restricted by equipment breakdowns, adverse environmental conditions or other conditions beyond our control.

A dayrate drilling contract generally extends over a period of time covering either the drilling of a single well or group of wells or covering a stated term. These contracts typically can be terminated by the client under various circumstances such as the loss or destruction of the drilling unit or the suspension of drilling operations for a specified period of time as a result of a breakdown of major equipment. The contract term in some instances may be extended by the client exercising options for the drilling of additional wells or for an additional term, or by exercising a right of first refusal. In reaction to depressed market conditions, our clients may seek renegotiation of firm drilling contracts to reduce their obligations or may seek to suspend or terminate their contracts. Some drilling contracts permit the customer to terminate the contract at the customer's option without paying a termination fee. Suspension of drilling contracts results in the reduction in or loss of dayrate for the period of the suspension. If our customers cancel some of our significant contracts and we are unable to secure new contracts on substantially similar terms, or if contracts are suspended for an extended period of time, it could adversely affect our results of operations.

SIGNIFICANT CLIENTS

During the past five years, we have engaged in offshore drilling for most of the leading international oil companies (or their affiliates), as well as for many government-controlled and independent oil companies. Major clients included BP, Shell, Petrobras and Statoil. Our largest unaffiliated clients in 2003 were Petrobras, BP and Shell accounting for 11.8 percent, 11.1 percent and 10.7 percent, respectively, of our 2003 operating revenues. No other unaffiliated client accounted for 10 percent or more of our 2003 operating revenues. The loss of any of these significant clients could, at least in the short term, have a material adverse effect on our results of operations.

REGULATION

Our operations are affected from time to time in varying degrees by governmental laws and regulations. The drilling industry is dependent on demand for services from the oil and gas exploration industry and, accordingly, is affected by changing tax and other laws generally relating to the energy business.

International contract drilling operations are subject to various laws and regulations in countries in which we operate, including laws and regulations relating to the equipping and operation of drilling units, currency conversions and repatriation, oil and gas exploration and development, taxation of offshore earnings and earnings of expatriate personnel and use of local employees and suppliers by foreign contractors. Governments in some foreign countries are active in regulating and controlling the ownership of concessions and companies holding concessions, the exportation of oil and gas and other aspects of the oil and gas industries in their countries. In addition, government action, including initiatives by the Organization of Petroleum Exporting Countries ("OPEC"), may continue to cause oil price volatility. In some areas of the world, this governmental activity has adversely affected the amount of exploration and development work done by major oil companies and may continue to do so.

In the U.S., regulations applicable to our operations include certain regulations controlling the discharge of materials into the environment and requiring the removal and cleanup of materials that may harm the environment or otherwise relating to the protection of the environment.

The U.S. Oil Pollution Act of 1990 ("OPA") and related regulations impose a variety of requirements on "responsible parties" related to the prevention of oil spills and liability for damages resulting from such spills. Few defenses exist to the liability imposed by OPA, and such liability could be substantial. Failure to comply with ongoing requirements or inadequate cooperation in a spill event could subject a responsible party to civil or criminal enforcement action.

The U.S. Outer Continental Shelf Lands Act authorizes regulations relating to safety and environmental protection applicable to lessees and permittees operating on the outer continental shelf. Included among these are regulations that require the preparation of spill contingency plans and establish air quality standards for certain pollutants, including particulate matter, volatile organic compounds, sulfur dioxide, carbon monoxide and nitrogen oxides. Specific design and operational standards may apply to outer continental shelf vessels, rigs, platforms, vehicles and structures. Violations of environmental related lease conditions or regulations issued pursuant to the U.S. Outer Continental Shelf Lands Act can result in substantial civil and criminal penalties, as well as potential court injunctions curtailing operations and canceling leases. Such enforcement liabilities can result from either governmental or citizen prosecution.

The U.S. Comprehensive Environmental Response Compensation and Liability Act ("CERCLA"), also known as the "Superfund" law, imposes liability without regard to fault or the legality of the original conduct on some classes of persons that are considered to have contributed to the release of a "hazardous substance" into the environment. These persons include the owner or operator of a facility where a release occurred and companies that disposed or arranged for the disposal of the hazardous substances found at a particular site. Persons who are or were responsible for releases of hazardous substances under CERCLA may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment and for damages to natural resources. It is not uncommon for third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. We could be subject to liability under CERCLA principally in connection with TODCO's inland activities.

Certain of the other countries in whose waters we are presently operating or may operate in the future have regulations covering the discharge of oil and other contaminants in connection with drilling operations.

Although significant capital expenditures may be required to comply with these governmental laws and regulations, such compliance has not materially adversely affected our earnings or competitive position.

EMPLOYEES

We require highly skilled personnel to operate our drilling units. As a result, we conduct extensive personnel recruiting, training and safety programs. At January 31, 2004, excluding TODCO employees, we had approximately 10,100 employees, of which approximately 1,900 persons were contracted through contract labor providers. As of such date, approximately 24 percent of these employees worldwide worked under collective bargaining agreements, most of whom worked in Brazil, Norway, U.K. and Nigeria. Of these represented employees, substantially all are working under agreements that are subject to salary negotiation in 2004. These negotiations could result in higher personnel expenses, other increased costs or increased operating restrictions.

At January 31, 2004, TODCO had approximately 1,800 employees, of which approximately six percent worked under collective bargaining agreements in Trinidad and Venezuela.

AVAILABLE INFORMATION

Our website address is www.deepwater.com. We make our website content available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference in this Form 10-K. We make available on this website under "Investor Relations-Financial Reports," free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file those materials with, or furnish those materials to, the Securities and Exchange Commission ("SEC"). The SEC also maintains a website at www.sec.gov that contains reports, proxy statements and other information regarding SEC registrants, including us.

You may also find information related to our corporate governance, board committees and company code of ethics at our website. Among the information you can find there is the following:

- Corporate Governance Guidelines;
- Audit Committee Charter;
- Corporate Governance Committee Charter;
- Executive Compensation Committee Charter;
- Finance and Benefits Committee Charter; and
- Code of Ethics.

ITEM 2. PROPERTIES

The description of our property included under "Item 1. Business" is incorporated by reference herein.

We maintain offices, land bases and other facilities worldwide, including our principal executive offices in Houston, Texas and regional operational offices in the U.S., Brazil, France and Indonesia. Our remaining offices and bases are located in various countries in North America, South America, the Caribbean, Europe, Africa, the Middle East, India and Asia. We lease most of these facilities.

TODCO maintains principal executive offices in Houston, Texas and has operational offices in the U.S., Mexico, Trinidad and Venezuela.

ITEM 3. LEGAL PROCEEDINGS

In 1990 and 1991, two of our subsidiaries were served with various assessments collectively valued at approximately $5.8 million from the municipality of Rio de Janeiro, Brazil to collect a municipal tax on services. We believe that neither subsidiary is liable for the taxes and have contested the assessments in the Brazilian administrative and court systems. In October 2001, the Brazil Supreme Court rejected our appeal of an adverse lower court's ruling with respect to a June 1991 assessment, which is valued at approximately $5 million. We are continuing to challenge the assessment and have an action to suspend a related tax foreclosure proceeding. We have received a favorable ruling in connection with a disputed August 1990 assessment but the government has appealed that ruling. We also are awaiting a ruling from the Taxpayer's Council in connection with an October 1990 assessment. If our defenses are ultimately unsuccessful, we believe that the Brazilian government-controlled oil company, Petrobras, has a contractual obligation to reimburse us for municipal tax payments required to be paid by them. We do not expect the liability, if any, resulting from these assessments to have a material adverse effect on our business or consolidated financial position.

The Indian Customs Department, Mumbai, filed a "show cause notice" against one of our subsidiaries and various third parties in July 1999. The show cause notice alleged that the initial entry into India in 1988 and other subsequent movements of the Trident II jackup rig operated by the subsidiary constituted imports and exports for which proper customs procedures were not followed and sought payment of customs duties of approximately $31 million based on an alleged 1998 rig value of $49 million, with interest and penalties, and confiscation of the rig. In January 2000, the Customs Department issued its order, which found that we had imported the rig improperly and intentionally concealed the import from the authorities, and directed us to pay a redemption fee of approximately $3 million for the rig in lieu of confiscation and to pay penalties of approximately $1 million in addition to the amount of customs duties owed. In February 2000, we filed an appeal with the Customs, Excise and Gold (Control) Appellate Tribunal ("CEGAT") together with an application to have the confiscation of the rig stayed pending the outcome of the appeal. In March 2000, the CEGAT ruled on the stay application, directing that the confiscation be stayed pending the appeal. The CEGAT issued its opinion on our appeal on February 2, 2001, and while it found that the rig was imported in 1988 without proper documentation or payment of duties, the redemption fee and penalties were reduced to less than $0.1 million in view of the ambiguity surrounding the import practice at the time and the lack of intentional concealment by us. The CEGAT further sustained our position regarding the value of the rig at the time of import as $13 million and ruled that subsequent movements of the rig were not liable to import documentation or duties in view of the prevailing practice of the Customs Department, thus limiting our exposure as to custom duties to approximately $6 million. Following the CEGAT order, we tendered payment of redemption, penalty and duty in the amount specified by the order by offset against a $0.6 million deposit and $10.7 million guarantee previously made by us. The Customs Department attempted to draw the entire guarantee, alleging the actual duty payable is approximately $22 million based on an interpretation of the CEGAT order that we believe is incorrect. This action was stopped by an interim ruling of the High Court, Mumbai on writ petition filed by us. We and the Customs Department both filed appeals with the Supreme Court of India against the order of the CEGAT, and both appeals have been admitted. We are now awaiting a hearing date. We and our customer agreed to pursue and obtained the issuance of documentation from the Ministry of Petroleum that, if accepted by the Customs Department, would reduce the duty to nil. The agreement with the customer further provided that if this reduction was not obtained by the end of 2001, our customer would pay the duty up to a limit of $7.7 million. The Customs Department did not accept the documentation or agree to refund the duties already paid. We are pursuing our remedies against the Customs Department and our customer. We do not expect, in any event, that the ultimate liability, if any, resulting from the matter will have a material adverse effect on our business or consolidated financial position.

In March 1997, an action was filed by Mobil Exploration and Producing U.S. Inc. and affiliates, St. Mary Land & Exploration Company and affiliates and Samuel Geary and Associates, Inc. against TODCO, the underwriters and insurance broker in the 16th Judicial District Court of St. Mary Parish, Louisiana. The plaintiffs alleged damages amounting to in excess of $50 million in connection with the drilling of a turnkey well in 1995 and 1996. The case was tried before a jury in January and February 2000, and the jury returned a verdict of approximately $30 million in favor of the plaintiffs for excess drilling costs, loss of insurance proceeds, loss of hydrocarbons and interest. The matter has now been fully resolved with all the plaintiffs. We believe that most, if not all, of the settlement amounts are covered by relevant primary and excess liability insurance policies. However, the insurers and underwriters denied coverage and one has filed a counterclaim. TODCO has instituted litigation against those insurers and underwriters to enforce its rights under the relevant policies. TODCO has settled with some of the insurers but is continuing the litigation against the remaining insurers. Pursuant to the master separation agreement with TODCO, we are responsible and will indemnify TODCO for any losses TODCO incurs from these actions and we will benefit from any recovery. We do not expect that the ultimate outcome of this case will have a material adverse effect on our business or consolidated financial position.

In October 2001, TODCO was notified by the U.S. Environmental Protection Agency ("EPA") that the EPA had identified a subsidiary as a potentially responsible party in connection with the Palmer Barge Line superfund site located in Port Arthur, Jefferson County, Texas. Based upon the information provided by the EPA and a review of TODCO's internal records to date, TODCO disputes its designation as a potentially responsible party. Pursuant to the master separation agreement with TODCO, we are responsible and will indemnify TODCO for any losses TODCO incurs in connection with this action. We do not expect that the ultimate outcome of this case will have a material adverse effect on our business or consolidated financial position.

In August 2003, a judgment of approximately $9.5 million was entered by the Labor Division of the Provincial Court of Luanda, Angola, against us and one of our labor contractors, Hull Blyth, in favor of certain former workers on several of our drilling rigs. The workers were employed by Hull Blyth to work on several drilling rigs while the rigs were located in Angola. When the drilling contracts concluded and the rigs left Angola, the workers' employment ended. The workers brought suit claiming that they were not properly compensated when their employment ended. In addition to the monetary judgment, the Labor Division ordered the workers to be hired by us. We believe that this judgment is without sufficient legal foundation and have appealed the matter to the Angola Supreme Court. We further believe that Hull Blyth has an obligation to protect us from any judgment. We do not believe that the ultimate outcome of this matter will have a material adverse effect on our business or consolidated financial position.

We are involved in a number of other lawsuits, all of which have arisen in the ordinary course of our business. We do not believe that ultimate liability, if any, resulting from any such other pending litigation will have a material adverse effect on our business or consolidated financial position. We cannot predict with certainty the outcome or effect of any of the litigation matters specifically described above or of any such other pending litigation. There can be no assurance that our beliefs or expectations as to the outcome or effect of any lawsuit or other litigation matter will prove correct and the eventual outcome of these matters could materially differ from management's current estimates.

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

The Company did not submit any matter to a vote of its security holders during the fourth quarter of 2003.

EXECUTIVE OFFICERS OF THE REGISTRANT

OFFICER	OFFICE	AGE AS OF MARCH1, 2004
J. Michael Talbert. . .	Chairman of the Board	57
Robert L. Long.	President and Chief Executive Officer	58
Jean P. Cahuzac	Executive Vice President and Chief Operating Officer	50
Eric B. Brown	Senior Vice President, General Counsel and Corporate Secretary	52
Gregory L. Cauthen. . .	Senior Vice President and Chief Financial Officer	46
Barbara S. Koucouthakis	Vice President and Chief Information Officer	45
Tim L. Juran.	Vice President, Human Resources	45
Jan Rask.	President and Chief Executive Officer of TODCO	48

The officers of the Company are elected annually by the Board of Directors. There is no family relationship between any of the above-named executive officers.

J. Michael Talbert is Chairman of the Board of the Company. Mr. Talbert served as Chief Executive Officer of the Company from August 1994 to October 2002, at which time he assumed his current position, and has been a member of the Board of Directors since August 1994. Mr. Talbert also served as Chairman of the Board of the Company from August 1994 until the time of the Sedco Forex merger and as President of the Company from the time of such merger until December 2001. Prior to assuming his duties with the Company, Mr. Talbert was President and Chief Executive Officer of Lone Star Gas Company, a natural gas distribution company and a division of Ensearch Corporation.

Robert L. Long is President, Chief Executive Officer and a member of the Board of Directors of the Company. Mr. Long served as President of the Company from December 2001 to October 2002, at which time he assumed the additional position of Chief Executive Officer and became a member of the Board of Directors. Mr. Long served as Chief Financial Officer of the Company from August 1996 until December 2001. Mr. Long served as Senior Vice President of the Company from May 1990 until the time of the Sedco Forex merger, at which time he assumed the position of Executive Vice President. Mr. Long also served as Treasurer of the Company from September 1997 until March 2001. Mr. Long has been employed by the Company since 1976 and was elected Vice President in 1987.

Jean P. Cahuzac is Executive Vice President and Chief Operating Officer of the Company. Mr. Cahuzac served as Executive Vice President, Operations of the Company from February 2001 until October 2002, at which time he assumed his current position. Mr. Cahuzac served as President of Sedco Forex from January 1999 until the time of the Sedco Forex merger, at which time he assumed the positions of Executive Vice President and President, Europe, Middle East and Africa with the Company. Mr. Cahuzac served as Vice President-Operations Manager of Sedco Forex from May 1998 to January 1999, Region Manager-Europe, Africa and CIS of Sedco Forex from September 1994 to May 1998 and Vice President/General Manager-North Sea Region of Sedco Forex from February 1994 to September 1994. He had been employed by Schlumberger since 1979.

Eric B. Brown is Senior Vice President, General Counsel and Corporate Secretary of the Company. Mr. Brown served as Vice President and General Counsel of the Company since February 1995 and Corporate Secretary of the Company since September 1995. He assumed the position of Senior Vice President in February 2001. Prior to assuming his duties with the Company, Mr. Brown served as General Counsel of Coastal Gas Marketing Company.

Gregory L. Cauthen is Senior Vice President and Chief Financial Officer of the Company. He was also Treasurer of the Company until July 2003. Mr. Cauthen served as Vice President, Chief Financial Officer and Treasurer from December 2001 until he was elected in July 2002 as Senior Vice President. Mr. Cauthen served as Vice President, Finance from March 2001 to December 2001. Prior to joining the Company, he served as President and Chief Executive Officer of WebCaskets.com, Inc., a provider of death care services, from June 2000 until February 2001. Prior to June 2000, he was employed at Service Corporation International, a provider of death care services, where he served as Senior Vice President, Financial Services from July 1998 to August 1999, Vice President, Treasurer from July 1995 to July 1998, was assigned to various special projects from August 1999 to May 2000 and had been employed in various other positions since February 1991.

Barbara S. Koucouthakis is Vice President and Chief Information Officer of the Company. Ms. Koucouthakis served as Controller of the Company from January 1990 and Vice President from April 1993 until the time of the Sedco Forex merger, at which time she assumed her current position. She has been employed by the Company since 1982.

Tim L. Juran is Vice President, Human Resources of the Company. Mr. Juran served as Region Manager, North America of the Company from February 2001 until August 2002, at which time he assumed his current position. Mr. Juran served as Vice President & Regional Manager, North America & Europe for R&B Falcon from June 1999 to February 2001 and as Vice President & Regional Manager, Europe from January 1997 to May 1999. Prior to the R&B Falcon merger, Mr. Juran had been employed by R&B Falcon since 1980.

Jan Rask is President and Chief Executive Officer of TODCO, a publicly traded drilling company in which the Company owns a majority interest. Mr. Rask was Managing Director, Acquisitions and Special Operations, of Pride International, Inc., a contract drilling company, from September 2001 to July 2002, when he joined TODCO in his current capacity. From July 1996 to September 2001, Mr. Rask was President, Chief Executive Officer and a director of Marine Drilling Companies, Inc., a contract drilling company. Mr. Rask served as President and Chief Executive Officer of Arethusa (Off-Shore) Limited from May 1993 until the acquisition of Arethusa (Off-Shore) Limited by Diamond Offshore Drilling in May 1996. Mr. Rask joined Arethusa (Off-Shore) Limited's principal operating subsidiary in 1990 as its President and Chief Executive Officer. Mr. Rask has been a director of Veritas DGC, Inc., an integrated geophysical service company since 1998.

Brenda S. Masters, previously the Company's Vice President and Controller, left the Company in December 2003. Mr. Cauthen now serves as the Company's Principal Accounting Officer.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Our ordinary shares are listed on the New York Stock Exchange (the "NYSE") under the symbol "RIG." The following table sets forth the high and low sales prices of our ordinary shares for the periods indicated as reported on the NYSE Composite Tape.

		PRICE	
		HIGH	LOW
2002	First Quarter	$34.66	$26.51
	Second Quarter	39.33	30.00
	Third Quarter	31.75	19.60
	Fourth Quarter	25.89	18.10
2003	First Quarter	$24.36	$19.87
	Second Quarter	25.90	18.40
	Third Quarter	22.43	18.50
	Fourth Quarter	24.85	18.49
2004	First Quarter (through February 27)	$30.06	$23.10

On February 27, 2004, the last reported sales price of our ordinary shares on the NYSE Composite Tape was $29.48 per share. On such date, there were 17,564 holders of record of the Company's ordinary shares and 320,711,252 ordinary shares outstanding.

We discontinued the payment of a quarterly cash dividend, and the last dividend payment of $0.03 per share was paid on June 13, 2002. Prior to the elimination of the cash dividend, we had paid quarterly cash dividends of $0.03 per ordinary share since the fourth quarter of 1993. Any future declaration and payment of dividends will be (i) dependent upon our results of operations, financial condition, cash requirements and other relevant factors, (ii) subject to the discretion of the Board of Directors, (iii) subject to restrictions contained in our bank credit agreements and note purchase agreement and (iv) payable only out of our profits or share premium account in accordance with Cayman Islands law.

There is currently no reciprocal tax treaty between the Cayman Islands and the United States. However, under current Cayman Islands law, there is no withholding tax on dividends.

We are a Cayman Islands exempted company. Our authorized share capital is $13,000,000, divided into 800,000,000 ordinary shares, par value $0.01, and 50,000,000 preference shares, par value $0.10, of which shares may be designated and created as shares of any other classes or series of shares with the respective rights and restrictions determined by action of our board of directors. On February 27, 2004, no preference shares were outstanding.

The holders of ordinary shares are entitled to one vote per share other than on the election of directors.

With respect to the election of directors, each holder of ordinary shares entitled to vote at the election has the right to vote, in person or by proxy, the number of shares held by him for as many persons as there are directors to be elected and for whose election that holder has a right to vote. The directors are divided into three classes, with only one class being up for election each year. Directors are elected by a plurality of the votes cast in the election. Cumulative voting for the election of directors is prohibited by our articles of association.

There are no limitations imposed by Cayman Islands law or our articles of association on the right of nonresident shareholders to hold or vote their ordinary shares.

The rights attached to any separate class or series of shares, unless otherwise provided by the terms of the shares of that class or series, may be varied only with the consent in writing of the holders of all of the issued shares of that class or series or by a special resolution passed at a separate general meeting of holders of the shares of that class or series. The necessary quorum for that meeting is the presence of holders of at least a majority of the shares of that class or series. Each holder of shares of the class or series present, in person or by proxy, will have one vote for each share of the class or series of which he is the holder. Outstanding shares will not be deemed to be varied by the creation or issuance of additional shares that rank in any respect prior to or equivalent with those shares.

Under Cayman Islands law, some matters, like altering the memorandum or articles of association, changing the name of a company, voluntarily winding up a company or resolving to be registered by way of continuation in a jurisdiction outside the Cayman Islands, require approval of shareholders by a special resolution. A special resolution is a resolution (1) passed by the holders of two-thirds of the shares voted at a general meeting or (2) approved in writing by all shareholders entitled to vote at a general meeting of the company.

The presence of shareholders, in person or by proxy, holding at least a majority of the issued shares generally entitled to vote at a meeting, is a quorum for the transaction of most business. However, different quorums are required in some cases to approve a change in our articles of association.

Our board of directors is authorized, without obtaining any vote or consent of the holders of any class or series of shares unless expressly provided by the terms of issue of that class or series, to provide from time to time for the issuance of classes or series of preference shares and to establish the characteristics of each class or series, including the number of shares, designations, relative voting rights, dividend rights, liquidation and other rights, redemption, repurchase or exchange rights and any other preferences and relative, participating, optional or other rights and limitations not inconsistent with applicable law.

Our articles of association contain provisions that could prevent or delay an acquisition of our company by means of a tender offer, proxy contest or otherwise.

The foregoing description is a summary. This summary is not complete and is subject to the complete text of our memorandum and articles of association. For more information regarding our ordinary shares and our preference shares, see our Current Report on Form 8-K dated May 14, 1999 and our memorandum and articles of association. Our memorandum and articles of association are filed as exhibits to this Report.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data as of December 31, 2003 and 2002 and for each of the three years in the period ended December 31, 2003 has been derived from the audited consolidated financial statements included elsewhere herein. The selected consolidated financial data as of December 31, 2001, 2000 and 1999, and for the years ended December 31, 2000 and 1999 has been derived from audited consolidated financial statements not included herein. The following data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and the notes thereto included under "Item 8. Financial Statements and Supplementary Data."

On January 31, 2001, we completed a merger transaction with R&B Falcon. As a result of the merger, R&B Falcon became our indirect wholly owned subsidiary. The merger was accounted for as a purchase and we were treated as the accounting acquiror. The balance sheet data as of December 31, 2001 represents the consolidated financial position of the combined company. The statement of operations and other financial data for the year ended December 31, 2001 include eleven months of operating results and cash flows for the merged company.

On December 31, 1999, the merger of Transocean Offshore Inc. and Sedco Forex was completed. Sedco Forex was the offshore contract drilling service business of Schlumberger and was spun-off immediately prior to the merger transaction. As a result of the merger, Sedco Forex became a wholly owned subsidiary of Transocean Offshore Inc., which changed its name to Transocean Sedco Forex Inc. The merger was accounted for as a purchase with Sedco Forex treated as the accounting acquiror. The balance sheet data beginning as of December 31, 1999 and the statement of operations and other financial data beginning the year ended December 31, 2000 represent the consolidated financial position, cash flows and results of operations of the merged company. The statement of operations and other financial data for the year ended December 31, 1999, represent the financial position, cash flows and results of operations of Sedco Forex and not those of historical Transocean Offshore Inc.

	YEARS ENDED DECEMBER 31,							
	2003	2002	2001		2000		1999	
	(IN MILLIONS, EXCEPT PER SHARE DATA)							
STATEMENT OF OPERATIONS								
Operating revenues	$ 2,434	$ 2,674	$ 2,820		$1,230		$ 648	
Operating income (loss)	240	(2,310)	550		133		49	
Income (loss) before cumulative effect of changes in accounting principles	18	(2,368)	253	(b)	109	(b)	58	
Income (loss) before cumulative effect of changes in accounting principles per share								
Basic	$ 0.06	$ (7.42)	$ 0.82	(b)	$ 0.52	(b)	$ 0.53	(a)
Diluted	$ 0.06	$ (7.42)	$ 0.80	(b)	$ 0.51	(b)	$ 0.53	(a)
BALANCE SHEET DATA (AT END OF PERIOD)								
Total assets	$11,663	$12,665	$17,048		$6,359		$6,140	
Total debt	3,658	4,678	5,024		1,453		1,266	
Total equity	7,193	7,141	10,910		4,004		3,910	
Dividends per share	$ -	$ 0.06	$ 0.12		$ 0.12		-	
OTHER FINANCIAL DATA								
Cash provided by operating activities	$ 526	$ 937	$ 560		$ 196		$ 241	
Cash used in investing activities	(448)	(45)	(26)		(493)		(90)	
Cash provided by (used in) financing activities	(818)	(531)	285		166		(159)	
Capital expenditures	496	141	506		575		537	
Operating margin	10%	N/M	20%		11%		8%	

"N/M" means not meaningful due to loss on impairments of long-lived assets.

(a) Unaudited pro forma earnings per share was calculated using the Transocean Inc. ordinary shares issued pursuant to the Sedco Forex merger agreement and the dilutive effect of Transocean Inc. stock options granted to former Sedco Forex employees at the time of the Sedco Forex merger, as applicable.

(b) Income (loss) before cumulative effect of changes in accounting principles and the related basic and diluted per share amounts reflect a reclassification of loss on retirement of debt previously reported as an extraordinary item.

Operating revenues and long-lived assets by country are as follows (in millions):

	YEARS ENDED DECEMBER 31,		
	2003	2002	2001
OPERATING REVENUES			
United States	$ 753	$ 753	$ 980
Brazil	317	283	356
United Kingdom	212	346	355
Rest of the World (a)	1,152	1,292	1,129
Total Operating Revenues	$ 2,434	$ 2,674	$ 2,820

	AS OF DECEMBER 31,	
	2003	2002
LONG-LIVED ASSETS		
United States	$ 3,320	$ 3,905
Goodwill (b)	2,231	2,218
Brazil	1,283	1,239
Rest of the World (a)	3,650	3,391
Total Long-Lived Assets	$ 10,484	$ 10,753

(a) Rest of the World represents countries in which we operate that individually had operating revenues or long-lived assets representing less than 10 percent of total operating revenues earned or total long-lived assets.

(b) Goodwill resulting from the Sedco Forex and R&B Falcon mergers has not been allocated to individual countries.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information should be read in conjunction with the information contained in the audited consolidated financial statements and the notes thereto included under "Item 8. Financial Statements and Supplementary Data" elsewhere in this annual report.

OVERVIEW

Transocean Inc. (together with its subsidiaries and predecessors, unless the context requires otherwise, the "Company," "Transocean," "we," "us" or "our") is a leading international provider of offshore contract drilling services for oil and gas wells. As of March 1, 2004, we owned, had partial ownership interests in or operated 96 mobile offshore and barge drilling units, excluding the fleet of TODCO (together with its subsidiaries and predecessors, unless the context requires otherwise, "TODCO"), a publicly traded company in which we own a majority interest. As of this date, our fleet included 32 High-Specification semisubmersibles and drillships ("floaters"), 26 Other Floaters, 26 Jackup Rigs and 12 Other Rigs. As of March 1, 2004, TODCO's fleet consisted of 24 jackup rigs, 30 drilling barges, nine land rigs, three submersible drilling rigs and four other drilling rigs.

Our mobile offshore drilling fleet is considered one of the most modern and versatile fleets in the world. Our primary business is to contract these drilling rigs, related equipment and work crews primarily on a dayrate basis to drill oil and gas wells. We specialize in technically demanding segments of the offshore drilling business with a particular focus on deepwater and harsh environment drilling services. We also provide additional services, including management of third party well service activities.

Key measures of our total company results of operations and financial condition are as follows:

	YEARS ENDED DECEMBER 31, 2003	YEARS ENDED DECEMBER 31, 2002	CHANGE
	(IN MILLIONS, EXCEPT DAYRATES AND PERCENTAGES)		
Average dayrate (a)	$ 67,200	$ 74,800	$ (7,600)
Utilization (b)	57%	59%	N/A
STATEMENT OF OPERATIONS			
Operating revenue	$ 2,434.3	$ 2,673.9	$ (239.6)
Operating and maintenance expense	1,610.4	1,494.2	116.2
Operating income (loss)	239.7	(2,309.9)	2,549.6
Net income (loss)	19.2	(3,731.9)	3,751.1
BALANCE SHEET DATA (AT END OF PERIOD)			
Cash	474.0	1,214.2	(740.2)
Total Assets	11,662.6	12,665.1	(1,002.5)
Debt	3,658.1	4,678.0	(1,019.9)

"N/A" means not applicable.

(a) Average dayrate is defined as contract drilling revenue earned per revenue earning day.
(b) Utilization is the total actual number of revenue earning days as a percentage of the total number of calendar days in the period.

The decreases in our average dayrates and utilization were mainly attributable to the decline in overall market conditions primarily within our Other Floaters fleet category. The increase in our operating and maintenance expenses was primarily due to a change in accounting for client reimbursable expenses. In addition, our revenues, utilization and operating and maintenance expense were negatively impacted by a riser separation incident on the drillship Discoverer Enterprise, a well control incident on inland barge Rig 62, an electrical fire on the Peregrine I, a fire on inland barge Rig 20 and a labor strike and a restructuring of a benefit plan in Nigeria (see "-Significant Events"). With the overall market decline we have responded rapidly to reduce costs when rigs were idled. We also reduced costs by implementing standardized purchasing through negotiated agreements, nationalization of our labor force where appropriate and headcount reductions in support groups. Our 2003 financial results included the recognition of a number of non-cash charges pertaining to asset impairments and loss on debt retirements. Debt and cash decreased during 2003 primarily as a result of repayments on debt instruments as we continue to maintain our focus on debt reduction. We also increased our investment in the Fifth-Generation fleet category by purchasing the portions of the Deepwater Drilling L.L.C. ("DD LLC") and Deepwater Drilling II L.L.C. ("DDII LLC") joint ventures that had previously been held by ConocoPhillips and paying off the synthetic lease financing arrangements associated with the Deepwater Pathfinder and Deepwater Frontier. See "-Acquisitions and Dispositions."

As a result of the implementation of Emerging Issues Task Force ("EITF") Issue No. 99-19, Reporting Revenue Gross as a Principal versus Net as an Agent, costs we incur that are charged to our customers on a reimbursable basis are being recognized as operating and maintenance expense beginning in 2003. In addition, the amounts billed to our customers associated with these reimbursable costs are being recognized as operating revenue. The increase in operating revenues and operating and maintenance expense resulting from this implementation was approximately $100.5 million for the year ended December 31, 2003. This change in the accounting treatment for client reimbursables had no effect on our results of operations or consolidated financial position. We previously recorded these charges and related reimbursements on a net basis in operating and maintenance expense. Prior period amounts have not been reclassified, as the amounts were not material.

In the first quarter of 2004, we changed the categories we use to describe our Transocean Drilling segment fleet into a "High-Specification Floaters" category, consisting of our "Fifth-Generation Deepwater Floaters," "Other Deepwater Floaters" and "Other High-Specification Floaters," an "Other Floaters" category, a "Jackups" category and an "Other Rigs" category. Within our High-Specification Floaters category, we consider our Fifth-Generation Deepwater Floaters to be the semisubmersibles Deepwater Horizon, Cajun Express, Deepwater Nautilus, Sedco Energy and Sedco Express and the drillships Deepwater Discovery, Deepwater Expedition, Deepwater Frontier, Deepwater Millennium, Deepwater Pathfinder, Discoverer Deep Seas, Discoverer Enterprise, and Discoverer Spirit. These rigs were built in the last construction cycle and have high-pressure mud pumps and a water depth capability of 7,500 feet or greater. The Other Deepwater Floaters are generally those other semisubmersible rigs and drillships that have a water depth capacity of at least 4,500 feet. The Other High-Specification Floaters are those rigs capable of drilling in harsh environments that were built as fourth-generation rigs in the mid- to late-1980's and have greater displacement than previously constructed rigs resulting in larger variable load capacity, more useable deck space and better motion characteristics. The Other Floaters category is generally comprised of those non-high-specification floaters with a water depth capacity of less than 4,500 feet. The Jackups category consists of this segment's jackup fleet, and the Other Rigs category consists of other rigs that are of a different type or use. We changed these categories to better reflect how we view, and how we believe our investors and the industry view, our fleet in an effort to better reflect our strategic focus on the ownership and operation of premium high-specification floating rigs.

Our operations are aggregated into two reportable segments: (i) Transocean Drilling (formerly called "International and U.S. Floater Contract Drilling Services") and (ii) TODCO (formerly called "Gulf of Mexico Shallow and Inland Water"). The Transocean Drilling segment consists of floaters, jackups and other rigs used in support of offshore drilling activities and offshore support services. The TODCO segment consists of our interest in TODCO, which conducts jackup, drilling barge, land rig, submersible and other rig operations in the U.S. Gulf of Mexico and inland waters, Mexico, Trinidad and Venezuela. We provide services with different types of drilling equipment in several geographic regions. The location of our rigs and the allocation of resources to build or upgrade rigs is determined by the activities and needs of our customers.

SIGNIFICANT EVENTS

Transocean Drilling Segment

DD LLC and DDII LLC Joint Ventures-In May 2003, we purchased ConocoPhillips' 40 percent interest in DDII LLC. DDII LLC was the lessee in a synthetic lease financing facility with a special purpose entity entered into in connection with the construction of the Deepwater Frontier. As a result of this purchase, we consolidated DDII LLC in our financial statements late in the second quarter of 2003. In December 2003, DDII LLC paid $197.5 million for the purchase of the rig through the payoff of the synthetic lease financing arrangement. In conjunction with the payoff of the synthetic lease financing arrangements, our relationship with the special purpose entity was terminated. See "-Special Purpose Entities."

In December 2003, we purchased ConocoPhillips' 50 percent interest in DD LLC. DD LLC was the lessee in a synthetic lease financing facility with a special purpose entity entered into in connection with the construction of the Deepwater Pathfinder. As a result of this purchase, we consolidated DD LLC in our financial statements late in the fourth quarter of 2003. In December 2003, DD LLC paid $185.3 million for the purchase of the rig through the payoff of the synthetic lease financing arrangement. In conjunction with the payoff of the synthetic lease financing arrangement, our relationship with the special purpose entity was terminated. See "-Special Purpose Entities."

Operational Incidents-In April 2003, our deepwater drillship Peregrine I temporarily suspended drilling operations as a result of an electrical fire requiring repairs at a shipyard. The rig resumed operations in early July 2003. Operating income was negatively impacted by approximately $9.5 million due to the loss of dayrate and related expenses. See "-Historical 2003 compared to 2002."

In April 2003, we announced that drilling operations had ceased on four of our mobile offshore drilling units located offshore Nigeria due to a strike by local members of the labor unions in Nigeria on the semisubmersible rigs M.G. Hulme, Jr. and Sedco 709 and the jackup rigs Trident VI and Trident VIII. All of these rigs returned to operations in May and June 2003. Labor issues in Nigeria were resolved and settled in the fourth quarter of 2003. Operating income was negatively impacted by approximately $26.6 million due to loss of dayrate and the restructuring of the Nigeria defined benefit plan (see "-Defined Benefit Pension Plans").

In May 2003, we announced that a drilling riser had separated on our deepwater drillship Discoverer Enterprise and that the rig had temporarily suspended drilling operations for our customer. The rig resumed operations in July 2003. Operating income for the year ended December 31, 2003 was negatively impacted by approximately $46.4 million due to expenses incurred on the Discoverer Enterprise as well as several other of our Fifth-Generation Deepwater Floaters related to the drilling riser separation and a related disagreement with our customer that was resolved in the first quarter of 2004. See "-Historical 2003 compared to 2002." We are currently in discussions with our insurers relating to an insurance claim for a portion of our losses stemming from this incident.

TODCO Segment

IPO-In February 2004, we completed the initial public offering ("IPO") of TODCO, in which we sold 13.8 million shares of TODCO's class A common stock, representing approximately 23 percent of TODCO's total outstanding shares, at $12.00 per share. We received net proceeds of $155.7 million from the IPO and expect to recognize a gain of approximately $43 million in the first quarter of 2004, which represents the excess of net proceeds received over the net book value of the shares of TODCO sold in the IPO. Additionally, as a result of the deconsolidation of TODCO from our other U.S. subsidiaries for U.S. federal income tax purposes in conjunction with the IPO, we expect to establish a valuation allowance against the deferred tax assets of TODCO in excess of its deferred tax liabilities. The amount of such valuation allowance will depend upon many factors, including the ultimate allocation of tax benefits between TODCO and other Transocean subsidiaries under applicable law and taxable income for calendar year 2004. The amount of the valuation allowance could be as much as or more than the gain on the sale of the TODCO shares in the IPO.

As of March 1, 2004, we held an approximate 77 percent interest in TODCO, represented by 46.2 million shares of class B common stock, and we have approximately 94 percent of the outstanding voting interest in TODCO. Each share of our class B common stock has five votes per share compared to one vote per share of the class A common stock. We consolidate TODCO in our financial statements and expect to continue to consolidate TODCO in our financial statements until we no longer own a majority voting interest. Because the IPO had not been completed by the end of the third quarter of 2003, we recognized $8.8 million of costs relating to the IPO in general and administrative expense for the year ended December 31, 2003, of which $3.1 million was incurred and deferred during 2002. TODCO was formerly known as R&B Falcon Corporation ("R&B Falcon"). Before the closing of the IPO, TODCO transferred to us all assets and businesses unrelated to TODCO's business. R&B Falcon's business was previously considerably broader than TODCO's ongoing business.

Operational Incidents-In June 2003, TODCO incurred a loss as a result of a well blowout and fire aboard inland barge Rig 62. During the year ended December 31, 2003, TODCO incurred a $7.6 million loss relating to this incident. While the loss did not exceed our insurance deductible for this incident, we do not expect any additional amounts that may be incurred related to this incident to have a material adverse affect on our consolidated financial statements or results of operations. See "-Historical 2003 compared to 2002."

In September 2003, TODCO recorded a loss of approximately $3.5 million on inland barge Rig 20 as a result of a fire. While the loss did not exceed our insurance deductible for this incident, we do not expect any additional amounts that may be incurred related to this incident to have a material adverse affect on our consolidated financial statements or results of operations. See "-Historical 2003 compared to 2002."

OUTLOOK

Drilling Market-Commodity prices were at historically strong levels during 2003, and we believe commodity price indicators point towards continued near-term strength in oil and gas prices. While future commodity price expectations have historically been a key driver for offshore drilling demand, the availability of quality drilling prospects, relative production costs, the stage of reservoir development and political and regulatory environments all affect our customers' drilling programs. Strong commodity prices did not result in significant increased offshore drilling activity in the fourth quarter or in 2003 generally.

Prospects for our High-Specification Floaters appear relatively stable over the next six months, with expected improvement in the latter half of the year and in 2005. A number of our Fifth-Generation Deepwater Floaters will conclude longer term contracts in 2004 and will be pursuing future work, so intermittent idle time is possible for these units. However, we have recently been successful in securing work for five of our High-Specification Floaters that ended term contracts in late 2003 and early 2004, with three of these units obtaining long-term contracts and the other two obtaining shorter-term exploratory work. We continue to believe that over the long term, deepwater exploration and development drilling opportunities in the Gulf of Mexico, West Africa and other market sectors represent a significant source of future deepwater rig demand. We have also seen an unexpected increase in bid activity in Norway, which presents opportunities for our Other High-Specification Floaters.

The level of activity for the non-U.S. jackup market sector is expected to increase in 2004. There is currently a modest overcapacity in the West Africa jackup market sector, but it is expected to dissipate by mid-2004. The Middle East and India are both expected to see increases in jackup demand in 2004. As a result of the anticipated increased activity, we believe jackup dayrates will generally meet or exceed levels achieved in each non-U.S. geographic market sector in 2003.

The outlook for our Other Floaters that operate in the mid-water market sector remains weak as this sector continues to be significantly oversupplied globally. We expect overall North Sea industry fleet utilization to remain at current levels until the expected normal seasonal increase in demand in the summer months. We expect the Norwegian sector to improve over the remainder of the year. Demand in the U.S. Gulf of Mexico market sector continues to be dampened by increased competition from deepwater rigs operating below their full water depth capability.

The TODCO segment continues to benefit from a declining base of jackup rig supply in the Gulf of Mexico, which has helped to lift utilization and dayrates in an otherwise flat rig demand environment. With a potential increase in international jackup activity causing a further reduction in supply, dayrates are expected to generally remain stable. Demand in the inland waters of Louisiana and Texas for drilling barges has remained flat over the past quarter. We believe there are signs of increased drilling of deep wells greater than 18,000 feet in these inland areas in 2004, which could increase the utilization and dayrates in this segment.

Our operations are geographically dispersed in oil and gas exploration and development areas throughout the world. Rigs can be moved from one region to another, but the cost of moving a rig and the availability of rig-moving vessels may cause the supply and demand balance to vary somewhat between regions. However, significant variations between regions do not tend to exist long-term because of rig mobility. Consequently, we operate in a single, global offshore drilling market.

The offshore contract drilling market remains highly competitive and cyclical, and it has been historically difficult to forecast future market conditions. Extraneous risks include declines in oil and/or gas prices that reduce rig demand and adversely affect utilization and dayrates. Major operator and national oil company capital budgets are key drivers of the overall business climate, and these may change within a fiscal year depending on exploration results and other factors. Additionally, increased competition for our customers' drilling budgets could come from, among other areas, land-based energy markets in Russia, other former Soviet Union states and the Middle East.

As of February 27, 2004, approximately 45 percent of our Transocean Drilling segment fleet days were committed for the remainder of 2004 and approximately 18 percent for the year 2005. For our TODCO segment, which has traditionally operated under short-term contracts, committed fleet days were approximately seven percent for the remainder of 2004 and three percent are currently committed for the year 2005.

Tax Matters-As a result of our reorganization in 1999, we became a Cayman Islands company in a transaction commonly referred to as an "inversion." Legislation in various forms has been introduced in the U.S. House of Representatives and Senate that would change the tax law applicable to companies that have completed inversion transactions. Some of the proposals would have retroactive application and would treat us as a U.S. corporation. Other proposals would impose additional limitations on the deductibility, for U.S. federal income tax purposes, of intercompany interest expense and could also make it more difficult to integrate acquired U.S. businesses with existing operations or to undertake internal restructuring. We cannot provide any assurance as to what form, if any, final legislation will take or the impact such legislation will ultimately have.

Our income tax returns are subject to review and examination in the various jurisdictions in which we operate. The U.S. Internal Revenue Service is currently auditing our tax returns for calendar years 1999, the year we became a Cayman Islands company, and 2000. In addition, other tax authorities have examined the amounts of income and expense subject to tax in their jurisdiction for prior periods. We are currently contesting various non-U.S. assessments that have been asserted and would expect to contest any future U.S. or non-U.S. assessments. While we cannot predict or provide assurance as to the final outcome of existing or future assessments, we do not believe that the ultimate resolution of these asserted income tax liabilities will have a material adverse effect on our business or consolidated financial position.

As a result of the deconsolidation of TODCO from our other U.S. subsidiaries for U.S. federal income tax purposes in conjunction with the IPO, we expect to establish a valuation allowance against the deferred tax assets of TODCO in excess of its deferred tax liabilities. The amount of such valuation allowance will depend upon many factors, including the ultimate allocation of tax benefits between TODCO and our other subsidiaries under applicable law and taxable income for calendar year 2004. The amount of the valuation allowance could be as much as or more than the gain on the sale of the TODCO shares in the IPO (see "-Significant Events").

Insurance-In January 2003, we renewed our principal insurance coverages for property damage, liability, and occupational injury and illness. Premiums for such coverages would have increased substantially were it not for us taking significantly higher deductibles. The increased premiums were a result of increased rates demanded by the insurance markets for most insurance coverages as a result of losses the insurance industry has sustained in the past several years and perceived increased risks following the terrorist attacks on September 11, 2001. The renewal of these coverages was for the period January 1, 2003 through March 1, 2004.

We renewed these insurance coverages as of March 1, 2004 for a 14-month period ending May 1, 2005. Although premiums for these coverages were somewhat lower, we again chose to increase deductibles to reduce premiums further, given our continued improvement in our loss history. If our property and occupational illness claim experience in 2004 is comparable to 2003, we would expect a small decrease in our insurance expenses related to property damage, liabilities, and occupational injury and illness coverages. Because of the increase in our deductible exposure for 2004, an increase in our loss experience could result in higher insurance related expense for the period.

During the second quarter of 2003, we renewed our directors' and officers' liability insurance. Insurance markets have demanded significant premium increases for this type of insurance. As a result, we chose to increase our deductible substantially and agreed to co-insure losses with the underwriters in order to mitigate increased premiums. We expect to renew our directors' and officers' insurance in 2004 with substantially the same structure. At this time, we expect the cost of such insurance to rise slightly.

Stock-Based Compensation Expense-As a result of the adoption of Statement of Financial Accounting Standards ("SFAS") 123, Accounting for Stock-Based Compensation, our stock-based compensation expense is expected to increase in 2004. The increase will result from the impact of a full year of expense related to our 2003 awards, compared to six months of expense in 2003, and expense related to our 2004 awards, expected to occur in July 2004. Future periods will continue to have increases in stock-based compensation expense until the impact of the layering effect of future awards is normalized. In conjunction with the TODCO IPO, TODCO granted stock option and nonvested restricted share awards to certain key employees. Due to accelerated vesting provisions outlined in certain key executives employment agreements, TODCO expects to record a charge of approximately $5.6 million during the first quarter of 2004, and a total of $10.8 million during 2004 related to its stock-based compensation awards. Additionally, TODCO expects to recognize approximately $1.5 million of expense during the first quarter of 2004 related to a modification of our options issued in prior periods to TODCO employees for which vesting was accelerated and all unvested options became fully vested, and the exercise term extended through the life of the option, under the employee matters agreement executed in connection with the TODCO IPO.

Debt Retirement-In February 2004, we announced the redemption of our 9.5% Senior Notes due December 2008 at the make-whole premium price provided in the indenture. The redemption is expected to be completed by March 30, 2004. The face value of the bonds to be redeemed is $289.8 million. Based on interest rates at March 1, 2004, the cost to redeem these bonds is expected to be approximately $366.3 million, and we expect to recognize a loss on retirement of debt of approximately $24.1 million, which reflects adjustments for fair value of the debt at the merger transaction ("R&B Falcon merger") with R&B Falcon in January 2001 and the premium on the termination of the related interest rate swap. These amounts could vary depending upon actual interest rates. We expect to utilize existing cash balances, which includes proceeds from the TODCO IPO, to fund this redemption. The redemption does not affect the 9.5% Senior Notes due December 2008 of TODCO.

PERFORMANCE AND OTHER KEY INDICATORS

Fleet Utilization and Dayrates-The following table shows our average dayrate and utilization for the quarterly periods ending on or prior to December 31, 2003. Average dayrate is defined as contract drilling revenue earned per revenue earning day in the period. Utilization in the table below is defined as the total actual number of revenue earning days in the period as a percentage of the total number of calendar days in the period for all drilling rigs in our fleet.

	Three Months Ended		
	December 31, 2003	September 30, 2003	December 31, 2002
Average Dayrates (a)(b)			
Transocean Drilling Segment:			
High-Specification Floaters			
Fifth-Generation Deepwater Floaters .	$ 186,500	$ 176,600	$ 188,700
Other Deepwater Floaters	$ 101,400	$ 112,500	$ 120,400
Other High-Specification Floaters. .	$ 117,900	$ 117,200	$ 121,600
Total High-Specification Floaters. . .	$ 141,800	$ 142,200	$ 146,300
Other Floaters	$ 60,600	$ 60,600	$ 76,800
Jackups.	$ 53,700	$ 54,400	$ 57,700
Other Rigs	$ 45,200	$ 48,800	$ 36,200
Segment Total	$ 87,900	$ 89,000	$ 96,100
TODCO Segment:			
Jackups and Submersibles	$ 25,800	$ 20,800	$ 21,700
Inland Barges.	$ 17,200	$ 16,900	$ 19,600
Other Rigs	$ 20,700	$ 20,500	$ 19,400
Segment Total	$ 21,500	$ 19,300	$ 20,300
Total Drilling Fleet.	$ 67,400	$ 67,000	$ 74,300
Utilization (a)(b)			
Transocean Drilling Segment:			
High-Specification Floaters			
Fifth-Generation Deepwater Floaters.	91%	97%	96%
Other Deepwater Floaters	69%	73%	96%
Other High-Specification Floaters. .	74%	74%	75%
Total High-Specification Floaters. . .	78%	82%	93%
Other Floaters	47%	51%	55%
Jackups.	81%	85%	83%
Other Rigs	53%	49%	48%
Segment Total	68%	71%	74%
TODCO Segment:			
Jackups and Submersibles	52%	54%	33%
Inland Barges	40%	38%	44%
Other Rigs	24%	38%	27%
Segment Total	40%	44%	37%
Total Drilling Fleet.	56%	59%	58%

(a) Applicable to all rigs.
(b) Effective January 1, 2003, the calculation of average dayrates and utilization was changed to include all rigs based on contract drilling revenues. Prior periods have been restated to reflect the change.

Contract Drilling Revenue-Our contract drilling revenues are based primarily on dayrates received for our drilling services and the number of operating days during the relevant periods. The level of our contract drilling revenue depends on dayrates, which in turn are primarily a function of industry supply and demand for drilling units in the markets in which we operate. During periods of high demand, our rigs typically achieve higher utilization and dayrates than during periods of low demand. Some of our drilling contracts also enable us to earn mobilization, contract preparation, capital upgrade, and bonus and demobilization revenue. Mobilization, contract preparation and capital upgrade revenue earned on a lump sum basis is recognized over the original contract term. Bonus and demobilization revenue is recognized when earned.

Operating and Maintenance Costs-Our operating and maintenance costs represent all direct and indirect costs associated with the operation and maintenance of our drilling rigs. The principal elements of these costs are direct and indirect labor and benefits, repair and maintenance, insurance, boat and helicopter rentals, professional and technical fees, freight costs, communications, customs duties, tool rentals and services, fuel and water, general taxes and licenses. Labor, repair and maintenance and insurance costs represent the most significant components of our operating and maintenance costs.

We do not expect operating and maintenance expenses to necessarily fluctuate in proportion to changes in operating revenues. Operating revenues may fluctuate as a function of changes in dayrate; however, costs for operating a rig are generally fixed or only semi-variable regardless of the dayrate being earned. In addition, should our rigs incur idle time between contracts, we typically do not de-man those rigs because we will use the crew to prepare the rig for its next contract. During times of reduced activity, reductions in costs may not be immediate as portions of the crew may be required to prepare our rigs for stacking, after which time the crew members are assigned to active rigs or dismissed. In general, labor costs increase primarily due to higher salary levels and inflation. Equipment maintenance expenses fluctuate depending upon the type of activity the unit is performing and the age and condition of the equipment. In addition, due to unfavorable insurance market conditions and the resulting increase in premiums, our insurance deductibles increased effective December 2002. Our deductible level for the year 2003 under our hull and machinery and our protection and indemnity policies was $10.0 million per occurrence. While our deductible per occurrence will remain unchanged in 2004, our overall aggregate insurance deductible has increased for the upcoming policy year.

Depreciation Expense-Our depreciation expense is based on estimates, assumptions and judgments relative to capitalized costs, useful lives and salvage values of our assets. We generally compute depreciation using the straight-line method after allowing for salvage values.

General and Administrative Expense-General and administrative expense includes all costs related to our corporate executives, directors, investor relations, corporate accounting and reporting, information technology, internal audit, legal, tax, treasury, risk management and human resource functions.

Interest Expense-Interest expense consists of financing cost amortization and interest associated with our senior notes and other debt. Interest expense is partially offset by the amortization of gains on interest rate swaps terminated during 2003. We expect the amortization of these gains to continue over the life of the related debt instruments (see "-Derivative Instruments").

Income Taxes-Provisions for income taxes are based on expected taxable income, statutory rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Taxable income may differ from pre-tax income for financial accounting purposes, particularly in countries with revenue-based taxes. There is no expected relationship between the provision for income taxes and income before income taxes because the countries in which we operate have different taxation regimes. We provide a valuation allowance for deferred tax assets when it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized. See "-Critical Accounting Policies."

FINANCIAL CONDITION

DECEMBER 31, 2003 COMPARED TO DECEMBER 31, 2002

	DECEMBER 31, 2003	DECEMBER 31, 2002	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT % CHANGE)			
TOTAL ASSETS				
Transocean Drilling	$10,874.0	$11,804.1	$ (930.1)	(8)%
TODCO	788.6	861.0	(72.4)	(8)%
	$11,662.6	$12,665.1	$(1,002.5)	(8)%

The decrease in the Transocean Drilling segment assets was mainly due to a decrease in cash and cash equivalents ($551.4 million) that resulted primarily from the repayment of debt during 2003 and depreciation ($416.0 million). The decrease in TODCO segment assets was primarily due to depreciation ($92.2 million) and asset impairments ($11.3 million), partially offset by an increase in total assets due to the consolidation of Delta Towing Holdings, LLC ("Delta Towing") ($6.7 million) as a result of the early adoption of Financial Accounting Standards Board's ("FASB") Interpretation ("FIN") 46, Consolidation of Variable Interest Entities (as revised December 2003) (see "-New Accounting Pronouncements").

LIQUIDITY AND CAPITAL RESOURCES

SOURCES AND USES OF CASH

	YEARS ENDED DECEMBER 31, 2003	2002	CHANGE
	(In millions)		
NET CASH PROVIDED BY OPERATING ACTIVITIES			
Net income (loss)	$ 19.2	$ (3,731.9)	$ 3,751.1
Depreciation	508.2	500.3	7.9
Other non-cash items	(63.2)	4,047.2	(4,110.4)
Working capital	61.6	121.0	(59.4)
	$ 525.8	$ 936.6	$ (410.8)

Net cash provided by operating activities decreased due to a combination of poor operating results after adjusting for non-cash items and a decrease in cash provided from working capital changes in 2003 compared to 2002.

	YEARS ENDED DECEMBER 31, 2003	2002	CHANGE
	(In millions)		
NET CASH USED IN INVESTING ACTIVITIES			
Capital expenditures	$ (495.9)	$ (141.0)	$(354.9)
Proceeds from disposal of assets	8.4	88.3	(79.9)
DDII LLC's cash acquired, net of cash paid	18.1	-	18.1
DD LLC's cash acquired	18.6	-	18.6
Other, net	3.3	7.4	(4.1)
	$ (447.5)	$ (45.3)	$(402.2)

Net cash used in investing activities increased for the year ended December 31, 2003 as compared to the prior year due to an increase in capital expenditures resulting primarily from the acquisition of the Deepwater Frontier and Deepwater Pathfinder totaling $382.8 million (see "Capital Expenditures") and lower proceeds from disposal of assets, partially offset by $36.7 million of cash acquired upon acquisition of ConocoPhillips' interests in DD LLC and DDII LLC.

	YEARS ENDED DECEMBER 31, 2003	2002	CHANGE
	(In millions)		
NET CASH USED IN FINANCING ACTIVITIES			
Net repayments under commercial paper program	$ -	$ (326.4)	$ 326.4
Borrowings from issuance of debt	2.1	-	2.1
Borrowings under credit facility agreement	250.0	-	250.0
Cash received from termination of interest rate swaps	173.5	-	173.5
Repayments on other debt instruments	(1,252.7)	(189.3)	(1,063.4)
Other, net	8.6	(14.8)	23.4
	$ (818.5)	$ (530.5)	$ (288.0)

Net cash used in financing activities increased in 2003 compared to 2002 primarily due to higher debt repayments, which included the repurchase of debt put to us during the year and early debt retirements. Partially offsetting the cash paid for debt retirements were cash received from the termination of interest rate swaps (see "-Derivative Instruments") and borrowings under our revolving credit facility to partially fund the payoff of synthetic lease financing facilities (see "-Acquisitions and Dispositions"). Also in 2002 we discontinued the payment of quarterly dividends after the second quarter dividend payment.

CAPITAL EXPENDITURES

Capital expenditures totaled $495.9 million during the year ended December 31, 2003 and included our acquisition of two fifth-generation deepwater rigs, the Deepwater Pathfinder and Deepwater Frontier, through the payoff of synthetic lease financing arrangements totaling $382.8 million (see "-Acquisitions and Dispositions"). The remaining $113.1 million related to capital expenditures for existing fleet and corporate infrastructure. A substantial majority of our capital expenditures in 2003 related to the Transocean Drilling segment.

During 2004, we expect to spend less than $100 million on our existing fleet, corporate infrastructure and major upgrades, excluding those upgrades required and funded by our drilling contracts, although this amount is dependent upon the actual level of operational and contracting activity. A substantial majority of our expected capital expenditures in 2004 relates to our Transocean Drilling segment. 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 our revolving credit agreements (see "-Sources of Liquidity") and may engage in other commercial bank or capital market financings.

ACQUISITIONS AND DISPOSITIONS

From time to time, we review possible acquisitions of businesses and drilling units and may in the future make significant capital commitments for such purposes. Any such acquisition could involve the payment by us of a substantial amount of cash or the issuance of a substantial number of additional ordinary shares or other securities. We would likely fund the cash portion of any such acquisition through cash balances on hand, the incurrence of additional debt, sales of assets, ordinary shares or other securities or a combination thereof. In addition, from time to time, we review possible dispositions of drilling units.

Acquisitions-As a result of the R&B Falcon merger, we had ownership interests in two unconsolidated joint ventures, 50 percent in DD LLC, and 60 percent in DDII LLC. Subsidiaries of ConocoPhillips owned the remaining interests in these joint ventures. Each of the joint ventures was a lessee in a synthetic lease financing facility entered into in connection with the construction of the Deepwater Pathfinder, in the case of DD LLC, and the Deepwater Frontier, in the case of DDII LLC. Pursuant to the lease financings, the rigs were owned by special purpose entities and leased to the joint ventures.

In May 2003, WestLB AG, one of the lenders in the Deepwater Frontier synthetic lease financing facility, assigned its $46.1 million remaining promissory note receivable to us in exchange for cash of $46.1 million. Also in May 2003, but subsequent to the WestLB AG assignment, we purchased ConocoPhillips' 40 percent interest in DDII LLC for approximately $5.0 million. As a result of this purchase, we consolidated DDII LLC late in the second quarter of 2003. In addition, we acquired certain drilling and other contracts from ConocoPhillips for approximately $9.0 million in cash. In December 2003, DDII LLC prepaid the remaining $197.5 million debt and equity principal amounts owed, plus accrued and unpaid interest, to us and other lenders under the synthetic lease financing facility. As a result of this prepayment, DDII LLC became the legal owner of the Deepwater Frontier.

In November 2003, we purchased the remaining 25 percent minority interest in the Caspian Sea Ventures International Limited ("CSVI") joint venture. CSVI owns the jackup rig Trident 20 and is now a wholly owned subsidiary.

In December 2003, we purchased ConocoPhillips' 50 percent interest in DD LLC in connection with the payoff of the Deepwater Pathfinder synthetic lease financing facility. As a result of this purchase, we consolidated DD LLC late in the fourth quarter of 2003. Concurrent with the purchase of this ownership interest, DD LLC prepaid the remaining $185.3 million debt and equity principal amounts owed, plus accrued and unpaid interest, to the lenders under the synthetic lease financing facility. As a result of this prepayment, DD LLC became the legal owner of the Deepwater Pathfinder.

Dispositions-In January 2003, we completed the sale of the RBF 160 to a third party for net proceeds of $13.1 million and recognized a net after-tax gain on sale of $0.2 million. The proceeds were received in December 2002 and were reflected as deferred income and proceeds from asset sales in the consolidated balance sheet and consolidated statement of cash flows, respectively.

In February 2004, we completed the IPO of TODCO. See "-Significant Events."

SOURCES OF LIQUIDITY

Our primary sources of liquidity in 2003 were our cash flows from operations, existing cash balances, borrowings on our $800 million, five-year revolving credit agreement and proceeds from the termination of our interest rate swaps. The primary uses of cash were debt repayment and capital expenditures. At December 31, 2003, we had $474.0 million in cash and cash equivalents.

We expect to rely primarily upon existing cash balances and internally generated cash flows to maintain liquidity in 2004, as cash flows from operations are expected to be positive and, together with existing cash balances, adequate to fulfill anticipated obligations such as scheduled debt maturities, capital expenditures and working capital needs. From time to time, we may also use bank lines of credit to maintain liquidity for short-term cash needs.

Excluding the acquisition of the Deepwater Pathfinder and Deepwater Frontier (see "-Capital Expenditures"), we have significantly reduced our capital expenditures compared to prior years due to the completion of our newbuild program in 2001 and ongoing efforts to contain capital expenditures. We expect capital expenditures for the fleet to be less than $100 million in 2004.

When cash on hand, cash flows from operations, proceeds from asset sales, including the TODCO IPO, and committed bank facility availability exceed our expected liquidity needs, we may use a portion of such cash to reduce debt prior to scheduled maturity through repurchases, redemptions or tender offers, or make repayments on bank borrowings.

In February 2004, we announced the redemption of the 9.5% Senior Notes due December 2008 at the make-whole premium price provided in the indenture, which does not effect the 9.5% Senior Notes due December 2008 of TODCO (see "-Outlook"). We expect to utilize existing cash balances, which includes proceeds from the TODCO IPO, to fund this redemption.

At December 31, 2003 and 2002, our total debt was $3,658.1 million and $4,678.0 million, respectively. During the year ended December 31, 2003, we reduced net debt, a non-GAAP financial measure defined as total debt less swap receivables and cash and cash equivalents, by $98.4 million. The components of net debt at carrying value were as follows (in millions):

	DECEMBER 31,	
	2003	2002
Total Debt.	$3,658.1	$ 4,678.0
Less: Cash and cash equivalents	(474.0)	(1,214.2)
Swap receivables.	-	(181.3)

We believe net debt provides useful information regarding the level of our indebtedness by reflecting the amount of indebtedness assuming cash and investments are used to repay debt. Net debt has been reduced each year since 2001 due to the fact that cash flows, primarily from operations and asset sales, have been greater than that needed for capital expenditures.

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. However, we have continued to generate positive cash flow from operating activities over recent years.

We have access to a bank line of credit under an $800 million five-year revolving credit agreement expiring in December 2008. As of March 1, 2004, $600.0 million remained available under this credit line. Because our current cash balances and this revolving credit agreement provide us with adequate liquidity, we terminated our commercial paper program during the first quarter of 2004.

The bank credit line requires compliance with various covenants and provisions customary for agreements of this nature, including earnings before interest, taxes, depreciation and amortization ("EBITDA") to interest coverage ratio and debt to tangible capital ratio, both as defined by the credit agreement, of not less than three to one and not greater than 50 percent, respectively. Other provisions of the credit agreement includes limitations on creating liens, incurring debt, transactions with affiliates, sale/leaseback transactions and mergers and sale of substantially all assets. Should we fail to comply with these covenants, we would be in default and may lose access to this facility. 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 merger, consolidation or reorganization transactions. A default under our public debt could trigger a default under our credit line and cause us to lose access to this facility.

In April 2001, the Securities and Exchange Commission ("SEC") declared effective our shelf registration statement on Form S-3 for the proposed offering from time to time of up to $2.0 billion in gross proceeds of senior or subordinated debt securities, preference shares, ordinary shares and warrants to purchase debt securities, preference shares, ordinary shares or other securities. At February 28, 2004, $1.6 billion in gross proceeds of securities remained unissued under the shelf registration statement.

Our access to debt and equity markets may be reduced or closed to us due to a variety of events, including, among others, downgrades of ratings of our debt, industry conditions, general economic conditions, market conditions and market perceptions of us and our industry.

Our contractual obligations included in the table below are at face value (in millions).

	FOR THE YEARS ENDING DECEMBER 31,				
	TOTAL	2004	2005-2006	2007-2008	THEREAFTER
CONTRACTUAL OBLIGATIONS					
Debt.	$3,485.1	$45.8	$ 770.3	$ 919.0	$ 1,750.0
Operating Leases. . . .	83.6	27.0	28.9	14.2	13.5
Total Obligations . . .	$3,568.7	$72.8	$ 799.2	$ 933.2	$ 1,763.5

Bondholders may, at their option, require us to repurchase the 1.5% Convertible Debentures due 2021, the 7.45% Notes due 2027 and the Zero Coupon Convertible Debentures due 2020 in May 2006, April 2007 and May 2008, respectively. With regard to both series of the Convertible Debentures, we have the option to pay the repurchase price in cash, ordinary shares or any combination of cash and ordinary shares. The chart above assumes that the holders of these convertible debentures and notes exercise the options at the first available date. We are also required to repurchase the convertible debentures at the option of the holders at other later dates.

See "-Defined Benefit Pension Plans" for discussion of pension funding requirements.

At December 31, 2003, we had other commitments that we are contractually obligated to fulfill with cash should the obligations be called. These obligations include standby letters of credit and surety bonds that guarantee our performance as it relates to our drilling contracts, insurance, tax and other obligations in various jurisdictions. Letters of credit are issued under a number of facilities provided by several banks. The obligations that are the subject of these surety bonds are geographically concentrated in the United States and Brazil. These letters of credit and surety bond obligations are not normally called as we typically comply with the underlying performance requirement. The table below provides a list of these obligations in U.S. dollar equivalents and their time to expiration.

	FOR THE YEARS ENDING DECEMBER 31,				
	TOTAL	2004	2005-2006	2007-2008	THEREAFTER
			(IN MILLIONS)		
OTHER COMMERCIAL COMMITMENTS					
Standby Letters of Credit .	$186.2	$166.7	$ 10.3	$ 9.2	$ -
Surety Bonds.	169.5	66.2	103.2	0.1	-
Total	$355.7	$232.9	$ 113.5	$ 9.3	$ -

DERIVATIVE INSTRUMENTS

We have established policies and procedures for derivative instruments that have been approved by our Board of Directors. These policies and procedures provide for the prior approval of derivative instruments by our Chief Financial Officer. From time to time, we may enter into a variety of derivative financial instruments in connection with the management of our exposure to fluctuations in foreign exchange rates and interest rates. We do not enter into derivative transactions for speculative purposes; however, for accounting purposes, certain transactions may not meet the criteria for hedge accounting.

Gains and losses on foreign exchange derivative instruments that qualify as accounting hedges are deferred as accumulated other comprehensive income and recognized when the underlying foreign exchange exposure is realized. Gains and losses on foreign exchange derivative instruments that do not qualify as hedges for accounting purposes are recognized currently based on the change in market value of the derivative instruments. At December 31, 2003, we had no material open foreign exchange derivative instruments.

From time to time, we may use interest rate swaps to manage the effect of interest rate changes on future income. Interest rate swaps are designated as a hedge of underlying future interest payments. The interest rate differential to be received or paid under the swaps is recognized over the lives of the swaps as an adjustment to interest expense. If an interest rate swap is terminated, the gain or loss is amortized over the life of the underlying debt.

In June 2001, we entered into $700 million aggregate notional amount of interest rate swaps as a fair value hedge against our 6.625% Notes due April 2011. In February 2002, we entered into $900 million aggregate notional amount of interest rate swaps as a fair value hedge against our 6.75% Senior Notes due April 2005, 6.95% Senior Notes due April 2008 and 9.5% Senior Notes due December 2008. The swaps effectively converted the fixed interest rate on each of the four series of notes into a floating rate. The market value of the swaps was carried as an asset or a liability in our consolidated balance sheet and the carrying value of the hedged debt was adjusted accordingly.

In January 2003, we terminated the swaps with respect to our 6.75% Senior Notes due April 2005, 6.95% Senior Notes due April 2008 and 9.5% Senior Notes due December 2008. In March 2003, we terminated the swaps with respect to our 6.625% Notes due April 2011. As a result of these terminations, we received cash proceeds, net of accrued interest, of approximately $173.5 million that was recognized as a fair value adjustment to long-term debt in our consolidated balance sheet and is being amortized as a reduction to interest expense over the life of the underlying debt. Such reduction amounted to approximately $23.1 million in 2003 and is expected to be approximately $27.2 million in 2004.

HISTORICAL 2003 COMPARED TO 2002

Following is an analysis of our Transocean Drilling segment and TODCO segment operating results, as well as an analysis of income and expense categories that we have not allocated to our two segments.

Transocean Drilling Segment

	YEARS ENDED DECEMBER 31, 2003	YEARS ENDED DECEMBER 31, 2002	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT DAY AMOUNTS AND PERCENTAGES)			
Operating days (a)	23,712	26,315	(2,603)	(10)%
Utilization (a) (b) (d)	69%	78%	N/A	(12)%
Average dayrate (a) (c) (d)	$ 89,400	$ 93,500	$ (4,100)	(4)%
Contract drilling revenues	$ 2,124.0	$ 2,486.1	$ (362.1)	(15)%
Client reimbursable revenues	82.7	-	82.7	N/M
	2,206.7	2,486.1	(279.4)	(11)%
Operating and maintenance expense	1,367.9	1,291.3	76.6	6%
Depreciation	416.0	408.4	7.6	2%
Impairment loss on long-lived assets and goodwill	5.2	2,528.1	(2,522.9)	N/M
Gain from sale of assets, net	(4.9)	(2.7)	(2.2)	81%
Operating income (loss) before general and administrative expense	$ 422.5	$ (1,739.0)	$ 2,161.5	124%

"N/A" means not applicable
"N/M" means not meaningful

(a) Applicable to all rigs.
(b) Utilization is defined as the total actual number of revenue earning days as a percentage of total number of calendar days in the period.
(c) Average dayrate is defined as contract drilling revenue earned per revenue earning day.
(d) Effective January 1, 2003, the calculation of average dayrates and utilization was changed to include all rigs based on contract drilling revenues. Prior periods have been restated to reflect the change.

Due to a general deterioration in market conditions, average dayrates and utilization declined resulting in a decrease in this segment's contract drilling revenues of approximately $339.0 million, excluding the impact of the items discussed separately below. Contract drilling revenues were also adversely impacted by approximately $37.0 million due to the labor strike in Nigeria, the riser separation incident on the Discoverer Enterprise and the electrical fire on the Peregrine I. Additional decreases of $29.1 million resulted from rigs sold, returned to owner and transferred from this segment to the

TODCO segment and the favorable settlement of a contract dispute during 2002. These decreases were partially offset by increases in contract drilling revenue of $45.2 million from a rig transferred into this segment from the TODCO segment during the second quarter of 2002 and from the Deepwater Frontier as a result of the consolidation of DDII LLC late in the second quarter of 2003. See "-Significant Events."

Operating revenues for 2003 included $82.7 million related to costs incurred and billed to customers on a reimbursable basis. See "-Overview."

The increase in this segment's operating and maintenance expense was primarily due to the recognition of approximately $83.0 million in client reimbursable costs as operating and maintenance expense as a result of implementing EITF 99-19 in 2003 (see "-Overview"). In addition, expenses increased approximately $89.9 million due to costs associated with the riser separation incident on the Discoverer Enterprise, the consolidation of DDII LLC, which leased the Deepwater Frontier, the restructuring of the Nigeria defined benefit plan, costs related to the electrical fire on the Peregrine I and the transfer of a jackup rig into this segment from the TODCO segment during the second quarter of 2002 (see "-Significant Events"). Partially offsetting these increases were decreased operating and maintenance expenses of approximately $51.0 million resulting from lower activity, implementation of standardized purchasing through negotiated agreements, nationalization of our labor force in certain operating locations and headcount reductions in support groups. Operating and maintenance expenses were further reduced by $44.0 million relating to rigs sold, returned to owner or removed from drilling service during and subsequent to 2002, the settlements of a dispute and an insurance claim as well as a reduction in our insurance program expense during 2003 and costs incurred in 2002 associated with restructuring charges and a litigation provision with no comparable activity in 2003.

The increase in this segment's depreciation expense resulted primarily from $9.1 million of additional depreciation on capital upgrades, the transfer of a rig from the TODCO segment into this segment and depreciation expense related to assets reclassified from held for sale to our active fleet during 2002 because they no longer met the criteria for assets held for sale under SFAS 144. These increases were partially offset by lower depreciation expense of $2.8 million following the sale of rigs classified as held and used during and subsequent to 2002.

The decrease in impairment loss in this segment is primarily due to the recognition of a $2,494.1 million goodwill impairment charge that resulted from our annual impairment test of goodwill conducted as of October 1, 2002 with no comparable charge in 2003. The impairment charge recorded in 2003 resulted from the removal of two drilling units from our active fleet. In 2002, we also recorded $28.5 million of non-cash impairment charges in this segment primarily related to assets reclassified from held for sale to our active fleet because they no longer met the held for sale criteria under SFAS 144.

During 2003, this segment recognized net pre-tax gains of $4.9 million related to the sale of the RBF 160, the Searex 15, the settlement of an insurance claim and the sale of other assets. During 2002, this segment recognized net pre-tax gains of $5.5 million related to the sale of the Transocean 96, Transocean 97 and a mobile offshore production unit, the partial settlement of an insurance claim and the sale of other assets, which were partially offset by net pre-tax losses of $2.8 million from the sale of the RBF 209 and an office building.

TODCO Segment

	YEARS ENDED DECEMBER 31, 2003	2002	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT DAY AMOUNTS AND PERCENTAGES)			
Operating days (a)	10,953	9,101	1,852	20%
Utilization (a) (b) (d)	41%	34%	N/A	21%
Average dayrate (a) (c) (d)	$ 19,200	$ 20,600	$ (1,400)	(7)%
Contract drilling revenues	$ 209.8	$ 187.8	$ 22.0	12%
Client reimbursable revenues	17.8	-	17.8	N/M
	227.6	187.8	39.8	21%
Operating and maintenance expense	242.5	202.9	39.6	20%
Depreciation	92.2	91.9	0.3	N/M
Impairment loss on long-lived assets and goodwill	11.3	399.3	(388.0)	N/M
Gain from sale of assets, net	(0.9)	(1.0)	0.1	(10)%
Operating loss before general and administrative expense	$ (117.5)	$ (505.3)	$ 387.8	77%

"N/A" means not applicable
"N/M" means not meaningful

(a) Applicable to all rigs.
(b) Utilization is defined as the total actual number of revenue earning days as a percentage of total number of calendar days in the period.
(c) Average dayrate is defined as contract drilling revenue earned per revenue earning day.
(d) Effective January 1, 2003, the calculation of average dayrates and utilization was changed to include all rigs based on contract drilling revenues. Prior periods have been restated to reflect the change.

Higher utilization in 2003 resulted in an increase in this segment's contract drilling revenue of $42.9 million, partially offset by a decrease of $21.7 million due to lower average dayrates.

Operating revenues for 2003 included $17.8 million related to costs incurred and billed to customers on a reimbursable basis. See "-Overview."

A large portion of our operating and maintenance expense consists of employee-related costs and is fixed or only semi-variable. Accordingly, operating and maintenance expense does not vary in direct proportion to activity or dayrates.

The increase in this segment's operating and maintenance expense was due primarily to approximately $18.0 million in client reimbursable costs as operating and maintenance expense as a result of implementing EITF 99-19 during 2003 (see "-Overview"). In addition, expenses increased due to an increase in activity of approximately $14.0 million in 2003, costs of approximately $11.0 million associated with the well control incident on inland barge Rig 62 and the fire incident on inland barge Rig 20 (see " Significant Events"), as well as approximately $7.4 million related to a write-down of other receivables, an insurance claim provision and the consolidation of a joint venture that owns two land rigs during the third quarter of 2002. These increases were partially offset by approximately $10.9 million of reduced expense relating to our insurance program in 2003 compared to the same period in 2002, the release of a provision for doubtful accounts receivable during 2003 upon collection of amounts previously reserved, lower expenses resulting from the transfer of a jackup rig from this segment into the Transocean Drilling segment during the second quarter of 2002 and severance-related costs, other restructuring charges and compensation-related expenses incurred in 2002 with no comparable activity in 2003.

The decrease in impairment loss in this segment is primarily due to the recognition of a $381.9 million non-cash goodwill impairment charge that resulted from our annual impairment test of goodwill conducted as of October 1, 2002 with no comparable charge in 2003. Our 2003 impairment charges resulted primarily from our decision to take five jackup rigs out of drilling service and market the rigs for alternative uses. In 2002, we recorded non-cash impairment charges in this segment of $17.4 million primarily related to assets reclassified from held for sale to our active fleet because they no longer met the held for sale criteria under SFAS 144.

Total Company Results of Operations

	YEARS ENDED DECEMBER 31, 2003	2002	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT % CHANGE)			
General and Administrative Expense	$ 65.3	$ 65.6	$ (0.3)	N/M
Other (Income) Expense, net				
Equity in earnings of joint ventures	(5.1)	(7.8)	2.7	(35)%
Interest income.	(18.8)	(25.6)	6.8	(26)%
Interest expense, net of amounts capitalized	202.0	212.0	(10.0)	(5)%
Loss on retirement of debt	15.7	-	15.7	N/M
Impairment loss on note receivable from related party	21.3	-	21.3	N/M
Other, net	3.0	0.3	2.7	N/M
Income Tax Expense (Benefit)	3.0	(123.0)	126.0	N/M
Cumulative Effect of Changes in Accounting Principles.	(0.8)	1,363.7	(1,364.5)	N/M

"N/M" means not meaningful

The decrease in general and administrative expense was primarily attributable to $9.0 million of costs related to the exchange of our newly issued notes for TODCO's notes in March 2002 as more fully described in Note 8 to our consolidated financial statements and reduced expense related to employee benefits for 2003. Offsetting these decreases was $8.8 million in expenses relating to the IPO of TODCO in 2003, of which $3.1 million was incurred and deferred in 2002.

Equity in earnings of joint ventures decreased approximately $3.8 million primarily related to TODCO's 25 percent share of losses from Delta Towing, which included TODCO's share of non-cash impairment charges on the carrying value of Delta Towing's fleet and a decrease in our 50 percent share of earnings from Overseas Drilling Limited ("ODL"), which owns the drillship Joides Resolution, as the rig came off contract in the third quarter of 2003. Offsetting these decreases was an increase in equity in earnings of $1.6 million related to our 50 percent share of earnings of DD LLC, which leased the Deepwater Pathfinder, as a result of the rig's increased utilization and average dayrates in 2003 compared to the same period in 2002.

The decrease in interest income was primarily due to a decrease of $3.2 million in interest earned on the notes receivable from Delta Towing due largely to the establishment of a reserve in the third quarter of 2003 resulting from Delta Towing's failure to make scheduled quarterly interest payments (see "-Related Party Transactions"). Also contributing to the decrease was lower average cash balances for 2003 compared to 2002 primarily due to the utilization of cash for debt reduction and capital expenditures.

The decrease in interest expense was attributable to reductions in interest expense of $29.7 million associated with debt that was refinanced, repaid or retired during and subsequent to 2002. We also received a refund of interest in 2003 from a taxing authority compared to an interest payment in 2002 resulting in a reduction in interest expense of $2.1 million. Partially offsetting these decreases was the termination of our fixed to floating interest rate swaps in the first quarter of 2003, which resulted in a net increase in interest expense of $22.2 million (see "-Derivative Instruments").

During 2003, we recognized a $15.7 million loss on early retirements of $888.6 million face value debt.

During 2003, we recognized a $21.3 million impairment loss on our note receivable from Delta Towing (see " Related Party Transactions").

We recognized a $3.5 million loss in other, net relating to the effect of foreign currency exchange rate changes on our monetary assets and liabilities primarily those denominated in Venezuelan bolivars (see "-Item 7A. Quantitative and Qualitative Disclosures about Market Risk-Foreign Exchange Risk"), partially offset by the favorable effect of foreign currency exchange rate changes on a U.K. pound denominated escrow deposit.

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. There is no expected relationship between the provision for income taxes and income before income taxes. The year ended December 31, 2003 included a tax benefit of $14.6 million attributable to the favorable resolution of a non-U.S. income tax liability, partially offset by an increase in our estimated annual effective tax rate to approximately 30 percent on earnings before non-cash note receivable and other asset impairments, loss on debt retirements, IPO-related costs and Nigeria benefit plan restructuring costs compared to our effective tax rate of approximately 14 percent for 2002. The year ended December 31, 2002 included a non-U.S. tax benefit of $175.7 million attributable to the restructuring of certain non-U.S. operations.

During 2003, we recognized a $0.8 million gain as a cumulative effect of a change in accounting principle related to TODCO's consolidation of Delta Towing at December 31, 2003 as a result of the early adoption of the FIN 46 (see "-New Accounting Pronouncements"). During 2002, we recognized a $1,363.7 million goodwill impairment charge in our TODCO reporting unit as a cumulative effect of a change in accounting principle related to the implementation of SFAS 142.

HISTORICAL 2002 COMPARED TO 2001

On January 31, 2001, we completed the R&B Falcon merger with R&B Falcon Corporation. At the time of the merger, R&B Falcon owned, had partial ownership interests in, operated or had under construction more than 100 mobile offshore drilling units and other units utilized in the support of offshore drilling activities. As a result of the merger, R&B Falcon became our indirect wholly owned subsidiary and subsequently changed its name to TODCO. The merger was accounted for as a purchase and we were the accounting acquiror. The consolidated statements of operations and cash flows for the year ended December 31, 2001 include eleven months of operating results and cash flows for the merged company.

Although our 2002 results of operations include a full year of operations from the assets acquired in the R&B Falcon merger compared to 11 months in 2001, our revenues and operating and maintenance expense decreased in 2002 by $146.2

million and $109.1 million, respectively. These decreases were mainly attributable to a decline in overall market conditions and resulted from a general uncertainty over world economic and political events. While our overall average fleet dayrate increased from $60,600 in 2001 to $74,800 in 2002, the resulting increase in revenues was more than offset by a substantial decrease in utilization, which was 74% in 2001 compared to 59% in 2002. Our 2002 financial results included the recognition of a number of non-cash charges pertaining substantially to goodwill impairments.

Following is an analysis of our Transocean Drilling segment and TODCO segment operating results, as well as an analysis of income and expense categories that we have not allocated to our two segments.

Transocean Drilling Segment

	YEARS ENDED DECEMBER 31, 2002	2001	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT DAY AMOUNTS AND PERCENTAGES)			
Operating days (a)	26,315	28,294	(1,979)	(7)%
Utilization (a) (b) (d)	78%	81%	N/A	(4)%
Average dayrate (a) (c) (d)	$ 93,500	$ 81,900	$ 11,600	14%
Contract drilling revenues	$ 2,486.1	$ 2,385.2	$ 100.9	4%
Operating and maintenance expense	1,291.3	1,326.7	(35.4)	(3)%
Depreciation	408.4	373.5	34.9	9%
Goodwill amortization	-	114.2	(114.2)	N/M
Impairment loss on long-lived assets and goodwill	2,528.1	39.4	2,488.7	N/M
Gain from sale of assets, net	(2.7)	(50.7)	48.0	(95)%
Operating income (loss) before general and administrative expense	$ (1,739.0)	$ 582.1	$ (2,321.1)	(399)%

"N/A" means not applicable
"N/M" means not meaningful

(a) Applicable all rigs.
(b) Utilization is defined as the total actual number of revenue earning days as a percentage of the total number of calendar days in the period.
(c) Average dayrate is defined as contract drilling revenue earned per revenue earning day.
(d) Effective January 1, 2003, the calculation of average dayrates and utilization was changed to include all rigs based on contract drilling revenues. Prior periods have been restated to reflect the change.

The increase in this segment's operating revenues resulted from a $97.6 million increase from assets acquired in the R&B Falcon merger representing a full year of revenues in 2002 compared to 11 months of operations in 2001, a $122.6 million increase from four newbuild drilling units placed into service during 2001 and a $36.4 million increase from three rigs transferred into this segment from the TODCO segment late in 2001 and mid-2002. In addition, operating revenues relating to historical Transocean assets totaled $1.5 billion for 2002, representing a $32.9 million, or two percent, increase over 2001. These increases were partially offset by a $33.5 million decrease related to the Deepwater Frontier following the expiration of our lease with a related party late in 2001, a $32.5 million decrease from four leased rigs returned to their owners, a $23.9 million decrease related to two rigs removed from our active fleet and marketed for sale and a $20.4 million decrease related to rigs sold during 2001 and 2002. Revenues also decreased by approximately $29.5 million for 2002 compared to 2001, as a result of the sale of RBF FPSO L.P., which owned the Seillean. A decrease of $38.2 million resulting from the winding up of our turnkey drilling business early in 2001 and loss of hire proceeds of $10.7 million in 2001 for the Jack Bates was partially offset by a favorable settlement of a contract dispute in 2002.

The decrease in this segment's operating and maintenance expense resulted from a decrease of $40.5 million related to the Deepwater Frontier following the expiration of our lease with a related party late in 2001, a $22.7 million decrease related to four leased rigs returned to their owners, a $13.6 million decrease related to two rigs removed from our active fleet and marketed for sale, a $9.8 million decrease related to rigs sold during 2001 and 2002, a decrease of $5.1 million related to legal disputes and a $10.1 million decrease primarily related to a reduction in rig utilization, which resulted in certain rigs becoming idle with a reduced crew complement. Operating and maintenance expense also decreased $5.5 million during 2002 for two newbuilds placed into service during 2001. The decrease resulted from additional startup costs incurred during 2001 with no comparable costs in 2002. In addition, operating and maintenance expense in this segment decreased $39.9 million as a result of the winding up of our turnkey drilling business in 2001. These decreases were partially offset by an increase of $35.7 million in operating and maintenance expenses from assets acquired in the R&B Falcon merger for the full year ended 2002 compared to 11 months of activity in 2001, an increase of $21.6 million resulting from the activation of two newbuild drilling units during 2001 and an increase of $22.6 million resulting from three jackup rigs transferred into this segment from the TODCO segment in late 2001 and mid-2002. In addition, accelerated amortization of deferred gain on the Pride North Atlantic's (formerly, the Drill Star) during 2001 produced incremental gains for 2001 of $36.6 million with no equivalent expense reduction during 2002.

The increase in this segment's depreciation expense resulted primarily from four newbuild drilling units placed into service during 2001 ($17.5 million), the transfer of three jackup rigs into this segment from the TODCO segment ($13.3 million) and a full year of depreciation in 2002 on rigs acquired in the R&B Falcon merger compared to 11 months in 2001 ($18.8 million). These increases were partially offset by lower depreciation expense of approximately $16.7 million following the suspension of depreciation on certain rigs transferred to assets held for sale, the sale of various rigs classified as assets held and used during 2001 and an asset classified as held for sale in 2002 that was subsequently transferred to the TODCO segment.

The absence of goodwill amortization in 2002 resulted from our adoption of SFAS 142, Goodwill and Other Intangible Assets, as of January 1, 2002. Goodwill is no longer amortized but is reviewed for impairment at least annually.

The increase in impairment loss in this segment resulted primarily from our annual impairment test of goodwill conducted as of October 1, 2002 ($2,494.1 million). In addition, we recorded non-cash impairment charges in this segment of $34.0 million in 2002, representing a decrease of $5.4 million over 2001, primarily related to assets reclassified from held for sale to our active fleet ($28.5 million) because they no longer met the held for sale criteria under SFAS 144.

During 2002, this segment recognized net pre-tax gains of $5.5 million related to the sale of the Transocean 96, Transocean 97, a mobile offshore production unit, the partial settlement of an insurance claim and the sale of other assets. These net gains were partially offset by net pre-tax losses of $2.8 million from the sale of the RBF 209 and an office building. During 2001, this segment recognized net pre-tax gains of $26.3 million related to the sale of RBF FPSO L.P., which owned the Seillean, $18.5 million related to the accelerated amortization of the deferred gain on the sale of the Sedco Explorer, $3.7 million related to the sale of two Nigerian-based land rigs and $2.2 million from the sale of other assets.

TODCO Segment

	YEARS ENDED DECEMBER 31, 2002	YEARS ENDED DECEMBER 31, 2001	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT DAY AMOUNTS AND PERCENTAGES)			
Operating days (a)	9,101	16,375	(7,274)	(44)%
Utilization (a) (b) (d)	34%	63%	N/A	(47)%
Average dayrate (a) (c) (d)	$ 20,600	$ 26,900	$ (6,300)	(23)%
Contract drilling revenues	$ 187.8	$ 434.9	$ (247.1)	(57)%
Operating and maintenance expense	202.9	276.6	(73.7)	(27)%
Depreciation	91.9	96.6	(4.7)	(5)%
Goodwill amortization	-	40.7	(40.7)	N/M
Impairment loss on long-lived assets and goodwill	399.3	1.0	398.3	N/M
Gain from sale of assets, net	(1.0)	(5.8)	4.8	(83)%
Operating income (loss) before general and administrative expense	$ (505.3)	$ 25.8	$ (531.1)	(2,059)%

"N/A" means not applicable
"N/M" means not meaningful

(a) Applicable to all rigs.
(b) Utilization is defined as the total actual number of revenue earning days as a percentage of the total number

of calendar days in the period.

(c) Average dayrate is defined as contract drilling revenue earned per revenue earning day.

(d) Effective January 1, 2003, the calculation of average dayrates and utilization was changed to include all rigs based on contract drilling revenues. Prior periods have been restated to reflect the change.

Although this segment's operating revenues represent a full year of operations in 2002 compared to 11 months of operations in 2001, revenues decreased mainly due to the further weakening of the Gulf of Mexico shallow and inland water market segment, a decline that began in mid-2001. In addition, the transfer of three jackup rigs from this segment into the Transocean Drilling segment resulted in a $23.7 million decrease. Excluding these three jackup rigs, decreased utilization and average dayrates resulted in a decrease in this segment's contract drilling revenues of $223.4 million.

A large portion of our operating and maintenance expense consists of employee-related costs and is fixed or only semi-variable. Accordingly, operating and maintenance expense does not vary in direct proportion to activity or dayrates.

Although this segment's operating and maintenance expense represents a full year of operations in 2002 compared to 11 months of operations in 2001, operating and maintenance expense in this segment decreased primarily from the further weakening of the Gulf of Mexico shallow and inland water market segment, which resulted in additional idle rigs during 2002. The additional idle rigs resulted in a $39.5 million decrease in personnel related expenses related to reduced employee count, a $15.3 million reduction of repair and maintenance costs, a $4.7 million decrease in leased rigs and other equipment rental expense and a $6.1 million decrease in insurance expense due in part to the additional idle rigs and related reduction in employee headcount. In addition, three jackup rigs were transferred out of this segment into the Transocean Drilling segment in late 2001 and mid-2002 and resulted in a decrease of $15.4 million in operating and maintenance expense. These decreases were partially offset by an increase in expenses of $4.4 million resulting from severance-related costs and other restructuring charges related to our decision to close an administrative office and warehouse in Louisiana and relocate most of the operations and administrative functions previously conducted at that location, as well as compensation-related expenses resulting from executive management changes in the third quarter of 2002.

The decrease in this segment's depreciation expense resulted primarily from the transfer of three jackup rigs out of this segment into the Transocean Drilling segment ($12.2 million) and suspension of depreciation on rigs sold, scrapped or classified as held for sale during 2002 ($2.6 million). These decreases were partially offset by increased expense due to a full year of depreciation in 2002 on rigs acquired in the R&B Falcon merger compared to 11 months in 2001 ($9.0 million).

The absence of goodwill amortization in 2002 resulted from our adoption of SFAS 142, Goodwill and Other Intangible Assets, as of January 1, 2002. Goodwill is no longer amortized but is reviewed for impairment at least annually.

The increase in impairment loss in this segment resulted primarily from our annual impairment test of goodwill conducted as of October 1, 2002 ($381.9 million). In addition, we recorded non-cash impairment charges in this segment of $17.4 million in 2002, representing an increase of $16.4 million over 2001, primarily related to assets reclassified from held for sale to our active fleet because they no longer met the held for sale criteria under SFAS 144.

During 2002, this segment recognized net pre-tax gains of $2.4 million on the sale of a land rig and other assets partially offset by net pre-tax losses of $1.4 million related to the sale of two mobile offshore production units and a land rig. During 2001, this segment recognized net pre-tax gains of $2.1 million related to the disposal of an inland drilling barge and $3.7 million related to the sale of other assets.

Total Company Results of Operations

	YEARS ENDED DECEMBER 31, 2002	2001	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT % CHANGE)			
General and Administrative Expense	$ 65.6	$ 57.9	$ 7.7	13%
Other (Income) Expense, net				
Equity in earnings of joint ventures	(7.8)	(16.5)	8.7	(53)%
Interest income.	(25.6)	(18.7)	(6.9)	37%
Interest expense, net of amounts capitalized	212.0	223.9	(11.9)	(5)%
Loss on retirement of debt	-	28.8	(28.8)	N/M
Other, net	0.3	0.8	(0.5)	(63)%
Income Tax Expense (Benefit)	(123.0)	76.2	(199.2)	N/M
Cumulative Effect of a Change in Accounting Principle.	1,363.7	-	1,363.7	N/M

"N/M" means not meaningful

The increase in general and administrative expense was primarily attributable to $3.9 million of costs related to the exchange of our newly issued notes for TODCO's notes in March 2002 (see "Liquidity and Capital ResourcesSources of Liquidity"). The results from 2001 included a $1.3 million reduction in expense related to the favorable settlement of an unemployment tax assessment with no corresponding reduction in 2002. In addition, expense increased due to the R&B Falcon merger and reflected additional costs to manage a larger, more complex organization for a full year in 2002 compared to 11 months in 2001.

The decrease in equity in earnings of joint ventures was primarily related to TODCO's 25 percent share of losses from Delta Towing ($4.1 million) and to the reduced earnings attributable to our 60 percent share of the earnings of DDII LLC, which owns the Deepwater Frontier ($4.5 million), and our 50 percent share of DD LLC, which owns the Deepwater Pathfinder ($1.6 million). Both the Deepwater Frontier and the Deepwater Pathfinder experienced increased downtime and decreased utilization during 2002. These decreases were partially offset by losses recorded in February 2001 on the sale of the Drill Star and Sedco Explorer by a joint venture in which we own a 25 percent interest ($2.6 million) with no corresponding activity in 2002. The increase in interest income was primarily due to interest earned on higher average cash balances for 2002 compared to 2001. The decrease in interest expense was attributable to reductions in interest expense of $33.2 million associated with debt that was refinanced, repaid or retired during and subsequent to 2001 and a decrease in interest rates that resulted in a $9.0 million reduction on floating rate bank debt. Additionally, our fixed to floating interest rate swaps resulted in reduced interest expense of $39.6 million. Offsetting these decreases were $26.4 million of additional interest expense on debt issued during the second quarter of 2001, $8.6 million of interest expense on debt acquired in the R&B Falcon merger, which represents additional interest for the full year 2002 compared to 11 months in 2001, and the absence of capitalized interest in 2002 due to the completion of our newbuild projects in 2001 compared to $34.9 million of capitalized interest in 2001. The increase in other, net was due primarily to a loss on sale of securities during 2001 with no comparable activity in 2002.

During 2001, we recognized a $28.8 million loss related to the early retirement of $1,233.4 million face value debt.

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. There is no expected relationship between the provision for income taxes and income before income taxes as more fully described in Note 14 to our consolidated financial statements. The year ended December 31, 2002 included a non-U.S. tax benefit of $175.7 million attributable to the restructuring of certain non-U.S. operations.

During 2002, we recognized a $1,363.7 million goodwill impairment charge as a cumulative effect of a change in accounting principle in our TODCO reporting unit related to the implementation of SFAS 142.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements. This discussion should be read in conjunction with disclosures included in the notes to our consolidated financial statements related to estimates, contingencies and new accounting pronouncements. Significant accounting policies are discussed in Note 2 to our consolidated financial statements. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to bad debts, materials and supplies obsolescence, investments, property and equipment, intangible assets and goodwill, income taxes, financing operations, workers' insurance, pensions and other postretirement and employment benefits and contingent liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following are our most critical accounting policies. These policies require significant judgments and estimates used in the preparation of our consolidated financial statements. Management has discussed each of these critical accounting policies and estimates with the Audit Committee of the Board of Directors.

Allowance for doubtful accounts-We establish reserves for doubtful accounts on a case-by-case basis when we believe the required payment of specific amounts owed to us is unlikely to occur. We derive a majority of our revenue from services to international oil companies and government-owned or government-controlled oil companies. Our receivables are concentrated in certain oil-producing countries. We generally do not require collateral or other security to support client receivables. If the financial condition of our clients was to deteriorate or their access to freely convertible currency was restricted, resulting in impairment of their ability to make the required payments, additional allowances may be required.

Provision for income taxes-Our tax provision is based on expected taxable income, statutory rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Determination of taxable income in any jurisdiction requires the interpretation of the related tax laws. Our effective tax rate is expected to fluctuate from year to year as our operations are conducted in different taxing jurisdictions and the amount of pre-tax income fluctuates. Currently payable income tax expense represents either nonresident withholding taxes or the liabilities expected to be reflected on our income tax returns for the current year while the net deferred tax expense or benefit represents the change in the balance of deferred tax assets or liabilities as reported on the balance sheet.

We establish valuation allowances to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized in the future. While we have considered estimated future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowances, changes in these estimates and assumptions, as well as changes in tax laws could require us to adjust the valuation allowances for our deferred tax assets. These adjustments to the valuation allowance would impact our income tax provision in the period in which such adjustments are identified and recorded. See "-Historical 2003 compared to 2002."

Goodwill impairment-We perform a test for impairment of our goodwill annually as of October 1 as prescribed by SFAS 142, Goodwill and Other Intangible Assets. Because our business is cyclical in nature, goodwill could be significantly impaired depending on when the assessment is performed in the business cycle. The fair value of our reporting units is based on a blend of estimated discounted cash flows, publicly traded company multiples and acquisition multiples. Estimated discounted cash flows are based on projected utilization and dayrates. Publicly traded company multiples and acquisition multiples are derived from information on traded shares and analysis of recent acquisitions in the marketplace, respectively, for companies with operations similar to ours. Changes in the assumptions used in the fair value calculation could result in an estimated reporting unit fair value that is below the carrying value, which may give rise to an impairment of goodwill. In addition to the annual review, we also test for impairment should an event occur or circumstances change that may indicate a reduction in the fair value of a reporting unit below its carrying value.

Property and equipment-Our property and equipment represents more than 65 percent of our total assets. We determine the carrying value of these assets based on our property and equipment accounting policies, which incorporate our estimates, assumptions, and judgments relative to capitalized costs, useful lives and salvage values of our rigs. We review our property and equipment for impairment when events or changes in circumstances indicate that the carrying value of such assets or asset groups may be impaired or when reclassifications are made between property and equipment and assets held for sale as prescribed by SFAS 144, Accounting for Impairment or Disposal of Long-Lived Assets. Asset impairment evaluations are based on estimated undiscounted cash flows for the assets being evaluated. Our estimates, assumptions and judgments used in the application of our property and equipment accounting policies reflect both historical experience and expectations regarding future industry conditions and operations. Using different estimates, assumptions and judgments, especially those involving the useful lives of our rigs and expectations regarding future industry conditions and operations, could result in different carrying values of assets and results of operations.

Pension and other postretirement benefits-Our defined benefit pension and other postretirement benefit (retiree life insurance and medical benefits) obligations and the related benefit costs are accounted for in accordance with SFAS 87,

Employers' Accounting for Pensions, and SFAS 106, Employers' Accounting for Postretirement Benefits Other than Pensions. Pension and postretirement costs and obligations are actuarially determined and are affected by assumptions including expected return on plan assets, discount rates, compensation increases, employee turnover rates and health care cost trend rates. We evaluate our assumptions periodically and make adjustments to these assumptions and the recorded liabilities as necessary.

Two of the most critical assumptions are the expected long-term rate of return on plan assets and the assumed discount rate. We evaluate our assumptions regarding the estimated long-term rate of return on plan assets based on historical experience and future expectations on investment returns, which are calculated by our third party investment advisor utilizing the asset allocation classes held by the plan's portfolios. We utilize the Moody's Aa long-term corporate bond yield as a basis for determining the discount rate for a majority of our plans. Changes in these and other assumptions used in the actuarial computations could impact our projected benefit obligations, pension liabilities, pension expense and other comprehensive income. We base our determination of pension expense on a market-related valuation of assets that reduces year-to-year volatility. This market-related valuation recognizes investment gains or losses over a five-year period from the year in which they occur. Investment gains or losses for this purpose are the difference between the expected return calculated using the market-related value of assets and the actual return based on the market-related value of assets. See "-Defined Benefit Pension Plans."

Contingent liabilities-We establish reserves for estimated loss contingencies when we believe a loss is probable and the amount of the loss can be reasonably estimated. Our contingent liability reserves relate primarily to litigation, personal injury claims and potential tax assessments. Revisions to contingent liability reserves are reflected in income in the period in which different facts or information become known or circumstances change that affect our previous assumptions with respect to the likelihood or amount of loss. Reserves for contingent liabilities are based upon our assumptions and estimates regarding the probable outcome of the matter. Should the outcome differ from our assumptions and estimates, revisions to the estimated reserves for contingent liabilities would be required.

RESTRUCTURING CHARGES

In September 2002, we committed to restructuring plans in France, Norway and in our TODCO segment. We established a liability of approximately $5.2 million for the estimated severance-related costs associated with the involuntary termination of 81 employees pursuant to these plans. The charge was reported as operating and maintenance expense in our consolidated statements of operations of which approximately $4.0 million and $1.2 million related to the Transocean Drilling segment and TODCO segment, respectively. Through December 31, 2003, approximately $4.6 million had been paid to 74 employees representing full or partial payments. In June 2003, we released the expected surplus liability of $0.3 million to operating and maintenance expense in the Transocean Drilling segment. Substantially all of the remaining liability is expected to be paid by the end of the first quarter in 2005.

DEFINED BENEFIT PENSION PLANS

We maintain a qualified defined benefit pension plan (the "Retirement Plan") covering substantially all U.S. employees except for TODCO employees, and an unfunded plan (the "Supplemental Benefit Plan") to provide certain eligible employees with benefits in excess of those allowed under the Retirement Plan. In conjunction with the R&B Falcon merger, we acquired three defined benefit pension plans, two funded and one unfunded (the "Frozen Plans"), that were frozen prior to the merger for which benefits no longer accrue but the pension obligations have not been fully paid out. We refer to the Retirement Plan, the Supplemental Benefit Plan and the Frozen Plans collectively as the U.S. Plans.

In addition, we provide several defined benefit plans, primarily group pension schemes with life insurance companies covering our Norway operations and two unfunded plans covering certain of our employees and former employees (the "Norway Plans"). Certain of the Norway plans are funded in part by employee contributions. Our contributions to the Norway Plans are determined primarily by the respective life insurance companies based on the terms of the plan. For the insurance-based plans, annual premium payments are considered to represent a reasonable approximation of the service costs of benefits earned during the period. We also have an unfunded defined benefit plan (the "Nigeria Plan") that provides retirement and severance benefits for certain of our Nigerian employees. The defined benefit pension benefits we provide are comprised of the U.S. Plans, the Norway Plans and the Nigeria Plan (collectively the "Transocean Plans").

	RETIREMENT PLAN	SUPPLEMENTAL BENEFIT PLAN	FROZEN PLANS	SUBTOTAL- U.S. PLANS	NORWAY PLANS	NIGERIA PLAN	TOTAL TRANSOCEAN PLANS	
				(in millions)				
ACCUMULATED BENEFIT OBLIGATION								
At December 31, 2003	$ 101.4	$ 7.7	$ 102.2	$ 211.3	$ 30.2	$ -	$ 241.5	
At December 31, 2002	86.6	5.0	95.6	187.2	37.1	3.4	227.7	
PROJECTED BENEFIT OBLIGATION								
At December 31, 2003	$ 138.1	$ 10.9	$ 102.2	$ 251.2	$ 44.2	$ 0.1	$ 295.5	
At December 31, 2002	131.2	7.6	95.8	234.6	50.4	10.6	295.6	
FAIR VALUE OF PLAN ASSETS								
At December 31, 2003	$ 95.0	$ -	$ 91.3	$ 186.3	$ 28.1	$ -	$ 214.4	
At December 31, 2002	80.9	-	79.6	160.5	28.0	-	188.5	
FUNDED STATUS								
At December 31, 2003	$ (43.1)	$ (10.9)	$ (10.9)	$ (64.9)	$ (16.1)	$ (0.1)	$ (81.1)	
At December 31, 2002	(50.3)	(7.6)	(16.2)	(74.1)	(22.4)	(10.6)	(107.1)	
NET PERIODIC BENEFIT COST (INCOME)								
Year Ending December 31, 2003	$ 10.7	$ 1.6	$ (1.7)	$ 10.6	$ (1.8)	$ 13.0	$ 21.8	(a)
Year Ending December 31, 2002	11.6	2.6	(3.7)	10.5	3.4	3.2	17.1	(a)
CHANGE IN ACCUMULATED OTHER COMPREHENSIVE INCOME								
Year Ending December 31, 2003	$ (8.2)	$ 1.3	$ (3.1)	$ (10.0)	$ -	$ -	$ (10.0)	
Year Ending December 31, 2002	8.2	-	37.5	45.7	-	-	45.7	
EMPLOYER CONTRIBUTIONS								
Year Ending December 31, 2003	$ -	$ 0.7	$ 0.4	$ 1.1	$ 3.8	$ 18.4	$ 23.3	
Year Ending December 31, 2002	-	2.4	0.3	2.7	3.0	0.9	6.6	
WEIGHTED-AVERAGE ASSUMPTIONS - BENEFIT OBLIGATIONS								
DISCOUNT RATE								
At December 31, 2003	6.00%	6.00%	6.00%	6.00%	20.00%	6.25%	(b)	
At December 31, 2002	6.50%	6.50%	6.50%	6.00%	20.00%	6.90%	(b)	
RATE OF COMPENSATION INCREASE								
At December 31, 2003	5.45%	5.45%	-	3.50%	15.00%	5.24%	(b)	
At December 31, 2002	5.50%	5.50%	-	3.50%	15.00%	5.53%	(b)	
WEIGHTED-AVERAGE ASSUMPTIONS - NET PERIODIC BENEFIT COST								
DISCOUNT RATE								
At December 31, 2003	6.50%	6.50%	6.50%	6.00%	20.00%	6.65%	(b)	
At December 31, 2002	7.00%	7.00%	7.00%	6.00%	20.00%	7.31%	(b)	
EXPECTED LONG-TERM RATE OF RETURN ON PLAN ASSETS								
At December 31, 2003	9.00%	-	9.00%	7.00%	-	8.73%	(c)	
At December 31, 2002	9.00%	-	9.00%	7.00%	-	8.73%	(c)	
RATE OF COMPENSATION INCREASE								
At December 31, 2003	5.45%	5.45%	-	3.50%	15.00%	5.24%	(b)	
At December 31, 2002	5.50%	5.50%	-	3.50%	15.00%	5.53%	(b)	

(a) Pension costs were reduced by expected returns on plan assets of $19.7 million and $20.7 million for the years ended December 31, 2003 and 2002, respectively.
(b) Weighted-average based on relative average projected benefit obligation for the year.
(c) Weighted-average based on relative average fair value of plan assets for the year.

For the funded U.S. Plans, our funding policy consists of reviewing the funded status of these plans annually and contributing an amount at least equal to the minimum contribution required under the Employee Retirement Income Security

Act of 1974 (ERISA). Employer contributions to the funded U.S. Plans are based on actuarial computations that establish the minimum contribution required under ERISA and the maximum deductible contribution for income tax purposes. No contributions were made to the funded U.S. Plans during 2003 or 2002. Contributions to the unfunded U.S. Plans in 2003 and 2002 were to fund benefit payments.

Plan assets of the funded Transocean Plans have been favorably impacted by a substantial rise in world equity markets during 2003 and an allocation of approximately 60 percent of plan assets to equity securities. Debt securities and other investments also experienced increased values, but to a lesser extent. During 2003, the market value of the investments in the Transocean Plans increased by $25.9 million, or 13.7 percent. The increase is due to net investment gains of $33.8 million, primarily in the funded U.S. Plans, resulting from the favorable performance of equity markets in 2003, partially offset by benefit plan payments of $7.8 million from these plans. We expect to contribute $10.0 million to the Transocean Plans in 2004, comprised of $5.4 million to the funded U.S. Plans, an estimated $2.0 million to fund expected benefit payments for the unfunded U.S. Plans and Nigeria Plan, and an estimated $2.6 million for the Norway Plans to fund expected benefit payments. We expect the required contributions will be funded from cash flow from operations. We have generated unrecognized net actuarial losses due to the effect of the unfavorable performance in previous years of the plan assets of the funded Transocean Plans. As of December 31, 2003 we had cumulative losses of approximately $11.7 million that remain to be recognized in the calculation of the market-related value of assets. These unrecognized net actuarial losses may result in increases in our future pension expense depending on several factors, including whether such losses at each measurement date exceed certain amounts in accordance with SFAS 87, Employers' Accounting for Pensions.

We account for the Transocean Plans in accordance with SFAS 87. This statement requires us to calculate our pension expense and liabilities using assumptions based on a market-related valuation of assets, which reduces year-to-year volatility using actuarial assumptions. Changes in these assumptions can result in different expense and liability amounts, and future actual experience can differ from these assumptions. In accordance with SFAS 87, changes in pension obligations and assets may not be immediately recognized as pension costs in the statement of operations but generally are recognized in future years over the remaining average service period of plan participants. As such, significant portions of pension costs recorded in any period may not reflect the actual level of benefit payments provided to plan participants.

Two of the most critical assumptions used in calculating our pension expense and liabilities are the expected long-term rate of return on plan assets and the assumed discount rate. During 2002, we recorded a non-cash minimum pension liability adjustment related to the U.S. Plans that resulted in a charge to other comprehensive income of $32.5 million, net of tax of $13.2 million. This charge was attributable primarily to the decline in the market value of the funded U.S. Plans' assets and increased benefit obligations associated with a reduction in the discount rate that resulted in the value of the funded U.S. Plans' assets being less than the accumulated benefit obligation. Increases in the fair value of plan assets in 2003 have resulted in a reduction in the minimum pension liability of $9.3 million, net of tax of $0.7 million. At December 31, 2003, the minimum pension liability included in other comprehensive income was $23.2 million, net of tax of $12.5 million. The minimum pension liability adjustments did not impact our results of operations during 2002 or 2003, nor did these adjustments affect our ability to meet any financial covenants related to our debt facilities.

Our expected long-term rate of return on plan assets for the funded U.S. Plans was 9.0 percent as of December 31, 2003 and 2002. The expected long-term rate of return on plan assets was developed by reviewing each plan's targeted asset allocation and asset class long-term rate of return expectations. We regularly review our actual asset allocation and periodically rebalance plan assets as appropriate. For the funded U.S. Plans, we discounted our future pension obligations using a rate of 6.0 percent at December 31, 2003, 6.5 percent at December 31, 2002 and 7.0 percent at December 31, 2001. We expect pension expense related to the Transocean Plans for 2004 to decrease by approximately $2.5 million based on the reduction in costs attributable to the Nigeria Plan resulting from the restructuring of this plan, partially offset by the change in the discount rate assumptions for the U.S. Plans.

For each percentage point the expected long-term rate of return assumption is lowered, pension expense would increase approximately $1.9 million. For each one-half percentage point the discount rate is lowered, pension expense would increase by approximately $3.3 million.

During 2003, we terminated all Nigerian employees, which resulted in the payment of all accrued benefits under the Nigeria Plan. Approximately 80 of these employees were made redundant during 2003, while the remaining employees not considered redundant were rehired under a new plan. In accordance with the provisions of SFAS 88, Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and Termination Benefits, this resulted in a partial plan curtailment and a plan settlement. We paid approximately $17.0 million in severance benefits under the Nigeria Plan during 2003 as a result of these events. In accordance with SFAS 88, we have accounted for these events as a plan restructuring and recorded a net settlement expense of $10.4 million, as well as a $4.6 million liability. This liability will reduce future pension expense related to the Nigeria Plan as it will be recognized over the expected service term of the related employees. Pension expense for the Nigeria Plan is estimated to be $0.1 million in 2004 and represents a 94.6% decrease as compared to the 2003 plan expenses (excluding the settlement related expenses discussed above).

Future changes in plan asset returns, assumed discount rates and various other factors related to the pension plans will impact our future pension expense and liabilities. We cannot predict with certainty what these factors will be in the future.

OFF-BALANCE SHEET ARRANGEMENTS

Special Purpose Entities-DD LLC and DDII LLC were previously unconsolidated joint ventures in which we owned a 50 percent and 60 percent interest, respectively, and each was party to a synthetic lease financing facility. See "-Acquisitions and Dispositions."

DD LLC's annual rent payments for the Deepwater Pathfinder, totaling approximately $28.2 million in 2003, were substantially fixed through October 2003 due to the interest rate swap (see "-Derivative Instruments"). Subsequent to the scheduled expiration of the interest rate swap, rent payments were subject to changes in market interest rates. DDII LLC's annual rent payments for the Deepwater Frontier were subject to changes in market interest rates and totaled approximately $23.8 million in 2003.

With the payoff of the synthetic lease financing arrangements in December 2003, our relationships with the special purpose entities were terminated.

Sale/Leaseback-We lease the M. G. Hulme, Jr. from Deep Sea Investors, L.L.C., a special purpose entity formed by several leasing companies to acquire the rig from one of our subsidiaries in November 1995 in a sale/leaseback transaction. We are obligated to pay rent of approximately $13 million per year through November 2005. At the termination of the lease, we may purchase the rig for a maximum amount of approximately $35.7 million. Effective September 2002, the lease neither requires that collateral be maintained nor contains any credit rating triggers.

RELATED PARTY TRANSACTIONS

Delta Towing-In connection with the R&B Falcon merger, TODCO formed a joint venture to own and operate its U.S. inland marine support vessel business (the "Marine Business"). As part of the joint venture formation in January 2001, the Marine Business was transferred by a subsidiary of TODCO to Delta Towing in exchange for a 25 percent equity interest, and certain secured notes payable from Delta Towing in a principal amount of $144 million. These notes were valued at $80 million immediately prior to the closing of the R&B Falcon merger. In December 2001, the note agreement was amended to provide for a $4 million, three year-revolving credit facility (the "Delta Towing Revolver"). For the year ended December 31, 2003, TODCO recognized interest income of $3.1 million on the outstanding notes receivable and $0.3 million on the outstanding balance of the Delta Towing Revolver.

Delta Towing defaulted on the notes in January 2003 by failing to make its scheduled quarterly interest payment and remains in default as a result of its continued failure to make its quarterly interest payments. As a result of our continued evaluation of the collectibility of the notes, TODCO recorded a $21.3 million impairment of the notes in June 2003 based on Delta Towing's discounted cash flows over the terms of the notes, which deteriorated in the second quarter of 2003 as a result of the continued decline in Delta Towing's business outlook. As permitted in the notes in the event of default, TODCO began offsetting a portion of the amount owed to Delta Towing against the interest due under the notes. Additionally, TODCO established a reserve of $1.6 million for interest income earned during the year ended December 31, 2003 on the notes receivable. TODCO consolidated Delta Towing effective December 31, 2003 (see "- New Accounting Pronouncements").

As part of the formation of the joint venture on January 31, 2001, TODCO entered into a charter arrangement with Delta Towing under which TODCO committed to charter certain vessels for a period of one year ending January 31, 2002, and committed to charter for a period of 2.5 years from date of delivery 10 crewboats then under construction, all of which have been placed into service as of March 1, 2003. TODCO also entered into an alliance agreement with Delta Towing under which TODCO agreed to treat Delta Towing as a preferred supplier for the provision of marine support services.

In 2003, TODCO incurred charges totaling $11.7 million from Delta Towing for services rendered, which were reflected in operating and maintenance expense.

DD LLC and DDII LLC-Prior to our purchase of ConocoPhillips' interest in DD LLC and DDII LLC (see "-Acquisitions and Dispositions"), we were a party to drilling services agreements with DD LLC and DDII LLC for the operation of the Deepwater Pathfinder and Deepwater Frontier, respectively. In 2003, we earned $1.6 million and $1.3 million for such drilling services from DD LLC and DDII LLC, respectively.

ODL-We own a 50 percent interest in an unconsolidated joint venture company, ODL. ODL owns the Joides Resolution, for which we provide certain operational and management services. In 2003, we earned $1.2 million for those services.

SEPARATION OF TODCO

Master Separation Agreement with TODCO-We entered into a master separation agreement with TODCO that provides for the completion of the separation of TODCO's business from ours. It also governs aspects of the relationship between us and TODCO following the IPO. The master separation agreement provides for cross-indemnities that generally place financial responsibility on TODCO and its subsidiaries for all liabilities associated with the businesses and operations falling within the definition of TODCO's business, and that generally place financial responsibility for liabilities associated with all of our businesses and operations with us, regardless of the time those liabilities arise.

Under the master separation agreement we also agreed to generally release TODCO, and TODCO agreed to generally release us, from any liabilities that arose prior to the closing of the IPO, including acts or events that occurred in connection with the separation or the IPO; provided, that specified ongoing obligations and arrangements between TODCO and our company are excluded from the mutual release.

The master separation agreement defines the TODCO business to generally mean contract drilling and similar services for oil and gas wells using jackup, submersible, barge and platform drilling rigs in the U.S. Gulf of Mexico and U.S. inland waters; contract drilling and similar services for oil and gas wells in and offshore Mexico, Trinidad, Colombia and Venezuela; and TODCO's joint venture interest in Delta Towing. Our business is generally defined to include all of the businesses and activities not defined as the TODCO business and specifically includes contract drilling and similar services for oil and gas wells using semisubmersibles and drillships in the U.S. Gulf of Mexico; contract drilling and similar services for oil and gas wells in geographic regions outside of the U.S. Gulf of Mexico, U.S. inland waters, Mexico, Colombia, Trinidad and Venezuela; oil and gas exploration and production activities; coal production activities; and the turnkey drilling business that TODCO formerly operated in the U.S. Gulf of Mexico and offshore Mexico.

The master separation agreement also contains several provisions regarding TODCO's corporate governance and accounting practices that apply as long as we own specified percentages of TODCO's common stock. As long as we own shares representing a majority of the voting power of TODCO's outstanding voting stock, we will have the right to nominate for designation by TODCO's board of directors, or a nominating committee of the board, a majority of the members of the board, as well as the chairman of the board, and designate at least a majority of the members of any committee of TODCO's board of directors.

If our beneficial ownership of TODCO's common stock is reduced to a level of at least 10 percent but less than a majority of the voting power of TODCO's outstanding voting stock, we will have the right to designate for nomination a number of directors proportionate to our voting power and designate one member of any committee of TODCO's board of directors.

Tax Sharing Agreement with TODCO-Our wholly owned subsidiary, Transocean Holdings Inc. ("Transocean Holdings"), has entered into a tax sharing agreement with TODCO in connection with the IPO. The tax sharing agreement governs Transocean Holdings' and TODCO's respective rights, responsibilities and obligations with respect to taxes and tax benefits, the filing of tax returns, the control of audits and other tax matters. Under this agreement, all U.S. federal, state, local and foreign income taxes and income tax benefits (including income taxes and income tax benefits attributable to the TODCO business) that accrued on or before the closing of the IPO generally will be for the account of Transocean Holdings. Accordingly, Transocean Holdings generally will be liable for any income taxes that accrued on or before the closing of the IPO, but TODCO generally must pay Transocean Holdings for the amount of any income tax benefits created on or before the closing of the IPO ("pre-closing tax benefits") that it uses or absorbs on a return with respect to a period after the closing of the IPO. As of December 31, 2003, TODCO is estimated to have approximately $450 million of pre-closing tax benefits subject to its obligation to reimburse Transocean Holdings, after elimination of those benefits TODCO expects to use in connection with its separation from Transocean Holdings. The ultimate amount will depend on many factors, including the ultimate allocation of tax benefits between TODCO and our other subsidiaries under applicable law and taxable income for calendar year 2004. This amount includes approximately $200 million of tax benefits reflected in Transocean's December 31, 2003 historical financial statements and additional tax benefits expected to result from the closing of the offering, specified ownership changes, statutory allocations of tax benefits among Transocean Holdings consolidated group members and other events. The estimated tax benefits on these historical financial statements are before any reductions from a valuation allowance expected to be recorded during the first quarter of 2004 or any transactions that could occur after the IPO. Income taxes and income tax benefits accruing after the closing of the IPO, to the extent attributable to Transocean Holdings or its affiliates (other than TODCO or its subsidiaries), generally will be for the account of Transocean Holdings and, to the extent attributable to TODCO or its subsidiaries, generally will be for the account of TODCO. However, TODCO will be responsible for all taxes, other than income taxes, attributable to the TODCO business, whether accruing before, on or after the closing of the IPO.

Exceptions to the general allocation rules discussed above may apply with respect to specific tax items or under special circumstances, including in circumstances where TODCO's use or absorption of any pre-closing tax benefit defers or precludes its use or absorption of any income tax benefit created after the closing of the IPO or arises out of or relates to the alternative minimum tax provisions of the U.S. Internal Revenue Code. In addition, TODCO generally must pay Transocean Holdings for any tax benefits otherwise attributable to TODCO that result from the delivery by Transocean or its subsidiaries, after the closing of the IPO, of stock of Transocean to an employee of TODCO in connection with the exercise of an employee stock option. If any person other than Transocean or its subsidiaries becomes the beneficial owner of greater than 50 percent of the aggregate voting power of TODCO's outstanding voting stock, TODCO will be deemed to have used or absorbed all pre-closing tax benefits and generally will be required to pay Transocean Holdings a specified amount for these pre-closing tax benefits at the time the requisite voting power is attained. Moreover, if any of TODCO's subsidiaries that join with TODCO in the filing of consolidated returns ceases to join in the filing of such returns, TODCO will be deemed to have used that portion of the pre-closing tax benefits attributable to that subsidiary following the cessation, and TODCO generally will be required to pay Transocean Holdings a specified amount for this deemed tax benefit at the time such subsidiary ceases to join in the filing of such returns.

Other Agreements with TODCO-In addition to the agreements described above, we also entered into the following agreements with TODCO: (1) a transition services agreement under which we will provide specified administrative support during the transitional period following the closing of the IPO, (2) an employee matters agreement that allocates specified assets, liabilities and responsibilities relating to TODCO's current and former employees and their participation in our benefit plans under which we have generally agreed to indemnify TODCO for employment liabilities arising from any acts of our employees or from claims by our employees against TODCO and for liabilities relating to benefits for our employees (and TODCO has generally agreed to similarly indemnify us) and (3) a registration rights agreement under which TODCO has agreed to register the sale of shares of TODCO's common stock held by us under the Securities Act of 1933, as amended, and granted us "piggy-back" registration rights.

NEW ACCOUNTING PRONOUNCEMENTS

In April 2002, the FASB issued SFAS 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. This statement eliminates the requirement under SFAS 4 to aggregate and classify all gains and losses from extinguishment of debt as an extraordinary item, net of related income tax effect. This statement also amends SFAS 13 to require certain lease modifications with economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. In addition, SFAS 145 requires reclassification of gains and losses in all prior periods presented in comparative financial statements related to debt extinguishment that do not meet the criteria for extraordinary item in Accounting Principles Board Opinion ("APB") 30. The statement is effective for fiscal years beginning after May 15, 2002 with early adoption encouraged. We adopted SFAS 145 effective January 1, 2003. As a result of our adoption of this statement, our results of operations for the year ended December 31, 2001 included $28.8 million related to the loss on early retirement of debt previously classified as an extraordinary item.

In December 2002, the FASB issued SFAS 148, Accounting for Stock-Based Compensation - Transition and Disclosure, which is effective for fiscal years ending after December 15, 2002. SFAS 148 amends SFAS 123, to permit two additional transition methods for a voluntary change to the fair value based method of accounting for stock-based employee compensation from the intrinsic method under APB 25, Accounting for Stock Issued to Employees. The prospective method of transition under SFAS 123 is an option for entities adopting the recognition provisions of SFAS 123 in a fiscal year beginning before December 15, 2003. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements concerning the method of accounting used for stock-based employee compensation and the effects of that method on reported results of operations. Under SFAS 148, pro forma disclosures are required in a specific tabular format in the "Summary of Significant Accounting Policies." We adopted the disclosure requirements of this statement as of December 31, 2002. The adoption had no effect on our consolidated financial position or results of operations. We adopted the fair value method of accounting for stock-based compensation using the prospective method of transition under SFAS 123 effective January 1, 2003. Compensation expense in 2003 increased approximately $4.3 million, net of tax of $1.8 million, as of result of the adoption. See Note 2 to our consolidated financial statements.

In January 2003, the FASB issued FIN 46. FIN 46 requires the consolidation of variable interest entities in which an enterprise absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. The provisions of FIN 46 are effective immediately for those variable interest entities created after January 31, 2003. The provisions of FIN 46, as amended December 2003, are effective for the first interim or annual period ending after December 15, 2003 for those variable interest entities held prior to February 1, 2003 that are considered to be special purpose entities. The provisions, as amended, are to be applied no later than the end of the first reporting period that ends after March 15, 2004 for all other variable interest entities held prior to February 1, 2003. We have adopted and applied the provisions of FIN 46, as revised December 2003, effective December 31, 2003 for all variable interest entities.

At December 31, 2003, through our then wholly owned subsidiary, TODCO, we had a 25 percent ownership interest in Delta Towing, a joint venture established for the purpose of owning and operating inland and shallow water marine support vessel equipment. At the time Delta Towing was formed, it issued $144.0 million in notes to TODCO. Prior to the R&B Falcon merger, $64.0 million of the notes were fully reserved leaving an $80.0 million balance at January 31, 2001. This note agreement was subsequently amended to provide for a $4.0 million, three-year revolving credit facility. Delta Towing's property and equipment with a net book value at December 31, 2003 of $50.6 million serve as collateral for TODCO's notes receivable. The carrying value of the notes receivable, net of allowance for credit losses and equity losses in the joint venture, was $49.0 million at December 31, 2003. Delta Towing also issued a $3.0 million note to the 75 percent joint venture partner. Delta Towing is considered a variable interest entity as its equity is not sufficient to absorb its expected losses. Because TODCO has the largest percentage of investment at risk through the notes receivable, TODCO would absorb the majority of the joint venture's expected losses; therefore, TODCO is deemed to be the primary beneficiary of Delta Towing for accounting purposes. As such, TODCO consolidated Delta Towing effective December 31, 2003 and the consolidation resulted in an increase in net assets and a corresponding gain as a cumulative effect of a change in accounting principle of approximately $0.8 million.

We are party to a sale/leaseback agreement for the semisubmersible drilling rig M.G. Hulme, Jr. with an unrelated third party leasing company (see "Off-Balance Sheet Arrangements-Sale/Leaseback"). Under the sale/leaseback agreement, we have the option to purchase the semisubmersible drilling rig at the end of the lease for a maximum amount of approximately $35.7 million. Because the sale/leaseback agreement is with an entity in which we have no direct investment, we are not entitled to receive the financial statements of the leasing entity and the equity holders of the leasing company will not release the financial statements or other financial information to us in order for us to make the determination of whether we have a variable interest in the entity. In addition, without the financial statements, we are unable to determine if we are the primary beneficiary of the entity and, if so, what we would consolidate. We have no exposure to loss as a result of the sale/leaseback agreement. We incurred rig rental expense related to the sale/leaseback agreement of $12.5 million, $12.6 million and $11.9 million during each of the years ended December 31, 2003, 2002 and 2001, respectively. We currently account for the lease of this semisubmersible drilling rig as an operating lease.

RISK FACTORS

OUR BUSINESS DEPENDS ON THE LEVEL OF ACTIVITY IN THE OIL AND GAS INDUSTRY, WHICH IS SIGNIFICANTLY AFFECTED BY VOLATILE OIL AND GAS PRICES.

Our business depends on the level of activity in oil and gas exploration, development and production in market segments worldwide, with the U.S. and international offshore and U.S. inland marine areas being our primary market segments. Oil and gas prices and market expectations of potential changes in these prices significantly affect this level of activity. However, higher commodity prices do not necessarily translate into increased drilling activity since our customers' expectations of future commodity prices typically drive demand for our rigs. Worldwide military, political and economic events have contributed to oil and gas price volatility and are likely to do so in the future. Oil and gas prices are extremely volatile and are affected by numerous factors, including the following:

- worldwide demand for oil and gas,
- the ability of the Organization of Petroleum Exporting Countries, commonly called "OPEC," to set and maintain production levels and pricing,
- the level of production in non-OPEC countries,
- the policies of various governments regarding exploration and development of their oil and gas reserves,

- advances in exploration and development technology, and

- the worldwide military and political environment, including uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities or other crises in the Middle East or other geographic areas or further acts of terrorism in the United States, or elsewhere.

The offshore and inland marine contract drilling industry is highly competitive with numerous industry participants, none of which has a dominant market share. Drilling contracts are traditionally awarded on a competitive bid basis. Intense price competition is often the primary factor in determining which qualified contractor is awarded a job, although rig availability and the quality and technical capability of service and equipment may also be considered. Recent mergers among oil and natural gas exploration and production companies have reduced the number of available customers.

OUR INDUSTRY IS HIGHLY COMPETITIVE AND CYCLICAL, WITH INTENSE PRICE COMPETITION.

Our industry has historically been cyclical and is impacted by oil and gas price levels and volatility. There have been periods of high demand, short rig supply and high dayrates, followed by periods of low demand, excess rig supply and low dayrates. Changes in commodity prices can have a dramatic effect on rig demand, and periods of excess rig supply intensify the competition in the industry and often result in rigs being idle for long periods of time. We may be required to idle rigs or enter into lower rate contracts in response to market conditions in the future.

OUR DRILLING CONTRACTS MAY BE TERMINATED DUE TO A NUMBER OF EVENTS.

We undertook a significant newbuild program that was completed in 2001. While we experienced some start-up difficulties with most of our newbuild rigs, we believe our newbuild fleet operations have progressed to a point where our newbuild fleet's average downtime should be generally comparable to industry norms. However, the deepwater environments in which these newbuild rigs operate continue to present technological and engineering challenges so we are unable to provide assurances that future operational problems will not arise. Should problems occur that cause significant downtime or significantly affect a newbuild rig's performance or safety, our clients may attempt to terminate or suspend the drilling contract, particularly any of the remaining long-term contracts associated with these rigs. In the event of termination of a drilling contract for one of these rigs, it is unlikely that we would be able to secure a replacement contract on as favorable terms.

Our customers may terminate or suspend some of our term drilling contracts under various circumstances such as the loss or destruction of the drilling unit, downtime caused by equipment problems or sustained periods of downtime due to force majeure events. Some drilling contracts permit the customer to terminate the contract at the customer's option without paying a termination fee. Suspension of drilling contracts results in loss of the dayrate for the period of the suspension. If our customers cancel some of our significant contracts and we are unable to secure new contracts on substantially similar terms, it could adversely affect our results of operations. In reaction to depressed market conditions, our customers may also seek renegotiation of firm drilling contracts to reduce their obligations.

OUR BUSINESS INVOLVES NUMEROUS OPERATING HAZARDS.

Our operations are subject to the usual hazards inherent in the drilling of oil and gas wells, such as blowouts, reservoir damage, and loss of production, loss of well control, punchthroughs, craterings and fires. The occurrence of these events could result in the suspension of drilling operations, damage to or destruction of the equipment involved and injury or death to rig personnel. We may also be subject to personal injury and other claims of rig personnel as a result of our drilling operations. Operations also may be suspended because of machinery breakdowns, abnormal drilling conditions, and failure of subcontractors to perform or supply goods or services or personnel shortages. In addition, offshore drilling operators are subject to perils peculiar to marine operations, including capsizing, grounding, collision and loss or damage from severe weather. Damage to the environment could also result from our operations, particularly through oil spillage or extensive uncontrolled fires. We may also be subject to property, environmental and other damage claims by oil and gas companies. Our insurance policies and contractual rights to indemnity may not adequately cover losses, and we may not have insurance coverage or rights to indemnity for all risks.

Consistent with standard industry practice, our clients generally assume, and indemnify us against, well control and subsurface risks under dayrate contracts. These risks are those associated with the loss of control of a well, such as blowout or cratering, the cost to regain control or redrill the well and associated pollution. However, there can be no assurance that these clients will necessarily be financially able to indemnify us against all these risks. Also, we may be effectively prevented from enforcing these indemnities because of the nature of our relationship with some of our larger clients.

We maintain broad insurance coverages, including coverages for property damage, occupational injury and illness, and general and marine third-party liabilities. Property damage insurance covers against marine and other perils, including losses due to capsizing, grounding, collision, fire, lightning, hurricanes, wind, storms, and action of waves, punch-throughs, cratering, blowouts, explosions, and war risks. We insure all of our offshore drilling equipment for general and third party liabilities, occupational and illness risks, and property damage. We generally insure all of our offshore drilling rigs against property damage for their approximate fair market value.

In accordance with industry practices, we believe we are adequately insured for normal risks in our operations; however, such insurance coverage may not in all situations provide sufficient funds to protect us from all liabilities that could result from our drilling operations. Although our current practice is generally to insure all of our rigs for their approximate fair market value, our insurance would not completely cover the costs that would be required to replace certain of our units, including certain High-Specification Floaters. We have also increased our deductibles such that certain claims may not be reimbursed by insurance carriers. Such lack of reimbursement may cause the company to incur substantial costs.

OUR NON-U.S. OPERATIONS INVOLVE ADDITIONAL RISKS NOT ASSOCIATED WITH OUR U.S. OPERATIONS.

We operate in various regions throughout the world that may expose us to political and other uncertainties, including risks of:

- terrorist acts, war and civil disturbances;

- expropriation or nationalization of equipment; and

- the inability to repatriate income or capital.

We are protected to a substantial extent against loss of capital assets, but generally not loss of revenue, from most of these risks through insurance, indemnity provisions in our drilling contracts, or both. The necessity of insurance coverage for risks associated with political unrest, expropriation and environmental remediation for operating areas not covered under our existing insurance policies is evaluated on an individual contract basis. Although we maintain insurance in the areas in which we operate, pollution and environmental risks generally are not totally insurable. If a significant accident or other event occurs and is not fully covered by insurance or a recoverable indemnity from a client, it could adversely affect our consolidated financial position or results of operations. Moreover, no assurance can be made that we will be able to maintain adequate insurance in the future at rates we consider reasonable or be able to obtain insurance against certain risks, particularly in light of the instability and developments in the insurance markets following the recent terrorist attacks. As of March 1, 2004, all areas in which we were operating were covered by existing insurance policies.

Many governments favor or effectively require the awarding of drilling contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. These practices may adversely affect our ability to compete.

Our non-U.S. contract drilling operations are subject to various laws and regulations in countries in which we operate, including laws and regulations relating to the equipment and operation of drilling units, currency conversions and repatriation, oil and gas exploration and development and taxation of offshore earnings and earnings of expatriate personnel. Governments in some foreign countries have become increasingly active in regulating and controlling the ownership of concessions and companies holding concessions, the exploration of oil and gas and other aspects of the oil and gas industries in their countries. In addition, government action, including initiatives by OPEC, may continue to cause oil or gas price volatility. In some areas of the world, this governmental activity has adversely affected the amount of exploration and development work done by major oil companies and may continue to do so.

Another risk inherent in our operations is the possibility of currency exchange losses where revenues are received and expenses are paid in nonconvertible currencies. We may also incur losses as a result of an inability to collect revenues because of a shortage of convertible currency available to the country of operation. We seek to limit these risks by structuring contracts such that compensation is made in freely convertible currencies and, to the extent possible, by limiting acceptance of non-convertible currencies to amounts that match our expense requirements in local currency. In January 2003, Venezuela implemented foreign exchange controls that limit TODCO's ability to convert local currency into U.S. dollars and transfer excess funds out of Venezuela. The exchange controls could also result in an artificially high value being placed on the local Venezuela currency. In the third quarter of 2003, to limit our local currency exposure, we entered into an interim arrangement with one of our customers in which we are to receive 55 percent of the billed receivables in U.S. dollars with the remainder paid in local currency. Until new contracts have been negotiated, the interim arrangement will remain in place. See "-Item 7A. Quantitative and Qualitative Disclosures About Market Risk-Foreign Exchange Risk."

A CHANGE IN TAX LAWS OF ANY COUNTRY IN WHICH WE OPERATE COULD RESULT IN A HIGHER TAX RATE ON OUR WORLDWIDE EARNINGS, AND THE TRANSFER OF ASSETS BY TODCO OR ONE OF ITS SUBSIDIARIES TO TRANSOCEAN OR ONE OF ITS OTHER SUBSIDIARIES COULD RESULT IN THE IMPOSITION OF TAXES.

We operate worldwide through our various subsidiaries. Consequently, we are subject to changing taxation policies in the jurisdictions in which we operate, which could include policies directed toward companies organized in jurisdictions with low tax rates. A material change in the tax laws of any country in which we have significant operations, including the U.S., could result in a higher effective tax rate on our worldwide earnings. In addition, our income tax returns are subject to review and examination in various jurisdictions in which we operate. See "-Outlook."

We completed our restructuring of the ownership of a portion of the assets held by TODCO and its subsidiaries in connection with TODCO's initial public offering. These transfers of assets by TODCO or one of its subsidiaries to Transocean or one of its other subsidiaries in this restructuring could, in some cases, result in the imposition of additional taxes.

FAILURE TO RETAIN KEY PERSONNEL COULD HURT OUR OPERATIONS.

We require highly skilled personnel to operate and provide technical services and support for our drilling units. To the extent that demand for drilling services and the size of the worldwide industry fleet increase, shortages of qualified personnel could arise, creating upward pressure on wages. We are continuing our recruitment and training programs as required to meet our anticipated personnel needs.

On January 31, 2004, excluding TODCO employees, approximately 24 percent of our employees worldwide worked under collective bargaining agreements, most of whom worked in Brazil, Norway, U.K. and Nigeria. Of these represented employees, substantially all are working under agreements that are subject to salary negotiation in 2004. These negotiations could result in higher personnel expenses, other increased costs or increased operating restrictions.

TODCO also has employees working under collective bargaining agreements, most of whom were working in Venezuela and Trinidad. At January 31, 2004, approximately six percent of TODCO employees worked under collective bargaining agreements in Trinidad and Venezuela.

OUR EXECUTIVE OFFICERS AND NONEMPLOYEE DIRECTORS WHO ALSO SERVE AS DIRECTORS OF TODCO MAY HAVE POTENTIAL CONFLICTS OF INTEREST AS TO MATTERS RELATING TO TODCO AND TRANSOCEAN.

Three of our executive officers are directors of TODCO, and one of our nonemployee directors is also a director of TODCO. As a result of their positions, these directors may have potential conflicts of interest as to matters relating to TODCO and Transocean. In connection with any transaction or other relationship involving the two companies, these directors may need to recuse themselves and not participate in any board action relating to these transactions or relationships. In addition, our interests may conflict with those of TODCO in a number of areas relating to our past and ongoing relationships. We may not be able to resolve any potential conflicts with TODCO and, even if we do, the resolution may be less favorable than if we were dealing with an unaffiliated third party.

COMPLIANCE WITH OR BREACH OF ENVIRONMENTAL LAWS CAN BE COSTLY AND COULD LIMIT OUR OPERATIONS.

Our operations are subject to regulations controlling the discharge of materials into the environment, requiring removal and cleanup of materials that may harm the environment or otherwise relating to the protection of the environment. For example, as an operator of mobile offshore drilling units in navigable U.S. waters and some offshore areas, we may be liable for damages and costs incurred in connection with oil spills related to those operations. Laws and regulations protecting the environment have become more stringent in recent years, and may in some cases impose strict liability, rendering a person liable for environmental damage without regard to negligence. These laws and regulations may expose us to liability for the conduct of or conditions caused by others or for acts that were in compliance with all applicable laws at the time they were performed. The application of these requirements or the adoption of new requirements could have a material adverse effect on our consolidated financial position and results of operations.

We have generally been able to obtain some degree of contractual indemnification pursuant to which our clients agree to protect and indemnify us against liability for pollution, well and environmental damages; however, there is no assurance that we can obtain such indemnities in all of our contracts or that, in the event of extensive pollution and environmental damages, the clients will have the financial capability to fulfill their contractual obligations to us. Also, these indemnities may not be enforceable in all instances. Also, we may be effectively prevented from enforcing these indemnities because of the nature of our relationship with some of our larger clients.

WORLD POLITICAL EVENTS COULD AFFECT THE MARKETS FOR DRILLING SERVICES.

On September 11, 2001, the U.S. was the target of terrorist attacks of unprecedented scope. In the past several years, world political events have resulted in military action in Afghanistan and Iraq. Military action by the U.S. or other nations could escalate and further acts of terrorism in the U.S. or elsewhere may occur. Such acts of terrorism could be directed against companies such as ours. These developments have caused instability in the world's financial and insurance markets. In addition, these developments could lead to increased volatility in prices for crude oil and natural gas and could affect the markets for drilling services. Insurance premiums have increased and could rise further and coverages may be unavailable in the future.

U.S. government regulations may effectively preclude us from actively engaging in business activities in certain countries. These regulations could be amended to cover countries where we currently operate or where we may wish to operate in the future.

INFLATION

The general rate of inflation in the majority of the countries in which we operate has been moderate over the past several years and has not had a material impact on our results of operations. An increase in the demand for offshore drilling rigs usually leads to higher labor, transportation and other operating expenses as a result of an increased need for qualified personnel and services.

FORWARD-LOOKING INFORMATION

The statements included in this annual report regarding future financial performance and results of operations and other statements that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Statements to the effect that the Company or management "anticipates," "believes," "budgets," "estimates," "expects," "forecasts," "intends," "plans," "predicts," or "projects" a particular result or course of events, or that such result or course of events "could," "might," "may," "scheduled" or "should" occur, and similar expressions, are also intended to identify forward-looking statements. Forward-looking statements in this annual report include, but are not limited to, statements involving payment of severance costs, contract commencements, potential revenues, increased expenses, commodity prices, customer drilling programs, supply and demand, utilization rates, dayrates, planned shipyard projects, expected downtime, effect of technical difficulties with newbuild rigs, future activity in the deepwater, mid-water and the shallow and inland water markets, market outlooks for our various geographical operating sectors, the relocation of rigs to the Middle East and India, the U.S. gas drilling market, rig classes and business segments, plans to dispose of our remaining interest in TODCO, the expected completion date, cost and loss on retirement and funding of the redemption of our 9.5% notes, the valuation allowance for deferred net tax assets of TODCO, the expected gain in connection with the TODCO IPO, intended reduction of debt, planned asset sales, timing of asset sales, proceeds from asset sales, reactivation of stacked units, future labor costs, signs and effects of increased drilling of deep wells in the inland waters of Louisiana and Texas, the Company's other expectations with regard to market outlook, operations in international markets, expected capital expenditures, results and effects of legal proceedings and governmental audits and assessments, adequacy of insurance, renewal and structure of directors' and officers' insurance, increase in overall insurance deductible, receipt of loss of hire insurance proceeds, liabilities for tax issues, liquidity, positive cash flow from operations, the exercise of the option of holders of Zero Coupon Convertible Debentures, the 1.5% Convertible Debentures or the 7.45% Notes to require the Company to repurchase the notes and debentures, and the satisfaction of such obligation in cash, adequacy of cash flow for 2004 obligations, effects of accounting changes, and the timing and cost of completion of capital projects. Such statements are subject to numerous risks, uncertainties and assumptions, including, but not limited to, those described under "-Risk Factors" above, the adequacy of sources of liquidity, the effect and results of litigation, audits and contingencies and other factors discussed in this annual report and in the Company's other filings with the SEC, which are available free of charge on the SEC's website at www.sec.gov. 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 the Company or to persons acting on our behalf are expressly qualified in their entirety by reference to these risks and uncertainties. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

Our exposure to market risk for changes in interest rates relates primarily to our long-term and short-term debt. The table below presents scheduled debt and related weighted-average interest rates for each of the years ended December 31 relating to debt as of December 31, 2003. Weighted-average variable rates are based on London Interbank Offered Rate in effect at December 31, 2003, plus applicable margins.

At December 31, 2003 (in millions, except interest rate percentages):

	SCHEDULED MATURITY DATE (a) (b)							FAIR VALUE
	2004	2005	2006	2007	2008	THEREAFTER	TOTAL	12/31/03
Total debt								
Fixed rate.	$45.8	$370.3	$400.0	$100.0	$569.0	$ 1,750.0	$3,235.1	$ 3,599.8
Average interest rate. . .	7.4%	6.8%	1.5%	7.5%	8.2%	7.2%	6.6%	
Variable rate	-	-	-	-	$250.0	-	$ 250.0	$ 250.0
Average interest rate. . .	-	-	-	-	1.7%	-	1.7%	

____

(a) Maturity dates of the face value of our debt assumes the put options on the 1.5% Convertible Debentures, 7.45% Notes and Zero Coupon Convertible Debentures will be exercised in May 2006, April 2007 and May 2008, respectively.

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

At December 31, 2003, we had approximately $250.0 million of variable rate debt at face value (7.2 percent of total debt at face value). This variable rate debt represented revolving credit bank debt. Given outstanding amounts as of that date, a one percent rise in interest rates would result in an additional $1.9 million in interest expense per year. Offsetting this, a large part of our cash investments would earn commensurately higher rates of return. Using December 31, 2003 cash investment levels, a one percent increase in interest rates would result in approximately $4.7 million of additional interest income per year.

FOREIGN EXCHANGE RISK

Our international operations expose us to foreign exchange risk. We use a variety of techniques to minimize the exposure to foreign exchange risk. Our primary foreign exchange risk management strategy involves structuring customer contracts to provide for payment in both U.S. dollars, which is our functional currency, and local currency. The payment portion denominated in local currency is based on anticipated local currency requirements over the contract term. Due to various factors, including local banking laws, other statutory requirements, local currency convertibility and the impact of inflation on local costs, actual foreign exchange needs may vary from those anticipated in the customer contracts, resulting in partial exposure to foreign exchange risk. Fluctuations in foreign currencies typically have minimal impact on overall results. In situations where payments of local currency do not equal local currency requirements, foreign exchange derivative instruments, specifically foreign exchange forward contracts or spot purchases, may be used. We do not enter into derivative transactions for speculative purposes. At December 31, 2003, we had no material open foreign exchange contracts.

In January 2003, Venezuela implemented foreign exchange controls that limit our ability to convert local currency into U.S. dollars and transfer excess funds out of Venezuela. The exchange controls could also result in an artificially high value being placed on the local currency. As a result, we recognized a loss of $1.5 million, net of tax of $0.8 million, on the revaluation of the local currency into functional U.S dollars during the second quarter of 2003. In the third quarter of 2003, to limit our local currency exposure, we entered into an interim arrangement with one of our customers in which we are to receive 55 percent of the billed receivables in U.S. dollars with the remainder paid in local currency. Until new contracts have been negotiated, the interim arrangement will remain in place.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors of
Transocean Inc.

We have audited the accompanying consolidated balance sheets of Transocean Inc. and Subsidiaries (the "Company") as of December 31, 2003 and 2002, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2003. Our audits also included the financial statement schedule listed in Item 15(a) of this Form 10-K. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Transocean Inc. and Subsidiaries at December 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company adopted Statements of Financial Accounting Standards Nos. 123 and 142, effective January 1, 2003 and January 1, 2002, respectively.

/s/ Ernst & Young LLP

Houston, Texas
January 29, 2004

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

	YEARS ENDED DECEMBER 31,		
	2003	2002	2001
OPERATING REVENUES	$2,333.8	$ 2,673.9	$2,820.1
Contract drilling revenues	100.5	-	-
Client reimbursable revenues	2,434.3	2,673.9	2,820.1
COSTS AND EXPENSES			
Operating and maintenance	1,610.4	1,494.2	1,603.3
Depreciation	508.2	500.3	470.1
Goodwill amortization	-	-	154.9
General and administrative	65.3	65.6	57.9
Impairment loss on long-lived assets and goodwill	16.5	2,927.4	40.4
Gain from sale of assets, net	(5.8)	(3.7)	(56.5)
	2,194.6	4,983.8	2,270.1
OPERATING INCOME (LOSS)	239.7	(2,309.9)	550.0
OTHER INCOME (EXPENSE), NET			
Equity in earnings of joint ventures	5.1	7.8	16.5
Interest income	18.8	25.6	18.7
Interest expense, net of amounts capitalized	(202.0)	(212.0)	(223.9)
Loss on retirement of debt	(15.7)	-	(28.8)
Impairment loss on note receivable from related party	(21.3)	-	-
Other, net	(3.0)	(0.3)	(0.8)
	(218.1)	(178.9)	(218.3)
INCOME (LOSS) BEFORE INCOME TAXES, MINORITY INTEREST AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	21.6	(2,488.8)	331.7
Income Tax Expense (Benefit)	3.0	(123.0)	76.2
Minority Interest	0.2	2.4	2.9
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	18.4	(2,368.2)	252.6
Cumulative Effect of Changes in Accounting Principles	0.8	(1,363.7)	-
NET INCOME (LOSS)	$ 19.2	$(3,731.9)	$ 252.6
BASIC EARNINGS (LOSS) PER SHARE			
Income (Loss) Before Cumulative Effect of Changes in Accounting Principles	$ 0.06	$ (7.42)	$ 0.82
Cumulative Effect of Changes in Accounting Principles	-	(4.27)	-
Net Income (Loss)	$ 0.06	$ (11.69)	$ 0.82
DILUTED EARNINGS (LOSS) PER SHARE			
Income (Loss) Before Cumulative Effect of Changes in Accounting Principles	$ 0.06	$ (7.42)	$ 0.80
Cumulative Effect of Changes in Accounting Principles	-	(4.27)	-
Net Income (Loss)	$ 0.06	$ (11.69)	$ 0.80
WEIGHTED AVERAGE SHARES OUTSTANDING			
Basic	319.8	319.1	309.2
Diluted	321.4	319.1	314.8
DIVIDENDS PAID PER SHARE	$ -	$ 0.06	$ 0.12

See accompanying notes.

TRANSOCEAN INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)

	YEARS ENDED DECEMBER 31,		
	2003	2002	2001
Net Income (Loss)	$19.2	$(3,731.9)	$252.6
Other Comprehensive Income (Loss), net of tax			
Gain on terminated interest rate swaps	-	-	4.1
Amortization of gain on terminated interest rate swaps	(0.2)	(0.3)	(0.2)
Change in unrealized loss on securities available for sale	0.2	-	(0.6)
Share of unrealized loss in unconsolidated joint venture's interest rate swaps	-	-	(5.6)
Change in share of unrealized loss in unconsolidated joint venture's interest rate swaps (net of tax expense (benefit) of $1.1 and $(1.1) for each of the years ended December 31, 2003 and 2002, respectively)	2.0	3.6	-
Change in minimum pension liability (net of tax expense (benefit) of $0.7 and $(13.2) for the years ended December 31, 2003 and 2002, respectively)	9.3	(32.5)	-
Other Comprehensive Income (Loss)	11.3	(29.2)	(2.3)
Total Comprehensive Income (Loss)	$30.5	$(3,761.1)	$250.3

See accompanying notes.

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

	DECEMBER 31, 2003	DECEMBER 31, 2002
ASSETS		
Cash and Cash Equivalents	$ 474.0	$ 1,214.2
Accounts Receivable, net		
Trade	435.3	437.6
Other	45.0	61.7
Materials and Supplies, net	152.0	155.8
Deferred Income Taxes	41.0	21.9
Other Current Assets	31.6	20.5
Total Current Assets	1,178.9	1,911.7
Property and Equipment	10,673.0	10,198.0
Less Accumulated Depreciation	2,663.4	2,168.2
Property and Equipment, net	8,009.6	8,029.8
Goodwill	2,230.8	2,218.2
Investments in and Advances to Joint Ventures	5.5	108.5
Deferred Income Taxes, net	28.2	26.2
Other Assets	209.6	370.7
Total Assets	$11,662.6	$12,665.1
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts Payable	$ 146.1	$ 134.1
Accrued Income Taxes	57.2	59.5
Debt Due Within One Year	45.8	1,048.1
Other Current Liabilities	262.0	262.2
Total Current Liabilities	511.1	1,503.9
Long-Term Debt	3,612.3	3,629.9
Deferred Income Taxes	42.8	107.2
Other Long-Term Liabilities	303.8	282.7
Total Long-Term Liabilities	3,958.9	4,019.8
Commitments and Contingencies		
Preference Shares, $0.10 par value; 50,000,000 shares authorized, none issued and outstanding	-	-
Ordinary Shares, $0.01 par value; 800,000,000 shares authorized, 319,926,500 and 319,219,072 shares issued and outstanding at December 31, 2003 and 2002, respectively	3.2	3.2
Additional Paid-in Capital	10,643.8	10,623.1
Accumulated Other Comprehensive Loss	(20.2)	(31.5)
Retained Deficit	(3,434.2)	(3,453.4)
Total Shareholders' Equity	7,192.6	7,141.4
Total Liabilities and Shareholders' Equity	$11,662.6	$12,665.1

See accompanying notes.

TRANSOCEAN INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(In millions, except per share data)

	ORDINARY SHARES		ADDITIONAL PAID-IN	ACCUMULATED OTHER COMPREHENSIVE	RETAINED EARNINGS	TOTAL
	SHARES	AMOUNT	CAPITAL	INCOME (LOSS)	(DEFICIT)	EQUITY
Balance at December 31, 2000.	210.7	$ 2.1	$ 3,918.7	$ -	$ 83.3	$ 4,004.1
Net income.	-	-	-	-	252.6	252.6
Shares issued for R&B Falcon Merger.	106.1	1.1	6,654.9	-	-	6,656.0
Issuance of ordinary shares under stock-based compensation plans. . . .	1.6	-	45.2	-	-	45.2
Issuance of ordinary shares upon exercise of warrants.	0.6	-	10.6	-	-	10.6
Cash dividends ($0.12 per share). . . .	-	-	-	-	(38.2)	(38.2)
Gain on terminated interest rate swaps.	-	-	-	3.9	-	3.9
Fair value adjustment on marketable securities held for sale.	-	-	-	(0.6)	-	(0.6)
Other comprehensive income related to joint venture.	-	-	-	(5.6)	-	(5.6)
Other	(0.2)	-	(17.7)	-	-	(17.7)
Balance at December 31, 2001.	318.8	3.2	10,611.7	(2.3)	297.7	10,910.3
Net loss.	-	-	-	-	(3,731.9)	(3,731.9)
Issuance of ordinary shares under stock-based compensation plans. . . .	0.4	-	10.9	-	-	10.9
Cash dividends ($0.06 per share). . . .	-	-	-	-	(19.2)	(19.2)
Gain on terminated interest rate swaps.	-	-	-	(0.3)	-	(0.3)
Other comprehensive income related to joint venture.	- -	-	-	3.6	-	3.6
Minimum pension liability	-	-	-	(32.5)	-	(32.5)
Other	-	-	0.5	-	-	0.5
Balance at December 31, 2002.	319.2	3.2	10,623.1	(31.5)	(3,453.4)	7,141.4
Net income.	-	-	-	-	19.2	19.2
Issuance of ordinary shares under stock-based compensation plans. . . .	0.7	-	14.0	-	-	14.0
Gain on terminated interest rate swaps.	-	-	-	(0.2)	-	(0.2)
Fair value adjustment on marketable securities held for sale.				0.2		0.2
Other comprehensive income related to joint venture.	- -	-	-	2.0	-	2.0
Minimum pension liability	-	-	-	9.3	-	9.3
Other	-	-	6.7	-	-	6.7
Balance at December 31, 2003.	319.9	$ 3.2	$ 10,643.8	$ (20.2)	$(3,434.2)	$ 7,192.6

See accompanying notes.

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

	YEARS ENDED DECEMBER 31,		
	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ 19.2	$(3,731.9)	$ 252.6
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation	508.2	500.3	470.1
Goodwill amortization	-	-	154.9
Impairment loss on goodwill	-	4,239.7	-
Deferred income taxes	(98.5)	(224.4)	(107.7)
Equity in earnings of joint ventures	(5.1)	(7.8)	(16.5)
Net (gain) loss from disposal of assets	13.4	3.9	(52.5)
Loss on retirement of debt	15.7	-	28.8
Impairment loss on long-lived assets	16.5	51.4	40.4
Impairment loss on note receivable from related party	21.3	-	-
Amortization of debt-related discounts/premiums, fair value adjustments and issue costs, net	(24.3)	6.2	(4.0)
Deferred income, net	4.4	(5.5)	(46.7)
Deferred expenses, net	(33.2)	(20.0)	(53.8)
Other long-term liabilities	10.8	17.1	(2.1)
Other, net	15.8	(13.4)	5.1
Changes in operating assets and liabilities, net of effects from the R&B Falcon merger			
Accounts receivable	19.8	179.4	(55.2)
Accounts payable and other current liabilities	6.5	(78.8)	(95.9)
Income taxes receivable/payable, net	27.8	8.9	48.2
Other current assets	7.5	11.5	(5.3)
Net Cash Provided by Operating Activities	525.8	936.6	560.4
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(495.9)	(141.0)	(506.2)
Note issued to related party	(46.1)	-	-
Payments received from note issued to related party	46.1	-	-
Deepwater Drilling II L.L.C.'s cash acquired, net of cash paid	18.1	-	-
Deepwater Drilling L.L.C.'s cash acquired	18.6	-	-
Proceeds from sale of securities	-	-	17.2
Proceeds from sale of subsidiary	-	-	85.6
Proceeds from disposal of assets, net	8.4	88.3	116.1
Merger costs paid	-	-	(24.4)
Cash acquired in merger, net of cash paid	-	-	264.7
Joint ventures and other investments, net	3.3	7.4	20.6
Net Cash Used in Investing Activities	(447.5)	(45.3)	(26.4)

See accompanying notes.

TRANSOCEAN INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(In millions)

	YEARS ENDED DECEMBER 31,		
	2003	2002	2001
CASH FLOWS FROM FINANCING ACTIVITIES			
Net borrowings (repayments) under commercial paper program	-	(326.4)	326.4
Net borrowings from issuance of debt.	2.1	-	1,693.5
Net borrowings (repayments) on revolving credit agreements.	250.0	-	(180.1)
Repayments on other debt instruments.	(1,252.7)	(189.3)	(1,551.0)
Cash from termination of interest rate swaps.	173.5	-	-
Net proceeds from issuance of ordinary shares under stock-based compensation plans.	12.8	10.2	29.6
Proceeds from issuance of ordinary shares upon exercise of warrants	-	-	10.6
Dividends paid	-	(19.1)	(38.2)
Financing costs	(4.9)	(8.5)	(15.2)
Other, net.	0.7	2.6	9.3
Net Cash Provided by (Used in) Financing Activities	(818.5)	(530.5)	284.9
Net Increase (Decrease) in Cash and Cash Equivalents.	(740.2)	360.8	818.9
Cash and Cash Equivalents at Beginning of Period.	1,214.2	853.4	34.5
Cash and Cash Equivalents at End of Period.	$ 474.0	$1,214.2	$ 853.4

See accompanying notes.

NOTE 1-NATURE OF BUSINESS AND PRINCIPLES OF CONSOLIDATION

Transocean Inc. (together with its subsidiaries and predecessors, unless the context requires otherwise, the "Company") is a leading international provider of offshore contract drilling services for oil and gas wells. The Company's mobile offshore drilling fleet is considered one of the most modern and versatile fleets in the world. The Company specializes in technically demanding segments of the offshore drilling business with a particular focus on deepwater and harsh environment drilling services. At December 31, 2003, the Company owned, had partial ownership interests in or operated 96 mobile offshore and barge drilling units, excluding the fleet of TODCO (together with its subsidiaries and predecessors, unless the context requires otherwise, "TODCO"), a publicly traded company as of February 2004 in which the Company owns a majority interest. As of this date, the Company's assets consisted of 32 High-Specification semisubmersibles and drillships ("floaters"), 26 Other Floaters, 26 Jackup Rigs and 12 Other Rigs. As of December 31, 2003, TODCO's fleet consisted of 24 jackups, 30 drilling barges, nine land rigs, three submersible drilling rigs and four other drilling rigs. The Company contracts its drilling rigs, related equipment and work crews primarily on a dayrate basis to drill oil and gas wells. The Company also provides additional services, including management of third party well service activities.

On January 31, 2001, the Company completed a merger transaction (the "R&B Falcon merger") with R&B Falcon Corporation ("R&B Falcon"). At the time of the merger, R&B Falcon owned, had partial ownership interests in, operated or had under construction more than 100 mobile offshore drilling units consisting of drillships, semisubmersibles, jackup rigs and other units in addition to the Gulf of Mexico Shallow and Inland Water segment fleet. As a result of the merger, R&B Falcon became an indirect wholly owned subsidiary of the Company. The merger was accounted for as a purchase with the Company as the accounting acquiror. The consolidated statements of operations and cash flows for the year ended December 31, 2001 include 11 months of operating results and cash flows for the merged company.

In July 2002, the Company announced plans to pursue a divestiture of its Gulf of Mexico Shallow and Inland Water business, which was a part of R&B Falcon. R&B Falcon's overall business was considerably broader than the Gulf of Mexico Shallow and Inland Water business. In preparation for this divestiture, the Company began the transfer of all assets and businesses out of R&B Falcon that were unrelated to the Gulf of Mexico Shallow and Inland Water business. In December 2002, R&B Falcon changed its name to TODCO and, in January 2004, the Gulf of Mexico Shallow and Inland Water business segment became known as the TODCO segment. In February 2004, TODCO completed an initial public offering ("IPO") (see Note 25). Before the closing of the IPO, TODCO completed the transfer to the Company of all unrelated assets and businesses.

For investments in joint ventures that do not meet the criteria of a variable interest entity and where the Company is not deemed to be the primary beneficiary for accounting purposes of those entities that meet the variable interest entity criteria, the equity method of accounting is used for investments in joint ventures where the Company's ownership is between 20 percent and 50 percent and for investments in joint ventures owned more than 50 percent where the Company does not have significant influence over the joint venture. The cost method of accounting is used for investments in joint ventures where the Company's ownership is less than 20 percent and the Company does not have significant influence over the joint venture. For investments in joint ventures that meet the criteria of a variable interest entity and where the Company is deemed to be the primary beneficiary for accounting purposes, such entities are consolidated (see Note 2). Intercompany transactions and accounts are eliminated.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates-The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to bad debts, materials and supplies obsolescence, investments, intangible assets and goodwill, property and equipment and other long-lived assets, income taxes, financing operations, workers' insurance, pensions and other postretirement benefits, other employment benefits and contingent liabilities. The Company bases its estimates on historical experience and on various other assumptions it believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from such estimates.

Segments-The Company's operations have been aggregated into two reportable business segments: (i) Transocean Drilling (formerly "International and U.S. Floater Contract Drilling Services") and (ii) TODCO (formerly "Gulf of Mexico Shallow and Inland Water"). The Company provides services with different types of drilling equipment in several geographic regions. The location of the Company's operating assets and the allocation of resources to build or upgrade drilling units are determined by the activities and needs of customers. See Note 19.

Cash and Cash Equivalents-Cash equivalents are stated at cost plus accrued interest, which approximates fair value. Cash equivalents are highly liquid debt instruments with an original maturity of three months or less and may consist of time deposits with a number of commercial banks with high credit ratings, Eurodollar time deposits, certificates of deposit and commercial paper. The

Company may also invest excess funds in no-load, open-end, management investment trusts ("mutual funds"). The mutual funds invest exclusively in high quality money market instruments. Generally, the maturity date of the Company's investments is the next business day.

As a result of the Deepwater Nautilus project financing in 1999, the Company is required to maintain in cash an amount to cover certain principal and interest payments. Such restricted cash, classified as other assets in the consolidated balance sheets, was $12.0 million and $13.2 million at December 31, 2003 and 2002, respectively.

Accounts and Notes Receivable-Accounts receivable trade are stated at the historical carrying amount net of write-offs and allowance for doubtful accounts receivable. Interest receivable on delinquent accounts receivable is included in the accounts receivable trade balance and recognized as interest income when chargeable and collectibility is reasonably assured. Notes receivable, included in investments in and advances to joint ventures, are carried at the historical carrying amount net of write-offs and allowance for loan loss. Interest receivable on notes receivable, which is included in accounts receivable-other, is accrued and recognized as interest income monthly on any unimpaired loan balance. The Company's notes receivable do not have premiums or discounts associated with their balances. Uncollectible notes and accounts receivable trade are written off when a settlement is reached for an amount that is less than the outstanding historical balance. With the consolidation of Delta Towing Holdings, LLC ("Delta Towing"), TODCO's notes receivable have been eliminated from the Company's consolidated balance sheet at December 31, 2003 (see "-New Accounting Pronouncements").

Allowance for Doubtful Accounts-The Company establishes an allowance for doubtful accounts on a case-by-case basis when it believes the required payment of specific amounts owed is unlikely to occur. This allowance was approximately $29 million and $21 million at December 31, 2003 and 2002, respectively. An allowance for loan loss is established when events or circumstances indicate that both the contractual interest and principal for a note receivable are not fully collectible. A loan is considered delinquent when principal and/or interest payments have not been made in accordance with the payment terms of the loan. Collectibility is determined based on estimated future cash flows discounted at the respective loan's effective interest rate with the excess of the loan's total contractual interest and principal over the estimated discounted future cash flows recorded as an allowance for loan loss. During the year ended December 31, 2003, TODCO recorded an allowance for loan loss of $21.3 million (see Note 20). As a result of the consolidation of Delta Towing, the allowance, together with the note receivable balance, was eliminated from the Company's consolidated balance sheet (see "-New Accounting Pronouncements"). There was no allowance for loan loss at December 31, 2003 and 2002.

Materials and Supplies-Materials and supplies are carried at the lower of average cost or market less an allowance for obsolescence. Such allowance was approximately $17 million and $19 million at December 31, 2003 and 2002, respectively.

Property and Equipment-Property and equipment, consisting primarily of offshore drilling rigs and related equipment, represented more than 65 percent of the Company's total assets at December 31, 2003. The carrying values of these assets are based on estimates, assumptions and judgments relative to capitalized costs, useful lives and salvage values of the Company's rigs. These estimates, assumptions and judgments reflect both historical experience and expectations regarding future industry conditions and operations. Property and equipment obtained in the R&B Falcon merger (see Note 4) were recorded at fair value. The Company generally provides for depreciation using the straight-line method after allowing for salvage values. Expenditures for renewals, replacements and improvements are capitalized. Maintenance and repairs are charged to operating expense as incurred. Upon sale or other disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount, less proceeds from disposal, is charged or credited to income.

As a result of the R&B Falcon merger, the Company conformed its policies relating to estimated rig lives and salvage values. Estimated useful lives of its drilling units now range from 18 to 35 years, reflecting maintenance history and market demand for these drilling units, buildings and improvements from 10 to 30 years and machinery and equipment from four to 12 years. Depreciation expense for the year ended December 31, 2001 was reduced by approximately $23 million ($0.07 per diluted share) as a result of conforming these policies.

Assets Held for Sale-Assets are classified as held for sale when the Company has a plan for disposal of certain assets and those assets meet the held for sale criteria of the Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standards ("SFAS") 144, Accounting for Impairment or Disposal of Long-Lived Assets. The Company had no assets classified as held for sale at December 31, 2003 and 2002.

Goodwill-Prior to the adoption of SFAS 142, Goodwill and Other Intangible Assets, the excess of the purchase price over the estimated fair value of net assets acquired was accounted for as goodwill and was amortized on a straight-line basis based on a 40-year life. The amortization period was based on the nature of the offshore drilling industry, long-lived drilling equipment and the long-standing relationships with core customers. In accordance with SFAS 142, goodwill is no longer amortized and is now tested for impairment at the reporting unit level, which is defined as an operating segment or a component of an operating segment that constitutes a business for which financial information is available and is regularly reviewed by management. Management has determined that the Company's reporting units are the same as its operating segments for the purpose of allocating goodwill and the subsequent testing of goodwill for impairment. Goodwill resulting from the R&B Falcon merger was allocated to the Company's two reporting units, Transocean Drilling and TODCO, at a ratio of 68 percent and 32 percent, respectively. The allocation was determined based on the percentage of each reporting unit's assets at fair value to the total fair value of assets acquired in the R&B Falcon merger. The fair value was determined from a third party valuation. Goodwill resulting from previous mergers was allocated entirely to the Transocean Drilling reporting unit.

During the first quarter of 2002, the Company implemented SFAS 142 and performed the initial test of impairment of goodwill on its two reporting units. The test was applied utilizing the estimated fair value of the reporting units as of January 1, 2002 determined based on a combination of each reporting unit's discounted cash flows and publicly traded company multiples and acquisition multiples of comparable businesses. There was no goodwill impairment for the Transocean Drilling reporting unit. However, because of deterioration in market conditions that affected the TODCO reporting unit since the completion of the R&B Falcon merger, a $1,363.7 million ($4.27 per diluted share) impairment of goodwill was recognized as a cumulative effect of a change in accounting principle in the first quarter of 2002.

During the fourth quarter of 2002, the Company performed its annual test of goodwill impairment as of October 1. Due to a general decline in market conditions, the Company recorded a non-cash impairment charge of $2,876.0 million ($9.01 per diluted share) of which $2,494.1 million and $381.9 million related to the Transocean Drilling and TODCO reporting units, respectively.

During the fourth quarter of 2003, the Company performed its annual test of goodwill impairment as of October 1 with no impairment indicated for the year ended December 31, 2003.

The Company's goodwill balance and changes in the carrying amount of goodwill are as follows (in millions):

	BALANCE AT JANUARY 1, 2003	OTHER (a)	BALANCE AT DECEMBER 31, 2003
Transocean Drilling	$ 2,218.2	$ 12.6	$ 2,230.8

(a) Primarily represents net unfavorable adjustments during 2003 of income tax-related pre-acquisition contingencies related to the R&B Falcon merger.

Net income (loss) and earnings (loss) per share for the years ended December 31, 2003, 2002 and 2001 adjusted for goodwill amortization are as follows (in millions, except per share data):

	YEARS ENDED DECEMBER 31,		
	2003	2002	2001
Reported income (loss) before cumulative effect of changes in accounting principles	$18.4	$(2,368.2)	$252.6
Add back: Goodwill amortization	-	-	154.9
Adjusted reported income (loss) before cumulative effect of changes in accounting principles	18.4	(2,368.2)	407.5
Cumulative effect of changes in accounting principles	0.8	(1,363.7)	-
Adjusted net income (loss)	$19.2	$(3,731.9)	$407.5
Basic earnings (loss) per share:			
Reported income (loss) before cumulative effect of changes in accounting principles	$0.06	$ (7.42)	$ 0.82
Goodwill amortization	-	-	0.50
Adjusted reported income (loss) before cumulative effect of changes in accounting principles	0.06	(7.42)	1.32
Cumulative effect of changes in accounting principles	-	(4.27)	-
Adjusted net income (loss)	$0.06	$ (11.69)	$ 1.32
Diluted earnings (loss) per share:			
Reported income (loss) before cumulative effect of changes in accounting principles	$0.06	$ (7.42)	$ 0.80
Goodwill amortization	-	-	0.49
Adjusted reported income (loss) before cumulative effect of changes in accounting principles	0.06	(7.42)	1.29
Cumulative effect of changes in accounting principles	-	(4.27)	-
Adjusted net income (loss)	$0.06	$ (11.69)	$ 1.29

Impairment of Long-Lived Assets-The carrying value of long-lived assets, principally property and equipment, is reviewed for potential impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. For property and equipment held for use, the determination of recoverability is made based upon the estimated undiscounted future net cash flows of the related asset or group of assets being evaluated. Property and equipment held for sale are recorded at the lower of net book value or net realizable value. See Note 7.

Operating Revenues and Expenses-Operating revenues are recognized as earned, based on contractual daily rates or on a fixed price basis. Although the Company ceased providing turnkey drilling services in 2001, turnkey profits were recognized on completion of the well and acceptance by the customer. Events occurring after the date of the financial statements and before the financial statements are issued that are within the normal exposure and risk aspects of the turnkey contracts were considered refinements of the estimation process of the prior year and were recorded as adjustments at the date of the financial statements. Provisions for losses are made on contracts in progress when losses are anticipated. In connection with drilling contracts, the Company may receive revenues for preparation and mobilization of equipment and personnel or for capital improvements to rigs. In connection with new drilling contracts, revenues earned and incremental costs incurred directly related to preparation and mobilization are deferred and recognized over the primary contract term of the drilling project. Costs of relocating drilling units without contracts to more promising market areas are expensed as incurred. Upon completion of drilling contracts, any demobilization fees received are reported in income, as are any related expenses. Capital upgrade revenues received are deferred and recognized over the primary contract term of the drilling project. The actual cost incurred for the capital upgrade is depreciated over the estimated useful life of the asset. The Company incurs periodic survey and drydock costs in connection with obtaining regulatory certification to operate its rigs on an ongoing basis. Costs associated with these certifications are deferred and amortized over the period until the next survey.

Capitalized Interest-Interest costs for the construction and upgrade of qualifying assets are capitalized. The Company incurred total interest expense of $202.0 million, $212.0 million and $258.8 million for the years ended December 31, 2003, 2002 and 2001, respectively. The Company capitalized interest costs on construction work in progress of $34.9 million for the year ended December 31, 2001. No interest cost was capitalized during the years ended December 31, 2003 and 2002.

Derivative Instruments and Hedging Activities-The Company accounts for its derivative instruments and hedging activities in accordance with SFAS 133, Accounting for Derivative Instruments and Hedging Activities. See Notes 9 and 10.

Foreign Currency Translation-The Company accounts for translation of foreign currency in accordance with SFAS 52, Foreign Currency Translation. The majority of the Company's revenues and expenditures are denominated in U.S. dollars to limit the Company's exposure to foreign currency fluctuations, resulting in the use of the U.S. dollar as the functional currency for all of the Company's operations. Foreign currency exchange gains and losses are included in other income (expense) as incurred. Net foreign currency gains (losses) were $(3.5) million, $(0.5) million, and $1.1 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Income Taxes-Income taxes have been provided based upon the tax laws and rates in the countries in which operations are conducted and income is earned. The income tax rates imposed by these taxing authorities vary substantially. Taxable income may differ from pre-tax income for financial accounting purposes, particularly in countries with revenue-based taxes. There is no expected relationship between the provision for income taxes and income before income taxes because the countries in which the Company operates have different taxation regimes, which vary not only with respect to nominal rate but also in terms of the availability of deductions, credits and other benefits. Variations also arise because income earned and taxed in any particular country or countries may fluctuate from period to period. Deferred tax assets and liabilities are recognized for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of the Company's assets and liabilities using the applicable tax rates in effect at year end. A valuation allowance for deferred tax assets is recorded when it is more likely than not that, some or all of the benefit from the deferred tax asset will not be realized. See Note 14.

Stock-Based Compensation-In accordance with the provisions of SFAS 123, Accounting for Stock-Based Compensation, the Company had elected to follow the Accounting Principles Board Opinion ("APB") 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for its employee stock-based compensation plans through December 31, 2002 (see "-New Accounting Pronouncements" and Note 16). Under the intrinsic value method of APB 25, if the exercise price of employee stock options equals or exceeds the fair value of the underlying stock on the date of grant, no compensation expense is recognized. If an employee stock option is modified subsequent to the original grant date, and the exercise price is less than the fair value of the underlying stock on the date of the modification, compensation expense equal to the excess of the fair value over the exercise price is recognized over the remaining vesting period. Compensation expense for grants of restricted shares to employees is calculated based on the fair value of the shares on the date of grant and is recognized over the vesting period. Stock appreciation rights are considered variable grants and are recorded at fair value, with the change in the recorded fair value recognized as compensation expense.

Effective January 1, 2003, the Company adopted the fair value recognition provisions of SFAS 123 using the prospective method. Under the prospective method and in accordance with the provisions of SFAS 148, Accounting for Stock-Based Compensation - Transition and Disclosure, the recognition provisions are applied to all employee awards granted, modified, or settled after January 1, 2003. As a result of the adoption of SFAS 123, the Company recorded higher compensation expense of $4.3 million ($0.01 per diluted share), net of tax of $1.8 million, related to its stock-based compensation awards and modifications, and its Employee Stock Purchase Plan ("ESPP") during 2003.

The expense related to stock-based employee compensation included in the determination of net income for the years ended December 31, 2003, 2002 and 2001 would be less than that which would have been recognized if the fair value method had been applied to all awards granted after the original effective date of SFAS 123. If the Company had elected to adopt the fair value recognition provisions of SFAS 123 as of its original effective date, pro forma net income and diluted net income per share would have been as follows:

	YEARS ENDED DECEMBER 31,		
	2003	2002	2001
Net Income (Loss) as Reported	$ 19.2	$(3,731.9)	$252.6
Add back: Stock-based compensation expense included in reported net income (loss), net of related tax effects	4.6	2.8	0.1
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects			
Long-Term Incentive Plan	(17.6)	(23.5)	(11.2)
ESPP	(2.5)	(2.2)	(1.7)
Pro Forma net income (loss)	$ 3.7	$(3,754.8)	$239.8
Basic Earnings (Loss) Per Share			
As Reported	$ 0.06	$ (11.69)	$ 0.82
Pro Forma	0.01	(11.77)	0.78
Diluted Earnings (Loss) Per Share			
As Reported	$ 0.06	$ (11.69)	$ 0.80
Pro Forma	0.01	(11.77)	0.76

The above pro forma amounts are not indicative of future pro forma results. The fair value of each option grant under the Long-Term Incentive Plan was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used:

	YEARS ENDED DECEMBER 31,		
	2003	2002	2001
Dividend yield	-	-	0.30%
Expected price volatility range	39%-45%	49%-51%	50%-51%
Risk-free interest rate range	1.94%-3.16%	2.79%-4.11%	4.13%-5.25%
Expected life of options (in years)	4.21	3.84	4.00
Weighted-average fair value of options granted	$ 7.13	$ 12.25	$ 16.26

The fair value of each option grant under the ESPP was estimated using the following weighted-average assumptions:

	YEARS ENDED DECEMBER 31,		
	2003	2002	2001
Dividend yield	-	-	0.30%
Expected price volatility	41%	45%	51%
Risk-free interest rate	1.09%	2.14%	1.71%
Expected life of options	Less than one year	Less than one year	Less than one year
Weighted-average fair value of options granted	$ 4.69	$ 4.76	$ 7.22

New Accounting Pronouncements-In April 2002, the FASB issued SFAS 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. This statement eliminates the requirement under SFAS 4 to aggregate and classify all gains and losses from extinguishment of debt as an extraordinary item, net of related income tax effect. This statement also amends SFAS 13 to require certain lease modifications with economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. In addition, SFAS 145 requires reclassification of gains and losses in all prior periods presented in comparative financial statements related to debt extinguishment that do not meet the criteria for extraordinary item in APB 30. The statement is effective for fiscal years beginning after May 15, 2002 with early adoption encouraged. The Company adopted SFAS 145 effective January 1, 2003. As a result of the adoption of this statement, the Company's results of operations for the year ended December 31, 2001 included $28.8 million ($0.09 per diluted share) related to the loss on early retirement of debt previously classified as an extraordinary item.

In December 2002, the FASB issued SFAS 148, Accounting for Stock-Based Compensation - Transition and Disclosure, which is effective for fiscal years ending after December 15, 2002. SFAS 148 amends SFAS 123 to permit two additional transition methods for a voluntary change to the fair value based method of accounting for stock-based employee compensation from the intrinsic method under APB 25. The prospective method of transition under SFAS 123 is an option for entities adopting the recognition provisions of SFAS 123 in a fiscal year beginning before December 15, 2003. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements concerning the method of accounting used for stock-based employee compensation and the effects of that method on reported results of operations. Under SFAS 148, pro forma disclosures are required in a specific tabular format in the "Summary of Significant Accounting Policies." The Company adopted the disclosure requirements of this statement as of December 31, 2002. The adoption of the disclosure requirements had no effect on the Company's consolidated financial position or results of operations. The Company adopted the fair value method of accounting for stock-based compensation using the prospective method of transition under SFAS 123 effective January 1, 2003. Compensation expense in 2003 increased approximately $4.3 million ($0.01 per diluted share), net of tax of $1.8 million, as of result of adoption. See "-Stock-Based Compensation."

In January 2003, the FASB issued Interpretation ("FIN") 46, Consolidation of Variable Interest Entities. FIN 46 requires the consolidation of variable interest entities in which an enterprise absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. The provisions of FIN 46 were effective immediately for those variable interest entities created after January 31, 2003. The provisions, as amended December 2003, are effective for the first interim or annual period ending after December 15, 2003 for those variable interest entities held prior to February 1, 2003 that are considered to be special purpose entities. The provisions, as amended, are to be applied no later than the end of the first reporting period that ends after March 15, 2004 for all other variable interest entities held prior to February 1, 2003. The Company adopted and applied the provisions of FIN 46, as revised December 31, 2003, effective December 31, 2003 for all variable interest entities.

At December 31, 2003, through TODCO, the Company had a 25 percent ownership interest in Delta Towing, a joint venture established for the purpose of owning and operating inland and shallow water marine support vessel equipment. See Note 20. Delta Towing is considered a variable interest entity as its equity is not sufficient to absorb its expected losses. Because TODCO has the largest percentage of investment at risk through the notes receivable, TODCO would absorb the majority of the joint venture's expected losses; therefore, TODCO is deemed to be the primary beneficiary of Delta Towing for accounting purposes. As such, TODCO consolidated Delta Towing effective December 31, 2003 and the consolidation resulted in an increase in net assets and a corresponding gain as a cumulative effect of a change in accounting principle of approximately $0.8 million.

The Company is party to a sale/leaseback agreement for the semisubmersible drilling rig M.G. Hulme, Jr. with an unrelated third party leasing company (see Note 15). Under the sale/leaseback agreement, the Company has the option to purchase the semisubmersible drilling rig at the end of the lease for a maximum amount of approximately $35.7 million. Because the sale/leaseback agreement is with an entity in which the Company has no direct investment, the Company is not entitled to receive the financial statements of the leasing entity and the equity holders of the leasing company will not release the financial statements or other financial information in order for the Company to make the determination of whether the entity is a variable interest entity. In addition, without the financial statements, the Company is unable to determine if it is the primary beneficiary of the entity and, if so, what it would consolidate. The Company has no exposure to loss as a result of the sale/leaseback agreement. The Company has incurred rig rental expense related to the sale/leaseback agreement of $12.5 million, $12.6 million and $11.9 million during each of the years ended December 31, 2003, 2002 and 2001, respectively. The Company currently accounts for the lease of this semisubmersible drilling rig as an operating lease.

Effective January 2003, the Company implemented Emerging Issues Task Force ("EITF") Issue No. 99-19, Reporting Revenues Gross as a Principal versus Net as an Agent. As a result of the implementation of the EITF, the costs incurred and charged to the Company's customers on a reimbursable basis are recognized as operating and maintenance expense. In addition, the amounts billed to the Company's customers associated with these reimbursable costs are being recognized as client reimbursable revenue. The increase in client reimbursable revenues and operating and maintenance expense was $100.5 million in 2003 as a result of the implementation of EITF 99-19. The change in accounting principle had no effect on the Company's results of operations or consolidated financial position. Prior period amounts have not been reclassified, as these amounts were not material.

Reclassifications-Certain reclassifications have been made to prior period amounts to conform with the current year presentation.

NOTE 3-ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive income (loss) at December 31, 2003 and 2002, net of tax, are as follows (in millions):

	GAIN ON TERMINATED INTEREST RATE SWAPS	UNREALIZED GAINS ON AVAILABLE-FOR-SALE SECURITIES	OTHER COMPREHENSIVE LOSS RELATED TO UNCONSOLIDATED JOINT VENTURE	MINIMUM PENSION LIABILITY	TOTAL OTHER COMPREHENSIVE INCOME (LOSS)
Balance at December 31, 2000 . . .	$ -	$ -	$ -	$ -	$ -
Other comprehensive income (loss)	3.9	(0.6)	(5.6)	-	(2.3)
Balance at December 31, 2001 . . .	3.9	(0.6)	(5.6)	-	(2.3)
Other comprehensive income (loss)	(0.3)	-	3.6	(32.5)	(29.2)
Balance at December 31, 2002 . . .	3.6	(0.6)	(2.0)	(32.5)	(31.5)
Other comprehensive income (loss)	(0.2)	0.2	2.0	9.3	11.3
Balance at December 31, 2003 . . .	$ 3.4	$ (0.4)	$ -	$ (23.2)	$ (20.2)

Deepwater Drilling L.L.C. ("DD LLC"), a previously unconsolidated subsidiary in which the Company had a 50 percent ownership interest, entered into interest rate swaps with aggregate market values netting to a $6.7 million liability at December 31, 2002 (see Note 18). The Company's interest in these swaps was recorded as other comprehensive loss related to unconsolidated joint venture. These swaps expired in October 2003 (see Note 10).

NOTE 4-BUSINESS COMBINATION

On January 31, 2001, the Company completed a merger transaction with R&B Falcon, in which an indirect wholly owned subsidiary of the Company merged with and into R&B Falcon. As a result of the merger, R&B Falcon common shareholders received 0.5 newly issued ordinary shares of the Company for each R&B Falcon share. The Company issued approximately 106 million ordinary shares in exchange for the issued and outstanding shares of R&B Falcon and assumed warrants and options exercisable for approximately 13 million ordinary shares. The ordinary shares issued in exchange for the issued and outstanding shares of R&B Falcon constituted approximately 33 percent of the Company's outstanding ordinary shares after the merger.

The Company accounted for the merger using the purchase method of accounting with the Company treated as the accounting acquiror. The purchase price of $6.7 billion was comprised of the calculated market capitalization of the Company's ordinary shares issued at the time of merger with R&B Falcon of $6.1 billion and the estimated fair value of R&B Falcon stock options and warrants at the time of the merger of $0.6 billion. The market capitalization of the Company's ordinary shares issued was calculated using the average closing price of the Company's ordinary shares for a period immediately before and after August 21, 2000, the date the merger was announced.

The purchase price included, at estimated fair value at January 31, 2001, current assets of $672 million, drilling and other property and equipment of $4,010 million, other assets of $160 million and the assumption of current liabilities of $338 million, other net long-term liabilities of $242 million and long-term debt of $3,206 million. The excess of the purchase price over the estimated fair value of net assets acquired was $5,630 million, which was accounted for as goodwill and is reviewed for impairment annually in accordance with SFAS 142. See Note 2.

In conjunction with the R&B Falcon merger, the Company established a liability of $16.5 million for the estimated severance-related costs associated with the involuntary termination of 569 R&B Falcon employees pursuant to management's plan to consolidate operations and administrative functions post-merger. Included in the 569 planned involuntary terminations were 387 employees engaged in the Company's land drilling business in Venezuela. The Company suspended active marketing efforts to divest this business and, as a result, the estimated liability was reduced by $4.3 million in the third quarter of 2001 with an offset to goodwill. Through December 31, 2002, all required severance-related costs were paid to 182 employees whose positions were eliminated as a result of this plan.

Unaudited pro forma combined operating results of the Company and R&B Falcon assuming the R&B Falcon merger was completed as of January 1, 2001 for the year ended December 31, 2001 are as follows (in millions, except per share data):

Operating revenues.	$2,946.0
Operating income.	553.9
Income from continuing operations	260.2
Earnings per share:	
Basic	$ 0.82
Diluted	$ 0.80

The pro forma information includes adjustments for additional depreciation based on the fair market value of the drilling and other property and equipment acquired, amortization of goodwill arising from the transaction, increased interest expense for debt assumed in the merger and related adjustments for income taxes. The pro forma information is not necessarily indicative of the results of operations had the transaction been effected on the assumed dates or the results of operations for any future periods.

NOTE 5-CAPITAL EXPENDITURES AND OTHER ASSET ACQUISITIONS

Capital expenditures totaled $495.9 million during the year ended December 31, 2003 and included the Company's acquisition of two Fifth-Generation Deepwater Floaters, the Deepwater Pathfinder and Deepwater Frontier, through the payoff of synthetic lease financing arrangements totaling $382.8 million. The remaining $113.1 million related to capital expenditures for existing fleet and corporate infrastructure. A substantial majority of the capital expenditures in 2003 related to the Transocean Drilling segment.

Capital expenditures totaled $141.0 million during the year ended December 31, 2002 and related to the Company's existing fleet and corporate infrastructure. A substantial majority of the capital expenditures in 2002 related to the Transocean Drilling segment.

Capital expenditures, including capitalized interest, totaled $506.2 million during the year ended December 31, 2001 and included approximately $175.0 million, $42.0 million, $41.0 million and $24.0 million spent on the construction of the Deepwater Horizon, Sedco Energy, Sedco Express and Cajun Express, respectively. A substantial majority of the capital expenditures in 2001 related to the Transocean Drilling segment. The Company's construction program was completed as of December 31, 2001.

As a result of the R&B Falcon merger, the Company acquired ownership interests in two unconsolidated joint ventures, 50 percent in DD LLC and 60 percent in Deepwater Drilling II L.L.C. ("DDII LLC"). Subsidiaries of ConocoPhillips owned the remaining interests in these joint ventures. Each of the joint ventures was a lessee in a synthetic lease financing facility entered into in connection with the construction of the Deepwater Pathfinder, in the case of DD LLC, and the Deepwater Frontier, in the case of DDII LLC. Pursuant to the lease financings, the rigs were owned by special purpose entities and leased to the joint ventures.

In May 2003, WestLB AG, one of the lenders in the Deepwater Frontier synthetic lease financing facility, assigned its $46.1 million remaining promissory note receivable to the Company in exchange for cash of $46.1 million. Also in May 2003, but subsequent to the WestLB AG assignment, the Company purchased ConocoPhillips' 40 percent interest in DDII LLC for approximately $5.0 million. As a result of this purchase, the Company consolidated DDII LLC late in the second quarter of 2003. In addition, the Company acquired certain drilling and other contracts from ConocoPhillips for approximately $9.0 million in cash. In December 2003, DDII LLC prepaid the remaining $197.5 million debt and equity principal amounts owed, plus accrued and unpaid interest, to the Company and other lenders under the synthetic lease financing facility. As a result of this prepayment, DDII LLC became the legal owner of the Deepwater Frontier.

In November 2003, the Company purchased the remaining 25 percent minority interest in the Caspian Sea Ventures International Limited ("CSVI") joint venture. CSVI owns the jackup rig Trident 20 and is now a wholly owned subsidiary of the Company.

In December 2003, the Company purchased ConocoPhillips' 50 percent interest in DD LLC in connection with the payoff of the Deepwater Pathfinder synthetic lease financing facility. As a result of this purchase, the Company consolidated DD LLC late in the fourth quarter of 2003. Concurrent with the purchase of this ownership interest, DD LLC prepaid the remaining $185.3 million debt and equity principal amounts owed, plus accrued and unpaid interest, to the lenders under the synthetic lease financing facility. As a result of this prepayment, DD LLC became the legal owner of the Deepwater Pathfinder.

NOTE 6-ASSET DISPOSITIONS

In January 2003, in the Transocean Drilling segment, the Company completed the sale of a jackup rig, the RBF 160, for net proceeds of $13.1 million and recognized a gain of $0.2 million, net of tax of $0.1 million. The proceeds were received in December 2002.

During the year ended December 31, 2003, the Company settled an insurance claim and sold certain other assets for net proceeds of approximately $8.4 million and recorded net gains of $4.0 million ($0.01 per diluted share), net of tax of $0.6 million, in the Transocean Drilling segment and $0.6 million, net of tax of $0.3 million, in its TODCO segment.

During the year ended December 31, 2002, in the Transocean Drilling segment, the Company sold the jackup rig RBF 209 and two semisubmersible rigs, the Transocean 96 and Transocean 97, for net proceeds of $49.4 million and recognized net losses of $0.3 million, net of tax of $0.1 million.

During the year ended December 31, 2002, the Company settled an insurance claim and sold certain other assets for net proceeds of approximately $38.9 million and recorded net gains of $2.8 million ($0.01 per diluted share), net of tax of $0.3 million, and $0.6 million, net of tax of $0.4 million, in the Transocean Drilling and TODCO segments, respectively.

In December 2001, in the Transocean Drilling segment, the Company sold RBF FPSO L.P., which owned the Seillean, a multi-purpose service vessel. The Company received net proceeds from the sale of $85.6 million and recorded a net gain of $17.1 million ($0.05 per diluted share), net of tax of $9.2 million, for the year ended December 31, 2001.

In February 2001, in the Transocean Drilling segment, Sea Wolf Drilling Limited ("Sea Wolf"), a joint venture in which the Company held a 25 percent interest, sold two semisubmersible rigs, the Drill Star and Sedco Explorer, to Pride International, Inc. In the first quarter of 2001, the Company recognized accelerated amortization of the after-tax deferred gain related to the Sedco Explorer of $18.5 million ($0.06 per diluted share), which was included in gain from sale of assets. The Company's bareboat charter with Sea Wolf on the Sedco Explorer was terminated effective June 2000. The Company continued to operate the Drill Star, which was renamed the Pride North Atlantic, under a bareboat charter agreement until October 2001, at which time the rig was returned to its owner. The amortization of the Drill Star's deferred gain was accelerated and produced incremental after-tax gains in 2001 of $36.3 million ($0.12 per diluted share), which was included as a reduction in operating and maintenance expense.

During the year ended December 31, 2001, the Company sold certain other assets acquired in the R&B Falcon merger and certain other assets held for sale. The Company received net proceeds of approximately $116.1 million, and recorded net gains of $5.1 million ($0.02 per diluted share), net of tax of $0.8 million, and $3.8 million ($0.01 million per diluted share), net of tax of $2.0 million, in the Transocean Drilling and TODCO segments, respectively.

NOTE 7-IMPAIRMENT LOSS ON LONG-LIVED ASSETS

During the year ended December 31, 2003, the Company recorded non-cash impairment charges of $6.9 million ($0.02 per diluted share), net of tax of $3.7 million, in the TODCO segment as a result of the Company's decision to take five jackup rigs out of drilling service and market the rigs for alternative uses. The Company does not anticipate returning these rigs to drilling service as it is believed to be cost prohibitive. In accordance with SFAS 144, the carrying value of these assets was adjusted to fair market value. The fair market values of these units as non-drilling rigs were based on third party valuations. The

Company also recorded a non-cash impairment charge in this segment of $0.5 million, net of tax of $0.2 million, related to its approximate 12 percent investment in Energy Virtual Partners, LP and Energy Virtual Partners Inc. The impairment resulted from the Company's determination that the fair value of the assets of those entities did not support its carrying value, which is included in investments in and advances to joint ventures in the Company's consolidated balance sheets. The impairment was determined and measured based on the remaining book value of the Company's investment, management's assessment of the fair value of that investment at the time the decision was made and the amount received upon liquidation of the assets of the investment.

During the year ended December 31, 2003, the Company recorded an after-tax, non-cash impairment charge of $4.2 million ($0.01 per diluted share) related to assets held and used in the Transocean Drilling segment as a result of the Company's decision to remove one mid-water semisubmersible rig and one self-erecting tender rig from drilling service. The impairment was determined and measured based on an estimate of fair value derived from an offer from a potential buyer. The Company also recorded an after-tax, non-cash impairment charge of $1.0 million in this segment as a result of the Company's decision to discontinue its leases on its oil and gas properties. The impairment was determined and measured based on the remaining book value of the assets and management's assessment of the fair value at the time the decision was made.

In 2002, the Company recorded non-cash impairment charges of $18.6 million ($0.06 per diluted share), net of tax of $9.9 million, and $10.6 million ($0.03 per diluted share), net of tax of $5.7 million, in its Transocean Drilling and TODCO segments, respectively, relating to the reclassification of assets held for sale to assets held and used. The impairment of these assets resulted from management's assessment that they no longer met the held for sale criteria under SFAS 144. In accordance with SFAS 144, the carrying value of these assets was adjusted to the lower of fair market value or carrying value adjusted for depreciation from the date the assets were classified as held for sale. The fair market values of these assets were based on third party valuations.

During the fourth quarter of 2002, the Company performed its annual test of goodwill impairment as of October 1, 2002. As a result of that test and a general decline in market conditions, the Company recorded non-cash impairments of $2,494.1 million ($7.82 per diluted share) and $381.9 million ($1.20 per diluted share) in its Transocean Drilling and TODCO segments, respectively. See Note 2.

In 2002, the Company recorded non-cash impairment charges in its Transocean Drilling and TODCO segments of $3.6 million ($0.01 per diluted share), net of tax of $1.9 million, and $0.7 million, net of tax of $0.4 million, respectively, related to assets held for sale, which resulted from deterioration in market conditions. The impairments were determined and measured based on an estimate of fair value derived from offers from potential buyers.

During the fourth quarter 2001, the Company recorded non-cash impairment charges in its Transocean Drilling and TODCO segments of $30.4 million ($0.10 per diluted share), net of tax of $9.0 million, and $0.7 million, net of tax of $0.3 million, respectively. In the Transocean Drilling segment, the impairment related to assets held for sale and certain assets held and used of $18.6 million, net of tax of $9.0 million, and $11.8 million, respectively. In the TODCO segment, the impairment related to certain assets held and used. The impairments resulted from deterioration in market conditions. The methodology used in determining the fair market value included third party appraisals and industry experience for assets held and used and offers from potential buyers for assets held for sale.

NOTE 8-DEBT

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

	DECEMBER 31, 2003	DECEMBER 31, 2002
6.5% Senior Notes, due April 2003	$ -	$ 239.7
9.125% Senior Notes, due December 2003	-	89.5
Amortizing Term Loan Agreement - final maturity December 2004	-	300.0
6.75% Senior Notes, due April 2005 (a)	361.2	371.8
7.31% Nautilus Class A1 Amortizing Notes - final maturity May 2005	63.6	104.7
9.41% Nautilus Class A2 Notes, due May 2005	-	51.7
6.95% Senior Notes, due April 2008 (a)	269.5	277.2
9.5% Senior Notes, due December 2008 (a)	357.3	371.8
800 Million Revolving Credit Agreement - final maturity December 2008	250.0	-
6.625% Notes, due April 2011 (b)	797.3	803.7
7.375% Senior Notes, due April 2018	250.4	250.5
Zero Coupon Convertible Debentures, due May 2020 (put options exercisable May 2008 and May 2013) (c)	16.5	527.2
1.5% Convertible Debentures, due May 2021 (put options exercisable May 2006, May 2011 and May 2016)	400.0	400.0
8% Debentures, due April 2027	198.1	198.0
7.45% Notes, due April 2027 (put options exercisable April 2007)	94.8	94.6
7.5% Notes, due April 2031	597.5	597.4
Other	1.9	0.2
Total Debt	3,658.1	4,678.0
Less Debt Due Within One Year (c)	45.8	1,048.1
Total Long-Term Debt	$3,612.3	$3,629.9

(a) At December 31, 2002, the Company was a party to interest rate swap agreements with respect to these debt instruments. These interest rate swap agreements were terminated in January 2003. See Note 10.
(b) At December 31, 2002, the Company was a party to interest rate swap agreements with respect to these debt instruments. These interest rate swap agreements were terminated in March 2003. See Note 10.
(c) At December 31, 2002, the Zero Coupon Convertible Debentures were classified as debt due within one year since the put options were exercisable in May 2003. At December 31, 2003, the remaining balance of the debentures not put back to the Company in May 2003 was classified as long-term debt.

The scheduled maturity of the Company's debt, at face value, assumes the bondholders exercise their options to require the Company to repurchase the 1.5% Convertible Debentures, 7.45% Notes and Zero Coupon Convertible Debentures in May 2006, April 2007 and May 2008, respectively, and is as follows (in millions):

	YEARS ENDING DECEMBER 31,
2004	$ 45.8
2005	370.3
2006	400.0
2007	100.0
2008	819.0
Thereafter	1,750.0
Total	$ 3,485.1

Commercial Paper Program-The Company has a revolving credit agreement, described below, which, together with previous revolving credit agreements, provided liquidity through commercial paper borrowings during 2002 and 2003. At December 31, 2003, no amounts were outstanding under the Commercial Paper Program.

Revolving Credit Agreements-The Company is party to an $800.0 million five-year revolving credit agreement (the "Revolving Credit Agreement") dated December 16, 2003. This revolving credit agreement replaced the previously existing $550.0 million five-year revolving credit agreement dated December 29, 2000 and the $250.0 million 364-day revolving credit agreement dated December 26, 2002, which were both terminated effective December 16, 2003. The Revolving Credit Agreement bears interest, at the Company's option, at a base rate or London Interbank Offered Rate ("LIBOR") plus a margin that can vary from 0.350 percent to 0.950 percent depending on the Company's non-credit enhanced senior unsecured public debt rating. At December 31, 2003, the applicable margin was 0.500 percent. A facility fee varying from 0.075 percent to 0.225 percent depending on the Company's non-credit enhanced senior unsecured public debt rating, is incurred on the daily amount of the underlying commitment, whether used or unused, throughout the term of the facility. At December 31, 2003, the applicable facility fee was 0.125 percent. A utilization fee of 0.125 percent is payable if amounts outstanding under the Revolving Credit Agreement are greater than $264.0 million. At December 31, 2003, $250.0 million was outstanding under the Revolving Credit Agreement.

The Revolving Credit Agreement requires compliance with various covenants and provisions customary for agreements of this nature, including earnings before interest, taxes, depreciation and amortization ("EBITDA") to interest coverage ratio, as defined by the credit agreement, of not less than three to one, a debt to total tangible capital ratio, as defined by the credit agreement, of not greater than 50 percent, and limitations on creating liens, incurring debt, transactions with affiliates, sale/leaseback transactions and mergers and sale of substantially all assets.

6.5%, 6.75%, 6.95%, 7.375%, 9.125% and 9.5% Senior Notes and Exchange Offer-In March 2002, the Company completed exchange offers and consent solicitations for TODCO's 6.5%, 6.75%, 6.95%, 7.375%, 9.125% and 9.5% Senior Notes ("the Exchange Offer"). As a result of the Exchange Offer, approximately $234.5 million, $342.3 million, $247.8 million, $246.5 million, $76.9 million and $289.8 million principal amount of TODCO's outstanding 6.5%, 6.75%, 6.95%, 7.375%, 9.125% and 9.5% Senior Notes, respectively, were exchanged for the Company's newly issued 6.5%, 6.75%, 6.95%, 7.375%, 9.125% and 9.5% Senior Notes having the same principal amount, interest rate, redemption terms and payment and maturity dates. Because the holders of a majority in principal amount of each of these series of notes consented to the proposed amendments to the applicable indenture pursuant to which the notes were issued, some covenants, restrictions and events of default were eliminated from the indentures with respect to these series of notes. After the Exchange Offer, approximately $5.0 million, $7.7 million, $2.2 million, $3.5 million, $10.2 million and $10.2 million principal amount of the outstanding 6.5%, 6.75%, 6.95%, 7.375%, 9.125% and 9.5% Senior Notes, respectively, not exchanged remain the obligation of TODCO (see "-Retired and Repurchased Debt"). These notes are combined with the notes of the corresponding series issued by the Company in the above table. In connection with the Exchange Offer, TODCO paid $8.3 million in consent payments to holders of TODCO's notes whose notes were exchanged. The consent payments are being amortized as an increase to interest expense over the remaining term of the respective notes and such amortization was approximately $1.3 million in each of the years ended December 31, 2003 and 2002. The 6.75%, 6.95%, 7.375% and 9.5% Senior Notes are redeemable at the Company's option at a make-whole premium (see Note 25).

1.5% Convertible Debentures-In May 2001, the Company issued $400.0 million aggregate principal amount of 1.5% Convertible Debentures due May 2021. The Company has the right to redeem the debentures after five years for a price equal to 100 percent of the principal. Each holder has the right to require the Company to repurchase the debentures after five, 10 and 15 years at 100 percent of the principal amount. The Company may pay this repurchase price with either cash or ordinary shares or a combination of cash and ordinary shares. The debentures are convertible into ordinary shares of the Company at the option of the holder at any time at a ratio of 13.8627 shares per $1,000 principal amount debenture, subject to adjustments if certain events take place, if the closing sale price per ordinary share exceeds 110 percent of the conversion price for at least 20 trading days in a period of 30 consecutive trading days ending on the trading day immediately prior to the conversion date or if other specified conditions are met. At December 31, 2003, $400.0 million principal amount of these notes was outstanding.

Zero Coupon Convertible Debentures-In May 2000, the Company issued Zero Coupon Convertible Debentures due May 2020 with a face value at maturity of $865.0 million. The debentures were issued to the public at a price of $579.12 per debenture and accrue original issue discount at a rate of 2.75 percent per annum compounded semiannually to reach a face value at maturity of $1,000 per debenture. The Company will pay no interest on the debentures prior to maturity and has the right to redeem the debentures after three years for a price equal to the issuance price plus accrued original issue discount to the date of redemption. Each holder has the right to require the Company to repurchase the debentures on the third, eighth and thirteenth anniversary of issuance at the issuance price plus accrued original issue discount to the date of repurchase (see "-Retired and Repurchased Debt"). The Company may pay this repurchase price with either cash or ordinary shares or a combination of cash and ordinary shares. The debentures are convertible into ordinary shares of the Company at the option of the holder at any time at a ratio of 8.1566 shares per debenture subject to adjustments if certain events take place. At December 31, 2003, $26.4 million face value of these notes was outstanding with a discounted value of $16.8 million. Should all of the debentures be put to the Company in May 2008, the debentures will have a discounted value of $19.0 million.

Retired and Repurchased Debt-In December 2003, the Company repaid all of the $87.1 million principal amount outstanding 9.125% Senior Notes, of which $10.2 million principal amount outstanding was the obligation of TODCO, plus accrued and unpaid interest, in accordance with their scheduled maturity. The Company funded the repayment from existing cash balances.

In December 2003, the Company repaid the remaining $187.5 million principal amount outstanding under the Term Loan Agreement, plus accrued and unpaid interest, of which $150.0 million related to the early retirement of this debt. The Term Loan Agreement was terminated in conjunction with this repayment. The Company funded the repayment from existing cash balances.

In May 2003, the Company repurchased and retired all of the $50.0 million principal amount outstanding 9.41% Nautilus Class A2 Notes due May 2005 and funded the repurchase from existing cash balances. The Company recognized a loss on the early retirement of debt of approximately $3.6 million ($0.01 per diluted share), net of tax of $1.9 million, in the second quarter of 2003.

In May 2003, holders of the Company's Zero Coupon Convertible Debentures due May 24, 2020 had the option to require the Company to repurchase their debentures. Holders of $838.6 million aggregate principal amount, or approximately 97 percent, of these debentures exercised this option and the Company repurchased their debentures at a repurchase price of $628.57 per $1,000 principal amount. Under the terms of the debentures, the Company had the option to pay for the debentures with cash, the Company's ordinary shares, or a combination of cash and shares, and elected to pay the $527.2 million repurchase price from existing cash balances. The Company recognized additional expense of approximately $10.2 million ($0.03 per diluted share) as an after-tax loss on retirement of debt in the second quarter of 2003 to fully amortize the remaining debt issue costs related to the repurchased debentures.

In April 2003, the Company repaid the entire $239.5 million principal amount outstanding 6.5% Senior Notes, of which $5.0 million principal amount outstanding was the obligation of TODCO, plus accrued and unpaid interest, in accordance with their scheduled maturity. The Company funded the repayment from existing cash balances.

NOTE 9-FINANCIAL INSTRUMENTS AND RISK CONCENTRATION

Foreign Exchange Risk-The Company's international operations expose the Company to foreign exchange risk. This risk is primarily associated with compensation costs denominated in currencies other than the U.S. dollar and with purchases from foreign suppliers. The Company uses a variety of techniques to minimize exposure to foreign exchange risk, including customer contract payment terms and foreign exchange derivative instruments.

The Company's primary foreign exchange risk management strategy involves structuring customer contracts to provide for payment in both U.S. dollars and local currency. The payment portion denominated in local currency is based on anticipated local currency requirements over the contract term. Due to various factors, including local banking laws, other statutory requirements, local currency convertibility and the impact of inflation on local costs, actual foreign exchange needs may vary from those anticipated in the customer contracts, resulting in partial exposure to foreign exchange risk. Fluctuations in foreign currencies typically have minimal impact on overall results. In situations where payments of local currency do not equal local currency requirements, foreign exchange derivative instruments, specifically foreign exchange forward contracts, or spot purchases may be used. A foreign exchange forward contract obligates the Company to exchange predetermined amounts of specified foreign currencies at specified exchange rates on specified dates or to make an equivalent U.S. dollar payment equal to the value of such exchange.

The Company does not enter into derivative transactions for speculative purposes. At December 31, 2003, the Company had no material open foreign exchange contracts.

In January 2003, Venezuela implemented foreign exchange controls that limit the Company's ability to convert local currency into U.S. dollars and transfer excess funds out of Venezuela. The Company's drilling contracts in Venezuela typically call for payments to be made in local currency, even when the dayrate is denominated in U.S. dollars. The exchange controls could also result in an artificially high value being placed on the local currency. As a result, the Company recognized a loss of $1.5 million, net of tax of $0.8 million, on the revaluation of the local currency into functional U.S. dollars during the second quarter of 2003. In the third quarter of 2003, to limit its exposure, the Company entered into an interim arrangement with one of its customers in which the Company is to receive 55 percent of the billed receivables in U.S. dollars with the remainder paid in local currency.

Gains and losses on foreign exchange derivative instruments, which qualify as accounting hedges, are deferred as other comprehensive income and recognized when the underlying foreign exchange exposure is realized. Gains and losses on foreign exchange derivative instruments, which do not qualify as hedges for accounting purposes, are recognized currently based on the change in market value of the derivative instruments. At December 31, 2003 and 2002, the Company did not have any foreign exchange derivative instruments not qualifying as accounting hedges.

Interest Rate Risk-The Company's use of debt directly exposes the Company to interest rate risk. Floating rate debt, where the interest rate can be changed every year or less over the life of the instrument, exposes the Company to short-term changes in market interest rates. Fixed rate debt, where the interest rate is fixed over the life of the instrument and the instrument's maturity is greater than one year, exposes the Company to changes in market interest rates should the Company refinance maturing debt with new debt.

In addition, the Company is exposed to interest rate risk in its cash investments, as the interest rates on these investments change with market interest rates.

The Company, from time to time, may use interest rate swap agreements to manage the effect of interest rate changes on future income. These derivatives are used as hedges and are not used for speculative or trading purposes. Interest rate swaps are designated as a hedge of underlying future interest payments. These agreements involve the exchange of amounts based on variable interest rates and amounts based on a fixed interest rate over the life of the agreement without an exchange of the notional amount upon which the payments are based. The interest rate differential to be received or paid on the swaps is recognized over the lives of the swaps as an adjustment to interest expense. Gains and losses on terminations of interest rate swap agreements are deferred and recognized as an adjustment to interest expense over the remaining life of the underlying debt. In the event of the early retirement of a designated debt obligation, any realized or unrealized gain or loss from the swap would be recognized in income.

The major risks in using interest rate derivatives include changes in interest rates affecting the value of such instruments, potential increases in interest expense of the Company due to market increases in floating interest rates in the case of derivatives that exchange fixed interest rates for floating interest rates and the credit worthiness of the counterparties in such transactions.

The Company has entered into interest rate swap transactions hedging debt. These interest rate swap transactions, however, have all been terminated as of December 31, 2003. See Note 10. The Company has not hedged any of its other assets or liabilities against interest rate movements.

The market value of the Company's swaps is carried on its consolidated balance sheet as an asset or liability depending on the movement of interest rates after the transaction is entered into and depending on the security being hedged. Because the Company's swaps are considered to be perfectly effective, the carrying value of the debt being hedged is adjusted for the market value of the swaps.

Should a counterparty default at a time in which the market value of the swap with that counterparty is classified as an asset in the Company's consolidated balance sheet, the Company may be unable to collect on that asset. To mitigate such risk of failure, the Company enters into swap transactions with a diverse group of high-quality institutions.

Credit Risk-Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents, trade receivables, swap receivables and, prior to December 31, 2003, notes receivable from Delta Towing (see Notes 2 and 10). It is the Company's practice to place its cash and cash equivalents in time deposits at commercial banks with high credit ratings or mutual funds, which invest exclusively in high quality money market instruments. In foreign locations, local financial institutions are generally utilized for local currency needs. The Company limits the amount of exposure to any one institution and does not believe it is exposed to any significant credit risk.

The Company derives the majority of its revenue from services to international oil companies and government-owned and government-controlled oil companies. Receivables are dispersed in various countries. See Note 19. The Company maintains an allowance for doubtful accounts receivable based upon expected collectibility. The Company is not aware of any significant credit risks relating to its customer base and does not generally require collateral or other security to support customer receivables.

Labor Agreements-On a worldwide basis, excluding TODCO employees, approximately 24 percent of the Company's employees worked under collective bargaining agreements at December 31, 2003, most of whom worked in Brazil, Norway, U.K. and Nigeria. Of these represented employees, substantially all are working under agreements that are subject to salary negotiation in 2004.

At December 31, 2003, approximately five percent of TODCO employees worked under collective bargaining agreements in Trinidad and Venezuela.

NOTE 10-INTEREST RATE SWAPS

In June 2001, the Company entered into interest rate swap agreements in the aggregate notional amount of $700.0 million with a group of banks relating to the Company's $700.0 million aggregate principal amount of 6.625% Notes due April 2011. In February 2002, the Company entered into interest rate swap agreements with a group of banks in the aggregate notional amount of $900.0 million relating to the Company's $350.0 million aggregate principal amount of 6.75% Senior Notes due April 2005, $250.0 million aggregate principal amount of 6.95% Senior Notes due April 2008 and $300.0 million aggregate principal amount of 9.5% Senior Notes due December 2008. The objective of each transaction was to protect the debt against changes in fair value due to changes in the benchmark interest rate. Under each interest rate swap, the Company received the fixed rate equal to the coupon of the hedged item and paid LIBOR plus a margin of 50 basis points, 246 basis points, 171 basis points and 413 basis points, respectively, which were designated as the respective benchmark interest rates, on each of the interest payment dates until maturity of the respective notes. The hedges were considered perfectly effective against changes in the fair value of the debt due to changes in the benchmark interest rates over their term. As a result, the shortcut method applied and there was no requirement to periodically reassess the effectiveness of the hedges during the term of the swaps.

In January 2003, the Company terminated the swaps with respect to its 6.75%, 6.95% and 9.5% Senior Notes. In March 2003, the Company terminated the swaps with respect to its 6.625% Notes. As a result of these terminations, the Company received cash proceeds, net of accrued interest, of approximately $173.5 million that was recognized as a fair value adjustment to long-term debt in the Company's consolidated balance sheet and is being amortized as a reduction to interest expense over the life of the underlying debt. Such reduction amounted to approximately $23.1 million ($0.07 per diluted share) in 2003 and is expected to be approximately $27.2 million ($0.08 per diluted share) in 2004.

At December 31, 2003, the Company had no outstanding interest rate swaps. At December 31, 2002, the Company had outstanding interest rate swaps in the aggregate notional amount of $1.6 billion. The market value of the Company's outstanding interest rate swaps was included in other assets with corresponding increases to long-term debt as follows at December 31, 2002 (in millions):

6.75% Senior Notes, due April 2005 .	$ 18.7
6.95% Senior Notes, due April 2008 .	25.3
9.5% Senior Notes, due December 2008	30.6
6.625% Notes, due April 2011	106.7
	$181.3

DD LLC, a previously unconsolidated joint venture in which the Company had a 50 percent ownership interest, entered into interest rate swaps in August 1998 that expired in October 2003 (see Note 6). The Company's interest in these swaps was included in accumulated other comprehensive income, net of tax, with corresponding reductions to deferred income taxes and investments in and advances to joint ventures.

NOTE 11-FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents and trade receivables-The carrying amounts approximate fair value because of the short maturity of those instruments.

Swap receivables-The carrying value of swap receivables are adjusted to estimated market value based on current and forward LIBOR rates. The Company had no outstanding swap receivables at December 31, 2003 (see Note 10).

Notes receivable from related party-The fair value of notes receivable from related party with a carrying amount of $82.8 million at December 31, 2002 could not be determined because there is no available market price for such notes. Due to the adoption of FIN 46 and the consolidation of the related party, the notes receivable have been eliminated in consolidation. See Notes 2 and 21.

Debt-The fair value of the Company's fixed rate debt is calculated based on the estimated yield to maturity. The carrying value of variable rate debt approximates fair value.

	DECEMBER 31, 2003		DECEMBER 31, 2002	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash and cash equivalents	$ 474.0	$ 474.0	$ 1,214.2	$ 1,214.2
Trade receivables	435.3	435.3	437.6	437.6
Swap receivables.	-	-	181.3	181.3
Debt.	3,658.1	3,849.8	4,678.0	4,848.5

NOTE 12-OTHER CURRENT LIABILITIES

Other current liabilities are comprised of the following (in millions):

	DECEMBER 31, 2003	DECEMBER 31, 2002
Accrued Payroll and Employee Benefits	$133.0	$143.6
Accrued Interest.	39.2	32.2
Deferred Income	35.7	31.1
Reserves for Contingent Liabilities .	17.5	22.9
Accrued Taxes, Other than Income. . .	12.7	19.3
Other	23.9	13.1
Total Other Current Liabilities . .	$262.0	$262.2

NOTE 13-SUPPLEMENTARY CASH FLOW INFORMATION

Non-cash investing activities for the years ended December 31, 2003, 2002 and 2001 included $8.9 million, $7.9 million and $11.8 million, respectively, related to accruals of capital expenditures. The accruals have been reflected in the consolidated balance sheet as an increase in property and equipment, net and accounts payable.

In 2002, the Company reclassified the remaining assets that had not been disposed of from assets held for sale to property and equipment based on management's assessment that these assets no longer met the held for sale criteria under SFAS 144. As a result, $55.0 million was reflected as an increase in property and equipment with a corresponding decrease in other assets.

Non-cash financing activities for the year ended December 31, 2001 included $6.7 billion related to the Company's ordinary shares issued in connection with the R&B Falcon merger. Non-cash investing activities for the year ended December 31, 2001 included $6.4 billion of net assets acquired in the R&B Falcon merger.

Concurrent with and subsequent to the R&B Falcon merger, the Company removed certain non-strategic assets from the active rig fleet and categorized them as assets held for sale. These reclassifications were reflected in the December 31, 2001 consolidated balance sheet as a decrease in property and equipment, net of $177.8 million, with a corresponding increase in other assets.

In February 2001, the Company received a distribution from a joint venture in the form of marketable securities held for sale valued at $19.9 million. The distribution was reflected in the consolidated balance sheet as an increase in other current assets with a corresponding decrease in investments in and advances to joint ventures.

Cash payments for interest were $219.0 million, $210.5 million and $190.6 million for the years ended December 31, 2003, 2002 and 2001, respectively. Cash payments for income taxes, net, were $73.4 million, $91.1 million and $122.5 million for the years ended December 31, 2003, 2002 and 2001, respectively.

NOTE 14-INCOME TAXES

Income taxes have been provided based upon the tax laws and rates in the countries in which operations are conducted and income is earned. There is no expected relationship between the provision for or benefit from income taxes and income or loss before income taxes because the countries have taxation regimes that vary not only with respect to nominal rate, but also in terms of the availability of deductions, credits and other benefits. Variations also arise because income earned and taxed in any particular country or countries may fluctuate from year to year. Transocean Inc., a Cayman Islands company, is not subject to income tax in the Cayman Islands.

In June 2003, the Company recorded a $14.6 million ($0.04 per diluted share) foreign tax benefit attributable to the favorable resolution of a non-U.S. income tax liability.

During 2002, the Company recorded a $175.7 million ($0.55 per diluted share) tax benefit attributable to the restructuring of certain non-U.S. operations. As a result of the restructuring, previously unrecognized losses were offset against deferred gains, resulting in a reduction of noncurrent deferred taxes payable.

The components of the provision (benefit) for income taxes are as follows (in millions):

	YEARS ENDED DECEMBER 31,		
	2003	2002	2001
Current Provision	$101.5	$ 101.4	$174.4
Deferred (Benefit)	(98.5)	(224.4)	(98.2)
Income Tax Provision (Benefit) before Cumulative Effect of Changes in Accounting Principles	$ 3.0	$(123.0)	$ 76.2

Significant components of deferred tax assets and liabilities are as follows (in millions):

	DECEMBER 31, 2003	DECEMBER 31, 2002
DEFERRED TAX ASSETS-CURRENT		
Accrued personnel taxes	$ 1.1	$ 1.7
Accrued workers' compensation insurance	6.8	4.6
Other accruals	4.1	9.1
Insurance accruals	14.3	5.7
Other	18.2	5.4
Total Current Deferred Tax Assets	44.5	26.5
DEFERRED TAX LIABILITIES-CURRENT		
Deferred drydock	(3.5)	(4.6)
Total Current Deferred Tax Liabilities	(3.5)	(4.6)
Net Current Deferred Tax Assets	$ 41.0	$ 21.9
DEFERRED TAX ASSETS-NONCURRENT-NON-U.S.		
Net operating loss carryforwards-non-U.S.	$ 28.2	$ 26.2
Net Noncurrent Deferred Tax Assets-non-U.S	$ 28.2	$ 26.2
DEFERRED TAX ASSETS-NONCURRENT		
Net operating loss and other miscellaneous carryforwards	$ 619.1	$ 380.3
Foreign tax credit carryforwards	259.2	216.9
Retirement and benefit plan accruals	3.8	7.9
Other accruals	35.6	11.5
Deferred income and other	0.7	29.5
Valuation allowance for noncurrent deferred tax assets	(154.9)	(112.3)
Total Noncurrent Deferred Tax Assets	763.5	533.8
DEFERRED TAX LIABILITIES-NONCURRENT		
Depreciation and amortization	(689.0)	(558.9)
Investment in subsidiaries	(109.3)	(67.7)
Other	(8.0)	(14.4)
Total Noncurrent Deferred Tax Liabilities	(806.3)	(641.0)
Net Noncurrent Deferred Tax Liabilities	$ (42.8)	$(107.2)

Deferred tax assets and liabilities are recognized for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of the Company's assets and liabilities using the applicable tax rates in effect at year end. A valuation allowance for deferred tax assets is recorded when it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized.

The Company provided a valuation allowance to offset deferred tax assets on net operating losses incurred during the year in certain jurisdictions where, in the opinion of management, it is more likely than not that the financial statement benefit of these losses would not be realized. The Company has also provided a valuation allowance for foreign tax credit carryforwards reflecting the possible expiration of their benefits prior to their utilization. At December 31, 2001, the Company's valuation allowance was $90.7 million. The valuation allowance for non-current deferred tax assets increased $42.6 million and $21.6 million during the years ended December 31, 2003 and 2002, respectively.

The Company's U.S. net operating loss carryforwards expire between 2004 and 2023. The tax effect of the U.S. net operating loss carryforwards was $580.9 million at December 31, 2003. The Company's U.K. net operating loss carryforwards do not expire. The tax effect of the U.K. net operating loss carryforwards was $28.2 million at December 31, 2003, which the Company intends to utilize through future earnings. The Company's fully benefited U.S. foreign tax credit carryforwards will expire between 2004 and 2008.

Transocean Inc., a Cayman Islands company, is not subject to income taxes in the Cayman Islands. For the three years ended December 31, 2003, there was no Cayman Islands income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by a Cayman Islands company or its shareholders. The Company has obtained an assurance from the Cayman Islands government under the Tax Concessions Law (1995 Revision) that, in the event that any legislation is enacted in the Cayman Islands imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, such tax shall not, until June 1, 2019, be applicable to the Company or to any of its operations or to the shares, debentures or other obligations of the Company. Therefore, under present law there will be no Cayman Islands tax consequences affecting distributions.

The Company's income tax returns are subject to review and examination in the various jurisdictions in which the Company operates. The U.S. Internal Revenue Service is currently auditing the years 1999 and 2000. In addition, other tax authorities have questioned the amounts of income and expense subject to tax in their jurisdiction for prior periods. The Company is currently contesting additional assessments which have been asserted and may contest any future assessments. While the Company cannot predict or provide assurance as to the final outcome of existing or future assessments, it believes the ultimate resolution of these asserted income tax liabilities will not have a material adverse effect on the Company's business, consolidated financial position or results of operations.

In connection with the distribution of Sedco Forex Holdings Limited ("Sedco Forex") to the Schlumberger Limited ("Schlumberger") shareholders in December 1999, Sedco Forex and Schlumberger entered into a Tax Separation Agreement. In accordance with the terms of the Tax Separation Agreement, Schlumberger agreed to indemnify Sedco Forex for any tax liabilities incurred directly in connection with the preparation of Sedco Forex for this distribution. In addition, Schlumberger agreed to indemnify Sedco Forex for tax liabilities associated with Sedco Forex operations conducted through Schlumberger entities prior to the merger and any tax liabilities associated with Sedco Forex assets retained by Schlumberger.

The Company was included in the consolidated federal income tax returns filed by a former parent, Sonat Inc. ("Sonat") during all periods in which Sonat's ownership was greater than or equal to 80 percent ("Affiliation Years"). The Company and Sonat entered into a Tax Sharing Agreement providing for the manner of determining payments with respect to federal income tax liabilities and benefits arising in the Affiliation Years. Under the Tax Sharing Agreement, the Company will pay to Sonat an amount equal to the Company's share of the Sonat consolidated federal income tax liability, generally determined on a separate return basis. In addition, Sonat will pay the Company for Sonat's utilization of deductions, losses and credits that are attributable to the Company and in excess of that which would be utilized on a separate return basis.

NOTE 15-COMMITMENTS AND CONTINGENCIES

Operating Leases-The Company has operating lease commitments expiring at various dates, principally for real estate, office space, office equipment and rig bareboat charters. In addition to rental payments, some leases provide that the Company pay a pro rata share of operating costs applicable to the leased property. As of December 31, 2003, future minimum rental payments related to noncancellable operating leases are as follows (in millions):

	YEARS ENDED DECEMBER 31,
2004 . . .	$ 27.0
2005 . . .	21.2
2006 . . .	7.7
2007 . . .	7.0
2008 . . .	7.2
Thereafter	13.5
Total. .	$ 83.6

The Company is a party to an operating lease on the M. G. Hulme, Jr. The drilling rig is leased from Deep Sea Investors, L.L.C., a special purpose entity formed by several leasing companies to acquire the rig from one of the Company's subsidiaries in November 1995 in a sale/leaseback transaction. Under this lease, the Company may purchase the rig for a maximum amount of approximately $35.7 million at the end of the lease term of November 29, 2005. At December 31, 2003, the future minimum lease payments, excluding the purchase option, was $24.9 million and was included in the table above.

Rental expense for all operating leases, including leases with terms of less than one year, was approximately $51 million, $52 million and $96 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Legal Proceedings-In 1990 and 1991, two of the Company's subsidiaries were served with various assessments collectively valued at approximately $5.8 million from the municipality of Rio de Janeiro, Brazil to collect a municipal tax on services. The Company believes that neither subsidiary is liable for the taxes and has contested the assessments in the Brazilian administrative and court systems. In October 2001, the Brazil Supreme Court rejected the Company's appeal of an adverse lower court's ruling with respect to a June 1991 assessment, which is valued at approximately $5 million. The Company is continuing to challenge the assessment and has an action to suspend a related tax foreclosure proceeding, which is currently at the trial court level. The Company received a favorable ruling in connection with a disputed August 1990 assessment but the government has appealed that ruling. The Company also received an adverse ruling from the Taxpayer's Council in connection with an October 1990 assessment and is appealing the ruling. If the Company's defenses are ultimately unsuccessful, the Company believes that the Brazilian government-controlled oil company, Petrobras, has a contractual obligation to reimburse the Company for municipal tax payments required to be paid by them. The Company does not expect the liability, if any, resulting from these assessments to have a material adverse effect on its business or consolidated financial position.

The Indian Customs Department, Mumbai, filed a "show cause notice" against a subsidiary of the Company and various third parties in July 1999. The show cause notice alleged that the initial entry into India in 1988 and other subsequent movements of the Trident II jackup rig operated by the subsidiary constituted imports and exports for which proper customs procedures were not followed and sought payment of customs duties of approximately $31 million based on an alleged 1998 rig value of $49 million, with interest and penalties, and confiscation of the rig. In January 2000, the Customs Department issued its order, which found that the Company had imported the rig improperly and intentionally concealed the import from the authorities, and directed the Company to pay a redemption fee of approximately $3 million for the rig in lieu of confiscation and to pay penalties of approximately $1 million in addition to the amount of customs duties owed. In February 2000, the Company filed an appeal with the Customs, Excise and Gold (Control) Appellate Tribunal ("CEGAT") together with an application to have the confiscation of the rig stayed pending the outcome of the appeal. In March 2000, the CEGAT ruled on the stay application, directing that the confiscation be stayed pending the appeal. The CEGAT issued its opinion on the Company's appeal on February 2, 2001, and while it found that the rig was imported in 1988 without proper documentation or payment of duties, the redemption fee and penalties were reduced to less than $0.1 million in view of the ambiguity surrounding the import practice at the time and the lack of intentional concealment by the Company. The CEGAT further sustained the Company's position regarding the value of the rig at the time of import as $13 million and ruled that subsequent movements of the rig were not liable to import documentation or duties in view of the prevailing practice of the Customs Department, thus limiting the Company's exposure as to custom duties to approximately $6 million. Following the CEGAT order, the Company tendered payment of redemption, penalty and duty in the amount specified by the order by offset against a $0.6 million deposit and $10.7 million guarantee previously made by the Company. The Customs Department attempted to draw the entire guarantee, alleging the actual duty payable is approximately $22 million based on an interpretation of the CEGAT order that the Company believes is incorrect. This action was stopped by an interim ruling of the High Court, Mumbai on writ petition filed by the Company. Both the Customs Department and the Company filed appeals with the Supreme Court of India against the order of the CEGAT, and both appeals have been admitted. The Company is now awaiting a hearing date. The Company and its customer agreed to pursue and obtained the issuance of documentation from the Ministry of Petroleum that, if accepted by the Customs Department, would reduce the duty to nil. The agreement with the customer further provided that if this reduction was not obtained by the end of 2001, the customer would pay the duty up to a limit of $7.7 million. The Customs Department did not accept the documentation or agree to refund the duties already paid. The Company is pursuing its remedies against the Customs Department and the customer. The Company does not expect, in any event, that the ultimate liability, if any, resulting from the matter will have a material adverse effect on its business or consolidated financial position.

In March 1997, an action was filed by Mobil Exploration and Producing U.S. Inc. and affiliates, St. Mary Land & Exploration Company and affiliates and Samuel Geary and Associates, Inc. against TODCO, its underwriters and insurance broker in the 16th Judicial District Court of St. Mary Parish, Louisiana. The plaintiffs alleged damages amounting to in excess of $50 million in connection with the drilling of a turnkey well in 1995 and 1996. The case was tried before a jury in January and February 2000, and the jury returned a verdict of approximately $30 million in favor of the plaintiffs for excess drilling costs, loss of insurance proceeds, loss of hydrocarbons and interest. The Company believes that most, if not all, of the settlement amounts are covered by relevant primary and excess liability insurance policies. However, the insurers and underwriters denied coverage and one has filed a counterclaim. TODCO has instituted litigation against those insurers and underwriters to enforce its rights under the relevant policies. TODCO has settled with some of the insurers but is continuing the litigation against the remaining insurers. The Company is responsible for any losses TODCO incurs from these actions under the master separation agreement with TODCO and the Company will benefit from any recovery. The Company does not expect that the ultimate outcome of this case will have a material adverse effect on its business or consolidated financial position.

In October 2001, TODCO was notified by the U.S. Environmental Protection Agency ("EPA") that the EPA had identified a subsidiary of TODCO as a potentially responsible party in connection with the Palmer Barge Line superfund site located in Port Arthur, Jefferson County, Texas. Based upon the information provided by the EPA and the review of TODCO's internal records to date, TODCO disputes its designation as a potentially responsible party. Pursuant to the master separation agreement with TODCO, the Company is responsible and will indemnify TODCO for any losses TODCO incurs in connection with this action. The Company does not expect that the ultimate outcome of this case will have a material adverse effect on the Company's business or consolidated financial position.

In August 2003, a judgment of approximately $9.5 million was entered by the Labor Division of the Provincial Court of Luanda, Angola, against the Company and a labor contractor for the Company, Hull Blyth, in favor of certain former workers on several of the Company's drilling rigs. The workers were employed by Hull Blyth to work on several drilling rigs while the rigs were located in Angola. When the drilling contracts concluded and the rigs left Angola, the workers' employment ended. The workers brought suit claiming that they were not properly compensated when their employment ended. In addition to the monetary judgment, the Labor Division ordered the workers to be hired by the Company. The Company believes that this judgment is without sufficient legal foundation and has appealed the matter to the Angola Supreme Court. The Company further believes that Hull Blyth has an obligation to protect the Company from any judgment. The Company does not believe that the ultimate outcome of this matter will have a material adverse effect on the Company's business or consolidated financial position.

The Company and its subsidiaries are involved in a number of other lawsuits, all of which have arisen in the ordinary course of the Company's business. The Company does not believe that ultimate liability, if any, resulting from any such other pending litigation will have a material adverse effect on its business or consolidated financial position.

Self Insurance-The Company is self-insured for the deductible portion of its insurance coverage. In the opinion of management, adequate accruals have been made based on known and estimated exposures up to the deductible portion of the Company's insurance coverages. Management believes that claims and liabilities in excess of the amounts accrued are adequately insured.

Letters of Credit and Surety Bonds-The Company had letters of credit outstanding at December 31, 2003 totaling $186.2 million. These letters of credit guarantee various contract bidding and insurance activities under various lines provided by several banks.

As is customary in the contract drilling business, the Company also has various surety bonds totaling $169.5 million in place that secure customs obligations relating to the importation of its rigs and certain performance and other obligations.

NOTE 16-STOCK-BASED COMPENSATION PLANS

Long-Term Incentive Plan-The Company has an incentive plan for key employees and outside directors (the "Incentive Plan"). Prior to 2003, the Company accounted for its Incentive Plan under APB 25 and related interpretations. Effective January 1, 2003, the Company adopted the fair value recognition provisions of SFAS 123 using the prospective method. Under the prospective method and in accordance with the provisions of SFAS 148 (see Note 2), the recognition provisions are applied to all employee awards granted, modified, or settled after January 1, 2003.

Under the Incentive Plan, awards can be granted in the form of stock options, nonvested restricted stock, stock appreciation rights ("SARs") and cash performance awards. Such awards include traditional time-vesting awards ("time-based vesting awards"), and awards that are earned based on the achievement of certain performance criteria ("performance-based awards"). Options issued under the Incentive Plan have a 10-year term. Time-based vesting awards vest in three equal annual installments after the date of grant. Performance-based awards have a two year performance cycle with the number of options or shares earned being determined following the completion of the performance cycle (the "determination date") at which time one-third of the options or shares granted vest. Additional vesting occurs January 1 of the two subsequent years following the determination date.

As of December 31, 2003, the Company was authorized to grant up to (i) 18.9 million ordinary shares to employees; (ii) 600,000 ordinary shares to outside directors; and (iii) 300,000 freestanding SARs to employees or directors under the Incentive Plan. On December 31, 1999, all unvested stock options and SARs and all nonvested restricted shares granted after April 1996 became fully vested as a result of the Sedco Forex merger. At December 31, 2003, there were approximately 6.2 million total shares available for future grants under the Incentive Plan, assuming that the 1.5 million performance-based awards in 2003 are ultimately issued at the maximum amount.

Prior to the Sedco Forex merger, key employees of Sedco Forex were granted stock options at various dates under the Schlumberger stock option plans. For all of the stock options granted under such plans, the exercise price of each option equaled the market price of Schlumberger stock on the date of grant, each option's maximum term was 10 years and the options generally vested in 20 percent increments over five years. Fully vested Schlumberger options held by Sedco Forex employees at the date of the spin-off will lapse in accordance with their provisions. Non-vested Schlumberger options were terminated and fully vested stock options to purchase ordinary shares of the Company were granted under a new plan (the "SF Plan").

Prior to the R&B Falcon merger (see Note 4), certain employees and outside directors of R&B Falcon and its subsidiaries were granted stock options under various plans. As a result of the R&B Falcon merger, the Company assumed all outstanding R&B Falcon stock options and converted them into options to purchase ordinary shares of the Company.

Time-Based Vesting Awards

The following table summarizes time-based vesting stock option activity:

	NUMBER OF SHARES UNDER OPTION	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at December 31, 2000	4,374,408	$ 30.74
Granted.	2,370,840	38.53
Options assumed in the R&B Falcon merger	8,094,010	22.25
Exercised.	(1,286,554)	20.91
Forfeited.	(92,025)	42.15
Outstanding at December 31, 2001	13,460,679	27.99
Granted.	2,160,963	28.63
Exercised.	(102,480)	18.12
Forfeited.	(141,576)	37.99
Outstanding at December 31, 2002	15,377,586	28.03
Granted.	314,860	20.95
Exercised.	(149,361)	10.97
Forfeited.	(267,684)	35.47
Outstanding at December 31, 2003	15,275,401	$ 27.92
Exercisable at December 31, 2001	9,977,963	$ 24.29
Exercisable at December 31, 2002	11,332,039	$ 26.14
Exercisable at December 31, 2003	13,091,737	$ 27.53

The following table summarizes information about time-based vesting stock options outstanding at December 31, 2003:

		OPTIONS OUTSTANDING		OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	NUMBER OUTSTANDING	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED-AVERAGE EXERCISE PRICE
$ 8.38 - $19.86	4.75 years	3,980,811	$ 15.16	3,876,143	$ 15.05
$20.12 - $33.69	5.99 years	6,212,583	$ 25.96	4,773,521	$ 25.54
$34.63 - $81.78	6.44 years	5,082,007	$ 40.30	4,442,073	$ 40.56

At December 31, 2003, there were 41,360 time-based vesting nonvested restricted ordinary shares and 135,418 SARs outstanding under the Incentive Plan.

Performance-Based Awards

There was no performance-based award activity prior to 2003. The following table summarizes performance-based stock option activity during 2003:

	NUMBER OF SHARES UNDER OPTION	WEIGHTED-AVERAGE EXERCISE PRICE
Granted.	725,350	$ 21.20
Forfeited.	(39,019)	21.20
Outstanding at December 31, 2003	686,331	$ 21.20

At December 31, 2003, none of the performance-based stock options were exercisable.

The following table summarizes information about performance-based stock options outstanding at December 31, 2003:

		OPTIONS OUTSTANDING		OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	NUMBER OUTSTANDING	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED-AVERAGE EXERCISE PRICE
21.20	9.52 years	686,331	$ 21.20	-	$ -

During 2003, the Company granted performance-based nonvested restricted ordinary share awards that are earnable based on the achievement of certain performance targets. The number of shares to be issued will be quantified upon completion of the performance period at the determination date. At December 31, 2003, the maximum number of nonvested restricted ordinary shares that could be issued at the determination date was 829,065.

Employee Stock Purchase Plan-The Company provides a stock purchase plan (the "Stock Purchase Plan") for certain full-time employees. Under the terms of the Stock Purchase Plan, employees can choose each year to have between two and 20 percent of their annual base earnings withheld to purchase up to $25,000 of the Company's ordinary shares. The purchase price of the stock is 85 percent of the lower of its beginning-of-year or end-of-year market price. At December 31, 2003, 777,930 ordinary shares were available for issuance pursuant to the Stock Purchase Plan.

NOTE 17-RETIREMENT PLANS, OTHER POSTEMPLOYMENT BENEFITS AND OTHER BENEFIT PLANS

Defined Benefit Pension Plans-The Company maintains a qualified defined benefit pension plan (the "Retirement Plan") covering substantially all U.S. employees except for TODCO employees, and an unfunded plan (the "Supplemental Benefit Plan") to provide certain eligible employees with benefits in excess of those allowed under the Retirement Plan. In conjunction with the R&B Falcon merger, the Company acquired two funded and one unfunded defined benefit pension plans (the "Frozen Plans") that were frozen prior to the merger for which benefits no longer accrue, but the pension obligations have not been fully paid out. The Company refers to the Retirement Plan, the Supplemental Benefit Plan and the Frozen Plans collectively as the U.S. Plans.

In addition, the Company provides several defined benefit plans, primarily group pension schemes with life insurance companies covering our Norway operations and two unfunded plans covering certain of the Company's employees and former employees (the "Norway Plans"). Certain of the Norway plans are funded in part by employee contributions. Company contributions to the Norway Plans are determined primarily by the respective life insurance companies based on the terms of the plan. For the insurance-based plans, annual premium payments are considered to represent a reasonable approximation of the service costs of benefits earned during the period. The Company also has an unfunded defined benefit plan (the "Nigeria Plan") that provides retirement and severance benefits for certain Nigerian employees. The defined benefit pension benefits provided by the Company are comprised of the U.S. Plans, the Norway Plans and the Nigeria Plan (collectively the "Transocean Plans"). The Company uses a January 1 measurement date for all of its plans.

The change in projected benefit obligation, change in plan assets and funded status is shown in the table below (in millions):

	DECEMBER 31, 2003	DECEMBER 31, 2002
CHANGE IN PROJECTED BENEFIT OBLIGATION		
Projected benefit obligation at beginning of year	$295.6	$ 242.7
Service cost	16.6	16.8
Interest cost	18.2	19.0
Actuarial losses (gains)	(7.6)	27.0
Settlements / curtailments	(7.5)	-
Special termination benefits	-	1.1
Plan amendments	(6.4)	3.1
Benefits paid	(13.4)	(14.1)
Projected benefit obligation at end of year	295.5	295.6
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	188.5	210.4
Actual return on plan assets	33.8	(14.4)
Employer contributions	23.3	6.6
Settlements / curtailments	(17.8)	-
Benefits paid	(13.4)	(14.1)
Fair value of plan assets at end of year	214.4	188.5
FUNDED STATUS	(81.1)	(107.1)
Unrecognized transition obligation	2.0	2.9
Unrecognized net actuarial loss	71.7	86.4
Unrecognized prior service cost	2.3	11.3
Accrued pension liability	$ (5.1)	$ (6.5)
AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEETS CONSIST OF:		
Prepaid benefit cost	$ 3.4	$ 1.6
Accrued benefit liability	(44.3)	(54.5)
Intangible asset	0.1	0.7
Accumulated other comprehensive income	35.7	45.7
Net amount recognized	$ (5.1)	$ (6.5)

The accumulated benefit obligation for all defined benefit pension plans was $241.5 million and $227.7 million at December 31, 2003 and 2002, respectively.

The aggregate projected benefit obligation and fair value of plan assets for plans with a projected benefit obligation in excess of plan assets are as follows (in millions):

	DECEMBER 31, 2003	DECEMBER 31, 2002
Projected benefit obligation	$286.1	$291.3
Fair value of plan assets. .	204.7	182.9

The aggregate accumulated benefit obligation and fair value of plan assets for plans with an accumulated benefit obligation in excess of plan assets are as follows (in millions):

	DECEMBER 31, 2003	DECEMBER 31, 2002
Accumulated benefit obligation	$228.5	$216.0
Fair value of plan assets. . .	195.2	174.3

Net periodic benefit cost included the following components (in millions):

	YEARS ENDED DECEMBER 31, 2003	2002	2001
COMPONENTS OF NET PERIODIC BENEFIT COST (a)			
Service cost.	$ 16.6	$ 16.8	$ 12.0
Interest cost	18.2	19.0	15.9
Expected return on plan assets.	(19.7)	(20.7)	(7.5)
Amortization of transition obligation	0.3	0.3	0.3
Amortization of prior service cost.	1.3	1.4	0.4
Recognized net actuarial (gains) losses	0.4	(0.5)	(11.3)
Special termination benefits (b).	-	1.1	-
SFAS 88 settlements/curtailments.	4.7	(0.3)	-
Benefit cost.	$ 21.8	$ 17.1	$ 9.8
Increase (decrease) in minimum pension liability included in other comprehensive income (in millions).	$(10.0)	$ 45.7	$ -

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(a) Amounts are before income tax effect.
(b) Special termination benefits paid to a former executive officer of the Company from the Company's unfunded supplemental pension plan upon the officer's retirement in June 2002.

Weighted-average assumptions used to determine benefit obligations:

	DECEMBER 31, 2003	DECEMBER 31, 2002
Discount rate	6.25%	6.90%
Rate of compensation increase	5.24%	5.53%

Weighted-average assumptions used to determine net periodic benefit cost:

	DECEMBER 31, 2003	2002	2001
Discount rate.	6.65%	7.31%	7.75%
Expected long-term rate of return in plan assets	8.73%	8.73%	9.24%
Rate of compensation increase.	5.24%	5.53%	5.71%

The defined benefit pension obligations and the related benefit costs are accounted for in accordance with SFAS 87, Employers' Accounting for Pensions. Pension obligations are actuarially determined and are affected by assumptions including expected return on plan assets, discount rates, compensation increases, and employee turnover rates. The Company evaluates its assumptions periodically and makes adjustments to these assumptions and the recorded liabilities as necessary.

Two of the most critical assumptions are the expected long-term rate of return on plan assets and the assumed discount rate. The Company evaluates assumptions regarding the estimated long-term rate of return on plan assets based on historical experience and future expectations on investment returns, which are calculated by a third party investment advisor utilizing the asset allocation classes held by the plan's portfolios. The Company utilizes the Moody's Aa long-term corporate bond yield as a basis for determining the discount rate for a majority of its plans. Changes in these and other assumptions used in the actuarial computations could impact the plans projected benefit obligations, pension liabilities, pension expense and other comprehensive income. The determination of pension expense is based on a market-related valuation of assets that reduces year-to-year volatility. This market-related valuation recognizes investment gains or losses over a five-year period from the year in which they occur. Investment gains or losses for this purpose are the difference between the expected return calculated using the market-related value of assets and the actual return based on the market-related value of assets.

The Company's pension plan weighted-average asset allocations for funded Transocean Plans by asset category are as follows:

	DECEMBER 31, 2003	DECEMBER 31, 2002
Equity securities	59.7%	53.0%
Debt securities .	30.1%	36.2%
Other	10.2%	10.8%
Total	100.0%	100.0%

The Company has determined the asset allocation of the plans that it believes is best able to produce maximum long-term gains without taking on undue risk. After modeling many different asset allocation scenarios, the Company has determined that an asset allocation mix of approximately 60 percent equity securities, 30 percent debt securities, and 10 percent other investments is most appropriate. Other investments are generally a diversified mix of funds that specialize in various equity and debt strategies that are expected to provide positive returns each year relative to U.S. Treasury Bills. These strategies may include, among others, arbitrage, short-selling, and merger and acquisition investment opportunities. The Company reviews asset allocations and results quarterly to ensure that managers are meeting specified objectives and policies as written and agreed to by each manager and the Company. These objectives and policies are reviewed each year.

The plan's investment managers have discretion in the securities in which they may invest within their asset category. Given this discretion, the managers may, from time-to-time, invest in the Company's stock or debt. This could include taking either long or short positions in such securities. As these managers are required to maintain well diversified portfolios, the actual investment in the Company's common stock would be immaterial relative to asset categories and the overall plan.

The Company expects to contribute $10.0 million to the Transocean Plans in 2004, comprised of $5.4 million to the funded U.S. Plans, an estimated $2.0 million to fund expected benefit payments for the unfunded U.S. Plans and Nigeria Plan, and an estimated $2.6 million for the Norway Plans to fund expected benefit payments.

Nigeria Plan-During 2003, the Company terminated all Nigerian employees, which resulted in the payment of all accrued benefits under the Nigeria Plan. Approximately 80 of these employees were made redundant during 2003, while the remaining employees not considered redundant were rehired under a new plan. In accordance with the provisions of SFAS 88, Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and Termination Benefits, this resulted in a partial plan curtailment and a plan settlement. The Company paid approximately $17.0 million in severance benefits under the Nigeria Plan during 2003 as a result of these events. In accordance with SFAS 88, the Company has accounted for these events as a plan restructuring and recorded a net settlement expense of $10.4 million, as well as a $4.6 million liability. This liability will reduce future pension expense related to the Nigeria Plan as it will be recognized over the expected service term of the related employees. Pension expense for the Nigeria Plan is estimated to be $0.1 million in 2004 and represents a 94.6% decrease as compared to the 2003 plan expenses (excluding the settlement related expenses discussed above).

Postretirement Benefits Other Than Pensions-The Company has several unfunded contributory and noncontributory postretirement benefit plans covering substantially all of its Transocean Drilling segment U.S. employees. The postretirement health care plans include a limit on the Company's share of costs for recent and future retirees. The Company uses a January 1 measurement date for all of its plans.

The change in benefit obligation, change in plan assets and funded status are shown in the table below (in millions):

	DECEMBER 31, 2003	DECEMBER 31, 2002
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year. . . .	$ 41.2	$ 29.2
Service cost	1.9	1.0
Interest cost.	3.4	2.5
Actuarial losses	20.1	6.7
Participants' contributions.	0.3	0.2
Plan amendments.	-	3.5
Settlements / curtailments	(2.9)	-
Benefits paid.	(2.0)	(1.9)
Benefit obligation at end of year.	62.0	41.2
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	0.2	0.5
Actual return on plan assets	(0.2)	(0.3)
Company contributions.	1.7	1.7
Participants' contributions.	0.3	0.2
Benefits paid.	(2.0)	(1.9)
Fair value of plan assets at end of year . .	-	0.2
FUNDED STATUS.	(62.0)	(41.0)
Unrecognized net actuarial gain.	26.0	7.6
Unrecognized prior service cost.	1.2	3.3
Postretirement benefit liability	$(34.8)	$(30.1)

Amounts recognized in the consolidated balance sheets for the years ended December 31, 2003 and 2002 consisted of accrued benefit costs totaling $34.8 million and $30.1 million, respectively. There were no prepaid benefit costs recognized for the years ended December 31, 2003 and 2002.

Net periodic benefit cost included the following components (in millions):

	YEARS ENDED DECEMBER 31, 2003	2002	2001
COMPONENTS OF NET PERIODIC BENEFIT COST			
Service cost	$ 2.0	$ 1.0	$ 0.4
Interest cost.	3.4	2.5	1.9
Amortization of prior service cost . . .	0.3	0.5	-
Settlements/curtailments	(0.6)	-	-
Recognized net actuarial loss (gain) . .	1.3	0.3	(0.1)
Benefit Cost	$ 6.4	$ 4.3	$ 2.2

One of the Company's postretirement benefit plans is a retiree life insurance plan. Effective January 1, 2003, the plan was amended such that participants who retire after December 31, 2002 no longer receive postretirement benefits provided under this plan. As such, the Company recorded a curtailment gain of $0.6 million related to this amendment.

Weighted-average discount rates used to determine benefit obligations were 6.00% and 6.50% for the years ended December 31, 2003 and 2002, respectively.

Weighted-average assumptions used to determine net periodic benefit cost were as follows:

	DECEMBER 31, 2003	2002	2001
Discount rate.	6.50%	6.50%	7.00%
Expected long-term rate of return in plan assets	-	-	7.00%
Rate of compensation increase.	5.50%	5.50%	5.50%

Assumed health care cost trend rates were as follows:

	DECEMBER 31, 2003	2002
Health care cost trend rate assumed for next year. . . .	11%	12%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate).	5%	5%
Year that the rate reaches the ultimate trend rate . . .	2009	2009

The assumed health care cost trend rate has significant impact on the amounts reported for postretirement benefits other than pensions. A one-percentage point change in the assumed health care trend rate would have the following effects (in millions):

	ONE-PERCENTAGE POINT INCREASE	ONE-PERCENTAGE POINT DECREASE
Effect on total service and interest cost components in 2003	$ 0.8	$ (0.6)
Effect on postretirement benefit obligations as of December 31, 2003	$ 7.3	$ (5.8)

The Company's other postretirement benefit (retiree life insurance and medical benefits) obligations and the related benefit costs are accounted for in accordance with SFAS 106, Employers' Accounting for Postretirement Benefits Other than Pensions. Postretirement costs and obligations are actuarially determined and are affected by assumptions including expected discount rates, compensation increases, employee turnover rates and health care cost trend rates. The Company evaluates its assumptions periodically and makes adjustments to these assumptions and the recorded liabilities as necessary.

Two of the most critical assumptions for postretirement benefit plans are the assumed discount rate and the expected health care cost trend rates. The Company utilizes the Moody's Aa long-term corporate bond yield as a basis for determining the discount rate. The accumulated postretirement benefit obligation and service cost were developed using a health care trend rate of 11.0 percent for 2003 reducing 1.0 percent per year to an ultimate trend rate of 5.0 percent per year for 2009 and later. The initial trend rate was selected with reference to recent Transocean experience and broader national statistics. The ultimate trend rate is a long term assumption and was selected to reflect the anticipation that the portion of gross domestic product devoted to health care becomes constant. Changes in these and other assumptions used in the actuarial computations could impact the Company's projected benefit obligations, pension liabilities and pension expense.

The Company expects to contribute $1.8 million to its other postretirement benefit plans in 2004 to fund expected benefit payments.

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was signed into law. The Act introduced a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health care benefit plans that currently provide a prescription drug benefit that is equivalent to the expanded Medicare benefit. Employers have the option to either receive the subsidy or to supplement the Medicare paid prescription drug benefit on a secondary payor basis. In accordance with SFAS 106, employers are required to consider presently enacted changes in relevant laws in current period measurements of postretirement benefit costs and the accumulated postretirement benefit obligation. As a result, the accumulated postretirement benefit obligation and net periodic postretirement benefit costs for future periods should reflect the effects of the Act.

In January 2004, the FASB staff issued FASB Staff Position ("FSP") 106-1, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003. FSP 106-1 permits a sponsor of a postretirement health care plan that provides a prescription drug benefit to make a one-time election to defer accounting for the effects of the Act. The deferral will continue to apply until authoritative guidance on the accounting for the federal subsidy is issued or a significant event occurs that would ordinarily call for remeasurement of a plan's assets and obligations. The Company elected to defer accounting for the Act and will continue to assess the effects the Act will have on its postretirement benefit plan costs. As a result of the deferral election, the disclosures above relating to the net periodic postretirement benefit costs do not reflect the effects of the Act on the Company's postretirement benefit plans. The finalization of pending authoritative guidance could require restatement of previously reported information.

Defined Contribution Plans-The Company provides a defined contribution pension and savings plan covering senior non-U.S. field employees working outside the United States. Contributions and costs are determined as 4.5 percent to 6.5 percent of each covered employee's salary, based on years of service. In addition, the Company sponsors a U.S. defined contribution savings plan that covers certain employees and limits Company contributions to no more than 4.5 percent of each covered employee's salary, based on the employee's contribution. The Company also sponsors various other defined contribution plans worldwide. The Company recorded approximately $21.8 million, $21.3 million and $21.6 million of expense related to its defined contribution plans for the years ended December 31, 2003, 2002 and 2001, respectively.

Deferred Compensation Plan-The Company provides a Deferred Compensation Plan (the "Plan"). The Plan's primary purpose is to provide tax-advantageous asset accumulation for a select group of management, highly compensated employees and non-employee members of the Board of Directors of the Company.

Eligible employees who enroll in the Plan may elect to defer up to a maximum of 90 percent of base salary, 100 percent of any future performance awards, 100 percent of any special payments and 100 percent of directors' meeting fees and annual retainers; however, the Administrative Committee (seven individuals appointed by the Finance and Benefits Committee of the Board of Directors) may, at its discretion, establish minimum amounts that must be deferred by anyone electing to participate in the Plan. In addition, the Executive Compensation Committee of the Board of Directors may authorize employer contributions to participants and the Chief Executive Officer of the Company, with Executive Compensation Committee approval, is authorized to cause the Company to enter into "Deferred Compensation Award Agreements" with such participants. There were no employer contributions to the Plan during the years ending December 31, 2003, 2002 or 2001.

NOTE 18-INVESTMENTS IN AND ADVANCES TO JOINT VENTURES

The Company had a 25 percent interest in Sea Wolf. In September 1997, Sedco Forex sold two semisubmersible rigs, the Drill Star and Sedco Explorer, to Sea Wolf. The Company operated the rigs under bareboat charters. The sale resulted in a deferred gain of approximately $157 million, which was being amortized to operating and maintenance expense over the six-year life of the bareboat charters. See Note 6. As of December 31, 2001, Sea Wolf distributed substantially all of its assets to its shareholders and was dissolved in 2003.

The Company has a 50 percent interest in Overseas Drilling Limited ("ODL"), which owns the drillship, Joides Resolution. The drillship is contracted to perform drilling and coring operations in deep waters worldwide for the purpose of scientific research. The Company manages and operates the vessel on behalf of ODL. See Note 20.

At December 31, 2000, the Company had a 24.9 percent interest in Arcade, a Norwegian offshore drilling company. Arcade owns two high-specification semisubmersible rigs, the Henry Goodrich and Paul B. Loyd, Jr. Because TODCO owned 74.4 percent of Arcade, Arcade was consolidated in the Company's financial statements effective with the R&B Falcon merger. In October 2001, the Company purchased the remaining minority interest in Arcade. The purchase price of $3.2 million was finalized in January 2003.

As a result of the R&B Falcon merger, the Company had ownership interests in two unconsolidated joint ventures, 50 percent in DD LLC and 60 percent in DDII LLC. Subsidiaries of ConocoPhillips owned the remaining interests in these joint ventures. The Company purchased ConocoPhillips' interests in DDII LLC and DD LLC in late May 2003 and late December 2003, respectively, at which time both DDII LLC and DD LLC became wholly owned subsidiaries. See Note 5.

As a result of the R&B Falcon merger, TODCO has a 25 percent ownership interest in Delta Towing. See Note 20. As result of the Company's adoption of FIN 46 effective December 31, 2003, Delta Towing was consolidated at December 31, 2003. See Note 2.

NOTE 19-SEGMENTS, GEOGRAPHICAL ANALYSIS AND MAJOR CUSTOMERS

The Company's operations are aggregated into two reportable segments: (i) Transocean Drilling and (ii) TODCO. The Transocean Drilling segment consists of floaters, jackups and other rigs used in support of offshore drilling activities and offshore support services. The TODCO segment consists of our interest in TODCO, which conducts jackups, barge drilling rigs, land rigs, submersibles and other rig operations located in the U.S. Gulf of Mexico and inland waters, Mexico, Trinidad and Venezuela. The Company provides services with different types of drilling equipment in several geographic regions. The location of the Company's rigs and the allocation of resources to build or upgrade rigs is determined by the activities and needs of customers. Accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies (see Note 2). The Company accounts for intersegment revenue and expenses as if the revenue or expenses were to third parties at current market prices.

Operating revenues and income (loss) before income taxes, minority interest and cumulative effect of changes in accounting principles by segment were as follows (in millions):

	YEARS ENDED DECEMBER 31,		
	2003	2002	2001
Operating Revenues			
Transocean Drilling	$ 2,206.7	$ 2,486.1	$2,385.2
TODCO	227.6	187.8	441.1
Elimination of intersegment revenues	-	-	(6.2)
Total Operating Revenues	$ 2,434.3	$ 2,673.9	$2,820.1
Operating Income (Loss) Before General and Administrative Expense			
Transocean Drilling	$ 422.5	$(1,739.0)	$ 582.1
TODCO	(117.5)	(505.3)	25.8
	305.0	(2,244.3)	607.9
Unallocated general and administrative expense	(65.3)	(65.6)	(57.9)
Unallocated other expense, net	(218.1)	(178.9)	(218.3)
Income (Loss) Before Income Taxes, Minority Interest and Cumulative Effect of Changes in Accounting Principles	$ 21.6	$(2,488.8)	$ 331.7

Depreciation expense by segment was as follows (in millions):

	YEARS ENDED DECEMBER 31,		
	2003	2002	2001
Transocean Drilling	$ 416.0	$ 408.4	$ 373.5
TODCO	92.2	91.9	96.6
Total Depreciation Expense	$ 508.2	$ 500.3	$ 470.1

Total assets by segment were as follows (in millions):

	DECEMBER 31,	
	2003	2002
Transocean Drilling	$ 10,874.0	$11,804.1
TODCO	788.6	861.0
Total Assets	$ 11,662.6	$12,665.1

Operating revenues and long-lived assets by country were as follows (in millions):

	YEARS ENDED DECEMBER 31,		
	2003	2002	2001
OPERATING REVENUES			
United States.	$ 752.8	$ 752.5	$ 979.5
Brazil	316.7	283.0	355.8
United Kingdom	211.6	345.7	354.6
Rest of the World (a). . .	1,153.2	1,292.7	1,130.2
Total Operating Revenues	$2,434.3	$2,673.9	$2,820.1

	AS OF DECEMBER 31,	
	2003	2002
LONG-LIVED ASSETS		
United States.	$ 3,319.7	$ 3,905.0
Goodwill (b)	2,230.8	2,218.2
Brazil	1,282.9	1,239.5
Rest of the World (a). . .	3,650.3	3,390.7
Total Long-Lived Assets	$10,483.7	$10,753.4

(a) Rest of the World represents countries in which the Company operates that individually had operating revenues or long-lived assets representing less than 10 percent of total operating revenues earned or total long-lived assets.
(b) Goodwill has not been allocated to individual countries.

A substantial portion of the Company's assets are mobile. Asset locations at the end of the period are not necessarily indicative of the geographic distribution of the earnings generated by such assets during the periods.

The Company's international operations are subject to certain political and other uncertainties, including risks of war and civil disturbances (or other events that disrupt markets), expropriation of equipment, repatriation of income or capital, taxation policies, and the general hazards associated with certain areas in which operations are conducted.

For the year ended December 31, 2003, Petrobras, BP and Shell accounted for approximately 11.8 percent, 11.1 percent and 10.7 percent, respectively, of the Company's operating revenues, of which the majority was reported in the Transocean Drilling segment. For the year ended December 31, 2002, BP and Shell accounted for approximately 14.1 percent and 11.6 percent, respectively, of the Company's operating revenues, of which the majority was reported in the Transocean Drilling segment. For the year ended December 31, 2001, BP and Petrobras accounted for approximately 12.3 percent and 10.9 percent, respectively, of the Company's operating revenues, of which the majority was reported in the Transocean Drilling segment. The loss of these or other significant customers could have a material adverse effect on the Company's results of operations.

NOTE 20-RELATED PARTY TRANSACTIONS

DD LLC and DDII LLC-Prior to the Company's purchase of ConocoPhillips' interest in DD LLC and DDII LLC (see Note 5), the Company was party to drilling services agreements with DD LLC and DDII LLC for the operations of the Deepwater Pathfinder and Deepwater Frontier, respectively. For the year ended December 31, 2003, the Company earned $1.6 million and $1.3 million for such services to DD LLC and DDII LLC, respectively. For the years ended December 31, 2002 and 2001, the Company earned $1.6 million and $1.4 million, respectively, for such services to each of DD LLC and DDII LLC. Such revenue amounts were included in operating revenues in the consolidated statement of operations. At December 31, 2002, the Company had receivables from DD LLC and DDII LLC of $2.6 million and $3.9 million, respectively, which were included in accounts receivable - other.

From time to time, the Company contracted the Deepwater Frontier from DDII LLC. During that time, DDII LLC billed the Company for the full operating dayrate and issued a non-cash credit for downtime hours in excess of 24 hours in any calendar month. The Company recorded a dayrate rebate receivable for all such non-cash credits and was responsible for payment of 100 percent of all drilling contract invoices received. At December 31, 2002, the cumulative dayrate rebate receivable from DDII LLC totaled $15.1 million and was recorded as investment in and advances to joint ventures in the consolidated balance sheet. For the year ended December 31, 2001, the Company incurred $54.4 million net expense from DDII LLC under the drilling contract. This amount was included in operating and maintenance expense in the Company's consolidated statement of operations. The Company incurred no expense for the years ended December 31, 2003 or 2002 due to the expiration of its lease late in 2001. At December 31, 2002, the Company had amounts payable to DDII LLC of $0.3 million, which was included in accounts payable in the consolidated balance sheet.

Delta Towing-Immediately prior to the closing of the R&B Falcon merger, TODCO formed a joint venture to own and operate its U.S. inland marine support vessel business (the "Marine Business"). In connection with the formation of the joint venture, the Marine Business was transferred by a subsidiary of TODCO to Delta Towing in exchange for a 25 percent equity interest, and certain secured notes payable from Delta Towing. The secured notes consisted of (i) an $80.0 million principal amount note bearing interest at eight percent per annum due January 30, 2024 (the "Tier 1 Note"), (ii) a contingent $20.0 million principal amount note bearing interest at eight percent per annum with an expiration date of January 30, 2011 (the "Tier 2 Note") and (iii) a contingent $44.0 million principal amount note bearing interest at eight percent per annum with an expiration date of January 30, 2011 (the "Tier 3 Note"). The 75 percent equity interest holder in the joint venture also loaned Delta Towing $3.0 million in the form of a Tier 1 Note. Until January 2011, Delta Towing must use 100 percent of its excess cash flow towards the payment of principal and interest on the Tier 1 Notes. After January 2011, 50 percent of its excess cash flows are to be applied towards the payment of principal and unpaid interest on the Tier 1 Notes. Interest is due and payable quarterly without regard to excess cash flow.

Delta Towing must repay at least (i) $8.3 million of the aggregate principal amount of the Tier 1 Note no later than January 2004, (ii) $24.9 million of the aggregate principal amount no later than January 2006 and (iii) $62.3 million of the aggregate principal amount no later than January 2008. After the Tier 1 Note has been repaid, Delta Towing must apply 75 percent of its excess cash flow towards payment of the Tier 2 Note. Upon the repayment of the Tier 2 Note, Delta Towing must apply 50 percent of its excess cash to repay principal and interest on the Tier 3 Note. Any amounts not yet due under the Tier 2 and Tier 3 Notes at the time of their expiration will be waived. The Tier 1, 2 and 3 Notes are secured by mortgages and liens on the vessels and other assets of Delta Towing.

TODCO valued its Tier 1, 2 and 3 Notes at $80 million immediately prior to the closing of the R&B Falcon merger, the effect of which was to fully reserve the Tier 2 and 3 Notes. At December 31, 2002, $78.9 million was outstanding under the Company's Tier 1 Note. For the years ended December 31, 2003, 2002 and 2001, the Company earned interest income on the outstanding balance at each period of $3.1 million, $6.3 million and $5.8 million, respectively, on the Tier 1 Note. In December 2001, the note agreement was amended to provide for a $4.0 million, three-year revolving credit facility (the "Delta Towing Revolver") from the Company. Amounts drawn under the Delta Towing Revolver accrued interest at eight percent per annum, with interest payable quarterly. For each of the years ended December 31, 2003 and 2002, TODCO recognized $0.3 million of interest income on the Delta Towing Revolver. At December 31, 2002, $3.9 million was outstanding under the Delta Towing Revolver. At December 31, 2002, the Company had interest receivable from Delta Towing of $1.7 million.

Delta Towing defaulted on the notes in January 2003 by failing to make its scheduled quarterly interest payment and remains in default as a result of its continued failure to make its quarterly interest payments. As a result of TODCO's continued evaluation of the collectibility of the notes, TODCO recorded a $21.3 million impairment of the notes in June 2003 based on Delta Towing's discounted cash flows over the terms of the notes, which deteriorated in the second quarter of 2003 as a result of the continued decline in Delta Towing's business outlook. As permitted in the notes in the event of default, TODCO began offsetting a portion of the amount owed to Delta Towing against the interest due under the notes. Additionally, in 2003, TODCO established a reserve of $1.6 million for interest income earned during the year ended December 31, 2003 on the notes receivable.

As a result of the adoption of FIN 46 and a determination that TODCO was the primary beneficiary for accounting purposes of Delta Towing, TODCO consolidated Delta Towing effective December 31, 2003 and intercompany transactions and accounts have been eliminated. Consolidation of Delta Towing resulted in an increase in net assets and a corresponding gain as a cumulative effect of a change in accounting principle of approximately $0.8 million. See Note 2.

As part of the formation of the joint venture on January 31, 2001, TODCO entered into an agreement with Delta Towing under which TODCO committed to charter certain vessels for a period of one year ending January 31, 2002 and committed to charter for a period of 2.5 years from the date of delivery 10 crewboats then under construction, all of which had been placed into service as of December 31, 2002. During the year ended December 31, 2003, TODCO incurred charges of $11.7 million, which was reflected in operating and maintenance expense. During the year ended December 31, 2002, TODCO incurred charges totaling $10.7 million from Delta Towing for services rendered, of which $1.6 million was rebilled to

TODCO's customers and $9.1 million was reflected in operating and maintenance expense. During the year ended December 31, 2001, TODCO incurred charges totaling $15.6 million from Delta Towing for services rendered, of which $6.5 million was rebilled to TODCO's customers and $9.1 million was reflected in operating and maintenance.

ODL-In conjunction with the management and operation of the Joides Resolution on behalf of ODL, the Company earned $1.2 million for the each of the years ended December 31, 2003, 2002 and 2001. Such amounts are included in operating revenues in the Company's consolidated statements of operations. At December 31, 2003 and 2002, the Company had receivables from ODL of $3.1 million and $1.2 million, respectively, which were recorded as accounts receivable - other in the consolidated balance sheets.

NOTE 21-RESTRUCTURING CHARGES

In September 2002, the Company committed to restructuring plans in France, Norway and in its TODCO segment. The Company established a liability of approximately $5.2 million for the estimated severance-related costs associated with the involuntary termination of 81 employees pursuant to these plans. The charge was reported as operating and maintenance expense in the Company's consolidated statements of operations of which approximately $4.0 million and $1.2 million related to the Transocean Drilling segment and TODCO segment, respectively. Through December 31, 2003, approximately $4.6 million had been paid to 74 employees representing full or partial payments. In June 2003, the Company released the expected surplus liability of $0.3 million to operating and maintenance expense in the Transocean Drilling segment. Substantially all of the remaining liability is expected to be paid by the end of the first quarter in 2005.

NOTE 22-EARNINGS PER SHARE

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

	YEARS ENDED DECEMBER 31, 2003	2002	2001
NUMERATOR FOR BASIC AND DILUTED EARNINGS (LOSS) PER SHARE			
Income (Loss) Before Cumulative Effect of Changes in Accounting Principles	$ 18.4	$(2,368.2)	$252.6
Cumulative Effect of Changes in Accounting Principles	0.8	(1,363.7)	-
Net Income (Loss)	$ 19.2	$(3,731.9)	$252.6
DENOMINATOR FOR DILUTED EARNINGS (LOSS) PER SHARE			
Weighted-average shares outstanding for basic earnings per share.	319.8	319.1	309.2
Effect of dilutive securities:			
Employee stock options and unvested stock grants	1.1	-	3.4
Warrants to purchase ordinary shares	0.5	-	2.2
Adjusted weighted-average shares and assumed conversions for diluted earnings (loss) per share	321.4	319.1	314.8
BASIC EARNINGS (LOSS) PER SHARE			
Income (Loss) Before Cumulative Effect of Changes in Accounting Principles	$ 0.06	$ (7.42)	$ 0.82
Cumulative Effect of Changes in Accounting Principles	-	(4.27)	-
Net Income (Loss)	$ 0.06	$ (11.69)	$ 0.82
DILUTED EARNINGS (LOSS) PER SHARE			
Income (Loss) Before Cumulative Effect of Changes in Accounting Principles	$ 0.06	$ (7.42)	$ 0.80
Cumulative Effect of Changes in Accounting Principles	-	(4.27)	-
Net Income (Loss)	$ 0.06	$ (11.69)	$ 0.80

Ordinary shares subject to issuance pursuant to the conversion features of the convertible debentures (see Note 8) are not included in the calculation of adjusted weighted-average shares and assumed conversions for diluted earnings per share because the effect of including those shares is anti-dilutive for all periods presented. Incremental shares related to stock options, restricted stock grants and warrants are not included in the calculation of adjusted weighted-average shares and assumed conversions for diluted earnings per share because the effect of including those shares is anti-dilutive for the year ended December 31, 2002.

NOTE 23-STOCK WARRANTS

In connection with the R&B Falcon merger, the Company assumed the then outstanding R&B Falcon stock warrants. Each warrant enables the holder to purchase 17.5 ordinary shares of the Company at an exercise price of $19.00 per share. The warrants expire on May 1, 2009. In 2001, the Company received $10.6 million and issued 560,000 ordinary shares as a result of 32,000 warrants being exercised. At December 31, 2003 there were 261,000 warrants outstanding to purchase 4,567,500 ordinary shares.

NOTE 24-QUARTERLY RESULTS (UNAUDITED)

Shown below are selected unaudited quarterly data (in millions, except per share data):

QUARTER	FIRST	SECOND	THIRD	FOURTH
2003				
Operating Revenues.	$ 616.0	$ 603.9	$622.9	$ 591.5
Operating Income (a)	101.6	19.8	72.8	45.5
Income (Loss) Before Cumulative Effect of a Change in Accounting Principle.	47.2	(44.5)	11.0	4.7
Net Income (Loss) (b)	$ 47.2	$ (44.5)	$ 11.0	$ 5.5
Basic Earnings (Loss) Per Share				
Income (Loss) Before Cumulative Effect of a Change in Accounting Principle.	$ 0.15	$ (0.14)	$ 0.03	$ 0.02
Diluted Earnings (Loss) Per Share				
Income (Loss) Before Cumulative Effect of a Change in Accounting Principle.	$ 0.15	$ (0.14)	$ 0.03	$ 0.02
Weighted Average Shares Outstanding				
Shares for basic earnings per share	319.7	319.8	319.9	319.9
Shares for diluted earnings per share	321.6	319.8	321.1	321.3
2002				
Operating Revenues.	$ 667.9	$ 646.2	$695.2	$ 664.6
Operating Income (Loss) (c)	142.3	139.0	136.1	(2,727.3)
Income (Loss) Before Cumulative Effect of a Change in Accounting Principle.	77.3	80.0	255.2	(2,780.7)
Net Income (Loss) (d)	$(1,286.4)	$ 80.0	$255.2	$(2,780.7)
Basic Earnings (Loss) Per Share				
Income (Loss) Before Cumulative Effect of a Change in Accounting Principle.	$ 0.24	$ 0.25	$ 0.80	$ (8.71)
Diluted Earnings (Loss) Per Share				
Income (Loss) Before Cumulative Effect of a Change in Accounting Principle.	$ 0.24	$ 0.25	$ 0.79	$ (8.71)
Weighted Average Shares Outstanding				
Shares for basic earnings per share	319.1	319.1	319.2	319.2
Shares for diluted earnings per share	323.1	323.9	328.8	319.2

(a) Second quarter 2003 included loss on impairments of $15.8 million (see Note 7). Third Quarter 2003 included costs related to the TODCO IPO of $8.0 million (see Note 1). Fourth quarter 2003 included costs to restructure the Nigeria defined benefit plans of $16.9 million (see Note 17).

(b) Second quarter 2003 included loss on retirement of debt of $13.8 million (see Note 8), impairment loss on note receivable from related party of $13.8 million (see Note 2) and a favorable resolution of a non-U.S. income tax liability of $14.6 million (see Note 14).

(c) Third quarter 2002 included loss on impairments of $40.9 million. Fourth quarter 2002 included loss on impairments of $2,885.4 million. See Note 7.

(d) First quarter 2002 included a cumulative effect of a change in accounting principle of $1,363.7 million relating to the impairment of goodwill (see Note 2). Third quarter 2002 included a foreign tax benefit of $176.2 million (see Note 14).

NOTE 25-SUBSEQUENT EVENTS (UNAUDITED)

IPO-In February 2004, the Company completed the IPO of TODCO, in which the Company sold 13.8 million shares of TODCO's class A common stock, representing approximately 23 percent of TODCO's total outstanding shares, at $12.00 per share. The Company received net proceeds of $155.7 million from the IPO and expects to recognize a gain of approximately $43 million in the first quarter of 2004, which represents the excess of net proceeds received over the net book value of the shares of TODCO sold in the IPO. The Company holds an approximate 77 percent interest in TODCO, represented by 46.2 million shares of class B common stock, and consolidates TODCO in its financial statements as a business segment.

The Company and TODCO entered into various agreements to set forth their respective rights and obligations relating to their businesses and effect the separation of the two companies. These agreements included a master separation agreement, tax sharing agreement, employee matters agreement, transition services agreement and registration rights agreement.

As a result of the deconsolidation of TODCO from the Company's other U.S. subsidiaries for U.S. federal income tax purposes in conjunction with the IPO, the Company expects to establish a valuation allowance against the deferred tax assets of TODCO in excess of its deferred tax liabilities. The amount of such valuation allowance will depend upon many factors, including the ultimate allocation of tax benefits between TODCO and other subsidiaries of the Company under applicable law and taxable income for calendar year 2004. The amount of the valuation allowance could be as much as or more than the gain on the sale of the TODCO shares in the IPO discussed above.

In conjunction with the closing of the TODCO IPO, TODCO granted nonvested restricted stock and stock options to certain of its employees under its long-term incentive plan and certain of these awards vested at the time of grant. In accordance with the provisions of SFAS 123, TODCO expects to recognize as compensation expense approximately $17.0 million over the vesting periods of the awards. The Company expects TODCO will recognize approximately $6.0 million in the first quarter of 2004 as a result of the immediate vesting of certain awards. The Company also expects TODCO will amortize the remaining amount of approximately $11.0 million to compensation expense over the next three years with approximately $5.0 million over the remainder of 2004 and approximately $5.0 million and $1.0 million in 2005 and 2006, respectively. In addition, certain of TODCO's employees held options to acquire the Company's ordinary shares that were granted prior to the IPO. In accordance with the employee matters agreement, these options were modified, which resulted in the accelerated vesting of the options and the extension of the term of the options through the original contractual life. In connection with the modification of these options, TODCO will recognize approximately $1.5 million additional compensation in the first quarter of 2004.

9.5% Senior Note Redemption-In February 2004, the Company announced the redemption of the 9.5% Senior Notes due December 2008 at the make-whole premium price provided in the indenture. The redemption is expected to be completed by March 30, 2004. The face value of the bonds to be redeemed is $289.8 million. Based on interest rates at March 1, 2004, the cost to redeem these bonds is expected to be approximately $366.3 million, and the Company expects to recognize a loss on retirement of debt of approximately $24.1 million, which reflects adjustments for fair value of the debt at the R&B Falcon merger and the premium on the termination of the related interest rate swap. These amounts could vary depending upon actual interest rates. The Company expects to utilize existing cash balances, which includes proceeds from the TODCO IPO, to fund this redemption. The redemption does not affect the 9.5% Senior Notes due December 2008 of TODCO.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company has not had a change in or disagreement with its accountants within 24 months prior to the date of its most recent financial statements or in any period subsequent to such date.

ITEM 9A. CONTROLS AND PROCEDURES

In accordance with Exchange Act Rules 13a-15 and 15d-15, 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 were effective as of December 31, 2003 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in our internal controls over financial reporting that occurred during the three months ended December 31, 2003 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

ITEM 11. EXECUTIVE COMPENSATION

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Items 10, 11, 12, 13 and 14 is incorporated herein by reference to the Company's definitive proxy statement for its 2004 annual general meeting of shareholders, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 within 120 days of December 31, 2003. Certain information with respect to the executive officers of the Company is set forth in Item 4 of this annual report under the caption "Executive Officers of the Registrant."

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Index to Financial Statements, Financial Statement Schedules and Exhibits

(1) Financial Statements

Financial statements of unconsolidated joint ventures are not presented herein because such joint ventures do not meet the significance test.

(2) Financial Statement Schedules

TRANSOCEAN INC. AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(IN MILLIONS)

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS: CHARGED TO COSTS AND EXPENSES	ADDITIONS: CHARGED TO OTHER ACCOUNTS DESCRIBE	DEDUCTIONS DESCRIBE	BALANCE AT END OF PERIOD
Year Ended December 31, 2001					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable.	$ 24.3	$ 12.0	$ 14.9(c)	$ 27.0 (a) (e)	$ 24.2
Allowance for obsolete materials and supplies.	23.3	-	9.2(d)	8.4 (b) (f)	24.1
Year Ended December 31, 2002					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable.	24.2	16.6	-	20.0 (a)	20.8
Allowance for obsolete materials and supplies.	24.1	0.3	0.7(g)	6.5 (b) (h) (i)	18.6
Year Ended December 31, 2003					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable.	20.8	24.4	-	16.1 (a)	29.1
Allowance for obsolete materials and supplies.	$ 18.6	$ 0.9	$ 0.2(l)	$2.2 (b) (j) (k)	$ 17.5

(a) Uncollectible accounts receivable written off, net of recoveries.
(b) Obsolete materials and supplies written off, net of scrap.
(c) Amount includes $15.0 relating to the allowance for doubtful accounts receivable assumed in the R&B Falcon merger.
(d) Amount includes $8.7 relating to the obsolete materials and supplies inventory assumed in the R&B Falcon merger.
(e) Amount includes $4.9 related to adjustments to the provision.
(f) Amount includes $2.7 related to sale of rigs.
(g) Amount includes $0.4 related to adjustments to the provision.
(h) Amount includes $0.8 related to sale of rigs/inventory.
(i) Amount includes $3.7 related to adjustments to the provision.
(j) Amount includes $0.8 related to sale of rigs/inventory.
(k) Amount includes $0.9 related to adjustments to the provision.
(l) Amount includes $0.2 related to adjustments to the provision.

Other schedules are omitted either because they are not required or are not applicable or because the required information is included in the financial statements or notes thereto.

(3) Exhibits

The following exhibits are filed in connection with this Report:

NUMBER	DESCRIPTION
2.1	Agreement and Plan of Merger dated as of August 19, 2000 by and among Transocean Inc., Transocean Holdings Inc., TSF Delaware Inc. and R&B Falcon Corporation (incorporated by reference to Annex A to the Joint Proxy Statement/Prospectus dated October 30, 2000 included in a 424(b)(3) prospectus filed by the Company on November 1, 2000)
2.2	Agreement and Plan of Merger dated as of July 12, 1999 among Schlumberger Limited, Sedco Forex Holdings Limited, Transocean Offshore Inc. and Transocean SF Limited (incorporated by reference to Annex A to the Joint Proxy Statement/Prospectus dated October 27, included in a 424(b)(3) prospectus filed by the Company on November 1, 2000)
2.3	Distribution Agreement dated as of July 12, 1999 between Schlumberger Limited and Sedco Forex Holdings Limited (incorporated by reference to Annex B to the Joint Proxy Statement/Prospectus dated October 27, included in a 424(b)(3) prospectus filed by the Company on November 1, 2000)
2.4	Agreement and Plan of Merger and Conversion dated as of March 12, 1999 between Transocean Offshore Inc. and Transocean Offshore (Texas) Inc. (incorporated by reference to Exhibit 2.1 to the Registration Statement on Form S-4 of Transocean Offshore (Texas) Inc. filed on April 8, 1999 (Registration No. 333-75899))
2.5	Agreement and Plan of Merger dated as of July 10, 1997 among R&B Falcon, FDC Acquisition Corp., Reading & Bates Acquisition Corp., Falcon Drilling Company, Inc. and Reading & Bates Corporation (incorporated by reference to Exhibit 2.1 to R&B Falcon's Registration Statement on Form S-4 dated November 20, 1997)
2.6	Agreement and Plan of Merger dated as of August 21, 1998 by and among Cliffs Drilling Company, R&B Falcon Corporation and RBF Cliffs Drilling Acquisition Corp. (incorporated by reference to Exhibit 2 to R&B Falcon's Registration Statement No. 333-63471 on Form S-4 dated September 15, 1998)
3.1	Memorandum of Association of Transocean Sedco Forex Inc., as amended (incorporated by reference to Annex E to the Joint Proxy Statement/Prospectus dated October 30, 2000 included in a 424(b)(3) prospectus filed by the Company on November 1, 2000)
3.2	Articles of Association of Transocean Sedco Forex Inc., as amended (incorporated by reference to Annex F to the Joint Proxy Statement/Prospectus dated October 30, 2000 included in a 424(b)(3) prospectus filed by the Company on November 1, 2000)
3.3	Certificate of Incorporation on Change of Name to Transocean Inc. (incorporated by reference to Exhibit 3.3 to the Company's Form 10-Q for the quarter ended June 30, 2002)
4.1	Indenture dated as of April 15, 1997 between the Company and Texas Commerce Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated April 29, 1997)
4.2	First Supplemental Indenture dated as of April 15, 1997 between the Company and Texas Commerce Bank National Association, as trustee, supplementing the Indenture dated as of April 15, 1997 (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated April 29, 1997)
4.3	Second Supplemental Indenture dated as of May 14, 1999 between the Company and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 4.5 to the Company's Post-Effective Amendment No. 1 to Registration Statement on Form S-3 (Registration No. 333-59001-99))
4.4	Third Supplemental Indenture dated as of May 24, 2000 between the Company and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on May 24, 2000)

4.5 Fourth Supplemental Indenture dated as of May 11, 2001 between the Company and The Chase Manhattan Bank (incorporated by reference to Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001)

4.6 Form of 7.45% Notes due April 15, 2027 (incorporated by reference to Exhibit 4.3 to the Company's Form 8-K dated April 29, 1997)

4.7 Form of 8.00% Debentures due April 15, 2027 (incorporated by reference to Exhibit 4.4 to the Company's Form 8-K dated April 19, 1997)

4.8 Form of Zero Coupon Convertible Debenture due May 24, 2020 between the Company and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on May 24, 2000)

4.9 Form of 1.5% Convertible Debenture due May 15, 2021 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated May 8, 2001)

4.10 Form of 6.625% Note due April 15, 2011 (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K dated March 30, 2001)

4.11 Form of 7.5% Note due April 15, 2031 (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K dated March 30, 2001)

4.12 Officers' Certificate establishing the terms of the 6.50% Notes due 2003, 6.75% Notes due 2005, 6.95% Notes due 2008, 7.375% Notes due 2018, 9.125% Notes due 2003 and 9.50% Notes due 2008 (incorporated by reference to Exhibit 4.13 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001)

4.13 Officers' Certificate establishing the terms of the 7.375% Notes due 2018 (incorporated by reference to Exhibit 4.14 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001)

4.14 Indenture dated as of April 14, 1998, between R&B Falcon Corporation, as issuer, and Chase Bank of Texas, National Association, as trustee, with respect to Series A and Series B of each of $250,000,000 6 1/2% Senior Notes due 2003, $350,000,000 6 3/4% Senior Notes due 2005, $250,000,000 6.95% Senior Notes due 2008, and $250,000,000 7 3/8% Senior Notes due 2018 (incorporated by reference to Exhibit 4.1 to R&B Falcon's Registration Statement No. 333-56821 on Form S-4 dated June 15, 1998)

4.15 First Supplemental Indenture dated as of February 14, 2002 between R&B Falcon Corporation and The Bank of New York (incorporated by reference to Exhibit 4.16 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001)

4.16 Second Supplemental Indenture dated as of March 13, 2002 between R&B Falcon Corporation and The Bank of New York (incorporated by reference to Exhibit 4.17 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001)

4.17 Indenture dated as of December 22, 1998, between R&B Falcon Corporation, as issuer, and Chase Bank of Texas, National Association, as trustee, with respect to $400,000,000 Series A and Series B 9 1/8% Senior Notes due 2003, and 9 1/2% Senior Notes due 2008 (incorporated by reference to Exhibit 4.21 to R&B Falcon's Annual Report on Form 10-K for 1998)

4.18 First Supplemental Indenture dated as of February 14, 2002 between R&B Falcon Corporation and The Bank of New York (incorporated by reference to Exhibit 4.19 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001)

4.19 Warrant Agreement, including form of Warrant, dated April 22, 1999 between R&B Falcon and American Stock Transfer & Trust Company (incorporated by reference to Exhibit 4.1 to R&B Falcon's Registration Statement No. 333-81181 on Form S-3 dated June 21, 1999)

4.20	Supplement to Warrant Agreement dated January 31, 2001 among Transocean Sedco Forex Inc., R&B Falcon Corporation and American Stock Transfer & Trust Company (incorporated by reference to Exhibit 4.28 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000)
4.21	Registration Rights Agreement dated April 22, 1999 between R&B Falcon and American Stock Transfer & Trust Company (incorporated by reference to Exhibit 4.2 to R&B Falcon's Registration Statement No. 333-81181 on Form S-3 dated June 21, 1999)
4.22	Supplement to Registration Rights Agreement dated January 31, 2001 between Transocean Sedco Forex Inc. and R&B Falcon Corporation (incorporated by reference to Exhibit 4.30 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000)
4.23	Exchange and Registration Rights Agreement dated April 5, 2001 by and between the Company and Goldman, Sachs & Co., as representatives of the initial purchasers (incorporated by reference to the Company's Current Report on Form 8-K dated March 30, 2001)
4.24	Note Agreement dated as of January 30, 2001 among Delta Towing, LLC, as Borrower, R&B Falcon Drilling USA, Inc., as RBF Noteholder and Beta Marine Services, L.L.C., as Beta Noteholder (incorporated by reference to Exhibit 4.35 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000)
+ 4.25	Revolving Credit Agreement dated December 16, 2003 among Transocean Inc., the lenders party thereto, Suntrust Bank, as administrative agent, Citibank, N.A. and Bank of America, N.A., as co-syndication agents, The Royal Bank of Scotland plc and Bank One, NA, as co-documentation agents, Wells Fargo Bank, N.A. and UBS Loan Finance LLC, as managing agents, The Bank of New York, Den Norske Bank ASA and HSBC Bank USA, as co-agents, and Citigroup Global Markets Inc. and Suntrust Capital Markets, Inc., as co-lead arrangers
10.1	Tax Sharing Agreement between Sonat Inc. and Sonat Offshore Drilling Inc. dated June 3, 1993 (incorporated by reference to Exhibit 10-(3) to the Company's Form 10-Q for the quarter ended June 30, 1993)
*10.2	Performance Award and Cash Bonus Plan of Sonat Offshore Drilling Inc. (incorporated by reference to Exhibit 10-(5) to the Company's Form 10-Q for the quarter ended June 30, 1993)
*10.3	Form of Sonat Offshore Drilling Inc. Executive Life Insurance Program Split Dollar Agreement and Collateral Assignment Agreement (incorporated by reference to Exhibit 10-(9) to the Company's Form 10-K for the year ended December 31, 1993)
*10.4	Employee Stock Purchase Plan, as amended and restated effective January 1, 2000 (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 (Registration No. 333-94551) filed January 12, 2000)
*10.5	First Amendment to the Amended and Restated Employee Stock Purchase Plan of Transocean Inc., effective as of January 31, 2001 (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000)
*10.6	Amended and Restated Long-Term Incentive Plan of Transocean Inc. (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended June 30,2003)

*10.7 Form of Employment Agreement dated May 14, 1999 between J. Michael Talbert, Robert L. Long, Donald R. Ray, Eric B. Brown and Barbara S. Koucouthakis, individually, and the Company (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended June 30, 1999)

*10.8 Deferred Compensation Plan of Transocean Offshore Inc., as amended and restated effective January 1, 2000 (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999)

*10.9 Employment Matters Agreement dated as of December 13, 1999 among Schlumberger Limited, Sedco Forex Holdings Limited and Transocean Offshore Inc. (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 (Registration No. 333-94551) filed January 12, 2000)

*10.10 Sedco Forex Employees Option Plan of Transocean Sedco Forex Inc. effective December 31, 1999 (incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-8 (Registration No. 333-94569) filed January 12, 2000)

*10.11 Employment Agreement dated September 22, 2000 between J. Michael Talbert and Transocean Offshore Deepwater Drilling Inc. (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended September 30, 2000)

*10.12 Agreement dated October 10, 2002 by and among Transocean Inc., Transocean Offshore Deepwater Drilling Inc. and J. Michael Talbert (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K dated October 10, 2002)

*10.13 Employment Agreement dated September 17, 2000 between Robert L. Long and Transocean Offshore Deepwater Drilling Inc. (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended September 30, 2000)

*10.14 Agreement dated May 9, 2002 by and among Transocean Offshore Deepwater Drilling Inc. and Robert L. Long (incorporated by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K dated October 10, 2002)

*10.15 Employment Agreement dated September 20, 2000 between Eric B. Brown and Transocean Offshore Deepwater Drilling Inc. (incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q for the quarter ended September 30, 2000)

*10.16 Employment Agreement dated October 4, 2000 between Barbara S. Koucouthakis and Transocean Offshore Deepwater Drilling Inc. (incorporated by reference to Exhibit 10.7 to the Company's Form 10-Q for the quarter ended September 30, 2000)

*10.17 Employment Agreement dated July 15, 2002 by and among R&B Falcon Corporation, R&B Falcon Management Services, Inc. and Jan Rask (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended June 30, 2002)

*10.18 Amendment No. 1 dated December 12, 2003 to the Employment Agreement dated July 15, 2002 by and among Jan Rask, R&B Falcon Management Services, Inc. and R&B Falcon Corporation (incorporated by reference to Exhibit 10.8 to TODCO's Registration Statement No. 333-101921 on Form S-1 dated February 3, 2004)

*10.19 Consulting Agreement dated January 31, 2001 between Paul B. Loyd, Jr. and R&B Falcon Corporation (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000)

*10.20 Consulting Agreement dated December 13, 1999 between Victor E. Grijalva and Transocean Offshore Inc. (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001)

*10.21 Amendment to Consulting Agreement between Transocean Offshore Inc. (now known as Transocean Inc.) and Victor E. Grijalva dated October 10, 2002 (incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K dated October 10, 2002)

*10.22 1992 Long-Term Incentive Plan of Reading & Bates Corporation (incorporated by reference to Exhibit B to Reading & Bates' Proxy Statement dated April 27, 1992)

*10.23 1995 Long-Term Incentive Plan of Reading & Bates Corporation (incorporated by reference to Exhibit 99.A to Reading & Bates' Proxy Statement dated March 29, 1995)

*10.24 1995 Director Stock Option Plan of Reading & Bates Corporation (incorporated by reference to Exhibit 99.B to Reading & Bates' Proxy Statement dated March 29, 1995)

*10.25	1997 Long-Term Incentive Plan of Reading & Bates Corporation (incorporated by reference to Exhibit 99.A to Reading & Bates' Proxy Statement dated March 18, 1997)
*10.26	1998 Employee Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.A to R&B Falcon's Proxy Statement dated April 23, 1998)
*10.27	1998 Director Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.B to R&B Falcon's Proxy Statement dated April 23, 1998)
*10.28	1999 Employee Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.A to R&B Falcon's Proxy Statement dated April 13, 1999)
*10.29	1999 Director Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.B to R&B Falcon's Proxy Statement dated April 13, 1999)
10.30	Memorandum of Agreement dated November 28, 1995 between Reading and Bates, Inc., a subsidiary of Reading & Bates Corporation, and Deep Sea Investors, L.L.C. (incorporated by reference to Exhibit 10.110 to Reading & Bates' Annual Report on Form 10-K for 1995)
10.31	Amended and Restated Bareboat Charter dated July 1, 1998 to Bareboat Charter M. G. Hulme, Jr. dated November 28, 1995 between Deep Sea Investors, L.L.C. and Reading & Bates Drilling Co., a subsidiary of Reading & Bates Corporation (incorporated by reference to Exhibit 10.177 to R&B Falcon's Annual Report on Form 10-K for the year ended December 31, 1998)
10.32	Agreement dated as of August 31, 1991 among Reading & Bates, Arcade Shipping AS and Sonat Offshore Drilling, Inc. (incorporated by reference to Exhibit 10.40 to Reading & Bates' Annual Report on Form 10-K for the year ended December 30, 1991)
10.33	Master Separation Agreement dated February 4, 2004 by and among Transocean Inc., Transocean Holdings Inc. and TODCO (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K dated March 2, 2004)
10.34	Tax Sharing Agreement dated February 4, 2004 between Transocean Holdings Inc. and TODCO (incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K dated March 2, 2004)
10.35	Transition Services Agreement dated February 4, 2004 between Transocean Holdings Inc. and TODCO (incorporated by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K dated March 2, 2004)
10.36	Employee Matters Agreement dated February 4, 2004 by and among Transocean Inc., Transocean Holdings Inc. and TODCO (incorporated by reference to Exhibit 99.5 to the Company's Current Report on Form 8-K dated March 2, 2004)
10.37	Registration Rights Agreement dated February 4, 2004 between Transocean Inc. and TODCO (incorporated by reference to Exhibit 99.6 to the Company's Current Report on Form 8-K dated March 2, 2004)
+ 21	Subsidiaries of the Company
+ 23.1	Consent of Ernst & Young LLP
+ 24	Powers of Attorney
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

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*Compensatory plan or arrangement.
+Filed herewith.

Exhibits listed above as previously having been filed with the Securities and Exchange Commission are incorporated herein by reference pursuant to Rule 12b-32 under the Securities Exchange Act of 1934 and made a part hereof with the same effect as if filed herewith.

Certain instruments relating to long-term debt of the Company and its subsidiaries have not been filed as exhibits since the total amount of securities authorized under any such instrument does not exceed 10 percent of the total assets of the Company and its subsidiaries on a consolidated basis. The Company agrees to furnish a copy of each such instrument to the Commission upon request.

REPORTS ON FORM 8-K

The Company filed a Current Report on Form 8-K on October 28, 2003 (information furnished not filed) announcing the third quarter 2003 financial results.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED; THEREUNTO DULY AUTHORIZED, ON MARCH 15, 2004.

TRANSOCEAN INC.
By: /s/ Gregory L. Cauthen

GREGORY L. CAUTHEN
SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT IN THE CAPACITIES INDICATED ON MARCH 15, 2004

SIGNATURE	TITLE
/s/ J. Michael Talbert J. MICHAEL TALBERT	Chairman of the Board of Directors
/s/ Robert L. Long ROBERT L. LONG	President and Chief Executive Officer (Principal Executive Officer)
/s/ Gregory L. Cauthen GREGORY L. CAUTHEN	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
* VICTOR E. GRIJALVA	Director
* ARTHUR LINDENAUER	Director
* PAUL B. LOYD, JR.	Director
* MARTIN B. MCNAMARA	Director
* ROBERTO MONTI	Director

SIGNATURE	TITLE
* ---------------------------------- RICHARD A. PATTAROZZI	Director
* ---------------------------------- KRISTIAN SIEM	Director
* ---------------------------------- IAN C. STRACHAN	Director

By /s/ William E. Turcotte

WILLIAM E. TURCOTTE
(ATTORNEY-IN-FACT)

EXECUTION COUNTERPART

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REVOLVING CREDIT AGREEMENT

DATED AS OF

DECEMBER 16, 2003

AMONG

TRANSOCEAN INC.,

THE LENDERS PARTIES HERETO,

SUNTRUST BANK,
AS ADMINISTRATIVE AGENT,

CITIBANK, N.A.
AND
BANK OF AMERICA, N.A.,
AS CO-SYNDICATION AGENTS,

THE ROYAL BANK OF SCOTLAND PLC
AND
BANK ONE, NA,
AS CO-DOCUMENTATION AGENTS,

WELLS FARGO BANK, N. A.
AND
UBS LOAN FINANCE LLC,
AS MANAGING AGENTS,

THE BANK OF NEW YORK,
DEN NORSKE BANK ASA
AND
HSBC BANK USA,
AS CO-AGENTS

AND

CITIGROUP GLOBAL MARKETS INC.,

AND

SUNTRUST CAPITAL MARKETS, INC.,
AS CO-LEAD ARRANGERS

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REVOLVING CREDIT AGREEMENT

THIS REVOLVING CREDIT AGREEMENT (the "Agreement"), dated as of December 16, 2003, among TRANSOCEAN INC. (the "Borrower"), a Cayman Islands company, the lenders from time to time parties hereto (each a "Lender" and collectively, the "Lenders"), SUNTRUST BANK, a Georgia banking corporation ("STB"), as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), CITIBANK, N.A. and BANK OF AMERICA, N.A., as co-syndication agents for the Lenders (in such capacity, the "Co-Syndication Agents"), THE ROYAL BANK OF SCOTLAND plc and BANK ONE, NA, as co-documentation agents for the Lenders (in such capacity, the "Co-Documentation Agents"), WELLS FARGO BANK, N.A. and UBS LOAN FINANCE LLC, as managing agents for the Lenders (in such capacity, the "Managing Agents"), THE BANK OF NEW YORK, DEN NORSKE BANK ASA and HSBC BANK USA, as co-agents for the Lenders (in such capacity, the "Co-Agents"), and STB, as issuing bank of the Letters of Credit hereunder (STB and any other Lender that issues a Letter of Credit hereunder, in such capacity, an "Issuing Bank").

WITNESSETH:

WHEREAS, the Borrower has requested that the Lenders establish in its favor a revolving credit facility in the aggregate principal amount of U.S. $800,000,000, pursuant to which facility revolving loans would be made to, and letters of credit would be issued for the account of, the Borrower;

WHEREAS, the Borrower has further requested that a portion of such loans and letters of credit be made and issued in certain currencies other than U.S. dollars in an aggregate principal amount up to the U.S. dollar equivalent of $200,000,000;

WHEREAS, the Lenders are willing to make such revolving credit facility available to the Borrower on the terms and subject to the conditions and requirements hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE 1. DEFINITIONS; INTERPRETATION.

Section 1.1. Definitions. Unless otherwise defined herein, the following terms shall have the following meanings, which meanings shall be equally applicable to both the singular and plural forms of such terms:

"Additional Commitment Amount" shall have the meaning set forth in Section 2.14.

"Additional Lender" shall have the meaning set forth in Section 2.14.

"Adjusted LIBOR" means, for any Borrowing of Eurocurrency Loans for any Interest Period, a rate per annum determined in accordance with the following formula:

$$\text{Adjusted LIBOR} = \frac{\text{LIBOR Rate for such Interest Period}}{1.00 - \text{Statutory Reserve Rate}}$$

"Adjusted LIBOR Loan" means a Eurocurrency Loan bearing interest at a rate based on Adjusted LIBOR as provided in Section 2.6(b).

"Administrative Agent" means SunTrust Bank, acting in its capacity as administrative agent for the Lenders, and any successor Administrative Agent appointed hereunder pursuant to Section 9.7.

"Administrative Questionnaire" means, with respect to each Lender, an administrative questionnaire in the form prepared by the Administrative Agent and submitted to the Administrative Agent duly completed by such Lender.

"Agreement" means this Revolving Credit Agreement, as the same may be amended, restated and supplemented from time to time.

"Applicable Facility Fee Rate" means, for any day, at such times as a debt rating (either express or implied) by S&P or Moody's (or in the event that both cease the issuance of debt ratings generally, such other ratings agency agreed to by the Borrower and the Administrative Agent) is in effect on the Borrower's non-credit enhanced senior unsecured long-term debt, the percentage per annum set forth opposite such debt rating:

Debt Rating	Percentage
A/A2 or above	0.075%
A-/A3	0.100%
BBB+/Baa1	0.125%
BBB/Baa2	0.150%
BBB-/Baa3	0.175%
BB+/Ba1 or below	0.225%

If the ratings issued by S&P and Moody's differ (i) by one rating, the higher rating shall apply to determine the Applicable Facility Fee Rate, (ii) by two ratings, the rating which falls between them shall apply to determine the Applicable Facility Fee Rate, or (iii) by more than two ratings, the rating immediately above the lower of the two ratings shall apply to determine the Applicable Facility Fee Rate. The Borrower shall give written notice to the Administrative Agent of any changes to such ratings, within three (3) Business Days thereof, and any change to the Applicable Facility Fee Rate shall be effective on the date of the relevant change. Notwithstanding the foregoing, if the Borrower shall at any time fail to have in effect such a debt rating on the Borrower's non-credit enhanced senior unsecured long-term debt, the Borrower shall seek and obtain (if not already in effect), within thirty (30) days after such debt rating first ceases to be in effect, a corporate credit rating or a bank loan rating from Moody's or S&P, or both, and the Applicable Facility Fee Rate shall thereafter be based on such ratings in the same manner as provided herein with respect to the Borrower's senior unsecured long-term debt rating (with the Applicable Facility Fee Rate in effect prior to the issuance of such corporate credit rating or bank loan rating being the same as the Applicable Facility Fee Rate in effect at the time the senior unsecured long-term debt rating ceases to be in effect).

"Applicable Margin" means, for any day, at such times as a debt rating (either express or implied) by S&P or Moody's (or in the event that both cease the issuance of debt ratings generally, such other ratings agency agreed to by the Borrower and the Administrative Agent) is in effect on the Borrower's non-credit enhanced senior unsecured long-term debt, the percentage per annum set forth opposite such debt rating:

Debt Rating	Percentage
A/A2 or above	0.350%
A-/A3	0.400%
BBB+/Baa1	0.500%
BBB/Baa2	0.625%
BBB-/Baa3	0.800%
BB+/Ba1 or below	0.950%

If the ratings issued by S&P and Moody's differ (i) by one rating, the higher rating shall apply to determine the Applicable Margin, (ii) by two ratings, the rating which falls between them shall apply to determine the Applicable Margin, or (iii) by more than two ratings, the rating immediately above the lower of the two ratings shall apply to determine the Applicable Margin. The Borrower shall give written notice to the Administrative Agent of any changes to such ratings, within three (3) Business Days thereof, and any change to the Applicable Margin shall be effective on the date of the relevant change. Notwithstanding the foregoing, if the Borrower shall at any time fail to have in effect such a debt rating on the Borrower's non-credit enhanced senior unsecured long-term debt, the Borrower shall seek and obtain (if not already in effect), within thirty (30) days after such debt rating first ceases to be in effect, a corporate credit rating or a bank loan rating from Moody's or S&P, or both, and the Applicable Margin shall thereafter be based on such ratings in the same manner as provided herein with respect to the Borrower's senior unsecured long-term debt rating (with the Applicable Margin in effect prior to the issuance of such corporate credit rating or bank loan rating being the same as the Applicable Margin in effect at the time the senior unsecured long-term debt rating ceases to be in effect).

"Applicable Utilization Fee Rate" means, for any day, 0.125% per annum.

"Application" means an application for a Letter of Credit as defined in Section 2.12(b).

"Assignment Agreement" means an agreement in substantially the form of Exhibit 10.10 whereby a Lender conveys part or all of its Commitment, Loans and participations in Letters of Credit to another Person that is, or thereupon becomes, a Lender, or increases its Commitments, outstanding Loans and outstanding participations in Letters of Credit, pursuant to Section 10.10.

"Australian Dollars" means the lawful currency of Australia.

"Base - Rate" means for any day the greater of:

(i) the fluctuating commercial loan rate announced by the Administrative Agent from time to time at its Atlanta, Georgia office (or other corresponding office, in the case of any successor Administrative Agent) as its prime rate or base rate for U.S. Dollar loans in the United States of America in effect on such day (which base rate may not be the lowest rate charged by such Lender on loans to any of its customers), with any change in the Base Rate resulting from a change in such announced rate to be effective on the date of the relevant change; and

(ii) the sum of (x) the rate per annum (rounded upwards, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the next Business Day, provided that (A) if such day is not a Business Day, the rate on such transactions on the immediately preceding Business Day as so published on the next Business Day shall apply, and (B) if no such rate is published on such next Business Day, the rate for such day shall be the average of the offered rates quoted to the Administrative Agent by two (2) federal funds brokers of recognized standing on such day for such transactions as selected by the Administrative Agent, plus (y) a percentage per annum equal to one-half of one percent (1/2%) per annum.

"Base Rate Loan" means a Revolving Loan bearing interest prior to maturity at the rate specified in Section 2.6(a).

"Borrower" means Transocean Inc., a company organized under the laws of the Cayman Islands, and its successors.

"Borrowing" means any extension of credit of the same Type made by the Lenders on the same date by way of Revolving Loans having a single Interest Period or a Letter of Credit, including any Borrowing advanced, continued or converted. A Borrowing is "advanced" on the day the Lenders advance funds comprising such Borrowing to the Borrower or a Letter of Credit is issued, increased or extended, is "continued" (in the case of Eurocurrency Loans) on the date a new Interest Period commences for such Borrowing, and is "converted" (in the case of Eurocurrency Loans) when such Borrowing is changed from one Type of Loan to the other, all as requested by the Borrower pursuant to Section 2.3.

"Borrowing Multiple" means, for any Loan, (i) in the case of a Borrowing denominated in Dollars, $100,000, (ii) in the case of a Borrowing denominated in Euros, E100,000, (iii) in the case of a Borrowing denominated in Pounds, 50,000, (iv) in the case of a Borrowing denominated in Kroner, 1,000,000 Kroner, (v) in the case of a Borrowing denominated in Canadian Dollars, 150,000 Canadian Dollars, (vi) in the case of a Borrowing denominated in Australian Dollars, 150,000 Australian Dollars and (vii) in the case of a Borrowing denominated in Singapore Dollars, 200,000 Singapore Dollars.

"Borrowing Request" has the meaning set forth in Section 2.3(a).

"Business Day" means any day other than a Saturday or Sunday on which banks are not authorized or required to close in Atlanta, Georgia or New York, New York and, if the applicable Business Day relates to the advance or continuation of, conversion into, or payment on a Eurocurrency Borrowing (i) in a currency other than Euros, on which banks are dealing in Dollar, Pound, Australian Dollar, Canadian Dollar, Singapore Dollar or Kroner deposits, as applicable, in the applicable interbank eurocurrency market in London, England, and (ii) in Euros, on which the TARGET payment system is open for the settlement of payments in Euros.

"Calculation Date" means the last Business Day of each calendar quarter.

"Canadian Dollars" or "Cdn.$" means the lawful currency of Canada.

"Capitalized Lease Obligations" means, for any Person, the aggregate amount of such Person's liabilities under all leases of real or personal property (or any interest therein) which is required to be capitalized on the balance sheet of such Person as determined in accordance with GAAP.

"Cash Equivalents" means (i) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof having maturities of not more than twelve (12) months from the date of acquisition, (ii) time deposits and certificates of deposits maturing within one year from the date of acquisition thereof or repurchase agreements with financial institutions whose short-term unsecured debt rating is A or above as obtained from either S&P or Moody's, (iii) commercial paper or Eurocommercial paper with a rating of at least A-1 by S&P or at least P-1 by Moody's, with maturities of not more than twelve (12) months from the date of acquisition, (iv) repurchase obligations entered into with any Lender, or any other Person whose short-term senior unsecured debt rating from S&P is at least A-1 or from Moody's is at least P-1, which are secured by a fully perfected security interest in any obligation of the type described in (i) above and has a market value of the time such repurchase is entered into of not less than 100% of the repurchase obligation of such Lender or such other Person thereunder, (v) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within twelve (12) months from the date of acquisition thereof or providing for the resetting of the interest rate applicable thereto not less often than annually and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's, and (vi) money market funds which have at least $1,000,000,000 in assets and which invest primarily in securities of the types described in clauses (i) through (v) above.

"Code" means the Internal Revenue Code of 1986, as amended.

"Co-Agents" means, collectively, The Bank of New York, Den norske Bank ASA and HSBC Bank USA, in their capacities as co-agents for the Lenders, and any successor Co-Agents appointed pursuant to Section 9.7; provided, however, that no such Co-Agent shall have any duties, responsibilities, or obligations hereunder in such capacity.

"Co-Documentation Agents" means, collectively, The Royal Bank of Scotland plc and Bank One, NA, in their capacities as co-documentation agents for the Lenders, and any successor Co-Documentation Agents appointed pursuant to Section 9.7; provided, however, that no such Co-Documentation Agent shall have any duties, responsibilities, or obligations hereunder in such capacity.

"Co-Syndication Agents" means, collectively, Citibank, N.A. and Bank of America, N.A., acting in their capacities as co-syndication agents for the Lenders, and any successor Co-Syndication Agents appointed hereunder pursuant to Section 9.7; provided, however, that no such Co-Syndication Agent shall have any duties, responsibilities, or obligations hereunder in such capacity.

"Co-Lead Arrangers" means, collectively, SunTrust Capital Markets, Inc. and Citigroup Global Markets Inc., acting in their capacities as co-lead arrangers for the credit facility described in this Agreement; provided, however, that no such Co-Lead Arrangers shall have any duties, responsibilities, or obligations hereunder in any capacity.

"Collateral" means all property and assets of the Borrower in which the Administrative Agent or the Collateral Agent is granted a Lien for the benefit of the Lenders under the terms of Section 7.4.

"Collateral Account" means the cash collateral account for outstanding undrawn Letters of Credit defined in Section 7.4(b).

"Collateralized Obligations" has the meaning set forth in Section 7.4(b).

"Collateral Agent" means STB acting in its capacity as collateral agent for the Lenders, and any successor collateral agent appointed hereunder pursuant to Section 9.7.

"Commitment" means, relative to any Lender, such Lender's obligations to make Revolving Loans and participate in Letters of Credit pursuant to Sections 2.1 and 2.12, initially in the amount and percentage set forth opposite its signature hereto or pursuant to Section 10.10, as such obligations may be reduced or increased from time to time as expressly provided pursuant to this Agreement.

"Commitment Termination Date" means the earliest of (i) December 16, 2008, (ii) the date on which the Commitments are terminated in full or reduced to zero pursuant to Section 2.13, and (iii) the occurrence of any Event of Default described in Section 7.1(f) or (g) with respect to the Borrower or the occurrence and continuance of any other Event of Default and either (x) the declaration of the Loans to be due and payable pursuant to Section 7.2, or (y) in the absence of such declaration, the giving of written notice by the Administrative Agent, acting at the direction of the Required Lenders, to the Borrower pursuant to Section 7.2 that the Commitments have been terminated.

"Compliance Certificate" means a certificate in the form of Exhibit 6.6.

"Confidential Information Memorandum" shall mean the Confidential Information Memorandum of the Borrower dated November 2003, as the same may be amended, restated and supplemented from time to time and distributed to the Lenders prior to the Effective Date.

"Consolidated EBITDA" means, for any period, for the Borrower and its Subsidiaries, the sum of (a) net income or net loss (before discontinued operations and income or loss resulting from extraordinary items), plus (b) the sum of (i) Consolidated Interest Expense, (ii) income tax expense, (iii) depreciation expense, (iv) amortization expense, (v) any loss (or minus any gain) resulting from the early extinguishment of Indebtedness and (vi) other non-cash charges, all determined in accordance with GAAP on a consolidated basis for the Borrower and its Subsidiaries (excluding, in the case of the foregoing clauses (a) and (b), any net income or net loss and expenses and charges of any SPVs or other Persons that are not Subsidiaries), plus (c) dividends or distributions received during such period by the Borrower and its Subsidiaries from SPVs and any other Persons that are not Subsidiaries. For purposes of the foregoing, Consolidated EBITDA for the Borrower and its Subsidiaries shall not include any such amounts attributable to any Subsidiary or business acquired during such period by the Borrower or any Subsidiary to the extent such amounts relate to any period prior to the acquisition thereof.

"Consolidated Indebtedness" means all Indebtedness of the Borrower and its Subsidiaries that would be reflected on a consolidated balance sheet of such Persons prepared in accordance with GAAP.

"Consolidated Indebtedness to Total Tangible Capitalization Ratio" means, at any time, the ratio of Consolidated Indebtedness at such time to Total Tangible Capitalization at such time.

"Consolidated Interest Expense" means, for any period, total interest expense of the Borrower and its Subsidiaries on a consolidated basis for such period, in connection with Indebtedness, all as determined on a consolidated basis in accordance with GAAP, but excluding capitalized interest expense and interest expense attributable to expected federal income tax settlements. For purposes of the foregoing, Consolidated Interest Expense for the Borrower and its Subsidiaries shall not include any such interest expense attributable to any Subsidiary or business acquired during such period by the Borrower or any Subsidiary to the extent such interest expense relates to any period prior to the acquisition thereof.

"Consolidated Net Assets" means, as of any date of determination, an amount equal to the aggregate book value of the assets of the Borrower, its Subsidiaries and, to the extent of the equity interest of the Borrower and its Subsidiaries therein, SPVs at such time, minus the current liabilities of the Borrower and its Subsidiaries, all as determined on a consolidated basis in accordance with GAAP based on the most recent quarterly or annual consolidated financial statements of the Borrower referred to in Section 5.9 or delivered (or publicly filed) as provided in Section 6.6(a), as the case may be.

"Consolidated Tangible Net Worth" means, as of any date of determination, consolidated shareholders equity of the Borrower and its Subsidiaries determined in accordance with GAAP but excluding the effect on shareholders equity of cumulative foreign exchange translation adjustments, and less the net book amount of all assets of the Borrower and its Subsidiaries that would be classified as intangible assets on the consolidated balance sheet of the Borrower as of such date prepared in accordance with GAAP. For purposes of this definition, SPVs shall be accounted for pursuant to the equity method of accounting.

"Controlling Affiliate" means for the Borrower, (i) any other Person that directly or indirectly through one or more intermediaries controls, or is under common control with, the Borrower (other than Persons controlled by the Borrower), and (ii) any other Person owning beneficially or controlling ten percent (10%) or more of the equity interests in the Borrower. As used in this definition, "control" means the power, directly or indirectly, to direct or cause the direction of management or policies of a Person (through ownership of voting securities or other equity interests, by contract or otherwise).

"Currency Rate Protection Agreement" shall mean any foreign currency exchange and future agreements, arrangements and options designed to protect against fluctuations in currency exchange rates.

"Credit Documents" means this Agreement, the Notes, the Applications, the Letters of Credit, and any Subsidiary Guaranties in effect from time to time.

"Default" means any event or condition the occurrence of which would, with the passage of time or the giving of notice, or both, constitute an Event of Default.

"Dollar" and "U.S. Dollar" and the sign "$" mean lawful money of the United States of America.

"Dollar Equivalent" means, on any date of determination (i) with respect to any amount in Dollars, such amount, and (ii) with respect to any amount in any currency other than U.S. Dollars, the equivalent in Dollars of such amount, determined by the Administrative Agent using the applicable Exchange Rate with respect to such currency at the time in effect pursuant to Section 10.19 or as otherwise expressly provided herein.

"Effective Date" means the date this Agreement shall become effective as defined in Section 10.16.

"EMU Legislation" means the legislative measures of the European Union for the introduction of, changeover to or operation of the Euro in one or more member states.

"Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigations or proceedings relating to any Environmental Law ("Claims") or any permit issued under any Environmental Law, including, without limitation, (i) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (ii) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to the environment.

"Environmental Law" means any federal, state or local statute, law, rule, regulation, ordinance, code, policy or rule of common law now or hereafter in effect, including any judicial or administrative order, consent, decree or judgment, relating to the environment.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Euro" or "E" means the single currency of the European Union as constituted by the Treaty on European Union and as referred to in the EMU Legislation for the introduction of, changeover to or operation of the Euro in one or more member states.

"Eurocurrency", when used in reference to any Loan or Borrowing, means such Loan, or the Loans comprising such Borrowing, shall bear interest at a rate determined by reference to Adjusted LIBOR and the Applicable Margin.

"Eurocurrency Loan" means a Revolving Loan bearing interest before maturity at the rate specified in Section 2.6(b).

"Event of Default" means any of the events or circumstances specified in Section 7.1.

"Exchange Rate" means on any day, with respect to Euros, Pounds, Australian Dollars, Canadian Dollars, Singapore Dollars, or Kroner, the offered rate at which such currency may be exchanged into Dollars, as set forth at approximately 11:00 a.m. on such day on the Reuters NFX Page (or comparable page on the Telerate or Bloomberg Service) for such currency. In the event that such rate does not appear on the applicable page of any such services, the Exchange Rate shall be determined by reference to such other publicly available services for displaying exchange rates as may be agreed upon by the Administrative Agent and the Borrower, or, in the absence of such agreement, such Exchange Rate shall instead be the offered spot rate of exchange of the Administrative Agent or, if the Administrative Agent shall so determine, one of the Co-Syndication Agents, in the market where its foreign currency exchange operations in respect of such currency are then being conducted, at or about 10:00 a.m., local time, on such date for the purchase of Dollars for delivery two Business Days later; provided that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent, after consultation with the Borrower, may use any reasonable method it deems appropriate to determine such rate, and such determination shall be conclusive absent manifest error.

"Existing Facilities" means the credit facilities of the Borrower established pursuant to (i) that certain Credit Agreement dated as of December 29, 2000 among the Borrower, SunTrust Bank, as Administrative Agent, and the lenders party thereto, (ii) that certain Credit Agreement dated as of December 16, 1999 among the Borrower, SunTrust Bank, as Administrative Agent, and the lenders party thereto, and (iii) that certain 364-Day Credit Agreement dated as of December 26, 2002 among the Borrower, SunTrust Bank, as Administrative Agent, and the lenders party thereto, in each case as amended and in effect immediately prior to the Effective Date.

"Existing Synthetic Leases" means the credit facilities of the Borrower established pursuant to (i) that certain synthetic lease pursuant to, inter alia, a participation agreement dated as of July 30, 1998 among the Borrower, ABN Amro Bank N.V., as Administrative Agent, and the lenders party thereto and (ii) that certain synthetic lease pursuant to, inter alia, a participation agreement dated as of December 18, 2001 among the Borrower, Bank of America, N.A., as Administrative Agent, and the lenders party thereto, in each case as amended and in effect from time to time.

"Foreign Currency Payment Accounts" means those bank accounts specified on Schedule 1.1 for receipt of payments, both from the Lenders and the Borrower, in Euros, Pounds, Canadian Dollars, Australian Dollars, Singapore Dollars and Kroner, as specified on Schedule 1.1, or such other bank accounts as may hereafter be specified by the Administrative Agent in writing to the Borrower and the Lenders as being the applicable bank accounts for receipt of payments in such currencies.

"Foreign Currency Sublimit" means $200,000,000.

"Foreign Plan" means any pension, profit sharing, deferred compensation, or other employee benefit plan, program or arrangement maintained by any foreign Subsidiary of the Borrower which, under applicable local law, is required to be funded through a trust or other funding vehicle, but shall not include any benefit provided by a foreign government or its agencies.

"GAAP" means generally accepted accounting principles from time to time in effect as set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board or in such other statements, opinions and pronouncements by such other entity as may be approved by a significant segment of the U.S. accounting profession.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantor" means any Subsidiary of the Borrower required to execute and deliver a Subsidiary Guaranty hereunder pursuant to Section 6.11, in each case unless and until the relevant Subsidiary Guaranty is released pursuant to Section 6.11.

"Guaranty" by any Person means all contractual obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business) of such Person guaranteeing any Indebtedness of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, all obligations incurred through an agreement, contingent or otherwise, by such Person: (i) to purchase such Indebtedness or to purchase any property or assets constituting security therefor, primarily for the purpose of assuring the owner of such Indebtedness of the ability of the primary obligor to make payment of such Indebtedness; or (ii) to advance or supply funds (x) for the purchase or payment of such Indebtedness, or (y) to maintain working capital or other balance sheet condition, or otherwise to advance or make available funds for the purchase or payment of such Indebtedness, in each case primarily for the purpose of assuring the owner of such Indebtedness of the ability of the primary obligor to make payment of such Indebtedness; or (iii) to lease property, or to purchase securities or other property or services, of the primary obligor, primarily for the purpose of assuring the owner of such Indebtedness of the ability of the primary obligor to make payment of such Indebtedness; or (iv) otherwise to assure the owner of such Indebtedness of the primary obligor against loss in respect thereof. For the purpose of all computations made under this Agreement, the amount of a Guaranty in respect of any Indebtedness shall be deemed to be equal to the amount that would apply if such Indebtedness was the direct obligation of such Person rather than the primary obligor or, if less, the maximum aggregate potential liability of such Person under the terms of the Guaranty.

"Hazardous Material" shall have the meaning assigned to that term in the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Acts of 1986, and shall also include petroleum, including crude oil or any fraction thereof, or any other substance defined as "hazardous" or "toxic" or words with similar meaning and effect under any Environmental Law applicable to the Borrower or any of its Subsidiaries.

"Highest Lawful Rate" means the maximum nonusurious interest rate, if any, that any time or from time to time may be contracted for, taken, reserved, charged or received on any Loans, under laws applicable to any of the Lenders which are presently in effect or, to the extent allowed by applicable law, under such laws which may hereafter be in effect and which allow a higher maximum nonusurious interest rate than applicable laws now allow. Determination of the rate of interest for the purpose of determining whether any Loans are usurious under all applicable laws shall be made by amortizing, prorating, allocating, and spreading, in equal parts during the period of the full stated term of the Loans, all interest at any time contracted for, taken, reserved, charged or received from the Borrower in connection with the Loans.

"Indebtedness" means, for any Person, the following obligations of such Person, without duplication: (i) obligations of such Person for borrowed money; (ii) obligations of such Person representing the deferred purchase price of property or services other than accounts payable and accrued liabilities arising in the ordinary course of business and other than amounts which are being contested in good faith and for which reserves in conformity with GAAP have been provided; (iii) obligations of such Person evidenced by bonds, notes, bankers acceptances, debentures or other similar instruments of such Person, or obligations of such Person arising, whether absolute or contingent, out of letters of credit issued for such Person's account or pursuant to such Person's application securing Indebtedness; (iv) obligations of other Persons, whether or not assumed, secured by Liens (other than Permitted Liens) upon property or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, but only to the extent of such property's fair market value; (v) Capitalized Lease Obligations of such Person; (vi) obligations under Interest Rate Protection Agreements and Currency Rate Protection Agreements, and (vii) obligations of such Person pursuant to a Guaranty of any of the foregoing obligations of another Person; provided, however, Indebtedness shall exclude Non-recourse Debt and any Indebtedness attributable to the mark-to-market treatment of obligations of the type described in clause (vi) in the definition of Indebtedness and any actual fair value adjustment arising from any Interest Rate Protection Agreements and Currency Rate Protection Agreements that have been cancelled or otherwise terminated before their scheduled expiration, in each case in respect of Interest Rate Protection Agreements and Currency Rate Protection Agreements entered into in the ordinary course of business and not for investment or speculative purposes. For purposes of this Agreement, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture to the extent such Indebtedness is recourse to such Person.

"Initial Availability Date" means the date on which the conditions specified in Section 4.1 are satisfied (or waived in accordance with Section 10.11).

"Interest Coverage Ratio" means, as of the end of any fiscal quarter, the ratio of (i) Consolidated EBITDA for the four fiscal quarter period then ended, to (ii) Consolidated Interest Expense for the four fiscal quarter period then ended.

"Interest Payment Date" means (a) with respect to any Base Rate Loan, the last day of each March, June, September and December and (b) with respect to any Eurocurrency Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurocurrency Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period.

"Interest Period" means with respect to any Eurocurrency Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter (or if available from each Lender making a Loan as part of such Borrowing, any other period), in each case as the Borrower may elect. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Interest Rate Protection Agreement" shall mean any interest rate swap, interest rate cap, interest rate collar, or other interest rate hedging agreement or arrangement designed to protect against fluctuations in interest rates.

"Issuing Bank" is defined in the preamble.

"Joinder Agreement" means an agreement in substantially the form of Exhibit 2.14C signed by the Borrower, by each Additional Lender and by each other Lender whose Commitment is to be increased, setting forth the new Commitments of such Lenders and setting forth the agreement of each Additional Lender to become a party to this Agreement and to be bound by all the terms and provisions hereof.

"Kroner" means lawful money of the Kingdom of Norway.

"L/C Documents" means the Letters of Credit, any Issuance Requests and Applications with respect thereto, any draft or other document presented in connection with a drawing thereunder, and this Agreement.

"L/C Obligations" means the undrawn face amounts of all outstanding Letters of Credit and all unpaid Reimbursement Obligations.

"Lender" is defined in the preamble.

"Lending Office" means the "Lending Office" of such Lender (or an Affiliate of such Lender) designated for such Type of Loan in the Administrative Questionnaire submitted by such Lender or such other office of such Lender (or an Affiliate of such Lender) as such Lender may from time to time specify to the Administrative Agent and the Borrower as the office by which its Loans of such Type are to be made and maintained.

"Letter of Credit" means any of the letters of credit to be issued by the Issuing Bank for the account of the Borrower pursuant to Section 2.12(a).

"LIBOR Rate" means, relative to any Interest Period for each Eurocurrency Borrowing in any applicable currency, the rate per annum quoted at or about 11:00 a.m. (London, England time) two Business Days before the commencement of such Interest Period on that page of the Reuters, Telerate or Bloombergs reporting service (as then being used by the Administrative Agent to obtain such interest rate quotes) that displays British Bankers' Association interest settlement rates for deposits in the applicable currency of such Eurocurrency Borrowing, or if such page or such service shall cease to be available, such other page or other service (as the case may be) for the purpose of displaying British Bankers' Association interest settlement rates as reasonably determined by the Administrative Agent after consultation with the Borrower as to the use of any such other service. If for any reason any such settlement interest rate for such Interest Period is not available through any such interest rate reporting service, then the "LIBOR Rate" with respect to such Eurocurrency Borrowing will be the rate at which the Administrative Agent or, if the Administrative Agent shall so determine, one of the Co-Syndication Agents, is offered deposits for such applicable currency in the Dollar Equivalent of $5,000,000 for a period approximately equal to such Interest Period in the London interbank market at 10:00 a.m. two Business Days before the commencement of such Interest Period.

"Lien" means any interest in any property or asset in favor of a Person other than the owner of such property or asset and securing an obligation owed to, or a claim by, such Person, whether such interest is based on the common law, statute or contract, including, but not limited to, the security interest lien arising from a mortgage, encumbrance, pledge, conditional sale, security agreement or trust receipt, or a lease, consignment or bailment for security purposes.

"Loan" means (i) a Base Rate Loan or (ii) a Eurocurrency Loan, as the case may be, and "Loans" means two or more of any such Loans.

"Managing Agents" means, collectively, Wells Fargo Bank, N.A. and UBS Loan Finance LLC, in their capacities as managing agents for the Lenders, and any successor Managing Agents appointed pursuant to Section 9.7; provided, however, that no such Managing Agent shall have any duties, responsibilities, or obligations hereunder in such capacity.

"Mandatory Cost Rate" means in relation to any relevant period and sum, the rate determined in accordance with Exhibit 2.15 hereto.

"Material Adverse Effect" means a material adverse effect on (i) the business, assets, operations or condition of the Borrower and its Subsidiaries taken as a whole, or (ii) the Borrower's ability to perform any of its payment obligations under the Agreement or the Notes, or in respect of the Letters of Credit.

"Maturity Date" means the earlier of (i) the Commitment Termination Date, and (ii) the date on which the Loans have become due and payable pursuant to Section 7.2 or 7.3.

"Moody's" means Moody's Investors Service, Inc., or any successor thereto.

"Non-recourse Debt" means with respect to any Person (i) obligations of such Person against which the obligee has no recourse to such Person except as to certain named or described present or future assets or interests of such Person, and (ii) the obligations of SPVs to the extent the obligee thereof has no recourse to the Borrower or any of its Subsidiaries, except as to certain specified present or future assets or interests of SPVs.

"Note" means any of the promissory notes of the Borrower defined in Section 2.8.

"Obligations" means all obligations of the Borrower to pay fees, costs and expenses hereunder, to pay principal or interest on Loans and Reimbursement Obligations and to pay any other obligations to the Administrative Agent or any Lender or Issuing Bank arising under any Credit Document.

"Other Agents" means, collectively, the Co-Agents, the Co-Documentation Agents, the Co-Syndication Agents and the Managing Agents.

"PBGC" means the Pension Benefit Guaranty Corporation or any successor thereto.

"Percentage" means, for each Lender, the percentage of the Commitments represented by such Lender's Commitment; provided, that, if the Commitments are terminated, each Lender's Percentage shall be calculated based on such Lender's pro rata share of the total Loans and L/C Obligations then outstanding or, if no Loans or L/C Obligations are then outstanding, its Commitment in effect immediately before such termination, subject to any assignments by such Lender of Obligations pursuant to Section 10.10.

"Performance Guaranties" means all Guaranties of the Borrower or any of its Subsidiaries delivered in connection with the construction financing of drill ships, offshore mobile drilling units or offshore drilling rigs for which firm drilling contracts have been obtained by the Borrower, any of its Subsidiaries or a SPV.

"Performance Letters of Credit" means all letters of credit for the account of the Borrower, any Subsidiary or a SPV issued as support for Non-recourse Debt or a Performance Guaranty.

"Permitted Business" has the meaning ascribed to such term in Section 6.8.

"Permitted Liens" means the Liens permitted as described in Section 6.10.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization or any other entity or organization, including a government or any agency or political subdivision thereof.

"Plan" means an employee pension benefit plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code that is either (i) maintained by the Borrower or any of its Subsidiaries, or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which the Borrower or any of its Subsidiaries is then making or accruing an obligation to make contributions or has within the preceding five (5) plan years made or had an obligation to make contributions.

"Pounds" means the lawful currency of the United Kingdom.

"Reimbursement Obligations" has the meaning ascribed to such term in Section 2.12(c).

"Required Lenders" means, Lenders having Revolving Credit Exposures and unused Commitments representing more than 50% of the sum of the total Revolving Credit Exposures and unused Commitments at such time or, if the Commitments have been terminated or expired, Lenders having more than 50% of the sum of the total Revolving Credit Exposures of all Lenders.

"Reset Date" has the meaning assigned to such term in Section 10.19.

"Revolving Credit" means the credit facility for making Revolving Loans and issuing Letters of Credit described in Sections 2.1 and 2.12.

"Revolving Credit Commitment Amount" means an amount equal to $800,000,000, as such amount may be increased or reduced from time to time pursuant to the terms of this Agreement.

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum at such time, without duplication, of (i) such Lender's applicable Percentage of the Dollar Equivalent of the principal amounts of the outstanding Revolving Loans, and (ii) such Lender's applicable Percentage of the Dollar Equivalent of the aggregate outstanding L/C Obligations.

"Revolving Loan" means each of the revolving loans defined in Section 2.1.

"Revolving Obligations" means the sum of the Dollar Equivalent of the principal amount of all Revolving Loans and L/C Obligations outstanding.

"Sale-Leaseback Transaction" means any arrangement whereby the Borrower or a Subsidiary shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease property that it intends to use for substantially the same purpose or purposes as the property sold or transferred.

"S&P" means Standard & Poor's Ratings Group or any successor thereto.

"SPV" means any Person that is designated by the Borrower as a SPV, provided that the Borrower shall not designate as a SPV any Subsidiary (other than TODCO) that owns, directly or indirectly, any other Subsidiary that has total assets (including assets of any Subsidiaries of such other Subsidiary, but excluding any assets that would be eliminated in consolidation with the Borrower and its Subsidiaries) which equates to at least five percent (5%) of the Borrower's Total Assets, or that had net income (including net income of any Subsidiaries of such other Subsidiary, all before discontinued operations and income or loss resulting from extraordinary items, but excluding revenues and expenses that would be eliminated in consolidation with the Borrower and its Subsidiaries and excluding any loss or gain resulting from the early extinguishment of Indebtedness) during the most recently completed fiscal year of the Borrower in excess of the greater of (i) $1,000,000, and (ii) fifteen percent (15%) of the net income (before discontinued operations and income or loss resulting from extraordinary items and excluding any loss or gain resulting from the early extinguishment of Indebtedness) for the Borrower and its Subsidiaries, all as determined on a consolidated basis in accordance with GAAP during such fiscal year of the Borrower. The Borrower may elect to treat any Subsidiary as a SPV (provided such Subsidiary would otherwise qualify as such), and may rescind any such prior election, by giving written notice thereof to the Administrative Agent specifying the name of such Subsidiary or SPV, as the case may be, and the effective date of such election, which shall be a date within sixty (60) days after the date such notice is given. The election to treat a particular Person as a SPV may only be made once.

"Singapore Dollars" means the lawful currency of Singapore.

"Significant Subsidiary" has the meaning ascribed to it under Regulation S-X promulgated under the Securities Exchange Act of 1934, as amended.

"Statutory Reserve Rate" means, with respect to any currency, the aggregate of the maximum reserve, liquid asset or similar percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by any Governmental Authority of the United States or of the jurisdiction of such currency or any jurisdiction in which Loans in such currency are made to which banks in such jurisdiction are subject for any category of deposits or liabilities customarily used to fund loans in such currency or by reference to which interest rates applicable to loans in such currency are determined. Such reserve, liquid asset or similar percentages shall include those imposed pursuant to Regulation D of the Board of Governors of the Federal Reserve System. Eurocurrency Loans shall be deemed to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under Regulation D or any other applicable law, rule or regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subsidiary" means, for any Person, any other Person (other than, except in the context of Section 6.6(a), a SPV) of which more than fifty percent (50%) of the outstanding stock or comparable equity interests having ordinary voting power for the election of the board of directors of such corporation, any managers of such limited liability company or similar governing body (irrespective of whether or not at the time stock or other equity interests of any other class or classes of such corporation or other entity shall have or might have voting power by reason of the happening of any contingency), is at the time directly or indirectly owned by such former Person or by one or more of its Subsidiaries.

"Subsidiary Debt Basket Amount" has the meaning ascribed to such term in Section 6.11(i).

"Subsidiary Guaranty" means any Guaranty of any Subsidiary delivered pursuant to Section 6.11(k).

"TARGET" means the Trans-European Automated Real-Time Gross Settlement Express Transfer system.

"Taxes" has the meaning set forth in Section 5.12.

"TODCO" means the Subsidiary of the Borrower that holds, together with any Subsidiaries of such Subsidiary, all or substantially all of the assets of the shallow and inland water business segment of the Borrower and its Subsidiaries (including the jackup rig and drilling barge operations in the U.S. Gulf of Mexico and the drilling operations in Trinidad, Mexico and Venezuela).

"Total Assets" means, as of any date of determination, the aggregate book value of the assets of the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP as of such date.

"Total Tangible Capitalization" means, as of any date of determination, the sum of Consolidated Indebtedness plus Consolidated Tangible Net Worth as of such date.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to Adjusted LIBOR or the Base Rate.

"Unfunded Vested Liabilities" means, for any Plan at any time, the amount (if any) by which the present value of all vested nonforfeitable accrued benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of the Borrower or any of its Subsidiaries to the PBGC or such Plan.

Section 1.2. Time of Day. Unless otherwise expressly provided, all references to time of day in this Agreement and the other Credit Documents shall be references to New York, New York time.

Section 1.3. Accounting Terms; GAAP. Except as otherwise expressly provided herein, and subject to the provisions of Section 10.20, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time.

ARTICLE 2. THE CREDIT FACILITIES.

Section 2.1. Commitments for Revolving Loans. Subject to the terms and conditions hereof, each Lender severally and not jointly agrees to make one or more loans (each a"Revolving Loan") to the Borrower from time to time prior to the Commitment Termination Date on a revolving basis in an aggregate amount not to exceed at any time outstanding an amount equal to its Commitment, subject to any reductions thereof pursuant to the terms of this Agreement;provided,however, that no Lender shall be required to make any Revolving Loan if, after giving effect thereto, (i) the Dollar Equivalent of the aggregate principal amount of the Revolving Loans and the L/C Obligations of all Lenders (determined in accordance with Section 10.19) would thereby exceed the Revolving Credit Commitment Amount then in effect; or (ii) the Dollar Equivalent of the Revolving Credit Exposure of such Lender (determined in accordance with Section 10.19) would thereby exceed its Commitment then in effect. Each Borrowing of Revolving Loans shall be made ratably from the Lenders in proportion to their respective Percentages. Revolving Loans may be repaid, in whole or in part, and all or any portion of the principal amount thereof reborrowed, before the Commitment Termination Date, subject to the terms and conditions hereof. Funding of any Revolving Loans shall be in any combination of Dollars, Euros, Pounds, Australian Dollars, Canadian Dollars, Singapore Dollars or Kroner as specified by the Borrower as set forth in Section 2.3;provided,that the Dollar Equivalent amount of the principal amount of outstanding Revolving Loans and L/C Obligations funded and issued in Euros, Pounds, Australian Dollars, Canadian Dollars, Singapore Dollars and Kroner determined, with respect to each such Revolving Loans and L/C Obligations in accordance with Section 10.19 shall at no time exceed the Foreign Currency Sublimit then in effect.

Section 2.2. Types of Revolving Loans and Minimum Borrowing Amounts. Borrowings of Revolving Loans may be outstanding as either Base Rate Loans or Adjusted LIBOR Loans, as selected by the Borrower pursuant to Section 2.3;provided, however, that any Revolving Loans funded in Euros, Australian Dollars, Canadian Dollars, Singapore Dollars, Pounds or Kroner may only be outstanding as Adjusted LIBOR Loans. Each Borrowing of Base Rate Loans shall be in an amount of not less than $1,000,000 and each Borrowing of Adjusted LIBOR Loans shall be in an amount of not less than the Dollar Equivalent of $5,000,000 and in an integral multiple of the Borrowing Multiple.

Section 2.3. Manner of Borrowings; Continuations and Conversions of Borrowings.

(a) Notice of Revolving Loan Borrowings. The Borrower shall give notice to the Administrative Agent by no later than 12:00 p.m. (i) at least three (3) Business Days before the date on which the Borrower requests the Lenders to advance a Borrowing of Eurocurrency Loans to be funded in Dollars and at least four (4) Business Days before the date on which the Borrower requests the Lenders to advance a Borrowing of Eurocurrency Loans to be funded in Euros, Pounds, Australian Dollars, Canadian Dollars, Singapore Dollars or Kroner, and (ii) on the date the Borrower requests the Lenders to advance a Borrowing of Base Rate Loans, in each case pursuant to a duly executed Borrowing Request substantially in the form of Exhibit 2.3 (each a "Borrowing Request").

(b) Notice of Continuation or Conversion of Outstanding Borrowings. The Borrower may from time to time elect to change or continue the type of interest rate borne by each Revolving Loan Borrowing or, subject to the minimum amount requirements in Section 2.2 for each outstanding Revolving Loan Borrowing, a portion thereof, as follows: (i) if such Borrowing is of Eurocurrency Loans, the Borrower may continue part or all of such Borrowing as Eurocurrency Loans for an Interest Period specified by the Borrower or convert part or all of such Borrowing into Base Rate Loans on the last day of the Interest Period applicable thereto, or the Borrower may earlier convert part or all of such Borrowing into Base Rate Loans so long as it pays the breakage fees and funding losses provided in Section 2.11; and (ii) if such Borrowing is of Base Rate Loans, the Borrower may convert all or part of such Borrowing into Eurocurrency Loans for an Interest Period specified by the Borrower on any Business Day, in each case pursuant to notices of continuation or conversion as set forth below. The Borrower may select multiple Interest Periods for the Eurocurrency Loans constituting any such particular Borrowing, provided that at no time shall the number of different Interest Periods for outstanding Eurocurrency Loans exceed twenty (20) (it being understood for such purposes that (x) Interest Periods of the same duration, but commencing on different dates, shall be counted as different Interest Periods, and (y) all Interest Periods commencing on the same date and of the same duration shall be counted as one Interest Period regardless of the number of Borrowings or Loans involved. Notices of the continuation of such Eurocurrency Loans for an additional Interest Period or of the conversion of part or all of such Eurocurrency Loans into Base Rate Loans or of such Base Rate Loans into Eurocurrency Loans must be given by no later than 12:00 p.m. at least three (3) Business Days with respect to Eurocurrency Loans funded in Dollars and four (4) Business Days with respect to Eurocurrency Loans funded in Euros, Pounds, Australian Dollars, Canadian Dollars, Singapore Dollars or Kroner, before the date of the requested continuation or conversion.

(c) Manner of Notice. The Borrower shall give such notices concerning the advance, continuation, or conversion of a Borrowing pursuant to this Section 2.3 by telephone or facsimile (which notice shall be irrevocable once given and, if by telephone, shall be promptly confirmed in writing) pursuant to a Borrowing Request which shall specify the date of the requested advance, continuation or conversion (which shall be a Business Day), the amount and currency of the requested Borrowing, whether such Borrowing is to be advanced, continued, or converted, the type of Loans to comprise such new, continued or converted Borrowing and, if such Borrowing is to be comprised of Eurocurrency Loans, the Interest Period applicable thereto. The Borrower agrees that the Administrative Agent may rely on any such telephonic or facsimile notice given by any Person it in good faith believes is an authorized representative of the Borrower without the necessity of independent investigation and that, if any such notice by telephone conflicts with any written confirmation, such telephonic notice shall govern if the Administrative Agent has acted in reliance thereon.

(d) Notice to the Lenders. The Administrative Agent shall give prompt telephonic, telex or facsimile notice to each Lender of any notice received pursuant to this Section 2.3 relating to a Revolving Loan Borrowing. The Administrative Agent shall give notice to the Borrower and each Lender by like means of the interest rate applicable to each Borrowing of Eurocurrency Loans (but, if such notice is given by telephone, the Administrative Agent shall confirm such rate in writing) promptly after the Administrative Agent has made such determination.

(e) Borrower's Failure to Notify. If the Borrower fails to give notice pursuant to Section 2.3(a) of (i) the continuation or conversion of any outstanding principal amount of a Borrowing of Eurocurrency Loans, or (ii) a Borrowing of Revolving Loans to pay outstanding Reimbursement Obligations, and has not notified the Administrative Agent by 12:00 p.m. at least three (3) Business Days before the last day of the Interest Period for any Borrowing of Eurocurrency Loans funded in Dollars or at least four (4) Business Days before the last day of the Interest Period for any Borrowing of Eurocurrency Loans funded in Euros, Pounds, Australian Dollars, Canadian Dollars, Singapore Dollars or Kroner, or by the day such Reimbursement Obligation becomes due, as the case may be, that it intends to repay such Borrowing or Reimbursement Obligation, the Borrower shall be deemed to have requested, as applicable, (x) the continuation of such Borrowing as a Eurocurrency Loan with an Interest Period of one (1) month or (y) the advance of a new Borrowing of Base Rate Loans (after converting, if necessary, the Reimbursement Obligation into Dollars using the Exchange Rate in effect on such date) on such day in the amount of the Reimbursement Obligation then due, which Borrowing pursuant to this clause (y) shall be deemed to have been funded on such date by the Lenders in accordance with Section 2.3(a) and to have been applied on such day to pay the Reimbursement Obligation then due, in each case so long as no Event of Default shall have occurred and be continuing or would occur as a result of such Borrowing but otherwise disregarding the conditions to Borrowings set forth in Section 4.2. Upon the occurrence and during the continuance of any Event of Default, and upon notice thereof from the Administrative Agent to the Borrower (i) each Eurocurrency Loan will automatically, on the last day of the then existing Interest Period therefor, convert into a Base Rate Loan, and (ii) the obligation of the Lenders to fund Loans in Euros, Pounds, Australian Dollars, Canadian Dollars, Singapore Dollars or Kroner, and to make, continue or convert Loans into Eurocurrency Loans shall be suspended.

(f) Conversion. If the Borrower shall elect to convert any particular Borrowing pursuant to this Section 2.3 from one Type of Loan to the other only in part, then, from and after the date on which such conversion shall be effective, such particular Borrowing shall, for all purposes of this Agreement (including, without limitation, for purposes of subsequent application of this sentence) be deemed to instead constitute two Borrowings (each originally advanced on the same date as such particular Borrowing), one comprised of (subject to subsequent conversion in accordance with this Agreement) Eurocurrency Loans in an aggregate principal amount equal to the portion of such Borrowing so elected by the Borrower to be comprised of Eurocurrency Loans and the second comprised of (subject to subsequent conversion in accordance with this Agreement) Base Rate Loans in an aggregate principal amount equal to the portion of such particular Borrowing so elected by the Borrower to be comprised of Base Rate Loans. If the Borrower shall elect to have multiple Interest Periods apply to any such particular Borrowing comprised of Eurocurrency Loans, then, from and after the date such multiple Interest Periods commence, such particular Borrowing shall, for all purposes of this Agreement (including, without limitation, for purposes of subsequent application of this sentence), be deemed to constitute a number of separate Borrowings (each originally commencing on the same date as such particular Borrowing) equal to the number of, and corresponding to, the different Interest Periods so selected, each such deemed separate Borrowing corresponding to a particular selected Interest Period comprised of (subject to subsequent conversion in accordance with this Agreement) Eurocurrency Loans in an aggregate principal amount equal to the portion of such particular Borrowing so elected by the Borrower to have such Interest Period. This Section 2.3(f) shall be applied appropriately in the event that the Borrower shall make the elections described in the two preceding sentences at the same time with respect to the same particular Borrowing.

Section 2.4. Interest Periods. As provided in Section 2.3, at the time of each request for a Borrowing of Eurocurrency Loans, or for the continuation or conversion of any Borrowing of Eurocurrency Loans, the Borrower shall select the Interest Period(s) to be applicable to such Loans from among the available options, subject to the limitations in Section 2.3;provided, however, that:

(i) the Borrower may not select an Interest Period that extends beyond the Commitment Termination Date;

(ii) whenever the last day of any Interest Period would otherwise be a day that is not a Business Day, the last day of such Interest Period shall either be (i) extended to the next succeeding Business Day, or (ii) in the case of Eurocurrency Loans only, reduced to the immediately preceding Business Day if the next succeeding Business Day is in the next calendar month; and

(iii) for purposes of determining an Interest Period, a month means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month; provided, however, that if there is no such numerically corresponding day in the month in which an Interest Period is to end or if an Interest Period begins on the last Business Day of a calendar month, then in the case of Eurocurrency Loans only, such Interest Period shall end on the last Business Day of the calendar month in which such Interest Period is to end.

Section 2.5. Funding of Loans.

(a) Disbursement of Loans. Not later than 12:00 p.m. with respect to Borrowings in Dollars of Eurocurrency Loans, and 2:00 p.m. with respect to Base Rate Revolving Loans, on the date of any requested advance of a new Borrowing of Loans, each Lender, subject to all other provisions hereof, shall make available its Loan comprising its portion of such Borrowing in funds immediately available in Atlanta, Georgia for the benefit of the Administrative Agent and according to the payment instructions of the Administrative Agent. Not later than 2:00 p.m. (local time at the bank where the applicable Foreign Currency Payment Account is maintained) with respect to a new Borrowing in Euros, Pounds, Australian Dollars, Canadian Dollars, Singapore Dollars, or Kroner, on the date of any such requested Borrowing, each Lender, subject to all other provisions hereof, shall make available its portion of such Borrowing in funds immediately available in the applicable Foreign Currency Payment Account for the benefit of the Administrative Agent and according to the payment instructions of the Administrative Agent. The Administrative Agent shall make the proceeds of each such Borrowing available in immediately available funds to the Borrower (or as directed in writing by the Borrower) on such date. In the event that any Lender does not make such amounts available to the Administrative Agent by the time prescribed above, but such amount is received later that day, such amount may be credited to the Borrower in the manner described in the preceding sentence on the next Business Day (with interest on such amount to begin accruing hereunder on such next Business Day) provided that acceptance by the Borrower of any such late amount shall not be deemed a waiver by the Borrower of any rights it may have against such Lender. No Lender shall be responsible to the Borrower for any failure by another Lender to fund its portion of a Borrowing, and no such failure by a Lender shall relieve any other Lender from its obligation, if any, to fund its portion of a Borrowing.

(b) Administrative Agent Reliance on Lender Funding. Unless the Administrative Agent shall have been notified by a Lender prior to 12:00 noon at least 2 Business Days prior to the date on which such Lender is scheduled to make payment to the Administrative Agent of the proceeds of a Loan (which notice shall be effective upon receipt) that such Lender does not intend to make such payment, the Administrative Agent may assume that such Lender has made such payment when due and in reliance upon such assumption may (but shall not be required to) make available to the Borrower the proceeds of the Loan to be made by such Lender and, if any Lender has not in fact made such payment to the Administrative Agent, such Lender shall, on demand, pay to the Administrative Agent the amount made available to the Borrower attributable to such Lender together with interest thereon for each day during the period commencing on the date such amount was made available to the Borrower and ending on (but excluding) the date such Lender pays such amount to the Administrative Agent at a rate per annum equal to the Administrative Agent's cost of funds for such amount. If such amount is not received from such Lender by the Administrative Agent immediately upon demand, the Borrower will, on demand, repay to the Administrative Agent the proceeds of the Loan attributable to such Lender with interest thereon at a rate per annum equal to the interest rate applicable to the relevant Loan, but the Borrower will in no event be liable to pay any amounts otherwise due pursuant to Section 2.11 in respect of such repayment. Nothing in this subsection shall be deemed to relieve any Lender from any obligation to fund any Loans hereunder or to prejudice any rights which the Borrower may have against any Lender as a result of any default by such Lender hereunder.

Section 2.6. Applicable Interest Rates.

(a) Base Rate Loans. Each Base Rate Loan shall bear interest (computed on the basis of a 365-day year or 366-day year, as the case may be, and actual days elapsed excluding the date of repayment) on the unpaid principal amount thereof from the date such Loan is made until maturity (whether by acceleration or otherwise) or conversion to a Eurocurrency Loan, at a rate per annum equal to the lesser of (i) the Highest Lawful Rate, or (ii) the Base Rate from time to time in effect. The Borrower agrees to pay such interest on each Interest Payment Date for such Loan and at maturity (whether by acceleration or otherwise).

(b) Eurocurrency Loans. Each Eurocurrency Loan shall bear interest (computed on the basis of a 360-day year and actual days elapsed, except with respect to Eurocurrency Loans funded in Pounds, in which case interest will be computed on the basis of a 365-day year or 366-day year, as the case may be, and actual days elapsed, in each case excluding the date of repayment) on the unpaid principal amount thereof from the date such Loan is made until maturity (whether by acceleration or otherwise) or, in the case of Eurocurrency Loans, conversion to a Base Rate Loan at a rate per annum equal to the lesser of (i) the Highest Lawful Rate, or (ii) the sum of Adjusted LIBOR plus the Applicable Margin. The Borrower agrees to pay such interest on each Interest Payment Date for such Loan and at maturity (whether by acceleration or otherwise) or, in the case of Eurocurrency Loans, conversion to a Base Rate Loan.

(c) Rate Determinations. The Administrative Agent shall determine each interest rate applicable to the Loans and Reimbursement Obligations hereunder insofar as such interest rate involves a determination of Base Rate, Adjusted LIBOR or LIBOR Rate, or any applicable default rate pursuant to Section 2.7, and such determination shall be conclusive and binding except in the case of the Administrative Agent's manifest error or willful misconduct. The Administrative Agent shall promptly give notice to the Borrower and each Lender of each determination of Adjusted LIBOR, with respect to each Eurocurrency Loan.

Section 2.7. Default Rate. If any payment of principal on any Loan is not made when due after the expiration of the grace period therefor provided in Section 7.1(a) (whether by acceleration or otherwise), or any Reimbursement Obligation is not paid when due as provided in Section 2.12(c), such Loan or Reimbursement Obligation shall bear interest (computed on the basis of a year of 360, 365 or 366 days, as applicable, and actual days elapsed) after any such grace period expires until such principal then due is paid in full, which the Borrower agrees to pay on demand, at a rate per annum equal to:

(a) for any Base Rate Loan, the lesser of (i) the Highest Lawful Rate, or (ii) the sum of two percent (2%) per annum plus the Base Rate from time to time in effect (but not less than the Base Rate in effect at the time such payment was due);

(b) for any Eurocurrency Loan, the lesser of (i) the Highest Lawful Rate, or (ii) the sum of two percent (2%) per annum plus the rate of interest in effect thereon at the time of such default until the end of the Interest Period for such Loan and, thereafter, at a rate per annum equal to the sum of two percent (2%) per annum plus (x) in the case of any Loans made in Dollars, the Base Rate from time to time in effect (but not less than the Base Rate in effect at the time such payment was due), or (y) in the case of any Loans made in Euros, Pounds, Australian Dollars, Canadian Dollars, Singapore Dollars or Kroners, the interest rate that would otherwise then be applicable under this Agreement to a Eurocurrency Loan made in such currency for an Interest Period of one month as from time to time in effect (but not less than such interest rate in effect at the time such payment was due); and

(c) for any unpaid Reimbursement Obligations, the lesser of (i) the Highest Lawful Rate, or (ii) the sum of two percent (2%) per annum plus (x) in the case of any Reimbursement Obligations payable in Dollars, the Base Rate from time to time in effect (but not less than the Base Rate in effect at the time such payment was due), or (y) in the case of any Reimbursement Obligations payable in any currency other than Dollars, the interest rate that would otherwise then be applicable under this Agreement to a Eurocurrency Loan made in such currency for an Interest Period of one month as from time to time in effect (but not less than such interest rate in effect at the time such payment was due).

It is the intention of the Administrative Agent and the Lenders to conform strictly to usury laws applicable to them. Accordingly, if the transactions contemplated hereby or any Loan or other Obligation would be usurious as to any of the Lenders under laws applicable to it (including the laws of the United States of America and the State of New York or any other jurisdiction whose laws may be mandatorily applicable to such Lender notwithstanding the other provisions of this Agreement, the Notes or any other Credit Document), then, in that event, notwithstanding anything to the contrary in this Agreement, the Notes or any other Credit Document, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under laws applicable to such Lender that is contracted for, taken, reserved, charged or received by such Lender under this Agreement, the Notes or any other Credit Document or otherwise shall under no circumstances exceed the Highest Lawful Rate, and any excess shall be credited by such Lender on the principal amount of the Loans or to the Reimbursement Obligations (or, if the principal amount of the Loans and all Reimbursement Obligations shall have been paid in full, refunded by such Lender to the Borrower); and (ii) in the event that the maturity of the Loans is accelerated by reason of an election of the holder or holders thereof resulting from any Event of Default hereunder or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest under laws applicable to such Lender may never include more than the Highest Lawful Rate, and excess interest, if any, provided for in this Agreement, the Notes, any other Credit Document or otherwise shall be automatically canceled by such Lender as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by such Lender on the principal amount of the Loans or to the Reimbursement Obligations (or if the principal amount of the Loans and all Reimbursement Obligations shall have been paid in full, refunded by such Lender to the Borrower). To the extent that the Texas Finance Code, Chapters 302 and 303, are relevant to the Administrative Agent and the Lenders for the purpose of determining the Highest Lawful Rate, the Administrative Agent and the Lenders hereby elect to determine the applicable rate ceiling under such Chapter by the indicated (weekly) rate ceiling from time to time in effect, subject to their right subsequently to change such method in accordance with applicable law. In the event the Loans and all Reimbursement Obligations are paid in full by the Borrower prior to the full stated term of the Loans and the interest received from the actual period of the existence of the Loans exceeds the Highest Lawful Rate, the Lenders shall refund to the Borrower the amount of the excess or shall credit the amount of the excess against amounts owing under the Loans and none of the Administrative Agent or the Lenders shall be subject to any of the penalties provided by law for contracting for, taking, reserving, charging or receiving interest in excess of the Highest Lawful Rate. The Texas Finance Code, Chapter 346, which regulates certain revolving credit loan accounts and revolving tri-party accounts, shall not apply to this Agreement or the Loans.

Section 2.8. Repayment of Loans; Evidence of Debt.

(a) Repayment of Loans. The Borrower hereby promises to pay to the Administrative Agent for the account of each Lender, on the Commitment Termination Date, the unpaid amount of each Revolving Loan then outstanding.

(b) Record of Loans by Lenders. Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and accrued interest payable and paid to such Lender from time to time hereunder.

(c) Record of Loans by Administrative Agent. The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or accrued interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) Evidence of Obligations. The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Notes. The Revolving Loans outstanding to the Borrower from each Lender shall, at the written request of such Lender, be evidenced by a promissory note of the Borrower payable to such Lender in the form of Exhibit 2.8A (Master Note) or, if such Lender so requests in writing, by one or more individual promissory notes of the Borrower in similar form but payable in the specific foreign currencies in which the Loans may be funded (each a "Note"). The Borrower agrees to execute and deliver to the Administrative Agent, for the benefit of each Lender requesting one or more promissory notes as aforesaid, an original of each such promissory note, appropriately completed, to evidence the respective Loans made by such Lender hereunder, within ten (10) Business Days after the Borrower receives a written request therefor.

(f) Recording of Loans and Payments on Notes. Each holder of a Note shall record on its books and records or on a schedule to its appropriate Note (and prior to any transfer of its Notes shall endorse thereon or on schedules forming a part thereof appropriate notations to evidence) the amount of each Loan outstanding from it to the Borrower, all payments of principal and interest and the principal balance from time to time outstanding thereon, the type of such Loan and, if a Eurocurrency Loan the Interest Period and interest rate applicable thereto. Such record, whether shown on the books and records of a holder of a Note or on a schedule to its Note, shall be prima facie evidence as to all such matters; provided, however, that the failure of any holder to record any of the foregoing or any error in any such record shall not limit or otherwise affect the obligation of the Borrower to repay all Loans outstanding to it hereunder together with accrued interest thereon. At the request of any holder of a Note and upon such holder tendering to the Borrower the Note to be replaced, the Borrower shall furnish a new Note to such holder to replace any outstanding Note and at such time the first notation appearing on the schedule on the reverse side of, or attached to, such new Note shall set forth the aggregate unpaid principal amount of all Loans, if any, then outstanding thereon.

Section 2.9. Optional Prepayments. The Borrower shall have the privilege of prepaying any Base Rate Loans without premium or penalty at any time in whole or at any time and from time to time in part (but, if in part, then in an amount which is equal to or greater than $1,000,000);provided, however, that the Borrower shall have given notice of such prepayment to the Administrative Agent no later than 12:00 p.m. on the date of such prepayment. The Borrower shall have the privilege of prepaying any Adjusted LIBOR Loans (a) without premium or penalty in whole or in part (but, if in part, then in an amount which is equal to or greater than the Dollar Equivalent of $5,000,000 and in an integral multiple of the Borrowing Multipleor such smaller amount as needed to prepaya particular Borrowingin full) only on the last Business Day of an Interest Period for such Loan, and (b) at any other time without premium or penalty except for the breakage fees and funding losses that are required to be paid pursuant to Section 2.11;provided, however, that the Borrower shall have given notice of such prepayment to the Administrative Agent no later than 12:00 p.m. at least three (3) Business Days before the last Business Day of such Interest Period or the proposed prepayment date. Any such prepayments shall be made by the payment of the principal amount to be prepaid and accrued and unpaid interest thereon to the date of such prepayment. Unless otherwise specified in writing by the Borrower, optional prepayments shall be applied first, to the Revolving Loans, second, to the Reimbursement Obligations with respect to Letters of Credit, and third to any other Obligations then outstanding.

Section 2.10. Mandatory Prepayments of Loans. In the event and on each occasion that the Dollar Equivalent of the aggregate principal amount of outstanding Revolving Loans and L/C Obligations exceeds the Revolving Credit Commitment Amount then in effect, then the

Borrower shall promptly prepay Revolving Loans in an aggregate amount sufficient to eliminate such excess. Immediately upon determining the need to make any such prepayment, the Borrower shall notify the Administrative Agent of such required prepayment and of the identity of the particular Revolving Loans being prepaid. If the Administrative Agent shall notify the Borrower that the Administrative Agent has determined that any prepayment is required under this Section 2.10, the Borrower shall make such prepayment no later than the second Business Day following such notice. Any mandatory prepayment of Revolving Loans pursuant hereto shall not be limited by the notice provision for prepayments set forth in Section 2.9. Each such prepayment shall be accompanied by a payment of all accrued and unpaid interest on the Loans prepaid and any applicable breakage fees and funding losses pursuant to Section 2.11.

Section 2.11. Breakage Fees. If any Lender incurs any loss, cost or expense (excluding loss of anticipated profits and other indirect or consequential damages) by reason of the liquidation or re-employment of deposits or other funds acquired by such Lender to fund or maintain any Eurocurrency Loan as a result of any of the following events other than any such occurrence as a result of a change of circumstance described in Sections 8.1 or 8.2:

(a) any payment, prepayment or conversion of any such Loan on a date other than the last day of its Interest Period (whether by acceleration, mandatory prepayment or otherwise);

(b) any failure to make a principal payment of any such Loan on the due date therefor; or

(c) any failure by the Borrower to borrow, continue or prepay, or convert to, any such Loan on the date specified in a notice given pursuant to Section 2.3 (other than by reason of a default of such Lender),

then the Borrower shall pay to such Lender such amount as will reimburse such Lender for such loss, cost or expense. If any Lender makes such a claim for compensation, it shall provide to the Borrower a certificate executed by an officer of such Lender setting forth the amount of such loss, cost or expense in reasonable detail (including an explanation of the basis for and the computation of such loss, cost or expense) no later than ninety (90) days after the event giving rise to the claim for compensation, and the amounts shown on such certificate shall be prima facie evidence of such Lender's entitlement thereto. Within ten (10) days of receipt of such certificate, the Borrower shall pay directly to such Lender such amount as will compensate such Lender for such loss, cost or expense as provided herein, unless such Lender has failed to timely give notice to the Borrower of such claim for compensation as provided herein, in which event the Borrower shall not have any obligation to pay such claim.

Section 2.12. Letters of Credit

(a) Letters of Credit. Subject to the terms and conditions hereof, the Issuing Bank agrees to issue, from time to time prior to the Commitment Termination Date, at the request of the Borrower and on behalf of the Lenders and in reliance on their obligations under this Section 2.12, one or more letters of credit (each a "Letter of Credit") for the Borrower's account in a face amount in each case of at least $500,000 and in an aggregate undrawn face amount for all

Letters of Credit at any time outstanding not to exceed the Revolving Credit Commitment Amount; provided, that the Issuing Bank shall not be obligated to issue a Letter of Credit pursuant to this Section 2.12 if, after the issuance thereof, (i) the outstanding Revolving Loans and L/C Obligations would thereby exceed the Revolving Credit Commitment Amount (determined in accordance with Section 10.19) then in effect, or (ii) the issuance of such Letter of Credit would violate any legal or regulatory restriction then applicable to the Issuing Bank or any Lender as notified by the Issuing Bank or such Lender to the Administrative Agent before the date of issuance of such Letter of Credit. Letters of Credit and any increases and extensions thereof hereunder may be issued in face amounts of either Dollars, Euros, Pounds, Australian Dollars, Canadian Dollars, Singapore Dollars or Kroner; provided further, that the Dollar Equivalent amount of the principal amount of outstanding Revolving Loans and Letters of Credit in Euros, Pounds, Australian Dollars, Canadian Dollars, Singapore Dollars and Kroner determined, with respect to each such Revolving Loan or Letter of Credit, in accordance with Section 10.19 on the date such Revolving Loan is funded, continued or converted, or the date such Letter of Credit is issued, increased and extended, as applicable, shall not exceed in the aggregate the Foreign Currency Sublimit.

(b) Issuance Procedure. To request that the Issuing Bank issue a Letter of Credit, the Borrower shall deliver to the Issuing Bank and the Administrative Agent (with a duplicate copy to an operations employee of the Issuing Bank as designated by the Issuing Bank from time to time) a duly executed Issuance Request substantially in the form of Exhibit 2.12A (each an "Issuance Request"), together with a duly executed application for the relevant Letter of Credit substantially in the form of Exhibit 2.12B (each an "Application"), or such other computerized issuance or application procedure, instituted from time to time by the Issuing Bank and the Administrative Agent and agreed to by the Borrower, completed to the reasonable satisfaction of the Issuing Bank and the Administrative Agent, and such other information as the Issuing Bank and the Administrative Agent may reasonably request. In the event of any irreconcilable difference or inconsistency between this Agreement and an Application, the provisions of this Agreement shall govern. Upon receipt of a properly completed and executed Application and any other reasonably requested information at least three (3) Business Days prior to any requested issuance date, the Issuing Bank will process such Application in accordance with its customary procedures and issue the requested Letter of Credit on the requested issuance date. The Borrower may cancel any requested issuance of a Letter of Credit prior to the issuance thereof. The Issuing Bank will notify the Administrative Agent and each Lender of the amount, currency, and expiration date of each Letter of Credit it issues promptly upon issuance thereof. Each Letter of Credit shall have an expiration date no later than four (4) Business Days before the Commitment Termination Date. If the Issuing Bank issues any Letters of Credit with expiration dates that automatically extend unless the Issuing Bank gives notice that the expiration date will not so extend, the Issuing Bank will give such notice of non-renewal before the time necessary to prevent such automatic extension if (and will not give such notice of non-renewal before such time unless) before such required notice date (i) the expiration date of such Letter of Credit if so extended would be later than four (4) Business Days before the Commitment Termination Date, (ii) the Commitment Termination Date shall have occurred, (iii) a Default or an Event of Default exists and the Required Lenders have given the Issuing Bank instructions not to so permit the expiration date of such Letter of Credit to be extended, or (iv) the Issuing Bank is so directed by the Borrower. The Issuing Bank agrees to issue amendments to any Letter of Credit increasing its amount, or extending its expiration date, at the request of the Borrower, subject to the conditions precedent for all Borrowings of Section 4.2 and the other terms and conditions of this Section 2.12.

(c) The Borrower's Reimbursement Obligations.

(i) The Borrower hereby irrevocably and unconditionally agrees to reimburse the Issuing Bank for each payment or disbursement made by the Issuing Bank to settle its obligations under any draft drawn or other payment made under a Letter of Credit (a "Reimbursement Obligation") within two (2) Business Days from when such draft is paid or other payment is made with either funds not borrowed hereunder or with a Borrowing of Revolving Loans subject to Section 2.3 and the other terms and conditions contained in this Agreement. The Reimbursement Obligation shall bear interest (which the Borrower hereby promises to pay) from and after the date such draft is paid or other payment is made until (but excluding the date) the Reimbursement Obligation is paid at the lesser of (x) the Highest Lawful Rate, or (y) the Base Rate (in the case of a Letter of Credit payable in Dollars) or the rate of interest that would then be applicable hereunder to an Adjusted LIBOR Loan with an Interest Period of one month (in the case of a Letter of Credit payable in Euros, Pounds, Australian Dollars, Canadian Dollars, Singapore Dollars or Kroner), in each case so long as the Reimbursement Obligation shall not be past due, and thereafter at the default rate per annum as set forth in Section 2.7(c), whether or not the Commitment Termination Date shall have occurred. If any such payment or disbursement is reimbursed to the Issuing Bank on the date such payment or disbursement is made by the Issuing Bank, interest shall be paid on the reimbursable amount for one (1) day. The Issuing Bank shall give the Borrower notice of any drawing on a Letter of Credit within one (1) Business Day after such drawing is paid.

(ii) The Borrower agrees for the benefit of the Issuing Bank and each Lender that, notwithstanding any provision of any Application, the obligations of the Borrower under this Section 2.12(c) and each applicable Application shall be absolute, unconditional and irrevocable and shall be performed strictly in accordance with the terms of this Agreement and each applicable Application under all circumstances whatsoever (other than the defense of payment in accordance with this Agreement), including, without limitation, the following circumstances (subject in all cases to the defense of payment in accordance with this Agreement):

(1) any lack of validity or enforceability of any of the L/C Documents;

(2) any amendment or waiver of or any consent to depart from all or any of the provisions of any of the L/C Documents;

(3) the existence of any claim, set-off, defense or other right the Borrower may have at any time against a beneficiary of a Letter of Credit (or any person for whom a beneficiary may be acting), the Issuing Bank, any Lender or any other Person, whether in connection with this Agreement, another L/C Document or any unrelated transaction;

(4) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(5) payment by the Issuing Bank under a Letter of Credit against presentation to the Issuing Bank of a draft or certificate that does not comply with the terms of the Letter of Credit; or

(6) any other act or omission to act or delay of any kind by the Issuing Bank, any Lender or any other Person or any other event or circumstance whatsoever that might, but for the provisions of this Section 2.12(c), constitute a legal or equitable discharge of the Borrower's obligations hereunder, under an Issuance Request or under an Application;

provided, however, the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (but excluding consequential damages, which are hereby waived to the extent not prohibited by applicable law) suffered by the Borrower that are caused by the Issuing Bank's gross negligence or willful misconduct.

(d) The Participating Interests. Each Lender severally and not jointly agrees to purchase from the Issuing Bank, and the Issuing Bank hereby agrees to sell to each Lender, an undivided percentage participating interest, to the extent of its Percentage, in each Letter of Credit issued by, and Reimbursement Obligation owed to, the Issuing Bank in connection with a Letter of Credit. Upon any failure by the Borrower to pay any Reimbursement Obligation in connection with a Letter of Credit at the time required in Sections 2.12(c) and 2.3(c), or if the Issuing Bank is required at any time to return to the Borrower or to a trustee, receiver, liquidator, custodian or other Person any portion of any payment by the Borrower of any Reimbursement Obligation in connection with a Letter of Credit, the Issuing Bank shall promptly give notice of same to each Lender, and the Issuing Bank shall have the right to require each Lender to fund its participation in such Reimbursement Obligation. Each Lender (except the Issuing Bank to the extent it is also a Lender) shall pay to the Issuing Bank an amount equal to such Lender's Percentage of such unpaid or recaptured Reimbursement Obligation not later than the Business Day it receives notice from the Issuing Bank to such effect, if such notice is received before 2:00 p.m., or not later than the following Business Day if such notice is received after such time. If a Lender fails to pay timely such amount to the Issuing Bank, it shall also pay to the Issuing Bank interest on such amount accrued from the date payment of such amount was made by the Issuing Bank to the date of such payment by the Lender at a rate per annum equal to the Base Rate in effect for each such day and only after such payment shall such Lender be entitled to receive its Percentage of each payment received on the relevant Reimbursement Obligation and of interest paid thereon. The several obligations of the Lenders to the Issuing Bank under this Section 2.12(d) shall be absolute, irrevocable and unconditional under any and all circumstances whatsoever and shall not be subject to any set-off, counterclaim or defense to payment any Lender may have or have had against the Borrower, the Issuing Bank, and any other Lender or any other Person whatsoever including, but not limited to, any defense based on the failure of the demand for payment under the Letter of Credit to conform to the terms of such Letter of Credit or the legality, validity, regularity or enforceability of such Letter of Credit and INCLUDING,

BUT NOT LIMITED TO, THOSE RESULTING FROM THE ISSUING BANK'S OWN SIMPLE OR CONTRIBUTORY NEGLIGENCE. Without limiting the generality of the foregoing, such obligations shall not be affected by any Default or Event of Default or by any subsequent reduction or termination of any Commitment of a Lender, and each payment by a Lender under this Section 2.12 shall be made without any offset, abatement, withholding or reduction whatsoever.

Section 2.13. Commitment Terminations. The Borrower shall have the right at any time and from time to time, upon three (3) Business Days' prior and irrevocable written notice to the Administrative Agent, to terminate or reduce the Commitments without premium or penalty, in whole or in part, with any partial reduction (i) to be in an amount not less than $5,000,000 as determined by the Borrower and in integral multiples of $5,000,000 and (ii) as to the Commitments to be allocated ratably among the Lenders in proportion to their respective Commitments;provided, that the Revolving Credit Commitment Amount may not be reduced to an amount less than the sum of the aggregate principal amount of outstanding Revolving Loans and L/C Obligations, after converting, if necessary, any such outstanding Obligations to their Dollar Equivalent amounts in accordance with Section 10.19 and after giving effect to payments on such proposed termination or reduction date; provided, however, that to the extent the Borrower provides to the Administrative Agent cash collateral in an amount sufficient to cover such shortage or back to back letters of credit from a bank(s) or financial institution(s) whose short-term unsecured debt rating is rated A or above from either S&P or Moody's or such other bank(s) or financial institution(s) satisfactory to the Required Lenders in an amount equal to the undrawn face amount of any applicable outstanding Letters of Credit with an expiration date of at least five (5) days after the expiration date of any applicable Letter of Credit and which provide that the Administrative Agent may make a drawing thereunder in the event that it pays a drawing under such Letter of Credit. The Administrative Agent shall give prompt notice to each Lender of any such termination or reduction of the Commitments. Any termination of Commitments pursuant to this Section 2.13 is permanent and may not be reinstated.

Section 2.14. Increase of Commitments; Additional Lenders.

(a) So long as no Event of Default has occurred and is continuing, from time to time after the Initial Availability Date, the Borrower may, upon at least 30 days' written notice to the Administrative Agent, elect to increase the Revolving Credit Commitment Amount up to a total amount not to exceed $1,000,000,000 (the amount of any such increase, the "Additional Commitment Amount").

(b) The Borrower may designate one or more banks or other financial institutions (which may be, but need not be, one or more of the existing Lenders) which at the time agree to, in the case of any such Person that is an existing Lender, increase its Commitment and in the case of any other such Person (an "Additional Lender"), become a party to this Agreement; provided, however, that any bank or financial institution that is not an existing Lender must be acceptable to the Administrative Agent, which acceptance will not be unreasonably withheld or delayed. The sum of the increases in the Commitments of the existing Lenders pursuant to this subsection (b) plus the Commitments of the Additional Lenders shall not in the aggregate exceed the Additional Commitment Amount.

(c) An increase in the aggregate amount of the Commitments pursuant to this Section 2.14 shall become effective upon the receipt by the Administrative Agent of a Joinder Agreement signed by the Borrower, by each Additional Lender and by each other Lender whose Commitment is to be increased, together with such evidence of appropriate corporate authorization on the part of the Borrower with respect to the increase in the Commitments and such opinions of counsel for the Borrower with respect to the increase in the Commitments as the Administrative Agent may reasonably request.

(d) Upon the acceptance of any such agreement by the Administrative Agent, the Revolving Credit Commitment Amount shall automatically be increased by the amount of the Commitments added through such agreement and the Commitment amounts of each Lender set forth on the signature pages hereto shall automatically be deemed to be updated.

(e) Upon any increase in the aggregate amount of the Commitments pursuant to this Section 2.14 that is not pro rata among all Lenders, (x) the Borrower shall prepay all outstanding Loans in their entirety, together with any breakage fees and funding losses that are required to be paid pursuant to Section 2.11, and, to the extent the Borrower elects to do so and subject to the conditions specified in Article IV, the Borrower shall reborrow Loans from the Lenders in proportion to their respective Commitments after giving effect to such increase, and (y) effective upon such increase, the amount of the participations held by each Lender in each Letter of Credit then outstanding shall be adjusted such that, after giving effect to such adjustments, the Lenders shall hold participations in each such Letter of Credit in the proportion its respective Commitment bears to the aggregate Commitments after giving effect to such increase.

Section 2.15. Additional Interest Costs.

(a) Mandatory Costs Rate. If and so long as any Lender is required to make special deposits with the Bank of England, to maintain reserve asset ratios or to pay fees, in each case in respect of such Lender's Eurocurrency Loans in any currency other than Dollars, such Lender may require the Borrower to pay, contemporaneously with each payment of interest on each of such Loans, additional interest on such Loan at a rate per annum equal to the Mandatory Costs Rate calculated in accordance with the formula and in the manner set forth in Exhibit 2.15 hereto.

(b) Other Requirements for Additional Interest. If and so long as any Lender is required to comply with reserve assets, liquidity, cash margin or other requirements of any monetary or other authority (including any such requirement imposed by the European Central Bank or the European System of Central Banks, but excluding requirements reflected in the Statutory Reserve Rate or the Mandatory Costs Rate) in respect of any of such Lender's Eurocurrency Loans in any currency other than Dollars, such Lender may require the Borrower to pay, contemporaneously with each payment of interest on each of such Loans subject to such requirements, additional interest on such Loan at a rate per annum specified by such Lender to be the cost to such Lender of complying with such requirements in relation to such Loan.

(c) Determination of Amounts Due. Any additional interest owed pursuant to paragraph (a) or (b) above shall be determined by the relevant Lender and notified to the Borrower (with a copy to the Administrative Agent) in the form of a certificate setting forth such additional interest at least five Business Days before each date on which interest is payable for the relevant Loan, and such additional interest so notified to the Borrower by such Lender shall be payable to the Administrative Agent for the account of such Lender on each date on which interest is payable for such Loan.

(d) Limitation on Amounts Due. Subject to the provisions of Section 8.3(c), failure or delay on the part of any Lender on any occasion to demand additional interest pursuant to this Section shall not constitute a waiver of such Lender's right to demand such additional interest on any subsequent occasion.

ARTICLE 3. FEES AND PAYMENTS.

Section 3.1. Fees.

(a) Facility Fees. The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee, which shall accrue at the Applicable Facility Fee Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the Initial Availability Date to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued facility fees shall be payable in arrears on the last Business Day of March, June, September and December of each year, commencing on December 31, 2003, on the date(s) on which the Commitments shall have terminated and the Lenders shall have no further Revolving Credit Exposures, and on the Maturity Date. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) Utilization Fees. For any day prior to the Commitment Termination Date on which the Dollar Equivalent of the outstanding principal amount of the Loans and L/C Obligations shall be greater than or equal to an amount equal to 33% of the total Commitments (and for any day after the termination of all the Commitments on which any Loans or L/C Obligations shall be outstanding if the Dollar Equivalent of the outstanding principal amount thereof on the date the Commitments terminated shall have been greater than or equal to 33% of the total Commitments in effect on such date) the Borrower shall pay to the Administrative Agent for the account of each Lender a utilization fee equal to the Applicable Utilization Fee Rate multiplied by the Dollar Equivalent of aggregate amount of such Lender's outstanding Loans and applicable Percentage of L/C Obligations on such day. Accrued and unpaid utilization fees, if any, shall be payable in arrears on the last Business Day of each March, June, September and December, on the date(s) on which the Commitments shall have terminated and there are no Loans or L/C Obligations outstanding, and on the Maturity Date. All utilization fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) Letter of Credit Fees. Commencing upon the date of issuance, increase or extension of any Letter of Credit and thereafter on the last Business Day of each March, June, September and December, the Borrower shall pay to the Administrative Agent quarterly in advance, for the period until the next Letter of Credit fee payment date, for the ratable account of the Lenders, a non-refundable fee payable in Dollars equal to the Applicable Margin multiplied by the outstanding face amount or increase of such Letter of Credit during such upcoming period calculated on the basis of a 360 day year and actual days elapsed and based on the then scheduled expiration date of the Letter of Credit. For any Letter of Credit issued with a face amount in Euros, Pounds, Australian Dollars, Canadian Dollars, Singapore Dollars or Kroner, the fees shall be converted into Dollars using the Exchange Rate in effect two (2) Business Days before the issuance date thereof, and thereafter five (5) Business Days before any fee with respect thereto shall be due and payable hereunder. In addition, the Borrower shall pay to the Issuing Bank solely for the Issuing Bank's account, in connection with each Letter of Credit, issuance and administrative fees and expenses for Letters of Credit as agreed from time to time between the Issuing Bank and the Borrower.

(d) Administrative Agent Fees. The Borrower shall pay to the Administrative Agent and Co-Lead Arrangers the fees from time to time agreed to by the Borrower, the Administrative Agent, and Co-Lead Arrangers.

(e) Payment of Fees. All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, in the case of facility fees, utilization fees, and Letter of Credit fees (other than issuance and administrative fees payable to the Issuing Bank), to the Lenders.

Section 3.2. Place and Application of Payments.

(a) All payments of principal of and interest on the Loans, Reimbursement Obligations and all fees and other amounts payable by the Borrower under the Credit Documents shall be made by the Borrower to the Administrative Agent, for the benefit of the Lenders entitled to such payments, in immediately available funds on the due date thereof (i) in the case of payments in Dollars, no later than 2:00 p.m. at the office of the Administrative Agent in Atlanta, Georgia, or such other location as the Administrative Agent may designate in writing to the Borrower, and (ii) in the case of payments in Euros, Pounds, Australian Dollars, Canadian Dollars, Singapore Dollars, or Kroner, no later than 2:00 p.m. local time (at the bank where the applicable Foreign Currency Payment Account is maintained) to the applicable Foreign Currency Payment Account. Any payments received by the Administrative Agent from the Borrower after the time specified in the preceding sentence shall be deemed to have been received on the next Business Day. If the Borrower does not, or is unable for any reason to, effect payment of a Loan or Reimbursement Obligation to the Lenders in the applicable currency or if the Borrower shall default in the payment when due of any payment in such currency, the Lenders may, at their option, require such payment to be made to the Lenders in the Dollar Equivalent of such currency determined in accordance with Section 10.19. With respect to any amount due and payable in Euros, Pounds, Australian Dollars, Canadian Dollars, Singapore Dollars or Kroner, the Borrower agrees to hold the Lenders harmless from any losses, if any, that are incurred by the Lenders arising from any change in the value of Dollars in relation to such currency between the date such payment became due and the date of payment thereof (other than losses incurred by any Lender due to the gross negligence or willful misconduct of such Lender). The Administrative Agent will, on the same day each payment is received or deemed to have been received in accordance with this Section 3.2, cause to be distributed like funds in like currency to each Lender owed an Obligation for which such payment was received, pro rata based on the respective amounts of such type of Obligation then owing to each Lender.

(b) If any payment received by the Administrative Agent under any Credit Document is insufficient to pay in full all amounts then due and payable to the Administrative Agent and the Lenders under the Credit Documents, such payment shall be distributed by the Administrative Agent and applied by the Administrative Agent and the Lenders in the order set forth in Section 7.7. In calculating the amount of Obligations owing each Lender other than for principal and interest on Loans and Reimbursement Obligations and fees under Section 3.1, the Administrative Agent shall only be required to include such other Obligations that Lenders have certified to the Administrative Agent in writing are due to such Lenders.

Section 3.3. Withholding Taxes.

(a) Payments Free of Withholding. Except as otherwise required by law and subject to Section 3.3(b), each payment by the Borrower to any Lender, Issuing Bank or Administrative Agent under this Agreement or any other Credit Document shall be made without withholding for or on account of any present or future taxes imposed by or within the jurisdiction in which the Borrower is incorporated, any jurisdiction from which the Borrower makes any payment, or (in each case) any political subdivision or taxing authority thereof or therein, excluding, in the case of each Lender, Issuing Bank and the Administrative Agent, the following taxes:

(i) taxes imposed on, based upon, or measured by such Lender's, Issuing Bank's or the Administrative Agent's net income or profits, and branch profits, franchise and similar taxes imposed on it;

(ii) taxes imposed on such Lender, Issuing Bank or the Administrative Agent as a result of a present or former connection between the taxing jurisdiction and such Lender, Issuing Bank or Administrative Agent, or any affiliate thereof, as the case may be, other than a connection resulting solely from the transactions contemplated by this Agreement;

(iii) taxes imposed as a result of the transfer by such Lender, Issuing Bank or Administrative Agent of its interest in this Agreement or any other Credit Document or a designation by such Lender, Issuing Bank or the Administrative Agent (other than pursuant to Section 8.3(c)) of a new Lending Office (other than taxes imposed as a result of any change in treaty, law or regulation after such transfer of such Lender's, Issuing Bank's or the Administrative Agent's interest in this Agreement or any other Credit Document or designation of a new Lending Office);

(iv) taxes imposed by the United States of America (or any political subdivision thereof or tax authority therein) upon a Lender, Issuing Bank or Administrative Agent organized under the laws of a jurisdiction outside of the United States, except to the extent that such tax is imposed as a result of any change in applicable law, regulation or treaty (other than any addition of or change in any "anti-treaty shopping," "limitation of benefits," or similar provision applicable to a treaty) after the date hereof, in the case of each Lender, Issuing Bank or Administrative Agent originally a party hereto or, in the case of any Purchasing Lender (as defined in Section 10.10) or other Issuing Bank or Administrative Agent, after the date on which it becomes a Lender, Issuing Bank, or Administrative Agent, as the case may be; or

(v) taxes which would not have been imposed but for (a) the failure of any Lender, the Issuing Bank, or the Administrative Agent, as the case may be, to provide (I) the applicable forms prescribed by the Internal Revenue Service, as required pursuant to Section 3.3(b), or (II) any other form, certification, documentation or proof which is reasonably requested by the Borrower, or (b) a determination by a taxing authority or a court of competent jurisdiction that a form, certification, documentation or other proof provided by such Lender, Issuing Bank or the Administrative Agent to establish an exemption from such tax, assessment or other governmental charge is false;

(all such present or future taxes, excluding only the taxes described in the preceding clauses (i) through (v), being hereinafter referred to as "Indemnified Taxes"). If any such withholding is so required, the Borrower shall make the withholding, pay the amount withheld to the appropriate governmental authority before penalties attach thereto or interest accrues thereon and forthwith pay such additional amount as may be necessary to ensure that the net amount actually received by each Lender, Issuing Bank and the Administrative Agent is free and clear of such Indemnified Taxes (including Indemnified Taxes on such additional amount) and is equal to the amount that such Lender, Issuing Bank or the Administrative Agent (as the case may be) would have received had withholding of any Indemnified Tax not been made. If the Borrower pays any Indemnified Taxes, or any penalties or interest in connection therewith, it shall deliver official tax receipts evidencing the payment or certified copies thereof, or other evidence of payment if such tax receipts have not yet been received by the Borrower (with such tax receipts to be delivered within fifteen (15) days after being actually received), to the Lender, Issuing Bank or the Administrative Agent on whose account such withholding was made (with a copy to the Administrative Agent if not the recipient of the original) within fifteen (15) days of such payment. If the Administrative Agent, Issuing Bank or any Lender pays any Indemnified Taxes, or any penalties or interest in connection therewith, the Borrower shall reimburse the Administrative Agent, Issuing Bank or that Lender for the payment on demand in the currency in which such payment was made. Such Lender, Issuing Bank or the Administrative Agent shall make written demand on the Borrower for reimbursement hereunder no later than ninety (90) days after the earlier of (i) the date on which such Lender, Issuing Bank or the Administrative Agent makes payment of the Indemnified Taxes, penalties and interest, and (ii) the date on which the relevant taxing authority or other governmental authority makes written demand upon such Lender, Issuing Bank or the Administrative Agent for payment of the Indemnified Taxes, penalties and interest. Any such demand shall describe in reasonable detail such Indemnified

Taxes, penalties or interest, including the amount thereof if then known to such Lender, Issuing Bank, or the Administrative Agent, as the case may be. In the event that such Lender, Issuing Bank or the Administrative Agent fails to give the Borrower timely notice as provided herein, the Borrower shall not have any obligation to pay such claim for reimbursement.

(b) U.S. Withholding Tax Exemptions. Upon the written request of the Borrower or the Administrative Agent, each Lender or Issuing Bank that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) shall submit to the Borrower and the Administrative Agent, promptly after such request, two duly completed and signed copies of either Form W-8 BEN or any successor form (entitling such Lender or Issuing Bank to a complete exemption from withholding under the Code on all amounts to be received by such Lender or Issuing Bank, including fees, pursuant to the Credit Documents) or Form W-8 ECI or any successor form (relating to all amounts to be received by such Lender or Issuing Bank, including fees, pursuant to the Credit Documents) of the United States Internal Revenue Service, and any other form of the United States Internal Revenue Service reasonably necessary to accomplish exemption from withholding obligations or to facilitate the Administrative Agent's performance under this Agreement. Thereafter and from time to time, each such Lender or Issuing Bank shall submit to the Borrower and the Administrative Agent such additional duly completed and signed copies of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may be required under then-current United States law or regulations to avoid United States withholding taxes on payments in respect of all amounts to be received by such Lender or Issuing Bank, including fees, pursuant to the Credit Documents. Upon the request of the Borrower, each Lender or Issuing Bank that is a United States person shall submit to the Borrower a certificate to the effect that it is such a United States person.

(c) Inability of Lender to Submit Forms. If any Lender or Issuing Bank determines in good faith, as a result of any change in applicable law, regulation or treaty, or in any official application or interpretation thereof, that (i) it is unable to submit to the Borrower or Administrative Agent any form or certificate that such Lender or Issuing Bank is obligated to submit pursuant to subsection (b) of this Section 3.3, (ii) it is required to withdraw or cancel any such form or certificate previously submitted, or (iii) any such form or certificate otherwise becomes ineffective or inaccurate, such Lender or Issuing Bank shall promptly notify the Borrower and Administrative Agent of such fact, and the Lender or Issuing Bank shall to that extent not be obligated to provide any such form or certificate and will be entitled to withdraw or cancel any affected form or certificate, as applicable.

(d) Refund of Taxes. If any Lender, Issuing Bank or the Administrative Agent becomes aware that it has received a refund of any Indemnified Tax or any tax referred to in Section 10.3 with respect to which the Borrower has paid any amount pursuant to this Section 3.3 or Section 10.3, such Lender, Issuing Bank or the Administrative Agent shall pay the amount of such refund (including any interest received with respect thereto) to the Borrower within fifteen (15) days after receipt thereof. A Lender, Issuing Bank, or the Administrative Agent shall provide, at the sole cost and expense of the Borrower, such assistance as the Borrower may reasonably request in order to obtain such a refund; provided, however, that neither the Administrative Agent nor any Lender or Issuing Bank shall in any event be required to disclose any information to the Borrower with respect to the overall tax position of the Administrative Agent, Issuing Bank, or such Lender.

ARTICLE 4. CONDITIONS PRECEDENT.

Section 4.1. Initial Borrowing. The obligation of each Lender to advance the initial Loans hereunder, and of the Issuing Bank to issue the initial Letter of Credit hereunder, on or after the Initial Availability Date is subject to satisfaction of the following conditions precedent:

(a) The Administrative Agent shall have received duly executed counterparts of this Agreement (including by facsimile or other electronic means) and the following all in form and substance reasonably satisfactory to the Administrative Agent and Bank of America, N.A., as a Co-Syndication Agent and in sufficient number of signed counterparts, where applicable, to provide one for each Lender:

(i) Certificates of Officers. Certificates of the Secretary or an Assistant Secretary of the Borrower containing specimen signatures of the persons authorized to execute Credit Documents on the Borrower's behalf or any other documents provided for herein or therein, together with (x) copies of resolutions of the Board of Directors or other appropriate body of the Borrower authorizing the execution and delivery of the Credit Documents, (y) copies of the Borrower's memorandum of association and articles of association and other publicly filed organizational documents in its jurisdiction of organization and bylaws and other governing documents, if any, and (z) a certificate of incorporation and good standing from the appropriate governing agency of the Borrower's jurisdiction of organization;

(ii) Regulatory Filings and Approvals. Copies of all necessary governmental and third party approvals, registrations, and filings in respect of the transactions contemplated by this Agreement;

(iii) Insurance Certificate. An insurance certificate dated not more than ten (10) Business Days prior to the Initial Availability Date from the Borrower describing in reasonable detail the insurance maintained by the Borrower and its Subsidiaries as required by this Agreement;

(iv) Opinions of Counsel. The opinions of (x) Baker Botts LLP, counsel for the Borrower, in the form of Exhibit 4.1A, (y) William Turcotte, Associate General Counsel of the Borrower, in the form of Exhibit 4.1B, and (z) Walkers, Cayman Islands counsel for the Borrower, in the form of Exhibit 4.1C;

(v) Closing Certificate. Certificate of the President or a Vice President of the Borrower as to the satisfaction of all conditions set forth in this Section 4.1; and

(vi) Existing Facilities. Evidence that all commitments of the lenders under the Existing Facilities are being terminated, and all amounts then outstanding under the

Existing Facilities are being paid in full, simultaneously on or prior to the Initial Availability Date.

(b) Each of the representations and warranties of the Borrower and its Subsidiaries set forth herein and in the other Credit Documents shall be true and correct in all material respects as of the time of such Borrowing, except to the extent that any such representation or warranty relates solely to an earlier date, in which case it shall have been true and correct in all material respects as of such earlier date;

(c) No Default or Event of Default shall have occurred and be continuing; and

(d) Payment of all fees and all expenses incurred through the Effective Date then due and owing to the Administrative Agent, the Lenders, and the Co-Lead Arrangers pursuant to this Agreement and as otherwise agreed in writing by the Borrower.

Section 4.2. All Borrowings. The obligation of each Lender to make any advance of any Loan, and of the Issuing Bank to issue any Letter of Credit hereunder (including any increase in the amount of, or extension of the expiration date of, any Letter of Credit) is subject to satisfaction of the following conditions precedent (but subject to Sections 2.3(c) and 2.12(b)):

(a) Notices. The Administrative Agent shall have received (i) in the case of any Loan, the Borrowing Request required by the first sentence of Section 2.3(a), and (ii) in the case of the issuance, extension or increase of a Letter of Credit, the Issuing Bank and the Administrative Agent shall have received a duly completed Issuance Request and Application for such Letter of Credit, as the case may be, meeting the requirements of Section 2.12(b);

(b) Warranties True and Correct. In the case of any advance, Borrowing, or issuance or increase of any Letter of Credit that increases the aggregate amount of Loans and L/C Obligations outstanding after giving effect to such advance, Borrowing or issuance or increase, or extension of the expiration date of a Letter of Credit, each of the representations and warranties of the Borrower and its Subsidiaries set forth herein (other than the representations and warranties set forth in Sections 5.4 and 5.10) and in the other Credit Documents (other than those that relate to the representations and warranties set forth in Sections 5.4 and 5.10) shall be true and correct in all material respects as of the time of such advance, Borrowing, or issuance or increase of any Letter of Credit, except as a result of the transactions expressly permitted hereunder or thereunder and except to the extent that any such representation or warranty relates solely to an earlier date, in which case it shall have been true and correct in all material respects as of such earlier date;

(c) No Default. No Default or Event of Default shall have occurred and be continuing or would occur as a result of any such Borrowing; or

(d) Regulations U and X. The Borrowing to be made by the Borrower shall not result in the Borrower or any Lender or Issuing Bank being in non-compliance with or in violation of Regulation U or X of the Board of Governors of the Federal Reserve System.

Each acceptance by the Borrower of an advance of any Loan or of the issuance of, increase in the amount of, or extension of the expiration date of, a Letter of Credit shall be deemed to be a representation and warranty by the Borrower on the date of such acceptance, that all conditions precedent to such Borrowing set forth in this Section 4.2 and in Section 4.1 with respect to the initial Borrowings hereunder have (except to the extent waived in accordance with the terms hereof) been satisfied or fulfilled unless the Borrower gives to the Administrative Agent and the Lenders written notice to the contrary, in which case none of the Lenders shall be required to fund or convert such Loans, and the Issuing Bank shall not be required to issue, increase the amount of or extend the expiration date of such Letter of Credit, unless the Required Lenders shall have previously waived in writing such non-compliance.

ARTICLE 5. REPRESENTATIONS AND WARRANTIES.

The Borrower represents and warrants to each Lender, Issuing Bank and Administrative Agent as follows:

Section 5.1. Corporate Organization. The Borrower and each of its material Subsidiaries: (i) is duly organized and existing in good standing under the laws of the jurisdiction of its organization; (ii) has all necessary organizational power and authority to own the property and assets it uses in its business and otherwise to carry on its present business; and (iii) is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business transacted by it or the nature of the property owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified or to be in good standing, as the case may be, would not have a Material Adverse Effect.

Section 5.2. Power and Authority; Validity. The Borrower has the organizational power and authority to execute, deliver and carry out the terms and provisions of the Credit Documents to which it is a party and has taken all necessary company action to authorize the execution, delivery and performance of such Credit Documents. The Borrower has duly executed and delivered each Credit Document and each such Credit Document constitutes the legal, valid and binding obligation of the Borrower enforceable against it in accordance with its terms, subject as to enforcement only to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and equitable principles.

Section 5.3. No Violation. Neither the execution, delivery or performance by the Borrower of the Credit Documents to which it is a party nor compliance by it with the terms and provisions thereof, nor the consummation by it of the transactions contemplated herein or therein, will (i) contravene in any material respect any applicable provision of any law, statute, rule or regulation, or any applicable order, writ, injunction or decree of any court or governmental instrumentality, (ii) conflict with or result in any breach of any term, covenant, condition or other provision of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien other than any Permitted Lien upon any of the property or assets of the Borrower or any of its Subsidiaries under, the terms of any material contractual obligation to which the Borrower or any of its Subsidiaries is a party or by which they or any of their properties or assets are bound or to which they may be subject, or (iii) violate or conflict with any provision of the memorandum of association and articles of association, charter, articles or certificate of incorporation, partnership or limited liability company agreement, by-laws, or other applicable governance documents of the Borrower or any of its Subsidiaries.

Section 5.4. Litigation. There are no actions, suits, proceedings or counterclaims (including, without limitation, derivative or injunctive actions) pending or, to the knowledge of the Borrower, threatened against the Borrower or any of its Subsidiaries that are reasonably likely to have a Material Adverse Effect.

Section 5.5. Use of Proceeds; Margin Regulations.

(a) Use of Proceeds. The proceeds of the Loans and the Letters of Credit shall only be used to refinance the Existing Facilities and the Existing Synthetic Leases, for permitted investments and acquisitions, and for capital expenditures and other general corporate purposes of the Borrower and its Subsidiaries.

(b) Margin Stock. Neither the Borrower nor any of its Subsidiaries is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock. No proceeds of the Loans or the Letters of Credit will be used for a purpose which violates Regulations T, U or X of the Board of Governors of the Federal Reserve System. After application of the proceeds of the Loans, the issuance of the Letters of Credit, and any acquisitions permitted hereunder, less than 25% of the assets of each of the Borrower and its Subsidiaries consists of "margin stock" (as defined in Regulation U of the Board of Governors of the Federal Reserve System).

Section 5.6. Investment Company Act. Neither the Borrower nor any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

Section 5.7. Public Utility Holding Company Act. Neither the Borrower nor any of its Subsidiaries is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 5.8. True and Complete Disclosure. All factual information (taken as a whole) furnished by the Borrower or any of its Subsidiaries in writing to the Administrative Agent or any Lender in connection with any Credit Document or the Confidential Information Memorandum or any transaction contemplated therein did not, as of the date such information was furnished (or, if such information expressly related to a specific date, as of such specific date), contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein (taken as a whole), in light of the circumstances under which such information was furnished, not misleading, except for such statements, if any, as have been updated, corrected, supplemented, superseded or modified pursuant to a written correction or supplement furnished to the Lenders prior to the date of this Agreement.

Section 5.9. Financial Statements. The financial statements heretofore delivered to the Lenders for the Borrower's fiscal year ending December 31, 2002, and for the Borrower's fiscal quarter and year-to-date period ending September 30, 2003, have been prepared in accordance with GAAP applied on a basis consistent, except as otherwise noted therein, in accordance with GAAP, with the Borrower's financial statements for the previous fiscal year. Such annual and quarterly financial statements fairly present in all material respects on a consolidated basis the financial position of the Borrower as of the dates thereof, and the results of operations for the periods indicated, subject in the case of interim financial statements, to normal year-end audit adjustments and omission of certain footnotes (as permitted by the SEC). As of the Effective Date, the Borrower and its Subsidiaries, considered as a whole, had no material contingent liabilities or material Indebtedness required under GAAP to be disclosed in a consolidated balance sheet of the Borrower that were not included in the financial statements referred to in this Section 5.9 or disclosed in the notes thereto or in writing to the Administrative Agent (with a written request to the Administrative Agent to distribute such disclosure to the Lenders).

Section 5.10. No Material Adverse Change. There has occurred no event or effect that has had or could reasonably be expected to have a Material Adverse Effect.

Section 5.11. Taxes. The Borrower and its Subsidiaries have filed all United States federal income tax returns, and all other material tax returns required to be filed, whether in the United States or in any foreign jurisdiction, and have paid all governmental taxes, rates, assessments, fees, charges and levies (collectively, "Taxes") shown to be due and payable on such returns or on any assessments made against Borrower and its Subsidiaries or any of their properties (other than any such assessments, fees, charges or levies that are not more than ninety (90) days past due, or which can thereafter be paid without penalty, or which are being contested in good faith by appropriate proceedings and for which reserves have been provided in conformity with GAAP, or which the failure to pay could not reasonably be expected to have a Material Adverse Effect).

Section 5.12. Consents. On the Initial Availability Date, all consents and approvals of, and filings and registrations with, and all other actions of, all governmental agencies, authorities or instrumentalities required to have been obtained or made by the Borrower in order to obtain the Loans and Letters of Credit hereunder have been or will have been obtained or made and are or will be in full force and effect.

Section 5.13. Insurance. The Borrower and its material Subsidiaries currently maintain in effect, with responsible insurance companies, insurance against any loss or damage to all insurable property and assets owned by it, which insurance is of a character and in or in excess of such amounts as are customarily maintained by companies similarly situated and operating like property or assets (subject to self-insured retentions and deductibles), and insurance with respect to employers' and public and product liability risks (subject to self-insured retentions and deductibles).

Section 5.14. Intellectual Property. The Borrower and its Subsidiaries own or hold valid licenses to use all the patents, trademarks, permits, service marks, and trade names that are necessary to the operation of the business of the Borrower and its Subsidiaries as presently conducted, except where the failure to own, or hold valid licenses to use, such patents, trademarks, permits, service marks, and trade names could not reasonably be expected to have a Material Adverse Effect.

Section 5.15. Ownership of Property. The Borrower and its Subsidiaries have good title to or a valid leasehold interest in all of their real property and good title to, or a valid leasehold interest in, all of their other property, subject to no Liens except Permitted Liens, except where the failure to have such title or leasehold interest in such property could not reasonably be expected to have a Material Adverse Effect.

Section 5.16. Existing Indebtedness. Schedule 5.16 contains a complete and accurate list of all Indebtedness outstanding as of the Effective Date, with respect to the Borrower and its Subsidiaries, in each case in a principal amount of $20,000,000 or more (other than the Obligations hereunder and Indebtedness permitted by Section 6.11(b) through (k)) and permitted by Section 6.11(a), in each case showing the aggregate principal amount thereof, the name of the respective borrower and any other entity which directly or indirectly guaranteed such Indebtedness, and the scheduled payments of such Indebtedness.

Section 5.17. Existing Liens. Schedule 5.17 contains a complete and accurate list of all Liens outstanding as of the Effective Date, with respect to the Borrower and its Subsidiaries where the Indebtedness or other obligations secured by such Lien is in a principal amount of $20,000,000 or more (other than the Liens permitted by Section 6.10(b) through (r)), and permitted by Section 6.10(a), in each case showing the name of the Person whose assets are subject to such Lien, the aggregate principal amount of the Indebtedness secured thereby, and a description of the Agreements or other instruments creating, granting, or otherwise giving rise to such Lien.

ARTICLE 6. COVENANTS.

The Borrower covenants and agrees that, so long as any Loan, Note, Commitment, or L/C Obligation is outstanding hereunder, or any other Obligation is due and payable hereunder:

Section 6.1. Corporate Existence. Each of the Borrower and its material Subsidiaries will preserve and maintain its organizational existence, except (i) for the dissolution of any material Subsidiaries whose assets are transferred to the Borrower or any of its Subsidiaries, (ii) where the failure to preserve, renew or keep in full force and effect the existence of any Subsidiary could not reasonably be expected to have a Material Adverse Effect, or (iii) as otherwise expressly permitted in this Agreement.

Section 6.2. Maintenance. Each of the Borrower and its material Subsidiaries will maintain, preserve and keep its properties and equipment necessary to the proper conduct of its business in reasonably good repair, working order and condition (normal wear and tear excepted) and will from time to time make all reasonably necessary repairs, renewals, replacements, additions and betterments thereto so that at all times such properties and equipment are reasonably preserved and maintained, in each case with such exceptions as could not, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect;

provided, however, that nothing in this Section 6.2 shall prevent the Borrower or any material Subsidiary from discontinuing the operation or maintenance of any such properties or equipment if such discontinuance is, in the judgment of the Borrower or any material Subsidiary, as applicable, desirable in the conduct of its business.

Section 6.3. Taxes. Each of the Borrower and its Subsidiaries will duly pay and discharge all Taxes upon or against it or its properties within ninety (90) days after becoming due or, if later, prior to the date on which penalties are imposed for such unpaid Taxes, unless and to the extent that (i) the same is being contested in good faith and by appropriate proceedings and reserves have been established in conformity with GAAP, or (ii) the failure to effect such payment or discharge could not reasonably be expected to have a Material Adverse Effect.

Section 6.4. ERISA. Each of the Borrower and its Subsidiaries will timely pay and discharge all obligations and liabilities arising under ERISA or otherwise with respect to each Plan of a character which if unpaid or unperformed might result in the imposition of a material Lien against any properties or assets of the Borrower or any material Subsidiary and will promptly notify the Administrative Agent upon an officer of the Borrower becoming aware thereof, of (i) the occurrence of any reportable event (as defined in ERISA) relating to a Plan (other than a multi-employer plan, as defined in ERISA), so long as the event thereunder could reasonably be expected to have a Material Adverse Effect, other than any such event with respect to which the PBGC has waived notice by regulation; (ii) receipt of any notice from PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor; (iii) Borrower's or any of its Subsidiaries' intention to terminate or withdraw from any Plan if such termination or withdrawal would result in liability under Title IV of ERISA, unless such termination or withdrawal could not reasonably be expected to have a Material Adverse Effect; and (iv) the receipt by the Borrower or its Subsidiaries of notice of the occurrence of any event that could reasonably be expected to result in the incurrence of any liability (other than for benefits), fine or penalty to the Borrower and/or to the Borrower's Subsidiaries, or any plan amendment that could reasonably be expected to increase the contingent liability of the Borrower and its Subsidiaries, taken as a whole, in either case in connection with any post-retirement benefit under a welfare plan (subject to ERISA), unless such event or amendment could not reasonably be expected to have a Material Adverse Effect. The Borrower will also promptly notify the Administrative Agent of (i) any material contributions to any Foreign Plan that have not been made by the required due date for such contribution if such default could reasonably be expected to have a Material Adverse Effect; (ii) any Foreign Plan that is not funded to the extent required by the law of the jurisdiction whose law governs such Foreign Plan based on the actuarial assumptions reasonably used at any time if such underfunding (together with any penalties likely to result) could reasonably be expected to have a Material Adverse Effect, and (iii) any material change anticipated to any Foreign Plan that could reasonably be expected to have a Material Adverse Effect.

Section 6.5. Insurance. Each of the Borrower and its material Subsidiaries will maintain or cause to be maintained, with responsible insurance companies, insurance against any loss or damage to all insurable property and assets owned by it, such insurance to be of a character and in or in excess of such amounts as are customarily maintained by companies similarly situated and operating like property or assets (subject to self-insured retentions and deductibles) and will (subject to self-insured retentions and deductibles) maintain or cause to be maintained insurance with respect to employers' and public and product liability risks.

Section 6.6. Financial Reports and Other Information.

(a) Periodic Financial Statements and Other Documents. The Borrower, its Subsidiaries and any SPVs will maintain a system of accounting in such manner as will enable preparation of financial statements in accordance with GAAP and will furnish to the Lenders and their respective authorized representatives such information about the business and financial condition of the Borrower, its Subsidiaries and any SPVs as any Lender may reasonably request; and, without any request, will furnish to the Administrative Agent:

(i) within sixty (60) days after the end of each of the first three (3) fiscal quarters of each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal quarter and the related consolidated statements of income and retained earnings and of cash flows for such fiscal quarter and for the portion of the fiscal year ended with the last day of such fiscal quarter, all of which shall be in reasonable detail or in the form filed with the SEC, and certified by the chief financial officer of the Borrower that they fairly present the financial condition of the Borrower and its Subsidiaries as of the dates indicated and the results of their operations and changes in their cash flows for the periods indicated and that they have been prepared in accordance with GAAP, in each case, subject to normal year-end audit adjustments and the omission of any footnotes as permitted by the SEC (publicly filing the Borrower's Form 10-Q with the SEC in any event will satisfy the requirements of this subsection subject to Section 6.6(b) and shall be deemed furnished and delivered on the date such information has been posted on the SEC website accessible through http://www.sec.gov/edgar/searchedgar/webusers.htm or such successor webpage of the SEC thereto));

(ii) within one hundred twenty (120) days after the end of each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal year and the related consolidated statements of income and retained earnings and of cash flows for such fiscal year and setting forth consolidated comparative figures as of the end of and for the preceding fiscal year, audited by an independent nationally-recognized accounting firm and in the form filed with the SEC (publicly filing the Borrower's Form 10-K with the SEC in any event will satisfy the requirements of this subsection subject to Section 6.6(b) and shall be deemed furnished and delivered on the date such information has been posted on the SEC website accessible through http://www.sec.gov/edgar/searchedgar/webusers.htm or such successor webpage of the SEC thereto));

(iii) commencing with fiscal year 2004, to the extent actually prepared and approved by the Borrower's board of directors, a projection of Borrower's consolidated balance sheet and consolidated income, retained earnings and cash flows for its current fiscal year showing such projected budget for each fiscal quarter of the Borrower ending during such year; and

(iv) within ten (10) days after the sending or filing thereof, copies of all financial statements, projections, documents and other communications that the Borrower sends to its stockholders generally or publicly files with the SEC or any similar governmental authority (and is publicly available); provided that publicly filing such documents with the SEC in any event will satisfy the requirements of this subsection subject to Section 6.6(b) and shall be deemed furnished and delivered on the date such information has been posted on the SEC website accessible through http://www.sec.gov/edgar/searchedgar/webusers.htm or such successor webpage of the SEC thereto.

The Administrative Agent will forward promptly to the Lenders the information provided by the Borrower pursuant to (i) through (iv) above.

(b) Compliance Certificates. Within the sixty (60) day or one hundred twenty (120) day time periods set forth in subsections (i) and (ii) of Section 6.6(a) for furnishing financial statements, the Borrower shall deliver (i) additional information setting forth calculations excluding the effects of any SPVs and containing such calculations for any SPVs as reasonably requested by the Administrative Agent, and (ii) (x) a written certificate signed by the Borrower's chief financial officer (or other financial officer of the Borrower), in his or her capacity as such, to the effect that no Default or Event of Default then exists or, if any such Default or Event of Default exists as of the date of such certificate, setting forth a description of such Default or Event of Default and specifying the action, if any, taken by the Borrower to remedy the same, and (y) a Compliance Certificate in the form of Exhibit 6.6 showing the Borrower's compliance with certain of the covenants set forth herein.

(c) Reserved.

(d) Notice of Events Relating to Environmental Laws and Claims. Promptly after any officer of the Borrower obtains knowledge of any of the following, the Borrower will provide the Administrative Agent with written notice in reasonable detail of any of the following that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect:

(i) any pending or threatened Environmental Claim against the Borrower, any of its Subsidiaries or any SPV or any property owned or operated by the Borrower, any of its Subsidiaries or any SPV;

(ii) any condition or occurrence on any property owned or operated by the Borrower, any of its Subsidiaries or any SPV that results in noncompliance by the Borrower, any of its Subsidiaries or any SPV with any Environmental Law; and

(iii) the taking of any material remedial action in response to the actual or alleged presence of any Hazardous Material on any property owned or operated by the Borrower, any of its Subsidiaries or any SPV other than in the ordinary course of business.

(e) Notices of Default, Litigation, Etc. The Borrower will promptly, and in any event within five (5) Business Days, after an officer of the Borrower has knowledge thereof, give written notice to the Administrative Agent of (who will in turn provide notice to the Lenders of): (i) the occurrence of any Default or Event of Default; (ii) any litigation or governmental proceeding of the type described in Section 5.4; (iii) any circumstance that has had or could reasonably be expected to have a Material Adverse Effect; (iv) the occurrence of any event which has resulted in a breach of, or is reasonably expected to result in a breach of, Sections 6.16 or 6.17; and (v) any notice received by it, any Subsidiary or any SPV from the holder(s) of Indebtedness of the Borrower, any Subsidiary or any SPV in an amount which, in the aggregate, exceeds $50,000,000, where such notice states or claims the existence or occurrence of any default or event of default with respect to such Indebtedness under the terms of any indenture, loan or credit agreement, debenture, note, or other document evidencing or governing such Indebtedness.

Section 6.7. Lender Inspection Rights. Upon reasonable notice from the Administrative Agent or any Lender, the Borrower will permit the Administrative Agent or any Lender (and such Persons as the Administrative Agent or such Lender may reasonably designate) during normal business hours at such entity's sole expense unless a Default or Event of Default shall have occurred and be continuing, in which event at the Borrower's expense, to visit and inspect any of the properties of the Borrower or any of its Subsidiaries, to examine all of their books and records, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Borrower authorizes such accountants to discuss with the Administrative Agent and any Lender (and such Persons as the Administrative Agent or such Lender may reasonably designate) the affairs, finances and accounts of the Borrower and its Subsidiaries), all as often, and to such extent, as may be reasonably requested. The chief financial officer of the Borrower and/or his or her designee shall be afforded the opportunity to be present at any meeting of the Administrative Agent or the Lenders and such accountants. The Administrative Agent agrees to use reasonable efforts to minimize, to the extent practicable, the number of separate requests from the Lenders to exercise their rights under this Section 6.7 and/or Section 6.6 and to coordinate the exercise by the Lenders of such rights.

Section 6.8. Conduct of Business. The Borrower and its Subsidiaries will at all times remain primarily engaged in (i) the contract drilling business, (ii) the provision of services to the energy industry, (iii) other existing businesses described in the Borrower's current SEC reports, or (iv) any related businesses (each a "Permitted Business").

Section 6.9. Restrictions on Fundamental Changes. The Borrower shall not merge or consolidate with any other Person, or cause or permit any dissolution of the Borrower or liquidation of its assets, or sell, transfer or otherwise dispose of all or substantially all of the Borrower's assets, except that:

(a) The Borrower may merge into, or consolidate with, any other Person if upon the consummation of any such merger or consolidation the Borrower is the surviving corporation to any such merger or consolidation; and

(b) The Borrower may sell or transfer all or substantially all of its assets (including stock in its Subsidiaries) to any Person if such Person is a Subsidiary of the Borrower (or a Person who will contemporaneously therewith become a Subsidiary of the Borrower);

provided in the case of any transaction described in the preceding clauses (a) and (b), no Default or Event of Default shall exist immediately prior to, or after giving effect to, such transaction.

Section 6.10. Liens. The Borrower and its Subsidiaries shall not create, incur, assume or suffer to exist any Lien of any kind on any property or asset of any kind of the Borrower or any Subsidiary, except the following (collectively, the "Permitted Liens"):

(a) Liens existing on the date hereof (each such Lien, to the extent it secures Indebtedness or other obligations in an aggregate amount of $20,000,000 or more, being described on Schedule 5.17 attached hereto);

(b) Liens arising in the ordinary course of business by operation of law, deposits, pledges or other Liens in connection with workers' compensation, unemployment insurance, old age benefits, social security obligations, taxes, assessments, public or statutory obligations or other similar charges, good faith deposits, pledges or other Liens in connection with (or to obtain letters of credit in connection with) bids, performance, return-of-money or payment bonds, contracts or leases to which the Borrower or its Subsidiaries are parties or other deposits required to be made in the ordinary course of business; provided that in each case the obligation secured is not for Indebtedness for borrowed money and is not overdue or, if overdue, is being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor;

(c) mechanics', workmen's, materialmen's, landlords', carriers', maritime or other similar Liens arising in the ordinary course of business (or deposits to obtain the release of such Liens) related to obligations not overdue for more than thirty (30) days if such Liens arise with respect to domestic assets and for more than ninety (90) days if such Liens arise with respect to foreign assets, or, if so overdue, that are being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor, or if such Liens otherwise could not reasonably be expected to have a Material Adverse Effect;

(d) Liens for Taxes not more than ninety (90) days past due or which can thereafter be paid without penalty or which are being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor, or if such Liens otherwise could not reasonably be expected to have a Material Adverse Effect;

(e) Liens imposed by ERISA (or comparable foreign laws) which are being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor, or if such Liens otherwise could not reasonably be expected to have a Material Adverse Effect;

(f) Liens arising out of judgments or awards against the Borrower or any of its Subsidiaries, or in connection with surety or appeal bonds or the like in connection with bonding such judgments or awards, the time for appeal from which or petition for rehearing of which shall not have expired or for which the Borrower or such Subsidiary shall be prosecuting on appeal or proceeding for review, and for which it shall have obtained (within thirty (30) days with respect to a judgment or award rendered in the United States or within sixty (60) days with respect to a judgment or award rendered in a foreign jurisdiction after entry of such judgment or award or expiration of any previous such stay, as applicable) a stay of execution or the like pending such appeal or proceeding for review; provided, that the aggregate amount of uninsured or underinsured liabilities (net of customary deductibles, and including interest, costs, fees and penalties, if any) of the Borrower and its Subsidiaries secured by such Liens shall not exceed $100,000,000 at any one time outstanding;

(g) Liens on fixed or capital assets acquired, constructed, improved, altered or repaired by the Borrower or any Subsidiary and related contracts, intangibles and other assets that are incidental thereto (including accessions thereto and replacements thereof) or otherwise arise therefrom; provided that (i) such Liens secure Indebtedness otherwise permitted by this Agreement, (ii) such Liens and the Indebtedness secured thereby are incurred prior to or within 365 days after such acquisition or the later of the completion of such construction, improvement, alteration or repair or the date of commercial operation of the assets constructed, improved, altered or repaired, (iii) the Indebtedness secured thereby does not exceed the cost of acquiring, constructing, improving, altering or repairing such fixed or capital assets, as the case may be, and (iv) such Lien shall not apply to any other property or assets of the Borrower or any Subsidiary;

(h) Liens securing Interest Rate Protection Agreements or foreign exchange hedging obligations incurred in the ordinary course of business and not for speculative purposes;

(i) Liens on property existing at the time such property is acquired by the Borrower or any Subsidiary of the Borrower and not created in contemplation of such acquisition (or on repairs, renewals, replacements, additions, accessions and betterments thereto), and Liens on the assets of any Person at the time such Person becomes a Subsidiary of the Borrower and not created in contemplation of such Person becoming a Subsidiary of the Borrower (or on repairs, renewals, replacements, additions, accessions and betterments thereto;

(j) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to in the foregoing subsections (a) through (i), provided, however, that the principal amount of Indebtedness secured thereby does not exceed the principal amount secured at the time of such extension, renewal or replacement (other than amounts incurred to pay costs of such extension, renewal or replacement), and that such extension, renewal or replacement is limited to the property already subject to the Lien so extended, renewed or replaced (together with accessions and improvements thereto and replacements thereof);

(k) rights reserved to or vested in any municipality or governmental, statutory or public authority by the terms of any right, power, franchise, grant, license or permit, or by any provision of law, to terminate such right, power, franchise, grant, license or permit or to purchase, condemn, expropriate or recapture or to designate a purchaser of any of the property of a Person;

(l) rights reserved to or vested in any municipality or governmental, statutory or public authority to control, regulate or use any property of a Person;

(m) rights of a common owner of any interest in property held by a Person and such common owner as tenants in common or through other common ownership;

(n) encumbrances (other than to secure the payment of Indebtedness), easements, restrictions, servitudes, permits, conditions, covenants, exceptions or reservations in any property or rights-of-way of a Person for the purpose of roads, pipelines, transmission lines, transportation lines, distribution lines, removal of gas, oil, coal, metals, steam, minerals, timber or other natural resources, and other like purposes, or for the joint or common use of real property, rights-of-way, facilities or equipment, or defects, irregularity and deficiencies in title of any property or rights-of-way;

(o) Liens created by or resulting from zoning, planning and environmental laws and ordinances and municipal regulations;

(p) Liens created or evidenced by or resulting from financing statements filed by lessors of property (but only with respect to the property so leased);

(q) Liens on property securing Non-recourse Debt;

(r) Liens on the stock or assets of SPVs;

(s) other Liens created in connection with securitization programs, if any, of the Borrower and its Subsidiaries; and

(t) Liens (not otherwise permitted by this Section 6.10) securing Indebtedness (or other obligations) not exceeding at the time of incurrence thereof (together with all such other Liens securing Indebtedness (or other obligations) outstanding pursuant to this clause (t) at such time) two and one half percent (2.5%) of Consolidated Net Assets.

Section 6.11. Indebtedness. The Borrower and its Subsidiaries shall not incur, assume or suffer to exist any Indebtedness, except:

(a) existing Indebtedness outstanding on the Effective Date (such Indebtedness, to the extent the principal amount thereof is $20,000,000 or more, being described on Schedule 5.16 attached hereto), and any subsequent extensions, renewals or refinancings thereof (i) so long as such Indebtedness is not increased in amount (other than amounts incurred to pay costs of such extension, renewal or refinancing), the scheduled maturity date thereof (if prior to the Maturity Date) is not accelerated, the interest rate per annum applicable thereto is not increased, any scheduled amortization of principal thereunder prior to the Maturity Date is not shortened and the payments thereunder are not increased, or (ii) such extensions, renewals or refinancings are otherwise expressly permitted by, and are effected pursuant to, another clause in this Section 6.11 (other than clause (l) hereof);

(b) Indebtedness under the Credit Documents;

(c) intercompany loans and advances to the Borrower or its Subsidiaries, and intercompany loans and advances from any of such Subsidiaries or SPVs to the Borrower or any other Subsidiaries of the Borrower;

(d) Indebtedness under any Interest Rate Protection Agreements and any Currency Rate Protection Agreements;

(e) Indebtedness of the Borrower that may be incurred, assumed or suffered to exist without violating any section of this Agreement, including, without limitation, Sections 6.16 and 6.17 hereof;

(f) Indebtedness of any Subsidiary of the Borrower (i) under unsecured lines of credit for overdrafts or for working capital purposes in foreign countries with financial institutions, and (ii) arising from the honoring by a bank or other Person of a check, draft or similar instrument inadvertently drawing against insufficient funds, all such Indebtedness not to exceed $200,000,000 in the aggregate at any time outstanding, provided that amounts under overdraft lines of credit or outstanding as a result of drawings against insufficient funds shall be outstanding for one (1) Business Day before being included in such aggregate amount;

(g) Indebtedness of a Person existing at the time such Person becomes a Subsidiary of the Borrower or is merged with or into the Borrower or any Subsidiary of the Borrower and not incurred in contemplation of such transaction, and extensions, renewals or refinancings thereof that do not increase the amount of such Indebtedness (other than amounts included to pay costs of such extension, renewal or refinancing;

(h) Indebtedness of the Borrower or any Subsidiary of the Borrower (i) under Performance Guaranties and Performance Letters of Credit, and (ii) with respect to letters of credit issued in the ordinary course of business;

(i) Indebtedness created in connection with securitization programs, if any, of the Borrower and its Subsidiaries;

(j) Indebtedness of any Subsidiaries of the Borrower (not otherwise permitted under any other clause of this Section 6.11) in an aggregate principal amount outstanding for all Subsidiaries not exceeding at the time of incurrence thereof (together with all such other Indebtedness outstanding pursuant to this clause (j) at such time) ten percent (10%) of Consolidated Net Assets (the "Subsidiary Debt Basket Amount");

(k) other Indebtedness of any Subsidiary of the Borrower not otherwise permitted under any other clause of this Section 6.11 so long as such Subsidiary has in force a Subsidiary Guaranty in substantially the form of Exhibit 6.11, provided that such Subsidiary Guaranty shall

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contain a provision that such Subsidiary Guaranty and all obligations thereunder of the Guarantor party thereto shall be terminated upon delivery to the Administrative Agent by the Borrower of a certificate stating that (x) the aggregate principal amount of Indebtedness of all Subsidiaries outstanding pursuant to the preceding clause (j) and this clause (k) is equal to or less than the Subsidiary Debt Basket Amount, and (y) no Default or Event of Default has occurred and is continuing; and

(l) extensions, renewals or replacements of Indebtedness permitted by this Section 6.11 that do not increase the amount of such Indebtedness (other than amounts incurred to pay costs of such extension, renewal or refinancing).

Section 6.12. Use of Property and Facilities; Environmental Laws. The Borrower and its Subsidiaries shall comply in all material respects with all Environmental Laws applicable to or affecting the properties or business operations of the Borrower or any Subsidiary of the Borrower, where the failure to comply could reasonably be expected to have a Material Adverse Effect.

Section 6.13. Transactions with Affiliates. Except as otherwise specifically permitted herein, the Borrower and its Subsidiaries shall not (except pursuant to contracts outstanding as of (i) with respect to the Borrower, the Effective Date or (ii) with respect to any Subsidiary of the Borrower, the Effective Date or, if later, the date such Subsidiary first became a Subsidiary of the Borrower) enter into or engage in any material transaction or arrangement or series of related transactions or arrangements which in the aggregate would be material with any Controlling Affiliate, including without limitation, the purchase from, sale to or exchange of property with, any merger or consolidation with or into, or the rendering of any service by or for, any Controlling Affiliate, except pursuant to the requirements of the Borrower's or such Subsidiary's business and unless such transaction or arrangement or series of related transactions or arrangements, taken as a whole, are no less favorable to the Borrower or such Subsidiary (other than a wholly owned Subsidiary) than would be obtained in an arms' length transaction with a Person not a Controlling Affiliate.

Section 6.14. Sale and Leaseback Transactions. The Borrower will not, and will not permit any of its Subsidiaries to, enter into, assume, or suffer to exist any Sale-Leaseback Transaction, except any such transaction that may be entered into, assumed or suffered to exist without violating any other provision of this Agreement, including without limitation, Sections 6.16 and 6.17.

Section 6.15. Compliance with Laws. Without limiting any of the other covenants of the Borrower in this Article 6, the Borrower and its Subsidiaries shall conduct their business, and otherwise be, in compliance with all applicable laws, regulations, ordinances and orders of any governmental or judicial authorities;provided, however, that this Section 6.15 shall not require the Borrower or any Subsidiary of the Borrower to comply with any such law, regulation, ordinance or order if (x) it shall be contesting such law, regulation, ordinance or order in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor, or (y) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

Section 6.16. Interest Coverage Ratio. The Borrower will not permit the Interest Coverage Ratio as of the end of any fiscal quarter of the Borrower to be less than 3:00 to 1:00.

Section 6.17. Indebtedness to Total Tangible Capitalization Ratio.The Borrower will maintain, as of the end of each fiscal quarter of the Borrower, a ratio (expressed as a percentage) of Consolidated Indebtedness to Total Tangible Capitalization of no greater than 50%.

Section 6.18. Termination of Existing Synthetic Leases.Within 90 days of the Effective Date, provided that any waiting period applicable to the Existing Synthetic Lease in clause (i) of that definition under the Hart-Scott-Rodino Act shall have expired or terminated and any consents or approvals required to be obtained for such Existing Synthetic Lease under the Hart-Scott-Rodino Act, if any, shall have been obtained and are effective, all amounts owing at such time under the Existing Synthetic Leases shall have been repaid and all monetary obligations thereunder have been terminated (except for customary indemnification obligations that by their terms survive such repayment). Within 90 days of the Effective Date, the Borrower shall deliver written acknowledgment in form and substance reasonably satisfactory to the Administrative Agent from the agent or arranger of such Existing Synthetic Leases to the Administrative Agent that the obligations of the Borrower and its Subsidiaries to make payments for application to the debt and equity portions of the Existing Synthetic Lease shall have been satisfied.

ARTICLE 7. EVENTS OF DEFAULT AND REMEDIES.

Section 7.1. Events of Default. Any one or more of the following shall constitute an Event of Default:

(a) default by the Borrower in the payment of any principal amount of any Loan or Reimbursement Obligation, any interest thereon or any fees payable hereunder, within three (3) Business Days following the date when due;

(b) default by the Borrower in the observance or performance of any covenant set forth in Sections 6.9, 6.10, 6.16, or 6.17;

(c) default by the Borrower in the observance or performance of any provision hereof or of any other Credit Document not mentioned in clauses (a) or (b) above, which is not remedied within thirty (30) days after notice thereof to the Borrower by the Administrative Agent;

(d) any representation or warranty made or deemed made herein or in any other Credit Document by the Borrower or any Subsidiary proves untrue in any material respect as of the date of the making, or deemed making, thereof;

(e) (x) Indebtedness in the aggregate principal amount of $100,000,000 of the Borrower and its Subsidiaries ("Material Indebtedness") shall (i) not be paid at maturity (beyond any applicable grace periods), or (ii) be declared to be due and payable or required to be prepaid, redeemed or repurchased prior to its stated maturity, or (y) any default in respect of Material Indebtedness shall occur which permits the holders thereof, or any trustees or agents on their behalf, to accelerate the maturity of such Indebtedness or requires such Indebtedness to be prepaid, redeemed, or repurchased prior to its stated maturity;

(f) the Borrower or any Significant Subsidiary (i) has entered involuntarily against it an order for relief under the United States Bankruptcy Code or a comparable action is taken under any bankruptcy or insolvency law of another country or political subdivision of such country, (ii) generally does not pay, or admits its inability generally to pay, its debts as they become due, (iii) makes a general assignment for the benefit of creditors, (iv) applies for, seeks, consents to, or acquiesces in, the appointment of a receiver, custodian, trustee, liquidator or similar official for it or any substantial part of its property under the United States Bankruptcy Code or under the bankruptcy or insolvency laws of another country or a political subdivision of such country, (v) institutes any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code or any comparable law, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fails to file an answer or other pleading denying the material allegations of or consents to or acquiesces in any such proceeding filed against it, (vi) makes any board of directors resolution in direct furtherance of any matter described in clauses (i)-(v) above, or (vii) fails to contest in good faith any appointment or proceeding described in this Section 7.1(f);

(g) a custodian, receiver, trustee, liquidator or similar official is appointed for the Borrower or any Significant Subsidiary or any substantial part of its property under the United States Bankruptcy Code or under the bankruptcy or insolvency laws of another country or a political subdivision of such country, or a proceeding described in Section 7.1(f)(v) is instituted against the Borrower or any Significant Subsidiary, and such appointment continues undischarged or such proceeding continues undismissed and unstayed for a period of sixty (60) days (or one hundred twenty (120) days in the case of any such event occurring outside the United States of America);

(h) the Borrower or any Subsidiaries of the Borrower fail within thirty (30) days with respect to any judgments or orders that are rendered in the United States or sixty (60) days with respect to any judgments or orders that are rendered in foreign jurisdictions (or such earlier date as any execution on such judgments or orders shall take place) to vacate, pay, bond or otherwise discharge any judgments or orders for the payment of money the uninsured portion of which is in excess of $100,000,000 in the aggregate and which are not stayed on appeal or otherwise being appropriately contested in good faith in a manner that stays execution;

(i) (x) the Borrower or any Subsidiary of the Borrower fails to pay when due an amount that it is liable to pay to the PBGC or to a Plan under Title IV of ERISA; or a notice of intent to terminate a Plan having Unfunded Vested Liabilities of the Borrower or any of its Subsidiaries in excess of $100,000,000 (a "Material Plan") is filed under Title IV of ERISA; or the PBGC institutes proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding is instituted by a fiduciary of any Material Plan against any Borrower or any Subsidiary to collect any liability under Section 515 or 4219(c)(5) of ERISA, and in each case such proceeding is not dismissed within thirty (30) days thereafter; or a condition exists by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated, and (y) the occurrence of one or more of the matters in the preceding clause (x) could reasonably be expected to result in liabilities in excess of $100,000,000; or

(j) any Person or group of Persons acting in concert (as such terms are used in Rule 13d-5 under the Securities Exchange Act of 1934, as amended) shall own, directly or indirectly, beneficially or of record, securities of the Borrower (or other securities convertible into such securities) representing fifty percent (50%) or more of the combined voting power of all outstanding securities of the Borrower entitled to vote in the election of directors, other than securities having such power only by reason of the happening of a contingency.

Section 7.2. Non-Bankruptcy Defaults. When any Event of Default (other than those described in subsections (f) or (g) of Section 7.1 with respect to the Borrower) has occurred and is continuing, the Administrative Agent shall, by notice to the Borrower: (a) if so directed by the Required Lenders, terminate the remaining Commitments to the Borrower hereunder on the date stated in such notice (which may be the date thereof); (b) if so directed by the Required Lenders, declare the principal of and the accrued interest on all outstanding Loans to be forthwith due and payable and thereupon all outstanding Loans, including both principal and interest thereon, shall be and become immediately due and payable together with all other accrued amounts payable under the Credit Documents without further demand, presentment, protest or notice of any kind, including, but not limited to, notice of intent to accelerate and notice of acceleration, each of which is expressly waived by the Borrower; and (c) if so directed by the Required Lenders, demand that the Borrower immediately pay to the Administrative Agent (to be held by the Administrative Agent pursuant to Section 7.4) the full amount then available for drawing under each outstanding Letter of Credit, and the Borrower agrees to immediately make such payment and acknowledges and agrees that the Lenders, the Issuing Bank and the Administrative Agent would not have an adequate remedy at law for failure by the Borrower to honor any such demand and that the Administrative Agent, for the benefit of the Lenders and the Issuing Bank, shall have the right to require the Borrower to specifically perform such undertaking whether or not any drawings or other demands for payment have been made under any Letter of Credit. The Administrative Agent, after giving notice to the Borrower pursuant to this Section 7.2, shall also promptly send a copy of such notice to the other Lenders and the Issuing Bank, but the failure to do so shall not impair or annul the effect of such notice.

Section 7.3. Bankruptcy Defaults. When any Event of Default described in subsections (f) or (g) of Section 7.1 has occurred and is continuing with respect to the Borrower, then all outstanding Loans shall immediately become due and payable together with all other accrued amounts payable under the Credit Documents without presentment, demand, protest or notice of any kind, each of which is expressly waived by the Borrower; and all obligations of the Lenders and the Issuing Bank to extend further credit pursuant to any of the terms hereof shall immediately terminate and the Borrower shall immediately pay to the Administrative Agent (to be held by the Administrative Agent pursuant to Section 7.4) the full amount then available for drawing under all outstanding Letters of Credit, the Borrower acknowledging that the Lenders, the Issuing Bank, and the Administrative Agent would not have an adequate remedy at law for failure by the Borrower to honor any such demand and that the Lenders, the Issuing Bank, and the Administrative Agent shall have the right to require the Borrower to specifically perform such undertaking whether or not any drawings or other demands for payment have been made under any of the Letters of Credit.

Section 7.4. Collateral for Undrawn Letters of Credit.

(a) If the prepayment of the amount available for drawing under any or all outstanding Letters of Credit is required under Section 7.2 or 7.3, the Borrower shall forthwith pay the amount required to be so prepaid, to be held by the Administrative Agent as provided in subsection (b) below.

(b) All amounts prepaid pursuant to subsection (a) above shall be held by the Administrative Agent in a separate collateral account (such account, and the credit balances, properties and any investments from time to time held therein, and any substitutions for such account, any certificate of deposit or other instrument evidencing any of the foregoing and all proceeds of and earnings on any of the foregoing being collectively called the "Collateral Account") as security for, and for application to, the reimbursement of any drawing under any Letter of Credit then or thereafter paid by the Issuing Bank, and to the payment of the unpaid balance of any Loans and all other due and unpaid Obligations (collectively, the "Collateralized Obligations"). The Collateral Account shall be held in the name of and subject to the exclusive dominion and control of the Administrative Agent, for the benefit of the Issuing Bank, the Administrative Agent, and the Lenders, as pledgee hereunder. If and when required by the Borrower, the Administrative Agent shall invest and reinvest funds held in the Collateral Account from time to time in Cash Equivalents specified from time to time by the Borrower, provided that the Administrative Agent is irrevocably authorized to sell on market terms any investments held in the Collateral Account when and as required to make payments out of the Collateral Account for application to Collateralized Obligations due and owing from the Borrower to the Issuing Bank, the Administrative Agent, or the Lenders. When and if (A) (i) the Borrower shall have made payment of all Collateralized Obligations then due and payable, and (ii) all relevant preference or other disgorgement periods relating to the receipt of such payments have passed, or (B) no Default or Event of Default shall be continuing, the Administrative Agent shall repay to the Borrower any remaining amounts and assets held in the Collateral Account, provided that if the Collateral Account is being released pursuant to clause (A) and any Letter of Credit then remains outstanding, the Borrower, prior to or contemporaneously with such release, shall make arrangements with respect to such outstanding Letters of Credit in the manner described in the first sentence of Section 2.12. In addition, if the aggregate amount on deposit with the Collateral Agent exceeds the Collateralized Obligations then existing, then the Administrative Agent shall release and deliver such excess amount upon the written request of the Borrower.

Section 7.5. Notice of Default. The Administrative Agent shall give notice to the Borrower under Section 7.2 promptly upon being requested to do so by the Required Lenders and shall thereupon notify all the Lenders thereof.

Section 7.6. Expenses. The Borrower agrees to pay to the Administrative Agent, the Issuing Bank, and each Lender all reasonable out-of-pocket expenses incurred or paid by the Administrative Agent, the Issuing Bank, or such Lender, including reasonable attorneys' fees and court costs, in connection with any Default or Event of Default hereunder or in connection with the enforcement of any of the Credit Documents.

Section 7.7. Distribution and Application of Proceeds. After the occurrence of and during the continuance of an Event of Default, any payment to the Administrative Agent, the Issuing Bank, or any Lender hereunder or from the proceeds of the Collateral Account or otherwise shall be paid to the Administrative Agent to be distributed and applied as follows (unless otherwise agreed by the Borrower, the Administrative Agent, the Issuing Bank, and all Lenders):

(a) First, to the payment of any and all reasonable out-of-pocket costs and expenses of the Administrative Agent, including without limitation, reasonable attorneys' fees and out-of-pocket costs and expenses, as provided by this Agreement or by any other Credit Document, incurred in connection with the collection of such payment or in respect of the enforcement of any rights of the Administrative Agent, the Issuing Bank, or the Lenders under this Agreement or any other Credit Document;

(b) Second, to the payment of any and all reasonable out-of-pocket costs and expenses of the Issuing Bank and the Lenders, including, without limitation, reasonable attorneys' fees and out-of-pocket costs and expenses, as provided by this Agreement or by any other Credit Document, incurred in connection with the collection of such payment or in respect of the enforcement of any rights of the Lenders or the Issuing Bank under this Agreement or any other Credit Document, pro rata in the proportion in which the amount of such costs and expenses unpaid to each Lender or the Issuing Bank bears to the aggregate amount of the costs and expenses unpaid to all Lenders and the Issuing Bank collectively, until all such fees, costs and expenses have been paid in full;

(c) Third, to the payment of any due and unpaid fees to the Administrative Agent or any Lender or Issuing Bank as provided by this Agreement or any other Credit Document, pro rata in the proportion in which the amount of such fees due and unpaid to the Administrative Agent and each Lender and Issuing Bank bears to the aggregate amount of the fees due and unpaid to the Administrative Agent and all Lenders and Issuing Bank collectively, until all such fees have been paid in full;

(d) Fourth, to the payment of accrued and unpaid interest on the Loans or the Reimbursement Obligations to the date of such application, pro rata in the proportion in which the amount of such interest, accrued and unpaid to each Lender or the Issuing Bank bears to the aggregate amount of such interest accrued and unpaid to all Lenders and the Issuing Bank collectively, until all such accrued and unpaid interest has been paid in full;

(e) Fifth, to the payment of the outstanding due and payable principal amount of each of the Loans and the amount of the outstanding Reimbursement Obligations (reserving cash collateral for all undrawn face amounts of any outstanding Letters of Credit (if Section 7.4(a) has not been complied with)), pro rata in the proportion in which the outstanding principal amount of such Loans and the amount of such outstanding Reimbursement Obligations owing to each Lender and Issuing Bank, together (if Section 7.4(a) has not been complied with) with the undrawn face amounts of such outstanding Letters of Credit, bears to the aggregate amount of all outstanding Loans, outstanding Reimbursement Obligations and (if Section 7.4(a) has not been complied with) the undrawn face amounts of all outstanding Letters of Credit. In the event that any such Letters of Credit, or any portions thereof, expire without being drawn, any cash collateral therefor shall be distributed by the Administrative Agent until the principal amount of all Loans and Reimbursement Obligations shall have been paid in full;

(f) Sixth, to the payment of any other outstanding Obligations then due and payable, pro rata in the proportion in which the outstanding Obligations owing to each Lender, Issuing Bank and Administrative Agent bears to the aggregate amount of all such Obligations until all such Obligations have been paid in full; and

(g) Seventh, to the Borrower or as the Borrower may direct.

ARTICLE 8. CHANGE IN CIRCUMSTANCES.

Section 8.1. Change of Law.

(a) Notwithstanding any other provisions of this Agreement or any Note, if at any time any change, after the date hereof (or, if later, after the date the Administrative Agent or any Issuing Bank or Lender becomes the Administrative Agent or an Issuing Bank or Lender), in applicable law or regulation or in the interpretation thereof makes it unlawful for any Lender to make or maintain Eurocurrency Loans or to fund any Loans in Euros, Pounds, Australian Dollars, Canadian Dollars, Singapore Dollars, or Kroner, or the Issuing Bank to issue any Letter of Credit or to provide payment thereunder in Euros, Pounds, Australian Dollars, Canadian Dollars, Singapore Dollars, or Kroner, such Lender or Issuing Bank, as the case may be, shall promptly give written notice thereof and of the basis therefor in reasonable detail to the Borrower, and such Lender's or Issuing Bank's obligations to fund affected Eurocurrency Loans or make, continue or convert such Loans under this Agreement, or to issue any such Letters of Credit, as the case may be, shall thereupon be suspended until it is no longer unlawful for such Lender to make or maintain such Loans or issue such Letters of Credit.

(b) Upon the giving of the notice to Borrower referred to in subsection (a) above in respect of any such Loan, and provided the Borrower shall not have prepaid such Loan pursuant to Section 2.9, (i) any outstanding such Loan of such Lender shall be automatically converted to a Base Rate Loan in Dollars on the last day of the Interest Period then applicable thereto or on such earlier date as required by law, and (ii) such Lender shall make or continue its portion of any requested Borrowing of such Loan as a Base Rate Loan in Dollars, which Base Rate Loan shall, for all other purposes, be considered part of such Borrowing.

(c) Any Lender or Issuing Bank that has given any notice pursuant to Section 8.1(a) shall, upon determining that it would no longer be unlawful for it to make such Loans or issue such Letters of Credit, give prompt written notice thereof to the Borrower and the Administrative Agent, and upon giving such notice, its obligation to make, allow conversions into and maintain such Loans or issue such Letters of Credit shall be reinstated.

Section 8.2. Unavailability of Deposits or Inability to Ascertain LIBOR Rate. If on or before the first day of any Interest Period for any Borrowing of Eurocurrency Loans the Administrative Agent determines in good faith (after consultation with the other Lenders) that, due to changes in circumstances since the date hereof, adequate and fair means do not exist for determining the LIBOR Rate or such rate will not accurately reflect the cost to the Required Lenders of funding Eurocurrency Loans in the applicable currency for such Interest Period, the Administrative Agent shall give written notice (in reasonable detail) of such determination and of the basis therefor to the Borrower and the Lenders, whereupon until the Administrative Agent notifies the Borrower and Lenders that the circumstances giving rise to such suspension no longer exist (which the Administrative Agent shall do promptly after they do not exist), (i) the obligations of the Lenders to fund Loans in Euro, Pounds,Australian Dollars, Canadian Dollars, Singapore Dollars, or Kroner, or make, continue or convert Loans as or into such Eurocurrency Loans, or to convert Base Rate Loans into such Eurocurrency Loans, shall be suspended and (ii) each Eurocurrency Loan will automatically on the last day of the then existing Interest Period therefor, convert into a Base Rate Loan in Dollars.

Section 8.3. Increased Cost and Reduced Return.

(a) If, on or after the date hereof, the adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender or Issuing Bank (or its Lending Office), with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency exercising control over banks or financial institutions generally issued after the date hereof (or, if later, after the date the Administrative Agent, Issuing Bank, or Lender becomes the Administrative Agent, Issuing Bank, or Lender):

(i) subjects any Lender or Issuing Bank (or its Lending Office) to any tax, duty or other charge related to any Eurocurrency Loan, Reimbursement Obligation, or its obligation to advance or maintain Eurocurrency Loans or issue any Letter of Credit, or shall change the basis of taxation of payments to any Lender or Issuing Bank (or its Lending Office) of the principal of or interest on its Eurocurrency Loans, Letters of Credit or Reimbursement Obligation or any participations in any thereof, or any other amounts due under this Agreement related to its Eurocurrency Loans, Letters of Credit, Reimbursement Obligations or participations therein, or its obligation to make Eurocurrency Loans, issue Letters of Credit, or acquire participations therein (except for changes with respect to taxes that are not Indemnified Taxes pursuant to Section 3.3); or

(ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding for any Eurocurrency Loan any such requirement included in an applicable Statutory Reserve Rate) against assets of, deposits with or for the account of, or credit extended by, any Lender or Issuing Bank (or its Lending Office) or imposes on any Lender or Issuing Bank (or its Lending Office) or on the interbank market any other condition affecting its Eurocurrency Loans, Letters of Credit, any Reimbursement Obligations owed to it, or its participation in any thereof, or its obligation to advance or maintain Eurocurrency Loans, issue Letters of Credit or participate in any thereof;

and the result of any of the foregoing is to increase the cost to such Lender or Issuing Bank (or its Lending Office) of advancing or maintaining any Eurocurrency Loan, issuing or maintaining a Letter of Credit or participating therein, or to reduce the amount of any sum received or receivable by such Lender or Issuing Bank (or its Lending Office) in connection therewith under this Agreement or its Note, by an amount deemed by such Lender or Issuing Bank to be material, then, subject to Section 8.3(c), from time to time, within thirty (30) days after receipt of a certificate from such Lender or Issuing Bank (with a copy to the Administrative Agent) pursuant to subsection (c) below setting forth in reasonable detail such determination and the basis thereof, the Borrower shall be obligated to pay to such Lender or Issuing Bank such additional amount or amounts as will compensate such Lender or Issuing Bank for such increased cost or reduction.

(b) If, after the date hereof, the Administrative Agent or any Lender or Issuing Bank shall have reasonably determined that the adoption after the date hereof of any applicable law, rule or regulation regarding capital adequacy, or any change therein (including, without limitation, any revision in the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 CFR Part 208, Appendix A; 12 CFR Part 225, Appendix A) or of the Office of the Comptroller of the Currency (12 CFR Part 3, Appendix A), or in any other applicable capital adequacy rules heretofore adopted and issued by any governmental authority), or any change after the date hereof in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Administrative Agent or any Lender or Issuing Bank (or its Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's or Issuing Bank's capital, or on the capital of any corporation controlling such Lender or Issuing Bank, as a consequence of its obligations hereunder to a level below that which such Lender or Issuing Bank could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or Issuing Bank's or its controlling corporation's policies with respect to capital adequacy in effect immediately before such adoption, change or compliance) by an amount reasonably deemed by such Lender or Issuing Bank to be material, then, subject to Section 8.3(c), from time to time, within thirty (30) days after its receipt of a certificate from such Lender or Issuing Bank (with a copy to the Administrative Agent) pursuant to subsection (c) below setting forth in reasonable detail such determination and the basis thereof, the Borrower shall pay to such Lender or Issuing Bank such additional amount or amounts as will compensate such Lender or Issuing Bank for such reduction or the Borrower may prepay all Eurocurrency Loans of such Lender or obtain the cancellation of all such Letters of Credit.

(c) The Administrative Agent and each Lender and Issuing Bank that determines to seek compensation or additional interest under this Section 8.3 or Section 2.15 shall give written notice to the Borrower and, in the case of a Lender or Issuing Bank other than the Administrative Agent, the Administrative Agent of the circumstances that entitle the Administrative Agent or such Lender or Issuing Bank to such compensation no later than ninety (90) days after the Administrative Agent or such Lender or Issuing Bank receives actual notice or obtains actual knowledge of the law, rule, order or interpretation or occurrence of another event giving rise to a claim hereunder. In any event the Borrower shall not have any obligation to pay any amount with respect to claims accruing prior to the ninetieth day preceding such written demand. The Administrative Agent and each Lender and Issuing Bank shall use reasonable efforts to avoid the need for, or reduce the amount of, such compensation, additional interest, and any payment under Section 3.3, including, without limitation, the designation of a different Lending Office, if such action or designation will not, in the sole judgment of the Administrative Agent or such Lender or Issuing Bank made in good faith, be otherwise disadvantageous to it; provided that the foregoing shall not in any way affect the rights of any Lender or Issuing Bank or the obligations of the Borrower under this Section 8.3 or Section 2.15, and provided further that no Lender or Issuing Bank shall be obligated to make its Eurocurrency Loans hereunder or fund any amount due in respect of a Letter of Credit at any office located in the United States of America. A certificate of the Administrative Agent or any Lender or Issuing Bank, as applicable, claiming compensation or additional interest under this Section 8.3 or Section 2.15, and setting forth the additional amount or amounts to be paid to it hereunder and accompanied by a statement prepared by the Administrative Agent or such Lender or Issuing Bank, as applicable, describing in reasonable detail the calculations thereof shall be prima facie evidence of the correctness thereof. In determining such amount, such Lender or Issuing Bank may use any reasonable averaging and attribution methods.

Section 8.4. Lending Offices. The Administrative Agent and each Lender and Issuing Bank may, at its option, elect to make or maintain its Loans and issue its Letters of Credit hereunder at the Lending Office for each type of Loan or Letter of Credit available hereunder or at such other of its branches, offices or affiliates as it may from time to time elect and designate in a written notice to the Borrower and the Administrative Agent, provided that, except in the case of any such transfer to another of its branches, offices or affiliates made at the request of the Borrower, the Borrower shall not be responsible for the costs arising under Section 3.3 or 8.3 resulting from any such transfer to the extent not otherwise applicable to such Lender or Issuing Bank prior to such transfer.

Section 8.5. Discretion of Lender as to Manner of Funding. Subject to the other provisions of this Agreement, each Lender and Issuing Bank shall be entitled to fund and maintain its funding of all or any part of its Loans and Letters of Credit in any manner it sees fit.

Section 8.6. Substitution of Lender or Issuing Bank. If (a) any Lender or Issuing Bank has demanded compensation or additional interest or given notice of its intention to demand compensation or additional interest under Section 8.3 or Section 2.15, (b) the Borrower is required to pay any additional amount to any Lender or Issuing Bank under Section 2.11, (c) any Lender or Issuing Bank is unable to submit any form or certificate required under Section 3.3(b) or withdraws or cancels any previously submitted form with no substitution therefor, (d) any

Lender or Issuing Bank gives notice of any change in law or regulations, or in the interpretation thereof, pursuant to Section 8.1, (e) any Lender or Issuing Bank has been declared insolvent or a receiver or conservator has been appointed for a material portion of its assets, business or properties or (f) any Lender or Issuing Bank shall seek to avoid its obligation to make or maintain Loans or issue Letters of Credit hereunder for any reason, including, without limitation, reliance upon 12 U.S.C. Sec. 1821(e) or (n) (1) (B), (g) any taxes referred to in Section 3.3 have been levied or imposed (or the Borrower determines in good faith that there is a substantial likelihood that such taxes will be levied or imposed) so as to require withholding or deductions by the Borrower or payment by the Borrower of additional amounts to any Lender or Issuing Bank, or other reimbursement or indemnification of any Lender or Issuing Bank, as a result thereof, (h) any Lender shall decline to consent to a modification or waiver of the terms of this Agreement or any other Credit Documents requested by the Borrower, or (i) the Issuing Bank gives notice pursuant to Section 2.12(a)(ii) that the issuance of the Letter of Credit would violate any legal or regulatory restriction then applicable to such Issuing Bank, then and in such event, upon request from the Borrower delivered to such Lender or Issuing Bank, and the Administrative Agent, such Lender shall assign, in accordance with the provisions of Section 10.10 and an appropriately completed Assignment Agreement, all of its rights and obligations under the Credit Documents to another Lender or a commercial banking institution selected by the Borrower and (in the case of a commercial banking institution) reasonably satisfactory to the Administrative Agent, in consideration for the payments set forth in such Assignment Agreement and payment by the Borrower to such Lender of all other amounts which such Lender may be owed pursuant to this Agreement, including, without limitation, Sections 2.11, 2.15, 3.3, 8.3 and 10.13.

ARTICLE 9. THE AGENTS.

Section 9.1. Appointment and Authorization of Administrative Agent and Other Agents. Each Lender hereby appoints STB as the Administrative Agent,Citibank N.A. and Bank of America, N.A., as the Co-Syndication Agents,The Royal Bank of Scotland plc and Bank One, NA,as the Co-Documentation Agents, Wells Fargo Bank, N. A. and UBS Loan Finance LLC as Managing Agents and The Bank of New York, Den norske Bank ASA and HSBC Bank USA as Co-Agents under the Credit Documents and hereby authorizes the Administrative Agent and such Other Agents to take such action as the Administrative Agent and such Other Agents on each of its behalf and to exercise such powers under the Credit Documents as are delegated to the Administrative Agent and the Other Agents, respectively, by the terms thereof, together with such powers as are reasonably incidental thereto.

Section 9.2. Rights and Powers. The Administrative Agent and the Other Agents shall have the same rights and powers under the Credit Documents as any other Lender and may exercise or refrain from exercising such rights and power as though it were not an Administrative Agent, or an Other Agent, and the Administrative Agent and the Other Agents and their respective Controlling Affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any of its Subsidiaries or Controlling Affiliates as if it were not an Administrative Agent or an Other Agent under the Credit Documents. The term Lender as used in all Credit Documents, unless the context otherwise clearly requires, includes the Administrative Agent and the Other Agents in their respective individual capacities as a Lender.

Section 9.3. Action by Administrative Agent and the Other Agents. The obligations of the Administrative Agent and the Other Agents under the Credit Documents are only those expressly set forth therein. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action concerning any Default or Event of Default, except as expressly provided in Sections 7.2 and 7.4. Unless and until the Required Lenders (or, if required by Section 10.11, all of the Lenders) give such direction (including, without limitation, the giving of a notice of default as described in Section 7.1(c)), the Administrative Agent may, except as otherwise expressly provided herein or therein, take or refrain from taking such actions as it deems appropriate and in the best interest of all the Lenders. In no event, however, shall the Administrative Agent or the Other Agents be required to take any action in violation of applicable law or of any provision of any Credit Document, and each of the Administrative Agent and the Other Agents shall in all cases be fully justified in failing or refusing to act hereunder or under any other Credit Document unless it first receives any further assurances of its indemnification from the Lenders that it may require, including prepayment of any related expenses and any other protection it requires against any and all costs, expenses, and liabilities it may incur in taking or continuing to take any such action. The Administrative Agent shall be entitled to assume that no Default or Event of Default, other than non-payment of any scheduled principal or interest payment due hereunder, exists unless notified in writing to the contrary by a Lender or the Borrower. In all cases in which the Credit Documents do not require the Administrative Agent or the Other Agents to take specific action, the Administrative Agent and each of the Other Agents shall be fully justified in using its discretion in failing to take or in taking any action thereunder. Any instructions of the Required Lenders, or of any other group of Lenders called for under specific provisions of the Credit Documents, shall be binding on all the Lenders and holders of Notes.

Section 9.4. Consultation with Experts. Each of the Administrative Agent and the Other Agents may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 9.5. Indemnification Provisions; Credit Decision. Neither the Administrative Agent, the Other Agents nor any of their directors, officers, agents, or employees shall be liable for any action taken or not taken by them in connection with the Credit Documents (i) with the consent or at the request of the Required Lenders (or, if required by Section 10.11, all of the Lenders), or (ii) in the absence of their own gross negligence or willful misconduct. Neither the Administrative Agent, the Other Agents nor any of their directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement, any other Credit Document or any Borrowing; (ii) the performance or observance of any of the covenants or agreements of the Borrower or any Subsidiary contained herein or in any other Credit Document; (iii) the satisfaction of any condition specified in Article 4, except receipt of items required to be delivered to the Administrative Agent; or (iv) the validity, effectiveness, genuineness, enforceability, value, worth or collectability hereof or of any other Credit Document or of any other documents or writings furnished in connection with any Credit Document; and the Administrative Agent and the Other Agents make no representation of any kind or character with respect to any such matters mentioned in this sentence. The Administrative Agent and the Other Agents may execute any of their duties under any of the Credit Documents by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders or any other Person for the default or misconduct of any such agents or attorneys-in-fact selected with reasonable care. The Administrative Agent and the Other Agents shall not incur any liability by acting in reliance upon any notice, consent, certificate, other document or statement (whether written or oral) believed by it to be genuine or to be sent by the proper party or parties. In particular and without limiting any of the foregoing, the Administrative Agent and the Other Agents shall have no responsibility for confirming the accuracy of any Compliance Certificate or other document or instrument received by any of them under the Credit Documents. The Administrative Agent and the Other Agents may treat the payee of any Note as the holder thereof until written notice of transfer shall have been filed with such Administrative Agent signed by such owner in form satisfactory to such Administrative Agent. Each Lender acknowledges that it has independently, and without reliance on the Administrative Agent, the Other Agents or any other Lender, obtained such information and made such investigations and inquiries regarding the Borrower and its Subsidiaries as it deems appropriate, and based upon such information, investigations and inquiries, made its own credit analysis and decision to extend credit to the Borrower in the manner set forth in the Credit Documents. It shall be the responsibility of each Lender to keep itself informed about the creditworthiness and business, properties, assets, liabilities, condition (financial or otherwise) and prospects of the Borrower and its Subsidiaries, and the Administrative Agent and the Other Agents shall have no liability whatsoever to any Lender for such matters. The Administrative Agent and the Other Agents shall have no duty to disclose to the Lenders information that is not required by any Credit Document to be furnished by the Borrower or any Subsidiaries to such Agent at such time, but is voluntarily furnished to such Agent (either in their respective capacity as Administrative Agent or the Other Agents or in their individual capacity).

Section 9.6. Indemnity. The Lenders shall ratably, in accordance with their Percentages, indemnify and hold the Administrative Agent, the Other Agents, and their directors, officers, employees, agents and representatives harmless from and against any liabilities, losses, costs or expenses suffered or incurred by it under any Credit Document or in connection with the transactions contemplated thereby, regardless of when asserted or arising, except to the extent they are promptly reimbursed for the same by the Borrower and except to the extent that any event giving rise to a claim was caused by the gross negligence or willful misconduct of the party seeking to be indemnified. The obligations of the Lenders under this Section 9.6 shall survive termination of this Agreement.

Section 9.7. Resignation of Agents and Successor Agents. The Administrative Agent and the Other Agents may resign at any time and shall resign upon any removal thereof as a Lender pursuant to the terms of this Agreement upon at least thirty (30) days' prior written notice to the Lenders and the Borrower. Any resignation of the Administrative Agent shall not be effective until a replacement therefor is appointed pursuant to the terms hereof. Upon any such resignation of the Administrative Agent or any Other Agent, the Required Lenders and, so long as no Event of Default shall then exist, with the consent of the Borrower (which consent shall not be unreasonably withheld or delayed) shall have the right to appoint a successor Administrative Agent or Other Agent, as the case may be. If no successor Administrative Agent or Other Agent, as the case may be, shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent's or Other Agent's giving of notice of resignation, then the retiring Administrative Agent or Other Agent, as the case may be, may, on behalf of the Lenders and, so long as no Event of Default shall then exist, with the consent of the Borrower (which consent shall not be unreasonably withheld or delayed) appoint a successor Administrative Agent or Other Agent, as the case may be, which shall be any Lender hereunder or any commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $1,000,000,000. Upon the acceptance of its appointment as the Administrative Agent or the Other Agent hereunder, such successor Administrative Agent or Other Agent, as the case may be, shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent or Other Agent, as the case may be, under the Credit Documents, and the retiring Administrative Agent or Other Agent shall be discharged from its duties and obligations thereunder. After any retiring Administrative Agent's or Other Agent's resignation hereunder as Administrative Agent or Other Agent, as the case may be, the provisions of this Article 9 and all protective provisions of the other Credit Documents shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent or Other Agent, as the case may be.

ARTICLE 10. MISCELLANEOUS.

Section 10.1. No Waiver. No delay or failure on the part of the Administrative Agent or any Lender or Issuing Bank, or on the part of the holder or holders of any Notes, in the exercise of any power, right or remedy under any Credit Document shall operate as a waiver thereof or as an acquiescence in any default, nor shall any single or partial exercise thereof preclude any other or further exercise of any other power, right or remedy. To the fullest extent permitted by applicable law, the powers, rights and remedies under the Credit Documents of the Administrative Agent, the Lenders, the Issuing Bank and the holder or holders of any Notes are cumulative to, and not exclusive of, any powers, rights or remedies any of them would otherwise have.

Section 10.2. Non-Business Day. Subject to Section 2.4, if any payment of principal or interest on any portion of any Loan, any Reimbursement Obligation, or any other Obligation shall fall due on a day which is not a Business Day, interest or fees (as applicable) at the rate, if any, such portion of any Loan, any Reimbursement Obligation, or other Obligation bears for the period prior to maturity shall continue to accrue in the manner set forth herein on such Obligation from the stated due date thereof to the next succeeding Business Day, on which the same shall instead be payable.

Section 10.3. Documentary Taxes. The Borrower agrees that it will pay any documentary, stamp or similar taxes payable with respect to any Credit Document, including interest and penalties, in the event any such taxes are assessed irrespective of when such assessment is made, other than any such taxes imposed as a result of any transfer of an interest in a Credit Document. Each Lender and Issuing Bank that determines to seek compensation under this Section 10.3 shall give written notice to the Borrower and, in the case of a Lender or Issuing Bank other than the Administrative Agent, the Administrative Agent of the circumstances that entitle such Lender or Issuing Bank to such compensation no later than ninety (90) days after such Lender or Issuing Bank receives actual notice or obtains actual knowledge of the law, rule, order or interpretation or occurrence of another event giving rise to a claim hereunder. In any event, the Borrower shall not have any obligation to pay any amount with respect to claims accruing prior to the 90th day preceding such written demand.

Section 10.4. Survival of Representations. All representations and warranties made herein or in certificates given pursuant hereto shall survive the execution and delivery of this Agreement and the other Credit Documents, and shall continue in full force and effect with respect to the date as of which they were made as long as the Borrower has any Obligation hereunder or any Commitment hereunder is in effect.

Section 10.5. Survival of Indemnities. All indemnities and all provisions relative to reimbursement to the Lenders and Issuing Bank of amounts sufficient to protect the yield of the Lenders and Issuing Bank with respect to the Loans and the L/C Obligations, including, but not limited to, Section 2.11, Section 2.15, Section 3.3, Section 7.6, Section 8.3, Section 10.3, and Section 10.13 hereof, shall, subject to Section 8.3(c), survive the termination of this Agreement and the other Credit Documents and the payment of the Loans and all other Obligations and, with respect to any Lender or Issuing Bank, any replacement by the Borrower of such Lender pursuant to the terms hereof, in each case for a period of one (1) year.

Section 10.6. Setoff. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence of, and throughout the continuance of, any Event of Default, each Lender and Issuing Bank and each subsequent holder of any Note is hereby authorized by the Borrower at any time or from time to time, without notice to the Borrower or any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, Indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts, and in whatever currency denominated) and any other Indebtedness at any time owing by that Lender or that subsequent holder to or for the credit or the account of the Borrower, whether or not matured, against and on account of the due and unpaid obligations and liabilities of the Borrower to that Lender or Issuing Bank or that subsequent holder under the Credit Documents, irrespective of whether or not that Lender or Issuing Bank or that subsequent holder shall have made any demand hereunder. Each Lender or Issuing Bank shall promptly give notice to the Borrower of any action taken by it under this Section 10.6,provided that any failure of such Lender or Issuing Bank to give such notice to the Borrower shall not affect the validity of such setoff. Each Lender and Issuing Bank agrees with each other Lender and Issuing Bank a party hereto that if such Lender or Issuing Bank receives and retains any payment, whether by setoff or application of deposit balances or otherwise, in respect of the Loans or L/C Obligations in excess of its ratable share of payments on all such Obligations then owed to the Lenders and Issuing Bank hereunder, then such Lender or Issuing Bank shall purchase for cash at face value, but without recourse, ratably from each of the other Lenders such amount of the Loans and L/C Obligations and participations therein held by each such other Lender as shall be necessary to cause such Lender or Issuing Bank to share such excess payment ratably with all the other Lenders;provided, however, that if any such purchase is made by any Lender or Issuing Bank, and if such excess payment or part thereof is thereafter recovered from such purchasing Lender or Issuing Bank, the related purchases from the other Lenders or Issuing Bank shall be rescinded ratably and the purchase price restored as to the portion of such excess payment so recovered, but without interest.

Section 10.7. Notices. Except as otherwise specified herein, all notices under the Credit Documents shall be in writing (including cable, telecopy or telex) and shall be given to a party hereunder at its address, telecopier number or telex number set forth below or such other address, telecopier number or telex number as such party may hereafter specify by notice to the Administrative Agent and the Borrower, given by courier, by United States certified or registered mail, by telegram or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices under the Credit Documents to the Lenders shall be addressed to their respective addresses, telecopier or telex number, or telephone numbers set forth on their applicable Administrative Questionnaire, and to the Borrower, the Administrative Agent and the Issuing Bank to:

The Borrower:	Transocean Inc. 4 Greenway Plaza Houston, Texas 77046 Attention: Todd Kulp Telephone No.: (713) 232-7165 Fax No.: (713) 232-7766
With a copy to:	Baker Botts LLP One Shell Plaza Houston, Texas 77002-4995 Attention: Stephen Krebs Telephone No. (713) 229-1467 Fax No.: (713) 229-1522
To the Administrative Agent:	SunTrust Bank 303 Peachtree Street, N. E. Atlanta, Georgia 30308 Attention: Joe McCreery Telecopy Number: (404) 827-6270

With a copy to: SunTrust Bank
Agency Services
303 Peachtree Street, N. E./ 25th Floor
Atlanta, Georgia 30308
Attention: Ms. Doris Folsum
Telecopy Number: (404) 658-4906

and

King & Spalding LLP
191 Peachtree Street, N.E.
Atlanta, Georgia 30303
Attention: Chip Conrad
Telecopy Number: (404) 572-5100

To the Issuing Bank: SunTrust Bank
25 Park Place, N. E./Mail Code 3706
Atlanta, Georgia 30303
Attention: Jon Conley
Telecopy Number: (404) 588-8129

Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section 10.7 or pursuant to Section 10.10 and a confirmation of receipt of such telecopy has been received by the sender, (ii) if given by courier, when delivered, (iii) if given by mail, five (5) days after such communication is deposited in the mail, certified or registered with return receipt requested, or (iv) if given by any other means, when delivered at the addresses specified in this Section 10.7, or pursuant to Section 10.10; provided that any notice given pursuant to Article 2 shall be effective only upon receipt and, provided further, that any notice that but for this proviso would be effective after the close of business on a Business Day or on a day that is not a Business Day shall be effective at the opening of business on the next Business Day.

Section 10.8. Counterparts. This Agreement may be executed in any number of counterparts, and by the different parties on different counterpart signature pages, each of which when executed shall be deemed an original, but all such counterparts taken together shall constitute one and the same Agreement.

Section 10.9. Successors and Assigns. This Agreement shall be binding upon the Borrower, each of the Lenders, the Issuing Bank, the Administrative Agent, the Other Agents, and their respective successors and assigns, and shall inure to the benefit of the Borrower, each of the Lenders, the Issuing Bank, the Administrative Agent, the Other Agents, and their respective successors and assigns, including any subsequent holder of any Note;provided, however, the Borrower may not assign any of its rights or obligations under this Agreement or any other Credit Document without the written consent of all Lenders, the Issuing Bank, the Administrative Agent and the Other Agents, and the Administrative Agent and the Other Agents may not assign any of their respective rights or obligations under this Agreement or any Credit

Document except in accordance with Article 9 and no Lender or Issuing Bank may assign any of its rights or obligations under this Agreement or any other Credit Document except in accordance with Section 10.10. Any Lender or Issuing Bank may at any time pledge or assign all or any portion of its rights under this Agreement and the Notes issued to it (i) to a Federal Reserve Bank to secure extensions of credit by such Federal Reserve Bank to such Lender, or (ii) in the case of any Lender that is a fund comprised in whole or in part of commercial loans, to a trustee for such fund in support of such Lender's obligations to such trustee;provided that no such pledge or assignment shall release a Lender or Issuing Bank from any of its obligations hereunder or substitute any such Federal Reserve Bank or such trustee for such Lender as a party hereto and the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely with such Lender or Issuing Bank in connection with the rights and obligations of such Lender and Issuing Bank under this Agreement.

Section 10.10. Sales and Transfers of Borrowing and Notes; Participations in Borrowings and Notes.

(a) Any Lender may, upon written notice to the Borrower and the Administrative Agent, at any time sell to one or more commercial banking or other financial or lending institutions ("Participants") participating interests in any Commitment of such Lender hereunder, provided that no Lender may sell any participating interests in any such Commitment hereunder without also selling to such Participant the appropriate pro rata share of all such Lender's Commitment, and provided further that no Lender shall transfer, grant or assign any participation under which the Participant shall have rights to vote upon or to consent to any matter to be decided by the Lenders or the Required Lenders hereunder or under any other Credit Document or to approve any amendment to or waiver of this Agreement or any other Credit Document except to the extent such amendment or waiver would (i) increase the amount of such Lender's Commitment and such increase would affect such Participant, (ii) reduce the principal of, or interest on, any of such Lender's Borrowings, or any fees or other amounts payable to such Lender hereunder and such reduction would affect such Participant, (iii) postpone any date fixed for any scheduled payment of principal of, or interest on, any of such Lender's Borrowings, or any fees or other amounts payable to such Lender hereunder and such postponement would affect such Participant, or (iv) release any collateral security for any Obligation, except as otherwise specifically provided in any Credit Document. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Note for all purposes under this Agreement, the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and such Lender shall retain the sole right to enforce the obligations of the Borrower under any Credit Document. The Borrower agrees that if amounts outstanding under this Agreement and the Notes shall have been declared or shall have become due and payable in accordance with Section 7.2 or 7.3 upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement and any Note to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement or any Note, provided that such right of setoff shall be subject to the obligation of such Participant to share with the Lenders, and the Lenders agree to share with such Participant, as provided in Section 10.6. The Borrower also agrees that each Participant shall be entitled to the benefits of and have the obligations under Sections 2.11, 2.15, 3.3 and 8.3 with respect to its participation in the Commitments and the Borrowings outstanding from time to time, provided that no Participant shall be entitled to receive any greater amount pursuant to such Sections than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred if no participation had been transferred and provided, further, that Sections 8.3(c) and 8.6 shall apply to the transferor Lender with respect to any claim by any Participant pursuant to Section 2.11, 2.15, 3.3 or 8.3 as fully as if such claim was made by such Lender. Anything herein to the contrary notwithstanding, the Borrower shall not, at any time, be obligated to pay to any Lender any sum in excess of the sum the Borrower would have been obligated to pay to such Lender hereunder if such Lender had not sold any participation in its rights and obligations under this Agreement or any other Credit Document.

(b) Any Lender may at any time sell to (i) any of such Lender's affiliates or to any other Lender or any affiliate thereof that, in each case, is a commercial banking or other financial or lending institution not subject to Regulation T of the Board of Governors of the Federal Reserve System and, (ii) with the prior written consent of the Administrative Agent and the Borrower (which shall not be unreasonably withheld or delayed), to one or more commercial banking or other financial or lending institutions not subject to Regulation T of the Board of Governors of the Federal Reserve System (any of (i) or (ii), a "Purchasing Lender"), all or any part of its rights and obligations under this Agreement and the other Credit Documents, pursuant to an Assignment Agreement in the form attached as Exhibit 10.10, executed by such Purchasing Lender and such transferor Lender (and, in the case of a Purchasing Lender which is not then a Lender or an affiliate thereof, by the Borrower and the Administrative Agent) and delivered to the Administrative Agent; provided that each such sale to a Purchasing Lender (other than an existing Lender) shall be in the Dollar Equivalent amount of $5,000,000 or more, or if in a lesser amount or if as a result of such sale the sum of the unfunded Commitment of such Lender plus the aggregate principal amount of such Lender's Loans and participations in Letters of Credits would be less than the Dollar Equivalent amount of $5,000,000 (calculated as hereinafter set forth), such sale shall be of all of such Lender's rights and obligations under this Agreement and all of the other Credit Documents payable to it to one Purchasing Lender. Notwithstanding the requirement of the Borrower's consent set forth above, but subject to all of the other terms and conditions of this Section 10.10(b), any Lender may sell to one or more commercial banking or other financial or lending institutions not subject to Regulation T of the Board of Governors of the Federal Reserve System, all or any part of their rights and obligations under this Agreement and the other Credit Documents with only the consent of the Administrative Agent (which shall not be unreasonably withheld or delayed) if an Event of Default shall have occurred and be continuing. Upon such execution, delivery and acceptance, from and after the effective date of the transfer determined pursuant to such Assignment Agreement, (x) the Purchasing Lender thereunder shall be a party hereto and, to the extent provided in such Assignment Agreement, have the rights and obligations of a Lender hereunder with a Commitment as set forth herein and (y) the transferor Lender thereunder shall, to the extent provided in such Assignment Agreement, be released from its obligations under this Agreement (and, in the case of an Assignment Agreement covering all or the remaining portion of a transferor Lender's rights and obligations under this Agreement, such transferor Lender shall cease to be a party hereto). Such Assignment

Agreement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Lender and the resulting adjustment of Commitments and Percentages arising from the purchase by such Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement, the Notes and the other Credit Documents. On or prior to the effective date of the transfer determined pursuant to such Assignment Agreement, the Borrower, at its own expense, shall upon reasonable notice from the Administrative Agent execute and deliver to the Administrative Agent in exchange for any surrendered Note, a new Note as appropriate to the order of such Purchasing Lender in an amount equal to the Commitments assumed by it pursuant to such Assignment Agreement, and, if the transferor Lender has retained a Commitment or Borrowing hereunder, a new Note to the order of the transferor Lender in an amount equal to the Commitments or Borrowings retained by it hereunder. Such new Notes shall be dated the Initial Availability Date and shall otherwise be in the form of the Notes replaced thereby. The Notes surrendered by the transferor Lender shall be returned by the Administrative Agent to the Borrower marked "cancelled."

(c) Upon its receipt of an Assignment Agreement executed by a transferor Lender and a Purchasing Lender (and, in the case of a Purchasing Lender that is not then a Lender or an affiliate thereof, by the Administrative Agent and, to the extent required by Section 10.10(b), by the Borrower), together with payment by the transferor Lender to the Administrative Agent hereunder of a registration and processing fee of $1,000 (unless the Borrower is replacing such Lender pursuant to the terms hereof, in which event such fee shall be paid by the Borrower), the Administrative Agent shall (i) promptly accept such Assignment Agreement, and (ii) on the effective date of the transfer determined pursuant thereto give notice of such acceptance and recordation to the Lenders and the Borrower. The Borrower shall not be responsible for such registration and processing fee or any costs or expenses incurred by any Lender, any Purchasing Lender or the Administrative Agent in connection with such assignment except as provided above.

(d) If, pursuant to this Section 10.10 any interest in this Agreement or any Loan or Note is transferred to any transferee which is organized under the laws of any jurisdiction other than the United States of America or any State thereof, the transferor Lender shall cause such transferee, concurrently with the effectiveness of such transfer, (i) to represent to the transferor Lender (for the benefit of the transferor Lender, the Administrative Agent and the Borrower) that under applicable law and treaties no taxes will be required to be withheld by the Administrative Agent, the Borrower or the transferor Lender with respect to any payments to be made to such transferee in respect of the Loans or the L/C Obligations, (ii) to furnish to the transferor Lender (and, in the case of any Purchasing Lender, the Administrative Agent and the Borrower) two duly completed and signed copies of either U.S. Internal Revenue Service Form W-8 BEN or U.S. Internal Revenue Service Form W-8 ECI or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities (wherein such transferee claims entitlement to complete exemption from U.S. federal withholding tax on all interest payments hereunder), and (iii) to agree (for the benefit of the transferor Lender, the Administrative Agent and the Borrower) to provide the transferor Lender (and, in the case of any Purchasing Lender, the Administrative Agent and the Borrower) new forms as contemplated by Section 3.3(b) upon the expiration or obsolescence of any previously delivered form and comparable statements in accordance with applicable U.S. laws and regulations and amendments duly executed and completed by such transferee, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

(e) Notwithstanding any other provisions of this Section 10.10, no transfer or assignment of the interests of any Lender hereunder or any grant of participations therein shall be permitted if such transfer, assignment or grant would require the Borrower to file a registration statement with the SEC or to qualify the Loans, the Notes or any other Obligations under the securities laws of any jurisdiction.

Section 10.11. Amendments, Waivers and Consents. Any provision of the Credit Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by (a) the Borrower, (b) the Required Lenders, and (c) if the rights or duties of the Administrative Agent or the Other Agents are affected thereby, the Administrative Agent or the Other Agents, as the case may be,provided that:

(i) no amendment or waiver shall (A) increase the Revolving Credit Commitment Amount without the consent of all Lenders or increase any Commitment of any Lender without the consent of such Lender, or (B) postpone the Commitment Termination Date or Maturity Date without the consent of all Lenders, or reduce the amount of or postpone the date for any scheduled payment of any principal of or interest (including, without limitation, any reduction in the rate of interest unless such reduction is otherwise provided herein) on any Loan or Reimbursement Obligation or of any fee payable hereunder, without the consent of each Lender owed any such Obligation, or (C) release any Collateral for any Collateralized Obligations (other than as provided in accordance with Section 7.4) without the consent of all Lenders; and

(ii) no amendment or waiver shall, unless signed by each Lender, change the provisions of this Section 10.11 or the definition of Required Lenders or the number of Lenders required to take any action under any other provision of the Credit Documents.

Section 10.12. Headings. Section headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.

Section 10.13. Legal Fees, Other Costs and Indemnification. The Borrower, upon demand by the Administrative Agent, agrees to pay the reasonable fees and disbursements of legal counsel to the Administrative Agent in connection with the preparation and execution of the Credit Documents (which shall be in an amount agreed in writing by the Borrower), and any amendment, waiver or consent related thereto, whether or not the transactions contemplated therein are consummated. The Borrower further agrees to indemnify each Lender, Issuing Bank, the Administrative Agent, the Other Agents, and their respective directors, officers, employees and attorneys (collectively, the "Indemnified Parties"), against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all reasonable attorneys' fees and other reasonable expenses of litigation or preparation therefor, whether or not such Indemnified Party is a party thereto) which any of them may pay or incur as a result of (a) any action, suit or proceeding by any third party or Governmental Authority against such

Indemnified Party and relating to any Credit Document, the Loans, any Letter of Credit, or the application or proposed application by any of the Borrower of the proceeds of any Loan or use of any Letter of Credit, REGARDLESS OF WHETHER SUCH CLAIMS OR ACTIONS ARE FOUNDED IN WHOLE OR IN PART UPON THE ALLEGED SIMPLE OR CONTRIBUTORY NEGLIGENCE OF ANY OF THE INDEMNIFIED PARTIES AND/OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES OR ATTORNEYS, (b) any investigation of any third party or any Governmental Authority involving any Lender (as a lender hereunder), Issuing Bank, or the Administrative Agent or the Other Agents (in such capacity hereunder) and related to any use made or proposed to be made by the Borrower of the proceeds of any Loan, or use of any Letter of Credit or any transaction financed or to be financed in whole or in part, directly or indirectly with the proceeds of any Loan or Letter of Credit, and (c) any investigation of any third party or any Governmental Authority, litigation or proceeding involving any Lender (as a lender hereunder) or the Administrative Agent or the Other Agents (in such capacity hereunder) and related to any environmental cleanup, audit, compliance or other matter relating to any Environmental Law or the presence of any Hazardous Material (including, without limitation, any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any Environmental Law) with respect to the Borrower, regardless of whether caused by, or within the control of, the Borrower; provided, however, that the Borrower shall not be obligated to indemnify any Indemnified Party for any of the foregoing arising out of such Indemnified Party's gross negligence or willful misconduct, as determined pursuant to a judgment of a court of competent jurisdiction or as expressly agreed in writing by such Indemnified Party. The Borrower, upon demand by the Administrative Agent, the Other Agents or a Lender or Issuing Bank at any time, shall reimburse such Agent or such Lender or Issuing Bank for any reasonable legal or other expenses incurred in connection with investigating or defending against any of the foregoing, except if the same is excluded from indemnification pursuant to the provisions of the preceding sentence. Each Indemnified Party agrees to contest any indemnified claim if requested by the Borrower, in a manner reasonably directed by the Borrower, with counsel selected by the Indemnified Party and approved by the Borrower, which approval shall not be unreasonably withheld or delayed. Any Indemnified Party that proposes or intends to settle or compromise any such indemnified claim shall give the Borrower written notice of the terms of such settlement or compromise reasonably in advance of settling or compromising such claim or proceeding and shall obtain the Borrower's prior written consent thereto, which consent shall not be unreasonably withheld or delayed; provided that the Indemnified Party shall not be restricted from settling or compromising any such claim if the Indemnified Party waives its right to indemnity from the Borrower in respect of such claim and such settlement or compromise does not materially increase the Borrower's liability pursuant to this Section 10.13 to any related party of such Indemnified Party.

Section 10.14. Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.

(A) THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS, AND THE RIGHTS AND DUTIES OF THE PARTIES THERETO, SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK.

(B) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HERETO AGREE THAT ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF THE ADMINISTRATIVE AGENT, THE OTHER AGENTS, THE LENDERS, THE ISSUING BANK, OR THE BORROWER MAY BE BROUGHT AND MAINTAINED IN THE COURTS OF THE STATE OF NEW YORK SITTING IN THE BOROUGH OF MANHATTAN OR THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH SUCH LITIGATION. THE BORROWER HEREBY IRREVOCABLY DESIGNATES CT CORPORATION SYSTEM, 111 8TH AVENUE, NEW YORK, NEW YORK 10011, AS THE DESIGNEE, APPOINTEE AND AGENT OF THE BORROWER TO RECEIVE, FOR AND ON BEHALF OF THE BORROWER, SERVICE OF PROCESS IN SUCH JURISDICTION IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT HERETO. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS, BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT THE BORROWER HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OF NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, THE BORROWER HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS.

(C) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR ARISING FROM ANY BANKING RELATIONSHIP

EXISTING IN CONNECTION WITH THIS AGREEMENT, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

(D) EACH PARTY TO THIS AGREEMENT IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.7. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY TO THIS AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

Section 10.15. Confidentiality. Each of the Agents, Issuing Bank and Lenders agree to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to their respective affiliates and to prospective Purchasing Lenders and Participants and their respective directors, officers, employees and agents, including accountants, legal counsel and other advisors who have reason to use such Information in connection with the evaluation of the transactions contemplated by this Agreement (subject to similar confidentiality provisions as provided herein) solely for purposes of evaluating such Information, (ii) to the extent requested by any regulatory authority, (iii) to the extent required by applicable law or regulation or by any subpoena or similar legal process, (iv) in connection with the exercise of any remedies hereunder or any proceedings relating to this Agreement or the other Credit Documents, (v) with the consent of the Borrower, or (vi) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section 10.15, or (y) becomes available on a non-confidential basis from a source other than the Borrower or its affiliates, or the Lenders or their respective affiliates, excluding any Information from such source which, to the actual knowledge of the Agent, Issuing Bank or Lender receiving such Information, has been disclosed by such source in violation of a duty of confidentiality to the Borrower. For purposes hereof, "Information" means all information received by the Lenders from the Borrower relating to the Borrower or its business, other than any such information that is available to the Lenders on a non-confidential basis prior to disclosure by the Borrower, excluding any Information from a source which, to the actual knowledge of the Agent, Issuing Bank or Lender receiving such Information, has been disclosed by such source in violation of a duty of confidentiality to the Borrower. The Lenders shall be considered to have complied with their respective obligations if they have exercised the same degree of care to maintain the confidentiality of such Information as they would accord their own confidential information.Notwithstanding anything herein to the contrary, any party to this Agreement (and any employee, representative, or other agent of any party to this Agreement) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such tax treatment and tax structure.However, any such information relating to the tax treatment or tax structure is required to be kept confidential to the extent necessary to comply with any applicable federal or state securities laws.

Section 10.16. Effectiveness. This Agreement shall become effective on the date (the "Effective Date") on which the Borrower, the Administrative Agent, and each Lender have signed and delivered to the Administrative Agent a counterparty signature page hereto (including by facsimile or other electronic means) or the Administrative Agent has received a facsimile notice that such a counterpart has been signed and mailed to the Administrative Agent.

Section 10.17. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 10.18. Currency Conversion. All payments of Obligations under this Agreement, the Notes or any other Credit Document shall be made in Dollars, except for Loans funded, or Reimbursement Obligations with respect to Letters of Credit issued, in Euros, Pounds, Australian Dollars, Canadian Dollars, Singapore Dollars or Kroner, which shall be repaid, including interest thereon, in the applicable currency. If any payment of any Obligation, whether through payment by the Borrower or the proceeds of any collateral, shall be made in a currency other than the currency required hereunder, such amount shall be converted into the currency required hereunder at the current market spot rate for the purchase of the currency required hereunder with the currency in which such obligation was paid, as quoted by the Lender who is the Administrative Agent in accordance with the methods customarily used by such Lender for such purposes as of the time of such determination. The parties hereto hereby agree, to the fullest extent that they may effectively do so under applicable law, that (i) if for the purposes of obtaining any judgment or award it becomes necessary to convert from any currency other than the currency required hereunder into the currency required hereunder any amount in connection with the Obligations, then the conversion shall be made as provided above on the Business Day before the day on which the judgment or award is given, (ii) in the event that there is a change in the rate of exchange prevailing between the Business Day before the day on which the judgment or award is given and the date of payment, the Borrower will pay to the Administrative Agent, for the benefit of the Lenders, such additional amounts (if any) as may be necessary, and the Administrative Agent, on behalf of the Lenders, will pay to the Borrower such excess amounts (if any) as result from such change in the rate of exchange, to assure that the amount paid on such date is the amount in such other currency, which when converted at the rate of exchange described herein on the date of payment, is the amount then due in the currency required hereunder, and (iii) any amount due from the Borrower under this Section 10.18 shall be due as a separate debt and shall not be affected by judgment or award being obtained for any other sum due. For the avoidance of doubt, the parties affirm and agree that neither the fixing of the conversion rate of Pounds or Kroners against the Euro as a single currency, in accordance with the applicable treaties establishing the European Economic Community and the European Union, as the case may be, in each case, as amended from time to time, nor the conversion of the Obligations under this Agreement from Pounds or Kroners into Euros will be a reason for early termination or revision of this Agreement or prepayment of any amount due under this Agreement or create any liability of any party towards any other party for any direct or consequential loss arising from any of these events. As of the date that Pounds or Kroners are no longer the lawful currency of the United Kingdom or Norway, as the case may be, all funding and payment Obligations to be made in such affected currency under this Agreement shall be satisfied in Euros. If, in relation to the currency of any member state of the European Union that adopts the Euro as its lawful currency, the basis of accrual of interest expressed in this

Agreement in respect of that currency shall be inconsistent with any convention or practice in the London interbank market for the basis of accrual of interest in respect of the Euro, such expressed basis shall be replaced by such convention or practice with effect from the date on which such member state adopts the Euro as its lawful currency;provided that if any Borrowing in the currency of such member state is outstanding immediately prior to such date, such replacement shall take effect, with respect to such Borrowing, at the end of the then current Interest Period.

Section 10.19. Exchange Rates.

(a) Determination of Exchange Rates. Not later than 2:00 p.m. on each Calculation Date, the Administrative Agent shall (i) determine the Exchange Rate as of such Calculation Date with respect to Euros, Pounds, Australian Dollars, Canadian Dollars, Singapore Dollars and Kroner, and (ii) give notice thereof to the Lenders and the Borrower. The Exchange Rates so determined shall become effective on the first Business Day immediately following the relevant Calculation Date (a "Reset Date"), shall remain effective until the next succeeding Reset Date, and shall for all purposes of this Agreement (other than Section 10.18 or any other provision expressly requiring the use of a current Exchange Rate) be the Exchange Rates employed in determining the Dollar Equivalent of any amounts of Euros, Pounds, Australian Dollars, Canadian Dollars, Singapore Dollars or Kroner.

(b) Notice of Foreign Currency Loans and Letters of Credit. Not later than 5:00 p.m. on each Reset Date and each date on which Loans and/or Letters of Credit denominated in Euros, Pounds, Australian Dollars, Canadian Dollars, Singapore Dollars and/or Kroner are made or issued, the Administrative Agent shall (i) determine the Dollar Equivalent of the aggregate principal amounts of the Loans and L/C Obligations denominated in such currencies (after giving effect to any Loans and/or Letters of Credit denominated in such currencies being made, issued, repaid, or cancelled or reduced on such date), and (ii) notify the Lenders and the Borrower of the results of such determination.

Section 10.20. Change in Accounting Principles, Fiscal Year or Tax Laws. If (i) any change in accounting principles from those used in the preparation of the financial statements of the Borrower referred to in Section 5.9 is hereafter occasioned by the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board or the American Institute of Certified Public Accounts (or successors thereto or agencies with similar functions), and such change materially affects the calculation of any component of any financial covenant, standard or term found in this Agreement, or (ii) there is a material change in federal or foreign tax laws which materially affects any of the Borrower and its Subsidiaries' ability to comply with the financial covenants, standards or terms found in this Agreement, the Borrower and the Lenders agree to enter into negotiations in order to amend such provisions (with the agreement of the Required Lenders or, if required by Section 10.11, all of the Lenders) so as to equitably reflect such changes with the desired result that the criteria for evaluating any of the Borrower's and its Subsidiaries' financial condition shall be the same after such changes as if such changes had not been made. Unless and until such provisions have been so amended, the provisions of this Agreement shall govern.

Section 10.21. Final Agreement. The Credit Documents constitute the entire understanding among the Credit Parties, the Lenders, the Issuing Bank, and the Administrative Agent and supersede all earlier or contemporaneous agreements, whether written or oral, concerning the subject matter of the Credit Documents.THIS WRITTEN AGREEMENT TOGETHER WITH THE OTHER CREDIT DOCUMENTS REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 10.22. Officer's Certificates. It is not intended that any certificate of any officer of the Borrower delivered to the Administrative Agent or any Lender pursuant to this Agreement shall give rise to any personal liability on the part of such officer.

Section 10.23. Effect of Inclusion of Exceptions. It is not intended that the specification of any exception to any covenant herein shall imply that the excepted matter would, but for such exception, be prohibited or required.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their duly authorized officers as of the day and year first above written.

BORROWER:

TRANSOCEAN INC.,
a Cayman Islands company

By: /s/ C. Todd Kulp
Name: C. Todd Kulp
Title: Vice President and Treasurer

[SIGNATURE PAGE TO REVOLVING CREDIT AGREEMENT]

SUNTRUST BANK,
As Administrative Agent, Issuing Bank,
and a Lender

By: /s/ Joseph M. McCreery

Name: Joseph M. McCreery
Title: Vice President

COMMITMENT AMOUNT: $70,000,000

PERCENTAGE: 8.75%

[SIGNATURE PAGE TO REVOLVING CREDIT AGREEMENT]

CITIBANK, N.A.,
As a Co-Syndication Agent and a Lender

By: /s/ Charles R. Delamater

Name: Charles R. Delamater
Title: Managing Director
Senior Credit Officer

COMMITMENT AMOUNT: $70,000,000

PERCENTAGE: 8.75%

[SIGNATURE PAGE TO REVOLVING CREDIT AGREEMENT]

BANK OF AMERICA, N.A.,
As a Co-Syndication Agent and a Lender

By: /s/ Claire Liu
Name: Claire Liu
Title: Managing Director

COMMITMENT AMOUNT: $65,000,000

PERCENTAGE: 8.125%

[SIGNATURE PAGE TO REVOLVING CREDIT AGREEMENT]

THE ROYAL BANK OF SCOTLAND PLC,
As a Co-Documentation Agent and a Lender

By: /s/ Matthew J. Main

Name: Matthew J. Main
Title: Senior Vice President

COMMITMENT AMOUNT: $65,000,000

PERCENTAGE: 8.125%

[SIGNATURE PAGE TO REVOLVING CREDIT AGREEMENT]

BANK ONE, NA,
As a Co-Documentation Agent and a Lender

By: /s/ Helen A. Carr

Name: Helen A. Carr
Title: First Vice President

COMMITMENT AMOUNT: $65,000,000

PERCENTAGE: 8.125%

[SIGNATURE PAGE TO REVOLVING CREDIT AGREEMENT]

UBS LOAN FINANCE LLC,
As a Managing Agent and a Lender

By: /s/ Patricia O'Kicki

Name: Patricia O'Kicki
Title: Director

By: /s/ Wilfred Saint

Name: Wilfred Saint
Title: Associate Director

COMMITMENT AMOUNT: $60,000,000

PERCENTAGE: 7.5%

[SIGNATURE PAGE TO REVOLVING CREDIT AGREEMENT]

WELLS FARGO BANK,
N.A.,
As a Managing Agent and a Lender

By: /s/ Eric R. Hollingsworth

Name: Eric R. Hollingsworth
Title: Vice President

COMMITMENT AMOUNT: $60,000,000

PERCENTAGE: 7.5%

[SIGNATURE PAGE TO REVOLVING CREDIT AGREEMENT]

THE BANK OF NEW YORK
As a Co-Agent and a Lender

By: /s/ Raymond J. Palmer

Name: Raymond J. Palmer
Title: Vice President

COMMITMENT AMOUNT: $50,000,000

PERCENTAGE: 6.25%

[SIGNATURE PAGE TO REVOLVING CREDIT AGREEMENT]

DEN NORSKE BANK ASA,
As a Co-Agent and a Lender

By: /s/ Barbara Gronquist
Name: Barbara Gronquist
Title: Senior Vice President

By: /s/ Berit L. Henriksen
Name: Berit L. Henriksen
Title: Executive Vice President and General Manager

COMMITMENT AMOUNT: $50,000,000

PERCENTAGE: 6.25%

[SIGNATURE PAGE TO REVOLVING CREDIT AGREEMENT]

HSBC BANK USA,
As a Co-Agent and a Lender

By: /s/ George Linhart #9429

Name: George Linhart #9429
Title: First Vice President

COMMITMENT AMOUNT: $50,000,000

PERCENTAGE: 6.25%

[SIGNATURE PAGE TO REVOLVING CREDIT AGREEMENT]

THE BANK OF NOVA SCOTIA,
As a Lender

By: /s/ N. Bell

Name: N. Bell
Title: Senior Manager

COMMITMENT AMOUNT: $30,000,000

PERCENTAGE: 3.75%

[SIGNATURE PAGE TO REVOLVING CREDIT AGREEMENT]

THE BANK OF TOKYO-MITSUBISHI, LTD.
As a Lender

By: /s/ Donald W. Herrick, Jr.

Name: Donald W. Herrick, Jr.
Title: Vice President

COMMITMENT AMOUNT: $30,000,000

PERCENTAGE: 3.75%

[SIGNATURE PAGE TO REVOLVING CREDIT AGREEMENT]

ABN AMRO BANK, N.V.,
As a Lender

By: /s/ Frank R. Russo, Jr.

Name: Frank R. Russo, Jr.
Title: Vice President

By: /s/ Quandra L. Kelley

Name: Quandra L. Kelley
Title: Assistant Vice President

COMMITMENT AMOUNT: $25,000,000

PERCENTAGE: 3.125%

[SIGNATURE PAGE TO REVOLVING CREDIT AGREEMENT]

WILLIAM STREET CREDIT CORPORATION,
As a Lender

By: /s/ Jennifer M. Hill

Name: Jennifer M. Hill
Title: Vice President and Chief Financial Officer

COMMITMENT AMOUNT: $25,000,000

PERCENTAGE: 3.125%

[SIGNATURE PAGE TO REVOLVING CREDIT AGREEMENT]

MORGAN STANLEY BANK
As a Lender

By: /s/ Jaap L. Tonckens

Name: Jaap L. Tonckens
Title: Vice President

COMMITMENT AMOUNT: $25,000,000

PERCENTAGE: 3.125%

[SIGNATURE PAGE TO REVOLVING CREDIT AGREEMENT]

SUMITOMO MITSUI BANKING
CORPORATION,
As a Lender

By: /s/ Leo E. Pagarigan

Name: Leo E. Pagarigan
Title: Senior Vice President

COMMITMENT AMOUNT: $25,000,000

PERCENTAGE: 3.125%

[SIGNATURE PAGE TO REVOLVING CREDIT AGREEMENT]

CREDIT SUISSE FIRST BOSTON,
As a Lender

By: /s/ James P. Moran

Name: James P. Moran
Title: Director

By: /s/ Denise L. Alvarez

Name: Denise L. Alvarez
Title: Associate

COMMITMENT AMOUNT: $25,000,000

PERCENTAGE: 3.125%

[SIGNATURE PAGE TO REVOLVING CREDIT AGREEMENT]

SOUTHWEST BANK OF TEXAS,
As a Lender

By: /s/ Carmen Dunmire

Name: Carmen Dunmire
Title: Senior Vice President

COMMITMENT AMOUNT: $10,000,000

PERCENTAGE: 1.25%

[SIGNATURE PAGE TO REVOLVING CREDIT AGREEMENT]

SUBSIDIARIES OF TRANSOCEAN INC.*

NAME	JURISDICTION
Aguas Profundas Limitada (70%)	Angola
Arcade Drilling AS	Norway
Cariba Ships Corporation N.V.	Netherlands Antilles
Caspian Sea Ventures International Ltd.	British Virgin Islands
Cliffs Drilling do Brasil Servicos de Petroleo S/C Ltda.	Brazil
DeepVision L.L.C. (50%)	Delaware
Deepwater Drilling II L.L.C.	Delaware
Deepwater Drilling L.L.C.	Delaware
Falcon Atlantic Ltd.	Cayman Islands
Hellerup Finance International Ltd.	Ireland
International Chandlers, Inc.	Texas
NRB Drilling Services Limited (60%)	Nigeria
Overseas Drilling Ltd. (50%)	Liberia
PT Hitek Nusantara Offshore Drilling (80%)	Indonesia
PT Transocean Indonesia	Indonesia
R&B Falcon (A) Pty Ltd	Australia
R&B Falcon (Caledonia) Ltd.	England
R&B Falcon (Ireland) Limited	Ireland
R&B Falcon (U.K.) Ltd.	England
R&B Falcon B.V.	Netherlands
R&B Falcon Canada Co.	Canada
R&B Falcon Deepwater (UK) Limited	England
R&B Falcon Drilling (International & Deepwater) Inc. LLC	Delaware
R&B Falcon Drilling Co. LLC	Oklahoma
R&B Falcon Drilling Limited, LLC	Oklahoma
R&B Falcon Exploration Co. LLC	Oklahoma
R&B Falcon International Energy Services B.V.	Netherlands
R&B Falcon Offshore Limited, LLC	Oklahoma
R&B Falcon, Inc. LLC	Oklahoma
RB Anton Ltd.	Cayman Islands
RB Astrid Ltd.	Cayman Islands
RB Mediterranean Ltd.	Cayman Islands
RBF (Nigeria) Limited	Nigeria
RBF Drilling Co. LLC	Oklahoma
RBF Drilling Services, Inc. LLC	Oklahoma
RBF Exploration LLC	Delaware
RBF Finance Co.	Delaware
RBF Rig Corporation, LLC	Oklahoma
RBF Servicos Angola, Limitada	Angola
Reading & Bates Coal Co., LLC	Nevada
Reading & Bates-Demaga Perfuracoes Ltda.	Brazil
SDS Offshore Ltd.	U.K.
Sedco Forex Canada Ltd.	Alberta
Sedco Forex Corporation	Delaware
Sedco Forex Holdings Limited	British Virgin Islands
Sedco Forex International Drilling, Inc.	Panama
Sedco Forex International Services, S.A.	Panama
Sedco Forex International, Inc.	Panama
Sedco Forex of Nigeria Limited (60%)	Nigeria
Sedco Forex Offshore International N.V. (Limited)	Netherlands Antilles
Sedco Forex Technical Services, Inc.	Panama
Sedco Forex Technology, Inc.	Panama
Sedneth Panama S.A.	Panama
Sefora Maritime Ltd.	British Virgin Islands
Services Petroliers Sedco Forex	France
Shore Services, LLC	Texas
Sonat Brasocean Servicos de Perfuracoes Ltda.	Brazil
Sonat Offshore do Brasil Perfuracoes Maritimos Ltda.	Brazil
Sonat Offshore S.A.	Panama
T.I. International S. de R.L. de C.V.	Mexico
Transocean Alaskan Ventures Inc.	Delaware
Transocean Brasil Ltda.	Brazil
Transocean Deepwater Frontier Limited	Cayman Islands
Transocean Deepwater Pathfinder Limited	Cayman Islands
Transocean Discoverer 534 LLC	Delaware
Transocean Drilling (Nigeria) Ltd.	Nigeria
Transocean Drilling (U.S.A.) Inc.	Texas
Transocean Drilling Ltd.	U.K.
Transocean Drilling Sdn. Bhd. (f/k/a Sedco Forex (Malaysia) Sdn Bhd.)	Malaysia
Transocean Drilling Services Inc.	Delaware
Transocean Enterprise Inc.	Delaware
Transocean Holdings Inc	Delaware
Transocean I AS	Norway
Transocean International Drilling Limited	Cayman Islands
Transocean International Drilling, Inc.	Delaware
Transocean International Resources Limited	British Virgin Islands
Transocean Investimentos Ltda.	Brazil
Transocean Investments S.a.r.l.	Luxembourg
Transocean Jupiter LLC	Delaware
Transocean Management Inc.	Delaware
Transocean Mediterranean LLC	Delaware
Transocean Offshore (Cayman) Inc.	Cayman Islands
Transocean Offshore (North Sea) Limited	Cayman Islands
Transocean Offshore (U.K.) Inc.	Delaware
Transocean Offshore Caribbean Sea, L.L.C.	Delaware

Transocean Offshore D.V. Inc	Delaware
Transocean Offshore Deepwater Drilling Inc.	Delaware
Transocean Offshore Drilling Limited	U.K.
Transocean Offshore Drilling Services, LLC	Delaware
Transocean Offshore Europe Limited	Cayman Islands
Transocean Offshore Holdings ApS	Denmark
Transocean Offshore International Limited	Cayman Islands
Transocean Offshore International Ventures Limited	Cayman Islands

Transocean Offshore Limited	Cayman Islands
Transocean Offshore Nigeria Ltd.	Nigeria
Transocean Offshore Norway Inc.	Delaware
Transocean Offshore Services Ltd.	Cayman Islands
Transocean Offshore USA Inc.	Delaware
Transocean Offshore Ventures Inc.	Delaware
Transocean Richardson LLC	Delaware
Transocean Sedco Forex Ventures Limited	Cayman Islands
Transocean Services AS	Norway
Transocean Services UK Ltd.	U.K.
Transocean Seven Seas LLC	Delaware
Transocean Sino Ltd.	U.K.
Transocean Support Services Limited	Cayman Islands
Transocean UK Limited	U.K.
Transocean-Nabors Drilling Technology LLC (50%)	Delaware
Triton Drilling Limited	Cayman Islands
Triton Drilling Mexico LLC	Delaware
Triton Holdings Limited	British Virgin Islands
Triton Industries, Inc.	Panama
Triton Offshore Leasing Services Limited	Labuan, Malaysia
Wilrig Drilling (Canada) Inc.	Canada
Wilrig Offshore (UK) Ltd.	U.K.

TODCO AND SUBSIDIARIES

TODCO (77%)	Delaware
Cliffs Drilling (Barbados) Holdings SRL	Barbados
Cliffs Drilling (Barbados) SRL	Barbados
Cliffs Drilling Company	Delaware
Cliffs Drilling Trinidad L.L.C.	Delaware
Cliffs Drilling Trinidad Offshore Limited	Trinidad
Perforaciones Falrig De Venezuela C.A.	Venezuela
Servicos Integrados Petroleros C.C.I.S.A. (67%)	Venezuela
Servicios TODCO S. de R.L. de C.V.	Mexico
THE Offshore Drilling Company	Delaware
TODCO Management Services, Inc. LLC	Delaware
TODCO Mexico Inc.	Delaware
TODCO Trinidad Ltd.	Cayman Islands

*SUBSIDIARIES (50% OR GREATER OWNERSHIP) ARE OWNED 100% UNLESS OTHERWISE INDICATED

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in each of the following previously filed Registration Statements and in the related Prospectuses of our report dated January 29, 2004 with respect to the consolidated financial statements and schedule of Transocean Inc. and Subsidiaries included in this Annual Report (Form 10-K) for the year ended December 31, 2003.

REGISTRATION STATEMENT	PURPOSE
No. 333-58604	Registration Statement on Form S-3
No. 333-46374	Registration Statement on Form S-4, as amended by Post-Effective Amendments on Form S-8
No. 333-54668	Registration Statement on From S-4, as amended by Post-Effective Amendments on Form S-8
No. 33-64776	Registration Statement on Form S-8
No. 33-66036	Registration Statement on Form S-8
No. 333-12475	Registration Statement on Form S-8
No. 333-58211	Registration Statement on Form S-8
No. 333-58203	Registration Statement on Form S-8
No. 333-94543	Registration Statement on Form S-8
No. 333-94569	Registration Statement on Form S-8
No. 333-94551	Registration Statement on Form S-8
No. 333-75532	Registration Statement on Form S-8
No. 333-75540	Registration Statement on Form S-8
No. 333-106026	Registration Statement on Form S-8

/s/ Ernst & Young LLP

Houston, Texas
March 11, 2004

TRANSOCEAN INC.

POWER OF ATTORNEY

WHEREAS, TRANSOCEAN INC., a Cayman Islands company (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, an Annual Report on Form 10-K for the fiscal year ended December 31, 2003 of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form 10-K");

NOW, THEREFORE, the undersigned, in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint J. Michael Talbert, Robert L. Long, Gregory L. Cauthen, Eric B. Brown, William E. Turcotte and David Tonnel, and each of them severally, his true and lawful attorney or attorneys with power to act with or without the other, and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, of the Company, the Form 10-K and any and all amendments thereto, including any and all exhibits and other instruments and documents said attorney or attorneys shall deem necessary, appropriate or advisable in connection therewith, and to file the same with the Commission and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 12th day of February, 2004.

By: /s/ Arthur Lindenauer

Name: ARTHUR LINDENAUER

TRANSOCEAN INC.

POWER OF ATTORNEY

WHEREAS, TRANSOCEAN INC., a Cayman Islands company (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, an Annual Report on Form 10-K for the fiscal year ended December 31, 2003 of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form 10-K");

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IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 12th day of February, 2004.

By: /s/ Ian C. Strachan

Name: IAN C. STRACHAN

TRANSOCEAN INC.

POWER OF ATTORNEY

WHEREAS, TRANSOCEAN INC., a Cayman Islands company (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, an Annual Report on Form 10-K for the fiscal year ended December 31, 2003 of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form 10-K");

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IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 12th day of February, 2004.

By: /s/ Kristian Siem
Name: KRISTIAN SIEM

TRANSOCEAN INC.

POWER OF ATTORNEY

WHEREAS, TRANSOCEAN INC., a Cayman Islands company (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, an Annual Report on Form 10-K for the fiscal year ended December 31, 2003 of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form 10-K");

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IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 12th day of February, 2004.

By: /s/ Martin B. McNamara

Name: MARTIN B. MCNAMARA

TRANSOCEAN INC.

POWER OF ATTORNEY

WHEREAS, TRANSOCEAN INC., a Cayman Islands company (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, an Annual Report on Form 10-K for the fiscal year ended December 31, 2003 of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form 10-K");

NOW, THEREFORE, the undersigned, in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint J. Michael Talbert, Robert L. Long, Gregory L. Cauthen, Eric B. Brown, William E. Turcotte and David Tonnel, and each of them severally, his true and lawful attorney or attorneys with power to act with or without the other, and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, of the Company, the Form 10-K and any and all amendments thereto, including any and all exhibits and other instruments and documents said attorney or attorneys shall deem necessary, appropriate or advisable in connection therewith, and to file the same with the Commission and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 13th day of February, 2004.

By: /s/ Paul B. Loyd, Jr.

Name: PAUL B. LOYD, JR.

TRANSOCEAN INC.

POWER OF ATTORNEY

WHEREAS, TRANSOCEAN INC., a Cayman Islands company (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, an Annual Report on Form 10-K for the fiscal year ended December 31, 2003 of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form 10-K");

NOW, THEREFORE, the undersigned, in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint J. Michael Talbert, Robert L. Long, Gregory L. Cauthen, Eric B. Brown, William E. Turcotte and David Tonnel, and each of them severally, his true and lawful attorney or attorneys with power to act with or without the other, and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, of the Company, the Form 10-K and any and all amendments thereto, including any and all exhibits and other instruments and documents said attorney or attorneys shall deem necessary, appropriate or advisable in connection therewith, and to file the same with the Commission and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 12th day of February, 2004.

By: /s/ Richard A. Pattarozzi

Name: RICHARD A. PATTAROZZI

TRANSOCEAN INC.

POWER OF ATTORNEY

WHEREAS, TRANSOCEAN INC., a Cayman Islands company (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, an Annual Report on Form 10-K for the fiscal year ended December 31, 2003 of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form 10-K");

NOW, THEREFORE, the undersigned, in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint J. Michael Talbert, Robert L. Long, Gregory L. Cauthen, Eric B. Brown, William E. Turcotte and David Tonnel, and each of them severally, his true and lawful attorney or attorneys with power to act with or without the other, and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, of the Company, the Form 10-K and any and all amendments thereto, including any and all exhibits and other instruments and documents said attorney or attorneys shall deem necessary, appropriate or advisable in connection therewith, and to file the same with the Commission and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 12th day of February, 2004.

By: /s/ Roberto Monti

Name: ROBERTO MONTI

TRANSOCEAN INC.

POWER OF ATTORNEY

WHEREAS, TRANSOCEAN INC., a Cayman Islands company (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, an Annual Report on Form 10-K for the fiscal year ended December 31, 2003 of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form 10-K");

NOW, THEREFORE, the undersigned, in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint J. Michael Talbert, Robert L. Long, Gregory L. Cauthen, Eric B. Brown, William E. Turcotte and David Tonnel, and each of them severally, his true and lawful attorney or attorneys with power to act with or without the other, and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, of the Company, the Form 10-K and any and all amendments thereto, including any and all exhibits and other instruments and documents said attorney or attorneys shall deem necessary, appropriate or advisable in connection therewith, and to file the same with the Commission and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 12th day of February, 2004.

By: /s/ Victor E. Grijalva

Name: VICTOR E. GRIJALVA

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

I, Robert L. Long, certify that:

1. I have reviewed this annual report on Form 10-K of Transocean Inc.,

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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)) 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 annual report is being prepared;

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

   c) disclosed in this annual 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.

Date: March 15, 2004

/s/ Robert L. Long

Robert L. Long
President and Chief Executive Officer

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

I, Gregory L. Cauthen, certify that:

1. I have reviewed this annual report on Form 10-K of Transocean Inc.,

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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)) 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 annual report is being prepared;

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

    c) disclosed in this annual 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.

Date: March 15, 2004

/s/ Gregory L. Cauthen

Gregory L. Cauthen
Senior 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, Robert L. Long, President and Chief Executive Officer of Transocean Inc., a Cayman Islands corporation (the "Company"), hereby certify, to my knowledge, that:

(1) the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (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: March 15, 2004

/s/ Robert L. Long

Name: Robert L. Long
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 Inc. and will be retained by Transocean Inc. and furnished to the 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, Gregory L. Cauthen, Senior Vice President and Chief Financial Officer of Transocean Inc., a Cayman Islands corporation (the "Company"), hereby certify, to my knowledge, that:

(1) the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (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: March 15, 2004

/s/ Gregory L. Cauthen

Name: Gregory L. Cauthen
Senior 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 Inc. and will be retained by Transocean Inc. and furnished to the Securities and Exchange Commission or its staff upon request.