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

FORM 8-K

CURRENT REPORT

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

Date of report (date of earliest even reported): **February 26, 2015**

TRANSOCEAN LTD.

(Exact name of registrant as specified in its charter)

Zug, Switzerland	**000-53533**	**98-0599916**
(State or other jurisdiction of incorporation or organization)	(Commission file number)	(I.R.S. Employer Identification No.)

10 Chemin de Blandonnet **1214 Vernier, Switzerland**	**1214**
(Address of principal executive offices)	(Zip Code)

+41 (22) 930-9000
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Securities Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01. Regulation FD Disclosure

Furnished as Exhibit 99.1 to this Current Report on Form 8-K is the Company's consolidated Swiss statutory financial statements, which comprise the consolidated balance sheets as of December 31, 2014 and 2013 and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows and notes thereto for each of the three years in the period ended December 31, 2014, which financial statements and reports thereon are incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

The exhibit to this report furnished pursuant to Item 7.01 is as follows:

Number	Description
99.1	Consolidated Swiss statutory financial statements of Transocean Ltd. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2014 and 2013 and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows and notes thereto for each of the three years in the period ended December 31, 2014

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized, on February 26, 2015.

TRANSOCEAN LTD.

By: /s/ Jill S. Greene
Jill S. Greene
Associate General Counsel

Index to Exhibit

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Exhibit 99.1

TRANSOCEAN LTD.

STATUTORY CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2014, 2013 and 2012

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Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

To the General Meeting of
Transocean Ltd., Steinhausen
Zurich, February 25, 2015

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Transocean Ltd. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2014 and 2013 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, 2014 and notes thereto (pages 2 to 60).

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the consolidated financial position of Transocean Ltd. and Subsidiaries at December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

/s/ Robin Errico
Licensed audit expert
(Auditor in charge)

/s/ Jolanda Dolente
Licensed audit expert

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

	Years ended December 31,		
	2014	**2013**	**2012**
Operating revenues			
Contract drilling revenues	$ 8,952	$ 9,070	$ 8,773
Other revenues	222	179	172
	9,174	9,249	8,945
Costs and expenses			
Operating and maintenance	5,110	5,563	5,859
Depreciation	1,139	1,109	1,122
General and administrative	234	286	282
	6,483	6,958	7,263
Loss on impairment	(4,043)	(81)	(118)
Gain (loss) on disposal of assets, net	(26)	7	36
Operating income (loss)	(1,378)	2,217	1,600
Other income (expense), net			
Interest income	39	52	56
Interest expense, net of amounts capitalized	(483)	(584)	(723)
Other, net	22	(29)	(49)
	(422)	(561)	(716)
Income (loss) from continuing operations before income tax expense	(1,800)	1,656	884
Income tax expense	146	258	52
Income (loss) from continuing operations	(1,946)	1,398	832
Income (loss) from discontinued operations, net of tax	(20)	9	(1,043)
Net income (loss)	(1,966)	1,407	(211)
Net income (loss) attributable to noncontrolling interest	(53)	—	8
Net income (loss) attributable to controlling interest	$ (1,913)	$ 1,407	$ (219)
Earnings (loss) per share-basic			
Earnings (loss) from continuing operations	$ (5.23)	$ 3.85	$ 2.32
Earnings (loss) from discontinued operations	(0.06)	0.02	(2.94)
Earnings (loss) per share	$ (5.29)	$ 3.87	$ (0.62)
Earnings (loss) per share-diluted			
Earnings (loss) from continuing operations	$ (5.23)	$ 3.85	$ 2.32
Earnings (loss) from discontinued operations	(0.06)	0.02	(2.94)
Earnings (loss) per share	$ (5.29)	$ 3.87	$ (0.62)
Weighted-average shares outstanding			
Basic	362	360	356
Diluted	362	360	356

See accompanying notes.

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

	Years ended December 31,		
	2014	**2013**	**2012**
Net income (loss)	$ (1,966)	$ 1,407	$ (211)
Net income (loss) attributable to noncontrolling interest	(53)	—	8
Net income (loss) attributable to controlling interest	(1,913)	1,407	(219)
Other comprehensive income (loss) before reclassifications			
Components of net periodic benefit costs	(170)	198	(52)
Gain (loss) on derivative instruments	—	(5)	3
Reclassifications to net income			
Components of net periodic benefit costs	17	49	47
(Gain) loss on derivative instruments	(2)	18	(1)
Loss on marketable securities	—	—	2
Other comprehensive income (loss) before income taxes	(155)	260	(1)
Income taxes related to other comprehensive income (loss)	13	2	(7)
Other comprehensive income (loss)	(142)	262	(8)
Other comprehensive income attributable to noncontrolling interest	—	3	—
Other comprehensive income (loss) attributable to controlling interest	(142)	259	(8)
Total comprehensive income (loss)	(2,108)	1,669	(219)
Total comprehensive income (loss) attributable to noncontrolling interest	(53)	3	8
Total comprehensive income (loss) attributable to controlling interest	$ (2,055)	$ 1,666	$ (227)

See accompanying notes.

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

	December 31, 2014	December 31, 2013
Assets		
Cash and cash equivalents	$ 2,635	$ 3,243
Accounts receivable, net		
Trade	2,084	2,112
Other	36	50
Materials and supplies, net	818	737
Assets held for sale	25	148
Deferred income taxes, net	161	151
Other current assets	242	331
Total current assets	6,001	6,772
Property and equipment	28,516	29,518
Less accumulated depreciation	(6,978)	(7,811)
Property and equipment, net	21,538	21,707
Goodwill	—	2,987
Other assets	874	1,080
Total assets	$ 28,413	$ 32,546
Liabilities and equity		
Accounts payable	$ 784	$ 1,106
Accrued income taxes	131	53
Debt due within one year	1,033	323
Other current liabilities	1,822	2,072
Total current liabilities	3,770	3,554
Long-term debt	9,059	10,379
Deferred income taxes, net	237	374
Other long-term liabilities	1,354	1,554
Total long-term liabilities	10,650	12,307
Commitments and contingencies		
Redeemable noncontrolling interest	11	—
Shares, CHF 15.00 par value, 396,260,487 authorized, 167,617,649 conditionally authorized, 373,830,649 issued and 362,279,530 outstanding at December 31, 2014 and 373,830,649 authorized, 167,617,649 conditionally authorized, 373,830,649 issued and 360,764,100 outstanding at December 31, 2013	5,169	5,147
Additional paid-in capital	5,797	6,784
Treasury shares, at cost, 2,863,267 held at December 31, 2014 and 2013	(240)	(240)
Retained earnings	3,349	5,262
Accumulated other comprehensive loss	(404)	(262)
Total controlling interest shareholders' equity	13,671	16,691
Noncontrolling interest	311	(6)
Total equity	13,982	16,685
Total liabilities and equity	$ 28,413	$ 32,546

See accompanying notes.

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

	Years ended December 31,			Years ended December 31,		
	2014	2013	2012	2014	2013	2012
Shares		Shares			Amount	
Balance, beginning of period	361	360	350	$ 5,147	$ 5,130	$ 4,982
Issuance of shares under share-based compensation plans	1	1	1	22	17	14
Issuance of shares in exchange for noncontrolling interest	—	—	9	—	—	134
Balance, end of period	362	361	360	$ 5,169	$ 5,147	$ 5,130
Additional paid-in capital						
Balance, beginning of period				$ 6,784	$ 7,521	$ 7,211
Share-based compensation				98	113	97
Issuance of shares under share-based compensation plans				(21)	(34)	(17)
Issuance of shares in exchange for noncontrolling interest				—	—	233
Reclassification of obligation for distribution of qualifying additional paid-in capital				(1,088)	(808)	—
Allocated capital for sale of noncontrolling interest				33	(6)	—
Other, net				(9)	(2)	(3)
Balance, end of period				$ 5,797	$ 6,784	$ 7,521
Treasury shares, at cost						
Balance, beginning of period				$ (240)	$ (240)	$ (240)
Balance, end of period				$ (240)	$ (240)	$ (240)
Retained earnings						
Balance, beginning of period				$ 5,262	$ 3,855	$ 4,180
Net income (loss) attributable to controlling interest				(1,913)	1,407	(219)
Fair value adjustment of redeemable noncontrolling interest				—	—	(106)
Balance, end of period				$ 3,349	$ 5,262	$ 3,855
Accumulated other comprehensive loss						
Balance, beginning of period				$ (262)	$ (521)	$ (496)
Other comprehensive income (loss) attributable to controlling interest				(142)	259	(8)
Reclassification from redeemable noncontrolling interest				—	—	(17)
Balance, end of period				$ (404)	$ (262)	$ (521)
Total controlling interest shareholders' equity						
Balance, beginning of period				$ 16,691	$ 15,745	$ 15,637
Total comprehensive income (loss) attributable to controlling interest				(2,055)	1,666	(227)
Share-based compensation				98	113	97
Issuance of shares under share-based compensation plans				1	(17)	(3)
Issuance of shares in exchange for noncontrolling interest				—	—	367
Fair value adjustment of redeemable noncontrolling interest				—	—	(106)
Reclassification from redeemable noncontrolling interest				—	—	(17)
Reclassification of obligation for distribution of qualifying additional paid-in capital				(1,088)	(808)	—
Allocated capital for sale of noncontrolling interest				33	(6)	—
Other, net				(9)	(2)	(3)
Balance, end of period				$ 13,671	$ 16,691	$ 15,745
Noncontrolling interest						
Balance, beginning of period				$ (6)	$ (15)	$ (10)
Total comprehensive income (loss) attributable to noncontrolling interest				(62)	3	(5)
Sale of noncontrolling interest, net of issue costs				417	—	—
Allocated capital for sale of noncontrolling interest				(33)	6	—
Distributions to holders of noncontrolling interest				(5)	—	—
Balance, end of period				$ 311	$ (6)	$ (15)
Total equity						
Balance, beginning of period				$ 16,685	$ 15,730	$ 15,627
Total comprehensive income (loss)				(2,117)	1,669	(232)
Share-based compensation				98	113	97
Issuance of shares under share-based compensation plans				1	(17)	(3)
Issuance of shares in exchange for noncontrolling interest				—	—	367
Fair value adjustment of redeemable noncontrolling interest				—	—	(106)
Reclassification from redeemable noncontrolling interest				—	—	(17)
Reclassification of obligation for distribution of qualifying additional paid-in capital				(1,088)	(808)	—
Sale of noncontrolling interest, net of issue costs				417	—	—
Distributions to holders of noncontrolling interest				(5)	—	—
Other, net				(9)	(2)	(3)
Balance, end of period				$ 13,982	$ 16,685	$ 15,730

See accompanying notes.

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

	Years ended December 31,		
	2014	**2013**	**2012**
Cash flows from operating activities			
Net income (loss)	$ (1,966)	$ 1,407	$ (211)
Adjustments to reconcile to net cash provided by operating activities:			
Amortization of drilling contract intangibles	(15)	(15)	(42)
Depreciation	1,139	1,109	1,122
Depreciation of assets in discontinued operations	—	—	184
Share-based compensation expense	98	113	97
Loss on impairment	4,043	81	118
Loss on impairment of assets in discontinued operations	—	14	1,008
(Gain) loss on disposal of assets, net	26	(7)	(36)
(Gain) loss on disposal of assets in discontinued operations, net	10	(54)	(82)
Amortization of debt issue costs, discounts and premiums, net	6	6	68
Deferred income tax benefit	(142)	(9)	(133)
Other, net	46	93	72
Changes in deferred revenue, net	106	(78)	(54)
Changes in deferred expenses, net	(48)	74	85
Changes in operating assets and liabilities	(1,083)	(816)	512
Net cash provided by operating activities	2,220	1,918	2,708
Cash flows from investing activities			
Capital expenditures	(2,165)	(2,238)	(1,303)
Capital expenditures for discontinued operations	—	—	(106)
Proceeds from disposal of assets, net	215	174	191
Proceeds from disposal of assets in discontinued operations, net	35	204	789
Proceeds from sale of preference shares	—	185	—
Proceeds from repayment of notes receivable	101	17	40
Other, net	(14)	—	—
Net cash used in investing activities	(1,828)	(1,658)	(389)
Cash flows from financing activities			
Changes in short-term borrowings, net	—	—	(260)
Proceeds from debt	—	—	1,493
Repayments of debt	(539)	(1,692)	(2,282)
Proceeds from restricted cash investments	176	298	311
Deposits to restricted cash investments	(20)	(119)	(167)
Distribution of qualifying additional paid-in capital	(1,018)	(606)	(276)
Proceeds from sale of noncontrolling interest	443	—	—
Other, net	(42)	(32)	(21)
Net cash used in financing activities	(1,000)	(2,151)	(1,202)
Net increase (decrease) in cash and cash equivalents	(608)	(1,891)	1,117
Cash and cash equivalents at beginning of period	3,243	5,134	4,017
Cash and cash equivalents at end of period	$ 2,635	$ 3,243	$ 5,134

See accompanying notes.

Note 1—Business

Transocean Ltd. (together with its subsidiaries and predecessors, unless the context requires otherwise, "Transocean," the "Company," "we," "us" or "our") is a leading international provider of offshore contract drilling services for oil and gas wells. We specialize in technically demanding sectors of the offshore drilling business with a particular focus on deepwater and harsh environment drilling services. Our mobile offshore drilling fleet is considered one of the most versatile fleets in the world. We contract our drilling rigs, related equipment and work crews predominantly on a dayrate basis to drill oil and gas wells. At December 31, 2014, we owned or had partial ownership interests in and operated 72 mobile offshore drilling units associated with our continuing operations. At December 31, 2014, our fleet consisted of 45 High-Specification Floaters (Ultra-Deepwater, Deepwater and Harsh Environment semisubmersibles and drillships), 17 Midwater Floaters, and 10 High-Specification Jackups. At December 31, 2014, we also had seven Ultra-Deepwater drillships and five High-Specification Jackups under construction or under contract to be constructed. See Note 10—Drilling Fleet.

On August 5, 2014, we completed an initial public offering to sell a noncontrolling interest in Transocean Partners LLC ("Transocean Partners"), a Marshall Islands limited liability company, which was formed on February 6, 2014, by Transocean Partners Holdings Limited, a Cayman Islands company and our wholly owned subsidiary, to own, operate and acquire modern, technologically advanced offshore drilling rigs. See Note 16—Noncontrolling Interest.

In February 2014, in connection with our efforts to discontinue non-strategic operations, we completed the sale of Applied Drilling Technology International Limited ("ADTI"), a United Kingdom ("U.K.") company, which performs drilling management services in the North Sea. In March 2012, we announced our intent to discontinue drilling management operations in the shallow waters of the U.S. Gulf of Mexico, upon completion of our then existing contracts. In December 2012, we completed the final project of our drilling management services operations in the U.S. Gulf of Mexico and discontinued offering our drilling management services in this region. See Note 7—Discontinued Operations.

In September 2012, in connection with our efforts to dispose of non-strategic assets and to reduce our exposure to low-specification drilling units, we committed to a plan to discontinue operations associated with the standard jackup and swamp barge asset groups, components of our contract drilling services operating segments In November 2012, in connection with our plan to discontinue operations associated with the standard jackup and swamp barge asset groups, we completed the sale of 37 standard jackups and one swamp barge to Shelf Drilling Holdings, Ltd. ("Shelf Drilling"). See Note 7—Discontinued Operations.

In March 2011, we committed to a plan to sell the assets and discontinue the operations of our oil and gas properties operating segment, which comprised the exploration, development and production activities performed by Challenger Minerals Inc., Challenger Minerals (North Sea) Limited and Challenger Minerals (Ghana) Limited (collectively, "CMI"). In October 2011, we completed the sale of Challenger Minerals (North Sea) Limited, in April 2012, we completed the sale of the assets of Challenger Minerals Inc. and, in December 2012, we completed the sale of the assets of Challenger Minerals (Ghana) Limited. See Note 7—Discontinued Operations.

Note 2—Significant Accounting Policies

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

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

Consolidation—We consolidate entities in which we have a majority voting interest and entities that meet the criteria for variable interest entities for which we are deemed to be the primary beneficiary for accounting purposes. We eliminate intercompany transactions and accounts in consolidation. We apply the equity method of accounting for an investment in an entity if we have the ability to exercise significant influence over the entity that (a) does not meet the variable interest entity criteria or (b) meets the variable interest entity criteria, but for which we are not deemed to be the primary beneficiary. We apply the cost method of accounting for an investment in an entity if we do not have the ability to exercise significant influence over the unconsolidated entity. We separately present within equity on our consolidated balance sheets the ownership interests attributable to parties with noncontrolling interests in our consolidated subsidiaries, and we separately present net income attributable to such parties on our consolidated statements of operations. See Note 4—Variable Interest Entities and Note 16—Noncontrolling interest.

Discontinued operations—We present as discontinued operations the operating results of a component of our business that either has been disposed of or is classified as held for sale when both of the following conditions are met: (a) the operations and cash flows of the component have been or will be eliminated from our ongoing operations as a result of the disposal transaction and (b) we will not have any significant continuing involvement in the operations of the disposed component. For discontinued operations that are disposed of other than by sale, we present the operating results as discontinued in the period in which the disposal group is either abandoned, distributed or exchanged, depending on the manner of disposal. We consider a component of our business to be one that comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of our business. For the year ended December 31, 2013, we reclassified to discontinued operations the operating results, assets and liabilities associated with the operations of ADTI, which performed drilling management services in the North Sea. The disposal of this component of our business results in the discontinuation of our drilling management services operating segment in the year ending December 31, 2014. During the year ended December 31, 2012, we reclassified to discontinued operations the operating results, assets and liabilities associated with the operations of the standard jackup and swamp barge asset groups, components of our contract drilling services operating segment, and the operations of our U.S. Gulf of Mexico drilling management services, a component of our drilling management services operating segment. See Note 7—Discontinued Operations.

Operating revenues and expenses—We recognize operating revenues as they are realized and earned and can be reasonably measured, based on contractual dayrates, and when collectability is reasonably assured. In connection with drilling contracts, we may receive revenues for preparation and mobilization of equipment and personnel or for capital improvements to rigs. We defer the revenues earned and incremental costs incurred that are directly related to contract preparation and mobilization and recognize such revenues and costs over the primary contract term of the drilling project using the straight-line method. We amortize, in operating and maintenance costs and expenses, the fees related to contract preparation and mobilization on a straight-line basis over the estimated firm period of drilling, which is consistent with the general pace of activity, level of services being provided and dayrates being earned over the life of the contract. For contractual daily rate contracts, we recognize the losses for loss contracts as such losses are incurred. We recognize the costs of relocating drilling units without contracts to more promising market sectors as such costs are incurred. Upon completion of drilling contracts, we recognize in earnings any demobilization fees received and expenses incurred. We defer capital upgrade revenues received and recognize such revenues over the primary contract term of the drilling project. We depreciate the actual costs incurred for the capital upgrade on a straight-line basis over the estimated useful life of the asset. We defer the periodic survey and drydock costs incurred in connection with obtaining regulatory certification to operate our rigs and well control systems on an ongoing basis, and we recognize such costs over the period until the next survey using the straight-line method.

Included in our contract drilling revenues, we recognize amortization associated with our drilling contract intangible assets and liabilities. In connection with our business combination with GlobalSantaFe Corporation in November 2007, we recognized drilling contract intangible assets and liabilities for acquired drilling contracts for future contract drilling services. The terms of the acquired contracts include fixed dayrates that were above or below the market dayrates that were available for similar contracts as of the date of the business combination. We recognized the fair value adjustments as contract intangible assets and liabilities, recorded in other assets and other long-term liabilities, respectively. We amortize the resulting contract drilling intangible revenues based on the cash flows projected over the respective contract period and include such revenues in contract drilling revenues on our consolidated statements of operations. See Note 11—Goodwill and Other Intangibles.

Our other revenues represent those derived from customer reimbursable revenues. We recognize customer reimbursable revenues as we bill our customers for reimbursement of costs associated with certain equipment, materials and supplies, subcontracted services, employee bonuses and other expenditures, resulting in little or no net effect on operating income since such recognition is concurrent with the recognition of the respective reimbursable costs in operating and maintenance expense.

Share-based compensation—For time-based awards, we recognize compensation expense on a straight-line basis through the date the employee is no longer required to provide service to earn the award (the “service period”). For market-based awards that vest at the end of the service period, we recognize compensation expense on a straight-line basis through the end of the service period. For performance-based awards with graded vesting conditions, we recognize compensation expense on a straight-line basis over the service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. We recognize share-based compensation expense net of a forfeiture rate that we estimate at the time of grant based on historical experience and future expectations, and we adjust the estimated forfeiture rate, if necessary, in subsequent periods based on actual forfeitures or changed expectations.

To measure the fair values of granted or modified time-based restricted shares and deferred units, we use the market price of our shares on the grant date or modification date. To measure the fair values of stock options and stock appreciation rights granted or modified, we use the Black-Scholes-Merton option-pricing model and apply assumptions for the expected life, risk-free interest rate, dividend yield and expected volatility. The expected life is based on historical information of past employee behavior regarding exercises and forfeitures of options. The risk-free interest rate is based upon the published U.S. Treasury yield curve in effect at the time of grant or modification for instruments with a similar life. The dividend yield is based on our history and expectation of dividend payouts. The expected volatility is based on a blended rate with an equal weighting of the (a) historical volatility based on historical data for an amount of time approximately equal to the expected life and (b) implied volatility derived from our at-the-money, long-dated call options. To measure the fair values of granted or modified market-based deferred units, we use a Monte Carlo simulation model and, in addition to the assumptions applied for the Black-Scholes-Merton option-pricing model, we apply assumptions using a risk neutral approach and an average price at the performance start date. The risk neutral approach assumes that all peer group stocks grow at the risk-free rate. The average price at the performance start date is based on the average stock price for the preceding 30 trading days.

We recognize share-based compensation expense in the same financial statement line item as cash compensation paid to the respective employees. We recognize cash flows resulting from the tax deduction benefits for awards in excess of recognized compensation costs as financing cash flows. In the years ended December 31, 2014, 2013 and 2012, share-based compensation expense was $98 million, $113 million and $97 million, respectively. In the years ended December 31, 2014, 2013 and 2012, income tax benefit on share-based compensation expense was $15 million, $17 million and $12 million, respectively. See Note 18—Share-Based Compensation Plans.

Capitalized interest—We capitalize interest costs for qualifying construction and upgrade projects. In the years ended December 31, 2014, 2013 and 2012, we capitalized interest costs of $133 million, $78 million and $54 million, respectively, for our construction work in progress.

Foreign currency—We consider the U.S. dollar to be the functional currency for all of our operations since the majority of our revenues and expenditures are denominated in U.S. dollars, which limits our exposure to currency exchange rate fluctuations. We recognize foreign currency exchange gains and losses in other, net. In the years ended December 31, 2014, 2013 and 2012, we recognized net foreign currency exchange gains (losses) of $18 million, $(11) million and $(27) million, respectively. See Note 13—Derivatives and Hedging.

Income taxes—We provide for income taxes based upon the tax laws and rates in effect in the countries in which operations are conducted and income is earned. There is little or no expected relationship between the provision for or benefit from income taxes and income or loss before income taxes because the countries in which we operate 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.

We recognize deferred tax assets and liabilities for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of our assets and liabilities using the applicable jurisdictional tax rates in effect at year end. We record 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. We also record a valuation allowance for deferred tax assets resulting from net operating losses incurred during the year in certain jurisdictions and for other deferred tax assets where, in our opinion, it is more likely than not that the financial statement benefit of these losses will not be realized. Additionally, we record a valuation allowance for foreign tax credit carryforwards to reflect the possible expiration of these benefits prior to their utilization.

We maintain liabilities for estimated tax exposures in our jurisdictions of operation, and we recognize the provisions and benefits resulting from changes to those liabilities in our income tax expense or benefit along with related interest and penalties. Tax exposure items include potential challenges to permanent establishment positions, intercompany pricing, disposition transactions, and withholding tax rates and their applicability. These tax exposures are resolved primarily through the settlement of audits within these tax jurisdictions or by judicial means, but can also be affected by changes in applicable tax law or other factors, which could cause us to revise past estimates. See Note 6—Income Taxes.

Cash and cash equivalents—Cash equivalents are highly liquid debt instruments with original maturities of three months or less that may include time deposits with commercial banks that have high credit ratings, U.S. Treasury and government securities, Eurodollar time deposits, certificates of deposit and commercial paper. We may also invest excess funds in no-load, open-end, management investment trusts ("management trusts"). The management trusts invest exclusively in high-quality money market instruments.

We maintain restricted cash investments that are pledged for debt service, as required under certain bank credit agreements. We classify such restricted cash investment balances in other current assets if the restriction is expected to expire within one year and in other assets if the restriction is expected to expire in greater than one year. At December 31, 2014, the aggregate carrying amount of our restricted cash investments was $378 million, of which $114 million and $264 million was classified in other current assets and other assets, respectively. At December 31, 2013, the aggregate carrying amount of our restricted cash investments was $624 million, of which $159 million and $465 million was classified in other current assets and other assets, respectively. See Note 12—Debt.

Accounts receivable—We derive a majority of our revenues from services to international oil companies and government-owned or government-controlled oil companies. We evaluate the credit quality of our customers on an ongoing basis, and we do not generally require collateral or other security to support customer receivables. We establish an allowance for doubtful accounts on a case-by-case basis, considering changes in the financial position of a customer, when we believe the required payment of specific amounts owed to us is unlikely to occur. At December 31, 2014 and 2013, the allowance for doubtful accounts was $14 million.

Materials and supplies—We record materials and supplies at their average cost less an allowance for obsolescence. We estimate the allowance for obsolescence based on historical experience and expectations for future use of the materials and supplies. At December 31, 2014 and 2013, the allowance for obsolescence was $109 million and $80 million, respectively.

Assets held for sale—We classify an asset as held for sale when the facts and circumstances meet the criteria for such classification, including the following: (a) we have committed to a plan to sell the asset, (b) the asset is available for immediate sale, (c) we have initiated actions to complete the sale, including locating a buyer, (d) the sale is expected to be completed within one year, (e) the asset is being actively marketed at a price that is reasonable relative to its fair value, and (f) the plan to sell is unlikely to be subject to significant changes or termination. At December 31, 2014 and 2013, the aggregate carrying amount of our assets held for sale was $25 million and $148 million, respectively. See Note 7—Discontinued Operations and Note 10—Drilling Fleet.

Property and equipment—The carrying amounts of our property and equipment, consisting primarily of offshore drilling rigs and related equipment, are based on our estimates, assumptions and judgments relative to capitalized costs, useful lives and salvage values of our rigs. These estimates, assumptions and judgments reflect both historical experience and expectations regarding future industry conditions and operations. At December 31, 2014, the aggregate carrying amount of our property and equipment represented approximately 76 percent of our total assets.

We compute depreciation using the straight-line method after allowing for salvage values. We capitalize expenditures for newbuilds, renewals, replacements and improvements, including capitalized interest, if applicable, and we recognize the expense for maintenance and repair costs as incurred. For newbuild construction projects, we also capitalize the initial preparation, mobilization and commissioning costs incurred until the drilling unit is placed into service. Upon sale or other disposition of an asset, we recognize a net gain or loss on disposal of the asset, which is measured as the difference between the net carrying amount of the asset and the net proceeds received.

The estimated original useful lives of our drilling units range from 18 to 35 years, our buildings and improvements range from 10 to 30 years and our machinery and equipment range from four to 20 years. We reevaluate the remaining useful lives and salvage values of our rigs when certain events occur that directly impact the useful lives and salvage values of the rigs, including changes in operating condition, functional capability and market and economic factors. When evaluating the remaining useful lives of rigs, we also consider major capital upgrades required to perform certain contracts and the long-term impact of those upgrades on future marketability.

During the year ended December 31, 2013, we adjusted the useful lives for five rigs, extending the estimated useful lives from between 29 and 40 years to between 35 and 44 years. During the year ended December 31, 2012, we adjusted the useful lives for three rigs, extending the estimated useful lives from between 29 and 30 years to between 35 and 38 years. We deemed the life extensions appropriate for each of these rigs based on the respective contracts under which the rigs were operating and the additional life-extending work, upgrades and inspections we performed on the rigs. In each of the years ended December 31, 2013 and 2012, the changes in estimated useful lives of these rigs resulted in a reduction in annual depreciation expense of $3 million ($0.01 per diluted share) and $27 million ($0.08 per diluted share), respectively, which had no tax effect for any period.

In December 31, 2014, we adjusted the salvage values of certain drilling units due to existing market conditions. As a result of the adjustments, we expect depreciation expense to increase by approximately $120 million in the year ending December 31, 2015.

Long-lived asset impairment—We review the carrying amounts of long-lived assets, principally property and equipment, for potential impairment when events occur or circumstances change that indicate that the carrying amount of such assets may not be recoverable.

For assets classified as held and used, we determine recoverability by evaluating the estimated undiscounted future net cash flows based on projected dayrates and utilization of the asset group under review. We consider our asset groups to be Ultra-Deepwater Floaters, Transocean Partners Ultra-Deepwater Floaters, Deepwater Floaters, Harsh Environment Floaters, Midwater Floaters and High-Specification Jackups. When an impairment of one or more of our asset groups is indicated, we measure the impairment as the amount by which the asset group's carrying amount exceeds its estimated fair value. We measure the fair values of our contract drilling asset groups by applying a variety of valuation methods, incorporating a combination of cost, income and market approaches, using projected discounted cash flows and estimates of the exchange price that would be received for the assets in the principal or most advantageous market for the assets in an orderly transaction between market participants as of the measurement date. For an asset classified as held for sale, we consider the asset to be impaired to the extent its carrying amount exceeds its estimated fair value less cost to sell.

In the three months ended September 30, 2014, we determined that the carrying amount of the Deepwater Floater asset group exceeded its fair value, and we recognized a loss of $788 million ($693 million, or $1.91 per diluted share, net of tax) associated with the impairment of these long-lived assets. If we experience increasingly unfavorable changes to actual or anticipated dayrates or other impairment indicators, or if we are unable to secure new or extended contracts for our active units or the reactivation of any of our stacked units, we may be required to recognize additional losses in future periods as a result of impairments of the carrying amount of one or more of our asset groups.

Goodwill impairment—We conduct impairment testing for our goodwill annually as of October 1 and more frequently, on an interim basis, when an event occurs or circumstances change that indicate that the fair value of a reporting unit may have declined below its carrying value.

We test goodwill at the reporting unit level, which is defined as an operating segment or one level below an operating segment that constitutes a business for which financial information is available and is regularly reviewed by management. We determined that we have a single reporting unit for this purpose. Before testing goodwill, we consider whether or not to first assess qualitative factors to determine whether the existence of events or circumstances lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount and whether the two-step impairment test is required. If, as the result of our qualitative assessment, we determine that the two-step impairment test is required, or, alternatively, if we elect to forgo the qualitative assessment, we test goodwill for impairment by comparing the carrying amount of the reporting unit, including goodwill, to the fair value of the reporting unit.

We estimate the fair value of our reporting unit using projected discounted cash flows, publicly traded company multiples and acquisition multiples. To develop the projected cash flows associated with our reporting unit, which are based on estimated future dayrates and rig utilization, we consider key factors that include assumptions regarding future commodity prices, credit market conditions and the effect these factors may have on our contract drilling operations and the capital expenditure budgets of our customers. We discount the projected cash flows using a long-term, risk-adjusted weighted-average cost of capital, which is based on our estimate of the investment returns that market participants would require for each of our reporting units. We derive publicly traded company multiples for companies with operations similar to our reporting units using observable information related to shares traded on stock exchanges and, when available, observable information related to recent acquisitions. If the reporting unit's carrying amount exceeds its fair value, we consider goodwill impaired and perform a second step to measure the amount of the impairment loss, if any.

In the year ended December 31, 2014, as a result of interim goodwill tests, we recognized an aggregate loss of $3.0 billion, which had no tax effect, associated with the impairment of the remaining balance of our goodwill, of which $2.9 billion was attributable to controlling interest ($8.01 per diluted share) and $74 million was attributable to noncontrolling interest.

As a result of our annual goodwill impairment test in the years ended December 31, 2013 and 2012, we concluded that goodwill was not impaired. During the year ended December 31, 2012, we conducted an interim test on the goodwill attributed to the standard jackup and swamp barge disposal group. We determined that such goodwill was impaired and recognized a loss of $112 million ($0.31 per diluted share), which had no tax effect (see Note 7—Discontinued Operations). As a result of our annual impairment test, performed as of October 1, 2011, we determined that the goodwill associated with our contract drilling services reporting unit was impaired due to a decline in projected cash flows and market valuations for this reporting unit. In the three months ended March 31, 2012, we completed our analysis and recognized a loss of $118 million ($0.33 per diluted share), which had no tax effect, representing an incremental adjustment to our original estimate. See Note 5—Impairments and Note 11—Goodwill and Other Intangible Assets.

Derivatives and hedging—From time to time, we may enter into a variety of derivative financial instruments in connection with the management of our exposure to variability in interest rates and currency exchange rates. We record derivatives on our consolidated balance sheet, measured at fair value. For derivatives that do not qualify for hedge accounting, we recognize the gains and losses associated with changes in the fair value in current period earnings.

We may enter into cash flow hedges to manage our exposure to variability of the expected future cash flows of recognized assets or liabilities or of unrecognized forecasted transactions. For a derivative that is designated and qualifies as a cash flow hedge, we initially recognize the effective portion of the gains or losses in other comprehensive income and subsequently recognize the gains and losses in earnings in the period in which the hedged forecasted transaction affects earnings. We recognize the gains and losses associated with the ineffective portion of the hedges in interest expense in the period in which they are realized.

We may enter into fair value hedges to manage our exposure to changes in fair value of recognized assets or liabilities, such as fixed-rate debt, or of unrecognized firm commitments. For a derivative that is designated and qualifies as a fair value hedge, we simultaneously recognize in current period earnings the gains or losses on the derivative along with the offsetting losses or gains on the hedged item attributable to the hedged risk. The resulting ineffective portion, which is measured as the difference between the change in fair value of the derivative and the hedged item, is recognized in current period earnings. See Note 13—Derivatives and Hedging, Note 21—Financial Instruments and Note 22—Risk Concentration.

Pension and other postretirement benefits—We use a measurement date of January 1 for determining net periodic benefit costs and December 31 for determining plan benefit obligations and the fair values of plan assets. We determine our net periodic benefit costs based on a market-related value of assets that reduces year-to-year volatility by including investment gains or losses subject to amortization over a five-year period from the year in which they occur. Investment gains or losses for this purpose are measured as 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. If gains or losses exceed 10 percent of the greater of plan assets or plan liabilities, we amortize such gains or losses over the average expected future service period of the employee participants.

We measure our actuarially determined obligations and related costs for our defined benefit pension and other postretirement benefit plans, retiree life insurance and medical benefits, by applying assumptions, including long-term rate of return on plan assets, discount rates, mortality rates, compensation increases, employee turnover rates and health care cost trend rates. The two most critical assumptions are the long-term rate of return on plan assets and the discount rate.

For the long-term rate of return, we develop our assumptions regarding the expected rate of return on plan assets based on historical experience and projected long-term investment returns, and we weight the assumptions based on each plan's asset allocation. For the discount rate, we base our assumptions on a yield curve approach using Aa-rated corporate bonds and the expected timing of future benefit payments. For the projected compensation trend rate, we consider short-term and long-term compensation expectations for participants, including salary increases and performance bonus payments. For the health care cost trend rate for other postretirement benefits, we establish our assumptions for health care cost trends, applying an initial trend rate that reflects both our recent historical experience and broader national statistics with an ultimate trend rate that assumes that the portion of gross domestic product devoted to health care eventually becomes constant.

At December 31, 2014 and 2013, our pension and other postretirement benefit plan obligations represented an aggregate liability of $521 million and $409 million, respectively, representing the amount of their net underfunded status. In the years ended December 31, 2014, 2013 and 2012, net periodic benefit costs were $75 million, $132 million and $149 million, respectively. See Note 14—Postemployment Benefit Plans.

Contingencies—We perform assessments of our contingencies on an ongoing basis to evaluate the appropriateness of our liabilities and disclosures for such contingencies. We establish liabilities for estimated loss contingencies when we believe a loss is probable and the amount of the probable loss can be reasonably estimated. We recognize corresponding assets for those loss contingencies that we believe are probable of being recovered through insurance. Once established, we adjust the carrying amount of a contingent liability upon the occurrence of a recognizable event when facts and circumstances change, altering our previous assumptions with respect to the likelihood or amount of loss. We recognize expense for legal costs as they are incurred, and we recognize a corresponding asset for those legal costs only if we expect such legal costs to be recovered through insurance.

Reclassifications—We have made certain reclassifications, which did not have an effect on net income, to prior period amounts to conform with the current year's presentation. These reclassifications did not have a material effect on our consolidated statement of financial position, results of operations or cash flows.

Subsequent events—We evaluate subsequent events through the time of our filing on the date we issue our financial statements. See Note 27—Subsequent Events.

Note 3—New Accounting Pronouncements

Recently adopted accounting standards

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

Recently issued accounting standards

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

Effective with our annual report for the period ending December 31, 2016, we will adopt the accounting standards update that requires us to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date that the financial statements are issued. The update is effective for the annual period ending after December 15, 2016 and for annual periods and interim periods thereafter. We do not expect that our adoption will have a material effect on the disclosures contained in our notes to consolidated financial statements.

Revenue from contracts with customers—Effective January 1, 2017, we will adopt the accounting standards update that requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The update is effective for interim and annual periods beginning on or after December 15, 2016. We are evaluating the requirements to determine the effect such requirements may have on our revenue recognition policies.

Note 4—Variable Interest Entities

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

	Years ended December 31, 2014	Years ended December 31, 2013
Assets	$ 1,257	$ 1,280
Liabilities	74	261
Net carrying amount	$ 1,183	$ 1,019

Angola Deepwater Drilling Company Limited ("ADDCL"), a consolidated Cayman Islands company, and Transocean Drilling Services Offshore Inc. ("TDSOI"), a consolidated British Virgin Islands Company, were joint venture companies formed to own and operate certain drilling units. We determined that each of these joint venture companies met the criteria of a variable interest entity for accounting purposes because its equity at risk was insufficient to permit it to carry on its activities without additional subordinated financial support from us. We also determined, in each case, that we were the primary beneficiary for accounting purposes since (a) we had the power to direct the construction, marketing and operating activities, which are the activities that most significantly impact each entity's economic performance, and (b) we had the obligation to absorb losses or the right to receive a majority of the benefits that could be potentially significant to the variable interest entity. As a result, we consolidated ADDCL and TDSOI in our consolidated financial statements, we eliminated intercompany transactions, and we presented the interests that were not owned by us as noncontrolling interest on our consolidated balance sheets.

In October 2012, Angco II, a Cayman Islands company, acquired a 30 percent interest in TDSOI, a British Virgin Islands joint venture company formed to own and operate *Transocean Honor*. We hold the remaining 70 percent interest in TDSOI. Under certain circumstances, Angco II will have the right to exchange its interest in the joint venture for cash at an amount based on an appraisal of the fair value of the jackup, subject to certain adjustments.

At December 31, 2013, the aggregate carrying amount of assets of our consolidated variable interest entities that were pledged as security for the outstanding debt of our consolidated variable interest entities was $768 million. See Note 12—Debt.

Unconsolidated variable interest entities—We previously held two notes receivable, which represented a variable interest in Awilco Drilling plc ("Awilco"), a U.K. company listed on the Oslo Stock Exchange. The notes receivable were originally accepted in exchange for, and were secured by, two drilling units. The notes receivable had stated interest rates of nine percent and were payable in scheduled quarterly installments of principal and interest through maturity in January 2015. At December 31, 2013, the aggregate carrying amount of the notes receivable was $93 million. In April 2014, Awilco prepaid the notes, and we received aggregate cash proceeds of $98 million and recognized a gain of $7 million associated with the prepayment.

Note 5—Impairments

Goodwill—During the year ended December 31, 2014, we noted rapid and significant declines in the market value of our stock, oil and natural gas prices and the actual and projected declines in dayrates and utilization. We identified these as indicators that the fair value of our goodwill could have fallen below its carrying amount. As a result, we performed a goodwill impairment test as of September 30, 2014 and determined that the goodwill associated with our contract drilling services reporting unit was impaired. In the three months ended September 30, 2014, we recognized a loss of $2.0 billion associated with the impairment of our goodwill, which had no tax effect, representing our best estimate. We determined that, of the $2.0 billion estimated loss, $1.9 billion was attributable to controlling interest ($5.29 per diluted share) and $52 million was attributable to noncontrolling interest. We estimated the implied fair value of the goodwill using a variety of valuation methods, including the income and market approaches. Our estimate of fair value required us to use significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of our contract drilling services reporting unit, such as future oil and natural gas prices, projected demand for our services, rig availability and dayrates.

In the three months ended December 31, 2014, we completed the measurement of our goodwill impairment resulting from our interim test performed in the three months ended September 30, 2014, and we identified additional indicators that the remaining goodwill associated with our contract drilling services reporting unit may have again fallen below its carrying amount. As a result of our valuations, we determined that the remaining balance of our goodwill was impaired. In the three months ended December 31, 2014, we recognized a loss of $1.0 billion, which had no tax effect, associated with the impairment of our goodwill. We determined that, of the $1.0 billion loss, $992 million was attributable to controlling interest ($2.75 per diluted share) and $22 million was attributable to noncontrolling interest. We estimated the implied fair value of the goodwill using a variety of valuation methods, including the income and market approaches. Our estimate of fair value required us to use significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of our contract drilling services reporting unit, such as future oil and natural gas prices, projected demand for our services, rig availability and dayrates.

As a result of our annual impairment test, performed as of October 1, 2013, we determined that our goodwill was not impaired. During the year ended December 31, 2012, we completed the measurement of the impairment that resulted from our annual goodwill impairment test for our contract drilling services reporting unit, performed as of October 1, 2011. In the year ended December 31, 2012, we recognized an incremental loss of $118 million ($0.33 per diluted share), which had no tax effect, as an adjustment to our original estimate. We estimated the implied fair value of the goodwill by applying a variety of valuation methods, incorporating the cost, income and market approaches. Our estimate of fair value required us to use significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of our contract drilling services reporting unit, such as future commodity prices, projected demand for our services, rig utilization and dayrates.

Assets held and used—During the year ended December 31, 2014, we identified indicators that our asset groups in our contract drilling services reporting unit may be impaired as a result of recent market developments, including recent low dayrate fixtures, partly caused by more technologically advanced drilling units competing with less capable drilling units, and projected declines in dayrates and utilization, particularly for the Deepwater Floater asset group. We conducted testing for impairment, and as a result, we determined that the carrying amount of the Deepwater Floater asset group exceeded its fair value. In the year ended December 31, 2014, we recognized a loss of $788 million ($693 million, or $1.91 per diluted share from continuing operations, net of tax) associated with the impairment of these long-lived assets. We measured the fair value of the asset group by applying a combination of income, market and cost approaches, using projected discounted cash flows and estimates of the exchange price that would be received for the assets in the principal or most advantageous market for the assets in an orderly transaction between market participants as of the measurement date. Our estimate of fair value required us to use significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of our contract drilling services reporting unit, such as future commodity prices, projected demand for our services, rigs availability and dayrates.

In the year ended December 31, 2013, we recognized a loss of $17 million associated with the impairment of certain corporate assets. We estimated the fair value of the assets using significant other observable inputs, representative of a Level 2 fair value measurement, including comparable market data for the corporate assets.

Assets held for sale—In the year ended December 31, 2014, we recognized an aggregate loss of $268 million ($221 million, or $0.60 per diluted share from continuing operations, net of tax), associated with the impairment of the Deepwater Floaters *Discoverer Seven* Seas, *Sedco 709*, *Sedco 710* and *Sovereign Explorer*, the Midwater Floaters *C. Kirk Rhein, Jr.*, *Falcon 100*, *GSF Arctic I*, *J.W. McLean*, *Sedco 601*, *Sedco 700*, *Sedco 703* and *Sedneth 701* and the High-Specification Jackups *GSF Magellan* and *GSF Monitor*, along with related equipment, which were classified as assets held for sale at the time of impairment. We measured the impairments of the drilling units and related equipment as the amount by which the carrying amount exceeded the estimated fair value less costs to sell. We estimated the fair value of the assets using significant other observable inputs, representative of Level 2 fair value measurements, including, in the case of the High-Specification Jackups *GSF Magellan* and *GSF Monitor*, binding sale and purchase agreements for the drilling units and related equipment or, in the case of the Deepwater Floaters *Sedco 710* and *Sovereign Explorer* and the Midwater Floaters *GSF Arctic I*, *J.W. McLean*, *Sedco 601* and *Sedco 700,* indicative market values for the drilling units and related equipment to be sold for scrap value.

In the year ended December 31, 2013, we recognized an aggregate loss of $64 million ($0.17 per diluted share), which had no tax effect, associated with the impairment of the Deepwater Floater *Sedco 709*, the Midwater Floaters *C. Kirk Rhein, Jr.* and *Sedco 703* and the High-Specification Jackup *GSF Monitor*, all of which were classified as assets held for sale at the time of impairment. We measured the impairments of the drilling units and related equipment as the amount by which the carrying amounts exceeded the estimated fair values less costs to sell. We estimated the fair values of the assets using significant other observable inputs, representative of Level 2 fair value measurements, including, in the case of *GSF Monitor*, a binding sale and purchase agreement, or, in the case of *Sedco 709*, *C. Kirk Rhein, Jr.* and *Sedco 703*, nonbinding sale and purchase agreements for the drilling units and related equipment.

Note 6—Income Taxes

Tax rate—Transocean Ltd., a holding company and Swiss resident, is exempt from cantonal and communal income tax in Switzerland, but is subject to Swiss federal income tax. At the federal level, qualifying net dividend income and net capital gains on the sale of qualifying investments in subsidiaries are exempt from Swiss federal income tax. Consequently, Transocean Ltd. expects dividends from its subsidiaries and capital gains from sales of investments in its subsidiaries to be exempt from Swiss federal income tax.

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

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

The change in the law did not affect existing deferred balances. In the years ended December 31, 2014 and 2013, our annual effective tax rates were 18.7 percent and 20.1 percent, respectively.

The components of our provision (benefit) for income taxes were as follows (in millions):

	Years ended December 31, 2014	2013	2012
Current tax expense	$ 288	$ 267	$ 185
Deferred tax benefit	(142)	(9)	(133)

Income tax expense	$ 146	$ 258	$ 52

The following is a reconciliation of the differences between the income tax expense for our continuing operations computed at the Swiss holding company federal statutory rate of 7.83 percent and our reported provision for income taxes (in millions):

	Years ended December 31, 2014	2013	2012
Income tax expense at the Swiss federal statutory rate	$ (141)	$ 130	$ 68
Taxes on earnings subject to rates different than the Swiss federal statutory rate	88	185	141
Taxes on impairment loss subject to rates different than the Swiss federal statutory rate	174	5	5
Taxes on revaluation of Norwegian assets	69	—	—
Taxes on asset sales subject to rates different than the Swiss federal statutory rate	2	9	(1)
Taxes on litigation matters subject to rates different than the Swiss federal statutory rate	5	(33)	59
Changes in unrecognized tax benefits, net	(119)	(62)	(179)
Change in valuation allowance	93	37	1
Benefit from foreign tax credits	(23)	(18)	(38)
Taxes on asset acquisition costs at rates lower than the Swiss federal statutory rate	—	—	—
Other, net	(2)	5	(4)
Income tax expense	$ 146	$ 258	$ 52

Deferred taxes—The significant components of our deferred tax assets and liabilities were as follows (in millions):

	December 31, 2014	2013
Deferred tax assets		
Net operating loss carryforwards	$ 315	$ 369
Tax credit carryforwards	14	21
Accrued payroll expenses not currently deductible	113	98
Deferred income	125	62
Loss contingencies	66	36
Professional fees	94	89
U.K. charter limitation	28	—
Other	28	28
Valuation allowance	(340)	(247)
Total deferred tax assets	443	456
Deferred tax liabilities		
Depreciation and amortization	(483)	(650)
Other	(37)	(29)
Total deferred tax liabilities	(520)	(679)
Net deferred tax liabilities	$ (77)	$ (223)

At December 31, 2014 and 2013, our deferred tax assets include U.S. foreign tax credit carryforwards of $14 million and $21 million, respectively, which will expire between 2017 and 2024. The deferred tax assets related to our net operating losses were generated in various worldwide tax jurisdictions. At December 31, 2014, the tax effect of our Norwegian and Brazilian net operating losses, which do not expire, was $108 million and $40 million, respectively. At December 31, 2013, the tax effect of our Norwegian and Brazilian net operating losses, which do not expire, was $161 million and $49 million, respectively.

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

	December 31, 2014	2013
Valuation allowance for non-current deferred tax assets	$ 340	$ 247

Our deferred tax liabilities include taxes related to the earnings of certain subsidiaries that are not permanently reinvested or that will not be permanently reinvested in the future. Should our expectations change regarding future tax consequences, we may be required to record additional deferred taxes that could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

We consider the earnings of certain of our subsidiaries to be indefinitely reinvested. As such, we have not provided for taxes on these unremitted earnings. Should we make a distribution from the unremitted earnings of these subsidiaries, we would be subject to taxes payable to various jurisdictions. At December 31, 2014, the amount of indefinitely reinvested earnings was approximately $2.4 billion. If all of these indefinitely reinvested earnings were distributed, we would be subject to estimated taxes of $200 million to $250 million.

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

	Years ended December 31,		
	2014	2013	2012
Balance, beginning of period	$ 326	$ 382	$ 515
Additions for current year tax positions	25	24	58
Additions for prior year tax positions	3	10	25
Reductions for prior year tax positions	(19)	(72)	(24)
Settlements	(47)	(6)	(120)
Reductions related to statute of limitation expirations	(23)	(12)	(72)
Balance, end of period	$ 265	$ 326	$ 382

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

	December 31,	
	2014	2013
Unrecognized tax benefits, excluding interest and penalties	$ 265	$ 326
Interest and penalties	120	176
Unrecognized tax benefits, including interest and penalties	$ 385	$ 502

In the years ended December 31, 2014, 2013 and 2012, we recognized interest and penalties of $57 million, $23 million and $56 million, respectively, associated with our unrecognized tax benefits and recorded as a component of income tax expense. As of December 31, 2014, if recognized, $385 million of our unrecognized tax benefits, including interest and penalties, would favorably impact our effective tax rate.

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

Tax returns—We file federal and local tax returns in several jurisdictions throughout the world. With few exceptions, we are no longer subject to examinations of our U.S. and non-U.S. tax matters for years prior to 2010.

Our tax returns in the major jurisdictions in which we operate, other than the U.S., Norway and Brazil, which are mentioned below, are generally subject to examination for periods ranging from three to six years. We have agreed to extensions beyond the statute of limitations in two major jurisdictions for up to 20 years. Tax authorities in certain jurisdictions are examining our tax returns and in some cases have issued assessments. We are defending our tax positions in those jurisdictions. While we cannot predict or provide assurance as to the timing or the outcome of these proceedings, we do not expect the ultimate liability to have a material adverse effect on our consolidated statement of financial position or results of operations, although it may have a material adverse effect on our consolidated statement of cash flows.

U.S. tax investigations—In the year ended December 31, 2014, we received an assessment from the U.S. tax authorities related to our 2010 and 2011 U.S. federal income tax returns. The significant issue raised in the assessment relates to transfer pricing for certain charters of drilling rigs between our subsidiaries. This issue, if successfully challenged, would result in net adjustments of approximately $290 million of additional taxes, excluding interest and penalties. An unfavorable outcome on these adjustments could result in a material adverse effect on our consolidated statement of financial position, results of operations or cash flows. Furthermore, if the authorities were to continue to pursue these positions with respect to subsequent years and were successful in such assertions, our effective tax rate on worldwide earnings with respect to years following 2011 could increase substantially, and could have a material adverse effect on our consolidated results of operations or cash flows. We believe our U.S. federal income tax returns are materially correct as filed, and we intend to continue to vigorously defend against all such claims to the contrary.

Norway tax investigations and trial—Norwegian civil tax and criminal authorities are investigating various transactions undertaken by our subsidiaries in 1999, 2001 and 2002 as well as the actions of certain employees of our former external tax advisors on these transactions. The authorities issued tax assessments as follows: (a) NOK 684 million, equivalent to approximately $92 million, plus interest, related to the migration of our subsidiary that was previously subject to tax in Norway, (b) NOK 412 million, equivalent to approximately $55 million, plus interest, related to a 2001 dividend payment and (c) NOK 43 million, equivalent to approximately $6 million, plus interest, related to certain foreign exchange deductions and dividend withholding tax. In November 2012, the Norwegian district court in Oslo heard the civil tax case regarding the disputed tax assessment of NOK 684 million related to the migration of our subsidiary. On March 1, 2013, the Norwegian district court in Oslo overturned the initial civil tax assessment and ruled in our favor, and the tax authorities filed an appeal. On June 26, 2014, the Norwegian district court in Oslo ruled that our subsidiary was liable for the civil tax assessment of NOK 412 million, equivalent to approximately $55 million, but waived all penalties and interest. On September 12, 2014, we filed an appeal. We intend to take all other appropriate action to continue to support our position that our Norwegian tax returns are materially correct as filed.

In October 2011, we provided a parent company guarantee in the amount of NOK 699 million, equivalent to approximately $94 million, with respect to one of the tax disputes. In September 2014, the Norwegian tax authorities formally abandoned part of the claim by issuing a revised writ, and we reduced our parent guarantee to NOK 35 million, equivalent to approximately $5 million. In October 2014, the Norwegian tax authorities formally dismissed all remaining claims related to the migration of our subsidiary that was previously subject to tax in Norway. As a result, we terminated the parent company guarantee of NOK 35 million, equivalent to approximately $5 million

In June 2011, the Norwegian authorities issued criminal indictments against two of our subsidiaries alleging misleading or incomplete disclosures in Norwegian tax returns for the years 1999 through 2002, as well as inaccuracies in Norwegian statutory financial statements for the years ended December 31, 1996 through 2001. Two employees of our former external tax advisors were also issued criminal indictments with respect to the disclosures in our tax returns, and our former external Norwegian tax attorney was issued criminal indictments related to certain of our restructuring transactions and the 2001 dividend payment. In January 2012, the Norwegian authorities supplemented the previously issued criminal indictments by issuing a financial claim of NOK 1.8 billion, equivalent to approximately $242 million, jointly and severally, against our two subsidiaries, the two external tax advisors and the external tax attorney. In February 2012, the authorities dropped the previously existing civil tax claim related to a certain restructuring transaction. In April 2012, the Norwegian tax authorities supplemented the previously issued criminal indictments against our two subsidiaries by extending a criminal indictment against a third subsidiary, alleging misleading or incomplete disclosures in Norwegian tax returns for the years 2001 and 2002. The criminal trial commenced in December 2012. In May 2013, the Norwegian authorities dropped the financial claim of NOK 1.8 billion against one of our subsidiaries and the criminal case related to the migration case of another subsidiary. The criminal trial proceedings ended in September 2013. The Norwegian authorities subsequently suggested, if we were found guilty, that the court assess criminal penalties of NOK 230 million, equivalent to approximately $31 million, against three of our subsidiaries in addition to any civil tax penalties and the financial claim.

On July 2, 2014, the Norwegian district court in Oslo acquitted our three subsidiaries, two external tax attorneys and an external tax advisor of all criminal charges related to the disclosures in our Norwegian tax returns for the years 1999 through 2002 and statutory financial statements for the years ended December 31, 1996 through 2001. On July 16, 2014, the Norwegian authorities dropped the financial claim of NOK 1.8 billion, equivalent to approximately $242 million, against two of our subsidiaries, fully closing this matter, and on the same date, filed an appeal with respect to the following charges: (a) disclosures in our Norwegian tax returns related to a dividend payment in 2001, (b) disclosures in our Norwegian tax returns related to an intercompany rig sale in 1999 and (c) certain inaccuracies in Norwegian statutory financial statements for the years ended December 31, 1996 through 2001. We believe our Norwegian tax returns are materially correct as filed, and we intend to continue to vigorously contest any assertions to the contrary by the Norwegian civil and criminal authorities in connection with the various transactions being investigated. An unfavorable outcome on the Norwegian civil or criminal tax matters could result in a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Brazil tax investigations—Certain of our Brazilian income tax returns for the years 2000 through 2004 are currently under examination. In December 2005, the Brazilian tax authorities issued an aggregate tax assessment of BRL 713 million, equivalent to approximately $269 million, including a 75 percent penalty and interest. On January 25, 2008, we filed a protest letter with the Brazilian tax authorities, and we are currently engaged in the appeals process. On May 19, 2014, with respect to our Brazilian income tax returns for the years 2009 and 2010, the Brazilian tax authorities issued an aggregate tax assessment of BRL 124 million, equivalent to approximately $47 million, including a 75 percent penalty and interest. On June 18, 2014, we filed a protest letter with the Brazilian tax authorities. We believe our returns are materially correct as filed, and we are vigorously contesting these assessments. An unfavorable outcome on these proposed assessments could result in a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

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

Note 7—Discontinued Operations

Summarized results of discontinued operations

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

	Years ended December 31,		
	2014	2013	2012
Operating revenues	$ 166	$ 1,031	$ 1,306
Operating and maintenance expense	(162)	(1,022)	(1,236)
Depreciation and amortization expense	—	—	(184)
Loss on impairment of assets in discontinued operations	—	(14)	(1,008)
Gain (loss) on disposal of assets in discontinued operations, net	(10)	54	82
Income (loss) from discontinued operations before income tax expense	(6)	49	(1,040)
Income tax expense	(14)	(40)	(3)
Income (loss) from discontinued operations, net of tax	$ (20)	$ 9	$ (1,043)

Assets and liabilities of discontinued operations

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

	December 31,	
	2014	2013
Assets		
Materials and supplies, net	$ 2	$ 18
Other related assets	—	1
Assets held for sale	2	19
Other current assets	—	6
Total current assets	$ 2	$ 25
Liabilities		
Deferred revenues	$ —	$ 8
Other current liabilities	$ —	$ 8

Standard jackup and swamp barge contract drilling services

Overview—In September 2012, in connection with our efforts to dispose of non-strategic assets and to reduce our exposure to low-specification drilling units, we committed to a plan to discontinue operations associated with the standard jackup and swamp barge asset groups, components of our contract drilling services operating segment. As a result, we allocated $112 million of goodwill to this disposal group based on the fair value of the disposal group relative to the fair value of the contract drilling services operating segment. We estimated the fair values of the disposal group and the contract drilling services operating segment by applying a variety of valuation methods, incorporating the income and market approaches, and using significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of the disposal group and of our contract drilling services reporting unit, such as future commodity prices, projected demand for our services, rig utilization and dayrates.

At December 31, 2012, we had seven standard jackups, including *D.R. Stewart*, *GSF Adriatic VIII*, *GSF Rig 127*, *GSF Rig 134*, *Interocean III*, *Trident IV-A* and *Trident VI*, along with related equipment, which we reclassified to assets held for sale with an aggregate carrying amount of $112 million, including $8 million in materials and supplies. In the year ended December 31, 2013, we completed the sales of these standard jackups and related equipment.

Impairments—In the year ended December 31, 2013, we recognized an aggregate loss of $14 million ($0.04 per diluted share), which had no tax effect, associated with the impairment of standard jackups *GSF Rig 127* and *GSF Rig 134*. In the year ended December 31, 2012, we also recognized an aggregate loss of $29 million ($0.08 per diluted share), which had no tax effect, associated with the impairment of the standard jackups *GSF Adriatic II* and *GSF Rig 136*. We measured the impairment of the drilling units and related equipment as the amount by which the carrying amounts exceeded the estimated fair values less costs to sell. We estimated the fair value of the assets using significant other observable inputs, representative of Level 2 fair value measurements, including a binding sale and purchase agreement for the drilling units and related equipment.

In September 2012, in connection with our reclassification of the standard jackup and swamp barge disposal group to assets held for sale, we determined that the disposal group was impaired since its aggregate carrying amount exceeded its aggregate fair value. We estimated the fair value of this disposal group by applying a variety of valuation methods, incorporating cost, income and market approaches, to estimate the exit price that would be received for the assets in the principal or most advantageous market for the assets in an orderly transaction between market participants as of the measurement date. Although we based certain components of our valuation on significant other observable inputs, including binding sale and purchase agreements, a significant portion of our valuation required us to project the future performance of the disposal group based on significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions regarding long-term projections for future revenues and costs, dayrates, rig utilization rates and revenue efficiency rates. We measured the impairments of the disposal group as the amount by which its carrying amount exceeded its estimated fair value less costs to sell. We included in our estimated loss on impairment as a reduction to the expected proceeds approximately $60 million of costs for certain shipyard projects and other obligations required pursuant to the sale agreement and approximately $17 million of costs to sell the disposal group, including legal and financial advisory costs and expenses. In the year ended December 31, 2012, as a result of our valuation, we recognized losses of $744 million ($2.09 per diluted share) and $112 million ($0.31 per diluted share), which had no tax effect, associated with the impairment of long-lived assets and the goodwill, respectively.

In connection with our sale transactions with Shelf Drilling, we were, and continue to be, required to pay postemployment benefits to certain employees and contract labor for which employment was or will be terminated as a direct result of the sale transactions upon expiration of the operating agreements and transition services agreement. In the year ended December 31, 2012, we recognized a loss of $20 million, included in loss on impairment of assets in discontinued operations, associated with such postemployment benefits.

Sale transactions with Shelf Drilling—On November 30, 2012, we completed the sale of 38 drilling units, along with related equipment, to Shelf Drilling. In connection with the sale, we received cash proceeds of $568 million, net of certain working capital and other adjustments, and non-cash proceeds in the form of perpetual preference shares that had a stated value of $195 million and an estimated fair value of $194 million, including the fair value associated with embedded derivatives, estimated at the time of the closing of the sale transactions. In June 2013, we sold the preference shares to an unaffiliated party for cash proceeds of $185 million and, in the year ended December 31, 2013, we recognized a loss of $10 million ($0.03 per diluted share), recorded in other expense, net, which had no tax effect, associated with the sale of the preference shares.

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

Under the operating agreements, we agreed to continue to operate these standard jackups on behalf of Shelf Drilling for periods ranging from nine months to 27 months, until expiration or novation of the underlying drilling contracts by Shelf Drilling, and under a transition services agreement, we agreed to provide certain transition services for a period of up to 18 months following the completion of the sale transactions. As of December 31, 2014, we operated one standard jackup under an operating agreement with Shelf Drilling. Until the expiration or novation of such drilling contracts, we retain possession of the materials and supplies associated with the standard jackups that we operate under the operating agreements. In the year ended December 31, 2014, we received cash proceeds of $25 million associated with the sale of equipment and materials and supplies to Shelf Drilling upon expiration of novation of the drilling contracts. In the years ended December 31, 2013 and 2012, we received cash proceeds of $64 million and $30 million and recognized aggregate gains of $11 million ($0.03 per diluted share), which had no tax effect, and $8 million (net loss of $5 million or $0.01 per diluted share, net of tax), respectively, associated with the sale of equipment and materials and supplies to Shelf Drilling upon expiration of novation of the drilling contracts. At December 31, 2014 and 2013, the materials and supplies associated with the drilling units that we operated under operating agreements with Shelf Drilling had an aggregate carrying amount of $2 million and $18 million, respectively.

For a period of up to three years following the closing of the sale transactions, we have agreed to provide to Shelf Drilling up to $125 million of financial support by maintaining letters of credit, surety bonds and guarantees for various contract bidding and performance activities associated with the drilling units sold to Shelf Drilling and in effect at the closing of the sale transactions. At the time of the sale transactions, we had $113 million of outstanding letters of credit, issued under our committed and uncommitted credit lines, in support of rigs sold to Shelf Drilling. Included within the $125 million maximum amount, we agreed to provide up to $65 million of additional financial support in connection with any new drilling contracts related to such drilling units. Shelf Drilling is required to reimburse us in the event that any of these instruments are called. At December 31, 2014 and 2013, we had $91 million and $104 million, respectively, of outstanding letters of credit, issued under our committed and uncommitted credit lines, in support of drilling units sold to Shelf Drilling. See Note 15—Commitments and Contingencies.

Other dispositions—During the year ended December 31, 2013, we completed the sale of the standard jackups *D.R. Stewart*, *GSF Adriatic VIII*, *GSF Rig 127*, *GSF Rig 134*, *Interocean III*, *Trident IV-A* and *Trident VI*, along with related equipment. In the year ended December 31, 2013, in connection with the disposal of these assets, we received aggregate net cash proceeds of $140 million and recognized an aggregate net gain of $44 million ($0.12 per diluted share), which had no tax effect.

During the year ended December 31, 2012, we also completed the sales of the standard jackups *GSF Adriatic II*, *GSFRig 103*, *GSFRig 136*, *Roger W. Mowell*, *Transocean Nordic*, *Transocean Shelf Explorer* and *Trident 17*, along with related equipment. In the year ended December 31, 2012, in connection with the disposal of these assets, we received aggregate net cash proceeds of $198 million and recognized an aggregate net gain of $74 million ($0.20 per diluted share), which had no tax effect.

In the years ended December 31, 2014, 2013, and 2012, we recognized an aggregate net gain of $2 million, an aggregate net loss of $1 million and an aggregate net loss of $9 million, respectively, associated with the disposal of assets unrelated to dispositions of rigs.

Drilling management services

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

In March 2012, we announced our intent to discontinue drilling management operations in the shallow waters of the U.S. Gulf of Mexico, a component of our drilling management services operating segment, upon completion of our then existing contracts. We based our decision to abandon this market on the declining market outlook for these services in the shallow waters of the U.S. Gulf of Mexico as well as the more difficult regulatory environment for obtaining drilling permits. In December 2012, we completed the final drilling management project and discontinued offering our drilling management services in this region.

Impairments—During the year ended December 31, 2012, we determined that the customer relationships intangible asset associated with the U.K. operations of our drilling management services reporting unit was impaired due to the diminishing demand for our drilling management services. We estimated the fair value of the customer relationships intangible asset using the multiperiod excess earnings method, a valuation method that applies the income approach. We estimated fair value using significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of the drilling management services reporting unit, such as future commodity prices, projected demand for our services, rig utilization and dayrates. In the year ended December 31, 2012, as a result of our valuation, we determined that the carrying amount of the customer relationships intangible asset exceeded its fair value, and we recognized a loss of $22 million ($17 million, or $0.05 per diluted share, net of tax) associated with the impairment of the intangible asset.

During the year ended December 31, 2012, we determined that the customer relationships intangible asset and the trade name intangible asset associated with the U.S. operations of our drilling management services reporting unit was impaired due to the declining market outlook for these services in the shallow waters of the U.S. Gulf of Mexico as well as the increasingly difficult regulatory environment for obtaining drilling permits and the diminishing demand for our drilling management services. We estimated the fair value of the customer relationships intangible asset using the multiperiod excess earnings method, a valuation methodology that applies the income approach. We estimated fair value using significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of the drilling management services reporting unit, such as future commodity prices, projected demand for our services, rig utilization and dayrates. We estimated the fair value of the trade name intangible asset using the relief from royalty method, a valuation methodology that applies the income approach. We estimated fair value using significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of the drilling management services reporting unit, such as future commodity prices, projected demand for drilling management services, rig utilization and dayrates. In the year ended December 31, 2012, as a result of our valuations, we determined that the carrying amounts of these intangible assets exceeded their respective fair values, and we recognized losses of $31 million ($20 million or $0.06 per diluted share, net of tax) and $39 million ($25 million or $0.07 per diluted share, net of tax) associated with the impairment of the customer relationships intangible asset and the trade name intangible asset, respectively.

Disposition—In the year ended December 31, 2014, we received net cash proceeds of $10 million and recognized a net loss of $12 million ($0.03 per diluted share), which had no tax effect, associated with the sale of the drilling management services business. We provided a limited guarantee in favor of one customer through completion of its drilling project, which was completed during the three months ended September 30, 2014. We also agreed to provide a $15 million working capital line of credit to the buyer through March 2016. We earn interest on the outstanding borrowings at a fixed rate of 8.3 percent per annum, payable quarterly. At December 31, 2014, ADTI had borrowings of $15 million outstanding under the working capital line of credit, recorded in other assets.

Oil and gas properties

Overview—In March 2011, in connection with our efforts to dispose of non-strategic assets, we engaged an unaffiliated advisor to coordinate the sale of the assets of our oil and gas properties reporting unit, formerly a component of our other operations segment, which comprised the exploration, development and production activities performed by CMI. During the year ended December 31, 2012, we completed the sale of these assets.

Impairments—In the years ended December 31, 2012, we recognized losses of $11 million ($10 million or $0.02 per diluted share, net of tax), associated with the impairment of our oil and gas properties, which were classified as assets held for sale at the time of impairment, since the carrying amount of the properties exceeded the estimated fair value less costs to sell the properties.

Dispositions—During the year ended December 31, 2012, we completed the sales of the assets of Challenger Minerals Inc. and Challenger Minerals (Ghana) Limited for aggregate net cash proceeds of $13 million, which had no tax effect. During the year ended December 31, 2011, we completed the sale of Challenger Minerals (North Sea) Limited for aggregate net cash proceeds of $24 million, and in May 2012, we received additional cash proceeds of $10 million. In the year ended December 31, 2012, we recognized an aggregate net gain of $9 million ($0.02 per diluted share), which had no tax effect, associated with the completion of these sales.

Note 8—Earnings (Loss) Per Share

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

	Years ended December 31,					
	2014		2013		2012	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Numerator for earnings (loss) per share						
Income (loss) from continuing operations attributable to controlling interest	$ (1,893)	$ (1,893)	$ 1,398	$ 1,398	$ 824	$ 824
Undistributed earnings allocable to participating securities	—	—	(12)	(12)	—	—
Income (loss) from continuing operations available to shareholders	$ (1,893)	$ (1,893)	$ 1,386	$ 1,386	$ 824	$ 824
Denominator for earnings (loss) per share						
Weighted-average shares outstanding	362	362	360	360	356	356
Effect of stock options and other share-based awards	—	—	—	—	—	—
Weighted-average shares for per share calculation	362	362	360	360	356	356
Per share earnings (loss) from continuing operations	$ (5.23)	$ (5.23)	$ 3.85	$ 3.85	$ 2.32	$ 2.32

For the years ended December 31, 2014, 2013 and 2012, we excluded 2.5 million, 1.4 million and 2.4 million share-based awards, respectively, from the calculation since the effect would have been anti-dilutive.

Note 9—Other Comprehensive Income (Loss)

The allocation of other comprehensive income (loss) attributable to controlling interest and to noncontrolling interest, including our redeemable noncontrolling interest, was as follows (in millions):

	Years ended December 31,								
	2014			2013			2012		
	Controlling interest	Non-controlling interest (a)	Total	Controlling interest	Non-controlling interest (a)	Total	Controlling interest	Non-controlling interest (a)	Total
Other comprehensive income (loss) before reclassifications									
Components of net periodic benefit costs	$ (170)	$ —	$ (170)	$ 198	$ —	$ 198	$ (52)	$ —	$ (52)
Gain (loss) on derivative instruments	—	—	—	(5)	—	(5)	6	(3)	3
Reclassifications to net income									
Components of net periodic benefit costs	17	—	17	49	—	49	47	—	47
(Gain) loss on derivative instruments	(2)	—	(2)	15	3	18	(4)	3	(1)
Loss on marketable securities	—	—	—	—	—	—	2	—	2
Other comprehensive income (loss) before income taxes	(155)	—	(155)	257	3	260	(1)	—	(1)
Income taxes related to other comprehensive income (loss)	13	—	13	2	—	2	(7)	—	(7)
Other comprehensive income (loss), net of income tax	$ (142)	$ —	$ (142)	$ 259	$ 3	$ 262	$ (8)	$ —	$ (8)

(a) Includes amounts attributable to noncontrolling interest and redeemable noncontrolling interest.

Note 10—Drilling Fleet

Construction work in progress—For each of the three years ended December 31, 2014, the changes in our construction work in progress, including capital expenditures and other capital additions, such as capitalized interest, were as follows (in millions):

	Years ended December 31,		
	2014	2013	2012
Construction work in progress, at beginning of period	$ 2,710	$ 2,010	$ 1,391
Newbuild construction program			
Transocean Honor (a) (b)	—	—	35
Transocean Siam Driller (a) (c)	—	74	39
Transocean Andaman (a) (c)	—	82	38
Transocean Ao Thai (a) (c)	—	90	72
Deepwater Invictus (a) (d)	492	65	40
Deepwater Asgard (a) (d)	291	309	46
Deepwater Thalassa (e)	82	154	139
Deepwater Proteus (e)	64	146	128
Deepwater Conqueror (f)	118	108	—
Deepwater Pontus (e)	169	65	76
Deepwater Poseidon (e)	140	66	76
Transocean Cassiopeia (g)	5	44	—
Transocean Centaurus (g)	4	44	—
Transocean Cepheus (g)	4	44	—
Transocean Cetus (g)	4	44	—
Ultra-Deepwater drillship TBN1 (h)	32	—	—
Transocean Circinus (g)	4	44	—
Ultra-Deepwater drillship TBN2 (h)	27	—	—
Other construction projects and capital additions	729	859	614
Total capital expenditures	2,165	2,238	1,303
Changes in accrued capital expenditures	(43)	44	61
Impairment of certain corporate assets under construction	—	(17)	—
Property and equipment placed into service			
Transocean Honor (a) (b)	—	—	(262)
Transocean Siam Driller (a) (c)	—	(236)	—
Transocean Andaman (a) (c)	—	(242)	—
Transocean Ao Thai (a) (c)	—	(242)	—
Deepwater Invictus (a) (d)	(736)	—	—
Deepwater Asgard (a) (d)	(786)	—	—
Other property and equipment	(859)	(845)	(483)
Construction work in progress, at end of period	$ 2,451	$ 2,710	$ 2,010

(a) The accumulated construction costs of this rig are no longer included in construction work in progress, as the construction project had been completed as of December 31, 2014.

(b) The High-Specification Jackup *Transocean Honor*, owned through our 70 percent interest in TDSOI, commenced operations in May 2012. The costs presented above represent 100 percent of TDSOI's expenditures in the construction of *Transocean Honor*.

(c) The High-Specification Jackups *Transocean Siam Driller, Transocean Andaman* and *Transocean Ao Thai* commenced operations in March 2013, May 2013 and October 2013, respectively.

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

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

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

(g) *Transocean Cassiopeia*, *Transocean Centaurus*, *Transocean Cepheus*, *Transocean Cetus* and *Transocean Circinus*, five Keppel FELS Super B 400 Bigfoot class design newbuild High-Specification Jackups under construction at Keppel FELS' shipyard in Singapore do not yet have drilling contracts and are expected to be delivered in the third quarter of 2016, the first quarter of 2017, the third quarter of 2017, the first quarter of 2018 and the third quarter of 2018, respectively. These delivery expectations reflect our decision to delay delivery in consideration of existing market conditions.

(h) Our two unnamed dynamically positioned Ultra-Deepwater drillships under construction at the Jurong Shipyard PTE Ltd. in Singapore do not yet have drilling contracts and are expected to be delivered in the second quarter of 2017 and the first quarter of 2018, respectively.

Dispositions—During the year ended December 31, 2014, we completed the sale of the Deepwater Floater *Sedco 709*, the Midwater Floater *Sedco 703* and the High-Specification Jackups *GSF Magellan* and *GSF Monitor*, along with related equipment. In the year ended December 31, 2014, in connection with the disposal of these assets, we received aggregate net cash proceeds of $185 million, and recognized an aggregate net loss of $1 million. In the year ended December 31, 2014, we received cash proceeds of $37 million, and recognized an aggregate net loss of $25 million, associated with the disposal of assets unrelated to rig sales.

During the year ended December 31, 2013, we completed the sale of *Transocean Richardson* along with related equipment, and as a result of the sale, we received net cash proceeds of $142 million and recognized a net gain of $33 million ($22 million or $0.06 per diluted share, net of tax). In the year ended December 31, 2013, we received cash proceeds of $32 million and recognized an aggregate net loss of $26 million associated with the disposal of assets unrelated to dispositions of rigs.

During the year ended December 31, 2012, in connection with our efforts to dispose of non-strategic assets, we completed the sales of the Deepwater Floaters *Discoverer 534* and *Jim Cunningham*. In connection with these sales, we received aggregate net cash proceeds of $178 million and recognized an aggregate net gain of $51 million ($48 million or $0.13 per diluted share, net of tax). In the year ended December 31, 2012, we recognized an aggregate net loss of $15 million associated with the disposal of assets unrelated to dispositions of rigs.

At December 31, 2014, in addition to the remaining assets of our discontinued operations, our assets held for sale included the Deepwater Floaters *Discoverer Seven* Seas, Sedco *710* and *Sovereign Explorer* and the Midwater Floaters *Sedneth* 701, *C. Kirk Rhein, Jr.*, *Falcon 100*, *GSF Arctic I*, *J.W. McLean*, *Sedco 601* and *Sedco 700*, along with related equipment, with an aggregate carrying amount of $23 million. At December 31, 2013, in addition to the remaining assets of our discontinued operations, our assets held for sale included *Sedco 709*, *C. Kirk Rhein, Jr.*, *Falcon 100*, *Sedco 703* and *GSF Monitor*, along with related equipment, with an aggregate carrying amount of $129 million.

See Note 5—Impairments.

Note 11—Goodwill and Other Intangibles

Goodwill—The gross carrying amounts of goodwill and accumulated impairment associated with our contract drilling services reporting unit were as follows (in millions):

	Year ended December 31, 2014			Year ended December 31, 2013		
	Gross carrying amount	Accumulated impairment	Net carrying amount	Gross carrying amount	Accumulated impairment	Net carrying amount
Balance, beginning of period	$ 10,799	$ (7,812)	$ 2,987	$ 10,799	$ (7,812)	$ 2,987
Impairment associated with continuing operations	—	(2,987)	(2,987)	—	—	—
Balance, end of period	$ 10,799	$ (10,799)	$ —	$ 10,799	$ (7,812)	$ 2,987

Definite-lived intangible liabilities—The gross carrying amounts of our drilling contract intangibles which we consider to be definite-lived intangible liabilities, and accumulated amortization were as follows (in millions):

	Year ended December 31, 2014			Year ended December 31, 2013		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Drilling contract intangible liabilities						
Balance, beginning of period	$ 1,410	$ (1,366)	$ 44	$ 1,410	$ (1,351)	$ 59
Amortization	—	(15)	(15)	—	(15)	(15)
Balance, end of period	$ 1,410	$ (1,381)	$ 29	$ 1,410	$ (1,366)	$ 44

At December 31, 2014, the estimated future amortization of our drilling contract intangible liabilities was as follows (in millions):

	Drilling contract intangible liabilities
Years ending December 31,	
2015	$ 15
2016	14
Total intangible liabilities	$ 29

Note 12—Debt

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

	December 31, 2014	December 31, 2013
4.95% Senior Notes due November 2015 (a)	$ 898	$ 1,113
5.05% Senior Notes due December 2016 (a)	999	999
2.5% Senior Notes due October 2017 (a)	748	748
ADDCL Credit Facilities due December 2017	—	163
Eksportfinans Loans due January 2018	369	591
6.00% Senior Notes due March 2018 (a)	1,001	998
7.375% Senior Notes due April 2018 (a)	247	247
6.50% Senior Notes due November 2020 (a)	911	900
6.375% Senior Notes due December 2021 (a)	1,199	1,199
3.8% Senior Notes due October 2022 (a)	745	745
7.45% Notes due April 2027 (a)	97	97
8% Debentures due April 2027 (a)	57	57
7% Notes due June 2028	309	311
Capital lease contract due August 2029	615	637
7.5% Notes due April 2031 (a)	598	598
6.80% Senior Notes due March 2038 (a)	999	999
7.35% Senior Notes due December 2041 (a)	300	300
Total debt	10,092	10,702
Less debt due within one year		
4.95% Senior Notes due November 2015 (a)	898	—
ADDCL Credit Facilities due December 2017	—	163
Eksportfinans Loans due January 2018	114	140
Capital lease contract due August 2029	21	20
Total debt due within one year	1,033	323
Total long-term debt	$ 9,059	$ 10,379

(a) Transocean Inc., a 100 percent owned subsidiary of Transocean Ltd., is the issuer of the notes and debentures, which have been guaranteed by Transocean Ltd. Transocean Ltd. has also guaranteed borrowings under the Five-Year Revolving Credit Facility. Transocean Ltd. and Transocean Inc. are not subject to any significant restrictions on their ability to obtain funds from their consolidated subsidiaries by dividends, loans or return of capital distributions. See Note 24—Condensed Consolidating Financial Information.

Scheduled maturities—At December 31, 2014, the scheduled maturities of our debt were as follows (in millions):

Years ending December 31,	Consolidated total
2015	$ 1,028
2016	1,139
2017	892
2018	1,305
2019	32
Thereafter	5,686
Total debt, excluding unamortized discounts, premiums and fair value adjustments	10,082
Total unamortized discounts, premiums and fair value adjustments, net	10
Total debt	$ 10,092

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

We may borrow under the New Five-Year Revolving Credit Facility at either (1) the adjusted London Interbank Offered Rate ("LIBOR") plus a margin (the "New Five-Year Revolving Credit Facility Margin"), which ranges from 1.125 percent to 2.0 percent based on the credit rating of our non-credit enhanced senior unsecured long-term debt ("Debt Rating"), or (2) the base rate specified in the credit agreement plus the Five-Year Revolving Credit Facility Margin, less one percent per annum. Throughout the term of the New Five-Year Revolving Credit Facility, we pay a facility fee on the daily unused amount of the underlying commitment which ranges from 0.15 percent to 0.35 percent depending on our Debt Rating. At December 31, 2014, based on our Debt Rating on that date, the New Five-Year Revolving Credit Facility Margin was 1.5 percent and the facility fee was 0.225 percent. At December 31, 2014, we had no borrowings outstanding or letters of credit issued, and we had $3.0 billion of available borrowing capacity under the New Five-Year Revolving Credit Facility.

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

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

5% Notes and 7% Notes—Two of our wholly-owned subsidiaries are the obligors on the 5% Notes due 2013 (the "5% Notes") and the 7% Notes due 2028 (the "7% Notes"), and we have not guaranteed either obligation. The indentures related to the 5% Notes and the 7% Notes contain limitations on creating liens and sale/leaseback transactions. The respective obligor may redeem the 5% Notes and the 7% Notes in whole or in part at a price equal to 100 percent of the principal amount plus accrued and unpaid interest, if any, and a make-whole premium.

On February 15, 2013, we repaid the outstanding $250 million aggregate principal amount of the 5% Notes as of the stated maturity date. At December 31, 2014, the aggregate outstanding principal amount of the 7% Notes was $300 million.

5.25% Senior Notes, 6.00% Senior Notes and 6.80% Senior Notes—In December 2007, we issued $500 million aggregate principal amount of 5.25% Senior Notes due March 2013 (the "5.25% Senior Notes"), $1.0 billion aggregate principal amount of 6.00% Senior Notes due March 2018 (the "6.00% Senior Notes") and $1.0 billion aggregate principal amount of 6.80% Senior Notes due March 2038 (the "6.80% Senior Notes"). The indenture pursuant to which the notes were issued contains restrictions on creating liens, engaging in sale/leaseback transactions and engaging in merger, consolidation or reorganization transactions. We may redeem some or all of the notes at any time, at a redemption price equal to 100 percent of the principal amount plus accrued and unpaid interest, if any, and a make-whole premium.

On March 15, 2013, we repaid the outstanding $500 million aggregate principal amount of the 5.25% Senior Notes as of the stated maturity date. At December 31, 2014, the aggregate outstanding principal amount of the 6.00% Senior Notes and the 6.80% Senior Notes was $1.0 billion each.

TPDI Credit Facilities—Through Transocean Pacific Drilling Inc. ("TPDI"), our wholly owned subsidiary, we had a $1.265 billion secured credit facility, comprised of a $1.0 billion senior term loan, a $190 million junior term loan and a $75 million revolving credit facility, established under a bank credit agreement dated October 28, 2008, that was scheduled to expire in March 2015 (the "TPDI Credit Facilities"). One of our subsidiaries participated in the senior and junior term loans with an aggregate commitment of $595 million.

Under the TPDI Credit Facilities, we were required to satisfy certain liquidity requirements, including a requirement to maintain certain cash balances in restricted accounts for the payment of scheduled installments. At December 31, 2012, we had restricted cash investments of $23 million. At December 31, 2012, we had an outstanding letter of credit in the amount of $60 million to satisfy additional liquidity requirements under the TPDI Credit Facilities.

In June 2013, we repaid the $735 million of borrowings outstanding under the TPDI Credit Facilities, of which $367 million was paid to one of our subsidiaries and eliminated in consolidation. Upon repayment of all borrowings, we terminated the bank credit agreement under which the credit facilities were established and the related security agreement with respect to the Ultra-Deepwater Floaters *Dhirubhai Deepwater KG1* and *Dhirubhai Deepwater KG2*. In the year ended December 31, 2013, we recognized a loss of $1 million associated with the retirement of debt.

4.95% Senior Notes and 6.50% Senior Notes— In September 2010, we issued $1.1 billion aggregate principal amount of 4.95% Senior Notes due November 2015 (the "4.95% Senior Notes") and $900 million aggregate principal amount of 6.50% Senior Notes due November 2020 (the "6.50% Senior Notes," and together with the 4.95% Senior Notes, the "2010 Senior Notes"). We are required to pay interest on the 2010 Senior Notes on May 15 and November 15 of each year, beginning November 15, 2010. We may redeem some or all of the 2010 Senior Notes at any time at a redemption price equal to 100 percent of the principal amount plus accrued and unpaid interest, if any, and a make-whole premium. The indenture pursuant to which the 2010 Senior Notes were issued contains restrictions on creating liens, engaging in sale/leaseback transactions and engaging in merger, consolidation or reorganization transactions.

On November 17, 2014, we redeemed an aggregate principal amount of $207 million of the outstanding 4.95% Senior Notes with an aggregate payment of $216 million and we recognized a loss of $9 million associated with the partial redemption. At December 31, 2014, the aggregate outstanding principal amount of the 4.95% Senior Notes and the 6.50% Senior Notes was $893 million and $900 million, respectively.

5.05% Senior Notes, 6.375% Senior Notes and 7.35% Senior Notes—In December 2011, we issued $1.0 billion aggregate principal amount of 5.05% Senior Notes due December 2016 (the "5.05% Senior Notes"), $1.2 billion aggregate principal amount of 6.375% Senior Notes due December 2021 (the "6.375% Senior Notes") and $300 million aggregate principal amount of 7.35% Senior Notes due December 2041 (the "7.35% Senior Notes," and collectively with the 5.05% Senior Notes and the 6.375% Senior Notes, the "2011 Senior Notes"). The interest rates for the notes are subject to adjustment from time to time upon a change to our Debt Rating. The indenture pursuant to which the 2011 Senior Notes were issued contains restrictions on creating liens, engaging in sale/leaseback transactions and engaging in merger, consolidation or reorganization transactions. We may redeem some or all of the 2011 Senior Notes at any time at a redemption price equal to 100 percent of the principal amount plus accrued and unpaid interest, if any, and a make-whole premium. At December 31, 2014, the aggregate outstanding principal amount of the 5.05% Senior Notes, the 6.375% Senior Notes and the 7.35% Senior Notes was $1.0 billion, $1.2 billion and $300 million, respectively.

Aker Revolving Credit and Term Loan Facility—We had a credit facility, comprised of a $500 million revolving credit facility and a $400 million term loan, established under the Revolving Credit and Term Loan Facility Agreement dated February 21, 2011 (the "Aker Revolving Credit and Term Loan Facility"). In the year ended December 31, 2012, we prepaid $333 million of borrowings outstanding under the Aker Term Loan, and we recognized a gain of $2 million associated with the retirement of debt. In September 2012, we cancelled the Aker Revolving Credit and Term Loan Facility.

Callable Bonds—We were the obligor for the FRN Aker Drilling ASA Senior Unsecured Callable Bond Issue 2011/2016 (the "FRN Callable Bonds") and the 11% Aker Drilling ASA Senior Unsecured Callable Bond Issue 2011/2016 (the "11% Callable Bonds," and together with the FRN Callable Bonds, the "Callable Bonds"), which were publicly traded on the Oslo Stock Exchange. On March 6, 2013, we redeemed the FRN Callable Bonds and the 11% Callable Bonds with aggregate outstanding principal amounts of NOK 940 million and NOK 560 million, equivalent to $164 million and $98 million, respectively, using an exchange rate of NOK 5.73 to $1.00. In connection with the redemption, we made an aggregate cash payment of NOK 1,567 million, equivalent to $273 million. In the year ended December 31, 2013, we recognized a loss of $1 million associated with the retirement of debt.

2.5% Senior Notes and 3.8% Senior Notes—In September 2012, we issued $750 million aggregate principal amount of 2.5% Senior Notes due October 2017 (the "2.5% Senior Notes") and $750 million aggregate principal amount of 3.8% Senior Notes due October 2022 (the "3.8% Senior Notes," and together with the 2.5% Senior Notes, the "2012 Senior Notes"). The interest rates for the notes are subject to adjustment from time to time upon a change to our Debt Rating. The indenture pursuant to which the 2012 Senior Notes were issued contains restrictions on creating liens, engaging in sale/leaseback transactions and engaging in merger, consolidation or reorganization transactions. We may redeem some or all of the 2012 Senior Notes at any time prior to maturity at a redemption price equal to 100 percent of the principal amount plus accrued and unpaid interest, if any, together with a make-whole premium unless, in the case of the 3.8% Senior Notes, such redemption occurs on or after July 15, 2022, in which case no such make-whole premium will apply. At December 31, 2014, the aggregate outstanding principal amount of the 2.5% Senior Notes and the 3.8% Senior Notes was $750 million each.

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

ADDCL was required to maintain certain cash balances in restricted accounts for the payment of the scheduled installments on the ADDCL Credit Facilities. At December 31, 2013, ADDCL had restricted cash investments of $20 million. The restricted cash investments were released as a result of our repayment of borrowings under the ADDCL Credit Facilities.

Eksportfinans Loans—We have borrowings under the Loan Agreement dated September 12, 2008 ("Eksportfinans Loan A") and under the Loan Agreement dated November 18, 2008 ("Eksportfinans Loan B," and together with Eksportfinans Loan A, the "Eksportfinans Loans"). The Eksportfinans Loans bear interest at a fixed rate of 4.15 percent and require semi-annual installments of principal and interest through September 2017 and January 2018 for Eksportfinans Loan A and Eksportfinans Loan B, respectively. At December 31, 2014 and 2013, the aggregate principal amount outstanding under the Eksportfinans Loans was NOK 2.8 billion and NOK 3.6 billion, equivalent to approximately $370 million and $594 million, respectively.

The Eksportfinans Loans require collateral to be held by a financial institution through expiration (the "Eksportfinans Restricted Cash Investments"). The Eksportfinans Restricted Cash Investments bear interest at a fixed rate of 4.15 percent with semi-annual installments that correspond with those of the Eksportfinans Loans. At December 31, 2014 and 2013, the aggregate principal amount of the Eksportfinans Restricted Cash Investments was NOK 2.8 billion and NOK 3.6 billion, equivalent to approximately $370 million and $594 million, respectively.

7.375% Senior Notes—In March 2002, we issued $247 million principal amount of our 7.375% Senior Notes due April 2018 (the "7.375% Senior Notes"). The indenture pursuant to which the 7.375% Senior Notes were issued contains restrictions on creating liens, engaging in sale/leaseback transactions and engaging in merger, consolidation or reorganization transactions. At December 31, 2014, the aggregate outstanding principal amount of the 7.375% Senior Notes was $246 million.

TPDI Notes—We previously issued promissory notes (the "TPDI Notes"), which were payable to our former partner and TPDI's former other shareholder with maturities through October 2019. On May 31, 2012, we extinguished the aggregate principal amount of $148 million and accrued and unpaid interest of $16 million associated with the TPDI Notes with a corresponding adjustment to additional paid-in capital. See Note 16—Noncontrolling Interest.

7.45% Notes and 8% Debentures—In April 1997, a predecessor of Transocean Inc. issued $100 million aggregate principal amount of 7.45% Notes due April 2027 (the "7.45% Notes") and $200 million aggregate principal amount of 8% Debentures due April 2027 (the "8% Debentures"). The indenture pursuant to which the 7.45% Notes and the 8% Debentures were issued contains restrictions on creating liens, engaging in sale/leaseback transactions and engaging in merger, consolidation or reorganization transactions. The 7.45% Notes and the 8% Debentures are redeemable at any time at our option subject to a make-whole premium. At December 31, 2014, the aggregate outstanding principal amount of the 7.45% Notes and the 8% Debentures was $100 million and $57 million, respectively.

Capital lease contract—In August 2009, we accepted delivery of *Petrobras 10000*, an asset held under capital lease, and we recorded $716 million to property and equipment, net and a corresponding increase to long-term debt. The capital lease contract has an implicit interest rate of 7.8 percent and requires scheduled monthly payments of $6 million through August 2029, after which we will have the right and obligation to acquire the drillship from the lessor for one dollar. See Note 15—Commitments and Contingencies.

7.5% Notes—In April 2001, we issued $600 million aggregate principal amount of 7.5% Notes due April 2031 (the "7.5% Notes"). The indenture pursuant to which the notes were issued contains restrictions on creating liens, engaging in sale/leaseback transactions and engaging in merger, consolidation or reorganization transactions. At December 31, 2014, the aggregate outstanding principal amount of the 7.5% Notes was $600 million.

1.50% Series C Convertible Senior Notes—In December 2007, we issued $2.2 billion aggregate principal amount of the 1.50% Series C Convertible Senior Notes due December 2037 (the "Convertible Senior Notes"). On December 14, 2012, holders of the Series C Convertible Senior Notes had the option to require us to repurchase all or any part of such holders' notes. As a result of certain holders exercising the options, we were required to repurchase an aggregate principal amount of $1.7 billion of the Series C Convertible Senior Notes for an aggregate cash payment of $1.7 billion. In February 2013, we redeemed the remaining $62 million aggregate principal amount of the Series C Convertible Senior Notes for an aggregate cash payment of $62 million.

In the year ended December 31, 2013, interest expense for our Convertible Senior Notes, excluding amortization of debt issue costs, was less than $1 million. In the year ended December 31, 2012, interest expense for our Convertible Senior Notes, excluding amortization of debt issue costs, was $84 million.

Note 13—Derivatives and Hedging

Derivatives designated as hedging instruments—During the year ended December 31, 2014, we entered into interest rate swaps, which are designated and qualify as a fair value hedge, to reduce our exposure to changes in the fair value of the 6.0% Senior Notes due March 2018 and the 6.5% Senior Notes due November 2020. The interest rate swaps have aggregate notional amounts equal to the corresponding face values of the hedged instruments and have stated maturities that coincide with those of the hedged instruments. We have determined that the hedging relationships qualify for, and we have applied, the shortcut method of accounting under which the interest rate swaps are considered to have no ineffectiveness and no ongoing assessment of effectiveness is required. Accordingly, changes in the fair value of the interest rate swaps recognized in interest expense offset the changes in the fair value of the hedged fixed-rate notes.

We had interest rate swaps, which were designated and qualified as fair value hedges, to reduce our exposure to changes in the fair values of the 5% Notes due February 2013, the 5.25% Senior Notes due March 2013 and the 4.95% Senior Notes due November 2015. In February and March 2013, the interest rate swaps designated as hedges of the 5% Notes and the 5.25% Senior Notes, respectively, expired. In June 2012, we terminated the interest rate swaps designated as hedges of the 4.95% Senior Notes due November 2015 and, in the year ended December 31, 2012, we received an aggregate net cash payment of $23 million.

We also had interest rate swaps, which were designated and qualified as a cash flow hedge, to reduce the variability of cash interest payments associated with the variable-rate borrowings under the TPDI Credit Facilities. In June 2013, we repaid the borrowings under the TPDI Credit Facilities, and we terminated these interest rate swaps. In connection with the termination, we made a net cash payment of $22 million, and we reclassified $9 million from accumulated other comprehensive loss to other expense, net.

Additionally, we had cross-currency interest rate swaps, which were designated and qualified as a cash flow hedge, to reduce the variability of cash interest payments and the final cash principal payment associated with the 11% Callable Bonds resulting from the changes in the U.S. dollar to Norwegian krone exchange rate. In March 2013, in connection with our redemption of the 11% Callable Bonds, we terminated these cross-currency interest rate swaps and the related security agreement with respect to the Harsh Environment Ultra-Deepwater Floaters *Transocean Spitsbergen* and *Transocean Barents*. As a result of the termination, we made a cash payment of $128 million and received a cash payment of NOK 705 million, which we applied to the redemption of the 11% Callable Bonds, and we reclassified $5 million from accumulated other comprehensive loss to other expense, net.

At December 31, 2014, the aggregate notional amounts and the weighted average interest rates associated with our derivatives designated as hedging instruments were as follows (in millions, except weighted average rates):

	Pay			Receive		
	Aggregate notional amount	Fixed or variable rate	Weighted average rate	Aggregate notional amount	Fixed or variable rate	Weighted average rate
Interest rate swaps, fair value hedge	$ 1,500	Variable	4.66%	$ 1,500	Fixed	6.25%

The effect on our consolidated statements of operations resulting from changes in the fair values of derivatives designated as cash flow hedges was as follows (in millions):

		Years ended December 31,		
	Statement of operations classification	2014	2013	2012
Loss associated with effective portion	Interest expense, net of amounts capitalized	$ —	$ (4)	$ (5)
Gain associated with effective portion	Other, net	—	—	6
Loss associated with terminations	Other, net	—	(14)	—

The balance sheet classification and aggregate carrying amount of our derivatives designated as hedging instruments, measured at fair value, were as follows (in millions):

		December 31,	
	Balance sheet classification	2014	2013
Interest rate swaps, fair value hedges	Other current assets	$ 4	$ —
Interest rate swaps, fair value hedges	Other assets	11	—

Note 14—Postemployment Benefit Plans

Defined benefit pension plans and other postretirement employee benefit plans

Overview—We maintain a single qualified defined benefit pension plan in the U.S. (the "U.S. Plan") covering substantially all U.S. employees. We also maintain a funded supplemental benefit plan (the "Supplemental Plan") that offers benefits to certain employees that are ineligible for benefits under the U.S. Plan and two unfunded supplemental benefit plans (the "Other Supplemental Plans") that provide certain eligible employees with benefits in excess of those allowed under the U.S. Plan. Additionally, we maintain two funded and two unfunded defined benefit plans (collectively, the "Frozen Plans") that we assumed in connection with our mergers with GlobalSantaFe and R&B Falcon Corporation, all of which were frozen prior to the respective mergers and for which benefits no longer accrue but the pension obligations have not been fully distributed. We refer to the U.S. Plan, the Supplemental Plan, the Other Supplemental Plans and the Frozen Plans, collectively, as the "U.S. Plans."

We maintain a defined benefit plan in the U.K. (the "U.K. Plan") covering certain current and former employees in the U.K. We also provide seven funded defined benefit plans, primarily group pension schemes with life insurance companies, three of which we assumed in connection with our acquisition of Aker Drilling, and two unfunded plans covering our eligible Norway employees and former employees (the "Norway Plans"). We also maintain unfunded defined benefit plans (the "Other Plans") that provide retirement and severance benefits for certain of our Indonesian, Nigerian and Egyptian employees. We refer to the U.K. Plan, the Norway Plans and the Other Plans, collectively, as the "Non-U.S. Plans."

We refer to the U.S. Plans and the Non-U.S. Plans, collectively, as the "Transocean Plans". Additionally, we have several unfunded contributory and noncontributory other postretirement employee benefit plans (the "OPEB Plans") covering substantially all of our U.S. employees.

In June 2014, we committed to freeze benefits of our qualified defined benefit pension plan in the U.S., which covers substantially all U.S. employees, and one of our unfunded supplemental benefit plans. In September and December 2014, we recognized settlement and curtailment charges for two of our unfunded defined benefit plans in Nigeria and Egypt associated with certain employee terminations.

In October 2014, the Society of Actuaries released new actuarial tables for applying mortality rate assumptions to measure the obligations for qualified defined benefit pension plans. We have applied the new actuarial tables in connection with measuring the funded status of our pension plans as of December 31, 2014, and such application resulted in an increase of $121 million to our measured liability.

Assumptions—We estimated our benefit obligations using the following weighted-average assumptions:

	December 31, 2014			December 31, 2013		
	U.S. Plans	Non-U.S. Plans	OPEB Plans	U.S. Plans	Non-U.S. Plans	OPEB Plans
Discount rate	4.15%	3.13%	3.86%	5.01%	4.92%	4.54%
Compensation trend rate	3.82%	3.72%	n/a	4.24%	4.57%	n/a

We estimated our net periodic benefit costs using the following weighted-average assumptions:

	Year ended December 31, 2014			Year ended December 31, 2013			Year ended December 31, 2012		
	U.S. Plans	Non-U.S. Plans	OPEB Plans	U.S. Plans	Non-U.S. Plans	OPEB Plans	U.S. Plans	Non-U.S. Plans	OPEB Plans
Discount rate	5.04%	4.41%	4.54%	4.19%	5.13%	3.39%	4.67%	5.43%	4.27%
Expected rate of return	7.18%	6.07%	n/a	7.48%	5.79%	n/a	7.47%	6.07%	n/a
Compensation trend rate	4.13%	4.25%	n/a	4.22%	4.21%	n/a	4.22%	4.61%	n/a
Health care cost trend rate									
-initial	n/a	n/a	7.81%	n/a	n/a	8.07%	n/a	n/a	8.08%
-ultimate	n/a	n/a	5.00%	n/a	n/a	5.00%	n/a	n/a	5.00%
-ultimate year	n/a	n/a	2020	n/a	n/a	2020	n/a	n/a	2019

"n/a" means not applicable.

Funded status—The changes in projected benefit obligation, plan assets and funded status and the amounts recognized on our consolidated balance sheets were as follows (in millions):

	Year ended December 31, 2014				Year ended December 31, 2013			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Change in projected benefit obligation								
Projected benefit obligation, beginning of period	$ 1,380	$ 573	$ 53	$ 2,006	$ 1,452	$ 499	$ 58	$ 2,009
Actuarial (gains) losses, net	343	103	5	451	(147)	55	(7)	(99)
Service cost	39	29	1	69	55	27	1	83
Interest cost	64	27	2	93	63	25	2	90
Currency exchange rate changes	—	(57)	—	(57)	—	(11)	—	(11)
Benefits paid	(48)	(48)	(4)	(100)	(45)	(28)	(3)	(76)
Participant contributions	—	1	2	3	—	2	2	4
Special termination benefits	1	—	—	1	1	—	—	1
Settlements and curtailments	(187)	1	—	(186)	1	4	—	5
Projected benefit obligation, end of period	1,592	629	59	2,280	1,380	573	53	2,006
Change in plan assets								
Fair value of plan assets, beginning of period	1,116	481	—	1,597	948	422	—	1,370
Actual return on plan assets	160	37	—	197	149	45	—	194
Currency exchange rate changes	—	(39)	—	(39)	—	(10)	—	(10)
Employer contributions	43	56	2	101	64	50	1	115
Participant contributions	—	1	2	3	—	2	2	4
Benefits paid	(48)	(48)	(4)	(100)	(45)	(28)	(3)	(76)
Fair value of plan assets, end of period	1,271	488	—	1,759	1,116	481	—	1,597
Funded status, end of period	$ (321)	$ (141)	$ (59)	$ (521)	$ (264)	$ (92)	$ (53)	$ (409)
Balance sheet classification, end of period:								
Pension asset, non-current	$ —	$ —	$ —	$ —	$ —	$ 8	$ —	$ 8
Accrued pension liability, current	(3)	—	(4)	(7)	(2)	(23)	(4)	(29)
Accrued pension liability, non-current	(318)	(141)	(55)	(514)	(262)	(77)	(49)	(388)
Accumulated other comprehensive income (loss) (a)	(261)	(199)	(4)	(464)	(198)	(114)	1	(311)

(a) Amounts are before income tax effect.

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

	December 31, 2014				December 31, 2013			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Projected benefit obligation	$ 1,592	$ 629	$ 59	$ 2,280	$ 1,380	$ 573	$ 53	$ 2,006
Fair value of plan assets	1,271	488	—	1,759	1,116	481	—	1,597

The accumulated benefit obligation for all defined benefit pension plans was $2.1 billion and $1.7 billion at December 31, 2014 and 2013, respectively. The aggregate accumulated benefit obligation and fair value of plan assets for plans with an accumulated benefit obligation in excess of plan assets were as follows (in millions):

	December 31, 2014				December 31, 2013			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Accumulated benefit obligation	$ 1,588	$ 553	$ 59	$ 2,200	$ 1,210	$ 374	$ 53	$ 1,637
Fair value of plan assets	1,271	488	—	1,759	1,116	351	—	1,467

Plan assets—We periodically review our investment policies, plan assets and asset allocation strategies to evaluate performance relative to specified objectives. In determining our asset allocation strategies for the U.S. Plans, we review the results of regression models to assess the most appropriate target allocation for each plan, given the plan's status, demographics and duration. For the U.K. Plans, the plan trustees establish the asset allocation strategies consistent with the regulations of the U.K. pension regulators and in consultation with financial advisors and company representatives. Investment managers for the U.S. Plans and the U.K. Plan are given established ranges within which the investments may deviate from the target allocations. For the Norway Plans, we establish minimum rates of return under the terms of investment contracts with insurance companies.

As of December 31, 2014 and 2013, the weighted-average target and actual allocations of the investments for our funded Transocean Plans were as follows:

	December 31, 2014				December 31, 2013			
	Target allocation		Actual allocation		Target allocation		Actual allocation	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Equity securities	50 %	53 %	49%	52%	63%	51%	68%	53%
Fixed income securities	50 %	15 %	51%	19%	37%	15%	32%	17%
Other investments	—	32 %	—	29%	—	34%	—	30%
Total	100 %	100 %	100%	100%	100%	100%	100%	100%

As of December 31, 2014, the investments for our funded Transocean Plans were categorized as follows (in millions):

	December 31, 2014								
	Significant observable inputs			Significant other observable inputs			Total		
	U.S. Plans	Non-U.S. Plans	Transocean Plans	U.S. Plans	Non-U.S. Plans	Transocean Plans	U.S. Plans	Non-U.S. Plans	Transocean Plans
Mutual funds									
U.S. equity funds	$ 500	$ —	$ 500	$ —	$ 43	$ 43	$ 500	$ 43	$ 543
Non-U.S. equity funds	113	—	113	3	211	214	116	211	327
Bond funds	651	—	651	—	94	94	651	94	745
Total mutual funds	1,264	—	1,264	3	348	351	1,267	348	1,615
Other investments									
Cash and money market funds	4	3	7	—	—	—	4	3	7
Property collective trusts	—	—	—	—	19	19	—	19	19
Investment contracts	—	—	—	—	118	118	—	118	118
Total other investments	4	3	7	—	137	137	4	140	144
Total investments	$ 1,268	$ 3	$ 1,271	$ 3	$ 485	$ 488	$ 1,271	$ 488	$ 1,759

As of December 31, 2013, the investments for our funded Transocean Plans were categorized as follows (in millions):

	December 31, 2013								
	Significant observable inputs			Significant other observable inputs			Total		
	U.S. Plans	Non-U.S. Plans	Transocean Plans	U.S. Plans	Non-U.S. Plans	Transocean Plans	U.S. Plans	Non-U.S. Plans	Transocean Plans
Mutual funds									
U.S. equity funds	$ 610	$ —	$ 610	$ —	$ 43	$ 43	$ 610	$ 43	$ 653
Non-U.S. equity funds	141	—	141	3	209	212	144	209	353
Bond funds	357	—	357	—	83	83	357	83	440
Total mutual funds	1,108	—	1,108	3	335	338	1,111	335	1,446
Other investments									
Cash and money market funds	5	1	6	—	—	—	5	1	6
Property collective trusts	—	—	—	—	15	15	—	15	15
Investment contracts	—	—	—	—	130	130	—	130	130
Total other investments	5	1	6	—	145	145	5	146	151
Total investments	$ 1,113	$ 1	$ 1,114	$ 3	$ 480	$ 483	$ 1,116	$ 481	$ 1,597

The U.S. Plans and the U.K. Plan invest primarily in passively managed funds that reference market indices. The funded Norway Plans are subject to contractual terms under selected insurance programs. Each plan's investment managers have discretion to select the securities held within each asset category. Given this discretion, the managers may occasionally invest in our debt or equity securities, and may hold either long or short positions in such securities. As the plan investment managers are required to maintain well diversified portfolios, the actual investment in our securities would be immaterial relative to asset categories and the overall plan assets.

Net periodic benefit costs—Net periodic benefit costs, before tax, included the following components (in millions):

	Year ended December 31, 2014			Year ended December 31, 2013			Year ended December 31, 2012		
	U.S. Plans	Non-U.S. Plans	Transocean Plans	U.S. Plans	Non-U.S. Plans	Transocean Plans	U.S. Plans	Non-U.S. Plans	Transocean Plans
Service cost	$ 39	$ 29	$ 68	$ 55	$ 27	$ 82	$ 49	$ 31	$ 80
Interest cost	64	27	91	63	25	88	59	24	83
Expected return on plan assets	(75)	(28)	(103)	(70)	(25)	(95)	(62)	(22)	(84)
Settlements and curtailments	(7)	3	(4)	2	3	5	3	19	22
Special termination benefits	—	—	—	1	—	1	1	—	1
Actuarial losses, net	17	5	22	45	3	48	41	4	45
Prior service cost, net	(1)	—	(1)	(1)	1	—	(2)	1	(1)
Net periodic benefit costs	$ 37	$ 36	$ 73	$ 95	$ 34	$ 129	$ 89	$ 57	$ 146

For the OPEB Plans, the combined components of net periodic benefit costs, including service cost, interest cost, recognized net actuarial losses, prior service cost amortization and special termination benefits were $2 million, $3 million and $3 million in the years ended December 31, 2014, 2013 and 2012, respectively.

The following table presents the amounts in accumulated other comprehensive income, before tax, that have not been recognized as components of net periodic benefit costs (in millions):

	December 31, 2014				December 31, 2013			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Actuarial loss, net	$ 261	$ 199	$ 5	$ 465	$ 205	$ 116	$ 1	$ 322
Prior service cost, net	—	—	(1)	(1)	(7)	—	(2)	(9)
Transition obligation, net	—	—	—	—	—	(2)	—	(2)
Total	$ 261	$ 199	$ 4	$ 464	$ 198	$ 114	$ (1)	$ 311

The following table presents the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit costs during the year ending December 31, 2015 (in millions):

	Year ending December 31, 2015			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Actuarial loss, net	$ 28	$ 10	$ —	$ 38
Prior service cost, net	—	—	—	—
Transition obligation, net	—	—	—	—
Total amount expected to be recognized	$ 28	$ 10	$ —	$ 38

Funding contributions—In the years ended December 31, 2014, 2013 and 2012, we contributed $101 million, $115 million and $159 million, respectively, to the Transocean Plans and the OPEB Plans using our cash flows from operations. For the year ending December 31, 2015, we expect to contribute $29 million to the Transocean Plans, and we expect to fund benefit payments of approximately $4 million for the OPEB Plans as costs are incurred.

Benefit payments—The following were the projected benefits payments (in millions):

	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Years ending December 31,				
2015	$ 53	$ 7	$ 4	$ 64
2016	57	9	4	70
2017	61	11	4	76
2018	65	11	4	80
2019	69	12	4	85
2020-2024	395	96	20	511

Defined contribution plans

At December 31, 2014, we sponsored two defined contribution plans, including (1) one qualified defined contribution savings plan covering certain employees working in the U.S. (the "U.S. Savings Plan") and (2) one defined contribution savings plan covering certain employees working outside the U.S. (the "Non-U.S. Savings Plan"). In the years ended December 31, 2014, 2013 and 2012, we recognized expense of $84 million, $88 million and $85 million, respectively, related to our defined contribution plans.

For the U.S. Savings Plan, we make a matching contribution of up to 6.0 percent of each participant's base salary based on the participant's contribution to the plan. Effective January 1, 2015, we will make a matching contribution of up to 10.0 percent of each participant's base salary based on the participant's contribution to the plan. Also, effective January 1, 2015, we have established a supplemental defined contribution plan that provides certain eligible employees with benefits in excess of those allowed under the U.S. Savings Plan.

For the Non-U.S. Savings Plan, in addition to a matching contribution of up to 6.0 percent of each participant's base salary based on the participant's contribution to the plans, we contribute between 4.5 percent and 6.5 percent of each participant's base salary, based on the participant's years of eligible service.

Note 15—Commitments and Contingencies

Lease obligations

We have operating lease obligations expiring at various dates, principally for real estate, office space and office equipment. In the years ended December 31, 2014, 2013 and 2012, our rental expense for all operating leases, including operating leases with terms of less than one year, was approximately $95 million, $128 million and $97 million, respectively.

We also have a capital lease obligation, which is due to expire in August 2029. In each of the years ended December 31, 2014, 2013 and 2012, depreciation expense associated with *Petrobras 10000*, the asset held under capital lease, was $21 million, $20 million and $20 million, respectively. At December 31, 2014 and 2013, the aggregate carrying amount of this asset held under capital lease was as follows (in millions):

	December 31, 2014	December 31, 2013
Property and equipment, cost	$ 780	$ 752
Accumulated depreciation	(105)	(84)
Property and equipment, net	$ 675	$ 668

As of December 31, 2014, the aggregate future minimum rental payments related to our non-cancellable operating leases and the capital lease were as follows (in millions):

	Capital lease	Operating leases
Years ending December 31,		
2015	$ 65	$ 23
2016	71	20
2017	72	10
2018	72	8
2019	72	7
Thereafter	694	62
Total future minimum rental payment	1,046	$ 130
Less amount representing imputed interest	(431)	
Present value of future minimum rental payments under capital leases	615	
Less current portion included in debt due within one year	(21)	
Long-term capital lease obligation	$ 594	

Purchase obligations

At December 31, 2014, the aggregate future payments required under our purchase obligations, primarily related to our newbuild construction programs, were as follows (in millions):

Years ending December 31,	Purchase obligations
2015	$ 1,439
2016	1,355
2017	928
2018	851
Total	$ 4,573

Macondo well incident settlement obligations

Overview—On April 22, 2010, the Ultra-Deepwater Floater *Deepwater Horizon* sank after a blowout of the Macondo well caused a fire and explosion on the rig. Eleven persons were declared dead and others were injured as a result of the incident. At the time of the explosion, *Deepwater Horizon* was located approximately 41 miles off the coast of Louisiana in Mississippi Canyon Block 252 and was contracted to an affiliate of BP plc. (together with its affiliates, "BP").

On January 3, 2013, we reached an agreement with the U.S. Department of Justice ("DOJ") to resolve certain outstanding civil and potential criminal charges against us arising from the Macondo well incident. As part of this resolution, we agreed to a guilty plea ("Plea Agreement") and a civil consent decree ("Consent Decree") by which, among other things, we agreed to pay $1.4 billion in fines, recoveries and civil penalties, excluding interest, in scheduled payments through February 2017. On February 25, 2013, we and the U.S. Environmental Protection Agency ("EPA") entered into an administrative agreement (the "EPA Agreement"), which resolved all matters relating to suspension, debarment and statutory disqualification arising from the Plea Agreement. We agreed that payments made pursuant to the Plea Agreement or the Consent Decree are not deductible for tax purposes and that payments made pursuant to the Consent Decree are not to be used as a basis for indemnity or reimbursement from BP or other non-insurer defendants named in the complaint by the U.S.

Plea Agreement—Pursuant to the Plea Agreement, which was accepted by the court on February 14, 2013, one of our subsidiaries pled guilty to one misdemeanor count of negligently discharging oil into the U.S. Gulf of Mexico, in violation of the Clean Water Act ("CWA") and agreed to be subject to probation through February 2018.

We also agreed to pay a criminal fine of $100 million and to consent to the entry of an order requiring us to pay a total of $150 million to the National Fish & Wildlife Foundation and $150 million to the National Academy of Sciences. In the year ended December 31, 2014, we made an aggregate cash payment of $60 million in satisfaction of amounts due under the Plea Agreement, including $53 million to the National Fish and Wildlife Foundation and $7 million to the National Academy of Sciences. In the year ended December 31, 2013, we made an aggregate cash payment of $160 million in satisfaction of amounts due under the Plea Agreement, including $100 million for the payment of the criminal fine, $58 million for the initial payment to the National Fish and Wildlife Foundation and $2 million for the initial payment to the National Academy of Sciences.

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

Consent Decree—Pursuant to the Consent Decree, which was approved by the court on February 19, 2013, we agreed to pay $1.0 billion in civil penalties, excluding interest. In the years ended December 31, 2014 and 2013, we paid $412 million and $404 million, respectively, including interest at a rate of 2.15 percent, in satisfaction of amounts due under the Consent Decree. See Note 27—Subsequent Events.

We also agreed to take specified actions relating to operations in U.S. waters. Such actions include, among other things, the design and implementation of, and compliance with, additional systems and procedures; blowout preventer certification and reports; measures to strengthen well control competencies, drilling monitoring, recordkeeping, incident reporting, risk management and oil spill training, exercises and response planning; communication with operators; alarm systems; transparency and responsibility for matters relating to the Consent Decree; and technology innovation, with a primary emphasis on blowout preventers. The Consent Decree requires the submission of certain plans, reports and submissions acceptable to the U.S. and also requires certain publicly available filings. One of the required plans is a performance plan (the "Performance Plan") that contains, among other things, interim milestones for actions in specified areas and schedules for reports required under the Consent Decree. On January 2, 2014, the DOJ approved our proposed Performance Plan.

The Consent Decree also provides for the appointment of (i) an independent auditor to review, audit and report on our compliance with the injunctive provisions of the Consent Decree and (ii) an independent process safety consultant to review, report on and assist with the process safety aspects of the Consent Decree, including operational risk identification and risk management. On March 31, 2014, the DOJ approved the appointment of Labyrinth Group to act as the independent auditor. On May 12, 2014, the DOJ approved the appointment of Mr. Malcolm Sharples as the independent process safety consultant.

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

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

EPA Agreement—On February 25, 2013, we and the EPA entered into the EPA Agreement which has a five-year term. Subject to our compliance with the terms of the EPA Agreement, the EPA agreed that it will not suspend, debar or statutorily disqualify us and will lift any existing suspension, debarment or statutory disqualification. In the EPA Agreement, we agreed to, among other things, (i) comply with our obligations under the Plea Agreement and the Consent Decree; (ii) continue the implementation of certain programs and systems, including the scheduled revision of our environmental management system and maintenance of certain compliance and ethics programs; (iii) comply with certain employment and contracting procedures; (iv) engage an independent compliance auditor to, among other things, assess and report to the EPA on our compliance with the terms of the Plea Agreement, the Consent Decree and the EPA Agreement; and (v) give reports and notices with respect to various matters, including those relating to compliance, misconduct, legal proceedings, audit reports, the EPA Agreement, the Consent Decree and the Plea Agreement. Subject to certain exceptions, the EPA Agreement prohibits us from entering into, extending or engaging in certain business relationships with individuals or entities that are debarred, suspended, proposed for debarment or similarly restricted.

Future settlement obligation payments—At December 31, 2014, the aggregate future payments required under our outstanding settlement obligations under the Plea Agreement and the Consent Decree, excluding interest, were as follows (in millions):

	Plea Agreement	Consent Decree	Settlement obligations
Years ending December 31,			
2015	60	200	260
2016	60	—	60
2017	60	—	60
Total settlement obligations	$ 180	$ 200	$ 380

Macondo well incident contingencies

Overview—We have recognized a liability for estimated loss contingencies associated with litigation and investigations resulting from the incident that we believe are probable and for which a reasonable estimate can be made. At December 31, 2014 and 2013, the liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made was $426 million and $464 million, respectively, recorded in other current liabilities. The litigation and investigations also give rise to certain loss contingencies that we believe are either reasonably possible or probable but for which we do not believe a reasonable estimate can be made. Although we have not recognized a liability for such loss contingencies, these contingencies could result in liabilities that we ultimately recognize.

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

Multidistrict litigation proceeding—Most of the Macondo well related claims have been consolidated by the U.S. Judicial Panel on Multidistrict Litigation and transferred to the U.S. District Court for the Eastern District of Louisiana (the "MDL Court") for pretrial purposes if they were not filed originally in that court. These claims include, *inter alia*, claims by private parties represented by the Plaintiffs' Steering Committee (the "PSC"), claims by state and local governments, and the claims of the U.S. As of December 31, 2014, the MDL Court has completed two phases of a trial, and additional litigation is ongoing.

Phase One trial—The MDL Court held the Phase One trial between February and April 2013, and entered its Findings of Fact and Conclusions of Law (the "Phase One Ruling") on September 4, 2014. The trial addressed the claims, cross claims, and counter-claims asserted in our petition to limit liability under the Limitation of Liability Act and the claims asserted by the DOJ in its civil complaint against various defendants. The trial focused on fault issues, including negligence and gross negligence; other bases of liability of the various defendants with respect to the cause of the blowout and the initiation of the oil spill; and fault allocation among the defendants. The Phase One Ruling concluded that BP was grossly negligent and reckless and 67 percent at fault for the blowout, explosion, and spill; that Transocean was negligent and 30 percent at fault; and that Halliburton Company ("Halliburton") was negligent and three percent at fault.

The finding that Transocean was negligent, but not grossly negligent, means that we are not liable for punitive damages. Because the MDL Court found we were not grossly negligent, it concluded that BP's contractual agreement to indemnify us for compensatory damages caused by pollution that did not originate on or above the surface of the water is valid and enforceable. The MDL Court also ruled that BP's contractual agreement to release its own claims against us is valid and enforceable. This release bars the PSC from pursuing claims that have purportedly been assigned to it by BP in a settlement reached between BP and the PSC prior to the Phase One trial (see "—Impact of the BP/PSC settlement on pending claims.").

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

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

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

Following the Phase One Ruling, BP filed a motion to amend the Phase One Findings of Fact and Conclusions of Law, alter or amend the judgment, or for a new trial, alleging the MDL Court made errors in its conclusions about the causes of the failure of the cement in the well. The MDL Court denied the motion.

The Phase One Ruling did not quantify damages or result in a final monetary judgment. However, because it is a determination of liability under maritime law, the Phase One Ruling is appealable, and BP, the PSC, Transocean, Halliburton and the State of Alabama have all appealed or cross-appealed aspects of the ruling. We can provide no assurances as to the outcome of these appeals, as to the timing of any further rulings, or that we will not enter into additional settlements as to some or all of the matters related to the Macondo well incident, including those to be determined at a trial, or the timing or terms of any such settlements.

Phase Two trial—The Phase Two of the trial occurred between September 30, 2013 and October 17, 2013. The first segment of the trial addressed BP's conduct related to stopping the release of hydrocarbons after April 22, 2010, and the second segment addressed quantification of the amount of oil discharged. We participated in the first segment of trial, but were not a party to the second segment because the ruling as to the quantification of oil primarily relates to setting the statutory maximum civil penalty under the CWA, and we have settled the DOJ's CWA penalty claim against us.

Pending claims—As of December 31, 2014, approximately 1,400 actions or claims were pending against us, along with other unaffiliated defendants. These claims were originally filed in various state and federal courts, and most have been consolidated in the MDL Court. Additionally, government agencies have initiated investigations into the Macondo well incident. We have categorized below the nature of these claims. We are vigorously defending all claims and pursuing any and all defenses available.

Wrongful death and personal injury claims—As of December 31, 2014, we and certain of our subsidiaries have been named, along with unaffiliated defendants, in nine complaints that were pending in state and federal courts in Louisiana and Texas involving multiple plaintiffs that allege wrongful death and other personal injuries arising out of the Macondo well incident. Nine complaints involve fatalities and 63 complaints seek recovery for bodily injuries. Per the order of the Judicial Panel on Multidistrict Litigation, all claims but one have been centralized for discovery purposes in the MDL Court. The complaints by our employees or representatives of our employees generally allege negligence, unseaworthiness and gross negligence and seek maintenance and cure under the Jones Act and general maritime law and are seeking awards of unspecified economic damages and punitive damages. BP, MI-SWACO, Weatherford International Ltd. and Cameron International Corporation ("Cameron") and certain of their affiliates, have, based on contractual arrangements, also made indemnity demands upon us with respect to personal injury and wrongful death claims asserted by our employees or representatives of our employees against these entities. See “—Contractual indemnity.”

Economic loss and punitive damages claims—As of December 31, 2014, we and certain of our subsidiaries were named, along with other unaffiliated defendants, in 986 pending individual complaints as well as 190 putative class-action complaints that were filed in the federal and state courts in Louisiana, Texas, Mississippi, Alabama, Georgia, Kentucky, South Carolina, Tennessee, Florida and possibly other courts. Most of these complaints have been consolidated in the MDL Court. The complaints generally allege, among other things, economic losses as a result of environmental pollution arising out of the Macondo well incident and are based primarily on OPA, state OPA analogues, and/or general maritime law. The plaintiffs are generally seeking awards of unspecified economic, compensatory and punitive damages, as well as injunctive relief. No classes have been certified at this time. Those plaintiffs who have settled their claims against BP as part of BP's settlement with the PSC have given up their claims for compensatory damages against us, but purport to retain their claims for punitive damages (see "-Impact of BP/PSC settlement on pending claims").

Cross-claims, counter-claims, and third party claims—Several defendants in the MDL litigation have filed cross-claims or third-party claims against us and certain of our subsidiaries. BP filed a claim seeking contribution under OPA and maritime law and seeking subrogation, and also alleging breach of contract, unseaworthiness, negligence and gross negligence. Through these claims, BP sought to recover from us damages it has paid or may pay arising from the Macondo well incident. BP also sought a declaration that it is not liable in contribution, indemnification, or otherwise to us. BP has assigned some of its claims as part of its settlement with the PSC (see "-Impact of BP/PSC settlement on pending claims").

Certain other parties, including (a) Anadarko Petroleum Corporation ("Anadarko"), which owned a 25 percent non-operating interest in the Macondo well, (b) MOEX Offshore 2007 LLC ("MOEX"), which owned a 10 percent non-operating interest in the Macondo well, (c) Cameron, the manufacturer and designer of the blowout preventer, and (d) Halliburton, which provided cementing and mud-logging services to the operator have asserted claims seeking indemnity and contribution under various theories. BP has reached settlements with certain parties, including Anadarko, MOEX and Cameron, in which BP has agreed to indemnify those parties for certain liabilities, including compensatory damages.

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

Impact of BP/PSC settlement on pending claims—Before the Phase One trial, in March 2012, BP and the PSC agreed to a partial settlement related primarily to private party environmental and economic loss claims as well as response effort-related claims (the "BP/PSC Settlement"). The BP/PSC Settlement agreement provides that (i) to the extent permitted by law, BP will assign to the settlement class certain of BP's claims against us for damages, but the settlement class cannot recover from us on those claims unless it is finally determined that we cannot recover such amounts from BP by way of indemnity or any other theory, and (ii) the settlement class releases all claims for compensatory damages against us but purports to retain claims for punitive damages against us. This provision of the settlement became effective on December 8, 2014, when the Supreme Court denied BP's petition for certiorari seeking review of the trial court's approval of the settlement. The Phase One Ruling, however, precludes the PSC from recovering on the claims assigned by BP to the settlement class and on the purportedly reserved punitive damages claims (see "-Phase One Trial").

On December 21, 2012, the MDL Court granted final approval of the economic and property damage class settlement between BP and the PSC. Various parties who objected to the BP/PSC Settlement appealed the MDL Court's final approval of the BP/PSC Settlement to the U.S. Court of Appeals for the Fifth Circuit (the "Fifth Circuit"), and BP later appealed rulings challenging the manner in which the settlement has been interpreted by the MDL Court. In the appeals by BP, the Fifth Circuit ordered the MDL Court to reconsider certain rulings governing the method by which lost profits are calculated for businesses claiming economic loss, but the Fifth Circuit otherwise affirmed the district court's interpretation of the settlement agreement. In the appeal by objectors to the settlement, the Fifth Circuit affirmed the MDL Court's approval of the settlement. The Fifth Circuit subsequently denied BP's petitions for rehearing in both appeals. On December 8, 2014, the Supreme Court denied BP's petition for certiorari.

Impact of Halliburton/PSC settlement on pending claims—On September 2, 2014, Halliburton and the PSC filed a proposed settlement of the PSC's punitive damages and assigned claims against Halliburton. The proposed agreement purports to reserve the PSC's rights to continue pursuing assigned or punitive damages claims against us, but the MDL Court's Phase One Ruling prevents the PSC from pursuing those claims. The propsed agreement also prohibits the PSC from settling any assigned claims against us unless we agree to release Halliburton from any claims for contribution or indemnity for amounts paid under the settlement. The proposed agreement does not impact Halliburton's cross-claims and counter claims against us. The MDL Court has not yet approved the settlement.

U.S. Department of Justice claims—On December 15, 2010, the DOJ filed a civil lawsuit against us and certain of our subsidiaries and other unaffiliated defendants. The complaint alleged violations under OPA and the CWA. The CWA claims for both monetary and injunctive relief have been resolved through our Consent Decree with the DOJ. See "—Macondo well incident settlement obligations."

The Consent Decree did not resolve the rights of the U.S. with respect to other matters, including certain liabilities under OPA for Natural Resource Damages (NRD) or for removal costs. The MDL Court has held that we are not a responsible party under OPA for NRD resulting from discharge of oil from the Macondo well below the surface of the water. If this ruling is upheld on appeal, our NRD liability as a responsible party would be limited to damages arising from any discharge on or above the surface of the water. In its Phase One Ruling, the MDL Court also found that Transocean was the "operator" of the Macondo well and was therefore liable for removal costs under 33 U.S.C. § 2704(c)(3), a separate provision of OPA that permits government entities to recover removal costs from owners and operators of a facility or vessel from which oil discharges. However, the MDL Court found that "Transocean's liability to government entities for removal costs is ultimately shifted to BP by virtue of the contractual indemnity."

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

State and other government claims—Claims have been filed against us by over 200 state, local and foreign governments, including the States of Alabama, Florida, Louisiana, Mississippi and Texas; the Mexican States of Veracruz, Quintana Roo, Tamaulipas and Yucatan; the federal government of Mexico and other local governments by and on behalf of multiple towns and parishes. These governments generally assert claims under OPA, other statutory environmental state claims, general maritime law and various other common law claims. A local government master complaint also was filed in the MDL Court in which cities, municipalities, and other local government entities have joined.

The MDL Court dismissed damages claims brought under state common and statutory law and subsequently dismissed civil penalty claims brought under state statutory law. Certain Louisiana parishes appealed the dismissal of their civil penalty claims brought under Louisiana law. The Fifth Circuit affirmed the MDL Court's dismissal of these claims, and the Supreme Court denied certiorari.

The state, local and foreign government claims include claims under OPA for economic damages, natural resource damages and removal costs. As noted above, the MDL Court concluded that we were an "operator" of the Macondo well for purposes of OPA. The MDL Court, however, reiterated that "Transocean's liability to government entities for removal costs is ultimately shifted to BP by virtue of contractual indemnity."

The OPA claims of the Mexican States of Veracruz, Quintana Roo, Tamaulipas and Yucatan were dismissed for failure to demonstrate that recovery under OPA was authorized by treaty or executive agreement. The MDL Court subsequently granted summary judgment on the Mexican States' general maritime law claims on the ground that the federal government of Mexico, rather than the Mexican States, had the proprietary interest in the property and natural resources allegedly injured by the spill. The Mexican States have appealed the grant of summary judgment on their general maritime law claims to the Fifth Circuit, and the Fifth Circuit heard arguments on October 27, 2014. The claims of the federal government of Mexico remain pending, but under the Phase One Ruling, we are entitled to indemnity from BP for any compensatory damages caused by pollution that did not originate on or above the surface of the water.

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

The MDL Court has begun proceeding with respect to Alabama's compensatory damages claims under OPA and general maritime law. BP has moved to strike Alabama's demand for a jury trial, and we have joined that motion along with Halliburton. The MDL Court has not yet ruled on the motion. On November 14, 2014, the MDL Court approved a stipulation between us, Alabama, and BP in which the parties agreed that we would be excused from participating in the Alabama compensatory damages trial and in further pretrial proceedings related to that trial. Pursuant to the stipulation, we agreed not to challenge in any future proceeding the amount of compensatory damages, excluding NRD, that may be determined at the trial. The parties further agreed that the amount of damages determined at trial would fully satisfy Alabama's compensatory damages claims under OPA and general maritime law, excluding NRD, and that certain issues, including what damages, if any, resulted from above-surface discharge, will not be determined in the Alabama compensatory damages trial.

Natural Resources Damages Assessment—Under OPA, designated state and federal trustees are authorized to undertake a natural resources damages assessment ("NRDA") to assess potential natural resource injuries resulting from a discharge of oil or the substantial threat of a discharge and response activities and develop and implement a plan for restoration of injured resources, if any. The trustees invite responsible parties to participate in and fund such efforts. As of December 31, 2014, we have received at least 11 such requests from government agencies. We responded to these requests and declined to participate in the funding on the grounds that we are not a responsible party for discharges from the wellhead. The NRDA trustees are proceeding with the NRDA with funding provided by BP.

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

In April 2014, BP and we moved for summary judgment and the Center moved for partial summary judgment against BP. It did not move for partial summary judgment against us, though it purported to reserve its right to do so in the future. The MDL Court has not indicated when it will rule on the motions.

Shareholder derivative claims—In June 2010, two shareholder derivative suits were filed in the state district court in Texas by our shareholders naming us as a nominal defendant and certain of our current and former officers and directors as defendants. These cases alleged breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement and waste of corporate assets in connection with the Macondo well incident. One of these cases was voluntarily dismissed in December 2012 by the plaintiff, and the other was fully and finally dismissed by the state district court in August 2013 on the ground that the action must be maintained in the courts of Switzerland. The First Court of Appeals in Texas affirmed the dismissal in July 2014. No further review was sought, and the case is now closed.

Federal securities claims—On September 30, 2010, a proposed federal securities class action was filed in the U.S. District Court for the Southern District of New York, naming us, former chief executive officers of Transocean Ltd. and one of our acquired companies as defendants. In the action, a former shareholder of the acquired company alleged that the joint proxy statement relating to our shareholder meeting in connection with the merger with the acquired company violated Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rule 14a-9 promulgated thereunder and Section 20(a) of the Exchange Act. The plaintiff claimed that the acquired company's shareholders received inadequate consideration for their shares as a result of the alleged violations and sought compensatory and rescissory damages and attorneys' fees on behalf of the plaintiff and the proposed class members. In connection with this action, we are obligated to pay the defense fees and costs for the individual defendants, which may be covered by our directors' and officers' liability insurance, subject to a deductible. On March 11, 2014, the District Court for the Southern District of New York dismissed the claims as time-barred. Plaintiffs appealed to the U.S. Court of Appeals for the Second Circuit ("Second Circuit") and filed an opening brief on December 19, 2014.

Wreck removal—By letter dated December 6, 2010, the U.S. Coast Guard requested that we formulate and submit a comprehensive oil removal plan to remove any diesel fuel that can be recovered from *Deepwater Horizon.* We have conducted a survey of the rig wreckage and have confirmed that no diesel fuel remains on the rig. The U.S. Coast Guard has not requested that we remove the rig wreckage from the sea floor. In February 2013, the U.S. Coast Guard submitted a request seeking analysis and recommendations as to the potential life of the rig's riser and cofferdam, which are resting on the seafloor and potential remediation or removal options. We have insurance coverage for wreck removal for up to 25 percent of *Deepwater Horizon*'s insured value, or $140 million, with any excess wreck removal liability generally covered to the extent of our remaining excess liability limits.

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

In May 2010, we received notice from BP claiming an entitlement to unlimited additional insured status under our excess liability insurance program. Our insurers have also received notices from Anadarko and MOEX advising of their intent to preserve any rights they may have to our insurance policies as an additional insured under the drilling contract. In response, our wholly owned captive insurance subsidiary and our first four excess layer insurers filed declaratory judgment actions in the Houston Division of the U.S. District Court for the Southern District of Texas in May 2010 seeking a declaration that they have limited additional insured obligations to BP. We are parties to the declaratory judgment actions, which were transferred to the MDL Court for discovery and other purposes. On November 15, 2011, the MDL Court ruled that BP's coverage rights are limited to the scope of our indemnification of BP in the drilling contract. A final judgment was entered against BP, Anadarko and MOEX, and BP appealed. On March 1, 2013, the Fifth Circuit Court of Appeals issued an opinion reversing the decision of the MDL Court, and holding that BP is an unrestricted additional insured under the policies issued by our wholly owned captive insurance company and the first four excess layer insurers. We and the insurers filed petitions for rehearing with the Fifth Circuit Court of Appeals. On August 29, 2013, the Fifth Circuit Court of Appeals withdrew the March 1, 2013 opinion and certified certain insurance law questions to the Texas Supreme Court. The Texas Supreme Court accepted certification of these questions, and the oral argument was held on September 16, 2014. See Note 27—Subsequent Events.

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

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

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

BP has sought to avoid its indemnification obligations. On January 26, 2012, the MDL Court ruled that the drilling contract requires BP to indemnify us for compensatory damages sought by third parties related to pollution that did not originate from the rig on or above the surface of the water, regardless whether the claim is the result of our strict liability, negligence, or gross negligence. The MDL Court ruled that BP had a contractual duty to defend us, but that the duty to defend only required BP to reimburse our defense costs after there is a judicial determination on the merits. The MDL Court did not rule on the scope of BP's duty to defend, although it did rule that BP is not obligated to pay the attorneys' fees incurred by us in proving our right to indemnity. The MDL Court also held that BP does not owe us indemnity for civil penalties under the CWA or punitive damages. We subsequently agreed, as part of our Consent Decree not to seek indemnity or reimbursement of our CWA civil penalty payments from BP or the other non-insurer defendants named in the complaint by the U.S.

The MDL Court's 2012 order deferred ruling on BP's argument that we committed a core breach of the drilling contract or otherwise materially increased BP's risk or prejudiced its rights so as to vitiate BP's indemnity obligations. In the Phase One Ruling, however, the MDL Court found we were not grossly negligent and otherwise upheld the indemnities, implicitly finding no core breach of contract occurred. The impact of this ruling is that BP is obligated to indemnify us as provided for in the contract and that we are entitled to recover certain of our attorneys' fees from BP as a result of its contractual duty to defend us.

The MDL Court has not ruled on the issue of whether contractual indemnity for criminal fines and penalties is enforceable, but the law generally considers contractual indemnity for criminal fines and penalties to be against public policy..

In its Phase One Ruling, the MDL Court noted that a finding of gross negligence against us would have invalidated BP's release, in the drilling contract of its direct claims against us. As a result of the MDL Court's finding of simple negligence as to us, however, the MDL Court ruled that BP's release of its claims against us is valid and enforceable. Accordingly, the PSC is precluded from pursuing BP's direct claims against us that were assigned to the PSC as part of the BP/PSC Settlement. This ruling, and the MDL Court's other rulings regarding indemnity may be challenged in the pending appeals from the Phase One Ruling.

Other legal proceedings

Asbestos litigation—In 2004, several of our subsidiaries were named, along with numerous other unaffiliated defendants, in 21 complaints filed on behalf of 769 plaintiffs in the Circuit Courts of the State of Mississippi and which claimed injuries arising out of exposure to asbestos allegedly contained in drilling mud during these plaintiffs' employment in drilling activities between 1965 and 1986. The complaints generally allege that the defendants used or manufactured asbestos containing drilling mud additives for use in connection with drilling operations and have included allegations of negligence, products liability, strict liability and claims allowed under the Jones Act and general maritime law. In each of these cases, the complaints have named other unaffiliated defendant companies, including companies that allegedly manufactured the drilling-related products that contained asbestos. The plaintiffs generally seek awards of unspecified compensatory and punitive damages, but the court-appointed special master has ruled that a Jones Act employer defendant, such as us, cannot be sued for punitive damages. After ten years of litigation, this group of cases has been winnowed to the point where now only 15 plaintiffs' individual claims remaining pending in Mississippi in which we have or may have an interest.

During the year ended December 31, 2014, a group of lawsuits premised on the same allegations as those in Mississippi were filed in Louisiana. As of December 31, 2014, 20 plaintiffs have claims pending against one or more of our subsidiaries in four different lawsuits in Louisiana.

We intend to defend these lawsuits vigorously, although we can provide no assurance as to the outcome. We historically have maintained broad liability insurance, although we are not certain whether insurance will cover the liabilities, if any, arising out of these claims. Based on our evaluation of the exposure to date, we do not expect the liability, if any, resulting from these claims to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

One of our subsidiaries was involved in lawsuits arising out of the subsidiary's involvement in the design, construction and refurbishment of major industrial complexes. The operating assets of the subsidiary were sold and its operations discontinued in 1989, and the subsidiary has no remaining assets other than the insurance policies involved in its litigation, with its insurers and, either directly or indirectly through a qualified settlement fund. The subsidiary has been named as a defendant, along with numerous other companies, in lawsuits alleging bodily injury or personal injury as a result of exposure to asbestos. As of December 31, 2014, the subsidiary was a defendant in approximately 902 lawsuits, some of which include multiple plaintiffs, and we estimate that there are approximately 1,702 plaintiffs in these lawsuits. For many of these lawsuits, we have not been provided with sufficient information from the plaintiffs to determine whether all or some of the plaintiffs have claims against the subsidiary, the basis of any such claims, or the nature of their alleged injuries. The first of the asbestos-related lawsuits was filed against the subsidiary in 1990. Through December 31, 2014, the costs incurred to resolve claims, including both defense fees and expenses and settlement costs, have not been material, all known deductibles have been satisfied or are inapplicable, and the subsidiary's defense fees and expenses and settlement costs have been met by insurance made available to the subsidiary. The subsidiary continues to be named as a defendant in additional lawsuits, and we cannot predict the number of additional cases in which it may be named a defendant nor can we predict the potential costs to resolve such additional cases or to resolve the pending cases. However, the subsidiary has in excess of $1.0 billion in insurance limits potentially available to the subsidiary. Although not all of the policies may be fully available due to the insolvency of certain insurers, we believe that the subsidiary will have sufficient funding directly or indirectly from settlements and claims payments from insurers, assigned rights from insurers and coverage-in-place settlement agreements with insurers to respond to these claims. While we cannot predict or provide assurance as to the outcome of these matters, we do not believe that the ultimate liability, if any, arising from these claims will have a material impact on our consolidated statement of financial position, results of operations or cash flows.

Rio de Janeiro tax assessment—In the third quarter of 2006, we received tax assessments of BRL 422 million, equivalent to approximately $159 million, including interest and penalties, from the state tax authorities of Rio de Janeiro in Brazil against one of our Brazilian subsidiaries for taxes on equipment imported into the state in connection with our operations. The assessments resulted from a preliminary finding by these authorities that our record keeping practices were deficient. We currently believe that the substantial majority of these assessments are without merit. We filed an initial response with the Rio de Janeiro tax authorities on September 9, 2006 refuting these additional tax assessments. In September 2007, we received confirmation from the state tax authorities that they believe the additional tax assessments are valid, and as a result, we filed an appeal on September 27, 2007 to the state Taxpayer's Council contesting these assessments. While we cannot predict or provide assurance as to the final outcome of these proceedings, we do not expect it to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Brazilian import license assessment—In the fourth quarter of 2010, we received an assessment from the Brazilian federal tax authorities in Rio de Janeiro of BRL 528 million, equivalent to approximately $199 million, including interest and penalties, based upon the alleged failure to timely apply for import licenses for certain equipment and for allegedly providing improper information on import license applications. We believe that a substantial majority of the assessment is without merit and are vigorously pursuing legal remedies. The case was decided partially in favor of our Brazilian subsidiary in the lower administrative court level. The decision cancelled the majority of the assessment, reducing the total assessment to BRL 35 million, equivalent to approximately $13 million. On July 14, 2011, we filed an appeal to eliminate the assessment. On May 23, 2013, a ruling was issued that eliminated all assessment amounts. A further appeal by the taxing authorities was filed in November 2014. While we cannot predict or provide assurance as to the outcome of these proceedings, we do not expect it to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Petrobras withholding taxes—In July 2014, we received letters from Petróleo Brasileiro S.A. (“Petrobras”) informing us that the Brazilian Federal Revenue Service (the “RFB”) is assessing Petrobras for withholding taxes presumably due and unpaid on payments made in 2008 and 2009 to beneficiaries domiciled outside of Brazil in connection with the charter agreements related to work performed by its contractors, including us. Petrobras is challenging such tax assessment and has indicated that, if it loses the tax dispute, it will seek to recover from its contractors, including us, any taxes, penalties, interest and fees that Petrobras is being requested to pay. Petrobras has informed us that it has received from the RFB notices of deficiencies for BRL 283 million, equivalent to approximately $107 million, excluding penalties, interest and fees, related to work performed by us. We have informed Petrobras that we believe it has no basis for seeking reimbursement from us, and we intend to vigorously challenge any assertions to the contrary. An unfavorable outcome on these matters could result in a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

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

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

Other environmental matters

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

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

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

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

- the actual responsibility attributed to us and the other PRPs at the site;
- appropriate investigatory or remedial actions; and
- allocation of the costs of such activities among the PRPs and other site users.

Our ultimate financial responsibility in connection with those sites may depend on many factors, including:

- the volume and nature of material, if any, contributed to the site for which we are responsible;
- the number of other PRPs and their financial viability; and

§ the remediation methods and technology to be used.

It is difficult to quantify with certainty the potential cost of these environmental matters, particularly in respect of remediation obligations. Nevertheless, based upon the information currently available, we believe that our ultimate liability arising from all environmental matters, including the liability for all other related pending legal proceedings, asserted legal claims and known potential legal claims which are likely to be asserted, is adequately accrued and should not have a material effect on our consolidated statement of financial position or results of operations.

Retained risk

Overview—Our hull and machinery and excess liability insurance program is comprised of commercial market and captive insurance policies that we renew annually on May 1. We periodically evaluate our insurance limits and self-insured retentions. At December 31, 2014, the insured value of our drilling rig fleet was approximately $27.8 billion, excluding our rigs under construction. We generally do not carry commercial market insurance coverage for loss of revenues, unless it is contractually required, or for losses resulting from physical damage to our fleet caused by named windstorms in the U.S. Gulf of Mexico, including liability for wreck removal costs.

Hull and machinery coverage—At December 31, 2014, under the hull and machinery program, we generally maintained a $125 million per occurrence deductible, limited to a maximum of $200 million per policy period. Subject to the same shared deductible, we also had coverage for an amount equal to 50 percent of a rig's insured value for combined costs incurred to mitigate rig damage, wreck or debris removal and collision liability. Any excess wreck or debris removal costs and excess collision liability costs are generally covered to the extent of our remaining excess liability coverage.

Excess liability coverage—At December 31, 2014, we carried excess liability coverage of $700 million in the commercial market excluding the deductibles and self-insured retention noted below, which generally covers offshore risks such as personal injury, third-party property claims, and third-party non-crew claims, including wreck removal and pollution. Our excess liability coverage had separate $10 million per occurrence deductibles on collision liability claims and $5 million per occurrence deductibles on crew personal injury claims and on other third-party non-crew claims. Through our wholly owned captive insurance company, we retained the risk of the primary $50 million excess liability coverage. In addition, we generally retained the risk for any liability losses in excess of $750 million.

Other insurance coverage—At December 31, 2014, we also carried $100 million of additional insurance that generally covers expenses that would otherwise be assumed by the well owner, such as costs to control the well, redrill expenses and pollution from the well. This additional insurance provides coverage for such expenses in circumstances in which we have legal or contractual liability arising from our gross negligence or willful misconduct.

Letters of credit and surety bonds

At December 31, 2014 and 2013, we had outstanding letters of credit totaling $338 million and $575 million, respectively, issued under various committed and uncommitted credit lines provided by several banks to guarantee various contract bidding, performance activities and customs obligations, including letters of credit totaling $91 million and $104 million, respectively, that we agreed to maintain in support of the operations for Shelf Drilling (see Note 7—Discontinued Operations).

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

Note 16—Noncontrolling Interest

Redeemable noncontrolling interest—Changes in redeemable noncontrolling interest were as follows (in millions):

	Year ended December 31, 2014	2013	2012
Redeemable noncontrolling interest			
Balance, beginning of period	$ —	$ —	$ 116
Net income attributable to noncontrolling interest	9	—	13
Reclassification from noncontrolling interest	2	—	—
Fair value adjustment to redeemable noncontrolling interest	—	—	106
Reclassification to accumulated other comprehensive loss	—	—	17
Reclassification to other current liabilities	—	—	(252)
Balance, end of period	$ 11	$ —	$ —

Angola Deepwater Drilling Company Limited—We own a 65 percent interest and Angco Cayman Limited ("Angco Cayman") owns a 35 percent interest, in ADDCL, a variable interest entity (see Note 4—Variable Interest Entities). Angco Cayman has the right to require us to purchase its shares for cash. Accordingly, we present the carrying amount of Angco Cayman's ownership interest as redeemable noncontrolling interest on our consolidated balance sheets.

Transocean Pacific Drilling Inc.—On October 18, 2007, one of our subsidiaries acquired a 50 percent interest in TPDI, a consolidated British Virgin Islands company formed to operate two Ultra-Deepwater Floaters, *Dhirubhai Deepwater KG1* and *Dhirubhai Deepwater KG2*. Quantum Pacific Management Limited ("Quantum") held the remaining 50 percent interest in TPDI. Through February 29, 2012, Quantum had the unilateral right, pursuant to a put option agreement, to exchange its 50 percent interest in TPDI for our shares or cash, at its election, at an amount based on an appraisal of the fair value of the drillships that are owned by TPDI, subject to certain adjustments. Accordingly, we presented Quantum's interest as redeemable noncontrolling interest on our consolidated balance sheets until Quantum exercised its rights under the put option agreement.

On February 29, 2012, Quantum exercised its rights under the put option agreement to exchange its interest in TPDI for our shares or cash, at its election. Based on the redemption value of Quantum's interest as of that date, we adjusted the carrying amount of the noncontrolling interest and reclassified Quantum's interest to other current liabilities with a corresponding adjustment of $106 million to retained earnings within shareholders' equity. We estimated the fair value of Quantum's interest using significant other observable inputs, representative of a Level 2 fair value measurement, including indications of market values of the drilling units owned by TPDI.

On March 29, 2012, Quantum elected to exchange its interest in TPDI for our shares, net of Quantum's share of TPDI's indebtedness, as defined in the put option agreement. Quantum had the right, prior to closing of this exchange, to change its election to cash, net of Quantum's share of TPDI's indebtedness.

Through settlement of the exchange transactions on May 31, 2012, we measured the carrying amount of Quantum's interest at its estimated fair value resulting in a cumulative adjustment of $25 million to increase the liability with corresponding adjustments to other expense on our consolidated statement of operations. On May 31, 2012, we issued 8.7 million shares to Quantum in a non-cash exchange for its interest in TPDI to satisfy our obligation, resulting in an adjustment of $134 million and $233 million to shares and additional paid-in capital, respectively. The adjustment included the extinguishment of the outstanding principal amount and unpaid interest associated with the TPDI Notes payable to Quantum (see Note 12—Debt). As a result of the transaction, TPDI became our wholly owned subsidiary.

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

On July 31, 2014, we announced the pricing of an initial public offering of common units representing limited liability company interests in Transocean Partners, which began trading on the New York Stock Exchange under the ticker symbol "RIGP," for $22.00 per unit. On August 5, 2014, we completed the initial public offering of 20.1 million common units, including the 2.6 million common units sold pursuant to the exercise in full of the underwriters' option to purchase additional common units, which represented a 29.2 percent limited liability company interest in Transocean Partners. We hold the remaining 21.3 million common units and 27.6 million subordinated units, which collectively represented a 70.8 percent limited liability company interest. As a result of the offering, we received cash proceeds of $417 million, net of $26 million for underwriting discounts and commissions and other offering costs. In the year ended December 31, 2014, as a result of the transaction, we recognized a decrease of $44 million to noncontrolling interest and a corresponding increase to additional paid-in capital.

On November 24, 2014, Transocean Partners declared and paid an aggregate distribution of $15 million to its unitholders of record as of November 17, 2014, of which $11 million was paid to us and was eliminated in consolidation.

During the year ended December 31, 2014, we completed transactions with holders of noncontrolling interest in other subsidiaries, and as a result, we recognized an increase of $11 million to noncontrolling interest and a corresponding decrease to additional paid-in capital.

See Note 5—Impairments.

Note 17—Shareholders' Equity

Distributions of qualifying additional paid-in capital—In May 2014, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of $3.00 per outstanding share, payable in four quarterly installments of $0.75 per outstanding share, subject to certain limitations. We do not pay the distribution of qualifying additional paid-in capital with respect to our shares held in treasury or held by our subsidiary. In May 2014, we recognized a liability of $1.1 billion for the distribution payable, recorded in other current liabilities, with a corresponding entry to additional paid-in capital. On June 18, September 17 and December 17, 2014, we paid the first three installments in the aggregate amount of $816 million to shareholders of record as of May 30, August 22 and November 14, 2014, respectively. At December 31, 2014, the aggregate carrying amount of the distribution payable was $272 million.

In May 2013, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of $2.24 per outstanding share, payable in four quarterly installments of $0.56 per outstanding share, subject to certain limitations. We do not pay the distribution of qualifying additional paid-in capital with respect to our shares held in treasury or held by our subsidiary. In May 2013, we recognized a liability of $808 million for the distribution payable, recorded in other current liabilities, with a corresponding entry to additional paid-in capital. On June 19, September 18 and December 18, 2013, we paid the first three installments in the aggregate amount of $606 million to shareholders of record as of May 31, August 23 and November 15, 2013, respectively. At December 31, 2013, the carrying amount of the unpaid distribution payable was $202 million. On March 19, 2014, we paid the final installment in the aggregate amount of $202 million to shareholders of record as of February 21, 2014.

In May 2011, at our annual general meeting, our shareholders approved the distribution of additional paid-in capital in the form of a U.S. dollar denominated dividend of $3.16 per outstanding share, payable in four installments of $0.79 per outstanding share, subject to certain limitations. On March 21, 2012, we paid the final installment in the aggregate amount of $276 million to shareholders of record as of February 24, 2012.

Share issuances—On May 31, 2012, we issued 8.7 million shares to Quantum in a non-cash exchange for its interest in TPDI. See Note 16—Noncontrolling Interest.

Shares held in treasury—In May 2009, at our annual general meeting, our shareholders approved and authorized our board of directors, at its discretion, to repurchase an amount of our shares for cancellation with an aggregate purchase price of up to CHF 3.5 billion, which is equivalent to approximately $3.5 billion, using an exchange rate of USD 1.00 to CHF 0.99 as of the close of trading on December 31, 2014. On February 12, 2010, our board of directors authorized our management to implement the share repurchase program.

During the years ended December 31, 2014, 2013 and 2012, we did not purchase any of our shares under our share repurchase program. At December 31, 2014 and 2013, we held 2.9 million shares in treasury, recorded at cost.

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

Accumulated other comprehensive loss—The changes in accumulated other comprehensive loss, presented net of tax, were as follows (in millions):

	Year ended December 31, 2014			Year ended December 31, 2013		
	Defined benefit pension plans	Derivative instruments	Total	Defined benefit pension plans	Derivative instruments	Total
Balance, beginning of period	$ (264)	$ 2	$ (262)	$ (511)	$ (10)	$ (521)
Other comprehensive income (loss) before reclassifications	(155)	—	(155)	202	(6)	196
Reclassifications to net income	15	(2)	13	45	18	63
Other comprehensive income (loss), net	(140)	(2)	(142)	247	12	259
Balance, end of period	$ (404)	$ —	$ (404)	$ (264)	$ 2	$ (262)

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

	Statement of operations classification	Years ended December 31, 2014	2013	2012
Defined benefit pension plans				
Actuarial losses		$ 22	$ 48	$ 45
Prior service costs		(1)	—	(1)
Settlements and curtailments		(4)	1	3
Total amortization, before income taxes	Net periodic benefit costs (a)	17	49	47
Income tax (benefit) expense	Income tax expense	(2)	(4)	(5)
Total amortization, net of income taxes		$ 15	$ 45	$ 42

(a) We recognize the amortization of accumulated other comprehensive income components related to defined benefit pension plans in net periodic benefit costs. In the year ended December 31, 2014, the amortization components of our net periodic benefit costs were $12 million, recorded in operating and maintenance costs, and $5 million, recorded in general and administrative costs. In the year ended December 31, 2013, the amortization components of our net periodic benefit costs were $37 million, recorded in operating and maintenance costs, and $12 million, recorded in general and administrative costs. In the year ended December 31, 2012, the amortization components of our net periodic benefit costs were $31 million, recorded in operating and maintenance costs, and $16 million, recorded in general and administrative costs. See Note 14—Postemployment Benefit Plans.

Note 18—Share-Based Compensation Plans

Overview—We have (i) a long-term incentive plan (the "Long-Term Incentive Plan") for executives, key employees and non-employee directors under which awards can be granted in the form of deferred units, restricted shares, stock options, stock appreciation rights and cash performance awards and (ii) other incentive plans under which awards are currently outstanding. Awards that may be granted under the Long-Term Incentive Plan include time-vesting awards ("time-based awards") and awards that are earned based on the achievement of certain performance criteria ("performance-based awards") or market factors ("market-based awards"). Our executive compensation committee of our board of directors determines the terms and conditions of the awards granted under the Long-Term Incentive Plan. As of December 31, 2014, we had 36.0 million shares authorized and 6.1 million shares available to be granted under the Long-Term Incentive Plan.

Time-based awards typically vest either in three equal annual installments beginning on the first anniversary date of the grant or in an aggregate installment at the end of the stated vesting period. Performance-based and market-based awards are typically awarded subject to either a two-year or a three-year measurement period during which the number of options, shares or deferred units remains uncertain. At the end of the measurement period, the awarded number of options, shares or deferred units is determined (the "determination date") subject to the stated vesting period. The performance-based and market-based awards generally vest in one aggregate installment following the determination date. Once vested, stock options and stock appreciation rights generally have a 10-year term during which they are exercisable.

As of December 31, 2014, total unrecognized compensation costs related to all unvested share-based awards were $90 million, which are expected to be recognized over a weighted-average period of 1.5 years. In the years ended December 31, 2014, 2013 and 2012, we recognized additional share-based compensation expense of $9 million, $22 million and $4 million, respectively, in connection with modifications of share-based awards.

Option valuation assumptions—We estimated the fair value of each option award under the Long-Term Incentive Plan on the grant date using the Black-Scholes-Merton option-pricing model with the following weighted-average assumptions:

	Years ended December 31, 2013	2012
Dividend yield	2%	—
Expected price volatility	39%	43%
Risk-free interest rate	0.94%	0.87%
Expected life of options	5.3 years	5.0 years
Weighted-average fair value of options granted	$ 17.37	$ 18.87

We did not grant stock options during the year ended December 31, 2014.

Time-based awards

Deferred units—A deferred unit is a unit that is equal to one share but has no voting rights until the underlying shares are issued. Our time-based deferred units are participating securities since they have the right to receive dividends and other cash distributions to shareholders. The following table summarizes unvested activity for time-based vesting deferred units ("time-based units") granted under our incentive plans during the year ended December 31, 2014:

	Number of units	Weighted-average grant-date fair value per share
Unvested at January 1, 2014	2,732,328	$ 56.84
Granted	1,208,790	42.80
Vested	(1,520,023)	57.41
Forfeited	(150,242)	51.10
Unvested at December 31, 2014	2,270,853	$ 49.37

The total grant-date fair value of the time-based units that vested during the year ended December 31, 2014 was $87 million.

There were 1,691,029 and 2,183,853 time-based units granted during the years ended December 31, 2013 and 2012, respectively. The weighted-average grant-date fair value of time-based units granted was $58.91 and $50.07 per share for the years ended December 31, 2013 and 2012, respectively. There were 1,556,840 and 1,064,359 time-based units that vested during the years ended December 31, 2013 and 2012, respectively. The total grant-date fair value of the time-based units that vested was $95 million and $74 million for the years ended December 31, 2013 and 2012, respectively.

Stock options—The following table summarizes activity for vested and unvested time-based vesting stock options ("time-based options") outstanding under our incentive plans during the year ended December 31, 2014:

	Number of shares under option	Weighted-average exercise price per share	Weighted-average remaining contractual term (years)	Aggregate intrinsic value (in millions)
Outstanding at January 1, 2014	1,854,164	$ 71.49	6.55	$ —
Granted	—	—		
Exercised	(31,785)	38.64		
Forfeited	(56,344)	64.77		
Expired	(19,792)	42.66		
Outstanding at December 31, 2014	1,746,243	$ 72.64	5.77	$ —
Vested and exercisable at December 31, 2014	1,362,395	$ 77.06	5.19	$ —

The total grant-date fair value of time-based options that vested during the year ended December 31, 2014 was $9 million. The total pre-tax intrinsic value of time-based options exercised during the year ended December 31, 2014 was $2 million. At January 1 and December 31, 2014, we have presented the aggregate intrinsic value as zero since the weighted-average exercise price per share exceeded the market price of our shares on these dates. There were unvested time-based options to purchase 383,848 shares as of December 31, 2014.

There were time-based options to purchase 455,915 and 395,673 shares granted during the years ended December 31, 2013 and 2012, respectively. The weighted-average grant-date fair value of time-based options granted was $17.37 and $18.87 per time-based option for the years ended December 31, 2013 and 2012, respectively. The total grant-date fair value of time-based options that vested was $7 million and $5 million for the years ended December 31, 2013 and 2012, respectively. There were time-based options to purchase 102,254 and 264,707 shares exercised during the years ended December 31, 2013 and 2012, respectively. The total pretax intrinsic value of time-based options exercised was $5 million and $3 million during the years ended December 31, 2013 and 2012, respectively.

Stock appreciation rights—The following table summarizes activity for stock appreciation rights outstanding under our incentive plans during the year ended December 31, 2014:

	Number of awards	Weighted-average exercise price per share	Weighted-average remaining contractual term (years)	Aggregate intrinsic value (in millions)
Outstanding at January 1, 2014	187,739	$ 93.39	2.76	$ —
Outstanding at December 31, 2014	187,739	$ 93.39	1.76	$ —
Vested and exercisable at December 31, 2014	187,739	$ 93.39	1.76	$ —

We did not grant stock appreciation rights during the years ended December 31, 2014, 2013, and 2012. At January 1 and December 31, 2014, we have presented the aggregate intrinsic value as zero since the weighted-average exercise price per share exceeded the market price of our shares on those dates. There were no stock appreciation rights exercised for the years ended December 31, 2014 and 2013. There were no unvested stock appreciation rights outstanding as of December 31, 2014.

Market-based awards

Deferred units—We grant market-based deferred units ("market-based units") that can be earned depending on the achievement of certain market conditions. Our market-based deferred units are participating securities since they have the right to receive dividends and other cash distributions to shareholders. The number of units earned is quantified upon completion of the specified period at the determination date. The following table summarizes unvested activity for market-based units granted under our incentive plans during the year ended December 31, 2014:

	Number of units	Weighted-average grant-date fair value per share
Unvested at January 1, 2014	306,163	$ 66.65
Granted	302,630	31.73
Vested	(2,457)	58.52
Vested and cancelled	(128,865)	58.52
Forfeited	(14,518)	58.52
Unvested at December 31, 2014	462,953	$ 46.39

Total grant date fair value of the market-based units that vested during the year ended December 31, 2014 was $8 million. The cancelled market-based units presented above represent units that had not satisfied the market condition.

There were 171,001 and 163,319 market-based units granted during the years ended December 31, 2013 and 2012 with a weighted-average grant-date fair value of $74.05 and $58.52 per share, respectively. The total grant-date fair value of the market-based units that vested was $6 million and $24 million for the years ended December 31, 2013 and 2012, respectively.

Performance-based awards

Stock options—We have previously granted performance-based stock options ("performance-based options") that could be earned depending on the achievement of certain performance targets. The number of options earned is quantified upon completion of the performance period at the determination date. The following table summarizes activity for vested and unvested performance-based options outstanding under our incentive plans during the year ended December 31, 2014:

	Number of shares under option	Weighted-average exercise price per share	Weighted-average remaining contractual term (years)	Aggregate intrinsic value (in millions)
Outstanding at January 1, 2014	171,877	$ 77.55	2.28	$ —
Exercised	(12,073)	14.65		
Outstanding at December 31, 2014	159,804	$ 81.17	1.41	$ —
Vested and exercisable at December 31, 2014	159,804	$ 81.17	1.41	$ —

We did not grant performance-based options during the years ended December 31, 2014, 2013 and 2012. At January 1 and December 31, 2014, we have presented the aggregate intrinsic value as zero since the weighted-average exercise price per share exceeded the market price of our shares on that date. There were 7,385 performance-based stock options exercised during the year ended December 31, 2013. There were no performance-based options exercised during the year ended December 31, 2012. There were no unvested performance-based stock options outstanding as of December 31, 2014.

Note 19—Supplemental Balance Sheet Information

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

	December 31, 2014	December 31, 2013
Other current liabilities		
Accrued payroll and employee benefits	$ 387	$ 431
Distribution payable	272	202
Deferred revenue	219	195
Deferred revenue of consolidated variable interest entities	18	21
Accrued taxes, other than income	78	145
Accrued interest	95	108
Contingent liabilities	460	490
Macondo well incident settlement obligations	260	460
Other	33	20
Total other current liabilities	$ 1,822	$ 2,072

Other long-term liabilities were comprised of the following (in millions):

	December 31, 2014	December 31, 2013
Other long-term liabilities		
Long-term income taxes payable	$ 383	$ 502
Accrued pension liabilities	459	339
Deferred revenue	201	108
Deferred revenue of consolidated variable interest entities	32	51
Drilling contract intangibles	29	44
Accrued retiree life insurance and medical benefits	56	49
Macondo well incident settlement obligations	120	380
Other	74	81
Total other long-term liabilities	$ 1,354	$ 1,554

Note 20—Supplemental Cash Flow Information

Net cash provided by operating activities attributable to the net change in operating assets and liabilities were composed of the following (in millions):

	Years ended December 31,		
	2014	2013	2012
Changes in operating assets and liabilities			
Decrease (increase) in accounts receivable	$ 63	$ 58	$ (139)
Increase in other current assets	(164)	(152)	(73)
Decrease (increase) in other assets	(7)	87	12
Increase (decrease) in accounts payable and other current liabilities	(874)	(625)	931
Decrease in other long-term liabilities	(72)	(33)	(63)
Change in income taxes receivable / payable, net	(29)	(151)	(156)
	$ (1,083)	$ (816)	$ 512

Additional cash flow information was as follows (in millions):

	Years ended December 31,		
	2014	2013	2012
Certain cash operating activities			
Cash payments for interest	$ 490	$ 669	$ 719
Cash payments for income taxes	329	457	347
Non-cash investing and financing activities			
Capital expenditures, accrued at end of period (a)	$ 124	$ 167	$ 123
Issuance of shares in exchange for noncontrolling interest (b)	—	—	367
Non-cash proceeds received for the sale of assets (c)	—	—	194

(a) These amounts represent additions to property and equipment for which we had accrued a corresponding liability in accounts payable.

(b) On May 31, 2012, we issued 8.7 million shares to Quantum in a non-cash exchange for its interest in TPDI. See Note 16—Noncontrolling Interest.

(c) During the year ended December 31, 2012, we completed the sale of 38 drilling units to Shelf Drilling. In connection with the sale transactions, we received net cash proceeds of $568 million and non-cash proceeds in the form of preference shares with an aggregate stated value of $195 million. We recognized the preference shares at their estimated fair value measured at the time of the sale, in the aggregate amount of $194 million, including the fair value associated with embedded derivatives. See Note 7—Discontinued Operations.

Note 21—Financial Instruments

The carrying amounts and fair values of our financial instruments were as follows:

	December 31, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	$ 2,636	$ 2,636	$ 3,243	$ 3,243
Notes and other loans receivable	15	15	101	101
Restricted cash investments	377	394	621	649
Long-term debt, including current maturities	10,092	9,778	10,702	11,784
Derivative instruments, assets	15	15	—	—

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

Cash and cash equivalents—The carrying amount of cash and cash equivalents represents the historical cost, plus accrued interest, which approximates fair value because of the short maturities of those instruments. We measured the estimated fair value of our cash equivalents using significant other observable inputs, representative of a Level 2 fair value measurement, including the net asset values of the investments. At December 31, 2014 and 2013, the aggregate carrying amount of our cash equivalents was $1.7 billion and $2.3 billion, respectively.

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

Restricted cash investments—The carrying amount of the Eksportfinans Restricted Cash Investments represents the amortized cost of our investment. We measured the estimated fair value of the Eksportfinans Restricted Cash Investments using significant other observable inputs, representative of a Level 2 fair value measurement, including the terms and credit spreads of the instruments. At December 31, 2014 and 2013, the aggregate carrying amount of the Eksportfinans Restricted Cash Investments was $369 million and $591 million, respectively. At December 31, 2014 and 2013, the estimated fair value of the Eksportfinans Restricted Cash Investments was $386 million and $619 million, respectively.

The carrying amount of the restricted cash investments for certain contingent obligations approximates fair value due to the short term nature of the instruments in which the restricted cash investments are held. At December 31, 2014, the aggregate carrying amount of the restricted cash investments for certain contingent obligations was $8 million. At December 31, 2013, the aggregate carrying amount of the restricted cash investments for the ADDCL Credit Facilities and certain contingent obligations was $30 million.

Debt—We measured the estimated fair value of our fixed-rate debt using significant other observable inputs, representative of a Level 2 fair value measurement, including the terms and credit spreads for the instruments. At December 31, 2014 and 2013, the aggregate carrying amount of our fixed-rate debt was $10.1 billion and $10.5 billion, respectively. At December 31, 2014 and 2013, the aggregate estimated fair value of our fixed-rate debt was $9.8 billion and $11.6 billion, respectively.

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

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

Note 22—Risk Concentration

Interest rate risk—Financial instruments that potentially subject us to concentrations of interest rate risk include our cash equivalents, short-term investments, restricted cash investments, debt and capital lease obligations. We are exposed to interest rate risk related to our cash equivalents and short-term investments, as the interest income earned on these investments changes with market interest rates. Floating rate debt, where the interest rate may be adjusted annually or more frequently over the life of the instrument, exposes us 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 us to changes in market interest rates when we refinance maturing debt with new debt. Our fixed-rate restricted cash investments associated with the Eksportfinans Loans and the respective debt instruments for which they are restricted, are subject to corresponding and opposing changes in the fair value relative to changes in market interest rates.

From time to time, we may use interest rate swap agreements to manage the effect of interest rate changes on future income. We do not generally enter into interest rate derivative transactions for speculative or trading purposes. Interest rate swaps are generally designated as hedges 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.

Currency exchange rate risk—Our international operations expose us to currency exchange rate risk. This risk is primarily associated with compensation costs of our employees and purchasing costs from non-U.S. suppliers, which are denominated in currencies other than the U.S. dollar. We use a variety of techniques to minimize the exposure to currency exchange rate risk, including the structuring of customer contract payment terms and, from time to time, the use of currency exchange derivative instruments.

Our primary currency exchange rate 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 customer acceptance, local banking laws, other statutory requirements, local currency convertibility and the impact of inflation on local costs, actual local currency needs may vary from those anticipated in the customer contracts, resulting in partial exposure to currency exchange rate risk. The currency exchange effect resulting from our international operations generally has not had a material impact on our operating results. In situations where payments of local currency do not equal local currency requirements, we may use currency exchange derivative instruments, specifically forward exchange contracts, or spot purchases, to mitigate currency exchange rate risk. A forward exchange contract obligates us to exchange predetermined amounts of specified foreign currencies at specified currency exchange rates on specified dates or to make an equivalent U.S. dollar payment equal to the value of such exchange.

We do not enter into currency exchange derivative transactions for speculative purposes. We record designated currency exchange derivative instruments at fair value and defer gains and losses in other comprehensive income, recognizing the gains and losses when the underlying currency exchange exposure is realized. We record undesignated currency exchange derivative instruments at fair value and record changes to the fair value in current period earnings as an adjustment to currency exchange gains or losses. At December 31, 2012, we had cross-currency swaps that were designated as cash flow hedges of certain debt instruments denominated in Norwegian kroner. In March 2013, we terminated these cross-currency interest rate swaps and the underlying debt instruments. See Note 13—Derivatives and Hedging.

Credit risk—Financial instruments that potentially subject us to concentrations of credit risk are primarily cash and cash equivalents, short-term investments, trade receivables, notes and loans receivable and equity investment.

We generally maintain our 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. We limit the amount of exposure to any one institution and do not believe we are exposed to any significant credit risk.

We derive the majority of our revenue from services to international oil companies, government-owned oil companies and government-controlled oil companies. Receivables are dispersed in various countries (see Note 23—Operating Segments, Geographic Analysis and Major Customers). We establish an allowance for doubtful accounts on a case-by-case basis, considering changes in the financial position of a customer, when we believe the required payment of specific amounts owed to us is unlikely to occur. Although we have encountered isolated credit concerns related to independent oil companies, we are not aware of any significant credit risks related to our customer base and do not generally require collateral or other security to support customer receivables.

We hold investments in debt and equity instruments of certain privately held companies as a result of certain dispositions of assets and equity interests or as a result of arrangements with certain suppliers. We monitor the financial condition of the investees on an ongoing basis to determine whether a valuation allowance is required.

Labor agreements—We require highly skilled personnel to operate our drilling units. We conduct extensive personnel recruiting, training and safety programs. At December 31, 2014, we had approximately 13,100 employees, including approximately 1,000 persons engaged through contract labor providers. Approximately 30 percent of our total workforce, working primarily in Angola, the U.K., Nigeria, Norway, Australia and Brazil are represented by, and some of our contracted labor work under, collective bargaining agreements, substantially all of which are subject to annual salary negotiation. These negotiations could result in higher personnel expenses, other increased costs or increased operational restrictions as the outcome of such negotiations apply to all offshore employees not just the union members.

Note 23—Operating Segments, Geographic Analysis and Major Customers

Operating segments—We operate in a single, global market for the provision of contract drilling services to our customers. The location of our rigs and the allocation of our resources to build or upgrade rigs are determined by the activities and needs of our customers.

Geographic analysis—Operating revenues for our continuing operations by country were as follows (in millions):

	Years ended December 31,		
	2014	2013	2012
Operating revenues			
U.S.	$ 2,289	$ 2,382	$ 2,472
U.K.	1,194	1,181	1,028
Norway	1,036	1,208	1,174
Brazil	651	855	1,114
Other countries (a)	4,004	3,623	3,157
Total operating revenues	$ 9,174	$ 9,249	$ 8,945

(a) Other countries represents countries in which we operate that individually had operating revenues representing less than 10 percent of total operating revenues earned.

Long-lived assets of our continuing operations by country were as follows (in millions):

	December 31,	
	2014	2013
Long-lived assets		
U.S.	$ 7,080	$ 6,996
Norway	1,952	2,091
Other countries (a)	12,506	12,620
Total long-lived assets	$ 21,538	$ 21,707

(a) Other countries represents countries in which we operate that individually had long-lived assets representing less than 10 percent of total long-lived assets.

A substantial portion of our assets are mobile. Asset locations at the end of the period are not necessarily indicative of the geographic distribution of the revenues generated by such assets during the periods. Although we are organized under the laws of Switzerland, we do not conduct any operations and do not have operating revenues in Switzerland. At December 31, 2014 and 2013, the aggregate carrying amount of our long-lived assets located in Switzerland was $3 million and $6 million, respectively.

Our international operations are subject to certain political and other uncertainties, including risks of war and civil disturbances or other market disrupting events, expropriation of equipment, repatriation of income or capital, taxation policies, and the general hazards associated with certain areas in which we operate.

Major customers—For the year ended December 31, 2014, Chevron Corporation and BP accounted for approximately 11 percent and nine percent, respectively, of our consolidated operating revenues from continuing operations. For the year ended December 31, 2013, Chevron Corporation and BP accounted for approximately 12 percent and 10 percent, respectively, of our consolidated operating revenues from continuing operations. For the year ended December 31, 2012, Chevron Corporation, BP and Petrobras accounted for approximately 11 percent, 11 percent and 10 percent, respectively, of our consolidated operating revenues from continuing operations.

Note 24—Condensed Consolidating Financial Information

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

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

The following tables include the consolidating adjustments necessary to present the condensed financial statements on a consolidated basis (in millions):

	Year ended December 31, 2014				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Operating revenues	$ —	$ —	$ 9,181	$ (7)	$ 9,174
Cost and expenses	25	17	6,448	(7)	6,483
Loss on impairment	—	—	(4,043)	—	(4,043)
Loss on disposal of assets, net	—	—	(26)	—	(26)
Operating loss	(25)	(17)	(1,336)	—	(1,378)
Other income (expense), net					
Interest income (expense), net	(10)	(575)	141	—	(444)
Equity in earnings	(1,878)	(1,246)	—	3,124	—
Other, net	—	38	(16)	—	22
	(1,888)	(1,783)	125	3,124	(422)
Loss from continuing operations before income tax expense	(1,913)	(1,800)	(1,211)	3,124	(1,800)
Income tax expense	—	—	146	—	146
Loss from continuing operations	(1,913)	(1,800)	(1,357)	3,124	(1,946)
Loss from discontinued operations, net of tax	—	(13)	(7)	—	(20)
Net loss	(1,913)	(1,813)	(1,364)	3,124	(1,966)
Net loss attributable to noncontrolling interest	—	—	(53)	—	(53)
Net loss attributable to controlling interest	(1,913)	(1,813)	(1,311)	3,124	(1,913)
Other comprehensive income (loss) before income taxes	9	(76)	(88)	—	(155)
Income taxes related to other comprehensive loss	—	—	13	—	13
Other comprehensive income (loss), net of income taxes	9	(76)	(75)	—	(142)
Total comprehensive loss	(1,904)	(1,889)	(1,439)	3,124	(2,108)
Total comprehensive loss attributable to noncontrolling interest	—	—	(53)	—	(53)
Total comprehensive loss attributable to controlling interest	$ (1,904)	$ (1,889)	$ (1,386)	$ 3,124	$ (2,055)

	Year ended December 31, 2013				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Operating revenues	$ —	$ —	$ 9,233	$ 16	$ 9,249
Cost and expenses	29	9	6,904	16	6,958
Loss on impairment	—	—	(81)	—	(81)
Gain on disposal of assets, net	—	—	7	—	7
Operating income (loss)	(29)	(9)	2,255	—	2,217
Other income (expense), net					
Interest income (expense), net	(15)	(538)	21	—	(532)
Equity in earnings	1,450	2,112	—	(3,562)	—
Other, net	1	(15)	(15)	—	(29)
	1,436	1,559	6	(3,562)	(561)
Income from continuing operations before income tax expense	1,407	1,550	2,261	(3,562)	1,656
Income tax expense	—	—	258	—	258
Income from continuing operations	1,407	1,550	2,003	(3,562)	1,398
Gain (loss) from discontinued operations, net of tax	—	(97)	106	—	9
Net Income	1,407	1,453	2,109	(3,562)	1,407
Net income attributable to noncontrolling interest	—	—	—	—	—
Net income attributable to controlling interest	1,407	1,453	2,109	(3,562)	1,407
Other comprehensive income before income taxes	3	238	19	—	260
Income taxes related to other comprehensive loss	—	—	2	—	2
Other comprehensive income, net of income taxes	3	238	21	—	262
Total comprehensive income	1,410	1,691	2,130	(3,562)	1,669
Total comprehensive income attributable to noncontrolling interest	—	—	3	—	3
Total comprehensive income attributable to controlling interest	$ 1,410	$ 1,691	$ 2,127	$ (3,562)	$ 1,666

	Year ended December 31, 2012				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Operating revenues	$ —	$ 5	$ 8,962	$ (22)	$ 8,945
Cost and expenses	54	16	7,215	(22)	7,263
Loss on impairment	—	—	(118)	—	(118)
Gain on disposal of assets, net	—	—	36	—	36
Operating income (loss)	(54)	(11)	1,665	—	1,600
Other income (expense), net					
Interest expense, net	(12)	(576)	(79)	—	(667)
Equity in earnings	(153)	402	—	(249)	—
Other, net	—	(4)	(45)	—	(49)
	(165)	(178)	(124)	(249)	(716)
Income (loss) from continuing operations before income tax expense	(219)	(189)	1,541	(249)	884
Income tax expense	—	—	52	—	52
Income (loss) from continuing operations	(219)	(189)	1,489	(249)	832
Loss from discontinued operations, net of tax	—	—	(1,043)	—	(1,043)
Net income (loss)	(219)	(189)	446	(249)	(211)
Net income attributable to noncontrolling interest	—	—	8	—	8
Net income (loss) attributable to controlling interest	(219)	(189)	438	(249)	(219)
Other comprehensive income (loss) before income taxes	(5)	(31)	35	—	(1)
Income taxes related to other comprehensive loss	—	—	(7)	—	(7)
Other comprehensive income (loss), net of income taxes	(5)	(31)	28	—	(8)
Total comprehensive income (loss)	(224)	(220)	474	(249)	(219)
Total comprehensive income attributable to noncontrolling interest	—	—	8	—	8
Total comprehensive income (loss) attributable to controlling interest	$ (224)	$ (220)	$ 466	$ (249)	$ (227)

	December 31, 2014				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Assets					
Cash and cash equivalents	$ 16	$ 842	$ 1,777	$ —	$ 2,635
Other current assets	12	757	5,228	(2,631)	3,366
Total current assets	28	1,599	7,005	(2,631)	6,001
Property and equipment, net	—	—	21,538	—	21,538
Goodwill	—	—	—	—	—
Investment in affiliates	13,952	30,639	—	(44,591)	—
Other assets	—	3,899	25,883	(28,908)	874
Total assets	13,980	36,137	54,426	(76,130)	28,413
Liabilities and equity					
Debt due within one year	—	898	135	—	1,033
Other current liabilities	287	473	4,608	(2,631)	2,737
Total current liabilities	287	1,371	4,743	(2,631)	3,770
Long-term debt	—	21,486	16,481	(28,908)	9,059
Other long-term liabilities	22	280	1,289	—	1,591
Total long-term liabilities	22	21,766	17,770	(28,908)	10,650
Commitments and contingencies					
Redeemable noncontrolling interest	—	—	11	—	11
Total equity	13,671	13,000	31,902	(44,591)	13,982
Total liabilities and equity	$ 13,980	$ 36,137	$ 54,426	$ (76,130)	$ 28,413

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

	Year ended December 31, 2014				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Cash flows from operating activities	$ 801	$ 1,362	$ 57	$ —	$ 2,220
Cash flows from investing activities					
Capital expenditures	—	—	(2,165)	—	(2,165)
Proceeds from disposal of assets, net	—	—	215	—	215
Proceeds from disposal of discontinued operations, net	—	—	35	—	35
Proceeds from repayment of notes receivable	—	—	101	—	101
Investing activities with affiliates, net	—	(2,520)	(379)	2,899	—
Other, net	—	—	(14)	—	(14)
Net cash used in investing activities	—	(2,520)	(2,207)	2,899	(1,828)
Cash flows from financing activities					
Repayments of debt	—	—	(539)	—	(539)
Proceeds from restricted cash investments	—	—	176	—	176
Deposits to restricted cash investments	—	—	(20)	—	(20)
Distribution of qualifying additional paid-in capital	(1,018)	—	—	—	(1,018)
Proceeds from sale of noncontrolling interest	—	—	443	—	443
Financing activities with affiliates, net	236	389	2,274	(2,899)	—
Other, net	(7)	(6)	(29)	—	(42)
Net cash provided by (used in) financing activities	(789)	383	2,305	(2,899)	(1,000)
Net increase (decrease) in cash and cash equivalents	12	(775)	155	—	(608)
Cash and cash equivalents at beginning of period	4	1,617	1,622	—	3,243
Cash and cash equivalents at end of period	$ 16	$ 842	$ 1,777	$ —	$ 2,635

	Year ended December 31, 2013				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Cash flows from operating activities	$ (51)	$ (661)	$ 2,630	$ —	$ 1,918
Cash flows from investing activities					
Capital expenditures	—	—	(2,238)	—	(2,238)
Proceeds from disposal of assets, net	—	—	174	—	174
Proceeds from disposal of discontinued operations, net	—	—	204	—	204
Proceeds from sale of preference shares	—	185	—	—	185
Investing activities with affiliates, net	—	(1,461)	(1,100)	2,561	—
Other, net	—	—	17	—	17
Net cash used in investing activities	—	(1,276)	(2,943)	2,561	(1,658)
Cash flows from financing activities					
Repayments of debt	—	(562)	(1,130)	—	(1,692)
Proceeds from restricted cash investments	—	—	298	—	298
Deposits to restricted cash investments	—	—	(119)	—	(119)
Distribution of qualifying additional paid-in capital	(606)	—	—	—	(606)
Financing activities with affiliates, net	643	978	940	(2,561)	—
Other, net	(6)	(17)	(9)	—	(32)
Net cash provided by (used in) financing activities	31	399	(20)	(2,561)	(2,151)
Net decrease in cash and cash equivalents	(20)	(1,538)	(333)	—	(1,891)
Cash and cash equivalents at beginning of period	24	3,155	1,955	—	5,134
Cash and cash equivalents at end of period	$ 4	$ 1,617	$ 1,622	$ —	$ 3,243

	Year ended December 31, 2012				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Cash flows from operating activities	$ (86)	$ (953)	$ 3,747	$ —	$ 2,708
Cash flows from investing activities					
Capital expenditures	—	—	(1,303)	—	(1,303)
Capital expenditures for discontinued operations	—	—	(106)	—	(106)
Proceeds from disposal of assets, net	—	—	191	—	191
Proceeds from disposal of discontinued operations, net	—	568	221	—	789
Investing activities with affiliates, net	(165)	(2,344)	(3,726)	6,235	—
Other, net	—	29	11	—	40
Net cash provided by (used in) investing activities	(165)	(1,747)	(4,712)	6,235	(389)
Cash flows from financing activities					
Changes in short-term borrowings, net	—	—	(260)	—	(260)
Proceeds from debt	—	1,493	—	—	1,493
Repayments of debt	—	(1,689)	(593)	—	(2,282)
Proceeds from restricted cash investments	—	—	311	—	311
Deposits to restricted cash investments	—	—	(167)	—	(167)
Distribution of qualifying additional paid-in capital	(276)	—	—	—	(276)
Financing activities with affiliates, net	549	3,276	2,410	(6,235)	—
Other, net	(1)	(18)	(2)	—	(21)
Net cash provided by (used in) financing activities	272	3,062	1,699	(6,235)	(1,202)
Net increase (decrease) in cash and cash equivalents	21	362	734	—	1,117
Cash and cash equivalents at beginning of period	3	2,793	1,221	—	4,017
Cash and cash equivalents at end of period	$ 24	$ 3,155	$ 1,955	$ —	$ 5,134

Note 25—Related Party Transactions

Quantum Pacific Management Limited—On October 18, 2007, one of our subsidiaries acquired a 50 percent interest in TPDI, an entity formed to operate two Ultra-Deepwater Floaters, *Dhirubhai Deepwater KG1* and *Dhirubhai Deepwater KG2*. Until May 31, 2012, Quantum held the remaining 50 percent interest in TPDI. Quantum had the unilateral right to exchange its interest in TPDI for our shares or cash, at its election, measured at an amount based on an appraisal of the fair value of the drillships that are owned by TPDI, subject to certain adjustments. During the year ended December 31, 2012, Quantum exercised its rights under the put option agreement electing to exchange its interest in TPDI for our shares. We issued 8.7 million shares to Quantum, and as a result, TPDI became our wholly-owned subsidiary. In the year ended December 31, 2012, under the terms of the put option agreement, we made a cash payment of $72 million to Quantum to settle TPDI's working capital. See Note 16—Noncontrolling Interest.

Note 26—Quarterly Results (Unaudited)

	Three months ended			
	March 31,	June 30,	September 30,	December 31,
	(In millions, except per share data)			
2014				
Operating revenues	$ 2,339	$ 2,328	$ 2,270	$ 2,237
Operating income (loss) (a)	672	765	(2,168)	(647)
Income (loss) from continuing operations (a)	474	604	(2,262)	(762)
Net income (loss) (a) (b)	466	597	(2,263)	(766)
Net income (loss) attributable to controlling interest (a) (b)	456	587	(2,217)	(739)
Per share earnings (loss) from continuing operations				
Basic	$ 1.27	$ 1.63	$ (6.12)	$ (2.03)
Diluted	$ 1.27	$ 1.63	$ (6.12)	$ (2.03)
Weighted-average shares outstanding				
Basic	361	362	362	362
Diluted	361	362	362	362
2013				
Operating revenues	$ 2,184	$ 2,364	$ 2,449	$ 2,252
Operating income (c)	479	605	738	398
Income from continuing operations (c)	318	322	540	220
Net income (c) (d)	313	311	548	235
Net income attributable to controlling interest (c) (d)	321	307	546	233
Per share earnings from continuing operations				
Basic	$ 0.89	$ 0.87	$ 1.48	$ 0.60
Diluted	$ 0.89	$ 0.87	$ 1.48	$ 0.60
Weighted-average shares outstanding				
Basic	360	360	360	361
Diluted	360	360	361	361

(a) First quarter and third quarter included a loss of $3 million associated with loss contingencies and a gain of $22 million associated with insurance recoveries, net, respectively, related to Macondo well incident. First, third and fourth quarters included an aggregate loss of $268 million associated with the impairment of certain drilling units classified as assets held for sale. Third quarter included a loss of $788 million associated with the impairment of the Deepwater Floater asset group. Third quarter and fourth quarter included an aggregate loss of $3.0 billion associated with the impairment of the remaining balance of our goodwill. See Note 5—Impairments, Note 10—Drilling Fleet and Note 15-Commitments and Contingencies.

(b) First quarter included a loss of $10 million associated with the disposal of assets of our discontinued operations. See Note 7—Discontinued Operations.

(c) First quarter and third quarter included losses of $74 million and $29 million, respectively, associated with loss contingencies related to Macondo well incident. Second quarter included an aggregate loss of $37 million associated with the impairment of certain drilling units classified as assets held for sale. Third quarter included a gain of $33 million associated with the sale of *Transocean Richardson*. See Note 5—Impairments, Note 10—Drilling Fleet and Note 15-Commitments and Contingencies.

(d) First, second, third and fourth quarters included aggregate gains of $15 million, $3 million, $31 million and $5 million, respectively, associated with the disposal of assets of our discontinued operations. See Note 7—Discontinued Operations.

Note 27—Subsequent Events

Distributions of qualifying additional paid-in capital—On February 15, 2015, our board of directors announced its recommendation that our shareholders at the 2015 annual general meeting approve a distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of $0.60 per outstanding share, payable in four quarterly installments of $0.15 per outstanding share, subject to certain limitations. If approved, we expect that the dividend installments will be paid in June 2015, September 2015, December 2015 and March 2016.

Macondo well incident insurance coverage—On February 13, 2015, the Texas Supreme Court issued its answer to one of the Fifth Circuit's questions by determining that BP is not entitled to coverage under certain of our insurance policies for damages arising from subsurface pollution because BP assumed, and we did not assume, liability for such claims.

Note 28—Supplemental Disclosures Required by Swiss Law

Security ownership of board members and executive officers—In the Transocean Ltd. statutory financial statements, we have presented the security ownership of members of our board of directors and members of our executive management team. See Transocean Ltd. Statutory Financial Statements—Notes to Statutory Financial Statements—Note 6—Share Ownership.

Risk assessment—In the Transocean Ltd. statutory financial statements, we have presented our risk assessment. See Transocean Ltd. Statutory Financial Statements—Notes to Statutory Financial Statements—Note 10—Risk Assessment.