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 event reported): November 3, 2010 (November 3, 2010)

TRANSOCEAN LTD.

(Exact name of registrant as specified in its charter)

Switzerland (State or other jurisdiction of incorporation or organization) 000-53533 (Commission File Number) 98-0599916 (I.R.S. Employer Identification No.)

Blandonnet International Business Center
Building F, 7th Floor
Chemin de Blandonnet
Vernier, Switzerland
(Address of principal executive offices)

CH-1214 (zip code)

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

(Former name or former address, if changed since last report)

follo	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 wing 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 Exchange 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 2.02. Results of Operations and Financial Condition.

Our news release dated November 3, 2010, concerning third quarter 2010 financial results, furnished as Exhibit 99.1 to this report, is incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The exhibit to this report furnished pursuant to item 2.02 is as follows:

Exhibit No. Description

Date: November 3, 2010

99.1 Transocean Ltd. Release Reporting Third Quarter 2010 Financial Results

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.

TRANSOCEAN LTD.

By /s/ Heather G. Callender

Heather G. Callender Associate General Counsel

Index to Exhibits

Exhibit <u>Number</u>

Number Description

99.1 Transocean Ltd. Release Reporting Third Quarter 2010 Financial Results



III III IIII III III III III III Transocean Ltd.
Investor Relations and Communications Dept.

News Release

FOR RELEASE: November 3, 2010

Analyst Contact: Gregory S.Panagos

+1 713-232-7551 **Media Contact:** Guy A. Cantwell
+1 713-232-7647

TRANSOCEAN LTD. REPORTS THIRD QUARTER 2010 RESULTS

ZUG, SWITZERLAND—Transocean Ltd. (NYSE: RIG) (SIX: RIGN) today reported net income attributable to controlling interest for the three months ended September 30, 2010 of \$368 million, or \$1.15 per diluted share, on revenues of \$2.309 billion. The results compare to net income attributable to controlling interest of \$710 million, or \$2.19 per diluted share, on revenues of \$2.823 billion, for the three months ended September 30, 2009.

Third quarter 2010 results included increased expenses associated with the Macondo well incident of \$27 million, or \$22 million after tax, calculated using our Annual Effective Tax Rate. These expenses include legal costs, internal investigation costs, professional fees and increased insurance premiums.

In addition, third quarter 2010 results were adversely impacted by \$43 million of after tax items, as follows:

- A \$22 million loss on retirement of debt associated with repurchases of a portion of our convertible senior notes,
- \$14 million of additional charges related to legal matters not related to the Macondo well incident, and
- \$7 million related to discrete tax items.

Third quarter 2009 results were adversely impacted by certain net charges, after tax, totaling \$148 million, or \$0.46 per diluted share. These charges were related to various litigation matters, the impairment of intangible assets, the retirement of debt and certain merger-related costs, partially offset by income related to discrete tax items and gains on settlements of certain tax matters.

Operations Quarterly Review

Revenues for the three months ended September 30, 2010 were \$2.309 billion compared to \$2.505 billion for the three months ended June 30, 2010. The \$196 million decline was primarily due to \$223 million resulting from the U.S. Gulf of Mexico moratorium, \$34 million resulting from the stacking of rigs and \$24 million of other minor variances, partially offset by increases of \$85 million resulting from reduced shippard activity.

Operating and maintenance expenses totaled \$1.213 billion for the third quarter 2010, down approximately 11 percent compared to \$1.358 billion for the prior quarter. The \$145 million reduction in operating and maintenance costs was primarily due to \$96 million resulting from reduced activity related to the U.S. Gulf of Mexico drilling moratorium, a \$65 million charge in the prior quarter for insurance deductibles from the Macondo well incident and \$24 million in cost reductions primarily from the stacking of rigs. These cost reductions were partially offset by \$27 million of increased costs associated with the Macondo well incident and \$17 million resulting from increased maintenance costs associated with our drilling operations.

General and administrative expenses were \$59 million for the third quarter 2010, compared to \$58 million in the second quarter 2010.

Liquidity and Interest Expense

Interest expense, net of amounts capitalized in the third quarter 2010, totaled \$142 million, compared to \$141 million in the prior quarter. As of September 30, 2010, total debt was \$12.840 billion, compared to \$11.426 billion as of June 30, 2010, an increase of \$1.414 billion. The quarter-to-quarter increase in total debt primarily reflects proceeds from a new offering of senior notes, net of repurchases of our convertible senior notes.

Cash flow from operating activities totaled \$709 million for the third quarter of 2010, down from \$1.269 billion for the second quarter of 2010.

As of September 30, 2010, cash and cash equivalents were \$4.636 billion, compared to \$2.888 billion at June 30, 2010. The increase was principally due to net proceeds from our issuance of the senior notes and cash flows from operations, partially offset by our repurchases of convertible senior notes and capital expenditures.

Effective Tax Rate

Transocean's reported Effective Tax Rate⁽¹⁾ for the third quarter 2010 was 23.8 percent. The higher Effective Tax Rate was due to the redeployment of certain rigs between various tax jurisdictions and included \$7 million of discrete tax items. Excluding these discrete items the Annual Effective Tax Rate⁽²⁾ for the third quarter was 20.8 percent.

Macondo Well Incident

Our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission includes updated information on the Macondo well incident. To view the Form 10-Q filing, please use the following link: http://www.deepwater.com/fw/main/SEC-Filings-57.html.

Conference Call Information

Transocean will conduct a teleconference call at 10:00 a.m. EDT (3:00 p.m. CET) on Thursday, November 4, 2010. Individuals who wish to participate in the teleconference call should dial +1 719-325-2298 and refer to confirmation code 4130334 approximately five to 10 minutes prior to the scheduled start time of the call.

In addition, the conference call will be simultaneously broadcast over the Internet in a listen-only mode and can be accessed by logging onto Transocean's website at www.deepwater.com and selecting "Investor Relations." A file containing four charts to be discussed during the conference call, titled "3Q10 Charts," has been posted to Transocean's website and can be found by selecting "Investor Relations/Quarterly Toolkit." The conference call may also be accessed via the Internet at www.CompanyBoardroom.com by typing in Transocean's New York Stock Exchange trading symbol, "RIG."

A telephonic replay of the conference call should be available after 1:00 p.m. EDT (6:00 p.m. CET) on November 4, 2010, and can be accessed by dialing +1 719-457-0820 or +1 888-203-1112 and referring to the passcode 4130334. Also, a replay will be available through the Internet and can be accessed by visiting either of the above-referenced Worldwide Web addresses. Both replay options will be available for approximately 30 days.

Transocean is the world's largest offshore drilling contractor and the leading provider of drilling management services worldwide. With a fleet of 139 mobile offshore drilling units plus three ultra-deepwater newbuild drillships under construction, Transocean's fleet is considered one of the most modern and versatile in the world due to its emphasis on technically demanding segments of the offshore drilling business. Transocean owns or operates a contract drilling fleet of 45 High-Specification Floaters (Ultra-Deepwater, Deepwater and Harsh-Environment semisubmersibles and drillships), 26 Midwater Floaters, 10 High-Specification Jackups, 55 Standard Jackups and other assets utilized in the support of offshore drilling activities worldwide.

- (1) Effective Tax Rate is defined as income tax expense divided by income before income taxes. See the accompanying schedule entitled "Supplemental Effective Tax Rate Analysis."
- (2) Annual Effective Tax Rate is defined as income tax expense excluding various discrete items (such as changes in estimates and tax on items excluded from income before income tax expense) divided by income before income tax expense excluding gains on sales and similar items pursuant to the accounting standards for income taxes and estimating the annual effective tax rate. See the accompanying schedule entitled "Supplemental Effective Tax Rate Analysis."

TRANSOCEAN LTD. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data) (Unaudited)

	Three mor Septem		Nine months ended September 30,	
	2010	2009	2010	2009
Operating revenues				
Contract drilling revenues	\$ 2,204	\$ 2,602	\$6,935	\$8,061
Contract drilling intangible revenues	23	58	85	237
Other revenues	82	163	396	525
	2,309	2,823	7,416	8,823
Costs and expenses			' <u></u>	
Operating and maintenance	1,213	1,396	3,767	3,844
Depreciation, depletion and amortization	394	367	1,195	1,082
General and administrative	59	54	180	163
	1,666	1,817	5,142	5,089
Loss on impairment		(46)	(2)	(334)
Gain (loss) on disposal of assets, net	2	(3)	256	(3)
Operating income	645	957	2,528	3,397
Other income (expense), net				
Interest income	7	_	17	2
Interest expense, net of amounts capitalized	(142)	(115)	(415)	(365)
Loss on retirement of debt	(22)	(7)	(20)	(17)
Other, net	8	9	18	9
	(149)	(113)	(400)	(371)
Income before income tax expense	496	844	2,128	3,026
Income tax expense	118	138	345	573
Net income	378	706	1,783	2,453
Net income (loss) attributable to noncontrolling interest	10	(4)	23	(5)
Net income attributable to controlling interest	<u>\$ 368</u>	\$ 710	\$1,760	\$2,458
Earnings per share				
Basic	\$ 1.15	\$ 2.20	\$ 5.47	\$ 7.63
Diluted	\$ 1.15	\$ 2.19	\$ 5.47	\$ 7.61
Weighted average shares outstanding				
Basic	319	321	320	320
Diluted	319	322	320	321

TRANSOCEAN LTD. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

Assets Cish and cash equivalents \$ 4,53 \$ \$ 1,30 \$ \$ 3,03			September 30, 2010 (Unaudited)		mber 31, 2009
Cash and cash equivalents 4,8436 \$1,310 Accounts receivable, net of allowance for doubtful accounts of \$39 and \$65 at September 30, 2010 and December 31, 2019, respectively 2,299 2,385 Materials and supplies, net of allowance for obsolescence of \$69 and \$66 at September 30, 2010 and December 31, 2010, respectively 501 402 2009, respectively 501 100 100 2009, respectively 100 100 100 Assest sheld for sale 2 24 209 Other current assets 7,70 4,70 407 Property and equipment 27,644 2,783 10,80 2,83 2,93 1,93 2,93 2,93 2,93 1,06 3,03 2	Assets	(ι	naudited)		
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Defere dire of me faces, net 10 10 Asses Is belf of sels — 186 Other current assets 234 209 Total current assets 27,470 24,705 Property and equipment 2,192 1,968 Use perty and equipment of consolidated variable interest entities 2,192 1,968 Essenciumulated depreciation 7,243 2,333 23,031 Property and equipment, net 2,101 3,032 3,032 Ododidl 1,115 8,002 3,032 3,032 Obdities 2,101 9,002 3,002 3,002 Total assets 5,791 8,702 3,002 <td></td> <td></td> <td>501</td> <td></td> <td>462</td>			501		462
Other current assets 234 200 Total current assets 2,70% 4,76% Property and equipment of consolidated variable interest entities 2,198 4,738 Property and equipment of consolidated variable interest entities 2,193 6,333 Property and equipment, of 2,241 3,333 Property and equipment, of 3,132 6,134 Goodwill 1,215 8,083 Obditions 3,133 8,083 Total assets 3,133 8,083 Total cases 2,101 8,08 Excours payable 5,71 8,00 Account income taxes 2,10 2,00 Debt due within one year 1,635 1,568 Debt due within one year 2,20 3,00 Other consolidated variable interest entities due within one year 1,02 3,00 Oberende consolidated variable interest entities due within one year 6,20 3,00 Oberende for consolidated variable interest entities due within one year 1,02 3,00 Oberende filabilities 1,02 3,00			100		104
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Property and equipment 27,644 27,381 Property and equipment of consolidated variable interest entities 2,192 1,968 Less accumulated depreciation 7,231 6,333 Property and equipment, net 22,131 23,181 Goodwill 8,132 8,134 Other assets 1,015 808 Total assets 5,333 85,363 Total assets 226 2,40 Accrued income taxes 226 2,40 Accrued income taxes 5,71 8,76 Accrued income taxes 2,60 2,60 Other consolidated variable interest entities due within one year 2,60 3,00 Other consolidated variable interest entities 2,00 7,00 3,00 Other corner liabilities 2,00 3,00 7,00 3,00 7,00 3,00 7,00 3,00 7,00 3,00 7,00 3,00 7,00 3,00 7,00 3,00 7,00 3,00 7,00 3,00 7,00 3,00 3,00 3,00 3,00 </td <td>Other current assets</td> <td></td> <td>234</td> <td></td> <td>209</td>	Other current assets		234		209
Property and equipment of consolidated variable interest entities 2,192 1,938 Less accumulated depreciation 7,233 6,333 Property and equipment, net 22,131 3,031 Goodwill 8,132 8,134 Obers assets 1,015 808 Total assets \$3,333 \$3,634 Constitution seems 2,000 \$3,634 Constitution seems 2,000 \$2,000 Accounts payable \$791 \$700 Accounts payable \$791 \$700 Account income taxes 226 240 Both of consolidated variable interest entities due within one year 1,635 1,535 Both of consolidated variable interest entities 2,000 730 Total current liabilities 1,023 3,018 Long-term debt of consolidated variable interest entities 88 88 Deign-term debt of consolidated variable interest entities 1,023 9,026 Cong-term diabilities 1,023 1,028 Defermed income taxes, net 1,022	Total current assets	_	7,770		4,476
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Other assets 1,015 8.08 Total assets 2,03,030 3,03,030 Location space 2,02 3,03,03 3,03,03 Accounts payable 5,79 2,20 2,40 Accounts payable 2,20 2,20 2,20 Description on taxes 2,03 3,50 2,50 Debt of consolidated variable interest entities due within one year 2,03 3,00 Other corner liabilities 2,03 3,00 Other corner liabilities 3,00 3,00 Total current liabilities 10,23 3,60 Long-term debt of consolidated variable interest entities 88 88 Deferred inome taxes, net 65 82 88 Offered inome taxes, net 65 9,20 1,20 1,20 1,20 Other long-term liabilities 1,35 1,25 1,20 1,20 1,20 1,20 1,20 1,20 1,20 1,20 1,20 1,20 1,20 1,20 1,20 1,20 1,20 1,20 1,20	Property and equipment, net		22,413		23,018
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Accounts payable \$791 \$780 Accound income taxes 226 240 Debt due within one year 1,635 1,568 Debt of consolidated variable interest entities due within one year 82 300 Other current liabilities 2,030 730 Total current liabilities 10,237 8,966 Long-term debt 886 883 Long-term debt of consolidated variable interest entities 886 883 Deferred income taxes, net 652 726 Other long-term liabilities 1,752 1,684 Other long-term liabilities 13,527 12,259 Commitments and contingencies 31,527 12,259 Commitments and contingencies 4,481 4,472 September 30, 2010 and December 31, 2009; 319,017,904 and 321,223,882 outstanding at September 30, 2010 and December 31, 2009; 319,017,904 and 321,223,882 outstanding at September 30, 2010 and 2,234 4,481 4,472 Redained earnings 6,354 7,407 -4 -4 -4 -4 -4 -4 -4 -4 -4 -4 -4	Total assets	\$	39,330	\$	36,436
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Total current liabilities 4,764 3,618 Long-term debt 10,237 8,966 Long-term debt of consolidated variable interest entities 886 883 Deferred income taxes, net 652 726 Other long-term liabilities 1,752 1,684 Total long-term liabilities 13,527 12,259 Commitments and contingencies Shares, CHF 15.00 par value, 502,852,947 authorized, 167,617,649 conditionally authorized, 335,235,298 issued at September 30, 2010 and December 31, 2009; 319,017,904 and 321,223,882 outstanding at September 30, 2010 and December 31, 2009; respectively 4,481 4,472 Additional paid-in capital 6,354 7,407 Treasury shares, at cost, 2,863,267 and none held at September 30, 2010 and December 31, 2009, respectively (240) — Retained earnings 10,768 9,008 Accumulated other comprehensive loss (327) (335) Total controlling interest shareholders' equity 21,036 20,552 Noncontrolling interest 21,036 20,552	·				
Long-term debt 10,237 8,966 Long-term debt of consolidated variable interest entities 886 883 Deferred income taxes, net 652 726 Other long-term liabilities 1,752 1,684 Total long-term liabilities 13,527 12,259 Commitments and contingencies Shares, CHF 15.00 par value, 502,852,947 authorized, 167,617,649 conditionally authorized, 335,235,298 issued at September 30, 2010 and December 31, 2009; 319,017,904 and 321,223,882 outstanding at September 30, 2010 and December 31, 2009, respectively 4,481 4,472 Additional paid-in capital 6,354 7,407 Treasury shares, at cost, 2,863,267 and none held at September 30, 2010 and December 31, 2009, respectively (240) — Retained earnings 10,768 9,008 Accumulated other comprehensive loss (327) (335) Total controlling interest shareholders' equity 21,036 20,552 Noncontrolling interest 3 7 Total equity 21,039 20,559	Other current liabilities		2,030		730
Long-term debt of consolidated variable interest entities 886 883 Deferred income taxes, net 652 726 Other long-term liabilities 1,752 1,684 Total long-term liabilities 13,527 12,259 Commitments and contingencies Shares, CHF 15.00 par value, 502,852,947 authorized, 167,617,649 conditionally authorized, 335,235,298 issued at September 30, 2010 and December 31, 2009; 319,017,904 and 321,223,882 outstanding at September 30, 2010 and December 31, 2009, respectively 4,481 4,472 Additional paid-in capital 6,354 7,407 Treasury shares, at cost, 2,863,267 and none held at September 30, 2010 and December 31, 2009, respectively (240) — Retained earnings 10,768 9,008 Accumulated other comprehensive loss (327) (335) Total controlling interest shareholders' equity 21,036 20,552 Noncontrolling interest 3 7 Total equity 21,039 20,559	Total current liabilities	_	4,764	_	3,618
Deferred income taxes, net 652 726 Other long-term liabilities 1,752 1,684 Total long-term liabilities 13,527 12,259 Commitments and contingencies Shares, CHF 15.00 par value, 502,852,947 authorized, 167,617,649 conditionally authorized, 335,235,298 issued at September 30, 2010 and December 31, 2009; 319,017,904 and 321,223,882 outstanding at September 30, 2010 and December 31, 2009, respectively 4,481 4,472 Additional paid-in capital 6,354 7,407 Treasury shares, at cost, 2,863,267 and none held at September 30, 2010 and December 31, 2009, respectively (240) — Retained earnings 10,768 9,008 Accumulated other comprehensive loss (327) (335) Total controlling interest shareholders' equity 21,036 20,552 Noncontrolling interest 3 7 Total equity 21,039 20,559	Long-term debt		10,237		8,966
Other long-term liabilities 1,752 1,684 Total long-term liabilities 13,527 12,259 Commitments and contingencies Shares, CHF 15.00 par value, 502,852,947 authorized, 167,617,649 conditionally authorized, 335,235,298 issued at September 30, 2010 and December 31, 2009; 319,017,904 and 321,223,882 outstanding at September 30, 2010 and December 31, 2009, respectively 4,481 4,472 Additional paid-in capital 6,354 7,407 Treasury shares, at cost, 2,863,267 and none held at September 30, 2010 and December 31, 2009, respectively (240) — Retained earnings 10,768 9,008 Accumulated other comprehensive loss (327) (335) Total controlling interest shareholders' equity 21,036 20,552 Noncontrolling interest 3 7 Total equity 21,039 20,559	Long-term debt of consolidated variable interest entities		886		883
Total long-term liabilities 13,527 12,259 Commitments and contingencies Shares, CHF 15.00 par value, 502,852,947 authorized, 167,617,649 conditionally authorized, 335,235,298 issued at September 30, 2010 and December 31, 2009; 319,017,904 and 321,223,882 outstanding at September 30, 2010 and December 31, 2009, respectively 4,481 4,472 Additional paid-in capital 6,354 7,407 Treasury shares, at cost, 2,863,267 and none held at September 30, 2010 and December 31, 2009, respectively (240) — Retained earnings 10,768 9,008 Accumulated other comprehensive loss (327) (335) Total controlling interest shareholders' equity 21,036 20,552 Noncontrolling interest 3 7 Total equity 21,039 20,559	Deferred income taxes, net		652		726
Commitments and contingencies Shares, CHF 15.00 par value, 502,852,947 authorized, 167,617,649 conditionally authorized, 335,235,298 issued at September 30, 2010 and December 31, 2009; 319,017,904 and 321,223,882 outstanding at September 30, 2010 and December 31, 2009, respectively 4,481 4,472 Additional paid-in capital 6,354 7,407 Treasury shares, at cost, 2,863,267 and none held at September 30, 2010 and December 31, 2009, respectively (240) — Retained earnings 10,768 9,008 Accumulated other comprehensive loss (327) (335) Total controlling interest shareholders' equity 21,036 20,552 Noncontrolling interest 3 7 Total equity 21,039 20,559	Other long-term liabilities		1,752		1,684
Shares, CHF 15.00 par value, 502,852,947 authorized, 167,617,649 conditionally authorized, 335,235,298 issued at September 30, 2010 and December 31, 2009; 319,017,904 and 321,223,882 outstanding at September 30, 2010 and December 31, 2009, respectively 4,481 4,472 Additional paid-in capital 6,354 7,407 Treasury shares, at cost, 2,863,267 and none held at September 30, 2010 and December 31, 2009, respectively (240) — Retained earnings 10,768 9,008 Accumulated other comprehensive loss (327) (335) Total controlling interest shareholders' equity 21,036 20,552 Noncontrolling interest	Total long-term liabilities		13,527		12,259
September 30, 2010 and December 31, 2009; 319,017,904 and 321,223,882 outstanding at September 30, 2010 and December 31, 2009, respectively 4,481 4,472 Additional paid-in capital 6,354 7,407 Treasury shares, at cost, 2,863,267 and none held at September 30, 2010 and December 31, 2009, respectively (240) — Retained earnings 10,768 9,008 Accumulated other comprehensive loss (327) (335) Total controlling interest shareholders' equity 21,036 20,552 Noncontrolling interest 3 7 Total equity 21,039 20,559	Commitments and contingencies				
Additional paid-in capital6,3547,407Treasury shares, at cost, 2,863,267 and none held at September 30, 2010 and December 31, 2009, respectively(240)—Retained earnings10,7689,008Accumulated other comprehensive loss(327)(335)Total controlling interest shareholders' equity21,03620,552Noncontrolling interest37Total equity21,03920,559					
Treasury shares, at cost, 2,863,267 and none held at September 30, 2010 and December 31, 2009, respectively(240)—Retained earnings10,7689,008Accumulated other comprehensive loss(327)(335)Total controlling interest shareholders' equity21,03620,552Noncontrolling interest37Total equity21,03920,559	December 31, 2009, respectively		4,481		4,472
Retained earnings 10,768 9,008 Accumulated other comprehensive loss (327) (335) Total controlling interest shareholders' equity 21,036 20,552 Noncontrolling interest 3 7 Total equity 21,039 20,559	Additional paid-in capital		6,354		7,407
Accumulated other comprehensive loss(327)(335)Total controlling interest shareholders' equity21,03620,552Noncontrolling interest37Total equity21,03920,559	Treasury shares, at cost, 2,863,267 and none held at September 30, 2010 and December 31, 2009, respectively		(240)		_
Total controlling interest shareholders' equity21,03620,552Noncontrolling interest37Total equity21,03920,559	9		10,768		9,008
Noncontrolling interest 3 7 Total equity 21,039 20,559	Accumulated other comprehensive loss		(327)		(335)
Total equity 21,039 20,559	Total controlling interest shareholders' equity	_	21,036	_	20,552
	Noncontrolling interest		3		7
	Total equity		21,039		20,559
		\$	39,330	\$	36,436

TRANSOCEAN LTD. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions, except share data)

Depreciation, depletion and amortization 394 367 1,195 1,082			Three months ended September 30,		Nine months ended September 30,	
Net income \$ 378 \$ 706 \$1,783 \$2,452 Adjustments to reconcile net income to net cash provided by operating activities (23) (58) (65) (237) Depreciation, depletion and amortization 394 367 1,195 1,082 Share-based compensation expense 26 23 79 66 Excess tax benefit from share-based compensation plans — (9) (1) (10 (Gain) toso in disposal of assets, net — 46 2 334 Loss on impairment — 46 2 334 Loss on retirement of debt 22 7 20 17 Amortization of debt issue costs, discounts and premiums, net 48 51 148 160 Deferred income taxes (40) 24 (74) 55 Other, net 2 7 2 7 Deferred expenses, net (18) 3 35 35 Retard by operating activities (20) 1,06 3,18 44 Net cash prowided by						
Administration of drilling contract intangibles (23) (58) (85) (23)	-					
Amortization of drilling contract intangibles C23 C58 C83 C23 C25 C23 C23		\$ 378	\$ 706	\$1,783	\$ 2,453	
Depreciation, depletion and amortization 394 367 1,195 1,082						
Share-based compensation expense 26 23 79 66 Excess tax benefit from share-based compensation plans - (9) (1) (10 (Gain) loss on disposal of assets, net (2) 3 (256) 3 Loss on impairment - 46 2 33 Loss on teitrement of debt 22 7 20 17 Amortization of debt issue costs, discounts and premiums, net 48 51 148 160 Ober, net 2 7 1 3 Other, net 47 29 205 72 Deferred evenue, net 48 40 34 44 Selection in					(237)	
Excess tax benefit from share-based compensation plans — (9) (1) (10 (Gain) loss on disposal of assets, net (2) 3 (25) 33 Loss on impairment — 46 2 33 Loss on retirement of debt 22 7 20 11 Amortization of debt issue costs, discounts and premiums, net 48 51 148 160 Deferred income taxes (40) 24 74 50 Other, net 2 7 1 30 Deferred expenses, net (18) (3 55 63 Changes in operating assets and liabilities (125) 213 188 44 Net cash provided by operating activities (18) (30 55 63 Changes in operating assets and liabilities (18) (30 55 42 Net cash provided by operating activities (18) (54) (54) 42 Cash flows from investing activities (304) (540) (583) (2.19 Proceeds from p					1,082	
(Gain) loss on disposal of assets, net (2) 3 (256) 3 Loss on impairment — 46 2 334 Loss on retirement of debt 22 7 20 17 Amortization of debt issue costs, discounts and premiums, net 48 51 148 160 Deferred revenue, net 47 29 205 72 Deferred revenue, net 47 29 205 72 Deferred expenses, net (18 3 55 38 Changes in operating assets and liabilities (125) 213 188 441 Net cash provided by operating activities 709 1,000 3,150 4,222 Cash flows from investing activities 304 (540) 983 (2,198 Cash growing disposal of assets, net 30 (540) 983 (2,198 Proceeds from disposal of assets, net 30 30 4,222 51 10 Proceeds from disposal of assets, net 30 4 2 5 4 2		26			66	
Loss on impairment — 46 2 334 Loss on impairment of beth 22 7 20 17 Amortization of debt issue costs, discounts and premiums, net 48 51 148 166 Deferred income taxes (40) 24 (74) 55 Other, net 2 7 1 30 Deferred revenue, net 47 29 205 72 Deferred expenses, net (18) (3) (55) 03 Changes in operating assets and liabilities (125) 213 188 441 Net cash provided by operating activities 700 1,06 3,150 4,222 Cash flows from investing activities 30 (540) (983) (2,195 Proceeds from disposal of assets, net 30 (540) (983) (2,195 Proceeds from disposal of assets, net 30 30 30 2,195 Proceeds from payments on notes receivable 10 - 31 - Proceeds from payments on notes receivable </td <td></td> <td>_</td> <td>(9)</td> <td></td> <td>(10)</td>		_	(9)		(10)	
Loss on retirement of debt 22 7 20 17 20 Amortization of debt issue costs, discounts and premiums, net 48 51 148 160		(2)	3	(256)	3	
Amortization of debt issue costs, discounts and premiums, net 48 51 148 160 Deferred income taxes (40) 24 (74) 50 Other, net 2 7 1 30 Deferred revenue, net 47 29 205 72 Deferred expenses, net (18) (3) (55) 68 Changes in operating assets and liabilities (125) 213 188 44 Net cash provided by operating activities 709 1,406 3,150 4,423 Cash flows from investing activities Capital expenditures 304 (540) (983) (2,195) Proceeds from disposal of assets, net — 2 51 110 Proceeds from payments on notes receivable 10 — 31 — Proceeds from payments on notes receivable 10 — 31 — Proceeds from payments on notes receivable 1 0 — 25 1 Joint ventures and other investments —		_	46	2	334	
Deferred income taxes (40) 24 (74) 50 Other, net 2 7 1 30 Deferred revenue, net 47 29 205 72 Deferred expenses, net (18) (3) (55) (38 Changes in operating assets and liabilities (125) 213 188 44 Net cash provided by operating activities 709 1,406 3,150 4,423 Cash flows from investing activities 80 304 (540) 983 (2,195 Cash flows from investing activities 9 1,00 983 (2,195 Proceeds from disposal of assets, net 9 2 51 10 Proceeds from insurance recoveries for loss of drilling unit 9 2 51 10 Proceeds from payments on notes receivable 10 - 31 - Proceeds from payments on notes receivable 1 - 26 26 Joint ventures and other investments 6 23 34 2 26		22	7	20	17	
Other, net 2 7 1 30 Deferred revenue, net 47 29 205 72 Deferred revenue, net (18) 3 (55) 38 Changes in operating assets and liabilities (125) 213 188 441 Net cash provided by operating activities 709 1,406 3,150 4,23 Cash flows from investing activities Capital expenditures (304) (540) (983) (2,195) Proceeds from disposal of assets, net — 2 51 10 Proceeds from disposal of assets, net — 2 51 10 Proceeds from disposal of assets, net — 2 51 10 Proceeds from disposal of assets, net — 2 51 10 Proceeds from disposal of assets, net — 2 5 42 Purchases of short-term investments — 2 5 5 5 Purchases for short-term investments, net (298) (538) (341)	Amortization of debt issue costs, discounts and premiums, net	48	51	148	160	
Deferred revenue, net 47 29 205 72 Deferred expenses, net (18) (3) (55) (38 Changes in operating assets and liabilities (125) 213 188 441 Net cash provided by operating activities 709 1,406 3,150 4,23 Cash flows from investing activities Capital expenditures (304) (540) (983) (2,195 Capital expenditures - 2 51 10 Proceeds from disposal of assets, net - 2 51 10 Proceeds from insurance recoveries for loss of drilling unit - - 560 - Proceeds from payments on notes receivable 10 - 31 - Proceeds from payments on sont-term investments - 29 5 422 Purchases of short-term investments - (34) - (266 Joint ventures and other investments, net 46 254 (131) (246 Ret cash used in investing activiti	Deferred income taxes	(40)	24	(74)	50	
Deferred expenses, net (18) (3) (55) (38) Changes in operating assets and liabilities (125) 213 188 441 Net cash provided by operating activities 709 1,406 3,150 4,232 Cash flows from investing activities 8 8 4,232 Capital expenditures (304) (540) (983) (2,195) Proceeds from disposal of assets, net - 2 51 10 Proceeds from insurance recoveries for loss of drilling unit - 2 560 - Proceeds from payments on notes receivable 10 - 31 - Proceeds from short-term investments - 29 5 422 Purchases of short-term investments - 34 - 266 Joint ventures and other investments, net 4 5 5 5 5 Recash used in investing activities 2 3 331 2 2 2 2 2 2 2 2 2 2	Other, net	2	7	1	30	
Changes in operating assets and liabilities (125) 213 188 441 Net cash provided by operating activities 709 1,406 3,150 4,423 Cash flows from investing activities Secondary of the proceeds from disposal of assets, net 300 (304) (540) (983) (2,195) Proceeds from disposal of assets, net — 2 51 10 Proceeds from insurance recoveries for loss of drilling unit — 2 560 — Proceeds from payments on notes receivable 10 — 31 — Proceeds from short-term investments — 29 5 422 Purchases of short-term investments — 29 5 422 Purchases of short-term investments, net (4) 5 (5) 5 Net cash used in investing activities (298) (538) (341) (2,026) Cash flows from financing activities 2 2 (5 3 4 Cash flows from financing activities 46 254 (131) (244) 2	Deferred revenue, net	47	29	205	72	
Net cash provided by operating activities 709 1,406 3,150 4,423 Cash flows from investing activities Section of the proceeds from disposal of assets, net 300 (304) (540) (983) (2,195) Proceeds from disposal of assets, net - 2 51 10 Proceeds from insurance recoveries for loss of drilling unit - 2 560 - Proceeds from payments on notes receivable 10 - 31 - Proceeds from short-term investments - 29 5 422 Purchases of short-term investments - (34) - (266 Joint ventures and other investments, net (4) 5 (5) 5 Net cash used in investing activities 298 (538) (341) (2006 Set flows from financing activities 46 254 (131) (246) Proceeds from debt 2,000 26 2,054 345 Repayments of debt (691) (1,173) (966) (2,583) Proceeds from (taxes paid for) sh	Deferred expenses, net	(18)	(3)	(55)	(38)	
Cash flows from investing activities (304) (540) (983) (2,195) Proceeds from disposal of assets, net — 2 51 10 Proceeds from insurance recoveries for loss of drilling unit — — 560 — Proceeds from payments on notes receivable 10 — 31 — Proceeds from short-term investments — 29 5 422 Purchases of short-term investments — 240 — 266 Joint ventures and other investments, net (4) 5 (5) 5 Net cash used in investing activities (298) (538) (341) (2,026 Cash flows from financing activities — 46 254 (131) (246) Proceeds from debt 2,000 26 2,054 345 Repayments of debt (691) (1,173) (966) (2,583) Purchases of shares held in treasury — — (240) — Financing costs (15) — (15) (2	Changes in operating assets and liabilities	(125)	213	188	441	
Capital expenditures (304) (540) (983) (2,195) Proceeds from disposal of assets, net — 2 51 10 Proceeds from insurance recoveries for loss of drilling unit — — 560 — Proceeds from payments on notes receivable 10 — 31 — Proceeds from short-term investments — 29 5 422 Purchases of short-term investments — (34) — (268 Joint ventures and other investments, net (4) 5 (5) 5 Net cash used in investing activities (298) (538) (341) (2020) Cash flows from financing activities — V 46 254 (131) (246) Proceeds from debt 2,000 26 2,054 345 Repayments of debt (691) (1,173) (966) (2,583) Purchases of shares held in treasury — — (240) — Financing costs (15) — (15) —	Net cash provided by operating activities	709	1,406	3,150	4,423	
Capital expenditures (304) (540) (983) (2,195) Proceeds from disposal of assets, net — 2 51 10 Proceeds from insurance recoveries for loss of drilling unit — — 560 — Proceeds from payments on notes receivable 10 — 31 — Proceeds from short-term investments — 29 5 422 Purchases of short-term investments — (34) — (268 Joint ventures and other investments, net (4) 5 (5) 5 Net cash used in investing activities (298) (538) (341) (2020 Cash flows from financing activities — V 5 (5) 5 Change in short-term borrowings, net 46 254 (131) (246) 246 254 (131) (246) 246 254 (131) (246) 248 254 266 (2,583) 242 266 (2,583) 246 254 (2,583) 246 254 (2,61)<	Cash flows from investing activities					
Proceeds from disposal of assets, net — 2 51 10 Proceeds from insurance recoveries for loss of drilling unit — — 560 — Proceeds from payments on notes receivable 10 — 31 — Proceeds from short-term investments — (29 5 422 Purchases of short-term investments — (34) — (268) Joint ventures and other investments, net (4) 5 (5) 5 Net cash used in investing activities (298) (538) (341) (2,002) Cash flows from financing activities — 46 254 (131) (246) Proceeds from debt 2,000 26 2,054 345 Repayments of debt (691) (1,173) (966) (2,583) Purchases of shares held in treasury — — (240) — Financing costs (15) — (15) — Proceeds from (taxes paid for) share-based compensation plans, net (2) (6) (3) <td< td=""><td></td><td>(304)</td><td>(540)</td><td>(983)</td><td>(2,195)</td></td<>		(304)	(540)	(983)	(2,195)	
Proceeds from payments on notes receivable 10 — 31 — Proceeds from short-term investments — 29 5 422 Purchases of short-term investments — (34) — (268 Joint ventures and other investments, net (4) 5 (5) 5 Net cash used in investing activities (298) (538) (341) (2026 Cash flows from financing activities — V <td>Proceeds from disposal of assets, net</td> <td><u> </u></td> <td>2</td> <td>51</td> <td>10</td>	Proceeds from disposal of assets, net	<u> </u>	2	51	10	
Proceeds from short-term investments — 29 5 422 Purchases of short-term investments — (34) — (268) Joint ventures and other investments, net (4) 5 (5) 5 Net cash used in investing activities (298) (538) (341) (2,026) Cash flows from financing activities 8 8 (341) (2,026) Change in short-term borrowings, net 46 254 (131) (246) Proceeds from debt 2,000 26 2,054 345 Repayments of debt (691) (1,173) (966) (2,583) Purchases of shares held in treasury — — (240) — Financing costs (15) — (15) — Proceeds from (taxes paid for) share-based compensation plans, net (2) (6) (3) 16 Excess tax benefit from share-based compensation plans — 9 1 1 Other, net (1) 1 (3) (14 Net cash	Proceeds from insurance recoveries for loss of drilling unit	_	_	560	_	
Proceeds from short-term investments — 29 5 422 Purchases of short-term investments — (34) — (268) Joint ventures and other investments, net (4) 5 (5) 5 Net cash used in investing activities (298) (538) (341) (2,026) Cash flows from financing activities 8 8 (341) (2,026) Change in short-term borrowings, net 46 254 (131) (246) Proceeds from debt 2,000 26 2,054 345 Repayments of debt (691) (1,173) (966) (2,583) Purchases of shares held in treasury — — (240) — Financing costs (15) — (15) — Proceeds from (taxes paid for) share-based compensation plans, net (2) (6) (3) 16 Excess tax benefit from share-based compensation plans — 9 1 1 Other, net (1) 1 (3) (14 Net cash	Proceeds from payments on notes receivable	10	_	31	_	
Joint ventures and other investments, net (4) 5 (5) 5 Net cash used in investing activities (298) (538) (341) (2,026) Cash flows from financing activities Change in short-term borrowings, net 46 254 (131) (246) Proceeds from debt 2,000 26 2,054 345 Repayments of debt (691) (1,173) (966) (2,583) Purchases of shares held in treasury — — (240) — Financing costs (15) — (15) — Proceeds from (taxes paid for) share-based compensation plans, net (2) (6) (3) 16 Excess tax benefit from share-based compensation plans — 9 1 10 Other, net (1) 1 (3) (14 Net cash provided by (used in) financing activities 1,337 (889) 697 (2,474)	Proceeds from short-term investments	_	29	5	422	
Joint ventures and other investments, net (4) 5 (5) 5 Net cash used in investing activities (298) (538) (341) (2,026) Cash flows from financing activities Change in short-term borrowings, net 46 254 (131) (246) Proceeds from debt 2,000 26 2,054 345 Repayments of debt (691) (1,173) (966) (2,583) Purchases of shares held in treasury — — (240) — Financing costs (15) — (15) — Proceeds from (taxes paid for) share-based compensation plans, net (2) (6) (3) 16 Excess tax benefit from share-based compensation plans — 9 1 10 Other, net (1) 1 (3) (14 Net cash provided by (used in) financing activities 1,337 (889) 697 (2,474)	Purchases of short-term investments	_	(34)	_	(268)	
Net cash used in investing activities (298) (538) (341) (2,026) Cash flows from financing activities Change in short-term borrowings, net 46 254 (131) (246) Proceeds from debt 2,000 26 2,054 345 Repayments of debt (691) (1,173) (966) (2,583) Purchases of shares held in treasury — — (240) — Financing costs (15) — (15) — Proceeds from (taxes paid for) share-based compensation plans, net (2) (6) (3) 16 Excess tax benefit from share-based compensation plans — 9 1 10 Other, net (1) 1 (3) (14 Net cash provided by (used in) financing activities 1,337 (889) 697 (2,474)	Joint ventures and other investments, net	(4)	5	(5)	5	
Change in short-term borrowings, net 46 254 (131) (246 Proceeds from debt 2,000 26 2,054 345 Repayments of debt (691) (1,173) (966) (2,583) Purchases of shares held in treasury — — (240) — Financing costs (15) — (15) — Proceeds from (taxes paid for) share-based compensation plans, net (2) (6) (3) 16 Excess tax benefit from share-based compensation plans — 9 1 10 Other, net (1) 1 (3) (14 Net cash provided by (used in) financing activities 1,337 (889) 697 (2,474)	Net cash used in investing activities		(538)		(2,026)	
Change in short-term borrowings, net 46 254 (131) (246 Proceeds from debt 2,000 26 2,054 345 Repayments of debt (691) (1,173) (966) (2,583) Purchases of shares held in treasury — — (240) — Financing costs (15) — (15) — Proceeds from (taxes paid for) share-based compensation plans, net (2) (6) (3) 16 Excess tax benefit from share-based compensation plans — 9 1 10 Other, net (1) 1 (3) (14 Net cash provided by (used in) financing activities 1,337 (889) 697 (2,474)	Cash flows from financing activities					
Proceeds from debt 2,000 26 2,054 345 Repayments of debt (691) (1,173) (966) (2,583) Purchases of shares held in treasury — — (240) — Financing costs (15) — (15)		46	254	(131)	(246)	
Repayments of debt (691) (1,173) (966) (2,583) Purchases of shares held in treasury — — (240) — Financing costs (15) — (15) — Proceeds from (taxes paid for) share-based compensation plans, net (2) (6) (3) 16 Excess tax benefit from share-based compensation plans — 9 1 10 Other, net (1) 1 (3) (14 Net cash provided by (used in) financing activities 1,337 (889) 697 (2,474)		2,000	26		345	
Purchases of shares held in treasury — — (240) — Financing costs (15) — (15) (2 Proceeds from (taxes paid for) share-based compensation plans, net (2) (6) (3) 16 Excess tax benefit from share-based compensation plans — 9 1 10 Other, net (1) 1 (3) (14 Net cash provided by (used in) financing activities 1,337 (889) 697 (2,474		(691)			(2,583)	
Financing costs (15) — (15) (2 Proceeds from (taxes paid for) share-based compensation plans, net (2) (6) (3) 16 Excess tax benefit from share-based compensation plans — 9 1 10 Other, net (1) 1 (3) (14 Net cash provided by (used in) financing activities 1,337 (889) 697 (2,474						
Proceeds from (taxes paid for) share-based compensation plans, net Excess tax benefit from share-based compensation plans Other, net (2) (6) (3) 16 (3) 16 (1) 1 10 (1) 1 (3) (14 (1) Net cash provided by (used in) financing activities 1,337 (889) 697 (2,474)		(15)	_		(2)	
Excess tax benefit from share-based compensation plans Other, net (1) 1 (3) (14 Net cash provided by (used in) financing activities 1,337 (889) 697 (2,474			(6)		16	
Other, net (1) 1 (3) (14 Net cash provided by (used in) financing activities 1,337 (889) 697 (2,474)		_			10	
Net cash provided by (used in) financing activities 1,337 (889) 697 (2,474)		(1)			(14)	
					(2,474)	
Net increase (decrease) in cash and cash equivalents 1,748 (21) 3,506 (77	Net increase (decrease) in cash and cash equivalents	1.748	(21)	3.506	(77)	
		,		,	963	

TRANSOCEAN LTD. FLEET OPERATING STATISTICS

Operating Revenues (\$ Millions) (1) Nine months ended Three months ended September 30, September 30, September 30, 2010 2010 2010 2009 2009 Contract Drilling Revenues **High-Specification Floaters:** Ultra Deepwater Floaters \$ 720 \$ 809 732 2,430 \$ 2,107 350 382 **Deepwater Floaters** 463 1,122 1,282 Harsh Environment Floaters 178 166 141 520 458 Total High-Specification Floaters 1,248 1,357 1,336 4,072 3,847 Midwater Floaters 572 521 618 1,616 1,971 **High-Specification Jackups** 78 93 104 264 383 298 963 1,835 Standard Jackups 312 537 Other Rigs 7 7 8 20 25 Subtotal 2,204 2,290 2,602 6,935 8,061 Contract Intangible Revenue 23 29 58 85 237 Other Revenues Client Reimbursable Revenues 40 38 49 118 148 Integrated Services and Other 10 11 53 52 158 129 204 **Drilling Management Services** 25 54 198 Oil and Gas Properties 7 8 22 21 7 Subtotal 82 186 163 396 525 Total Company 2,309 2,505 2,823 7,416 8,823

		Av	erage Daily Revenue (1))	
		Three months ended		Nine mont Septeml	
	September 30, 2010	June 30, 2010	September 30, 2009	2010	2009
High-Specification Floaters:					
Ultra Deepwater Floaters	\$422,800	\$482,100	\$458,500	\$464,200	\$453,400
Deepwater Floaters	\$365,600	\$395,800	\$355,600	\$381,800	\$344,300
Harsh Environment Floaters	\$414,100	\$428,500	\$386,000	\$413,600	\$369,400
Total High-Specification Floaters	\$403,900	\$447,800	\$409,300	\$431,800	\$400,300
Midwater Floaters	\$328,400	\$319,000	\$355,800	\$326,300	\$322,200
High-Specification Jackups	\$138,100	\$146,100	\$161,000	\$149,900	\$164,400
Standard Jackups	\$113,200	\$117,100	\$156,200	\$121,100	\$153,800
Other Rigs	\$ 72,900	\$ 72,000	\$ 73,300	\$ 72,600	\$ 51,400
Total Drilling Fleet	\$271,200	\$284,200	\$283,800	\$284,600	\$264,500

			Utilization ⁽¹⁾		
		Three months ended		Nine mon Septem	
	September 30, 2010	June 30, 2010	September 30, 2009	2010	2009
High-Specification Floaters:					
Ultra Deepwater Floaters	77%	76%	90%	80%	93%
Deepwater Floaters	65%	66%	89%	67%	85%
Harsh Environment Floaters	93%	85%	80%	92%	91%
Total High-Specification Floaters	75%	74%	88%	77%	89%
Midwater Floaters	73%	69%	72%	70%	82%
High-Specification Jackups	61%	70%	70%	65%	85%
Standard Jackups	52%	53%	68%	53%	79%
Other Rigs	50%	50%	42%	50%	70%
Total Drilling Fleet	64%	64%	75%	65%	83%

⁽¹⁾ Average daily revenue is defined as contract drilling revenue earned per revenue earning day in the period. A revenue earning day is defined as a day for which a rig earns dayrate after commencement of operations. Utilization is defined as the total actual number of revenue earning days in the period as a percentage of the total number of calendar days in the period for all drilling rigs in our fleet.

Transocean Ltd. and Subsidiaries Supplemental Effective Tax Rate Analysis

(In millions)

	Three months ended			Nine months ended		
	Sept 30, 2010	June 30, 2010	Sept 30, 2009	Sept 30, 2010	Sept 30, 2009	
Income before income taxes	\$ 497	\$ 818	\$ 844	\$2,129	\$3,026	
Add back (subtract):						
Litigation matters	14	12	132	26	132	
Gain on loss of Deepwater Horizon	_	(267)	_	(267)	_	
Loss on disposal of other assets, net	_	_	(1)	14	2	
Loss on impairment of goodwill and intangible assets	_	_	46	2	334	
Loss on impairment of other assets	_	_	_	21	_	
(Gain) loss on retirement of debt	22	_	7	20	17	
GSF merger related costs and other, net	_	_	4	6	12	
Income from TODCO tax sharing agreement	_	_	(11)	_	(11)	
Adjusted income before income taxes	533	563	1,021	1,951	3,512	
Income tax expense	118	98	138	345	573	
Add back (subtract):						
Loss on impairment of other assets	_	_	_	7	_	
GSF merger related costs	_	_	1	1	2	
Tax effect of the Patient Protection and Affordable Care Act	_	_	_	(2)	_	
Changes in estimates (1)	(7)	(6)	28	(20)	(24)	
Adjusted income tax expense (2)	\$ 111	\$ 92	\$ 167	\$ 331	\$ 551	
Effective Tax Rate (3)	23.8%	12.0%	16.4%	16.2%	18.99	
Annual Effective Tax Rate (4)	20.8%	16.3%	16.4%	17.0%	15.79	

- (1) Our estimates change as we file tax returns, settle disputes with tax authorities or become aware of other events and include changes in (a) deferred taxes, (b) valuation allowances on deferred taxes and (c) other tax liabilities.
- (2) The three months ended September 30, 2010 includes \$21 million of additional tax expense (benefit) reflecting the catch-up effect of an increase (decrease) in the annual effective tax rate from the previous quarter estimate.
- (3) Effective Tax Rate is income tax expense divided by income before income taxes.
- (4) Annual Effective Tax Rate is income tax expense excluding various discrete items (such as changes in estimates and tax on items excluded from income before income taxes) divided by income before income taxes excluding gains and losses on sales and similar items pursuant to the accounting standards for income taxes and estimating the annual effective tax rate.