Transocean

CREATE OPPORTUNITY

Proxy Statement
and
2012 Annual Report

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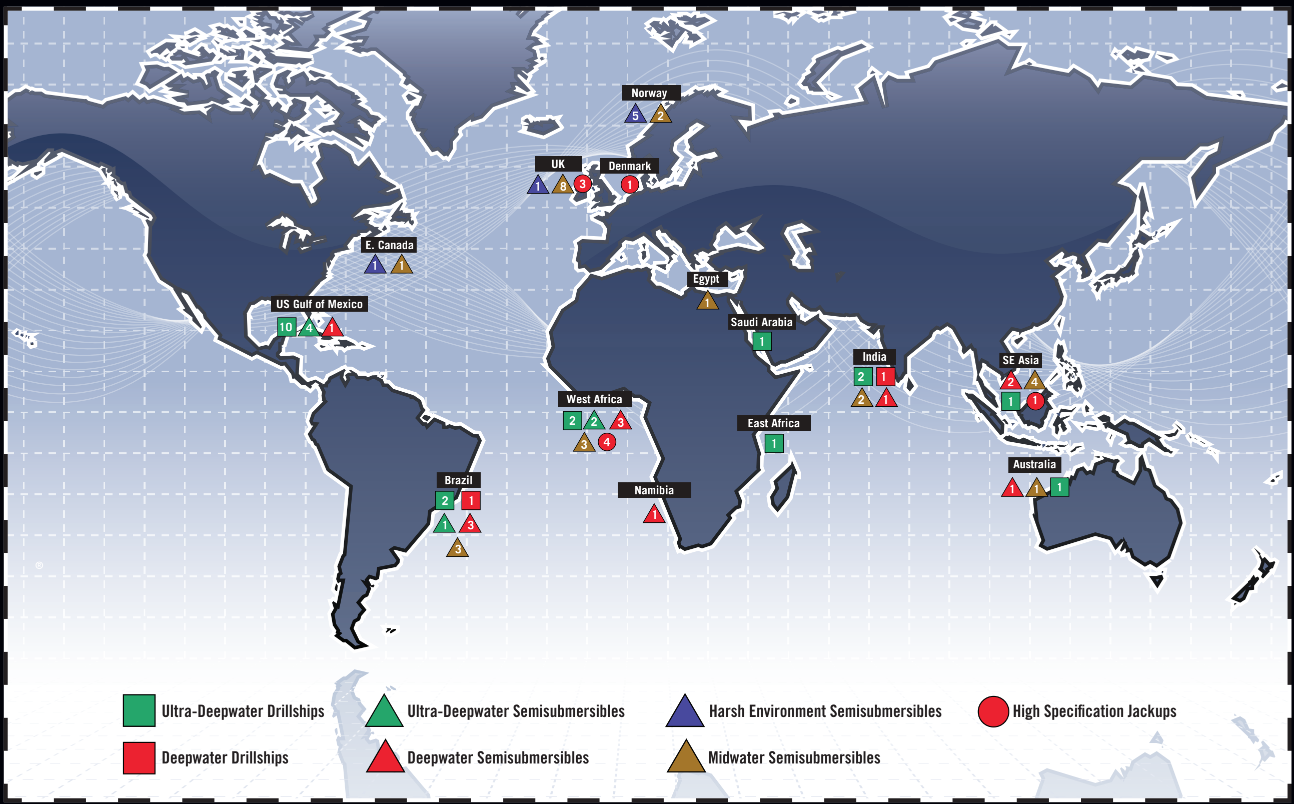
ABOUT TRANSOCEAN LTD.

We are a leading international provider of offshore contract drilling services for oil and gas wells. We own or have partial ownership interests in, and operate a fleet of, 82 mobile offshore drilling units. In addition, we have six newbuild ultra-deepwater drillships and three newbuild high-specification jackups under construction. We specialize in technically demanding sectors of the global offshore drilling business with a particular focus on deepwater and harsh environment drilling services. We believe we operate one of the most versatile mobile offshore fleets in the world. We have approximately 18,400 personnel worldwide.

Since launching the offshore industry's first jackup drilling rig in 1954, we have achieved a long history of "firsts." These innovations include the first dynamically positioned drillship, the first rig to drill year-round in the North Sea, the first semisubmersible rig for Sub-Arctic, year-round operations and the latest generations of ultra-deepwater drillships and semisubmersibles. In February 2013, the *Dhirubhai Deepwater KG1* set a world record for the deepest water depth by an offshore drilling rig, which was previously held by the *Dhirubhai Deepwater KG2*.



As of March 14, 2013.

ABOUT THE COVER: From drilling the deepest wells to operating in harshest environments, we are committed to delivering value and we will "Create Opportunity" for our shareholders, our customers and our employees. The ultra-deepwater drillship on the front cover is the *Discoverer Inspiration* currently deployed in the U.S. Gulf of Mexico. On the back cover, our newbuild high-specification jackups *Transocean Siam Driller* (left) and *Transocean Andaman* (right) are shown in the shipyard in February 2013. Both jackups have long-term contracts with Chevron for operations offshore Thailand.

FORWARD-LOOKING STATEMENTS: Any statements included in this Proxy Statement and 2012 Annual Report that are not historical facts, including, without limitation, statements regarding future market trends and results of operations are forward-looking statements within the meaning of applicable securities law.

Transocean

Letter to Our Shareholders

Last year we committed to you, our shareholders, to continue to aggressively focus on key areas crucial to Transocean's success. In particular, we addressed the high levels of shipyard time we incurred as a result of regulatory and customer requirements to recertify our well control and other critical systems; and we put in place infrastructure, processes and procedures to improve the field operating performance of our rigs.

In these and other areas, Transocean made extraordinary progress in 2012. The company's performance improvement initiatives implemented in 2011 have yielded decidedly positive results both in the shipyard and at the well site. We've continued to execute our asset strategy, increasing the company's exposure to high-specification drilling rigs while reducing our position in lower-capability, commoditized assets. And through the exceptional efforts of our marketing team, in 2012 we added $16.8 billion in new contracts and reported the first increase in backlog since 2008. At February 14, 2013, contract backlog was approximately $28.8 billion.

With respect to major ongoing litigation, in 2012 the court issued favorable rulings in the Macondo case, upholding the company's contractual indemnity and clarifying our standing under the Oil Pollution Act (OPA) and the Clean Water Act (CWA). In early 2013, we announced a partial settlement with the United States Department of Justice, representing a major step forward in this highly complex case. We are currently in the early stages of the trial in New Orleans where we will continue to defend ourselves against the remaining claims. While we believe we have strong defenses, the outcome of the litigation may not be known for some time. Similarly, we continue to pursue resolution of outstanding litigation related to the Frade field incident in Brazil and tax claims in Norway, cases in which we also believe we have a strong position and have recently received favorable court decisions.

Although we have made significant progress, we still have much work to do for the company to reach its full potential. In addition to continuing to improve our operating results, maintaining strict cost discipline is critical to our ability to compete and generate shareholder value. We are committed to optimizing our cost structure and we will identify ways to achieve this without compromising the integrity of our operations. The recent divestiture of our shallow water rig fleet serves as a catalyst for this initiative, which has the objective of generating meaningful and sustainable savings.

Transocean's management team and Board of Directors are fully committed to acting in the best interests of the company and all its stakeholders to create value. This includes pursuing a capital allocation strategy based on maintaining a strong, flexible balance sheet, characterized by an investment grade rating on our debt; disciplined, high-return investment in the business; and a sustainable return of capital to our shareholders with the goal of future increases in distributions as business conditions warrant.

It is in this context that the Board has recommended that shareholders approve a $2.24 per share dividend, or approximately $800 million in the aggregate, at the Annual General Meeting in May. This distribution is in conjunction with an accelerated retirement of approximately $1 billion of debt to strengthen the company's balance sheet. The Board believes that this balanced approach will maximize long-term value creation and establishes the distribution at an appropriate and sustainable level in the context of remaining litigation uncertainties, without hindering the company's ability to invest in high-return growth opportunities.

2012 Financial and Operational Results

Financial Results

Full year 2012 net loss attributable to controlling interest was $219 million on total revenues of $9.2 billion. Our 2012 results included $1.6 billion in after-tax charges, primarily related to a loss on impairment of assets included in discontinued operations and estimated loss contingencies associated with the Macondo well incident. Excluding the impairment, Macondo estimated loss contingencies, and other items, 2012 net income would have been approximately $1.4 billion. Net cash provided by operating activities was $2.7 billion in 2012.

Safety

Safety is and will always be a core value at Transocean. We remain deeply committed to our company's vision of "an incident-free workplace all the time, everywhere" and continue to invest in industry-leading safety and technical training to best ensure the competency and well-being of our people on—and off—the job.

Operations

While we are not yet where we need to be, the company's focus on improving operating performance has yielded very favorable results. In 2012, the company's revenue efficiency averaged 93.0% compared with 90.5% in 2011. The revenue efficiency of our fleet in the second half of 2012 increased to 94.8%, the highest it has been in three years, with revenue efficiency for our ultra-deepwater rigs reaching 95.7% for the same period. Our initiatives to further reduce out-of-service time and increase revenue efficiency include, among others, continual enhancement of equipment reliability through rigorous inspections by Transocean and third-party experts to understand the baseline condition of the equipment; the implementation of standardized, proscriptive, component-level maintenance programs to ensure that our equipment meets Transocean's high standards; and rigorous pre-deployment testing to make certain the equipment performs as required. We continue to believe that we will ultimately achieve historic average annual fleet revenue efficiency levels of about 95%.

We have also increased the planning lead times and rigor for major projects, resulting in greater predictability of project scope, budget and timing. During the year, we increased our inventory of long-lead time maintenance spares and, with respect to the overhaul and recertification of our well control systems, we have implemented an improved project planning protocol and taken steps to remove the blowout preventer from the critical path for returning a rig to service. Through March 2013, well control equipment on 42 of our 64 active floaters and 24 of our 27 ultra-deepwater rigs has been recertified and an additional ten floaters are scheduled for major well control equipment overhaul during the year. Reflecting this focus on projects and out-of-service time, utilization of our fleet increased to 78% in 2012 from 69% in 2011.

Asset Strategy

Our asset strategy is straightforward—we have a clear objective to gradually reduce our exposure to lower-specification, less-differentiated assets and increase our exposure to high-specification assets, both floaters and jackups, and make disciplined, value-enhancing investments in our business. In 2012 we continued to execute this strategy, materially improving the composition of our fleet by divesting 38 shallow water drilling rigs to Shelf Drilling for $1.05 billion. We also completed nine single-asset sales of non-core jackups and floaters during the year, generating proceeds of about $379 million. We will continue to selectively divest assets to improve the composition of our fleet and the overall competitiveness of our operations. In 2013, we are targeting proceeds generated from single-asset divestitures that exceed those realized in 2012.

Demonstrating our commitment to invest in the business by pursuing profitable growth opportunities, as well as illustrating the deep relationships we have with our customers, we announced in late 2012 that we would build four industry-leading, state-of-the-art, high-specification ultra-deepwater drillships for Shell. These fully-contracted assets represent 40-rig years of work and an unprecedented $7.6 billion of long-dated backlog for the company. The Shell drillships, together with the three newbuild high-specification jackups to be delivered in 2013 and two newbuild ultra-deepwater drillships to be delivered in 2014, reflect the company's objective to enhance its leadership position in high-specification assets. We will continue to pursue high-return opportunities to reinvest in our fleet and further enhance our leadership position.

Summary

Transocean's management and its Board are committed to creating value for our stakeholders and will continue to pursue a disciplined and balanced capital allocation strategy which takes appropriate account of the risks inherent in the business. *We are confident that our strategy is the right one to best ensure the well-being and long-term competitiveness of the company.* In summary, our key objectives remain as follows:

- Improve operational performance and revenue efficiency;
- Minimize rig out-of-service time;
- Reduce the company's cost structure;
- Execute the asset strategy to enhance the fleet; and
- Work towards resolution of key uncertainties.

During 2012 we made significant progress in improving the performance of the fleet as evidenced by increased revenue efficiency and by our management of project planning, execution and out-of-service time. In addition, we made major strides in the execution of our asset strategy and reduced some of the uncertainties related to Macondo. Through the hard work and dedication of our employees, we ended 2012 a stronger, more unified organization. However, while we've made much progress, we are committed to making more. We are confident that we have the right team and strategy in place to accomplish our objectives and to capitalize on attractive opportunities as they arise.

We sincerely thank all of our stakeholders for their continued support—be assured that we are fully committed to creating the value you expect and deserve.

Sincerely,

J. Michael Talbert
Chairman

Steven L. Newman
President and Chief Executive Officer

Transocean

April 2, 2013

Dear Shareholder:

The 2013 annual general meeting of Transocean Ltd. will be held on Friday, May 17, 2013 at 5:00 p.m., Swiss time, at the Theater Casino Zug, Artherstrasse 2-4, CH-6300 Zug, Switzerland. The invitation to the annual general meeting, the proxy statement and a proxy card are enclosed and describe the matters to be acted upon at the meeting.

At the annual general meeting, we will ask you to: (1) approve our 2012 Annual Report; (2) approve the appropriation of available earnings for fiscal year 2012; (3) approve the distribution of a dividend out of qualifying additional paid-in capital to shareholders; (4) approve our proposed authorized share capital; (5) elect one new director and reelect four directors; (6) approve the appointment of Ernst & Young LLP as our independent registered public accounting firm and the reelection of Ernst & Young Ltd as our auditor pursuant to the Swiss Code of Obligations, each for the fiscal year 2013; (7) consider an advisory vote to approve the compensation of our named executive officers; and (8) vote on one shareholder proposal. Your Board of Directors is recommending a highly qualified, experienced and diverse slate of director nominees for election to the Board of Directors at the annual general meeting. Additionally, your Board of Directors is recommending a dividend payment to shareholders of USD 2.24 per outstanding share of the Company out of qualifying additional paid-in capital that will return cash to shareholders while continuing to position the company to enhance long-term value and to make disciplined, high-return investments in the business through value-enhancing opportunities.

It is important that your shares be represented and voted at the meeting, whether you plan to attend or not. Please read the enclosed invitation and proxy statement and date, sign and promptly return the proxy card in the enclosed self-addressed envelope.

A note to Swiss and other European investors:

Transocean Ltd. is incorporated in Switzerland, has issued registered shares and trades on both the New York Stock Exchange and the SIX Swiss Exchange, ***share blocking and re-registration are not requirements for any Transocean shares to be voted at the meeting and all shares may be traded after the record date***.

You may receive solicitation materials from a dissident shareholder, High River Limited Partners, a record holder of the Company's shares, on its behalf and on behalf of certain funds controlled by Carl C. Icahn (collectively, the "Icahn Group"), seeking your proxy to vote for three nominees to become members of the Board of Directors, a dividend out of qualifying additional paid-in capital to shareholders in lieu of the Board's distribution proposal and a proposal to repeal our staggered board. THE BOARD OF DIRECTORS URGES YOU NOT TO SIGN OR RETURN ANY PROXY CARD SENT TO YOU BY THE ICAHN GROUP.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE **FOR** THE (RE)ELECTION OF THE FOLLOWING BOARD NOMINEES: FREDERICO F. CURADO; THOMAS W. CASON; STEVEN L. NEWMAN; ROBERT M. SPRAGUE; AND J. MICHAEL TALBERT AND **FOR** OUR PROPOSAL OF A DISTRIBUTION OF QUALIFYING ADDITIONAL PAID-IN CAPITAL IN THE FORM OF A DIVIDEND IN THE AMOUNT OF USD 2.24 PER OUTSTANDING SHARE OF THE COMPANY ON THE ENCLOSED **WHITE** PROXY CARD. THE BOARD OF DIRECTORS IS TAKING NO POSITION ON THE ICAHN GROUP'S PROPOSAL TO REPEAL OUR STAGGERED BOARD. IN ADDITION, THE BOARD RECOMMENDS THAT YOU VOTE **AGAINST** THE ICAHN GROUP'S NOMINEES AND DISTRIBUTION PROPOSAL ON THE ENCLOSED **WHITE** PROXY CARD.

YOUR VOTE IS EXTREMELY IMPORTANT THIS YEAR IN LIGHT OF THE PROXY CONTEST BEING CONDUCTED BY THE ICAHN GROUP.

Whether or not you plan to attend the meeting, and whatever the number of shares you own, please complete, sign, date and promptly return the enclosed WHITE proxy card. Please use the accompanying envelope, which requires no postage if mailed in the United States. If you own shares in "street name" through a bank, broker or other nominee, you may vote your shares by telephone or Internet by following the instructions on the proxy card. Please note, however, that if you wish to vote at the meeting and your shares are held of record by a broker, bank or other nominee, you must obtain a "legal" proxy issued in your name from that record holder.

THE BOARD URGES YOU NOT TO SIGN ANY PROXY CARD SENT TO YOU BY THE ICAHN GROUP. IF YOU HAVE PREVIOUSLY SIGNED A PROXY CARD SENT TO YOU BY THE ICAHN GROUP, YOU CAN REVOKE IT BY SIGNING, DATING AND MAILING THE ENCLOSED WHITE PROXY CARD IN THE ENVELOPE PROVIDED. ONLY YOUR LATEST DATED PROXY WILL BE COUNTED.

If you have any questions or need assistance in voting your shares, please call Innisfree M&A Incorporated, the firm assisting us in the solicitation, at 1 877 456-3507 (toll-free from the United States or Canada) or +1 412-232-3651 (from other countries). Shareholders in the European Union may also call Lake Isle M&A Incorporated, Innisfree's United Kingdom subsidiary, free-phone at 00 800 7710 9970, or direct at +44 20 7710 9960.

Sincerely,

J. Michael Talbert
Chairman of the Board

Steven L. Newman
President and Chief Executive Officer

This invitation, proxy statement and the accompanying proxy card are first being mailed to our shareholders on or about April 4, 2013.

INVITATION TO ANNUAL GENERAL MEETING OF TRANSOCEAN LTD.
Friday, May 17, 2013
5:00 p.m., Swiss time,
at the Theater Casino Zug, Artherstrasse 2-4, CH-6300 Zug, Switzerland

Agenda Items

(1) Approval of the 2012 Annual Report, including the Consolidated Financial Statements of Transocean Ltd. for Fiscal Year 2012 and the Statutory Financial Statements of Transocean Ltd. for Fiscal Year 2012.

Proposal of the Board of Directors

The Board of Directors proposes that the 2012 Annual Report, including the consolidated financial statements for fiscal year 2012 and the statutory financial statements for fiscal year 2012, be approved.

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 1.

(2) Appropriation of the Available Earnings for Fiscal Year 2012.

Proposal of the Board of Directors

The Board of Directors proposes that all available earnings of the Company be carried forward.

	in CHF thousands
Balance brought forward from previous years	161,491
Net profit of the year	(71,207)
Total available earnings	90,284
Appropriation of available earnings	
Balance to be carried forward on this account	90,284

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 2.

(3) Distribution of a Dividend out of General Legal Reserves From Capital Contribution (by way of a release and allocation of general legal reserves from capital contribution to dividend reserve from capital contribution).

3A Payment of a Distribution in Principle

Proposal of the Board of Directors

The Board of Directors proposes that a dividend out of general legal reserves from capital contribution be distributed to shareholders.

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 3A.

3B1 The Board of Directors Distribution Proposal

Proposal of the Board of Directors

The Board of Directors proposes that (A) CHF 1,595,054,382 of general legal reserves from capital contribution be released and allocated to "dividend reserve from capital contributions" (the "**Dividend Reserve**"), (B) a dividend in the amount of USD 2.24 per outstanding share of the Company be distributed out of, and limited at a maximum to the amount of, such Dividend Reserve and paid in installments at such times and at such record dates as shall be determined by the Board of Directors in its discretion, and (C) any amount of the Dividend Reserve remaining after payment of the final installment be automatically reallocated to "general legal reserves from capital contribution." Dividend payments shall be made with respect to the outstanding share capital of the Company on the record date for the applicable installment, which amount will exclude any shares held by the Company or any of its direct or indirect subsidiaries. The Board of Directors' proposed shareholder resolution is included in Annex A.

Proposed Release and Allocation of General Legal Reserves From Capital Contribution to Dividend Reserve From Capital Contribution

	CHF
General legal reserves from capital contribution, as of December 31, 2012	11,165,391,332
less release to Dividend Reserve	(1,595,054,382)
Remaining general legal reserves from capital contribution	9,570,336,950

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 3B1.

3B2 Icahn Group Distribution Proposal

The Icahn Group has requested the inclusion of the following item and proposal on the agenda of the 2013 annual general meeting: (A) CHF 2,110,000,000 shall be released from "legal reserve, reserve from capital contributions," and such amount shall be allocated to "free reserve, dividend reserve from capital contributions," and (B) a dividend in the amount of USD 4.00 per share of the Company be distributed out of such "legal reserve, reserve from capital contributions" and paid in four equal quarterly installments. Dividend payments shall be made with respect to the outstanding share capital of the Company on the record date for the applicable installment, which amount will exclude any shares held by the Company or any of its direct or indirect subsidiaries. The Icahn Group's proposed shareholder resolution is included in Annex B.

Recommendation

The Board of Directors recommends you vote "AGAINST" this proposal number 3B2.

(4) Readoption of Authorized Share Capital.

Proposal of the Board of Directors

The Board of Directors proposes that its authority to issue shares out of the Company's authorized share capital, which will expire on May 13, 2013, be readopted for a new two-year period, expiring on May 17, 2015. Under the proposal, the Board of Directors' authority to issue new shares in one or several steps will be limited to a maximum of 74,728,750 shares, or 19.99% of the currently existing stated share capital of the Company. The Board of Directors does not currently have plans to issue share capital under this authorization. The proposed amendments to the Articles of Association are included in Annex C.

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 4.

(5) Shareholder Proposal to Repeal the Company's Staggered Board.

The Icahn Group has requested that an amendment to Article 23 of the Articles of Association be put on the agenda such that (i) all members of the Board of Directors who will be elected at the 2013 Annual General Meeting, or any general meeting of shareholders called thereafter, shall be elected without reference to any class of directors for a term of office of one year (instead of three years), and (ii) the three classes of directors are abolished no later than as from the annual general meeting to be held in 2015. The proposed new provision of Article 23 of the Articles of

Association, which shall replace the existing Article 23 in its entirety, is included in Agenda Item 5 (changes to the current version of Article 23 are marked).

Recommendation

The Board of Directors has determined to make no voting recommendation to shareholders with respect to this proposal number 5.

(6) Election and Reelection of Directors.

Company Proposal: Election of One New Director and Reelection of Four Directors as Follows:

6A Election of Frederico F. Curado as a Director.

Proposal of the Board of Directors

The Board of Directors proposes that Frederico F. Curado be elected as a director.

6B Reelection of Steven L. Newman as a Director.

Proposal of the Board of Directors.

The Board of Directors further proposes that Steven L. Newman be reelected as a director.

6C Reelection of Thomas W. Cason.

Proposal of the Board of Directors

The Board of Directors further proposes that Thomas W. Cason be reelected as a director.

6D Reelection of Robert M. Sprague.

Proposal of the Board of Directors

The Board of Directors further proposes that Robert M. Sprague be reelected as a director.

6E Reelection of J. Michael Talbert.

Proposal of the Board of Directors

The Board of Directors further proposes that J. Michael Talbert be reelected as a director.

Each of the foregoing nominees is to be elected as a Class II Director for a three-year term if the shareholder proposal to repeal the Company's staggered board (Agenda Item 5) is not approved and for a one-year term if the shareholder proposal to repeal the Company's staggered board (Agenda Item 5) is approved.

Shareholder Proposal: Election of Three Directors:

The Icahn Group has requested that the three nominees set forth below be elected to the Board of Directors. The Icahn Group proposes that each of its nominees be elected either (i) as members of the Board of Directors for a one-year term, if the Annual General Meeting approves the proposed amendment to Article 23 of the Articles of Association pursuant to agenda item 5, or (ii) as Class II Directors of the Board of Directors for a three-year term, if the Annual General Meeting did not approve the proposed amendment to Article 23 of the Articles of Association pursuant to Agenda Item 5.

6F Election of John J. Lipinski

6G Election of José Maria Alapont

6H Election of Samuel Merksamer

Recommendation

The Board of Directors recommends you vote "FOR" the (re)election of Frederic F. Curado, Steven L. Newman, Thomas W. Cason, Robert M. Sprague and J. Michael Talbert as directors and "AGAINST" the election of John J. Lipinski, José Maria Alapont and Samuel Merksamer as directors.

(7) Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm for Fiscal Year 2013 and Reelection of Ernst & Young Ltd, Zurich, as the Company's Auditor for a Further One-Year Term.

Proposal of the Board of Directors

The Board of Directors proposes that Ernst & Young LLP be appointed as Transocean Ltd.'s independent registered public accounting firm for the fiscal year 2013 and that Ernst & Young Ltd, Zurich, be reelected as Transocean Ltd.'s auditor pursuant to the Swiss Code of Obligations for a further one-year term, commencing on the day of election at the 2013 annual general meeting and terminating on the day of the 2014 annual general meeting.

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 7.

(8) Advisory Vote to Approve Named Executive Officer Compensation.

Proposal of the Board of Directors

The Board of Directors proposes that shareholders be provided with an advisory vote to approve the compensation of the Company's Named Executive Officers, as disclosed in the Compensation Discussion and Analysis, the accompanying compensation tables and the related narrative disclosure in this proxy statement.

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 8.

Organizational Matters

A copy of the proxy materials, including a proxy and admission card, has been sent to each shareholder registered in Transocean Ltd.'s share register as of March 20, 2013. Any additional shareholders who are registered in Transocean Ltd.'s share register on April 30, 2013 will receive a copy of the proxy materials after April 30, 2013. Shareholders not registered in Transocean Ltd.'s share register as of April 30, 2013 will not be entitled to attend, vote or grant proxies to vote at, the 2013 annual general meeting.

While no shareholder will be entered in Transocean Ltd.'s share register as a shareholder with voting rights between the close of business on April 30, 2013 and the opening of business on the day following the annual general meeting, ***share blocking and re-registration are not requirements for any Transocean Ltd. shares to be voted at the meeting and all shares may be traded after the record date***. Computershare, which maintains Transocean Ltd.'s share register, will continue to register transfers of Transocean Ltd. shares in the share register in its capacity as transfer agent during this period.

Shareholders registered in Transocean Ltd.'s share register as of April 30, 2013 have the right to attend the annual general meeting and vote their shares (in person or by proxy), or may grant a proxy to vote on each of the proposals in this invitation and any modification to any agenda item or proposal identified in this invitation or other matter on which voting is permissible under Swiss law and which is properly presented at the annual general meeting for consideration. Shareholders may deliver proxies to either Transocean Ltd. (as corporate proxy) or the independent representative, Rainer Hager, by marking the proxy card appropriately, executing it in the space provided, dating it and returning it to:

Transocean Ltd.
Vote Processing
c/o Innisfree M&A Incorporated
501 Madison Avenue New York, NY 10022
USA

or, if granting a proxy to the independent representative

Rainer Hager
Attorney at Law and Notary
Schweiger, Advokatur/Notariat
Dammstrasse 19
CH-6300 Zug
Switzerland

We urge you to return your WHITE proxy card as soon as possible to ensure that your WHITE proxy card is timely submitted. Any proxy card, whether mailed to you by us or the Icahn Group, must be received by us no later than 8:00 a.m. Eastern Daylight Time (EDT), 2:00 p.m. Swiss time, on May 17, 2013. Votes indicated in proxy cards received after such date and time will not be voted at the 2013 annual general meeting.

Any proxy card must include: full name and address of, and number of shares held by, the holder of record signing the proxy card as it appears in Transocean Ltd.'s share register. Proxy cards that do not include such information will be considered invalid.

Shares of holders who have timely submitted a properly executed WHITE proxy card and specifically indicated their votes will be voted as indicated. With respect to shares of holders who have timely submitted a properly executed WHITE proxy card and have not specifically indicated their votes (irrespective of whether a proxy has been granted to Transocean Ltd. or the independent representative or neither is specified), Transocean Ltd. will act as your proxy and your shares will be voted in the following manner as recommended by the Board of Directors: "FOR" Agenda Items 1, 2, 3A, 3B1, 4, 7 and 8 and "FOR" each Company Nominee listed in Agenda Item 6. Since the Board of Directors is not making a recommendation for Agenda Item 5, your voting rights will be exercised as "ABSTAIN" for such item in the event you timely submit a properly executed WHITE proxy card, but have not specifically indicated your vote. Any WHITE proxy card marked to grant a proxy to both Transocean Ltd. (as corporate proxy) and the independent representative will be counted as a proxy granted to Transocean Ltd. only.

If any modifications to agenda items or proposals identified in this invitation or other matters on which voting is permissible under Swiss law are properly presented at the annual general meeting for consideration, the WHITE proxy card also gives discretionary authority to Transocean Ltd. and the independent representative, as applicable, in the absence of specific instructions to the contrary, to vote on these modifications or other matters in the manner recommended by the Board of Directors in the name and on behalf of shareholders who have timely submitted a properly executed WHITE proxy card.

As of the date of this Proxy Statement, the Board of Directors is not aware of any such modifications or other matters to come before the annual general meeting. However, if any such modifications or other matters that are not currently known to the Board of Directors on which voting is permissible under Swiss law should properly come before the annual general meeting, the shares represented by Transocean Ltd. and the independent representative, as applicable, will be voted in accordance with the recommendation of the Board of Directors.

Shareholders who hold their shares in the name of a bank, broker or other nominee should follow the instructions provided by their bank, broker or nominee when voting their shares. Shareholders who hold their shares in the name of a bank, broker or other nominee and wish to vote in person at the meeting must obtain a valid, "legal" proxy from the organization that holds their shares.

We may accept a proxy by any form of communication permitted by Swiss law and our Articles of Association.

Directions to the annual general meeting can be obtained by contacting our Corporate Secretary at our registered office, Turmstrasse 30, CH-6300 Zug, Switzerland, telephone number +41 (041) 749 0500, or Investor Relations at our offices in the United States, at 4 Greenway Plaza, Houston, Texas 77046, telephone number 1 (713) 232 7500. If you intend to attend and vote at the meeting in person, you are required to present either an original attendance card, together with proof of identification, or a legal proxy issued by your bank, broker or other nominee in your name, together with proof of identification. We do not accept any other form of proof as regards your ownership of Company shares as of the record date for the 2013 annual general meeting. If you plan to attend the 2013 annual general meeting in person, we urge you to arrive at the annual general meeting location no later than 4:00 p.m. Swiss time on Friday May 17, 2013. In order to determine attendance correctly, any shareholder leaving the annual general meeting early or temporarily is requested to present such shareholder's admission card upon exit.

Proxy Holders of Deposited Shares

Institutions subject to the Swiss Federal Law on Banks and Savings Banks and professional asset managers who hold proxies for beneficial owners who did not grant proxies to Transocean Ltd. or the independent representative are kindly asked to inform Transocean Ltd. of the number and par value of the registered shares they represent as soon as possible, but no later than May 17, 2013, 6:00 a.m. EDT, 12:00 p.m. Swiss time, at the admission office for the annual general meeting.

Annual Report, Consolidated Financial Statements, Statutory Financial Statements

A copy of the 2012 Annual Report (including the consolidated financial statements for fiscal year 2012, the statutory financial statements of Transocean Ltd. for fiscal year 2012 and the audit reports on such consolidated and statutory financial statements) is available for physical inspection at Transocean Ltd.'s registered office, Turmstrasse 30, CH-6300 Zug, Switzerland. Copies of these materials may be obtained without charge by contacting our Corporate Secretary at our registered office, Turmstrasse 30, CH-6300 Zug, Switzerland, telephone number +41 (041) 749 0500, or Investor Relations at our offices in the United States, at 4 Greenway Plaza, Houston, Texas 77046, telephone number 1 (713) 232 7500.

On behalf of the Board of Directors,

J. Michael Talbert
Chairman of the Board

Steinhausen, Switzerland
April 2, 2013

YOUR VOTE IS IMPORTANT

You may designate proxies to vote your shares by mailing the enclosed WHITE proxy card. Please review the instructions in the proxy statement and on your WHITE proxy card regarding voting.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL GENERAL MEETING TO BE HELD ON MAY 17, 2013.

Our proxy statement and 2012 Annual Report are available at *http://www.deepwater.com/proxymaterials.cfm*.

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PROXY STATEMENT

FOR ANNUAL GENERAL MEETING OF TRANSOCEAN LTD.

MAY 17, 2013

INFORMATION ABOUT THE MEETING AND VOTING

This proxy statement is furnished in connection with the solicitation of proxies by Transocean Ltd., on behalf of our Board of Directors, to be voted at our annual general meeting to be held on May 17, 2013 at 5:00 p.m., Swiss time, at the Theater Casino Zug, Artherstrasse 2-4, CH-6300 Zug, Switzerland.

Agenda Items

At the annual general meeting, shareholders will be asked to vote upon the following agenda items:

- Approval of the 2012 Annual Report, including the consolidated financial statements of Transocean Ltd. for fiscal year 2012 and the statutory financial statements of Transocean Ltd. for fiscal year 2012.
- Appropriation of the available earnings for fiscal year 2012.
- Distribution of a dividend out of general legal reserves from capital contribution (following a release and allocation of general legal reserves from capital contribution to dividend reserve from capital contribution):
  - Payment of a Distribution in Principle
  - The Board of Directors Distribution Proposal
  - Icahn Group Distribution Proposal
- Readoption of the authorized share capital.
- Shareholder proposal regarding the repeal of the Company's staggered board by amendment to Article 23 of the Company's Articles of Association.
- Election and reelection of directors:
  - Board Proposal: Election of Frederic F. Curado, and reelection of Steven L. Newman, Thomas W. Cason, Robert M. Sprague and J. Michael Talbert as directors.
  - Icahn Group Proposal: Election of the following three nominees as directors: John J. Lipinski, José Maria Alapont and Samuel Merksamer.

Each director nominee elected at the annual general meeting will be elected for a three-year term if the shareholder proposal to repeal the Company's staggered board (Agenda Item 5) is not approved and for a one-year term if the shareholder proposal to repeal the Company's staggered board (Agenda Item 5) is approved.

The five nominees receiving the most "FOR" votes will be considered elected. If any shareholder casts a "FOR" vote for more than five nominees, any of such shareholder's votes on the proposal for the election of directors will be considered invalid and shall have no effect on this vote. In addition, a shareholder may vote "AGAINST" or "ABSTAIN" from voting for any of the remaining three candidates, and either such selection for a particular candidate will not count in determining whether such candidate is among the five candidates receiving the most "FOR" votes and therefore elected to the Board of Directors of the Company. Your vote "AGAINST" or to "ABSTAIN" from voting for any candidate will have the same effect as a withhold vote since, under a plurality voting system, only the five candidates receiving the most "FOR" votes will be elected to the Board of Directors of the Company.

- Appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2013 and reelection of Ernst & Young Ltd, Zurich, as the Company's auditor pursuant to the Swiss Code of Obligations for a further one-year term.
- Advisory vote to approve compensation of the Company's Named Executive Officers as disclosed in the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative disclosure in this proxy statement.

Quorum

Our Articles of Association provide that the presence of shareholders, in person or by proxy, holding at least a majority of the shares entitled to vote at the meeting constitutes a quorum for purposes of convening this annual general meeting and voting on all of the matters described above, except for the matter in Agenda Item 5, for which our Articles of Association require the presence of shareholders of record, in person or by proxy, holding at least two-thirds of the share capital recorded in the Commercial Register to constitute a quorum for purposes of action upon that matter. Abstentions and "broker non-votes", so long as the broker has discretion to vote the shares on at least one matter before the annual general meeting, will be counted as present for purposes of determining whether there is a quorum at the meeting.

Record Date

Only shareholders of record on April 30, 2013 are entitled to notice of, to attend, and to vote or to grant proxies to vote at, the annual general meeting. No shareholder will be entered in Transocean Ltd.'s share register with voting rights between the close of business on April 30, 2013 and the opening of business on the day following the annual general meeting.

While no shareholder will be entered in Transocean Ltd.'s share register as a shareholder with voting rights between the close of business on April 30, 2013 and the opening of business on the day following the annual general meeting, ***share blocking and re-registration are not requirements for any Transocean Ltd. shares to be voted at the meeting and all shares may be traded after the record date***. Computershare, which maintains Transocean Ltd.'s share register, will continue to register transfers of Transocean Ltd. shares in the share register in its capacity as transfer agent during this period.

Votes Required

- Approval of the proposal with respect to the 2012 Annual Report and the 2012 consolidated financial statements and 2012 statutory financial statements of Transocean Ltd. requires the affirmative vote of a majority of the votes cast in person or by proxy at the annual general meeting, not counting abstentions, broker non-votes or blank or invalid ballots which will have no effect on this proposal.
- Approval of the proposal for the appropriation of available earnings for fiscal year 2012 to be carried forward requires the affirmative vote of a majority of the votes cast in person or by proxy at the annual general meeting, not counting abstentions, broker non-votes or blank or invalid ballots which will have no effect on this proposal.
- Approval of the proposal for a dividend distribution out of general legal reserve from capital contribution in principle requires the affirmative vote of a majority of the votes cast in person or by proxy at the annual general meeting, not counting abstentions, broker non-votes or blank or invalid ballots which will have no effect on this proposal.
- Assuming the proposal for a dividend distribution out of general legal reserve from capital contribution in principle receives the required vote, then, as between the Board of Directors' distribution proposal and the Icahn Group's distribution proposal, only the proposal receiving the greater number of affirmative votes (not counting abstentions, broker non-votes and blank or invalid ballots which will have no effect on this proposal) will be considered passed. If any

shareholder casts an affirmative vote on the Board of Directors' distribution proposal and an affirmative vote on the Icahn Group's distribution proposal, that vote will be considered invalid and will not be counted which will have no effect on this proposal.

- Approval of the proposal for the readoption of the authorized share capital requires the affirmative vote of two-thirds of the votes represented at the annual general meeting. An abstention, broker non-vote or blank or invalid ballot will have the effect of a vote "AGAINST" this proposal.
- Approval of the shareholder proposal to repeal the Company's staggered board requires the affirmative vote of two-thirds of the shares entitled to vote at the annual general meeting. An abstention, broker non-vote or blank or invalid ballot will have the effect of a vote "AGAINST" this proposal.
- Approval of the proposals to elect nominees named in the proxy statement as directors requires with respect to each nominee the affirmative vote of a plurality of the votes cast in person or by proxy at the annual general meeting. As described later in this proxy statement, our Corporate Governance Guidelines provide for a majority election of directors recommended by the Board of Directors in uncontested elections. Pursuant to our Corporate Governance Guidelines, this is a contested election. Accordingly, the provisions of our Corporate Governance Guidelines pertaining to the majority election of directors will not be applicable to the annual general meeting, and as described above the voting for the election of directors will be by plurality voting. The plurality requirement means that the five director nominees with the most votes are elected to the Board. You may vote "FOR" or "AGAINST" or "ABSTAIN" with respect to the election of each director. Only votes "FOR" are counted in determining whether a plurality has been cast in favor of a director. Abstentions and broker non-votes are not counted for purposes of the election of directors and will have no effect on the election of directors. If any shareholder votes "FOR" more than five nominees, any of such shareholder's entire vote on the proposal for the election of directors will be considered invalid and all such votes will be disregarded. In addition, a shareholder may vote "AGAINST" or "ABSTAIN" from voting for any of the remaining three candidates, and either such selection for a particular candidate will not count in determining whether such candidate is among the five candidates receiving the most "FOR" votes and therefore elected to the Board of Directors of the Company. Your vote "AGAINST" or to "ABSTAIN" from voting for any candidate will have the same effect as a withhold vote since, under a plurality voting system, only the five candidates receiving the most "FOR" votes will be elected to the Board of Directors of the Company.
- Approval of the proposal to appoint Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2013 and to reelect Ernst & Young Ltd as the Company's auditor pursuant to the Swiss Code of Obligations for a further one-year term requires the affirmative vote of holders of a majority of the votes cast in person or by proxy at the annual general meeting on the proposal. Abstentions, broker non-votes and blank or invalid ballots are not counted for purposes of this proposal and will have no effect on this proposal.
- Approval of the advisory vote to approve the compensation of the Company's Named Executive Officers as disclosed in the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative disclosure in this proxy statement requires the affirmative vote of a majority of the votes cast in person or by proxy at the annual general meeting. Abstentions, broker non-votes and blank or invalid ballots are not counted for purposes of this proposal and will have no effect on this proposal. The proposal is a request that the Board of Directors consider a matter; however, the proposal is not binding on the Company.

As of March 20, 2013, there were 370,967,382 shares outstanding, which excludes 2,863,267 shares that are held by Transocean Ltd. or our subsidiary, Transocean Inc. Only registered holders of our shares on April 30, 2013, the record date established for the annual general meeting, are entitled to notice of, to attend and to vote at, the meeting. Holders of shares on the record date are entitled to one vote for each share held.

Proxies

A WHITE proxy card is being sent to each record holder of shares as of March 20, 2013. In addition, a WHITE proxy card will be sent to each additional record holder of shares as of the record date, April 30, 2013. If you are registered as a shareholder in Transocean Ltd.'s share register as of April 30, 2013, you may grant a proxy to vote on each of the proposals and any modification to any of the proposals or other matter on which voting is permissible under Swiss law and which is properly presented at the meeting for consideration. Shareholders may deliver proxies to either Transocean Ltd. or the independent representative, Rainer Hager, by marking your WHITE proxy card appropriately, executing it in the space provided, dating it and returning it either to:

Transocean Ltd.
Vote Processing
c/o Innisfree M&A Incorporated
501 Madison Avenue
New York, NY 10022
USA

or, if granting a proxy to the independent representative

Rainer Hager
Attorney at Law and Notary
Schweiger, Advokatur/Notariat
Dammstrasse 19
CH-6300
Zug, Switzerland

We urge you to return your WHITE proxy card as soon as possible to ensure that your WHITE proxy card is timely submitted. Any proxy card, whether mailed to you by us or the Icahn Group, must be received by us no later than 8:00 a.m. Eastern Daylight Time (EDT), 2:00 p.m. Swiss time, on May 17, 2013. Votes indicated in proxy cards received after such date and time will not be voted at the 2013 annual general meeting.

Any proxy card must include the following information: full name and address of, and number of shares held by, the holder of record signing the proxy card as it appears in Transocean Ltd.'s share register. Proxy cards that do no include such information will be considered invalid.

Please sign, date and mail your WHITE proxy card in the envelope provided. If you hold your shares in the name of a bank, broker or other nominee, you should follow the instructions provided by your bank, broker or nominee when voting your shares.

Many of our shareholders hold their shares in more than one account and may receive separate proxy cards or voting instruction forms for each of those accounts. To ensure that all of your shares are represented at the annual general meeting, we recommend that you vote every WHITE proxy card you receive.

Additionally, please note that the Icahn Group has nominated three director nominees for election at the annual general meeting, proposed a dividend to shareholders in lieu of the Board's proposal and proposed to repeal the Company's staggered board. You may receive proxy solicitation materials from the Icahn Group, including an opposition proxy statement and a proxy card. Your Board unanimously recommends that you disregard and do not return any proxy card you receive from the Icahn Group.

If you have already voted using the Icahn Group's proxy card, you have every right to change your vote and revoke your prior proxy by signing and dating the enclosed WHITE proxy card and returning it in the envelope provided or by voting via the Internet or by telephone by following the instructions provided on the enclosed WHITE proxy card. Only the latest dated proxy you submit will be counted. If you withhold your vote on any Icahn Group nominee using the Icahn Group's proxy card, your vote will not be counted as a vote for the Board's nominees and will result in the revocation of any previous vote you may have cast on our WHITE proxy card. Accordingly, if you wish to vote pursuant to the recommendations of our Board, you should disregard any proxy card that you receive that is not a WHITE proxy card.

Under New York Stock Exchange rules, brokers who hold shares in street name for customers, such that the shares are registered on the books of the Company as being held by the brokers, have the authority to vote on "routine" proposals when they have not received instructions from beneficial owners, but are precluded from exercising their voting discretion with respect to proposals for "non-routine" matters or, with respect to any matter, in the event such brokers who hold shares in street name for customers are provided with proxy materials in opposition to the Board of Directors' proxy materials. Proxies submitted by brokers without instructions from customers for these non-routine or contested matters are referred to as "broker non-votes." Agenda Item 5 for the repeal of the Company's staggered board as well as Agenda Item 6 for the election of directors and Agenda Item 8 for the advisory vote to approve named executive officer compensation are non-routine matters under New York Stock Exchange rules. As noted above, if your broker or other nominee provides you with proxy materials in opposition to the Board of Directors' proxy materials, your broker or other nominee does not have discretion to vote your shares on any matters at the annual general meeting, including matters that would otherwise be considered "routine." If you hold your shares in "street name," your broker will not be able to vote your shares in the election of directors and may not be able to vote your shares on any matters at the annual general meeting unless the broker receives appropriate instructions from you. We recommend that you contact your broker to exercise your right to vote your shares.

If you were a holder on the record date and have timely submitted a properly executed WHITE proxy card and specifically indicated your votes, your shares will be voted as indicated. If you were a holder on the record date and you have timely submitted a properly executed WHITE proxy card and have not specifically indicated your votes (irrespective of whether a proxy has been granted to Transocean Ltd. or the independent representative or neither is specified), Transocean Ltd. will act as your proxy and your shares will be voted in the following manner as recommended by the Board of Directors: "FOR" Agenda Items 1, 2, 3A, 3B1, 4, 7 and 8 and "FOR" each Company Nominee listed in Agenda Item 6. Since the Board of Directors is not making a recommendation for Agenda Item 5, your voting rights will be exercised as "ABSTAIN" for such item in the event you timely submit a properly executed WHITE proxy card, but have not specifically indicated your vote. Any WHITE proxy card marked to grant a proxy to both Transocean Ltd. (as corporate proxy) and the independent representative will be counted as a proxy granted to Transocean Ltd. only.

There are no other matters that the Board of Directors intends to present, or has received proper notice that others will present, at the annual general meeting. If any modifications to agenda items or proposals identified in this Proxy Statement or other matters on which voting is permissible under Swiss law are properly presented at the annual general meeting for consideration, Transocean Ltd. and the independent representative, as applicable, will, in the absence of specific instructions to the contrary, vote any proxies submitted to them on these matters in the manner recommended by the Board of Directors.

You may revoke your proxy card at any time prior to its exercise by:

- giving written notice of the revocation to our Corporate Secretary at Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland, with respect to proxies granted to Transocean Ltd., or to the independent representative at the address set forth above, with respect to proxies granted to the independent representative;
- appearing at the meeting, notifying our Corporate Secretary, with respect to proxies granted to Transocean Ltd., or the independent representative, with respect to proxies granted to the independent representative, and voting in person; or
- properly completing and executing a later-dated proxy and timely delivering it to the corporate proxy or the independent representative.

If you have previously signed a proxy card sent to you by the Icahn Group, you may change your vote and revoke your prior proxy by signing and dating the enclosed WHITE proxy card and returning it in the envelope provided or by voting via the Internet or by telephone by following the instructions on the enclosed WHITE proxy card. Submitting an Icahn Group proxy card-even if you withhold your vote on the Icahn Group nominees-will revoke any votes you previously made via our WHITE proxy card. Accordingly, if you wish to vote pursuant to the recommendation of our Board, you should disregard any proxy card that you receive that is not a WHITE proxy card and do not return any proxy card that you may receive from the Icahn Group, even as a protest.

Your presence without voting at the meeting will not automatically revoke your proxy, and any revocation during the meeting will not affect votes in relation to agenda items that have already been voted on. If you hold your shares in the name of a bank, broker or other nominee, you should follow the instructions provided by your bank, broker or nominee in revoking your previously granted proxy.

We may accept a proxy by any form of communication permitted by Swiss law and our Articles of Association.

If you intend to attend and vote at the meeting in person, you are required to present either an original attendance card, together with proof of identification, or a legal proxy issued by your bank, broker or other nominee in your name, together with proof of identification. We do not accept any other form of proof as regards your ownership of Company shares as of the record date for the 2013 annual general meeting. If you plan to attend the 2013 annual general meeting in person, we urge you to arrive at the annual general meeting location no later than 4:00 p.m. Swiss time on Friday May 17, 2013. In order to determine attendance correctly, any shareholder leaving the annual general meeting early or temporarily is requested to present such shareholder's admission card upon exit.

References to "Transocean," the "Company," "we," "us" or "our" include Transocean Ltd. together with its subsidiaries and predecessors, unless the context requires otherwise.

AGENDA ITEM 1.

Approval of the 2012 Annual Report, including the Consolidated Financial Statements of Transocean Ltd. for Fiscal Year 2012 and the Statutory Financial Statements of Transocean Ltd. for Fiscal Year 2012

Proposal of the Board of Directors

The Board of Directors proposes that the 2012 Annual Report, including the consolidated financial statements of Transocean Ltd. for fiscal year 2012 and the statutory financial statements for fiscal year 2012, be approved.

Explanation

The consolidated financial statements of Transocean Ltd. for fiscal year 2012 and the Swiss statutory financial statements for fiscal year 2012 are contained in the 2012 Annual Report, which was made available to all registered shareholders with this invitation and proxy statement. In addition, these materials will be available for physical inspection at the Company's registered office, Turmstrasse 30, CH-6300 Zug, Switzerland. The 2012 Annual Report also contains information on the Company's business activities and the Company's business and financial situation, information relating to corporate governance as required by the SIX Swiss Exchange Directive on Information Relating to Corporate Governance, and the reports of Ernst & Young Ltd, Zurich, the Company's auditors pursuant to the Swiss Code of Obligations, on the Company's consolidated financial statements for fiscal year 2012 and statutory financial statements for fiscal year 2012. In its reports, Ernst & Young Ltd, the Company's auditors pursuant to the Swiss Code of Obligations, recommended without qualification that the Company's consolidated financial statements and statutory financial statements for the year ended December 31, 2012 be approved. Ernst & Young Ltd. expresses its opinion that the "consolidated financial statements for the years ended December 31, 2012 and 2011 present fairly in all material respects, the consolidated financial position of Transocean Ltd. and subsidiaries at December 31, 2012 and 2011, and the consolidated results of operations and cash flows for each of the three years in the period ended December 31, 2012 in accordance with accounting principles generally accepted in the United States and comply with Swiss law." Ernst & Young Ltd further expresses its opinion and confirms that the statutory financial statements for the year ended December 31, 2012 and the proposed appropriation of available earnings comply with Swiss law and the Articles of Association of the Company.

Under Swiss law, the prior year's Annual Report and the consolidated financial statements and Swiss statutory financial statements must be submitted to shareholders for approval at each annual general meeting.

If the shareholders do not approve this proposal, the Board of Directors may call an extraordinary general meeting of shareholders for reconsideration of this proposal by shareholders.

Voting Requirement to Approve Proposal

The affirmative "FOR" vote of a majority of the votes cast in person or by proxy at the annual general meeting, not counting abstentions, broker non-votes or blank or invalid ballots which will have no effect on this proposal.

Recommendation

The Board of Directors recommends a vote "FOR" approval of the 2012 Annual Report, the consolidated financial statements and the statutory financial statements.

AGENDA ITEM 2.

Appropriation of the Available Earnings for Fiscal Year 2012

Proposal of the Board of Directors

The Board of Directors proposes that all available earnings of the Company be carried forward.

	in CHF thousands
Appropriation of Available Earnings	
Balance brought forward from previous years	161,491
Net profit of the year	(71,207)
Total available earnings	90,284
Appropriation of Available Earnings	
Balance to be carried forward on this account	90,284

Explanation

Under Swiss law, the appropriation of available earnings as set forth in the Swiss statutory financial statements must be submitted to shareholders for approval at each Annual General Meeting. The available earnings at the disposal of the Company's shareholders at the 2013 Annual General Meeting are the earnings of Transocean Ltd., on a stand-alone basis.

The Board of Directors proposes that CHF 90,284,000 (the entire available earnings balance) be carried forward in available earnings.

The Board of Directors does not propose that a dividend be distributed out of the available earnings. Instead, the Board of Directors is submitting Agenda Item 3 regarding the distribution of a dividend out of additional paid-in capital. Unlike a dividend distributed out of available earnings, a dividend paid out of additional paid-in capital is not subject to any Swiss federal withholding tax.

Voting Requirement to Approve Proposal

The affirmative "FOR" vote of a majority of the votes cast in person or by proxy at the annual general meeting, not counting abstentions, broker non-votes or blank or invalid ballots which will have no effect on this proposal.

Recommendation

The Board of Directors recommends a vote "FOR" this proposal.

AGENDA ITEM 3.

Distribution of a Dividend out of General Legal Reserves From Capital Contribution (by way of a release and allocation of general legal reserves from capital contribution to dividend reserve from capital contribution)

Agenda Item 3A Payment of a Dividend in Principle

Proposal of the Board of Directors

The Board of Directors proposes that a distribution of a dividend out of general legal reserves from capital contribution be made to shareholders.

Voting Requirement to Approve Proposal

The affirmative "FOR" vote of a majority of the votes cast in person or by proxy at the annual general meeting, not counting abstentions, broker non-votes or blank or invalid ballots which will have no effect on this proposal.

Statement in Favor of the Payment of a Dividend in Principle

The Board of Directors believes that a distribution of a dividend to shareholders out of qualifying additional paid-in capital is advisable and appropriate in light of the Company's current circumstances. In the context of a cyclical and capital intensive industry, the Board of Directors is focused on driving long-term value through the execution of the Company's disciplined capital allocation strategy. This strategy includes maintaining a strong, flexible balance sheet and an investment grade rating on its debt; disciplined, high-return investment in the business through value-enhancing opportunities; and the distribution of excess cash to shareholders, which are key components of the Company's cash deployment strategy. The Board of Directors is recommending that the dividend amount should be $2.24 per outstanding share of the Company, as described in Agenda Item 3B1 below.

Recommendation

The Board of Directors recommends a vote "FOR" this proposal.

Agenda Item 3B1 Company Distribution Proposal

Proposal of the Board of Directors

The Board of Directors proposes that (A) CHF 1,595,054,382 of general legal reserves from capital contribution be released and allocated to "dividend reserve from capital contributions" (the "**Dividend Reserve**"), (B) a dividend in the amount of USD 2.24 per outstanding share of the Company be distributed out of, and limited at a maximum to the amount of, such Dividend Reserve and paid in installments at such times and at such record dates as shall be determined by the Board of Directors in its discretion, and (C) any amount of the Dividend Reserve remaining after payment of the final installment be automatically reallocated to "general legal reserves from capital contribution." Dividend payments shall be made with respect to the outstanding share capital of the Company on the record date for the applicable installment, which amount will exclude any shares held by the Company or any of its direct or indirect subsidiaries. The Board of Directors' proposed shareholder resolution is included in Annex A.

Proposed Release and Allocation of General Legal Reserves From Capital Contribution to Dividend Reserve From Capital Contribution

	in CHF
General legal reserves from capital contribution, as of December 31, 2012	11,165,391,332
Less release to dividend reserve from capital contribution	(1,595,054,382)
Remaining general legal reserves from capital contribution	9,570,336,950

Explanation

The Board of Directors is seeking shareholder approval of a distribution of qualifying additional paid-in capital in the form of a dividend in the amount of USD 2.24 per outstanding share of the Company. Unlike a dividend out of available earnings, a distribution of qualifying additional paid-in capital in the form of a dividend is not subject to Swiss federal withholding tax.

Subject to the Dividend Reserve not being exceeded, as further explained below, the dividend would be distributed to shareholders in installments at such times and with such record dates as shall be determined by the Board of Directors in its discretion. The Board of Directors currently expects that the dividend will be distributed in four equal installments. The four payment dates are expected to be set in June 2013, September 2013, December 2013, and March 2014. Note, however, that pursuant to the proposed shareholder resolution in Annex A, the Board of Directors has the flexibility to accelerate or otherwise change the timing of the distribution installment payments, or to pay the dividend in fewer than four installments.

Dividend payments will be made with respect to the outstanding share capital of the Company on the record date for the applicable installment, which amount will exclude any shares held by the Company or any of its direct or indirect subsidiaries.

The aggregate U.S. dollar dividend amount approved at the annual general meeting and paid out to shareholders must at no time exceed the Swiss franc-denominated additional paid-in capital available to shareholders for the aggregate 2013 dividend (including all installments). The Board of Directors is proposing that CHF 1,595,054,382 of the existing additional paid-in capital (which under Swiss law is referred to as "general legal reserves from capital contribution") be made available for purposes of the aggregate 2013 dividend (including all installments) by way of a release and allocation to the account "Dividend Reserve." Based on the number of shares outstanding as of February 20, 2013 and an exchange rate of CHF 0.9431 per USD effective as of the same date, the amount of the proposed aggregate dividend (including all installments) under this Agenda Item 3 would be CHF 759,549,706. Accordingly, the Dividend Reserve exceeds the aggregate USD dividend amount by approximately 110%. The Board of Directors is proposing this excess amount in order to increase the likelihood that the issuance of new shares after the date hereof (which shares, to the extent then outstanding, would generally share in the dividend installments) and a decrease in value of the Swiss franc relative to the U.S. dollar will not reduce the per share amount of the dividend installments paid. If, notwithstanding the allocation of this excess amount to the Dividend Reserve, the Dividend Reserve would be exceeded upon the occurrence of the payment date for a dividend installment (including as a result of the issuance of additional shares after the date hereof or changes in the exchange rate), the Company would be required under the terms of the proposed shareholder resolution to adjust the relevant installment downward so that the respective payment does not exceed the Dividend Reserve. No further installment payments could then be made. Also, a downward adjustment of the per share dividend amount would have to be made if at the date of the 2013 Annual General Meeting the aggregate USD dividend amount exceeded the Dividend Reserve.

The Board of Directors' distribution proposal has been confirmed to comply with Swiss law and the Company's Articles of Association by the Company's statutory auditor, Ernst & Young Ltd, as state-supervised auditing enterprise, representatives of which will be present at the meeting.

Shareholders may, upon the terms and conditions provided by the Board of Directors in its reasonable discretion, elect, during the election period as determined by the Board of Directors or, upon its due authorization, the Company's executive management, to receive installments in Swiss francs.

If you are a holder of shares registered in our share register, you exercise your election by giving notice in writing to the following address:

Computershare
Attn: Steven Myers
480 Washington Blvd.
Jersey City, New Jersey 07310
USA

If you hold your shares in the name of a bank, broker or nominee, please contact your bank, broker or nominee in order to make the election arrangements.

Shares issued after the date of the 2013 Annual General Meeting will generally participate in the dividend payments, except with respect to shares issued between the record date and the payment date with respect to the relevant installment.

The Board of Directors or, upon its due authorization, the Company's executive management has the task of executing the dividend resolution, including, but not limited to, by setting the record date, the ex-dividend date, the election period for receiving the dividend in Swiss francs and the payment dates.

Recommendation

The Board of Directors recommends a vote "FOR" this proposal.

Agenda Item 3B2 Icahn Group Distribution Proposal

The Icahn Group, whose members are collectively the beneficial holders of an aggregate of 20,154,035 of the Company's shares, has requested that the following item and proposal be included on the agenda of the 2013 annual general meeting:

> "The Record Holder proposes that (A) CHF 2,110,000,000.00 be released from "legal reserve, reserve from capital contributions", and such amount be allocated to Dividend Reserve and (B) a dividend in the amount of USD 4.00 per share of the Company be distributed out of such Dividend Reserve and paid in four equal quarterly installments. Dividend payments shall be made with respect to the outstanding share capital of the Company on the record date for the applicable installment, which amount will exclude any shares held by the Company or any of its direct or indirect subsidiaries."

The Icahn Group's proposed shareholder resolution is set forth in detail in Annex B.

Statement in Opposition of the Icahn Group Distribution Proposal

The Board has considered the Icahn Group Distribution Proposal and unanimously recommends that you vote "**AGAINST**" it (Agenda Item 3B2) and that you vote "**FOR**" Agenda Item 3A (Payment of a Distribution in Principle) and "**FOR**" Agenda Item 3B1 (the Company Distribution Proposal).

Our capital allocation strategy, which we believe is disciplined and well established, is focused on driving long-term shareholder value while appropriately managing the risks in our business. We believe that our current capital allocation priorities should be to continue to strengthen our balance sheet, maintain adequate liquidity and an investment grade rating on our debt, invest in a disciplined manner in high-return, value enhancing opportunities, and return excess cash to our shareholders. Returning excess cash to shareholders is a key component of our cash deployment strategy and it is something the Board evaluates on an ongoing basis in the context of the Company's overall business, ongoing financial obligations and potential liabilities.

We have a solid track record of returning excess cash to shareholders. For example, we instituted a share repurchase program from 2005 to 2007 in which we bought back roughly $3.6 billion in Company shares. In connection with the Global Santa Fe merger in 2007, we distributed approximately $15 billion to our shareholders. In February of 2011, we instituted an annual dividend of roughly $1 billion in aggregate. While we have been carrying incremental liquidity in anticipation of a resolution to the April 2010 Macondo incident, with the recent Department of Justice settlement, we believe that we are now in a position to reinstate a dividend consistent with our capital allocation strategy.

While the Board believes that re-institution of a dividend is advisable and appropriate in light of the Company's current circumstances, the Board believes that the Icahn Group Distribution Proposal is of too great a magnitude given, among other things, the uncertainties related to the Macondo well incident, the Frade field incident in Brazil, and the ongoing tax litigation in Norway, each of which could be detrimental to long-term shareholder value. In the interest of all of its stakeholders, and in the context of a cyclical and capital intensive industry, the Board is focused on driving long-term value through the execution of the company's disciplined capital allocation strategy. This strategy includes maintaining a strong, flexible balance sheet and an investment grade rating on its debt; disciplined, high-return investment in the business through value-enhancing opportunities; and the distribution of excess cash to shareholders.

An investment grade rating is particularly important for capital intensive companies operating in a cyclical industry, such as offshore drillers. Being an investment grade issuer provides us with access to investment grade debt markets, which are often less volatile during periods of economic stress than high yield markets. Securing access to investment grade capital markets provides us with the flexibility to respond to events such as growth opportunities or cyclical downturns when other markets may be closed to sub-investment grade issuers or offering unattractive financial terms. The Icahn Group Distribution Proposal does not sufficiently provide for the capital necessary to successfully execute our strategy of maintaining a strong and flexible balance sheet, investing in, upgrading and modernizing our fleet and returning excess capital to our shareholders. We believe the Company Distribution Proposal is a balanced approach that better reflects the realities of our business.

Recommendation

For the reasons stated above, the Board unanimously recommends that you vote "**AGAINST**" Agenda Item 3B2 (the Icahn Group Distribution Proposal) and that you vote "**FOR**" Agenda Item 3A (Payment of a Distribution in Principle) and "**FOR**" Agenda Item 3B1 (the Company Distribution Proposal).

Voting Requirement to Approve Agenda Item 3B1 or 3B2

Assuming Agenda Item 3A (Payment of a Distribution in Principle) receives "FOR" votes representing a majority of the votes cast in person or by proxy at the annual general meeting, not counting abstentions, broker non-votes or blank or invalid ballots which will have no effect on such item, then, as between Agenda Item 3B1 (the Company Distribution Proposal) and Agenda Item 3B2 (the Icahn Group Distribution Proposal), only the proposal receiving the greater number of "FOR" votes (not counting abstentions, broker non-votes, blank or invalid ballots which will have no effect on these proposals) will be considered passed. If any shareholder casts a "FOR" vote on both Agenda Item 3B1 (the Company Distribution Proposal) and Agenda Item 3B2 (the Icahn Group Distribution Proposal), that vote will be considered invalid and will not be counted which will have no effect on these proposals.

AGENDA ITEM 4.

Readoption of Authorized Share Capital

Proposal of the Board of Directors

The Board of Directors proposes that its authority to issue shares out of the Company's authorized share capital, which will expire on May 13, 2013, be readopted for a new two-year period, expiring on May 17, 2015. Under the proposal, the Board of Directors' authority to issue new shares in one or several steps will be limited to a maximum of 74,728,750 shares, or 19.99% of the currently existing stated share capital of the Company. The Board of Directors does not currently have plans to issue share capital under this authorization. The proposed amendments to the Articles of Association are included in Annex C.

Explanation

Under the Swiss Code of Obligations, the authority of the Board of Directors to issue shares out of the Company's authorized share capital is limited to a maximum two-year period. The use of an authorized share capital of 28,451,706 shares (approximately 8% of the stated share capital registered in the commercial register) under the current Article 5 of the Articles of Association will expire on May 13, 2013.

Though the Board of Directors does not currently have plans to issue share capital under this authorization, it believes the proposed authorized share capital will help ensure that the Company will have the flexibility to make acquisitions and access the equity capital markets when opportunities arise, rather than being subject to the delays associated with the need to call a shareholders' meeting and obtain further shareholder approval, except as may be required by applicable laws or regulations, including the rules of the NYSE (which requires shareholder approval in certain instances). Without the Board's authority to issue new shares, the Company would be required to first call a general meeting of the Company's shareholders and obtain the favorable vote of shareholders to increase the Company's share capital and amend our Articles of Association. Such a meeting would require us, among other things, to prepare and distribute a proxy statement in accordance with the rules of the SEC. This could result in a substantial delay in the ability of the Company to issue shares. The Board of Directors believes that providing the Board the flexibility to issue additional shares out of the authorized share capital quickly could be a strategic benefit for the Company.

If the proposed authorized share capital is approved, and the Board of Directors resolves to use the authorized share capital in one or several steps, the Board of Directors will determine the time of the issuance, the issuance price, the manner in which the new shares have to be paid, the date from which the shares carry the right to dividends and, subject to the provisions of our Articles of Association, the conditions for the exercise of the preemptive rights with respect to the issuance and the allotment of preemptive rights that are not exercised.

To the extent that additional shares are issued out of the authorized share capital in the future, the issuance may decrease the existing shareholders' percentage equity ownership and, depending on the price at which such shares are issued, could be dilutive to the existing shareholders.

The Board of Directors may allow preemptive rights that are not exercised to expire, or it may place such rights or shares, the preemptive rights of which have not been exercised, at market conditions or use them otherwise in our interest. Further, under our proposed Articles of Association, in connection with the issuance of new shares from authorized capital, the Board of Directors is authorized to limit or withdraw the preemptive rights of the existing shareholders in various circumstances.

In the ordinary course of our business, we may determine from time to time that the issuance of shares is in the best interest of the Company for various purposes, including financings, acquisitions and the issuance of shares under the Company's Long-Term Incentive Plan.

Voting Requirement to Approve Proposal

The affirmative "FOR" vote of two-thirds of the votes represented at the general meeting. An abstention, broker non-vote or blank or invalid ballot will have the effect of a vote "AGAINST" this proposal.

Recommendation

The Board of Directors recommends a vote "FOR" this proposal.

AGENDA ITEM 5.

Shareholder Proposal to Repeal the Company's Staggered Board

Shareholder Proposal

The Icahn Group, whose members are collectively the beneficial holders of an aggregate of 20,154,035 of the Company's shares, has requested that the following item and proposal be included on the agenda of the 2013 annual general meeting:

"The Record Holder proposes that Article 23, of the Articles be amended such that (i) all members of the Board ("Board Members" or "Directors") that will be elected at the Annual General Meeting, or any general meeting of shareholders called thereafter, shall be elected without reference to any class of Directors for a term of office of one year (instead of three years), and that (ii) the three classes of Directors are abolished no later than as from the Annual General Meeting to be held in 2015.

The proposed new provision of Article 23 of the Articles, which shall replace the existing Article 23 in its entirety, is included below (changes to the current version of Article 23 are marked):

		B. Verwaltungsrat			*B. Board of Directors*
		Artikel 23			**Article 23**
Amtsdauer	1	Die Wiederwahl von Verwaltungsratsmitgliedern, deren Amtsdauer abläuft, sowie die Wahl von neuen Verwaltungsratsmitgliedern erfolgt jeweils einzeln und für eine Amtsdauer von einem Jahr. ~~Verwaltungsräte werden vom Verwaltungsrat in drei Klassen aufgeteilt, welche als Klasse I, Klasse II und Klasse III bezeichnet werden. An jeder ordentlichen Generalversammlung soll jede Klasse Verwaltungsräte, deren Amtsdauer abläuft, für eine Amtsdauer von drei Jahren bzw. bis zur Wahl eines Nachfolgers in sein Amt gewählt werden. Der Verwaltungsrat legt die Reihenfolge der Wiederwahl fest, wobei die erste Amtszeit einer Klasse von Verwaltungsräten auch weniger als drei Jahre betragen kann.~~ Für die Zwecke dieser Bestimmung ist unter einem Jahr der Zeitabschnitt zwischen zwei ordentlichen Generalversammlungen zu verstehen.	Term of Office	1	The reelections of any members of the Board of Directors, whose terms of office have expired, as well as the elections of any new members of the Board of Directors shall be on an individual basis and for a term of office of one year. ~~shall divide its members into three classes, designated Class I, Class II and Class III. At each Annual General Meeting, each class of the members of the Board of Directors whose term shall then expire shall be elected to hold office for a three-year term or until the election of their respective successor in office. The Board of Directors shall establish the order of rotation, whereby the first term of office of members of a particular Class may be less than three years.~~ For purposes of this provision, one year shall mean the period between two Annual General Meetings of Shareholders.

B. Verwaltungsrat

Artikel 23

2 ~~Wenn ein Verwaltungsratsmitglied vor Ablauf seiner Amtsdauer aus welchen Gründen auch immer ersetzt wird, endet die Amtsdauer des an seiner Stelle gewählten neuen Verwaltungsratsmitgliedes mit dem Ende der Amtsdauer seines Vorgängers.~~

B. Board of Directors

Article 23

2 ~~If, before the expiration of his term of office, a Director should be replaced for whatever reason, the term of office of the newly elected member of the Board of Directors shall expire at the end of the term of office of his predecessor.~~"

Statement of Board of Directors

Our Board of Directors has considered the proposal set forth above relating to the declassification of the Board of Directors, and has determined to make no voting recommendation to shareholders on how to vote with respect to this proposal.

Supporters of classified boards contend, among other things, that a classified board can promote stability and continuity of leadership, and enhance a board's ability to respond to certain types of takeover bids by making it more difficult for an unsolicited bidder to gain control of a company. Opponents of classified boards contend that classified boards have the effect of reducing accountability of directors to shareholders and frustrate the efforts of bidders to acquire control of companies. Our Board believes there are valid arguments both for and against staggered boards and that this is an important decision which should be decided by our shareholders.

Our Articles of Association require that a quorum of shareholders of record holding, in person or by proxy, at least two-thirds of the share capital recorded in the Commercial Register are present at the time when the annual general meeting proceeds to business. In order to eliminate the staggered board, our Articles of Association require the approval of at least two-thirds of the shares entitled to vote at the annual general meeting, so long as the required quorum is present.

If shareholders return a validly executed proxy solicited by the Board of Directors, the shares represented by the proxy will be voted on this proposal in the manner specified by the shareholder. If shareholders do not specify the manner in which their shares represented by a validly executed proxy solicited by the Board are to be voted on this proposal, such shares will be counted as abstentions.

Voting Requirement to Approve Proposal

The affirmative "FOR" vote of least two-thirds of the shares entitled to vote at the annual general meeting, so long as the required quorum is present. An abstention, broker non-vote or blank or invalid ballot will have the effect of a vote "AGAINST" this proposal.

AGENDA ITEM 6.

Election and Reelection of Directors

Company Proposal: Election of One New Director and Reelection of Four Directors as Follows:

Agenda Item 6A—Election of Frederico F. Curado as a Director

Agenda Item 6B—Reelection of Steven L. Newman as a Director

Agenda Item 6C—Reelection of Thomas W. Cason as a Director

Agenda Item 6D—Reelection of Robert M. Sprague as a Director

Agenda Item 6E—Reelection of J. Michael Talbert as a Director

Our Articles of Association divide our Board of Directors into three classes: Class I, Class II and Class III. Our Board of Directors has nominated one Class II director to be elected and four Class II directors to be reelected at our 2013 annual general meeting, each to serve for three-year terms expiring at the annual general meeting in 2016 if the shareholder proposal to repeal the Company's staggered board (Agenda Item 5) is not approved and each to serve for one-year terms expiring at the annual general meeting in 2014 if the shareholder proposal to repeal the Company's staggered board (Agenda Item 5) is approved.

The Board has nominated Frederico F. Curado for election as a Class II director and the following individuals for reelection as Class II directors: Steven L. Newman, Thomas W. Cason, Robert M. Sprague and J. Michael Talbert.

The Board does not have a specific policy regarding diversity in the selection of director nominees. However, the Board does consider diversity in the director nominee selection process. The Board takes an expansive view of the diversity of the Board with the goal of having the directors eventually reflect the global diversity of our workforce, our clients and the cultures in which we operate. With the election of the Board's nominees, we will have five different nationalities represented on the Board. We also have eight different nationalities represented in our officer group and over 82 in our global workforce. We operate in 49 countries worldwide.

We have adopted a majority vote policy in an uncontested election of directors as part of our Corporate Governance Guidelines. This policy provides that the Board may nominate only those candidates for director who have submitted an irrevocable letter of resignation which would be effective upon and only in the event that (1) in an uncontested election (as defined in the policy), such nominee does not receive more votes cast "FOR" than "AGAINST" the nominee's election and (2) the Board accepts the resignation. If a nominee who has submitted such a letter of resignation does not receive such specified levels of votes, the Corporate Governance Committee must promptly consider the letter of resignation and recommend to the Board whether to accept the tendered resignation or reject it. The Board must then act on the Corporate Governance Committee's recommendation within 90 days following the certification of the shareholder vote. The Board must promptly disclose its decision regarding whether or not to accept the nominee's resignation letter in a Form 8-K furnished to the SEC or other broadly disseminated means of communication. Full details of this policy are set out in our Corporate Governance Guidelines which are available on our website at *www.deepwater.com* under "Investor Relations—Corporate Governance."

The Board has received from each nominee for election at the annual general meeting, an executed irrevocable letter of resignation consistent with these guidelines described above. Each such letter of resignation is effective only in the event that (1) such director fails to receive a sufficient number of votes from shareholders in an uncontested election of such director and (2) the Board accepts such resignation.

Pursuant to our Corporate Governance Guidelines, this is a contested election. Accordingly, the provisions of our Corporate Governance Guidelines pertaining to the majority election of directors will not be applicable to the annual general meeting, and as described below the voting for the election of directors will be by plurality voting.

Shareholder Proposal: Election of Three Directors

Agenda Item 6F—Election of John J. Lipinski

Agenda Item 6G—Election of José Maria Alapont

Agenda Item 6H—Election of Samuel Merksamer

The Icahn Group, whose members are collectively the beneficial holders of an aggregate of 20,154,035 of the Company's shares, has requested that the election of three nominees, John J. Lipinski, José Maria Alapont and Samuel Merksamer, to the Board of Directors be put as an item and proposal on the agenda of the 2013 annual general meeting. The Icahn Group proposes that each of its nominees be elected either (i) as members of the Board of Directors for a one-year term, if the Annual General Meeting approves the proposed amendment to Article 23 of the Articles of Association pursuant to Agenda Item 5, or (ii) as Class II Directors of the Board of Directors for a three-year term, if the Annual General Meeting did not approve the proposed amendment to Article 23 of the Articles of Association pursuant to Agenda Item 5. Pursuant to Swiss law, the Company is required to include the candidates nominated by the Icahn Group on the enclosed WHITE proxy card. As a result, shareholders are provided the opportunity to vote on the enclosed WHITE proxy card for both the candidates nominated by the Company (the "Company Nominees") as well as those nominated by the Icahn Group (the "Icahn Group Nominees"). Accordingly, each of the Company Nominees and each of the Icahn Group Nominees is listed on the enclosed WHITE proxy card. The Company notes, however, that it is not soliciting you to vote for the Icahn Group Nominees and is only including such nominees on the enclosed WHITE proxy card to comply with Swiss law.

A shareholder may vote for the Company Nominees or the Icahn Group nominees. A shareholder can also vote for some of the Company Nominees and some of the Icahn Group Nominees, up to a limit of five "FOR" votes. The five nominees receiving the most "FOR" votes will be considered elected. Abstentions and broker non-votes, if any, are not counted for purposes of this Agenda Item 6 and will have no effect on the outcome of the vote. Your vote "AGAINST" or to "ABSTAIN" from voting for any candidate will have the same effect as a withhold vote since, under a plurality voting system, only the five candidates receiving the most "FOR" votes will be elected to the Board of Directors of the Company. ***Any vote purporting to cast a "FOR" vote for more than five nominees will be considered invalid and will not be counted and shall have no effect on the outcome of the vote. In addition, a shareholder may vote "AGAINST" or "ABSTAIN" from voting for any of the remaining three candidates, and either such selection for a particular candidate will not count in determining whether such candidate is among the five candidates receiving the most "FOR" votes and therefore elected to the Board of Directors of the Company.***

Recommendation

The Board of Directors recommends you vote "FOR" the election of Frederic F. Curado and the reelection of Steven L. Newman, Thomas W. Cason, Robert M. Sprague and J. Michael Talbert as directors and "AGAINST" the election of John J. Lipinski, José Maria Alapont and Samuel Merksamer as directors.

Nominees for Director—Class II

Company Nominees

Election of Frederico F. Curado

FREDERICO F. CURADO, age 51, a Brazilian citizen, has served as President and Chief Executive Officer of Embraer S.A. (NYSE: ERJ) since 2008. Mr. Curado joined Embraer in 1984 and has served in a variety of management positions during his career, including Executive Vice President, Airline Market from 1998 to 2007 and Executive Vice President, Planning and Organizational Development from 1997 to 1998. Mr. Curado is also the President of the Brazilian Chapter of the Brazil-United States Business Counsel and a member of Brazil's National Council for Industrial Development. Mr. Curado received his Bachelor of Science degree in Mechanical-Aeronautical Engineering from the Instituto Tecnólogico de Aeronáutica in Brazil, a post-graduate degree in foreign trade from the Getúlio Vargas Foundation, Brazil and an executive Masters in Business Administration from the University of São Paulo, Brazil.

The Board of Directors believes Mr. Curado's significant senior management experience operating an international corporation, including experience with Brazilian business and governmental sectors will benefit the Board's decision-making process. The Board of Directors has concluded that Mr. Curado should be elected to fill the currently-vacant seat on the Board of Directors.

Reelection of Steven L. Newman

STEVEN L. NEWMAN, age 48, U.S. citizen, is President and Chief Executive Officer, and a member of the Board of the Company since 2010. Before being named as Chief Executive Officer in March 2010, Mr. Newman served as President and Chief Operating Officer from 2008 to 2009 and subsequently as President. Mr. Newman's prior senior management roles included Executive Vice President, Performance (2007 to 2008), Executive Vice President and Chief Operating Officer (2006 to 2007), Senior Vice President of Human Resources and Information Process Solutions (2006 to 2006), Senior Vice President of Human Resources, Information Process Solutions and Treasury (2005 to 2006), and Vice President of Performance and Technology (2003 to 2005). He also has served as Regional Manager for the Asia and Australia Region and in international field and operations management positions, including Project Engineer, Rig Manager, Division Manager, Region Marketing Manager and Region Operations Manager. Mr. Newman joined the Company in 1994 in the Corporate Planning Department. Mr. Newman received his Bachelor of Science degree in Petroleum Engineering in 1989 from the Colorado School of Mines and his MBA in 1992 from the Harvard University Graduate School of Business. Mr. Newman is also a member of the Society of Petroleum Engineers.

The Board has concluded that Mr. Newman should remain on the Board and has recommended that he serve an additional term. The Board of Directors believes that it is important for the Company's Chief Executive Officer to serve on the Board. The Chief Executive Officer provides a link between the Board and senior management, and the Board believes that this perspective is important in making decisions for the Company. In addition, Mr. Newman brings an industry and competitive context perspective to the Board which assists the Board in making strategic decisions.

Reelection of Thomas W. Cason

THOMAS W. CASON, age 70, U.S. citizen, has served as a director of the Company since 2007. He served as a director of GlobalSantaFe Corporation from 2001 until 2007 and of Global Marine, Inc. from 1995 to 2001. Mr. Cason owned and managed five agricultural equipment dealerships until his retirement in 2006. He served as interim President and Chief Operating Officer of Key Tronic Corporation during 1994 and 1995 and was a partner in Hiller Key Tronic Partners, L.P. Mr. Cason previously held various financial and operating positions with Baker Hughes Incorporated, including senior executive positions with Baker Hughes' Drilling Group, serving most recently as Senior Vice President and Chief Financial Officer of Baker Hughes Incorporated. Mr. Cason started his career as a public accountant with Arthur Young & Company. Mr. Cason served as a member of the Board of Directors of Mirant Corporation from 2006 until December 2010 and was chairman of its Audit Committee from 2006 until 2009. Mr. Cason received his Bachelor of Science degree in Accounting in 1970 from Louisiana State University.

The Board of Directors has concluded that Mr. Cason should remain on the Board and has recommended that he serve an additional term. Mr. Cason is an accountant with extensive professional experience in the financial services area of the oilfield services industry. Mr. Cason formerly served as chairman of the Audit Committee for GlobalSantaFe Corporation and has also previously served as chairman of the Audit Committee for the Company and remains a committee member. This overlap in experience, combined with his education, professional experience and institutional knowledge of a legacy company are assets to the Board's decision making process.

Reelection of Robert M. Sprague

ROBERT M. SPRAGUE, age 68, U.S. citizen, has served as a director of the Company since 2004. Mr. Sprague is the retired Regional Business Director of Shell EP International BV, a position in which he served from 1997 until 2003. Mr. Sprague served as Director of Strategy & Business Services for Shell EP International BV from 1996 until 1997 and as Exploration & Production Coordinator of Shell International Petroleum BV from 1994 to 1995. Mr. Sprague joined the Royal Dutch/Shell group of companies in 1967 and served in a variety of positions in the United States and Europe during his career, including as a director of Shell Canada Limited, a publicly traded company, from 2000 to 2003. Mr. Sprague received his Bachelor of Science degree in 1966 and his Masters in Electrical Engineering degree in 1967 from Cornell University.

The Board of Directors has concluded that Mr. Sprague should remain on the Board and has recommended that he serve an additional term. Mr. Sprague is an engineer by education and spent many years serving in senior management in the energy business with one of the Company's customers and thus brings a helpful perspective to the Board. In addition, most of his professional career was spent serving in the oil and gas industry outside the United States, thus bringing an important international perspective to the Board.

Reelection of J. Michael Talbert

J. MICHAEL TALBERT, age 66, U.S. citizen, has served as a director of the Company since 1994. He has served as the non-executive Chairman of the Board since 2011 and previously served as non-executive Vice Chairman of the Board from 2010 to 2011, non-executive Chairman of the Board from 2004 to 2007 and executive Chairman of the Board from 2002 to 2004. Mr. Talbert also served as Chief Executive Officer from 1994 until 2002, Chairman of the Board of Directors from 1994 until 1999, and as President from 1999 until 2001. Prior to assuming his duties with us, Mr. Talbert was President and Chief Executive Officer of Lone Star Gas Company, a natural gas distribution company and a division of Ensearch Corporation. He was a director of El Paso Corporation from 2003 to 2012, when that company was acquired by Kinder Morgan, Inc. Within the past ten years, Mr. Talbert was also a director and the chairman of TODCO. Mr. Talbert received his Bachelor of Science degree in chemical engineering in 1970 from the University of Akron and his MBA in 1975 from Loyola of the South.

The Board of Directors has concluded that Mr. Talbert should remain on the Board and has recommended that he serve an additional term. Mr. Talbert holds an engineering degree and an MBA and has extensive executive experience in the energy sector including serving as a senior executive in exploration and production and as the former CEO of Transocean. As a result, he brings a valuable perspective to the Board based upon his in-depth knowledge of the Company and understanding of the business. His knowledge from the customer perspective and his knowledge of the culture of the Company are helpful in analyzing the future direction of the Company. Mr. Talbert also has relevant experience in merger and acquisition activity, including negotiating transactions as well as the integration of combined companies and boards.

Icahn Group Nominees

Election of John J. Lipinski
Election of José Maria Alapont
Election of Samuel Merksamer

Certain additional information relating to the Icahn Group's nominees is contained in Annex E and in the Icahn Group's preliminary proxy statement filed with the SEC on March 29, 2013.

Continuing Directors—Class III—Terms Expiring 2014

JAGJEET S. BINDRA, age 65, U.S. citizen, has served as a director of the Company since 2011. Mr. Bindra is the retired President of Chevron Global Manufacturing, a position in which he served from 2003 to 2009. Mr. Bindra joined the Chevron group of companies in 1977 as a research engineer and served in a variety of positions during his career, including as Managing Director of Caltex Australia Ltd. (50% owned by Chevron) from 2002 to 2003, President of Chevron Pipeline Company from 1997 to 2002, Senior Vice President, Pipeline & Transportation, of Chevron Overseas Petroleum from 1995 to 1997, Manager of Strategic Planning for Chevron Corporation from 1994 to 1995 and Group Manager, Projects & Engineering Technology from 1991 to 1994. Mr. Bindra is a director of LyondellBasell Industries N.V. (NYSE: LYB) (since 2011), Edison International (NYSE: EIX) and Southern California Edison Company (since 2010). He previously served as a director of Reliance Petroleum Ltd. (from 2006 to 2007), Caltex Australia Ltd. from (2002 to 2003), GS Caltex, Korea (from 2003 to 2009), Larsen & Toubro Ltd., India (from 2009 to 2012), Transfield Services Limited, Australia (from 2009 to 2012) and Sriya Innovations Inc. (from 2009 to 2010). Mr. Bindra received his MBA in 1979 from St. Mary's College of California, his Master of Science in Chemical Engineering in 1970 from the University of Washington and his bachelor's degree in Chemical Engineering in 1969 from the Indian Institute of Technology, Kanpur.

STEVE LUCAS, age 58, U.K. citizen, has served as a director of the Company since 2011. Mr. Lucas is the retired Group Finance Director of National Grid plc, a position in which he served from 2002 to 2010. From 2004 to 2011, Mr. Lucas served as a non-executive director of Compass Group plc and from 2000 to 2002, Mr. Lucas served as Group Finance Director, Lattice Group plc. Mr. Lucas previously served as the Treasurer of BG Group plc from 1998 to 2000 and as Finance Director, Exploration & Production, of British Gas plc from 1994 to 1998. From 1983 to 1994, Mr. Lucas served in a variety of finance roles with Royal Dutch/Shell in the U.K., East Africa, Hong Kong and China. Mr. Lucas is a director of Tullow Oil plc (LON: TLW) (since 2012), Essar Energy plc (LON: ESSR) (since 2012) and Essar Infrastructure Limited (since 2011). Mr. Lucas received his Bachelor of Arts degree in Geology in 1976 from Oxford University and is also a member of the Institute of Chartered Accountants in England & Wales.

MARTIN B. MCNAMARA, age 65, U.S. citizen, has served as a director of the Company since 1994. Mr. McNamara is a retired Partner of the law firm of Gibson, Dunn & Crutcher LLP and has served as a member of the firm's executive, finance, planning and compensation committees, as well as a Partner-in-Charge of the firm's Texas practice. During the past ten years and prior to his retirement in 2010, Mr. McNamara was in the private practice of law. Mr. McNamara has also served as Ex Officio Trustee and Ex Officio Member of the Executive Committee of St. Mark's School of Texas since 2002. Mr. McNamara received his Bachelor of Arts degree in 1969 from Providence College and his law degree in 1972 from Yale Law School. Mr. McNamara has served as the chair of the Corporate Counsel Section of the State Bar of Texas and is a lifetime fellow of the Texas Bar Foundation.

IAN C. STRACHAN, age 69, U.K. and U.S. citizen, has served as a director of the Company since 1999. Mr. Strachan is a director of Caithness Petroleum Ltd. (since 2008), Xstrata plc (LON: XTA) (since 2003), and Rolls Royce Group plc (LON: RR) (since 2003). He served as a director of Johnson Matthey plc from 2002 to 2009 and as Chairman of the Board of Instinet Group Incorporated from 2003 to 2005. Mr. Strachan served as Chief Executive Officer of BTR plc from 1996 until 1999. From 1987 to 1995, Mr. Strachan was with Rio Tinto plc, serving as Chief Financial Officer from 1987 to 1991 and as Deputy Chief Executive Officer from 1991 to 1995. He was employed by Exxon Corporation from 1970 to 1986. Mr. Strachan received his Master of Arts in History in 1965 from Christ's College, Cambridge University, and his Master of Public Affairs in 1967 from the Woodrow Wilson School, Princeton University and was a teaching fellow and Ph.D. candidate at Harvard University from 1969 to 1970.

Continuing Directors—Class I—Terms Expiring 2015

GLYN BARKER, age 59, U.K. citizen, has served as a director of the Company since 2012. Mr. Barker served as Vice Chairman-U.K. of PricewaterhouseCoopers LLP (PwC) from 2008 to 2011. He was also responsible for PwC's strategy and business development for the geographic areas of Europe, the Middle East, Africa and India. Mr. Barker joined PwC in 1975 and became an audit partner in 1987. He then established PwC's private equity-focused Transactions Services business and led it globally. He joined the Management Board of PwC in the UK as Head of the Assurance Practice in 2002. In 2006, he became UK Managing Partner and served in that role until 2008. Mr. Barker is a non-executive director of Berkeley Group Holdings plc (LON: BKG) (since 2012) and Aviva plc (LON: AV) (since 2012) and Chairman Designate of the law firm Irwin Mitchell (since 2012). He is also director of the English National Opera Company (since 2009). Mr. Barker received his Bachelor of Science degree in Economics & Accounting in 1975 from the University of Bristol and is a Chartered Accountant.

VANESSA C.L. CHANG, age 60, Canadian and U.S. citizen, has been a director of the Company since 2012. Ms. Chang has been a Director and shareholder of EL & EL Investments, a privately held real estate investment business, since 1998. Ms. Chang previously served as the President and Chief Executive Officer of Resolveitnow.com from 2000 until 2002 and was the Senior Vice President of Secured Capital Corp in 1998. From 1986 until 1997, Ms. Chang was the West Coast partner in charge of Corporate Finance for KPMG Peat Marwick LLP. Ms. Chang is a director of Edison International (NYSE: EIX) and its wholly owned subsidiary, Southern California Edison Company (since 2007) and for individual investment funds within the American Funds family (since 2000). From 2002 until 2004, Ms. Chang served as a director of Inveresk Research Group Inc. and from 2005 to 2013, Ms. Chang served as a director for Blue Shield of California. Ms. Chang received her Bachelor of Arts degree in 1973 from the University of British Columbia and is an inactive Certified Public Accountant.

CHAD DEATON, age 60, U.S. citizen, has been a director of the Company since 2012. Mr. Deaton has served as Executive Chairman of Baker Hughes Incorporated (NYSE: BHI) since 2012, prior to which he served as Chairman and Chief Executive Officer since 2004. Mr. Deaton began his career with Schlumberger in 1976 and served in a variety of international capacities, including as Executive Vice President, Oilfield Services from 1998 to 1999 and as a Senior Advisor in the Oilfield Services division from 1999 until 2001. From 2002 until 2004, Mr. Deaton was the President, Chief Executive Officer and Director of Hanover Compressor Company. Mr. Deaton is a director of Air Products and Chemicals, Inc. (NYSE: APD) (since 2010), Ariel Corporation (since 2005), and previously served as a Director of Carbo Ceramics Inc. (from 2004 to 2009). Mr. Deaton is a member of the Society of Petroleum Engineers (since 1980) and has served on its Industrial Advisory Council since 2010. He also is a member of the National Petroleum Counsel (since 2007), Executive Advisory Board of the Offshore Technology Conference (since 2011) and the University of Wyoming Chemical and Petroleum Engineering Industry Advisory Board (since 2009). Mr. Deaton received his Bachelor of Science degree in Geology in 1976 from the University of Wyoming.

EDWARD R. MULLER, age 61, U.S. citizen, has served as a director of the Company since 2007 and served as a director of GlobalSantaFe Corporation from 2001 to 2007 and of Global Marine, Inc. from 1997 to 2001. Mr. Muller has served as Vice Chairman of NRG Energy, Inc. (NYSE: NRG) since the merger of NRG Energy, Inc. with GenOn Energy, Inc. in 2012. Prior to the merger, Mr. Muller served as GenOn Energy, Inc.'s Chairman and Chief Executive Officer (since 2010) and President (since 2011). Mr. Muller previously served as Chairman, President and Chief Executive Officer of Mirant Corporation from 2005 to 2010 when Mirant Corporation merged with RRI Energy, Inc. to form GenOn Energy, Inc. Mr. Muller was a private investor from 2000 until 2005. Mr. Muller served as President and Chief Executive Officer of Edison Mission Energy, a wholly owned subsidiary of Edison International, from 1993 until 2000. During his tenure, Edison Mission Energy was engaged in developing, owning and operating independent power production facilities worldwide. Within the past ten years, Mr. Muller was also a director of The Keith Companies, Inc., RigNet, Inc. and Ormat Technologies, Inc. Mr. Muller received his Bachelor of Arts degree in 1973 from Dartmouth College and his law degree in 1976 from Yale Law School. Since 2004, Mr. Muller has been a trustee of the Riverview School and, from 2008 to 2012, its Chairman.

TAN EK KIA, age 64, Malaysian citizen, has served as a director of the Company since 2011. Mr. Tan is the retired Vice President, Ventures and Developments, Asia Pacific and Middle East Region of Shell Chemicals, a position in which he served from 2003 to 2006. Mr. Tan joined the Royal Dutch/Shell group of companies in 1973 as an engineer and served in a variety of positions in Asia, the U.S. and Europe during his career, including as Chairman, Shell Companies, Northeast Asia from 2000 to 2003, Managing Director of Shell Nanhai from 1997 to 2000 and Managing Director of Shell Malaysia Exploration and Production from 1994 to 1997. Mr. Tan is a director of PT Chandra Asri Petrochemical Tbk (since 2011), Keppel Corporation (since 2010), Keppel Offshore & Marine (since 2009), City Spring (since 2010), SMRT Corporation (since 2009), Dialog Systems Asia (since 2008), KrisEnergy Ltd (since 2013), Chairman of Star Energy Group Holdings Pte Ltd, and certain of its subsidiaries (since 2012) and Chairman of City Gas (since 2009). Mr. Tan has also served as the Interim Chief Executive Officer of SMRT Corporation (Singapore Mass Rapid Transit) since 2012. Mr. Tan received his Bachelor of Science degree in Mechanical Engineering in 1973 from the University of Nottingham.

Corporate Governance

We are committed to upholding high standards of corporate governance and business conduct, and believe that we have maintained good corporate governance practices for many years. Furthermore, the Board held separate meetings of the non-management directors for several years before executive sessions were required by the New York Stock Exchange (NYSE).

In February 2011, our Board adopted a Code of Integrity to update and replace our previous Code of Business Conduct and Ethics. We conduct on-line mandatory training for employees, officers and directors on our Code of Integrity and other relevant compliance topics. We also require all managerial and supervisory employees to certify compliance with our Code of Integrity each year.

The Corporate Governance Committee of the Board has continued to evaluate the Company's and the Board's governance practices and formally reviews all committee charters along with recommendations from the various committees of the Board and the Board's governance principles at least annually. This Corporate Governance Committee further receives updates at each meeting regarding new developments in the corporate governance arena. Our committee charters also require, among other things, that the committees and the Board annually evaluate their own performance.

In 2005, we adopted equity ownership guidelines for directors that require each current non-management director to acquire and retain a number of our shares and/or deferred units at least equal in value to an amount five times the director's annual cash retainer. Each new director is required to acquire and retain such number of shares and/or deferred units over his or her initial five years as a director. Pursuant to our Insider Trading Policy, employees, officers and directors are restricted from pledging, hedging or holding shares in a margin account. In connection with such ownership requirement, the Board currently grants deferred units to each of our non-management directors. Mr. Newman is also subject to separate officer share ownership guidelines. See "Compensation Discussion and Analysis" for more information about these guidelines.

Our current governance documents may be found on our website at *www.deepwater.com* under "Investor Relations—Corporate Governance." Among the information you can find there is the following:

- Articles of Association;
- Organizational Regulations;
- Corporate Governance Guidelines;
- Audit Committee Charter;
- Corporate Governance Committee Charter;
- Executive Compensation Committee Charter;
- Finance Committee Charter;
- Health Safety and Environment Committee Charter;
- Our Mission Statement;
- Our FIRST Core Values; and
- Code of Integrity.

Information contained on our website is not part of this proxy statement. We will continue to monitor our governance practices in order to maintain our high standards.

Board Leadership. The Board has chosen not to combine the positions of Chief Executive Officer and Chairman of the Board. The Board believes that separating these positions allows our Chief Executive Officer to focus on our day-to-day business, while our Chairman of the Board presides over the Board as it provides advice to, and independent oversight of, management and the Company's operations. The Board recognizes the time, effort, and energy that the Chief Executive Officer is required to devote to his position and the additional commitment the position of Chairman of the Board requires. The Board believes that having separate positions and having an independent outside director serve as Chairman of the Board is the appropriate leadership structure for us at this time and demonstrates our commitment to good corporate governance.

Risk Management. Executive management is responsible for the day-to-day management of the risks we face, while the Board, as a whole and through its various committees, has responsibility for the oversight of risk management. Through their oversight role and their review of management's active role, the directors satisfy themselves that the risk management processes designed and implemented by management (as more particularly described below) are adapted to and integrated with the Company's corporate strategy, are functioning as designed and that steps are taken to foster a culture in which each employee understands his or her impact on the assessment and management of risk, his or her responsibility for acting within appropriate limits, and his or her ultimate accountability.

The Company has undertaken an extensive review and improvement of its Enterprise Risk Management ("ERM") process and has implemented an ERM framework which includes an executive risk management committee and a risk committee working group. The executive risk management committee is composed of members of senior management, including our Chief Executive Officer and other members of management in key functions and selected divisions of the Company. The duties of the executive risk management committee include the following: reviewing and approving appropriate changes to the Company's policies and procedures regarding risk management; identifying and assessing operational, commercial, strategic, financial, macroeconomic and geopolitical risks facing the Company; identifying risks and taking corrective actions, if appropriate; monitoring key indicators to assess the effectiveness and adequacy of the Company's risk management activities; and communicating with the Board at least twice a year with respect to risk management. The Company's risk management activities are also presented to the Audit Committee at least annually. The risk committee working group meets regularly and identifies risks facing the Company, makes an assessment of each risk, identifies preventive and mitigating controls and then makes recommendations for improvement opportunities to the Board or the Chief Executive Officer, as appropriate. The executive risk management committee working group updates the executive risk management committee on a regular basis.

Compensation and Risk. We regularly assess risks related to our compensation programs, including our executive compensation programs, and do not believe that the risks arising from our compensation policies and practices are reasonably likely to have a material adverse effect on the Company. The Executive Compensation Committee reviews information and solicits input from an independent compensation consultant regarding compensation factors which could mitigate or encourage excessive risk-taking. In its review in 2013, the Executive Compensation Committee considered the attributes of our programs, including the metrics used to determine incentive awards, the weighting of each metric, the timing and processes for setting performance targets and validating results, the performance measurement periods and time horizons, the total mix of pay and the maximum compensation and incentive award payout opportunities.

Independence of Board Members. Our Corporate Governance Guidelines require that at least a majority of the members of the Board meet the independence standards set by the NYSE. In order to meet the NYSE's independence standards, a member of the Board must not have a relationship with the Company that falls within certain objective categories established by the NYSE. In addition, the Board must then affirmatively determine, with respect to each director and nominee, that he or she did not otherwise have a material relationship with the Company.

The Board has determined that all of its current members and its nominees, with the exception of Steven L. Newman (our Chief Executive Officer), are independent and meet the independence standards set by the NYSE and our guidelines. Accordingly, our Executive Compensation, Audit and Corporate Governance Committees are composed solely of directors who meet the NYSE independence standards.

In making its independence determinations, the Board considered the fact that, while such relationships do not preclude independence under the NYSE rules or the Company's guidelines, Mr. Barker, Mr. Deaton, Mr. Lucas, Mr. Tan and Mr. Strachan are, or within the past three years have been, directors or officers of companies with which we conduct business in the ordinary course.

Beginning in 2012, Mr. Barker served as a non-executive director of Aviva plc, a company that provides insurance related services to the Company. Mr. Deaton is the Executive Chairman of Baker Hughes Incorporated, from which the Company purchases drilling equipment and services. In 2012, Baker Hughes Incorporated received approximately $31 million from the Company for such goods and services, which represented less than .14% of Baker Hughes's reported 2012 revenues. Mr. Deaton also serves as a non-executive director of Air Products and Chemicals, Inc., from which the Company rented and purchased rig related products and equipment; Mr. Lucas is a non-executive director of Tullow Oil plc, which is a customer for our drilling rigs. Mr. Tan is a non-executive director of Keppel Corporation, which provides the Company with services related to rig construction and shipyard work. Mr. Strachan is a non-executive director of Rolls Royce Group plc, from which we purchase rig equipment.

The Board believes that all transactions with these companies were on arm's-length terms that were reasonable and competitive. Accordingly, the Board concluded that these relationships are not material and have no effect on the independence of these directors. Because of our extensive operations, transactions and director relationships, transactions of this nature are expected to take place in the ordinary course of business in the future.

Executive Sessions. Our independent directors met in executive session without management at each of the regularly scheduled Board meetings held in 2012. During 2013, they are again scheduled to meet in executive session at each regularly scheduled Board meeting. The independent directors have designated the Chairman of the Board to act as the presiding director for executive sessions.

Director Nomination Process. The Board has designated the Corporate Governance Committee as the committee authorized to consider and recommend nominees for the Board. Our Board believes that all members of the Corporate Governance Committee meet the NYSE independence requirements.

Our Corporate Governance Guidelines provide that the Corporate Governance Committee should periodically assess the needs of our Company and the Board so as to recommend candidates who will further our goals. In making that assessment, the Corporate Governance Committee has determined that a recommended nominee must have the following minimum qualifications:

- high professional and personal ethics and values;
- a record of professional accomplishment in his/her chosen field;
- relevant expertise and experience; and
- a reputation, both personal and professional, consistent with our core values.

In addition to these minimum qualifications, the Corporate Governance Committee considers other qualities in nominees that may be desirable. In particular, the Board is committed to having a majority of independent directors and, accordingly, the Corporate Governance Committee evaluates the independence status of any potential director. The Corporate Governance Committee evaluates whether or not a candidate contributes to the Board's overall diversity and whether or not the candidate can contribute positively to the existing chemistry and culture among the Board members. Also, the Corporate Governance Committee considers whether or not the candidate may have professional or personal experiences and expertise relevant to our business and position as the leading international provider of offshore drilling services. In 2012, the Board nominated for election three new directors in addition to two incumbent directors for re-election.

As described above, in accordance with the majority vote provisions of our Corporate Governance Guidelines, our Board may nominate only those candidates for director who have submitted an irrevocable letter of resignation which would be effective upon and only in the event that (1) such nominee fails to receive more votes cast "FOR" than "AGAINST" his or her election in an uncontested election and (2) the Board accepts the resignation. The Board will also request a statement from any person nominated as a director by other than the Board as to whether that person will also submit an irrevocable letter of resignation upon the same terms as a person nominated by the Board. An uncontested election occurs in an election of directors that does not constitute a contested election. A contested election occurs when (i) the Secretary of the Company receives a notice that a shareholder has nominated a person for election to the Board in compliance with the advance notice requirements for shareholder nominees for director set forth in our Articles and (ii) such nomination has not been withdrawn by such shareholder on or prior to the day next preceding the date the Company first mails its notice of meeting for such meeting to the shareholders.

The Corporate Governance Committee has several methods of identifying Board candidates. First, the Corporate Governance Committee considers and evaluates whether or not the existing directors whose terms are expiring remain appropriate candidates for the Board. Second, the Corporate Governance Committee requests from time to time that its members and the other Board members identify possible candidates. Third, the Corporate Governance Committee has the authority to retain one or more executive search firms to aid in its search. Each executive search firm assists the Corporate Governance Committee in identifying potential Board candidates, interviewing those candidates and conducting investigations relative to their background and qualifications. Mr. Curado, who is being nominated for election to the Board as a new independent director, was identified by an executive search firm selected and retained by the Corporate Governance Committee as a potential candidate based on his background and experience and was evaluated by the Corporate Governance Committee and the Board, who performed background searches and interviews and undertook qualitative assessments of Mr. Curado's qualifications. The Corporate Governance Committee then recommended Mr. Curado to the Board as a nominee.

The Corporate Governance Committee considers nominees for director recommended by shareholders. Please submit your recommendations in writing, along with:

- the name of and contact information for the candidate;
- a statement detailing the candidate's qualifications and business and educational experience;
- information regarding the qualifications and qualities described under "Director Nomination Process" above;
- a signed statement of the proposed candidate consenting to be named as a candidate and, if nominated and elected, to serve as a director;
- a signed irrevocable letter of resignation from the proposed candidate which, in accordance with our Corporate Governance Guidelines, would be effective upon and only in the event that (1) in an uncontested election, such candidate fails to receive more votes cast "FOR" than "AGAINST" his or her election and (2) the Board accepts the resignation;
- a statement that the writer is a shareholder and is proposing a candidate for consideration by the Corporate Governance Committee;
- a statement detailing any relationship between the candidate and any customer, supplier or competitor of ours;
- financial and accounting experience of the candidate, to enable the Corporate Governance Committee to determine whether the candidate would be suitable for Audit Committee membership; and
- detailed information about any relationship or understanding between the proposing shareholder and the candidate.

Shareholders may submit nominations to our Corporate Secretary, Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland. Unsolicited recommendations must contain all of the information that would be required in a proxy statement soliciting proxies for the election of the candidate as a director. The extent to which the Corporate Governance Committee dedicates time and resources to the consideration and evaluation of any potential nominee brought to its attention depends on the information available to the Corporate Governance Committee about the qualifications and suitability of the individual, viewed in light of the needs of the Board, and is at the Corporate Governance Committee's discretion. The Corporate Governance Committee evaluates the desirability for incumbent directors to continue on the Board following the expiration of their respective terms, taking into account their contributions as Board members and the benefit that results from the increasing insight and experience developed over a period of time. Although the Corporate Governance Committee will consider candidates for director recommended by shareholders, it may determine not to recommend that the Board, and the Board may determine not to, nominate those candidates for election to our Board.

In addition to recommending director nominees to the Corporate Governance Committee, any shareholder may nominate directors for election at annual general meetings of the shareholders. For more information on this topic, see "Other Matters—Proposals of Shareholders."

Executive Officer and Director Compensation Process. Our Executive Compensation Committee has established an annual process for reviewing and establishing executive compensation levels. An outside consultant, Pay Governance, retained by the Executive Compensation Committee has provided the Executive Compensation Committee with relevant market data and alternatives to consider in determining appropriate compensation levels for each of our executive officers. Pay Governance has served as the Executive Compensation Committee's outside consultant since February 2011. Our Chief Executive Officer also assists the Executive Compensation Committee in the executive compensation setting process. For a more thorough discussion of the roles, responsibilities and process we use for setting executive compensation, see "Compensation Discussion and Analysis."

Director compensation is set by the Board upon a recommendation from the Corporate Governance Committee of the Board. At its first meeting of each calendar year, the Corporate Governance Committee reviews the compensation paid to our directors to be certain that it is competitive in attracting and retaining qualified directors. The Corporate Governance Committee has used the Executive Compensation Committee's outside consultant to gather data regarding director compensation at (1) certain similar size companies in the general industry as well as (2) the same peer group of companies generally utilized in the consideration of executive compensation, as set forth in the "Compensation Discussion and Analysis." Based upon its review of the data and its own judgment, the Corporate Governance Committee develops a recommendation for consideration by the Board. Our Chief Executive Officer receives no additional compensation for serving as a director on our Board.

Process for Communication by Shareholders and Interested Parties with the Board. The Board has established a process whereby interested parties may communicate with the Board and/or with any individual director. Interested parties, including shareholders, may send communications in writing, addressed to the Board or an individual director, c/o the Corporate Secretary, Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland. The Corporate Secretary will forward these communications as appropriate to the addressee depending on the facts and circumstances outlined in the communication. The Board has directed the Corporate Secretary not to forward certain items such as spam, junk mailings, product inquiries, resumes and other forms of job inquiries, surveys and business solicitations. Additionally, the Board has advised the Corporate Secretary not to forward material that is illegal or threatening, but to make the Board aware of such material which it may request be forwarded, retained or destroyed at the Board's discretion.

Policies and Procedures for Approval of Transactions with Related Persons. The Board has a written policy with respect to related person transactions pursuant to which such transactions are reviewed, approved or ratified. The policy applies to any transaction in which (1) the Company is a participant, (2) any related person has a direct or indirect material interest and (3) the amount involved exceeds $120,000, but excludes any transaction that does not require disclosure under Item 404(a) of Regulation S-K. The Audit Committee, with assistance from the Company's General Counsel, is responsible for reviewing, approving and/or ratifying any related person transaction.

To identify related person transactions, each year we distribute and require our directors and officers to complete questionnaires identifying transactions with us in which the officer or director or their immediate family members have an interest. Our Code of Integrity further requires that any executive officer inform the Company when the executive officer's private interest interferes or appears to interfere in any way with our interests. In addition, the Board's Corporate Governance Guidelines require that a director immediately inform the Board or Chairman of the Board in the event that a director believes that the director has an actual or potential conflict with our interests. Furthermore, under our Organizational Regulations, a director must disclose and abstain from voting with respect to certain conflicts of interest.

Under our related persons transaction policy, the Audit Committee considers all relevant facts and circumstances available, including the related persons involved, their relationship to the Company, their interest and role in the transaction, the proposed terms of the transaction (including expected aggregate value and value to be derived by the related person), the benefits to the Company, the availability to the Company of alternative means or transactions to obtain like benefits and the terms that would prevail in a similar transaction with an unaffiliated third party. For related person transactions that do not receive prior approval from the Audit Committee, the transactions are submitted to the Audit Committee to consider all relevant facts and circumstances and, based on its conclusions, evaluate all options, including, but not limited to, ratification, amendment or termination of the transaction. During 2012, there were no related person transactions where such policies and procedures were not followed.

Recent Swiss Corporate Governance Developments. In March 2013, Swiss voters approved a referendum amending the Swiss Federal Constitution, applicable to listed Swiss companies, like our company. The effect of the referendum is, among other things, to give shareholders a binding "say on pay" vote with respect to the compensation of our executives and our directors, generally to prohibit the making of severance, advance, sale premium and similar payments to our executives or directors, to require the declassification of the Board of Directors and to require our articles of association to specify various compensation-related matters. While the referendum is effective immediately, we think it is unlikely that legislation or ordinances implementing most aspects of the referendum will be effective until at least March 2014. We are currently evaluating the impact of the referendum.

Director Attendance at Annual General Meeting. We expect all of our directors to attend our annual general meeting of shareholders. At the 2012 annual general meeting, all directors then serving on our Board were in attendance.

Board Meetings and Committees

During 2012, the Board of Directors of Transocean Ltd. held six meetings. The Board and the committees of the Board met at least once a quarter and the quarterly meetings generally occurred over a period of two to three days. Each of our directors attended at least 75% of the meetings during the year, including meetings of committees on which the director served.

The Board has standing Executive Compensation, Finance, Corporate Governance, Audit and Health Safety and Environment Committees. As noted, the charters for these committees may be found on our website at *www.deepwater.com* under "Investor Relations—Corporate Governance." In addition, the Board may from time to time form special committees to consider particular matters that arise.

Executive Compensation Committee. The purpose of the Executive Compensation Committee is to assist the Board in (1) developing an appropriate compensation program for executives and other senior officers and (2) complying with the Board's legal and regulatory requirements as to executive and senior officer compensation in order to facilitate the Company's ability to attract, retain and motivate qualified executives in a system that aligns executive compensation with the Company's business performance. The authority and responsibilities of the Executive Compensation Committee include, among others, the following:

- annually review and approve the compensation paid to our executive officers and other officers at or above the Senior Vice President level;
- select appropriate peer groups and market reference points against which the Company's executive compensation is compared;
- annually establish focus areas for our CEO, annually review the CEO's performance in light of the focus areas and set the CEO's compensation based on this evaluation, together with competitive data;
- administer our Long-Term Incentive Plan, Performance Award and Cash Bonus Plan, Deferred Compensation Plan, and any other executive compensation plans or arrangements providing for benefits to our executive officers in accordance with our goals and objectives established by the Board, the terms of the plans, and any applicable rules and regulations;
- consider and make recommendations to the Board, with guidance from an outside compensation consultant, concerning the existing executive compensation plans and programs and the adoption of new plans and programs;
- consider, with guidance from an outside compensation consultant, and approve the terms of any contractual agreements and other similar arrangements that may be entered into with our officers; provided, however, that the Executive Compensation Committee shall not recommend and the Board shall not authorize "single-trigger" change of control agreements for any of our officers;
- assess the risks, with the assistance of external resources as the Executive Compensation Committee deems appropriate, of the Company's compensation arrangements applicable to the Company's executive officers and other employees; and

- retain and approve the fees of independent legal, accounting or other advisors, including any compensation consultant, used to assist it in the evaluation of executive officer and director compensation.

See "Compensation Discussion and Analysis" for a discussion of additional responsibilities of the Executive Compensation Committee.

In addition to the responsibilities set forth above, the Executive Compensation Committee also assesses the risks arising from the Company's compensation policies and practices. In 2011, the Executive Compensation Committee engaged a compensation consultant, Pay Governance, to assist in this risk assessment and through 2012 continued to work with Pay Governance as its independent compensation consultant.

In order not to impair the independence of the Committee's compensation consultant or to create the appearance of such an impairment, in February 2009 the Committee adopted a policy that any compensation consultant to the Committee may not provide other services to the Company in excess of $100,000. Neither Pay Governance nor any of its affiliates provided the Company with any other services in 2012 other than the services described above provided to the Corporate Governance Committee with respect to director compensation. In February 2013, the Compensation Committee assessed whether the work of Pay Governance for the Compensation Committee during 2012 raised any conflict of interest, including a review of a number of independence factors, which included the factors set forth under Rule 10C-1 of the Securities Exchange Act, and the Committee concluded that no conflict of interest was raised that would prevent Pay Governance from independently representing the Committee.

The Executive Compensation Committee may delegate specific responsibilities to one or more individual committee members to the extent permitted by law, NYSE listing standards and the Executive Compensation Committee's governing documents. The Executive Compensation Committee may delegate all or a portion of its powers and responsibilities with respect to the compensation plans and programs described above and in our "Compensation Discussion and Analysis" to one or more of our management committees; provided that the Executive Compensation Committee retains all power and responsibility with respect to awards granted to our executive officers. The Chief Executive Officer has been delegated authority to award restricted shares, restricted units and deferred units under the Company's Long-Term Incentive Plan to recently hired employees of the Company, excluding executive officers and other officers at or above the Senior Vice President level, not to exceed an aggregate of 100,000 restricted shares, restricted units or deferred units per calendar year. The Executive Compensation Committee has delegated to a subcommittee composed of its chairman and at least one additional committee member the authority to approve interim compensation actions resulting from promotions, competitive realignment, or the hiring of new executive officers (excluding the Chief Executive Officer), including but not limited to establishing annual base salary, annual bonus targets, long-term bonus targets and the grant of equity awards. The Executive Compensation Committee has also delegated authority to the Chief Executive Officer to approve "convenience of the company" treatment of Long-Term Incentive Plan awards to participants other than executive officers and directors. The Executive Compensation Committee is notified of compensation actions made by the Chief Executive Officer or the subcommittee at the meeting following the end of each calendar quarter in which such actions are taken.

The current members of the Executive Compensation Committee are Mr. Muller, Chairman, and Messrs. McNamara, Sprague and Tan. The Executive Compensation Committee met eight times during 2012.

Finance Committee. The Finance Committee approves our long-term financial policies, insurance programs and investment policies. It also makes recommendations to the Board concerning the Company's dividend policy, securities repurchase actions, the issuance and terms of debt and equity securities and the establishment of bank lines of credit. In addition, the Finance Committee approves the creation, termination and amendment of certain of our employee benefit programs and periodically reviews the status of these programs and the performance of the managers of the funded programs. The current members of the Finance Committee are Mr. Strachan, Chairman, and Messrs. Barker, Cason and Lucas and Ms. Chang. Mr. Barker and Ms. Chang began to serve on the Finance Committee in May 2012. The Finance Committee met four times during 2012.

Corporate Governance Committee. The Corporate Governance Committee makes recommendations to the Board with respect to the selection and compensation of the Board members, how the Board functions and how the Board should interact with shareholders and management. It reviews the qualifications of potential candidates for the Board of Directors, coordinates the self evaluation of the Board and committees and nominates to the Board candidates to be elected at the annual general meeting of shareholders. The current members of the Corporate Governance Committee are Mr. McNamara, Chairman, and Messrs. Muller, Bindra and Strachan. The Corporate Governance Committee met four times during 2012.

Health Safety and Environment Committee. The Health Safety and Environment Committee assists the Board in fulfilling its responsibilities to oversee the Company's management of risk in the areas of health, safety and the environment. The Health Safety and Environment Committee reviews and discusses with management the status of key environmental, health and safety issues. Additionally, the Committee regularly evaluates Company policies, practices and performance related to health, safety and environmental issues and guides strategy decisions to promote company goals and compliance with applicable rules and regulations. Beginning in 2013, the Health Safety and Environment Committee assumed additional responsibility to oversee the Company's implementation of certain requirements of the Consent Decree by and among the U.S. Department of Justice and certain of the Company's affiliates. The Committee has required the Company to provide and will review regular reports regarding compliance with all aspects of the Consent Decree. The current members of the Health Safety and Environment Committee are Mr. Sprague, Chairman,and Messrs. Bindra, Deaton and Tan. Messrs. Bindra and Deaton began service on the Health Safety and Environment Committee in May 2012. The Health Safety and Environment Committee met four times during 2012.

Audit Committee. The Audit Committee is responsible for recommending the retention and termination of our independent registered public accountants and our auditor pursuant to the Swiss Code of Obligations to the Board of Directors and to our shareholders for their approval at a general meeting of shareholders. The Audit Committee is directly responsible for the compensation and oversight of our independent registered public accountants and our auditor pursuant to the Swiss Code of Obligations. The Audit Committee also monitors the integrity of our financial statements and the independence and performance of our auditors and reviews our financial reporting processes. The Audit Committee reviews and reports to the Board the scope and results of audits by our independent registered public accounting firm, our auditor pursuant to the Swiss Code of Obligations and our internal auditing staff and reviews the audit and other professional services rendered by the accounting firm. It also reviews with the accounting firm the adequacy of our system of internal controls. It reviews transactions between us and our directors and officers for disclosure in the proxy statement, our policies regarding those transactions and compliance with our business ethics and conflict of interest policies.

The Audit Committee also assists the Board with oversight of the Company's risk management process. The Company's executive risk management committee conducts an annual Company-wide risk assessment and communicates the results to the Audit Committee. The executive risk management committee also updates the Audit Committee regarding risks as circumstances warrant. For more information, see "Corporate Governance—Risk Management" above.

The Board requires that all members of the Audit Committee meet the financial literacy standard required under the NYSE rules and that at least one member qualifies as having accounting or related financial management expertise under the NYSE rules. In addition, the SEC has adopted rules requiring that we disclose whether or not our Audit Committee has an "audit committee financial expert" as a member. An "audit committee financial expert" is defined as a person who, based on his or her experience, possesses all of the following attributes:

- an understanding of generally accepted accounting principles and financial statements;

- an ability to assess the general application of such principles in connection with the accounting for estimates, accruals, and reserves;
- experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and level of complexity of issues that can reasonably be expected to be raised by our financial statements, or experience actively supervising one or more persons engaged in such activities;
- an understanding of internal controls and procedures for financial reporting; and
- an understanding of audit committee functions.

The person must have acquired such attributes through one or more of the following:

- education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
- experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
- experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
- other relevant experience.

The current members of the Audit Committee are Mr. Lucas, Chairman, Ms. Chang and Messrs. Barker, Cason and Deaton. Ms. Chang and Messrs. Barker and Deaton began to serve on the Audit Committee in May 2012 and Mr. Strachan served on the Audit Committee until May 2012. The Audit Committee met eight times during 2012. The Board has reviewed the criteria set by the SEC and determined that each of the current members of the Audit Committee is "financially literate" and Mr. Cason qualifies as an "audit committee financial expert." In addition, the Board has determined that Mr. Cason qualifies under NYSE rules as having accounting or related financial management expertise. Mr. Cason is an accountant by education, was an audit manager in an accounting firm and served as the Chief Financial Officer of Baker Hughes Incorporated, a public company.

Finally, NYSE rules restrict directors that have relationships with the Company that may interfere with the exercise of their independence from management and the Company from serving on the Audit Committee. We believe that the members of the Audit Committee have no such relationships and are therefore independent for purposes of NYSE rules.

Directors who are employees of the Company do not receive compensation for Board service. At present, all of the directors except for Mr. Newman, the Company's Chief Executive Officer, are non-employees and receive compensation for Board service.

We use a combination of cash and equity incentive compensation to attract and retain qualified candidates to serve on our Board. Our Corporate Governance Guidelines provide that the Board believes that any compensation method should be weighted more toward compensation in the form of equity in order to more closely align director compensation with shareholders' interests.

The Corporate Governance Committee annually reviews the compensation paid to non-executive directors and makes a recommendation to the Board regarding its determinations. When making its recommendations to the Board, the Corporate Governance Committee can exercise its discretion as to the level and mix of compensation paid to the directors. In February 2012, based upon its review of director compensation and the advice of our compensation consultant, the Corporate Governance Committee, in exercising its discretion, concluded that the total compensation received by non-executive directors was within a competitive range relative to members of the Company's peer group generally used for the consideration of executive compensation and that the mix of cash and equity incentive compensation was appropriate and in line with current market competitive practice and recommended no change. Based on this recommendation, the Board left the compensation levels unchanged from those paid in 2011.

Currently, non-employee director compensation includes the following fixed components:

Annual Retainer	$ 90,000
Additional Annual Retainer for Committee Chairmen	
Audit Committee	$ 35,000
Executive Compensation Committee	$ 20,000
Corporate Governance Committee, Finance Committee and Health Safety and Environment Committee	$ 10,000
Board Meeting Attendance Fee	$ 2,500(1)
Committee Meeting Attendance Fee	$ 2,500(2)
Grant of Deferred Units	$260,000(3)

(1) The board meeting attendance fee is only paid for those meetings that were attended in excess of the four regularly scheduled board meetings.

(2) The committee meeting attendance fee is only paid for those meetings that were attended in excess of the first four committee meetings.

(3) Deferred units are granted to each non-employee director annually immediately following the Board meeting held in connection with our annual general meeting of shareholders. On the date of grant, the deferred units have an aggregate value equal to $260,000 based upon the average of the high and low sales prices of our shares for each of the 10 trading days immediately prior to the date of grant. The terms of the deferred units include vesting in equal installments over three years, on the first, second and third anniversaries of the date of grant subject to continued service through each vesting date. Vesting of the deferred units is not subject to any performance measures.

In 2012, Mr. Talbert served the Company as its non-executive Chairman of the Board, in which capacity he received a $265,000 annual retainer, paid quarterly, in lieu of the annual retainer the other non-employee directors receive. All retainers are paid on a quarterly basis and are only paid for quarters in which the director actually served.

In addition, we pay or reimburse our directors' travel and incidental expenses incurred for attending Board, committee and shareholder meetings and for other Company business-related purposes.

2012 Director Compensation

In 2012, each non-employee member of the Board received the compensation described above.

At our Board meeting held immediately after the 2012 annual general meeting of our shareholders, the Board granted 5,742 deferred units to each non-employee director in aggregate value equal to $260,000 based upon the average of the high and low sales prices of our shares for the 10 trading days immediately prior to the date of our Board meeting (calculated at $45.28 per share). The terms of the deferred units included vesting in equal installments over three years, on the first, second and third anniversaries of the date of grant subject to continued service through each vesting date, and a requirement that each non-employee director acquire and retain a number of our shares and/or deferred units at least equal in value to an amount five times the annual director retainer. Each non-employee director's vested deferred units generally are not settled until the termination of the non-employee director's service with the Company.

The following summarizes the compensation of our non-employee directors for 2012.

Name	Fees Earned or Paid in Cash ($)	Stock Awards(1)(2) ($)	All Other Compensation(3)	Total ($)
J. Michael Talbert	270,000	243,461	12,856	526,317
Glyn Barker	63,379	243,461	—	306,840
Jagjeet S. Bindra	95,000	243,461	2,977	341,438
Thomas W. Cason	122,500	243,461	10,062	376,023
Vanessa C. L. Chang	60,879	243,461	—	304,340
Chad Deaton	63,379	243,461	—	306,840
Steve Lucas	126,635	243,461	2,977	373,073
Martin B. McNamara	115,000	243,461	14,117	372,578
Edward R. Muller	125,000	243,461	10,062	378,523
Robert M. Sprague	115,000	243,461	14,117	372,578
Ian C. Strachan	110,000	243,461	14,117	367,578
Tan Ek Kia	102,500	243,461	2,977	348,938

(1) This represents the aggregate grant date fair value under accounting standards for recognition of share-based compensation expense for deferred units granted to our directors in 2012, computed in accordance with FASB ASC Topic 718. For a discussion of the valuation assumptions with respect to these awards, please see Note 18 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

(2) The aggregate number of vested and unvested deferred units, stock appreciation rights and outstanding option awards at December 31, 2012 for each non-employee director was as follows: Mr. Barker, 5,742 unvested deferred units; Mr. Bindra, 1,256 vested and 8,254 unvested deferred units; Mr. Cason, options to purchase 12,734 shares, 7,640 SARs and 8,990 vested and 9,489 unvested deferred units; Ms. Chang, 5,742 unvested deferred units; Mr. Deaton, 5,742 unvested deferred units; Mr. Lucas, 1,256 vested and 8,254 unvested deferred units; Mr. McNamara, options to purchase 5,635 shares and 14,123 vested and 9,489 unvested deferred units; Mr. Muller, options to purchase 7,640 shares, 7,640 SARs and 8,990 vested and 9,489 unvested deferred units; Mr. Sprague, 14,123 vested and 9,489 unvested deferred units; Mr. Strachan, options to purchase 5,635 shares and 14,123 vested and 9,489 unvested deferred units; Mr. Talbert, 12,527 vested and 9,489 unvested deferred units; and Mr. Tan, 1,256 vested and 8,254 unvested deferred units.

(3) Represents dividend equivalents paid during 2012 on all vested and unvested deferred units.

AUDIT COMMITTEE REPORT

The Audit Committee has reviewed and discussed the audited financial statements of the Company for the year ended December 31, 2012 with management, our internal auditors and Ernst & Young LLP. In addition, the Audit Committee has discussed with Ernst & Young LLP, the independent registered public accounting firm for the Company, the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Sarbanes-Oxley Act of 2002 requires certifications by the Company's chief executive officer and chief financial officer in certain of the Company's filings with the Securities and Exchange Commission (SEC). The Audit Committee discussed the review of the Company's reporting and internal controls undertaken in connection with these certifications with the Company's management and independent registered public accounting firm. The Audit Committee also reviewed and discussed with the Company's management and independent registered public accounting firm management's report and Ernst & Young LLP's report on internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. The Audit Committee has further periodically reviewed such other matters as it deemed appropriate, including other provisions of the Sarbanes-Oxley Act of 2002 and rules adopted or proposed to be adopted by the SEC and the NYSE.

The Audit Committee also has received the written disclosures and the letter from Ernst & Young LLP regarding the auditor's independence pursuant to the applicable requirements of the Public Company Accounting Oversight Board Ethics and Independence Rule 3526, and it has reviewed, evaluated and discussed the written disclosures with that firm and its independence from the Company. The Audit Committee also has discussed with management of the Company and the independent registered public accounting firm such other matters and received such assurances from them as it deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the Audit Committee recommended to the Company's Board of Directors the inclusion of the Company's audited financial statements for the year ended December 31, 2012 in the Company's Annual Report on Form 10-K for such year filed with the SEC.

Members of the Audit Committee:

Steve Lucas, Chairman
Glyn Barker
Thomas W. Cason
Vanessa C.L. Chang
Chad C. Deaton

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Listed below are the only persons who, to the knowledge of the Company, may be deemed to be beneficial owners, as of March 20, 2013, of more than 5% of the Company's shares.

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percent of Class(1)
Icahn Capital LP White Plains Plaza 445 Hamilton Avenue, Suite 1210 White Plains, New York 10601	20,154,035(2)	5.43%
The Capital Group Companies, Inc. 333 South Hope Street Los Angeles, CA 90071	19,705,570(3)	5.31%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	18,056,099(4)	4.87%

(1) The percentage indicated is based on the 370,967,382 outstanding shares at March 20, 2013.

(2) The number of shares is based on the Schedule 13D/A filed with the SEC on January 30, 2013 by Icahn Capital L.P. with respect to itself, Carl C. Icahn and certain other affiliated entities of Carl C. Icahn. According to the filing, (i) High River Limited Partnership, a Delaware limited partnership, has sole voting power and sole dispositive power with regard to 4,030,806 shares; (ii) Hopper Investments LLC, a Delaware limited liability company, has shared voting power and shared dispositive power with regard to 4,030,806 shares; (iii) Barberry Corp., a Delaware corporation, has shared voting power and shared dispositive power with regard to 4,030,806 shares; (iv) Icahn Partners Master Fund LP, a Delaware limited partnership, has sole voting power and sole dispositive power with regard to 6,345,073 shares; (v) Icahn Partners Master Fund II LP, a Delaware limited partnership, has sole voting power and sole dispositive power with regard to 2,537,073 shares; (vi) Icahn Partners Master Fund III LP, a Delaware limited partnership, has sole voting power and sole dispositive power with regard to 1,117,192 shares; (vii) Icahn Offshore LP, a Delaware limited partnership, has shared voting power and shared dispositive power with regard to 9,999,338; (viii) Icahn Partners LP, a Delaware limited partnership, has sole voting power and sole dispositive power with regard to 6,123,891 shares; (ix) Icahn Onshore LP, a Delaware limited partnership, has shared voting power and shared dispositive power with regard to 6,123,891 shares; (x) Icahn Capital LP, a Delaware limited partnership, has shared voting power and shared dispositive power with regard to 16,123,229 shares; (xi) IPH GP LLC, a Delaware limited liability company, has shared voting power and shared dispositive power with regard to 16,123,229 shares; (xii) Icahn Enterprises Holdings L.P., a Delaware limited partnership, has shared voting power and shared dispositive power with regard to 16,123,229 shares; (xiii) Icahn Enterprises G.P. Inc., a Delaware corporation, has shared voting power and shared dispositive power with regard to 16,123,229 shares; (xiv) Beckton Corp., a Delaware corporation, has shared voting power and shared dispositive power with regard to 16,123,229 shares; and (xv) Carl C. Icahn has shared voting power and shared dispositive power with regard to 20,154,035 shares. Carl C. Icahn, by virtue of his relationship to the other reporting persons, is deemed to beneficially own the shares which the other reporting persons directly beneficially own. According to the Schedule 13D, each of the reporting persons may have shared voting and/or dispositive power over all or some of such shares.

(3) The number of shares held by The Capital Group Companies, Inc. is based on a statement of significant shareholdings filed with the SIX Swiss Exchange on February 20, 2013. According to the filing, The Capital Group Companies, Inc., along with funds managed by Capital Research and Management Company and clients' portfolios managed by Capital Guardian Trust Company, Capital International Limited, Capital International Inc., Capital International Sàrl and Capital International K.K., have voting rights over 19,705,507 shares.

(4) The number of shares is based on the Schedule 13G filed with the SEC on January 30, 2013 by BlackRock, Inc.

SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The table below shows how many shares each of our directors and nominees, each of the Named Executive Officers included in the summary compensation section below and all directors and executive officers as a group beneficially owned as of March 20, 2013.

Name	Shares Owned(1)(2)	Shares Subject to Right to Acquire Beneficial Ownership(3)	Total Shares Beneficially Owned(2)(3)	Percent of Class(4)
Steven L. Newman(5)	59,738	264,394	324,132	*
Esa T. Ikaheimonen	—	—	—	*
Ihab M. Toma	20,340	42,934	63,274	*
John B. Stobart	—	—	—	*
David Tonnel	13,351	40,572	53,923	*
Glyn Barker	—	—	—	*
Jagjeet S. Bindra	—	2,512	2,512	*
Thomas W. Cason(6)	10,039	19,121	29,160	*
Vanessa C.L. Chang	200	—	200	*
Chad Deaton(7)	1,000	—	1,000	*
Steve Lucas	—	2,512	2,512	*
Martin B. McNamara	21,195	34,047	55,242	*
Edward R. Muller(8)	6,553	17,211	23,764	*
Robert M. Sprague	1,049	16,614	17,663	*
Ian C. Strachan	5,923	22,249	28,172	*
J. Michael Talbert(9)	3,431	15,018	18,449	*
Tan Ek Kia	—	2,512	2,512	*
Gregory L. Cauthen	—	6,593	6,593	*
Nick Deeming	2,574	4,365	6,939	*
Ricardo H. Rosa(10)	16,181	60,559	76,740	*
All of directors and executive officers as a group (17 persons)	161,574	551,213	712,787	*

* Less than 1%.

(1) The business address of each director and executive officer is c/o Transocean Management Ltd., 10 Chemin de Blandonnet, CH-1214, Vernier, Switzerland. None of the shares beneficially owned by our directors or executive officers are pledged as security.

(2) Includes shares held as follows: Employee Stock Purchase Plan—Mr. Rosa (474); Transocean Employee Savings Plan—Mr. Tonnel (987).

(3) Includes shares that may be acquired within 60 days from March 20, 2013 through the exercise of options held by Messrs. Cauthen (6,593), Deeming (4,365), Newman (264,394), Toma (42,934), Tonnel (40,572), Cason (7,640), McNamara (5,635), Muller (5,730), Strachan (5,635), and all directors and executive officers as a group (444,057). Also includes (a) rights to acquire shares under our deferred compensation plan held by Mr. McNamara (11,798) and all directors and executive officers as a group (11,798); (b) vested deferred units held by Messrs. Bindra (2,512), Cason (11,481), Lucas (2,512), McNamara (16,614), Muller (11,481), Sprague (16,614), Strachan (16,614), Talbert (15,018), and all directors and executive officers as a group (95,358), over which such individuals have sole voting power but no dispositive power. Does not include out-of-the-money SARs held by Messrs. Cason (7,640) and Muller (7,640), and all directors and executive officers as a group (15,280). The base prices of the SARs of $90.27 per share and $107.63 per share were above the closing price for our shares on the NYSE on February 27, 2013 of $52.64 per share.

(4) As of March 20, 2013, each listed individual and our directors and executive officers as a group beneficially owned less than 1.0% of the outstanding shares.

(5) Includes 2,672 shares held in a joint account with his wife.

(6) Includes 2,950 shares held in a joint account with his wife.

(7) Includes 1,000 shares held in a joint account with his wife.

(8) Includes 6,389 shares held in a family trust with Mr. Muller and his wife serving as trustees.

(9) Includes 1,629 shares held in joint accounts with his wife.

(10) Includes 175 shares held in a joint account with his wife.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This Compensation Discussion and Analysis provides information regarding the 2012 compensation program for each individual who served as our principal executive officer or principal financial officer during 2012, the three executive officers (other than the principal executive officer and the principal financial officer) at year-end who were the most highly compensated executives of the Company and two former executive officers whose compensation during 2012 would have placed them among the three most highly compensated executives (other than the principal executive officer and principal financial officer) had they been executive officers as of December 31, 2012. For 2012, these individuals were:

- Steven L. Newman, our President and Chief Executive Officer;
- Esa T. Ikaheimonen, our Executive Vice President and Chief Financial Officer;
- Ihab M. Toma, our Executive Vice President, Chief of Staff;
- John B. Stobart, our Executive Vice President and Chief Operating Officer;
- David Tonnel, our Senior Vice President, Finance and Controller;
- Ricardo H. Rosa, our former Executive Vice President and Chief Financial Officer;
- Gregory L. Cauthen, our former interim Executive Vice President and Chief Financial Officer; and
- Nick Deeming, our former Senior Vice President, General Counsel and Assistant Corporate Secretary.

These executive officers represent our Named Executive Officers for 2012. For purposes of this Compensation Discussion and Analysis, the term "executive officer" is as defined by Rule 3b-7 of the Securities Exchange Act of 1934.

This Compensation Discussion and Analysis describes the material elements of our executive compensation program during 2012. It also provides an overview of our executive compensation philosophy, including our principal compensation policies and practices. Finally, it analyzes how and why the Executive Compensation Committee of our Board of Directors arrived at the specific compensation decisions for the Named Executive Officers with respect to 2012 and discusses the key factors that the Executive Compensation Committee considered in determining officer compensation.

Executive Summary

2012 Business Overview

Transocean is a leading international provider of offshore contract drilling services for oil and gas wells. The company specializes in technically demanding sectors of the global offshore drilling business with a particular focus on deepwater and harsh environment drilling services, and believes that it operates one of the most versatile offshore drilling fleets in the world. As of March 14, 2013, Transocean owns or has partial ownership interests in, and operates a fleet of, 82 mobile offshore drilling units consisting of 48 high-specification floaters (ultra-deepwater, deepwater and harsh-environment drilling rigs), 25 midwater floaters and nine high-specification jackups. In addition, we have six ultra-deepwater drillships and three high-specification jackups under construction.

In 2012, we continued to work towards achieving our vision of being universally recognized for innovation and excellence in unlocking the world's offshore resources, and demonstrated progress in each of our three focus areas:

- *Customers*—By working closely with our customers to find innovative solutions to their challenges and provide drilling equipment to support their exploration and development programs, we secured $16.8 billion in backlog in 2012. The 2012 backlog includes an unprecedented agreement with a key long-term customer to build four state-of-the-art, high-specification, ultra-deepwater drillships with industry-leading capabilities and operate each for an initial contract period of 10 years.

- *Execution*—As a result of the ongoing implementation of initiatives to address the performance of our rigs in the field and our efficiency in shipyards, we successfully demonstrated a significant improvement in revenue efficiency, particularly in the latter half of 2012, improved predictability and achieved an overall reduction in project-related out-of-service time. Overall fleet revenue efficiency was 93.0% in 2012 compared with 90.5% in 2011 and revenue efficiency of our ultra-deepwater fleet was 93.2% in 2012 compared with 87.9% in 2011. Fleet utilization was 78% in 2012 versus 69% in 2011, a 9% improvement.
- *People*—We continued to invest in the development of our people to maintain our position as an industry leader in safety and technical training to ensure that we have the skilled workforce and leadership required to serve our customers' needs now and in the future.

Additionally, in 2012 we made considerable progress in the execution of our asset strategy. Our objective is to improve our long-term competitiveness by increasing our emphasis on high specification floaters and jackups and reducing our exposure to low-specification non-core assets and related activities. In this regard, we:

- Announced contracts comprising $7.6 billion in backlog to build four, dynamically positioned ultra-deepwater drillships with advanced operating capabilities;
- Completed the sale of 37 standard jackups and one swamp barge to Shelf Drilling Holdings, Ltd. and we are committed to a plan to sell the remaining seven standard jackups in our fleet, to complete our exit from operations of the standard jackup and swamp barge asset groups;
- Divested nine non-core assets, including seven standard jackups and two non-core floaters; and
- Discontinued drilling management services in the shallow waters of the U.S. Gulf of Mexico.

Although our overall operating performance improved materially in 2012, it still remains below our expectations. Our safety performance, in particular, did not meet our goals and expectations. Our revenues from continuing operations in 2012 increased relative to 2011, reflecting gains in revenue efficiency, a reduction in out-of-service days (particularly with respect to our high specification floater fleet), higher dayrates and the full-year operations of two high-specification floaters acquired in the 2011 Aker Drilling acquisition. After excluding the losses associated with Macondo well contingencies, the improvement in operating revenues were partially offset by increased costs associated with rigs undergoing shipyard, maintenance and repair projects, along with industry-wide inflationary trends, and the full-year operational costs associated with the Aker Drilling floaters.

Executive Compensation Overview

We compensate our Named Executive Officers based upon their ability to achieve annual operational objectives that further our long-term business objectives and create sustainable shareholder value in a cost-effective manner. Accordingly, our 2012 compensation decisions and actions were based on our Named Executive Officers' performance in these areas. For 2012, the Executive Compensation Committee took the following actions with respect to the compensation of our Named Executive Officers:

- approved base salary increases averaging 3.3% per individual in order to narrow the gap between our stated market target and the Named Executive Officers' actual salaries. The salary adjustments were intended to improve alignment with our compensation philosophy of paying salaries in line with the median of the market; following these adjustments, the base salaries of our Named Executive Officers were an average of 1% above the market median;
- evaluated our performance as measured under the Performance Award and Cash Bonus Plan and approved cash performance awards for 2012 calculated at 107.9% of the target bonus opportunity for each individual who remained an executive officer at the time of the determination. The

approved awards reflected our out-performance of certain financial targets and other key operational and strategic corporate objectives in 2012 while recognizing that safety performance in 2012 fell short of targeted levels; and

- approved long-term incentive awards in the form of stock options, time-vested deferred units and performance-contingent deferred units with target values ranging from $1,200,000 to $6,900,000. These incentive awards are designed to align the long-term interests of our Named Executive Officers and shareholders, promote value creation for our shareholders, encourage retention and continuity in a highly competitive talent market, and reward individual performance during the plan year.

In assessing the reasonableness of the total direct compensation of the Named Executive Officers, particularly the compensation of our Chief Executive Officer, the Executive Compensation Committee considered that the mix of compensation continues to provide a direct link to creating sustainable long-term shareholder value, achieving our vision and business strategy, and advancing the core principles of our compensation philosophy and objectives.

Significant Corporate Governance Policies and Actions

We endeavor to maintain good governance standards in our executive compensation policies and practices. Effective January 1, 2013, we adopted an Incentive Compensation Recoupment Policy. See "Incentive Compensation Recoupment Policy" below for more information. In furtherance of our pay-for-performance philosophy, the Executive Compensation Committee has modified the Cash Flow Value Added (CFVA) measure applicable to our Performance Award and Cash Bonus Plan for 2013 to provide improved alignment between expected payouts under the Performance Award and Cash Bonus Plan and returns for our shareholders. In addition, the following policies and practices were in effect in 2012:

- The Executive Compensation Committee consists solely of independent directors whose independence is evaluated on an annual basis.
- An independent compensation consultant is retained directly by the Executive Compensation Committee and performs no other services for the Company.
- The Executive Compensation Committee conducts an annual review of our compensation strategy, including a review of our compensation-related risk profile.
- Our compensation philosophy and related governance features are complemented by several specific elements that are designed to align our executive compensation program with long-term shareholder interests, including:
  - Stock ownership requirements for executive officers and confirmation from each executive officer that each was in compliance with his or her required stock ownership level during 2012 and has not pledged any of our shares;
  - A policy that prohibits any of our executive officers from hedging, pledging or holding derivative instruments tied to the our shares, other than derivative instruments that may be issued by us;
  - Dividend equivalent payments on performance-contingent deferred units that are only payable to the degree that any associated shares are earned based on actual company performance—and forfeiture of dividend equivalent payments if the shares go unearned;
  - No excessive perquisites;
  - No pre-arranged individual severance agreements or special change-in-control compensation agreements with any executive officer; however, our executive officers are eligible for severance under the executive severance plan, which is described below under "Severance and Change-of-Control Arrangements";

- No single-trigger change-in-control agreements; and
- No multi-year employment contracts or multi-year guarantees for salary increases, non-performance based bonuses, or equity compensation with any executive officer.

- The Company provides its shareholders with an annual advisory vote to approve the compensation of the Company's Named Executive Officers, as disclosed in this Compensation Discussion and Analysis, the accompanying compensation tables and the related narrative disclosure in this proxy statement.

Incentive Compensation Recoupment Policy

In the spirit of continuous improvement and in response to shareholder feedback regarding the absence of clawback provisions to recover incentive-based compensation from executive officers in the event we are required to restate our financial results due to material noncompliance with any financial reporting requirement, the Executive Compensation Committee approved the adoption of an Incentive Compensation Recoupment Policy effective January 1, 2013. The policy allows the Company to recover or adjust incentive compensation to the extent the Executive Compensation Committee determines that payments or awards have exceeded the amount that would otherwise have been received due to a restatement of our financial statements or if the Executive Compensation Committee determines that an executive has engaged in, or has knowledge of, and fails to prevent or disclose, fraud or intentional misconduct pertaining to any financial reporting requirements.

Executive Compensation Program—Guiding Principles and Objectives

The goal of our executive compensation program is to attract, motivate and retain leaders from the global executive talent market within and outside of our highly competitive industry. In designing and administering our executive compensation program, we are guided by two overarching objectives:

We strive to align the interests of our executive officers with those of our shareholders by basing the compensation of our executive officers on performance.

We believe that the total compensation offered to each of our executive officers should be substantially linked to our organizational performance. By focusing our executive officers on appropriate measures of success, we seek to align their interests with the interests of our shareholders. Barring any unusual transactions, both the annual incentive compensation and the equity compensation that each of our executive officers ultimately receives each year are structured to be directly related to our short-term and long-term results.

We strive to design programs and set the compensation of our executive officers at competitive levels while also considering internal pay equity and other factors unique to the Company.

We believe that our executive compensation program must be continuously monitored to ensure that we provide the opportunity for each of our executive officers to receive competitive compensation. The Executive Compensation Committee annually reviews the total compensation and each component of compensation that may be paid or awarded to each of our executive officers and compares the total compensation and each component of compensation:

- externally against the amounts paid to executive officers holding comparable positions at companies with which we compete for executive talent; and
- internally for purposes of ensuring internal equity.

We seek to maintain an overall compensation mix and compensation levels that are sufficiently competitive to attract, motivate and retain superior executive talent in the geographic locations necessary to support our global operations. We regularly assess our compensation programs to ensure they are appropriate within our industry sector and among companies in other industries that are of comparable size, international scope and organizational complexity. We also seek to provide a direct link to enhancing shareholder value and achieving our vision and business strategy.

Executive Compensation Program—Compensation-Setting Process

The Executive Compensation Committee, the compensation consultant engaged by the Executive Compensation Committee, other outside advisors, and members of our management are involved in designing and administering our executive compensation program. The Executive Compensation Committee also considers the results of the annual advisory vote of shareholders to approve named executive officer compensation. For more information, see "Shareholder Say-on-Pay" below.

Role of the Executive Compensation Committee

The Executive Compensation Committee is responsible for overseeing our executive compensation and long-term incentive programs. Specifically, the Executive Compensation Committee is responsible for:

- reviewing and approving the target and actual compensation paid to and the benefit levels received by our executive officers and other officers at or above the Senior Vice President level;
- annually establishing focus areas for our Chief Executive Officer, annually evaluating all aspects of our Chief Executive Officer's performance in light of these focus areas (with the participation of all non-executive members of our Board of Directors), and setting our Chief Executive Officer's compensation based on this evaluation and after reviewing data concerning compensation practices in the competitive market;
- establishing and approving our executive compensation plans and arrangements to provide benefits to our executive officers and other officers at or above the Senior Vice President level in accordance with the goals and objectives of the Company as established by the Board;
- administering the Company's Long-Term Incentive Plan, including determining plan eligibility and approving individual awards for all plan participants;
- considering and approving executive employment and severance agreements or other contractual agreements that may be entered into with our executive officers (which shall not include "single-trigger" change-in-control agreements);
- reviewing and discussing this Compensation Discussion and Analysis with our management and, based upon such review and discussion, recommending to our Board of Directors that the Compensation Discussion and Analysis be included in the proxy statement for our annual general meeting of shareholders; and
- assessing the risks associated with the Company's compensation arrangements.

The Executive Compensation Committee may delegate any of its powers or responsibilities to a subcommittee or subcommittees composed of one or more members of the Executive Compensation Committee provided that the decisions of such subcommittee are presented to the full Executive Compensation Committee at its next regularly scheduled meeting. Our Chief Executive Officer has been delegated authority to award restricted shares, restricted units and deferred units under the Company's Long-Term Incentive Plan to recently hired employees, excluding our executive officers and other officers at or above the Senior Vice President level, not to exceed an aggregate of 100,000 shares per calendar year. The Executive Compensation Committee has delegated to a subcommittee composed of its chairman and an additional committee member the authority to approve interim compensation actions resulting from promotions, competitive realignment or the hiring of new executive officers (excluding the Chief Executive Officer) between meetings of the Executive Compensation Committee, including, but not limited to, establishing annual base salaries, annual bonus targets, long-term incentive plan targets, and equity award grants. The Executive Compensation Committee is notified of any such compensation actions taken by our Chief Executive Officer or this subcommittee at the meeting following the end of the calendar quarter in which such actions are taken. The Executive Compensation Committee meets outside the presence of all of our executive officers to consider appropriate compensation for our Chief Executive Officer. For the other Named Executive Officers, the Executive Compensation Committee meets outside the presence of all senior management except our Chief Executive Officer and Vice President, Human Resources.

The Executive Compensation Committee is composed solely of Board members who (a) are not employees of the Company, (b) meet the independence requirements of the New York Stock Exchange, and (c) meet the qualifications of outside directors under Section 162(m) of the U.S. Internal Revenue Code. The Executive Compensation Committee currently consists of four directors: Edward R. Muller (Chairman), Martin B. McNamara, Robert M. Sprague and Tan Ek Kia.

The Compensation Consultant

To assist it in discharging its responsibilities, the Executive Compensation Committee engaged an executive compensation consulting firm, Pay Governance LLC, which advised the Executive Compensation Committee on executive compensation matters for 2012.

In order not to impair the independence of the Executive Compensation Committee's compensation consultant or to create the appearance of such an impairment, in February 2009 the Executive Compensation Committee adopted a policy that any compensation consultant to the Executive Compensation Committee may not provide other services to the Company in excess of $100,000. Neither Pay Governance nor any of its affiliates provided the Company with any other services in 2012 other than the services described above provided to the Corporate Governance Committee with respect to director compensation. In February 2013, the Committee assessed whether the work of Pay Governance for the Committee during 2012 raised any conflict of interest, including by conducting a review of a number of independence factors, which included the factors set forth under Rule 10C-1 of the Securities Exchange Act, and the Committee concluded that no conflict of interest was raised that would prevent Pay Governance from independently representing the Committee.

In advising the Executive Compensation Committee, the compensation consultant reports to and acts at the direction of the Executive Compensation Committee. The Executive Compensation Committee directs the compensation consultant in the performance of its duties under its engagement to provide certain guidance on an ongoing basis, including:

- expertise on compensation strategy and program design;
- information relating to the selection of the Company's peer group (as described below);
- relevant market data and alternatives to consider when making compensation decisions;
- assistance in establishing and updating annual and long-term incentive guidelines;
- periodic reviews of the total executive compensation program; and
- support and advice as the Executive Compensation Committee conducts its analysis of and makes its decisions regarding executive compensation.

The Executive Compensation Committee does not adopt all recommendations given by the compensation consultant but uses the consultant's work as a reference in exercising its own judgment with respect to its own executive compensation actions and decisions.

The compensation consultant participates in every meeting of the Executive Compensation Committee and meets privately with the Executive Compensation Committee at the Executive Compensation Committee's request. Our management provides information to the consultant but does not direct or oversee its activities with respect to our executive compensation program.

Other Advisors

From time to time, management engages other advisors to assist it in providing advice to the Executive Compensation Committee regarding executive compensation matters. Such advisors have included, among others, an independent outside corporate law firm to provide advice regarding various legal issues, financial analysts to examine relevant performance metrics and an independent outside actuarial firm to evaluate benefits programs.

Shareholder Say-on-Pay

In approving the 2013 compensation of our Chief Executive Officer and the other Named Executive Officers who continue to serve with us, the Executive Compensation Committee reviewed the vote results for the shareholder say-on-pay proposal held at the 2012 annual general meeting of shareholders, where approximately 86% of the shares voted were voted in support of our executive compensation programs. As in prior years, the Committee carefully considered these results when reviewing the Company's executive compensation programs and practices. Based on the above review and considerations, the Committee concluded that, as a whole, the Company's existing executive compensation programs continue to be the most appropriate for the Company and effective in rewarding executives commensurate with business results.

The Company's compensation programs are designed to reward executives for achieving superior financial, safety and operational performance, each of which are important to the long-term success of the Company. In addition to the contingent deferred units, which vest only upon favorable total shareholder return of the Company relative to its performance peers, the value of the stock options and time-based deferred units ultimately realized by our executive officers, including our Chief Executive Officer, are also subject to the Company's share price performance. Our analysis and the analysis performed by our independent compensation consultant each indicate that there is strong alignment between actual realized compensation and total shareholder return. Accordingly, in light of its own analysis and that the Committee believes that the results of the shareholder vote affirms shareholder support for our executive compensation programs, no material changes were made to such programs as a result of such say-on-pay voting results.

The Executive Compensation Committee welcomes shareholder input on executive compensation matters and seeks to solicit and respond to feedback from our shareholders and shareholder advisory groups.

Role of Management

Our Chief Executive Officer annually reviews the competitive pay position and the performance of each member of senior management other than himself. Our Chief Executive Officer's conclusions and recommendations, including his conclusions and recommendations with respect to base salary adjustments and award amounts for the current year and target annual award amounts for the next year under our Performance Award and Cash Bonus Plan, are presented to the Executive Compensation Committee. The Executive Compensation Committee makes all compensation decisions and approves all share-based awards for the Named Executive Officers and other officers at or above the Senior Vice President level. The Executive Compensation Committee may exercise its discretion in modifying any compensation adjustment or awards to any executive officer, including reducing or increasing the payment amount for one or more components of such awards.

Officers and other employees in our human resources department assist our Chief Executive Officer with his recommendations and develop and present other recommendations regarding compensation to the Executive Compensation Committee as needed. Our Executive Vice President, Chief of Staff, our Vice President, Human Resources, our Director, Global Total Rewards and a member of our legal department regularly attend Executive Compensation Committee meetings. Our Chief Executive Officer and other officers participate on an as-needed basis. Our officers and other employees participate in Executive

Compensation Committee discussions in an informational and advisory capacity and have no authority in the Executive Compensation Committee's decision-making process.

Peer Group

We compete for executive talent across many different sectors around the world. Our primary competitive market generally includes other companies in the energy industry (oil and gas companies, offshore drilling companies and other energy services companies). In making compensation decisions for the Named Executive Officers, each element of their total direct compensation is compared against published compensation data.

Following the elimination of one previously identified offshore drilling company peer due to industry consolidation, and upon the advice of the compensation consultant, in 2012 we expanded the market references used to benchmark the market competitiveness of our compensation practices to include additional companies from the broader international energy industry. Specifically, in 2012, we re-evaluated which companies we consider our peers in order to evaluate our compensation practices against companies with which we are more closely aligned based on size, market capitalization, geographic reach and industry segment, resulting in a vastly different composition of our peer group from the prior year. This new group (the "Peer Group") is comprised of the following companies:

- Anadarko Petroleum Corporation
- Apache Corporation
- Baker Hughes Incorporated
- Cameron International Corporation
- Canadian Natural Resources Limited
- Chesapeake Energy Corporation
- Devon Energy Corporation
- Diamond Offshore Drilling Inc.
- Encana Corporation
- Ensco plc
- EOG Resources, Inc.
- FMC Technologies, Inc.
- Halliburton Company
- Hess Corporation
- Murphy Oil Corporation
- Nabors Industries Ltd.
- National Oilwell Varco, Inc.
- Noble Corporation
- Occidental Petroleum Corporation
- Schlumberger Limited
- Seacor Holdings Inc.
- SeaDrill Limited
- Southwestern Energy Co.
- Talisman Energy Inc.
- Weatherford International Ltd.

In addition, we consider the compensation practices of non-energy general industry peers of comparable size and international scope in setting executive compensation levels and general industry data is used as a secondary market reference. Non-energy general industry companies are expected to vary from year-to-year based on changes in the marketplace and the availability of published survey data for companies that meet the defined size, international scope and organizational structure criteria.

Competitive Positioning

Generally, we set the target compensation for our Named Executive Officers in the aggregate at the market median. For 2012, we determined the market median based on data from the Peer Group and market surveys analyzed by our compensation consultant.

Our approach to setting executive compensation, which is annually reviewed and updated by the Executive Compensation Committee, is as follows:

Element	Targeted Position	Comments
Base Salary	Market median.	Individual circumstances and internal equity can allow for certain positions to be above or below the median.
Annual Bonus	Market median; opportunity to earn total cash compensation competitive with market, with upside/downside based on performance against safety, financial and operating metrics.	Actual payout based on performance. Metrics include safety, financial and operational results that drive long-term value. Award potential ranges from 0% to 200% of target.
Total Cash Compensation	Market median.	Target performance is generally intended to result in median total cash compensation. Superior performance will result in 75th percentile or higher total cash compensation. Below target performance will result in below median total cash compensation.
Long-Term Incentives (options, performance-contingent deferred units and time-vested deferred units)	Market median.	Current practice is to award stock options, deferred units requiring continuous employment and fully contingent deferred units that vest based on total shareholder return compared to a group of companies we consider our performance peers. See "Long-Term Incentive Plan" for a description of this group. With respect to performance-contingent deferred units, at median performance relative to the performance peers, we provide vesting of the contingent deferred units at target. At upper quartile performance, the maximum contingent deferred unit awards equal to 175% of target vest, and at below bottom quartile performance, no awards vest.
Total Direct Compensation	Market median.	Ability to earn above or below market median based on performance.

Competitive market data for the Peer Group are compiled both from published compensation surveys and from information disclosed publicly by each company for the prior year. Data for comparable non-energy general industry peers are obtained from published surveys. Our target market position is determined based on the data believed to be most relevant for a given position. For example, the Peer Group data is weighted more heavily for operations roles, and general industry data is weighted more heavily for executives overseeing administrative functions. However, in accordance with our pay-for-performance philosophy, the Peer Group data is the primary reference for assessing short-term and long-term incentive compensation levels.

Each element of compensation and the total direct compensation for each of the Named Executive Officers is compared to the estimated market median for his or her position.

When the Executive Compensation Committee made its annual compensation decisions in February 2012, target total direct compensation for the Named Executive Officer positions ranged from 11% below to 14% above the competitive market median, with an average position of 3% below the median. This range is due to a number of factors, including the competency demonstrated as a result of the Named Executive Officer's tenure in his or her position and internal equity. We consider total compensation within a range of +/− 15% of our market target to be competitive.

Compensation Structure

When approving compensation actions proposed by management, the Executive Compensation Committee can exercise its discretion as to the level and mix of compensation paid to each officer. In exercising its discretion, the Executive Compensation Committee reviews information, including Peer Group and other compensation survey information developed and provided by the compensation consultant, to determine the appropriate compensation levels and mix. Although we have no specific policy proscribing a targeted allocation between either cash and non-cash or short-term and long-term compensation, we have designed the components of our compensation programs so that, as an executive's responsibility increases, his or her compensation mix is weighted more heavily toward performance-based and at-risk compensation and less heavily toward base salary, while at the same time remaining at or near the competitive market median for total direct compensation and with a mix that is similar to that of our peers. Any benefits or perquisites that an executive officer may receive are considered for purposes of this analysis. We supplement performance-based and at-risk compensation with market-competitive base salary and benefits to minimize the turnover of executive talent and to ensure that our executives' attention remains focused on the Company's and our shareholders' interests. In 2012, such benefits included, but were not limited to, an executive severance benefit policy and international mobility benefits, as discussed in more detail below.

We believe that a lack of internal pay equity among our executive officers would be detrimental to morale and productivity and, as a result, to advancing the Company's and our shareholders' interests. To that end, we have designed our compensation programs so that all executives participate in the same compensation programs in which our Chief Executive Officer participates and so that base salary and incentive opportunities are commensurate with the executives' relative levels of responsibility within the Company.

We also consider total compensation when we design our compensation programs and determine compensation levels. We developed a thorough analysis of the total value of each Named Executive Officer's entire compensation and benefits package. That analysis resulted in a total compensation "tally sheet" containing data on all elements of compensation and benefits, including retirement plan benefits, severance benefits, international mobility benefits and vested and unvested equity awards. The Executive Compensation Committee annually reviews total compensation and considers it, along with the other factors noted above, when making compensation decisions. Based on its review of total target and actual realized compensation, the Executive Compensation Committee has concluded that the total compensation paid to the Company's Named Executive Officers is reasonable for the related performance period. However, we monitor our compensation practices and philosophy continually and future changes may be made to reflect changing circumstances, practices, competitive environments and other factors.

Executive Compensation Program—Direct Compensation Elements

Base Salaries

We provide our Named Executive Officers with base salaries that provide them a basic level of compensation for services rendered during the year. The base salaries of our Named Executive Officers are reviewed upon each officer's initial hire, a promotion or other change in job responsibility, and they are also reviewed annually, both individually and relative to other executive officers. Base salary adjustments are made to reflect our desired position in the competitive market.

In February 2012, the Executive Compensation Committee reviewed the base salaries of the Named Executive Officers. In connection with its review, the Executive Compensation Committee considered recommendations from our Chief Executive Officer regarding the Named Executive Officers other than himself, competitive compensation information based on Peer Group and other survey data, the job responsibilities, performance, and expected future contributions of each Named Executive Officer, and our compensation philosophy and objectives. Considering input from the compensation consultant, the Executive Compensation Committee approved the following increased base salaries (or U.S. dollar base salary reference) for the individuals listed below effective March 1, 2012:

Executive	2012 Base Salary	Increase over 2011 Base Salary
Mr. Newman	$1,150,000	5%
Mr. Deeming(1)	$ 675,000	3%
Mr. Toma(1)	$ 615,000	3%
Mr. Tonnel(2)	$ 400,000	15%

(1) Base salary reference was converted to CHF using the average 2012 exchange rate of 0.885 USD to CHF.

(2) Base salary reference was converted to EUR using the average 2012 exchange rate of 0.718 USD to EUR.

The Executive Compensation Committee did not review the base salary of Mr. Rosa, as he was no longer employed by the Company at the time of the Executive Compensation Committee's compensation review. In addition, the Executive Compensation Committee did not review the base salary of Mr. Cauthen, as his $640,000 pro-rated annual base salary was previously approved under the terms of his temporary employment agreement.

The Executive Compensation Committee approved a base salary of $615,000 for Mr. Stobart upon his hiring as Executive Vice President and Chief Operating Officer in October 2012.

The Executive Compensation Committee approved a base salary of $700,000 for Mr. Ikaheimonen upon his hiring as Executive Vice President and Chief Financial Officer in November 2012.

Performance-Based Incentive Compensation

Our performance-based incentive compensation is delivered through two programs: our Performance Award and Cash Bonus Plan and our Long-Term Incentive Plan.

Performance Award and Cash Bonus Plan

Our Performance Award and Cash Bonus Plan (the "Bonus Plan") is a goal-driven plan that provides participants, including the Named Executive Officers, with the opportunity to earn annual cash bonuses based on performance as measured against predetermined performance objectives. Individual target award levels, expressed as percentages of the participants' base salaries, are established by the Executive Compensation Committee at the beginning of the year. For 2012, these individual target award opportunities ranged from 10% of base salary for the lowest level eligible participant to 125% of base salary for our Chief Executive Officer. The target award opportunities under the Bonus Plan, when combined with base salaries, are intended to position the participants, on average, to earn total cash compensation approximating competitive market median levels. Performance above and below the target provides the opportunity for participants to earn total annual cash compensation above the competitive market median when warranted by above-target performance, up to a designated maximum, or the possibility of earning total annual cash compensation below the median in cases of below-target performance.

For performance during the past five years (2008-2012), the Bonus Plan has paid out amounts to executives below the target level four times and in excess of the target level one time. Specifically, the Named Executive Officers' average payout percentage over the past five years was 60.8% of the target award opportunity. Payouts are currently limited to 200% of the target award opportunity, and the maximum payout level was not achieved during this five-year period.

Under the Bonus Plan for 2012, each Named Executive Officer had a potential payout range of 0% to 200% of his individual target award opportunity. In February 2012, the Executive Compensation Committee established a 2012 target bonus opportunity for each of the following Named Executive Officers, which is expressed as a percentage of base salary, as follows:

Mr. Newman	125%
Mr. Toma	80%
Mr. Deeming	80%
Mr. Tonnel	60%

The Executive Compensation Committee did not review the bonus opportunity of Mr. Rosa as he was no longer employed by the Company at the time of the Executive Compensation Committee's compensation review. In addition, the Executive Compensation Committee did not review the bonus opportunity for Mr. Cauthen, as his 80% of base salary target bonus opportunity was approved under the terms of his temporary employment agreement.

The Executive Compensation Committee approved a target bonus opportunity of 100% of base salary for Mr. Stobart upon his hiring as Executive Vice President and Chief Operating Officer in October 2012.

The Executive Compensation Committee approved a target bonus opportunity of 80% of base salary for Mr. Ikaheimonen upon his hiring as Executive Vice President and Chief Financial Officer in November 2012.

Performance Measures

When determining the actual compensation under the Bonus Plan for 2012, the Executive Compensation Committee considered the results of the three key performance areas identified below, which were specified at the beginning of the year:

- *Safety Performance*, which was 25% of the total target bonus amount, with potential payouts ranging from 0% to 50% of the total target bonus amount based on actual performance. Safety performance is measured by:
  - Total Recordable Incident Rate ("TRIR"), which made up half of the Safety Performance metric; and
  - Total Potential Severity Rate ("TPSR"), which made up half of the Safety Performance metric.
- *Financial Performance*, which was 50% of the total target bonus amount, with potential payouts ranging from 0% to 100% of the total target bonus amount based on actual performance. Financial Performance was measured by Cash Flow Value Added ("CFVA") relative to our annual budget; and
- *Strategic Corporate Objectives in the areas of Execution, Customer Focus and People Focus* which was 25% of the total target bonus amount, with potential payouts ranging from 0% to 50% of the total target bonus amount based on actual performance.

Our business involves numerous operating hazards, and we are strongly committed to protecting our employees, our property and the environment. Our ultimate goal is expressed in our safety vision of "an incident-free workplace—all the time, everywhere." The safety performance targets for 2012 were approved by the Executive Compensation Committee and are set at levels each year that motivate our employees to achieve continuous improvement in safety performance and to meet strict internal standards.

Safety performance targets are recommended to the Executive Compensation Committee by the Board's Health Safety and Environment Committee.

The Executive Compensation Committee measures our safety performance through a combination of our TRIR and TPSR, and each component makes up half of the overall safety performance metric.

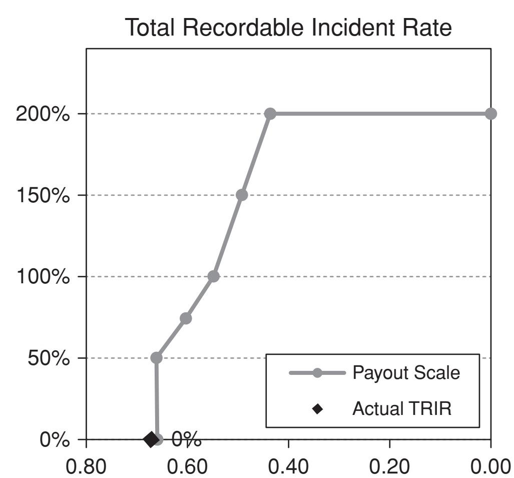
Total Recordable Incident Rate

TRIR is a safety performance metric recognized by the U.S. Occupational Safety & Health Administration and is used by companies across an array of different industries. We calculate TRIR based upon the guidelines set forth by the International Association of Drilling Contractors (the "IADC"), an industry group for the drilling industry. The IADC methodology calculates TRIR by taking the aggregate number of occurrences of work related injuries or illnesses that result in any of the following: (1) death, (2) a physician or licensed health care professional recommending days away from work due to the injury or illness, (3) an employee not being able to perform all of his or her routine job functions (but not resulting in days away from work), or (4) any other medical care or treatment beyond minor first aid. The TRIR is the number of such occurrences for every 200,000 employee hours worked.

The Executive Compensation Committee approved a TRIR target for 2012 of 0.58, which would represent further progress toward our safety vision. Values above and below this target were calculated in accordance with the chart below, with outcomes falling in between two boundaries interpolated on a straight-line basis:

TRIR Outcome In Relation to Target	Bonus Payout Result For TRIR
20% Improvement Exceeding Target	200%
10% Improvement Exceeding Target	150%
Target	100%
10% Shortfall	75%
20% Shortfall	50%

Any TRIR outcome representing a shortfall of more than 20% as compared to the target would result in a 0% bonus payout for the TRIR metric and any outcome representing an improvement of 20% or greater as compared to the target would result in a payout of 200% for the TRIR metric. Our TRIR outcome for 2012 was 0.71, representing a shortfall of just over 20% as compared to the target. This outcome resulted in no 2012 bonus payout for the TRIR metric. For illustrative purposes, the following chart shows how different TRIR outcomes and our actual performance relate to the formulaic payout amounts for the TRIR metric:



Total Potential Severity Rate

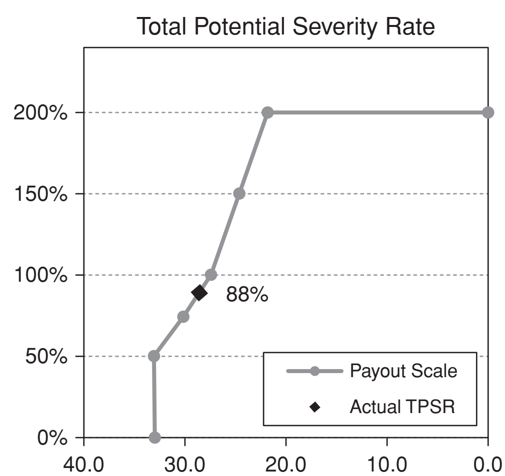
TPSR is an internally developed safety measure that we utilize to capture the potential severity of incidents over a period of time. TPSR is calculated by taking the sum of all potential severity values assigned to the incidents, multiplying that number by 200,000, then dividing that number by total employee hours worked. After the occurrence of an incident, the manager or managers responsible for the drilling unit or onshore facility where the incident took place complete an incident report that assigns a preliminary severity value to the incident. The Company also has an independent oversight and review process to evaluate and confirm the potential severity assigned to each incident. The severity value is derived by inputting data into our comprehensive severity calculator. For instance, for dropped objects, the height from which the item was dropped and the weight of the object are inputs into the severity calculator.

In calculating TPSR for the 42,341,787 total fleetwide hours worked in 2012, there was an aggregate severity value of 6,057 assigned to incidents occurring in 2012, resulting in a fleetwide TPSR of 28.6. On a rig-by-rig basis, TPSR outcomes in 2012 ranged from a low of zero to a high of 155.71.

The Executive Compensation Committee approved a TPSR target for 2012 at 27.4, which would represent further progress toward our safety vision. Values above and below this target were calculated in accordance with the chart below, with outcomes falling in between two boundaries interpolated on a straight-line basis:

TPSR Outcome In Relation to Target	Bonus Payout Result For TPSR
20% Improvement ExceedingTarget	200%
10% Improvement Exceeding Target	150%
Target	100%
10% Shortfall	75%
20% Shortfall	50%

Any TPSR outcome representing a shortfall of more than 20% as compared to the target would result in a 0% bonus payout for the TPSR metric and any outcome representing an improvement of 20% or greater as compared to the target would result in a payout of 200% for the TPSR metric. Our TPSR outcome for 2012 of 28.6 represented a 5% shortfall as compared to the target. This resulted in a bonus payout for the TPSR metric of 88% of target for this component. For illustrative purposes, the following chart shows how different TPSR outcomes and our actual performance relate to the formulaic payout amounts for the TPSR metric:



The TRIR and TPSR outcomes together resulted in a formulaic payout percentage for this measure of 11.1% of the total target bonus opportunity for each of the Named Executive Officers in 2012.

Cash Flow Value Added ("CFVA")

Fifty percent of the target award opportunity for each Named Executive Officer under the 2012 Bonus Plan was based upon our achievement of CFVA on a sliding scale that measures our CFVA performance for 2012 relative to our annual budget.

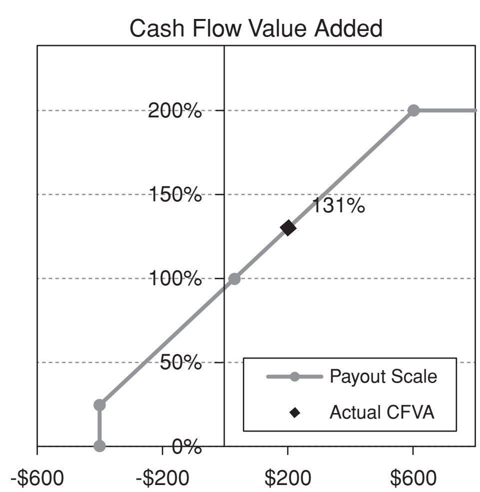
The CFVA performance measure is designed to measure the generation of cash returns in excess of the Company's cost of capital. CFVA is equal to Earnings Before Interest, Depreciation and Amortization (EBIDA) less a charge for Average Capital that is based on the weighted average cost of capital multiplied by Average Capital.

- EBIDA is calculated as net income (loss) before extraordinary items, plus depreciation expense, plus (minus) net interest (income) expense, plus (minus) loss (gain), net of tax, on all unusual items, plus expenditures related to approved long-term investments.
- Average Capital is equal to total equity, plus total long-term debt (book value), minus cash and cash equivalents, minus goodwill, plus capitalized lease obligations under GAAP (short and long term), plus accumulated depreciation on fixed assets, plus incremental capital expenditures during the year, minus capital expenditures related to newbuilds and other approved long-term investments.
- For the purpose of calculating CFVA in 2012, the weighted average cost of capital was set at 10 percent at the start of the year.

The Executive Compensation Committee believes that CFVA is closely correlated with total shareholder return, helps give the Named Executive Officers a clear picture of their contribution to the profitability and share price of the Company and reflects the degree to which our financial results meet or exceed the expectations of our shareholders and our Board of Directors.

The Executive Compensation Committee set a CFVA target of $26 million for 2012, which was aligned with budgeted results and would have resulted in participants receiving a full payout of the target bonus amount for achieving this performance measure. In the event the CFVA was less than negative $400 million, there would be no payout for this performance measure. If the CFVA was equal to or exceeded $600 million, the payout would be the maximum of 200% of the target bonus amount for this performance measure. If the CFVA fell between these amounts, the payout percentage would be interpolated on a straight line basis that includes no significant acceleration or flattening between data points.

We achieved a CFVA of $205 million in 2012, which resulted in a payout of 131% of the target bonus amount for this performance component, in accordance with the above-described methodology, and a formulaic payout percentage for this measure of 65.6% of the total target bonus opportunity for each of the Named Executive Officers in 2012.



Strategic Corporate Objectives

Recognizing the importance of making progress toward achieving our vision of delivering outstanding value to our customers, our employees and our shareholders, the annual cash bonus plan also includes specific goals related to our Execution, Customer and People Focus strategic imperatives. In 2012, the Executive Compensation Committee approved the following Execution, Customer and People Focus goals:

	Performance vs. Target		
Corporate Goals	**Below**	**Achieved**	**Exceeded**
Execution Focus: Prevent major accidents by raising awareness and assuring compliance with established safety and operational procedures		✓	
Execution Focus: Deliver planned shipyard projects within targeted schedules and budgets			✓
Execution Focus: Achieve specified revenue efficiency target	✓		
Customer Focus: Add a specified target amount of new backlog			✓
Customer Focus: Secure drilling contracts for newbuild drillships			✓
Customer Focus: Develop and implement strategic roadmaps for key customers			✓
People Focus: Implement internal communication strategy		✓	
People Focus: Achieve new hire and training completion targets for key job functions		✓	
People Focus: Achieve employee retention targets		✓	

Without applying a specific formula, the Executive Compensation Committee assessed the Company's overall performance against these Strategic Corporate Objectives to be 125% of target, which resulted in a payout of 31.3% of the target bonus amount for this performance measure, for each of the Named Executive Officers in 2012. This determination recognized that, although one of the Execution Focus goals fell below target, the Company met or exceeded all other objectives and significantly exceeded expectations in achieving the Customer Focus objectives.

Actual Bonus Plan Compensation for 2012

Based on the performance measures described above and using the pre-determined weighting assigned to each measure by the Executive Compensation Committee, the formulaic bonus outcome for each of our Named Executive Officers was 107.9% of his targeted bonus compensation opportunity under the Bonus Plan for 2012. The components of this total bonus payout under the Bonus Plan for 2012 are as follows:

Performance Measure	Threshold Payout For This Measure	Target Payout For This Measure	Maximum Payout For This Measure	Actual Payout For the 2012 Bonus Plan
Safety Performance	0%	25%	50%	11.1%
Financial Performance	0%	50%	100%	65.6%
Strategic Corporate Objectives	0%	25%	50%	31.3%
Total:	0%	100%	200%	107.9%

The Executive Compensation Committee approved the formulaic bonus outcome for each of the Named Executive Officers who then remained employed with the Company.

Changes for 2013

The Executive Compensation Committee has determined the performance measures comprising the Bonus Plan for 2013. The Executive Compensation Committee retained the Cash Flow Value Added (CFVA) measure and added a third Safety measure, "Process Safety," to increase the Company's focus on overall operational integrity across the fleet. The Executive Compensation Committee also retained certain corporate performance measures specific to achieving key Execution Focus targets in the areas of revenue efficiency and effective management of shipyard capital projects. As in 2012, actual performance will be assessed by the Executive Compensation Committee relative to defined targets. The weighting of each component of the target bonus award for 2013 will be as follows: safety performance (30%), cash flow value added performance (50%) and strategic corporate objectives specific to achieving our strategic imperatives (20%).

While CFVA has been retained as the metric used to measure financial performance, changes have been made to the Bonus Plan for 2013 designed to further improve the linkage between pay and performance over time. The general methodology for calculating CFVA for the Bonus Plan for 2013 is consistent with the historical methodology, except that the weighted average cost of capital is set at 9 percent, instead of 10 percent.

The method for setting the CFVA target has been modified to improve the relationship between expected payouts and returns for shareholders. Performance will be calculated on a sliding scale that measures our CFVA improvement in 2013 relative to our CFVA performance in 2012, adjusted to ensure consistency in the year-over-year calculation, rather than against an annual CFVA budget. The modified approach more strongly focuses management on improving the CFVA generated from our existing assets, disposing of assets with poor CFVA improvement prospects and making investments that build our company and enable us to deliver long-term improvements in performance. Under the new model, if management improves performance enough to earn the weighted average cost of capital on the increase in Average Capital, then our CFVA will be the same as in the prior year, which will provide a target bonus for this performance measure. If our CFVA improves by an amount equal to or greater than 4 percent of the Average Capital at the end of the prior year, then a bonus equal to 200% of the target bonus will be earned for this performance measure. Similarly, if our CFVA declines by an amount equal to or greater than 4 percent of the Average Capital at the end of the prior year, then a bonus equal to 0% of the target bonus will be earned for this performance measure. The bonus multiple will be determined on a straight line basis between these end points.

The Executive Compensation Committee will review the effectiveness of the new methodology in driving improvements in CFVA on an annual basis but intends to continue using this approach to provide clarity to management on the payout related to long-term investments that take time to generate returns. The Executive Compensation Committee believes the new target setting process will more appropriately reward management actions that benefit the long-term interests of the Company and its shareholders.

Recoupment/Clawback Policy. Effective January 1, 2013, the Executive Compensation Committee also approved an Incentive Compensation Recoupment Policy that allows the forfeiture, recovery or adjustment of incentive compensation paid to executive officers in the event the Executive Compensation Committee determines that payments or awards have exceeded the amount that would otherwise have been received in the event of a restatement of our financial statements or if the Executive Compensation Committee determines that an executive has engaged in, or has knowledge of and fails to prevent or disclose, fraud or intentional misconduct pertaining to any financial reporting requirements.

Long-Term Incentive Plan

Under the Long-Term Incentive Plan of Transocean Ltd. (the "LTIP"), the Executive Compensation Committee can design cash and share-based incentive compensation programs to motivate superior performance and the achievement of long-term corporate goals by employees and others who serve in key roles. Our goal is to promote the growth of shareholder value and retain key talent by providing such individuals with opportunities to participate in the long-term growth and profitability of the Company.

The Executive Compensation Committee may grant participants restricted shares, deferred units, stock options, share appreciation rights, cash awards, performance awards, or any combination of the foregoing. In granting these awards, the Executive Compensation Committee may establish any conditions or restrictions it deems appropriate.

The LTIP awards for all eligible employees are approved annually at the Executive Compensation Committee's February meeting at which the Executive Compensation Committee also reviews and determines each Named Executive Officer's other compensation opportunities. The Executive Compensation Committee approves annual grants at the same meeting in order to consider all elements of compensation at the same time and to closely align grant dates with the beginning of performance cycles. Our executive officers have no role in setting the grant date for any awards to our Named Executive Officers under the LTIP. The only exceptions to this timing policy are one-time sign-on awards or awards for a significant promotion, which are made at the time of such events, and, in certain instances where deemed appropriate, special retention awards approved by the Executive Compensation Committee on the date of other meetings of the Executive Compensation Committee during the year. In determining the target value for LTIP awards made to the Named Executive Officers, the Executive Compensation Committee considers competitive compensation information based on information provided by its compensation consultant, internal equity and, at times, individual performance of the executive officer. LTIP awards for the Named Executive Officers consist of approximately equal parts stock options, time-vested deferred units and performance-contingent deferred units, as detailed more fully below.

The targeted values of all long-term incentive awards (including in the form of stock options and time-vested and performance-vested deferred units) granted to Named Executive Officers in 2012 were as follows:

Mr. Newman	$6,900,000
Mr. Toma	$2,000,000
Mr. Deeming	$2,000,000
Mr. Tonnel	$1,200,000

Special long-term incentive sign-on awards in the form of time-vested deferred units were granted to Messrs. Stobart and Ikaheimonen upon their hiring. The grant to Mr. Stobart in October 2012 was valued at $1,000,000, and the grant to Mr. Ikaheimonen in November 2012 was valued at $750,000.

2012 Stock Option Awards

Nonqualified stock options were granted to all Named Executive Officers who remained officers of the Company as of the date of grant as part of the 2012 annual long-term incentive grants made in February 2012. Options were granted with an exercise price equal to the closing market price of the Company's shares on February 17, 2012, or $50.79, with a three-year vesting schedule (ratably one-third each year) and a ten-year term. When determining the number of stock options to grant to Named Executive Officers in the 2012 annual grant, the Executive Compensation Committee established the target value for the employee's total long-term incentive awards, and allocated approximately one-third (34%) of the total target value to stock options, and then divided the total target value for stock options by the estimated Black-Scholes-Merton value per option to determine the actual number of options to be granted.

2012 Time-vested Deferred Units

Time-vested deferred units ("DUs") were granted to all Named Executive Officers who remained officers of the Company as of the date of grant as part of the 2012 annual long-term incentive grants in February 2012 and to Messrs. Stobart and Ikaheimonen as one-time sign-on awards. Each DU represents one share and vests over a three-year schedule (ratably one-third each year). When determining the number of DUs to grant to executives in the 2012 annual grant, the Executive Compensation Committee established the target value for the employee's total long-term incentive awards, allocated approximately one-third (33%) of the total target value to DUs, and then divided the total target value for DUs by the 30-day average closing price for the period ending January 31, 2012 to determine the number of DUs to be granted.

2012 Contingent Deferred Units

Contingent deferred units ("CDUs") were granted to all Named Executive Officers who remained officers of the Company as of the date of the grant as part of the Company's 2012 annual long-term incentive grants in February 2012. Each CDU represents one share. Each CDU granted in 2012 has a three-year performance cycle of January 1, 2012 through December 31, 2014. The number of CDUs ultimately earned by a Named Executive Officer will be based on the total shareholder return of the Company relative to its performance peers, as determined by the Executive Compensation Committee and initially consisting of: Baker Hughes Incorporated, Diamond Offshore Drilling Inc., Ensco plc, Halliburton Company, Nabors Industries Ltd., National Oilwell Varco Inc., Noble Corporation, Rowan Companies Inc., Schlumberger Limited, Seadrill Limited and Weatherford International Ltd. (collectively, the "Performance Peer Group").

The Performance Peer Group was initially determined by the Executive Compensation Committee based on information provided by a prior compensation consultant and included companies considered to be direct business competitors and competitors for investment capital. The terms of the awards provide for adjustments to the peer group in the event any of the companies in the Performance Peer Group is no longer publicly traded during the performance period due to delisting, acquisition or otherwise.

Total shareholder return performance through the cycle is based on the comparison of the average closing share price for the 30 consecutive business days prior to the start of the performance cycle and the average closing share price for the last 30 consecutive business days in the performance cycle for the Company and each of the companies in the Performance Peer Group. The companies are then ranked according to percentage of improvement/deterioration in share price, adjusted for dividends. The number of CDUs the Named Executive Officer may earn is determined based on the Company's percentile rank among the companies in the Performance Peer Group.

Threshold performance is total shareholder return equal to or above the 25th percentile of the Performance Peer Group, at which 25% of the target award is earned. Performance below the 25th percentile results in no award being earned. Target performance is equal to or above the median of the Performance Peer Group, at which 100% of the target award is earned. At maximum performance, which is considered to be at or above the 75th percentile of the Performance Peer Group, 175% of the target award is earned. Upon vesting, each CDU, together with a cash payment equal to any dividends or equivalents accrued during the performance cycle for earned and vested shares, will be distributed to the Named Executive Officer. The target value of the 2012 CDU grants to each of the Named Executive Officers was approximately one-third (33%) of such officer's total 2012 long-term incentive award target value.

In February 2013, the Executive Compensation Committee determined the final value of the 2010 CDU grants, which were based on total shareholder return relative to the Performance Peer Group for the three-year performance period from January 1, 2010 through December 31, 2012. For this period, the total shareholder return fell below the 25th percentile of the Performance Peer Group, which resulted in a determination that no deferred units would be earned for the 2010 CDU grants. As a consequence, the CDUs granted to executives for the most recently completed performance period, including all pro-rated awards held by former Named Executive Officers, resulted in no value for the second year in a row.

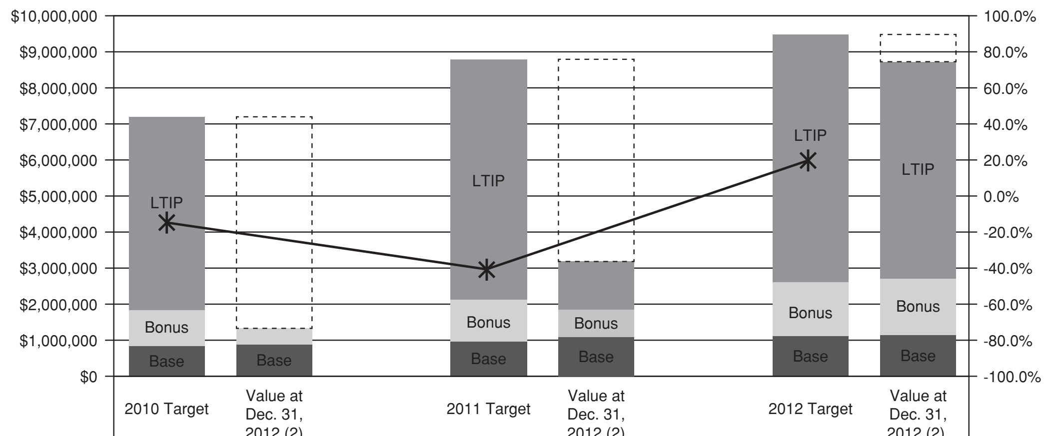
These results are consistent with the intended purpose of the long-term incentive plan, which is to align the interests of our executives with those of our shareholders. As such, the inclusion of stock options and performance-contingent deferred units in the annual grants is expected to result in below-target total compensation when future shareholder returns fall below expectations and to exceed targeted total compensation when future shareholder returns exceed expectations.

Pay and Performance Alignment

Consistent with our philosophy of aligning the interests of our executive officers with those of our shareholders by basing the majority of compensation on achieving desired performance outcomes, the actual total compensation values received by our executive officers in recent years have fallen significantly below targeted and competitive market levels. The value not received, or "unrealized value," has been driven primarily by a lack of appreciation in the Company's share price and below-target total shareholder return relative to our peers, as well as below target average payouts under our Performance Award and Cash Bonus Plan.

The graph below illustrates the effect of our performance-based compensation programs on the total compensation of our Chief Executive Officer, Mr. Newman. The results reflect the impact of the Executive Compensation Committee's determinations in 2013 and 2012 that, based on the relative TSR performance of the Company against the Performance Peer Group over the 2009-2011 and 2010-2012 periods, the performance outcome for the outstanding CDU awards was zero percent of target. As a result, no CDU awards granted to our CEO or other executive officers in 2009 or 2010 vested.

CEO Target Compensation versus Realized Compensation as of December 31, 2012 as compared to annual Total Shareholder Return(1)



	2010 Target	Value at Dec. 31, 2012 (2)	2011 Target	Value at Dec. 31, 2012 (2)	2012 Target	Value at Dec. 31, 2012 (2)
Unrealized Value		$5,896,800		$5,634,640		$735,791
LTIP	$5,400,000	$0	$6,600,000	$1,362,460	$6,900,000	$6,061,702
Bonus	$900,000	$403,200	$1,100,000	$702,900	$1,437,500	$1,540,007
Base	$900,000	$900,000	$1,100,000	$1,100,000	$1,150,000	$1,150,000
TSR	-16.1%		-42.0%		18.2%	

(1) Total Shareholder Return is calculated assuming that all dividends are reinvested on the date of payment.

(2) Bonus and base salary values are actual historical amounts. For LTIP amounts, (i) option values are based on the intrinsic value of the options at December 31, 2012, (ii) CDU values are based on the projected payouts at December 31, 2012, and (iii) DU values are based on the Company's closing stock price on December 30, 2012, $44.66.

The final actual LTIP values for 2011 and 2012 have not been determined, since the performance periods for the CDU awards in those years will end in 2013 and 2014, respectively. If our performance relative to peers improves between now and the end of the performance period, the realized LTIP values shown for 2011 and 2012 in the chart above would increase, possibly significantly. In addition, any change in our share price compared to our share price on December 31, 2012 would impact the stock option and DU values under the LTIP.

Compensation Related to Former Executive Officers

Treatment of the Equity Awards of Messrs. Rosa and Deeming Upon Termination

In connection with the terminations of Messrs. Rosa and Deeming from the Company, the Executive Compensation Committee provided for the vesting of their unvested DUs at the date of termination. In connection with Mr. Rosa's termination, the Executive Compensation Committee also provided for Mr. Rosa's stock options to continue to vest pursuant to their original vesting schedule. In accordance with the terms of the CDUs previously awarded to Messrs. Rosa and Deeming, the values of such CDUs were prorated to reflect the portion of the performance period during which they were employed. The ultimate value of the prorated CDUs will be based on the Executive Compensation Committee's determination of the Company's relative total shareholder return performance at the conclusion of the applicable performance cycles. In February 2013, the Executive Compensation Committee determined that the payout for the CDUs awarded in 2010 was zero. The details of the post-employment compensation of Messrs. Rosa and Deeming are more fully described in the section "Executive Compensation—Potential Payments Upon Termination or Change of Control."

Executive Compensation Program—Health, Welfare and Other Benefits

Health Benefits

We provide our Named Executive Officers with health, welfare and other benefits that we believe are reasonable and consistent with our overall rewards strategy. The Named Executive Officers participate in a variety of health and welfare and paid time-off benefits, as well as in the savings and retirement plans described below, all of which are designed to enable us to attract and retain our workforce in a competitive marketplace. The Named Executive Officers' medical and dental benefits for themselves and their dependents are provided through our self-funded health care plans for executives on the same basis as other employees.

We also provide each of our executive officers on the U.S. payroll, including the Named Executive Officers (other than Messrs. Toma and Ikaheimonen, who are not U.S. citizens or tax residents), a life insurance benefit equal to four times covered annual earnings, capped at a maximum of $1 million. Each of our executive officers may purchase at his or her own expense an additional amount of life insurance equal to one to three times his or her covered annual earnings, capped at a maximum of $500,000. The combined total of life insurance that we offer our executive officers is limited to $1,500,000. A similar level of coverage is provided to executive officers on the Swiss Franc payroll, including Messrs. Toma and Ikaheimonen.

We also provide for the continuation of base pay at the onset of illness or injury to eligible employees who are unable to perform their assigned duties due to a non-occupational personal illness or injury. Pay continuation is based on a monthly base salary, exclusive of annual incentive plan compensation or other extraordinary pay.

International Mobility Benefits

To assist with his transition, each Named Executive Officer who relocates to our principal executive offices in Switzerland is provided certain mobility benefits for a limited period. This period is limited to five years from the date of assignment for Messrs. Newman and Toma and three years from the date of assignment for our new officers, Messrs. Ikaheimonen and Stobart. These allowances include:

- a housing allowance of 11,000 to 14,000 Swiss francs per month;
- a car allowance of 1,000 Swiss francs per month;
- a cost of living allowance of 15% of base salary, capped at a maximum of 7,560 Swiss francs per month;
- payment of school fees for eligible dependents under age 19; and

• a home leave allowance equivalent to a full-fare economy round-trip ticket for the executive officer, spouse and qualifying dependents back to their point of origin which, on average, equates to approximately $27,000 per year per executive officer.

For the period that the executive is entitled to receive the allowances listed above, the executive is not responsible for the tax liability attributable to these mobility benefits. The Company is responsible for the taxes due on these allowances, including Swiss income and social taxes, for non-U.S. national executives, and also for Swiss income and U.S. social security taxes for the U.S. national executives. The Company also bears responsibility for any Swiss wealth tax that may be assessed to the executive. The Company's payment of the taxes is reported as income to the executive as a tax reimbursement. In general, payment of Swiss taxes is made at least one year following the year the Swiss tax return is filed. U.S. social security taxes are paid on a current-year basis.

During a three-to-five year transition period, we provide tax equalization to the executive officers based in Switzerland who are U.S. nationals pursuant to the Company's tax equalization policy. The Company's tax equalization policy is intended to ensure that the executive is responsible for an equivalent U.S. tax liability on income from the Company that would have been incurred had the executive remained in the U.S. during the tax year. This equivalent amount of U.S. tax is generally referred to as the executive's theoretical U.S. tax liability. Under the tax equalization policy, the executive is responsible for funding the theoretical U.S. tax liability and the Company is responsible for any actual U.S. and/or Swiss tax liabilities on income from the Company in excess of that amount. The executive's funding of this theoretical tax liability is effected through regular payroll deductions, which we generally refer to as "Hypothetical Tax Deductions."

Hypothetical Tax Deductions are based on an estimate of the executive's anticipated U.S. theoretical tax liability. When an executive's actual U.S. tax return is prepared, the corresponding tax equalization calculation reconciles the amount of Hypothetical Tax Deductions withheld during the year to the executive's final theoretical U.S. liability. Any Hypothetical Tax Deductions in excess of the actual tax liability are refunded to the executive and reported as a tax settlement reimbursement in compensation. If the Hypothetical Tax Deductions are not sufficient to satisfy the tax liability, any difference is paid by the executive to the Company.

In anticipation of the expiration of the mobility benefits provided to our expatriate executive officers following their relocation to Switzerland, the Executive Compensation Committee is assessing what actions may be appropriate.

Perquisites and Other Personal Benefits

Each of our Named Executive Officers may receive each year financial planning and tax assistance valued between $3,000 and $5,000. Each of our Named Executive Officers is also eligible to receive a club membership benefit. The amount of these perquisites that each of our Named Executive Officers actually received in 2012 was taxable to the executive officer in 2012. Named Executive Officers are also eligible for an annual physical exam paid by the Company.

The Executive Compensation Committee annually reviews the nature and amount of the perquisites and other personal benefits provided to each of our executive officers to ensure that such perquisites are reasonable and competitive with industry practice.

Executive Compensation Program—Post-Employment Compensation

Retirement Plans

Our officers, including the Named Executive Officers, participate in one or more of the following retirement plans, as applicable to their employment status.

U.S. Retirement Plan

The Transocean U.S. Retirement Plan is a tax-qualified defined benefit pension plan funded through cash contributions made by the Company based on actuarial valuations and regulatory requirements. The purpose of the plan is to provide post-retirement income benefits to our U.S. employees (U.S. citizens and tax residents) in recognition of their long-term service to the Company. Employees working for the Company in the U.S. are fully vested after five continuous years of employment or upon reaching age 65. Benefits available to our Named Executive Officers are no greater than those offered to non-executive participants. Employees earn the right to receive an unreduced benefit upon retirement at age 62 or older, or a reduced benefit upon early retirement after age 55. The plan was amended effective January 1, 2009 to eliminate a 30-year lifetime cap on credited service.

U.S. Retirement Savings Plan

Our U.S. Savings Plan is a tax-qualified defined contribution retirement savings plan in which all of our U.S. employees (citizens and tax residents), including the Named Executive Officers who remain employees of the Company (other than Messrs. Toma and Ikaheimonen, who are not U.S. citizens or tax residents), are eligible to contribute up to 50% of their annual base salary up to the prescribed Internal Revenue Code annual limit ($17,000 in 2012) on a pre-tax basis or after-tax basis (if participating in the Roth 401(k)). Subject to the limitations set forth in Sections 401(a)(17), 401(m) and 415 of the Internal Revenue Code, the Company matches in cash on a pre-tax basis 100% of the first 6% of eligible base pay that is contributed to the plan by a participating employee. Participants age 50 and older, including the Named Executive Officers who are older than 50, may also make additional "catch-up" contributions on a pre-tax and/or Roth after-tax basis each year, up to the prescribed Internal Revenue Code annual limit ($5,500 in 2012). Catch-up contributions are not matched by the Company.

Withdrawals from the U.S. Savings Plan made by an employee who is less than 59½ years of age may be subject to a 10% penalty tax.

International Retirement Plan

The International Retirement Plan is a nonqualified, defined contribution plan for non-U.S. citizen employees who accept international assignments and have completed at least one full calendar month of service. The plan is funded through cash contributions by the Company equal to a percentage of compensation, in addition to voluntary contributions by employees, which are limited to 15% of the employee's base salary. Messrs. Rosa and Tonnel were the Named Executive Officers in 2012 who held accrued benefits in this plan; however, none of the Named Executive Officers in 2012 actively participated in this plan. For more information about the plan, including current Company contribution levels, please refer to "Executive Compensation—Pension Benefits for 2012—Transocean International Retirement Plan."

Transocean Management Ltd. Pension Plan

We maintain the Transocean Management Ltd. Pension Plan, a nonqualified, defined contribution plan, for our non-U.S. citizen employees who relocate to Switzerland. In 2012, Messrs. Rosa, Toma, Deeming and Ikaheimonen participated in this plan. The plan is funded through cash contributions by the Company as a percentage of compensation, along with contributions by employees. Mandatory contributions by the employees are 6% of pensionable salary. Additional voluntary contributions, which do not generate any additional match by the Company, are permitted. Current Company contribution levels are as follows:

Age	Company Match
24	10%
34	12%
44	14%
54	16%

Contributions are based on a participant's annual salary. Regular retirement age under the plan is age 65 for men and 64 for women, as is customary in Switzerland.

Pension Equalization Plan

Effective January 1, 2009, the legacy GlobalSantaFe Pension Equalization Plan and the legacy Transocean Supplemental Retirement Plan were merged into the Transocean Pension Equalization Plan (the "PEP"), a non-qualified, non-contributory, defined benefit plan. To the extent the annual income of an eligible employee, including the Named Executive Officers, exceeds either the annual income limitations or the annual benefit limitations imposed by the Internal Revenue Code for purposes of calculating eligible remuneration under a qualified retirement plan (income is limited to $250,000 in 2012 and benefits are limited to $200,000 in 2012), any pension benefits attributable to such difference are paid in a lump sum from general assets. The formula used to calculate benefits under the PEP is the same as that used under the U.S. Retirement Plan. The lump-sum equivalent of the accrued benefit of certain individuals as of December 31, 2008 attributable to the legacy Transocean Supplemental Retirement Plan is calculated using the interest rate in the legacy Transocean Supplemental Retirement Plan, which was the annual interest rate equal to the yield on a new 7-12 year AA-rated general obligation tax-exempt bond as determined by Merrill Lynch & Co. (or its affiliates) and published in The Wall Street Journal.

Severance and Change-of-Control Arrangements

We believe that the competitive marketplace for executive talent and our desire to retain our executive officers require us to provide our executive officers with a severance package. Each of our executive officers only receives a severance package in the event we choose to terminate the executive officer at our convenience. Currently, all Named Executive Officers are covered under our executive severance benefit policy, which provides for specified payments and benefits in the event of a termination at our convenience.

The benefits provided in the event of an involuntary termination under the terms of the executive severance benefit policy are as follows:

- a cash severance benefit equal to one year of base salary;
- a pro rata share of that year's targeted award level, as determined by the Executive Compensation Committee, under the Bonus Plan for such executive officer;
- all outstanding awards granted under the LTIP treated under the convenience-of-company termination provisions as provided for in the approved terms and conditions of each award; and
- outplacement services not to exceed 5% of the base salary of the executive.

A convenience-of-company termination occurs when determined by the Executive Compensation Committee in its sole discretion. Under a convenience-of-company termination, in addition to compensation and benefits accrued up to the point of termination and the executive severance benefits, all outstanding awards granted under the LTIP would be treated under the convenience-of-company termination provisions as provided for in the award documents, which are more fully described under "Executive Compensation—Potential Payments Upon Termination or Change of Control."

We also believe that the interests of our shareholders are served by including a double-trigger change-of-control provision in our Performance Award and Cash Bonus Plan and Long-Term Incentive Plan for executive officers who would be integral to the success of, and are most likely to be impacted by, a change of control.

The Executive Compensation Committee periodically reviews severance packages offered to the executive officers to ensure the benefits remain aligned with the prevailing market practices. In order for a Named Executive Officer to receive the benefits described above, the executive officer must first sign a release of all claims against us and enter into a confidentiality agreement covering our trade secrets and proprietary information. We believe that in the event of a change of control, it is in the best interests of our shareholders to keep our executive officers focused on ensuring a smooth transition and a successful outcome for the company. We believe that by requiring two triggering events to occur (that is, both a change of control and a subsequent termination of employment) prior to our incurring these obligations, those executive officers who remain with us through a change of control will be appropriately focused while those who depart as a result of a change of control will be appropriately compensated. The types of payments that will be made to our executives, along with estimated values as of December 31, 2012, are described under "Executive Compensation—Potential Payments Upon Termination or Change in Control."

Stock Ownership Requirements

We believe that it is important for our executive officers to build and maintain an appropriate minimum equity stake in the Company. We believe that requiring our executive officers to maintain such a stake helps align our executive officers' interests with the long-term interests of our shareholders. Our equity ownership policy requires that each of our executive officers, prior to selling any shares awarded under our LTIP beginning with the grants made in 2003, must hold an interest in the Company's shares (as determined below) equal to the lesser of (1) the value of all shares or deferred units, as applicable, granted under the LTIP beginning with the grants made in 2003, or since promotion to the level of Vice President or above, or (2) the following:

- the Chief Executive Officer—five times annual base salary;
- the President and an Executive or Senior Vice President—three times annual base salary;
- a Vice President—one time annual base salary.

These thresholds are regularly reviewed by the Executive Compensation Committee and adjusted from time to time based on industry data available to the Executive Compensation Committee.

The forms of equity ownership that can be used to satisfy the ownership requirement include: (1) any vested or unvested shares accumulated through LTIP awards or other means and (2) the in-the-money portion of any vested, unexercised options. Compliance with this policy by each executive officer is reviewed by the Executive Compensation Committee on an annual basis, and the Executive Compensation Committee may exercise its discretion in response to any violation of this policy to limit the eligibility for or reduce the size of any future awards to the executive officer. The Executive Compensation Committee has never found a violation of this policy, so the Executive Compensation Committee has not exercised its discretion in this regard.

Hedging and Pledging Policies

In order to discourage our executive officers from hedging their long positions in the Company's shares, we have a policy that prohibits any of our executive officers from holding derivative instruments tied to our shares, other than derivative instruments that may be issued by us.

Additionally, in order to maintain the alignment of executive officer goals with shareholder interests and to manage risk, in 2013 we amended our Insider Trading Policy to add provisions prohibiting our executive officers and directors from hedging, engaging in short sales and holding our shares in margin accounts. In implementing the policy, we confirmed that no director or executive officer was engaged in such activity and have added the requirement that our executive officers and directors certify compliance with the hedging and pledging provisions of our Insider Trading Policy on an annual basis.

Limitations on Deductibility of Non-Performance Based Compensation

To the extent attributable to our United States subsidiaries and otherwise deductible, Section 162(m) of the Internal Revenue Code ("Section 162(m)") limits the tax deduction that United States subsidiaries can take with respect to the compensation of designated executive officers, unless the compensation is "performance-based."

Under the LTIP, the Executive Compensation Committee has the discretion to award performance-based cash compensation that qualifies under Section 162(m) based on the achievement of objective performance goals. All executive officers are eligible to receive this type of award. The Executive Compensation Committee has determined, and may in the future determine, to award compensation that does not qualify under Section 162(m) as performance-based compensation.

EXECUTIVE COMPENSATION COMMITTEE REPORT

The Executive Compensation Committee of the Board of Directors has reviewed and discussed the above Compensation Discussion and Analysis with management. Based on such review and discussions, the Executive Compensation Committee recommended to the Company's Board of Directors that the above Compensation Discussion and Analysis be included in this proxy statement.

Members of the Executive Compensation Committee:

Edward R. Muller, Chairman
Martin B. McNamara
Robert M. Sprague
Tan Ek Kia

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table provides information about the compensation of the Company's Chief Executive Officer, Chief Financial Officer and three other most highly compensated executive officers serving as of December 31, 2012. We also provide information about our former Executive Vice Presidents and Chief Financial Officers, who ceased being executive officers of the Company effective January 9, 2012 and November 15, 2012, respectively. Additionally, we provide information about our former Vice President and Controller who ceased being an executive officer of the Company effective January 25, 2012 and our former Senior Vice President and General Counsel who ceased being an executive officer of the Company effective October 23, 2012, as each would have been one of the three most highly compensated executive officers other than the Chief Executive Officer and Chief Financial Officer had he been an executive officer as of December 31, 2012. We refer to the aforementioned individuals as the Named Executive Officers. The Company is not a party to any employment agreements with any of our Named Executive Officers.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards(1) ($)	Option Awards(2) ($)	Non-Equity Incentive Plan Compensation(3) ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings(4) ($)	All Other Compensation ($)	Total ($)
Steven L. Newman	2012	1,141,667	—	5,934,659	2,584,048	1,540,007	1,749,000(5)	1,102,514(6)	14,051,895
President & Chief	2011	1,075,000	—	4,612,340	1,224,446	686,794	1,239,144(5)	1,091,201	9,928,925
Executive Officer	2010	850,000	—	2,038,251	1,872,682	374,062	550,283(5)	622,057	6,307,335
Esa T. Ikaheimonen *Executive Vice President & Chief Financial Officer*	2012	89,694(7)	248,724(8)	726,383	—	77,759	—	185,338(9)	1,327,898
Gregory L. Cauthen(10) *Former Executive Vice President & Chief Financial Officer*	2012	626,667	540,373(11)	2,223,101	—	—	268,752(12)	64,777(13)	3,723,670
Ricardo H. Rosa(14)	2012	215,137(15)		—	—	—	—	881,124(16)	1,096,261
Former Executive Vice	2011	674,163(15)	—	1,048,302	278,290	—	—	687,349	2,688,104
President & Chief Financial Officer	2010	517,344(15)	—	1,506,088	557,703	150,528	—	692,222	3,423,885
John B. Stobart *Executive Vice President & Chief Operating Officer*	2012	153,750	300,000(17)	976,351	—	166,803	18,650(18)	21,204(19)	1,636,758
Ihab M. Toma	2012	577,446(20)		1,720,211	748,988	491,940	—	403,527(21)	3,942,112
Executive Vice	2011	584,673(20)	—	1,048,302	278,290	280,490	—	645,473	2,837,228
President & Chief of Staff	2010	427,937(20)	—	1,162,541	446,150	109,040	—	398,917	2,544,585
David Tonnel *Senior Vice President & Controller*	2012	387,875(22)	—	1,032,105	449,400	242,341	92,548(23)	368,865(24)	2,573,134
Nick Deeming(25)	2012	514,414(26)	—	1,720,211	748,988	413,663	—	1,461,628(27)	4,858,904
Former Senior Vice President & General Counsel	2011	594,022(26)	400,000(28)	1,584,621	278,290	282,635	—	803,238	3,942,806

(1) Represents the aggregate grant date fair value during such year under accounting standards for recognition of share-based compensation expense for time-based vesting and performance-based vesting deferred units granted pursuant to the LTIP in the specified year, computed in accordance with FASB ASC Topic 718, and including for performance-based contingent deferred units ("CDUs"), the grant date fair value based upon the probable outcome of applicable performance conditions, which represents target achievement level. For a discussion of the valuation assumptions with respect to these awards, please see Note 18 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

(2) Represents the aggregate grant date fair value during such year under accounting standards for recognition of share-based compensation expense for options to purchase our shares granted under the LTIP in the specified year, computed in accordance with FASB ASC Topic 718. For a discussion of the valuation assumptions with respect to these awards, please see Note 18 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

(3) Non-Equity Incentive Plan Compensation includes annual cash bonus incentives earned by the Named Executive Officers based on service during the year included in the table and paid in the following year pursuant to the Performance Award and Cash Bonus Plan. The Performance Award and Cash Bonus Plan, including the performance targets used for 2012, is described under "Compensation Discussion and Analysis—Performance Award and Cash Bonus Plan."

(4) There are no nonqualified deferred compensation earnings included in this column because no Named Executive Officer received above-market or preferential earnings on such compensation during 2012, 2011 or 2010.

(5) The 2012 amount includes change in qualified pension benefits of $126,419 and non-qualified pension benefits of $1,622,581. The 2011 amount includes change in qualified pension benefits of $135,736 and non-qualified pension benefits of $1,103,408. The 2010 amount includes change in qualified pension benefits of $67,634 and non-qualified pension benefits of $482,649.

(6) This amount includes a cost of living adjustment of $96,707, automobile allowance of $12,792, housing allowance of $179,086, dependent education expenses of $77,538, vacation travel allowance of $38,275, dividends and dividend equivalents on time-based deferred units of $15,429, Company contributions to Mr. Newman's Transocean U.S. Savings Plan of $15,000, interest on accrued benefits in the Supplemental Savings Plan, the life insurance premiums paid by the Company on his behalf, Swiss taxes in the amount of $635,046, tax payments on Mr. Newman's expatriate allowance earnings of $23,471 and fees paid for his financial planning benefit and club membership. The cost of living adjustment, automobile, housing and schooling allowances and Swiss tax payments described above were paid in CHF and, for presentation in this table, converted into U.S. dollars ("USD") using the 2012 average Swiss franc ("CHF") to USD exchange rate of 1.06668.

(7) Mr. Ikaheimonen's salary was paid in CHF but, for purposes of this table, converted into USD using the 2012 average CHF to USD exchange rate of 1.06668.

(8) This amount represents a sign-on bonus paid in November 2012.

(9) This amount includes a cost of living adjustment of $12,366, automobile allowance, housing allowance of $37,328, vacation travel allowance, Swiss individual tax at source payments of $50,333, relocation and moving expenses and reimbursements of $60,980 and, Company contributions to Mr. Ikaheimonen's Transocean Management Ltd. Pension Plan of $20,689. These payments were paid in CHF but, for presentation in this table, converted into USD using the 2012 average CHF to USD exchange rate of 1.06668.

(10) Mr. Cauthen was the Company's Executive Vice President and Chief Financial Officer from January 9, 2012 to November 15, 2012.

(11) This amount represents a discretionary cash bonus paid under the terms of Mr. Cauthen's employment agreement.

(12) This amount includes change in qualified pension benefits of $84,475 and non-qualified pension benefits of $184,277.

(13) This amount includes dividends and dividend equivalents on time-based deferred units of $17,862, Company contributions to Mr. Cauthen's Transocean U.S. Savings Plan of $12,600, the life insurance premiums paid by the Company on his behalf and Swiss taxes in the amount of $28,352. The Swiss tax payments were paid in CHF and, for presentation in this table, converted into USD using the 2012 average USD to CHF to USD exchange rate of 1.06668.

(14) Mr. Rosa was the Company's Executive Vice President and Chief Financial Officer until January 9, 2012.

(15) Mr. Rosa's salary was paid in CHF but, for purposes of this table, converted into USD using the 2012 average CHF to USD exchange rate of 1.06668 and CHF to USD exchange rates ranging from 0.781 to 0.967 for 2011 and 0.967 to 1.131 for 2010.

(16) This amount includes a severance payment of $645,414, cost of living adjustment of $32,260, automobile allowance, housing allowance of $44,806, Swiss individual tax at source payments of $63,161, dividends and dividend equivalents on time-based deferred units, relocation and moving expenses and reimbursements of $29,600, and Company contributions to Mr. Rosa's Transocean Management Ltd. Pension Plan of $47,113. These payments were paid in CHF but, for presentation in this table, converted into USD using the 2012 average CHF to USD exchange rate of 1.06668.

(17) This amount represents a sign-on bonus paid in October 2012.

(18) This amount represents a change in qualified pension benefits.

(19) This amount includes Company contributions to Mr. Stobart's Transocean U.S. Savings Plan, the life insurance premiums paid by the Company on his behalf and relocation and moving expenses and reimbursements of $18,557.

(20) Mr. Toma's salary was paid in CHF but, for purposes of this table, converted into USD using the 2012 average CHF to USD exchange rate of 1.06668 and CHF to USD exchange rates ranging from 0.781 to 0.967 for 2011 and 0.967 to 1.131 for 2010.

(21) This amount includes a cost of living adjustment of $86,617, automobile allowance of $12,802, housing allowance of $179,222, vacation travel allowance, Swiss estimated tax payments of $218,181, dividends and dividend equivalents on time-based deferred units, Company contributions to Mr. Toma's Transocean Management Ltd. Pension Plan of $102,323 and the fees paid for his club membership. These payments were paid in CHF but, for presentation in this table, converted into USD using the 2012 average CHF to USD exchange rate of 1.06668.

(22) From January 2012 through February 2012, Mr. Tonnel's salary was paid in Euros ("EUR") but, for presentation in this table, converted into USD using EUR to USD exchange rates ranging from 1.28932 to 1.32202. Effective March 1, 2012, Mr. Tonnel transferred to our Houston, Texas office and was paid in USD.

(23) This amount includes change in qualified pension benefits of $41,622 and non-qualified pension benefits of $50,926.

(24) This amount includes an exchange rate coefficient and automobile allowance, a housing allowance of $38,521, dependent education expenses of $81,249, vacation travel allowance of $33,933, dividends and dividend equivalents on time-based deferred units, Company contributions to Mr. Tonnel's Transocean U.S. Savings Plan of $15,000, interest on accrued benefits in the Supplemental Savings Plan, Company contributions to Mr. Tonnel's European Savings Plan, the life insurance premiums paid by the Company on his behalf, relocation and moving expenses and reimbursements of $110,427, the payout of unused vacation of $41,609 and Mr. Tonnel's distribution from the Company's French Profit Sharing Plan of $22,575. The profit sharing distribution, unused vacation payout and a portion of automobile allowance and life insurance premium payments described above were paid in EUR but, for presentation in this table, converted into USD using EUR to USD exchange rates ranging from 1.28932 to 1.32202.

(25) Mr. Deeming was the Company's Senior Vice President and General Counsel until October 23, 2012.

(26) Mr. Deeming's salary was paid in CHF, but, for purposes of this table, converted into USD using the 2012 average CHF to USD exchange rate of 1.06668 and CHF to USD exchange rates ranging from 0.781 to 0.967 for 2011.

(27) This amount includes a severance payment of $687,341, cost of living adjustment of $77,163, automobile allowance of $10,393, housing allowance of $149,352, vacation travel allowance, Swiss individual tax at source payments of $348,837, dividends and dividend equivalents on time-based deferred units, United Kingdom home tax liability payment of $204,082, relocation and moving expenses and reimbursements, and Company contributions to Mr. Deeming's Transocean Management Ltd. Pension Plan of $123,411. The payments described above were paid in CHF but, for presentation in this table, converted into USD using the 2012 average CHF to USD exchange rate of 1.06668.

Grants of Plan-Based Awards for 2012

The following table sets forth certain information concerning grants of plan-based awards for the year ended December 31, 2012 for the Named Executive Officers.

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units(2)	All Other Option Awards: Number of Securities Underlying Options(3)	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards(3)
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**(#)**	**(#)**	**($/Sh)**	**($)**
Steven L. Newman .		0	1,437,500	2,875,000							
	2/17/2012								132,244	50.79	2,584,048
	2/17/2012(4)				13,573	54,292	95,011				3,177,168
	2/17/2012							54,292			2,757,491
Esa T. Ikaheimonen	2/14/2012	0	560,000(5)	1,120,000(5)							
	11/15/2012(6)							16,167			726,383
Gregory L. Cauthen(7)		0	—	—							
	1/9/2012(7)							22,610			881,112
	7/1/2012(7)							30,002			1,341,989
John B. Stobart . . .		0	615,000(8)	1,230,000(8)							
	10/1/2012(9)							21,124			976,351
Ihab M. Toma	2/14/2012	0	492,000	984,000							
	2/17/2012								38,331	50.79	748,988
	2/17/2012(4)				3,934	15,737	27,540				920,929
	2/17/2012							15,737			799,282
David Tonnel		0	240,000	480,000							
	2/17/2012								22,999	50.79	449,400
	2/17/2012(4)				2,361	9,442	16,524				552,546
	2/17/2012							9,442			479,559
Nick Deeming		0	540,000	1,080,000							
	2/17/2012								38,331	50.79	748,988
	2/17/2012(4)				3,934	15,737	27,540				920,929
	2/17/2012							15,737			799,282

(1) This column shows the amount of cash payable to the Named Executive Officers under our Performance Award and Cash Bonus Plan; actual amounts earned by the Named Executive Officers thereunder in 2012 appear in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table. For more information regarding our Performance Award and Cash Bonus Plan, including the performance targets used for 2012, see "Compensation Discussion and Analysis—Performance Award and Cash Bonus Plan."

(2) This column shows the number of time-vested stock options granted to the Named Executive Officers under the LTIP. The options vest in annual one-third increments on each of the first, second and third anniversaries of the date of grant.

(3) This column shows the number of time-vested DUs granted to the Named Executive Officers under the LTIP. These DUs vest in annual one-third increments on each of the first, second and third anniversaries of the date of grant.

(4) This column represents the grant date fair value of this equity calculated in accordance with accounting standards for recognition of share-based payment awards, and including for CDUs, a grant fair value based upon the probable outcome of applicable performance conditions, which represents target achievement level, computed in accordance with FASB ASC Topic 718.

(5) The February 17, 2012 CDU award is subject to a three-year performance period ending on December 31, 2014. The actual number of deferred units received will be determined in the first 60 days of 2015 and is contingent on our performance in total shareholder return relative to the Performance Peer Group. Any earned shares will vest on December 31, 2014. For more information regarding the LTIP, including the performance targets used for 2012 and the contingent nature of the awards granted under the LTIP, please read, "Compensation Discussion and Analysis-Long—Term Incentive Plan."

(6) Mr. Ikaheimonen was eligible for a pro-rated portion of an award under our Performance Award and Cash Bonus Plan based on his hire date of November 15, 2012.

(7) Represents a sign-on equity award comprised of deferred stock units.

(8) Represents deferred stock units granted to Mr. Cauthen in accordance with the terms of his employment agreement.

(9) Mr. Stobart was eligible for a pro-rated portion of an award under our Performance Award and Cash Bonus Plan based on his hire date of October 1, 2012.

(10) Represents a sign-on equity award comprised of deferred stock units.

Outstanding Equity Awards at Year-End 2012

The following table sets forth certain information with respect to outstanding equity awards at December 31, 2012 for the Named Executive Officers.

Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($/Share)	Option Grant Date(2)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested(1) ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested(2) ($)
Steven L. Newman . . .	17,248	—	83.70	7/13/2006	7/12/2016				
	17,248	—	73.21	10/12/2006	7/12/2016				
	27,728	—	144.32	7/9/2008	7/8/2018				
	56,000	—	60.19	2/12/2009	2/11/2019				
	42,450	21,225	80.26	3/1/2010	2/29/2020				
	19,207	38,414	78.76	2/10/2011	2/9/2021				
	—	132,244	50.79	2/17/2012	2/16/2022				
						19,530	872,210		
						54,292	2,424,681		
								29,294(3)	872,210
								54,292(4)	2,424,681
Esa T. Ikaheimonen . . .						16,167	722,018		
Gregory L. Cauthen . . .	6,593	—	144.32	7/9/2008	7/8/2018				
						22,610	1,009,763		
						30,002	1,339,889		
Ricardo H. Rosa	9,705	—	144.32	7/9/2008	7/8/2018				
	24,436	—	60.19	2/12/2009	2/11/2019				
	11,792	5,896	83.32	2/18/2010	2/17/2020				
	4,365	8,731	78.76	2/10/2011	2/9/2021				
								2,808(3)	125,405
John B. Stobart						21,124	943,398		
Ihab M. Toma	7,277	—	72.51	8/17/2009	8/16/2019				
	9,433	4,717	83.32	2/18/2010	2/17/2020				
	4,365	8,731	78.76	2/10/2011	2/9/2021				
	—	38,331	50.79	2/17/2012	2/16/2022				
						3,138	140,143		
						4,439	198,246		
						15,737	702,814		
								6,658(3)	297,346
								15,737(4)	702,814
David Tonnel	3,401	—	144.32	7/9/2008	7/8/2018				
	9,164	—	60.19	2/12/2009	2/11/2019				
	2,729	—	74.93	9/1/2009	8/31/2019				
	7,861	3,931	83.32	2/18/2010	2/17/2020				
	2,910	5,821	78.76	2/10/2011	2/9/2021				
	—	22,999	50.79	2/17/2012	2/16/2022				
						2,615	116,786		
						2,959	132,149		
						9,442	421,680		
								4,438(3)	198,201
								9,442(4)	421,680
Nick Deeming	4,365	—	78.76	2/10/2011	2/9/2021				
								3,919(3)	175,023
								3,739(4)	166,984

(1) Time- vested stock options granted to the Named Executive Officers under the LTIP. The options generally vest in annual one-third increments on each of the first, second and third anniversaries of the date of the grant

(2) For purposes of calculating the amounts in these columns, the closing price of our shares on the NYSE on December 30, 2012 of $44.66 was used.

(3) Represents time-vested deferred unit retention awards, all of which, vest in one-third increments on each of the first, second and third anniversaries of the date of grant.

(4) Represents the February 10, 2011 CDU award assuming target performance, which award is subject to a three-year performance period ending on December 31, 2013. The actual number of deferred units received will be determined in the first 60 days of 2014 and is contingent on our performance in total shareholder return relative to the Performance Peer Group. Any shares earned will vest on December 31, 2013. For more information regarding the LTIP, including the performance targets used for 2011 and the contingent nature of the awards granted under the LTIP, please read, "Compensation Discussion and Analysis—Long-Term Incentive Plan."

(5) Represents the February 17, 2012 CDU award assuming target performance, which award is subject to a three-year performance period ending on December 31, 2014. The actual number of deferred units received will be determined in the first 60 days of 2015 and is contingent on our performance in total shareholder return relative to the Performance Peer Group. Any shares earned will vest on December 31, 2014. For more information regarding the LTIP, including the performance targets used for 2012 and the contingent nature of the awards granted under the LTIP, please read, "Compensation Discussion and Analysis—Long-Term Incentive Plan."

Option Exercises and Shares Vested for 2012

The following table sets forth certain information with respect to the exercise of options and the vesting of deferred units, as applicable, during 2012 for the Named Executive Officers.

	Option Awards		Stock Awards(1)	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Steven L. Newman	—	—	9,582	490,250
Ricardo H. Rosa	—	—	9,801(2)	756,660
Ihab M. Toma	—	—	6,414	320,396
David Tonnel	—	—	3,449	216,207
Nick Deeming	—	—	16,810(3)	1,397,574

(1) Represents the closing price of a share of our common stock on the NYSE on the date of vesting multiplied by the number of shares that vested on such date..

(2) Includes 7,698 shares with an aggregate value of $645,244 that vested on April 30, 2012 in connection with Mr. Rosa's termination from the Company.

(3) Includes 14,236 shares with an aggregate value of $1,175,542 that vested on October 23, 2012 in connection with Mr. Deeming's termination from the Company.

Pension Benefits for 2012

We maintain the following pension plans for executive officers and other employees that provide for post-retirement income based on age and years of service:

Transocean U.S. Retirement Plan and

Transocean Pension Equalization Plan.

The following table and narrative disclosure set forth certain information with respect to pension benefits payable to the Named Executive Officers pursuant to these plans:

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($)	Payments During 2012 ($)
Steven L. Newman	Transocean U.S. Retirement Plan	19	598,060	—
	Transocean Pension Equalization Plan	19	4,223,612	—
Gregory L. Cauthen	Transocean U.S. Retirement Plan	9	394,035	—
	Transocean Pension Equalization Plan	9	184,277	—
John B. Stobart	Transocean U.S. Retirement Plan	—	18,650	—
	Transocean Pension Equalization Plan	—	—	—
David Tonnel	Transocean U.S. Retirement Plan	7	163,911	—
	Transocean Pension Equalization Plan	7	130,060	—

Transocean U.S. Retirement Plan

The Transocean U.S. Retirement Plan is a tax-qualified pension plan funded through cash contributions made by the Company based on actuarial valuations and regulatory requirements. Messrs. Newman, Cauthen, Stobart and Tonnel were the Named Executive Officers in 2012 who have historically participated in this plan. The purpose of the plan is to provide post-retirement income benefits to employees in recognition of their long-term service to the Company. Employees working for the Company in the U.S. are fully vested after completing five years of eligible employment. Benefits available to the Named Executive Officers are no greater than those offered to non-executive participants. Employees earn the right to receive a benefit upon retirement at the normal retirement age of 65 or upon early retirement (age 55 or older). The plan was amended effective January 1, 2009 to eliminate the 30-year lifetime cap on credited service.

Credited service under the plan includes all periods of employment after June 30, 1993, except for such periods when an employee does not meet eligibility requirements under the plan.

The following elements of executive compensation are included in computing the retirement benefit: base salary, non-equity incentive plan compensation and special performance cash bonuses. Retirement benefits are calculated as (1) the product of (A) each year of an employee's credited service, times (B) 2.00%, times (C) the final average earnings, minus (2) the product (also referred to as the "Offset") of (A) each year of an employee's credited service, times (B) 0.65%, times (C) the final average social security earnings. However, the Offset cannot be greater than one-half of the gross benefit, calculated using the lesser of the final average earnings and final average social security earnings.

If the employee elects to retire between the ages of 55 and 64, the amount of benefits is reduced; actuarial reduction factors are applied to his or her "gross benefit" and his or her final average social security earnings offset to allow for the fact that his or her benefit will start earlier than "normal" and will, therefore, be paid for a longer period of time.

None of the Named Executive Officers met the eligibility requirements for "early retirement" under the plan. The gross benefit is reduced 2% per year for the first five years and 6% per year for the next five years that the early retirement date precedes the normal retirement date. The offset benefit is reduced 6.67% per year for the first five years and 3.33% per year for the next five years that the early retirement date precedes the normal retirement date.

Certain assumptions and calculation methods were used to determine the values of the pension benefits disclosed in the Pension Benefits Table above. In particular, monthly accrued pension benefits, payable at age 65, were determined as of December 31, 2012. The present value of these benefits was calculated based on assumptions used in the Company's financial statements for 2012. The key assumptions used were:

Discount rate:	4.26%
Mortality Table:	2013-PPA
Form of Payment:	Joint & 50% Survivor Annuity
Compensation:	Base Salary + Non-Equity Incentive Plan Compensation
Retirement Age:	62

Transocean Pension Equalization Plan

Officers, including each of the Named Executive Officers, are eligible to receive a benefit from the Company's nonqualified, unfunded, noncontributory Pension Equalization Plan ("PEP") if the level of their compensation would otherwise cause them to exceed the Internal Revenue Code compensation limitations imposed on the Transocean U.S. Retirement Plan. The purpose of this plan is to recognize an executive's service to the Company and provide supplemental post-retirement income to those individuals. Benefits are payable upon a participant's termination of employment, or six months after termination in the case of certain officers.

The following forms of compensation are used to calculate the supplemental benefit: base salary, non-equity incentive plan compensation and special performance cash bonuses. Benefits are not earned until the individual has five years of credited service with the Company. The formula used to calculate the plan benefit is the same as that which is used to calculate benefits under the Transocean U.S. Retirement Plan; however, earnings are not limited to the pay cap under Internal Revenue Code Section 401(a)(17) ($250,000 in 2012). The accrued benefit of certain individuals as of December 31, 2008 attributable to the legacy Transocean Supplemental Retirement Plan will be calculated using the interest rate in the Supplemental Retirement Plan, which was the annual interest rate equal to the yield on a new 7-12 year AA-rated general obligation tax-exempt bond as determined by Merrill Lynch & Co. (or its affiliates) and published in The Wall Street Journal.

Certain assumptions and calculation methods were used to determine the values of the pension benefits disclosed in the Pension Benefits Table above. In particular, monthly accrued pension benefits, payable at age 65, were determined as of December 31, 2012. The present value of these benefits was calculated based on assumptions used in the Company's financial statements for 2012. The key assumptions are:

Interest Rate:	3.41%
Mortality Table:	2012-417(e)
Form of Payment:	Lump Sum
Lump Sum Rate:	1.91%
Compensation:	Base Salary + Non-Equity Incentive Plan Compensation
Retirement Age:	62

Nonqualified Deferred Compensation for 2012

The following table and narrative disclosure set forth certain information with respect to nonqualified defined contribution and nonqualified deferred compensation payable to the Named Executive Officers. All nonqualified deferred compensation plan benefits are payable in cash from the Company's general assets.

Name	Executive Contributions in Last FY ($)	Registrant Contributions in Last FY(1) ($)	Aggregate Earnings in Last FY(2) ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE(3) ($)
Steven L. Newman	0	0	1,241	0	38,866
Esa T. Ikaheimonen	0	0	0	0	0
Gregory L. Cauthen	0	0	0	0	0
Ricardo Rosa	0	0	114	4,756	0
John B. Stobart	0	0	0	0	0
Ihab M. Toma	0	0	0	0	0
David Tonnel	0	0	7	0	213
Nick Deeming	0	0	0	0	0

(1) The Transocean U.S. Supplemental Savings Plan was frozen as of December 31, 2008. Accordingly, no new participants were added in 2012. The balances under the plan will continue to accrue interest and remain in the plan until the participant leaves the Company.

(2) Represents earnings in 2012 on balances in the Transocean U.S. Supplemental Savings Plan.

(3) Represents balances as of December 31, 2012 in the Transocean U.S. Supplemental Savings Plan.

Transocean U.S. Supplemental Savings Plan

The Named Executive Officers and certain other highly compensated employees as of December 31, 2008 were eligible to participate in the nonqualified, unfunded Transocean U.S. Supplemental Savings Plan if the level of their base salaries would otherwise cause them to exceed the contribution limits imposed by the Internal Revenue Code on the Transocean U.S. Savings Plan. Base pay is used to calculate the benefit. The Company maintains on its books an account for each participant to whom it credits (1) the amount of any Company matching contributions which are not paid to the Transocean U.S. Savings Plan due to limitations of the Internal Revenue Code, plus (2) earned interest. This interest is credited at the end of each calendar quarter and is calculated as a sum that is equal to the average balance for the quarter multiplied by one-fourth of the annual prime rate for corporate borrowers quoted by The Federal Reserve Statistical Release at the beginning of the quarter. The participant's supplemental savings benefit equals the balance recorded in his account. A participant receives a single lump sum payment of the balance at the time of such participant's termination, or six months after termination in the case of certain officers. A participant may not receive a distribution or make any withdrawals prior to such participant's termination. On December 31, 2008, the Transocean U.S. Supplemental Savings Plan was frozen. No further benefits will accrue under the plan after December 31, 2008.

Transocean International Retirement Plan

The Company maintains the Transocean International Retirement Plan, a nonqualified, defined contribution plan, for its non-U.S. citizen employees who accept international assignments and have completed at least one full calendar month of service. Eligibility in the plan is based on residency outside of the U.S. Messrs. Rosa and Tonnel were the Named Executive Officers in 2012 who held accrued benefits in this plan; however, none of the Named Executive Officers in 2012 actively participated in this plan. The plan is funded through cash contributions by the Company as a percentage of compensation along with voluntary contributions by employees, which are limited to 15% of the employee's base pay. Current Company contribution levels are as follows:

Service	Company Match
< 5 years	4.5%
5 - 9 years	5%
10 - 14 years	5.5%
15 - 19 years	6%
20+ years	6.5%

Contributions are based on a participant's compensation (regular pay, non-equity cash incentive pay and special performance cash awards). The normal retirement age under the plan is age 60; however, participants who are age 50 or older, and who are vested with two or more years of service, may upon termination or retirement, elect to receive a lump sum or an annuity based on the full cash value of the participant's retirement account. If a participant retires with less than two years of service, the participant will only be entitled to receive benefits under the plan based on the accumulated value of his voluntary employee contributions.

Transocean Management Ltd. Pension Plan

The Company maintains the Transocean Management Ltd. Pension Plan, a nonqualified, defined contribution plan, for its non-U.S. citizen employees who relocate to Switzerland. Messrs. Ikaheimonen, Rosa, Toma and Deeming were the Named Executive Officers in 2012 who participated in this plan. The plan is funded through cash contributions by the Company as a percentage of compensation along with contributions by employees. Mandatory contributions by the employees are 6% of pensionable salary.

Additional voluntary contributions are permitted but these contributions do not generate any additional match by the Company. Current Company contribution levels are as follows:

Age	Company Match
24	10%
34	12%
44	14%
54	16%

Contributions are based on a participant's annual salary. Regular retirement age under the plan is age 65 for men and 64 for women, as is customary in Switzerland.

Potential Payments Upon Termination or Change of Control

The following tables and narrative disclosure set forth, as of December 31, 2012, certain information with respect to compensation that would be payable to the Named Executive Officers, still serving as officers of the Company as of December 31, 2012, upon a variety of termination or change of control scenarios. Messrs. Rosa and Deeming terminated their employment with the Company prior to December 31, 2012. Upon Mr. Cauthen's departure in 2012, he did not receive severance payments or benefits. As a result, a table reflecting the actual payments and benefits they received in connection with their departures from the Company follows the table for the "II. Voluntary Termination" scenario.

As of December 31, 2012, the Named Executive Officers still serving as officers of the Company were eligible for the executive severance benefit policy. See "Compensation Discussion and Analysis—Executive Compensation Program—Post-Employment Compensation—Severance and Change-of-Control Agreements" for a discussion of our executive severance benefit policy.

	Mr. Newman ($)	Mr. Ikaheimonen ($)	Mr. Stobart ($)	Mr. Toma ($)	Mr. Tonnel ($)
I. Termination at the Convenience of the Company					
Cash Severance Payment(1)	$ 1,150,000	$ 700,000	$ 615,000	$ 615,000	$ 400,000
Non-Equity Incentive Plan Compensation(1)	1,437,500	560,000	615,000	492,000	400,000
Outplacement Services(1)	57,500	35,000	30,750	30,750	20,000
Pension Equalization Plan(2)	4,223,612	—	—	—	130,060
Equity Incentive Plan Compensation under the LTIP					
Unvested Stock Options(3)	—	—	—	—	—
Contingent Deferred Units(4)	1,591,379	—	—	407,731	257,582
Time-Based Deferred Units(5)	3,296,891	722,018	943,398	1,041,203	670,615
Supplemental Savings Plan(6)	38,866	—	—	—	213
Total Termination at the Convenience of the Company Potential Payments	11,795,748	2,017,018	2,204,148	2,586,684	1,878,470

(1) Any involuntary not-for-cause termination as of December 31, 2012 would have been calculated under the executive severance benefit policy and the Performance Award and Cash Bonus Plan.

(2) The amount of PEP benefits included in the table for Mr. Newman represents the present value of those benefits which would not have been payable as of December 31, 2012 but would be payable once he reaches 55 years of age.

(3) The terms and conditions of the non-qualified option awards provide that upon an involuntary convenience of the Company termination, any unvested options terminate as of the date of termination.

(4) CDUs are based upon the achievement of a performance standard over a three-year period. The determination period for a portion of the CDUs ends on December 31, 2013 and the determination period for the remaining CDUs ends on December 31, 2014. The actual number of deferred units received will be determined in the first 60 days of 2014 or 2015, as applicable, and is contingent on our performance in total shareholder return relative to the Performance Peer Group. Upon an involuntary convenience of the Company termination, the Named Executive Officers would receive a pro rata portion of the CDUs. The pro rata portion of the CDUs is determined by multiplying the number of CDUs which would have otherwise been earned had the Named Executive Officer's employment not been terminated by a fraction, the numerator of which is the number of calendar days he was employed during the performance cycle after the grant date and the denominator of which is the total number of calendar days in the performance cycle after the grant date.

(5) The time-based deferred units are awards that vest in equal installments over three years, on the first, second and third anniversaries of the date of grant. Upon an involuntary convenience of the Company termination, all of the deferred units would vest.

(6) Each Named Executive Officer's supplemental savings plan benefit is equal to the balance, which includes interest, recorded in his account as of December 31, 2012. Each Named Executive Officer is eligible to receive a single lump sum payment of the balance after a six-month waiting period after his termination. A participant may not receive a distribution or make any withdrawals prior to his termination.

	Mr. Newman ($)	Mr. Ikaheimonen ($)	Mr. Stobart ($)	Mr. Toma ($)	Mr. Tonnel ($)
II. Voluntary Termination					
Pension Equalization Plan(1)	4,223,612	—	—	—	130,060
Equity Incentive Plan Compensation under the LTIP					
Unvested Stock Options	—	—	—	—	—
Contingent Deferred Units	—	—	—	—	—
Time-Based Deferred Units	—	—	—	—	—
Supplemental Savings Plan(2)	38,866	—	—	—	213
Total Voluntary Termination Potential Payments	4,262,478	—	—	—	130,273

(1) The amount of PEP benefits included in the table for Mr. Newman and Mr. Tonnel represent the present value of those benefits which would not have been payable as of December 31, 2012 but would be payable once he reaches 55 years of age.

(2) Each Named Executive Officer would be eligible to receive the same supplemental savings plan payments as contemplated under the "I. Termination at the Convenience of the Company" scenario described above.

The following table describes payments and other benefits to Messrs. Rosa and Deeming, who ceased being executive officers of the Company prior to December 31, 2012.

Separation Payments and Benefits	Mr. Rosa ($)	Mr. Deeming ($)
Cash Severance Payment	645,414	708,755
Non-Equity Incentive Plan Compensation(1)	170,681	413,663
Equity Incentive Plan Compensation under the LTIP(2)		
Unvested Stock Options	—	—
2012 Contingent Deferred Unit Award(3)	293,684	166,984
2011 Contingent Deferred Unit Award(3)	125,405	175,023
2010 Contingent Deferred Unit Award(3)	—	—
2012 Deferred Unit Award	—	702,814
2011 Deferred Unit Award	198,246	398,501
2010 Deferred Unit Award	373,626	—
Supplemental Savings Plan(2)	4,756	—
Total Separation Payments and Benefits	1,640,940	2,544,125

(1) Pursuant to the terms of his separation Mr. Rosa was entitled to a cash payment of an amount determined by multiplying his target bonus under the Cash Bonus Plan for the 2011 calendar year by a fraction, the numerator of which was the number of calendar days of employment during 2012 and the denominator of which is 366. Mr. Rosa's target bonus opportunity under the Cash Bonus Plan for the 2011 calendar year was 80% of his base salary. Mr. Deeming had the opportunity to receive a performance award for the 2012 performance period equal to the amount of the performance award that would have been earned had Mr. Deeming not terminated, pro rated by a fraction, the numerator of which is the number of full calendar months 366. The grant of a performance award was subject to achievement by the Company of certain performance measures and the discretion of the Executive Compensation Committee. Mr. Deeming's target bonus opportunity was 80% of his base salary at the time his employment terminated.

(2) In January 2012, the Executive Compensation Committee provided for the vesting of Mr. Rosa's unvested deferred units at the date of his termination. The Committee also provided for Mr. Rosa's stock options to continue to vest pursuant to their original vesting schedule. In October 2012, the Committee provided for the vesting of Mr. Deeming's unvested deferred units at the date of his termination. The amounts listed are based on the closing price of the Company's shares on the NYSE on December 31, 2012, which was $44.66 and represent the value of awards that would have been forfeited but for the action of the Committee.

(3) Based on the target (100%) payout. The actual number of CDUs received will be determined after the end of the applicable performance cycle and is contingent on the Company's performance in Total Shareholder Return relative to the Performance Peer Group. In February 2013, the Executive Compensation Committee determined that the payout for the 2010 CDU Award was zero.

	Mr. Newman ($)	Mr. Ikaheimonen ($)	Mr. Stobart ($)	Mr. Toma ($)	Mr. Tonnel ($)
III. Retirement					
Non-Equity Incentive Plan Compensation	1,437,500	560,000	615,000	492,000	240,000
Pension Equalization Plan(1)	4,223,612	—	—	—	130,060
Equity Incentive Plan Compensation under the LTIP					
Unvested Stock Options	—	—	—	—	—
Contingent Deferred Units(2)	1,591,379	722,018	943,398	407,731	257,582
Supplemental Savings Plan(3)	38,866	—	—	—	213
Total Retirement Potential Payments	7,291,357	1,282,018	1,558,398	899,731	627,855

(1) Mr. Newman and Mr. Tonnel had not reached at least 55 years of age as of December 31, 2012 and were therefore not eligible for early retirement or normal retirement (age 65) under the PEP. The amount of PEP benefits included in the table for Mr. Newman and Mr. Tonnel represent the present value of those benefits which would not have been payable as of December 31, 2012 but would be payable once he reaches 55 years of age.

(2) The treatment of CDU awards upon retirement would be treated the same as described under ". I. Termination at the Convenience of the Company" above.

(3) Each Named Executive Officer would be eligible to receive the same supplemental savings plan payments as contemplated under the "I. Termination at the Convenience of the Company" scenario described above.

	Mr. Newman ($)	Mr. Ikaheimonen ($)	Mr. Stobart ($)	Mr. Toma ($)	Mr. Tonnel ($)
IV. Termination in Connection with a Change of Control					
Cash Severance Payment(1)	1,150,000	700,000	615,000	615,000	400,000
Non-Equity Incentive Plan Compensation(1)	1,437,500	560,000	615,000	492,000	240,000
Outplacement Services(1)	57,500	35,000	30,750	30,750	20,000
Pension Equalization Plan	4,223,612	—	—	—	130,060
Equity Incentive Plan Compensation under the LTIP					
Unvested Stock Options(2)	—	—	—	—	—
Contingent Deferred Units(3)	5,113,213	—	—	1,306,886	875,470
Time-Based Deferred Units(2)	3,296,891	722,018	943,398	1,041,203	670,615
Supplemental Savings Plan(4)	38,866	—	—	—	213
Total Change of Control Termination Potential Payments	15,317,582	2,017,018	2,204,148	3,485,839	2,336,358

(1) Any termination in connection with a change of control as of December 31, 2012 would have been calculated under the executive severance benefit policy and the Performance Award and Cash Bonus Plan.

(2) Unvested stock options and time-based deferred units vest immediately upon a change of control termination. The closing price of the Company's shares on the NYSE on December 31, 2012 was less than the exercise price for each of the outstanding unvested stock option awards.

(3) Each Named Executive Officer is entitled to the number of CDUs equal to the target award upon a change of control.

(4) Each Named Executive Officer would be eligible to receive the same supplemental savings plan payments as contemplated under the "I. Termination at the Convenience of the Company" scenario described above.

	Mr. Newman ($)	Mr. Ikaheimonen ($)	Mr. Stobart ($)	Mr. Toma ($)	Mr. Tonnel ($)
V. Death					
Non-Equity Incentive Plan Compensation(1)	1,437,500	560,000	615,000	492,000	240,000
U.S. Pension Equalization Plan	2,537,848	—	—	—	78,149
Equity Incentive Plan Compensation under our LTIP					
Unvested Stock Options(2)	—	—	—	—	—
Contingent Deferred Units(3)	1,591,379	—	—	407,731	257,582
Time-Based Deferred Units(2)	3,296,891	722,018	943,398	1,014,203	670,615
Supplemental Savings Plan(4)	38,866	—	—	—	213
Life Insurance Proceeds(5)	1,000,000	2,800,000	1,000,000	2,460,000	1,000,000
Total Death Potential Payments	9,902,484	4,082,018	2,558,398	4,373,934	2,246,559

(1) Each Named Executive Officer's beneficiary would receive the pro rata share of the deceased's targeted non-equity incentive plan compensation for 2012. If the Named Executive Officer died on December 31, 2012, then this pro rata share would be equal to 100% of such Named Executive Officer's targeted non-equity compensation for 2012.

(2) Unvested stock options and time-based deferred units vest immediately upon death. The closing price of the Company's shares on the NYSE on December 31, 2012 was less than the exercise price for each of the outstanding unvested stock option awards.

(3) The beneficiary of each Named Executive Officer is entitled to a pro rata portion of CDUs upon such Named Executive Officer's death.

(4) Each Named Executive Officer would be eligible to receive the same supplemental savings plan payments as contemplated under the "I. Termination at the Convenience of the Company" scenario described above.

(5) We provide each of our Named Executive Officers with a life insurance benefit equal to four times covered annual earnings, capped at a maximum of $1,000,000 for employees paid in U.S. dollars.

	Mr. Newman ($)	Mr. Ikaheimonen ($)	Mr. Stobart ($)	Mr. Toma ($)	Mr. Tonnel ($)
VI. Disability					
Non-Equity Incentive Plan Compensation(1)	1,437,500	560,000	615,000	492,000	240,000
U.S. Pension Equalization Plan	4,223,612	—	—	—	130,060
Equity Incentive Plan Compensation under our LTIP					
Unvested Stock Options(2)	—	—	—	—	—
Contingent Deferred Units(3)	1,591,379	—	—	407,731	257,582
Time-Based Deferred Units(2)	3,296,891	722,018	943,398	1,041,203	670,615
Supplemental Savings Plan(1)	38,866	—	—	—	213
Disability Benefits(4)	—	—	—	—	—
Total Disability Potential Payments	10,588,248	1,282,018	1,558,398	1,940,934	1,298,470

(1) Each of the potential non-equity incentive plan compensation and supplemental savings plan payments under this "VI. Disability" scenario would be the same as contemplated under the "V. Death" scenario described above.

(2) Unvested portions of the stock options and time-based deferred units vest immediately upon disability. The closing price of the Company's shares on the NYSE on December 31, 2012 was less than the exercise price for each of the outstanding unvested stock option awards.

(3) Each Named Executive Officer is entitled to a pro rata portion of the CDUs upon disability.

(4) None of our Named Executive Officers is eligible for any disability benefits beyond those benefits that are available generally to all of our salaried employees. The standard disability benefits that our Named Executive Officers would receive in the event of their disability are described under "Compensation Discussion and Analysis—Other Benefits."

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information concerning securities authorized for issuance under our equity compensation plans as of December 31, 2012.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders(1)	1,587,520	$75.77	10,934,008
Equity compensation plans not approved by security holders(2)(3)	—	—	—
Total	1,587,520	$75.77	10,934,008

(1) Restricted shares and deferred units are included in the awards we may grant under the LTIP, and 3,101,502 shares are available for future issuance pursuant to grants of restricted shares and deferred units.

(2) Does not include 207,797 shares to be issued upon the exercise of options with a weighted average exercise price of $43.65 that were granted under (a) equity compensation plans of GlobalSantaFe Corporation assumed by us in connection with our merger with GlobalSantaFe, (b) the Sedco Forex Option plan assumed by us in connection with our merger with Sedco Forex Holding Limited, and (c) equity compensation plans of R&B Falcon Corporation assumed by us in connection with our merger with R&B Falcon (collectively, the "Assumed Plans"). No new awards will be granted under the Assumed Plans.

(3) Does not include any shares that may be distributed under our deferred compensation plan, which has not been approved by our shareholders. Under this plan, our directors could defer any fees or retainers by investing those amounts in Transocean Inc. ordinary share equivalents or in other investments selected by the administrative committee. Amounts that are invested in the share equivalents at the time of distribution are distributed in ordinary shares. After December 31, 2005, no further deferrals may be made under the plan. As of the time immediately prior to our merger with GlobalSantaFe, our directors had purchased 30,490 Transocean Inc. ordinary share equivalents under this plan. Each of the share equivalents was reclassified into 0.6996 share equivalents and $33.03 cash. Fractional share equivalents were paid in cash. The total cash consideration was used to purchase additional share equivalents using the closing price for Transocean Inc. ordinary shares on November 27, 2007. As a result of the redomestication transaction pursuant to which Transocean Inc. merged by way of schemes of arrangement under Cayman Islands law with Transocean Cayman Ltd., with Transocean Inc. as the surviving company, each Transocean Inc. ordinary share equivalent was exchanged for a Transocean Ltd. share equivalent. For the years ended December 31, 2011 and December 31, 2012, our directors held 26,631 and 24,513 share equivalents under the plan, respectively.

AGENDA ITEM 7

Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm for Fiscal Year 2013 and Reelection of Ernst & Young Ltd, Zurich, as the Company's Auditor Pursuant to the Swiss Code of Obligations for a Further One-Year Term

Proposal

The Board of Directors proposes that Ernst & Young LLP be appointed as the Company's independent registered public accounting firm for fiscal year 2013 and Ernst & Young Ltd, Zurich, be reelected as the Company's auditor pursuant to the Swiss Code of Obligations for a further one-year term, commencing on the day of election at the 2013 annual general meeting and terminating on the day of the 2014 annual general meeting.

Representatives of Ernst & Young LLP and Ernst & Young Ltd will be present at the annual general meeting, will have the opportunity to make a statement and will be available to respond to questions you may ask. Information regarding the fees paid by the Company to Ernst & Young appears below.

Voting Requirement to Approve Proposal

The affirmative "FOR" vote of a majority of the votes cast in person or by proxy at the annual general meeting, not counting abstentions, broker non-votes or blank or invalid ballots which will have no effect on this proposal.

Recommendation

Our Board of Directors recommends a vote "FOR" the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year 2013 and the reelection of Ernst & Young Ltd, Zurich, as the Company's auditor pursuant to the Swiss Code of Obligations for a further one-year term, commencing on the day of election at the 2013 annual general meeting and terminating on the day of the 2014 annual general meeting.

FEES PAID TO ERNST & YOUNG

Audit Fees for Ernst & Young LLP and its affiliates for each of the fiscal years 2012 and 2011 and Audit-Related Fees, Tax Fees and Total of All Other Fees for services rendered in 2012 and 2011 are as follows, as described below:

	Audit Fees(1)	Audit-Related Fees(2)	Tax Fees(3)	Total of All Other Fees(4)
Fiscal year 2012	$7,979,723	$368,553	$115,339	$3,004
Fiscal year 2011	$6,746,890	$484,470	$597,413	$2,993

(1) The audit fees include those associated with our annual audit, reviews of our quarterly reports on Form 10-Q, statutory audits of our subsidiaries, services associated with documents filed with the SEC and audit consultations.

(2) The audit related fees include services in connection with accounting consultations, employee benefit plan audits and attest services related to financial reporting.

(3) Tax fees were for tax preparation, tax compliance and tax advice, including tax services related to our expatriate program.

(4) All other fees were for other publications and subscription services.

Audit Committee Pre-Approval of Audit and Non-Audit Services

The Audit Committee pre-approves all auditing services, review or attest engagements and permitted non-audit services to be performed by our independent registered public accounting firm. The Audit Committee has considered whether the provision of services rendered in 2012 other than the audit of our financial statements and reviews of quarterly financial statements was compatible with maintaining the independence of Ernst & Young LLP and determined that the provision of such services was compatible with maintaining such independence.

The Audit Committee has adopted policies and procedures for pre-approving all audit and non-audit services performed by the independent registered public accounting firm. The policy requires advance approval by the Audit Committee of all audit and non-audit work; provided, that the chairman of the Audit Committee may grant pre-approvals of audit or non-audit work so long as such pre-approvals are presented to the full Audit Committee at its next scheduled meeting. Unless the specific service has been previously pre-approved with respect to the 12-month period following the advance approval, the Audit Committee must approve a service before the independent registered public accounting firm is engaged to perform the service. The Audit Committee has given advance approval for specified audit, audit-related and tax services for 2013. Requests for services that have received this pre-approval are subject to specified fee or budget restrictions as well as internal management controls.

AGENDA ITEM 8.

Advisory Vote to Approve Named Executive Officer Compensation

Proposal

As required by Section 14A of the Securities Exchange Act, the Board of Directors proposes that shareholders be provided with an advisory vote to approve the compensation of the Company's Named Executive Officers, as disclosed in the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative disclosure in this proxy statement, and that the same be approved.

At the Company's 2011 Annual General Meeting of Shareholders, the Company's shareholders voted on a proposal regarding the frequency of holding advisory votes to approve named executive officer compensation. The shareholders approved, on an advisory basis, an annual advisory vote to approve compensation for the Company's named executive officers. In light of this result, the Board of Directors determined that the Company will hold an advisory vote to approve named executive officer compensation every year until the next shareholder vote on the frequency of holding advisory votes to approve named executive officer compensation, which, in accordance with applicable law, will occur no later than the Company's annual general meeting of shareholders in 2017.

The proposed shareholder resolution is as follows:

RESOLVED, that the compensation of the Company's Named Executive Officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, the compensation tables, and narrative disclosure in the proxy statement for the Company's 2013 annual general meeting of shareholders is hereby APPROVED.

Explanation

The Company is presenting this proposal to give you as a shareholder the opportunity to endorse or not endorse the Company's compensation program for Named Executive Officers by voting for or against the above resolution.

Our compensation program for our Named Executive Officers is designed to reward performance that creates long-term value for the Company's shareholders through the following features, which are discussed in more detail in our Compensation Discussion and Analysis:

- annual cash bonuses based on performance as measured against pre-determined performance goals;
- a compensation mix weighted toward long-term incentives to allow our Named Executive Officers to participate in the long-term growth and profitability of the Company;
- long-term incentives include fully contingent deferred units that vest based on total shareholder return compared to the companies in our performance peer group;
- median pay positioning for target performance, above median pay for above target performance, and below median pay for below target performance;
- a stock ownership policy that requires our executive officers to build and maintain a minimum equity stake in the Company to help align our executive officers' interests with the long-term interests of our shareholders;
- hedging and pledging policies that prohibit any of our executive officers from hedging or pledging our shares or holding derivative instruments tied to our shares, other than derivative instruments issued by us; and
- effective January 1, 2013, an Incentive Compensation Recoupment Policy that allows the Company to recover or adjust incentive compensation to the extent the Executive Compensation Committee

determines that payments or awards have exceeded the amount that would otherwise have been received due to a restatement of our financial statements or if the Executive Compensation Committee determines than an executive has engaged in, or has knowledge of and fails to prevent or disclose, fraud or intentional misconduct pertaining to any financial reporting requirements.

While our Board of Directors intends to carefully consider the results of the shareholder vote on the proposal, the final vote will not be binding on us and is advisory in nature. If there are a significant number of negative votes, we will seek to understand the concerns that influenced the vote and address them in making future decisions about our executive compensation programs.

Voting Requirement to Approve Advisory Proposal

The affirmative "FOR" vote of a majority of the votes cast in person or by proxy at the annual general meeting, not counting abstentions, broker non-votes or blank or invalid ballots which will have no effect on this proposal.

Recommendation

The Board of Directors recommends that you vote "FOR" approval of the compensation of our Named Executive Officers, as disclosed in the Compensation Discussion and Analysis, the compensation tables, and the narrative disclosure in the proxy statement for the Company's 2013 annual general meeting of shareholders.

OTHER MATTERS

Compensation Committee Interlocks and Insider Participation

The members of the Executive Compensation Committee of the Board of Directors during 2012 were Edward R. Muller, Chairman, Martin B. McNamara, Robert M. Sprague and Tan Ek Kia. There are no matters relating to interlocks or insider participation that we are required to report.

Section 16(a) Beneficial Ownership Reporting Compliance

Federal securities laws require the Company's executive officers and directors, and persons who own more than ten percent of the Company's shares, to file initial reports of ownership and reports of changes in ownership of the Company's equity securities with the Securities and Exchange Commission. Based solely on a review of such reports furnished to the Company and written representations that no report on Form 5 was required for 2012, the Company believes that no director, officer or beneficial owner of more than ten percent of the Company's shares failed to file a report on a timely basis in 2012.

Householding

The SEC permits a single set of annual reports and proxy statements to be sent to any household at which two or more shareholders reside if they appear to be members of the same family. Each shareholder continues to receive a separate proxy card. This procedure, referred to as householding, reduces the volume of duplicate information shareholders receive and reduces mailing and printing expenses. A number of brokerage firms have instituted householding.

As a result, if you hold your shares through a broker and you reside at an address at which two or more shareholders reside, you will likely be receiving only one annual report and proxy statement unless any shareholder at that address has given the broker contrary instructions. However, if any such beneficial shareholder residing at such an address wishes to receive a separate annual report or proxy statement in the future, or if any such beneficial shareholder that elected to continue to receive separate annual reports or proxy statements wishes to receive a single annual report or proxy statement in the future, that shareholder should contact their broker or send a request to Investor Relations at our offices in the United States, at 4 Greenway Plaza, Houston, Texas 77046. We will deliver, promptly upon written or oral request to Investor Relations, a separate copy of the 2012 Annual Report and this proxy statement to a beneficial shareholder at a shared address to which a single copy of the documents was delivered.

Proposals of Shareholders

Shareholder Proposals in the Proxy Statement. Rule 14a-8 under the Securities Exchange Act of 1934 addresses when a company must include a shareholder's proposal in its proxy statement and identify the proposal in its form of proxy when the company holds an annual or special meeting of shareholders. Under Rule 14a-8, in order for your proposals to be considered for inclusion in the proxy statement and proxy card relating to our 2014 annual general meeting, your proposals must be received at our principal executive offices c/o Transocean Management Ltd., 10 Chemin de Blandonnet, CH-1214 Vernier, Switzerland by no later than December 3, 2013 at 5:00 p.m., Swiss time. However, if the date of the 2014 annual general meeting changes by more than 30 days from the anniversary of the 2013 annual general meeting, the deadline is a reasonable time before we begin to print and mail our proxy materials. We will notify you of this deadline in a Quarterly Report on Form 10-Q, in a Current Report on Form 8-K or in another communication to you. Shareholder proposals must also be otherwise eligible for inclusion.

Shareholder Proposals and Nominations for Directors to Be Presented at Meetings. If you desire to bring a matter before an annual general meeting and the proposal is submitted outside the process of Rule 14a-8, you must follow the procedures set forth in our Articles of Association. Our Articles of Association provide generally that, if you desire to propose any business at an annual general meeting (including the nomination of any director), you must give us written notice at least 30 calendar days prior to the anniversary date of the proxy statement in connection with Transocean's last annual general meeting of shareholders; provided, however, that if the date of the annual general meeting of shareholders is 30 calendar days before or after the anniversary date of the last annual general meeting of shareholders, such request must instead be made by the tenth day following the date on which we have made public disclosure of the date of the annual general meeting of shareholders. The deadline under our Articles of Association for submitting proposals will be March 3, 2014 at 5:00 p.m., Swiss time for the 2014 annual meeting unless it is more than 30 calendar days before or after May 17, 2014. In order for the notice to be considered timely under Rule 14a-4(c) of the Securities Exchange Act of 1934, proposals must be received no later than March 3, 2014 at 5:00 p.m., Swiss time. The request must specify the relevant agenda items and motions, together with evidence of the required shareholdings recorded in the share register, as well as any other information as would be required to be included in a proxy statement pursuant to the rules of the SEC.

If you desire to nominate directors to be presented at an annual general meeting, you must give us written notice within the time period described in the preceding paragraph. If you desire to nominate directors to be presented at an extraordinary general meeting at which the Board of Directors has determined that directors will be elected, you must give us written notice by the close of business on the tenth day following our public disclosure of the meeting date. Notice for the nomination of directors at any general meeting must set forth:

- your name and address and the name and address of the person or persons to be nominated;
- a representation that you are a holder of record of our shares entitled to vote at the meeting or, if the record date for the meeting is subsequent to the date required for that shareholder notice, a representation that you are a holder of record at the time of the notice and intend to be a holder of record on the date of the meeting and, in either case, setting forth the class and number of shares so held, including shares held beneficially;
- a representation that you intend to appear in person or by proxy as a holder of record at the meeting to nominate the person or persons specified in the notice;
- a description of all arrangements or understandings between you and each nominee you propose and any other person or persons under which the nomination or nominations are to be made by you;
- any other information regarding each nominee you propose that would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC; and
- the consent of each nominee to serve as a director if so elected.

The Board of Directors may refuse to transact any business or to acknowledge the nomination of any person if you fail to comply with the foregoing procedures. You may obtain a copy of our Articles of Association and Organizational Regulations, in which these procedures are set forth, upon written request to our Corporate Secretary, Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland.

INCORPORATION BY REFERENCE

WE HAVE OMITTED FROM THIS PROXY STATEMENT CERTAIN DISCLOSURE THAT IS EXPECTED TO BE INCLUDED IN THE ICAHN GROUP'S PROXY STATEMENT RELATING TO THE ICAHN GROUP NOMINEES BASED ON OUR RELIANCE ON RULE 14A-5(C) UNDER THE SECURITIES EXCHANGE ACT OF 1934. THIS DISCLOSURE IS EXPECTED TO INCLUDE, AMONG OTHER THINGS, CURRENT BIOGRAPHICAL INFORMATION ON THE ICAHN GROUP NOMINEES. ALTHOUGH WE DO NOT HAVE ANY KNOWLEDGE INDICATING THAT ANY STATEMENT MADE BY THE ICAHN GROUP IS UNTRUE, WE DO NOT TAKE ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF STATEMENTS TAKEN FROM PUBLIC DOCUMENTS AND RECORDS THAT WERE NOT PREPARED BY OR ON OUR BEHALF, OR FOR ANY FAILURE BY THE ICAHN GROUP TO DISCLOSE EVENTS THAT MAY AFFECT THE SIGNIFICANCE OR ACCURACY OF SUCH INFORMATION.

BACKGROUND OF THE SOLICITATION

On January 10, 2013, pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, the Icahn Group provided notice to the Company that it intended to acquire voting securities of the Company in an amount exceeding $682.1 million but less than 25% of the outstanding amount of such securities. On that same date, the Icahn Group, in a filing required pursuant to Swiss law, disclosed that it held 3.26% of the Company's voting securities through a combination of shares and options. On January 25, 2013, the Icahn Group filed a Schedule 13D with the SEC disclosing beneficial ownership of approximately 5.61% of the Company's outstanding shares. In this Schedule 13D, the Icahn Group stated that the Company "should return capital to shareholders and should declare a dividend of at least $4.00 per Share" and also indicated that the Icahn Group planned to have discussions with the Company regarding "the possible addition of shareholder selected nominees to the Board of Directors."

At various times from January through February of 2013, members of our senior management team held discussions with the Icahn Group. These meetings focused on the Company's business and results of operations as well as the Company's long-term strategies, including our capital allocation strategy and the composition of our Board of Directors.

On March 4, 2013, the Company announced the date and location of the annual general meeting, the Company's proposed distribution and the Board of Directors' nominees for election of directors. On March 7, 2013, the Icahn Group delivered a notice to the Company of its request to submit the (i) proposal for repeal of the Company's staggered board, (ii) Icahn Group's director nominees and (iii) Icahn Group's distribution proposal to be included on the agenda of the annual general meeting. On March 17, 2013, the Company announced the Board's (i) conclusion that the Icahn Group's proposal of payment of a $4.00 dividend, rather than the Company's recommendation to pay a $2.24 dividend would adversely affect the company's ability to operate and compete effectively in a cyclical and capital-intensive industry, (ii) conclusion that the election of the Icahn Group's proposed director nominees was not in the best interest of the Company and all of its stakeholders and (iii) intention to take a neutral position and make no recommendation on the Icahn Group's proposal to repeal the Company's staggered board.

CERTAIN INFORMATION REGARDING PARTICIPANTS IN THE SOLICITATION OF PROXIES

Under applicable SEC regulations, members of the Company's Board of Directors are "participants" and certain executives may be deemed to be "participants" in the Company's solicitation of proxies in connection with the annual general meeting. Certain required information regarding these "participants" is set forth in Annex D to this proxy statement.

COST OF SOLICITATION

The accompanying proxy is being solicited on behalf of the Board of Directors. We will bear the cost of the solicitation of proxies. In addition to mail and e-mail, proxies may be solicited personally, via the Internet or by telephone or facsimile, by a few of our executives without additional compensation. We will reimburse brokers and other persons holding stock in their names, or in the names of nominees, for their expenses for forwarding proxy materials to principals and beneficial owners and obtaining their proxies. As a result of the potential proxy solicitation by the Icahn Group, we may incur additional costs in connection with our solicitation of proxies. We have hired Innisfree M&A Incorporated ("Innisfree"), 501 Madison Avenue, 20th Floor, New York, NY 10022 to assist us in the solicitation of proxies for a fee of up to $750,000 plus out-of-pocket expenses. Innisfree expects that approximately 10 of its employees will assist in the solicitation. Arrangements also may be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation materials to the beneficial owners of shares held by those persons, and we will reimburse them for reasonable expenses incurred by them in connection with the forwarding of solicitation materials. Our expenses related to the solicitation of proxies from shareholders this year will significantly exceed those normally spent for an annual general meeting. These additional solicitation costs are expected to include the fee payable to our proxy solicitor; fees of outside counsel and other advisors to advise the Company in connection with a contested solicitation of proxies; increased mailing costs, such as the costs of additional mailings of solicitation material to shareholders, including printing costs, mailing costs and the reimbursement of reasonable expenses of banks, brokerage houses and other agents incurred in forwarding solicitation materials to beneficial owners of our common stock, as described above; and possibly the costs of retaining an independent inspector of election. To date, we have incurred approximately $250,000 of these solicitation costs.

Annexes

Annex A

Distribution of a Dividend out of General Legal Reserves From Capital Contribution (following a release and allocation of General Legal Reserves From Capital Contribution to Dividend Reserve From Capital Contribution)

The Board of Directors submits and unanimously recommends that you vote "FOR" the shareholder resolution set forth below.

Shareholder Resolution

It is hereby resolved as follows:

(1) A dividend in the amount of USD 2.24 per share of the Company (the "**Per Share USD Dividend Amount**," and the aggregate Per Share USD Dividend Amount, calculated on the basis of the total number of shares outstanding as of the 2013 Annual General Meeting, excluding any shares held by the Company or any of its direct or indirect subsidiaries, the **"Aggregate USD Dividend Amount**") shall be distributed out of the dividend reserve from capital contribution (expressed in CHF and amounting to CHF 1,595,054,382) pursuant to the proposal of the Board of Directors under Agenda Item 3 (the "**Dividend Reserve**"); the dividend shall be payable in four equal installments of USD 0.56 per share of the Company outstanding (excluding any shares held by the Company or any of its direct or indirect subsidiaries) on the record date for the applicable installment (each such installment hereinafter a "**Per Share Quarterly USD Dividend Amount**;" each date on which a Per Share Quarterly USD Dividend Amount is paid hereinafter an "**Installment Date**;" and the aggregate Per Share Quarterly USD Dividend Amount payable on an Installment Date, calculated on the basis of the total number of shares outstanding as of the record date for the relevant Per Share Quarterly USD Dividend Amount, the "**Aggregate Quarterly USD Dividend Amount**");

provided, however, that:

(a) if, on the date of the 2013 Annual General Meeting, the Aggregate USD Dividend Amount exceeds, when converted into CHF at a USD/CHF exchange rate prevailing on or about the date of the 2013 Annual General Meeting as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's executive management, in its reasonable discretion, the Dividend Reserve (expressed in CHF), the proposed Per Share USD Dividend Amount shall be reduced such that the Aggregate USD Dividend Amount, converted into CHF at a USD/CHF exchange rate prevailing on or about the date of the 2013 Annual General Meeting as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's executive management, in its reasonable discretion, is at a maximum equal to the Dividend Reserve (expressed in CHF); and

provided, further, that:

(b) if any Aggregate Quarterly USD Dividend Amount, when converted into CHF at a USD/CHF exchange rate prevailing on or about the record date for that Aggregate Quarterly USD Dividend Amount as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's executive management, in its reasonable discretion, exceeds the Dividend Reserve amount (expressed in CHF) as of the record date for that Aggregate Quarterly USD Dividend Amount, taking into account the payment of any preceding Aggregate Quarterly USD Dividend Amount (if any) (the Dividend Reserve so calculated hereinafter the "**Remaining Dividend Reserve**"), the Per Share Quarterly USD Dividend Amount shall be reduced such that the Aggregate Quarterly USD Dividend Amount, converted into CHF at a USD/CHF exchange rate prevailing on or about the record date for such Aggregate Quarterly USD Dividend Amount as determined by the Board of Directors or, upon due authorization by the Board of Directors, executive management in its reasonable discretion, is at a maximum equal to the Remaining Dividend Reserve; and provided, further, that:

(c) the Board of Directors or, upon due authorization by the Board of Directors, the Company's executive management, in its reasonable discretion, shall at any time have the authority to, in its discretion, accelerate or otherwise change the timing of the payment of the Per Share Quarterly USD Dividend Amount or to pay on an Installment Date more than one Per Share Quarterly USD Dividend Amount.

(2) Shareholders may, upon the terms and conditions provided by the Board of Directors in its reasonable discretion, elect, during the election period as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's executive management, to receive any Per Share Quarterly USD Dividend Amount in CHF (subject to the downward adjustments in accordance with the principles set forth above under (1)), at the USD/CHF exchange rate prevailing on or about the record date for the relevant Per Share Quarterly USD Dividend Amount, as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's executive management, in its discretion.

(3) It shall be the task of the Board of Directors or, upon due authorization by the Board of Directors, the Company's executive management to execute this resolution of the 2013 Annual General Meeting, including, but not limited to, reducing as appropriate the Per Share USD Dividend Amount and/or the Per Share Quarterly USD Dividend Amount, setting the record dates, the ex-dividend dates, the Installment Dates, and determining the duration of the election period to request payment of the Per Share Quarterly USD Dividend Amount in CHF and, for purposes of such election, the applicable USD/CHF exchange rate. As specified in the Articles of Association, the Board of Directors will determine the date from which shares newly issued out of the authorized share capital of the Company are entitled to dividend payments. Shares newly issued out of the conditional share capital are entitled to dividend payments if such shares are issued and outstanding on or before the record date for the relevant Per Share Quarterly USD Dividend Amount. For the avoidance of doubt, shareholders who sell their shares prior to the relevant record date lose their dividend entitlement and transfer such entitlement to the purchaser(s) of their shares.

(4) Any Dividend Reserve amount remaining after the payment of the final Aggregate Quarterly USD Dividend Amount shall, by operation of this shareholder resolution, be immediately reallocated to the account "General legal reserves—Reserve from capital contribution," included in the Company's statutory standalone balance sheet, without any requirement that such reallocation be approved by the Board of Directors or the general meeting of shareholders.

Annex B

Icahn Group Proposed Shareholder Resolutions

The Icahn Group's proposed shareholder resolution is set forth in detail in below. The Board unanimously recommends that you vote "AGAINST" this proposed shareholder resolution.

"It is hereby resolved as follows:

(1) CHF 2,110,000,000.00 be released from "legal reserve, reserve from capital contributions", and such amount be allocated to "free reserve, dividend reserve from capital contributions" ("Dividend Reserve").

(2) A dividend in the amount of USD 4.00 per share of the Company (the "Per Share USD Dividend Amount", and the aggregate Per Share USD Dividend Amount, calculated on the basis of the total number of shares outstanding as of the 2013 Annual General Meeting, excluding any shares held by the Company or any of its direct or indirect subsidiaries, the "Aggregate USD Dividend Amount") be distributed out of the Dividend Reserve (expressed in CHF and amounting to CHF 2,110,000,000.00, or approximately USD 6.00 per share based on a USD/CHF exchange rate of CHF 0.9410 per USD 1 in effect on March 5, 2013) pursuant to the proposal of High River Limited Partnership under the relevant agenda item 3 *Release and Allocation from 'Legal Reserve, Reserve From Capital Contributions', to 'Free Reserve, Dividend Reserve From Capital Contributions' (the "Dividend Reserve"); Dividend Distribution out of the Dividend Reserve*; the dividend shall be payable in four equal quarterly installments of USD 1.00 per share of the Company, set for June 2013, September 2013, December 2013 and March 2014, on the basis of the total number of shares outstanding (excluding any shares held by the Company or any of its direct or indirect subsidiaries), on the record date for the applicable installment (each such installment hereinafter a "Per Share Quarterly USD Dividend Amount"; each date on which a Per Share Quarterly USD Dividend Amount is paid hereinafter an "Installment Date"; and the aggregate Per Share Quarterly USD Dividend Amount payable on an Installment Date, calculated on the basis of the total number of shares outstanding as of the record date for the relevant Per Share Quarterly USD Dividend Amount, the "Aggregate Quarterly USD Dividend Amount");

provided, *however*, that:

(a) if, on the date of the 2013 Annual General Meeting, the Aggregate USD Dividend Amount exceeds, when converted into CHF at a USD/CHF exchange rate prevailing on or about the date of the 2013 Annual General Meeting as determined by the Board of Directors or, upon due authorization by the Board of Directors, executive management, in its reasonable discretion, the Dividend Reserve (expressed in CHF), the proposed Per Share USD Dividend Amount shall be reduced such that the Aggregate USD Dividend Amount, converted into CHF at a USD/CHF exchange rate prevailing on or about the date of the 2013 Annual General Meeting as determined by the Board of Directors or, upon due authorization by the Board of Directors, executive management, in its reasonable discretion, is at a maximum equal to the Dividend Reserve (expressed in CHF); and

provided, *further*, that

(b) if any Aggregate Quarterly USD Dividend Amount, when converted into CHF at a USD/CHF exchange rate prevailing on or about the record date for that Aggregate Quarterly USD Dividend Amount as determined by the Board of Directors or, upon due authorization by the Board of Directors, executive management, in its reasonable discretion, exceeds the Dividend Reserve amount (expressed in CHF) as of the record date for that Aggregate Quarterly USD Dividend Amount, taking into account the payment of any preceding Aggregate Quarterly USD Dividend Amount (if any) (the Dividend Reserve so calculated hereinafter the "Remaining Dividend Reserve"), the Per Share Quarterly USD Dividend Amount shall be reduced such that the Aggregate Quarterly USD Dividend Amount, converted into CHF at a USD/CHF exchange rate prevailing on or about the record date for such Aggregate Quarterly USD Dividend Amount as determined by the Board of Directors or, upon due authorization by the Board of Directors, executive management in its reasonable discretion, is at a maximum equal to the Remaining Dividend Reserve.

(3) Shareholders may, upon the terms and conditions provided by the Board of Directors in its reasonable discretion, elect, during the election period as determined by the Board of Directors or, upon due authorization by the Board of Directors, executive management, in its reasonable discretion, to receive any Per Share Quarterly USD Dividend Amount in CHF (subject to the downward adjustments in accordance with the principles set forth above under (1)), at the USD/CHF exchange rate prevailing on or about the record date for the relevant Per Share Quarterly USD Dividend Amount, as determined by the Board of Directors or, upon due authorization by the Board of Directors, executive management, in its discretion.

(4) It shall be the task of the Board of Directors or, upon due authorization by the Board of Directors, executive management to execute this resolution of the 2013 Annual General Meeting, including, but not limited to, setting the record date (and thus, indirectly, the ex-dividend date), the Installment Dates and determining the duration of the election period to request payment of Per Share Quarterly USD Dividend Amount in CHF. As specified in the Articles of Association, the Board of Directors will determine the date from which shares newly issued out of the authorized share capital of the Company are entitled to dividend payments. Shares newly issued out of the conditional share capital are entitled to dividend payments if such shares are issued and outstanding on or before the record date for the relevant Per Share Quarterly USD Dividend Amount. For the avoidance of doubt, shareholders who sell their shares prior to the relevant record date lose their dividend entitlement and transfer such entitlement to the purchaser(s) of their shares.

(5) Any Dividend Reserve amount remaining after the payment of the final Aggregate Quarterly USD Dividend Amount shall, by operation of this shareholder resolution, be immediately reallocated to the account "legal reserve, reserve from capital contributions," included in the Company's statutory standalone balance sheet, without any requirement that such reallocation be approved by the Board of Directors or the general meeting of shareholders."

Annex C

Readoption of Authorized Share Capital

Artikel 5

Genehmigtes Kapital

1 Der Verwaltungsrat ist ermächtigt, das Aktienkapital jederzeit bis zum ~~13. Mai 2013~~ 17. Mai 2015 im Maximalbetrag von ~~CHF 426’775’590~~ CHF 1’120’931’250 durch Ausgabe von höchstens ~~28’451’706~~ 74’728’750 vollständig zu liberierenden Aktien mit einem Nennwert von je CHF 15 zu erhöhen. Eine Erhöhung (i) auf dem Weg einer Festübernahme durch eine Bank, ein Bankenkonsortium oder Dritte und eines anschliessenden Angebots an die bisherigen Aktionäre sowie (ii) in Teilbeträgen ist zulässig.

2 Der Verwaltungsrat legt den Zeitpunkt der Ausgabe, den Ausgabebetrag, die Art, wie die neuen Aktien zu liberieren sind, den Beginn der Dividendenberechtigung, die Bedingungen für die Ausübung der Bezugsrechte sowie die Zuteilung der Bezugsrechte, welche nicht ausgeübt wurden, fest. Nicht-ausgeübte Bezugsrechte kann der Verwaltungsrat verfallen lassen, oder er kann diese bzw. Aktien, für welche Bezugsrechte eingeräumt, aber nicht ausgeübt werden, zu Marktkonditionen platzieren oder anderweitig im Interesse der Gesellschaft verwenden.

Article 5

Authorized Share Capital

1 The Board of Directors is authorized to increase the share capital, at any time until ~~May 13, 2013~~May 17, 2015, by a maximum amount of ~~CHF 426,775,590~~ CHF 1,120,931,250 by issuing a maximum of ~~28,451,706~~ 74,728,750 fully paid up Shares with a par value of CHF 15 each. An increase of the share capital (i) by means of an offering underwritten by a financial institution, a syndicate of financial institutions or another third party or third parties, followed by an offer to the then-existing shareholders of the Company, and (ii) in partial amounts shall be permissible.

2 The Board of Directors shall determine the time of the issuance, the issue price, the manner in which the new Shares have to be paid up, the date from which the Shares carry the right to dividends, the conditions for the exercise of the preemptive rights and the allotment of preemptive rights that have not been exercised. The Board of Directors may allow the preemptive rights that shave not been exercised to expire, or it may place such rights or Shares, the preemptive rights of which have not been exercised, at market conditions or use them otherwise in the interest of the Company.

Artikel 5

3 Der Verwaltungsrat ist ermächtigt, die Bezugsrechte der Aktionäre zu entziehen oder zu beschränken und einzelnen Aktionären oder Dritten zuzuweisen:

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

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

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

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

Article 5

3 The Board of Directors is authorized to withdraw or limit the preemptive rights of the shareholders and to allot them to individual shareholders or third parties:

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

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

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

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

(e) for the participation of members of the Board of Directors, members of the executive management, employees, contractors, consultants or other persons performing services for the benefit of the Company or any of its subsidiaries~~; or~~

Artikel 5

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

~~(f) wenn ein Aktionär oder eine Gruppe von in gemeinsamer Absprache handelnden Aktionären mehr als 15% des im Handelsregister eingetragenen Aktienkapitals der Gesellschaft auf sich vereinigt hat, ohne den übrigen Aktionären ein vom Verwaltungsrat empfohlenes Übernahmeangebot zu enterbreiten; oder zur Abwehr eines unterbreiteten, angedrohten oder potentiellen Übernahmeangebotes, welches der Verwaltungsrat, nach Konsultation mit einem von ihm beigezogenen unabhängigen Finanzberater, den - Aktionären nicht zur Annahme empfohlen hat, weil der Verwaltungsrat das Übernahmeangebot in finanzieller Hinsicht gegenüber den Aktionären nicht als fair beurteilt hat.~~

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

Article 5

~~(f) following a shareholder or a group of shareholders acting in concert having accumulated shareholdings in excess of 15% of the share capital registered in the commercial register without having submitted to the other shareholders a takeover offer recommended by the Board of Directors, or for the defense of an actual, threatened or potential takeover bid, in relation to which the Board of Directors, upon consultation with an independent financial advisor retained by it, has not recommended to the shareholders acceptance on the basis that the Board of Directors has not found the takeover bid to be financially fair to the shareholders.~~

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

Annex D

Additional Information Regarding Participants in the Solicitation

Under applicable SEC rules and regulations, members of the Board of Directors, the Board's nominees, and certain officers and other employees of the Company are "participants" with respect to the Company's solicitation of proxies in connection with the annual general meeting. The following sets forth certain information about the persons who are "participants."

Directors and Nominees

The following table sets forth the names and business addresses of the Company's directors (four of whom are also nominees for director) and nominees, as well as the names and principal business addresses of the corporation or other organization in which the principal occupations or employment of the directors is carried on. The principal occupations or employment of the Company's directors are set forth under the heading "Agenda Item 6—Election to the Board of Directors—Election of Company Nominees" in this Proxy Statement.

Name	Business Name and Address
Glyn Barker	c/o Corporate Secretary, Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland
Jagjeet S. Bindra	c/o Corporate Secretary, Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland
Thomas W. Cason	c/o Corporate Secretary, Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland
Vanessa C.L. Chang	c/o Corporate Secretary, Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland
Chad Deaton	c/o Corporate Secretary, Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland
Tan Ek Kia	c/o Corporate Secretary, Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland
Steve Lucas	c/o Corporate Secretary, Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland
Martin B. McNamara	c/o Corporate Secretary, Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland
Edward R. Muller	c/o Corporate Secretary, Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland
Steven L. Newman	Chemin de Blandonnet 10, CH-1214, Vernier, Switzerland
Robert M. Sprague	c/o Corporate Secretary, Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland
Ian C. Strachan	c/o Corporate Secretary, Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland
J. Michael Talbert	c/o Corporate Secretary, Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland
Frederico F. Curado	c/o Corporate Secretary, Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland

Certain Officers and Other Employees

The following table sets forth the name and principal occupation of the Company's officers and employees who are "participants." The principal occupation refers to such person's position with the Company.

Name	Principal Occupation	Business Address
Esa T. Ikaheimonen . .	Executive Vice President & Chief Financial Officer	Chemin de Blandonnet 10, Vernier, Switzerland
Kathleen McAllister . .	Vice President & Treasurer	4 Greenway Plaza, Houston TX, 77046
R. Thaddeus Vayda . . .	Vice President, Investor Relations & Corporate Communications	4 Greenway Plaza, Houston TX, 77046
Allen M. Katz	Interim Senior Vice President & General Counsel	Chemin de Blandonnet 10, CH-1204Vernier, Switzerland
Philippe Huber	Corporate Secretary & Associate General Counsel	Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland
Jill Greene	Associate General Counsel	4 Greenway Plaza, Houston TX, 77046

Information Regarding Ownership of the Company's Securities by Participants

Except as described in this Annex D or in this Proxy Statement, none of the persons listed above under "Directors and Nominees" or "Certain Officers and Other Employees" owns any Company securities of record that they do not own beneficially. The number of Company securities beneficially owned by directors and named executive officers as of April 2, 2013 is set forth under the heading "Security Ownership of Directors and Executive Officers" in this Proxy Statement. The number of Company securities beneficially owned by the Company's other officers and employees who are "participants" as of April 2, 2013 is set forth below.

Name	Company Securities Owned
Allen M. Katz	32,328 Deferred Compensation
Kathleen McAllister	11,953 Deferred Compensation
R. Thaddeus Vayda	3,808 Common Shares
Jill Greene	0
Philippe Huber	6,462
Frederico F. Curado	0

Information Regarding Transactions in the Company's Securities by Participants

The following table sets forth purchases and sales of the Company's securities during the past two years by the persons listed above under "Directors and Nominees" and "Certain Officers and Other Employees." None of the purchase price or market value of the securities listed below is represented by funds borrowed or otherwise obtained for the purpose of acquiring or holding such securities.

Company Securities Purchased or Sold (4/11 through 4/13)

Name	Date	Number of Shares, Non-Qualified Options and Deferred Units Acquired or (Disposed of)	Transaction Description
Glyn Barker		None	
Jagjeet S. Bindra		None	
Thomas W. Cason	5/16/2011	3,387	(2)
	5/16/2011	3,387	(3)
	1/10/2013	5,094	(3)
Vanessa C.L. Chang		None	
Chad Deaton		None	
Tan Ek Kia		None	
Steve Lucas		None	
Martin B. McNamara	2/16/2011	5,635	(2)
	2/16/2011	4,573	(5)
	5/8/2012	5,635	(2)
	5/8/2012	4,555	(5)
Edward R. Muller		None	
Steven L. Newman	12/5/2011	6,500	(1)
	12/12/2012	4,000	(4)
Robert M. Sprague		None	
Ian C. Strachan	5/8/2012	5,635	(2)
	5/8/2012	4,561	(5)
J. Michael Talbert		None	
Frederico F. Curado		None	
Allen M. Katz		None	
Esa Ikaheimonen		None	
Kathleen McAllister		None	
R. Thaddeus Vayda		None	
Philippe Huber		None	
Jill S. Greene		None	

(1) Open market acquisition

(2) Exercise of Non-Qualified Options.

(3) Open market sale.

(4) Gift of shares.

(5) Shares withheld as payment of taxes or costs upon conversion, vesting or exercise of Deferred Units, Restricted Stock Awards or Non-Qualified Options.

Miscellaneous Information Concerning Participants

Except as described in this Annex D or in this Proxy Statement, neither any participant nor any of their respective associates or affiliates (together, the "Participant Affiliates") is either a party to any transaction or series of transactions since January 1, 2012 or has knowledge of any current proposed transaction or series of proposed transactions (i) to which the Company or any of its subsidiaries was or is to be a participant, (ii) in which the amount involved exceeds $120,000 and (iii) in which any participant or Participant Affiliate had, or will have, a direct or indirect material interest. Furthermore, except as described in this Annex D or in this Proxy Statement, (a) no participant or Participant Affiliate, directly or indirectly, beneficially owns any securities of the Company or any securities of any subsidiary of the Company, and (b) no participant owns any securities of the Company of record but not beneficially.

Except as described in this Annex D or in this Proxy Statement, no participant or Participant Affiliate has entered into any agreement or understanding with any person with respect to any future employment by the Company or any of its affiliates or any future transactions to which the Company or any of its affiliates will or may be a party.

Except as described in this Annex D or in this Proxy Statement, there are no contracts, arrangements or understandings by any participant or Participant Affiliate since January 1, 2012 with any person with respect to any securities of the Company, including, but not limited to, joint ventures, loan or option arrangements, puts or calls, guarantees against loss or guarantees of profit, division of losses or profits, or the giving or withholding of proxies.

Except as described in this Annex D or in this Proxy Statement, and excluding any director or executive officer of the Company acting solely in that capacity, no person who is a party to an arrangement or understanding pursuant to which a nominee for election as director is proposed to be elected has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the annual general meeting.

Annex E

Additional Information Regarding the Icahn Group's Nominees

Pursuant to Swiss law, the Company is required to include the Icahn Group's nominees to the Board on its proxy card and its invitation to the annual general meeting. As a result, such nominees may be deemed to be "participants" (as such term is defined under applicable SEC rules and regulations) with respect to the Company's solicitation of proxies in connection with the annual general meeting. The following sets forth certain information about the Icahn Group's nominees disclosed in the Icahn Group's preliminary proxy statement filed with the SEC on March 29, 2013 (the "Icahn Preliminary Proxy Statement") or otherwise received by the Company from the Icahn Group. The Company has not, and does not plan to, independently verify any of the information below and accordingly takes no responsibility for the completeness or accuracy of such information. The Board of Directors recommends you vote "AGAINST" the election of José Maria Alapont, John J. Lipinski and Samuel Merksamer as directors, and the Company does not expect such nominees to solicit proxies on behalf of the Company. The Company has received consents from each of the Icahn Group's nominees stating that such nominees consent to being named in the Company's proxy statement and to serve as a director of the Company if elected.

The Icahn Group's Nominees

MR. JOSÉ MARIA ALAPONT, age 62

Mr. Alapont was president and chief executive officer of Federal-Mogul Corporation from March 2005 through March 2012. Mr. Alapont served as chairman of the board of directors of Federal-Mogul from 2005 to 2007 and continues to serve as a director on the Board of Federal-Mogul. Federal-Mogul is affiliated with Carl Icahn. He has more than 35 years of global leadership experience in both vehicle manufacturers and suppliers with business and operations responsibilities in the Americas, Asia Pacific, Europe, Middle East and Africa regions. Mr. Alapont, between 2003 and 2005, was chief executive officer and a member of the board of directors of IVECO, the commercial trucks and vans, buses, recreational, off-road, firefighting, defense and military vehicles of the Fiat Group. He also became a member of the Fiat Group Executive Committee, the company's strategy and policymaking group. He served in various key executive positions, from 1997 to 2003, at Delphi Corporation, a global automotive supplier. He began at Delphi as executive director of international operations. Mr. Alapont, in 1999, was named president of Delphi Europe, Middle East and Africa and a vice president of Delphi Corporation and also became a member of the Delphi Strategy Board, the company's top policymaking group. Mr. Alapont was named, in 2003, president of Delphi's international operations, and vice president of worldwide sales and marketing. Mr. Alapont, from 1990 to 1997, served in several executive roles and was a member of the Strategy Board at Valeo, a global automotive supplier. He started at Valeo as managing director of engine cooling systems, Spain. Mr. Alapont was named executive director, in 1991, of Valeo's worldwide heavy-duty engine cooling operations. He became, in 1992, group vice president of Valeo's worldwide clutch and transmission components division. He was named group vice president of the company's worldwide lighting systems division in 1996. Mr. Alapont began and developed his automotive career from 1974 to 1989 at Ford Motor Company, and over the course of 15 years, starting at Ford of Spain, progressed through different management and executive positions in quality, testing and validation, manufacturing and purchasing positions at Ford of Europe. He was also a member of the board of directors of Mentor Graphics as a result of being nominated in connection with a proxy contest conducted by affiliates of Carl Icahn. Affiliates of Mr. Icahn own approximately 14.3% of the outstanding common stock of Mentor Graphics. Mr. Alapont also provides valuable guidance to the boards of automotive supplier trade associations and economic development groups in the U.S., Europe and Asia-Pacific countries. He has been a member of the Davos World Economic Forum since 2000. Mr. Alapont was recognized, in 2012, by Northwood University as an Outstanding Business Leader, selected for his business achievements and exemplary industry leadership. He was honored, in 2011, as a Leader in Innovation by Philadelphia University, for his personal accomplishments and for exemplifying the spirit of innovation and the University's mission. He was honored by the U.S. Hispanic Chamber of Commerce in 2010 with an Award which recognizes business leaders for their leadership and service as business role models. In 2002, he received the Executive of the Year award from Auto Revista Magazine for his role in successfully developing, growing and diversifying the company's global business. A native of Spain, Mr. Alapont earned degrees in industrial engineering from the Technical School of Valencia in Spain and in philology from the University of Valencia in Spain.

Based upon Mr. Alapont's more than 30 years of global leadership experience at both vehicle manufacturers and suppliers, with business and operations responsibilities in the Europe, Middle East and Africa, Asia Pacific, and Americas regions, the Icahn Group believes that Mr. Alapont has the requisite set of skills to serve as a Board member of the Company.

Mr. Alapont's business address is 77 Arlington House, 17-20 Arlington Street, London SW1A 1RL, United Kingdom.

MR. JOHN J. LIPINSKI, age 62

Mr. Lipinski serves as Chief Executive Officer, President and a Director of CVR Energy, Inc. (NYSE: CVI), as well as Chief Executive Officer, President and a Director of CVR Refining GP, LLC, the general partner of CVR Refining, LP (NYSE: CVRR) and Executive Chairman of CVR GP, LLC, the general partner of CVR Partners, LP (NYSE: UAN). Each of these entities is affiliated with Carl Icahn. Prior to the formation of CVR Energy, Mr. Lipinski served as Chief Executive Officer and President of Coffeyville Resources, LLC since 2005. Mr. Lipinski has more than 40 years of experience in the petroleum refining and nitrogen fertilizer industries. He began his career with Texaco Inc. In 1985, Mr. Lipinski joined The Coastal Corporation eventually serving as Vice President of Refining with overall responsibility for Coastal Corporation's refining and petrochemical operations. Upon the merger of Coastal with El Paso Corporation in 2001, Mr. Lipinski was promoted to Executive Vice President of Refining and Chemicals, where he was responsible for all refining, petrochemical, nitrogen based chemical processing and lubricant operations, as well as the corporate engineering and construction group. Mr. Lipinski left El Paso in 2002 and became an independent management consultant. In 2004, he became a Managing Director and Partner of Prudentia Energy, an advisory and management firm. Mr. Lipinski graduated from Stevens Institute of Technology with a Bachelor of Chemical Engineering degree and received a Juris Doctor degree from Rutgers University School of Law.

Based upon Mr. Lipinski's long and successful career in the energy industry, including as CEO and President of CVR Energy, Inc. and CVR Refining, LP, and his deep understanding of operations and executive management, the Icahn Group believes that Mr. Lipinski has the requisite set of skills to serve as a Board member of the Company.

Mr. Lipinski's business address is 2277 Plaza Drive, Suite 500, Sugar Land, TX 77479.

MR. SAMUEL MERKSAMER, age 32

Mr. Merksamer is a Managing Director of Icahn Capital LP, a subsidiary of Icahn Enterprises L.P. (a diversified holding company engaged in a variety of businesses, including investment, automotive, energy, gaming, railcar, food packaging, metals, real estate and home fashion), where he has been employed since May 2008. Mr. Merksamer is responsible for identifying, analyzing and monitoring investment opportunities and portfolio companies for Icahn Capital. From 2003 until 2008, Mr. Merksamer was an analyst at Airlie Opportunity Capital Management, a hedge fund management company, where he focused on high yield and distressed investments. Mr. Merksamer has been a director of: CVR Refining GP, LLC, the general partner of CVR Refining, LP, an independent downstream energy limited partnership, since January 2013; Ferrous Resources Limited, an iron ore mining company with operations in Brazil, since November 2012; CVR Energy, Inc., an independent petroleum refiner and marketer of high value transportation fuels, since May 2012; American Railcar Industries, Inc., a railcar manufacturing company, since June 2011; Federal – Mogul Corporation, a supplier of automotive powertrain and safety components, since September 2010; Viskase Companies, Inc., a meat casing company, since January 2010; and PSC Metals Inc., a metal recycling company, since March 2009. Mr. Merksamer was previously a director of Dynegy Inc., a company primarily engaged in the production and sale of electric energy, capacity and ancillary services, from March 2011 to September 2012. CVR Refining, CVR Energy, American Railcar Industries, Federal – Mogul, Viskase Companies and PSC Metals are each indirectly controlled by Carl C. Icahn. Mr. Icahn also has a non-controlling interest in Dynegy Inc. through the ownership of securities. Mr. Merksamer received an A.B. in Economics from Cornell University in 2002.

Based upon Mr. Merksamer's extensive investing experience and strong understanding of business operations and finance, the Icahn Group believes that Mr. Merksamer has the requisite set of skills to serve as a Board member of the Company.

Mr. Merksamer's business address is 767 Fifth Avenue, 47th Floor New York, NY 10153.

Information Regarding Ownership of the Company's Securities by the Icahn Group's Nominees

None of the Icahn Group's nominees owns of record any shares or other securities of the Company. According to the Icahn Preliminary Proxy Statement, none of the Icahn Group's nominees beneficially owns any interest in securities of the Company.

Information Regarding Transactions in the Company's Securities by the Icahn Group's Nominees

According to the Icahn Preliminary Proxy Statement, none of the Icahn Group's nominees has effected any purchases or sales of the Company's securities during the past two years.

Miscellaneous Information Concerning the Icahn Group's Nominees

The Icahn Preliminary Proxy Statement has not disclosed that any of the Icahn Group's nominees or any of their respective associates or affiliates (together, the "Icahn Group Nominee Affiliates") is either a party to any transaction or series of transactions since January 1, 2012 or has knowledge of any current proposed transaction or series of proposed transactions (i) to which the Company or any of its subsidiaries was or is to be a participant, (ii) in which the amount involved exceeds $120,000 and (iii) in which any participant or Icahn Group Nominee Affiliate had, or will have, a direct or indirect material interest.

With respect to each of the Icahn Group's nominees, except as set forth herein, (i) such nominee is not, nor was within the past year, a party to any contract, arrangement or understanding with any person with respect to any securities of the Company, including, but not limited to, joint ventures, loan or option arrangements, puts or calls, guarantees against loss or guarantees of profit, division of losses or profits, or the giving or withholding of proxies; and (ii) neither such nominee nor any of such nominee's associates have any arrangement or understanding with any person with respect to (A) any future employment by the Company or its affiliates or (B) any future transactions to which the Company or any of its affiliates will or may be a party.

Mr. Icahn has an interest in the election of directors at the 2013 annual general meeting indirectly through the beneficial ownership of securities, as further described in the Icahn Preliminary Proxy Statement. Messrs. Alapont and Lipinski are each party to a Nominee Agreement, substantially in the form attached to the Icahn Preliminary Proxy Statement, pursuant to which Icahn Capital LP, a Delaware limited partnership, has agreed to indemnify each of them with respect to certain costs incurred by each such nominee in connection with the proxy contest relating to the 2013 annual general meeting. None of the Icahn Group's nominees will receive any compensation from the Company in connection with this proxy solicitation. Each of Messrs. Alapont and Lipinski has an interest in the election of directors at the 2013 annual general meeting pursuant to the Nominee Agreement.

Each of Messrs. Lipinski and Merksamer is employed by entities affiliated with Carl Icahn and have entered into agreements relating to the terms of such employment with the applicable entity. Until his retirement, Mr. Alapont was previously employed by Federal-Mogul Corporation, an entity affiliated with Carl Icahn, and currently serves on the Board of Directors of Federal-Mogul. In connection with Mr. Alapont's retirement from Federal-Mogul, Mr. Alapont entered into a letter agreement with Federal-Mogul regarding his retirement and subsequent consulting services. In addition, in February 2013, an affiliate of Mr. Icahn, Icahn Capital LP, paid Mr. Alapont $25,000 for serving as a director nominee to the Board of Directors of Oshkosh Corporation.

According to the Icahn Preliminary Proxy Statement, the Icahn Group's nominees would not be barred from being considered independent under the independence requirements of the New York Stock Exchange and the independence standards applicable to the Company under paragraph (a)(1) of Item 407 of Regulation S-K under the Securities Exchange Act of 1934, as amended.

ANNUAL REPORT TO SHAREHOLDERS

TRANSOCEAN LTD. AND SUBSIDIARIES
INDEX TO ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012

Forward-Looking Information

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

- the impact of the Macondo well incident, claims, settlement and related matters,
- the impact of the Brazil Frade field incident and related matters,
- our results of operations and cash flow from operations, including revenues and expenses,
- the offshore drilling market, including the impact of enhanced regulations in the jurisdictions in which we operate, supply and demand, utilization rates, dayrates, customer drilling programs, commodity prices, stacking of rigs, reactivation of rigs, effects of new rigs on the market and effects of declines in commodity prices and the downturn in the global economy or market outlook for our various geographical operating sectors and classes of rigs,
- customer contracts, including contract backlog, force majeure provisions, contract commencements, contract extensions, contract terminations, contract option exercises, contract revenues, contract awards and rig mobilizations,
- liquidity and adequacy of cash flows for our obligations,
- debt levels, including impacts of a financial and economic downturn,
- uses of excess cash, including the payment of dividends and other distributions and debt retirement,
- newbuild, upgrade, shipyard and other capital projects, including completion, delivery and commencement of operation dates, expected downtime and lost revenue, the level of expected capital expenditures and the timing and cost of completion of capital projects,
- pending or possible transactions, including the timing, benefits and terms thereof,
- the cost and timing of acquisitions and the proceeds and timing of dispositions,
- tax matters, including our effective tax rate, changes in tax laws, treaties and regulations, tax assessments and liabilities for tax issues, including those associated with our activities in Brazil, Norway and the United States,
- legal and regulatory matters, including results and effects of legal proceedings and governmental audits and assessments, outcomes and effects of internal and governmental investigations, customs and environmental matters,
- insurance matters, including adequacy of insurance, renewal of insurance, insurance proceeds and cash investments of our wholly owned captive insurance company,
- effects of accounting changes and adoption of accounting policies, and
- investments in recruitment, retention and personnel development initiatives, pension plan and other postretirement benefit plan contributions, the timing of severance payments and benefit payments.

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

- “anticipates”
- “believes”
- “budgets”
- “could”
- “estimates”
- “expects”
- “forecasts”
- “intends”
- “may”
- “might”
- “plans”
- “predicts”
- “projects”
- “scheduled”
- “should”

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

- those described under “Item 1A. Risk Factors”,
- the adequacy of and access to sources of liquidity,
- our inability to obtain contracts for our rigs that do not have contracts,
- our inability to renew contracts at comparable dayrates,
- operational performance,
- the impact of regulatory changes,
- the cancellation of contracts currently included in our reported contract backlog,
- shipyard, construction and other delays,
- increased political and civil unrest,
- the effect and results of litigation, regulatory matters, settlements, audits, assessments and contingencies, and
- other factors discussed in this annual report and in our filings with the U.S. Securities and Exchange Commission (“SEC”), which are available free of charge on the SEC website at www.sec.gov.

The foregoing risks and uncertainties are beyond our ability to control, and in many cases, we cannot predict the risks and uncertainties that could cause our actual results to differ materially from those indicated by the forward-looking statements. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated.

All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by reference to these risks and uncertainties. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements, except as required by law.

PART I

Item 1. Business

Overview

Transocean Ltd. (together with its subsidiaries and predecessors, unless the context requires otherwise, "Transocean," the "Company," "we," "us" or "our") is a leading international provider of offshore contract drilling services for oil and gas wells. As of February 20, 2013, we owned or had partial ownership interests in and operated 82 mobile offshore drilling units associated with our continuing operations. As of this date, the fleet associated with our continuing operations consisted of 48 High-Specification Floaters (Ultra-Deepwater, Deepwater and Harsh Environment semisubmersibles and drillships), 25 Midwater Floaters and nine High-Specification Jackups. At February 20, 2013, we also had six Ultra-Deepwater drillships and three High-Specification Jackups under construction or under contract to be constructed.

We specialize in technically demanding regions of the global offshore drilling business with a particular focus on deepwater and harsh environment drilling services. We believe our mobile offshore drilling fleet is one of the most versatile fleets in the world, consisting of floaters and high-specification jackups used in support of offshore drilling activities and offshore support services on a worldwide basis. Our primary business is to contract our drilling rigs, related equipment and work crews predominantly on a dayrate basis to drill oil and gas wells. We also provide oil and gas drilling management services on either a dayrate basis or a completed-project, fixed price or turnkey basis, as well as drilling engineering and drilling project management services.

Transocean Ltd. is a Swiss corporation with its registered office in Steinhausen, Canton of Zug and with principal executive offices located at Chemin de Blandonnet 10, 1214 Vernier, Switzerland. Our telephone number at that address is +41 22 930-9000. Our shares are listed on the New York Stock Exchange ("NYSE") under the symbol "RIG" and on the SIX Swiss Exchange ("SIX") under the symbol "RIGN." For information about the revenues, operating income, assets and other information related to our business, our segments and the geographic areas in which we operate, see "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 25—Operating Segments, Geographical Analysis and Major Customers."

Recent Developments

In November 2012, in connection with our efforts to improve the overall technical capabilities of our fleet and dispose of non-strategic assets, we completed the sale of 37 Standard Jackups and one swamp barge to Shelf Drilling Holdings, Ltd. ("Shelf Drilling"). For a transition period following the completion of the sale transactions, we agreed to continue to operate a substantial portion of the Standard Jackups on behalf of Shelf Drilling and to provide certain other transition services to Shelf Drilling. Under 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. As of February 20, 2013, we operated 25 Standard Jackups under operating agreements with Shelf Drilling. In addition, 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. See "Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 9—Discontinued Operations."

In March 2012, we announced our intent to discontinue drilling management services operations in the shallow waters of the United States ("U.S.") Gulf of Mexico, upon completion of our then-existing contracts. In December 2012, we completed the final drilling management project and discontinued offering our drilling management services in this region.

Drilling Fleet

Fleet overview—Most of our drilling equipment is suitable for both exploration and development drilling, and we normally engage in both types of drilling activity. Likewise, all of our drilling rigs are mobile and can be moved to new locations in response to customer demand. All of our mobile offshore drilling units are designed for operations away from port for extended periods of time and have living quarters for the crews, a helicopter landing deck and storage space for pipe and drilling supplies. Our drilling fleet can be generally characterized as follows: (1) floaters, including drillships and semisubmersibles, and (2) jackups.

Drillships are generally self-propelled vessels, shaped like conventional ships, and are the most mobile of the major rig types. All of our high-specification drillships are equipped with a computer-controlled dynamic positioning thruster system, which allows them to maintain position without anchors through the use of their onboard propulsion and station-keeping systems. Drillships typically have greater load capacity than early generation semisubmersible rigs. This enables them to carry more supplies on board, which often makes them better suited for drilling in remote locations where resupply is more difficult. However, drillships are generally limited to operations in calmer water conditions than those in which semisubmersibles can operate. We have three Enterprise-class, five Enhanced Enterprise-class and two other Ultra-Deepwater drillships, which are all equipped with our patented dual-activity technology. Dual-activity technology employs structures, equipment and techniques using two drilling stations within a single derrick to allow these drillships to perform simultaneous drilling tasks in a parallel rather than sequential manner, reducing critical path activity, to improve efficiency in both exploration and development drilling. Our Enhanced Enterprise-class drillships offer improved reliability, increased pipe handling capacity, dual well control systems and flexible fluid capabilities and increased water depth and drilling depth.

Semisubmersibles are floating vessels that can be submerged by means of a water ballast system such that the lower hulls are below the water surface during drilling operations. These rigs are capable of maintaining their position over a well through the use of an anchoring system or a computer-controlled dynamic positioning thruster system. Although most semisubmersible rigs are relocated with the assistance of tugs, some units are self-propelled and move between locations under their own power when afloat on pontoons. Typically, semisubmersibles are better suited than drillships for operations in rougher water conditions. We have three Express-class semisubmersibles, which are designed for mild environments and are equipped with the unique tri-act derrick. The tri-act derrick was designed to reduce overall well construction costs, as it allows offline tubular and riser handling operations to occur at two sides of the derrick while the center portion of the derrick is being used for normal drilling operations through the rotary table. Our three Development Driller-class semisubmersibles and two other semisubmersibles are equipped with our patented dual-activity technology.

Jackup rigs are mobile self-elevating drilling platforms equipped with legs that can be lowered to the ocean floor until a foundation is established to support the drilling platform. Once a foundation is established, the drilling platform is then jacked further up the legs so that the platform is above the highest expected waves. These rigs are generally suited for water depths of 400 feet or less.

Fleet categories—We further categorize the drilling units of our fleet as follows: (1) "High-Specification Floaters," consisting of our "Ultra-Deepwater Floaters," "Deepwater Floaters" and "Harsh Environment Floaters," (2) "Midwater Floaters" and (3) "High-Specification Jackups".

High-Specification Floaters are specialized offshore drilling units that we categorize into three sub-classifications based on their capabilities. Ultra-Deepwater Floaters are equipped with high-pressure mud pumps and are capable of drilling in water depths of 7,500 feet or greater. Deepwater Floaters are generally those other semisubmersible rigs and drillships capable of drilling in water depths between 4,500 and 7,500 feet. Harsh Environment Floaters are capable of drilling in harsh environments in water depths between 1,500 and 10,000 feet and have greater displacement, which offers larger variable load capacity, more useable deck space and better motion characteristics. Midwater Floaters are generally comprised of those non-high-specification semisubmersibles that have a water depth capacity of less than 4,500 feet. High-Specification Jackups have greater operational capabilities than Standard Jackups and have higher capacity derricks, drawworks, mud systems and storage. Typically, High-Specification Jackups also have deeper water depth capacity than Standard Jackups.

As of February 14, 2013, we owned and operated a fleet of 82 rigs, excluding rigs under construction, was as follows:

- 48 High-Specification Floaters, which are comprised of:
  - 27 Ultra-Deepwater Floaters;
  - 14 Deepwater Floaters; and
  - Seven Harsh Environment Floaters;
- 25 Midwater Floaters; and
- Nine High-Specification Jackups.

As of February 14, 2013, we also operated a fleet of 25 previously owned Standard Jackups, associated with our discontinued operations, under operating agreements with Shelf Drilling, the buyer of these rigs. We agreed to continue to operate these rigs, for periods ranging from nine months to 27 months, until expiration or novation of the underlying drilling contracts by Shelf Drilling. See "Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 9—Discontinued Operations."

Fleet status—Depending on market conditions, we may idle or stack non-contracted rigs. An *idle* rig is between contracts, readily available for operations, and operating costs are typically at or near normal levels. A *stacked* rig is staffed by a reduced crew or has no crew and typically has reduced operating costs and is (a) preparing for an extended period of inactivity, (b) expected to continue to be inactive for an extended period, or (c) completing a period of extended inactivity. Stacked rigs will continue to incur operating costs at or above normal operating levels for 30 to 60 days following initiation of stacking. Some idle rigs and all stacked rigs require additional costs to return to service. The actual cost to return to service, which in many instances could be significant and could fluctuate over time, depends upon various factors, including the availability and cost of shipyard facilities, cost of equipment and materials and the extent of repairs and maintenance that may ultimately be required. We consider these factors, together with market conditions, length of contract, dayrate and other contract terms, when deciding whether to return a stacked rig to service. We may, from time to time, consider marketing stacked rigs as accommodation units or for other alternative uses until drilling activity increases and we obtain drilling contracts for these units.

Drilling units—The following tables, presented as of February 14, 2013, provide certain specifications for our rigs. Unless otherwise noted, the stated location of each rig indicates either the current drilling location, if the rig is operating, or the next operating location, if the rig is in shipyard with a follow-on contract. As of February 14, 2013, we owned all of the drilling rigs in our fleet noted in the tables below, except for the following: (1) those specifically described as being owned through our interests in joint venture companies and (2) *Petrobras 10000*, which is subject to a capital lease through August 2029.

Rigs Under Construction (9)

Name	Type	Expected completion	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Contracted location
Ultra-Deepwater Floaters					
Deepwater Asgard	HSD	2Q 2014	12,000	40,000	To be determined
Deepwater Invictus	HSD	2Q 2014	12,000	40,000	U.S. Gulf
DSME 12000 Drillship TBN1	HSD	4Q 2015	12,000	40,000	To be determined
DSME 12000 Drillship TBN2	HSD	2Q 2016	12,000	40,000	To be determined
DSME 12000 Drillship TBN3	HSD	4Q 2016	12,000	40,000	To be determined
DSME 12000 Drillship TBN4	HSD	1Q 2017	12,000	40,000	To be determined
High-Specification Jackups					
Transocean Siam Driller	Jackup	1Q 2013	350	35,000	Thailand
Transocean Andaman	Jackup	2Q 2013	350	35,000	Thailand
Transocean Ao Thai	Jackup	4Q 2013	350	35,000	Thailand

"HSD" means high-specification drillship.

High-Specification Floaters (48)

Name	Type	Year entered service/ upgraded (a)	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Location
Ultra-Deepwater Floaters (27)					
Discoverer Clear Leader (b) (c) (d)	HSD	2009	12,000	40,000	U.S. Gulf
Discoverer Americas (b) (c) (d) (e)	HSD	2009	12,000	40,000	U.S. Gulf
Discoverer Inspiration (b) (c) (d) (e)	HSD	2010	12,000	40,000	U.S. Gulf
Deepwater Champion (b) (c) (e)	HSD	2011	12,000	40,000	U.S. Gulf
Petrobras 10000 (b) (c)	HSD	2009	12,000	37,500	Brazil
Dhirubhai Deepwater KG1 (b) (e)	HSD	2009	12,000	35,000	India
Dhirubhai Deepwater KG2 (b) (e)	HSD	2010	12,000	35,000	India
Discoverer India (b) (c) (d)	HSD	2010	12,000	40,000	U.S. Gulf
Discoverer Deep Seas (b) (c) (d)	HSD	2001	10,000	35,000	U.S. Gulf
Discoverer Enterprise (b) (c) (d)	HSD	1999	10,000	35,000	U.S. Gulf
Discoverer Spirit (b) (c) (d)	HSD	2000	10,000	35,000	U.S. Gulf
GSF C.R. Luigs (b)	HSD	2000	10,000	35,000	U.S. Gulf
GSF Jack Ryan (b)	HSD	2000	10,000	35,000	Nigeria
Deepwater Discovery (b)	HSD	2000	10,000	30,000	Brazil
Deepwater Frontier (b)	HSD	1999	10,000	30,000	Australia
Deepwater Millennium (b)	HSD	1999	10,000	30,000	Kenya
Deepwater Pathfinder (b)	HSD	1998	10,000	30,000	U.S. Gulf
Deepwater Expedition (b)	HSD	1999	8,500	30,000	Saudi Arabia
Cajun Express (b) (f)	HSS	2001	8,500	35,000	Brazil
Deepwater Nautilus (g)	HSS	2000	8,000	30,000	U.S. Gulf
GSF Explorer (b)	HSD	1972/1998	7,800	30,000	Idle
Discoverer Luanda (b) (c) (d) (h)	HSD	2010	7,500	40,000	Angola
GSF Development Driller I (b) (c)	HSS	2005	7,500	37,500	U.S. Gulf
GSF Development Driller II (b) (c)	HSS	2005	7,500	37,500	U.S. Gulf
Development Driller III (b) (c)	HSS	2009	7,500	37,500	U.S. Gulf
Sedco Energy (b) (f)	HSS	2001	7,500	35,000	Ghana
Sedco Express (b) (f)	HSS	2001	7,500	35,000	Nigeria
Deepwater Floaters (14)					
Deepwater Navigator (b)	HSD	1971/2000	7,200	25,000	Brazil
Discoverer Seven Seas (b)	HSD	1976/1997	7,000	25,000	Sri Lanka
Transocean Marianas (g)	HSS	1979/1998	7,000	30,000	Namibia
Sedco 702 (b)	HSS	1973/2007	6,500	25,000	Nigeria
Sedco 706 (b)	HSS	1976/2008	6,500	25,000	Brazil
Sedco 707 (b)	HSS	1976/1997	6,500	25,000	Brazil
GSF Celtic Sea (g)	HSS	1982/1998	5,750	25,000	Angola
Jack Bates (g)	HSS	1986/1997	5,400	30,000	Australia
M.G. Hulme, Jr. (g)	HSS	1983/1996	5,000	25,000	India
Sedco 709 (b)	HSS	1977/1999	5,000	25,000	Stacked
Transocean Richardson (g)	HSS	1988	5,000	25,000	Stacked
Sedco 710 (b)	HSS	1983/2001	4,500	25,000	Brazil
Sovereign Explorer (g)	HSS	1984	4,500	25,000	Stacked
Transocean Rather (g)	HSS	1988	4,500	25,000	Angola
Harsh Environment Floaters (7)					
Transocean Spitsbergen (b) (c)	HSS	2010	10,000	30,000	Norwegian N. Sea
Transocean Barents (b) (c)	HSS	2009	10,000	30,000	Norwegian N. Sea
Henry Goodrich (g)	HSS	1985/2007	5,000	30,000	Canada
Transocean Leader (g)	HSS	1987/1997	4,500	25,000	Norwegian N. Sea
Paul B, Loyd, Jr.(g)	HSS	1990	2,000	25,000	U.K. N. Sea
Transocean Arctic (g)	HSS	1986	1,650	25,000	Norwegian N. Sea
Polar Pioneer (g)	HSS	1985	1,500	25,000	Norwegian N. Sea

"HSD" means high-specification drillship.
"HSS" means high-specification semisubmersible.
(a) Dates shown are the original service date and the date of the most recent upgrade, if any.
(b) Dynamically positioned.
(c) Dual-activity.
(d) Enterprise-class or Enhanced Enterprise-class rig.
(e) Pledged as collateral for certain debt instruments or credit facilities.
(f) Express-class rig.
(g) Moored floaters.
(h) Owned through our 65 percent interest in Angola Deepwater Drilling Company Limited and pledged as collateral for the debt of the joint venture company.

Midwater Floaters (25)

Name	Type	Year entered service/ upgraded (a)	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Location
Sedco 700	OS	1973/1997	3,600	25,000	Stacked
Transocean Amirante	OS	1978/1997	3,500	25,000	Egypt
Transocean Legend	OS	1983	3,500	25,000	Australia
GSF Arctic I	OS	1983/1996	3,400	25,000	Idle
C. Kirk Rhein, Jr.	OS	1976/1997	3,300	25,000	Stacked
Transocean Driller	OS	1991	3,000	25,000	Brazil
GSF Rig 135	OS	1983	2,800	25,000	Nigeria
GSF Rig 140	OS	1983	2,800	25,000	India
Falcon 100	OS	1974/1999	2,400	25,000	Brazil
GSF Aleutian Key	OS	1976/2001	2,300	25,000	Stacked
Sedco 703	OS	1973/1995	2,000	25,000	Stacked
GSF Arctic III	OS	1984	1,800	25,000	U.K. N. Sea
Sedco 711	OS	1982	1,800	25,000	U.K. N. Sea
Transocean John Shaw	OS	1982	1,800	25,000	U.K. N. Sea
Sedco 712	OS	1983	1,600	25,000	U.K. N. Sea
Sedco 714	OS	1983/1997	1,600	25,000	U.K. N. Sea
Actinia	OS	1982	1,500	25,000	India
GSF Grand Banks	OS	1984	1,500	25,000	Canada
Sedco 601	OS	1983	1,500	25,000	Stacked
Sedneth 701	OS	1972/1993	1,500	25,000	Nigeria
Transocean Prospect	OS	1983/1992	1,500	25,000	U.K. N. Sea
Transocean Searcher	OS	1983/1988	1,500	25,000	Norwegian N. Sea
Transocean Winner	OS	1983	1,500	25,000	Norwegian N. Sea
J. W. McLean	OS	1974/1996	1,250	25,000	Stacked
Sedco 704	OS	1974/1993	1,000	25,000	U.K. N. Sea

"OS" means other semisubmersible.
(a) Dates shown are the original service date and the date of the most recent upgrade, if any.

High-Specification Jackups (9)

Name	Year entered service/ upgraded (a)	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Location
Transocean Honor (b)	2012	400	30,000	Angola
GSF Constellation I	2003	400	30,000	Indonesia
GSF Constellation II	2004	400	30,000	Gabon
GSF Galaxy I	1991/2001	400	30,000	U.K. N. Sea
GSF Galaxy II	1998	400	30,000	U.K. N. Sea
GSF Galaxy III	1999	400	30,000	U.K. N. Sea
GSF Magellan	1992	350	30,000	Nigeria
GSF Monarch	1986	350	30,000	Denmark
GSF Monitor	1989	350	30,000	Nigeria

(a) Dates shown are the original service date and the date of the most recent upgrades, if any.
(b) Owned through our 70 percent interest in Transocean Drilling Services Offshore Inc.

Markets

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

As of February 14, 2013, the fleet associated with our continuing operations was located in the U.S. Gulf of Mexico (15 units), United Kingdom ("U.K.") North Sea (12 units), Brazil (10 units), Far East (nine units), Norway (seven units), Nigeria (seven units), India (five units), West African countries other than Nigeria and Angola (five units), Angola (four units), Australia (three units), Canada (two units), Middle East (two units), and Denmark (one unit).

In recent years, oil companies have placed increased emphasis on exploring for hydrocarbons in deeper waters. This deepwater focus is due, in part, to technological developments that have made such exploration more feasible and cost-effective. Therefore, water-depth capability is a key component in determining rig suitability for a particular drilling project. Another distinguishing feature in some drilling market sectors is a rig's ability to operate in harsh environments, including extreme marine and climatic conditions and temperatures.

We categorize the market sectors in which we operate as follows: (1) deepwater, (2) midwater and (3) jackup. The deepwater and midwater market sectors are serviced by our semisubmersibles and drillships. Although the term *deepwater* as used in the drilling industry to denote a particular market sector can vary and continues to evolve with technological improvements, we generally view the deepwater market sector as that which begins in water depths of approximately 4,500 feet and extends to the maximum water depths in which rigs are capable of drilling, which is currently approximately 12,000 feet. We view the midwater market sector as that which covers water depths of about 300 feet to approximately 4,500 feet.

The jackup market sector begins at the outer limit of the transition zone, which is characterized by marshes, rivers, lakes and shallow bay and coastal water areas, and extends to water depths of about 400 feet. This sector has been developed to a significantly greater degree than the deepwater market sector because the shallower water depths have made it much more affordable and accessible than the deeper water market sectors.

Financial Information about Geographic Areas

The following table presents the geographic areas in which our operating revenues were earned (in millions):

	Years ended December 31,		
	2012	2011	2010
Operating revenues			
U.S.	$ 2,472	$ 1,971	$ 1,937
Norway	1,174	897	765
Brazil	1,114	1,019	1,288
U.K.	1,028	1,099	1,097
Other countries (a)	3,408	3,041	2,862
Total operating revenues	$ 9,196	$ 8,027	$ 7,949

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

The following table presents the geographic areas in which our long-lived assets were located (in millions):

	December 31,	
	2012	2011
Long-lived assets		
U.S.	$ 7,395	$ 6,553
Brazil	2,285	2,185
Norway	2,072	2,067
Other countries (a)	9,128	9,983
Total long-lived assets	$ 20,880	$ 20,788

(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 for any of the periods presented.

Contract Backlog

At December 31, 2012, the contract backlog associated with our continuing operations was approximately $29.4 billion, representing a 40.7 percent and 24.6 percent increase compared to the contract backlog associated with our continuing operations at December 31, 2011 and 2010, which was $20.9 billion and $23.6 billion, respectively. See “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Outlook—Drilling market” and “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Performance and Other Key Indicators.”

Contract Drilling Services

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

A dayrate drilling contract generally extends over a period of time covering either the drilling of a single well or group of wells or covering a stated term. Certain of our contracts with customers may be cancelable at the option of the customer upon payment of an early termination payment. Such payments, however, may not fully compensate us for the loss of the contract. Contracts also customarily provide for either automatic termination or termination at the option of the customer typically without the payment of any termination fee, under various circumstances such as non-performance, in the event of downtime or impaired performance caused by equipment or operational issues, or sustained periods of downtime due to force majeure events. Many of these events are beyond our control. The contract term in some instances may be extended by the customer exercising options for the drilling of additional wells or for an additional term. Our contracts also typically include a provision that allows the customer to extend the contract to finish drilling a well-in-progress. During periods of depressed market conditions, our customers may seek to renegotiate firm drilling contracts to reduce their obligations or may seek to repudiate their contracts. Suspension of drilling contracts will result in the reduction in or loss of dayrate for the period of the suspension. If our customers cancel some of our contracts and we are unable to secure new contracts on a timely basis and on substantially similar terms, or if contracts are suspended for an extended period of time or if a number of our contracts are renegotiated, it could adversely affect our consolidated results of operations or cash flows. See “Item 1A. Risk Factors—Risks related to our business—Our drilling contracts may be terminated due to a number of events.”

Consistent with standard industry practice, our customers generally assume, and indemnify us against, well control and subsurface risks under dayrate contracts. Under all of our current drilling contracts, the operator indemnifies us for pollution damages in connection with reservoir fluids stemming from operations under the contract and we indemnify the operator for pollution from substances in our control that originate from the rig (e.g., diesel used onboard the rig or other fluids stored onboard the rig and above the water surface). Also, under all of our current drilling contracts, the operator indemnifies us against damage to the well or reservoir and loss of subsurface oil and gas and the cost of bringing the well under control. However, our drilling contracts are individually negotiated, and the degree of indemnification we receive from the operator against the liabilities discussed above can vary from contract to contract, based on market conditions and customer requirements existing when the contract was negotiated. In some instances, we have contractually agreed upon certain limits to our indemnification rights and can be responsible for damages up to a specified maximum dollar amount, which amount is usually $5 million or less, although the amount can be greater depending on the nature of our liability. In most instances in which we are indemnified for damages to the well, we have the responsibility to redrill the well at a reduced dayrate. Notwithstanding a contractual indemnity from a customer, there can be no assurance that our customers will be financially able to indemnify us or will otherwise honor their contractual indemnity obligations. See “Item 1A. Risk Factors—Risks related to our business—Our business involves numerous operating hazards.”

The interpretation and enforceability of a contractual indemnity depends upon the specific facts and circumstances involved, as governed by applicable laws, and may ultimately need to be decided by a court or other proceeding which will need to consider the specific contract language, the facts and applicable laws. In connection with the Macondo well incident, a court refused to enforce an indemnity in respect of certain penalties and punitive damages under the Clean Water Act (“CWA”) and the enforceability of an indemnity as to other matters may be limited. The inability or other failure of our customers to fulfill their indemnification obligations to us could have a material adverse effect on our consolidated statement of financial position, results of operations and cash flows. Courts also restrict indemnification for criminal fines and penalties. See “Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 17—Commitments and Contingencies—Macondo well incident—Contractual indemnity.”

Drilling Management Services

We provide drilling management services primarily on a turnkey basis through Applied Drilling Technology Inc., a Texas corporation and our wholly owned subsidiary, which primarily operates in non-U.S. market sectors outside of the North Sea, and through ADT International, a division of one of our U.K. subsidiaries, which primarily operates in the North Sea (together, "ADTI"). As part of our drilling management services, we provide planning, engineering and management services beyond the scope of our traditional contract drilling business and, thereby, assume greater risk. Under turnkey arrangements, we typically assume responsibility for the design and execution of a well and deliver a logged or cased hole to an agreed depth for a guaranteed price for which payment is contingent upon successful completion of the well program.

In addition to turnkey drilling management services, we participate in project management operations that include providing certain planning, management and engineering services, purchasing equipment and providing personnel and other logistical services to customers. Our project management services differ from turnkey drilling services in that the customer assumes control of the drilling operations and thereby retains the risks associated with the project.

In March 2012, we announced our intent to discontinue drilling management services operations in the shallow waters of the U.S. Gulf of Mexico, a component of our drilling management services segment, upon completion of our then existing contracts. In December 2012, we completed the final project for our drilling management services operations in the U.S. Gulf of Mexico and discontinued offering our drilling management services in the U.S.

Revenues from the continuing operations of our drilling management services represented less than three percent of our consolidated revenues from continuing operations for the year ended December 31, 2012. In the course of providing drilling management services, ADTI may either use a drilling rig in our fleet or contract for a rig owned by another contract driller.

Joint Venture, Agency and Sponsorship Relationships and Other Investments

In some areas of the world, local customs and practice or governmental requirements necessitate the formation of joint ventures with local participation. We may or may not control these joint ventures. We are an active participant in several joint venture drilling companies, principally in Angola, Indonesia, Malaysia and Nigeria. Local laws or customs in some areas of the world also effectively mandate establishment of a relationship with a local agent or sponsor. When appropriate in these areas, we enter into agency or sponsorship agreements.

We hold a 65 percent interest in Angola Deepwater Drilling Company Limited ("ADDCL"), a consolidated Cayman Islands joint venture company formed to own *Discoverer Luanda*. Our local partner, Angco Cayman Limited, a Cayman Islands company, holds the remaining 35 percent interest in ADDCL. Beginning January 31, 2016, Angco Cayman Limited 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 drillship, subject to certain adjustments.

We hold a 70 percent interest in Transocean Drilling Services Offshore Inc. ("TDSOI"), a consolidated British Virgin Islands joint venture company formed to own *Transocean Honor*. Our local partner, Angco II, a Cayman Islands company, holds the remaining 30 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.

We hold a 65 percent interest in TSSA – Servicos de Apoio, Lda. ("TSSA"), a consolidated Angola limited liability company formed to operate *Discoverer Luanda* and *Transocean Honor*. Our local partner, Angco Cayman Limited, a Cayman Islands company, holds the remaining 35 percent interest in TSSA. Under a management services agreement with TSSA, we provide operating management services for *Discoverer Luanda* and *Transocean Honor*.

Significant Customers

We engage in offshore drilling services for most of the leading international oil companies or their affiliates, as well as for many government-controlled oil companies and independent oil companies. For the year ended December 31, 2012, our most significant customers were Chevron Corporation, BP America Production Co. (together with its affiliates, "BP") and Petrobras, accounting for approximately 11 percent, 11 percent and 10 percent, respectively, of our consolidated operating revenues from continuing operations. No other customers accounted for 10 percent or more of our consolidated operating revenues from continuing operations in the year ended December 31, 2012. See "Item 1A. Risk Factors—Risks related to our business—We rely heavily on a relatively small number of customers and the loss of a significant customer or a dispute that leads to the loss of a customer could have a material adverse impact on our financial results."

Employees

We require highly skilled personnel to operate our drilling units. Consequently, we conduct extensive personnel recruiting, training and safety programs. At December 31, 2012, we had approximately 18,400 employees associated with our continuing operations, including approximately 1,700 persons engaged through contract labor providers. Of our 18,400 employees, approximately 3,000 persons are working under operating agreements with Shelf Drilling and are expected to transition upon expiration of such operating agreements. Some of our employees working in Angola, the U.K., Nigeria, Norway, Australia and Brazil are represented by, and some of our contracted labor work under, collective bargaining agreements. Many of these represented individuals are working under agreements that 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. Additionally, failure to reach agreement on certain key issues may result in strikes, lockouts or other work stoppages that may materially impact our operations.

Legislation has been introduced in the U.S. Congress that could encourage additional unionization efforts in the U.S., as well as increase the chances that such efforts succeed. Additional unionization efforts, if successful, new collective bargaining agreements or work stoppages could materially increase our labor costs and operating restrictions.

Technological Innovation

We are a leading international provider of offshore contract drilling services and drilling management services for oil and gas wells. We specialize in technically demanding sectors of the global offshore drilling business. Our fleet is considered one of the most versatile in the world with a particular focus on deepwater and harsh environment drilling capabilities. Since launching the offshore industry's first jackup drilling rig in 1954, we have achieved a long history of technological innovations, including the first dynamically positioned drillship, the first rig to drill year-round in the North Sea, the first semisubmersible rig for year-round Sub-Arctic operations, and the latest generations of ultra-deepwater drillships and semisubmersibles. Fifteen rigs in our existing fleet, and six of our rigs that are currently under construction, are equipped with our patented dual-activity technology, which allows our rigs to perform simultaneous drilling tasks in a parallel rather than sequential manner and reduces critical path activity while improving efficiency in both exploration and development drilling. Additionally, three rigs in our existing fleet are equipped with the unique tri-act derrick, which allows offline tubular and riser activities during normal drilling operations and is patented in certain market sectors in which we operate. In 2011, we acquired two custom designed, semisubmersible drilling rigs, equipped for year-round operations in harsh environments, including those of the Norwegian continental shelf and sub-Arctic waters. We have three jackup drilling rigs currently under construction that are expected to be capable of constructing wells up to 35,000 feet deep and feature advanced offshore drilling technology, including offline tubular handling features and simultaneous operations support. In 2012, we entered into shipyard contracts for the construction of four newbuild dynamically positioned Ultra-Deepwater drillships that will be equipped with dual activity, industry-leading hoisting capacity, a second blowout preventer system and will be outfitted to accommodate a future upgrade to a 20,000 psi blowout preventer. We continue to seek to develop industry-leading technology, including managed pressure drilling solutions, emission monitoring, hybrid power systems, and advanced generator protection. The effective use of and continued improvements in technology are critical to maintaining our competitive position within the drilling services industry. We expect to continue to develop technology internally or to acquire technology through strategic acquisitions.

Environmental Regulation

Our operations are subject to a variety of global environmental regulations. We monitor environmental regulation in each country of operation and, while we see an increase in general environmental regulation, we have made and will continue to make the required expenditures to comply with current and future environmental requirements. We make expenditures to further our commitment to environmental improvement and the setting of a global environmental standard as part of our wider corporate responsibility effort. We assess the environmental impacts of our business, specifically in the areas of greenhouse gas emissions, climate change, discharges and waste management. Our actions are designed to reduce risk in our current and future operations, to promote sound environmental management and to create a proactive environmental program. To date, we have not incurred material costs in order to comply with recent legislation, and we do not believe that our compliance with such requirements will have a material adverse effect on our competitive position, consolidated results of operations or cash flows.

For a discussion of the effects of environmental regulation, see "Item 1A. Risk Factors—Risks related to our business—Compliance with or breach of environmental laws can be costly and could limit our operations."

Available Information

Our website address is *www.deepwater.com.* Information contained on or accessible from our website is not incorporated by reference into our annual report on Form 10-K and should not be considered a part of this report or any other filing that we make with the U.S. Securities and Exchange Commission (the "SEC"). We make available on this website free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file those materials with, or furnish those materials to, the SEC. You may also find information related to our corporate governance, board committees and company code of business conduct and ethics on our website. The SEC also maintains a website, *www.sec.gov*, which contains reports, proxy statements and other information regarding SEC registrants, including us.

We intend to satisfy the requirement under Item 5.05 of Form 8-K to disclose any amendments to our Code of Integrity and any waiver from any provision of our Code of Integrity by posting such information in the Corporate Governance section of our website at *www.deepwater.com*.

Item 1A. Risk Factors

Risks related to our business

The Macondo well incident could result in increased expenses and decreased revenues, which could ultimately have a material adverse effect on us.

Numerous lawsuits have been filed against us and unaffiliated defendants related to the Macondo well incident. We are subject to claims alleging that we are jointly and severally liable, along with BP and others, for damages arising from the Macondo well incident. We have incurred and expect to continue to incur significant legal fees and costs in responding to these matters. In January 2013, we agreed with the U.S. Department of Justice ("DOJ") to pay $1.4 billion in fines, recoveries and penalties, excluding interest, over a five-year period through 2017, and we may be subject to additional governmental fines or penalties. These payments will not be deductible for tax purposes, and the criminal fines will not be covered in full by insurance. Although we have excess liability insurance coverage relating to certain other liabilities associated with the Macondo well incident, our personal injury and other third-party liability insurance coverage is subject to deductibles and overall aggregate policy limits and does not cover criminal fines and penalties. There can be no assurance that our insurance will ultimately be adequate to cover all of our remaining potential liabilities in connection with these matters. For a discussion of the potential impact of the failure of the Macondo well operator to honor its indemnification obligations to us, see "We could experience a material adverse effect on our consolidated statement of financial position, results of operations and cash flows to the extent any of the Macondo well operator's indemnification obligations to us are not enforceable or the operator does not indemnify us" below. If we ultimately incur substantial liabilities in connection with these matters with respect to which we are neither insured nor indemnified, those liabilities could have a material adverse effect on us.

The incident has had and could continue to have a material adverse effect on our consolidated statement of financial position, results of operations and cash flows. In the three years ended December 31, 2012, we estimate that the Macondo well incident had a direct and indirect effect of greater than $1.0 billion in lost revenues and incremental costs and expenses associated with extended shipyard projects and increased downtime, both as a result of complying with the enhanced regulations and our customers' requirements. We also lost approximately $1.1 billion of contract backlog associated with the termination of the *Deepwater Horizon* contract in April 2010 resulting from the loss of the rig and the termination of another drilling contract in December 2011 resulting from the previously mentioned increased downtime. Through December 31, 2012, we have recognized estimated losses of $1.9 billion in connection with loss contingencies associated with the Macondo well incident that we believe are probable and for which a reasonable estimate can be made. Additionally, in the three years ended December 31, 2012, we incurred cumulative incremental costs, primarily associated with legal expenses for lawsuits and investigations, in the amount of $372 million. Collectively, the lost contract backlog from the incident and from the termination in December 2011, the lost revenues and incremental costs and expenses and other losses have had an effect of greater than $4.0 billion.

We are currently unable to estimate the full impact the Macondo well incident will have on us. We have recognized a liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made. We have recognized a liability for such loss contingencies in the amount of $1.9 billion. This liability takes into account certain events related to the litigation and investigations arising out of the incident. There are loss contingencies related to the Macondo well incident that we believe are reasonably possible and for which we do not believe a reasonable estimate can be made. These contingencies could increase the liabilities we ultimately recognize. Our estimates involve a significant amount of judgment. As a result of new information or future developments, we may adjust our estimated loss contingencies arising out of the Macondo well incident, and the resulting liabilities could have a material adverse effect on our consolidated statement of financial position, results of operations and cash flows.

Our business may also be adversely impacted by any negative publicity relating to the incident and us, any negative perceptions about us by customers, the skilled personnel that we require to support our operations or others, any further increases in premiums for insurance or difficulty in obtaining coverage and the diversion of management's attention from our other operations to focus on matters relating to the incident. In addition, the Macondo well incident could negatively impact our ongoing business relationship with BP, which accounted for approximately 11 percent of our consolidated operating revenues from continuing operations for the year ended December 31, 2012. Ultimately, these factors could have a material adverse effect on our statement of financial position, results of operations or cash flows.

We could experience a material adverse effect on our consolidated statement of financial position, results of operations and cash flows to the extent any of the Macondo well operator's indemnification obligations to us are not enforceable or the operator does not indemnify us.

The combined response team to the Macondo well incident was unable to stem the flow of hydrocarbons from the well prior to the sinking of *Deepwater Horizon*. The resulting spill of hydrocarbons was the most extensive in U.S. history. According to its public filings, the operator has recognized cumulative pre-tax losses of $42.2 billion in relation to the spill as of February 5, 2013. As described under "Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 17—Commitments and Contingencies—Macondo well incident—Contractual indemnity," under the *Deepwater Horizon* drilling contract, BP agreed to indemnify us with respect to certain matters, and we agreed to indemnify BP with respect to certain matters. We could ultimately experience a material adverse effect on our consolidated statement of financial position, results of operations and cash flows to the extent that BP does not honor its indemnification obligations, including by reason of financial or legal restrictions, or our insurance policies do not fully cover these amounts. In April 2011, BP filed a claim seeking a declaration that it is not liable to us in contribution, indemnification, or otherwise, and further, BP has brought claims against us seeking indemnification and contribution. On November 1, 2011, we filed a motion for partial summary judgment regarding the scope and enforceability of the indemnity obligations in the drilling contract. On January 26, 2012, the court ruled that the drilling contract requires BP to indemnify us for compensatory damages asserted by third parties against us related to pollution that did not originate on or above the surface of the water, even if the claim is the result of our strict liability, negligence or gross negligence. The court also held that BP does not owe us indemnity to the extent that we are held liable for punitive damages or civil penalties under the CWA. The court deferred ruling on BP's argument that we breached the drilling contract or materially increased BP's risk or prejudiced its rights so as to impair BP's indemnity obligations. The law generally considers contractual indemnity for criminal fines and penalties to be against public policy.

In addition, in connection with our settlement with the DOJ, we agreed that we will not use payments pursuant to a civil consent decree by and among the DOJ and certain of our affiliates (the "Consent Decree") as a basis for indemnity or reimbursement from non-insurer defendants named in the complaint by the U.S. or their affiliates.

Despite our settlement with the DOJ, we could have additional liabilities to the U.S. government and others. The ultimate outcome of investigations of the Macondo well incident, DOJ lawsuits and our settlement with the DOJ is uncertain.

On December 15, 2010, the DOJ filed a civil lawsuit against us and other unaffiliated defendants. The complaint alleged claims under the Oil Pollution Act of 1990 ("OPA") and the CWA, including claims for per barrel civil penalties. The complaint asserted that all defendants are jointly and severally liable for all removal costs and damages resulting from the Macondo well incident. On December 6, 2011, the DOJ filed a motion for partial summary judgment seeking a ruling that we were jointly and severally liable under OPA, and liable for civil penalties under the CWA, for all discharges from the Macondo well on the theory that the discharges not only came from the well, but also came from the blowout preventer and riser, appurtenances of *Deepwater Horizon*. On February 22, 2012, the U.S. District Court, Eastern District of Louisiana ruled that we are not liable as a responsible party for damages under OPA with respect to the below surface discharges from the Macondo well. The court also ruled that the below surface discharge was discharged from the well facility, and not from the *Deepwater Horizon* vessel, within the meaning of the CWA, and that we therefore are not liable for such discharges as an owner of the vessel under the CWA. This ruling is currently being appealed to the Fifth Circuit Court of Appeals. In addition, the court ruled that the issue of whether we could be held liable for such discharge under the CWA as an "operator" of the well facility could not be resolved on summary judgment. The court did not determine whether we could be liable for removal costs under OPA, or the extent of such removal costs.

The DOJ also conducted a criminal investigation into the Macondo well incident. On March 7, 2011, the DOJ announced the formation of a task force to investigate possible violations by us and certain unaffiliated parties of the CWA, the Migratory Bird Treaty Act, the Refuse Act, the Endangered Species Act, and the Seaman's Manslaughter Act, among other federal statutes, and possible criminal liabilities, including fines under those statutes and under the Alternative Fines Act. On January 3, 2013, we reached an agreement with the DOJ to resolve certain outstanding civil and potential criminal charges against us arising from the Macondo well incident through a cooperation guilty plea agreement by and among the DOJ and certain of our affiliates (the "Plea Agreement") and the Consent Decree. As part of this resolution, we agreed to pay $1.4 billion in fines, recoveries and civil penalties, excluding interest, in scheduled payments over a five-year period through 2017, which will decrease our available liquidity capacity. Our settlement with the DOJ does not release us from liabilities to the U.S. government as to all Macondo-related matters nor does it release all Transocean-related persons and entities. In particular, this agreement is without prejudice to the rights of the U.S. with respect to all other matters, including certain liabilities under the OPA for removal costs or for damages, damages for injury to, loss of or loss of use of natural resources, including the reasonable cost of assessing the damage, certain claims for a declaratory judgment of liability under OPA already claimed by the U.S., and certain liabilities for response costs and damages, including injury to park system resources, damages for injury to or loss of natural resources and for the cost of any natural resource damage assessments. Both our criminal Plea Agreement and our civil Consent Decree have received final court approval. We will incur costs, expenses and be required to devote management and other corporate resources to comply with our agreements with the U.S. Under these agreements, we will be subject to restrictions and obligations not imposed on other drilling contractors, which may adversely impact us.

See "Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 17—Commitments and Contingencies—Macondo well incident—Litigation."

Pursuant to our Plea Agreement, we will be subject to five years' probation. Pursuant to the terms of our civil Consent Decree, we will be subject to the restrictions of that decree for an extended period of time that will be at least five years. Any failure to comply with the Consent Decree or probation could result in additional penalties, sanctions and costs and could adversely affect us. See "Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 17—Commitments and Contingencies—Macondo well incident—Litigation."

In addition, a number of other governmental and regulatory bodies as well as we and other companies have conducted investigations into the Macondo well incident. Many of these investigations have resulted in reports that are critical of us and our actions leading up to and in connection with the incident.

See "Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 17—Commitments and Contingencies—Macondo well incident—Litigation."

We cannot predict the ultimate outcome of the remaining DOJ or other governmental claims or any of the investigations, including any impact on the litigation related to the Macondo well incident, the extent to which we could be subject to fines, sanctions or other penalties or the potential impact of implementing measures resulting from the settlement with the DOJ, our guilty plea or arising from the investigations or the costs to be incurred in completing the investigations.

The continuing effects of the enhanced regulations enacted following the Macondo well incident could materially and adversely affect our worldwide operations.

New governmental safety and environmental requirements applicable to both deepwater and shallow water operations have been adopted for drilling in the U.S. Gulf of Mexico following the Macondo well incident. In order to obtain drilling permits, operators must submit applications that demonstrate compliance with the enhanced regulations, which require independent third-party inspections, certification of well design and well control equipment and emergency response plans in the event of a blowout, among other requirements. Operators have, and may continue to have, difficulties obtaining drilling permits in the U.S. Gulf of Mexico. In addition, the oil and gas industry has adopted new equipment and operating standards such as the American Petroleum Institute standard 53 relating to the installation and testing of well control equipment. These new safety and environmental guidelines and standards and any further new guidelines or standards the U.S. government or industry may issue or any other steps the U.S. government or industry may take, could disrupt or delay operations, increase the cost of operations, increase out-of-service time or reduce the area of operations for drilling rigs in U.S. and non-U.S. offshore areas.

Other governments could take similar actions relating to implementing new safety and environmental regulations in the future. Additionally, some of our customers have elected to voluntarily comply with some or all of the new inspections, certification requirements and safety and environmental guidelines on rigs operating outside of the U.S. Gulf of Mexico. Additional governmental regulations and requirements concerning licensing, taxation, equipment specifications and training requirements or the voluntary adoption of such requirements or guidelines by our customers could increase the costs of our operations, increase certification and permitting requirements, increase review periods and impose increased liability on offshore operations. The requirements applicable to us under the Consent Decree with the DOJ cover safety, environmental, reporting, operational and other matters and are in addition to the regulations applicable to all industry participants and may add additional costs and liabilities.

The continuing effects of the enhanced regulations may also decrease the demand for drilling services, negatively affect dayrates and increase out-of-service time, which could ultimately have a material adverse effect on our revenue and profitability. We are unable to predict the full impact that the continuing effects of the enhanced regulations will have on our operations.

The Frade Field incident in Brazil could result in increased expenses and decreased revenues, which could ultimately have a material impact on us.

On or about November 7, 2011, oil was released from fissures in the ocean floor in the vicinity of a development well being drilled by Chevron off the coast of Rio de Janeiro in the Campo de Frade field with our Deepwater Floater *Sedco 706*. In connection with the incident, authorities in Brazil have filed a civil action against Chevron and us. We may be subject to liability for civil damage and governmental fines or penalties. If we ultimately incur substantial liabilities in connection with these matters for which we are neither insured nor indemnified, those liabilities could adversely affect our consolidated statement of financial position, results of operations or cash flow. In addition, a prosecutor in the town of Campos in Rio de Janeiro State sought an injunction to prevent Chevron and us from conducting extraction or transportation activities in Brazil and to seek to require Chevron to stop the release and remediate its effects. In July 2012, the appellate court granted the requested for preliminary injunction. On September 22, 2012, the federal court in Rio de Janeiro served us with the preliminary injunction. The terms of this injunction required us to cease conducting extraction or transportation activities in Brazil within 30 days from the date of service. On September 28, 2012, the Brazilian Superior Court of Justice partially suspended this preliminary injunction. As a result of this suspension, the preliminary injunction only applied to our operations in the Campo de Frade field, and we could continue to operate in all other offshore oil and gas fields in Brazil. On November 27, 2012, the Court of Appeals in Rio de Janeiro ruled unanimously to suspend the entire preliminary injunction order, including the injunction in the Campo de Frade field that had been entered in July 2012. This ruling was published on December 5, 2012. The lawsuit will continue in the trial court, and there remains a risk that the preliminary injunction could be reinstated, or that at the conclusion of the case Brazilian authorities could permanently enjoin us from further operations in Brazil. For the year ended December 31, 2012, our operations in Brazil accounted for 12 percent of our consolidated operating revenues. If we are enjoined from operating in Brazil for a substantial period of time, the resulting decrease in demand for our drilling services could ultimately have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Our business depends on the level of activity in the offshore oil and gas industry, which is significantly affected by volatile oil and gas prices and other factors.

Our business depends on the level of activity in oil and gas exploration, development and production in offshore areas worldwide. Demand for our services depends on oil and natural gas industry activity and expenditure levels that are directly affected by trends in oil and, to a lesser extent, natural gas prices.

Oil and gas prices are extremely volatile and are affected by numerous factors, including the following:

- worldwide demand for oil and gas, including economic activity in the U.S. and other large energy-consuming markets;
- the ability of the Organization of the Petroleum Exporting Countries ("OPEC") to set and maintain production levels, productive spare capacity and pricing;
- the level of production in non-OPEC countries;
- the policies of various governments regarding exploration and development of their oil and gas reserves;
- advances in exploration and development technology;
- the discovery rate of new oil and gas reserves;
- the rate of decline of existing oil and gas reserves;
- laws and regulations related to environmental matters, including those addressing alternative energy sources and the risks of global climate change;
- the development and exploitation of alternative fuels;
- the development of new technology to exploit oil and gas reserves, such as shale oil;
- adverse weather conditions; and
- the worldwide military and political environment, including uncertainty or instability resulting from an escalation or outbreak of armed hostilities, civil unrest or other crises in the Middle East or other geographic areas or acts of terrorism.

Demand for our services is particularly sensitive to the level of exploration, development and production activity of, and the corresponding capital spending by, oil and natural gas companies, including national oil companies. Any prolonged reduction in oil and natural gas prices could depress the immediate levels of exploration, development and production activity. Perceptions of longer-term lower oil and natural gas prices by oil and gas companies could similarly reduce or defer major expenditures given the long-term nature of many large-scale development projects. Lower levels of activity result in a corresponding decline in the demand for our services, which could have a material adverse effect on our revenue and profitability. Oil and gas prices and market expectations of potential changes in these prices significantly affect this level of activity. However, higher near-term commodity prices do not necessarily translate into increased drilling activity since customers' expectations of longer-term future commodity prices typically drive demand for our rigs. Also, increased competition for customers' drilling budgets could come from, among other areas, land-based energy markets in Africa, Russia, China, Western Asian countries, the Middle East, the U.S. and elsewhere. The availability of quality drilling prospects, exploration success, relative production costs, the stage of reservoir development and political and regulatory environments also affect customers' drilling campaigns. Worldwide military, political and economic events have contributed to oil and gas price volatility and are likely to do so in the future.

Our industry is highly competitive and cyclical, with intense price competition.

The offshore contract drilling industry is highly competitive with numerous industry participants, none of which has a dominant market share. Drilling contracts are traditionally awarded on a competitive bid basis. Intense price competition is often the primary factor in determining which qualified contractor is awarded a job, although rig availability and the quality and technical capability of service and equipment are also considered.

Our industry has historically been cyclical and is impacted by oil and gas price levels and volatility. There have been periods of high demand, short rig supply and high dayrates, followed by periods of low demand, excess rig supply and low dayrates. Changes in commodity prices can have a dramatic effect on rig demand, and periods of excess rig supply intensify the competition in the industry and often result in rigs being idle for long periods of time. We have idled and stacked rigs, and may in the future idle or stack additional rigs or enter into lower dayrate contracts in response to market conditions. We cannot predict when any idled or stacked rigs will return to service.

During prior periods of high dayrates and rig utilization rates, industry participants have increased the supply of rigs by ordering the construction of new units. This has historically resulted in an oversupply of rigs and has caused a subsequent decline in dayrates and rig utilization rates, sometimes for extended periods of time. Presently, there are numerous recently constructed high-specification floaters and jackups that have entered the market, and there are more that are under contract for construction. The entry into service of these new units has increased and will continue to increase supply and could curtail a strengthening, or trigger a reduction, in dayrates as rigs are absorbed into the active fleet or lead to accelerated stacking of the existing fleet. A significant number of the newbuild units have not been contracted for work, which may intensify price competition. Any further increase in construction of new units would likely exacerbate the negative impact on dayrates and utilization rates. Lower dayrates and rig utilization rates could adversely affect our revenues and profitability.

We have a substantial amount of debt, and we may lose the ability to obtain future financing and suffer competitive disadvantages.

Our overall debt level was approximately $12.5 billion and $13.5 billion at December 31, 2012 and 2011, respectively. This substantial level of debt and other obligations could have significant adverse consequences on our business and future prospects, including the following:

- we may not be able to obtain financing in the future for working capital, capital expenditures, acquisitions, debt service requirements, distributions, share repurchases, or other purposes;
- we may not be able to use operating cash flow in other areas of our business because we must dedicate a substantial portion of these funds to service the debt;
- we could become more vulnerable to general adverse economic and industry conditions, including increases in interest rates, particularly given our substantial indebtedness, some of which bears interest at variable rates;
- we may not be able to meet financial ratios or satisfy certain other conditions included in our bank credit agreements, which could result in our inability to meet requirements for borrowings under our bank credit agreements or a default under these agreements and trigger cross default provisions in our other debt instruments; and
- we may be less able to take advantage of significant business opportunities and to react to changes in market or industry conditions than our less levered competitors.

Credit rating agencies may lower our corporate credit ratings below investment grade.

Credit rating agencies may downgrade our credit ratings to non-investment grade levels. Such ratings levels could have material adverse consequences on our business and future prospects, including the following:

- limit our ability to access debt markets, including for the purpose of refinancing our existing debt;
- cause us to refinance or issue debt with less favorable terms and conditions, which debt may require collateral and restrict, among other things, our ability to pay distributions or repurchase shares;
- increase certain fees under our credit facilities and interest rates under agreements governing certain of our senior notes;
- cause additional indebtedness of approximately $30 million to become due;
- negatively impact current and prospective customers' willingness to transact business with us;
- impose additional insurance, guarantee and collateral requirements;
- limit our access to bank and third-party guarantees, surety bonds and letters of credit; and
- suppliers and financial institutions may lower or eliminate the level of credit provided through payment terms or intraday funding when dealing with us thereby increasing the need for higher levels of cash on hand, which would decrease our ability to repay debt balances.

Since the Macondo well incident, Moody's Investors Service, Standard & Poor's and Fitch have each downgraded their ratings of our senior unsecured debt on more than one occasion. Any further downgrade by any of the rating agencies could have the effects described above. We cannot provide assurance that our credit ratings will not be downgraded to a non-investment grade rating in the near future. See "The Macondo well incident could result in increased expenses and decreased revenues, which could ultimately have a material adverse effect on us."

We rely heavily on a relatively small number of customers and the loss of a significant customer or a dispute that leads to the loss of a customer could have a material adverse impact on our financial results.

We engage in offshore drilling services for most of the leading international oil companies or their affiliates, as well as for many government-controlled oil companies and independent oil companies. For the year ended December 31, 2012, our most significant customers were Chevron, BP and Petrobras, accounting for approximately 11 percent, 11 percent and 10 percent, respectively, of our consolidated operating revenues from continuing operations. As of February 14, 2013, the aggregate amount of contract backlog associated with our contracts with Chevron, BP and Petrobras was $6.8 billion. Additionally, in the year ended December 31, 2012, we entered into 10-year drilling contracts with Royal Dutch Shell plc ("Royal Dutch Shell") for four newbuild Ultra-Deepwater drillships. As of February 14, 2013, the aggregate amount of contract backlog associated with Royal Dutch Shell was $8.8 billion. Our relationship with BP, whose affiliate was the operator of the Macondo well, has been and could continue to be negatively impacted by the Macondo well incident. The loss of any of these customers or another significant customer could, at least in the short term, have a material adverse effect on our results of operations and cash flows.

Significant part or equipment shortages, supplier capacity constraints, supplier production disruptions, supplier quality and sourcing issues or price increases could increase our operating costs, decrease our revenues and adversely impact our operations.

Our reliance on third-party suppliers, manufacturers and service providers to secure equipment, parts, components and sub-systems used in our operations exposes us to volatility in the quality, prices and availability of such items. Certain high specification parts and equipment we use in our operations may be available only from a small number of suppliers, manufacturers or service providers, or in some cases must be sourced through a single supplier, manufacturer or service provider. A disruption in the deliveries from such third-party suppliers, manufacturers or service providers, capacity constraints, production disruptions, price increases, quality control issues, recalls or other decreased availability of parts and equipment could adversely affect our ability to meet our commitments to customers, adversely impact our operations and revenues or increase our operating costs.

Our operating and maintenance costs will not necessarily fluctuate in proportion to changes in operating revenues.

Our operating and maintenance costs will not necessarily fluctuate in proportion to changes in operating revenues. Costs for operating a rig are generally fixed or only semi-variable regardless of the dayrate being earned. In addition, should our rigs incur unplanned downtime while on contract or idle time between contracts, we typically will not reduce the staff on those rigs because we will use the crew to prepare the rig for its next contract. During times of reduced activity, reductions in costs may not be immediate as portions of the crew may be required to prepare rigs for stacking, after which time the crew members are assigned to active rigs or dismissed. As our rigs are mobilized from one geographic location to another, the labor and other operating and maintenance costs can vary significantly. In general, labor costs increase primarily due to higher salary levels and inflation. Equipment maintenance expenses fluctuate depending upon the type of activity the unit is performing and the age and condition of the equipment, and these expenses could increase for short or extended periods as a result of regulatory or customer requirements that raise maintenance standards above historical levels. Contract preparation expenses vary based on the scope and length of contract preparation required and the duration of the firm contractual period over which such expenditures are amortized.

Our shipyard projects and operations are subject to delays and cost overruns.

As of February 20, 2013, we had six Ultra-Deepwater Floater and three High-Specification Jackup newbuild rig projects. We also have a variety of other more limited shipyard projects at any given time. These shipyard projects are subject to the risks of delay or cost overruns inherent in any such construction project resulting from numerous factors, including the following:

- availability of suppliers to recertify equipment for enhanced regulations;
- shipyard availability, failures and difficulties;
- shortages of equipment, materials or skilled labor;
- unscheduled delays in the delivery of ordered materials and equipment;
- design and engineering problems, including those relating to the commissioning of newly designed equipment;
- latent damages or deterioration to hull, equipment and machinery in excess of engineering estimates and assumptions;
- unanticipated actual or purported change orders;
- disputes with shipyards and suppliers;
- failure or delay of third-party vendors or service providers;
- strikes, labor disputes and work stoppages;
- customer acceptance delays;
- adverse weather conditions, including damage caused by such conditions;
- terrorist acts, war, piracy and civil unrest;
- unanticipated cost increases; and
- difficulty in obtaining necessary permits or approvals.

These factors may contribute to cost variations and delays in the delivery of our newbuild units and other rigs undergoing shipyard projects. Delays in the delivery of these units would result in delay in contract commencement, resulting in a loss of revenue to us, and may also cause customers to terminate or shorten the term of the drilling contract for the rig pursuant to applicable late delivery clauses. In the event of termination of one of these contracts, we may not be able to secure a replacement contract on as favorable terms, if at all.

Our operations also rely on a significant supply of capital and consumable spare parts and equipment to maintain and repair our fleet. We also rely on the supply of ancillary services, including supply boats and helicopters. Shortages in materials, delays in the delivery of necessary spare parts, equipment or other materials, or the unavailability of ancillary services could negatively impact our future operations and result in increases in rig downtime and delays in the repair and maintenance of our fleet.

Compliance with or breach of environmental laws can be costly and could limit our operations.

Our operations are subject to regulations controlling the discharge of materials into the environment, requiring removal and cleanup of materials that may harm the environment or otherwise relating to the protection of the environment. For example, as an operator of mobile offshore drilling units in some offshore areas, we may be liable for damages and costs incurred in connection with oil spills or waste disposals related to those operations. Laws and regulations protecting the environment have become more stringent in recent years, and may in some cases impose strict liability, rendering a person liable for environmental damage without regard to negligence. These laws and regulations may expose us to liability for the conduct of or conditions caused by others or for acts that were in compliance with all applicable laws at the time they were performed. The application of these requirements or the adoption of new requirements could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows. In addition, our Consent Decree and probation arising out of our guilty plea agreement with the DOJ add to these regulations, requirements and liabilities. Numerous lawsuits, including one brought by the DOJ, allege that we may have liability under the environmental laws relating to the Macondo well incident. Our guilty plea to negligently discharging oil into the U.S. Gulf of Mexico in connection with the Macondo well incident caused us to incur such liabilities. We may be subject to additional liabilities and penalties. See "The Macondo well incident could result in increased expenses and decreased revenues, which could ultimately have a material adverse effect on us."

There is no assurance that we can obtain enforceable indemnities against liability for pollution, well and environmental damages in all of our contracts or that, in the event of extensive pollution and environmental damages, our customers or other third parties will have the financial capability to fulfill their indemnity obligations to us. A court in the litigation related to the Macondo well incident has refused to enforce all aspects of our indemnity with respect to certain environmental-related liabilities.

Our drilling contracts may be terminated due to a number of events.

Certain of our contracts with customers may be cancelable at the option of the customer upon payment of an early termination payment. Such payments may not, however, fully compensate us for the loss of the contract. Contracts also customarily provide for either automatic termination or termination at the option of the customer typically without the payment of any termination fee, under various circumstances such as non-performance, as a result of significant downtime or impaired performance caused by equipment or operational issues, or sustained periods of downtime due to force majeure events. Many of these events are beyond our control. During periods of depressed market conditions, we are subject to an increased risk of our customers seeking to repudiate their contracts, including through claims of non-performance. Our customers' ability to perform their obligations under their drilling contracts, including their ability to fulfill their indemnity obligations to us, may also be negatively impacted by an economic downturn. Our customers, which include national oil companies, often have significant bargaining leverage over us. If our customers cancel some of our contracts, and we are unable to secure new contracts on a timely basis and on substantially similar terms, or if contracts are suspended for an extended period of time or if a number of our contracts are renegotiated, it could adversely affect our consolidated statement of financial position, results of operations or cash flows.

Our current backlog of contract drilling revenue may not be fully realized.

At February 14, 2013, the contract backlog associated with our continuing operations was approximately $28.8 billion. This amount represents the firm term of the contract multiplied by the contractual operating rate, which may be higher than the actual dayrate we receive or we may receive other dayrates included in the contract such as waiting on weather rate, repair rate, standby rate or force majeure rate. The contractual operating dayrate may also be higher than the actual dayrate we receive because of a number of factors, including rig downtime or suspension of operations.

Several factors could cause rig downtime or a suspension of operations, including:

- breakdowns of equipment and other unforeseen engineering problems;
- work stoppages, including labor strikes;
- shortages of material and skilled labor;
- surveys by government and maritime authorities;
- periodic classification surveys;
- severe weather, strong ocean currents or harsh operating conditions; and
- force majeure events.

In certain contracts, the dayrate may be reduced to zero or result in customer credit against future dayrate if, for example, repairs extend beyond a stated period of time. Our contract backlog includes signed drilling contracts and, in some cases, other definitive agreements awaiting contract execution. We may not be able to realize the full amount of our contract backlog due to events beyond our control. In addition, some of our customers have experienced liquidity issues in the past and these liquidity issues could be experienced again if commodity prices decline to lower levels for an extended period of time. Liquidity issues could lead our customers to go into bankruptcy or could encourage our customers to seek to repudiate, cancel or renegotiate these agreements for various reasons, as described under "Our drilling contracts may be terminated due to a number of events" above. Our inability to realize the full amount of our contract backlog may have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

The global nature of our operations involves additional risks.

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

- terrorist acts, war, piracy and civil unrest;
- seizure, expropriation or nationalization of our equipment;
- expropriation or nationalization of our customers' property;
- repudiation or nationalization of contracts;
- imposition of trade barriers;
- import-export quotas;
- wage and price controls;
- changes in law and regulatory requirements, including changes in interpretation and enforcement;
- involvement in judicial proceedings in unfavorable jurisdictions;
- damage to our equipment or violence directed at our employees, including kidnappings;
- complications associated with supplying, repairing and replacing equipment in remote locations;
- the inability to move income or capital; and
- currency exchange fluctuations.

Our non-U.S. contract drilling operations are subject to various laws and regulations in certain countries in which we operate, including laws and regulations relating to the import and export, equipment and operation of drilling units, currency conversions and repatriation, oil and gas exploration and development, and taxation of offshore earnings and earnings of expatriate personnel. We are also subject to the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") and other U.S. laws and regulations governing our international operations. In addition, various state and municipal governments, universities and other investors have proposed or adopted divestment and other initiatives regarding investments (including, with respect to state governments, by state retirement systems) in companies that do business with countries that have been designated as state sponsors of terrorism by the U.S. State Department. Our internal compliance program has identified and we have self-reported a potential OFAC compliance issue involving the shipment of goods by a freight forwarder through Iran, a country that has been designated as a state sponsor of terrorism by the U.S. State Department. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Contingencies—Regulatory matters." We have also operated rigs in Myanmar, a country that is subject to some U.S. trading sanctions. Failure to comply with applicable laws and regulations, including those relating to sanctions and export restrictions, may subject us to criminal sanctions or civil remedies, including fines, denial of export privileges, injunctions or seizures of assets. Investors could view any potential violations of OFAC regulations negatively, which could adversely affect our reputation and the market for our shares.

Governments in some foreign countries have become increasingly active in regulating and controlling the ownership of concessions and companies holding concessions, the exploration for oil and gas and other aspects of the oil and gas industries in their countries, including local content requirements for participating in tenders for certain drilling contracts. Many governments favor or effectively require the awarding of drilling contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction or require use of a local agent. In addition, government action, including initiatives by OPEC, may continue to cause oil or gas price volatility. In some areas of the world, this governmental activity has adversely affected the amount of exploration and development work by major oil companies and may continue to do so.

A substantial portion of our drilling contracts are partially payable in local currency. Those amounts may exceed our local currency needs, leading to the accumulation of excess local currency, which, in certain instances, may be subject to either temporary blocking or other difficulties converting to U.S. dollars, our functional currency, or to other currencies in which we operate. Excess amounts of local currency may be exposed to the risk of currency exchange losses.

The shipment of goods, services and technology across international borders subjects us to extensive trade laws and regulations. Our import and export activities are governed by unique customs laws and regulations in each of the countries where we operate. Moreover, many countries, including the U.S., control the import and export of certain goods, services and technology and impose related import and export recordkeeping and reporting obligations. Governments also may impose economic sanctions against certain countries, persons and other entities that may restrict or prohibit transactions involving such countries, persons and entities, and we are also subject to the U.S. anti-boycott law.

The laws and regulations concerning import and export activity, recordkeeping and reporting, import and export control and economic sanctions are complex and constantly changing. These laws and regulations may be enacted, amended, enforced or interpreted in a manner materially impacting our operations. Ongoing economic challenges may increase some foreign governments' efforts to enact, enforce, amend or interpret laws and regulations as a method to increase revenue. Shipments can be delayed and denied import or export for a variety of reasons, some of which are outside our control and some of which may result from failure to comply with existing legal and regulatory regimes. Shipping delays or denials could cause unscheduled operational downtime.

An inability to obtain visas and work permits for our employees on a timely basis could hurt our operations and have an adverse effect on our business.

Our ability to operate worldwide depends on our ability to obtain the necessary visas and work permits for our personnel to travel in and out of, and to work in, the jurisdictions in which we operate. Governmental actions in some of the jurisdictions in which we operate may make it difficult for us to move our personnel in and out of these jurisdictions by delaying or withholding the approval of these permits. For example, in the past few years, we have experienced considerable difficulty in obtaining the necessary visas and work permits for our employees to work in Angola, where we operate a number of rigs. If we are not able to obtain visas and work permits for the employees we need to operate our rigs on a timely basis, we might not be able to perform our obligations under our drilling contracts, which could allow our customers to cancel the contracts. If our customers cancel some of our contracts, and we are unable to secure new contracts on a timely basis and on substantially similar terms, it could adversely affect our consolidated statement of financial position, results of operations or cash flows.

Our business involves numerous operating hazards.

Our operations are subject to the usual hazards inherent in the drilling of oil and gas wells, such as blowouts, reservoir damage, loss of production, loss of well control, punch-throughs, craterings, fires and natural disasters such as hurricanes and tropical storms. We may also be subject to property, environmental and other damage claims by oil and gas companies. Our insurance policies and contractual rights to indemnity may not adequately cover losses, and we do not have insurance coverage or rights to indemnity for all risks. There are also risks following the loss of control of a well, such as a blowout or cratering, including the cost to regain control of or redrill the well and associated pollution. Damage to the environment could also result from our operations, particularly through oil spillage or extensive uncontrolled fires.

The South China Sea, the Northwest Coast of Australia and the U.S. Gulf of Mexico area are subject to typhoons, hurricanes or other extreme weather conditions on a relatively frequent basis, and our drilling rigs in these regions may be exposed to damage or total loss by these storms, some of which may not be covered by insurance. The occurrence of these events could result in the suspension of drilling operations, damage to or destruction of the equipment involved and injury to or death of rig personnel. Some experts believe global climate change could increase the frequency and severity of these extreme weather conditions. We are also subject to personal injury and other claims by rig personnel as a result of our drilling operations. Operations also may be suspended because of machinery breakdowns, abnormal drilling conditions, failure of subcontractors to perform or supply goods or services, or personnel shortages. In addition, offshore drilling operations are subject to perils peculiar to marine operations, including capsizing, grounding, collision and loss or damage from severe weather.

We have two main types of insurance coverage: (1) hull and machinery coverage for property damage and (2) excess liability coverage, which generally covers offshore risks, such as personal injury, third-party property claims, and third-party non-crew claims, including wreck removal and pollution. We generally have no coverage for hull and machinery exposure for named storms in the U.S. Gulf of Mexico. We also generally self-insure coverage for ADTI exposures related to well control and redrill liability for well blowouts. However, in the event of a total loss of such a drilling unit there is no deductible. We also maintain per occurrence deductibles on such rigs that generally range up to $10 million for various third-party liabilities and an additional aggregate annual self-insured retention of $50 million. With respect to the remaining $775 million excess liability coverage, we generally retain the risk for any liability in excess of this coverage; however, our wholly-owned captive insurance company has underwritten the $50 million self-insured retention noted above.

If a significant accident or other event occurs and is not fully covered by insurance or an enforceable or recoverable indemnity from a customer or, with respect to the Standard Jackups we operate under operating agreements with Shelf Drilling for a transitional period, Shelf Drilling, it could adversely affect our consolidated statement of financial position, results of operations or cash flows. The amount of our insurance may be less than the related impact on enterprise value after a loss. Our insurance coverage will not in all situations provide sufficient funds to protect us from all liabilities that could result from our drilling operations. Our coverage includes annual aggregate policy limits. As a result, we generally retain the risk for any losses in excess of these limits. We generally do not carry insurance for loss of revenue unless contractually required, and certain other claims may also not be reimbursed by insurance carriers. Any such lack of reimbursement may cause us to incur substantial costs. Moreover, no assurance can be made that we will be able to maintain adequate insurance in the future at rates we consider reasonable or be able to obtain insurance against certain risks.

Failure to recruit and retain key personnel could hurt our operations.

We depend on the continuing efforts of key members of our management, as well as other highly skilled personnel, to operate and provide technical services and support for our business worldwide. Historically, competition for the personnel required for drilling operations, including for turnkey drilling and drilling management services businesses and construction projects, has intensified as the number of rigs activated, added to worldwide fleets or under construction increased, leading to shortages of qualified personnel in the industry and creating upward pressure on wages and higher turnover. We may experience a reduction in the experience level of our personnel as a result of any increased turnover, which could lead to higher downtime and more operating incidents, which in turn could decrease revenues and increase costs. If increased competition for qualified personnel were to intensify in the future we may experience increases in costs or limits on operations.

Our labor costs and the operating restrictions under which we operate could increase as a result of collective bargaining negotiations and changes in labor laws and regulations.

Some of our employees working in Angola, the U.K., Nigeria, Norway, Australia and Brazil, are represented by, and some of our contracted labor work under, collective bargaining agreements. Many of these represented individuals are working under agreements that 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. Legislation has been introduced in the U.S. Congress that could encourage additional unionization efforts in the U.S., as well as increase the chances that such efforts succeed. Additional unionization efforts, if successful, new collective bargaining agreements or work stoppages could materially increase our labor costs and operating restrictions.

Worldwide financial and economic conditions could have a material adverse effect on our revenue, profitability and financial position.

Worldwide financial and economic conditions could cause our ability to access the capital markets to be severely restricted at a time when we would like, or need, to access such markets, which could have an impact on our flexibility to react to changing economic and business conditions. Worldwide economic conditions have in the past impacted, and could in the future impact, the lenders participating in our credit facilities and our customers, causing them to fail to meet their obligations to us. A slowdown in economic activity could reduce worldwide demand for energy and result in an extended period of lower oil and natural gas prices. A decline in oil and natural gas prices, could reduce demand for our drilling services and have a material adverse effect on our revenue, profitability and financial position.

Failure to comply with the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010 could result in fines, criminal penalties, drilling contract terminations and an adverse effect on our business.

The U.S. Foreign Corrupt Practices Act ("FCPA") and similar anti-bribery laws in other jurisdictions, including the U.K. Bribery Act 2010, which became effective on July 1, 2011, generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business. We operate in many parts of the world that have experienced corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. If we are found to be liable for FCPA violations or violations under the Bribery Act 2010, either due to our own acts or our omissions or due to the acts or omissions of others, including our partners in our various joint ventures, we could suffer from civil and criminal penalties or other sanctions, which could have a material adverse effect on our business, financial condition and results of operations.

Civil penalties under the anti-bribery provisions of the FCPA could range up to $10,000 per violation, with a criminal fine up to the greater of $2 million per violation or twice the gross pecuniary gain to us or twice the gross pecuniary loss to others, if larger. Civil penalties under the accounting provisions of the FCPA can range up to $500,000 per violation and a company that knowingly commits a violation can be fined up to $25 million per violation. In addition, both the SEC and the DOJ could assert that conduct extending over a period of time may constitute multiple violations for purposes of assessing the penalty amounts. Often, dispositions for these types of matters result in modifications to business practices and compliance programs and possibly the appointment of a monitor to review future business and practices with the goal of ensuring compliance with the FCPA. On November 4, 2010, we reached a settlement with the SEC and the DOJ with respect to certain charges relating to the anti-bribery and books and records provisions of the FCPA. In November 2010, under the terms of the settlements, we paid a total of approximately $27 million in penalties, interest and disgorgement of profits. We have also consented to the entry of a civil injunction in two SEC actions and have entered into a three-year deferred prosecution agreement with the DOJ (the "DPA"). In connection with the DPA, we have agreed to implement and maintain certain internal controls, policies and procedures. For the duration of the DPA, we are also obligated to provide an annual written report to the DOJ of our efforts and progress in maintaining and enhancing our compliance policies and procedures. In the event the DOJ determines that we have knowingly violated the terms of the DPA, the DOJ may impose an extension of the term of the agreement or, if the DOJ determines we have breached the DPA, the DOJ may pursue criminal charges or a civil or administrative action against us. The DOJ may also find, in its sole discretion, that a change in circumstances has eliminated the need for the corporate compliance reporting obligations of the DPA and may terminate the DPA prior to the three-year term. Failure to comply with the terms of the DPA may impact our operations and any resulting fines may have a material adverse effect on our results of operations or cash flows.

We could also face fines, sanctions and other penalties from authorities in the relevant foreign jurisdictions, including prohibition of our participating in or curtailment of business operations in those jurisdictions and the seizure of rigs or other assets. Our customers in those jurisdictions could seek to impose penalties or take other actions adverse to our interests. We could also face other third-party claims by agents, shareholders, debt holders, or other interest holders or constituents of our company. In addition, disclosure of the subject matter of the investigation could adversely affect our reputation and our ability to obtain new business or retain existing business from our current customers and potential customers, to attract and retain employees and to access the capital markets. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Contingencies—Regulatory matters."

Regulation of greenhouse gases and climate change could have a negative impact on our business.

Some scientific studies have suggested that emissions of certain gases, commonly referred to as "greenhouse gases" ("GHGs") and including carbon dioxide and methane, may be contributing to warming of the Earth's atmosphere and other climatic changes. In response to such studies, the issue of climate change and the effect of GHG emissions, in particular emissions from fossil fuels, is attracting increasing attention worldwide.

Legislation to regulate emissions of GHGs has been introduced in the U.S. Congress, and there has been a wide-ranging policy debate, both in the U.S. and internationally, regarding the impact of these gases and possible means for their regulation. Some of the proposals would require industries to meet stringent new standards that would require substantial reductions in carbon emissions. Those reductions could be costly and difficult to implement. In addition, efforts have been made and continue to be made in the international community toward the adoption of international treaties or protocols that would address global climate change issues, such as the United Nations Climate Change Conference in Doha in 2012. Also, the U.S. Environmental Protection Agency ("EPA") has undertaken efforts to collect information regarding GHG emissions and their effects. Following a finding by the EPA that certain GHGs represent an endangerment to human health, the EPA finalized motor vehicle GHG standards, the effect of which could reduce demand for motor fuels refined from crude oil, and a final rule to address permitting of GHG emissions from stationary sources under the Clean Air Act's Prevention of Significant Deterioration and Title V programs commencing when the motor vehicle standards took effect on January 2, 2011. Facilities containing petroleum and natural gas systems that emit 25,000 metric tons or more of CO_2 equivalent per year are now required to report annual GHG emissions to the EPA.

Because our business depends on the level of activity in the offshore oil and gas industry, existing or future laws, regulations, treaties or international agreements related to GHGs and climate change, including incentives to conserve energy or use alternative energy sources, could have a negative impact on our business if such laws, regulations, treaties or international agreements reduce the worldwide demand for oil and gas or limit drilling opportunities. In addition, such laws, regulations, treaties or international agreements could result in increased compliance costs or additional operating restrictions, which may have a negative impact on our business.

We are subject to litigation that, if not resolved in our favor and not sufficiently insured against, could have a material adverse effect on us.

In addition to the litigation surrounding the Macondo well incident and the Frade field incident, we are subject to a variety of other litigation. Certain of our subsidiaries are named as defendants in numerous lawsuits alleging personal injury as a result of exposure to asbestos or toxic fumes or resulting from other occupational diseases, such as silicosis, and various other medical issues that can remain undiscovered for a considerable amount of time. Some of these subsidiaries that have been put on notice of potential liabilities have no assets. Further, our patent for dual-activity technology has been challenged, and we have been accused of infringing other patents. Other subsidiaries are subject to litigation relating to environmental damage. We cannot predict the outcome of the cases involving those subsidiaries or the potential costs to resolve them. Insurance may not be applicable or sufficient in all cases, insurers may not remain solvent, and policies may not be located, and liabilities associated with the Macondo well incident may exhaust some or all of the insurance available to cover certain claims. Suits against non-asset-owning subsidiaries have and may in the future give rise to alter ego or successor-in-interest claims against us and our asset-owning subsidiaries to the extent a subsidiary is unable to pay a claim or insurance is not available or sufficient to cover the claims. We are also subject to a number of significant tax disputes, including a trial on criminal and civil charges that commenced in Norway in late 2012. To the extent that one or more pending or future litigation matters is not resolved in our favor and is not covered by insurance, a material adverse effect on our financial results and condition could result.

Public health threats could have a material adverse effect on our operations and our financial results.

Public health threats, such as the H1N1 flu virus, Severe Acute Respiratory Syndrome, and other highly communicable diseases, outbreaks of which have already occurred in various parts of the world in which we operate, could adversely impact our operations, the operations of our customers and the global economy, including the worldwide demand for oil and natural gas and the level of demand for our services. Any quarantine of personnel or inability to access our offices or rigs could adversely affect our operations. Travel restrictions or operational problems in any part of the world in which we operate, or any reduction in the demand for drilling services caused by public health threats in the future, may materially impact operations and adversely affect our financial results.

Acts of terrorism, piracy and social unrest could affect the markets for drilling services.

Acts of terrorism and social unrest, brought about by world political events or otherwise, have caused instability in the world's financial and insurance markets in the past and may occur in the future. Such acts could be directed against companies such as ours. In addition, acts of terrorism, piracy and social unrest could lead to increased volatility in prices for crude oil and natural gas and could affect the markets for drilling services. Insurance premiums could increase and coverages may be unavailable in the future. U.S. government regulations may effectively preclude us from actively engaging in business activities in certain countries. These regulations could be amended to cover countries where we currently operate or where we may wish to operate in the future.

Our contracts do not generally provide indemnification against loss of capital assets or loss revenues resulting from acts of terrorism, piracy or social unrest. We have limited insurance coverage for physical damage losses resulting from risks, such as terrorist acts, piracy, civil unrest, expropriation and acts of war, for our assets, but we do not carry insurance for loss of revenues resulting from such risks.

Other risks

A change in tax laws, treaties or regulations, or their interpretation, of any country in which we have operations, are incorporated or are resident could result in a higher tax rate on our worldwide earnings, which could result in a significant negative impact on our earnings and cash flows from operations.

We operate worldwide through our various subsidiaries. Consequently, we are subject to changes in applicable tax laws, treaties or regulations in the jurisdictions in which we operate, which could include laws or policies directed toward companies organized in jurisdictions with low tax rates. A material change in the tax laws or policies, or their interpretation, of any country in which we have significant operations, or in which we are incorporated or resident, could result in a higher effective tax rate on our worldwide earnings and such change could be significant to our financial results.

Tax legislative proposals intending to eliminate some perceived tax advantages of companies that have legal domiciles outside the U.S., but have certain U.S. connections, have repeatedly been introduced in the U.S. Congress. Recent examples include, but are not limited to, legislative proposals that would broaden the circumstances in which a non-U.S. company would be considered a U.S. resident, including the use of "management and control" provisions to determine corporate residency, and proposals that could override certain tax treaties and limit treaty benefits on certain payments by U.S. subsidiaries to non-U.S. affiliates. Additionally, in November 2011 and again in February 2013, the U.S. Congress introduced a proposal which would disallow any deduction for otherwise tax deductible payments relating to any incident resulting in the discharge of oil into navigable waters, such as the Macondo well incident. Any material change in tax laws or policies, or their interpretation, resulting from such legislative proposals or inquiries could result in a higher effective tax rate on our worldwide earnings and such change could have a material adverse effect on our statement of financial position, results of operations and cash flows.

A loss of a major tax dispute or a successful tax challenge to our operating structure, intercompany pricing policies or the taxable presence of our key subsidiaries in certain countries could result in a higher tax rate on our worldwide earnings, which could result in a significant negative impact on our earnings and cash flows from operations.

We are a Swiss corporation that operates through our various subsidiaries in a number of countries throughout the world. Consequently, we are subject to tax laws, treaties and regulations in and between the countries in which we operate. Our income taxes are based upon the applicable tax laws and tax rates in effect in the countries in which we operate and earn income as well as upon our operating structures in these countries.

Our income tax returns are subject to review and examination. We do not recognize the benefit of income tax positions we believe are more likely than not to be disallowed upon challenge by a tax authority. If any tax authority successfully challenges our operational structure, intercompany pricing policies or the taxable presence of our key subsidiaries in certain countries; or if the terms of certain income tax treaties are interpreted in a manner that is adverse to our structure; or if we lose a material tax dispute in any country, particularly in the U.S., Norway or Brazil, our effective tax rate on our worldwide earnings could increase substantially and our earnings and cash flows from operations could be materially adversely affected. For example, there is considerable uncertainty as to the activities that constitute being engaged in a trade or business within the U.S. (or maintaining a permanent establishment under an applicable treaty), so we cannot be certain that the U.S. Internal Revenue Service ("IRS") will not contend successfully that we or any of our key subsidiaries were or are engaged in a trade or business in the U.S. (or, when applicable, maintained or maintains a permanent establishment in the U.S.). If we or any of our key subsidiaries were considered to have been engaged in a trade or business in the U.S. (when applicable, through a permanent establishment), we could be subject to U.S. corporate income and additional branch profits taxes on the portion of our earnings effectively connected to such U.S. business during the period in which this was considered to have occurred, in which case our effective tax rate on worldwide earnings for that period could increase substantially, and our earnings and cash flows from operations for that period could be adversely affected.

The Norwegian authorities have issued criminal indictments against two of our subsidiaries alleging misleading or incomplete disclosures in Norwegian tax returns for the years of 1999 through 2002, as well as civil actions based upon inaccuracies in Norwegian statutory financial statements for the periods of 1996 through 2001. This trial is currently ongoing. We cannot be certain that the Norwegian authorities will not be successful in proving their allegations in a Norwegian court of law. 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.

U.S. tax authorities could treat us as a "passive foreign investment company," which could have adverse U.S. federal income tax consequences to U.S. holders.

A foreign corporation will be treated as a "passive foreign investment company," or PFIC, for U.S. federal income tax purposes if either (1) at least 75 percent of its gross income for any taxable year consists of certain types of "passive income" or (2) at least 50 percent of the average value of the corporation's assets produce or are held for the production of those types of "passive income." For purposes of these tests, "passive income" includes dividends, interest and gains from the sale or exchange of investment property and certain rents and royalties, but does not include income derived from the performance of services.

We believe that we have not been and will not be a PFIC with respect to any taxable year. Our income from offshore contract drilling services should be treated as services income for purposes of determining whether we are a PFIC. Accordingly, we believe that our income from our offshore contract drilling services should not constitute "passive income," and the assets that we own and operate in connection with the production of that income should not constitute passive assets.

There is significant legal authority supporting this position, including statutory provisions, legislative history, case law and IRS pronouncements concerning the characterization, for other tax purposes, of income derived from services where a substantial component of such income is attributable to the value of the property or equipment used in connection with providing such services. It should be noted, however, that a recent case and an IRS pronouncement which relies on the recent case characterize income from time chartering of vessels as rental income rather than services income for other tax purposes. However, the IRS subsequently has formally announced that it does not agree with the decision in that case. Moreover, we believe that the terms of the time charters in the recent case differ in material respects from the terms of our drilling contracts with customers. No assurance can be given that the IRS or a court will accept our position, and there is a risk that the IRS or a court could determine that we are a PFIC.

If we were to be treated as a PFIC for any taxable year, our U.S. shareholders would face adverse U.S. tax consequences. Under the PFIC rules, unless a shareholder makes certain elections available under the Internal Revenue Code of 1986, as amended (which elections could themselves have adverse consequences for such shareholder), such shareholder would be liable to pay U.S. federal income tax at the highest applicable income tax rates on ordinary income upon the receipt of excess distributions (as defined for U.S. tax purposes) and upon any gain from the disposition of our shares, plus interest on such amounts, as if such excess distribution or gain had been recognized ratably over the shareholder's holding period of our shares. In addition, under applicable statutory provisions, the preferential 15 percent tax rate on "qualified dividend income," which applies to dividends paid to non-corporate shareholders prior to 2011, does not apply to dividends paid by a foreign corporation if the foreign corporation is a PFIC for the taxable year in which the dividend is paid or the preceding taxable year.

We have significant carrying amounts of goodwill and long-lived assets that are subject to impairment testing.

At December 31, 2012, the carrying amount of our property and equipment was $20.9 billion, representing 61 percent of our total assets, and the carrying amount of our goodwill was $3.0 billion, representing nine percent of our total assets. In accordance with our critical accounting policies, we review our property and equipment for impairment when events or changes in circumstances indicate that carrying amounts of our assets held and used may not be recoverable, and we conduct impairment testing for our goodwill when events and circumstances indicate that the fair value of a reporting unit may have fallen below its carrying amount.

In the year ended December 31, 2012, in connection with the sale of 38 drilling units to Shelf Drilling, we recognized losses of $744 million and $112 million on the impairment of long-lived assets and goodwill, respectively, attributable to the transactions. As a result of our goodwill impairment test, performed as of October 1, 2011, we recognized aggregate losses of $5.3 billion on the impairment of goodwill associated with our contract drilling services reporting unit due to a decline in projected cash flows and market valuations for this reporting unit. Future expectations of low dayrates or rig utilization rates could result in the recognition of additional losses on impairment of our long-lived asset groups, particularly with respect to our High-Specification Jackups, or our goodwill if future cash flow expectations, based upon information available to management at the time of measurement, indicate that the carrying amount of our asset groups or goodwill may be impaired.

We have significant exposure to losses resulting from our contractual relationships with Shelf Drilling and its affiliates.

In connection with our sale transactions with Shelf Drilling, we have agreed to indemnify Shelf from certain liabilities, and Shelf Drilling has agreed to indemnify us from certain liabilities and make certain payments to us. However, the indemnity from Shelf Drilling may not be sufficient to protect us against the full amount of liabilities to third parties, and Shelf Drilling may not be willing or able to satisfy its indemnification or payment obligations in the future.

Pursuant to the agreements we entered into with Shelf Drilling, including purchase agreements, operating agreements with respect to rigs that we continue to operate on behalf of Shelf Drilling and a transition services agreement, we have agreed to indemnify Shelf Drilling from certain liabilities, and Shelf Drilling has agreed to indemnify us from certain liabilities (including, without limitation, liabilities related to operational risks with respect to Shelf Drilling's rigs, liabilities related to credit support we are providing to Shelf Drilling and certain liabilities related to employees) and make certain payments to us. However, third parties could seek to hold us responsible for the liabilities with respect to which Shelf Drilling has agreed to indemnify us. In addition, the indemnity may not be sufficient to protect us against the full amount of such liabilities, and Shelf Drilling may not be willing or able to satisfy its indemnification or payment obligations to us. Moreover, even if we ultimately succeed in recovering from Shelf Drilling any amounts for which we are held liable, we may be temporarily required to bear these losses ourselves. Each of these risks could adversely affect our business, results of operations and financial condition.

We may be limited in our use of net operating losses.

Our ability to benefit from our deferred tax assets depends on us having sufficient future earnings to utilize our net operating loss carryforwards before they expire. We have established a valuation allowance against the future tax benefit for a number of our non-U.S. net operating loss carryforwards, and we could be required to record an additional valuation allowance against our non-U.S. or U.S. deferred tax assets if market conditions change materially and, as a result, our future earnings are, or are projected to be, significantly less than we currently estimate. Our net operating loss carryforwards are subject to review and potential disallowance upon audit by the tax authorities of the jurisdictions where the net operating losses are incurred.

Our status as a Swiss corporation may limit our flexibility with respect to certain aspects of capital management and may cause us to be unable to make distributions or repurchase shares without subjecting our shareholders to Swiss withholding tax.

Swiss law allows our shareholders to authorize share capital that can be issued by the board of directors without additional shareholder approval, but this authorization is limited to 50 percent of the existing registered share capital and must be renewed by the shareholders every two years. At the annual general meeting on May 13, 2011, our shareholders approved our current authorized share capital, which expires on May 13, 2013 and was limited to 19.99 percent of our existing share capital. In connection with our December 2011 and May 2012 issuance of new shares, our available authorized share capital decreased to 7.61 percent of our existing stated share capital. Additionally, subject to specified exceptions, Swiss law grants preemptive rights to existing shareholders to subscribe for new issuances of shares. Swiss law also does not provide as much flexibility in the various terms that can attach to different classes of shares as the laws of some other jurisdictions. In the event we need to raise common equity capital at a time when the trading price of our shares is below the par value of the shares, currently CHF 15, equivalent to $16.13 based on a foreign exchange rate of CHF 0.93 to USD 1.00 on February 20, 2013, we will need to obtain approval of shareholders to decrease the par value of our shares or issue another class of shares with a lower par value. Any reduction in par value would decrease our par value available for future repayment of share capital not subject to Swiss withholding tax. Swiss law also reserves for approval by shareholders certain corporate actions over which a board of directors would have authority in some other jurisdictions. For example, dividends must be approved by shareholders. These Swiss law requirements relating to our capital management may limit our flexibility, and situations may arise where greater flexibility would have provided substantial benefits to our shareholders.

Distributions to shareholders in the form of a par value reduction and dividend distributions out of qualifying additional paid-in capital are not currently subject to the 35 percent Swiss federal withholding tax. Dividend distributions out of qualifying additional paid-in capital do not require registration with the Commercial Register of the Canton of Zug. However, the Swiss withholding tax rules could also be changed in the future. Due to the continuing debate in the Swiss political arena, we cannot provide assurance that the current Swiss law with respect to distributions out of additional paid-in capital will not be changed or that a change in Swiss law will not adversely affect us or our shareholders, in particular as a result of distributions out of additional paid-in capital becoming subject to Swiss federal withholding tax or subject to additional corporate law restrictions. In addition, over the long term, the amount of par value available for us to use for par value reductions or the amount of qualifying additional paid-in capital available for us to pay out as distributions is limited. If we are unable to make a distribution through a reduction in par value, or out of qualifying additional paid-in capital as shown on Transocean Ltd.'s standalone Swiss statutory financial statements, we may not be able to make distributions without subjecting our shareholders to Swiss withholding taxes.

Under present Swiss tax law, repurchases of shares for the purposes of capital reduction are treated as a partial liquidation subject to a 35 percent Swiss withholding tax on the repurchase price less the par value, and since January 1, 2011, to the extent attributable to qualifying additional paid-in capital, if any. At our 2009 annual general meeting, our shareholders approved the repurchase of up to CHF 3.5 billion of our shares for cancellation (the "Share Repurchase Program"). On February 12, 2010, our board of directors authorized our management to implement the Share Repurchase Program. We may repurchase shares under the Share Repurchase Program via a second trading line on the SIX from institutional investors who are generally able to receive a full refund of the Swiss withholding tax. Alternatively, in relation to the U.S. market, we may repurchase shares under the Share Repurchase Program using an alternative procedure pursuant to which we can repurchase shares under the Share Repurchase Program via a "virtual second trading line" from market players (in particular, banks and institutional investors) who are generally entitled to receive a full refund of the Swiss withholding tax. There may not be sufficient liquidity in our shares on the SIX to repurchase the amount of shares that we would like to repurchase using the second trading line on the SIX. In addition, our ability to use the "virtual second trading line" is limited to the share repurchase program currently approved by our shareholders, and any use of the "virtual second trading line" with respect to future share repurchase programs will require the approval of the competent Swiss tax and other authorities. We may not be able to repurchase as many shares as we would like to repurchase for purposes of capital reduction on either the "virtual second trading line" or, in the future, a SIX second trading line without subjecting the selling shareholders to Swiss withholding taxes.

We are subject to anti-takeover provisions.

Our articles of association and Swiss law contain provisions that could prevent or delay an acquisition of the company by means of a tender offer, a proxy contest or otherwise. These provisions may also adversely affect prevailing market prices for our shares. These provisions, among other things:

- classify our board into three classes of directors, each of which serve for staggered three-year periods;
- provide that the board of directors is authorized, subject to obtaining shareholder approval every two years, at any time during a maximum two-year period, which is currently scheduled to expire on May 13, 2013, to issue up to a specified number of shares, currently approximately 7.61 percent of the share capital registered in the commercial register, and to limit or withdraw the preemptive rights of existing shareholders in various circumstances, including (1) following a shareholder or group of shareholders acting in concert having acquired in excess of 15 percent of the share capital registered in the commercial register without having submitted a takeover proposal to shareholders that is recommended by the board of directors or (2) for purposes of the defense of an actual, threatened or potential unsolicited takeover bid, in relation to which the board of directors has, upon consultation with an independent financial adviser retained by the board of directors, not recommended acceptance to the shareholders;
- provide for a conditional share capital that authorizes the issuance of additional shares up to a maximum amount of 50 percent of the share capital registered in the commercial register without obtaining additional shareholder approval through: (1) the exercise of conversion, exchange, option, warrant or similar rights for the subscription of shares granted in connection with bonds, options, warrants or other securities newly or already issued in national or international capital markets or new or already existing contractual obligations by or of any of our subsidiaries; or (2) in connection with the issuance of shares, options or other share-based awards;
- provide that any shareholder who wishes to propose any business or to nominate a person or persons for election as director at any annual meeting may only do so if advance notice is given to the company;
- provide that directors can be removed from office only by the affirmative vote of the holders of at least 66 2/3 percent of the shares entitled to vote;
- provide that a merger or demerger transaction requires the affirmative vote of the holders of at least 66 2/3 percent of the shares represented at the meeting and provide for the possibility of a so-called "cashout" or "squeezeout" merger if the acquirer controls 90 percent of the outstanding shares entitled to vote at the meeting;
- provide that any action required or permitted to be taken by the holders of shares must be taken at a duly called annual or extraordinary general meeting of shareholders;
- limit the ability of our shareholders to amend or repeal some provisions of our articles of association; and
- limit transactions between us and an "interested shareholder," which is generally defined as a shareholder that, together with its affiliates and associates, beneficially, directly or indirectly, owns 15 percent or more of our shares entitled to vote at a general meeting.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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

We maintain offices, land bases and other facilities worldwide, including the following:

- principal executive offices in Vernier, Switzerland; and
- corporate offices in Zug, Switzerland; Houston, Texas; Cayman Islands; Barbados and Luxembourg.

Our remaining offices and bases are located in various countries in North America, South America, the Caribbean, Europe, Africa, the Middle East, India, the Far East and Australia. We lease most of these facilities.

Item 3. Legal Proceedings

We have certain actions, claims and other matters pending as discussed and reported in "Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 17—Commitments and Contingencies" and "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Contingencies—Macondo well incident" in this annual report on Form 10-K for the year ended December 31, 2012. We are also involved in various tax matters as described in "Part II. Financial Statements and Supplementary Data—Notes to Condensed Consolidated Financial Statements—Note 8—Income Taxes" and in "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Contingencies—Tax matters" in this annual report on Form 10-K for the year ended December 31, 2012. All such actions, claims, tax and other matters are incorporated herein by reference.

As of December 31, 2012, we were also involved in a number of other lawsuits and other matters which have arisen in the ordinary course of our business and for which we do not expect the liability, if any, resulting from these lawsuits to have a material adverse effect on our current consolidated financial position, results of operations or cash flows. We cannot predict with certainty the outcome or effect of any of the matters referred to above or of any such other pending or threatened litigation or legal proceedings. There can be no assurance that our beliefs or expectations as to the outcome or effect of any lawsuit or other matters will prove correct and the eventual outcome of these matters could materially differ from management's current estimates.

Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant

We have included the following information, presented as of February 20, 2013, on our executive officers in Part I of this report in reliance on General Instruction (3) to Form 10-K. The board of directors elects the officers of the Company, generally on an annual basis. There is no family relationship between any of the executive officers named below.

Officer	Office	Age as of February 20, 2013
Steven L. Newman	President and Chief Executive Officer	48
Esa Ikäheimonen	Executive Vice President, Chief Financial Officer	49
Allen M. Katz	Interim Senior Vice President and General Counsel	64
John B. Stobart	Executive Vice President, Chief Operating Officer	58
Ihab Toma	Executive Vice President, Chief of Staff	49
David Tonnel	Senior Vice President, Finance and Controller	43

Steven L. Newman is President and Chief Executive Officer and a member of the board of directors of the Company. Before being named as Chief Executive Officer in March 2010, Mr. Newman served as President and Chief Operating Officer from May 2008 to November 2009 and subsequently as President. Mr. Newman's prior senior management roles included Executive Vice President, Performance from November 2007 to May 2008, Executive Vice President and Chief Operating Officer from October 2006 to November 2007, Senior Vice President of Human Resources and Information Process Solutions from May 2006 to October 2006, Senior Vice President of Human Resources, Information Process Solutions and Treasury from March 2005 to May 2006, and Vice President of Performance and Technology from August 2003 to March 2005. He also has served as Regional Manager for the Asia and Australia Region and in international field and operations management positions, including Project Engineer, Rig Manager, Division Manager, Region Marketing Manager and Region Operations Manager. Mr. Newman joined the Company in 1994 in the Corporate Planning Department. Mr. Newman received his Bachelor of Science degree in Petroleum Engineering from the Colorado School of Mines in 1989 and received his Master of Business Administration from the Harvard University Graduate School of Business in 1992. Mr. Newman is also a member of the Society of Petroleum Engineers.

Esa Ikäheimonen is Executive Vice President, Chief Financial Officer of the Company. Before being named Executive Vice President, Chief Financial Officer in November 2012, Mr. Ikäheimonen served as a consultant to the Company from September 2012 to November 2012. He has served as a non-executive director and the chairman of the audit committee of Ahlstrom Corporation since April 2011. Mr. Ikäheimonen served as Senior Vice President and Chief Financial Officer of Seadrill Ltd. from August 2010 to September 2012, and he served as Executive Vice President and Chief Financial Officer of Poyry plc from March 2009 to July 2010. At Royal Dutch Shell, Mr. Ikäheimonen served as Vice President Finance, Shell Africa E&P from June 2007 to March 2009, as Vice President Finance, Shell Upstream Middle East from January 2007 to June 2007, and as Finance and Commercial Director, Shell Qatar from May 2004 to January 2007. Prior to May 2004, Mr. Ikäheimonen served in various financial roles for Royal Dutch Shell, including Strategy and Portfolio Manager, Shell Europe Oil Products, Finance Director, Shell Scandinavia, and Finance Director, Shell Finland. Mr. Ikäheimonen received his Master of Laws degree from the University of Turku in Finland in 1989.

Allen M. Katz is Interim Senior Vice President and General Counsel of the Company. Before joining the Company in November 2012, he served as an advisor to the Company from June 2010 to November 2012, in his capacity as an attorney at Munger, Tolles & Olson, LLP. Mr. Katz was in retirement from May 1996 to June 2010. He practiced as a partner with Munger, Tolles & Olson, LLP from 1974 to 1996, and served as Managing Partner of the firm from 1991 to 1995. Mr. Katz received his Bachelor of Arts in History from Brandeis University in Massachusetts in 1969 and received his Juris Doctorate from Stanford Law School in 1972. Mr. Katz is a member of the California, 5th and 9th Circuit bars and is admitted to practice before the U.S. Supreme Court.

John B. Stobart is Executive Vice President, Chief Operating Officer of the Company. Before joining the Company in October 2012, Mr. Stobart served as Vice President, Global Drilling for BHP Billiton Petroleum from July 2011 to October 2012. At BHP Billiton, he also served as Worldwide Drilling Manager for BHP Billiton in Australia, the U.K. and the U.S. from January 1995 to June 2011 and as Senior Drilling Engineer, Senior Drilling Supervisor, Drilling Superintendent and Drilling Manager in the United Arab Emirates, Oman, India, Burma, Malaysia, Vietnam and Australia from June 1988 to December 1994. Mr. Stobart served as Engineering Manager at Husky/Bow Valley from November 1984 to May 1988, and he worked in engineering roles at Dome Petroleum/Canadian Marine Drilling from May 1980 to October 1984. He began his career working on land rigs in Canada and the High Arctic in June 1971. Mr. Stobart received his Bachelor of Science in Mechanical Engineering from the University of Calgary in 1980 and completed the London Business School Accelerated Development Program in 2000.

Ihab Toma is Executive Vice President, Chief of Staff of the Company. Before being named to his current position in October 2012, Mr. Toma served as Executive Vice President, Operations from August 2011 to October 2012. Mr. Toma also served as Executive Vice President, Global Business from August 2010 to August 2011 and as Senior Vice President, Marketing and Planning from August 2009 to August 2010. Before joining the Company, Mr. Toma served as Vice President, Sales and Marketing for Europe, Africa and Caspian for Schlumberger Limited from April 2006 to August 2009. Prior to April 2006, Mr. Toma led Schlumberger Information Solutions in various capacities, including Vice President, Sales and Marketing, President of Schlumberger Information Solutions, Vice President of Information Management and Vice President of Europe, Africa and CIS Operations. He started his career with Schlumberger Limited in 1986. Mr. Toma received his Bachelor of Science in Electrical Engineering from Cairo University in 1985.

David Tonnel is Senior Vice President, Finance and Controller of the Company. Before being named to his current position in March 2012, Mr. Tonnel served as Senior Vice President of the Europe and Africa Unit from June 2009 to March 2012. Mr. Tonnel served as Vice President of Global Supply Chain from November 2008 to June 2009, as Vice President of Integration and Process Improvement from November 2007 to November 2008, and as Vice President and Controller from February 2005 to November 2007. Prior to February 2005, he served in various financial roles, including Assistant Controller; Finance Manager, Asia Australia Region; and Controller, Nigeria. Mr. Tonnel joined the Company in 1996 after working for Ernst & Young in France as Senior Auditor. Mr. Tonnel received his Master of Science in Management from Ecole des Hautes Etudes Commerciales in Paris, France in 1991.

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Market and share prices—Our shares are listed on the New York Stock Exchange ("NYSE") under the symbol "RIG" and on the SIX Swiss Exchange ("SIX") under the symbol "RIGN." The following table presents the high and low sales prices of our shares as reported on the NYSE and the SIX for the periods indicated.

	NYSE Stock Price				SIX Stock Price			
	2012		2011		2012		2011	
	High	Low	High	Low	High	Low	High	Low
First quarter	$ 59.03	$ 38.80	$ 85.98	$ 68.89	CHF 54.30	CHF 36.70	CHF 79.95	CHF 64.60
Second quarter	56.36	39.32	83.05	59.30	50.80	37.92	75.80	49.58
Third quarter	50.38	43.04	65.39	47.70	49.06	41.55	55.25	36.52
Fourth quarter	49.50	43.65	60.09	38.21	46.62	40.18	51.70	36.02

On February 20, 2013, the last reported sales price of our shares on the NYSE and the SIX was $54.32 per share and CHF 51.15 per share, respectively. On such date, there were 7,465 holders of record of our shares and 359,542,668 shares outstanding.

Shareholder matters—In May 2011, at our annual general meeting, our shareholders approved the distribution of additional paid-in capital in the form of a United States ("U.S.") dollar denominated dividend of $3.16 per outstanding share, payable in four equal installments of $0.79 per outstanding share, subject to certain limitations. On June 15, 2011, September 21, 2011 and December 21, 2011 we paid the first three installments, in the aggregate amount of $763 million, to shareholders of record as of May 20, 2011, August 26, 2011 and November 25, 2011, respectively. On March 21, 2012, we paid the final installment in the aggregate amount of $278 million to shareholders of record as of February 24, 2012.

Any future declaration and payment of any cash distributions will (1) depend on our results of operations, financial condition, cash requirements and other relevant factors, (2) be subject to shareholder approval, (3) be subject to restrictions contained in our credit facilities and other debt covenants and (4) be subject to restrictions imposed by Swiss law, including the requirement that sufficient distributable profits from the previous year or freely distributable reserves must exist.

Swiss Tax Consequences to Shareholders of Transocean

The tax consequences discussed below are not a complete analysis or listing of all the possible tax consequences that may be relevant to shareholders of Transocean. Shareholders should consult their own tax advisors in respect of the tax consequences related to receipt, ownership, purchase or sale or other disposition of our shares and the procedures for claiming a refund of withholding tax.

Swiss Income Tax on Dividends and Similar Distributions

A non-Swiss holder will not be subject to Swiss income taxes on dividend income and similar distributions in respect of our shares, unless the shares are attributable to a permanent establishment or a fixed place of business maintained in Switzerland by such non-Swiss holder. However, dividends and similar distributions are subject to Swiss withholding tax, subject to certain exceptions. See "—Swiss Withholding Tax—Distributions to Shareholders" and "—Exemption from Swiss Withholding Tax—Distributions to Shareholders."

Swiss Wealth Tax

A non-Swiss holder will not be subject to Swiss wealth taxes unless the holder's shares are attributable to a permanent establishment or a fixed place of business maintained in Switzerland by such non-Swiss holder.

Swiss Capital Gains Tax upon Disposal of Shares

A non-Swiss holder will not be subject to Swiss income taxes for capital gains unless the holder's shares are attributable to a permanent establishment or a fixed place of business maintained in Switzerland by such non-Swiss holder. In such case, the non-Swiss holder is required to recognize capital gains or losses on the sale of such shares, which will be subject to cantonal, communal and federal income tax.

Swiss Withholding Tax—Distributions to Shareholders

A Swiss withholding tax of 35 percent is due on dividends and similar distributions to our shareholders from us, regardless of the place of residency of the shareholder, subject to the exceptions discussed under "—Exemption from Swiss Withholding Tax—Distributions to Shareholders" below. We will be required to withhold at such rate and remit on a net basis any payments made to a holder of our shares and pay such withheld amounts to the Swiss federal tax authorities. See "—Refund of Swiss Withholding Tax on Dividends and Other Distributions."

Exemption from Swiss Withholding Tax—Distributions to Shareholders

Distributions to shareholders in relation to a reduction of par value are exempt from Swiss withholding tax. Since January 1, 2011, distributions to shareholders out of qualifying additional paid-in capital for Swiss statutory purposes are also exempt from the Swiss withholding tax. On December 31, 2012, the aggregate amount of par value of our outstanding shares was CHF 5.6 billion, equivalent to $6.1 billion, and the aggregate amount of qualifying additional paid-in capital of our outstanding shares was at least CHF 11.2 billion, equivalent to at least $12.2 billion, at an exchange rate of $1.00 to CHF 0.92 on December 31, 2012. Consequently, we expect that a substantial amount of any potential future distributions may be exempt from Swiss withholding tax.

Repurchases of Shares

Repurchases of shares for the purposes of capital reduction are treated as a partial liquidation subject to the 35 percent Swiss withholding tax. However, for shares repurchased for capital reduction, the portion of the repurchase price attributable to the par value of the shares repurchased will not be subject to the Swiss withholding tax. Since January 1, 2011, the portion of the repurchase price that is according to Swiss tax law and practice attributable to the qualifying additional paid-in capital for Swiss statutory reporting purposes of the shares repurchased will also not be subject to the Swiss withholding tax. We would be required to withhold at such rate the tax from the difference between the repurchase price and the related amount of par value and, since January 2011, the related amount of qualifying additional paid-in capital, if any. We would be required to remit on a net basis the purchase price with the Swiss withholding tax deducted to a holder of our shares and pay the withholding tax to the Swiss federal tax authorities.

With respect to the refund of Swiss withholding tax from the repurchase of shares, see "—Refund of Swiss Withholding Tax on Dividends and Other Distributions" below.

In most instances, Swiss companies listed on the SIX carry out share repurchase programs through a second trading line on the SIX. Swiss institutional investors typically purchase shares from shareholders on the open market and then sell the shares on the second trading line back to the company. The Swiss institutional investors are generally able to receive a full refund of the withholding tax. Due to, among other things, the time delay between the sale to the company and the institutional investors' receipt of the refund, the price companies pay to repurchase their shares has historically been slightly higher (but less than one percent) than the price of such companies' shares in ordinary trading on the SIX first trading line. Because our shares are listed on the SIX, we may repurchase our shares from institutional investors who are generally able to receive a full refund of the Swiss withholding tax via a second trading line on the SIX. There may not be sufficient liquidity in our shares on the SIX to repurchase the amount of shares that we would like to repurchase using the second trading line on the SIX. In relation to the U.S. market, we may therefore repurchase such shares using an alternative procedure pursuant to which we repurchase our shares via a "virtual second trading line" from market players, such as banks and institutional investors, who are generally entitled to receive a full refund of the Swiss withholding tax. Currently, our ability to use the "virtual second trading line" will be limited to the share repurchase program currently approved by our shareholders, and any use of the "virtual second trading line" with respect to future share repurchase programs will require approval of the competent Swiss tax and other authorities. We may not be able to repurchase as many shares as we would like to repurchase for purposes of capital reduction on either the "virtual second trading line" or a SIX second trading line without subjecting the selling shareholders to Swiss withholding taxes. The repurchase of shares for purposes other than for cancellation, such as to retain as treasury shares for use in connection with stock incentive plans, convertible debt or other instruments within certain periods, will generally not be subject to Swiss withholding tax.

Refund of Swiss Withholding Tax on Dividends and Other Distributions

Swiss holders—A Swiss tax resident, corporate or individual, can recover the withholding tax in full if such resident is the beneficial owner of our shares at the time the dividend or other distribution becomes due and provided that such resident reports the gross distribution received on such resident's income tax return, or in the case of an entity, includes the taxable income in such resident's income statement.

Non-Swiss holders—If the shareholder that receives a distribution from us is not a Swiss tax resident, does not hold our shares in connection with a permanent establishment or a fixed place of business maintained in Switzerland, and resides in a country that has concluded a treaty for the avoidance of double taxation with Switzerland for which the conditions for the application and protection of and by the treaty are met, then the shareholder may be entitled to a full or partial refund of the withholding tax described above. The procedures for claiming treaty refunds, and the time frame required for obtaining a refund, may differ from country to country.

Switzerland has entered into bilateral treaties for the avoidance of double taxation with respect to income taxes with numerous countries, including the U.S., whereby under certain circumstances all or part of the withholding tax may be refunded.

U.S. residents—The Swiss-U.S. tax treaty provides that U.S. residents eligible for benefits under the treaty can seek a refund of the Swiss withholding tax on dividends for the portion exceeding 15 percent, leading to a refund of 20 percent, or a 100 percent refund in the case of qualified pension funds.

As a general rule, the refund will be granted under the treaty if the U.S. resident can show evidence of:

- beneficial ownership,
- U.S. residency, and
- meeting the U.S.-Swiss tax treaty's limitation on benefits requirements.

The claim for refund must be filed with the Swiss federal tax authorities (Eigerstrasse 65, 3003 Bern, Switzerland), not later than December 31 of the third year following the year in which the dividend payments became due. The relevant Swiss tax form is Form 82C for companies, 82E for other entities and 82I for individuals. These forms can be obtained from any Swiss Consulate General in the U.S. or from the Swiss federal tax authorities at the above address or can be downloaded from the webpage of the Swiss federal tax administration. Each form needs to be filled out in triplicate, with each copy duly completed and signed before a notary public in the U.S. Evidence that the withholding tax was withheld at the source must also be included.

Stamp duties in relation to the transfer of shares—The purchase or sale of our shares may be subject to Swiss federal stamp taxes on the transfer of securities irrespective of the place of residency of the purchaser or seller if the transaction takes place through or with a Swiss bank or other Swiss securities dealer, as those terms are defined in the Swiss Federal Stamp Tax Act and no exemption applies in the specific case. If a purchase or sale is not entered into through or with a Swiss bank or other Swiss securities dealer, then no stamp tax will be due. The applicable stamp tax rate is 0.075 percent for each of the two parties to a transaction and is calculated based on the purchase price or sale proceeds. If the transaction does not involve cash consideration, the transfer stamp duty is computed on the basis of the market value of the consideration.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (2) (in millions)
October 2012	11,160	$ 47.51	—	$ 3,560
November 2012	12,626	44.85	—	3,560
December 2012	3,403	46.26	—	3,560
Total	27,189	$ 46.12	—	$ 3,560

(1) Total number of shares purchased in the fourth quarter of 2012 includes 27,189 shares withheld by us through a broker arrangement and limited to statutory tax in satisfaction of withholding taxes due upon the vesting of restricted shares granted to our employees under our Long-Term Incentive Plan.

(2) In May 2009, at the annual general meeting of Transocean Ltd., our shareholders approved and authorized our board of directors, at its discretion, to repurchase an amount of our shares for cancellation with an aggregate purchase price of up to CHF 3.5 billion (which is equivalent to approximately $3.8 billion at an exchange rate as of the close of trading on December 31, 2012 of USD 1.00 to CHF 0.92). On February 12, 2010, our board of directors authorized our management to implement the share repurchase program. We may decide, based upon our ongoing capital requirements, the price of our shares, matters relating to the Macondo well incident, regulatory and tax considerations, cash flow generation, the relationship between our contract backlog and our debt, general market conditions and other factors, that we should retain cash, reduce debt, make capital investments or otherwise use cash for general corporate purposes, and consequently, repurchase fewer or no shares under this program. Decisions regarding the amount, if any, and timing of any share repurchases would be made from time to time based upon these factors. Through December 31, 2012, we have repurchased a total of 2.9 million of our shares under this share repurchase program at a total cost of $240 million ($83.74 per share). See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources and Uses of Liquidity—Overview."

Item 6. Selected Financial Data

The selected financial data as of December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 have been derived from the audited consolidated financial statements included in "Item 8. Financial Statements and Supplementary Data." The selected financial data as of December 31, 2010, 2009 and 2008, and for each of the two years in the period ended December 31, 2009 have been derived from our accounting records. We have reclassified the financial data of our discontinued operations for all periods presented. See "Item 8. Financial Statements and Supplementary Data—Notes and Consolidated Financial Statements—Note 9—Discontinued Operations." The following data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and the notes thereto included under "Item 8. Financial Statements and Supplementary Data."

	Years ended December 31,				
	2012	2011 (a)	2010	2009	2008
	(In millions, except per share data)				
Statement of operations data					
Operating revenues	$ 9,196	$ 8,027	$ 7,949	$ 8,910	$ 8,917
Operating income (loss)	1,581	(4,762)	2,730	3,525	3,901
Income (loss) from continuing operations	816	(5,762)	1,863	2,426	2,736
Net income (loss)	(211)	(5,677)	969	3,170	4,029
Net income (loss) attributable to controlling interest	(219)	(5,754)	926	3,181	4,031
Per share earnings (loss) from continuing operations					
Basic	$ 2.27	$ (18.14)	$ 5.66	$ 7.56	$ 8.58
Diluted	$ 2.27	$ (18.14)	$ 5.66	$ 7.54	$ 8.52
Balance sheet data (at end of period)					
Total assets	$ 34,255	$ 35,032	$ 36,814	$ 36,436	$ 35,182
Debt due within one year	1,367	2,187	2,160	1,868	664
Long-term debt	11,092	11,349	9,061	9,849	12,893
Total equity	15,730	15,627	21,340	20,559	17,167
Other financial data					
Cash provided by operating activities	$ 2,708	$ 1,825	$ 3,906	$ 5,598	$ 4,959
Cash used in investing activities	(389)	(1,896)	(721)	(2,694)	(2,196)
Cash provided by (used in) financing activities	(1,202)	734	(961)	(2,737)	(3,041)
Capital expenditures	1,303	974	1,349	2,948	2,037
Distributions of qualifying additional paid-in capital	278	763	—	—	—
Per share distributions of qualifying additional paid-in capital	$ 0.79	$ 2.37	$ —	$ —	$ —

(a) In October 2011, we completed our acquisition of Aker Drilling ASA ("Aker Drilling") and applied the acquisition method of accounting for the business combination. The balance sheet data as of December 31, 2011 represents the consolidated statement of financial position of the combined company. The statement of operations and other financial data for the year ended December 31, 2011 include approximately three months of operating results and cash flows for the combined company.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with the information contained in "Part I. Item 1. Business," "Part I. Item 1A. Risk Factors" and the audited consolidated financial statements and the notes thereto included under "Item 8. Financial Statements and Supplementary Data" elsewhere in this annual report.

Business

Transocean Ltd. (together with its subsidiaries and predecessors, unless the context requires otherwise, "Transocean," the "Company," "we," "us" or "our") is a leading international provider of offshore contract drilling services for oil and gas wells. As of February 20, 2013, we owned or had partial ownership interests in and operated 82 mobile offshore drilling units associated with our continuing operations. As of February 20, 2013, our fleet consisted of 48 High-Specification Floaters (Ultra-Deepwater, Deepwater and Harsh Environment semisubmersibles and drillships), 25 Midwater Floaters, and nine High-Specification Jackups. At February 20, 2013, we also had six Ultra-Deepwater drillships and three High-Specification Jackups under construction or under contract to be constructed.

We have two operating segments: (1) contract drilling services and (2) drilling management services. Contract drilling services, our primary business, involves contracting our mobile offshore drilling fleet, related equipment and work crews primarily on a dayrate basis to drill oil and gas wells. We specialize in technically demanding regions of the offshore drilling business with a particular focus on deepwater and harsh environment drilling services. We believe our drilling fleet is one of the most versatile fleets in the world, consisting of floaters and jackups used in support of offshore drilling activities and offshore support services on a worldwide basis.

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

In November 2012, in connection with our efforts to improve the overall technical capabilities of our fleet and dispose of non-strategic assets, we completed the sale of 37 Standard Jackups and one swamp barge to Shelf Drilling Holdings, Ltd. ("Shelf Drilling"). For a transition period following the completion of the sale transactions, we agreed to continue to operate a substantial portion of the Standard Jackups on behalf of Shelf Drilling and to provide certain other transition services to Shelf Drilling. Under 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. As of February 20, 2013, we operated 25 Standard Jackups under operating agreements with Shelf Drilling. 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. See "Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 9—Discontinued Operations."

Our drilling management services segment provides oil and gas drilling management services on either a dayrate basis or a completed-project, fixed-price or turnkey basis, as well as drilling engineering and drilling project management services. We provide drilling management services outside of the U.S. through Applied Drilling Technology Inc., our wholly owned subsidiary, and through ADT International, a division of one of our United Kingdom ("U.K.") subsidiaries (together, "ADTI").

Significant Events

Macondo well incident—On January 3, 2013, we reached an agreement with the U.S. Department of Justice (the "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 pay $1.4 billion in fines, recoveries and penalties, plus interest, in scheduled payments over a five-year period through 2017. See "—Contingencies—Macondo well incident."

Fleet expansion—In May 2012, we completed construction of the High-Specification Jackup *Transocean Honor*, and the drilling unit commenced operations under its contract. See "—Liquidity and Capital Resources—Drilling Fleet."

In September 2012, we were awarded 10-year drilling contracts for four newbuild dynamically positioned Ultra-Deepwater drillships. We also entered into shipyard contracts for the construction of such drillships. See "—Performance and Other Key Indicators—Contract Backlog" and "—Liquidity and Capital Resources—Drilling Fleet."

Discontinued operations—In November 2012, in connection with our efforts to dispose of non-strategic assets, we completed the sale of 37 Standard Jackups and one swamp barge to Shelf Drilling. As of February 20, 2013, we operated 25 Standard Jackups under operating agreements with Shelf Drilling. See "—Operating Results—Discontinued Operations."

In December 2012, having completed the final drilling management project in the shallow waters of the U.S. Gulf of Mexico, we discontinued the U.S. operations of our drilling management services segment. See—"Results of Operations—Discontinued Operations."

During the year ended December 31, 2012, we completed the sale of the assets of Challenger Minerals Inc. and Challenger Minerals (Ghana) Limited. See "—Results of Operations—Discontinued Operations."

Dispositions—During the year ended December 31, 2012, we completed the sales of the Deepwater Floaters *Discoverer 534* and *Jim Cunningham* and related equipment. In connection with the sales, we received aggregate net cash proceeds of $178 million. See "—Liquidity and Capital Resources—Drilling Fleet."

Debt issuance—In September 2012, we issued $750 million aggregate principal amount of 2.5% Senior Notes due October 2017 and $750 million aggregate principal amount of 3.8% Senior Notes due October 2022. See "—Liquidity and Capital Resources—Sources and Uses of Liquidity."

Three-Year Secured Revolving Credit Facility—On October 25, 2012, we entered into a bank credit agreement, which establishes a $900 million senior secured revolving credit facility expiring on October 25, 2015. See "—Liquidity and Capital Resources—Sources and Uses of Liquidity."

Debt repurchase—Holders of the 1.50% Series C Convertible Senior Notes due 2037 ("Series C Convertible Senior Notes") had the option to require Transocean Inc., our wholly owned subsidiary and the issuer of the Series C Convertible Senior Notes, to repurchase all or any part of such holder's notes on December 17, 2012. As a result, 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. On February 7, 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. See "—Liquidity and Capital Resources—Sources and Uses of Liquidity."

Transocean Pacific Drilling Inc.—On February 29, 2012, Quantum Pacific Management Limited ("Quantum") exercised its right, pursuant to a put option agreement, to exchange its interest in Transocean Pacific Drilling Inc. ("TPDI") for our shares or cash, and, on March 29, 2012, Quantum elected to exchange its interest in TPDI for our shares, net of Quantum's share of TPDI's indebtedness. On May 31, 2012, we issued 8.7 million shares to Quantum in a non-cash exchange for its interest in TPDI. In August 2012, we paid $72 million as the final cash settlement, representing 50 percent of TPDI's working capital at May 29, 2012. See "—Liquidity and Capital Resources—Sources and Uses of Liquidity."

Distribution of qualifying additional paid-in capital—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 equal 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 $278 million to shareholders of record as of February 24, 2012.

Outlook

Drilling market—We expect the commodity pricing underlying the exploration and production programs of our customers to continue to support contracting opportunities for all asset classes within our drilling fleet in the year ending December 31, 2013. As of February 14, 2013, the contract backlog for our continuing operations was $28.8 billion compared to $29.7 billion as of October 17, 2012.

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

Fleet status—As of February 14, 2013, uncommitted fleet rates for the remainder of 2013, 2014, 2015 and 2016 were as follows:

	2013	2014	2015	2016
Uncommitted fleet rate (a)				
High-Specification Floaters	14%	45%	67%	79%
Midwater Floaters	44%	50%	75%	98%
High-Specification Jackups	9%	31%	49%	75%

(a) The uncommitted fleet rate is defined as the number of uncommitted days divided by the total number of available rig calendar days in the measurement period, expressed as a percentage. An uncommitted day is defined as a calendar day during which a rig is idle or stacked, is not contracted to a customer and is not committed to a shipyard.

As of February 14, 2013, we had six existing contracts associated with our continuing operations that had fixed-price or capped options to extend the contract terms that are exercisable, at the customer's discretion, any time through their expiration dates. Customers are more likely to exercise fixed-price options when dayrates are higher on new contracts relative to existing contracts, and customers are less likely to exercise fixed-price options when dayrates are lower on new contracts relative to existing contracts. Given current market conditions, we are uncertain whether these options will be exercised by our customers in 2013. Additionally, well-in-progress or similar provisions of our existing contracts may delay the start of higher or lower dayrates in subsequent contracts, and some of the delays could be significant.

High-Specification Floaters—Our Ultra-Deepwater Floater fleet has six units with availability in 2013, and in the second quarter of 2014, the Ultra-Deepwater drillship *Deepwater Asgard*, is expected to be available to commence operations. During the fourth quarter of 2012, 12 contracts for Ultra-Deepwater Floaters were entered into worldwide, including two long-term contracts for our High-Specification Floater fleet. We expect continued customer demand to support high rig utilization rates for the Ultra-Deepwater Fleet and provide opportunities to absorb the near-term supply through 2013. The Deepwater Floater fleet rig utilization rate for the industry dropped slightly during the fourth quarter of 2012 with some available units in the global fleet coming off contract without immediate follow on work. However, the tendering activity and contract term remain stable over the previous quarter, and we are in active discussions with our customers on a few of the units available in 2013. As of February 14, 2013, we had 34 of our 48 High-Specification Floaters contracted through the end of 2013. Although we believe continued exploration successes in the major deepwater offshore provinces and the emerging markets will generate additional demand and support our long-term positive outlook for our High-Specification Floater fleet, we may see a flattening of dayrates and more competition for term opportunities in the short term.

Midwater Floaters—Customer demand for our Midwater Floater fleet, which includes 25 semisubmersible rigs, has continued to increase in the U.K. and Norway with multiple customers interested in available rigs. We entered into two contracts for our Midwater Floater fleet in the fourth quarter of 2012, one of which was at a leading edge dayrate for this asset class offshore UK. Based on the customer demand, we continue to believe that we could have new opportunities to extend the contracts on our active fleet available in 2013 and 2014 and reactivate one Midwater Floater in the U.K. The tendering pace and expected demand outside of the U.K. and Norway has slowed, notably in Brazil, which could have an impact on global utilization and dayrates for this asset class in 2013.

High-Specification Jackups—Our High-Specification Jackup fleet continues to benefit from the interest of our customers, evidenced by four drilling contracts signed in the fourth quarter 2012. We believe that the currently high rig utilization rates will continue to prevail during this period and increased tendering and contracting activity to continue through 2013 and into 2014. As of February 14, 2013, three of our existing nine High-Specification Jackups have availability in 2013.

Operating results—We expect our total revenues for the year ending December 31, 2013 to be higher than our total revenues for the year ended December 31, 2012, primarily due to increased dayrates, fewer expected out of service and idle days, increased activity for our drilling management services segment and increased drilling activity associated with the commencement of operations of our newbuild unit delivered in 2012 and those newbuild units to be delivered in 2013. We are unable to predict, with certainty, the full impact that the enhanced regulations, described under "—Drilling market", will have on our operations for the year ending December 31, 2013 and beyond.

After adjusting for loss contingencies recognized in the year ended December 31, 2012, we expect our total operating and maintenance expenses for the year ending December 31, 2013 to be higher than our total operating and maintenance expenses for the year ended December 31, 2012, primarily due to higher costs and expenses associated with normal inflationary trends for personnel, maintenance and other operating costs, increased activity for our drilling management services segment, and increased drilling activity associated with the commencement of operations of our newbuild units to be delivered in 2013 and increased shipyard costs. Our projected operating and maintenance expenses for the year ending December 31, 2013 are subject to change and could be affected by actual activity levels, rig reactivations, the enhanced regulations described under "—Drilling market", the Macondo well incident and related contingencies, exchange rates and cost inflation above expectations, as well as other factors.

Although we are unable to estimate the full direct and indirect effect that the Macondo well incident will have on our business, the incident has had and could continue to have a material adverse effect on our consolidated statement of financial position, results of operations and cash flows. In the three years ended December 31, 2012, we estimate that the Macondo well incident had a direct and indirect effect of greater than $1.0 billion in lost revenues and incremental costs and expenses associated with extended shipyard projects and increased downtime, both as a result of complying with the enhanced regulations and our customers' requirements. We also lost approximately $1.1 billion of contract backlog associated with the termination of the *Deepwater Horizon* contract in April 2010 resulting from the loss of the rig and the termination of another drilling contract in December 2011 resulting from the previously mentioned increased downtime. We have recognized estimated losses of $1.9 billion in connection with loss contingencies associated with the Macondo well incident that we believe are probable and for which a reasonable estimate can be made. See Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Contingencies—Macondo well incident. Additionally, in the three years ended December 31, 2012, we incurred cumulative incremental costs, primarily associated with legal expenses for lawsuits and investigations, in the amount of $372 million. Collectively, the lost contract backlog from the incident and from the termination in December 2011, the lost revenues and incremental costs and expenses and other losses have had an effect of greater than $4.0 billion. See "—Contingencies—Insurance matters."

In accordance with our critical accounting policies, we review our property and equipment for impairment when events or changes in circumstances indicate that the carrying amounts of our assets held and used may not be recoverable. If we are unable to secure new or extended contracts for our active units or the reactivation of any of our stacked units, or if we experience declines in actual or anticipated dayrates or other impairment indicators, especially with respect to our High-Specification Jackup fleet, we may be required to recognize losses in future periods as a result of an impairment of the carrying amount of one or more of our asset groups. At December 31, 2012, the carrying amount of our property and equipment was $20.9 billion, representing 61 percent of our total assets. See "—Critical Accounting Policies and Estimates."

Performance and Other Key Indicators

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

	February 14, 2013	October 17, 2012	February 14, 2012
Contract backlog (a)		(In millions)	
High-Specification Floaters			
Ultra-Deepwater Floaters	$ 19,144	$ 20,238	$ 12,232
Deepwater Floaters	2,127	2,339	2,228
Harsh Environment Floaters	1,942	2,189	2,188
Total High-Specification Floaters	23,213	24,766	16,648
Midwater Floaters	4,145	3,403	2,249
High-Specification Jackups	1,486	1,493	1,051
Total	$ 28,844	$ 29,662	$ 19,948

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

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

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

For the year ended December 31, 2012, we added $16.1 billion to our contract backlog for continuing operations, including 10-year drilling contracts for four newbuild dynamically positioned Ultra-Deepwater drillships, which collectively added approximately $7.6 billion to our contract backlog. In addition, we contracted the newbuild Ultra-Deepwater drillship *Deepwater Invictus*, currently under construction in Korea, for three years, adding another $700 million to our contract backlog.

At February 14, 2013, the contract backlog and average contractual dayrates for our contract drilling services segment were as follows:

	Total	2013	2014	2015	2016	Thereafter
		For the years ending December 31,				
Contract backlog (a)		(In millions, except average dayrates)				
High-Specification Floaters						
Ultra-Deepwater Floaters	$ 19,144	$ 4,060	$ 3,182	$ 1,703	$ 1,457	$ 8,742
Deepwater Floaters	2,127	969	640	403	115	—
Harsh Environment Floaters	1,942	1,035	763	144	—	—
Total High-Specification Floaters	23,213	6,064	4,585	2,250	1,572	8,742
Midwater Floaters	4,145	1,411	1,645	932	157	—
High-Specification Jackups	1,486	440	478	300	119	149
Total contract backlog	$ 28,844	$ 7,915	$ 6,708	$ 3,482	$ 1,848	$ 8,891
Average-contractual dayrates (b)						
High-Specification Floaters						
Ultra-Deepwater Floaters	$ 527,000	$ 528,000	$ 545,000	$ 532,000	$ 504,000	$ 502,000
Deepwater Floaters	$ 354,000	$ 367,000	$ 337,000	$ 367,000	$ 302,000	$ —
Harsh Environment Floaters	$ 465,000	$ 457,000	$ 472,000	$ 483,000	$ —	$ —
Total High-Specification Floaters	$ 487,000	$ 481,000	$ 492,000	$ 489,000	$ 480,000	$ 502,000
Midwater Floaters	$ 338,000	$ 323,000	$ 352,000	$ 349,000	$ 258,000	$ —
High-Specification Jackups	$ 150,000	$ 150,000	$ 159,000	$ 146,000	$ 137,000	$ 135,000
Total fleet average	$ 396,000	$ 398,000	$ 396,000	$ 377,000	$ 400,000	$ 421,000

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

(b) Average contractual dayrate relative to our contract backlog is defined as the maximum contractual operating dayrate to be earned per operating day in the measurement period. An operating day is defined as a day for which a rig is contracted to earn a dayrate during the firm contract period after commencement of operations.

Our contract backlog includes amounts associated with our newbuild units that are currently under construction. The actual amounts of revenues earned and the actual periods during which revenues are earned will differ from the amounts and periods shown in the tables above due to various factors, including shipyard and maintenance projects, unplanned downtime and other factors that result in lower applicable dayrates than the full contractual operating dayrate. Additional factors that could affect the amount and timing of actual revenue to be recognized include customer liquidity issues and contract terminations, which are available to our customers under certain circumstances.

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

	Three months ended		
	December 31, 2012	September 30, 2012	December 31, 2011
Average daily revenue (a)			
High-Specification Floaters			
Ultra-Deepwater Floaters	$ 514,300	$ 515,000	$ 490,200
Deepwater Floaters	$ 337,100	$ 356,300	$ 315,200
Harsh Environment Floaters	$ 476,400	$ 421,000	$ 463,000
Total High-Specification Floaters	$ 469,300	$ 464,600	$ 446,100
Midwater Floaters	$ 280,300	$ 264,500	$ 264,800
High-Specification Jackups	$ 162,400	$ 154,600	$ 107,300
Total fleet average daily revenue	$ 382,000	$ 376,200	$ 369,900

(a) Average daily revenue is defined as contract drilling revenues earned per operating day. An operating day is defined as a calendar day during which a rig is contracted to earn a dayrate during the firm contract period after commencement of operations.

Our average daily revenue fluctuates relative to market conditions. Our total fleet average daily revenue is also affected by the mix of rig classes being operated, as Midwater Floaters and High-Specification Jackups are typically contracted at lower dayrates compared to High-Specification Floaters. We include newbuilds in the calculation when the rigs commence operations upon acceptance by the customer. We remove rigs from the calculation upon disposal or classification as held for sale.

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

	Three months ended		
	December 31, 2012	September 30, 2012	December 31, 2011
Revenue efficiency (a)			
High-Specification Floaters			
Ultra-Deepwater Floaters	96%	96%	90%
Deepwater Floaters	91%	96%	90%
Harsh Environment Floaters	97%	95%	98%
Total High-Specification Floaters	95%	96%	91%
Midwater Floaters	94%	90%	95%
High-Specification Jackups	95%	97%	93%
Total fleet average revenue efficiency	95%	95%	92%

(a) Revenue efficiency is defined as actual contract drilling revenues for the measurement period divided by the maximum revenue calculated for the measurement period, expressed as a percentage. Maximum revenue is defined as the greatest amount of contract drilling revenues the drilling unit could earn for the measurement period, excluding amounts related to incentive provisions.

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

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

	Three months ended		
	December 31, 2012	September 30, 2012	December 31, 2011
Rig utilization (a)			
High-Specification Floaters			
Ultra-Deepwater Floaters	94%	95%	88%
Deepwater Floaters	64%	63%	55%
Harsh Environment Floaters	72%	91%	96%
Total High-Specification Floaters	82%	85%	78%
Midwater Floaters	72%	70%	57%
High-Specification Jackups	81%	86%	74%
Total fleet average utilization	79%	80%	72%

(a) Rig utilization is defined as the total number of operating days divided by the total number of available rig calendar days in the measurement period, expressed as a percentage.

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

Results of Operations

Historical 2012 compared to 2011

Following is an analysis of our operating results. See "—Performance and Other Key Indicators—Fleet average daily revenue" for a definition of revenue earning days and average daily revenue. See "—Performance and Other Key Indicators—Utilization" for a definition of utilization.

	Years ended December 31, 2012	Years ended December 31, 2011	Change	% Change
	(In millions, except day amounts and percentages)			
Revenue earning days	23,577	20,017	3,560	18%
Utilization	78%	69%		
Average daily revenue	$ 370,300	$ 367,600	$ 2,700	1%
Contract drilling revenues	$ 8,773	$ 7,407	$ 1,366	18%
Other revenues	423	620	(197)	(32)%
	9,196	8,027	1,169	15%
Operating and maintenance expense	(6,106)	(6,179)	73	(1)%
Depreciation and amortization	(1,123)	(1,109)	(14)	1%
General and administrative expense	(282)	(288)	6	(2)%
Loss on impairment	(140)	(5,201)	5,061	(97)%
Gain (loss) on disposal of assets, net	36	(12)	48	n/m
Operating income (loss)	1,581	(4,762)	6,343	n/m
Other income (expense), net				
Interest income	56	44	12	27%
Interest expense, net of amounts capitalized	(723)	(621)	(102)	16%
Gain on retirement of debt	2	—	2	n/m
Other, net	(50)	(99)	49	(49)%
Income (loss) from continuing operations before income tax expense	866	(5,438)	6,304	n/m
Income tax expense	(50)	(324)	274	(85)%
Income (loss) from continuing operations	816	(5,762)	6,578	n/m
Income (loss) from discontinued operations, net of tax	(1,027)	85	(1,112)	n/m
Net loss	(211)	(5,677)	5,466	(96)%
Net income attributable to noncontrolling interest	8	77	(69)	(90)%
Net loss attributable to controlling interest	$ (219)	$ (5,754)	$ 5,535	(96)%

"n/a" means not applicable.

"n/m" means not meaningful.

Operating revenues—Contract drilling revenues increased for the year ended December 31, 2012 compared to the year ended December 31, 2011 primarily due to the following: (a) approximately $940 million of increased contract drilling revenues due to increased revenue earning days as a result of the greater downtime associated with shipyard, mobilization, maintenance, repair and equipment certification projects in the year ended December 31, 2011, a significant portion of which was associated with the post-Macondo regulatory and operating environment, (b) approximately $330 million of increased contract drilling revenues from the operations of the two Harsh Environment Ultra-Deepwater semisubmersibles acquired in connection with our acquisition of Aker Drilling and our newbuild units that commenced operations in the years ended December 31, 2012 and 2011 and (c) approximately $140 million of increased contract drilling revenues due to improved dayrates.

Other revenues decreased for the year ended December 31, 2012 compared to the year ended December 31, 2011, primarily due to decreased revenues of approximately $178 million associated with the continuing operations of our drilling management services due to reduced demand for these services in the U.K.

Costs and expenses—Operating and maintenance expenses decreased for the year ended December 31, 2012 compared to the year ended December 31, 2011 primarily due to the following: (a) approximately $240 million of decreased costs and expenses associated with the estimated loss contingencies related to the Macondo well incident, (b) approximately $145 million of decreased costs and expenses associated with our drilling management services, and (c) approximately $35 million of decreased costs and expenses related to our integrated services. These decreases were partially offset by (a) $180 million of increased costs and expenses associated with rigs undergoing shipyard, maintenance and repair projects in the year ended December 31, 2012 and (b) $160 million of increased costs and expenses resulting from the operations of the two Harsh Environment Ultra-Deepwater semisubmersibles acquired in connection with our acquisition of Aker Drilling and our newbuilds that commenced operations during the years ended December 31, 2012 and 2011.

Depreciation and amortization increased primarily due to $31 million of additional depreciation expense related to two rigs acquired in connection with our acquisition of Aker Drilling in October 2011 and $16 million associated with three newbuilds, two Ultra-Deepwater Floaters and one High Specification Jackup, which commenced operations in 2011 and 2012. Partially offsetting the increase was $33 million related to useful life extensions of three Midwater Floaters.

In the year ended December 31, 2012, we recognized a loss of $118 million associated with completing our measurement of the impairment of goodwill associated with our contract drilling services reporting unit. We had previously recognized an estimated loss of $5.2 billion, in the year ended December 31, 2011, due to a decline in projected cash flows and market valuations for this reporting unit. Additionally, in the year ended December 31, 2012, we recognized a loss of $22 million on impairment of the customer relationship intangible assets associated with our drilling management services reporting unit.

In the year ended December 31, 2012, we recognized a net gain on disposal of assets of $36 million, primarily related to the completion of sales of the Deepwater Floaters *Discoverer 534* and *Jim Cunningham*. In the year ended December 30, 2011, we recognized a net loss on disposal of assets of $12 million.

Other income and expense—Interest expense increased in the year ended December 31, 2012 compared to the year ended December 31, 2011, primarily due to $204 million of increased interest expense associated with debt issued in the years ended December 31, 2012 and 2011 and debt assumed in our acquisition of Aker Drilling in the year ended December 31, 2011. Partially offsetting these increases was $86 million associated with debt repaid or repurchased in the years ended December 31, 2012 and 2011 and $15 million of increased interest capitalized for our newbuild projects.

In the year ended December 31, 2012, we recognized losses on foreign exchange of $27 million and a loss of $24 million related to the redeemed noncontrolling interest in TPDI. In the year ended December 31, 2011, we recognized losses on foreign exchange of $99 million, including a loss of $78 million associated with a forward exchange contract, which was not designated and did not qualify as a hedging instrument for accounting purposes.

Income tax expense—We operate internationally and provide for income taxes based on the tax laws and rates in the countries in which we operate and earn income. The annual effective tax rates were 17.8 percent and 35.4 percent at December 31, 2012 and 2011, respectively, based on income from continuing operations before income taxes, after excluding certain items, such as losses on impairment, losses on our forward exchange contract, expenses for litigation matters, losses on debt retirements and gains and losses on certain asset disposals and acquisitions. The tax effect, if any, of the excluded items as well as settlements of prior year tax liabilities and changes in prior year tax estimates are all treated as discrete period tax expenses or benefits. For the years ended December 31, 2012 and 2011, the impact of the various discrete period tax items was a net tax benefit of $256 million and a net tax expense of $12 million, respectively. These discrete tax items, coupled with the excluded income and expense items noted above, resulted in effective tax rates of 5.8 percent and (6.0) percent on income from continuing operations before income tax expense for the years ended December 31, 2012 and 2011, respectively.

The relationship between our provision for or benefit from income taxes and our income before income taxes can vary significantly from period to period considering, among other factors, (a) the overall level of income before income taxes, (b) changes in the blend of income that is taxed based on gross revenues versus income before taxes, (c) rig movements between taxing jurisdictions and (d) our rig operating structures. Generally, our annual marginal tax rate is lower than our annual effective tax rate. Consequently, our income tax expense does not change proportionally with our income before income taxes. Significant decreases in our income before income taxes typically lead to higher effective tax rates, while significant increases in income before income taxes can lead to lower effective tax rates, subject to the other factors impacting income tax expense noted above. The annual effective tax rate decreased to 17.8 percent from 35.4 percent for the year ended December 31, 2012 compared to the year ended December 31, 2011 primarily due to the significant increase in income before income taxes and the foreign exchange effect of the strengthened Norwegian krone relative to the U.S dollar. With respect to the annual effective tax rate calculation for the year ended December 31, 2012, a significant portion of our income tax expense was generated in countries in which income taxes are imposed on gross revenues, with the most significant of these countries being Angola, India, Nigeria, Indonesia and Ghana. Conversely, the most significant countries in which we operated during this period that impose income taxes based on income before income tax include Norway, Malaysia, Switzerland, Brazil and the U.S.

Our rig operating structures further complicate our tax calculations, especially in instances where we have more than one operating structure for the particular taxing jurisdiction and, thus, more than one method of calculating taxes depending on the operating structure utilized by the rig under the contract. For example, two rigs operating in the same country could generate significantly different provisions for income taxes if they are owned by two different subsidiaries that are subject to differing tax laws and regulations in the respective country of incorporation.

Historical 2011 compared to 2010

Following is an analysis of our operating results. See "—Performance and Other Key Indicators—Fleet average daily revenue" for a definition of revenue earning days and average daily revenue. See "—Performance and Other Key Indicators—Utilization" for a definition of utilization.

	Years ended December 31, 2011	Years ended December 31, 2010	Change	% Change
	(In millions, except day amounts and percentages)			
Revenue earning days	20,017	21,796	(1,779)	(8)%
Utilization	69%	76%		
Average daily revenue	$ 367,600	$ 348,100	$ 19,500	6%
Contract drilling revenues	$ 7,407	$ 7,698	$ (291)	(4)%
Other revenues	620	251	369	n/m
	8,027	7,949	78	1%
Operating and maintenance expense	(6,179)	(4,219)	(1,960)	46%
Depreciation and amortization	(1,109)	(1,009)	(100)	10%
General and administrative expense	(288)	(246)	(42)	17%
Loss on impairment	(5,201)	—	(5,201)	n/m
Gain (loss) on disposal of assets, net	(12)	255	(267)	n/m
Operating income (loss)	(4,762)	2,730	(7,492)	n/m
Other income (expense), net				
Interest income	44	23	21	91%
Interest expense, net of amounts capitalized	(621)	(567)	(54)	10%
Loss on retirement of debt	—	(33)	33	n/m
Other, net	(99)	2	(101)	n/m
Income (loss) from continuing operations before income tax expense	(5,438)	2,155	(7,593)	n/m
Income tax expense	(324)	(292)	(32)	11%
Income (loss) from continuing operations	(5,762)	1,863	(7,625)	n/m
Income (loss) from discontinued operations, net of tax	85	(894)	979	n/m
Net income (loss)	(5,677)	969	(6,646)	n/m
Net income attributable to noncontrolling interest	77	43	34	79%
Net income (loss) attributable to controlling interest	$ (5,754)	$ 926	$ (6,680)	n/m

"n/a" means not applicable.

"n/m" means not meaningful.

Operating revenues—Contract drilling revenues decreased for the year ended December 31, 2011 compared to the year ended December 31, 2010 primarily due to the following: (a) approximately $505 million of decreased contract drilling revenues due to fewer revenue earning days as a result of shipyard, mobilization, maintenance, repair and equipment certification projects, of which a significant portion was associated with the post-Macondo regulatory and operating environments, (b) approximately $430 million of decreased contract drilling revenues due to reduced drilling activity associated with stacked or idle rigs and (c) approximately $85 million of decreased revenues associated with the sale of *GSF Arctic IV*, which operated under a short-term bareboat charter in 2010. Partially offsetting these decreases in revenues were (a) $585 million of increased contract drilling revenues earned from the operations of our two Harsh Environment Ultra-Deepwater semisubmersibles acquired in connection with our acquisition of Aker Drilling in October 2011 and our newbuild units that commenced operations in the years ended December 31, 2011 and 2010 and (b) $160 million of increased contract drilling revenues resulting from fewer rigs operating under lower special standby rates in effect during and subsequent to the U.S. Gulf of Mexico drilling moratorium.

Other revenues increased for the year ended December 31, 2011 compared to the year ended December 31, 2010, primarily due to increased revenues of approximately $370 million associated with our drilling management services.

Costs and expenses—Operating and maintenance expenses increased for the year ended December 31, 2011 compared to the year ended December 31, 2010 primarily due to the following: (a) $1.0 billion of increased costs and expenses associated with the estimated loss contingencies related to the Macondo well incident, (b) approximately $775 million of increased costs and expenses associated with rigs undergoing shipyard, maintenance, repair and equipment recertification projects, a significant portion of which was associated with the post-Macondo regulatory and operating environment, (c) approximately $265 million of increased costs and expenses associated with our drilling management services and (d) approximately $175 million of increased costs and expenses resulting from the operations of our two Harsh Environment Ultra-Deepwater semisubmersibles acquired in connection with our acquisition of Aker Drilling in October 2011 and our newbuild units that commenced operations during the years ended December 31, 2011 and 2010. These increases were partially offset by (a) $140 million of decreased costs and expenses related to insurance deductibles and legal costs associated with the Macondo well incident, (b) $140 million of decreased costs and expenses related to lower utilization resulting from additional stacked rigs, and (c) approximately $80 million of decreased costs and expenses associated with the sale of *GSF Arctic IV*, which operated under a short-term bareboat charter in 2010.

Depreciation and amortization increased primarily due to the following: (a) $36 million of additional depreciation expense associated with two newbuild Ultra-Deepwater Floaters, which commenced operations in 2011, (b) $34 million related to three newbuild Ultra-Deepwater Floaters, which commenced operations in 2010, (c) $11 million related to two rigs acquired in connection with our acquisition of Aker Drilling in October 2011 and (d) $9 million related to implementation of our global Enterprise Resource Planning system.

General and administrative expense increased primarily due to $22 million of acquisition costs incurred in connection with our acquisition of Aker Drilling in the year ended December 31, 2011.

During the year ended December 31, 2011, we recognized an estimated loss of $5.2 billion on impairment of goodwill associated with our contract drilling services reporting unit due to a decline in projected cash flows and market valuations for this reporting unit.

During the year ended December 31, 2011, we recognized a net loss on disposal of assets of $12 million related to sales of rigs and other property and equipment. In the year ended December 31, 2010, we recognized a net gain on disposal of assets of $255 million, including a $267 million gain on insurance recoveries for the loss of *Deepwater Horizon* that exceeded the carrying amount of the rig. Partially offsetting the gain was a loss of $15 million related to the sale of *GSF Arctic II* and *GSF Arctic IV*.

Other income and expense—Interest expense increased in the year ended December 31, 2011 compared to the year ended December 31, 2010, primarily due to $50 million of reduced interest capitalized for our newbuild projects and $83 million of increased interest expense associated with debt issued in the years ended December 31, 2010 and 2011 and debt assumed in our acquisition of Aker Drilling in the year ended December 31, 2011. Partially offsetting these increases was $103 million associated with debt repaid or repurchased in the years ended December 31, 2010 and 2011.

In the year ended December 31, 2010, we recognized a net loss on retirement of debt primarily related to repurchases of the Series B Convertible Senior Notes and Series C Convertible Senior Notes.

In the year ended December 31, 2011, we recognized losses on foreign exchange of $99 million, including a loss of $78 million associated with a forward exchange contract, which was not designated and did not qualify as a hedging instrument for accounting purposes.

Income tax expense—We operate internationally and provide for income taxes based on the tax laws and rates in the countries in which we operate and earn income. The annual effective tax rates were 35.4 percent and 12.5 percent at December 31, 2011 and 2010, respectively, based on income from continuing operations before income taxes, after excluding certain items, such as losses on impairment, losses on our forward exchange contract, expenses for litigation matters, losses on debt retirements and gains and losses on certain asset disposals and acquisitions. The tax effect, if any, of the excluded items as well as settlements of prior year tax liabilities and changes in prior year tax estimates are all treated as discrete period tax expenses or benefits. For the years ended December 31, 2011 and 2010, the impact of the various discrete period tax items was a net tax expense of $12 million and $45 million, respectively. These discrete tax items, coupled with the excluded income and expense items noted above, resulted in effective tax rates of (6.0) percent and 13.5 percent on income from continuing operations before income tax expense for the years ended December 31, 2011 and 2010, respectively.

The relationship between our provision for or benefit from income taxes and our income before income taxes can vary significantly from period to period considering, among other factors, (a) the overall level of income before income taxes, (b) changes in the blend of income that is taxed based on gross revenues versus income before taxes, (c) rig movements between taxing jurisdictions and (d) our rig operating structures. Generally, our annual marginal tax rate is lower than our annual effective tax rate. Consequently, our income tax expense does not change proportionally with our income before income taxes. Significant decreases in our income before income taxes typically lead to higher effective tax rates, while significant increases in income before income taxes can lead to lower effective tax rates, subject to the other factors impacting income tax expense noted above. The annual effective tax rate increased to 35.4 percent from 12.5 percent for the year ended December 31, 2011 compared to the year ended December 31, 2010 primarily due to the significant decrease in income before income taxes. With respect to the annual effective tax rate calculation for the year ended December 31, 2011, a significant portion of our income tax expense was generated in countries in which income taxes are imposed on gross revenues, with the most significant of these countries being Angola, India, Nigeria and Equatorial Guinea. Conversely, the most significant countries in which we operated during this period that impose income taxes based on income before income tax include the U.K., Switzerland, Brazil and the U.S.

Our rig operating structures further complicate our tax calculations, especially in instances where we have more than one operating structure for the particular taxing jurisdiction and, thus, more than one method of calculating taxes depending on the operating structure utilized by the rig under the contract. For example, two rigs operating in the same country could generate significantly different provisions for income taxes if they are owned by two different subsidiaries that are subject to differing tax laws and regulations in the respective country of incorporation.

Discontinued Operations

Standard Jackup and swamp barge contract drilling services—On November 30, 2012, in connection with our efforts to dispose of non-strategic assets, we completed the sale of 38 drilling units to Shelf Drilling in a series of related transactions. Such drilling units included the Standard Jackup *GSF Baltic*, which was formerly classified as a High-Specification Jackup, the Standard Jackups *C.E. Thornton*, *F.G. McClintock*, *GSF Adriatic I*, *GSF Adriatic V*, *GSF Adriatic VI*, *GSF Adriatic IX*, *GSF Adriatic X*, *GSF Compact Driller*, *GSF Galveston Key*, *GSF High* Island *II*, *GSF High Island IV*, *GSF High Island V*, *GSF High Island VII*, *GSF High Island IX*, *GSF Key Gibraltar*, *GSF Key Hawaii*, *GSF Key Manhattan*, *GSF Key Singapore, GSF Main Pass I*, *GSF Main Pass IV*, *GSF Parameswara*, *GSF Rig 105*, *GSF Rig 124*, *GSF Rig 141*, *Harvey H. Ward*, *J.T. Angel*, *Randolph Yost*, *Ron Tappmeyer*, *Transocean Comet*, *Trident II*, *Trident VIII*, *Trident IX*, *Trident XII*, *Trident XIV*, *Trident XV*, *Trident XVI* and the swamp barge *Hibiscus*, along with related equipment. Additionally, we have committed to a plan to sell the remaining seven Standard Jackups in our fleet reflecting our decision to discontinue operations associated with the Standard Jackup asset group, a component of our contract drilling services segment.

For a transition period following the completion of the sale transactions, we agreed to continue to operate a substantial portion of the Standard Jackups under operating agreements with Shelf Drilling and to provide certain other transition services to Shelf Drilling. Under 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. As of February 20, 2013, we operated 25 Standard Jackups under operating agreements with Shelf Drilling. 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. The cost to us of providing such operating and transition services may exceed the amounts we receive from Shelf Drilling as compensation for providing such services.

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 the aggregate estimated fair value. As a result, we recognized losses of $744 million and $112 million associated with the impairment of long-lived assets and the goodwill, respectively, associated with this disposal group in the year ended December 31, 2012.

In the year ended December 31, 2012, we also recognized aggregate losses of $29 million associated with the impairment of the Standard Jackups *GSF Adriatic II* and *GSF Rig 136*, which were classified as assets held for sale at the time of impairment.

In the year ended December 31, 2011, we recognized aggregate losses of $28 million, which had a tax effect of less than $1 million, associated with the impairment of the Standard Jackups *George H. Galloway*, *GSF Britannia*, *GSF Labrador* and the swamp barge *Searex IV*, which were classified as assets held for sale at the time of impairment.

During the year ended December 31, 2010, we determined that the Standard Jackup asset group in our contract drilling services reporting unit was impaired due to projected declines in dayrates and utilization rates. As a result, we determined that the carrying amount of the Standard Jackup asset group exceeded its fair value, and in the year ended December 31, 2010, we recognized a loss on impairment of long-lived assets in the amount of $1.0 billion, which had no tax effect.

Caspian Sea contract drilling operations—During the year ended December 31, 2011, in connection with our efforts to dispose of non-strategic assets, we sold the subsidiary that owns the High-Specification Jackup *Trident 20*, located in the Caspian Sea. The disposal of this subsidiary, a component of our contract drilling services segment, reflects our decision to discontinue operations in the Caspian Sea. As a result of the sale, we received net cash proceeds of $259 million and recognized a gain on the disposal of the discontinued operations of $169 million. Through June 2011, we continued to operate *Trident 20* under a bareboat charter to perform services for the customer and the buyer reimbursed us for the approximate cost of providing these services. Additionally, we provided certain transition services to the buyer through September 2011.

U.S. Gulf of Mexico drilling management services—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 segment, upon completion of our then existing contracts. In December 2012, we completed the final drilling management project and discontinued offering our drilling management services in this region.

Oil and gas properties—During the year ended December 31, 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, a component of our other operations segment, which comprises the exploration, development and production activities performed by Challenger Minerals Inc., Challenger Minerals (North Sea) Limited and Challenger Minerals (Ghana) Limited. In October 2011, we completed the sale of Challenger Minerals (North Sea) Limited for initial net cash proceeds of $24 million and, in May 2012, we received additional net cash proceeds of $10 million from the buyer. In 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 $7 million and $6 million, respectively. In the years ended December 31, 2012 and 2011, we recognized gains on the disposal of these assets in the amounts of $9 million and $14 million, respectively.

See Notes to Consolidated Financial Statements—Note 9—Discontinued Operations.

Liquidity and Capital Resources

Sources and Uses of Cash

At December 31, 2012, we had $5.1 billion in cash and cash equivalents. At any given time, we may require a significant portion of our cash on hand for working capital and other needs related to the operation of our business. We currently estimate this amount to be approximately $1.5 billion. As a result, this portion of cash is not generally available to us for other uses.

In the year ended December 31, 2012, our primary sources of cash were our cash flows from operating activities, proceeds from the issuance of debt and proceeds from asset disposals. Our primary uses of cash were capital expenditures, primarily associated with our newbuild projects, repayments of debt and the payment of the final installment of our distribution of qualifying additional paid-in capital to shareholders.

	Years ended December 31,		
	2012	2011	Change
		(In millions)	
Cash flows from operating activities			
Net loss	$ (211)	$ (5,677)	$ 5,466
Amortization of drilling contract intangibles	(42)	(45)	3
Depreciation and amortization	1,306	1,451	(145)
Loss on impairment of assets	1,126	5,239	(4,113)
Gain on disposal of assets, net	(118)	(171)	53
Other non-cash items	135	225	(90)
Changes in operating assets and liabilities, net	512	803	(291)
	$ 2,708	$ 1,825	$ 883

Net cash provided by operating activities increased primarily due to greater cash generated from net income after adjusting for non-cash items, including our losses on goodwill impairments of $230 million and $5.2 billion and our accruals of $750 million and $1.0 billion for loss contingencies related to the Macondo well incident in the years ended December 31, 2012 and 2011, respectively. Of the $230 million loss on goodwill impairment, recognized in the year ended December 31, 2012, $112 million was associated with our discontinued operations.

	Years ended December 31,		
	2012	2011	Change
		(In millions)	
Cash flows from investing activities			
Capital expenditures	$ (1,303)	$ (974)	$ (329)
Capital expenditures for discontinued operations	(106)	(46)	(60)
Investment in business combination, net of cash acquired	—	(1,246)	1,246
Payment for settlement of forward exchange contract, net	—	(78)	78
Proceeds from disposal of assets, net	191	14	177
Proceeds from disposal of assets in discontinued operations, net	789	447	342
Other, net	40	(13)	53
	$ (389)	$ (1,896)	$ 1,507

Net cash used in investing activities decreased primarily due to our acquisition of Aker Drilling and the settlement of a forward currency exchange contract to purchase the Norwegian kroner currency related to the acquisition in the year ended December 31, 2011 with no comparable activity in the year ended December 31, 2012 partially offset by increased proceeds from disposal of assets in the year ended December 31, 2012 compared to the prior year period.

	Years ended December 31, 2012	2011	Change
	(In millions)		
Cash flows from financing activities			
Change in short-term borrowings, net	$ (260)	$ (88)	$ (172)
Proceeds from debt	1,493	2,939	(1,446)
Repayments of debt	(2,282)	(2,409)	127
Proceeds from restricted cash investments	311	479	(168)
Deposits to restricted cash investments	(167)	(523)	356
Proceeds from share issuance, net	—	1,211	(1,211)
Distribution of qualifying additional paid-in capital	(278)	(763)	485
Financing costs	(24)	(83)	59
Other, net	5	(29)	34
	$ (1,202)	$ 734	$ (1,936)

Net cash provided by financing activities decreased primarily due to our proceeds from the issuance of equity in the year ended December 31, 2011 with no comparable activity in the year ended December 31, 2012 and due to reduced proceeds from issuance of debt compared to the prior year period.

Drilling fleet

Expansion—From time to time, we review possible acquisitions of businesses and drilling rigs and may make significant future capital commitments for such purposes. We may also consider investments related to major rig upgrades or new rig construction. Any such acquisition, upgrade or new rig construction could involve the payment by us of a substantial amount of cash or the issuance of a substantial number of additional shares or other securities.

The following table presents the historical and projected capital expenditures and other capital additions, including capitalized interest, for our recently completed and ongoing major construction projects conducted during the year ended December 31, 2012:

	Total costs through December 31, 2012	Expected costs for the year ending December 31, 2013	Estimated costs thereafter	Total estimated costs at completion
	(In millions)			
Transocean Honor (a)	$ 262	$ —	$ —	$ 262
Deepwater Asgard (b)	186	525	39	750
Deepwater Invictus (b)	179	512	54	745
Transocean Siam Driller (c)	162	78	—	240
Transocean Andaman (c)	160	85	—	245
Transocean Ao Thai (c)	152	93	—	245
Ultra-Deepwater Floater TBN1 (d)	139	171	520	830
Ultra-Deepwater Floater TBN2 (d)	128	158	499	785
Ultra-Deepwater Floater TBN3 (d)	76	58	651	785
Ultra-Deepwater Floater TBN4 (d)	76	57	652	785
Total	$ 1,520	$ 1,737	$ 2,415	$ 5,672

(a) *Transocean Honor*, a PPL Pacific Class 400 design High-Specification Jackup, owned through our 70 percent interest in Transocean Drilling Services Offshore Inc. ("TDSOI"), commenced operations in May 2012. The costs presented above represent 100 percent of TDSOI's expenditures in the construction of *Transocean Honor*. 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, 2012.

(b) *Deepwater Asgard* and *Deepwater Invictus*, two Ultra-Deepwater drillships under construction at the Daewoo Shipbuilding & Marine Engineering Co. Ltd. shipyard in Korea, are expected to be ready to commence operations in the second quarter of 2014. Total costs through December 31, 2012 include construction work in progress acquired in connection with our acquisition of Aker Drilling with an aggregate estimated fair value of $272 million.

(c) *Transocean Siam Driller, Transocean Andaman and Transocean Ao Thai,* three Keppel FELS Super B class design High-Specification Jackups under construction at Keppel FELS' yard in Singapore, are expected to commence operations in the first quarter of 2013, the second quarter of 2013 and the fourth quarter of 2013, respectively.

(d) Our 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 fourth quarter of 2015, the second quarter of 2016, the fourth quarter of 2016, and the first quarter of 2017, respectively.

Capital expenditures, including capitalized interest of $54 million, totaled $1.3 billion in the year ended December 31, 2012, substantially all of which related to our contract drilling services segment. In September 2012, we significantly expanded our expected future capital expenditures with our plan to construct four newbuild Ultra-Deepwater drillships in connection with being awarded 10-year drilling contracts for such drillships. As with any major shipyard project that takes place over an extended period of time, the actual costs, the timing of expenditures and the project completion date may vary from estimates based on numerous factors, including actual contract terms, weather, exchange rates, shipyard labor conditions, availability of suppliers to recertify equipment and the market demand for components and resources required for drilling unit construction. See "Item 1A. Risk Factors—Risks related to our business—Our shipyard projects and operations are subject to delays and cost overruns."

For the year ending December 31, 2013, we expect capital expenditures to be approximately $2.9 billion, including approximately $1.7 billion of cash capital costs for our major construction projects. The ultimate amount of our capital expenditures is partly dependent upon financial market conditions, the actual level of operational and contracting activity, the costs associated with the new regulatory environment and customer requested capital improvements and equipment for which the customer agrees to reimburse us.

We intend to fund the cash requirements relating to our capital expenditures through available cash balances, cash generated from operations and asset sales. We also have available credit under the Primary Revolving Credit Facilities (see "—Sources and Uses of Liquidity") and may utilize other commercial bank or capital market financings. Economic conditions could impact the availability of these sources of funding. See "Item 1A. Risk Factors—Risks related to our business—Worldwide financial and economic conditions could have a material adverse effect on our revenue, profitability and financial position."

Dispositions—From time to time, we review possible dispositions of drilling units. During the year ended December 31, 2012, in connection with our efforts to dispose of non-strategic assets of our continuing operations, we completed the sales of the Deepwater Floaters *Discoverer 534* and *Jim Cunningham* and related equipment. In the year ended December 31, 2012, we received net aggregate proceeds of $178 million and recognized an aggregate gain of $51 million on the sale of these drilling units and related equipment associated with our continuing operations. During the year ended December 31, 2012, we recognized a net loss on disposal of other unrelated assets of $15 million.

In November 2012, in connection with our efforts to improve the overall technical capabilities of our fleet and dispose of non-strategic assets, we completed the sale of 37 Standard Jackups and one swamp barge to Shelf Drilling. See "—Results of Operations—Discontinued Operations."

Sources and Uses of Liquidity

Overview—We expect to use existing cash balances, internally generated cash flows, borrowings under bank credit agreements and proceeds from the disposal of assets and discontinued operations to fulfill anticipated obligations, such as scheduled debt maturities or other payments, repayment of debt due within one year, capital expenditures and working capital, shareholder-approved distributions and other needs in our operations. Subject in each case to then existing market conditions and to our then expected liquidity needs, among other factors, we may continue to use a portion of our internally generated cash flows and proceeds from asset sales to reduce debt prior to scheduled maturities through debt repurchases, either in the open market or in privately negotiated transactions, through debt redemptions or tender offers, or through repayments of bank borrowings. At any given time, we may require a significant portion of our cash on hand for working capital and other needs related to the operation of our business. We currently estimate this amount to be approximately $1.5 billion. As a result, this portion of cash is not generally available to us for other uses. From time to time, we may also use borrowings under bank credit agreements to maintain liquidity for short-term cash needs.

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 equal installments of $0.79 per outstanding share, subject to certain limitations. On March 21, 2012, we paid the final installment of $278 million to shareholders of record as of February 24, 2012. The Board of Directors did not propose a distribution at the 2012 annual general meeting.

On January 3, 2013, we announced a resolution with the DOJ of certain civil and criminal claims, which has been subsequently approved by the courts (see "—Item 1A. Risk Factors—Risks related to our business—Despite our settlement with the DOJ, we could have additional liabilities to the U.S. government and others. The ultimate outcome of investigations of the Macondo well incident, DOJ lawsuits and our settlement with the DOJ is uncertain."). However, we are unable to predict the ultimate outcome of the investigations of the Macondo well incident and the DOJ lawsuits related to other civil claims that were not addressed in our resolution with the DOJ. We can give no assurance that the ongoing matters arising out of the Macondo well incident will not adversely affect our liquidity in the future.

Our access to debt and equity markets may be limited due to a variety of events, including, among others, credit rating agency downgrades of our debt ratings, potential liability related to the Macondo well incident, industry conditions, general economic conditions, market conditions and market perceptions of us and our industry. Uncertainty related to our potential liabilities from the Macondo well incident has had, and could continue to have, an impact on our business and our financial condition. Our ability to access such markets may be severely restricted at a time when we would like, or need, to access such markets, which could have an impact on our flexibility to react to changing economic and business conditions. An economic downturn could have an impact on the lenders participating in our credit facilities or on our customers, causing them to fail to meet their obligations to us. Uncertainty related to our potential liabilities from the Macondo well incident has impacted our share price and could impact our ability to access capital markets in the future.

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

Primary Revolving Credit Facilities—We have a $2.0 billion five-year revolving credit facility, established under a bank credit agreement dated November 1, 2011, as amended, that is scheduled to expire on November 1, 2016 (the "Five-Year Revolving Credit Facility"). We also have a $900 million three-year secured revolving credit facility, established under a bank credit agreement dated October 25, 2012, that is scheduled to expire on October 25, 2015 (the "Three-Year Secured Revolving Credit Facility" and, together with the Five-Year Revolving Credit Facility, the "Primary Revolving Credit Facilities"). The Five-Year Revolving Credit Facility includes a $1.0 billion sublimit for the issuance of letters of credit, and borrowings under the Five-Year Revolving Credit Facility are guaranteed by Transocean Ltd. Borrowings under the Three-Year Secured Revolving Credit Facility are secured by *Deepwater Champion, Discoverer Americas* and *Discoverer Inspiration* and are guaranteed by Transocean Ltd. and Transocean Inc.

Among other things, the Primary Revolving Credit Facilities include limitations on creating liens, incurring subsidiary debt, transactions with affiliates, sale/leaseback transactions, mergers and the sale of substantially all assets. The Primary Revolving Credit Facilities also include a covenant imposing a maximum debt to tangible capitalization ratio of 0.6 to 1.0. As of December 31, 2012, our debt to tangible capitalization ratio, as defined, was 0.5 to 1.0. In order to borrow under the Primary Revolving Credit Facilities or have letters of credit issued under the Five-Year Revolving Credit Facility, we must, at the time of the borrowing request, not be in default under the bank credit agreements and make certain representations and warranties, including with respect to compliance with laws and solvency, to the lenders, but we are not required to make any representation to the lenders as to the absence of a material adverse effect. In order to borrow under the Three-Year Secured Revolving Credit Facility, we must also, at the time of the borrowing request, satisfy a collateral maintenance test. Commitments and borrowings under the Three-Year Secured Revolving Credit Facility are subject to mandatory reductions and prepayments, respectively, if a mortgaged rig is sold, an event of loss with respect to a mortgaged rig occurs, a collateral maintenance test is not satisfied or certain other events occur. Borrowings under the Primary Revolving Credit Facilities are subject to acceleration upon the occurrence of an event of default. We are also subject to various covenants under the indentures pursuant to which our public debt was issued, including restrictions on creating liens, engaging in sale/leaseback transactions and engaging in certain merger, consolidation or reorganization transactions. A default under our public debt indentures, our bank credit agreements, our capital lease contract or any other debt owed to unaffiliated entities that exceeds $125 million could trigger a default under the Primary Revolving Credit Facilities and, if not waived by the lenders, could cause us to lose access to the Primary Revolving Credit Facilities and result in the foreclosure of the liens securing the Three-Year Secured Revolving Credit Facility.

Our commitment fee and lending margin under the Primary Revolving Credit Facilities are subject to change based on the credit rating of our non-credit enhanced senior unsecured long-term debt ("Debt Rating"). For the Five-Year Revolving Credit Facility, if our Debt Rating falls below investment grade, the commitment fee will increase from 0.275 percent to 0.325 percent and the lending margin will increase from 1.625 percent to 2.0 percent. For the Three-Year Secured Revolving Credit Facility, if our Debt Rating falls below investment grade, the commitment fee will increase from 0.375 percent to 0.50 percent and the lending margin will increase from 2.0 percent to 2.5 percent.

At February 20, 2013, we had no borrowings outstanding, we had $24 million in letters of credit issued, and we had $2.0 billion of available borrowing capacity under the Five-Year Revolving Credit Facility. At February 20, 2013, we had no borrowings outstanding, and we had $900 million of available borrowing capacity under the Three-Year Secured Revolving Credit Facility.

Debt issuance—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. We are required to pay interest on the 2012 Senior Notes on April 15 and October 15 of each year, beginning April 15, 2013. 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. 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. At February 20, 2013, $750 million aggregate principal amount of the 2.5% Senior Notes due 2017 and $750 million aggregate principal amount of the 3.8% Senior Notes due 2022 were outstanding.

We expect to use the net proceeds from the debt offering to fund all or a part of the cost associated with the construction of four newbuild Ultra-Deepwater drillships. See "—Liquidity and Capital Resources—Drilling Fleet."

5% Notes—On February 15, 2013, we repaid the outstanding $250 million aggregate principal amount of the 5% Notes due February 2013 as of the stated maturity date.

Convertible Senior Notes—Holders of the Series C Convertible Senior Notes had the right to require us to repurchase all or any portion of such holders' notes on December 14, 2012. As a result, in December 2012, we were required to repurchase an aggregate principal amount of $1.7 billion of our Series C Convertible Senior Notes for an aggregate cash payment of $1.7 billion. In February 2013, we redeemed the remaining aggregate principal amount of $62 million of our Series C Convertible Senior Notes for an aggregate cash payment of $62 million. At February 20, 2013, no Convertible Senior Notes were outstanding.

Callable Bonds—In connection with our acquisition of Aker Drilling, we assumed the obligations related to 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"), issued on February 21, 2011, which are publicly traded on the Oslo Stock Exchange. The FRN Callable Bonds and the 11% Callable Bonds are denominated in Norwegian kroner in the aggregate principal amounts of NOK 940 million and NOK 560 million, respectively. The FRN Callable Bonds bear interest at the Norwegian Interbank Offered Rate plus seven percent. The Callable Bonds require quarterly interest payments and may be redeemed in whole or in part at an amount equal to the outstanding principal plus a certain premium amount and accrued unpaid interest. On January 23, 2013, we provided notice of our intent to redeem the Callable Bonds on March 6, 2013. At February 20, 2013, the total aggregate principal amounts of the FRN Callable Bonds and the 11% Callable Bonds were NOK 940 million and NOK 560 million, equivalent to $168 million and $100 million, respectively, using an exchange rate of NOK 5.60 to US $1.00. See Notes to Consolidated Financial Statements—Note 15—Derivatives and Hedging.

Eksportfinans Loans—We have outstanding borrowings under the Loan Agreement dated September 12, 2008 ("Eksportfinans Loan A") and outstanding borrowings under the Loan Agreement dated November 18, 2008 ("Eksportfinans Loan B," and together with Eksportfinans Loan A, the "Eksportfinans Loans"), which were established to finance the construction and delivery of *Transocean Spitsbergen* and *Transocean Barents*. Eksportfinans Loan A and Eksportfinans Loan B bear interest at a fixed rate of 4.15 percent and require semi-annual installments of principal and interest through September 2017 and January 2018, respectively. At February 20, 2013, borrowings of $388 million each were outstanding under Eksportfinans Loan A and Eksportfinans Loan B.

The Eksportfinans Loans require cash collateral to remain on deposit at a certain financial institution through expiration (the "Aker Restricted Cash Investments"). The Aker 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 February 20, 2013, the aggregate balance of the Aker Restricted Cash Investments was $776 million.

TPDI Credit Facilities—We have 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 (the "TPDI Credit Facilities"). One of our subsidiaries participates in the term loan with an aggregate commitment of $595 million. The senior term loan bears interest at the London Interbank Offered Rate ("LIBOR") plus a margin of 1.45 percent and requires quarterly payments with a final payment in March 2015. The junior term loan and the revolving credit facility bear interest at LIBOR plus a margin of 2.25 percent and 1.45 percent, respectively, and are due in full in March 2015. The TPDI Credit Facilities may be prepaid in whole or in part without premium or penalty. Borrowings under the TPDI Credit Facilities are secured by the Ultra-Deepwater Floaters *Dhirubhai Deepwater KG1* and *Dhirubhai Deepwater KG2.* The TPDI Credit Facilities contain covenants that require us to maintain a minimum cash balance and available liquidity, a minimum debt service ratio and a maximum leverage ratio. If our Debt Rating falls below investment grade, we would be required to obtain insurance from a source other than our wholly owned captive insurance company within 10 business days. At February 20, 2013, $770 million was outstanding under the TPDI Credit Facilities, of which $385 million was due to one of our subsidiaries and was eliminated in consolidation. The weighted-average interest rate on February 20, 2013 was 1.9 percent.

Under the TPDI Credit Facilities, we are required to satisfy certain liquidity requirements, including a requirement to maintain certain cash balances in restricted accounts for the payment of scheduled installments. At February 20, 2013, such restricted cash balances were $2 million. At February 20, 2013, we also had an outstanding letter of credit in the amount of $60 million to satisfy additional liquidity requirements under the TPDI Credit Facilities.

ADDCL Credit Facilities—Angola Deepwater Drilling Company Limited ("ADDCL") has a senior secured credit facility, comprised of Tranche A for $215 million and Tranche C for $399 million, under a bank credit agreement that is scheduled to expire in December 2017 (the "ADDCL Primary Loan Facility"). Unaffiliated financial institutions provide the commitment for and borrowings under Tranche A, and one of our subsidiaries provides the commitment for Tranche C. Tranche A bears interest at LIBOR plus the applicable margin of 0.725 percent. Tranche A requires semi-annual installments of principal and interest. Borrowings under the ADDCL Primary Loan Facility are secured by the Ultra-Deepwater Floater *Discoverer Luanda.* The ADDCL Primary Loan Facility contains covenants that require ADDCL to maintain certain cash balances to service the debt and also limits ADDCL's ability to incur additional indebtedness, to acquire assets, or to make distributions or other payments. At February 20, 2013, borrowings of $163 million were outstanding under Tranche A at a weighted-average interest rate of 1.2 percent. At February 20, 2013, borrowings of $399 million were outstanding under Tranche C, which were eliminated in consolidation.

ADDCL also has a $90 million secondary credit facility, established under a bank credit agreement that is 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 provides 65 percent of the total commitment under the ADDCL Secondary Loan Facility. Borrowings under the ADDCL Secondary Loan Facility bear interest at LIBOR plus the applicable margin, ranging from 3.125 percent to 5.125 percent, depending on certain milestones. Borrowings under the ADDCL Secondary Loan Facility are payable in full in December 2015 and may be prepaid in whole or in part without premium or penalty. Borrowings are subject to acceleration by the unaffiliated financial institution upon the occurrence of certain events of default, including if our Debt Rating falls below investment grade. In addition, if our Debt Rating falls below investment grade, ADDCL would be required to obtain insurance from a source other than our wholly owned captive insurance company within 10 business days. At February 20, 2013, borrowings of $80 million were outstanding under the ADDCL Secondary Loan Facility, of which $52 million was provided by one of our subsidiaries and was eliminated in consolidation. The weighted-average interest rate on February 20, 2013 was 3.4 percent.

ADDCL is required to maintain certain cash balances in restricted accounts for the payment of the scheduled installments on the ADDCL Credit Facilities. At February 20, 2013, ADDCL had restricted cash investments of $27 million.

Capital lease contract—*Petrobras 10000* is held by one of our subsidiaries under a capital lease contract that requires scheduled monthly payments of $6 million through its stated maturity on August 4, 2029, at which time our subsidiary will have the right and obligation to acquire *Petrobras 10000* from the lessor for one dollar. Upon the occurrence of certain termination events, our subsidiary is also required to purchase *Petrobras 10000* and pay a termination amount determined by a formula based upon the total cost of the drillship. The capital lease contract includes limitations on creating liens on *Petrobras 10000* and requires our subsidiary to make certain representations in connection with each monthly payment, including with respect to the absence of pending or threatened litigation or other proceedings against our subsidiary or any of its affiliates, which, if determined adversely, could have a material adverse effect on our subsidiary's ability to perform its obligations under the capital lease contract. Additionally, Transocean Inc. has guaranteed the obligations under the capital lease contract, and Transocean Inc. is required to maintain an adjusted net worth, as defined, of at least $5.0 billion as of the end of each fiscal quarter. In the event Transocean Inc. does not satisfy this covenant at the end of any fiscal quarter, it is required to deposit the deficit amount, determined as the difference between $5.0 billion and the adjusted net worth for such fiscal quarter, into an escrow account for the benefit of the lessor. At February 20, 2013, $656 million was outstanding under the capital lease contract.

Consent Decree obligations—Pursuant to a civil consent decree by and among the DOJ and certain of our affiliates (the "Consent Decree") that we entered into on January 3, 2013, we agreed to pay a civil penalty totaling $1.0 billion, plus interest, according to the following schedule: (a) $400 million, plus interest, within 60 days after the date of entry; (b) $400 million, plus interest, within one year after the date of entry; and (c) $200 million, plus interest, within two years after the date of entry. Such interest will accrue from January 3, 2013 at the statutory post-judgment interest rate equal to the weekly average one-year constant maturity U.S. Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the calendar week preceding the date of entry, plus 2.0 percent. The Consent Decree was approved by the court on February 19, 2013, and at the time of such approval, the noncurrent portion of these obligations were reclassified to other long-term liabilities on our consolidated balance sheets.

Plea Agreement obligations—Pursuant to a cooperation guilty plea agreement by and among the DOJ and certain of our affiliates (the "Plea Agreement") that we entered into on January 3, 2013, we are required to pay a criminal fine of $100 million within 60 days of sentencing, which is expected to occur in the first or second quarter of 2013. We also consented to the entry of an order requiring us to pay a total of $150 million to the National Fish & Wildlife Foundation, as follows: $58 million within 60 days of sentencing, $53 million within one year of sentencing and an additional $39 million within two years of sentencing. Such order also requires us to pay $150 million to the National Academy of Sciences as follows: $2 million within 90 days of sentencing, $7 million within one year of sentencing, $21 million within two years of sentencing, $60 million within three years of sentencing and a final payment of $60 million within four years of sentencing. The Plea Agreement was approved by the court on February 14, 2013, and at the time of such approval, these obligations were reclassified from other current liabilities to debt or debt due within one year on our consolidated balance sheets.

Share repurchase program—In May 2009, at our annual general meeting, our shareholders approved and authorized our board of directors, at its discretion, to repurchase an amount of our shares for cancellation with an aggregate purchase price of up to CHF 3.5 billion, which is equivalent to approximately $3.8 billion at an exchange rate as of the close of trading on February 20, 2013 of $1.00 to CHF 0.93. On February 12, 2010, our board of directors authorized our management to implement the share repurchase program. We intend to fund any repurchases using available cash balances and cash from operating activities. In the year ended December 31, 2012, we did not purchase shares under our share repurchase program.

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

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

Under Swiss corporate law, the right of a company and its subsidiaries to repurchase and hold its own shares is limited. A company may repurchase such company's shares to the extent it has freely distributable reserves as shown on its Swiss statutory balance sheet in the amount of the purchase price and the aggregate par value of all shares held by the company as treasury shares does not exceed 10 percent of the company's share capital recorded in the Swiss Commercial Register, whereby for purposes of determining whether the 10 percent threshold has been reached, shares repurchased under a share repurchase program for cancellation purposes authorized by the company's shareholders are disregarded. As of February 20, 2013, Transocean Inc., our wholly owned subsidiary, held as treasury shares approximately three percent of our issued shares. At the annual general meeting in May 2009, the shareholders approved the release of CHF 3.5 billion of additional paid-in capital to other reserves, or freely available reserves as presented on our Swiss statutory balance sheet, to create the freely available reserve necessary for the CHF 3.5 billion share repurchase program for the purpose of the cancellation of shares (the "Currently Approved Program"). At the May 2011 annual general meeting, our shareholders approved the reallocation of CHF 3.2 billion, which is the remaining amount authorized under the share repurchase program, from free reserve to legal reserve, reserve from capital contributions. This amount will continue to be available for Swiss federal withholding tax-free share repurchases. We may only repurchase shares to the extent freely distributable reserves are available. Our board of directors could, to the extent freely distributable reserves are available, authorize the repurchase of additional shares for purposes other than cancellation, such as to retain treasury shares for use in satisfying our obligations in connection with incentive plans or other rights to acquire our shares. Based on the current amount of shares held as treasury shares, approximately seven percent of our issued shares could be repurchased for purposes of retention as additional treasury shares. Although our board of directors has not approved such a share repurchase program for the purpose of retaining repurchased shares as treasury shares, if it did so, any such shares repurchased would be in addition to any shares repurchased under the Currently Approved Program.

Contractual obligations—As of December 31, 2012, our contractual obligations stated at face value, were as follows:

	For the years ending December 31,				
	Total	2013	2014 - 2015 (in millions)	2016 - 2017	Thereafter
Contractual obligations					
Debt	$ 11,589	$ 1,034	$ 1,738	$ 2,325	$ 6,492
Debt of consolidated variable interest entities	191	28	91	72	—
Interest on debt (a)	6,265	637	1,202	969	3,457
Capital lease	1,201	66	144	145	846
Operating leases	231	42	62	32	95
Purchase obligations	3,766	1,896	1,196	674	—
Total (b)	$ 23,243	$ 3,703	$ 4,433	$ 4,217	$ 10,890

(a) Includes interest on consolidated debt.

(b) As of December 31, 2012, our defined benefit pension and other postretirement plans represented an aggregate liability of $642 million, representing the aggregate projected benefit obligation, net of the aggregate fair value of plan assets. The carrying amount of this liability is affected by net periodic benefit costs, funding contributions, participant demographics, plan amendments, significant current and future assumptions, and returns on plan assets. Due to the uncertainties resulting from these factors and since the carrying amount is not representative of future liquidity requirements, we have excluded this amount from the contractual obligations presented in the table above. See "—Retirement Pension Plans and Other Postretirement Benefit Plans" and Notes to Consolidated Financial Statements—Note 16—Postemployment Benefit Plans.

As of December 31, 2012, our unrecognized tax benefits related to uncertain tax positions, net of prepayments, represented a liability of $581 million. Due to the high degree of uncertainty regarding the timing of future cash outflows associated with the liabilities recognized in this balance, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities, and we have excluded this amount from the contractual obligations presented in the table above. See Notes to Consolidated Financial Statements—Note 8—Income Taxes.

Subsequent to December 31, 2012, we reached an agreement with the 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 pay $1.4 billion in fines, recoveries and penalties, excluding interest, in scheduled payments over a five-year period through 2017. The Consent Decree and Plea Agreement, pursuant to which our obligations are defined, received court approval in February 2013 and, at the time of such approval, were reclassified from other current liabilities to debt or debt due within one year. See "—Contingencies—Macondo well incident."

Other commercial commitments—We have other commercial commitments that we are contractually obligated to fulfill with cash under certain circumstances. These commercial commitments include standby letters of credit and surety bonds that guarantee our performance as it relates to our drilling contracts, insurance, customs, tax and other obligations in various jurisdictions. Standby letters of credit are issued under a number of committed and uncommitted bank credit facilities. The obligations that are the subject of these standby letters of credit and surety bonds are primarily geographically concentrated in Nigeria, India, the U.S., Egypt and Indonesia. Obligations under these standby letters of credit and surety bonds are not normally called, as we typically comply with the underlying performance requirement.

At December 31, 2012, these obligations stated in U.S. dollar equivalents and their time to expiration were as follows:

	For the years ending December 31,				
	Total	2013	2014 - 2015	2016 - 2017	Thereafter
			(in millions)		
Other commercial commitments					
Standby letters of credit (a)	$ 522	$ 463	$ 59	$ —	$ —
Surety bonds	11	11	—	—	—
Total	$ 533	$ 474	$ 59	$ —	$ —

(a) Included in the $522 million outstanding letters of credit at December 31, 2012 were $113 million of letters of credit that we have agreed to retain in support of the operations for Shelf Drilling for up to three years following the closing of the sale transactions (See Notes to Consolidated Financial Statements—Note 9—Discontinued Operations). Shelf Drilling is required to reimburse us in the event that surety bonds relating to this performance are called.

We have established a wholly owned captive insurance company to insure various risks of our operating subsidiaries. Access to the cash investments of the captive insurance company may be limited due to local regulatory restrictions. At December 31, 2012, the cash investments held by the captive insurance company totaled $250 million, and the amount of such cash investments is expected to range from $270 million to $330 million by December 31, 2013. The amount of actual cash investments held by the captive insurance company varies, depending on the amount of premiums paid to the captive insurance company, the timing and amount of claims paid by the captive insurance company, and the amount of dividends paid by the captive insurance company.

Derivative Instruments

Our board of directors has approved policies and procedures for derivative instruments that require the approval of our Chief Financial Officer prior to entering into any derivative instruments. From time to time, we may enter into a variety of derivative instruments in connection with the management of our exposure to fluctuations in interest rates and currency exchange rates. We do not enter into derivative transactions for speculative purposes; however, we may enter into certain transactions that do not meet the criteria for hedge accounting. See Notes to Consolidated Financial Statements—Note 15—Derivatives and Hedging.

Pension Plans and Other Postretirement Benefit Plans

Overview—We maintain a 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 several funded defined benefit plans, three of which we assumed in connection with our acquisition of Aker Drilling, which are primarily group pension schemes with life insurance companies, 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.

The following table presents the amounts and weighted-average assumptions associated with the U.S. Plans, the Non-U.S. Plans and the OPEB Plans.

	Year ended December 31, 2012				Year ended December 31, 2011			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Net periodic benefit costs (a)	$ 89	$ 57	$ 3	$ 149	$ 62	$ 25	$ 1	$ 88
Other comprehensive income (loss)	(32)	31	(4)	(5)	(129)	(51)	1	(179)
Employer contributions	108	49	2	159	70	29	4	103
At end of period:								
Accumulated benefit obligation	$ 1,255	$ 434	$ 58	$ 1,747	$ 1,083	$ 375	$ 53	$ 1,511
Projected benefit obligation	1,452	499	58	2,009	1,260	447	53	1,760
Fair value of plan assets	948	422	—	1,370	769	351	—	1,120
Funded status	(504)	(77)	(58)	(639)	(491)	(96)	(53)	(640)
Weighted-Average Assumptions								
-Net periodic benefit costs								
Discount rate (b)	4.67 %	5.43%	4.27%	4.85%	5.49%	5.73%	4.94%	5.53%
Long-term rate of return (c)	7.47 %	6.07%	n/a	7.02%	8.49%	6.42%	n/a	7.83%
Compensation trend rate (b)	4.22 %	4.61%	n/a	4.32%	4.24%	4.62%	n/a	4.36%
Health care cost trend rate-initial	n/a	n/a	8.08%	8.08%	n/a	n/a	8.08%	8.08%
Health care cost trend rate-ultimate (d)	n/a	n/a	5.00%	5.00%	n/a	n/a	5.00%	5.00%
-Benefit obligations								
Discount rate (b)	4.19 %	5.37%	3.63%	4.48%	4.66%	4.90%	4.28%	4.71%
Compensation trend rate (b)	4.21 %	4.38%	n/a	4.25%	4.22%	4.30%	n/a	4.26%

"n/a" means not applicable.

(a) Net periodic benefit costs were reduced by expected returns on plan assets of $84 million and $86 million in the years ended December 31, 2012 and 2011, respectively.

(b) Weighted-average based on relative average projected benefit obligation for the year.

(c) Weighted-average based on relative average fair value of plan assets for the year.

(d) Ultimate health care trend rate is expected to be reached in 2019.

Net periodic benefit cost—In the year ended December 31, 2012, net periodic benefit costs increased by $61 million primarily due to the decline in interest rates as well as unfavorable asset performance. For the year ending December 31, 2013, we expect net periodic benefit costs to decrease by $7 million compared to the net periodic benefit costs recognized in the year ended December 31, 2012 primarily due to the termination of benefits as a result of discontinued operations affecting our non-US Plans, partially offset by an increase in net periodic benefit costs for the U.S. Plans. Net periodic benefit costs for the U.S. Plans increased by $15 million primarily due to a decline in discount rates during 2012.

Plan assets—We review our investment policies at least annually and our plan assets and asset allocations at least quarterly to evaluate performance relative to specified objectives. In determining our asset allocation strategies for the U.S. Plans, we review 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. Plan, 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 returns under the terms of investment contracts with insurance companies.

In the year ended December 31, 2012, plan assets of the funded Transocean Plans were favorably impacted by improvements in world equity markets, given the allocation of approximately 59 percent of plan assets to equity securities. To a lesser extent, plan assets allocated to debt securities and other investments also experienced better than expected gains. In the year ended December 31, 2012, the fair value of the investments in the funded Transocean Plans increased by $250 million, or 22.4 percent, due to investment returns of $144 million, funding contributions of $91 million, net of benefits paid, and currency revaluations of $15 million in connection with the funded Non-U.S. Plans.

Funding contributions—We review the funded status of our plans at least annually and contribute an amount at least equal to the minimum amount required. For the funded U.S. Plans, we contribute an amount at least equal to that required by the Employee Retirement Income Security Act of 1974 ("ERISA") and the Pension Protection Act of 2006 ("PPA"). We use actuarial computations to establish the minimum contribution required under ERISA and PPA and the maximum deductible contribution allowed for income tax purposes. For the funded U.K. Plan, we contribute an amount, as mutually agreed with the plan trustees, based on actuarial recommendations. For the funded Norway Plans, we contribute an amount determined by the plan trustee based on Norwegian pension laws. For the unfunded Transocean Plans and OPEB Plans, we generally fund benefit payments for plan participants as incurred. We fund our contributions to the Transocean Plans and the OPEB Plans using cash flows from operations.

In the year ended December 31, 2012, we contributed $159 million and participants contributed $3 million to the Transocean Plans and the OPEB Plans. In the year ended December 31, 2011, we contributed $103 million and participants contributed $3 million to the Transocean Plans and the OPEB Plans.

For the year ending December 31, 2013, we expect to contribute $50 million to the Transocean Plans and $4 million to the OPEB Plans. These estimated contributions are comprised of $14 million to meet minimum funding requirements for the funded U.S. Plans, $11 million to meet the funding requirements for the funded Non-U.S. Plans, and approximately $24 million to fund expected benefit payments for the unfunded U.S. Plans, unfunded Non-U.S. Plans and OPEB Plans.

Benefit payments—Our projected benefit payments for the Transocean Plans and the OPEB Plans are as follows (in millions):

	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Years ending December 31,				
2013	$ 43	$ 28	$ 4	$ 75
2014	47	11	4	62
2015	51	10	4	65
2016	55	11	4	70
2017	59	11	4	74
2018-2022	349	82	22	453

Contingencies

Macondo well incident

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 BP America Production Co. (together with its affiliates, "BP"). The rig was declared a total loss.

Although we are unable to estimate the full direct and indirect effect that the Macondo well incident will have on our business, the incident has had and could continue to have a material adverse effect on our consolidated statement of financial position, results of operations and cash flows. In the three years ended December 31, 2012, we estimate that the Macondo well incident had a direct and indirect effect of greater than $1.0 billion in lost revenues and incremental costs and expenses associated with extended shipyard projects and increased downtime, both as a result of complying with the enhanced regulations and our customers' requirements. We also lost approximately $1.1 billion of contract backlog associated with the termination of the *Deepwater Horizon* contract in April 2010 resulting from the loss of the rig and the termination of another drilling contract in December 2011 resulting from the previously mentioned increased downtime. We have recognized estimated losses of $1.9 billion in connection with loss contingencies associated with the Macondo well incident that we believe are probable and for which a reasonable estimate can be made. Additionally, in the three years ended December 31, 2012, we incurred cumulative incremental costs, primarily associated with legal expenses for lawsuits and investigations, in the amount of $372 million. Collectively, the lost contract backlog from the incident and from the termination in December 2011, the lost revenues and incremental costs and expenses and other losses have had an effect of greater than $4.0 billion. See "—Contingencies—Insurance matters."

We have recognized a liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made. This liability takes into account certain events related to the litigation and investigations arising out of the incident. There are loss contingencies related to the Macondo well incident that we believe are reasonably possible and for which we do not believe a reasonable estimate can be made. These contingencies could increase the liabilities we ultimately recognize. As of December 31, 2012 and 2011, the liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made was $1.9 billion and $1.2 billion, respectively, recorded in other current liabilities.

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 recoverable from insurance. Although we have available policy limits that could result in additional amounts recoverable from insurance, recovery of such additional amounts is not probable and we are not currently able to estimate such amounts. Our estimates involve a significant amount of judgment. As a result of new information or future developments, we may adjust our estimated loss contingencies arising out of the Macondo well incident or 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 and cash flows. In the year ended December 31, 2012, we received $15 million of cash proceeds from insurance recoveries for losses related to the personal injury and fatality claims of our crew and vendors. Additionally, BP received $84 million of cash proceeds from insurance recoveries under our insurance program for recoveries of losses for which we had agreed to contractual indemnity of BP (See "—Contingencies—Contractual indemnity"). The payments made to BP resulted in corresponding reductions of the insurance recoverable asset and contingent liability in the amount of the payment. At December 31, 2012 and 2011, the insurance recoverable asset related to estimated losses primarily for additional personal injury and fatality claims of our crew and vendors that we believe are recoverable from insurance was $141 million and $233 million, respectively, recorded in other assets.

Additionally, our first layer of excess insurers, representing $150 million of insurance coverage, filed interpleader actions on June 17, 2011. 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 interpleader actions have executed a protocol agreement to facilitate the reimbursement and funding of settlements of personal injury and fatality claims of our crew and vendors using insurance funds and claims have been submitted to the court for review. Pending the court's determination of the parties' claims, and with the court's approval, the insurers have made interim reimbursement payments to the parties.

Our second layer of excess insurers, representing $150 million of insurance coverage, filed an interpleader action on July 31, 2012. Effective February 11, 2013, the parties to the second layer interpleader action executed a protocol agreement to facilitate the reimbursement and funding of settlements of personal injury and fatality claims of our crew and vendors using insurance funds. Like the interpleader actions filed by the first layer of excess insurers, the second layer of excess insurers contend that they face multiple, and potentially competing, claims to the relevant insurance proceeds. In this action, 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.

On February 14, 2013, our third layer and fourth layer of excess insurers filed an interpleader action. Like the interpleader actions filed by the first layer and second layer of excess insurers, the third layer and fourth layer of excess insurers contend that they face multiple, and potentially competing, claims to the relevant insurance proceeds. In this action, 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 court has not yet issued any rulings on this action.

On January 3, 2013, we reached agreement with the 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 pay $1.4 billion in fines, recoveries and penalties, excluding interest, in scheduled payments over a five-year period through 2017.

Pursuant to the Plea Agreement, one of our subsidiaries pled guilty to one misdemeanor count of negligently discharging oil into the U.S. Gulf of Mexico, in violation of the Clean Water Act ("CWA"). The court accepted the guilty plea on February 14, 2013 and imposed the agreed-upon sentence. Pursuant to the Plea Agreement, the court imposed a criminal fine of $100 million to be paid within 60 days of sentencing, and also entered an order requiring us to pay a total of $150 million to the National Fish & Wildlife Foundation, as follows: $58 million within 60 days of sentencing, $53 million within one year of sentencing and an additional $39 million within two years of sentencing. Such order also requires us to pay $150 million to the National Academy of Sciences as follows: $2 million within 90 days of sentencing, $7 million within one year of sentencing, $21 million within two years of sentencing, $60 million within three years of sentencing and a final payment of $60 million within four years of sentencing. As of the date of the court approval, these obligations were reclassified from other current liabilities to debt or debt due within one year on our consolidated balance sheets. Our subsidiary has also agreed to five years of probation. The DOJ has 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 have agreed to continue to cooperate with the *Deepwater Horizon* Task Force in any ongoing investigation related to or arising from the accident.

Pursuant to the Consent Decree, we agreed to pay a civil penalty totaling $1.0 billion, plus interest, according to the following schedule: (a) $400 million, plus interest, within 60 days after the date of entry; (b) $400 million, plus interest, within one year after the date of entry; and (c) $200 million, plus interest, within two years after the date of entry. Such interest will accrue from January 3, 2013 at the statutory post-judgment interest rate equal to the weekly average one-year constant maturity U.S. Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the calendar week preceding the date of entry, plus 2.0 percent. The Consent Decree was approved by the court on February 19, 2013, and at the time of such approval, the noncurrent portion of these obligations were reclassified to other long-term liabilities on our consolidated balance sheets.

In addition, we agreed to take specified actions relating to operations in U.S. waters and waters above the U.S. outer continental shelf, including, among other things, the design and implementation of, and compliance with, additional systems and procedures; blowout preventer certification and reports; measures to strengthen well control competencies, drilling monitoring, recordkeeping, incident reporting, risk management and oil spill training, exercises and response planning; communication with operators; alarm systems; transparency and responsibility for matters relating to the Consent Decree; and technology innovation, with a first emphasis on more efficient, reliable blowout preventers. We have agreed to submit a performance plan (the "Performance Plan") for approval by the U.S. within 120 days after the date of entry of the Consent Decree. The Performance Plan will include, among other things, interim milestones for actions in specified areas and a proposed schedule for reports required under the Consent Decree.

The Consent Decree also provides for the appointment of (i) an independent auditor to review, audit and report on our compliance with the injunctive relief provisions of the Consent Decree and (ii) an independent process safety consultant to review, report on and assist with respect to the process safety aspects of the Consent Decree, including operational risk identification and risk management. The Consent Decree requires certain plans, reports and submissions be made and be acceptable to the U.S. and also requires certain publicly available filings.

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

The Consent Decree is without prejudice to the rights of the U.S. with respect to all other matters, including certain liabilities under the Oil Pollution Act ("OPA") for removal costs or for damages including damages for injury to, loss of or loss of use of natural resources, including the reasonable cost of assessing the damage, certain claims for a declaratory judgment of liability under OPA already claimed by the U.S., and certain liabilities for response costs and damages, including injury to park system resources, damages for injury to or loss of natural resources and for the cost of any natural resource damage assessment. However, the district court previously held that we are not liable under the OPA for damages caused by subsurface discharge from the Macondo well. Assuming that this ruling is upheld on appeal, our natural resources damage assessment liability would be limited to any such damages arising from the above-surface discharge.

We may request termination of the Consent Decree after we have: (i) completed timely the civil penalty payment requirements of the Consent Decree; (ii) operated under a fully approved Performance Plan required under the Consent Decree for five years; (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; and (iv) complied with the other requirements of the Consent Decree, including payment of any stipulated penalties and compliant reporting.

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

On February 25, 2013, we reached an administrative agreement (the "EPA Agreement") with the EPA. The EPA Agreement resolves all matters relating to suspension, debarment and statutory disqualification arising from the matters contemplated by the Plea Agreement. Subject to our compliance with the terms of the EPA Agreement, the EPA has agreed that it will not suspend, debar or statutorily disqualify us and will lift any existing suspension, debarment or statutory disqualification.

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

Many of the Macondo well related claims are pending in the U.S. District Court, Eastern District of Louisiana (the "MDL Court"). The first phase of a three-phase trial was originally scheduled to commence in March 2012. In March 2012, BP and the Plaintiff's Steering Committee (the "PSC") announced that they had agreed to a partial settlement related primarily to private party environmental and economic loss claims as well as response effort related claims (the "BP/PSC Settlement"). The BP/PSC Settlement agreement provides that (a) BP will assign to the settlement class certain of BP's claims, rights and recoveries against us for damages with protections such that the settlement class is barred from collecting any amounts from us unless it is finally determined that we cannot recover such amounts from BP, and (b) the settlement class releases all claims for compensatory damages against us but purports to retain claims for punitive damages against us.

On December 21, 2012, the MDL Court granted final approval of the economic and property damage class settlement between BP and the PSC. After giving consideration to the BP/PSC Settlement, the MDL Court ordered that the first phase of the trial, at which liability will be determined, be rescheduled for February 2013. The MDL Court subsequently issued an order with a projected trial date of June 2013 for the second phase of the trial, which will address conduct related to stopping the release of hydrocarbons between April 22, 2010 and approximately September 19, 2010 and seek to determine the amount of oil actually released during the period. Due to changes in the discovery schedule, the second phase of trial is being rescheduled for September 2013. There can be no assurance as to the outcome of the trial, as to the timing of any phase of trial, that we will not enter into a settlement as to some or all of the matters related to the Macondo well incident, including those to be determined at a trial, or the timing or terms of any such settlement.

We can provide no assurances as to the estimated costs, insurance recoveries, or other actions that will result from the Macondo well incident. See Notes to Consolidated Financial Statements Note 17—Commitments and Contingencies and "Part I. Item 1A. Risk Factors—Risks Related to Our Business."

Insurance matters

Our hull and machinery and excess liability insurance program is comprised of commercial market and captive insurance policies. We periodically evaluate our insurance limits and self-insured retentions. As of December 31, 2012, the insured value of our drilling rig fleet was approximately $29.3 billion, excluding our rigs under construction.

Hull and machinery coverage—Under the hull and machinery program, effective May 1, 2012, we generally maintain a $125 million per occurrence deductible, limited to a maximum of $200 million per policy period. Subject to the same shared deductible, we also have coverage for costs incurred to mitigate damage to a rig up to an amount equal to 25 percent of a rig's insured value. Also subject to the same shared deductible, we have additional coverage for wreck removal for up to 25 percent of a rig's insured value, with any excess generally covered to the extent of our remaining excess liability coverage.

Excess liability coverage—Effective May 1, 2012, we carry $775 million of commercial market excess liability coverage, exclusive of 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 has (1) separate $10 million per occurrence deductibles on collision liability claims and (2) separate $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 have retained the risk of the primary $50 million excess liability coverage. In addition, we generally retain the risk for any liability losses in excess of $825 million.

Other insurance coverage—We also carry $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.

We have elected to self-insure operators extra expense coverage for ADTI. This coverage provides protection against expenses related to well control, pollution and redrill liability associated with blowouts. ADTI's customers assume, and indemnify ADTI for, liability associated with blowouts in excess of a contractually agreed amount, generally $50 million.

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

See Notes to Consolidated Financial Statements Note 17—Commitments and Contingencies—Retained risk and "Part I. Item 1A. Risk Factors—Risks Related to Our Business—Our business involves numerous operating hazards."

Tax matters

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

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

We file federal and local tax returns in several jurisdictions throughout the world. Tax authorities in certain jurisdictions are examining our tax returns and in some cases have issued assessments. We are defending our tax positions in those jurisdictions. We are also defending against tax-related claims in courts, including our ongoing criminal trial in Norway.

While we cannot predict or provide assurance as to the final outcome of these proceedings, we do not expect the ultimate liability to have a material adverse effect on our consolidated statement of financial position or results of operations, although it may have a material adverse effect on our consolidated cash flows.

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

Regulatory matters

In June 2007, GlobalSantaFe's management retained outside counsel to conduct an internal investigation of its Nigerian and West African operations, focusing on brokers who handled customs matters with respect to its affiliates operating in those jurisdictions and whether those brokers have fully complied with the U.S. Foreign Corrupt Practices Act ("FCPA") and local laws. GlobalSantaFe commenced its investigation following announcements by other oilfield service companies that they were independently investigating the FCPA implications of certain actions taken by third parties in respect of customs matters in connection with their operations in Nigeria, as well as another company's announced settlement implicating a third-party handling customs matters in Nigeria. In each case, the customs broker was reported to be Panalpina Inc., which GlobalSantaFe used to obtain temporary import permits for its rigs operating offshore Nigeria. GlobalSantaFe voluntarily disclosed its internal investigation to the DOJ and the U.S. Securities and Exchange Commission ("SEC") and, at their request, expanded its investigation to include the activities of its customs brokers in certain other African countries. The investigation focused on whether the brokers fully complied with the requirements of their contracts, local laws and the FCPA and GlobalSantaFe's possible involvement in any inappropriate or illegal conduct in connection with such brokers. In late November 2007, GlobalSantaFe received a subpoena from the SEC for documents related to its investigation. In addition, the SEC advised GlobalSantaFe that it had issued a formal order of investigation.

On July 25, 2007, our legal representatives met with the DOJ in response to a notice we received requesting such a meeting regarding our engagement of Panalpina Inc. for freight forwarding and other services in the U.S. and abroad. The DOJ informed us that it was conducting an investigation of alleged FCPA violations by oil service companies who used Panalpina Inc. and other brokers in Nigeria and other parts of the world. We developed an investigative plan that allowed us to review and produce relevant and responsive information requested by the DOJ and SEC. The investigation was expanded to include one of our agents for Nigeria. This investigation and the legacy GlobalSantaFe investigation were conducted by outside counsel who reported directly to the audit committee of our board of directors. The investigation focused on whether the agent and the customs brokers fully complied with the terms of their respective agreements, the FCPA and local laws and the company's and its employees' possible involvement in any inappropriate or illegal conduct in connection with such brokers and agent. Our outside counsel coordinated their efforts with the DOJ and the SEC with respect to the implementation of our investigative plan, including keeping the DOJ and SEC apprised of the scope and details of the investigation and producing relevant information in response to their requests. The SEC also issued a formal order of investigation in this case and issued a subpoena for further information.

On November 4, 2010, we reached a settlement with the SEC and the DOJ with respect to certain charges relating to the anti-bribery and books and records provisions of the FCPA. In November 2010, under the terms of the settlements, we paid a total of approximately $27 million in penalties, interest and disgorgement of profits. We have also consented to the entry of a civil injunction in two SEC actions and have entered into a three-year deferred prosecution agreement with the DOJ (the "DPA"). In connection with the DPA, we have agreed to implement and maintain certain internal controls, policies and procedures. For the duration of the DPA, we are also obligated to provide an annual written report to the DOJ of our efforts and progress in maintaining and enhancing our compliance policies and procedures. In the event the DOJ determines that we have knowingly violated the terms of the DPA, the DOJ may impose an extension of the term of the agreement or, if the DOJ determines we have breached the DPA, the DOJ may pursue criminal charges or a civil or administrative action against us. The DOJ may also find, in its sole discretion, that a change in circumstances has eliminated the need for the corporate compliance reporting obligations of the DPA and may terminate the DPA prior to the three-year term.

Our internal compliance program has detected a potential violation of U.S. sanctions regulations in connection with the shipment of goods to our operations in Turkmenistan. Goods bound for our rig in Turkmenistan were shipped through Iran by a freight forwarder. Iran is subject to a number of economic regulations, including sanctions administered by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"), and comprehensive restrictions on the export and re-export of U.S.-origin items to Iran. Iran has been designated as a state sponsor of terrorism by the U.S. State Department. Failure to comply with applicable laws and regulations relating to sanctions and export restrictions may subject us to criminal sanctions and civil remedies, including fines, denial of export privileges, injunctions or seizures of our assets. We have self-reported the potential violation to OFAC and retained outside counsel who conducted an investigation of the matter and submitted a report to OFAC.

In 2010, we received and responded to an administrative subpoena from OFAC concerning our previous operations in Myanmar and a follow-up administrative subpoena from OFAC with questions relating to the previous Myanmar operations subpoena response and the self-reported shipment through Iran matter. We responded promptly to their request for information and affirmed that we had not violated applicable laws.

In November 2012, we received a cautionary letter from OFAC indicating that it would not pursue any penalties regarding the shipment of goods through Iran by a freight forwarder or our previous operations in Myanmar and that their reviews regarding both matters have been finalized, unless new or additional information warrant renewed attention. We do not expect any new or additional information and consider these matters to be closed with a positive outcome, without penalty.

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

Other matters

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

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of December 31, 2012.

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. We presented Quantum's interest in TPDI as redeemable noncontrolling interest on our consolidated balance sheets since 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.

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. 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. On May 31, 2012, we issued 8.7 million shares to Quantum in a non-cash exchange for its interest in TPDI, and as a result, TPDI became our wholly owned subsidiary. The put option agreement, among other things, restricts Quantum's sale of our shares until May 29, 2013. In August 2012, we paid $72 million as the final cash settlement, representing 50 percent of TPDI's working capital at May 29, 2012.

Critical Accounting Policies and Estimates

We have prepared our consolidated financial statements in accordance with accounting principles generally accepted in the U.S., which require us to make estimates, judgments and assumptions that affect the amounts reported on the consolidated financial statements and disclosed in the accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

We consider the following to be our critical accounting policies and estimates, and we have discussed the development, selection and disclosure of these critical accounting policies and estimates with the audit committee of our board of directors. For a discussion of our significant accounting policies, refer to our Notes to Consolidated Financial Statements—Note 2—Significant Accounting Policies.

Income taxes—We are a Swiss corporation, operating through our various subsidiaries in a number of countries throughout the world. We have provided for income taxes based upon the tax laws and rates in the countries in which we operate and earn income. The relationship between the provision for or benefit from income taxes and our income or loss before income taxes can vary significantly from period to period because the countries in which we operate have taxation regimes that vary with respect to the nominal tax rate and the availability of deductions, credits and other benefits. Generally, our annual marginal tax rate is lower than our annual effective tax rate. Consequently, our income tax expense does not change proportionally with our income before income taxes. Variations also arise when income earned and taxed in a particular country or countries fluctuates from year to year.

Our annual tax provision is based on expected taxable income, statutory rates and tax planning opportunities available to us in the various jurisdictions in which we operate. The determination of our annual tax provision and evaluation of our tax positions involves interpretation of tax laws in the various jurisdictions and requires significant judgment and the use of estimates and assumptions regarding significant future events, such as the amount, timing and character of income, deductions and tax credits. Our tax liability in any given year could be affected by changes in tax laws, regulations, agreements, and treaties, foreign currency exchange restrictions or our level of operations or profitability in each jurisdiction. Additionally, we operate in many jurisdictions where the tax laws relating to the offshore drilling industry are not well developed. Although our annual tax provision is based on the best information available at the time, a number of years may elapse before the ultimate tax liabilities in the various jurisdictions are determined.

We maintain liabilities for estimated tax exposures in our jurisdictions of operation, and the provisions and benefits resulting from changes to those liabilities are included in our annual tax provision along with related interest. Tax exposure items include potential challenges to permanent establishment positions, intercompany pricing, disposition transactions, and withholding tax rates and their applicability. These 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. At December 31, 2012, the liability for estimated tax exposures in our jurisdictions of operation was approximately $581 million.

We are currently undergoing examinations in a number of taxing jurisdictions for various fiscal years. We review our liabilities on an ongoing basis and, to the extent audits or other events cause us to adjust the liabilities accrued in prior periods, we recognize those adjustments in the period of the event. We do not believe it is possible to reasonably estimate the future impact of changes to the assumptions and estimates related to our annual tax provision because changes to our tax liabilities are dependent on numerous factors that cannot be reasonably projected. These factors include, among others, the amount and nature of additional taxes potentially asserted by local tax authorities; the willingness of local tax authorities to negotiate a fair settlement through an administrative process; the impartiality of the local courts; and the potential for changes in the taxes paid to one country that either produce, or fail to produce, offsetting tax changes in other countries.

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. At December 31, 2012, the amount of indefinitely reinvested earnings was approximately $2.5 billion. Should we make a distribution from the unremitted earnings of these subsidiaries, we would be subject to taxes payable to various jurisdictions. We estimate taxes in the range of $180 million to $230 million would be payable upon distribution of all previously unremitted earnings at December 31, 2012.

We have recognized deferred taxes related to the earnings of certain subsidiaries that are not permanently reinvested or that will not be permanently reinvested in the future. If facts and circumstances cause us to change our expectations regarding future tax consequences, the resulting adjustments to our deferred tax balances could have a material effect on our consolidated statement of financial position, results of operations or cash flows.

Estimates, judgments and assumptions are required in determining whether deferred tax assets will be fully or partially realized. When it is estimated to be more likely than not that all or some portion of certain deferred tax assets, such as foreign tax credit carryovers or net operating loss carryforwards, will not be realized, we establish a valuation allowance for the amount of the deferred tax assets that is considered to be unrealizable. We continually evaluate strategies that could allow for the future utilization of our deferred tax assets. We did not make any significant changes to our valuation allowance against deferred tax assets during the years ended December 31, 2010, 2011 and 2012.

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

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 liabilities 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.

We have recognized a liability for estimated loss contingencies associated with the Macondo well incident that we believe are probable and for which a reasonable estimate can be made. This liability takes into account certain events related to the litigation and investigations arising out of the incident. There are loss contingencies related to the Macondo well incident that we believe are reasonably possible and for which we do not believe a reasonable estimate can be made. These contingencies could increase the liabilities we ultimately recognize. As of December 31, 2012 and 2011, the liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made was $1.9 billion and $1.2 billion, respectively, recorded in other current liabilities.

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 recoverable from insurance. Although we have available policy limits that could result in additional amounts, such as legal costs, being recoverable from insurance, recovery of such additional amounts is not probable and we are not currently able to estimate such amounts. At December 31, 2012 and 2011, the insurance recoverable asset related to estimated losses primarily for additional personal injury and family claims of our crew and vendors that we believe are recoverable from insurance was $141 million and $233 million, respectively, recorded in other assets.

Our estimates involve a significant amount of judgment. Actual results may differ from our estimates. As a result of new information or future developments, we may adjust our estimated loss contingencies and expected insurance recoveries arising out of the Macondo well incident, and the resulting liabilities could have a material adverse effect on our consolidated statement of financial position, results of operations and cash flows.

See Notes to Consolidated Financial Statements—Note 17—Commitments and Contingencies.

Goodwill—We conduct impairment testing for our goodwill annually as of October 1 and more frequently, on an interim basis, when an event occurs or circumstances change that may indicate a reduction in the fair value of a reporting unit below its carrying amount. We test goodwill at the reporting unit level, which is defined as an operating segment or a component of an operating segment that constitutes a business for which financial information is available and is regularly reviewed by management. We have determined that our reporting units for this purpose are as follows: (1) contract drilling services and (2) drilling management services.

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.

To determine the fair value of each reporting unit, we use a combination of valuation methodologies, including both income and market approaches. For our contract drilling services reporting unit, we estimate fair value using discounted cash flows, publicly traded company multiples and acquisition multiples. To develop the projected cash flows associated with our contract drilling services reporting unit, which are based on estimated future dayrates and 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 projected cash flows using a long-term weighted-average cost of capital, which is based on our estimate of the investment returns that market participants would require for each of our reporting units. To develop the publicly traded company multiples, we gather available market data for companies with operations similar to our reporting units and publicly available information for recent acquisitions in the marketplace.

Because our business is cyclical in nature, the results of our impairment testing are expected to vary significantly depending on the timing of the assessment relative to the business cycle. Altering either the timing of or the assumptions used in a reporting unit's fair value calculations could result in an estimate that is significantly below its carrying amount, which may indicate its goodwill is impaired.

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 year ended December 31, 2011, we recognized a loss on impairment in the amount of $5.2 billion, representing our best estimate, which had no tax effect. In the year ended December 31, 2012, we completed our analysis and recognized an incremental adjustment to our original estimate in the amount of $118 million, which had no tax effect.

In September 2012, 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 of our decision to discontinue operations associated with these components of our contract drilling services operating segment, we allocated $112 million of goodwill to the disposal group based on the fair value of the disposal group relative to the fair value of the contract drilling services operating segment. We then determined that the disposal group was impaired since its aggregate carrying amount exceeded its aggregate fair value, and, as a result, we recognized a loss of $112 million on the impairment of the allocated goodwill, which had no tax effect.

In each of these cases, we estimated the implied fair value of the goodwill using a variety of valuation methods, including 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 availability and dayrates.

In the years ended December 31, 2012 and 2010, as a result of our annual impairment testing, we concluded that the goodwill associated with our contract drilling services reporting unit was not impaired. At December 31, 2012, the carrying amount of goodwill was $3.0 billion, representing nine percent of our total assets. See Notes to Consolidated Financial Statements—Note 7—Intangible Asset Impairments, Note 9—Discontinued Operations and Note 13—Goodwill and Other Intangible Assets.

Property and equipment—The carrying amount of property and equipment is subject to various estimates, assumptions, and judgments related to capitalized costs, useful lives and salvage values and impairments.

Capitalized costs—We capitalize costs incurred to enhance, improve and extend the useful lives of our property and equipment and expense costs incurred to repair and maintain the existing condition of our rigs. Capitalized costs increase the carrying amounts and depreciation expense of the related assets, which also impact our results of operations.

Useful lives and salvage values—We depreciate our assets using the straight-line method over their estimated useful lives after allowing for salvage values. We estimate useful lives and salvage values by applying judgments and assumptions that reflect both historical experience and expectations regarding future operations, utilization and asset performance. Useful lives of rigs are difficult to estimate due to a variety of factors, including (a) technological advances that impact the methods or cost of oil and gas exploration and development, (b) changes in market or economic conditions, and (c) changes in laws or regulations affecting the drilling industry. Applying different judgments and assumptions in establishing the useful lives would likely result in materially different net carrying amounts and depreciation expense for our assets. We reevaluate the remaining useful lives of our rigs when certain events occur that directly impact the useful lives 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. A hypothetical one-year increase in the useful lives of all of our rigs would cause a decrease in our annual depreciation expense of approximately $110 million. A hypothetical one-year decrease would cause an increase in our annual depreciation expense of approximately $136 million.

Impairment of long-lived assets—We review our property and equipment for impairment when events or changes in circumstances indicate that the carrying amounts of our assets held and used may not be recoverable or when carrying amounts of assets held for sale exceed fair value less cost to sell. Potential impairment indicators include rapid declines in commodity prices and related market conditions, declines in dayrates or utilization, cancellations of contracts or credit concerns of multiple customers. During periods of oversupply, we may idle or stack rigs for extended periods of time, which could be an indication that an asset group may be impaired since supply and demand are the key drivers of rig utilization and our ability to contract our rigs at economical rates. Our rigs are mobile units, equipped to operate in geographic regions throughout the world and, consequently, we may move rigs from an oversupplied market sector to a more lucrative and undersupplied market sector when it is economical to do so. Many of our contracts generally allow our customers to relocate our rigs from one geographic region to another, subject to certain conditions, and our customers utilize this capability to meet their worldwide drilling requirements. Accordingly, our rigs are considered to be interchangeable within classes or asset groups, and we evaluate impairment by asset group. We consider our asset groups to be Ultra-Deepwater Floaters, Deepwater Floaters, Harsh Environment Floaters, Midwater Floaters, and High-Specification Jackups.

We assess recoverability of assets held and used by projecting undiscounted cash flows for the asset group being evaluated. When the carrying amount of the asset group is determined to be unrecoverable, we recognize an impairment loss, measured as the amount by which the carrying amount of the asset group exceeds its estimated fair value. The evaluation requires us to make judgments about long-term projections for future revenues and costs, dayrates, rig utilization and idle time. These projections involve uncertainties that rely on assumptions about demand for our services, future market conditions and technological developments. Significant and unanticipated changes to these assumptions could materially alter an outcome that could otherwise result in an impairment loss. Given the nature of these evaluations and their application to specific asset groups and specific time periods, it is not possible to reasonably quantify the impact of changes in these assumptions.

The carrying amount of our property and equipment was $20.9 billion as of December 31, 2012, representing 61 percent of our total assets.

Pension and other postretirement benefits—We use a January 1 measurement date for net periodic benefit costs and a December 31 measurement date for projected benefit obligations and plan assets. We measure our pension liabilities and related net periodic benefit costs using actuarial assumptions based on a market-related value of assets that reduces year-to-year volatility. In applying this approach, we recognize investment gains or losses subject to amortization over a five-year period beginning with the year in which they occur. Investment gains or losses for this purpose are measured as the difference between the expected and actual returns calculated using 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. Actual results may differ from these measurements under different conditions or assumptions. Future changes in plan asset returns, assumed discount rates and various other factors related to the pension plans will impact our future pension obligations and net periodic benefit costs.

Additionally, the pension obligations and related net periodic benefit costs for our defined benefit pension and other postretirement benefit plans, including retiree life insurance and medical benefits, are actuarially determined and are affected by assumptions, including long-term rate of return, discount rates, compensation increases, employee turnover rates and health care cost trend rates. The two most critical assumptions are the long-term rate of return and the discount rate. We periodically evaluate our assumptions and, when appropriate, adjust the recorded liabilities and expense. Changes in these and other assumptions used in the actuarial computations could impact our projected benefit obligations, pension liabilities, net periodic benefit costs and other comprehensive income. See "—Retirement Pension Plans and Other Postretirement Benefit Plans."

Long-term rate of return—We develop our assumptions regarding the estimated rate of return on plan assets based on historical experience and projected long-term investment returns, considering each plan's target asset allocation and long-term asset class expected returns. We regularly review our actual asset allocation and periodically rebalance plan assets as appropriate. For each percentage point the expected long-term rate of return assumption is lowered, pension expense would increase by approximately $13 million.

Discount rate—As a basis for determining the discount rate, we utilize a yield curve approach based on Aa-rated corporate bonds and the expected timing of future benefit payments. For each one-half percentage point the discount rate is lowered, net periodic benefit costs would increase by approximately $25 million.

New Accounting Pronouncements

For a discussion of the new accounting pronouncements that have had or are expected to have an effect on our consolidated financial statements, see Notes to Consolidated Financial Statements—Note 3—New Accounting Pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to interest rate risk and currency exchange rate risk, primarily associated with our restricted cash investments, our long-term and short-term debt, and our derivative instruments. For our restricted cash investments and debt instruments, the following table presents the principal cash flows and related weighted-average interest rates by contractual maturity date. For our derivative instruments, including interest rate swaps and cross-currency swaps, the following table presents the notional amounts and weighted-average interest rates by contractual maturity dates. The information is stated in U.S. dollar equivalents. The instruments are denominated in either U.S. dollars or Norwegian kroner, as indicated. The following table presents information for the years ending December 31 (in millions, except interest rate percentages):

	Scheduled Maturity Date (a)							Fair Value
	2013	2014	2015	2016	2017	Thereafter	Total	(b)
Restricted cash investments								
Fixed rate (NOK)	$ 152	$ 152	$ 153	$ 153	$ 153	$ 38	$ 801	$ 843
Average interest rate	4.15 %	4.15 %	4.15 %	4.15 %	4.15 %	4.15 %		
Debt								
Fixed rate (USD)	$ 831	$ 22	$ 1,123	$ 1,026	$ 777	$ 6,994	$ 10,773	$ (12,371)
Average interest rate	4.95 %	7.76 %	5.01 %	5.12 %	2.69 %	6.46 %		
Fixed rate (NOK)	$ 152	$ 152	$ 153	$ 253	$ 153	$ 38	$ 901	$ (948)
Average interest rate	4.15 %	4.15 %	4.15 %	6.87 %	4.15 %	4.15 %		
Variable rate (USD)	$ 70	$ 70	$ 263	$ —	$ —	$ —	$ 403	$ (403)
Average interest rate	1.76 %	1.76 %	2.01 %	— %	— %	— %		
Variable rate (NOK)	$ —	$ —	$ —	$ 169	$ —	$ —	$ 169	$ (177)
Average interest rate	— %	— %	— %	8.96 %	— %	— %		
Debt of consolidated variable interest entities								
Variable rate (USD)	$ 28	$ 30	$ 61	$ 35	$ 37	$ —	$ 191	$ (191)
Average interest rate	1.25 %	1.25 %	2.27 %	1.25 %	1.25 %	— %		
Interest rate swaps								
Fixed to variable (USD)	$ 750	$ —	$ —	$ —	$ —	$ —	$ 750	$ 2
Average pay rate	3.48 %	— %	— %	— %	— %	— %		
Average receive rate	5.17 %	— %	— %	— %	— %	— %		
Variable to fixed (USD)	$ 70	$ 70	$ 263	$ —	$ —	$ —	$ 403	$ (13)
Average pay rate	2.34 %	2.34 %	2.34 %	— %	— %	— %		
Average receive rate	0.31 %	0.31 %	0.31 %	— %	— %	— %		
Cross-currency swaps								
Receive NOK / pay USD	$ —	$ —	$ —	$ 102	$ —	$ —	$ 102	$ 1
Average pay rate	— %	— %	— %	8.93 %	— %	— %		
Average receive rate	— %	— %	— %	11.00 %	— %	— %		

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

We have engaged in certain hedging activities designed to reduce our exposure to interest rate risk and currency exchange rate risk. We also hold certain derivative instruments that are not designated as hedges. See Notes to Consolidated Financial Statements—Note 15—Derivatives and Hedging.

(b) Stated amounts represent the fair value of the asset (liability) as of December 31, 2012.

Interest Rate Risk

At December 31, 2012 and 2011, the face value of our variable-rate debt was approximately $1.1 billion and $2.5 billion, which represented nine percent and 19 percent of the face value of our total debt, respectively, after the effect of our hedging activities. At December 31, 2012, our variable-rate debt, excluding the effect of our hedging activities, primarily consisted of the FRN Callable Bonds and borrowings under the ADDCL Credit Facilities and the TPDI Credit Facilities. Based upon variable-rate debt amounts outstanding as of December 31, 2012 and 2011, a hypothetical one percentage point change in annual interest rates would result in a corresponding change in annual interest expense of approximately $11 million and $25 million, respectively.

At December 31, 2012 and 2011, the fair value of our debt was $14.1 billion and $13.9 billion, respectively. The $0.2 billion increase was primarily due to the issuance of new senior notes in the amount of $1.5 billion and an increase of $0.4 billion related to the increased market valuation of the fair value of our outstanding debt, partially offset by the repurchase of the Series C Convertible Senior Notes in the amount of $1.7 billion during the year ended December 31, 2012.

A large portion of our cash investments is subject to variable interest rates and would earn commensurately higher rates of return if interest rates increase. Based upon the amounts of our cash investments as of December 31, 2012 and 2011, a hypothetical one percentage point change in interest rates would result in a corresponding change in annual interest income of approximately $51 million and $40 million, respectively.

Currency Exchange Rate Risk

We are exposed to currency exchange rate risk associated with our international operations and with some of our long-term and short-term debt. We may engage in hedging activities to mitigate our exposure to currency exchange risk in certain instances through the use of foreign exchange derivative instruments, including forward exchange contracts or spot purchases. A forward exchange contract obligates us to exchange predetermined amounts of specified currencies at a stated exchange rate on a stated date or to make a U.S. dollar payment equal to the value of such exchange.

For our international operations, our primary currency exchange rate risk management strategy involves structuring customer contracts to provide for payment in both U.S. dollars, which is our functional currency, and local currency. The payment portion denominated in local currency is based on our anticipated local currency needs 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 effect of fluctuations in currency exchange rates caused by our international operations generally has not had a material impact on our overall operating results. In situations where local currency receipts do not equal local currency requirements, we may use foreign exchange derivative instruments, including forward exchange contracts or spot purchases, to mitigate currency exchange risk.

At December 31, 2012, we had NOK 6.0 billion aggregate principal amount of debt obligations. Certain of these Norwegian krone-denominated debt instruments are secured by a corresponding amount of Norwegian krone-denominated restricted cash investments. Additionally, we had certain cross-currency swaps, which have been designated as a cash flow hedge of the Callable Bonds, which are denominated in Norwegian kroner. At December 31, 2012 and 2011, after consideration of these currency exchange rate risk management strategies, we had approximately NOK 940 million aggregate principal amount of debt obligations that were exposed to currency exchange rate risk. Based on the Norwegian krone-denominated debt instruments outstanding as of December 31, 2012 and 2011, a hypothetical one percentage point change in the currency exchange rates would result in a corresponding change in annual interest expense of less than $1 million.

On January 23, 2013, we provided notice of our intent to redeem the Callable Bonds on March 6, 2013. In connection with the redemption of the Callable Bonds, we also expect to terminate the related cross-currency swaps.

See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Derivative Instruments,” and “Item 8. Financial Statements and Supplemental Data—Notes to Consolidated Financial Statements—Note 15—Derivatives and Hedging.”

Item 8. Financial Statements and Supplementary Data

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Transocean Ltd. (the "Company" or "our") is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. The Company's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with United States ("U.S.") generally accepted accounting principles.

Internal control over financial reporting includes the controls themselves, monitoring (including internal auditing practices), and actions taken to correct deficiencies as identified.

There are inherent limitations to the effectiveness of internal control over financial reporting, however well designed, including the possibility of human error and the possible circumvention or overriding of controls. The design of an internal control system is also based in part upon assumptions and judgments made by management about the likelihood of future events, and there can be no assurance that an internal control will be effective under all potential future conditions. As a result, even an effective system of internal controls can provide no more than reasonable assurance with respect to the fair presentation of financial statements and the processes under which they were prepared.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2012. In making this assessment, management used the criteria for internal control over financial reporting described in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included an evaluation of the design of the Company's internal control over financial reporting and testing of the operating effectiveness of its internal control over financial reporting.

Management reviewed the results of its assessment with the Audit Committee of the Company's Board of Directors. Based on this assessment, management has concluded that, as of December 31, 2012, the Company's internal control over financial reporting was effective.

The Company's independent auditors, Ernst & Young LLP, a registered public accounting firm, are appointed by the Audit Committee of the Company's Board of Directors, subject to ratification by our shareholders. Ernst & Young LLP has audited and reported on the consolidated financial statements of Transocean Ltd. and Subsidiaries, and the Company's internal control over financial reporting. The reports of the independent auditors are contained in this annual report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Shareholders of Transocean Ltd. and Subsidiaries

We have audited Transocean Ltd. and Subsidiaries' internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Transocean Ltd. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Transocean Ltd. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Transocean Ltd. and Subsidiaries as of December 31, 2012 and 2011, 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, 2012, and our report dated March 1, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Houston, Texas

March 1, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Transocean Ltd.

We have audited the accompanying consolidated balance sheets of Transocean Ltd. and Subsidiaries as of December 31, 2012 and 2011, 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, 2012. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Transocean Ltd. and Subsidiaries at December 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Transocean Ltd.'s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Houston, Texas

March 1, 2013

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To the Annual General Meeting of

Transocean Ltd., Steinhausen

Zurich, March 1, 2013

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, 2012 and 2011 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, 2012 and notes thereto (pages AR-69 to AR-138).

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and fair presentation 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 and fair presentation 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, 2012 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 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	/s/ Jolanda Dolente
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

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

	Years ended December 31, 2012	2011	2010
Operating revenues			
Contract drilling revenues	$ 8,773	$ 7,407	$ 7,698
Other revenues	423	620	251
	9,196	8,027	7,949
Costs and expenses			
Operating and maintenance	6,106	6,179	4,219
Depreciation and amortization	1,123	1,109	1,009
General and administrative	282	288	246
	7,511	7,576	5,474
Loss on impairment	(140)	(5,201)	—
Gain (loss) on disposal of assets, net	36	(12)	255
Operating income (loss)	1,581	(4,762)	2,730
Other income (expense), net			
Interest income	56	44	23
Interest expense, net of amounts capitalized	(723)	(621)	(567)
Gain (loss) on retirement of debt	2	—	(33)
Other, net	(50)	(99)	2
	(715)	(676)	(575)
Income (loss) from continuing operations before income tax expense	866	(5,438)	2,155
Income tax expense	50	324	292
Income (loss) from continuing operations	816	(5,762)	1,863
Income (loss) from discontinued operations, net of tax	(1,027)	85	(894)
Net income (loss)	(211)	(5,677)	969
Net income attributable to noncontrolling interest	8	77	43
Net income (loss) attributable to controlling interest	$ (219)	$ (5,754)	$ 926
Earnings (loss) per share-basic			
Earnings (loss) from continuing operations	$ 2.27	$ (18.14)	$ 5.66
Earnings (loss) from discontinued operations	(2.89)	0.26	(2.78)
Earnings (loss) per share	$ (0.62)	$ (17.88)	$ 2.88
Earnings (loss) per share-diluted			
Earnings (loss) from continuing operations	$ 2.27	$ (18.14)	$ 5.66
Earnings (loss) from discontinued operations	(2.89)	0.26	(2.78)
Earnings (loss) per share	$ (0.62)	$ (17.88)	$ 2.88
Weighted-average shares outstanding			
Basic	356	322	320
Diluted	356	322	320

See accompanying notes.

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

	Years ended December 31,		
	2012	**2011**	**2010**
Net income (loss)	$ (211)	$ (5,677)	$ 969
Other comprehensive income (loss) before income taxes			
Unrecognized components of net periodic benefit costs	(52)	(204)	(8)
Unrecognized gain (loss) on derivative instruments	3	(13)	(29)
Unrecognized loss on marketable securities	—	(13)	—
Recognized components of net periodic benefit costs	47	25	16
Recognized (gain) loss on derivative instruments	(1)	11	12
Recognized loss on marketable securities	2	13	—
Other comprehensive income (loss) before income taxes	(1)	(181)	(9)
Income taxes related to other comprehensive income (loss)	(7)	13	(9)
Other comprehensive income (loss), net of income taxes	(8)	(168)	(18)
Total comprehensive income (loss)	(219)	(5,845)	951
Total comprehensive income attributable to noncontrolling interest	8	73	22
Total comprehensive income (loss) attributable to controlling interest	$ (227)	$ (5,918)	$ 929

See accompanying notes.

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

	December 31, 2012	December 31, 2011
Assets		
Cash and cash equivalents	$ 5,134	$ 4,017
Accounts receivable, net		
Trade	1,940	2,049
Other	260	127
Materials and supplies, net	610	529
Assets held for sale	179	26
Deferred income taxes, net	142	142
Other current assets	382	646
Total current assets	8,647	7,536
Property and equipment	26,967	24,833
Property and equipment of consolidated variable interest entities	1,092	2,252
Less accumulated depreciation	7,179	6,297
Property and equipment, net	20,880	20,788
Goodwill	2,987	3,217
Other assets	1,741	3,491
Total assets	$ 34,255	$ 35,032
Liabilities and equity		
Accounts payable	$ 1,047	$ 880
Accrued income taxes	116	86
Debt due within one year	1,339	1,942
Debt of consolidated variable interest entities due within one year	28	245
Other current liabilities	2,933	2,375
Total current liabilities	5,463	5,528
Long-term debt	10,929	10,756
Long-term debt of consolidated variable interest entities	163	593
Deferred income taxes, net	366	487
Other long-term liabilities	1,604	1,925
Total long-term liabilities	13,062	13,761
Commitments and contingencies		
Redeemable noncontrolling interest	—	116
Shares, CHF 15.00 par value, 402,282,355 authorized, 167,617,649 conditionally authorized at December 31, 2012 and 2011; 373,830,649 and 365,135,298 issued at December 31, 2012 and 2011, respectively; and 359,505,251 and 349,805,793 outstanding at December 31, 2012 and 2011, respectively	5,130	4,982
Additional paid-in capital	7,521	7,211
Treasury shares, at cost, 2,863,267 held at December 31, 2012 and 2011	(240)	(240)
Retained earnings	3,855	4,180
Accumulated other comprehensive loss	(521)	(496)
Total controlling interest shareholders' equity	15,745	15,637
Noncontrolling interest	(15)	(10)
Total equity	15,730	15,627
Total liabilities and equity	$ 34,255	$ 35,032

See accompanying notes.

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

	Years ended December 31,			Years ended December 31,		
	2012	2011	2010	2012	2011	2010
Shares		Shares			Amount	
Balance, beginning of period	350	319	321	$ 4,982	$ 4,482	$ 4,472
Issuance of shares under share-based compensation plans	1	1	1	14	12	10
Issuance of shares in exchange for redeemable noncontrolling interest	9	—	—	134	—	—
Issuance of shares in public offering	—	30	—	—	488	—
Purchases of shares held in treasury	—	—	(3)	—	—	—
Balance, end of period	360	350	319	$ 5,130	$ 4,982	$ 4,482
Additional paid-in capital						
Balance, beginning of period				$ 7,211	$ 7,504	$ 7,407
Share-based compensation				97	95	102
Issuance of shares under share-based compensation plans				(17)	(18)	(11)
Issuance of shares in exchange for redeemable noncontrolling interest				233	—	—
Issuance of shares in public offering, net of issue costs				—	671	—
Obligation for distribution of qualifying additional paid-in capital				—	(1,041)	—
Other, net				(3)	—	6
Balance, end of period				$ 7,521	$ 7,211	$ 7,504
Treasury shares, at cost						
Balance, beginning of period				$ (240)	$ (240)	$ —
Purchases of shares held in treasury				—	—	(240)
Balance, end of period				$ (240)	$ (240)	$ (240)
Retained earnings						
Balance, beginning of period				$ 4,180	$ 9,934	$ 9,008
Net income (loss) attributable to controlling interest				(219)	(5,754)	926
Fair value adjustment of redeemable noncontrolling interest				(106)	—	—
Balance, end of period				$ 3,855	$ 4,180	$ 9,934
Accumulated other comprehensive loss						
Balance, beginning of period				$ (496)	$ (332)	$ (335)
Other comprehensive income (loss) attributable to controlling interest				(8)	(164)	3
Reclassification from redeemable noncontrolling interest				(17)	—	—
Balance, end of period				$ (521)	$ (496)	$ (332)
Total controlling interest shareholders' equity						
Balance, beginning of period				$ 15,637	$ 21,348	$ 20,552
Total comprehensive income (loss) attributable to controlling interest				(227)	(5,918)	929
Share-based compensation				97	95	102
Issuance of shares under share-based compensation plans				(3)	(6)	(1)
Issuance of shares in exchange for redeemable noncontrolling interest				367	—	—
Fair value adjustment of redeemable noncontrolling interest				(106)	—	—
Reclassification from redeemable noncontrolling interest				(17)	—	—
Issuance of shares in public offering, net of issue costs				—	1,159	—
Obligation for distribution of qualifying additional paid-in capital				—	(1,041)	—
Purchases of shares held in treasury				—	—	(240)
Other, net				(3)	—	6
Balance, end of period				$ 15,745	$ 15,637	$ 21,348
Noncontrolling interest						
Balance, beginning of period				$ (10)	$ (8)	$ 7
Total comprehensive income (loss) attributable to noncontrolling interest				(5)	(2)	7
Reclassification of redeemable noncontrolling interest				—	—	(26)
Other, net				—	—	4
Balance, end of period				$ (15)	$ (10)	$ (8)
Total equity						
Balance, beginning of period				$ 15,627	$ 21,340	$ 20,559
Total comprehensive income (loss)				(232)	(5,920)	936
Share-based compensation				97	95	102
Issuance of shares under share-based compensation plans				(3)	(6)	(1)
Issuance of shares in exchange for noncontrolling interest				367	—	—
Fair value adjustment of redeemable noncontrolling interest				(106)	—	—
Reclassification from redeemable noncontrolling interest				(17)	—	—
Issuance of shares in public offering, net of issue costs				—	1,159	—
Obligation for distribution of qualifying additional paid-in capital				—	(1,041)	—
Purchases of shares held in treasury				—	—	(240)
Other, net				(3)	—	(16)
Balance, end of period				$ 15,730	$ 15,627	$ 21,340

See accompanying notes.

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

	Years ended December 31, 2012	2011	2010
Cash flows from operating activities			
Net income (loss)	$ (211)	$ (5,677)	$ 969
Adjustments to reconcile to net cash provided by operating activities:			
Amortization of drilling contract intangibles	(42)	(45)	(98)
Depreciation and amortization	1,123	1,109	1,009
Depreciation and amortization of assets in discontinued operations	183	342	580
Share-based compensation expense	97	95	102
Loss on impairment	140	5,201	—
Loss on impairment of assets in discontinued operations	986	38	1,012
(Gain) loss on disposal of assets, net	(36)	12	(255)
Gain on disposal of assets in discontinued operations, net	(82)	(183)	(2)
Amortization of debt issue costs, discounts and premiums, net	68	125	189
Deferred income taxes	(133)	(62)	(104)
Other, net	72	144	(1)
Changes in deferred revenue, net	(54)	(16)	205
Changes in deferred expenses, net	85	(61)	(79)
Changes in operating assets and liabilities	512	803	379
Net cash provided by operating activities	2,708	1,825	3,906
Cash flows from investing activities			
Capital expenditures	(1,303)	(974)	(1,349)
Capital expenditures for discontinued operations	(106)	(46)	(42)
Investment in business combination, net of cash acquired	—	(1,246)	—
Payment for settlement of forward exchange contract, net	—	(78)	—
Proceeds from disposal of assets, net	191	14	60
Proceeds from disposal of assets in discontinued operations, net	789	447	—
Proceeds from insurance recoveries for loss of drilling unit	—	—	560
Proceeds from sale of marketable securities	—	—	37
Other, net	40	(13)	13
Net cash used in investing activities	(389)	(1,896)	(721)
Cash flows from financing activities			
Changes in short-term borrowings, net	(260)	(88)	(193)
Proceeds from debt	1,493	2,939	2,054
Repayments of debt	(2,282)	(2,409)	(2,565)
Proceeds from restricted cash investments	311	479	—
Deposits to restricted cash investments	(167)	(523)	—
Proceeds from share issuance	—	1,211	—
Distribution of qualifying additional paid-in capital	(278)	(763)	—
Purchases of shares held in treasury	—	—	(240)
Financing costs	(24)	(83)	(15)
Other, net	5	(29)	(2)
Net cash provided by (used in) financing activities	(1,202)	734	(961)
Net increase in cash and cash equivalents	1,117	663	2,224
Cash and cash equivalents at beginning of period	4,017	3,354	1,130
Cash and cash equivalents at end of period	$ 5,134	$ 4,017	$ 3,354

See accompanying notes.

Note 1—Nature of Business

Transocean Ltd. (together with its subsidiaries and predecessors, unless the context requires otherwise, "Transocean," the "Company," "we," "us" or "our") is a leading international provider of offshore contract drilling services for oil and gas wells. We specialize in technically demanding sectors of the offshore drilling business with a particular focus on deepwater and harsh environment drilling services. Our mobile offshore drilling fleet is considered one of the most versatile fleets in the world. We contract our drilling rigs, related equipment and work crews predominantly on a dayrate basis to drill oil and gas wells. At December 31, 2012, we owned or had partial ownership interests in and operated 82 mobile offshore drilling units associated with our continuing operations. As of this date, our fleet consisted of 48 High-Specification Floaters (Ultra-Deepwater, Deepwater and Harsh Environment semisubmersibles and drillships), 25 Midwater Floaters, and nine High-Specification Jackups. We also had six Ultra-Deepwater drillships and three High-Specification Jackups under construction or under contract to be constructed. See Note 12—Drilling Fleet.

We also provide oil and gas drilling management services, drilling engineering and drilling project management services through Applied Drilling Technology Inc., our wholly owned subsidiary, and through ADT International, a division of one of our United Kingdom ("U.K.") subsidiaries (together, "ADTI"). ADTI conducts drilling management services primarily either on a dayrate or on a completed-project, fixed-price or turnkey basis.

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"). For a transition period following the completion of the sale transactions, we agreed to continue to operate a substantial portion of the Standard Jackups on behalf of Shelf Drilling and to provide certain other transition services to Shelf Drilling. Under 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. 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, 2012, we operated 25 Standard Jackups under operating agreements with Shelf Drilling. See Note 9—Discontinued Operations.

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 9—Discontinued Operations.

In March 2011, we engaged an unaffiliated advisor to coordinate the sale of the assets 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 9—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, notes receivable, goodwill and other intangible assets, income taxes, contingencies, share-based compensation, defined benefit pension plans and other postretirement benefits. We base our estimates and assumptions on historical experience and on various other factors we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results could differ from such estimates.

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

Consolidation—We consolidate entities in which we have a majority voting interest and entities that meet the criteria for variable interest entities for which we are deemed to be the primary beneficiary for accounting purposes. We eliminate intercompany transactions and accounts in consolidation. We apply the equity method of accounting for an investment in an entity if we have the ability to exercise significant influence over the entity that (a) does not meet the variable interest entity criteria or (b) meets the variable interest entity criteria, but for which we are not deemed to be the primary beneficiary. We apply the cost method of accounting for an investment in an entity if we do not have the ability to exercise significant influence over the unconsolidated entity. See Note 6—Variable Interest Entities.

In the year ended December 31, 2012, we did not have interests in any unconsolidated entities for which we earned equity in earnings. In the years ended December 31, 2011 and 2010, we recognized equity in earnings of unconsolidated entities in the amount of $5 million and $8 million, respectively. At December 31, 2012 and 2011, our investments in and advances to unconsolidated affiliates had carrying amounts of less than $1 million.

Business combination—In connection with our acquisition of Aker Drilling ASA ("Aker Drilling), we applied the acquisition method of accounting. Accordingly, we recorded the acquired assets and assumed liabilities at fair value and recognized goodwill to the extent the fair value of the business acquired exceeded the fair value of the net assets. We estimated the fair values of the acquired assets and assumed liabilities as of the date of the acquisition. See Note 5—Business Combination.

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. During the year ended December 31, 2012, we reclassified to discontinued operations the operating results, assets and liabilities associated with the operations of our Standard Jackup and swamp barge asset groups, components of our contract drilling services segment, and the operations of our U.S. Gulf of Mexico drilling management services, a component of our drilling management services segment. During the year ended December 31, 2011, we reclassified to discontinued operations the operating results, assets and liabilities associated with the operations of our Caspian Sea contract drilling operations, a component of our contract drilling services segment, and the operations of our oil and gas properties segment. See Note 9—Discontinued Operations.

Operating revenues and expenses—We recognize operating revenues as they are earned, based on contractual dayrates or on a fixed-price basis. In connection with drilling contracts, we may receive revenues for preparation and mobilization of equipment and personnel or for capital improvements to rigs. In connection with new drilling contracts, revenues earned and incremental costs incurred directly related to contract preparation and mobilization are deferred and recognized over the primary contract term of the drilling project using the straight-line method. Our policy to amortize the fees related to contract preparation, mobilization and capital upgrades on a straight-line basis over the estimated firm period of drilling 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 account for loss contracts as the losses are incurred. Costs of relocating drilling units without contracts to more promising market areas are expensed as incurred. Upon completion of drilling contracts, any demobilization fees received are reported in income, as are any related expenses. Capital upgrade revenues received are deferred and recognized over the primary contract term of the drilling project. The actual cost incurred for the capital upgrade is depreciated over the estimated useful life of the asset. We incur periodic survey and drydock costs in connection with obtaining regulatory certification to operate our rigs and well control systems on an ongoing basis. Costs associated with these certifications are deferred and amortized on a straight-line basis over the period until the next survey.

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 on a straight-line basis over the respective contract period and include such revenues in contract drilling revenues on our consolidated statements of operations. In the years ended December 31, 2012, 2011 and 2010, we recognized contract drilling intangible revenues of $42 million, $45 million and $98 million, respectively. See Note 13—Goodwill and Other Intangible Assets.

Other revenues—Our other revenues represent those derived from drilling management services and customer reimbursable revenues. For fixed-price contracts associated with our drilling management services, we recognize revenues and expenses upon well completion and customer acceptance, and we recognize loss provisions on contracts in progress when losses are probable. We consider customer reimbursable revenues to be billings to our customers for reimbursement of certain equipment, materials and supplies, third-party services, employee bonuses and other expenses that we recognize in operating and maintenance expense, the result of which has little or no effect on operating income.

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 time-based restricted shares and deferred units granted or modified, 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 market-based deferred units granted or modified, 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. Tax deduction benefits for awards in excess of recognized compensation costs are reported as a financing cash flow. In the years ended December 31, 2012, 2011 and 2010, share-based compensation expense was $97 million, $95 million and $102 million, respectively. In the years ended December 31, 2012, 2011 and 2010, income tax benefit on share-based compensation expense was $12 million, $16 million, and $13 million, respectively. See Note 20—Share-Based Compensation Plans.

Capitalized interest—We capitalize interest costs for qualifying construction and upgrade projects. In the years ended December 31, 2012, 2011 and 2010, we capitalized interest costs on construction work in progress of $54 million, $39 million and $89 million, respectively.

Foreign currency—The majority of our revenues and expenditures are denominated in U.S. dollars to limit our exposure to currency exchange rate fluctuations, resulting in the use of the U.S. dollar as the functional currency for all of our operations. We recognize foreign currency exchange gains and losses in other, net. In the years ended December 31, 2012, 2011 and 2010, we recognized net foreign currency exchange gains (losses) of $(27) million, $(99) million and $1 million, respectively. See Note 15—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 provide a valuation allowance to offset deferred tax assets for 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. We provide 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 the provisions and benefits resulting from changes to those liabilities are included in our annual tax provision 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 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 8—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, 2012, the aggregate carrying amount of our restricted cash investments was $857 million, of which $195 million and $662 million was classified in other current assets and other assets, respectively. At December 31, 2011, the aggregate carrying amount of our restricted cash investments was $934 million, of which $182 million and $752 million was classified in other current assets and other assets, respectively. See Note 14—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 major customer, when we believe the required payment of specific amounts owed to us is unlikely to occur. At December 31, 2012 and 2011, the allowance for doubtful accounts was $20 million and $28 million, respectively.

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, 2012 and 2011, the allowance for obsolescence was $66 million and $73 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, 2012 and 2011, assets held for sale were $179 million and $26 million, respectively. See Note 9—Discontinued Operations.

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, 2012, the aggregate carrying amount of our property and equipment represented approximately 61 percent of our total assets.

We compute depreciation using the straight-line method after allowing for salvage values. We capitalize expenditures for renewals, replacements and improvements, and we expense maintenance and repair costs as incurred. 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.

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 12 years. From time to time, we may review the estimated remaining useful lives of our drilling units, and we may extend the useful life when events and circumstances indicate a drilling unit can operate beyond its remaining useful life. 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. During the year ended December 31, 2011, we adjusted the useful lives for two rigs, extending the estimated useful lives from between 20 and 30 years to between 23 and 38 years. During the year ended December 31, 2010, we adjusted the useful lives for five rigs, extending the estimated useful lives from between 20 and 36 years to between 25 and 39 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, 2012, 2011 and 2010, the changes in estimated useful lives of these rigs resulted in a reduction in annual depreciation expense of $27 million ($0.08 per diluted share from continuing operations), $2 million ($0.01 per diluted share from continuing operations) and $23 million ($0.07 per diluted share from continuing operations), respectively, which had no tax effect for any period.

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

For assets classified as held and used, we determine recoverability by evaluating the undiscounted estimated 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, 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 combination of income and market approaches, using projected discounted cash flows and estimates of the exchange price that would be received for the assets in the principal or most advantageous market for the assets in an orderly transaction between market participants as of the measurement date. For our drilling management services customer relationships asset, we estimate fair value using the excess earnings method, which applies the income approach. 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 year ended December 31, 2012, we determined that the customer relationships intangible asset associated with our drilling management services reporting unit was impaired, and we recognized a loss on impairment of $22 million ($17 million, or $0.05 per diluted share, net of tax).

Goodwill and other indefinite-lived intangible assets—We conduct impairment testing for our goodwill and other indefinite-lived intangible assets annually as of October 1 and more frequently, on an interim basis, when an event occurs or circumstances change that may indicate a reduction in the fair value of a reporting unit or the indefinite-lived intangible asset is 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 have identified two reporting units for this purpose: (1) contract drilling services and (2) drilling management services. 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.

For our contract drilling services reporting unit, we estimate fair value using projected discounted cash flows, publicly traded company multiples and acquisition multiples. To develop the projected cash flows associated with our contract drilling services reporting unit, which are based on estimated future dayrates and 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.

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 year ended December 31, 2011, we recognized a loss on impairment, representing our best estimate, in the amount of $5.2 billion ($16.15 per diluted share from continuing operations), which had no tax effect. In the three months ended March 31, 2012, we completed our analysis and recognized an incremental adjustment to our original estimate in the amount of $118 million ($0.33 per diluted share from continuing operations), which had no tax effect. As a result of our annual goodwill impairment test in the years ended December 31, 2012 and 2010, we concluded that goodwill was not impaired. See Note 7—Intangible Asset Impairments and Note 13—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 15—Derivatives and Hedging, Note 23—Financial Instruments and Note 24—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 benefit obligations and the fair value 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, 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, which are weighted to consider each plan's target 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, 2012 and 2011, pension and other postretirement benefit plan obligations represented an aggregate liability in the amount of their net underfunded status of $639 million and $640 million, respectively. In the years ended December 31, 2012, 2011 and 2010, net periodic benefit costs were $149 million, $88 million and $91 million, respectively. See Note 16—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 liabilities 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, including certain reclassifications to our consolidated statements of financial position, results of operations and cash flows to present our Standard Jackup and swamp barge disposal groups and our U.S. Gulf of Mexico drilling management services operations as discontinued operations (see Note 9—Discontinued Operations). Other 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 29—Subsequent Events.

Note 3—New Accounting Pronouncements

Recently Adopted Accounting Standards

Intangibles—goodwill and other—Effective January 1, 2012, we adopted the accounting standards update that amends the goodwill impairment testing requirements by giving an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount and whether the two-step impairment test is required. The update is effective for goodwill impairment tests performed for annual and interim periods beginning after December 15, 2011. Our adoption did not have an effect on our consolidated financial statements.

Fair value measurements—Effective January 1, 2012, we adopted the accounting standards update that requires additional disclosure about fair value measurements that involve significant unobservable inputs, including additional quantitative information about the unobservable inputs, a description of valuation techniques used, and a qualitative evaluation of the sensitivity of these measurements. Our adoption did not have a material effect on the disclosures contained in our notes to consolidated financial statements.

Recently Issued Accounting Standards

Balance sheet—Effective January 1, 2013, we will adopt the accounting standards update that expands the disclosure requirements for the offsetting of assets and liabilities related to certain financial instruments and derivative instruments. The update requires disclosures to present both gross information and net information for financial instruments and derivative instruments that are eligible for net presentation due to a right of offset, an enforceable master netting arrangement or similar agreement. The update is effective for interim and annual periods beginning on or after January 1, 2013. We do not expect that our adoption will have a material effect on our condensed consolidated balance sheet or the disclosures contained in our notes to consolidated financial statements.

Note 4—Correction of Errors in Previously Reported Consolidated Financial Statements

We perform assessments of our contingencies and corresponding assets for insurance recoveries on an ongoing basis to evaluate the appropriateness of our balances and disclosures for such contingencies and insurance recoveries. 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. In performing these assessments in the three months ended June 30, 2012, we identified an error in our previously issued financial statements for the year ended December 31, 2011 related to the recognition of assets for insurance recoveries related to legal and other costs totaling $67 million, which we have concluded should not have been recorded because they were not probable of recovery.

We assessed the materiality of this error in accordance with the U.S. Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 99, *Materiality* and SAB No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* ("SAB 108"), using both the rollover method and the iron curtain method, as defined in SAB 108, and concluded the error, inclusive of other adjustments discussed below, was immaterial to prior years but could have been material to the current year. Under SAB 108, if the prior year error that, if corrected in the current year, would be material to the current year, the prior year financial statements should be corrected, even though such correction previously was immaterial to the prior year financial statements.

In addition to the adjustments related to the assets for insurance recoveries, we recorded other adjustments related to the years ended December 31, 2011 and 2010 and the three months ended March 31, 2012 to correct for immaterial errors for repair and maintenance costs, income taxes, discontinued operations, and the allocation of net income attributable to noncontrolling interest. These other adjustments were not previously recorded in the appropriate periods, as we concluded that they were immaterial to our previously issued consolidated financial statements.

For the year ended December 31, 2011, correction of these errors increased our loss from continuing operations by $31 million and net loss attributable to controlling interest by $29 million. For the year ended December 31, 2010, correction of these errors reduced our income from continuing operations by $19 million and net income attributable to controlling interest by $35 million. We have reflected the corrections in our financial statements for each of the interim periods in the year ended December 31, 2011 as presented in Note 28—Quarterly Results.

The summary of adjustments for increases and (decreases) to net income (loss) from continuing operations and net income (loss) attributable to controlling interest for the applicable periods were as follows (in millions):

	Years ended December 31,	
	2011	2010
Legal and other costs	$ (67)	$ —
Repair and maintenance costs	11	(11)
Income tax (expense) benefit	16	(4)
Other immaterial adjustments, net	9	(4)
Net adjustment to income from continuing operations	(31)	(19)
Net adjustment to income from discontinued operations, net of tax	(14)	—
Net adjustment to net income attributable to noncontrolling interest	16	(16)
Net adjustment to net income attributable to controlling interest	$ (29)	$ (35)

The effects of the corrections of the errors on our consolidated statements of operations and balance sheets are presented in the tables below. Previously reported amounts have been adjusted to reflect the reclassifications associated with our discontinued operations. The corrections of the errors had no effect on our consolidated statements of comprehensive income (loss) other than the effect of the changes to net income (loss) for each period. The corrections of the errors had no effect on the previously reported amounts of operating, investing, and financing cash flows in our consolidated statements of cash flows.

	Year ended December 31, 2011			Year ended December 31, 2010		
	Previously reported	Adjustments	As adjusted	Previously reported	Adjustments	As adjusted
Operating revenues						
Contract drilling revenues	$ 7,413	$ (6)	$ 7,407	$ 7,698	$ —	$ 7,698
Other revenues	620	—	620	251	—	251
	8,033	(6)	8,027	7,949	—	7,949
Costs and expenses						
Operating and maintenance	6,134	45	6,179	4,204	15	4,219
Depreciation and amortization	1,113	(4)	1,109	1,009	—	1,009
General and administrative	288	—	288	246	—	246
	7,535	41	7,576	5,459	15	5,474
Loss on impairment	(5,201)	—	(5,201)	—	—	—
Gain (loss) on disposal of assets, net	(12)	—	(12)	255	—	255
Operating income (loss)	(4,715)	(47)	(4,762)	2,745	(15)	2,730
Other income (expense), net						
Interest income	44	—	44	23	—	23
Interest expense, net of amounts capitalized	(621)	—	(621)	(567)	—	(567)
Other, net	(99)	—	(99)	(31)	—	(31)
	(676)	—	(676)	(575)	—	(575)
Income (loss) from continuing operations before income tax expense	(5,391)	(47)	(5,438)	2,170	(15)	2,155
Income tax (benefit) expense	340	(16)	324	288	4	292
Income (loss) from continuing operations	(5,731)	(31)	(5,762)	1,882	(19)	1,863
Income (loss) from discontinued operations, net of tax	99	(14)	85	(894)	—	(894)
Net income (loss)	(5,632)	(45)	(5,677)	988	(19)	969
Net income (loss) attributable to noncontrolling interest	93	(16)	77	27	16	43
Net income (loss) attributable to controlling interest	$ (5,725)	$ (29)	$ (5,754)	$ 961	$ (35)	$ 926
Earnings (loss) per share-basic						
Earnings (loss) from continuing operations	$ (18.10)	$ (0.04)	$ (18.14)	$ 5.77	$ (0.11)	$ 5.66
Earnings (loss) from discontinued operations	0.31	(0.05)	0.26	(2.78)	—	(2.78)
Earnings (loss) per share	$ (17.79)	$ (0.09)	$ (17.88)	$ 2.99	$ (0.11)	$ 2.88
Earnings (loss) per share-diluted						
Earnings (loss) from continuing operations	$ (18.10)	$ (0.04)	$ (18.14)	$ 5.77	$ (0.11)	$ 5.66
Earnings (loss) from discontinued operations	0.31	(0.05)	0.26	(2.78)	—	(2.78)
Earnings (loss) per share	$ (17.79)	$ (0.09)	$ (17.88)	$ 2.99	$ (0.11)	$ 2.88

	December 31, 2011			December 31, 2010		
	Previously reported	Adjustments	As adjusted	Previously reported	Adjustments	As adjusted
Assets						
Cash and cash equivalents	$ 4,017	$ —	$ 4,017	$ 3,394	$ (40)	$ 3,354
Accounts receivable, net						
Trade	2,049	—	2,049	1,653	—	1,653
Other	127	—	127	190	—	190
Materials and supplies, net	529	—	529	425	—	425
Deferred income taxes, net	142	—	142	115	—	115
Assets held for sale	26	—	26	—	—	—
Other current assets	719	(73)	646	418	54	472
Total current assets	7,609	(73)	7,536	6,195	14	6,209
Property and equipment	24,833	—	24,833	22,149	—	22,149
Property and equipment of consolidated variable interest entities	2,252	—	2,252	2,214	—	2,214
Less accumulated depreciation	6,301	(4)	6,297	5,244	—	5,244
Property and equipment, net	20,784	4	20,788	19,119	—	19,119
Goodwill	3,205	12	3,217	8,132	—	8,132
Other assets	3,490	1	3,491	3,365	(11)	3,354
Total assets	$ 35,088	$ (56)	$ 35,032	$ 36,811	$ 3	$ 36,814
Liabilities and equity						
Accounts payable	$ 880	$ —	$ 880	$ 832	$ —	$ 832
Accrued income taxes	86	—	86	109	—	109
Debt due within one year	1,942	—	1,942	1,917	—	1,917
Debt of consolidated variable interest entities due within one year	97	148	245	95	148	243
Other current liabilities	2,353	22	2,375	883	12	895
Total current liabilities	5,358	170	5,528	3,836	160	3,996
Long-term debt	10,756	—	10,756	8,354	—	8,354
Long-term debt of consolidated variable interest entities	741	(148)	593	855	(148)	707
Deferred income taxes, net	491	(4)	487	575	10	585
Other long-term liabilities	1,935	(10)	1,925	1,791	—	1,791
Total long-term liabilities	13,923	(162)	13,761	11,575	(138)	11,437
Commitments and contingencies						
Redeemable noncontrolling interest	116	—	116	25	16	41
Shares	4,982	—	4,982	4,482	—	4,482
Additional paid-in capital	7,211	—	7,211	7,504	—	7,504
Treasury shares, at cost	(240)	—	(240)	(240)	—	(240)
Retained earnings	4,244	(64)	4,180	9,969	(35)	9,934
Accumulated other comprehensive loss	(496)	—	(496)	(332)	—	(332)
Total controlling interest shareholders' equity	15,701	(64)	15,637	21,383	(35)	21,348
Noncontrolling interest	(10)	—	(10)	(8)	—	(8)
Total equity	15,691	(64)	15,627	21,375	(35)	21,340
Total liabilities and equity	$ 35,088	$ (56)	$ 35,032	$ 36,811	$ 3	$ 36,814

Note 5—Business Combination

On August 14, 2011, we entered into an irrevocable agreement with Aker Capital AS to acquire its 41 percent interest in Aker Drilling. After receiving clearance by the Oslo Stock Exchange on August 26, 2011, we launched an all cash offer for 100 percent of the shares of Aker Drilling for NOK 26.50 per share.

As of October 3, 2011, the acquisition date, we held 99 percent of the shares of Aker Drilling, having paid an aggregate amount of NOK 7.9 billion, equivalent to $1.4 billion. On October 4, 2011, we acquired the remaining noncontrolling interest from holders that were required to tender their shares pursuant to Norwegian law. We believe the acquisition of Aker Drilling enhances the composition of our High-Specification Floater fleet and strengthens our presence in Norway. In accounting for the business combination, we applied the acquisition method of accounting, recording the assets and liabilities of Aker Drilling at their estimated fair values as of the acquisition date. In the year ended December 31, 2011, we incurred acquisition costs of $22 million, recognized in general and administrative expense.

As of October 3, 2011, the acquisition price included the following, measured at estimated fair value: current assets of $323 million, drilling rigs and other property and equipment of $1.8 billion, other assets of $757 million, and the assumption of long-term debt of $1.6 billion and other liabilities of $291 million. The acquired assets included $901 million of cash investments restricted for the payment of certain assumed debt instruments. The excess of the purchase price over the estimated fair value of net assets acquired was approximately $285 million, which was recorded as goodwill.

We included approximately three months of operating results of Aker Drilling in our consolidated results of operations for the year ended December 31, 2011. In the years ended December 31, 2012 and 2011, our contract drilling revenues included approximately $380 million and $100 million, respectively, of contract drilling revenues associated with the operations of Aker Drilling.

Unaudited pro forma combined operating results, assuming the acquisition was completed as of January 1, 2010, were as follows (in millions, except per share data):

	Years ended December 31,	
	2011	2010
Operating revenues	$ 8,339	$ 8,280
Operating income (loss)	(4,616)	2,848
Income (loss) from continuing operations	(5,664)	1,899
Per share earnings (loss) from continuing operations		
Basic	$ (17.84)	$ 5.77
Diluted	$ (17.84)	$ 5.77

The pro forma financial information includes various adjustments, primarily related to depreciation expense resulting from the fair value adjustments to the acquired property and equipment. The pro forma information is not necessarily indicative of the results of operations had the acquisition of Aker Drilling been completed on the assumed date or the results of operations for any future periods.

Note 6—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):

	December 31, 2012			December 31, 2011		
	Assets	Liabilities	Net carrying amount	Assets	Liabilities	Net carrying amount
Variable interest entity						
TPDI	$ —	$ —	$ —	$ 1,562	$ 673	$ 889
ADDCL	954	296	658	930	334	596
TDSOI	277	15	262	—	—	—
Total	$ 1,231	$ 311	$ 920	$ 2,492	$ 1,007	$ 1,485

Transocean Pacific Drilling Inc. ("TPDI"), a consolidated British Virgin Islands company, 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 TPDI, 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.

On May 31, 2012, TPDI became a wholly owned subsidiary and no longer met the definition of a variable interest entity. See Note 18—Redeemable Noncontrolling Interest.

At December 31, 2012 and 2011, 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 $805 million and $2.2 billion, respectively. See Note 14—Debt.

Unconsolidated variable interest entities—As holder of two notes receivable and a lender under a working capital loan, we hold a variable interest in Awilco Drilling plc ("Awilco"), a U.K. company listed on the Oslo Stock Exchange. We determined that Awilco met the definition of a variable interest entity since its equity at risk was insufficient to permit it to carry on its activities without additional subordinated financial support. We believe that we are not the primary beneficiary since we do not have the power to direct the activities that most significantly impact the entity's economic performance.

The notes receivable were originally accepted in exchange for and are secured by two drilling units. The notes receivable have stated interest rates of nine percent and are payable in scheduled quarterly installments of principal and interest through maturity in January 2015. Borrowings under the working capital loan, also secured by the two drilling units, had a stated interest rate of 10 percent and were payable in scheduled quarterly installments of principal and interest through maturity in January 2013, subject to acceleration under certain conditions. On a quarterly basis, we evaluate the credit quality and financial condition of Awilco with respect to our maximum exposure of loss, represented by the outstanding amounts due. At December 31, 2012 and 2011, the aggregate carrying amount of the notes receivable was $105 million and $110 million, respectively. In October 2012, Awilco repaid the remaining outstanding borrowings under the working capital loan. At December 31, 2011, the aggregate carrying amount of the working capital loan receivable was $29 million.

Note 7—Intangible Asset Impairments

Goodwill—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 year ended December 31, 2011, we recognized a loss on impairment, representing our best estimate, in the amount of $5.2 billion ($16.15 per diluted share from continuing operations), which had no tax effect. In the year ended December 31, 2012, we completed our analysis and recognized an incremental adjustment to our original estimate in the amount of $118 million ($0.33 per diluted share from continuing operations), which had no tax effect. We estimated the implied fair value of the goodwill using a variety of valuation methods, including 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 availability and dayrates.

Definite-lived intangible assets—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 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 availability and dayrates. 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 on impairment of $22 million ($17 million, or $0.05 per diluted share from continuing operations, net of tax) in the year ended December 31, 2012.

See Note 9—Discontinued Operations.

Note 8—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.

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

	Years ended December 31,		
	2012	2011	2010
Current tax expense	$ 183	$ 386	$ 396
Deferred tax benefit	(133)	(62)	(104)
Income tax expense	$ 50	$ 324	$ 292

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,		
	2012	2011	2010
Income tax expense at the Swiss federal statutory rate	$ 68	$ (426)	$ 168
Taxes on earnings subject to rates different than the Swiss federal statutory rate	141	221	72
Taxes on impairment loss subject to rates different than the Swiss federal statutory rate	5	409	—
Taxes on asset sales subject to rates different than the Swiss federal statutory rate	(1)	—	—
Taxes on litigation matters subject to rates different than the Swiss federal statutory rate	59	78	—
Changes in unrecognized tax benefits, net	(179)	40	73
Change in valuation allowance	1	19	4
Benefit from foreign tax credits	(38)	(28)	(23)
Taxes on asset acquisition costs at rates lower than the Swiss federal statutory rate	—	8	—
Other, net	(6)	3	(2)
Income tax expense	$ 50	$ 324	$ 292

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

	December 31, 2012	December 31, 2011
Deferred tax assets		
Drilling contract intangibles	$ 1	$ 2
Net operating loss carryforwards	380	331
Tax credit carryforwards	41	45
Accrued payroll expenses not currently deductible	95	79
Deferred income	86	65
Valuation allowance	(210)	(183)
Other	108	104
Total deferred tax assets	501	443
Deferred tax liabilities		
Depreciation and amortization	(688)	(746)
Drilling management services intangibles	—	—
Other	(37)	(42)
Total deferred tax liabilities	(725)	(788)
Net deferred tax liabilities	$ (224)	$ (345)

Our deferred tax assets include U.S. foreign tax credit carryforwards of $41 million, which will expire between 2015 and 2021. Deferred tax assets related to our net operating losses were generated in various worldwide tax jurisdictions. At December 31, 2012 and 2011, the tax effect of our Brazilian net operating losses, which do not expire, was $55 million and $57 million, respectively. In connection with our acquisition of Aker Drilling, we acquired $141 million of Norwegian net operating losses, which do not expire.

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

	December 31, 2012	December 31, 2011
Valuation allowance for non-current deferred tax assets	$ 210	$ 183

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, 2012, the amount of indefinitely reinvested earnings was approximately $2.5 billion. If all of these indefinitely reinvested earnings were distributed, we would be subject to estimated taxes of $180 million to $230 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, 2012	2011	2010
Balance, beginning of period	$ 515	$ 485	$ 460
Additions for current year tax positions	58	45	46
Additions for prior year tax positions	25	29	9
Reductions for prior year tax positions	(24)	—	(11)
Settlements	(120)	(42)	(17)
Reductions related to statute of limitation expirations	(72)	(2)	(2)
Balance, end of period	$ 382	$ 515	$ 485

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,	
	2012	2011
Unrecognized tax benefits, excluding interest and penalties	$ 382	$ 515
Interest and penalties	199	256
Unrecognized tax benefits, including interest and penalties	$ 581	$ 771

In the years ended December 31, 2012, 2011 and 2010, we recognized interest and penalties related to our unrecognized tax benefits, recorded as a component of income tax expense, in the amount of $56 million, $20 million and $35 million, respectively. If recognized, $581 million of our unrecognized tax benefits, including interest and penalties, as of December 31, 2012, 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, 2013 primarily due to the progression of open audits or the expiration of statutes of limitation. However, we cannot reasonably estimate a range of potential changes in our existing liabilities for unrecognized tax benefits due to various uncertainties, such as the unresolved nature of various audits.

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 2006.

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 18 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 final outcome of these proceedings, we do not expect the ultimate liability to have a material adverse effect on our consolidated statement of financial position or results of operations, although it may have a material adverse effect on our consolidated cash flows.

U.S. tax investigations—With respect to our 2004 U.S. federal income tax return, the U.S. tax authorities withdrew all of their previously proposed tax adjustments, including all claims related to transfer pricing. In January 2012, a judge in the U.S. Tax Court entered a decision of no deficiency for the 2004 tax year and cancelled the trial previously scheduled to take place in February 2012. With respect to our 2005 U.S. federal income tax returns, the U.S. tax authorities have withdrawn all of their previously proposed tax adjustments. Our 2004 and 2005 U.S. federal income tax returns are now settled and the tax years are now closed.

With respect to our 2006 and 2007 federal income tax returns, we reached an agreement with the U.S. tax authorities in December 2012, to settle all issues, including transfer pricing for certain charters of drilling rigs between our subsidiaries and the creation of intangible assets resulting from the performance of engineering services between our subsidiaries for $11 million of additional tax, excluding interest and penalties, and the tax years are now closed.

In February 2012, we received an assessment from the U.S. tax authorities related to our 2008 and 2009 U.S. federal income tax returns. The significant issues raised in the assessment relate to transfer pricing for certain charters of drilling rigs between our subsidiaries and the creation of intangible assets resulting from the performance of engineering services between our subsidiaries. With respect to transfer pricing issues related to certain charters of drilling rigs in 2008 and 2009, we reached an agreement with the U.S. tax authorities in December 2012, to settle this issue and other issues raised during the audit for $36 million, excluding interest and penalties. The only remaining issue outstanding for these years relates to an asserted creation of intangible assets resulting from the performance of engineering services between our subsidiaries for which a royalty is asserted. The initial assessment issued by the tax authorities on this item, if sustained, would result in net adjustments of approximately $363 million of additional taxes, excluding interest and penalties. An unfavorable outcome on this adjustment 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 this position with respect to subsequent years and were successful in such assertion, our effective tax rate on worldwide earnings with respect to years following 2009 could increase substantially, and could have a material adverse effect on our consolidated results of operations and 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.

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 of approximately $123 million, plus interest, related to the migration of a subsidiary that was previously subject to tax in Norway, approximately $74 million, plus interest, related to a 2001 dividend payment, and approximately $8 million, plus interest, related to certain foreign exchange deductions and dividend withholding tax. We have provided a parent company guarantee in the amount of approximately $125 million with respect to one of these tax disputes. Furthermore, we may be required to provide some form of additional financial security, in an amount up to $218 million, including interest and penalties, for other assessed amounts as these disputes are appealed and addressed by the Norwegian courts. The authorities are seeking penalties of 60 percent on most but not all matters. In November 2012, the Norwegian district court in Oslo heard the case regarding the disputed tax assessment of approximately $123 million related to the migration of our subsidiary. We believe that our Norwegian tax returns are materially correct as filed and if we receive unfavorable outcome at the district court, we expect to appeal the decision. In addition, we expect to file or have filed appeals to the two other tax assessments.

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. The criminal trial commenced in December 2012. Two employees of our former external tax advisors were also issued indictments with respect to the disclosures in our tax returns. In October 2011, the Norwegian authorities issued criminal indictments against a Norwegian tax attorney related to certain of our restructuring transactions and to the 2001 dividend payment. The indicted Norwegian tax attorney worked for us in an advisory capacity on these transactions. We believe the charges brought against us are without merit and do not alter our technical assessment of the underlying claims. In January 2012, the Norwegian authorities supplemented the previously issued criminal indictments by issuing a financial claim of approximately $330 million, jointly and severally, against our two subsidiaries, the two external advisors and the external tax attorney. In February 2012, the authorities dropped the previously existing tax assessment 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 on the same matter, alleging misleading or incomplete disclosures in Norwegian tax returns for the years 2001 and 2002. 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. See Note 29–Subsequent Events.

Brazil tax investigations—Certain of our Brazilian income tax returns for the years 2000 through 2004 are currently under examination. The Brazilian tax authorities have issued tax assessments totaling $98 million, plus a 75 percent penalty in the amount of $73 million and interest through December 31, 2011 in the amount of $147 million. We believe our returns are materially correct as filed, and we are vigorously contesting these assessments. On January 25, 2008, we filed a protest letter with the Brazilian tax authorities, and we are currently engaged in the appeals process. An unfavorable outcome on these proposed assessments could result in a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

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

Note 9—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, 2012	2011	2010
Operating revenues	$ 1,055	$ 1,171	$ 1,627
Operating and maintenance expense	(990)	(871)	(916)
Depreciation and amortization expense	(183)	(342)	(580)
Loss on impairment of assets in discontinued operations, net	(986)	(38)	(1,012)
Gain on disposal of discontinued operations, net	82	183	2
Other income, net	—	18	8
Income (loss) from discontinued operations before income tax expense	(1,022)	121	(871)
Income tax expense	(5)	(36)	(23)
Income (loss) from discontinued operations, net of tax	$ (1,027)	$ 85	$ (894)

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, 2012	2011
Assets		
Rigs and related equipment, net	$ 104	$ —
Materials and supplies	71	—
Oil and gas properties, net	—	24
Other related assets	4	2
Assets held for sale	$ 179	$ 26
Materials and supplies	$ —	$ 98
Other assets	—	21
Other current assets	$ —	$ 119
Rig and related equipment, net	$ —	$ 1,745
Intangible assets	—	70
Deferred costs	—	42
Other assets	$ —	$ 1,857
Liabilities		
Deferred revenues	$ 32	$ 17
Deferred income taxes, net	—	6
Other liabilities	3	14
Other current liabilities	$ 35	$ 37
Deferred revenues	$ —	$ 8
Deferred taxes, net	—	32
Other long-term liabilities	$ —	$ 40

Standard Jackup and swamp barge contract drilling operations

Overview—In September 2012, 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 of our decision to discontinue operations associated with these components of our contract drilling services operating segment, we allocated $112 million of goodwill to the 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 value of the disposal group and the contract drilling services operating segment using a variety of valuation methods, including the income and market approaches. 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 disposal group and of our contract drilling services reporting unit, such as future commodity prices, projected demand for our services, rig availability and dayrates.

At December 31, 2012, the remaining Standard Jackups, which were not sold in the sale transactions with Shelf Drilling, including *D.R. Stewart*, *GSF Adriatic VIII*, *GSF Rig 127*, *GSF Rig 134*, *Interocean III*, *Trident IV-A* and *Trident VI*, and related equipment, were classified as held for sale with an aggregate carrying amount of $112 million, including $8 million in materials and supplies.

Impairments—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, including 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, 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 disposal group, such as long-term projections for future revenues and costs, dayrates, rig utilization and idle time. We measured the impairments of the disposal group as the amount by which the carrying amounts exceeded its estimated fair value less costs to sell. Included in the loss on impairment, we recognized $20 million of personnel costs relating to postemployment obligations for certain employees and contract labor. The loss on impairment also included approximately $60 million of costs for the required reactivation of one drilling unit 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 ($2.08 per diluted share) and $112 million ($0.31 per diluted share), with no tax effect, associated with the impairment of long-lived assets and the goodwill, respectively.

In the year ended December 31, 2012, we also recognized aggregate losses 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*, which were classified as assets held for sale at the time of impairment. In the year ended December 31, 2011, we recognized aggregate losses of $28 million ($0.09 per diluted share), which had a tax effect of less than $1 million, associated with the impairment of the Standard Jackups *George H. Galloway*, *GSF Britannia*, *GSF Labrador* and the swamp barge *Searex IV*, 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 value of the assets using significant other observable inputs, representative of Level 2 fair value measurements, including binding sale and purchase agreements for the drilling units and related equipment.

During the year ended December 31, 2010, we determined that the Standard Jackup asset group in our contract drilling services reporting unit was impaired due to projected declines in dayrates and utilization rates. We measured the fair value of this asset group by applying a combination of income and market approaches, using projected discounted cash flows and estimates of the exchange price that would be received for the assets in the principal or most advantageous market for the assets in an orderly transaction between market participants as of the measurement date. We estimated the fair value using significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of the asset group, such as long-term projections for future revenues and costs, dayrates, rig utilization rates and idle time. As a result, we determined that the carrying amount of the Standard Jackup asset group exceeded its fair value, and in the year ended December 31, 2010, we recognized a loss on impairment of long-lived assets in the amount of $1.0 billion ($3.13 per diluted share), which had no tax effect.

Sale transactions with Shelf Drilling—On November 30, 2012, we completed the sale of 38 drilling units to Shelf Drilling. Such drilling units included the Standard Jackup *GSF Baltic*, which was formerly classified as a High-Specification Jackup, the Standard Jackups *C.E. Thornton*, *F.G. McClintock*, *GSF Adriatic I*, *GSF Adriatic V*, *GSF Adriatic VI*, *GSF Adriatic IX*, *GSF Adriatic X*, *GSF Compact Driller*, *GSF Galveston Key*, *GSF High Island II*, *GSF High Island IV*, *GSF High Island V*, *GSF High Island VII*, *GSF High Island IX*, *GSF Key Gibraltar*, *GSF Key Hawaii*, *GSF Key Manhattan*, *GSF Key Singapore, GSF Main Pass I*, *GSF Main Pass IV*, *GSF Parameswara*, *GSF Rig 105*, *GSF Rig 124*, *GSF Rig 141*, *Harvey H. Ward*, *J.T. Angel*, *Randolph Yost*, *Ron Tappmeyer*, *Transocean Comet*, *Trident II*, *Trident VIII*, *Trident IX*, *Trident XII*, *Trident XIV*, *Trident XV* and *Trident XVI* and the swamp barge *Hibiscus*, along with related equipment.

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 $196 million and an estimated fair value of $194 million, including the fair value associated with embedded derivatives, at the closing of the transaction. Although we based certain components of our valuation of the preference shares on significant other observable inputs, such as market dividend rates and projected oil prices, we estimated fair value using significant unobservable inputs, representative of a Level 3 fair value measurement, including the credit ratings and financial position of the investee. As a result of the sale transactions with Shelf Drilling, in the year ended December 31, 2012, we recognized a gain on the disposal of the assets sold in the amount of $8 million (net loss of $5 million or $0.01 per diluted share, net of tax), subject to working capital and other adjustments currently under review by us and Shelf Drilling pursuant to the terms of the sales agreements. Such adjustments, if not resolved between us and Shelf Drilling within the period of time stipulated in the agreements will become subject to a dispute resolution process. While we cannot provide assurance as to the final resolution of the adjustments, we do not expect it to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

The ultimate parent company of Shelf Drilling is a newly formed company sponsored equally by three private equity firms. The preference shares received in the sale transactions represent an interest in an intermediate parent company of Shelf Drilling. As holder of the preference shares, we are entitled to cumulative dividends, payable in-kind, at 10 percent per annum, escalating two percent biannually to a maximum of 14 percent but subject to reductions or increases under certain circumstances. The preference shares contain two embedded derivatives, including (a) a ceiling dividend rate indexed to the price of Brent Crude oil and (b) a dividend rate premium triggered in the event of credit default (see Note 15—Derivatives and Hedging). The preference shares are subject to mandatory redemption upon certain specified events outside of our control, including an initial public offering or change of control of Shelf Drilling.

For a transition period following the completion of the sale transactions, we agreed to continue to operate a substantial portion of the Standard Jackups under operating agreements with Shelf Drilling and to provide certain other transition services to Shelf Drilling. The costs to us of providing such operating and transition services may exceed the amounts we receive from Shelf Drilling as compensation 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. As of December 31, 2012, we operated 25 Standard Jackups under operating agreements with Shelf Drilling. 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.

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, 2012, we had $113 million of outstanding letters of credit, issued under our committed and uncommitted credit lines, in support of drilling units sold to Shelf Drilling. See Note 17—Commitments and Contingencies.

Other dispositions—During the year ended December 31, 2012, we also completed the sales of the Standard Jackups *GSF Adriatic II*, *GSF Rig 103*, *GSF Rig 136*, *Roger W. Mowell*, *Transocean Nordic, Transocean Shelf Explorer* and *Trident 17*, along with related equipment. During the year ended December 31, 2011, we completed the sales of the Standard Jackups *George H. Galloway*, *GSF Adriatic XI, GSF Britannia, GSF Labrador* and *Transocean Mercury* and the swamp barge *Searex IV*, along with related equipment, and our ownership interest in *Joides Resolution*. In connection with the disposal of these assets, in the years ended December 31, 2012 and 2011, we received aggregate net cash proceeds of $201 million and $185 million, and we recognized an aggregate net gain on disposal of these assets in the amount of $74 million ($0.20 per diluted share) and $32 million ($0.10 per diluted share), respectively, which had no tax effect in either period. In the years ended December 31, 2012 and 2011, we recognized losses on the disposal of unrelated assets in the amount of $9 million and $1 million, respectively.

In December 2012, we entered into agreements to sell the Standard Jackups *D.R. Stewart* and *GSF Adriatic VIII* and related equipment. See Note 29—Subsequent Events.

Caspian Sea contract drilling operations

Overview—In February 2011, in connection with our efforts to dispose of non-strategic assets, we sold the subsidiary that owns the High-Specification Jackup *Trident 20*, located in the Caspian Sea. The disposal of this subsidiary, a component of our contract drilling services operating segment, reflects our decision to discontinue operations in the Caspian Sea. Through June 2011, we continued to operate *Trident 20* under a bareboat charter to perform services for the customer and the buyer reimbursed us for the approximate cost of providing these services. Additionally, we provided certain transition services to the buyer through September 2011.

Disposition—In the year ended December 31, 2011, in connection with the sale of the High-Specification Jackup *Trident 20*, we received net cash proceeds of $259 million and recognized a gain on the disposal of the assets of $169 million ($0.52 per diluted share), which had no tax effect.

U.S. Gulf of Mexico drilling management services

Overview—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 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.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 increased 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 availability and dayrates. 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 on impairment of $31 million ($20 million or $0.06 per diluted share, net of tax) in the year ended December 31, 2012.

During the year ended December 31, 2012, we determined that the trade name intangible asset associated with 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 increased regulatory environment for obtaining drilling permits and the diminishing demand for drilling management services. 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 availability and dayrates. As a result of our valuation, we determined that the carrying amount of the trade name intangible asset exceeded its fair value, and we recognized a loss on impairment of $39 million ($25 million or $0.07 per diluted share, net of tax) in the year ended December 31, 2012.

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.

Impairments—In the year 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, since the carrying amount of the properties exceeded the estimated fair value less costs to sell the properties. In the year ended December 31, 2011, we recognized a loss of $10 million ($6 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, since the carrying amount of the properties exceeded the estimated fair value less costs to sell the properties. We estimated fair value based on significant other observable inputs, representative of a Level 2 fair value measurement, including a binding sale and purchase agreement for the properties.

Dispositions—In October 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. 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 $7 million and $6 million, respectively. In the year ended December 31, 2012, in connection with these disposals, we recognized an aggregate net gain of $9 million ($0.02 per diluted share), which had no tax effect. In the year ended December 31, 2011, in connection with these disposals, we recognized an aggregate net loss of $4 million (aggregate net gain of $14 million or $0.05, net of tax).

Note 10—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,					
	2012		2011		2010	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Numerator for earnings (loss) per share						
Income (loss) from continuing operations attributable to controlling interest	$ 808	$ 808	$ (5,839)	$ (5,839)	$ 1,820	$ 1,820
Undistributed earnings allocable to participating securities	—	—	—	—	(10)	(10)
Income (loss) from continuing operations available to shareholders	$ 808	$ 808	$ (5,839)	$ (5,839)	$ 1,810	$ 1,810
Denominator for earnings (loss) per share						
Weighted-average shares outstanding	356	356	322	322	320	320
Effect of stock options and other share-based awards	—	—	—	—	—	—
Weighted-average shares for per share calculation	356	356	322	322	320	320
Per share earnings (loss) from continuing operations	$ 2.27	$ 2.27	$ (18.14)	$ (18.14)	$ 5.66	$ 5.66

For the years ended December 31, 2012, 2011 and 2010, respectively, we have excluded 2.4 million, 2.4 million and 2.2 million share-based awards from the calculation since the effect would have been anti-dilutive. The 1.625% Series A Convertible Senior Notes, 1.50% Series B Convertible Senior Notes and 1.50% Series C Convertible Senior Notes did not have an effect on the calculation for the periods presented. See Note 14—Debt.

Note 11—Other Comprehensive Income (Loss)

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

	Years ended December 31,								
	2012			2011			2010		
	Controlling interest	Non-controlling interest (a)	Total	Controlling interest	Non-controlling interest (a)	Total	Controlling interest	Non-controlling interest (a)	Total
Unrecognized components of net periodic benefit costs	$ (52)	$ —	$ (52)	$ (204)	$ —	$ (204)	$ (8)	$ —	$ (8)
Unrecognized gain (loss) on derivative instruments	6	(3)	3	3	(16)	(13)	(10)	(19)	(29)
Unrecognized loss on marketable securities	—	—	—	(13)	—	(13)	—	—	—
Recognized components of net periodic benefit costs	47	—	47	25	—	25	16	—	16
Recognized (gain) loss on derivative instruments	(4)	3	(1)	(1)	12	11	14	(2)	12
Recognized loss on marketable securities	2	—	2	13	—	13	—	—	—
Other comprehensive income (loss) before income taxes	(1)	—	(1)	(177)	(4)	(181)	12	(21)	(9)
Income taxes related to other comprehensive income (loss)	(7)	—	(7)	13	—	13	(9)	—	(9)
Other comprehensive income (loss), net of tax	$ (8)	$ —	$ (8)	$ (164)	$ (4)	$ (168)	$ 3	$ (21)	$ (18)

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

Note 12—Drilling Fleet

Construction work in progress—Capital expenditures and other capital additions, including capitalized interest, for each of the three years ended December 31, 2012 were as follows (in millions):

	Years ended December 31,		
	2012	2011	2010
Construction work in progress, at beginning of period	$ 1,360	$ 1,450	$ 3,657
Newbuild construction program			
Ultra-Deepwater Floater TBN1 (a)	139	—	—
Ultra-Deepwater Floater TBN2 (a)	128	—	—
Ultra-Deepwater Floater TBN3 (a)	76	—	—
Ultra-Deepwater Floater TBN4 (a)	76	—	—
Transocean Ao Thai (b)	72	80	—
Deepwater Asgard (c)	46	4	—
Deepwater Invictus (c)	40	3	—
Transocean Siam Driller (b)	39	113	9
Transocean Andaman (b)	38	113	9
Transocean Honor (d)	35	129	98
Deepwater Champion (e)	—	76	249
Discoverer India (f)	—	—	262
Discoverer Luanda (g)	—	—	212
Dhirubhai Deepwater KG2 (h)	—	—	45
Discoverer Inspiration (h)	—	—	33
Other construction projects and capital additions	614	456	432
Total capital expenditures	1,303	974	1,349
Acquisition of construction work in progress (c)	—	272	—
Changes in accrued capital expenditures	61	(2)	(57)
Property and equipment placed into service			
Transocean Honor (d)	(262)	—	—
Deepwater Champion (e)	—	(881)	—
Discoverer India (f)	—	—	(835)
Discoverer Luanda (g)	—	—	(783)
Discoverer Inspiration (h)	—	—	(781)
Dhirubhai Deepwater KG2 (h)	—	—	(707)
Other property and equipment	(490)	(453)	(393)
Construction work in progress, at end of period	$ 1,972	$ 1,360	$ 1,450

(a) Our 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 fourth quarter of 2015, the second quarter of 2016, the fourth quarter of 2016 and the first quarter of 2017.

(b) *Transocean Siam Driller, Transocean Andaman and Transocean Ao Thai,* three Keppel FELS Super B class design High-Specification Jackups, under construction at Keppel FELS' yard in Singapore, are expected to commence operations in the first quarter of 2013, the second quarter of 2013 and the fourth quarter of 2013, respectively.

(c) *Deepwater Asgard* and *Deepwater Invictus*, two Ultra-Deepwater drillships under construction at the Daewoo Shipbuilding & Marine Engineering Co. Ltd. shipyard in Korea, are expected to be ready to commence operations in the second quarter of 2014. In the year ended December 31, 2011, we acquired the construction work in progress associated with these Ultra-Deepwater drillships with an aggregate estimated fair value of $272 million. See Note 5—Business Combination.

(d) *Transocean Honor*, a PPL Pacific Class 400 design High-Specification Jackup, 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*.

(e) *Deepwater Champion*, an Ultra-Deepwater drillship, commenced operations in May 2011.

(f) *Discoverer India*, an Ultra-Deepwater drillship, commenced operations in December 2010.

(g) *Discover Luanda*, an Ultra-Deepwater drillship, owned through our 65 percent interest in ADDCL, commenced operations in December 2010. The costs presented above represent 100 percent of ADDCL's expenditures in the construction of *Discover Luanda.*

(h) *Discoverer Inspiration* and *Dhirubhai Deepwater KG2*, two Ultra-Deepwater drillships, commenced operations in March 2010.

Other capital additions—In March 2010, we acquired *GSF Explorer*, an asset formerly held under capital lease, in exchange for a cash payment in the amount of $15 million, thereby terminating the capital lease obligation. See Note 14—Debt.

Dispositions—During the year ended December 31, 2012, we completed the sales of the Deepwater Floaters *Discoverer 534* and *Jim Cunningham*. In connection with the sales, we received aggregate net cash proceeds of $178 million, and we recognized a net gain on disposal of these drilling units and related equipment in the amount of $51 million ($48 million or $0.13 per diluted share from continuing operations net of tax). In the year ended December 31, 2012, we recognized a net loss on disposal of unrelated assets in the amount of $15 million.

In the year ended December 31, 2011, we recognized an aggregate net loss of $12 million on disposal of assets unrelated to dispositions of rigs.

During the year ended December 31, 2010, we completed the sale of two Midwater Floaters, *GSF Arctic II* and *GSF Arctic IV*. In connection with the sale, we received net cash proceeds of $38 million and non-cash proceeds in the form of two notes receivable in the aggregate amount of $165 million (see Note 6—Variable Interest Entities). We operated *GSF Arctic IV* under a short-term bareboat charter with the new owner of the vessel until November 2010. As a result of the sales, we recognized a net loss on disposal of assets of $15 million ($0.05 per diluted share from continuing operations), which had no tax effect in the year ended December 31, 2010. In the year ended December 31, 2010, we recognized a net gain on disposal of unrelated assets of $5 million.

Loss of drilling unit—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. In the year ended December 31, 2010, we received $560 million in cash proceeds from insurance recoveries related to the loss of the drilling unit, and we recognized a gain on the loss of the rig of $267 million ($0.83 per diluted share from continuing operations), which had no tax effect. See Note 17—Commitments and Contingencies.

Note 13—Goodwill and Other Intangible Assets

Goodwill and other indefinite-lived intangible assets—The gross carrying amounts of goodwill and accumulated impairment associated with our contract drilling services were as follows (in millions):

	Year ended December 31, 2012			Year ended December 31, 2011		
	Gross carrying amount	Accumulated impairment	Net carrying amount	Gross carrying amount	Accumulated impairment	Net carrying amount
Balance, beginning of period	$ 10,911	$ (7,694)	$ 3,217	$ 10,626	$ (2,494)	$ 8,132
Impairment associated with continuing operations	—	(118)	(118)	—	(5,200)	(5,200)
Reclassified balance associated with discontinued operations (a)	(112)	—	(112)	—	—	—
Business combination	—	—	—	285	—	285
Balance, end of period	$ 10,799	$ (7,812)	$ 2,987	$ 10,911	$ (7,694)	$ 3,217

(a) As a result of our decision to discontinue operations associated with the Standard Jackups and swamp barge components of our contract drilling services operating segment, we allocated $112 million of goodwill attributable to such operations, which was subsequently impaired. See Note 9—Discontinued Operations.

At December 31, 2012 and 2011, goodwill associated with our drilling management services, having a gross carrying amount of $176 million, was fully impaired.

The gross carrying amounts of the ADTI trade name, which we considered to be an indefinite-lived intangible asset attributed to the U.S. operations of our drilling management services segment, and accumulated impairment were as follows (in millions):

	Year ended December 31, 2012			Year ended December 31, 2011		
	Gross carrying amount	Accumulated impairment	Net carrying amount	Gross carrying amount	Accumulated impairment	Net carrying amount
Trade name						
Balance, beginning of period	$ 76	$ (37)	$ 39	$ 76	$ (37)	$ 39
Reclassified balance associated with discontinued operations (a)	(76)	37	(39)	—	—	—
Balance, end of period	$ —	$ —	$ —	$ 76	$ (37)	$ 39

(a) As a result of our decision to discontinue the U.S. operations of our drilling management services operating segment, we reclassified the balances attributable to such operations. See Note 9—Discontinued Operations.

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

	Year ended December 31, 2012			Year ended December 31, 2011		
	Gross carrying amount	Accumulated amortization and impairment	Net carrying amount	Gross carrying amount	Accumulated amortization and impairment	Net carrying amount
Drilling contract intangible assets						
Balance, beginning of period	$ 191	$ (191)	$ —	$ 191	$ (185)	$ 6
Amortization	—	—	—	—	(6)	(6)
Reclassified balance associated with discontinued operations (a)	(182)	182	—	—	—	—
Balance, end of period	9	9	—	191	(191)	—
Customer relationships						
Balance, beginning of period	148	(94)	54	148	(89)	59
Amortization	—	(1)	(1)	—	(5)	(5)
Impairment associated with continuing operations	—	(22)	(22)	—	—	—
Reclassified balance associated with discontinued operations (b)	(88)	57	(31)	—	—	—
Balance, end of period	60	(60)	—	148	(94)	54
Total definite-lived intangible assets						
Balance, beginning of period	339	(285)	54	339	(274)	65
Amortization	—	(1)	(1)	—	(11)	(11)
Impairment associated with continuing operations	—	(22)	(22)	—	—	—
Reclassified balance associated with discontinued operations (b)	(270)	239	(31)	—	—	—
Balance, end of period	$ 69	$ (69)	$ —	$ 339	$ (285)	$ 54
Drilling contract intangible liabilities						
Balance, beginning of period	$ 1,494	$ (1,393)	$ 101	$ 1,494	$ (1,342)	$ 152
Amortization	—	(42)	(42)	—	(51)	(51)
Reclassified balance associated with discontinued operations (a)	(84)	84	—	—	—	—
Balance, end of period	$ 1,410	$ (1,351)	$ 59	$ 1,494	$ (1,393)	$ 101

(a) As a result of our decision to discontinue operations associated with the Standard Jackup and swamp barge asset groups, we reclassified the balances attributable to such operations. See Note 9—Discontinued Operations.

(b) As a result of our decision to discontinue the U.S. operations of our drilling management services operating segment, we reclassified the balances attributable to such operations. See Note 9—Discontinued Operations.

At December 31, 2012, the estimated future amortization of our drilling contract intangible liabilities was as follows (in millions):

	Drilling contract intangible liabilities
Years ending December 31,	
2013	$ 24
2014	15
2015	14
2016	6
Total intangible liabilities	$ 59

Note 14—Debt

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

	December 31, 2012			December 31, 2011		
	Transocean Ltd. and subsidiaries	Consolidated variable interest entities	Consolidated total	Transocean Ltd. and subsidiaries	Consolidated variable interest entities	Consolidated total
5% Notes due February 2013	$ 250	$ —	$ 250	$ 253	$ —	$ 253
5.25% Senior Notes due March 2013 (a)	502	—	502	507	—	507
TPDI Credit Facilities due March 2015	403	—	403	—	473	473
4.95% Senior Notes due November 2015 (a)	1,118	—	1,118	1,120	—	1,120
Aker Revolving Credit and Term Loan Facility due December 2015	—	—	—	594	—	594
Callable Bonds due February 2016	282	—	282	267	—	267
5.05% Senior Notes due December 2016 (a)	999	—	999	999	—	999
2.5% Senior Notes due October 2017 (a)	748	—	748	—	—	—
ADDCL Credit Facilities due December 2017	—	191	191	—	217	217
Eksportfinans Loans due January 2018	797	—	797	884	—	884
6.00% Senior Notes due March 2018 (a)	998	—	998	998	—	998
7.375% Senior Notes due April 2018 (a)	247	—	247	247	—	247
TPDI Notes due October 2019	—	—	—	—	148	148
6.50% Senior Notes due November 2020 (a)	899	—	899	899	—	899
6.375% Senior Notes due December 2021 (a)	1,199	—	1,199	1,199	—	1,199
3.8% Senior Notes due October 2022 (a)	745	—	745	—	—	—
7.45% Notes due April 2027 (a)	97	—	97	97	—	97
8% Debentures due April 2027 (a)	57	—	57	57	—	57
7% Notes due June 2028	311	—	311	311	—	311
Capital lease contract due August 2029	657	—	657	676	—	676
7.5% Notes due April 2031 (a)	598	—	598	598	—	598
1.50% Series B Convertible Senior Notes due December 2037 (a)	—	—	—	30	—	30
1.50% Series C Convertible Senior Notes due December 2037 (a)	62	—	62	1,663	—	1,663
6.80% Senior Notes due March 2038 (a)	999	—	999	999	—	999
7.35% Senior Notes due December 2041 (a)	300	—	300	300	—	300
Total debt	12,268	191	12,459	12,698	838	13,536
Less debt due within one year						
5% Notes due February 2013	250	—	250	—	—	—
5.25% Senior Notes due March 2013 (a)	502	—	502	—	—	—
TPDI Credit Facilities due March 2015	70	—	70	—	70	70
Aker Revolving Credit and Term Loan Facility due December 2015	—	—	—	90	—	90
Callable Bonds due February 2016	282	—	282	—	—	—
ADDCL Credit Facilities due December 2017	—	28	28	—	27	27
Eksportfinans Loans due January 2018	153	—	153	142	—	142
TPDI Notes due October 2019	—	—	—	—	148	148
Capital lease contract due August 2029	20	—	20	17	—	17
1.50% Series B Convertible Senior Notes due December 2037 (a)	—	—	—	30	—	30
1.50% Series C Convertible Senior Notes due December 2037 (a)	62	—	62	1,663	—	1,663
Total debt due within one year	1,339	28	1,367	1,942	245	2,187
Total long-term debt	$ 10,929	$ 163	$ 11,092	$ 10,756	$ 593	$ 11,349

(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 and the Three-Year Secured 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 26—Condensed Consolidating Financial Information.

Scheduled maturities—At December 31, 2012, the scheduled maturities of our debt were as follows (in millions):

	Transocean Ltd. and subsidiaries	Consolidated variable interest entities	Consolidated total
Years ending December 31,			
2013	$ 1,053	$ 28	$ 1,081
2014	244	30	274
2015	1,539	61	1,600
2016	1,448	35	1,483
2017	930	37	967
Thereafter	7,032	—	7,032
Total debt, excluding unamortized discounts, premiums and fair value adjustments	12,246	191	12,437
Total unamortized discounts, premiums and fair value adjustments	22	—	22
Total debt	$ 12,268	$ 191	$ 12,459

Five-Year Revolving Credit Facility—We have a $2.0 billion five-year revolving credit facility, established under a bank credit agreement dated November 1, 2011, as amended, that is scheduled to expire on November 1, 2016 (the "Five-Year Revolving Credit Facility"). We may borrow under the Five-Year Revolving Credit Facility at either (1) the adjusted London Interbank Offered Rate ("LIBOR") plus a margin (the "Five-Year Revolving Credit Facility Margin") that is 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. At December 31, 2012, based on our Debt Rating on that date, the Five-Year Revolving Credit Facility Margin was 1.625 percent. Throughout the term of the Five-Year Revolving Credit Facility, we pay a facility fee on the daily unused amount of the underlying commitment, which ranges from 0.125 percent to 0.325 percent depending on our Debt Rating, and was 0.275 percent at December 31, 2012. Among other things, the Five-Year Revolving Credit Facility includes limitations on creating liens, incurring subsidiary debt, transactions with affiliates, sale/leaseback transactions, mergers and the sale of substantially all assets. The Five-Year Revolving Credit Facility also includes a covenant imposing a maximum 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. At December 31, 2012, we had $24 million in letters of credit issued and outstanding, we had no borrowings outstanding, and we had $2.0 billion of available borrowing capacity under the Five-Year Revolving Credit Facility.

Three-Year Secured Revolving Credit Facility—We have a $900 million three-year secured revolving credit facility, established under a bank credit agreement dated October 25, 2012, that is scheduled to expire on October 25, 2015 (the "Three-Year Secured Revolving Credit Facility"). We may borrow under the Three-Year Secured Revolving Credit Facility at either (1) LIBOR plus a margin (the "Three-Year Secured Revolving Credit Facility Margin") that ranges from 0.875 percent to 2.5 percent based on our Debt Rating or (2) the base rate specified in the credit agreement plus the Three-Year Secured Revolving Credit Facility Margin, less one percent per annum. At December 31, 2012, based on our Debt Rating on that date, the Three-Year Secured Revolving Credit Facility Margin was 2.0 percent. Throughout the term of the Three-Year Secured Revolving Credit Facility, we pay a facility fee on the daily unused amount of the underlying commitment, which ranges from 0.125 percent to 0.50 percent depending on our Debt Rating, and was 0.375 percent at December 31, 2012. Among other things, the Three-Year Secured 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 Three-Year Secured Revolving Credit Facility also contains a covenant imposing a maximum debt to tangible capitalization ratio of 0.6 to 1.0. Borrowings under the Three-Year Secured Revolving Credit Facility are subject to acceleration upon the occurrence of an event of default. Borrowings are guaranteed by Transocean Ltd. and Transocean Inc. and may be prepaid in whole or in part without premium or penalty. At December 31, 2012, we had no borrowings outstanding, and we had $900 million of available borrowing capacity under the Three-Year Secured Revolving Credit Facility.

Borrowings under the Three-Year Secured Revolving Credit Facility are secured by the Ultra-Deepwater Floaters *Deepwater Champion, Discoverer Americas* and *Discoverer Inspiration*. At December 31, 2012 and 2011, the aggregate carrying amount of *Deepwater Champion, Discoverer Americas* and *Discoverer Inspiration* was $2.3 billion.

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. At December 31, 2012, the aggregate outstanding principal amount of the 5% Notes and the 7% Notes was $250 million and $300 million, respectively. See Note 15—Derivatives and Hedging and Note 29—Subsequent Events.

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. At December 31, 2012, the aggregate outstanding principal amount of the 5.25% Senior Notes, the 6.00% Senior Notes and the 6.80% Senior Notes was $500 million, $1.0 billion and $1.0 billion, respectively, were outstanding. See Note 15—Derivatives and Hedging.

TPDI Credit Facilities—We have 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 is scheduled to expire in March 2015 (the "TPDI Credit Facilities"). One of our subsidiaries participates in the senior and junior term loans with an aggregate commitment of $595 million. The senior term loan, the junior term loan and the revolving credit facility bear interest at LIBOR plus the applicable margins of 1.45 percent, 2.25 percent and 1.45 percent, respectively. The senior term loan requires quarterly payments with a final payment in March 2015. The junior term loan and the revolving credit facility are due in full in March 2015. The TPDI Credit Facilities have covenants that require TPDI to maintain a minimum cash balance and available liquidity, a minimum debt service ratio and a maximum leverage ratio. The TPDI Credit Facilities may be prepaid in whole or in part without premium or penalty. At December 31, 2012, outstanding borrowings under the TPDI Credit Facilities were $805 million, of which $402 million was due to one of our subsidiaries and was eliminated in consolidation. The weighted-average interest rate on December 31, 2012 was 1.9 percent. See Note 15—Derivatives and Hedging.

Borrowings under the TPDI Credit Facilities are secured by the Ultra-Deepwater Floaters *Dhirubhai Deepwater KG1* and *Dhirubhai Deepwater KG2*. At December 31, 2012 and 2011, the aggregate carrying amount of *Dhirubhai Deepwater KG1* and *Dhirubhai Deepwater KG2* was $1.4 billion.

Under the TPDI Credit Facilities, we are 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 and 2011, we had restricted cash investments of $23 million. At December 31, 2012 and 2011, we had an outstanding letter of credit in the amount of $60 million to satisfy additional liquidity requirements under the TPDI Credit Facilities.

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. At December 31, 2012, the aggregate outstanding principal amount of the 4.95% Senior Notes and the 6.50% Senior Notes was $1.1 billion and $900 million, respectively. See Note 15—Derivatives and Hedging.

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, 2012, 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 under the Aker Term Loan, and we recognized an aggregate gain of $2 million on the retirement of debt. In September 2012, we cancelled the Aker Revolving Credit and Term Loan Facility.

Callable Bonds—In connection with our acquisition of Aker Drilling, we assumed NOK 940 million aggregate principal amount of the FRN Aker Drilling ASA Senior Unsecured Callable Bond Issue 2011/2016 (the "FRN Callable Bonds") and NOK 560 million aggregate principal amount of 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 are publicly traded on the Oslo Stock Exchange. The FRN Callable Bonds bear interest at the Norwegian Interbank Offered Rate plus seven percent. The Callable Bonds require quarterly interest payments and may be redeemed in whole or in part at an amount equal to the outstanding principal plus a certain premium amount and accrued unpaid interest.

At December 31, 2012, the total aggregate principal amounts of the FRN Callable Bonds and the 11% Callable Bonds were NOK 940 million and NOK 560 million, equivalent to $169 million and $101 million, respectively, using an exchange rate of NOK 5.56 to US $1.00. At December 31, 2012, the interest rate on the FRN Callable Bonds was 9.0 percent. See Note 15—Derivatives and Hedging and Note 29—Subsequent Events.

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, 2012, the aggregate outstanding principal amount of the 2.5% Senior Notes and the 3.8% Senior Notes was $750 million and $750 million, respectively.

ADDCL Credit Facilities—ADDCL has a senior secured credit facility, comprised of Tranche A for $215 million and Tranche C for $399 million, under a bank credit agreement dated June 2, 2008 that is scheduled to expire in December 2017 (the "ADDCL Primary Loan Facility"). Unaffiliated financial institutions provide the commitment for and borrowings under Tranche A, and one of our subsidiaries provides the commitment for Tranche C. Tranche A bears interest at LIBOR plus the applicable margin of 0.725 percent. Tranche A requires semi-annual installments of principal and interest. The ADDCL Primary Loan Facility contains covenants that require ADDCL to maintain certain cash balances to service the debt and also limits ADDCL's ability to incur additional indebtedness, to acquire assets, or to make distributions or other payments. At December 31, 2012, $163 million was outstanding under Tranche A at a weighted-average interest rate of 1.2 percent. At December 31, 2012, $399 million was outstanding under Tranche C, which was eliminated in consolidation.

Borrowings under the ADDCL Primary Loan Facility are secured by the Ultra-Deepwater Floater *Discoverer Luanda.* At December 31, 2012 and 2011, the carrying amount of *Discoverer Luanda* was $786 million and $796 million, respectively.

ADDCL also has a $90 million secondary credit facility, established under a bank credit agreement dated June 2, 2008 that is 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 provides 65 percent of the total commitment under the ADDCL Secondary Loan Facility. The facility bears interest at LIBOR plus the applicable margin, ranging from 3.125 percent to 5.125 percent, depending on certain milestones. Borrowings under the ADDCL Secondary Loan Facility are subject to acceleration by the unaffiliated financial institution upon the occurrence of certain events of default, including if our Debt Rating falls below investment grade. The ADDCL Secondary Loan Facility is payable in full in December 2015, and it may be prepaid in whole or in part without premium or penalty. At December 31, 2012, $80 million was outstanding under the ADDCL Secondary Loan Facility, of which $52 million was provided by one of our subsidiaries and has been eliminated in consolidation. The weighted-average interest rate on December 31, 2012 was 3.4 percent.

ADDCL is required to maintain certain cash balances in restricted accounts for the payment of the scheduled installments on the ADDCL Credit Facilities. At December 31, 2012 and 2011, ADDCL had restricted cash investments of $19 million and $16 million, respectively.

Eksportfinans Loans—In connection with our acquisition of Aker Drilling, we assumed the borrowings outstanding 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, 2012, $381 million and $420 million principal amount were outstanding under Eksportfinans Loan A and Eksportfinans Loan B, respectively.

The Eksportfinans Loans require cash collateral to remain on deposit at a financial institution through expiration (the "Aker Restricted Cash Investments"). The Aker 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, 2012 and 2011, the aggregate principal amount of the Aker Restricted Cash Investments was $801 million and $889 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, 2012, 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 one of our subsidiaries and TPDI's former other shareholder, Quantum Pacific Management Limited ("Quantum"), and had maturities through October 2019. On May 31, 2012, in connection with the exchange of Quantum's interest in TPDI for our shares, the TPDI Notes payable to Quantum were extinguished and contributed as additional paid-in capital. See Note 18—Redeemable 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, 2012, 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 12—Drilling Fleet and Note 17—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, 2012, the aggregate outstanding principal amount of the 7.5% Notes was $600 million.

1.625% Series A, 1.50% Series B and 1.50% Series C Convertible Senior Notes—In December 2007, we issued $2.2 billion aggregate principal amount of 1.625% Series A Convertible Senior Notes due December 2037 (the "Series A Convertible Senior Notes"), $2.2 billion aggregate principal amount of 1.50% Series B Convertible Senior Notes due December 2037 (the "Series B Convertible Senior Notes") and $2.2 billion aggregate principal amount of 1.50% Series C Convertible Senior Notes due December 2037 (the "Series C Convertible Senior Notes," and together with the Series A Convertible Senior Notes and Series B Convertible Senior Notes, the "Convertible Senior Notes"). At December 31, 2012, the Series C Convertible Senior Notes could be converted under the circumstances specified below at a rate of 6.2905 shares per $1,000 note, equivalent to a conversion price of $158.97 per share, subject to adjustments upon the occurrence of certain events. Upon conversion, we were required to deliver, in lieu of shares, cash up to the aggregate principal amount of notes to be converted and shares in respect of the remainder, if any, of our conversion obligation.

Holders could convert their notes only under the following circumstances: (1) during any calendar quarter if the last reported sale price of our shares for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is more than 130 percent of the conversion price, (2) during the five business days after the average trading price per $1,000 principal amount of the notes is equal to or less than 98 percent of the average conversion value of such notes during the preceding five trading-day period as described herein, (3) during specified periods if specified distributions to holders of our shares are made or specified corporate transactions occur, (4) prior to the close of business on the business day preceding the redemption date if the notes are called for redemption or (5) on or after September 15, 2037 and prior to the close of business on the business day prior to the stated maturity of the notes. As of December 31, 2012, no shares were issuable upon conversion of any series of the Convertible Senior Notes since none of the circumstances giving rise to potential conversion were present.

We could redeem some or all of the Series C Convertible Senior Notes at any time after December 20, 2012 at a redemption price equal to 100 percent of the principal amount plus accrued and unpaid interest, if any. Holders of the Series C Convertible Senior Notes had the right to require us to repurchase their notes on December 15, 2017, December 15, 2022, December 15, 2027 and December 15, 2032, and upon the occurrence of a fundamental change, at a repurchase price in cash equal to 100 percent of the principal amount of the notes to be repurchased plus accrued and unpaid interest, if any.

The carrying amounts of the liability components of the outstanding Convertible Senior Notes were as follows (in millions):

	December 31, 2012			December 31, 2011		
	Principal amount	Unamortized discount	Carrying amount	Principal amount	Unamortized discount	Carrying amount
Carrying amount of liability component						
Series B Convertible Senior Notes due 2037	$ —	$ —	$ —	$ 30	$ —	$ 30
Series C Convertible Senior Notes due 2037	62	—	62	1,722	(59)	1,663

The carrying amounts of the equity components of the outstanding Convertible Senior Notes were as follows (in millions):

	December 31,	
	2012	2011
Carrying amount of equity component		
Series B Convertible Senior Notes due 2037	$ —	$ 4
Series C Convertible Senior Notes due 2037	10	276

Including the amortization of the unamortized discount, the effective interest rate for the Series C Convertible Senior Notes was 5.28 percent. At December 31, 2012, the remaining period over which the discount will be amortized is less than one year for the Series C Convertible Senior Notes. Interest expense, excluding amortization of debt issue costs, was as follows (in millions):

	Years ended December 31,		
	2012	2011	2010
Interest expense			
Series A Convertible Senior Notes due 2037	$ —	$ —	$ 58
Series B Convertible Senior Notes due 2037	—	78	98
Series C Convertible Senior Notes due 2037	84	84	98

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, 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. See Note 29—Subsequent Events.

On December 15, 2011, holders of the Series B Convertible Senior Notes had the option to require us to repurchase all or any part of such holders' notes. As a result, we were required to repurchase an aggregate principal amount of $1.7 billion of the Series B Convertible Senior Notes for an aggregate cash payment of $1.7 billion. In February 2012, we redeemed the remaining $30 million aggregate principal amount of the Series B Convertible Senior Notes for an aggregate cash payment of $30 million.

On December 15, 2010, holders of the Series A Convertible Senior Notes had the option to require us to repurchase all or any part of such holders' notes. As a result, we were required to repurchase an aggregate principal amount of $1.3 billion of the Series A Convertible Senior Notes for an aggregate cash payment of $1.3 billion. In January 2011, we redeemed the remaining $11 million aggregate principal amount of the Series A Convertible Senior Notes for an aggregate cash payment of $11 million.

During the year ended December 31, 2010, we repurchased an aggregate principal amount of $478 million of the Series C Convertible Senior Notes for an aggregate cash payment of $453 million. In connection with the repurchases, we recognized a loss on retirement of $21 million ($0.07 per diluted share), with no tax effect, associated with the debt components of the repurchased notes, and we recorded additional paid-in capital of $8 million associated with the equity components of the repurchased notes.

Note 15—Derivatives and Hedging

Derivatives designated as hedging instruments—We have interest rate swaps, which are designated and have qualified as fair value hedges, to reduce our exposure to changes in the fair values of the 5% Notes due February 2013 and the 5.25% Senior Notes due March 2013. 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 changes in the fair value of the hedged fixed-rate notes. Through the stated maturities of the interest rate swaps in February and March 2013, we receive semi-annual interest at a fixed rate equal to that of the underlying debt instrument and pay variable interest semi-annually at three-month LIBOR plus a margin.

We previously entered into interest rate swaps, which were designated and qualified as a fair value hedge, to reduce our exposure to changes in the fair values of the 4.95% Senior Notes due November 2015. In June 2012, we terminated these interest rate swaps and received an aggregate net cash payment of $23 million in the year ended December 31, 2012.

We have interest rate swaps, which have been designated and qualify as a cash flow hedge, to reduce the variability of cash interest payments associated with the variable-rate borrowings under the TPDI Credit Facilities through December 31, 2014. The aggregate notional amount corresponds with the aggregate outstanding amount of the borrowings under the TPDI Credit Facilities.

We have cross-currency interest rate swaps, which have been designated and qualify as a cash flow hedge, to reduce the variability of cash interest payments and the final principal payment due at maturity in February 2016 associated with the changes in the U.S. dollar to Norwegian krone exchange rate. The aggregate notional amount corresponds with the aggregate outstanding amount of the 11% Callable Bonds. Our obligations under the swap agreements are secured by the Ultra-Deepwater Floaters *Transocean Spitsbergen* and *Transocean Barents*. At December 31, 2012 and 2011, the aggregate carrying amount of *Transocean Spitsbergen* and *Transocean Barents* was $1.5 billion.

At December 31, 2012, the aggregate notional amounts and the weighted average interest rates associated with our derivatives designated as hedging instruments were as follows (in millions, except weighted average interest rates):

	Pay			Receive		
	Aggregate notional amount	Fixed or variable rate	Weighted average rate	Aggregate notional amount	Fixed or variable rate	Weighted average rate
Interest rate swaps, fair value hedges	$ 750	variable	3.5%	$ 750	fixed	5.2%
Interest rate swaps, cash flow hedges	$ 385	fixed	2.4%	$ 385	variable	0.3%
Cross-currency swaps, cash flow hedges	$ 102	fixed	8.9%	NOK 560	fixed	11.0%

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

		Years ended December 31,		
	Statement of operations classification	2012	2011	2010
Loss associated with effective portion	Interest expense, net of amounts capitalized	$ (5)	$ (11)	$ (12)
Gain associated with effective portion	Other, net	6	—	—

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	2012	2011
Interest rate swaps, fair value hedges	Other current assets	$ 6	$ 5
Interest rate swaps, fair value hedges	Other assets	—	31
Interest rate swaps, cash flow hedges	Other long-term liabilities	13	16
Cross-currency swaps, cash flow hedges	Other current assets	1	—
Cross-currency swaps, cash flow hedges	Other assets	1	—
Cross-currency swaps, cash flow hedges	Other long-term liabilities	—	7

Derivatives not designated as hedging instruments—In connection with our acquisition of Aker Drilling, we assumed certain derivatives not designated as hedging instruments. In the years ended December 31, 2012 and 2011, we terminated certain of these interest rate swaps not designated as hedging instruments and made aggregate cash payments of $14 million and $15 million, respectively.

Additionally, in August 2011, in connection with our acquisition of Aker Drilling, we entered into a forward exchange contract, which was not designated and did not qualify as a hedging instrument for accounting purposes, in order to offset the variability in the cash flows resulting from fluctuations in the U.S. dollar to Norwegian krone exchange rate. The forward exchange contract had aggregate notional amounts requiring us to pay $1.1 billion in exchange for receiving NOK 6.1 billion, representing an exchange rate of $1.00 to NOK 5.40. On September 28, 2011, we settled the full amount of the forward exchange contract and made a cash payment of $78 million.

In connection with our sale transactions with Shelf Drilling, we received non-cash proceeds in the form of preference shares with a liquidation value of $195 million. The preference shares contain two embedded derivatives, which are not designated and do not qualify as hedging instruments for accounting purposes, including (a) a ceiling dividend rate indexed to the price of Brent Crude oil and (b) a dividend rate premium triggered in the event of credit default. See Note 9—Discontinued Operations.

The effect on our consolidated statements of operations resulting from changes in the fair values of derivatives not designated as hedging instruments was as follows (in millions):

		Years ended December 31,		
	Statement of operations classification	2012	2011	2010
Loss associated with undesignated interest rate swaps	Interest expense, net of amounts capitalized	$ (1)	$ —	$ —
Loss associated with undesignated forward exchange contract	Other, net	—	(78)	—

The balance sheet classification and aggregate carrying amount of our derivatives not designated as hedging instruments, measured at fair value, were as follows (in millions):

		December 31,	
	Balance sheet classification	2012	2011
Interest rate swaps not designated as hedging instruments	Other long-term liabilities	$ —	$ 15
Embedded derivatives not designated as hedging instruments	Other long-term liabilities	2	—

Note 16—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.

Assumptions—The following were the weighted-average assumptions used to determine benefit obligations:

	December 31, 2012			December 31, 2011		
	U.S. Plans	Non-U.S. Plans	OPEB Plans	U.S. Plans	Non-U.S. Plans	OPEB Plans
Discount rate	4.19%	5.37%	3.63%	4.66%	4.90%	4.28%
Compensation trend rate	4.21%	4.38%	n/a	4.22%	4.30%	n/a

The following were the weighted-average assumptions used to determine net periodic benefit costs:

	Year ended December 31, 2012			Year ended December 31, 2011			Year ended December 31, 2010		
	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	4.67%	5.43%	4.27%	5.49%	5.73%	4.94%	5.86%	5.67%	5.51%
Expected rate of return	7.47%	6.07%	n/a	8.49%	6.42%	n/a	8.49%	6.65%	n/a
Compensation trend rate	4.22%	4.61%	n/a	4.24%	4.62%	n/a	4.21%	4.77%	n/a
Health care cost trend rate									
-initial	n/a	n/a	8.08%	n/a	n/a	8.08%	n/a	n/a	8.00%
-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	2019	n/a	n/a	2018	n/a	n/a	2016

"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, 2012				Year ended December 31, 2011			
	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	$ 1,260	$ 447	$ 53	$ 1,760	$ 1,068	$ 374	$ 56	$ 1,498
Assumed projected benefit obligation	—	—	—	—	—	17	—	17
Actuarial (gains) losses, net	128	(15)	4	117	128	24	(3)	149
Service cost	49	31	1	81	43	21	1	65
Interest cost	59	24	2	85	58	22	3	83
Foreign currency exchange rate	—	19	—	19	—	(1)	—	(1)
Benefits paid	(45)	(23)	(3)	(71)	(37)	(12)	(5)	(54)
Participant contributions	—	2	1	3	—	2	1	3
Special termination benefits	1	—	—	1	—	—	—	—
Settlements and curtailments	—	14	—	14	—	—	—	—
Projected benefit obligation, end of period	1,452	499	58	2,009	1,260	447	53	1,760
Change in plan assets								
Fair value of plan assets, beginning of period	769	351	—	1,120	697	332	—	1,029
Fair value of acquired plan assets	—	—	—	—	—	9	—	9
Actual return on plan assets	116	28	—	144	39	(8)	—	31
Foreign currency exchange rate changes	—	15	—	15	—	2	—	2
Employer contributions	108	49	2	159	70	29	4	103
Participant contributions	—	2	1	3	—	2	1	3
Benefits paid	(45)	(23)	(3)	(71)	(37)	(12)	(5)	(54)
Settlement and curtailments	—	—	—	—	—	(3)	—	(3)
Fair value of plan assets, end of period	948	422	—	1,370	769	351	—	1,120
Funded status, end of period	$ (504)	$ (77)	$ (58)	$ (639)	$ (491)	$ (96)	$ (53)	$ (640)
Balance sheet classification, end of period:								
Pension asset, non-current	$ —	$ 3	$ —	$ 3	$ —	$ —	$ —	$ —
Accrued pension liability, current	3	24	3	30	3	5	3	11
Accrued pension liability, non-current	501	56	55	612	488	91	50	629
Accumulated other comprehensive income (loss) (a)	(469)	(80)	(6)	(555)	(437)	(111)	(2)	(550)

(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, 2012				December 31, 2011			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Projected benefit obligation	$ 1,452	$ 482	$ 58	$ 1,992	$ 1,260	$ 447	$ 53	$ 1,760
Fair value of plan assets	948	404	—	1,352	769	351	—	1,120

The accumulated benefit obligation for all defined benefit pension plans was $1.7 billion and $1.5 billion at December 31, 2012 and 2011, 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, 2012				December 31, 2011			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Accumulated benefit obligation	$ 1,255	$ 335	$ 58	$ 1,648	$ 1,083	$ 288	$ 53	$ 1,424
Fair value of plan assets	948	298	—	1,246	769	254	—	1,023

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, 2012 and 2011, the weighted-average target and actual allocations of the investments for our funded Transocean Plans were as follows:

	Target allocation		Actual allocation at December 31, 2012		2011	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Equity securities	65 %	49 %	64 %	49 %	64 %	47 %
Fixed income securities	35 %	14 %	36 %	17 %	36 %	12 %
Other investments	—	37 %	—	34 %	—	41 %
Total	100 %	100 %	100 %	100 %	100 %	100 %

As of December 31, 2012, the investments for our funded Transocean Plans were categorized as follows (in millions):

December 31, 2012	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	$ 525	$ —	$ 525	$ —	$ 32	$ 32	$ 525	$ 32	$ 557
Non-U.S. equity funds	120	—	120	3	176	179	123	176	299
Bond funds	296	—	296	—	73	73	296	73	369
Total mutual funds	941	—	941	3	281	284	944	281	1,225
Other investments									
Cash and money market funds	4	2	6	—	6	6	4	8	12
Property collective trusts	—	—	—	—	8	8	—	8	8
Investment contracts	—	—	—	—	125	125	—	125	125
Total other investments	4	2	6	—	139	139	4	141	145
Total investments	$ 945	$ 2	$ 947	$ 3	$ 420	$ 423	$ 948	$ 422	$ 1,370

As of December 31, 2011, the investments for our funded Transocean Plans were categorized as follows (in millions):

December 31, 2011	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	$ 395	$ —	$ 395	$ —	$ 29	$ 29	$ 395	$ 29	$ 424
Non-U.S. equity funds	91	—	91	2	137	139	93	137	230
Bond funds	278	—	278	—	43	43	278	43	321
Total mutual funds	764	—	764	2	209	211	766	209	975
Other investments									
Cash and money market funds	3	38	41	—	—	—	3	38	41
Property collective trusts	—	—	—	—	8	8	—	8	8
Investment contracts	—	—	—	—	96	96	—	96	96
Total other investments	3	38	41	—	104	104	3	142	145
Total investments	$ 767	$ 38	$ 805	$ 2	$ 313	$ 315	$ 769	$ 351	$ 1,120

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, 2012			Year ended December 31, 2011			Year ended December 31, 2010		
	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	$ 49	$ 31	$ 80	$ 43	$ 21	$ 64	$ 42	$ 20	$ 62
Interest cost	59	24	83	58	22	80	54	20	74
Expected return on plan assets	(62)	(22)	(84)	(63)	(23)	(86)	(58)	(17)	(75)
Settlements and curtailments	3	19	22	2	1	3	5	3	8
Special termination benefits	1	—	1	—	—	—	3	—	3
Actuarial losses, net	41	4	45	23	4	27	13	4	17
Prior service cost (credit), net	(2)	1	(1)	(1)	—	(1)	(1)	—	(1)
Transition obligation, net	—	—	—	—	—	—	—	1	1
Net periodic benefit costs	$ 89	$ 57	$ 146	$ 62	$ 25	$ 87	$ 58	$ 31	$ 89

For the OPEB Plans, the combined components of net periodic benefit costs, including service cost, interest cost, recognized net actuarial losses and prior service cost amortization were $3 million, $1 million and $2 million in the years ended December 31, 2012, 2011 and 2010, 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, 2012				December 31, 2011			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Actuarial loss, net	$ 477	$ 80	$ 8	$ 565	$ 447	$ 113	$ 4	$ 564
Prior service cost (credit), net	(8)	—	(2)	(10)	(10)	—	(2)	(12)
Transition obligation, net	—	—	—	—	—	(2)	—	(2)
Total	$ 469	$ 80	$ 6	$ 555	$ 437	$ 111	$ 2	$ 550

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, 2013 (in millions):

	Year ending December 31, 2013			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Actuarial loss, net	$ 48	$ 4	$ 1	$ 53
Prior service cost (credit), net	(1)	—	(1)	(2)
Transition obligation, net	—	—	—	—
Total amount expected to be recognized	$ 47	$ 4	$ —	$ 51

Funding contributions—In the years ended December 31, 2012, 2011 and 2010, we contributed $159 million, $103 million and $118 million, respectively, to the Transocean Plans and the OPEB Plans using our cash flows from operations. For the year ending December 31, 2013, we expect to contribute $50 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,				
2013	$ 43	$ 28	$ 4	$ 75
2014	47	11	4	62
2015	51	10	4	65
2016	55	11	4	70
2017	59	11	4	74
2018-2022	349	82	22	453

Defined contribution plans

We sponsor three defined contribution plans, including (1) one qualified defined contribution savings plan covering certain employees working in the U.S. (the "U.S. Savings Plan"), (2) one defined contribution savings plan covering certain employees working outside the U.S. and U.K. (the "Non-U.S. Savings Plan"), and (3) one defined contribution pension plan that covers certain employees working outside the U.S. (the "Non-U.S. Pension Plan").

For the U.S. Savings Plan and the Non-U.S. Savings Plan, we make a matching contribution of up to 6.0 percent of each covered employee's base salary, based on the employee's contribution to the plan. For the Non-U.S. Pension Plan, we contribute between 4.5 percent and 6.5 percent of each covered employee's base salary, based on the employee's years of eligible service. In the years ended December 31, 2012, 2011 and 2010, the expense related to our defined contribution plans was $85 million, $82 million and $69 million, respectively.

Note 17—Commitments and Contingencies

Lease obligations

We have operating lease commitments expiring at various dates, principally for real estate, office space and office equipment. In 2009, we accepted delivery of *Petrobras 10000*, an asset held under a capital lease through August 2029. In the years ended December 31, 2012, 2011 and 2010, rental expenses for all leases, including leases with terms of less than one year, was approximately $97 million, $169 million and $98 million, respectively. As of December 31, 2012, future minimum rental payments related to non-cancellable operating leases and the capital lease were as follows (in millions):

	Capital lease	Operating leases
Years ending December 31,		
2013	$ 66	$ 42
2014	72	38
2015	72	24
2016	72	21
2017	73	11
Thereafter	846	95
Total future minimum rental payment	$ 1,201	$ 231
Less amount representing imputed interest	(544)	
Present value of future minimum rental payments under capital leases	657	
Less current portion included in debt due within one year	(20)	
Long-term capital lease obligation	$ 637	

At December 31, 2012 and 2011, the aggregate carrying amount of our assets held under capital lease was as follows (in millions):

	December 31, 2012	December 31, 2011
Property and equipment, cost	$ 745	$ 742
Accumulated depreciation	(64)	(44)
Property and equipment, net	$ 681	$ 698

In the years ended December 31, 2012, 2011 and 2010, depreciation expense associated with our assets held under capital lease was $20 million, $20 million and $23 million, respectively.

Purchase obligations

At December 31, 2012, our purchase obligations, primarily related to our newbuilds, were as follows (in millions):

Years ending December 31,	Purchase obligations
2013	$ 1,896
2014	447
2015	749
2016	674
2017	—
Thereafter	—
Total	$ 3,766

Macondo well incident

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

We are currently unable to estimate the full impact the Macondo well incident will have on us. We have recognized a liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made. This liability takes into account certain events related to the litigation and investigations arising out of the incident. There are loss contingencies related to the Macondo well incident that we believe are reasonably possible and for which we do not believe a reasonable estimate can be made. These contingencies could increase the liabilities we ultimately recognize. As of December 31, 2012 and 2011, the liability associated for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made was $1.9 billion and $1.2 billion, respectively, recorded in other current liabilities.

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 recoverable from insurance. 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 adjust our estimated loss contingencies arising out of the Macondo well incident or 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 and cash flows. In the year ended December 31, 2012, we received $15 million of cash proceeds from insurance recoveries for losses related to the personal injury and fatality claims of our crew and vendors. Additionally, BP received $84 million of cash proceeds from insurance recoveries under our insurance program for losses that were covered under our contractual indemnity of BP (see "—Contractual indemnity"). The payments made to BP resulted in corresponding reductions of our insurance recoverable asset and contingent liability. As of December 31, 2012 and 2011, the insurance recoverable asset related to estimated losses primarily for additional personal injury and fatality claims of our crew and vendors that we believe are probable of recovery from insurance was $141 million and $233 million, respectively, recorded in other assets.

Many of the Macondo well related claims are pending in the U.S. District Court, Eastern District of Louisiana (the "MDL Court"). The first phase of a three-phase trial was originally scheduled to commence in March 2012. In March 2012, BP and the Plaintiff's Steering Committee (the "PSC") announced that they had agreed to a partial settlement related primarily to private party environmental and economic loss claims as well as response effort related claims (the "BP/PSC Settlement"). The BP/PSC Settlement agreement provides that (a) to the extent permitted by law, BP will assign to the settlement class certain of BP's claims, rights and recoveries against us for damages with protections such that the settlement class is barred from collecting any amounts from us unless it is finally determined that we cannot recover such amounts from BP, and (b) the settlement class releases all claims for compensatory damages against us but purports to retain claims for punitive damages against us.

On December 21, 2012, the MDL Court granted final approval of the economic and property damage class settlement between BP and the PSC. After giving consideration to the BP/PSC Settlement, the MDL Court ordered that the first phase of the trial, at which liability will be determined, be rescheduled for February 2013. The MDL Court subsequently issued an order with a projected trial date of June 2013 for the second phase of the trial, which will address conduct related to stopping the release of hydrocarbons between April 22, 2010 and approximately September 19, 2010 and seek to determine the amount of oil actually released during the period. Due to discovery requirements, the second phase of the trial is being rescheduled to September 2013. There can be no assurance as to the outcome of the trial, as to the timing of any phase of trial, 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.

In April 2011, several defendants in the Macondo well litigation before the Multi-District Litigation Panel (the “MDL”) filed cross-claims or third-party claims against us and certain of our subsidiaries, and other defendants. BP filed a claim seeking contribution under the Oil Pollution Act of 1990 (“OPA”) and maritime law, subrogation and claimed breach of contract, unseaworthiness, negligence and gross negligence. BP also sought a declaration that it is not liable in contribution, indemnification, or otherwise to us. Anadarko Petroleum Corporation (“Anadarko”), which owned a 25 percent non-operating interest in the Macondo well, asserted claims of negligence, gross negligence, and willful misconduct and is seeking indemnity under state and maritime law and contribution under maritime and state law as well as OPA. MOEX Offshore 2007 LLC (“MOEX”), which owns a 10 percent non-operating interest in the Macondo well, filed claims of negligence under state and maritime law, gross negligence under state law, gross negligence and willful misconduct under maritime law and is seeking indemnity under state and maritime law and contribution under maritime law and OPA. Cameron International Corporation (“Cameron”), the manufacturer and designer of the blowout preventer, asserted multiple claims for contractual indemnity and declarations regarding contractual obligations under various contracts and quotes and is also seeking non-contractual indemnity and contribution under maritime law and OPA. As part of the BP/PSC Settlement, one or more of these claims against us and certain of our subsidiaries may be assigned to the PSC settlement class. Halliburton Company (“Halliburton”), which provided cementing and mud-logging services to the operator, filed a claim against us seeking contribution and indemnity under maritime law, contractual indemnity and alleging negligence and gross negligence. Additionally, certain other third parties filed claims against us for indemnity and contribution.

In April 2011, we filed cross-claims and counter-claims against BP, Halliburton, Cameron, Anadarko, MOEX, certain of these parties’ affiliates, the U.S. and certain other third parties. We seek indemnity, contribution, including contribution under OPA, and subrogation under OPA, and we have asserted claims for breach of warranty of workmanlike performance, strict liability for manufacturing and design defect, breach of express contract, and damages for the difference between the fair market value of *Deepwater Horizon* and the amount received from insurance proceeds. Our agreement with the DOJ limits our ability to seek indemnification with respect to certain of these matters against the owners of the Macondo well. We are not pursuing arbitration on the key contractual issues with BP; instead, we are relying on the court to resolve the disputes. With regard to the U.S., we are not currently seeking recovery of monetary damages, but rather a declaration regarding relative fault and contribution via credit, setoff, or recoupment.

Notices of alleged non-compliance—The Department of the Interior’s Bureau of Safety and Environmental Enforcement issued four notices of alleged non-compliance with regulatory requirements to us on October 12, 2011. See Note 29—Subsequent Events.

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

In May 2010, we received notice from BP maintaining that it believes that it is entitled to additional insured status under our excess liability insurance program. Our insurers have also received notices from Anadarko and MOEX advising of their intent to preserve any rights they may have to our insurance policies as an additional insured under the drilling contract. In response, our wholly owned captive insurance subsidiary and our first four excess layer insurers filed declaratory judgment actions in the Houston Division of the U.S. District Court for the Southern District of Texas in May 2010 seeking a judgment declaring that they have limited additional insured obligations to BP, Anadarko and MOEX. We are parties to the declaratory judgment actions, which have been 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 has filed an appeal. Oral argument took place in December 2012 and we are currently awaiting the appellate court ruling. We believe that additional insured coverage for BP, Anadarko or MOEX under the $250 million fifth layer of our insurance program is also limited to the scope of our indemnification of BP under the drilling contract. While we cannot predict the outcome of the appeal, we do not expect it to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Additionally, our first layer of excess insurers, representing $150 million of insurance coverage, filed interpleader actions on June 17, 2011. 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 interpleader actions have executed a protocol agreement to facilitate the reimbursement and funding of settlements of personal injury and fatality claims of our crew and vendors using insurance funds and claims have been submitted to the court for review. Pending the court's determination of the parties' claims, and with the court's approval, the insurers have made interim reimbursement payments to the parties.

Our second layer of excess insurers, representing $150 million of insurance coverage, filed an interpleader action on July 31, 2012. Like the interpleader actions filed by the first layer of excess insurers, the second layer of excess insurers contend that they face multiple, and potentially competing, claims to the relevant insurance proceeds. In this action, 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.

See Note 29—Subsequent Events.

Litigation—As of December 31, 2012, 383 actions or claims were pending against us, along with other unaffiliated defendants, in state and federal courts. Additionally, government agencies have initiated investigations into the Macondo well incident. We have categorized below the nature of the legal actions or claims. We are evaluating all claims and intend to vigorously defend any claims and pursue any and all defenses available. In addition, we believe we are entitled to contractual defense and indemnity for all wrongful death and personal injury claims made by non-employees and third-party subcontractors' employees as well as all liabilities for pollution or contamination, other than for pollution or contamination originating on or above the surface of the water. See "—Contractual indemnity."

Wrongful death and personal injury—As of December 31, 2012, we have been named, along with other unaffiliated defendants, in nine complaints that were pending in state and federal courts in Louisiana and Texas involving multiple plaintiffs that allege wrongful death and other personal injuries arising out of the Macondo well incident. Per the order of the MDL, these claims have been centralized for discovery purposes in the MDL Court. The complaints generally allege negligence and seek awards of unspecified economic damages and punitive damages. BP, MI-SWACO, Weatherford International Ltd. and Cameron and certain of their affiliates, have, based on contractual arrangements, also made indemnity demands upon us with respect to personal injury and wrongful death claims asserted by our employees or representatives of our employees against these entities. See "—Contractual indemnity."

Economic loss—As of December 31, 2012, we and certain of our subsidiaries were named, along with other unaffiliated defendants, in 153 pending individual complaints as well as 188 putative class-action complaints that were pending in the federal and state courts in Louisiana, Texas, Mississippi, Alabama, Georgia, Kentucky, South Carolina, Tennessee, Florida and possibly other courts. The complaints generally allege, among other things, potential economic losses as a result of environmental pollution arising out of the Macondo well incident and are based primarily on the OPA and state OPA analogues. The plaintiffs are generally seeking awards of unspecified economic, compensatory and punitive damages, as well as injunctive relief. These actions have been transferred to the MDL. See "—Contractual indemnity."

Federal securities claims—A federal securities class action is currently pending in the U.S. District Court, Southern District of New York, naming us and former chief executive officers of Transocean Ltd. and one of our acquired companies as defendants. In the action, a former shareholder of the acquired company alleges that the joint proxy statement related to our shareholder meeting in connection with our merger with the acquired company violated Section 14(a) of the Exchange Act of 1934 (the "Exchange Act"), Rule 14a-9 promulgated thereunder and Section 20(a) of the Exchange Act. The plaintiff claims that the acquired company's shareholders received inadequate consideration for their shares as a result of the alleged violations and seeks compensatory and rescissory damages and attorneys' fees. In addition, we are obligated to pay the defense fees and costs for the individual defendants, which may be covered by our directors' and officers' liability insurance, subject to a deductible. On October 4, 2012, the court denied our motion to dismiss the action. On October 5, 2012, we asked the court to stay the action pending a decision by the Second Circuit Court of Appeals in an unrelated action involving other parties on the grounds that the Second Circuit's decision could be relevant to the disposition of this case. On October 10, 2012, the court stayed discovery pending a decision on the motion to stay. See Note 29—Subsequent Events.

Other federal statutes—Several of the claimants have made assertions under the statutes, including the Clean Water Act (the "CWA"), the Endangered Species Act, the Migratory Bird Treaty Act, the Clean Air Act, the Comprehensive Environmental Response Compensation and Liability Act and the Emergency Planning and Community Right-to-Know Act.

Shareholder derivative claims—In June 2010, two shareholder derivative suits were filed by our shareholders naming us as a nominal defendant and certain of our current and former officers and directors as defendants in state district court in Texas. These cases allege breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement and waste of corporate assets in connection with the Macondo well incident. The plaintiffs are generally seeking to recover, on behalf of us, damages to the corporation and disgorgement of all profits, benefits, and other compensation from the individual defendants. Any recovery of the damages or disgorgement by the plaintiffs in these actions would be paid to us. If the plaintiffs prevail, we could be required to pay plaintiffs' attorneys' fees. In addition, we are obligated to pay the defense fees and costs for the individual defendants, which may be covered by our directors' and officers' liability insurance, subject to a deductible. The two actions have been consolidated before a single judge. The defendants have filed a motion to dismiss the complaint on the ground that if the actions are to proceed they must be maintained in the courts of

Switzerland and on the ground that the plaintiffs lack standing to assert the claims alleged. In December 2012, in response to defendants' motion to dismiss for lack of standing, the plaintiffs dismissed their action without prejudice.

U.S. Department of Justice claims—On December 15, 2010, the U.S. Department of Justice ("DOJ") filed a civil lawsuit against us and other unaffiliated defendants. The complaint alleged violations under OPA and the CWA, including claims for per barrel civil penalties of up to $1,100 per barrel or up to $4,300 per barrel if gross negligence or willful misconduct is established, and the DOJ reserved its rights to amend the complaint to add new claims and defendants. The U.S. government has estimated that up to 4.1 million barrels of oil were discharged and subject to penalties. The complaint asserted that all defendants named are jointly and severally liable for all removal costs and damages resulting from the Macondo well incident. On December 6, 2011, the DOJ filed a motion for partial summary judgment seeking a ruling that we were jointly and severely liable under OPA, and liable for civil penalties under the CWA, for all of the discharges from the Macondo well on the theory that discharges not only came from the well but also from the blowout preventer and riser, appurtenances of *Deepwater Horizon*.

On January 9, 2012, we filed our opposition to the motion and filed a cross-motion for partial summary judgment seeking a ruling that we are not liable for the subsurface discharge of hydrocarbons. On February 22, 2012, the MDL Court ruled that we are not liable as a responsible party for damages under OPA with respect to the below surface discharges from the Macondo well. The court also ruled that the below surface discharge was discharged from the well facility, and not from the *Deepwater Horizon* vessel, within the meaning of the CWA, and that we therefore are not liable for such discharges as an owner of the vessel under the CWA. However, the court ruled that the issue of whether we could be held liable for such discharge under the CWA as an "operator" of the well facility could not be resolved on summary judgment. The court did not determine whether we could be liable for removal costs under OPA, or the extent of such removal costs. On August 27, 2012, Anadarko filed a notice of appeal seeking to appeal to the Fifth Circuit Court of Appeals that portion of the MDL Court's February 22, 2012 ruling concerning liability under the CWA. On September 18, 2012, BP and the U.S. also filed notices of appeal seeking to appeal to the Fifth Circuit Court of Appeals the MDL Court's February 22, 2012 ruling without limiting the notice of appeal to the CWA aspects of the ruling. We filed a motion to dismiss the appeals.

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 DOJ is also conducting a criminal investigation into the Macondo well incident. On March 7, 2011, the DOJ announced the formation of a new task force to lead the criminal investigation. The task force is investigating possible violations by us and certain unaffiliated parties of the CWA, the Migratory Bird Treaty Act, the Refuse Act, the Endangered Species Act, and the Seaman's Manslaughter Act, among other federal statutes, and possible criminal liabilities, including fines under those statutes and under the Alternative Fines Act. Under the Alternatives Fines Act, a corporate defendant convicted of a criminal offense may be subject to a fine in the amount of twice the gross pecuniary loss suffered by third parties as a result of the offense. If we are charged with or convicted of certain criminal offenses, we may be subject to suspension or debarment as a contractor or subcontractor on certain government contracts, including leases.

See Note 29—Subsequent Events.

State and other government claims—In June 2010, the Louisiana Department of Environmental Quality (the "LDEQ") issued a consolidated compliance order and notice of potential penalty to us and certain of our subsidiaries asking us to eliminate and remediate discharges of oil and other pollutants into waters and property located in the State of Louisiana, and to submit a plan and report in response to the order. In October 2010, the LDEQ rescinded its enforcement actions against us and our subsidiaries but reserved its rights to seek civil penalties for future violations of the Louisiana Environmental Quality Act.

In September 2010, the State of Louisiana filed a declaratory judgment seeking to designate us as a responsible party under OPA and the Louisiana Oil Spill Prevention and Response Act for the discharges emanating from the Macondo well.

Additionally, suits have been filed by the State of Alabama and the cities of Greenville, Evergreen, Georgiana and McKenzie, Alabama in the U.S. District Court, Middle District of Alabama; the Mexican States of Veracruz, Quintana Roo and Tamaulipas in the U.S. District Court, Western District of Texas; and the City of Panama City Beach, Florida in the U.S. District Court, Northern District of Florida. Suits were also filed by the City of New Orleans, by and on behalf of multiple Parishes, and by or on behalf of the Town of Grand Isle, Grand Isle Independent Levee District, the Town of Jean Lafitte, the Lafitte Area Independent Levee District, the City of Gretna, the City of Westwego, and the City of Harahan in the MDL Court. Additional suits were filed by or on behalf of other Parishes in the respective Parish courts and were removed to federal court. A local government master complaint also was filed in which cities, municipalities, and other local government entities can and have joined. Generally, these governmental entities allege economic losses under OPA and other statutory environmental state claims and also assert various common law state claims. The claims have been centralized in the MDL. The city of Panama City Beach's claim was voluntarily dismissed.

On August 26, 2011, the MDL Court ruled on the motion to dismiss certain economic loss claims. The court ruled that state law, both statutory and common law, is preempted by maritime law, notwithstanding OPA's savings provisions. Accordingly, all claims brought under state law were dismissed. Secondly, general maritime law claims that do not allege physical damage to a proprietary interest were dismissed, unless the claim falls into the commercial fisherman exception. The court ruled that OPA claims for economic loss do not require physical damage to a proprietary interest. Third, the MDL Court ruled that presentment under OPA is a mandatory condition precedent to filing suit against a responsible party. Finally, the MDL Court ruled that claims for punitive damages may be available under general maritime law in claims against responsible parties and non-responsible parties. Certain Louisiana parishes have appealed portions of this ruling. The parties have completed appellate briefing.

The Mexican States' OPA claims were dismissed for failure to demonstrate that recovery under OPA was authorized by treaty or executive agreement. However, the Court preserved some of the Mexican States' negligence and gross negligence claims, but only to the extent there has been a physical injury to a proprietary interest. As such, the ruling as to the Mexican States is not yet final and not subject to appeal at this time.

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

Wreck removal—By letter dated December 6, 2010, the U.S. Coast Guard requested us to formulate and submit a comprehensive oil removal plan to remove any diesel fuel contained in the sponsons and fuel tanks that can be recovered from *Deepwater Horizon.* We have conducted a survey of the rig wreckage and have confirmed that no diesel fuel remains on the rig. 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. The U.S. Coast Guard has not requested that we remove the rig wreckage from the sea floor.

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

Although we believe we are entitled to contractual defense and indemnity, the operator has sought to avoid its indemnification obligations. The operator has generally reserved all of its rights. In doing so, the operator has cited a variety of possible legal theories based upon the contract and facts still to be developed. We believe this reservation of rights is without justification and that the operator is required to honor its indemnification obligations contained in our contract and described above.

In April 2011, the operator filed a claim seeking a declaration that it is not liable to us in contribution, indemnification, or otherwise. On November 1, 2011, we filed a motion for partial summary judgment, seeking enforcement of the indemnity obligations for pollution and civil fines and penalties contained in the drilling contract with the operator. On January 26, 2012, the court ruled that the drilling contract requires the operator to indemnify us for compensatory damages asserted by third parties against us related to pollution that did not originate on or above the surface of the water, even if the claim is the result of our strict liability, negligence, or gross negligence. The operator and others are appealing this ruling. The court also held that the operator does not owe us indemnity to the extent that we are held liable for civil penalties under the CWA or for punitive damages. The court deferred ruling on the operator's argument that we breached the drilling contract or materially increased the operator's risk or prejudiced its rights so as to vitiate the operator's indemnity obligations. Our motion for partial summary judgment and the court's ruling did not address the issue of contractual indemnity for criminal fines and penalties. The law generally considers contractual indemnity for criminal fines and penalties to be against public policy.

Other legal proceedings

Brazil Frade field incident—On or about November 7, 2011, oil was released from fissures in the ocean floor in the vicinity of a development well being drilled by Chevron off the coast of Rio de Janeiro in the Frade field with *Sedco 706*. The release was ultimately controlled, the well was plugged, and the released oil is being contained by Chevron.

On or about December 13, 2011, a federal prosecutor in the town of Campos in Rio de Janeiro State filed a civil public action against Chevron and us seeking BRL 20.0 billion, equivalent to approximately $10.0 billion, and seeking a preliminary and permanent injunction preventing Chevron and us from operating in Brazil. The prosecutor amended the requested injunction on December 15, 2011, to seek to prevent Chevron and us from conducting extraction or transportation activities in Brazil and to seek to require Chevron to stop the release and remediate its effects. On January 11, 2012, a judge of the federal court in Campos issued an order finding that the case should be transferred to the federal court in Rio de Janeiro. The prosecutor has appealed this jurisdictional decision and that appeal remains pending. On February 24, 2012, the court in Rio de Janeiro issued an order denying the federal prosecutor's request for a preliminary injunction. The prosecutor further appealed this decision, and a three-judge panel heard the appeal on May 8, 2012. In July 2012, the appellate court granted the request for preliminary injunction. On September 22, 2012, the federal court in Rio de Janeiro served us with the preliminary injunction. The terms of this injunction required us to cease conducting extraction or transportation activities in Brazil within 30 days from the date of service. On September 28, 2012, the Brazilian Superior Court of Justice partially suspended this preliminary injunction. As a result of this suspension, the preliminary injunction only applied to our operations in the Campo de Frade field, and we could continue to operate in all other offshore oil and gas fields in Brazil. On November 27, 2012, the Court of Appeals in Rio de Janeiro ruled unanimously to suspend the entire preliminary injunction order, including the injunction in the Campo de Frade field that had been entered in July 2012. This ruling was published on December 5, 2012.

The prosecutor has announced that settlement discussions are underway for resolution of the civil proceedings. There can be no assurance that any settlement will be achieved or the timing or terms of such settlement. If these settlement efforts are not successful, the lawsuit will continue in the trial court, and there remains a risk that the preliminary injunction could be reinstated, or that at the conclusion of the case Brazilian authorities could permanently enjoin us from further operations in Brazil. If either or both of these events occur, it could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

On December 21, 2011, a federal police marshal investigating the release filed a report with the federal court in Rio de Janeiro State recommending the indictment of Chevron, us, and 17 individuals, five of whom are our employees. The report recommended indictment on four counts, three alleging environmental offenses and one alleging false statements by Chevron in connection with its cleanup efforts. On March 21, 2012, the Campos prosecutor recommended indictments against the two companies and the 17 individuals. The prosecutor requested that the defendants be enjoined from disposing of property and that bail be set at BRL 10 million for the companies and BRL 1 million for the individuals. Subsequently, the federal court in Campos ruled that it does not have jurisdiction over the matter, and the file was transferred to the court in Rio de Janeiro. On or about June 15, 2012, the Rio de Janeiro court amended the travel order to state that passports could be returned to the individuals and that the individuals could travel with prior notice to the court. The indictments must be approved by a court of competent jurisdiction to become effective, and the criminal judge can accept, reject or modify the charges. The court has not yet approved the indictments.

The drilling services and charter contracts between Chevron and us provide, among other things, for Chevron to indemnify and defend us for claims based on pollution or contamination originating from below the surface of the water, including claims for control or removal or property loss or damage, including but not limited to third-party claims and liabilities, with an excludable amount of $250,000 per occurrence if the claim arises from our negligence. We have submitted a claim for indemnity and defense to Chevron under these contracts. Chevron responded that our request was premature, and requested that we confirm our intent to indemnify and defend Chevron regarding alleged violations of safety regulations aboard *Sedco 706* that have resulted in the issuance of notices of infractions and any other claims or liabilities that may fall within our legal obligations. By letter dated September 6, 2012, Chevron agreed to indemnify us for all claims and liabilities resulting in judgments, awards or other monetary assessments of a strictly compensatory nature for alleged damages arising from pollution or contamination that originated below the surface of the water in connection with the incident. Chevron has also agreed to assume our defense in the criminal and civil lawsuits. We have been engaged in subsequent discussions with Chevron regarding the parameters of Chevron's agreement. We have yet to receive payment from Chevron.

On March 15, 2012, Chevron publicly announced that it had identified a new sheen in Frade field whose source was determined to be seepage from an 800-meter fissure 3 kilometers away from the location of the November incident. Chevron and the Brazilian National Agency of Petroleum have publicly stated that, while further studies are being conducted, the new seepage, which was estimated by Chevron, at the time, to be five liters, is now believed to be unrelated to the November incident.

On March 27, 2012, the union of oil industry workers in Brazil, Federacao Unica dos Petroleiros ("FUP"), filed a civil lawsuit in federal court in Rio de Janeiro against Chevron and us alleging a number of claims, including negligence on our part, and seeking a permanent injunction enjoining our operations in Brazil. The lawsuit sought unspecified damages. On or about April 16, 2012, the court issued an order transferring this case to the same court in Rio de Janeiro in which the initial civil public action is pending. On or about May 1, 2012, the Rio de Janeiro court dismissed this lawsuit, without prejudice, as duplicative of the other civil lawsuits. The FUP has appealed this dismissal. On October 26, 2012, the trial court issued an opinion suspending the lawsuit until a final decision is rendered on the merits on the first civil public action filed by the federal prosecutor; this opinion had the effect of staying the FUP's appeal.

On or about April 3, 2012, the same federal prosecutor who filed the original civil public action and the criminal indictments filed a new civil public action against Chevron and us in federal court in Campos. This lawsuit alleges the new seepage discovered in March 2012 is related to the November 2011 incident and release. The lawsuit seeks an additional BRL 20.0 billion in damages, equivalent to approximately $10.0 billion. We have not been served in this matter.

On or about August 8, 2012, 43 private civil lawsuits were filed against Chevron and us in the Civil Court of Itapemirim. Each of these lawsuits has several claimants, with a total of 217 claimants in the 43 lawsuits. These lawsuits contain substantially identical allegations, claiming that the alleged pollution from the incident prevented the claimants from fishing. Each claimant seeks approximately BRL 72,000, equivalent to $35,000 in moral damages. These lawsuits were all served on us in November 2012. We have submitted these claims to Chevron for indemnity and defense but have not received confirmation of Chevron's intent to indemnify and defend these actions. We also understand that an additional 49 lawsuits have been filed in the state of Espirito Santo, with similar allegations, seeking similar damages; these additional 49 lawsuits have not yet been served on us. We intend to submit these claims to Chevron for indemnity and defense as well.

We intend to defend ourselves vigorously against any claims that are brought based on the incident. 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.

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. Each individual plaintiff was subsequently required to file a separate lawsuit, and the original 21 multi-plaintiff complaints were then dismissed by the Circuit Courts. We have or may have an indirect interest in a total of 26 cases. The complaints generally allege that the defendants used or manufactured asbestos-containing drilling mud additives for use in connection with drilling operations and have included allegations of negligence, products liability, strict liability and claims allowed under the Jones Act and general maritime law. The plaintiffs generally seek awards of unspecified compensatory and punitive damages. In each of these cases, the complaints have named other unaffiliated defendant companies, including companies that allegedly manufactured the drilling-related products that contained asbestos. All of these cases are being governed for discovery and trial setting by a single Case Management Order entered by a Special Master appointed by the court to reside over all the cases, and of the 14 cases in which we are a named defendant, only one has been scheduled for trial and pre-trial discovery, which was scheduled to take place in 2013. In that case, we recently were able to present a variety of pre-trial defense motions challenging the plaintiff's evidence and resulting in a negotiated settlement for a nominal sum in the fourth quarter of 2012. In 2011, the Special Master issued a ruling that a Jones Act employer defendant, such as us, cannot be sued for punitive damages, and this ruling has now been obtained in three of our 14 cases. To date, seven of the 769 cases have gone to trial against defendants who allegedly manufactured or distributed drilling mud additives. None of these cases have involved an individual Jones Act employer, and we have not been a defendant in any of these cases. Two of the cases resulted in defense verdicts, and one case ended with a hung jury. Four cases resulted in verdicts for the plaintiff. Because the jury awarded punitive damages, two of these cases resulted in a substantial verdict in favor of the plaintiff; however, both of these verdicts have since been vacated by the trial court. The first plaintiff verdict was vacated on the basis that the plaintiff failed to meet its burden of proof. While the court's decision is consistent with our general evaluation of the strength of these cases, it is currently being reviewed on appeal. The second plaintiff verdict was vacated because the presiding judge was removed from hearing any asbestos cases due to a conflict of interest, but when this case ultimately went to trial earlier this year, it resulted in a defense verdict. The two remaining plaintiff verdicts are under appeal by the defendants. We intend to defend these lawsuits vigorously, although there can be no assurance as to the ultimate 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, 2012, the subsidiary was a defendant in approximately 906 lawsuits, some of which include multiple plaintiffs, and we estimate that there are approximately 2,022 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, 2012, 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 final outcome of these matters, we do not believe that the current value of the claims where we have been identified 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 379 million, equivalent to approximately $185 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 subsidiary's 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, one of our Brazilian subsidiaries received an assessment from the Brazilian federal tax authorities in Rio de Janeiro of BRL 487 million, equivalent to approximately $238 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 30 million, equivalent to approximately $15 million. On July 14, 2011, our Brazilian subsidiary filed an appeal to eliminate the assessment. We have not received a ruling on the appeal. 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.

Other matters—We are involved in various tax matters and various regulatory matters. We are also involved in lawsuits relating to damage claims arising out of hurricanes Katrina and Rita, all of which are insured and which are not material to us. As of December 31, 2012, we were involved in a number of other lawsuits, including a dispute for municipal tax payments in Brazil and a dispute involving customs procedures in India, neither of which is material to us, and 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 or threatened litigation. There can be no assurance that our beliefs or expectations as to the outcome or effect of any lawsuit or other litigation matter will prove correct and the eventual outcome of these matters could materially differ from management's current estimates.

Other environmental matters

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

We have been named as a PRP in connection with a site located in Santa Fe Springs, California, known as the Waste Disposal, Inc. site. We and other PRPs have agreed with the U.S. Environmental Protection Agency ("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 statement of financial position or results of operations. Estimated costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Retained risk

Our hull and machinery and excess liability insurance program consists of commercial market and captive insurance policies. We periodically evaluate our insurance limits and self-insured retentions. As of December 31, 2012, the insured value of our drilling rig fleet was approximately $29.3 billion, excluding our rigs under construction.

Hull and machinery coverage—Under the hull and machinery program, we generally maintain a $125 million per occurrence deductible, limited to a maximum of $200 million per policy period. Subject to the same shared deductible, we also have coverage for costs incurred to mitigate damage to a rig up to an amount equal to 25 percent of a rig's insured value. Also subject to the same shared deductible, we have additional coverage for wreck removal for up to 25 percent of a rig's insured value, with any excess generally covered to the extent of our remaining excess liability coverage described below.

Excess liability coverage—We carry $775 million of commercial market excess liability coverage, exclusive of 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 has (1) separate $10 million per occurrence deductibles on collision liability claims and (2) separate $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 have retained the risk of the primary $50 million excess liability coverage. In addition, we generally retain the risk for any liability losses in excess of $825 million.

Other insurance coverage—We also carry $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.

We have elected to self-insure operators extra expense coverage for ADTI. This coverage provides protection against expenses related to well control, pollution and redrill liability associated with blowouts. ADTI's customers assume, and indemnify ADTI for, liability associated with blowouts in excess of a contractually agreed amount, generally $50 million.

We do not generally carry commercial market insurance coverage for loss of revenue unless it is contractually required. We do not generally carry commercial market insurance coverage for our fleet for physical damage losses, including liability for wreck removal expenses, which are caused by named windstorms in the U.S. Gulf of Mexico.

Letters of credit and surety bonds

We had outstanding letters of credit totaling $522 million and $650 million at December 31, 2012 and 2011, respectively, issued under various committed and uncommitted credit lines provided by several banks to guarantee various contract bidding, performance activities and customs obligations. Included in the $522 million outstanding letters of credit at December 31, 2012 were $113 million of letters of credit that we have agreed to retain in support of the operations for Shelf Drilling for up to three years following the closing of the sale transactions (see Note 9—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. We had outstanding surety bonds totaling $11 million and $12 million at December 31, 2012 and 2011, respectively.

Note 18—Redeemable Noncontrolling Interest

On February 29, 2012, Quantum exercised its rights under a 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 in the amount 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.

The carrying amount of Quantum's interest was measured at its estimated fair value through settlement of the exchange transaction on May 31, 2012, resulting in an 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 $148 million of TPDI Notes payable to Quantum and accrued and unpaid interest of $14 million. As a result of this transaction, TPDI became our wholly owned subsidiary. In August 2012, we paid $72 million as the final cash settlement, representing 50 percent of TPDI's working capital at May 29, 2012. See Note 27—Related Party Transactions.

Until 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. Changes in redeemable noncontrolling interest were as follows (in millions):

	Years ended December 31,		
	2012	2011	2010
Redeemable noncontrolling interest			
Balance, beginning of period	$ 116	$ 41	$ —
Reclassification from noncontrolling interest	—	—	26
Net income attributable to noncontrolling interest	13	78	29
Other comprehensive loss attributable to noncontrolling interest	—	(3)	(14)
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	$ —	$ 116	$ 41

Note 19—Shareholders' Equity

Distribution of qualifying additional paid-in capital—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 equal installments of $0.79 per outstanding share, subject to certain limitations. On June 15, 2011, September 21, 2011 and December 21, 2011, we paid the first three installments, in the aggregate amount of $763 million, to shareholders of record as of May 20, 2011, August 26, 2011, and November 25, 2011, respectively. On March 21, 2012, we paid the final installment in the aggregate amount of $278 million to shareholders of record as of February 24, 2012.

Share issuance— On May 31, 2012, we issued 8.7 million shares to Quantum in a non-cash exchange for its interest in TPDI. See Note 18—Redeemable Noncontrolling Interest.

In December 2011, we completed a public offering of 29.9 million shares at a price per share of $40.50, equivalent to CHF 37.19 using an exchange rate of USD 1.00 to CHF 0.9183. We received proceeds of $1.2 billion, net of underwriting discounts and commissions, issuance costs and the Swiss Federal Issuance Stamp Tax from the offering.

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 $3.8 billion, using an exchange rate of USD 1.00 to CHF 0.92 as of the close of trading on December 31, 2012. On February 12, 2010, our board of directors authorized our management to implement the share repurchase program.

During the years ended December 31, 2012 and 2011, we did not purchase any of our shares under our share repurchase program. During the year ended December 31, 2010, following the authorization by our board of directors, we repurchased 2.9 million of our shares under our share repurchase program for an aggregate purchase price of CHF 257 million, equivalent to $240 million. At December 31, 2012 and 2011, we held 2.9 million shares in treasury, recorded at cost.

Shares held by subsidiary—In December 2008, we issued 16.0 million of our shares to one of our subsidiaries 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, 2012 and 2011, our subsidiary held approximately 11.5 million shares and 12.5 million shares, respectively.

Accumulated other comprehensive loss—The changes in accumulated other comprehensive loss for the years ended December 31, 2012 and 2011 were as follows (in millions):

	Year ended December 31, 2012				Year ended December 31, 2011			
	Unrecognized components of net periodic benefit costs	Unrecognized gains (losses) on derivative instruments	Unrecognized gains (losses) on marketable securities	Total	Unrecognized components of net periodic benefit costs	Unrecognized gains (losses) on derivative instruments	Unrecognized gains (losses) on marketable securities	Total
Balance, beginning of period	$ (501)	$ 7	$ (2)	$ (496)	$ (335)	$ 5	$ (2)	$ (332)
Reclassification from redeemable noncontrolling interest	—	(17)	—	(17)	—	—	—	—
Other comprehensive income (loss) attributable to controlling interest	(10)	—	2	(8)	(166)	2	—	(164)
Balance, end of period	$ (511)	$ (10)	$ —	$ (521)	$ (501)	$ 7	$ (2)	$ (496)

Note 20—Share-Based Compensation Plans

Overview—We have (i) a long-term incentive plan (the "Long-Term Incentive Plan") for executives, key employees and outside 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 traditional 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, 2012, we had 36.0 million shares authorized and 10.9 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 two-year awards generally vest in three equal installments beginning on the determination date and on January 1 of each of the two subsequent years. The three-year 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, 2012, total unrecognized compensation costs related to all unvested share-based awards were $95 million, which are expected to be recognized over a weighted-average period of 1.8 years. In the years ended December 31, 2012, 2011 and 2010, we recognized additional share-based compensation expense of $4 million, $3 million and $12 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,		
	2012	2011	2010
Dividend yield	—	4%	4%
Expected price volatility	43%	40%	39%
Risk-free interest rate	0.87%	1.97%	2.30%
Expected life of options	5.0 years	4.9 years	4.7 years
Weighted-average fair value of options granted	$ 18.87	$ 19.75	$ 30.03

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. 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, 2012:

	Number of units	Weighted-average grant-date fair value per share
Unvested at January 1, 2012	1,939,840	$ 74.78
Granted	2,183,853	50.07
Vested	(1,064,359)	71.57
Forfeited	(189,283)	60.73
Unvested at December 31, 2012	2,870,051	$ 58.09

The total grant-date fair value of the time-based units that vested during the year ended December 31, 2012 was $74 million.

There were 1,090,747 and 1,055,367 time-based units granted during the years ended December 31, 2011 and 2010, respectively. The weighted-average grant-date fair value of time-based units granted was $77.55 and $76.83 per share for the years ended December 31, 2011 and 2010, respectively. There were 832,252 and 559,339 time-based units that vested during the years ended December 31, 2011 and 2010, respectively. The total grant-date fair value of the time-based units that vested was $66 million and $45 million for the years ended December 31, 2011 and 2010, respectively. There were 163,439 and 106,691 time-based units that were forfeited during the years ended December 31, 2011 and 2010, respectively. The total grant date fair value of the time-based units that were forfeited was $13 million and $8 million for the years ended December 31, 2011 and 2010, respectively.

Restricted shares—We did not grant time-based vesting restricted shares ("time-based shares") during the years ended December 31, 2012, 2011 and 2010. There were no time-based shares that vested during the year ended December 31, 2012. There were 3,939 and 92,573 time-based shares that vested during the years ended December 31, 2011 and 2010, respectively. The total grant-date fair value of time-based shares that vested was $1 million and $10 million for the years ended December 31, 2011 and 2010, 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, 2012:

	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, 2012	1,579,284	$ 70.16	5.43	$ —
Granted	395,673	50.79		
Exercised	(264,707)	36.50		
Forfeited	(55,533)	59.65		
Expired	(38,662)	53.51		
Outstanding at December 31, 2012	1,616,055	$ 71.69	6.30	$ —
Vested and exercisable at December 31, 2012	1,088,127	$ 77.24	5.15	$ —

The weighted-average grant-date fair value of time-based options granted during the year ended December 31, 2012 was $18.87 per time-based option. The total grant-date fair value of time-based options that vested during the year ended December 31, 2012 was $5 million. The total pre-tax intrinsic value of time-based options exercised during the year ended December 31, 2012 was $3 million. At January 1 and December 31, 2012, 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 348,666 unvested time-based options outstanding as of December 31, 2012.

There were time-based options to purchase 194,342 and 253,288 shares granted during the years ended December 31, 2011 and 2010, respectively. The weighted-average grant-date fair value of time-based options granted was $19.75 and $30.03 per time-based option for the years ended December 31, 2011 and 2010, respectively. The total grant-date fair value of time-based options that vested was $8 million and $12 million for the years ended December 31, 2011 and 2010, respectively. There were time-based options to purchase 210,997 and 289,445 shares exercised during the years ended December 31, 2011 and 2010, respectively. The total pretax intrinsic value of time-based options exercised was $5 million and $11 million during the years ended December 31, 2011 and 2010, respectively. There were unvested time-based options to purchase 396,997 and 470,400 shares as of December 31, 2011 and 2010, respectively.

Stock appreciation rights—The following table summarizes activity for stock appreciation rights outstanding under our incentive plans during the year ended December 31, 2012:

	Number of awards	Weighted-average exercise price per share	Weighted-average remaining contractual term (years)	Aggregate intrinsic value (in millions)
Outstanding at January 1, 2012	187,739	$ 93.39	4.76	$ —
Outstanding at December 31, 2012	187,739	$ 93.39	3.76	$ —
Vested and exercisable at December 31, 2012	187,739	$ 93.39	3.76	$ —

We did not grant stock appreciation rights during the years ended December 31, 2012, 2011, and 2010. At January 1 and December 31, 2012, 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 1,400 stock appreciation rights exercised with a total pre-tax intrinsic value of zero for the year ended December 31, 2011. There were no stock appreciation rights exercised during the year ended December 31, 2010. There were no unvested stock appreciation rights outstanding as of December 31, 2012, 2011 and 2010.

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. 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, 2012:

	Number of units	Weighted-average grant-date fair value per share
Unvested at January 1, 2012	415,947	$ 75.98
Granted	163,319	58.52
Vested	(318,926)	75.18
Forfeited	(28,889)	70.04
Unvested at December 31, 2012	231,451	$ 65.50

Total grant-date fair value of the market based units that vested during the year ended December 31, 2012 was $24 million.

There were 98,797 and 122,934 market-based units granted during the years ended December 31, 2011 and 2010 with a weighted-average grant-date fair value of $78.69 and $82.55 per share, respectively. No market-based units vested in the years ended December 31, 2011 and 2010.

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, 2012:

	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, 2012	179,262	$ 75.30	4.23	$ —
Outstanding at December 31, 2012	179,262	$ 75.30	3.22	$ —
Vested and exercisable at December 31, 2012	179,262	$ 75.30	3.22	$ —

We did not grant performance-based options during the years ended December 31, 2012, 2011 and 2010. At January 1 and December 31, 2012, 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 no performance-based options exercised during the years ended December 31, 2012, 2011 and 2010. There were no unvested performance-based stock options outstanding as of December 31, 2012, 2011 and 2010.

Note 21—Supplemental Balance Sheet Information

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

	December 31, 2012	December 31, 2011
Other current liabilities		
Accrued payroll and employee benefits	$ 421	$ 328
Distribution payable	—	278
Deferred revenue	214	171
Deferred revenue of consolidated variable interest entities	21	16
Accrued taxes, other than income	150	142
Accrued interest	122	132
Contingent liabilities	1,958	1,243
Other	47	65
Total other current liabilities	$ 2,933	$ 2,375

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

	December 31, 2012	December 31, 2011
Other long-term liabilities		
Long-term income taxes payable	$ 584	$ 751
Accrued pension liabilities	558	579
Deferred revenue	174	236
Deferred revenue of consolidated variable interest entities	72	85
Drilling contract intangibles	60	103
Accrued retiree life insurance and medical benefits	54	49
Other	102	122
Total other long-term liabilities	$ 1,604	$ 1,925

Note 22—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, 2012	2011	2010
Changes in operating assets and liabilities			
Decrease (increase) in accounts receivable	$ (139)	$ (174)	$ 386
Increase in other current assets	(73)	(73)	(75)
Decrease (increase) in other assets	12	26	(40)
Increase in accounts payable and other current liabilities	931	978	197
Decrease in other long-term liabilities	(63)	(34)	(52)
Change in income taxes receivable / payable, net	(156)	80	(37)
	$ 512	$ 803	$ 379

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

	Years ended December 31, 2012	2011	2010
Certain cash operating activities			
Cash payments for interest	$ 719	$ 501	$ 455
Cash payments for income taxes	347	338	493
Non-cash investing and financing activities			
Capital expenditures, accrued at end of period (a)	$ 123	$ 62	$ 66
Issuance of shares in exchange for redeemable noncontrolling interest (b)	367	—	—
Non-cash proceeds received for the sale of assets (c)	194	—	134

(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 18—Redeemable 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 $196 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 the embedded derivatives. See Note 9—Discontinued Operations.

During the year ended December 31, 2010, we completed the sale of two Midwater Floaters, *GSF Arctic II* and *GSF Arctic IV*. In connection with the sale, we received net cash proceeds of $38 million and non-cash proceeds in the form of two notes receivable in the aggregate face value amount of $165 million. We recognized the notes receivable at their estimated fair value, in the aggregate amount of $134 million, measured at the time of the sale. See Note 12—Drilling Fleet.

Note 23—Financial Instruments

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

	December 31, 2012		December 31, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	$ 5,134	$ 5,134	$ 4,017	$ 4,017
Notes and other loans receivable	142	142	154	154
Preference shares	196	196	—	—
Restricted cash investments	857	903	934	975
Long-term debt, including current maturities	12,268	13,899	12,698	13,074
Long-term debt of consolidated variable interest entities, including current maturities	191	191	838	838
Derivative instruments, assets	8	8	36	36
Derivative instruments, liabilities	15	15	38	38

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, which are stated at cost plus accrued interest, approximates fair value because of the short maturities of those instruments.

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 aggregate carrying amount represents the amortized cost of our investments, which approximates the estimated fair value. 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, 2012, the aggregate carrying amount of our notes receivable and other loans receivable was $142 million, including $35 million and $107 million recorded in other current assets and other assets, respectively. At December 31, 2011, the aggregate carrying amount of our notes receivable and other loans receivable was $154 million, including $37 million and $117 million, recorded in other current assets and other assets, respectively.

Preference shares—In connection with our sale of 38 drilling units to Shelf Drilling, we received preference shares of one of its intermediate parent companies. The aggregate carrying amount of the preference shares represents the historical cost of our investment, as the preference shares do not have a readily determinable fair value. We measured the estimated fair value of the Shelf Drilling preference shares using significant unobservable inputs, representative of a Level 3 fair value measurement, including the credit ratings and financial position of the investee. At December 31, 2012, the aggregate carrying amount of the preference shares, excluding the balance associated with the embedded derivatives, was $196 million, recorded in other assets.

Restricted cash investments—The carrying amount of the Aker Restricted Cash Investments represents the amortized cost of our investment, which was $797 million and $889 million at December 31, 2012 and 2011, respectively. We measured the estimated fair value of the Aker Restricted 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, 2012 and 2011, the estimated fair value of the Aker Restricted Cash Investments was $843 million and $930 million, respectively.

The aggregate carrying amount of the restricted cash investments for the TPDI Credit Facilities, the ADDCL Credit Facilities and other obligations approximates fair value due to the short term nature of the instruments in which the restricted cash investments are held. At December 31, 2012 and 2011, the aggregate carrying amount of the restricted cash investments for the TPDI Credit Facilities, the ADDCL Credit Facilities and other obligations was $60 million and $45 million, respectively.

Debt—The aggregate carrying amount of our fixed-rate debt was $11.7 billion and $11.9 billion at December 31, 2012 and 2011, respectively. 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, 2012 and 2011, the aggregate estimated fair value of our fixed-rate debt was $13.3 billion and $12.2 billion, respectively.

The aggregate carrying amount of our variable-rate debt approximates fair value because the terms of those debt instruments include short-term interest rates and exclude penalties for prepayment. We measured the estimated fair value of our variable-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, 2012 and 2011, the aggregate carrying amount of our variable-rate debt was $579 million and $761 million, respectively.

Debt of consolidated variable interest entities—The aggregate 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, 2012 and 2011, the aggregate carrying amount of the variable-rate debt of our consolidated variable interest entities was $191 million and $838 million, respectively.

Derivative instruments—The aggregate 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 24—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, acquired in connection with our acquisition of Aker Drilling, 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 foreign 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 and 2011, we had cross-currency swaps, assumed in connection with our acquisition of Aker Drilling, that were designated as cash flow hedges of certain debt instruments denominated in Norwegian kroner.

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 25—Operating Segments, Geographic Analysis and Major Customers). We maintain an allowance for doubtful accounts receivable based upon expected collectability and establish reserves for doubtful accounts on a case-by-case basis when we believe the 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, 2012, we had approximately 18,400 employees, including approximately 1,700 persons engaged through contract labor providers. Of our 18,400 employees, approximately 3,000 persons are working under operating agreements with Shelf Drilling and are expected to transition upon expiration of such operating agreements. Some of our employees working in Angola, the U.K., Nigeria, Norway, Australia and Brazil are represented by, and some of our contracted labor work under, collective bargaining agreements. Many of these represented individuals are working under agreements that 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 25—Operating Segments, Geographic Analysis and Major Customers

Operating segments—We have established two operating segments: (1) contract drilling services and (2) drilling management services. Our contract drilling services business operates in a single, global market for the provision of contract drilling services. 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. Our drilling management services operating segment does not meet the quantitative thresholds for determining reportable segments.

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

	Years ended December 31,		
	2012	2011	2010
Operating revenues			
U.S.	$ 2,472	$ 1,971	$ 1,937
Norway	1,174	897	765
Brazil	1,114	1,019	1,288
U.K.	1,028	1,099	1,097
Other countries (a)	3,408	3,041	2,862
Total operating revenues	$ 9,196	$ 8,027	$ 7,949

(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 by country were as follows (in millions):

	December 31,	
	2012	2011
Long-lived assets		
U.S.	$ 7,395	$ 6,553
Brazil	2,285	2,185
Norway	2,072	2,067
Other countries (a)	9,128	9,983
Total long-lived assets	$ 20,880	$ 20,788

(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, 2012 and 2011, the aggregate carrying amount of our long-lived assets located in Switzerland was $7 million and $8 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, 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. For the year ended December 31, 2011, BP accounted for approximately 11 percent of our consolidated operating revenues from continuing operations. For the year ended December 31, 2010, BP and Petrobras each accounted for approximately 11 percent of our consolidated operating revenues from continuing operations.

Note 26—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 from its consolidated subsidiaries or entities accounted for under the equity method by dividends, loans or return of capital distributions.

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"), as well as (d) the consolidating adjustments necessary to present the condensed financial statements on a consolidated basis. 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.

	Year ended December 31, 2012				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
			(in millions)		
Operating revenues	$ —	$ 5	$ 9,213	$ (22)	$ 9,196
Cost and expenses	54	16	7,463	(22)	7,511
Loss on impairment	—	—	(140)	—	(140)
Gain on disposal of assets, net	—	—	36	—	36
Operating income (loss)	(54)	(11)	1,646	—	1,581
Other income (expense), net					
Interest expense, net	(12)	(576)	(79)	—	(667)
Equity in earnings	(153)	402	—	(249)	—
Other, net	—	(4)	(44)	—	(48)
	(165)	(178)	(123)	(249)	(715)
Income (loss) from continuing operations before income tax expense	(219)	(189)	1,523	(249)	866
Income tax expense	—	—	50	—	50
Income (loss) from continuing operations	(219)	(189)	1,473	(249)	816
Loss from discontinued operations, net of tax	—	—	(1,027)	—	(1,027)
Net income (loss)	(219)	(189)	446	(249)	(211)
Net income (loss) 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 income (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 (loss) attributable to noncontrolling interest	—	—	8	—	8
Total comprehensive income (loss) attributable to controlling interest	$ (224)	$ (220)	$ 466	$ (249)	$ (227)

	Year ended December 31, 2011				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Operating revenues	$ —	$ —	$ 8,045	$ (18)	$ 8,027
Cost and expenses	44	4	7,546	(18)	7,576
Loss on impairment	—	—	(5,201)	—	(5,201)
Loss on disposal of assets, net	—	—	(12)	—	(12)
Operating loss	(44)	(4)	(4,714)	—	(4,762)
Other income (expense), net					
Interest expense, net	(11)	(510)	(56)	—	(577)
Equity in earnings	(5,699)	(5,174)	—	10,873	—
Other, net	—	9	(108)	—	(99)
	(5,710)	(5,675)	(164)	10,873	(676)
Loss from continuing operations before income tax expense	(5,754)	(5,679)	(4,878)	10,873	(5,438)
Income tax expense	—	—	324	—	324
Loss from continuing operations	(5,754)	(5,679)	(5,202)	10,873	(5,762)
Income from discontinued operations, net of tax	—	—	85	—	85
Net loss	(5,754)	(5,679)	(5,117)	10,873	(5,677)
Net income attributable to noncontrolling interest	—	—	77	—	77
Net loss attributable to controlling interest	(5,754)	(5,679)	(5,194)	10,873	(5,754)
Other comprehensive income (loss) before income taxes	(3)	(114)	(64)	—	(181)
Income taxes related to other comprehensive income (loss)	—	—	13	—	13
Other comprehensive income (loss), net of income taxes	(3)	(114)	(51)	—	(168)
Total comprehensive income (loss)	(5,757)	(5,793)	(5,168)	10,873	(5,845)
Total comprehensive income attributable to noncontrolling interest	—	—	73	—	73
Total comprehensive income (loss) attributable to controlling interest	$ (5,757)	$ (5,793)	$ (5,241)	$ 10,873	$ (5,918)

	Year ended December 31, 2010				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Operating revenues	$ —	$ —	$ 7,964	$ (15)	$ 7,949
Cost and expenses	45	3	5,441	(15)	5,474
Gain on disposal of assets, net	—	—	255	—	255
Operating income (loss)	(45)	(3)	2,778	—	2,730
Other income (expense), net					
Interest expense, net	1	(494)	(51)	—	(544)
Equity in earnings	970	1,484	—	(2,454)	—
Other, net	—	(7)	(24)	—	(31)
	971	983	(75)	(2,454)	(575)
Income from continuing operations before income tax expense	926	980	2,703	(2,454)	2,155
Income tax expense	—	—	292	—	292
Income from continuing operations	926	980	2,411	(2,454)	1,863
Loss from discontinued operations, net of tax	—	—	(894)	—	(894)
Net income	926	980	1,517	(2,454)	969
Net income attributable to noncontrolling interest	—	—	43	—	43
Net income attributable to controlling interest	926	980	1,474	(2,454)	926
Other comprehensive income (loss) before income taxes	7	(44)	28	—	(9)
Income taxes related to other comprehensive income (loss)	—	—	(9)	—	(9)
Other comprehensive income (loss), net of income taxes	7	(44)	19	—	(18)
Total comprehensive income	933	936	1,536	(2,454)	951
Total comprehensive income attributable to noncontrolling interest	—	—	22	—	22
Total comprehensive income attributable to controlling interest	$ 933	$ 936	$ 1,514	$ (2,454)	$ 929

	December 31, 2012				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Assets					
Cash and cash equivalents	$ 24	$ 3,155	$ 1,955	$ —	$ 5,134
Other current assets	7	1,901	3,852	(2,247)	3,513
Total current assets	31	5,056	5,807	(2,247)	8,647
Property and equipment, net	—	—	20,880	—	20,880
Goodwill	—	—	2,987	—	2,987
Investment in affiliates	16,354	27,933	196	(44,287)	196
Other assets	—	1,804	18,048	(18,307)	1,545
Total assets	16,385	34,793	47,918	(64,841)	34,255
Liabilities and equity					
Debt due within one year	—	564	803	—	1,367
Other current liabilities	13	632	5,698	(2,247)	4,096
Total current liabilities	13	1,196	6,501	(2,247)	5,463
Long-term debt	594	17,772	11,033	(18,307)	11,092
Other long-term liabilities	33	454	1,483	—	1,970
Total long-term liabilities	627	18,226	12,516	(18,307)	13,062
Commitments and contingencies					
Redeemable noncontrolling interest	—	—	—	—	—
Total equity	15,745	15,371	28,901	(44,287)	15,730
Total liabilities and equity	$ 16,385	$ 34,793	$ 47,918	$ (64,841)	$ 34,255

	December 31, 2011				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Assets					
Cash and cash equivalents	$ 3	$ 2,793	$ 1,221	$ —	$ 4,017
Other current assets	8	784	4,476	(1,749)	3,519
Total current assets	11	3,577	5,697	(1,749)	7,536
Property and equipment, net	1	—	20,787	—	20,788
Goodwill	—	—	3,217	—	3,217
Investment in affiliates	16,439	27,518	—	(43,957)	—
Other assets	—	1,368	20,799	(18,676)	3,491
Total assets	16,451	32,463	50,500	(64,382)	35,032
Liabilities and equity					
Debt due within one year	—	1,693	494	—	2,187
Other current liabilities	294	367	4,429	(1,749)	3,341
Total current liabilities	294	2,060	4,923	(1,749)	5,528
Long-term debt	495	14,308	15,222	(18,676)	11,349
Other long-term liabilities	25	439	1,948	—	2,412
Total long-term liabilities	520	14,747	17,170	(18,676)	13,761
Commitments and contingencies					
Redeemable noncontrolling interest	—	—	116	—	116
Total equity	15,637	15,656	28,291	(43,957)	15,627
Total liabilities and equity	$ 16,451	$ 32,463	$ 50,500	$ (64,382)	$ 35,032

	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	(278)	—	—	—	(278)
Financing activities with affiliates, net	549	3,276	2,410	(6,235)	—
Other, net	1	(18)	(2)	—	(19)
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

	Year ended December 31, 2011				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Cash flows from operating activities	$ (52)	$ (568)	$ 2,445	$ —	$ 1,825
Cash flows from investing activities					
Capital expenditures	—	—	(974)	—	(974)
Capital expenditures for discontinued operations	—	—	(46)	—	(46)
Investment in business combination, net of cash acquired	—	—	(1,246)	—	(1,246)
Proceeds from disposal of assets, net	—	—	14	—	14
Proceeds from disposal of discontinued operations, net	—	—	447	—	447
Investing activities with affiliates, net	(875)	(325)	(1,764)	2,964	—
Other, net	—	(23)	(68)	—	(91)
Net cash provided by (used in) investing activities	(875)	(348)	(3,637)	2,964	(1,896)
Cash flows from financing activities					
Changes in short-term borrowings, net	—	(88)	—	—	(88)
Proceeds from debt	435	2,504	—	—	2,939
Repayments of debt	(429)	(1,827)	(153)	—	(2,409)
Proceeds from restricted cash investments	429	—	50	—	479
Deposits to restricted cash investments	(435)	—	(88)	—	(523)
Proceeds from share issuance, net	1,211	—	—	—	1,211
Distribution of qualifying additional paid-in capital	(763)	—	—	—	(763)
Financing activities with affiliates, net	495	1,114	1,355	(2,964)	—
Other, net	(51)	(35)	(26)	—	(112)
Net cash provided by (used in) financing activities	892	1,668	1,138	(2,964)	734
Net increase (decrease) in cash and cash equivalents	(35)	752	(54)	—	663
Cash and cash equivalents at beginning of period	38	2,041	1,275	—	3,354
Cash and cash equivalents at end of period	$ 3	$ 2,793	$ 1,221	$ —	$ 4,017

	Year ended December 31, 2010				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Cash flows from operating activities	$ (33)	$ (358)	$ 4,297	$ —	$ 3,906
Cash flows from investing activities					
Capital expenditures	(4)	—	(1,345)	—	(1,349)
Capital expenditures for discontinued operations	—	—	(42)	—	(42)
Proceeds from disposal of assets, net	—	—	60	—	60
Proceeds from insurance recoveries for loss of drilling unit	—	—	560	—	560
Investing activities with affiliates, net	310	1,357	(1,694)	27	—
Other, net	—	(6)	56	—	50
Net cash provided by (used in) investing activities	306	1,351	(2,405)	27	(721)
Cash flows from financing activities					
Changes in short-term borrowings, net	—	(193)	—	—	(193)
Proceeds from debt	—	1,999	55	—	2,054
Repayments of debt	—	(2,245)	(320)	—	(2,565)
Purchases of shares held in treasury	(240)	—	—	—	(240)
Financing activities with affiliates, net	—	1,384	(1,357)	(27)	—
Other, net	—	(14)	(3)	—	(17)
Net cash provided by (used in) financing activities	(240)	931	(1,625)	(27)	(961)
Net increase in cash and cash equivalents	33	1,924	267	—	2,224
Cash and cash equivalents at beginning of period	5	117	1,008	—	1,130
Cash and cash equivalents at end of period	$ 38	$ 2,041	$ 1,275	$ —	$ 3,354

Note 27—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. We presented Quantum's interest in TPDI as redeemable noncontrolling interest on our consolidated balance sheets since 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.

On February 29, 2012, Quantum exercised its rights under a put option agreement to exchange its interest in TPDI for our shares or cash, at its election. 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. On May 31, 2012, we issued 8.7 million shares to Quantum in a non-cash exchange for its interest in TPDI, and as a result, TPDI became our wholly owned subsidiary. The put option agreement, among other things, restricts Quantum's sale of our shares until May 29, 2013. In August 2012, we paid $72 million as the final cash settlement, representing 50 percent of TPDI's working capital at May 29, 2012. See Note 18—Redeemable Noncontrolling Interest.

Note 28—Quarterly Results (Unaudited)

Shown below are selected unaudited quarterly data. Amounts have been restated to reflect corrections of errors identified in previously reported amounts (see Note 4—Correction of Errors in Previously Reported Consolidated Financial Statements) and to reflect reclassifications associated with our discontinued operations (see Note 9—Discontinued Operations).

	Three months ended			
	March 31,	June 30,	September 30,	December 31,
	(In millions, except per share data)			
2012				
Operating revenues	$ 2,110	$ 2,329	$ 2,431	$ 2,326
Operating income (loss) (a)	371	(142)	811	541
Income (loss) from continuing operations	154	(303)	533	432
Net income (loss) attributable to controlling interest (a) (b)	10	(304)	(381)	456
Per share earnings (loss) from continuing operations				
Basic	$ 0.42	$ (0.86)	$ 1.49	$ 1.19
Diluted	$ 0.42	$ (0.86)	$ 1.49	$ 1.19
Weighted-average shares outstanding				
Basic	350	353	359	359
Diluted	350	353	359	360
2011				
Operating revenues	$ 1,869	$ 2,051	$ 1,974	$ 2,133
Operating income (loss) (c)	366	380	303	(5,811)
Income (loss) from continuing operations	180	171	(19)	(6,094)
Net income (loss) attributable to controlling interest (c) (d)	319	124	(32)	(6,165)
Per share earnings (loss) from continuing operations				
Basic	$ 0.51	$ 0.51	$ (0.09)	$ (18.67)
Diluted	$ 0.51	$ 0.50	$ (0.09)	$ (18.67)
Weighted-average shares outstanding				
Basic	319	320	320	329
Diluted	320	320	320	329

(a) First quarter included an adjustment of $118 million to our goodwill impairment associated with our contract drilling reporting unit and an impairment of $22 million of the customer relationships intangible asset associated with the U.K. operations of our drilling management services reporting unit. Second quarter included an estimated loss of $750 million in connection with loss contingencies associated with the Macondo well incident. Third quarter included an aggregate gain of $51 million associated with the sale of *Discoverer 534* and *Jim Cunningham*. See Note 7—Intangible Asset Impairments, Note 12—Drilling Fleet and Note 17—Commitments and Contingencies.

(b) First, second, third and fourth quarters included gains (losses) on disposal of discontinued operations in the amount of $(1) million, $72 million. $(1) million and $12 million, respectively. See Note 9—Discontinued Operations.

(c) Third quarter included a loss of $78 million on a forward exchange contract. Fourth quarter included an estimated loss of $5.2 billion on impairment of goodwill and an estimated loss of $1.0 billion in connection with loss contingencies associated with the Macondo well incident. See Note 7—Intangible Asset Impairments and Note 17—Commitments and Contingencies.

(d) First, second, third and fourth quarters included gains (losses) on disposal of discontinued operations in the amount of $178 million, $(2) million, $(1) million and $8 million, respectively. See Note 9—Discontinued Operations.

Note 29—Subsequent Events

Discontinued operations—Subsequent to December 31, 2012, we completed the sale of the Standard Jackups *D.R. Stewart* and *GSF Adriatic VIII*. At December 31, 2012, the rigs and related equipment were classified as held for sale and had an aggregate carrying amount of $45 million.

Debt—Subsequent to December 31, 2012, we redeemed the remaining $62 million aggregate principal amount of the Series C Convertible Senior Notes. We also repaid the outstanding $250 million aggregate principal amount of the 5% Notes due February 2013 as of the stated maturity date.

Additionally, subsequent to December 31, 2012, we provided notice of our intent to redeem the Callable Bonds on March 6, 2013. At December 31, 2012, the aggregate principal amounts of the FRN Callable Bonds and the 11% Callable Bonds were NOK 940 million and NOK 560 million, equivalent to $169 million and $101 million, respectively, using an exchange rate of NOK 5.56 to $1.00.

Macondo well incident—*U.S. Department of Justice claims*—Subsequent to December 31, 2012, we reached agreement with the 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 pay $1.4 billion in fines, recoveries and civil penalties, excluding interest, in scheduled payments over a five-year period through 2017.

Pursuant to the Plea Agreement, one of our subsidiaries pled guilty to one misdemeanor count of negligently discharging oil into the U.S. Gulf of Mexico, in violation of the CWA. The court accepted the guilty plea on February 14, 2013 and imposed the agreed-upon sentence. Pursuant to the Plea Agreement, the court imposed a criminal fine of $100 million to be paid within 60 days of sentencing, and also entered an order requiring us to pay a total of $150 million to the National Fish & Wildlife Foundation, as follows: $58 million within 60 days of sentencing, $53 million within one year of sentencing and an additional $39 million within two years of sentencing. Such order also requires us to pay $150 million to the National Academy of Sciences as follows: $2 million within 90 days of sentencing, $7 million within one year of sentencing, $21 million within two years of sentencing, $60 million within three years of sentencing and a final payment of $60 million within four years of sentencing. As of the date of the court approval, these obligations were reclassified from other current liabilities to debt or debt due within one year on our consolidated balance sheets. Our subsidiary has also agreed to five years of probation. The DOJ has 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 have agreed to continue to cooperate with the *Deepwater Horizon* Task Force in any ongoing investigation related to or arising from the accident.

Pursuant to the Consent Decree, we agreed to pay a civil penalty totaling $1.0 billion, plus interest, according to the following schedule: (a) $400 million, plus interest, within 60 days after the date of entry; (b) $400 million, plus interest, within one year after the date of entry; and (c) $200 million, plus interest, within two years after the date of entry. Such interest will accrue from January 3, 2013 at the statutory post-judgment interest rate equal to the weekly average one-year constant maturity U.S. Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the calendar week preceding the date of entry, plus 2.0 percent. The Consent Decree was approved by the court on February 19, 2013, and at the time of such approval, the noncurrent portion of these obligations were reclassified to other long-term liabilities on our consolidated balance sheets.

On February 25, 2013, we reached an administrative agreement (the "EPA Agreement") with the EPA. The EPA Agreement resolves all matters relating to suspension, debarment and statutory disqualification arising from the matters contemplated by the Plea Agreement. Subject to our compliance with the terms of the EPA Agreement, the EPA has agreed that it will not suspend, debar or statutorily disqualify us and will lift any existing suspension, debarment or statutory disqualification.

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

In addition, we agreed to take specified actions relating to operations in U.S. waters, including, among other things, the design and implementation of, and compliance with, additional systems and procedures; blowout preventer certification and reports; measures to strengthen well control competencies, drilling monitoring, recordkeeping, incident reporting, risk management and oil spill training, exercises and response planning; communication with operators; alarm systems; transparency and responsibility for matters relating to the Consent Decree; and technology innovation, with a first emphasis on more efficient, reliable blowout preventers. We have agreed to submit a performance plan (the "Performance Plan") for approval by the U.S. within 120 days after the date of entry of the Consent Decree. The Performance Plan will include, among other things, interim milestones for actions in specified areas and a proposed schedule for reports required under the Consent Decree.

The Consent Decree also provides for the appointment of (i) an independent auditor to review, audit and report on our compliance with the injunctive provisions of the Consent Decree and (ii) an independent process safety consultant to review, report on and assist with respect to the process safety aspects of the Consent Decree, including operational risk identification and risk management. The Consent Decree requires certain plans, reports and submissions be made and be acceptable to the U.S. and also requires certain publicly available filings.

Under the terms of the Consent Decree, the U.S. has agreed not to sue Transocean Ltd., Transocean Inc. and certain of our subsidiaries and certain related individuals for civil or administrative penalties for the Macondo well incident under specified provisions of the CWA, the Outer Continental Shelf Lands Act ("OSCLA"), the Endangered Species Act, the Marine Mammal Protection Act, the National Marine Sanctuaries Act, the federal Oil and Gas Royalty Management Act, the CERCLA, the Emergency Planning and Community Right to Know Act and the Clean Air Act. In addition, the Consent Decree resolves our appeal of the incidents of noncompliance under the OSCLA issued by the BSEE on October 12, 2011 without any admission of liability by us.

The Consent Decree does not resolve the rights of the U.S. with respect to all other matters, including certain liabilities under the OPA for removal costs or natural resources damages. However, the district court previously held that we are not liable under the OPA for damages caused by subsurface discharge from the Macondo well. If this ruling is upheld on appeal, our natural resources damage assessment liability would be limited to any such damages arising from the above-surface discharge.

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

We may request termination of the Consent Decree after we have: (i) completed timely the civil penalty payment requirements of the Consent Decree; (ii) operated under a fully approved Performance Plan required under the Consent Decree for five years; (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; and (iv) complied with the other requirements of the Consent Decree, including payment of any stipulated penalties and compliant reporting.

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

On February 5, 2013, the Fifth Circuit Court of Appeals denied our motion to dismiss the appeals by Anadarko, BP and the U.S. regarding the February 22, 2011 ruling of the U.S. District Court, Eastern District of Louisiana. The Fifth Circuit Court of Appeals set a briefing schedule providing for briefing to be completed by May 2013. On February 21, 2013, the U.S. moved to voluntarily dismiss its appeal.

Macondo well incident—*Federal securities claims*—On February 19, 2013, the U.S. District Court, Southern District of New York, granted our motion to stay the federal securities class action against us, former chief executive officers of Transocean Ltd. and one of our acquired subsidiaries before such court pending the decision of the Second Circuit Court of Appeals.

Macondo well incident—*Insurance coverage*—Additionally, subsequent to December 31, 2012, the parties to the second layer interpleader action executed a protocol agreement to facilitate the reimbursement and funding of settlements of personal injury and fatality claims of our crew and vendors using insurance funds.

Subsequent to December 31, 2012, our third layer and fourth layer of excess insurers filed an interpleader action. Like the interpleader actions filed by the first layer and the second layer of excess insurers, the third layer and fourth layer of excess insurers contend that they face multiple, and potentially competing, claims to the relevant insurance proceeds. In this action, 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 court has not yet issued any rulings on this action.

Macondo well incident—*Shareholder derivative claims*—In connection with two shareholder derivative suits originally filed in June 2010, one of the plaintiffs in January 2013 re-filed a complaint that was previously dismissed seeking to recover damages to the corporation and disgorgement of all profits, benefits, and other compensation from the individual defendants. We intend to file our motion to dismiss in March 2013.

Brazil Frade field incident—On February 19, 2013, the federal court in Rio de Janeiro denied the federal police marshal's recommendation for the criminal indictment of us and five of our employees.

Note 30—Supplemental Disclosures Required by Swiss Law

Personnel expenses—In the years December 31, 2012, 2011 and 2010, total personnel expenses were $2.5 billion, $2.6 billion and $2.3 billion, respectively.

Fire insurance—At December 31, 2012, 2011, and 2010, the fire insurance value of our property and equipment was $29.3 billion, $36.4 billion and $38.7 billion, respectively.

Compensation and security ownership of board members and executive officers—The compensation and security ownership of our executive officers and members of our board of directors is presented in our stand-alone statutory financial statements, Note 7—Board of Directors Compensation, Note 8—Executive Management Compensation and Note 9—Share Ownership–Board of Directors and Executive Management.

Risk assessment—Our risk assessment is presented in our stand-alone statutory financial statements, Note 11—Risk Assessment Disclosure.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

We have not had a change in or disagreement with our accountants within 24 months prior to the date of our most recent financial statements or in any period subsequent to such date.

Item 9A. Controls and Procedures

Disclosure controls and procedures—We carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e), were effective as of December 31, 2012 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is (1) accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure and (2) recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms.

Internal controls over financial reporting—There were no changes in our internal controls during the quarter ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

See "Management's Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm" included in Item 8 of this Annual Report.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Item 11. Executive Compensation

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

Item 13. Certain Relationships, Related Transactions, and Director Independence

Item 14. Principal Accounting Fees and Services

The information required by Items 10, 11, 12, 13 and 14 is incorporated herein by reference to our definitive proxy statement for our 2013 annual general meeting of shareholders, which will be filed with the U.S. Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 within 120 days of December 31, 2012. Certain information with respect to our executive officers is set forth in Item 4 of this annual report under the caption "Executive Officers of the Registrant."

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

(1) Financial Statements

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

(2) Financial Statement Schedules

Transocean Ltd. and Subsidiaries
Schedule II - Valuation and Qualifying Accounts
(In millions)

		Additions			
	Balance at beginning of period	Charge to cost and expenses	Charge to other accounts -describe	Deductions -describe	Balance at end of period
Year ended December 31, 2010					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable	$ 65	$ 5	$ —	$ 32 (a)	$ 38
Allowance for obsolete materials and supplies	66	6	—	2 (b)	70
Valuation allowance on deferred tax assets	160	8	—	4 (c)	164
Year ended December 31, 2011					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable	$ 38	$ —	$ —	$ 10 (a)	$ 28
Allowance for obsolete materials and supplies	70	5	—	2 (d)	73
Valuation allowance on deferred tax assets	164	19	—	—	183
Year ended December 31, 2012					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable	$ 28	$ —	$ —	$ 8 (a)	$ 20
Allowance for obsolete materials and supplies	73	8	—	15 (d)	66
Valuation allowance on deferred tax assets	183	28	—	1 (c)	210

(a) Uncollectible accounts receivable written off, net of recoveries.

(b) Amount represents $1 million related to sale of rigs and inventory and $1 million related to the loss of *Deepwater Horizon*.

(c) Primarily due to reassessments of valuation allowances against future operations.

(d) Amount related to sale of rigs and related equipment.

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

(3) Exhibits

The following exhibits are filed in connection with this Report:

	Number	Description
	3.1	Articles of Association of Transocean Ltd. (incorporated by reference to Exhibit 3.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on June 5, 2012)
†	3.2	Organizational Regulations of Transocean Ltd.
	4.1	Indenture dated as of April 15, 1997 between Transocean Offshore Inc. and Texas Commerce Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to Transocean Offshore Inc.'s Current Report on Form 8-K (Commission File No. 001-07746) filed on April 30, 1997)
	4.2	First Supplemental Indenture dated as of April 15, 1997 between Transocean Offshore Inc. and Texas Commerce Bank National Association, as trustee, supplementing the Indenture dated as of April 15, 1997 (incorporated by reference to Exhibit 4.2 to Transocean Offshore Inc.'s Current Report on Form 8-K (Commission File No. 001-07746) filed on April 30, 1997)
	4.3	Second Supplemental Indenture dated as of May 14, 1999 between Transocean Offshore (Texas) Inc., Transocean Offshore Inc. and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 4.5 to Transocean Offshore Inc.'s Post-Effective Amendment No. 1 to Registration Statement on Form S-3 (Registration No. 333-59001-99))
	4.4	Third Supplemental Indenture dated as of May 24, 2000 between Transocean Sedco Forex Inc. and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 4.1 to Transocean Sedco Forex Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on May 24, 2000)
	4.5	Fourth Supplemental Indenture dated as of May 11, 2001 between Transocean Sedco Forex Inc. and The Chase Manhattan Bank (incorporated by reference to Exhibit 4.3 to Transocean Sedco Forex Inc.'s Quarterly Report on Form 10-Q (Commission File No. 333-75899) for the quarter ended March 31, 2001)
	4.6	Fifth Supplemental Indenture, dated as of December 18, 2008, among Transocean Ltd., Transocean Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.4 to Transocean Ltd.'s Current Report on Form 8-K filed on December 19, 2008)
	4.7	Form of 7.45% Notes due April 15, 2027 (incorporated by reference to Exhibit 4.3 to Transocean Offshore Inc.'s Current Report on Form 8-K (Commission File No. 001-07746) filed on April 30, 1997)
	4.8	Form of 8.00% Debentures due April 15, 2027 (incorporated by reference to Exhibit 4.4 to Transocean Offshore Inc.'s Current Report on Form 8-K (Commission File No. 001-07746) filed on April 30, 1997)
	4.9	Form of 7.50% Note due April 15, 2031 (incorporated by reference to Exhibit 4.3 to Transocean Sedco Forex Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on April 9, 2001)
	4.10	Officers' Certificate establishing the terms of the 6.50% Notes due 2003, 6.75% Notes due 2005, 6.95% Notes due 2008, 7.375% Notes due 2018, 9.125% Notes due 2003 and 9.50% Notes due 2008 (incorporated by reference to Exhibit 4.13 to Transocean Sedco Forex Inc.'s Annual Report on Form 10-K (Commission File No. 333-75899) for the fiscal year ended December 31, 2001)
	4.11	Officers' Certificate establishing the terms of the 7.375% Notes due 2018 (incorporated by reference to Exhibit 4.14 to Transocean Sedco Forex Inc.'s Annual Report on Form 10-K (Commission File No. 333-75899) for the fiscal year ended December 31, 2001)
	4.12	Indenture dated as of February 1, 2003, between GlobalSantaFe Corporation and Wilmington Trust Company, as trustee, relating to debt securities of GlobalSantaFe Corporation (incorporated by reference to Exhibit 4.9 to GlobalSantaFe Corporation's Annual Report on Form 10-K (Commission File No. 001-14634) for the year ended December 31, 2002)
	4.13	Supplemental Indenture dated November 27, 2007 among Transocean Worldwide Inc., GlobalSantaFe Corporation and Wilmington Trust Company, as trustee, to the Indenture dated as of February 1, 2003 between GlobalSantaFe Corporation and Wilmington Trust Company (incorporated by reference to Exhibit 4.4 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on December 3, 2007)
	4.14	Form of 7% Note Due 2028 (incorporated by reference to Exhibit 4.2 of Global Marine Inc.'s Current Report on Form 8-K (Commission File No. 1-5471) filed on May 22, 1998)
	4.15	Terms of 7% Note Due 2028 (incorporated by reference to Exhibit 4.1 of Global Marine Inc.'s Current Report on Form 8-K (Commission File No. 1-5471) filed on May 22, 1998)
	4.16	Indenture dated as of September 1, 1997, between Global Marine Inc. and Wilmington Trust Company, as Trustee, relating to Debt Securities of Global Marine Inc. (incorporated by reference to Exhibit 4.1 of Global Marine Inc.'s

Registration Statement on Form S-4 (No. 333-39033) filed with the Commission on October 30, 1997); First Supplemental Indenture dated as of June 23, 2000 (incorporated by reference to Exhibit 4.2 of Global Marine Inc.'s Quarterly Report on Form 10-Q (Commission File No. 1-5471) for the quarter ended June 30, 2000); Second Supplemental Indenture dated as of November 20, 2001 (incorporated by reference to Exhibit 4.2 to GlobalSantaFe Corporation's Annual Report on Form 10-K (Commission File No. 001-14634) for the year ended December 31, 2004)

	4.17	Form of 5% Note due 2013 (incorporated by reference to Exhibit 4.10 to GlobalSantaFe Corporation's Annual Report on Form 10-K (Commission File No. 001-14634) for the year ended December 31, 2002)
	4.18	Terms of 5% Note due 2013 (incorporated by reference to Exhibit 4.11 to GlobalSantaFe Corporation's Annual Report on Form 10-K (Commission File No. 001-14634) for the year ended December 31, 2002)
	4.19	Senior Indenture, dated as of December 11, 2007, between Transocean Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.36 to Transocean Inc.'s Annual Report on Form 10-K (Commission File No. 333-75899) for the year ended December 31, 2007)
	4.20	First Supplemental Indenture, dated as of December 11, 2007, between Transocean Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.37 to Transocean Inc.'s Annual Report on Form 10-K (Commission File No. 333-75899) for the year ended December 31, 2007)
	4.21	Second Supplemental Indenture, dated as of December 11, 2007, between Transocean Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.38 to Transocean Inc.'s Annual Report on Form 10-K (Commission File No. 333-75899) for the year ended December 31, 2007)
	4.22	Third Supplemental Indenture, dated as of December 18, 2008, among Transocean Ltd., Transocean Inc. and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.3 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on December 19, 2008)
	4.23	Fourth Supplemental Indenture, dated as of September 21, 2010, among Transocean Ltd., Transocean Inc. and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 000-53533) for the quarter ended September 30, 2010)
	4.24	Fifth Supplemental Indenture, dated as of December 5, 2011, among Transocean Ltd., Transocean Inc. and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.3 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on December 5, 2011)
	4.25	Sixth Supplemental Indenture, dated as of September 13, 2012, among Transocean Inc., Transocean Ltd. and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.3 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on September 13, 2012)
	4.26	Credit Agreement dated November 1, 2011 among Transocean Inc., the lenders parties thereto and JPMorgan Chase Bank, N.A., as administrative agent, Crédit Agricole Corporate and Investment Bank and Citibank, N.A., as co-syndication agents, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Wells Fargo Bank, National Association, as co-documentation agents, and J.P. Morgan Securities LLC, Crédit Agricole Corporate and Investment Bank, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citigroup Global Markets Inc., and Wells Fargo Securities LLC, as joint lead arrangers and joint bookrunners (incorporated by reference to Exhibit 4.1 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 000-53533) for the quarter ended September 30, 2011)
	4.27	Guarantee Agreement dated November 1, 2011 among Transocean Ltd. and JPMorgan Chase Bank, N.A., as administrative agent under the Credit Agreement (incorporated by reference to Exhibit 4.2 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 000-53533) for the quarter ended September 30, 2011)
	4.28	First Amendment to Credit Agreement dated effective as of March 23, 2012 among Transocean Inc., the lenders parties thereto, JPMorgan Chase Bank, N.A., as administrative agent, Crédit Agricole Corporate and Investment Bank and Citibank, N.A., as co-syndication agents, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Wells Fargo Bank, National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on March 30, 2012)
	4.29	Credit Agreement, dated October 25, 2012, among Triton Nautilus Asset Leasing GmbH, the lender parties thereto and DNB Bank, ASA, as administrative agent (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on October 31, 2012)
	10.1	Tax Sharing Agreement between Sonat Inc. and Sonat Offshore Drilling Inc. dated June 3, 1993 (incorporated by reference to Exhibit 10-(3) to Sonat Offshore Drilling Inc.'s Form 10-Q (Commission File No. 001-07746) for the quarter ended June 30, 1993)
*	10.2	Long-Term Incentive Plan of Transocean Ltd. (as amended and restated as of February 12, 2009) (incorporated by reference to Exhibit 10.5 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2008)

*	10.3	Deferred Compensation Plan of Transocean Offshore Inc., as amended and restated effective January 1, 2000 (incorporated by reference to Exhibit 10.10 to Transocean Sedco Forex Inc.'s Annual Report on Form 10-K (Commission File No. 333-75899) for the year ended December 31, 1999)
*	10.4	GlobalSantaFe Corporation Key Employee Deferred Compensation Plan effective January 1, 2001; and Amendment to GlobalSantaFe Corporation Key Employee Deferred Compensation Plan effective November 20, 2001 (incorporated by reference to Exhibit 10.33 to the GlobalSantaFe Corporation Annual Report on Form 10-K for the year ended December 31, 2004)
*	10.5	Amendment to Transocean Inc. Deferred Compensation Plan (incorporate by reference to Exhibit 10.1 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on December 29, 2005)
*	10.6	Sedco Forex Employees Option Plan of Transocean Sedco Forex Inc. effective December 31, 1999 (incorporated by reference to Exhibit 4.5 to Transocean Sedco Forex Inc.'s Registration Statement on Form S-8 (Registration No. 333-94569) filed January 12, 2000)
*	10.7	1997 Long-Term Incentive Plan of Reading & Bates Corporation (incorporated by reference to Exhibit 99.A to Reading & Bates' Proxy Statement (Commission File No. 001-05587) dated March 28, 1997)
*	10.8	1998 Employee Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.A to R&B Falcon Corporation's Proxy Statement (Commission File No. 001-13729) dated April 23, 1998)
*	10.9	1998 Director Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.B to R&B Falcon Corporation's Proxy Statement (Commission File No. 001-13729) dated April 23, 1998)
*	10.10	1999 Employee Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.A to R&B Falcon Corporation's Proxy Statement (Commission File No. 001-13729) dated April 13, 1999)
*	10.11	1999 Director Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.B to R&B Falcon Corporation's Proxy Statement (Commission File No. 001-13729) dated April 13, 1999)
	10.12	Master Separation Agreement dated February 4, 2004 by and among Transocean Inc., Transocean Holdings Inc. and TODCO (incorporated by reference to Exhibit 99.2 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on March 3, 2004)
	10.13	Tax Sharing Agreement dated February 4, 2004 between Transocean Holdings Inc. and TODCO (incorporated by reference to Exhibit 99.3 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on March 3, 2004)
	10.14	Amended and Restated Tax Sharing Agreement effective as of February 4, 2004 between Transocean Holdings Inc. and TODCO (incorporated by reference to Exhibit 4.1 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on November 30, 2006)
*	10.15	Form of 2004 Performance-Based Nonqualified Share Option Award Letter (incorporated by reference to Exhibit 10.2 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on February 15, 2005)
*	10.16	Form of 2004 Director Deferred Unit Award (incorporated by reference to Exhibit 10.5 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on February 15, 2005)
*	10.17	Form of 2008 Director Deferred Unit Award (incorporated by reference to Exhibit 10.20 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2008)
*	10.18	Form of 2009 Director Deferred Unit Award (incorporated by reference to Exhibit 10.19 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2009)
*	10.19	Performance Award and Cash Bonus Plan of Transocean Ltd. (incorporated by reference to Exhibit 10.21 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2008)
† *	10.20	Amendment to Performance Award and Cash Bonus Plan of Transocean Ltd.
*	10.21	Executive Change of Control Severance Benefit (incorporated by reference to Exhibit 10.1 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on July 19, 2005)
*	10.22	Terms of July 2007 Employee Restricted Stock Awards (incorporated by reference to Exhibit 10.2 to Transocean Inc.'s Form 10-Q (Commission File No. 333-75899) for the quarter ended June 30, 2007)
*	10.23	Terms of July 2007 Employee Deferred Unit Awards (incorporated by reference to Exhibit 10.3 to Transocean Inc.'s Form 10-Q (Commission File No. 333-75899) for the quarter ended June 30, 2007)
*	10.24	Terms and Conditions of the July 2008 Employee Contingent Deferred Unit Award (incorporated by reference to Exhibit 10.2 to Transocean Inc.'s Form 10-Q (Commission File No. 333-75899) for the quarter ended June 30, 2008)
*	10.25	Terms and Conditions of the July 2008 Nonqualified Share Option Award (incorporated by reference to Exhibit 10.2 to Transocean Inc.'s Form 10-Q (Commission File No. 333-75899) for the quarter ended June 30, 2008)
*	10.26	Terms and Conditions of the February 2009 Employee Deferred Unit Award (incorporated by reference to Exhibit 10.28 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2008)

*	10.27	Terms and Conditions of the February 2009 Employee Contingent Deferred Unit Award (incorporated by reference to Exhibit 10.29 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2008)
*	10.28	Terms and Conditions of the February 2009 Nonqualified Share Option Award (incorporated by reference to Exhibit 10.30 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2008)
*	10.29	Terms and Conditions of the February 2012 Long Term Incentive Plan Award (incorporated by reference to Exhibit 10.28 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2012)
† *	10.30	Transocean Ltd. Incentive Recoupment Policy
	10.31	Put Option and Registration Rights Agreement, dated as of October 18, 2007, among Pacific Drilling Limited, Transocean Pacific Drilling Inc., Transocean Inc. and Transocean Offshore International Ventures Limited (incorporated by reference to Exhibit 10.1 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on October 24, 2007)
	10.32	Form of Novation Agreement dated as of November 27, 2007 by and among GlobalSantaFe Corporation, Transocean Offshore Deepwater Drilling Inc. and certain executives (incorporated by reference to Exhibit 10.1 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on December 3, 2007)
*	10.33	Form of Severance Agreement with GlobalSantaFe Corporation Executive Officers (incorporated by reference to Exhibit 10.1 to GlobalSantaFe Corporation's Current Report on Form 8-K/A (Commission File No. 001-14634) filed on July 26, 2005)
*	10.34	Global Marine Inc. 1990 Non-Employee Director Stock Option Plan (incorporated by reference to Exhibit 10.18 of Global Marine Inc.'s Annual Report on Form 10-K (Commission File No. 1-5471) for the year ended December 31, 1991); First Amendment (incorporated by reference to Exhibit 10.1 of Global Marine Inc.'s Quarterly Report on Form 10-Q (Commission File No. 1-5471) for the quarter ended June 30, 1995); Second Amendment (incorporated by reference to Exhibit 10.37 of Global Marine Inc.'s Annual Report on Form 10-K (Commission File No. 1-5471) for the year ended December 31, 1996)
*	10.35	1997 Long-Term Incentive Plan (incorporated by reference to GlobalSantaFe Corporation's Registration Statement on Form S-8 (No. 333-7070) filed June 13, 1997); Amendment to 1997 Long Term Incentive Plan (incorporated by reference to GlobalSantaFe Corporation's Annual Report on Form 20-F (Commission File No. 001-14634) for the calendar year ended December 31, 1998); Amendment to 1997 Long Term Incentive Plan dated December 1, 1999 (incorporated by reference to GlobalSantaFe Corporation's Annual Report on Form 20-F (Commission File No. 001-14634) for the calendar year ended December 31, 1999)
*	10.36	GlobalSantaFe Corporation 1998 Stock Option and Incentive Plan (incorporated by reference to Exhibit 10.1 of Global Marine Inc.'s Quarterly Report on Form 10-Q (Commission File No. 1-5471) for the quarter ended March 31, 1998); First Amendment (incorporated by reference to Exhibit 10.2 of Global Marine Inc.'s Quarterly Report on Form 10-Q (Commission File No. 1-5471) for the quarter ended June 30, 2000)
*	10.37	GlobalSantaFe Corporation 2001 Non-Employee Director Stock Option and Incentive Plan (incorporated by reference to GlobalSantaFe Corporation's Registration Statement on Form S-8 (No. 333-73878) filed November 21, 2001)
*	10.38	GlobalSantaFe Corporation 2001 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to GlobalSantaFe Corporation's Quarterly Report on Form 10-Q (Commission File No. 001-14634) for the quarter ended June 30, 2001)
*	10.39	GlobalSantaFe 2003 Long-Term Incentive Plan (as Amended and Restated Effective June 7, 2005) (incorporated by reference to Exhibit 10.4 to GlobalSantaFe Corporation's Quarterly Report on Form 10-Q (Commission File No. 001-14634) for the quarter ended June 30, 2005)
*	10.40	Transocean Ltd. Pension Equalization Plan, as amended and restated, effective January 1, 2009 (incorporated by reference to Exhibit 10.41 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2008)
*	10.41	Transocean U.S. Supplemental Retirement Benefit Plan, as amended and restated, effective as of November 27, 2007 (incorporated by reference to Exhibit 10.11 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on December 3, 2007)
*	10.42	GlobalSantaFe Corporation Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.1 to the GlobalSantaFe Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 2002)
*	10.43	Transocean U.S. Supplemental Savings Plan (incorporated by reference to Exhibit 10.44 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2008)

	10.44	Form of Indemnification Agreement entered into between Transocean Ltd. and each of its Directors and Executive Officers (incorporated by reference to Exhibit 10.1 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on October 10, 2008)
*	10.45	Form of Assignment Memorandum for Executive Officers (incorporated by reference to Exhibit 10.5 to Transocean Ltd.'s Current Report on Form 8-K filed on December 19, 2008)
	10.46	Drilling Contract between Vastar Resources, Inc. and R&B Falcon Drilling Co. dated December 9, 1998 with respect to *Deepwater Horizon*, as amended (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 000-53533) for the quarter ended June 30, 2010)
*	10.47	Executive Severance Benefit Policy (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on February 23, 2012)
	10.48	Aker Drilling Pre-Acceptance Agreement (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on August 15, 2011)
	10.49	Form of Pre-Acceptance Commitment Letter (incorporated by reference to Exhibit 10.2 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on August 15, 2011)
*	10.50	Agreement with Gregory L. Cauthen (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on January 10, 2012)
*	10.51	First Amendment to Agreement with Gregory L. Cauthen (incorporated by reference from Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on July 2, 2012)
*	10.52	Agreement with Ricardo H. Rosa (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on January 23, 2012)
*	10.53	Agreement with Robert Shaw (incorporated by reference to Exhibit 10.5 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 000-53533) for the quarter ended March 31, 2012)
*	10.54	Letter Agreement, dated as of October 23, 2012, between Transocean Management Ltd. and Nick Deeming (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on October 24, 2012)
† *	10.55	Agreement with Allen M. Katz
†	21	Subsidiaries of Transocean Ltd.
†	23.1	Consent of Ernst & Young LLP
†	24	Powers of Attorney
†	31.1	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
†	31.2	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
†	32.1	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
†	32.2	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
	99.1	Deferred Prosecution Agreement by and between The United States Department of Justice, Transocean Inc. and Transocean Ltd. (incorporated by reference to Exhibit 99.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on November 5, 2010)
	99.2	Cooperation Guilty Plea Agreement by and between Transocean Deepwater Inc., Transocean Ltd. and the United States (incorporated by reference to Exhibit 99.2 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on January 3, 2013)
	99.3	Consent Decree by and among Triton Asset Leasing GmbH, Transocean Holdings LLC, Transocean Offshore Deepwater Drilling Inc., Transocean Deepwater Inc. and the United States (incorporated by reference to Exhibit 99.2 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on January 3, 2013)
†	101.INS	XBRL Instance Document
†	101.SCH	XBRL Taxonomy Extension Schema
†	101.CAL	XBRL Taxonomy Extension Calculation Linkbase
†	101.DEF	XBRL Taxonomy Extension Definition Linkbase
†	101.LAB	XBRL Taxonomy Extension Label Linkbase
†	101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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† Filed with our Annual Report on Form 10-K.

* Compensatory plan or arrangement.

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

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

Certain agreements filed as exhibits to this Report may contain representations and warranties by the parties to such agreements. These representations and warranties have been made solely for the benefit of the parties to such agreements and (1) may be intended not as statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate, (2) may have been qualified by certain disclosures that were made to other parties in connection with the negotiation of such agreements, which disclosures are not reflected in such agreements, and (3) may apply standards of materiality in a way that is different from what may be viewed as material to investors.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized, on March 1, 2013.

TRANSOCEAN LTD.
By: /s/ Esa Ikäheimonen
Esa Ikäheimonen
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated on March 1, 2013.

Signature	Title
* **J. Michael Talbert**	Chairman of the Board of Directors
/s/ Steven L. Newman **Steven L. Newman**	President and Chief Executive Officer (Principal Executive Officer)
/s/ Esa Ikäheimonen **Esa Ikäheimonen**	Executive Vice President, Chief Financial Officer (Principal Financial Officer)
/s/ David Tonnel **David Tonnel**	Senior Vice President, Finance and Controller (Principal Accounting Officer)
* **Glyn Barker**	Director
* **Jagjeet S. Bindra**	Director
* **Thomas W. Cason**	Director
* **Vanessa C.L. Chang**	Director
* **Tan Ek Kia**	Director
* **Steve Lucas**	Director
* **Martin B. McNamara**	Director
* **Edward R. Muller**	Director
* **Robert M. Sprague**	Director
* **Ian C. Strachan**	Director
By: /s/ David Tonnel **(Attorney-in-Fact)**	

TRANSOCEAN LTD.

STATUTORY FINANCIAL STATEMENTS
For the years ended December 31, 2012 and 2011

Ernst & Young Ltd
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CH-8010 Zurich

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www.ey.com/ch

To the Annual General Meeting of

Transocean Ltd., Steinhausen

Zurich, March 1, 2013

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Transocean Ltd., which comprise the statement of operations, balance sheet and notes pages (SR-2 to SR-18), for the year ended December 31, 2012.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 of the 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 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 financial statements for the year ended December 31, 2012 comply with Swiss law and the company's articles of incorporation.

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 financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

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

TRANSOCEAN LTD.
STATEMENT OF OPERATIONS
(in CHF thousands)

	Year ended December 31, 2012	Year ended December 31, 2011
Income		
Interest income	49	56
Total income	49	56
General and administrative expenses	51,632	81,126
Depreciation	268	253
Financial expenses	7,649	9,311
Interest expense	11,707	9,564
Total expenses	71,256	100,254
Net Income (loss)	(71,207)	(100,198)

See accompanying notes.

TRANSOCEAN LTD.
BALANCE SHEET
(in CHF thousands)

	December 31, 2012	December 31, 2011
Assets		
Cash	21,605	2,737
Receivables from affiliates	11,272	7,051
Trade and other current assets	2,712	5,734
Total current assets	35,589	15,522
Property and equipment	1,222	1,257
Less accumulated depreciation	808	563
Property and equipment, net	414	694
Investment in affiliates	17,436,710	17,282,047
Treasury shares	256,949	256,949
Other non-current assets	78	69
Total assets	17,729,740	17,555,281
Liabilities and shareholders' equity		
Accounts payable to affiliates	876	212
Interest payable to affiliates	2,643	6,631
Dividend payable	-	259,451
Trade and other current liabilities	11,529	4,896
Total current liabilities	15,048	271,190
Long-term note payable to affiliates	542,512	465,097
Other non-current liabilities	1,737	760
Total non-current liabilities	544,249	465,857
Share capital	5,607,459	5,477,029
Legal reserve		
General legal reserves		
Reserve from capital contribution	11,165,400	9,882,947
Reserve for treasury shares		
Reserve from capital contribution	307,300	295,100
Free reserve		
Dividend reserve from capital contribution	-	1,001,667
Retained earnings		
Earnings brought forward	161,491	261,689
Net Income (loss) of the period	(71,207)	(100,198)
Total shareholders' equity	17,170,443	16,818,234
Total liabilities and shareholders' equity	17,729,740	17,555,281

See accompanying notes.

Note 1—General

Transocean Ltd. ("Transocean," the "Company," the "Group", "we," "us", or "our") is the parent company of Transocean Inc., Transocean Management Ltd., and Transocean Services AS. The statutory financial statements are of overriding importance for the purpose of the economic and financial assessment of the Company. The unconsolidated statutory financial statements of the Company are prepared in accordance with Swiss law.

The financial statements of Transocean Ltd. have been prepared in accordance with the requirements of the Swiss Code of Obligations. Transocean Ltd. is listed on the New York Stock Exchange and on the SIX Swiss Exchange, and is registered with the commercial register in the canton of Zug.

Note 2—Summary of Significant Accounting Policies

Exchange rate differences — The Company keeps its accounting records in U.S. Dollars ("USD") and translates them into Swiss Francs ("CHF") for statutory reporting purposes. Assets and liabilities denominated in foreign currencies are translated into CHF using the year-end rates of exchange, except investments in affiliates and the Company's equity (other than current-year transactions), which are translated at historical rates. Income statement transactions are translated into Swiss Francs at the average rate of the year. Exchange differences arising from business transactions and net unrealized losses are recorded in the income statement. Net unrealized gains are deferred and recorded in other current liabilities on the balance sheet.

Current assets and liabilities — Current assets and liabilities are recorded at cost less adjustments for impairment of value.

Financial assets—Financial assets are recorded at acquisition cost less adjustments for impairment of value.

Cash—Cash consists of cash in the bank.

Property and equipment — Property and equipment consists primarily of office equipment and is recorded at historical cost net of accumulated depreciation. We generally provide for depreciation under the straight-line method. The estimated original useful life of our office equipment is four years.

Note 3—Investment in Affiliates

(in CHF thousands), except for share capital amount (local currency)

Company name	Purpose	Domicile	Ownership interest	Share capital amount (local currency)		Investment 2012	Investment 2011
Transocean Inc.	Holding	Cayman Islands	100%	USD	0.01	16,476,108	16,476,108
Transocean Management Ltd.	Management and administration	CH - Geneva	90%	CHF	100.00	90	90
Transocean Services AS	Management and administration	Norway	99%	NOK	100.00	960,512	805,849

Principal indirect investments in affiliates include:

Company name	Purpose	Domicile	Ownership interest
Global Marine Inc.	Leasing/Operating	United States	100%
GSF Leasing Services GmbH	Leasing	CH - Zug	100%
Sedco Forex Holdings Limited	Leasing/Operating	Cayman Islands	100%
Sedco Forex International Inc.	Leasing/Operating	Panama	100%
Transocean Drilling Offshore S.a.r.l.	Leasing/Operating	Luxembourg	100%
Transocean Financing GmbH	Financing	CH - Zug	100%
Transocean Hungary Holdings LLC	Leasing/Operating	Hungary	100%
Transocean Norway Drilling AS	Holding	Norway	100%
Transocean Offshore Deepwater Drilling Inc.	Leasing/Operating	United States	100%
Transocean Offshore Holdings Limited	Holding	Cayman Islands	100%
Transocean Offshore International Ventures Limited	Leasing/Operating	Cayman Islands	100%
Transocean Venture Holdings GmbH	Holding	CH - Zug	100%
Transocean Worldwide Inc.	Holding	Cayman Islands	100%
Triton Asset Leasing GmbH	Leasing	CH - Zug	100%
Triton Hungary Investments 1 Kft.	Holding	Hungary	100%
Triton Nautilus Asset Leasing GmbH	Leasing	CH - Zug	100%

Note 4—Shareholders' Equity

(in CHF thousands except share data)	Ordinary shares		Legal reserve		Free reserve			
	Shares	Amount	General legal reserves - reserve from capital contribution	Reserve for treasury shares - reserve from capital contribution (a)	Reserve from capital contribution	Dividend reserve from capital contribution	Retained earnings	Total shareholder's equity
Balance at December 31, 2010	335,235,298	5,028,529	7,925,000	279,628	3,243,051	-	261,689	16,737,897
Treasury share repurchases	-	-	(15,472)	15,472	-	-	-	-
Transfer to general reserve	-	-	3,243,051	-	(3,243,051)	-	-	-
Tranfer to free reserve - dividend reserve	-	-	(1,937,000)	-	-	1,937,000	-	-
Dividend	-	-	-	-	-	(935,333)	-	(935,333)
Authorized capital increase	29,900,000	448,500	667,368	-	-	-		1,115,868
Net Income	-	-	-	-	-	-	(100,198)	(100,198)
Balance at December 31, 2011	365,135,298	5,477,029	9,882,947	295,100	-	1,001,667	161,491	16,818,234
TPDI put option exercise	8,695,351	130,430	286,860	-	-	-	-	417,290
Treasury share repurchases	-	-	(12,200)	12,200	-	-	-	-
Transfer from divdend payable	-	-	-	-	-	6,126	-	6,126
Transfer to general reserve	-	-	1,007,793	-	-	(1,007,793)	-	-
Net income	-	-	-	-	-	-	(71,207)	(71,207)
Balance at December 31, 2012	373,830,649	5,607,459	11,165,400	307,300	-	-	90,284	17,170,443

(a) The reserve for treasury shares represents the cost of treasury shares held directly by Transocean Ltd. and indirectly by Transocean Inc. During 2012, our affiliate, Transocean Inc., purchased 269,082 treasury shares in connection with share-based compensation valued at CHF 12.2 million. During 2011, our affiliate purchased 224,121 treasury shares in connection with share-based compensation valued at CHF 15.5 million. See Note 5—Treasury Shares.

Conditional share capital — Our articles of association provide for conditional capital that allows the issuance of 167,617,649 additional registered shares without obtaining additional shareholder approval. The conditional shares may be issued:

(1) Through the exercise of conversion, exchange, option, warrant or similar rights for the subscription of shares granted in connection with bonds, options, warrants or other securities newly or already issued in national or international capital markets or new or already existing contractual obligations convertible into or exercisable or exchangeable for Transocean Ltd. registered shares or shares of one of its group companies or any of their respective predecessors ; or

(2) In connection with the issuance of registered shares, options or other share-based awards to directors, employees, contractors, consultants or other persons providing services to Transocean Ltd. or one of its subsidiaries.

In connection with the issuance of bonds, notes, warrants or other financial instruments or contractual obligations convertible into or exercisable or exchangeable for Transocean Ltd. registered shares, the board of directors is authorized to withdraw or limit the advance subscription rights of shareholders in certain circumstances.

Authorized share capital — At the annual general meeting on May 13, 2011, our shareholders approved an authorized share capital in the amount of CHF 1,005,705,855, authorizing the issuance of a maximum of 67,047,057 fully paid-in shares with a par value of CHF 15 each, which expires on May 13, 2013. On November 18, 2011, our board of directors resolved, based on our authorized share capital contained in our articles of association dated May 13, 2011, to increase our share capital through the issuance of up to 30,000,000 new, fully paid in shares. In December 2011, we completed a public offering of 29.9 million shares at a share price of USD 40.50, equivalent to CHF 37.32 using an exchange rate of USD 1.00 to CHF 0.9215. On December 5, 2011, we received proceeds of CHF 1.1 billion, net of underwriting discounts and commissions, estimated issuance costs and the Swiss Federal Issuance Stamp Tax. These issuance costs totaling CHF 48 million were expensed and are included in general and administrative expenses. At December 31, 2011, the authorized share capital amounted to CHF 557,205,855, authorizing the issuance of a maximum of 37,147,057 fully paid-up shares with a par value of CHF 15 each at any time until May 13, 2013.

On May 31, 2012, we issued 8.7 million shares to Transocean Pacific Drilling Holdings Limited, for delivery to Quantum Pacific Management Limited, a third-party interest holder in Transocean Pacific Drilling Inc. ("TPDI"), in exchange for its 50%-ownership interest in TPDI. At December 31, 2012, the authorized share capital amounted to CHF 426,775,590, authorizing the issuance of a maximum 28,451,706 full paid-up shares with a par value of CHF 15 each at any time until May 13, 2013.

Dividend distribution — In May 2011, at our annual general meeting, our shareholders approved a dividend of USD 3.16 per outstanding share, payable in four equal installments of USD 0.79 per outstanding share, subject to certain limitations. In May 2011, we transferred

CHF 1,937 million out of General Legal Reserve – Reserve from Capital Contribution to Dividend Reserve from Capital Contribution and recognized a dividend payable in the amount of approximately CHF 935 million, recorded in other current liabilities, with the corresponding entry to Dividend Reserve. On June 15, 2011, September 21, 2011 and December 21, 2011 we paid the first three installments, in the aggregate amount of CHF 676 million, to shareholders of record as of May 20, 2011, August 26, 2011 and November 25, 2011, respectively. At December 31, 2011, the carrying amount of the unpaid distribution payable was CHF 259 million. On March 21, 2012, we paid the fourth and final installment of CHF 253 million and transferred the remaining CHF 6.1 million back to Dividend Reserve from Capital Contribution. The aggregate amount of the Dividend Reserve from Capital Contribution that was not used for the dividend payments, i.e., CHF 1,007,793, was transferred back to General Legal Reserve – Reserve from Capital Contribution.

Note 5—Treasury Shares

	Number of shares	Share % (a)
Total treasury registered shares at December 31, 2010	16,144,620	4.82%
Transferred during the year under share-based compensation plans	(825,115)	
Balance at December 31, 2011	15,319,505	4.20%
Transferred during the year under share-based compensation plans	(1,004,107)	
Balance at December 31, 2012	14,315,398	3.83%

(a) 2010 share percentage is based on 335,235,298 shares issued. 2011 share percentage is based on 365,135,298 shares issued which included the 29.9 million authorized share capital increase in December 2011. 2012 share percentage is based on 373,830,649 shares issued, which includes the 8,695,351 authorized share capital increase in May 2012.

Shares held by subsidiary — In 2012 and 2011 1,004,107 and 825,115 treasury shares, respectively, were transferred to satisfy obligations under share-based compensation plans from the treasury shares issued to Transocean Inc. as part of the Redomestication Transaction in connection with obligations under share-based compensation plans. The proceeds of the treasury share transfers in connection with exercises of options amounted to CHF 9 million and CHF 8.7 million for 2012 and 2011, respectively. Transfers under restricted share awards schemes were at book value.

Share repurchase program — During the year ended December 31, 2010, following the authorization by our Board of Directors, we repurchased 2,863,267 of our shares under the share repurchase program for an aggregate purchase price of CHF 257 million. There were no repurchases under this program in 2011 or 2012. These shares have not been marked to market because they are to be cancelled.

Note 6—Significant Shareholders

As of December 31, 2012 and 2011 we had no shareholders that, to the knowledge of the Company, were beneficial owners of more than 5% of the Company's issued share capital.

Transocean held directly and indirectly through its affiliate, Transocean Inc., 14,315,398 and 15,319,505 treasury shares representing 3.83% and 4.20% of the issued share capital at December 31, 2012 and 2011, respectively, as outlined in Note 5 – Treasury Shares.

Note 7—Board of Directors Compensation

Directors who are employees of the Company do not receive compensation for Board service. At present, all of the directors except Steven L. Newman are non-employees and receive compensation.

We use a combination of cash and equity incentive compensation to attract and retain qualified candidates to serve on our Board. The Corporate Governance Committee annually reviews the compensation paid to non-executive directors and makes a recommendation to the Board regarding its determinations. When making its recommendations to the Board, the Corporate Governance Committee can exercise its discretion as to the level and mix of compensation paid to the directors. In February 2012, based upon its review of director compensation and the advice of our former compensation consultant, the Corporate Governance Committee, in exercising its discretion, concluded that the total compensation received by non-executive directors was within a competitive range relative to members of the Company's peer group generally used for the consideration of executive compensation and that the mix of cash and equity incentive compensation was appropriate and in line with current market competitive practice and recommended no change. Based on this recommendation, the Board exercised its discretion and left the compensation levels unchanged from those paid in 2011.

Non-employee director compensation is listed in the table below:

(in CHF)	2012 (a)	2011 (a)
Annual retainer	84,389	79,790
Additional annual retainer for Committee Chairmen:		
Audit Committee	32,818	31,029
Executive Compensation Committee	18,753	17,731
Corporate Governance, Finance and Benefits, and Health, Safety and Environment Committees	9,377	8,866
Board meeting attendance fee (b)	2,344	2,216
Committee meeting attendance fee (c)	2,344	2,216
Grant of deferred units in CHF	245,814	228,440

(a) Non-employee director compensation is paid in USD and did not change from 2011 to 2012. The fees fluctuation from 2011 in the table above is due to the difference in exchange rate used for the presentation of the Swiss statutory financial statements.

(b) The board meeting attendance fee is paid for those meetings that were attended in excess of the four regularly scheduled board meetings.

(c) The committee meeting attendance fee is only paid for those meetings that were attended in excess of four regularly scheduled committee meetings.

Since May 2011, J. Michael Talbert has served the Company as its non-executive Chairman of the Board, in which capacity he has received a CHF 248,480 annual retainer, paid quarterly, in lieu of the annual retainer the other non-employee directors receive. Until his retirement in May 2011, our former Chairman, Robert E. Rose, received a CHF 294,335 annual retainer, paid quarterly. Prior to May 2011, Mr. Talbert served the Company as its non-executive Vice-Chairman of the Board, in which capacity he received a CHF 44,328 annual retainer, paid quarterly, in addition to the annual retainer the other non-employee directors received. Mr. Rose and Mr. Talbert also received the same meeting fees and the grant of deferred units to non-employee directors described above. All retainers are paid on a quarterly basis and are only paid for quarters in which the director actually served.

In addition, we pay or reimburse our directors' travel and incidental expenses incurred for attending Board, committee and shareholder meetings and for other Company business-related purposes.

At our Board meeting held immediately after the 2012 annual general meeting of our shareholders, the Board granted 5,742 deferred units to each non-employee director equal in aggregate value to CHF 245,814 based upon the average price of the high and low sales prices of our shares for the 10 trading days immediately prior to the date of our Board meeting (calculated at CHF 42.81 per share). The terms of the deferred units included vesting in equal installments over three years, on the first, second and third anniversaries of the date of grant, and a requirement that each director hold the vested deferred units or the shares attributable to such units until they leave the Board. Vesting of the deferred units is not subject to any performance measures.

The following table summarizes the compensation of our non-employee directors for 2012:

Name	Function	Total compensation (a)	Fees earned (b)	Annual deferred units (c)	Annual deferred units in shares
		(CHF)	(CHF)	(CHF)	
J. Michael Talbert	Chairman of the Board	511,037	265,223	245,814	5,742
Glyn Barker (d), (e)	Member of the Board	305,242	59,428	245,814	5,742
Jagjeet Bindra (g), (h)	Member of the Board	337,683	91,869	245,814	5,742
Thomas W. Cason (d), (e)	Member of the Board	370,112	124,298	245,814	5,742
Vanessa C.L. Chang (d), (e)	Member of the Board	302,898	57,084	245,814	5,742
Chad Deaton (e), (h)	Member of the Board	305,242	59,428	245,814	5,742
Tan Ek Kia (f), (h)	Member of the Board	344,715	98,901	245,814	5,742
Steve Lucas (d), (e)	Member of the Board and Chairman of the Audit Committee	367,345	121,531	245,814	5,742
Martin B. McNamara (f), (g)	Member of the Board and Chairman of the Corporate Governance Committee	366,882	121,068	245,814	5,742
Edward R. Muller (f), (g)	Member of the Board and Chairman of the Executive Compensation Committee	372,456	126,642	245,814	5,742
Robert M. Sprague (f), (h)	Member of the Board and Chairman of the Health, Safety, and Environment Committee	366,882	121,068	245,814	5,742
Ian C. Strachan (d), (g)	Member of the Board and Chairman of the Finance/Benefits Committee	362,194	116,380	245,814	5,742
Total		4,312,688	1,362,920	2,949,768	68,904

(a) Compensation for the period of Board membership from January 1, 2012 to December 31, 2012.
(b) Fees earned from January 1, 2012 to December 31, 2012 include the retainer, meeting fees, and dividends earned on shares.
(c) Deferred units are based on the fair value granted during the year.
(d) Members of the Finance/Benefits Committee
(e) Members of the Audit Committee
(f) Members of Executive Compensation Committee
(g) Members of Corporate Governance Committee
(h) Members of Health, Safety, and Environment Committee

The following table summarizes the compensation of our non-employee directors for 2011:

Name	Function	Total compensation (a)	Fees earned (b)	Annual deferred units (c)	Annual deferred units in shares
		(CHF)	(CHF)	(CHF)	
J. Michael Talbert	Chairman of the Board	450,505	222,065	228,440	3,768
Jagjeet Bindra (g), (h)	Member of the Board	286,993	58,553	228,440	3,768
Thomas W. Cason (d), (e)	Member of the Board and Chairman of the Audit Committee	380,177	151,737	228,440	3,768
Tan Ek Kia (f), (h)	Member of the Board	289,209	60,769	228,440	3,768
Steve Lucas (d), (e)	Member of the Board	298,075	69,635	228,440	3,768
Martin B. McNamara (f), (g)	Member of the Board and Chairman of the Corporate Governance Committee	344,715	116,275	228,440	3,768
Edward R. Muller (f), (g)	Member of the Board and Chairman of the Executive Compensation Committee	351,365	122,925	228,440	3,768
Robert M. Sprague (f), (h)	Member of the Board and Chairman of the Health, Safety, and Environment Committee	342,499	114,059	228,440	3,768
Ian C. Strachan (d), (e)	Member of the Board and Chairman of the Finance/Benefits Committee	358,014	129,574	228,440	3,768
Robert E. Rose	Chairman of the Board until May 13, 2011	147,167	147,167	-	-
W. Richard Anderson (i)	Member of the Board until June 29, 2011	45,960	45,960	-	-
Richard L. George	Member of the Board until February 11, 2011	19,947	19,947	-	-
Victor E. Grijalva	Member of the Board until May 13, 2011	46,544	46,544	-	-
Total		3,361,170	1,305,210	2,055,960	33,912

(a) Compensation for the period of Board membership from January 1, 2011 to December 31, 2011.
(b) Fees earned from January 1, 2011 to December 31, 2011 include the retainer, meeting fees, and dividends earned on shares.
(c) Deferred units are based on the fair value granted during the year.
(d) Members of the Finance/Benefits Committee
(e) Members of the Audit Committee
(f) Members of Executive Compensation Committee
(g) Members of Corporate Governance Committee
(h) Members of Health, Safety, and Environment Committee
(i) Richard Anderson resigned on June 30, 2011 and forfeited his 2011 annual deferred units totaling CHF 228,440.

Note 8—Executive Management Compensation

The total compensation of the executive officers of the Company is summarized in the table below. In accordance with its authority under the Company's organizational regulations, the Board of Directors determined that all officers who meet the definition of officers under Section 16 of the Securities and Exchange Act of 1934, as amended, are members of the Company's executive management [(a)]. The table below reflects the determination by the Board of Directors of the composition of executive management.

Name	Function	Year	Total salary and other non share-based compensation	Total share-based compensation	Total compensation
			(CHF)	(CHF)	(CHF)
Steven L. Newman	President and Chief Executive Officer since March 1, 2010; and Member of the Board since May 14, 2010	2012	3,609,175	7,987,650	11,596,825
		2011	2,513,300	5,174,603	7,687,903
Esa Ikaheimonen (b)	Executive Vice President, and Chief Financial Officer since November 15, 2012	2012	596,907	681,100	1,278,007
		2011	-	-	-
Ihab Toma	Executive Vice President, Chief of Staff since October 1, 2012; Executive Vice President, Operations August 17, 2011 to October 1,2012; Executive Vice President, Global Business from August 16, 2010 to August 16, 2011	2012	1,713,814	2,315,269	4,029,083
		2011	1,458,247	1,176,091	2,634,338
John Stobart	Executive Vice President and Chief Operating Officer since October 1, 2012	2012	619,186	915,485	1,534,671
		2011	-	-	-
Allen Katz (d)	Senior Vice President, Interim General Counsel since November 17, 2012	2012	131,931	1,345,277	1,477,208
		2011	-	-	-
David Tonnel (c)	Senior Vice President, Finance and Controller since March 1, 2012	2012	1,050,259	1,389,147	2,439,406
		2011	-	-	-
Ricardo H. Rosa (b)	Executive Vice President and Chief Financial Officer from August 17, 2011 to January 9, 2012; Senior Vice President and Chief Financial Officer until August, 16, 2011	2012	1,239,274	-	1,239,274
		2011	1,343,933	1,176,091	2,520,024
Robert S. Shaw (c)	Vice President and Controller from December 1, 2011 to January 25, 2012	2012	518,417	-	518,417
		2011	134,435	382,435	516,870
Nick Deeming (d)	Senior Vice President, General Counsel and Assistant Corporate Secretary from February 7, 2011 to October 23. 2012	2012	2,695,007	2,315,269	5,010,276
		2011	2,005,223	1,651,564	3,656,787
Gregory L. Cauthen (b) (c)	Executive Vice President and Interim Chief Financial Officer from January 9, 2012 to November 15, 2012	2012	1,191,206	2,084,513	3,275,719
		2011	-	-	-
Eric B. Brown	Senior Vice President and General Counsel until February 11, 2011	2012	-	-	-
		2011	407,720	-	407,720
John H. Briscoe	Vice President and Controller until August 4, 2011	2012	-	-	-
		2011	201,986	470,400	672,386
Arnaud Bobillier	Executive Vice President, Operations Integrity from August 17, 2011 to December 31, 2011; Executive Vice President, Asset and Performance until August 16, 2011	2012	-	-	-
		2011	800,073	1,176,091	1,976,164
Total		2012	13,365,176	19,033,710	32,398,886
Total		2011	8,864,917	11,207,275	20,072,192

(a) The Board of Directors has determined that the officers who had assumed the responsibilities of General Counsel from October 23, 2012 until November 16, 2012 were not members of the Company's executive management.

(b) On January 5, 2012, Transocean Ltd. announced that Ricardo Rosa had stepped down as Executive Vice President and Chief Financial Officer effective January 9, 2012. Mr. Rosa subsequently retired from Transocean effective April 30, 2012. Effective January 9, 2012 until November 15, 2012 Greg L. Cauthen served as Interim Chief Financial Officer. Effective November 15, 2012, Esa Ikaheimonen joined Transocean as Executive Vice President and Chief Financial Officer.

(c) On January 25, 2012, Robert Shaw notified Transocean Ltd. of his resignation as Vice President, Controller and Principal Accounting Officer. Effective immediately, Greg L. Cauthen was appointed Interim Controller and Principal Accounting Officer. On February 17, 2012 the Board of Directors appointed David Tonnel as Senior Vice President, Finance and Controller and Principal Accounting Officer, effective March 1, 2012.

(d) On October 23, 2012, Transocean Ltd. announced that Nick Deeming had stepped down as Senior Vice President and General Counsel, effective immediately. Effective November 17, 2012 and until a replacement is named, Allen Katz will serve as Interim General Counsel.

The following tables show the gross payments (i.e. compensation before deduction of employee social insurance and pension contributions) that were made to or on behalf of the executive officers of the Company in 2012 and 2011 but excluding share-based compensation, which is shown in separate tables below. The bonus is presented on an accrual basis and the tax equalization payments to the executive officers are presented on a cash basis.

For the year 2012

Name	Base salary	Bonus (c)	Additional compensation (a)	Swiss tax on global earnings and benefts	Employer's pension contributions	Employer's social security payments (b)	Total
	(CHF)	(CHF)	(CHF)	(CHF)	(CHF)	(CHF)	(CHF)
Steven L. Newman	1,070,495	1,444,003	419,413	595,457	14,065	65,742	3,609,175
Esa Ikaheimonen (d)	84,078	306,088	107,908	47,181	19,394	32,258	596,907
Ihab Toma	541,288	461,272	282,780	204,542	95,916	128,016	1,713,814
John Stobart (e)	144,165	437,703	17,657	-	721	18,940	619,186
Allen Katz	68,193	57,056	-	-	-	6,682	131,931
David Tonnel	363,694	227,233	339,586	-	40,690	79,056	1,050,259
Ricardo H. Rosa	201,666	160,011	652,516	59,206	44,163	121,712	1,239,274
Robert S. Shaw (f)	68,371	33,718	371,059	14,289	1,641	29,339	518,417
Nick Deeming (f)	482,203	387,804	1,098,731	326,994	115,683	283,592	2,695,007
Gregory L. Cauthen	587,600	506,686	21,041	26,585	11,815	37,479	1,191,206
Total	3,611,753	4,021,574	3,310,691	1,274,254	344,088	802,816	13,365,176

(a) Additional compensation includes tax reimbursements; relocation pay and moving expenses; housing, automobile, home leave and cost of living allowances; unused vacation payout; dividend equivalents; and other company reimbursed expenses and benefits provided to expatriate employees.
(b) Employer's social security payments include costs of health benefits, such as medical and dental insurance, and unemployment and social security taxes.
(c) Bonus disclosed on an accrual basis.
(d) Mr. Ikaheimonen's bonus includes a sign-on bonus of CHF 233,176, paid in November, 2012.
(e) Mr. Stobart's bonus includes a sign-on bonus of CHF 281,298, paid in October, 2012.
(f) Mr. Shaw's and Mr. Deeming's bonus represents the pro-rated target bonus for days worked in 2012.

For the year 2011

Name	Base salary	Bonus (c)	Additional compensation (a)	Swiss tax on global earnings and benefts	Employer's pension contributions	Employer's social security payments (b)	Total
	(CHF)	(CHF)	(CHF)	(CHF)	(CHF)	(CHF)	(CHF)
Steven L. Newman	953,041	607,813	446,331	458,506	13,032	34,577	2,513,300
Ihab Toma	517,833	248,234	315,630	180,186	93,370	102,994	1,458,247
Nick Deeming (d)	522,029	632,795	395,907	210,016	135,801	108,675	2,005,223
Arnaud Bobillier	324,629	-	215,304	113,932	81,116	65,092	800,073
Ricardo H. Rosa	597,257	-	313,689	185,985	132,490	114,512	1,343,933
Rob Shaw	27,341	-	45,163	45,163	4,893	11,875	134,435
Eric B. Brown	48,061	139,682	111,363	100,728	2,145	5,741	407,720
John H. Briscoe	156,859	-	19,395	-	7,514	18,218	201,986
Total	3,147,050	1,628,524	1,862,782	1,294,516	470,361	461,684	8,864,917

(a) Additional compensation includes tax reimbursements, relocation pay, housing allowance, car allowance, vacation payoff, cost of living allowance, other company reimbursed expenses and benefits provided to expatriate employees.
(b) Employer's social security payments include costs of health benefits, such as medical and dental insurance, and unemployment and social security taxes.
(c) Bonus disclosed on an accrual basis.
(d) Mr. Deeming's bonus represents an annual bonus of CHF 250,132 and a sign-on bonus paid in February 2011 of CHF 382,663.

Share-based compensation granted to the executive officers of the Company during 2012 and 2011 is summarized in the tables below. The vesting dates of the respective awards, principally granted under the long-term incentive plan ("LTIP"), are listed in the footnotes to the tables. The numbers of shares awarded under the LTIP and their valuation assume 100% vesting, although less than 100% may actually vest.

As of December 31, 2012

Name	Restricted stock units - 2012 (a)	Fair value - 2012 restricted stock units (b)	2012 contingent deferred units in shares(c)	Fair value – 2012 contingent deferred units (b)	Option shares - 2012 (d)	Fair value – 2012 options (b)	Total fair value of share-based awards granted in 2012
		(CHF)		(CHF)		(CHF)	(CHF)
Steven L. Newman	54,292	2,585,589	54,292	2,979,103	132,244	2,422,958	7,987,650
Esa Ikaheimonen (e)	16,167	681,100	-	-	-	-	681,100
Ihab Toma	15,737	749,455	15,737	863,518	38,331	702,296	2,315,269
John Stobart (e)	21,124	915,485	-	-	-	-	915,485
Allen Katz (e)	32,328	1,345,277	-	-	-	-	1,345,277
David Tonnel	9,442	449,663	9,442	518,100	22,999	421,384	1,389,147
Ricardo H. Rosa (g)	-	-	-	-	-	-	-
Robert S. Shaw (h)	-	-	-	-	-	-	-
Nick Deeming	15,737	749,455	15,737	863,518	38,331	702,296	2,315,269
Gregory L. Cauthen (f)	52,612	2,084,513	-	-	-	-	2,084,513
Total	217,439	9,560,537	95,208	5,224,239	231,905	4,248,934	19,033,710

(a) The number of time-vested restricted stock units ("RSUs") granted to the executives under the LTIP were on February 17, 2012 except where noted.

(b) The fair value was calculated using the share price on date of grant for RSUs, a Monte Carlo simulation model for contingent deferred units ("CDUs") and option pricing models for Non-Qualified Stock Options grants.

(c) The number of CDUs granted to the executives under the LTIP on February 17, 2012. The 2012 CDUs awards are based upon the achievement of the performance standard over the three-year period ending on December 31, 2014. The actual number of deferred units received will be determined in the first sixty days of 2014 and it is contingent on our performance in Total Shareholder Return relative to a sub-group of our peer group. The above table reflects target number of shares to be received and actual shares will be determined based on performance thresholds.

(d) The number of options granted to the executives under the LTIP. The options vest in one-third increments over a three-year period on the anniversary of the date of grant.

(e) Mr. Ikaheimonen's, Mr. Stobart's, and Mr. Katz's RSUs were granted as sign-on awards on November 15, 2012, October 1, 2012, and November 17, 2012, respectively.

(f) Mr. Cauthen was granted RSUs on January 09, 2012 as per his employment agreement and on July 01, 2012 as per the first amendment to his employment agreement.

(g) Mr. Rosa was not granted any restricted stock or deferred units prior to his retirement on April 30, 2012.

(h) Mr. Shaw was not granted any restricted stock or deferred units prior to his termination on January 25, 2012.

As of December 31, 2011

Name	Restricted stock units - 2011 (a)	Fair value - 2011 restricted stock units (b)	2011 contingent deferred units in shares(c)	Fair value – 2011 contingent deferred units (b)	Option shares - 2011 (d)	Fair value – 2011 options (b)	Total fair value of share-based awards granted in 2011
		(CHF)		(CHF)		(CHF)	(CHF)
Steven L. Newman	29,294	2,045,444	29,294	2,043,626	57,621	1,085,533	5,174,603
Ihab Toma	6,658	464,893	6,658	464,480	13,096	246,718	1,176,091
Nick Deeming	13,383	940,366	6,658	464,480	13,096	246,718	1,651,564
Arnaud Bobillier	6,658	464,893	6,658	464,480	13,096	246,718	1,176,091
Ricardo H. Rosa	6,658	464,893	6,658	464,480	13,096	246,718	1,176,091
Rob Shaw	9,869	382,435	-	-	-	-	382,435
Eric B. Brown (e)	-	-	-	-	-	-	-
John H. Briscoe	2,663	185,777	2,663	185,943	5,238	98,680	470,400
Total	75,183	4,948,701	58,589	4,087,489	115,243	2,171,085	11,207,275

(a) The number of time-vested RSUs granted to the executives under the LTIP was on February 10, 2011 except for Rob Shaw's, which were granted on December 1, 2011.

(b) The fair value was calculated using the share price on date of grant for RSUs, a Monte Carlo simulation model for CDUs and option pricing models for Non-Qualified Stock Options grants.

(c) The number of CDUs granted to the executives under the LTIP on February 10, 2011. The 2011 CDUs awards are based upon the achievement of the performance standard over the three-year period ending on December 31, 2013. The actual number of deferred units received will be determined in the first sixty days of 2014 and it is contingent on our performance in Total Shareholder Return relative to a sub-group of our peer group. The above table reflects target number of shares to be received and actual shares will be determined based on performance thresholds.

(d) The number of options granted to the executives under the LTIP. The options vest in one-third increments over a three-year period on the anniversary of the date of grant.

(e) Mr. Brown was not granted any restricted stock or deferred units prior to his August 31, 2011 retirement.

Note 9—Share Ownership – Board of Directors and Executive Management

As of December 31, 2012 and 2011, the members of the Board of Directors held the following numbers of shares:

	2012		2011	
Name	Vested and unvested deferred units and restricted shares (a)	Options and SARs	Vested and unvested deferred units and restricted shares (a)	Options and SARs
J. Michael Talbert	25,447	-	19,705	-
Glyn Barker	5,742	-	-	-
Jagjeet Bindra	9,510	-	3,768	-
Thomas W. Cason	28,518	20,374	22,776	25,468
Vanessa C.L. Chang	5,942	-	-	-
Chad Deaton	6,742	-	-	-
Tan Ek Kia	9,510	-	3,768	-
Steve Lucas	9,510	-	3,768	-
Martin B. McNamara	44,807	5,635	37,985	11,270
Edward R. Muller	25,032	13,370	19,290	13,370
Steven L. Newman	193,972	371,764	56,276	239,520
Robert M. Sprague	24,661	-	18,919	-
Ian C. Strachan	29,535	5,635	22,719	11,270
Total	418,928	416,778	208,974	300,898

(a) Includes privately held shares, U.S. retirement savings plan shares, and shares subject to deferred compensation.

As of December 31, 2012 and 2011, the executive officers of the Company held the following number of shares and the conditional rights to receive shares under the LTIP plan:

As of December 31, 2012

Name	Total number of shares held (a)	Number of granted shares vesting in 2013 (b)	Number of granted shares vesting in 2014 (b)	Number of granted shares vesting in 2015 (b)	Total
Steven L. Newman	36,564	57,156	82,154	18,098	193,972
Esa Ikaheimonen	-	5,389	5,389	5,389	16,167
Ihab Toma	13,262	17,260	23,203	5,246	58,971
John Stobart	-	7,041	7,041	7,042	21,124
Allen Katz	-	10,776	10,776	10,776	32,328
David Tonnel	10,058	11,679	14,069	3,148	38,954
Ricardo H. Rosa (c), (d)	-	2,808	-	-	2,808
Robert S. Shaw (c), (e)	-	755	-	-	755
Nick Deeming (c), (f)	-	3,919	3,739	-	7,658
Gregory L. Cauthen (c)	-	17,536	17,538	17,538	52,612
Total	59,884	134,319	163,909	67,237	425,349

(a) Shares held include privately held shares, U.S. retirement savings plan shares and employee stock purchase plan shares.

(b) The number of shares includes the vesting of time-based RSUs and performance based CDUs, which will vest in the 2013, 2014, and 2015.

(c) Mr. Rosa, Mr. Shaw, Mr. Deeming, and Mr. Cauthen are no longer employees of the Company as of December 31, 2012 and therefore we do not disclose their common share holdings.

(d) Mr. Rosa's 2,808 shares vesting in 2013 are CDUs and will not vest until the performance period is complete.

(e) Mr. Shaw's 755 shares vesting in 2013 are CDUs and will not vest until the performance period is complete.
(f) Mr. Deeming's shares vesting in 2013 and 2014 are CDUs and will not vest until the respective performance periods are complete.

As of December 31, 2011

Name	Total number of shares held (a)	Number of granted shares vesting in 2012 (b)	Number of granted shares vesting in 2013 (b)	Number of granted shares vesting in 2014 (b)	Total
Steven L. Newman	26,982	40,670	39,059	9,765	116,476
Ihab Toma	6,848	13,635	12,015	2,220	34,718
Nick Deeming	-	4,460	11,119	4,462	20,041
Arnaud Bobillier (c)	-	13,941	12,015	2,220	28,176
Ricardo H. Rosa	16,181	14,987	13,060	2,220	46,448
Rob Shaw	1,458	6,046	8,045	3,956	19,505
Eric B. Brown (c), (d)	-	8,585	-	-	8,585
John H. Briscoe (c)	-	-	-	-	-
Total	51,469	102,324	95,313	24,843	273,949

(a) Shares held include privately held shares, U.S. retirement savings plan shares and employee stock purchase plan shares.
(b) The number of shares includes the vesting of time-based RSUs and performance based CDUs, which will vest in the 2012, 2013, and 2014.
(c) Mr. Bobillier, Mr. Brown and Mr. Briscoe are no longer employees of the Company as of December 31, 2011 and therefore we do not disclose their common share holdings.
(d) Mr. Brown's 8,585 shares vesting in 2012 are CDUs associated with his August 31, 2011 retirement, and will not vest until the performance period is completed.

Furthermore, as of December 31, 2012 and 2011, the following executive officers of the Company held the following vested and unvested stock options:

As of December 31, 2012

Name	Number of granted option shares vested and outstanding	Number of granted option shares vesting in 2013	Number of granted option shares vesting in 2014	Number of granted option shares vesting in 2015	Total
Steven L. Newman	179,881	84,513	63,288	44,082	371,764
Esa Ikaheimonen	-	-	-	-	-
Ihab Toma	21,075	21,859	17,143	12,777	72,854
John Stobart	-	-	-	-	-
Allen Katz	-	-	-	-	-
David Tonnel	26,065	14,507	10,577	7,667	58,816
Ricardo H. Rosa (a)	50,298	10,261	4,366	-	64,925
Robert S. Shaw	1,309	-	-	-	1,309
Nick Deeming	4,365	-	-	-	4,365
Gregory L. Cauthen	6,593	-	-	-	6,593
Total	289,586	131,140	95,374	64,526	580,626

(a) Mr. Rosa's option shares awarded in 2010 and 2011 will continue to vest in 2013 and 2014, respectively, in accordance with his separation agreement.

As of December 31, 2011

Name	Number of granted option shares vested and outstanding	Number of granted option shares vesting in 2012	Number of granted option shares vesting in 2013	Number of granted option shares vesting in 2014	Total
Steven L. Newman	120,782	59,099	40,432	19,207	239,520
Ihab Toma	9,567	11,508	9,082	4,366	34,523
Nick Deeming	-	4,365	4,365	4,366	13,096
Arnaud Bobillier	41,047	20,443	10,261	4,366	76,117
Ricardo H. Rosa	31,891	18,407	10,261	4,366	64,925
Rob Shaw	-	1,309	1,310	1,310	3,929
Eric B. Brown (a)	64,870	-	-	-	64,870
John H. Briscoe (b)	-	-	-	-	-
Total	268,157	115,131	75,711	37,981	496,980

(a) Mr. Brown's option shares were vested on August 31, 2011 in association with his retirement.
(b) All of Mr. Briscoe's vested option shares expired 90 days following his August 5, 2011 resignation.

Note 10—Credits and Loans Granted to Governing Bodies

In 2012, there were no credits or loans granted to active or former members of the Company's Board of Directors, members of the executive management or to any related persons and at December 31, 2012, there are no such credits or loans outstanding.

Note 11—Risk Assessment Disclosure

Transocean Ltd., as the ultimate parent company of Transocean Inc., Transocean Management Ltd., and Transocean Services AS, is fully integrated into the group-wide internal risk assessment process.

The group-wide internal risk assessment process consists of regular reporting to the Board of Directors of Transocean Ltd. on identified risks and management's reaction to them. The procedures and actions to identify the risks, and where appropriate remediate, are performed by specific corporate functions (e.g. Treasury, Legal, Internal Audit, Engineering and Operations) as well as by the operating divisions of the group.

These functions and divisions have the responsibility to support and monitor the group-wide procedures and processes to ensure their effective execution.

Note 12—Guarantees and Commitments

Transocean Inc. Debt —Transocean Inc., our affiliate, is the issuer of certain debt securities that we have guaranteed. The guaranteed debt includes certain notes, revolving credit facilities, debentures, surety bonds, letters of credit, and convertible note obligations totaling approximately USD 9.6 billion (CHF 8.7 billion) and approximately USD 9.7 billion (CHF 9.1 billion) as of December 31, 2012 and 2011, respectively. There are no significant restrictions on our ability to obtain funds from our consolidated subsidiaries or entities, accounted for under the cost method, through dividends, loans or return of capital distributions.

Norway Tax Investigations — Certain of our subsidiaries are involved in ongoing investigations by Norwegian civil tax and criminal authorities relating to various transactions undertaken in 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 related to certain restructuring transactions, migration of a subsidiary that was previously subject to tax in Norway, a 2001 dividend payment, certain foreign exchange deductions and dividend withholding tax. Transocean Ltd. has provided a guarantee of approximately USD 118 million (CHF 108 million) with respect to these tax disputes.

Transocean Management Ltd. Office Lease —Transocean Management Ltd., our affiliate, is the provider of management and administrative services to the Company and leases its principal offices in Vernier, Switzerland. Transocean Ltd., through a credit facility, has provided a guarantee for the full amount of the lease obligation for this office space. This guarantee totaled CHF 460 thousand as of December 31, 2012 and 2011, respectively.

Note 13—Contingencies

Overview — On April 22, 2010, the Ultra-Deepwater Floater *Deepwater Horizon*, a rig owned and operated by our wholly-owned subsidiaries, sank after a blowout of the Macondo well caused a fire and explosion on the rig. Transocean Ltd. and several of our wholly-owned subsidiaries have been named in lawsuits related to the Macondo well incident. Although the potential impact is uncertain, the Company and its subsidiaries have excess liability insurance coverage as well as contractual indemnities from the operator of the well.

Federal securities claims — A federal securities class action is currently pending in the U.S. District Court, Southern District of New York, naming us and former chief executive officers of Transocean Ltd. and one of our acquired companies as defendants. In the action, a former shareholder of the acquired company alleges that the joint proxy statement related to our shareholder meeting in connection with our merger with the acquired company violated Section 14(a) of the Exchange Act of 1934 (the "Exchange Act"), Rule 14a-9 promulgated thereunder and Section 20(a) of the Exchange Act. The plaintiff claims that the acquired company's shareholders received inadequate consideration for their shares as a result of the alleged violations and seeks compensatory and rescissory damages and attorneys' fees. In addition, we are obligated to pay the defense fees and costs for the individual defendants, which may be covered by our directors' and officers' liability insurance, subject to a deductible. On October 4, 2012, the court denied our motion to dismiss the action. On October 5, 2012, we asked the court to stay the action pending a decision by the Second Circuit Court of Appeals in an unrelated action involving other parties on the grounds that the Second Circuit's decision could be relevant to the disposition of this case. On October 10, 2012, the court stayed discovery pending a decision on the motion to stay. See Note 15—Subsequent Events.

Shareholder derivative claims — In June 2010, two shareholder derivative suits were filed by our shareholders naming us as a nominal defendant and certain of our current and former officers and directors as defendants in state district court in Texas. These cases allege breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement and waste of corporate assets in connection with the Macondo well incident. The plaintiffs are generally seeking to recover, on behalf of us, damages to the corporation and disgorgement of all profits, benefits, and other compensation from the individual defendants. Any recovery of the damages or disgorgement by the plaintiffs in these actions would be paid to us. If the plaintiffs prevail, we could be required to pay plaintiffs' attorneys' fees. In addition, we are obligated to pay the defense fees and costs for the individual defendants, which may be covered by our directors' and officers' liability insurance, subject to a deductible. The two actions have been consolidated before a single judge. The defendants have filed a motion to dismiss the complaint on the ground that if the actions are to proceed they must be maintained in the courts of Switzerland and on the ground that the plaintiffs lack standing to assert the claims alleged. See Note 15—Subsequent Events.

Wrongful death and personal injury claims — As of January 14, 2013, we have been named, along with other unaffiliated defendants, in nine complaints that were pending in state and federal courts in Louisiana and Texas involving multiple plaintiffs that allege wrongful death and other personal injuries arising out of the Macondo well incident. Per the order of the Multi-District Litigation Panel, these claims have been centralized for discovery purposes in the U.S. District Court, Eastern District of Louisiana. The complaints generally allege negligence and seek awards of unspecified economic damages and punitive damages. BP, MI-SWACO, Weatherford Ltd. and 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.

Swiss Value Added Tax —The Company is part of a group of Swiss entities, which are jointly and severally liable for the whole Swiss Value Added Tax amount due to the Swiss Tax authorities by this group.

Note 14—Related Party Transactions

We issued 15 million of our shares (treasury shares) to Transocean Inc. upon Redomestication in 2008, 11 million and 12 million of which remain available as of December 31, 2012 and 2011, respectively, for our future use to satisfy our obligation to deliver shares in connection with awards granted under our incentive plans, warrants or other right to acquire our shares.

On September 14, 2012, Transocean Ltd. funded approximately CHF 155 million to Transocean Services AS, in return for 20,000 shares each with a face value of NOK 100 per share, representing an increase in ownership from 99.09% as of December 31, 2011 to 99.23% as of December 31, 2012.

In October 2011, Transocean Services AS completed an acquisition of Aker Drilling ASA, a Norwegian company formerly listed on the Oslo Stock Exchange. In connection with the acquisition, Transocean Services AS acquired two Harsh Environment, Ultra-Deepwater semisubmersibles currently operating on long-term contracts in Norway, and two Ultra-Deepwater drillships currently under construction at the Daewoo Shipbuilding & Marine Engineering Co. Ltd. shipyard in Korea, which have expected deliveries in 2014.

On June 1, 2011, Transocean Ltd. entered into a credit agreement for a USD 2 billion revolving credit facility with Transocean Inc., the lender. The variable interest rate was 2.0 percent on December 31, 2012. The outstanding balance was USD 594 million (CHF 543 million) and USD 495 million (CHF 465 million) for the years ended December 31, 2012 and 2011, respectively.

Transocean Ltd. subsidiaries perform certain general and administrative services on our behalf, including executive administration, procurement and payables, treasury and cash management, personnel and payroll, accounting and other administrative functions. These expenses are presented in general and administrative expenses in the statement of operations and totaled CHF 19 million and 16 million for the years ended December 31, 2012 and 2011, of which CHF 12 million and CHF 10 million related to personnel expenses for the year ended December 31, 2012 and 2011, respectively.

Note 15—Subsequent Events

Guarantee of Settlement of Macondo Well Litigation — On January 3, 2013, certain subsidiaries of Transocean Ltd. reached agreements with the U.S. Department of Justice ("DOJ") to resolve certain matters arising from the Macondo well incident. The agreements consist of the Plea Agreement that resolves certain federal criminal charges that may be brought by the DOJ and the Consent Decree that resolves certain claims by the DOJ, the U.S. Environmental Protection Agency and the U.S. Coast Guard against Transocean Deepwater Inc., Transocean Offshore Deepwater Drilling Inc., Transocean Holdings LLC, and Triton Asset Leasing GmbH (the "Transocean Defendants") and certain incidents of noncompliance that were alleged by the Bureau of Safety and Environmental Agency.

Pursuant to a cooperation guilty plea agreement, one of our subsidiaries pled guilty on February 14, 2013 to one misdemeanor count of negligently discharging oil in the Gulf of Mexico, in violation of the Clean Water Act. The court accepted the Plea Agreement on February 14, 2013 and imposed the agreed-upon sentence. As part of this resolution, under the terms of the plea agreement and the consent decree, certain subsidiaries of Transocean Ltd. agreed to pay USD 1.4 billion (CHF 1.3 billion) in fines, recoveries and civil penalties, excluding interest, in scheduled payments over a five-year period through 2017. Transocean Ltd. has agreed to provide a guarantee of the USD 1.4 billion (CHF 1.3 billion) in scheduled payments pursuant to the Plea Agreement and the respective obligations of the Transocean Defendants pursuant to the Consent Decree.

On February 25, 2013, certain of our subsidiaries (the "Respondents") reached an administrative agreement (the "EPA Agreement") with the United States Environmental Protection Agency (the "EPA"). The EPA Agreement resolves all matters relating to suspension, debarment and statutory disqualification arising from the matters contemplated by the Plea Agreement. Subject to compliance with the terms of the EPA Agreement, the EPA has agreed that it will not suspend, debar or statutorily disqualify the Respondents and will lift any existing suspension, debarment or statutory disqualification. Transocean Ltd. has agreed to provide a guarantee of the obligations of the Respondents pursuant to the EPA Agreement.

Shareholder derivative claims — In connection with two shareholder derivative suits originally filed in June 2010, one of the plaintiffs in January 2013 re-filed a complaint that was previously dismissed seeking to recover damages to the corporation and disgorgement of all profits, benefits, and other compensation from the individual defendants. We intend to file our motion to dismiss in March 2013.

Federal Securities Claims — On February 19, 2013, the U.S. District Court, Southern District of New York, granted our motion to stay the federal securities class action against us, former chief executive officers of Transocean Ltd. and one of our acquired companies before such court pending the decision of the Second Circuit Court of Appeals.

Significant Shareholders — On February 1, 2013, the Company received notice from BlackRock, Inc. that it, together with certain of its affiliates, is the beneficial owner of 5.00% of the Company's issued share capital or 18,706,254 shares.

On February 4, 2013, the Company received notice from Mr. Carl C. Icahn that he, through certain of his affiliates, is the beneficial owner of 5.39% of the Company's issued share capital or 20,159,035 shares.

On February 20, 2013, the Company received notice from The Capital Group Companies, Inc. that it, together with certain of its affiliates, is the beneficial owner of 5.27% of the Company's issued share capital or 19,705,570 shares.

Proposed Appropriation of Available Earnings

The Board of Directors proposes that the Annual General Meeting in 2013 approve the following appropriation:

(in CHF thousands)	December 31, 2012	December 31, 2011
Balance brought forward from previous years	161,491	261,689
Net profit / (loss) of the year	(71,207)	(100,198)
Total available earnings	90,284	161,491
Balance to be carried forward on this account	90,284	161,491

Audit confirmation of the statutory auditor

regarding the proposed distribution of a dividend out of general legal reserves from capital contribution as of 31 December 2012 of

Transocean Ltd., Steinhausen

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To the Annual General Meeting of

Transocean Ltd., Steinhausen

Zurich, March 3, 2013

Audit confirmation of the statutory auditor regarding the proposed distribution of a dividend out of general legal reserves from capital contribution

As statutory auditor, we have audited the proposed distribution of a dividend out of general legal reserves from capital contribution as of 31 December 2012 of Transocean Ltd.

The compliance with the requirements of the Swiss law and of the company's articles of incorporation in connection with the proposed distribution of a dividend out of general legal reserves from capital contribution is the responsibility of the Board of Directors. Our responsibility is to express an opinion on this proposal based on our audit. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance that there are no material violations of the law and the company's articles of incorporation. We have performed the audit procedures appropriate in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the proposed distribution of a dividend out of general legal reserves from capital contribution complies with Swiss law and the company's articles of incorporation.

Ernst & Young Ltd

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

/s/ Jolanda Dolente
Licensed audit expert

Enclosure

- Proposed distribution of a dividend out of general legal reserves from capital contribution

Proposed Distribution of a Dividend
out of General Legal Reserves From Capital Contribution

The Board of Directors recommends to, and proposes for approval by, the shareholders that CHF 1,595,054,382 of general legal reserves from capital contribution be released and allocated to "dividend reserve from capital contribution" (the "Dividend Reserve").

Proposed Release of General Legal Reserves From Capital Contribution to Dividend Reserve (in thousands)

	CHF
General legal reserves from capital contribution, as of December 31, 2012	11,165,391,332
less release to Dividend Reserve	(1,595,054,382)
Remaining general legal reserves from capital contribution	9,570,336,950

The Board of Directors submits and recommends for approval the shareholder resolution set forth below for approval by the Company's shareholders.

Shareholder Resolution

It is hereby resolved as follows:

(1) A dividend in the amount of USD 2.24 per share of the Company (the "**Per Share USD Dividend Amount**," and the aggregate Per Share USD Dividend Amount, calculated on the basis of the total number of shares outstanding as of the 2013 Annual General Meeting, excluding any shares held by the Company or any of its direct or indirect subsidiaries, the "**Aggregate USD Dividend Amount**") shall be distributed out of the dividend reserve from capital contribution (expressed in CHF and amounting to CHF 1,595,054,382) pursuant to the proposal of the Board of Directors (the "**Dividend Reserve**"); the dividend shall be payable in four equal installments of USD 0.56 per share of the Company outstanding (excluding any shares held by the Company or any of its direct or indirect subsidiaries) on the record date for the applicable installment (each such installment hereinafter a "**Per Share Quarterly USD Dividend Amount**;" each date on which a Per Share Quarterly USD Dividend Amount is paid hereinafter an "**Installment Date**;" and the aggregate Per Share Quarterly USD Dividend Amount payable on an Installment Date, calculated on the basis of the total number of shares outstanding as of the record date for the relevant Per Share Quarterly USD Dividend Amount, the "**Aggregate Quarterly USD Dividend Amount**");

provided, however, that:

(a) if, on the date of the 2013 Annual General Meeting, the Aggregate USD Dividend Amount exceeds, when converted into CHF at a USD/CHF exchange rate prevailing on or about the date of the 2013 Annual General Meeting as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's executive management, in its reasonable discretion, the Dividend Reserve (expressed in CHF), the proposed Per Share USD Dividend Amount shall be reduced such that the Aggregate USD Dividend Amount, converted into CHF at a USD/CHF exchange rate prevailing on or about the date of the 2013 Annual General Meeting as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's executive management, in its reasonable discretion, is at a maximum equal to the Dividend Reserve (expressed in CHF); and

provided, further, that:

(b) if any Aggregate Quarterly USD Dividend Amount, when converted into CHF at a USD/CHF exchange rate prevailing on or about the record date for that Aggregate Quarterly USD Dividend Amount as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's executive management, in its reasonable discretion, exceeds the Dividend Reserve amount (expressed in CHF) as of the record date for that Aggregate Quarterly USD Dividend Amount, taking into account the payment of any preceding Aggregate Quarterly USD Dividend Amount (if any) (the Dividend Reserve so calculated hereinafter the "**Remaining Dividend Reserve**"), the Per Share Quarterly USD Dividend Amount shall be reduced such that the Aggregate Quarterly USD Dividend Amount, converted into CHF at a USD/CHF exchange rate prevailing on or about the record date for such Aggregate Quarterly USD Dividend Amount as determined by the Board of Directors or, upon due authorization by the Board of Directors, executive management in its reasonable discretion, is at a maximum equal to the Remaining Dividend Reserve; and

provided, further, that:

(c) the Board of Directors or, upon due authorization by the Board of Directors, the Company's executive management, in its reasonable discretion, shall at any time have the authority to, in its discretion, accelerate or otherwise change the timing of the payment of the Per Share Quarterly USD Dividend Amount or to pay on an Installment Date more than one Per Share Quarterly USD Dividend Amount.

(2) Shareholders may, upon the terms and conditions provided by the Board of Directors in its reasonable discretion, elect, during the election period as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's executive management, to receive any Per Share Quarterly USD Dividend Amount in CHF (subject to the downward adjustments in accordance with the principles set forth above under (1)), at the USD/CHF exchange rate prevailing on or about the record date for the relevant Per Share Quarterly USD Dividend Amount, as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's executive management, in its discretion.

(3) It shall be the task of the Board of Directors or, upon due authorization by the Board of Directors, the Company's executive management to execute this resolution of the 2013 Annual General Meeting, including, but not limited to, reducing as appropriate the Per Share USD Dividend Amount and/or the Per Share Quarterly USD Dividend Amount, setting the record dates, the ex-dividend dates, the Installment Dates, and determining the duration of the election period to request payment of the Per Share Quarterly USD Dividend Amount in CHF and, for purposes of such election, the applicable USD/CHF exchange rate. As specified in the Articles of Association, the Board of Directors will determine the date from which shares newly issued out of the authorized share capital of the Company are entitled to dividend payments. Shares newly issued out of the conditional share capital are entitled to dividend payments if such shares are issued and outstanding on or before the record date for the relevant Per Share Quarterly USD Dividend Amount. For the avoidance of doubt, shareholders who sell their shares prior to the relevant record date lose their dividend entitlement and transfer such entitlement to the purchaser(s) of their shares.

(4) Any Dividend Reserve amount remaining after the payment of the final Aggregate Quarterly USD Dividend Amount shall, by operation of this shareholder resolution, be immediately reallocated to the account "General legal reserves—Reserve from capital contribution," included in the Company's statutory standalone balance sheet, without any requirement that such reallocation be approved by the Board of Directors or the general meeting of shareholders.

Corporate Governance Report

Transocean Ltd. (together with its subsidiaries and predecessors, unless the context requires otherwise, "Transocean", the "Company", "we", "us" or "our") is committed to adhering to best practices and standards of corporate governance. This long-standing commitment is supported, in part, by our Governance Guidelines, Committee Charters and our Code of Integrity.

As a company whose shares are listed on both the New York Stock Exchange ("NYSE") and SIX Swiss Exchange ("SIX"), we are bound by the legal and regulatory requirements of both the United States of America and Switzerland. This Corporate Governance Report (the "Report") reflects the requirements of the SIX Directive on Information Relating to Corporate Governance.

This Report refers at various places to information contained in other parts of the document "Transocean Proxy Statement and 2012 Annual Report," of which this Report forms a part and to which we collectively refer in this Report as the "Annual Report." In addition to this Report, the Annual Report consists of the following parts:

(1) 2012 Letter to the Shareholders;

(2) Invitation to and Proxy Statement for the Annual General Meeting of Transocean Ltd. of May 17, 2013;

(3) 2012 Annual Report to Shareholders (including the Consolidated Financial Statements of Transocean Ltd. and its subsidiaries for fiscal year 2012, the notes thereto, and the audit reports thereon); and

(4) Standalone Statutory Financial Statements of Transocean Ltd. for the year ended December 31, 2012 and the audit report thereon.

1. *Group Structure and Shareholders*

1.1 *Group Structure*

Transocean is comprised of Transocean Ltd., a company incorporated under the laws of Switzerland and the ultimate parent of the group, and the unlisted subsidiaries presented in Annex 1 to this Report.

Transocean Ltd.'s registered office is at Steinhausen, Turmstrasse 30, CH-6300 Zug, Switzerland.

Stock Exchange Listings[1]

Stock Exchange	Security	Ticker Symbol	Security No.	ISIN Code
NYSE	Transocean Ltd., Steinhausen, shares	RIG	H8817H100	CH 004 826551 3
SIX	Transocean Ltd., Steinhausen, shares	RIGN RIGNE (second trading line)	4 826 551 1 111 719 0 (second trading line)	CH 004 826551 3 CH 011 117190 3 (second trading line)

(1) All data as of December 31, 2012.

As of December 31, 2012, Transocean Ltd. had a market capitalization of approximately CHF 15.1 billion.[1]

The Transocean operational group structure is described in "Item 8. Financial Statements and Supplementary Data" on page AR-65 of this Annual Report, which also contains disclosures regarding the segments in which we operate pursuant to generally accepted accounting principles in the United States.

Transocean is a leading international provider of offshore contract drilling services for oil and gas wells.

(1) Based on the outstanding shares of Transocean Ltd. on December 31, 2012 and the share price as of close of trading on the SIX Swiss Exchange on December 28, 2012.

As of December 31, 2012, we owned or had partial ownership interests in and operated 82 mobile offshore drilling units associated with our continuing operations. As of this date, the fleet associated with our continuing operations consisted of 48 High-Specification Floaters (Ultra-Deepwater, Deepwater and Harsh Environment semisubmersibles and drillships), 25 Midwater Floaters and nine High-Specification Jackups. At December 31, 2012, we also had six Ultra-Deepwater drillships and three High-Specification Jackups under construction or under contract to be constructed.

We specialize in technically demanding regions of the global offshore drilling business with a particular focus on deepwater and harsh environment drilling services. We believe our mobile offshore drilling fleet is one of the most versatile fleets in the world, consisting of floaters and high-specification jackups used in support of offshore drilling activities and offshore support services on a worldwide basis. Our primary business is to contract our drilling rigs, related equipment and work crews predominantly on a dayrate basis to drill oil and gas wells. We also provide oil and gas drilling management services on either a dayrate basis or a completed-project, fixed price or turnkey basis, as well as drilling engineering and drilling project management services.

In November 2012, in connection with our efforts to improve the overall technical capabilities of our fleet and dispose of non-strategic assets, we completed the sale of 37 Standard Jackups and one swamp barge to Shelf Drilling Holdings, Ltd. ("Shelf Drilling"). For a transition period following the completion of the sale transactions, we agreed to continue to operate a substantial portion of the Standard Jackups on behalf of Shelf Drilling and to provide certain other transition services to Shelf Drilling. Under 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. As of February 20, 2013, we operated 25 Standard Jackups under operating agreements with Shelf Drilling. In addition, 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. See "Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 9—Discontinued Operations" on page AR-89 *et seq.* of this Annual Report.

In March 2012, we announced our intent to discontinue drilling management services operations in the shallow waters of the United States ("U.S.") Gulf of Mexico, upon completion of our then-existing contracts. In December 2012, we completed the final drilling management project and discontinued offering our drilling management services in this region.

1.2 *Significant Shareholders*

The table below sets forth the persons or entities known to the Company as of December 31, 2012 (i) to be holding beneficially 3% or more of the Company's share capital registered in the commercial register of the Canton of Zug (the "Commercial Register") or (ii) from whom the Company has received a notice pursuant to the Swiss Federal Act on Stock Exchanges and Securities Trading (the "SESTA") that since its last notice to the Company it reduced its beneficial holding of the Company's share capital below 3% of the Company's share capital registered in the Commercial Register. Each share carries one vote at a general meeting of shareholders of the Company and, as such, the number of shares held by each person or entity set forth below is equal to the number of voting rights held by such person or entity. The SESTA and the rules and regulations promulgated thereunder, to which the Company and beneficial owners of its shares are subject, requires persons who directly, indirectly or in concert with other parties acquire or dispose of Transocean shares or purchase or sale rights or obligations relating to Transocean shares, and, thereby, directly, indirectly or in concert with other parties reach, exceed or fall below a threshold of 3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50% or 66⅔% of the Company's voting rights (whether exercisable or not) to notify the Company and the Disclosure Office of SIX of such acquisition or disposal in writing.

Shareholder	Purchase Positions	Sale Positions	% of Shares Registered[1]
Paulson & Co., Inc., New York (USA)[2] ("Paulson")	—	—	Below 3%
The Capital Group Companies, Inc., Los Angeles (USA)[3] ("Capital Group")	18,408,177 Shares	—	4.92%
Black Rock, Inc., New York (USA)[4] ("Black Rock")	12,450,671 Shares 17,902 (contract for difference with actual delivery)	—	3.72%
Own Positions			
Transocean Ltd., Steinhausen (CH)	14,325,398 Shares	5,084,558[5)(6)(7]	3.8%[5)(6)(7]

(1) The percentage indicated is based on the 373,830,649 shares issued and registered in the Commercial Register as of December 31, 2012. Note that the notification of Black Rock published on the SIX electronic publication platform in accordance with Article 20 SESTA was calculated on the basis of the Company's share capital registered in the Commercial Register at the time of the notification. At that time, 335,235,298 shares were registered in the Commercial Register.

(2) Based on a notification received by the Company on January 10, 2012 informing the Company that Paulson decreased its indirect ownership to less than 3%.

(3) Based on a notification received by the Company on September 28, 2012 informing the Company that the ownership of Capital Group, on behalf of funds managed by Capital Group and its direct and indirect subsidiaries, amounts to 18,408,177 shares.

(4) Based on a notification received by the Company on December 6, 2010 informing the Company that Black Rock has indirectly acquired 12,450,671 shares and 17,902 contracts for difference with actual delivery.

(5) Transocean Ltd. is the sponsor of the stock options, deferred units and share appreciation rights ("SARs") (collectively the "Awards") outstanding under Transocean Ltd.'s share-based compensation plans (collectively the "Plans"). See the separate disclosure of outstanding Awards per Plan at http://phx.corporate-ir.net/phoenix.zhtml?c=113031&p=summary. Overall, as of December 31, 2012 the Plans relate to 5,084,558 shares and voting rights or 1.36% of Transocean's registered share capital. The underlying security in relation to each Plan are registered shares of Transocean Ltd. (either out of conditional share capital, authorized share capital or by delivery of treasury shares). Transocean Ltd. will, in accordance with an exemption granted by the SIX Disclosure Office, update its disclosure regarding sale positions pertaining to its Plans once a year on the date of the release of its quarterly results for the period ending March 31 in the event that an updated disclosure is required because one of the thresholds set forth in Article 20 SESTA has been triggered.

(6) Quantum Pacific Drilling Management Limited ("Quantum Pacific"), successor in interest to Pacific Drilling Limited, had the right to exchange its 50%-interest in the joint venture Transocean Pacific Drilling International Ltd. (the "Joint Venture") formed by Transocean Offshore International Ventures Limited ("TOIVL") and Quantum Pacific to own and operate two ultra-deepwater drillships named Dhirubhai Deepwater KG1 and Dhirubhai Deepwater KG2 (collectively the "Drillships").

Under the terms of the relevant put option and registration agreement (the "Put Option Agreement"), Quantum Pacific could elect to exchange its interest in the Joint Venture for (a) registered shares of Transocean Ltd. (the "Exchange Right") or (b) cash. Transocean Ltd. had previously notified a sale position of at a maximum 15%. On May 6, 2012, in accordance with the terms of the Put Option Agreement, Quantum irrevocably elected to receive shares in Transocean Ltd., net of Quantum Pacific's share of Joint Venture indebtedness. As a result of such election, the previous sale position was dissolved. The Company notified the SIX Disclosure Office of such election on May 11, 2012. Based on the resolution of the Company's Board of Directors, dated May 19, 2012, according to which the Board of Directors, based on article 5 of the Articles of Association regarding the authorized share capital, resolved to execute an increase in the share capital up to a maximum amount of CHF 557,205,855 through the issuance of a maximum amount of 37,147,057 new shares, thereby withdrawing the shareholders' preemptive rights, the Board of Directors effected on May 30, 2012, an increase in the Company's share capital in the amount of CHF 130,430,265 through the issuance of 8,695,351 new shares with a par value of CHF 15 each. The share capital increase was registered in the commercial register on May 31, 2012. The new shares were subscribed for in cash by Transocean Pacific Drilling Holdings Limited ("TPDHL") and were delivered to Quantum Pacific against acquisition by TPDHL of Quantum Pacific's 50%-interest in Transocean Pacific Drilling Inc.

(7) Transocean Inc. has granted written conversion and share purchase rights in the form of convertible senior notes (USD 2.2 billion aggregate principal amount of 1.5% Series C Convertible Senior Notes due December 2037 (the "Series C 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, we were required to repurchase an aggregate principal amount of USD 1.7 billion of our Series C Convertible Senior Notes for an aggregate cash payment of USD 1.7 billion. Subsequent to December 31, 2012, we redeemed the remaining USD 62 million aggregate principal amount of the Series C Convertible Senior Notes)—see item 2.8 of this Report.

For a full review of the disclosure reports that were made to the Company and the SIX Disclosure Office during fiscal year 2012, and then published on the SIX electronic publication platform in accordance with Article 20 SESTA, please refer to the search facility of the SIX Disclosure Office at http://www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html.

Information on the share ownership by directors and executive officers, and greater than 5% shareholders as of December 31, 2012, based on the number of the Company's shares outstanding (which is equal to the shares issued less the shares held in the Company's treasury), is included on page P-36 of this Annual Report under the heading "Security Ownership of Certain Beneficial Owners" and on page P-38 *et seq.* of this Annual Report under the heading "Security Ownership of Directors and Executive Officers."

1.3 *Cross-Shareholdings*

Transocean does not have any shareholdings in companies outside the group that to its knowledge have shareholdings in Transocean.

2. ***Capital Structure***

2.1 *Share Capital*

As of December 31, 2012, the Company's share capital amounted to CHF 5,607,459,735 and was divided into 373,830,649 shares. The shares are registered shares (*Namenaktien*) with a par value of CHF 15 each. The shares are fully paid, non-assessable and rank *pari passu* with each other and all other shares.

2.2 *Authorized Share Capital*

As of December 31, 2012, our Articles of Association provided for an authorized share capital in the amount of CHF 426,775,590, authorizing the issuance of at a maximum 28,451,706 fully paid-up shares with a par value of CHF 15 each at any time until May 13, 2013.

According to Article 5 of our Articles of Association, the share capital may be increased (i) by means of an offering underwritten by a financial institution, a syndicate of financial institutions or another third party or third parties, followed by an offer to our then-existing shareholders, and (ii) in partial amounts.

The Board of Directors (the "Board") is authorized to determine the time of the issuance, the issue price, the manner in which the new shares have to be paid up, the date from which the shares carry the right to dividends, the conditions for the exercise of the preemptive rights and the allotment of preemptive rights that have not been exercised. The Board may allow the preemptive rights that have not been exercised to expire, or it may place such rights or shares, the preemptive rights of which have not been exercised, at market conditions or use them otherwise in the interest of the Company.

In addition, the Board is authorized to withdraw or limit the preemptive rights of the shareholders and to allot them to individual shareholders or third parties:

- if the issue price of the new shares is determined by reference to the market price; or
- for the acquisition of an enterprise, part(s) of an enterprise or participations, or for the financing or refinancing of any of such transactions, or for the financing of new investment plans of the Company; or
- for purposes of broadening the shareholder constituency of the Company in certain financial or investor markets, for purposes of the participation of strategic partners, or in connection with the listing of new shares on domestic or foreign stock exchanges; or
- for purposes of granting an over-allotment option (*Greenshoe*) of up to 20% of the total number of shares in a placement or sale of shares to the respective initial purchaser(s) or underwriter(s); or
- for the participation of members of the Board, members of the executive management, employees, contractors, consultants or other persons performing services for the benefit of the Company or any of its subsidiaries; or
- following a shareholder or a group of shareholders acting in concert having accumulated shareholdings in excess of 15% of the share capital registered in the Commercial Register without having submitted to the other shareholders a takeover offer recommended by the Board, or for the defense of an actual, threatened or potential takeover bid, in relation to which the Board, upon consultation with an independent financial adviser retained by it, has not recommended to the shareholders acceptance on the basis that the Board has not found the takeover bid to be financially fair to the shareholders (Article 5 Para. 3(f) of our Articles of Association).

On May 3, 2011, the Company stated that the Company's authorized share capital was not intended to be utilized as a type of anti-takeover device. To strengthen this statement, the Company committed that it would not make use of the authority pursuant to Article 5 Para. 3(f) of our Articles of Association to withdraw or limit the preemptive rights of its shareholders without shareholder approval as an anti-takeover defense during the two-year period that the authorized share capital remains in effect.

The new shares issued out of authorized capital are subject to the limitations for registration in the share register pursuant to Article 7 and 9 of our Articles of Association.

2.3 *Conditional Share Capital*

As of December 31, 2012, our Articles of Association provided for a conditional share capital that authorizes the issuance of new shares up to a maximum amount of CHF 2,514,264,735 by issuing a maximum of 167,617,649 fully paid up shares with a par value of CHF 15 each. Any such shares may be issued through:

- the exercise of conversion, exchange, option, warrant or similar rights for the subscription of shares granted in connection with bonds, options, warrants or other securities newly or already issued in national or international capital markets or new or already existing contractual obligations by or of the Company, one of its group companies, or any of their respective predecessors (hereinafter collectively, the "Rights-Bearing Obligations"); or
- in connection with the issuance of shares, options or other share-based awards to members of the Board, employees, contractors, consultants or other persons providing services to Transocean or its subsidiaries.

The conditional share capital does not have an expiration date. Shareholders do not have preemptive rights to subscribe to the newly issued shares issued out of the conditional share capital.

However, in connection with the issuance by the Company or one of its group companies of Rights-Bearing Obligations, shareholders generally have advance subscription rights. The Board may withdraw or limit the advance subscription rights of the shareholders if (1) the issuance is for purposes of financing or refinancing the acquisition of an enterprise, parts of an enterprise, participations or investments or (2) the issuance occurs in national or international capital markets or through a private placement.

If the advance subscription rights are neither granted directly nor indirectly by the Board, the following applies: (i) The Rights-Bearing Obligations shall be issued or entered into at market conditions; (ii) the conversion, exchange or exercise price of the Rights-Bearing Obligations shall be set with reference to the market conditions prevailing at the date on which the Rights-Bearing Obligations are issued; and (iii) the Rights-Bearing Obligations may be converted, exchanged or exercised during a maximum period of 30 years from the date of the relevant issuance or entry.

In connection with the issuance of any shares or Rights-Bearing Obligations pursuant to the second prong of the conditional share capital described above (*i.e.*, the conditional share capital to satisfy our obligations under the share-based compensation plans), the preemptive rights and advance subscription rights of the shareholders are generally excluded. The respective shares or Rights-Bearing Obligations are to be issued in accordance with the share-based compensation plans of the Company or its subsidiaries.

2.4 *Changes in Capital*

Overview

As of December 31, 2012, December 31, 2011, and December 31, 2010, balances in shareholders' equity of Transocean Ltd., based on its Swiss Statutory Financial Statements, were as follows:

(in CHF thousands except share data)	Ordinary shares		Legal reserve		Free reserve			
	Shares	Amount	General legal reserves—reserve from capital contribution	Reserve for treasury shares—reserve from capital contribution(a)	Reserve from capital contribution	Dividend reserve from capital contribution	Retained earnings	Total shareholder's equity
Balance at December 31, 2009	335,235,298	5,028,529	7,947,579	100	3,500,000	—	36,713	16,512
Treasury share repurchases	—	—	(22,579)	279,528	(256,949)	—	—	224
Net Income	—	—	—	—	—	—	224,976	
Balance at December 31, 2010	335,235,298	5,028,529	7,925,000	279,628	3,243,051	—	261,689	16,737,897
Treasury share repurchases	—	—	(15,472)	15,472	—	—	—	—
Transfer to general reserve	—	—	3,243,051	—	(3,243,051)	—	—	—
Transfer to free reserve—dividend reserve	—	—	(1,937,000)	—	—	1,937,000	—	—
Dividend	—	—	—	—	—	(935,333)	—	(935,333)
Authorized capital increase	29,900,000	448,500	667,368	—	—	—	—	1,115,868
Net income	—	—	—	—	—	—	(100,198)	(100,198)
Balance at December 31,2011	365,135,298	5,477,029	9,882,947	295,100	—	1,001,667	161,491	16,818,234
TPDI put option exercise	8,695,351	130,430	286,860	—	—	—	—	417,290
Treasury share repurchases	—	—	(12,200)	12,200	—	—	—	—
Transfer from dividend payable	—	—	—	—	—	6,126	—	6,126
Transfer to general reserve(b)	—	—	1,007,793	—	—	(1,007,793)	—	—
Net income	—	—	—	—	—	—	(71,207)	(71,207)
Balance at December 31,2012	373,830,649	5,607,459	11,165,400	307,300	—	—	90,284	17,170,443

(a) The reserve for treasury shares represents the cost of treasury shares held directly by Transocean Ltd. and indirectly by Transocean Inc. During 2012, our affiliate, Transocean Inc., purchased 269,082 treasury shares in connection with share-based compensation valued at CHF 12.2 million. During 2011, our affiliate purchased 224,121 treasury shares in connection with share-based compensation valued at CHF 15.5 million.

(b) As a result of the payment of the four installments of the 2011 dividend, the dividend reserve from capital contribution of CHF 1,937,000,000 was reduced to CHF 1,007,793,000. In accordance with the 2011 shareholder resolution approving the distribution of a dividend out of general legal reserve, reserve from capital contribution, the amount of the dividend reserve from capital contribution remaining after the payment of the final dividend installment was subsequently reallocated to the account "general legal reserve, reserve from capital contribution," included in the Company's statutory standalone balance sheet.

2009 Share Repurchase Program (approved at the 2009 AGM; continuing)

At the 2009 annual general meeting, our shareholders approved and authorized our Board, 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 USD 3.8 billion at an exchange rate as of the close of trading on December 31, 2012 of USD 1.00 to CHF 0.92. On February 12, 2010, our Board authorized our management to implement the share repurchase program.

As of December 31, 2012, we had repurchased 2,863,267 of our shares under our share repurchase program for an aggregate purchase price of USD 240 million (CHF 257 million). During financial year 2012, there were no repurchases under our share repurchase program. At December 31, 2012, we held 2,863,267 treasury shares purchased under our share repurchase program, recorded at cost.

For further information on the Company's share repurchase program, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources and Uses of Liquidity—Share repurchase program" on page AR-49 *et seq.* of this Annual Report.

Rescinded Distribution of Par Value to Shareholders (approved at the 2010 AGM and rescinded at the 2011 AGM)

At the 2010 annual general meeting, our shareholders approved a cash distribution in the form of a par value reduction in the aggregate amount of CHF 3.44 per issued share, equal to approximately

USD 3.74, using an exchange rate of USD 1.00 to CHF 0.92 as of the close of trading on December 31, 2012. On August 13, 2010, the Commercial Register rejected our application to register the first of four partial par value reductions. We appealed the Commercial Register's decision, and on December 9, 2010, the Administrative Court of the Canton of Zug rejected our appeal. On January 24, 2011, we filed an appeal with the Swiss Federal Supreme Court against the decision of the Administrative Court of the Canton of Zug. On February 18, 2011, we filed with the Swiss Federal Supreme Court a request to stay the pending appeal until shareholders voted on a proposal to rescind the cash distribution in the form of a par value reduction approved at the 2010 annual general meeting. The Swiss Federal Supreme Court approved our stay request. On May 13, 2011, at the 2011 annual general meeting, our shareholders rescinded the distribution to shareholders in the form of a par value reduction. The pending appeal with the Swiss Federal Supreme Court was withdrawn.

Reallocation of Free Reserve to General Legal Reserve, Reserve from Capital Contribution (approved at the 2011 AGM)

At the 2011 annual general meeting, our shareholders approved a proposal by the Board that CHF 3,243,051,000 be allocated from free reserve to general legal reserve, reserve from capital contribution.

Release and Allocation of General Legal Reserve, Reserve from Capital Contribution, to Dividend Reserve from Capital Contribution (approved at the 2011 AGM); Reduction of Dividend Reserve from Capital Contribution; Reallocation of Remaining Dividend Reserve from Capital Contribution to General Legal Reserve, Reserve from Capital Contribution

At the 2011 annual general meeting, our shareholders approved a proposal by the Board that CHF 1,937,000,000 be released and allocated from general legal reserve, reserve from capital contribution to dividend reserve from capital contribution (the "Dividend Reserve") and a dividend in the amount of USD 3.16 per share be distributed out of such Dividend Reserve and paid in four installments. On the basis of the 2011 AGM dividend resolution, we paid on June 15, 2011, September 21, 2011, December 21, 2011 and March 21, 2012, the four installments in the aggregate amount of USD 1,041,000,000 to shareholders of record as of May 20, 2011, August 26, 2011, November 25, 2011 and February 24, 2012, respectively. As a result of the payment of the four installments of the 2011 dividend, the Dividend Reserve was reduced from CHF 1,937,000,000 to CHF 1,007,793,000. The Dividend Reserve amount remaining after the payment of the final installment was reallocated to the account "general legal reserve, reserve from capital contribution," included in the Company's statutory standalone balance sheet.

Authorized Share Capital (approved at the 2011 AGM)

At the 2011 annual general meeting, our shareholders approved a proposal by the Board to create an authorized share capital in an amount of up to CHF 1,005,705,855 or up to 67,047,057 new shares with a par value of CHF 15 each (see item 2.2 of this Report).

Utilization of the Authorized Share Capital (Fiscal Year 2011)

On November 29, 2011, the Company issued in an underwritten public offering 26,000,000 shares out of the authorized share capital. Preemptive rights of shareholders were excluded. On December 4, 2011, upon exercise by the underwriters of their over-allotment option, the Company issued an additional 3,900,000 shares out of authorized share capital. As a result, our share capital was increased in the aggregate from CHF 5,028,529,470, divided into 335,235,298 registered shares with a par value of CHF 15 each, to CHF 5,477,029,470, divided into 365,135,298 registered shares with a par value of CHF 15 each.

Utilization of the Authorized Share Capital (Fiscal Year 2012)

The Company issued 8,695,351 new shares out of its authorized share capital upon registration of such new shares in the commercial register on May 31, 2012. Preemptive rights of shareholders were excluded. The new shares were subscribed for in cash by Transocean Pacific Drilling Holdings Limited ("TPDHL") and were delivered to Quantum Pacific Management Limited ("Quantum Pacific") against acquisition by

TPDHL of Quantum Pacific's 50%-interest in Transocean Pacific Drilling Inc. ("TPDI"). As a result, our share capital was increased in the aggregate from CHF 5,477,029,470, divided into 365,135,298 registered shares with a par value of CHF 15 each, to CHF 5,607,459,735, divided into 373,830,649 registered shares with a par value of CHF 15 each.

TPDI was formed as a joint venture (the "Joint Venture") to operate two ultra-deepwater drillships, the Dhirubhai Deepwater KG 1 and the Dhirubhai Deepwater KG 2. Pursuant to a put option and registration rights agreement among Transocean affiliates, Quantum Pacific and TPDI entered into in connection with the formation of the Joint Venture (the "Put Option Agreement"), Quantum Pacific had the right to exchange its interest in the Joint Venture for an amount (the "Consideration") to be paid in either Transocean shares or cash, at Quantum Pacific's election (the "Put Option"). On February 29, 2012, Quantum Pacific exercised the Put Option, and on May 6, 2012, Quantum Pacific's election to receive the Consideration in shares, net of Quantum's share of Joint Venture indebtedness (as defined in the Put Option Agreement), became irrevocable.

Conditional Share Capital

Although the Company has been authorized by its shareholders to use conditional share capital to satisfy its obligations under its share-based compensation plans, the Company has not issued any shares out of its conditional share capital and instead only used shares held in treasury.

2.5 Shares and Other Equity Securities

Each share of the Company carries one vote at a general meeting of shareholders. Voting rights may be exercised by shareholders (including nominees) registered in the Company's share register or by a duly appointed proxy of a registered shareholder or nominee, which proxy need not be a shareholder of the Company. Shareholders wishing to exercise their voting rights who hold their shares through a bank, broker or other nominee must follow the instructions provided by such bank, broker or other nominee or, absent instructions, contact such bank, broker or other nominee for instructions. Shareholders holding their shares through a bank, broker or other nominee will not automatically be registered in the Company's share register. If any such shareholder wishes to be registered in the Company's share register, such shareholder must contact the bank, broker or other nominee through which it holds its shares.

Our Articles of Association do not limit the number of shares that may be voted by a single shareholder. Holders of treasury shares, whether the holder is the Company or one of its majority-owned subsidiaries, will not be entitled to vote at general meetings of the shareholders.

Our shares are registered shares with a par value of CHF 15 each. The shares are fully paid-up. The shares have been issued in uncertificated form in accordance with Article 973c of the Swiss Code of Obligations ("CO") as uncertificated securities (*Wertrechte*). In accordance with Article 973c CO, the Company maintains a register of uncertificated securities (*Wertrechtebuch*).

The Company has not issued any preferred shares or any non-voting equity security, such as participation certificates (*Partizipationsscheine*) or profit sharing certificates (*Genussscheine*).

2.6 Dividend-Right Certificates

The Company has not issued any dividend-right certificates.

2.7 Limitations on the Transferability of Shares and Nominee Registrations

The Company has not imposed any restrictions regarding the transfer of shares.

The Company's share register is maintained by Computershare, which acts as transfer agent and registrar. The share register lists the names of the registered record owners of the Company's shares. Beneficial owners of shares who hold shares through a bank, broker or other nominee exercise the shareholders' rights through the intermediation of such nominee. Nominee companies can be entered into the share register with voting rights. The Company does not limit or restrict nominee registrations.

Only holders of shares (including nominees) that are recorded in the share register as of the record date (*see* item 6.5 of this Report) are entitled to vote at a general meeting of shareholders.

2.8 Convertible Bonds and Options

In December 2007, Transocean Inc. issued USD 2.2 billion aggregate principal amount of 1.625% Series A Convertible Senior Notes due December 2037, USD 2.2 billion aggregate principal amount of 1.50% Series B Convertible Senior Notes due December 2037, and USD 2.2 billion aggregate principal amount of 1.50% Series C Convertible Senior Notes due December 2037 (collectively the "Convertible Senior Notes"). All of the 1.625% Series A Convertible Senior Notes, the 1.50% Series B Convertible Senior Notes and the 1.50% Series C Convertible Senior Noted had been redeemed at January 31, 2011, February 15, 2012, and February 7, 2013, respectively. For more detailed information on the Convertible Senior Notes, please refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources and Uses of Liquidity—Convertible Senior Notes" on page AR-47 *et seq.* of this Annual Report and the Notes to the Consolidated Financial Statements—Note 14—Debt—1.625% Series A, 1.50% Series B and 1.50% Series C Convertible Senior Notes on page AR-101 *et seq.* of this Annual Report.

We have (i) a long-term incentive plan (the "Long-Term Incentive Plan") for executives, key employees and outside directors under which awards can be granted in the form of stock options, restricted shares, deferred units, SARs 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 traditional 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"). For information on our share-based compensation plans, please refer to the Notes to the Consolidated Financial Statements—Note 20—Share Based Compensation Plans on page AR-120 *et. seq.* of this Annual Report and Transocean's Compensation Discussion and Analysis on page P-40 *et seq.* of this Annual Report under the caption "Compensation Discussion and Analysis."

3. *Board of Directors*

3.1/3.2 The members of the Board as of December 31, 2012 are set forth below. All ages included are as of April 4, 2013.

Class I—Terms Expiring 2015

GLYN A. BARKER, age 59, U.K. citizen, has served as a director of the Company since 2012. Mr. Barker served as Vice Chairman-U.K. of PricewaterhouseCoopers LLP (PwC) from 2008 to 2011. He was also responsible for PwC's strategy and business development for the geographic areas of Europe, the Middle East, Africa and India. Mr. Barker joined PwC in 1975 and became an audit partner in 1987. He then established PwC's private equity-focused Transactions Services business and led it globally. He joined the Management Board of PwC in the UK as Head of the Assurance Practice in 2002. In 2006, he became UK Managing Partner and served in that role until 2008. Mr. Barker is a non-executive director of Berkeley Group Holdings plc (LON: BKG) (since 2012) and Aviva plc (LON: AV) (since 2012) and Chairman of IMCO Holdings Ltd. (since 2012). He is also director of the English National Opera Company (since 2009). Mr. Barker received his Bachelor of Science degree in Economics & Accounting in 1975 from the University of Bristol and is a Chartered Accountant.

VANESSA C.L. CHANG, age 60, Canadian and U.S. citizen, has been a director of the Company since 2012. Ms. Chang has been a Director and shareholder of El & El Investments, a privately held real estate investment business, since 1998. Ms. Chang previously served as the President and Chief Executive Officer of Resolveitnow.com from 2000 until 2002 and was the Senior Vice President of Secured Capital Corp in 1998. From 1986 until 1997, Ms. Chang was the West Coast partner in charge of Corporate Finance for KPMG Peat Marwick LLP. Ms. Chang is a director of Edison International (NYSE: EIX) and its wholly owned subsidiary, Southern California Edison Company (since 2007) and for individual investment funds within the American Funds family (since 2000). From 2002 until 2004, Ms. Chang served as a director of Inveresk Research Group Inc. and from 2005 to 2013, Ms. Chang served as a director for Blue Shield of California. Ms. Chang received her Bachelor of Arts degree in 1973 from the University of British Columbia and is an inactive Certified Public Accountant.

CHADWICK C. DEATON, age 60, U.S. citizen, has been a director of the Company since 2012. Mr. Deaton has served as Executive Chairman of Baker Hughes Incorporated (NYSE: BHI) since 2012, prior to which he served as Chairman and Chief Executive Officer since 2004. Mr. Deaton began his career with Schlumberger in 1976 and served in a variety of international capacities, including as Executive Vice President, Oilfield Services from 1998 to 1999 and as a Senior Advisor in the Oilfield Services division from 1999 until 2001. From 2002 until 2004, Mr. Deaton was the President, Chief Executive Officer and Director of Hanover Compressor Company. Mr. Deaton is a director of Air Products and Chemicals, Inc. (NYSE: APD) (since 2010), Ariel Corporation (since 2005), and previously served as a Director of Carbo Ceramics Inc. (from 2004 to 2009). Mr. Deaton is a member of the Society of Petroleum Engineers (since 1980) and has served on its Industrial Advisory Council since 2010. He also is a member of the National Petroleum Counsel (since 2007), Executive Advisory Board of the Offshore Technology Conference (since 2011) and the University of Wyoming Chemical and Petroleum Engineering Industry Advisory Board (since 2009). Mr. Deaton received his Bachelor of Science degree in Geology in 1976 from the University of Wyoming.

EDWARD R. MULLER, age 61, U.S. citizen, has served as a director of the Company since 2007 and served as a director of GlobalSantaFe Corporation from 2001 to 2007 and of Global Marine, Inc. from 1997 to 2001. Mr. Muller has served as Vice Chairman of NRG Energy, Inc. (NYSE: NRG) since the merger of NRG Energy, Inc. with GenOn Energy, Inc. in 2012. Prior to the merger, Mr. Muller served as GenOn Energy, Inc.'s Chairman and Chief Executive Officer (since 2010) and President (since 2011). Mr. Muller previously served as Chairman, President and Chief Executive Officer of Mirant Corporation from 2005 to 2010 when Mirant Corporation merged with RRI Energy, Inc. to form GenOn Energy, Inc. Mr. Muller was a private investor from 2000 until 2005. Mr. Muller served as President and Chief Executive Officer of Edison Mission Energy, a wholly owned subsidiary of Edison International, from 1993 until 2000. During his tenure, Edison Mission Energy was engaged in developing, owning and operating independent power production facilities worldwide. Within the past ten years, Mr. Muller was also a director of The Keith Companies, Inc., RigNet, Inc. and Ormat Technologies, Inc. Mr. Muller received his Bachelor of Arts degree in 1973 from Dartmouth College and his law degree in 1976 from Yale Law School. Since 2004, Mr. Muller has been a trustee of the Riverview School and, from 2008 to 2012, its Chairman.

TAN EK KIA, age 64, Malaysian citizen, has served as a director of the Company since 2011. Mr. Tan is the retired Vice President, Ventures and Developments, Asia Pacific and Middle East Region of Shell Chemicals, a position in which he served from 2003 to 2006. Mr. Tan joined the Royal Dutch/Shell group of companies in 1973 as an engineer and served in a variety of positions in Asia, the U.S. and Europe during his career, including as Chairman, Shell Companies, Northeast Asia from 2000 to 2003, Managing Director of Shell Nanhai from 1997 to 2000 and Managing Director of Shell Malaysia Exploration and Production from 1994 to 1997. Mr. Tan is a director of PT Chandra Asri Petrochemical Tbk (since 2011), Keppel Corporation (since 2010), Keppel Offshore & Marine (since 2009), City Spring (since 2010), SMRT Corporation (since 2009), Dialog Systems Asia (since 2008), KrisEnergy Ltd (since 2013), Chairman of Star Energy Group Holdings Pte Ltd, and certain of its subsidiaries (since 2012) and Chairman of City Gas (since 2009). Mr. Tan also served as the Interim Chief Executive Officer of SMRT Corporation (Singapore Mass Rapid Transit) from January to October 2012. Mr. Tan received his Bachelor of Science degree in Mechanical Engineering in 1973 from the University of Nottingham.

Class II—Terms Expiring 2013

THOMAS W. CASON, age 70, U.S. citizen, has served as a director of the Company since 2007. He served as a director of GlobalSantaFe Corporation from 2001 until 2007 and of Global Marine, Inc. from

1995 to 2001. Mr. Cason owned and managed five agricultural equipment dealerships until his retirement in 2006. He served as interim President and Chief Operating Officer of Key Tronic Corporation during 1994 and 1995 and was a partner in Hiller Key Tronic Partners, L.P. Mr. Cason previously held various financial and operating positions with Baker Hughes Incorporated, including senior executive positions with Baker Hughes' Drilling Group, serving most recently as Senior Vice President and Chief Financial Officer of Baker Hughes Incorporated. Mr. Cason started his career as a public accountant with Arthur Young & Company. Mr. Cason served as a member of the Board of Directors of Mirant Corporation from 2006 until December 2010 and was chairman of its Audit Committee from 2006 until 2009. Mr. Cason received his Bachelor of Science degree in Accounting in 1970 from Louisiana State University.

STEVEN L. NEWMAN, age 48, U.S. citizen, is President and Chief Executive Officer, and a member of the Board of the Company since 2010. Before being named as Chief Executive Officer in March 2010, Mr. Newman served as President and Chief Operating Officer from 2008 to 2009 and subsequently as President. Mr. Newman's prior senior management roles included Executive Vice President, Performance (2007 to 2008), Executive Vice President and Chief Operating Officer (2006 to 2007), Senior Vice President of Human Resources and Information Process Solutions (2006 to 2006), Senior Vice President of Human Resources, Information Process Solutions and Treasury (2005 to 2006), and Vice President of Performance and Technology (2003 to 2005). He also has served as Regional Manager for the Asia and Australia Region and in international field and operations management positions, including Project Engineer, Rig Manager, Division Manager, Region Marketing Manager and Region Operations Manager. Mr. Newman joined the Company in 1994 in the Corporate Planning Department. Mr. Newman received his Bachelor of Science degree in Petroleum Engineering in 1989 from the Colorado School of Mines and his MBA in 1992 from the Harvard University Graduate School of Business. Mr. Newman is also a member of the Society of Petroleum Engineers.

ROBERT M. SPRAGUE, age 68, U.S. citizen, has served as a director of the Company since 2004. Mr. Sprague is the retired Regional Business Director of Shell EP International BV, a position in which he served from 1997 until 2003. Mr. Sprague served as Director of Strategy & Business Services for Shell EP International BV from 1996 until 1997 and as Exploration & Production Coordinator of Shell International Petroleum BV from 1994 to 1995. Mr. Sprague joined the Royal Dutch/Shell group of companies in 1967 and served in a variety of positions in the United States and Europe during his career, including as a director of Shell Canada Limited, a publicly traded company, from 2000 to 2003. Mr. Sprague received his Bachelor of Science degree in 1966 and his Masters in Electrical Engineering degree in 1967 from Cornell University.

J. MICHAEL TALBERT, age 66, U.S. citizen, has served as a director of the Company since 1994. He has served as the non-executive Chairman of the Board since 2011 and previously served as non-executive Vice Chairman of the Board from 2010 to 2011, non-executive Chairman of the Board from 2004 to 2007 and executive Chairman of the Board from 2002 to 2004. Mr. Talbert also served as Chief Executive Officer from 1994 until 2002, Chairman of the Board of Directors from 1994 until 1999, and as President from 1999 until 2001. Prior to assuming his duties with us, Mr. Talbert was President and Chief Executive Officer of Lone Star Gas Company, a natural gas distribution company and a division of Ensearch Corporation. He was a director of El Paso Corporation from 2003 to 2012, when that company was acquired by Kinder Morgan, Inc. Within the past ten years, Mr. Talbert was also a director and the chairman of TODCO. Mr. Talbert received his Bachelor of Science degree in chemical engineering in 1970 from the University of Akron and his MBA in 1975 from Loyola of the South.

Class III—Terms Expiring 2014

JAGJEET S. BINDRA, age 65, U.S. citizen, has served as a director of the Company since 2011. Mr. Bindra is the retired President of Chevron Global Manufacturing, a position in which he served from 2003 to 2009. Mr. Bindra joined the Chevron group of companies in 1977 as a research engineer and served in a variety of positions during his career, including as Managing Director of Caltex Australia Ltd. (50% owned by Chevron) from 2002 to 2003, President of Chevron Pipeline Company from 1997 to 2002, Senior Vice President, Pipeline & Transportation, of Chevron Overseas Petroleum from 1995 to 1997, Manager of Strategic Planning for Chevron Corporation from 1994 to 1995 and Group Manager, Projects & Engineering Technology from 1991 to 1994. Mr. Bindra is a director of LyondellBasell Industries N.V. (NYSE: LYB) (since 2011), Edison International (NYSE: EIX) and Southern California Edison Company (since 2010). He previously served as a director of Reliance Petroleum Ltd. (from 2006 to 2007), Caltex Australia Ltd. from (2002 to 2003), GS Caltex, Korea (from 2003 to 2009), Larsen & Toubro Ltd., India (from 2009 to 2012), Transfield Services Limited, Australia (from 2009 to 2012) and Sriya Innovations Inc. (from 2009 to 2010). Mr. Bindra received his MBA in 1979 from St. Mary's College of California, his Master of Science in Chemical Engineering in 1970 from the University of Washington and his bachelor's degree in Chemical Engineering in 1969 from the Indian Institute of Technology, Kanpur.

STEVE LUCAS, age 58, U.K. citizen, has served as a director of the Company since 2011. Mr. Lucas is the retired Group Finance Director of National Grid plc, a position in which he served from 2002 to 2010. From 2004 to 2011, Mr. Lucas served as a non-executive director of Compass Group plc and from 2000 to 2002, Mr. Lucas served as Group Finance Director, Lattice Group plc. Mr. Lucas previously served as the Treasurer of BG Group plc from 1998 to 2000 and as Finance Director, Exploration & Production, of British Gas plc from 1994 to 1998. From 1983 to 1994, Mr. Lucas served in a variety of finance roles with Royal Dutch/Shell in the U.K., East Africa, Hong Kong and China. Mr. Lucas is a director of Tullow Oil plc (LON: TLW) (since 2012), Essar Energy plc (LON: ESSR) (since 2012) and Essar Infrastructure Limited (since 2011). Mr. Lucas received his Bachelor of Arts degree in Geology in 1976 from Oxford University and is also a member of the Institute of Chartered Accountants in England & Wales.

MARTIN B. MCNAMARA, age 65, U.S. citizen, has served as a director of the Company since 1994. Mr. McNamara is a retired Partner of the law firm of Gibson, Dunn & Crutcher LLP and has served as a member of the firm's executive, finance, planning and compensation committees, as well as a Partner-in-Charge of the firm's Texas practice. During the past ten years and prior to his retirement in 2010, Mr. McNamara was in the private practice of law. Mr. McNamara has also served as Ex Officio Trustee and Ex Officio Member of the Executive Committee of St. Mark's School of Texas since 2002. Mr. McNamara received his Bachelor of Arts degree in 1969 from Providence College and his law degree in 1972 from Yale Law School. Mr. McNamara has served as the chair of the Corporate Counsel Section of the State Bar of Texas and is a lifetime fellow of the Texas Bar Foundation.

IAN C. STRACHAN, age 69, U.K. and U.S. citizen, has served as a director of the Company since 1999. Mr. Strachan is a director of Caithness Petroleum Ltd. (since 2008), Xstrata plc (LON: XTA) (since 2003), and Rolls Royce Group plc (LON: RR) (since 2003). He served as a director of Johnson Matthey plc from 2002 to 2009 and as Chairman of the Board of Instinet Group Incorporated from 2003 to 2005. Mr. Strachan served as Chief Executive Officer of BTR plc from 1996 until 1999. From 1987 to 1995, Mr. Strachan was with Rio Tinto plc, serving as Chief Financial Officer from 1987 to 1991 and as Deputy Chief Executive Officer from 1991 to 1995. He was employed by Exxon Corporation from 1970 to 1986. Mr. Strachan received his Master of Arts in History in 1965 from Christ's College, Cambridge University, and his Master of Public Affairs in 1967 from the Woodrow Wilson School, Princeton University and was a teaching fellow and Ph.D. candidate at Harvard University from 1969 to 1970.

3.3 *Election and Term of Office*

3.3.1 *Election Procedure and Term Limits*

Our Articles of Association provide that members of the Board may be elected at a general meeting of our shareholders by a plurality of the votes cast by the shareholders present in person or by proxy at the meeting. Pursuant to the Company's Corporate Governance Guidelines, the Company adheres to a majority vote policy that provides that the Board may nominate only those candidates for membership who have submitted an irrevocable letter of resignation that would be effective upon and only in the event that (1) such nominee fails to receive a sufficient number of votes from shareholders in an uncontested election and (2) the Board accepts the resignation. If a nominee who has submitted such a letter of resignation does not receive more votes cast "for" than "against" the nominee's election, the Company's corporate governance committee must promptly review the letter of resignation and recommend to the Board whether to accept the tendered resignation or reject it. The Board must then act on the corporate governance committee's recommendation within 90 days following the certification of the shareholder vote. The Board must promptly disclose its decision regarding whether or not to accept the nominee's resignation letter.

Our Board is classified into three classes of directors, each of which serves for staggered three-year periods. Each member of the Board is elected or reelected individually by the shareholders.

Under our Corporate Governance Guidelines, directors must retire at the annual general meeting following their 72nd birthday. Other than that we do not have any term limits.

3.3.2 *Time of First Election / Remaining Term of Office for Each Director*

Name	Age(1)	Position	Committee Membership(2)	First Election	Remaining Term
J. Michael Talbert	66	Independent outside director, Chairman of the Board	—	1994	Proposed for reelection at 2013 AGM
Jagjeet S. Bindra	65	Independent outside director	CG, HSE	2011	1 year
Thomas W. Cason	70	Independent outside director	AC, FC	2007	Proposed for reelection at 2013 AGM
Steve Lucas	58	Independent outside director	AC (C), FC	2011	1 year
Martin B. McNamara	65	Independent outside director	CG (C), EC	1994	1 year
Edward R. Muller	61	Independent outside director	EC (C), CG	2007	2 years
Steven L. Newman	48	Executive director	—	2010	Proposed for reelection at 2013 AGM
Robert M. Sprague	68	Independent outside director	HSE (C), EC	2004	Proposed for reelection at 2013 AGM
Ian C. Strachan	69	Independent outside director	FC (C), CG	1999	1 year
Tan Ek Kia	64	Independent outside director	EC, HSE	2011	2 years
Glyn A. Barker	59	Independent outside director	AC, FC	2012	2 years
Vanessa C.L. Chang	60	Independent outside director	AC, FC	2012	2 years
Chadwick C. Deaton	60	Independent outside director	AC, HSE	2012	2 years

(1) Age as of April 4, 2013.

(2) AC: Audit Committee
EC: Executive Compensation Committee
HSE: Health Safety and Environment Committee
CG: Corporate Governance Committee
FC: Finance Committee
(C): Committee Chairman

For further information regarding the proposed election of new directors and the reelection of existing directors at the Company's 2013 annual general meeting please refer to page P-17 *et seq.* of this Annual Report under the heading "Agenda Item 6, Election and Reelection of Directors."

3.4 *Internal Organizational Structure*

The Board meets once every quarter for its regular quarterly meetings. These quarterly meetings are supplemented by additional meetings as necessary. In 2012 the Board met six times. The quarterly meetings of the Board and its committees (the "Committees") generally occurred over a period of two to three days.

From among its members, the Board has appointed standing Executive Compensation, Finance, Corporate Governance, Audit, and Health Safety and Environment Committees. For the composition of the standing Committees as of December 31, 2012 please refer to item 3.3.2 of this Report. In addition, the Board may from time to time form special committees to consider particular matters that arise.

For further information on the composition and allocation of responsibilities with the Board, the composition and responsibilities of the Board Committees, and the work methods of the Board and its Committees, please refer to (i) page P-23 *et seq.* of this Annual Report under the caption "Corporate Governance" and (ii) the Organizational Regulations of the Company at: http://media.corporate-ir.net/media_files/irol/11/113031/cg/OrganizationalRegulations.pdf.

3.5 *Definition of Areas of Responsibility*

The Board is ultimately responsible for the general policies and management of the Company. The Board establishes the strategic, organizational, accounting and financing policies to be followed by the Company and the other group companies. The Board has delegated the conduct of the day-to-day business operations to executive management, which is headed by Steven L. Newman, President and Chief Executive Officer.

For further information regarding the general principles regarding the areas of responsibility between the Board and the executive management, please refer to (i) page P-23 *et seq.* of this Annual Report under the caption "Corporate Governance," and (ii) the Organizational Regulations of the Company at: http://media.corporate-ir.net/media_files/irol/11/113031/cg/OrganizationalRegulations.pdf.

3.6 *Information and Control Instruments Vis-à-vis Executive Management*

The Board uses several tools to be kept informed about group operations and exercise control over executive management:

- The Board receives a quarterly performance and financial report from executive management. The report is comprised of consolidated financial information and includes: (i) an income statement, balance sheet, and cash flow statement, including a comparison of each to budgeted and prior year figures; (ii) management performance comments; and (ii) communication of key issues.
- Members of executive management generally attend the quarterly meetings of the Board.
- Between each quarterly meeting of the Board, the Chief Executive Officer distributes a report detailing the company's performance in the areas of safety, marketing, and financial results. Additionally, the Chief Executive Officer keeps the Board informed of ad-hoc issues that affect the Company's performance.
- The internal audit function reports directly to the Audit Committee and only administratively to the Chief Executive Officer.
- Transocean has a risk management process, whereby key risks are identified and communicated to executive management and the Board. As to risk management, please also refer to page P-24-25 *et seq.* of this Annual Report under the caption "Corporate Governance—Risk Management / Compensation and Risk."

4. ***Executive Management***

4.1/4.2 The members of executive management as of December 31, 2012 are set forth below. All ages indicated are as of April 4, 2013.

Name	Age	Position
Steven L. Newman	48	President and Chief Executive Officer, Executive Director
Esa T. Ikäheimonen	49	Executive Vice President, Chief Financial Officer
Allen M. Katz	64	Interim Senior Vice President and General Counsel
John B. Stobart	59	Executive Vice President, Chief Operating Officer
Ihab M. Toma	50	Executive Vice President, Chief of Staff
David Tonnel	43	Senior Vice President, Finance and Controller

STEVEN L. NEWMAN, aged 48, U.S. citizen, is our President and Chief Executive Officer. He is also a member of the Board. Please refer to items 3.1/3.2 of this Report for information regarding his professional and educational background, his previous tasks for us, and his other activities.

ESA T. IKÄHEIMONEN, aged 49, Finnish citizen, is Executive Vice President, Chief Financial Officer of the Company. Before being named Executive Vice President, Chief Financial Officer in November 2012, Mr. Ikäheimonen served as a consultant to the Company from September 2012 to November 2012. He has served as a non-executive director and the chairman of the audit committee of Ahlstrom Corporation since April 2011. Mr. Ikäheimonen served as Senior Vice President and Chief Financial Officer of Seadrill Ltd. from August 2010 to September 2012, and he served as Executive Vice President and Chief Financial Officer of Poyry plc from March 2009 to July 2010. At Royal Dutch Shell, Mr. Ikäheimonen served as Vice President Finance, Shell Africa E&P from June 2007 to March 2009, as Vice President Finance, Shell Upstream Middle East from January 2007 to June 2007, and as Finance and Commercial Director, Shell Qatar from May 2004 to January 2007. Prior to May 2004, Mr. Ikäheimonen served in various financial roles for Royal Dutch Shell, including Strategy and Portfolio Manager, Shell Europe Oil Products, Finance Director, Shell Scandinavia, and Finance Director, Shell Finland. Mr. Ikäheimonen received his Master of Laws degree from the University of Turku in Finland in 1989.

ALLEN M. KATZ, aged 64, U.S. citizen, is Interim Senior Vice President and General Counsel of the Company. Before joining the Company in November 2012, he served as an advisor to the Company from June 2010 to November 2012, in his capacity as an attorney at Munger, Tolles & Olson, LLP. Mr. Katz was in retirement from May 1996 to June 2010. He practiced as a partner with Munger, Tolles & Olson, LLP from 1974 to 1996, and served as Managing Partner of the firm from 1991 to 1995. Mr. Katz received his Bachelor of Arts in History from Brandeis University in Massachusetts in 1969 and received his Juris Doctorate from Stanford Law School in 1972. Mr. Katz is a member of the California, 5th and 9th Circuit bars and is admitted to practice before the U.S. Supreme Court.

JOHN B. STOBART, aged 59, U.S. and Australian citizen, is Executive Vice President, Chief Operating Officer of the Company. Before joining the Company in October 2012, Mr. Stobart served as Vice President, Global Drilling for BHP Billiton Petroleum from July 2011 to October 2012. At BHP Billiton, he also served as Worldwide Drilling Manager for BHP Billiton in Australia, the U.K. and the U.S. from January 1995 to June 2011 and as Senior Drilling Engineer, Senior Drilling Supervisor, Drilling Superintendent and Drilling Manager in the United Arab Emirates, Oman, India, Burma, Malaysia, Vietnam and Australia from June 1988 to December 1994. Mr. Stobart served as Engineering Manager at Husky/Bow Valley from November 1984 to May 1988, and he worked in engineering roles at Dome Petroleum/Canadian Marine Drilling from May 1980 to October 1984. He began his career working on land rigs in Canada and the High Arctic in June 1971. Mr. Stobart received his Bachelor of Science in Mechanical Engineering from the University of Calgary in 1980 and completed the London Business School Accelerated Development Program in 2000.

IHAB M. TOMA, aged 50, Egyptian citizen, is Executive Vice President, Chief of Staff of the Company. Before being named to his current position in October 2012, Mr. Toma served as Executive Vice President, Operations from August 2011 to October 2012. Mr. Toma also served as Executive Vice President, Global Business from August 2010 to August 2011 and as Senior Vice President, Marketing and Planning from August 2009 to August 2010. Before joining the Company, Mr. Toma served as Vice President, Sales and Marketing for Europe, Africa and Caspian for Schlumberger Limited from April 2006 to August 2009. Prior to April 2006, Mr. Toma led Schlumberger Information Solutions in various capacities, including Vice President, Sales and Marketing, President of Schlumberger Information Solutions, Vice President of Information Management and Vice President of Europe, Africa and CIS Operations. He started his career with Schlumberger Limited in 1986. Mr. Toma received his Bachelor of Science in Electrical Engineering from Cairo University in 1985.

DAVID TONNEL, aged 43, French citizen, is Senior Vice President, Finance and Controller of the Company. Before being named to his current position in March 2012, Mr. Tonnel served as Senior Vice President of the Europe and Africa Unit from June 2009 to March 2012. Mr. Tonnel served as Vice President of Global Supply Chain from November 2008 to June 2009, as Vice President of Integration and Process Improvement from November 2007 to November 2008, and as Vice President and Controller from February 2005 to November 2007. Prior to February 2005, he served in various financial roles, including Assistant Controller; Finance Manager, Asia Australia Region; and Controller, Nigeria. Mr. Tonnel joined the Company in 1996 after working for Ernst & Young in France as Senior Auditor. Mr. Tonnel received his Master of Science in Management from Ecole des Hautes Etudes Commerciales in Paris, France in 1991.

Note that until January 9, 2012, Ricardo Rosa was Executive Vice President and Chief Financial Officer of the Company and a member of executive management. Robert S. Shaw was Vice President and Controller of the Company and a member of executive management until January 25, 2012. Gregory L. Cauthen was Executive Vice President and Interim Chief Financial Officer of the Company and a member of executive management until November 15, 2012, when Esa Ikäheimonen succeeded him. Nick Deeming was Senior Vice President, General Counsel and Assistant Corporate Secretary and a member or executive management until October 23, 2012.

4.3 *Management Contracts*

Transocean has not entered into any contractual relationships with third parties regarding the management of the Company or its subsidiaries.

5. ***Compensation, Shareholdings and Loans of Members of the Board and Executive Management***

For information regarding Transocean's compensation of directors, please refer to page P-33 *et seq.* of this Annual Report under the caption "2012 Director Compensation." For information regarding Transocean's compensation of the members of executive management, please refer to Transocean's compensation discussion and analysis on page P-40 *et seq.* of this Annual Report under the caption "Compensation Discussion and Analysis."

Please note that the specific compensation elements of (1) Mr. Allen M. Katz, our Interim Senior Vice President and General Counsel of the Company and (2) Mr. Robert Shaw, our Vice President and Controller until his resignation on January 25, 2012, are not incorporated into the "Compensation Discussion and Analysis" based on the criteria for Named Executive Officers as established by The United States Securities & Exchange Commission's Regulation S-K but described below. Mr. Katz's and Mr. Shaw's compensation elements are largely the same and calculated similarly as those of all other Named Executive Officers. Mr. Katz's compensation elements have further been determined in view of him serving on an interim basis as the Company's Senior Vice President and General Counsel. The Company is a party to an employment agreement with Mr. Katz.

Executive Compensation Program—Direct Compensation Elements of Mr. Katz and Mr. Shaw

Base Salary

Effective November 17, 2012, Mr. Katz's base salary was USD 50,000 per month (or USD 600,000 per year). Mr. Katz's employment term commenced on November 17, 2012 and will end on June 30, 2013, subject to an extension, with the written mutual consent of the parties, for a period not later than December 31, 2013.

Effective December 1, 2011, Mr. Shaw's base salary was USD 29,167 per month (or USD 350,000 per year). Mr. Shaw's employment terminated on March 15, 2012.

Performance-Based Incentive Compensation

Mr. Katz's performance-based incentive compensation is, in relation to his cash bonus, subject to the terms of his employment agreement with us, and in relation to equity awards, subject to our Long-Term Incentive Plan and the terms of his employment agreement with us.

Mr. Shaw's performance-based incentive compensation was delivered through our Performance Award and Cash Bonus Plan and our Long-Term Incentive Plan.

Performance Award and Cash Bonus Plan

2012 Cash Bonus Plan

The Executive Compensation Committee of the Board of Directors (the "Committee") did not review the bonus opportunity of Mr. Shaw, as he was no longer an officer of the Company at the time of the Committee's compensation review.

Mr. Katz's bonus opportunity is subject to the terms of his employment agreement with us. Mr. Katz is not eligible to participate in the Performance Award and Cash Bonus Plan or any other bonus plan maintained by the Company or an affiliate. Pursuant to his employment agreement, he is entitled to a bonus payment in an amount equal to 80% of the base salary actually paid to him for services during his employment term, which ends no later than December 31, 2013 (excluding payment for accrued but unused vacation). The bonus is contingent upon Mr. Katz's satisfaction of his duties under the employment agreement and his full cooperation and assistance during his employment term with the active search for a successor to him as General Counsel and the orderly transition of responsibilities to such successor, as determined by the Committee in its discretion in good faith. Any bonus will be paid in two installments, with the first installment with respect to services performed in 2012 paid no later than March 15, 2013, and the second installment with respect to services performed in 2013 payable in a single lump-sum cash payment thirty days after the first meeting of the Committee subsequent to Mr. Katz's termination of employment or, if earlier, on March 15, 2014.

Long-Term Incentive Plan

Mr. Shaw did not receive a long-term incentive award in 2012.

On November 17, 2012, Mr. Katz received a grant of 32,328 Deferred Units (the "Deferred Units") under the Long-Term Incentive Plan of Transocean Ltd. (the "LTIP"). 50% of the Deferred Units awarded are deemed to be earned and subject to no further service conditions in the event that Mr. Katz remains employed until June 30, 2013 or is terminated by the Company or by written mutual agreement of the parties prior to June 30, 2013. In the event the employment term is extended beyond June 30, 2013 (until no later than December 31, 2013), the remaining 50% of the Deferred Units are deemed to be earned on a pro-rated basis, determined by dividing the number of days of employment following after June 30, 2013 by 184. Any Deferred Units which are deemed to be "earned" in accordance with the foregoing are vested and payable in three equal installments on the three anniversaries following the date of grant. If Mr. Katz terminates employment without satisfaction of his service conditions, any Deferred Units that are not "earned" are forfeited. Mr. Katz does not have any other entitlement to awards under the LTIP.

Special Retention Awards

Mr. Katz and Mr. Shaw did not receive any special retention award.

Executive Compensation Summary

The following table provides information about the compensation of Mr. Allen M. Katz, our Interim Senior Vice President and General Counsel of the Company, and Mr. Robert Shaw, our Vice President and Controller until his resignation on January 25, 2012.

Year	Salary ($)	Bonus ($)	Stock Awards[1] ($)	Option Awards[2] ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings[3] ($)	All Other Compensation ($)	Total ($)
Allen M. Katz								
2012	72,727	60,849	1,434,717	—	—	—	—	1,568,293
Robert S. Shaw								
2012	72,917	—	—	—	—	—	441,427[4]	514,344

(1) Represents the aggregate grant date fair value during such year under accounting standards for recognition of share-based compensation expense for deferred units granted pursuant to the LTIP in the specified year. For a discussion of the valuation assumptions with respect to these awards, please refer to the Notes to the Consolidated Financial Statements—Note 20—Share Based Compensation Plans on page AR-120 of this Annual Report.

(2) There are no stock option compensation earnings included in this column because neither Mr. Katz nor Mr. Shaw received awards of stock options during 2012.

(3) There are no nonqualified deferred compensation earnings included in this column because neither Mr. Katz nor Mr. Shaw received above-market or preferential earnings on such compensation during 2012.

(4) This amount includes a severance payment of $350,000, $35,980 representing a cash payment in lieu of participation in the 2012 cash bonus plan, dividends and dividend equivalents on time-based deferred units of $12,154, Company contributions to Mr. Shaw's Transocean U.S. Savings Plan, the life insurance premiums paid by the Company on his behalf, Swiss taxes in the amount of $15,239, relocation and moving expenses and reimbursements of $21,874, preparation of Mr. Shaw's foreign tax liability paid by the Company on his behalf and the payout of unused vacation. The Swiss tax payments described above were paid in CHF and, for presentation in this table, converted into USD using the 2012 average CHF to USD exchange rate of 1.06668.

Grants of Plan-Based Awards for Fiscal Year 2012

Mr. Katz is not eligible to participate in the Performance Award and Cash Bonus Plan or any other bonus plan maintained by the Company or an affiliate. As regards Mr. Katz's grant of 32,328 Deferred Units under the LTIP and his employment agreement, see Section 5 above under the heading "Long-Term Incentive Plan."

There were no plan-based awards for the year ended December 31, 2012 granted to Mr. Shaw.

Outstanding Equity Awards at Fiscal Year-End 2012

The following table sets forth information with respect to outstanding equity awards at December 31, 2012 for Messrs. Katz and Shaw.

	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($/ Share)	Option Grant Date	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested[1] ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested[1] ($)
Allen M. Katz	—	—	—	—	—	—	—	16,167	722,018
Robert S. Shaw	1,309	—	78.76	2/10/2011	3/14/2013	—	—	755[2]	33,718

(1) For purposes of calculating the amounts in these columns, the closing price of our shares on the NYSE on December 31, 2012 of $44.66 was used.

(2) Represents the February 10, 2011 contingent deferred unit award, which is subject to a three-year performance period ending on December 31, 2013. The actual number of deferred units received will be determined in the first 60 days of 2013 and is contingent on our performance in total shareholder return relative to the Performance Peer Group. Any shares earned will vest on December 31, 2013. For more information regarding the LTIP, including the performance targets used for 2011 and the contingent nature of the awards granted under the LTIP, please refer to "Compensation Discussion and Analysis—Long-Term Incentive Plan" on page P-56 of this Annual Report.

Option Exercises and Shares Vested for Fiscal Year 2012

The following table sets forth information with respect to the exercise of options and the vesting of restricted shares and deferred units during 2012 for Mr. Shaw and includes 11,311 shares with an aggregate value of USD 863,714 that vested on March 15, 2012 in connection with Mr. Shaw's termination from the Company.

Option Awards		Stock Awards	
Number of Shares Acquired on Exercise (#)	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**
0	0	11,772	897,104

Potential Payments Upon Termination or Change of Control

Pursuant to his employment agreement with us, Mr. Katz does not participate in our Executive Severance Policy.

The following table describes payments and other benefits to Mr. Shaw, who ceased being executive officer of the Company prior to December 31, 2012.

Separation Payments and Benefits	Mr. Shaw ($)
Cash Severance Payment	350,000
Non-Equity Incentive Plan Compensation[(1)]	35,960
Equity Incentive Plan Compensation under the LTIP[(2)]	
2011 Stock Options	—
2010 Stock Options	—
2011 Contingent Deferred Unit Award[(3)]	33,718.3
2010 Contingent Deferred Unit Award[(3)]	—
2011 Deferred Unit Award	500,236.66
2010 Deferred Unit Award	186,857.44
Total Separation Payments and Benefits	1,106,772.4

(1) Pursuant to the terms of his separation Mr. Shaw was entitled to a cash payment in the amount of $35,960, representing his target bonus under the Cash Bonus Plan, prorated for the number of calendar days of employment during 2012.

(2) In January 2012, the Committee provided for the vesting of Mr. Shaw's unvested Deferred Units at the date of his termination. The amounts listed are based on the closing price of the Company's shares on the NYSE on December 31, 2012, which was $44.66 and represent the value of awards that would have been forfeited but for the action of the Committee.

(3) Based on the target (100%) payout. The actual number of Contingent Deferred Units received will be determined after the end of the applicable performance cycle and is contingent on the Company's performance in Total Shareholder Return relative to the Performance Peer Group. In February 2013, the Committee determined that the payout for the 2010 Contingent Deferred Unit Award was zero.

In addition, for information required to be disclosed under Swiss law regarding compensation during fiscal year 2012 of directors and executive officers, in the aggregate, and regarding the security ownership of directors and executive officers as of December 31, 2012, please refer to the Notes to the Consolidated Financial Statements included in this Annual Report—Note 30—Supplemental Disclosures Required by Swiss Law—Compensation and Security Ownership of Board Members and Executive Officers on page AR-138, in conjunction with the Notes to the Transocean Ltd. standalone statutory financial statements included in this Annual Report—Note 7—Board of Directors Compensation on page SR-7, Note 8—Executive Management Compensation on page SR-11 and Note 9—Share Ownership—Board of Directors and Executive Management on page SR-15.

For information regarding the number of shares and other securities held by directors or executive officers, please refer to page P-38 *et seq.* of this Annual Report under the caption "Security Ownership of Directors and Executive Officers."

6. *Shareholders' Participation Rights*

6.1 Voting Rights and Limitations to Shareholders' Voting Rights

Each share carries one vote at a general meeting of shareholders. Voting rights may be exercised by shareholders (including nominees) registered in the Company's share register or by a duly appointed proxy of a registered shareholder or nominee, which proxy need not be a shareholder of the Company. Shareholders wishing to exercise their voting rights who hold their shares through a bank, broker or other nominee must follow the instructions provided by such bank, broker or other nominee or, absent instructions, contact such bank, broker or other nominee for instructions. Shareholders holding their shares through a bank, broker or other nominee will not automatically be registered in the Company's share register. If any such shareholder wishes to be registered in the Company's share register, such shareholder must contact the bank, broker or other nominee through which it holds its shares.

There are currently no limitations under our Articles of Association restricting the rights of shareholders to hold or vote Transocean shares.

6.2 Supermajority Requirements / Quorums

Supermajority Requirements

Pursuant to our Articles of Association, the shareholders generally pass resolutions by the affirmative vote of a majority of the votes cast at the general meeting of shareholders (not counting broker non-votes, abstentions and blank or invalid ballots), unless otherwise provided by law (including stock exchange regulations) or our Articles of Association.

Regarding election of directors by a plurality of the votes cast and Transocean's majority vote policy, please refer to item 3.3.1 of this Report.

The Swiss Code of Obligations and our Articles of Association require the affirmative vote of at least two-thirds of the voting rights and an absolute majority of the par value of the shares, each as represented (in person or by proxy) at a general meeting of shareholders to approve the following matters:

- the amendment to or the modification of the purpose of the Company;
- the creation or cancellation of shares with privileged voting rights;
- the restriction on the transferability of shares or cancellation thereof;
- the restriction on the exercise of the right to vote or the cancellation thereof;
- an authorized or conditional increase in the share capital;
- an increase in the share capital (1) through the conversion of capital surplus, (2) through a contribution in kind, or for purposes of an acquisition of assets, or (3) a grant of special privileges;
- the limitation on or withdrawal of preemptive rights;
- a change in the registered office of the Company;
- the conversion of registered shares into bearer shares and vice versa; and
- the dissolution of the Company.

Our Articles of Association further require the affirmative vote of at least two-thirds of the shares entitled to vote at a general meeting of shareholders to approve the following matters:

- the removal of a member of the Board;
- any changes to Article 14 Para. 1 of our Articles of Association, which requires advance notice of proposal requirements;
- any change to Article 18 of our Articles of Association, which sets forth the proceedings and procedures at general meetings of shareholders;
- any changes to Article 20 Para. 2 of our Articles of Association, which sets forth specific supermajority vote requirements at a general meeting;
- any changes to Article 21 of our Articles of Association, which sets forth the quorum requirements at a general meeting;
- any changes to Article 22 of our Articles of Association, which specifies the number of members of the Board;
- any changes to Article 23 of our Articles of Association, which sets forth the classification of the Board; and
- any changes to Article 24 of our Articles of Association, which sets forth the indemnification provisions for members of the Board and officers.

Our Articles of Association require the affirmative vote of holders of the number of shares equal to the sum of (x) two-thirds of the number of all shares entitled to vote at a general meeting of shareholders, plus (y) a number of shares entitled to vote at the general meeting of shareholders that is equal to one-third of the number of shares held by interested shareholders, for the Company to (subject to certain exceptions) engage in any business combination with an interested shareholder and for the amendment of the provisions in the Articles of Association relating to this shareholder approval requirement. An "interested shareholder" is generally defined as a shareholder that, together with its affiliates and associates, beneficially, directly or indirectly, owns 15% or more of the shares entitled to vote at a general meeting of the shareholders of the Company.

Irrespective of Swiss law and our Articles of Association, the NYSE requires a shareholder vote for certain matters such as:

- the approval of equity compensation plans (or amendments to such plans);
- the issuance of shares equal to or in excess of 20% of the voting power of the shares outstanding before the issuance of such shares (subject to certain exceptions, such as public offerings for cash and certain bona fide private placements);
- certain issuances of shares to related parties; and
- issuances of shares that would result in a change of control.

For these types of matters, the minimum vote which will constitute shareholder approval for NYSE listing purposes is the approval by a majority of votes cast, provided that the total vote cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal.

Quorums

The presence of shareholders, in person or by proxy, holding at least a majority of the shares entitled to vote at a meeting, is a quorum for the transaction of most business at the general meeting of shareholders.

Shareholders present, in person or by proxy, holding at least two-thirds of the share capital recorded in the Commercial Register constitute the required quorum at a general meeting to consider or adopt a resolution to amend, vary, suspend the operation of or cause any of the following provisions of our Articles of Association to cease to apply:

- Article 18, which relates to proceedings and procedures at general meetings of shareholders;
- Article 19(f), which relates to business combinations with interested shareholders;
- Article 20, which sets forth the level of shareholder approval required for certain matters ;
- Article 21, which sets forth the quorum at a general meeting required for certain matters, including the removal of a member of the Board; and
- Articles 22, 23 and 24, which relate to the election, classification and indemnification of the members of the Board and the size of the Board.

6.3 Convocation of the General Meeting of Shareholders

Notice and Proxy Statements

The Board generally convenes a general meeting of shareholders. Under Swiss law, the convocation notice is published in the Swiss Official Gazette of Commerce and must be sent to each registered shareholder at the address recorded in the share register at least 20 days prior to the meeting.

In addition to being required to comply with the notice provisions under the Swiss Code of Obligations, the Company is subject to the rules of the SEC that regulate the solicitation of proxies (the "Proxy Rules"). The Company is required to file with the SEC its proxy statement related to a general meeting of the Company's shareholders, together with a form of proxy card used by the Company and certain other soliciting material furnished to the Company's shareholders in connection with such meeting. The disclosure the Company is required to include in its proxy statement generally includes certain information with respect to the matters that are known by the Company to be presented for a vote at the meeting. With respect to a proxy statement for an annual general meeting, the disclosure in the proxy statement would generally include, among other things, certain information about directors, executive officers and corporate governance; executive compensation; security ownership of certain beneficial owners and management and related shareholder matters; certain relationships and related party transactions; and director independence. In addition, the proxy statement will be made available to each shareholder registered in the Company's share register as of the relevant record date.

Extraordinary General Meetings of Shareholders

An extraordinary general meeting of shareholders may be called upon the resolution of the Board or, under certain circumstances, by the auditor. In addition, the Board is required to convene an extraordinary general meeting of shareholders if so resolved by the general meeting of shareholders, or if so requested by shareholders holding an aggregate of at least 10% of the shares, specifying the items for the agenda and their proposals and including evidence of the required shareholdings recorded in the share register, or if it appears from the annual standalone statutory balance sheet that half of the Company's share capital and legal reserves are not covered by the Company's assets. In the latter case, the Board must immediately convene an extraordinary general meeting of shareholders and propose financial restructuring measures.

6.4 Agenda Requests

Under our Articles of Association, any shareholder may request that an item be included on the agenda of a general meeting of shareholders. Such shareholder may also nominate one or more members of the Board for election. A request for inclusion of an item on the agenda or a nominee must be in writing and received by the Company at least 30 calendar days prior to the anniversary date of the proxy statement filed with the SEC in connection with the Company's last general meeting of shareholders; provided, however, that if the date of the general meeting of shareholders is more than 30 days before or after the anniversary date of the last annual general meeting of shareholders, such request must instead be made by the tenth day following the date on which the Company has made public disclosure of the date of the general meeting of shareholders. The request must specify the relevant agenda items and motions, together with evidence of the required shares recorded in the share register, as well as any other information as would be required to be included in a proxy statement pursuant to the Proxy Rules.

6.5 Registration in the Company's Share Register / Record Date

Registration in the Company's share register maintained by the Company's U.S. transfer agent and registrar, Computershare, occurs upon request and is not subject to any condition. Only those shareholders (including nominees) who are registered in the share register on the record date have the right to vote at the meeting. The Company generally expects to set the record date for each annual general meeting of shareholders to be a date not more than 20 calendar days prior to the date of the relevant annual general meeting and announce the date of the annual general meeting of shareholders prior to the record date.

7. Mandatory Offer Requirement / Change of Control

7.1 Duty to make a public takeover offer

Pursuant to the applicable provisions of the SESTA, any person that acquires shares of a listed Swiss company, whether directly or indirectly or acting in concert with third parties, which shares, when taken together with any other shares of such company held by such person (or such third parties), exceed the threshold of 33⅓% of the voting rights (whether exercisable or not) of such company, must make a takeover bid to acquire all the other listed shares of such company. A company's articles of association may either eliminate this provision of the SESTA or may raise the relevant threshold to 49% ("opting-out" or "opting-up", respectively).

Our Articles of Association do not contain an opting-out or opting-up provision pursuant to Article 22 Para. 2 SESTA or Article 32 Para. 1 SESTA, respectively.

7.2 Change of Control Clauses

Please refer to Transocean's Compensation Discussion and Analysis on page P-63 of this Annual Report under the caption "Severance and Change-of-Control Arrangements" for information on the severance and change of control agreements in place with Transocean's executive officers, and regarding the potential payments in the event of termination of service of an executive officer or a change in control of Transocean.

8. Auditor

8.1 Duration of the mandate and term of office of the lead auditors

Under the Company's Articles of Association, the shareholders elect the Company's independent statutory auditor each year at the annual general meeting. Re-election is permitted. The Company's independent Swiss auditor is Ernst & Young Ltd, Zurich, Maagplatz 1, CH-8010 Zurich. Ernst & Young Ltd assumed its first audit mandate for Transocean in 2008. Ernst & Young Ltd was last re-elected as the Company's auditor at the annual general meeting in May 2012.

The responsible lead audit partner at Ernst & Young Ltd as of December 31, 2012 is Robin Errico. Robin Errico has been the responsible lead audit partner at Ernst & Young Ltd since 2008. In accordance with Article 730a Para. 2 CO, the rotation frequency of the responsible lead audit partner is seven years.

For purposes of U.S. securities law reporting, Ernst & Young LLP, Houston, Texas, serves as the Company's independent registered public accounting firm. The Company's independent registered public accounting firm is appointed annually by the Audit Committee of the Board, subject to ratification by the annual general meeting.

8.2/8.3 *Auditing Fees / Additional Fees*

Please refer to page P-83 of this Annual Report under the caption "Fees Paid to Ernst & Young."

8.4 Informational Instruments Pertaining to the External Audit

Please refer to page P-35 of this Annual Report under the caption "Audit Committee Report" and to page P-84 *et seq.* of this Annual Report under the caption "Audit Committee Pre-Approval of Audit and Non-Audit Services."

9. Information Policy

The Company reports its financial results quarterly with an earnings press release.

The Company's 2013 annual general meeting is to be held on May 17, 2013 at the Theater Casino Zug, CH-6300 Zug, Switzerland.

All registered shareholders and all shareholders in the United States that hold their shares through a U.S. bank or brokerage or other nominee receive a copy of the Transocean Annual Report and Invitation and Proxy Statement, or a notice that such documents are available. The Annual Report contains an overview of Transocean's business in the fiscal year, audited financial statements for the group and the Company, the Corporate Governance Report and other key financial and business information. The Invitation and Proxy Statement includes a description of the matters to be acted upon at the annual general meeting of shareholders, a compensation report on executive officers and directors' compensation, and other disclosures required under applicable Swiss and U.S. laws.

Transocean holds public conference calls after its quarterly earnings releases to discuss the results and present an opportunity for institutional analysts to ask questions of the Chief Executive Officer and Chief Financial Officer.

These events are webcast and remain available on Transocean's Investor Relations website for a period of time after the events. Transocean's management also regularly participates in institutional investor seminars and road shows, many of which are also webcast.

Our Investor Relations website is located at http://www.deepwater.com/fw/main/Investor-Relations-272.html. We post and maintain an archive of our earnings and other press releases, current reports, annual and quarterly reports, earnings release schedule, information regarding annual general meetings, further information on corporate governance, and other information regarding the Company on the Investor Relations website. The information we post includes, and in the future will include, filings we make with the SEC, including reports on Forms 8-K, 10-K, 10-Q, and our proxy statement related to our annual general meeting, including our compensation report on executive officers and directors' compensation, and any amendments to those reports or statements filed or furnished pursuant to U.S. securities laws. All such filings and information are available free of charge on our web site, and we make them available on the web site as soon as reasonably possible after we file or furnish them with the SEC. The contents of these web sites are not intended to be incorporated by reference into this Report or in any other report or document we file and our references to these websites are intended to be inactive textual references only.

In addition, Transocean publishes press releases upon the occurrence of significant events within Transocean.

Shareholders and members of the public may elect to receive e-mails when Transocean issues press releases upon the occurrence of significant events within Transocean or other press releases by subscribing through http://www.deepwater.com/fw/main/Investor-Relations-272.html. As a Swiss company whose shares are traded on SIX, and as a company subject to the provisions of Section 16 of the Securities Exchange Act of 1934, as amended, we file reports on transactions in Transocean securities by directors and executive officers. The reports that we file with the SEC on Forms 3, 4 and 5 may be accessed on our website or on the SEC's website at http://www.sec.gov, and the reports that we file that are published by the SIX may be accessed at http://www.six-exchange-regulation.com/obligations/management_transactions_en.html.

Annex 1

Subsidiaries of Transocean Ltd.

as of December 31, 2012

Entities as of December 31, 2012	Jurisdiction	Registered City	Value Issued	Currency	Interest
15375 Memorial Corporation	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Adriatic 8 Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Aguas Profundas, Limitada	Angola	Luanda	14,195,000.00	(Angolan) Kwanza	60.00
Angola Deepwater Drilling Company (Offshore Services) Ltd	Cayman Islands	Grand Cayman	0.01	(United States) Dollar	65.00
Angola Deepwater Drilling Company (Operations) Ltd	Cayman Islands	Grand Cayman	0.01	(United States) Dollar	65.00
Angola Deepwater Drilling Company Ltd	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	65.00
AngoSantaFe—Prestacao de Servicos Petroliferos, Limitada	Angola	Luanda	17,220,000.00	(Angolan) Kwanza	49.00
Applied Drilling Technology Inc.	Texas	Austin	1,000.00	(United States) Dollar	100.00
Arcade Drilling AS	Norway	Stavanger	108,032,625.00	(Norway) Krone	100.00
Ashgrove Carriers Ltd.	Liberia	Monrovia	100.00	(United States) Dollar	100.00
Asie Sonat Offshore Sdn. Bhd.	Malaysia	Kuala Lumpur	49,002.00	(Malaysia) Ringgit	100.00
Blegra Asset Holdings Limited	Cyprus	Limassol	1,710.00	(European Union) Euro	100.00
Blegra Asset Management Limited	Cyprus	Limassol	1,710.00	(European Union) Euro	100.00
Blegra Financing Limited	Cyprus	Limassol	1,710.00	(European Union) Euro	100.00
Blegra Holdings Limited	Cyprus	Limassol	1,710.00	(European Union) Euro	100.00
Campeche Drilling Services Inc.	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Challenger Minerals (Accra) Inc.	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Challenger Minerals (Celtic Sea) Limited	British Virgin Islands	Tortola	1.00	(United States) Dollar	100.00
Challenger Minerals (Ghana) Limited	Ghana	Accra	57,500.00	(Ghanaian) Cedi	100.00
Challenger Minerals Assets Limited	Scotland	Aberdeen	1.00	(Great Britain) Pound	100.00
Challenger Minerals Inc.	California	Sacramento	5,101,000.00	(United States) Dollar	100.00
Cliffs Drilling do Brasil Servicos de Petroleo Ltda.	Brazil	Macae	208,669.00	(Brazil) Real	100.00
Constellation II Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Covent Garden—Servicos e Marketing, Sociedade Unipessoal Lda	Portugal	Madeira	208,524,320.20	(European Union) Euro	100.00
Deepwater Drilling II L.L.C.	Delaware	Dover			100.00
Deepwater Drilling L.L.C.	Delaware	Dover			100.00
Deepwater Pacific 1 Inc.	British Virgin Islands	Tortola	1,000.00	(United States) Dollar	100.00
Deepwater Pacific 2 Inc.	British Virgin Islands	Tortola	500.00	(United States) Dollar	100.00
DR Stewart Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Eaton Industries of Houston, Inc.	Texas	Austin	419.00	(United States) Dollar	100.00
Elder Trading Co.	Liberia	Monrovia	100.00	(United States) Dollar	100.00
Entities Holdings, Inc.	Delaware	Dover	10,000.00	(United States) Dollar	100.00
Falcon Atlantic Ltd.	Cayman Islands	Grand Cayman	1,100.00	(United States) Dollar	100.00
Fortress Energy Services LLC	Oman	Muttrah	250,000.00	(Oman) Rial	49.00
Global Dolphin Drilling Company Limited	India	Mumbai	500,000.00	(India) Rupee	40.00
Global Marine Inc.	Delaware	Dover	10.00	(United States) Dollar	100.00
Global Mining Resources, Inc.	Philippines	Makati	50,012.00	(Philippines) Peso	40.00
Global Offshore Drilling Limited	Nigeria	Lagos	500,000.00	(Nigeria) Naira	100.00
GlobalSantaFe (Labuan) Inc.	Malaysia	Jalan Kemajuan	1.00	(United States) Dollar	100.00
GlobalSantaFe (Norge) AS	Norway	Sandnes	100,000.00	(Norway) Krone	100.00
GlobalSantaFe Arctic Ltd.	Nova Scotia	Halifax			100.00
GlobalSantaFe B.V.	Netherlands	Amsterdam Zuidoost	18,200.00	(European Union) Euro	100.00
GlobalSantaFe Beaufort Sea Inc.	Delaware	Dover	1,000.00	(United States) Dollar	100.00
GlobalSantaFe C.R. Luigs Limited	England	London	1,000.00	(Great Britain) Pound	100.00
GlobalSantaFe Campeche Holdings LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
GlobalSantaFe Caribbean Inc.	California	Sacramento	25,000.00	(United States) Dollar	100.00
GlobalSantaFe Communications, Inc.	Delaware	Dover	1,000.00	(United States) Dollar	100.00
GlobalSantaFe Corporate Services Inc.	Delaware	Sacramento	1,000.00	(United States) Dollar	100.00
GlobalSantaFe de Venezuela Inc.	Delaware	Dover	10,000.00	(United States) Dollar	100.00
GlobalSantaFe Deepwater Drilling LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00

Entities as of December 31, 2012	Jurisdiction	Registered City	Value Issued	Currency	Interest
GlobalSantaFe Denmark Holdings ApS	Denmark	Copenhagen	125,000.00	(Denmark) Krone	100.00
GlobalSantaFe Development Inc.	California	Sacramento	1,000.00	(United States) Dollar	100.00
GlobalSantaFe do Brasil Ltda.	Brazil	Rio de Janeiro	6,356,380.00	(Brazil) Real	100.00
GlobalSantaFe Drilling (N.A.) N.V.	Netherlands Antilles	Willemstad	6,452.00	(United States) Dollar	100.00
GlobalSantaFe Drilling (South Atlantic) Inc.	Cayman Islands	Grand Cayman	25,001.00	(United States) Dollar	100.00
GlobalSantaFe Drilling Company	Delaware	Dover	100.00	(United States) Dollar	100.00
GlobalSantaFe Drilling Company (Canada) Limited	Nova Scotia	Halifax			100.00
GlobalSantaFe Drilling Company (North Sea) Limited	England	London	200.00	(Great Britain) Pound	100.00
GlobalSantaFe Drilling Company (Overseas) Limited	England	London	100.00	(Great Britain) Pound	100.00
GlobalSantaFe Drilling Mexico, S. de R.L. de C.V.	Mexico	Mexico City	3,000.00	(Mexico) Peso	100.00
GlobalSantaFe Drilling Operations Inc.	Cayman Islands	Grand Cayman	1,006.00	(United States) Dollar	100.00
GlobalSantaFe Drilling Services (North Sea) Limited	England	London	100.00	(Great Britain) Pound	100.00
GlobalSantaFe Drilling Trinidad LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
GlobalSantaFe Drilling Venezuela, C.A.	Venezuela	Caracas	12,230,000,000.00	(Venezuela) Bolivar	100.00
GlobalSantaFe Financial Services (Luxembourg) S.a.r.l.	Luxembourg	Munsbach	17,962,000.00	(United States) Dollar	100.00
GlobalSantaFe GOM Services Inc.	British Virgin Islands	Tortola	1,000.00	(United States) Dollar	100.00
GlobalSantaFe Group Financing Limited Liability Company	Hungary	Budapest	15,000.00	(United States) Dollar	100.00
GlobalSantaFe Holding Company (North Sea) Limited	England	London	891.00	(Great Britain) Pound	100.00
GlobalSantaFe Hungary Services Limited Liability Company	Hungary	Budapest	96,000.00	(United States) Dollar	100.00
GlobalSantaFe International Drilling Corporation	Bahamas	Nassau	154.00	(United States) Dollar	100.00
GlobalSantaFe International Drilling Inc.	British Virgin Islands	Tortola	11.00	(United States) Dollar	100.00
GlobalSantaFe International Services Inc.	Panama	Costa del Este	439,200.00	(United States) Dollar	100.00
GlobalSantaFe Leasing Corporation	Bahamas	Nassau	10.00	(United States) Dollar	100.00
GlobalSantaFe Leasing Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
GlobalSantaFe Mexico Holdings LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
GlobalSantaFe Nederland B.V.	Netherlands	Amsterdam Zuidoost	19,000.00	(European Union) Euro	100.00
GlobalSantaFe Offshore Services Inc.	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
GlobalSantaFe Operations (Australia) Pty Ltd	Western Australia	Lane Cove	1.00	(Australia) Dollar	100.00
GlobalSantaFe Operations (BVI) Inc.	Cayman Islands	Grand Cayman	31.00	(United States) Dollar	100.00
GlobalSantaFe Operations (Mexico) LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
GlobalSantaFe Operations Inc.	Cayman Islands	Grand Cayman	16.53	(United States) Dollar	100.00
GlobalSantaFe Overseas Limited	Bahamas	Nassau	10.00	(United States) Dollar	100.00
GlobalSantaFe Saudi Arabia Ltd.	British Virgin Islands	Tortola	1.00	(United States) Dollar	100.00
GlobalSantaFe Services (BVI) Inc.	Cayman Islands	Grand Cayman	477.00	(United States) Dollar	100.00
GlobalSantaFe Services Netherlands B.V.	Netherlands	Amsterdam Zuidoost	30,800.00	(European Union) Euro	100.00
GlobalSantaFe Servicios de Venezuela, C.A.	Venezuela	El Rosal, Caracas	95,759,000.00	(Venezuela) Bolivar	100.00
GlobalSantaFe South America LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
GlobalSantaFe Southeast Asia Drilling Pte. Ltd.	Singapore	Singapore	1.00	(United States) Dollar	100.00
GlobalSantaFe Tampico, S. de R.L. de C.V.	Mexico	Mexico City	3,000.00	(Mexico) Peso	100.00
GlobalSantaFe Techserv (North Sea) Limited	England	London	100.00	(Great Britain) Pound	100.00
GlobalSantaFe U.S. Drilling Inc.	Delaware	Dover	1,000.00	(United States) Dollar	100.00
GlobalSantaFe U.S. Holdings Inc.	Delaware	Dover	1.00	(United States) Dollar	100.00
GlobalSantaFe West Africa Drilling Limited	Bahamas	Nassau	333,500,010.00	(United States) Dollar	100.00
GSF Caymans Holdings Inc.	Cayman Islands	Grand Cayman	10.00	(United States) Dollar	100.00
GSF Leasing Services GmbH	Switzerland	Zug	962,670,000.00	(Switzerland) Franc	100.00
Hellerup Finance International	Ireland	Dublin	1,000,000.00	(United States) Dollar	100.00
Indigo Drilling Limited	Nigeria	Lagos	10,000,000.00	(Nigeria) Naira	70.00
Intermarine Services (International) Limited	Bahamas	Nassau	10.00	(United States) Dollar	100.00
Intermarine Services Inc.	Texas	Austin	1,000.00	(United States) Dollar	100.00
Intermarine Servicos Petroliferos Ltda.	Brazil	Rio de Janeiro	22,438,500.00	(Brazil) Real	100.00
International Chandlers, Inc.	Texas	Austin	1,000.00	(United States) Dollar	100.00
Key Perfuracoes Maritimas Limitada	Brazil	Rio de Janeiro	754,000.00	(United States) Dollar	100.00
Minerales Submarinos Mexicanos S.A.	Mexico	Mexico City			19.50
Nickel Development Inc.	Philippines	Makati	100,000.00	(Philippines) Peso	40.00
NRB Drilling Services Limited	Nigeria	Lagos	100,000.00	(Nigeria) Naira	60.00

Entities as of December 31, 2012	Jurisdiction	Registered City	Value Issued	Currency	Interest
Oilfield Services, Inc.	Cayman Islands	Grand Cayman	2.00	(United States) Dollar	100.00
P.T. Santa Fe Supraco Indonesia	Indonesia	Jakarta Selatan	8,300,000.00	(United States) Dollar	95.00
Platform Capital N.V.	Netherlands Antilles	Willemstad	249,600,734.00	(United States) Dollar	100.00
Platform Financial N.V.	Netherlands Antilles	Willemstad	6,215.00	(United States) Dollar	100.00
PT. Transocean Indonesia	Indonesia	Jakarta Selatan	331,000.00	(United States) Dollar	100.00
R&B Falcon (A) Pty Ltd	Western Australia	Perth	2.00	(United States) Dollar	100.00
R&B Falcon (Caledonia) Limited	England	London	98.00	(Great Britain) Pound	100.00
R&B Falcon (Ireland) Limited	Ireland	Dublin	2.54	(European Union) Euro	100.00
R&B Falcon (M) Sdn. Bhd.	Malaysia	Kuala Lumpur	220,000.00	(Malaysia) Ringgit	49.00
R&B Falcon (U.K.) Limited	England & Wales	London	100.00	(Great Britain) Pound	100.00
R&B Falcon B.V.	Netherlands	Rotterdam	18,000.00	(European Union) Euro	100.00
R&B Falcon Deepwater (UK) Limited	England	London	1.00	(Great Britain) Pound	100.00
R&B Falcon Drilling (International & Deepwater) Inc. LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
R&B Falcon Drilling Co. LLC	Oklahoma	Oklahoma City	1,000.00	(United States) Dollar	100.00
R&B Falcon Drilling Limited LLC	Oklahoma	Oklahoma City	1,000.00	(United States) Dollar	100.00
R&B Falcon Exploration Co., LLC	Oklahoma	Oklahoma City	1,000.00	(United States) Dollar	100.00
R&B Falcon International Energy Services B.V.	Netherlands	Rotterdam	135,000.00	(European Union) Euro	100.00
R&B Falcon Offshore Limited, LLC	Oklahoma	Oklahoma City	1,000.00	(United States) Dollar	100.00
R&B Falcon, Inc. LLC	Oklahoma	Oklahoma City	1,000.00	(United States) Dollar	100.00
Ranger Insurance Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
RB Mediterranean Ltd.	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
RBF Drilling Co. LLC	Oklahoma	Oklahoma City	1,000.00	(United States) Dollar	100.00
RBF Drilling Services, Inc. LLC	Oklahoma	Oklahoma City	1,000.00	(United States) Dollar	100.00
RBF Exploration LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
RBF Finance Co.	Delaware	Dover	2.50	(United States) Dollar	100.00
RBF Rig Corporation, LLC	Oklahoma	Oklahoma City	100,000.00	(United States) Dollar	100.00
Reading & Bates Coal Co., LLC	Nevada	Carson City	1,000.00	(United States) Dollar	100.00
Reading & Bates Demaga Perfuraçoes Ltda.	Brazil	Rio de Janeiro	22,000.00	(Brazil) Real	100.00
Resource Rig Supply Inc.	Delaware	Dover	5,000.00	(United States) Dollar	100.00
Rig 127 Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Rig 134 Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Safemal Drilling Sdn. Bhd.	Malaysia	Miri Sarawak	750,000.00	(Malaysia) Ringgit	100.00
Santa Fe Braun Inc.	Delaware	Dover	500,000.00	(United States) Dollar	100.00
Santa Fe Construction Company	Delaware	Dover	5,000.00	(United States) Dollar	100.00
Santa Fe Drilling Company (U.K.) Limited	England	London	10,000.00	(Great Britain) Pound	100.00
Santa Fe Drilling Company of Venezuela, C.A.	California	Sacramento	100,000.00	(United States) Dollar	100.00
Santa Fe Servicos de Perfuracao Limitada	Brazil	Macae	500.00	(Brazil) Real	100.00
Saudi Drilling Company Limited	Saudi Arabia	Dhahran	1,500,000.00	(Saudi Arabia) Riyal	100.00
SDS Offshore Limited	England	London	1,000.00	(Great Britain) Pound	100.00
Sedco Forex Holdings Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Sedco Forex International Services, S.A.	Panama	Costa del Este	500.00	(United States) Dollar	100.00
Sedco Forex International, Inc.	Panama	Costa del Este	1,000.00	(United States) Dollar	100.00
Sedco Forex of Nigeria Limited	Nigeria	Lagos	10,000,000.00	(Nigeria) Naira	64.68
Sedco Forex Technology, Inc.	Panama	Costa del Este	10,000.00	(United States) Dollar	100.00
Sedneth Panama, S.A.	Panama	Costa del Este	80,000.00	(United States) Dollar	100.00
Sefora Maritime Limited	Cayman Islands	Grand Cayman	3,500,000.00	(United States) Dollar	100.00
Services Petroliers Transocean	France	Courbevoie	300,000.00	(European Union) Euro	100.00
Servicios Petroleros Santa Fe, S.A.	Venezuela	Caracas	5,000,000.00	(Venezuela) Bolivar	49.00
Shore Services, LLC	Texas	Austin	100,000.00	(United States) Dollar	100.00
Sonat Offshore do Brasil Perfuracoes Maritimas Ltda.	Brazil	Rio de Janeiro	225,348.98	(Brazil) Real	100.00
Sonat Offshore S.A.	Panama	Costa del Este	1,000.00	(United States) Dollar	100.00
T. I. International Mexico S. de R.L. de C.V.	Mexico	Colonia Juarez	0.00	(Mexico) Peso	100.00
TODDI Holdings LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean 1 AS	Norway	Stavanger	116,284.00	(Norway) Krone	100.00
Transocean Africa Drilling Limited	Cayman Islands	Grand Cayman	0.01	(United States) Dollar	100.00

Entities as of December 31, 2012	Jurisdiction	Registered City	Value Issued	Currency	Interest
Transocean Alaskan Ventures Inc.	Delaware	Dover	10.00	(United States) Dollar	100.00
Transocean Arctic Limited	Cayman Islands	Grand Cayman	0.01	(United States) Dollar	100.00
Transocean Asia Services Sdn Bhd	Malaysia	50490 Kuala Lumpur	500,000.00	(Malaysia) Ringgit	100.00
Transocean Barents ASA	Norway	Stavanger	1,100,000.00	(Norway) Krone	100.00
Transocean Benefit Services Srl	Barbados	St. Michael	1,000.00	(United States) Dollar	100.00
Transocean Brasil Ltda.	Brazil	Macae	407,653,729.00	(Brazil) Real	100.00
Transocean Britannia Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Canada Co.	Nova Scotia	Halifax	1,000.00	(United States) Dollar	100.00
Transocean Canada Drilling Services Ltd.	Nova Scotia	Halifax	10.00	(United States) Dollar	100.00
Transocean Construction Management Ltd.	Cayman Islands	Grand Cayman	0.01	(United States) Dollar	100.00
Transocean Cunningham LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Cyprus Capital Management Public Limited	Cyprus	Nicosia	160,000.00	(European Union) Euro	100.00
Transocean Cyprus Drilling Operations Public Limited	Cyprus	Nicosia	30,000.00	(European Union) Euro	99.98
Transocean Deepwater Drilling Services Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Deepwater Frontier Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean Deepwater Holdings Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean Deepwater Inc.	Delaware	Dover	10.00	(United States) Dollar	100.00
Transocean Deepwater Mauritius	Mauritius	Ebene	1.00	(United States) Dollar	100.00
Transocean Deepwater Nautilus Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean Deepwater Pathfinder Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean Discoverer 534 LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Drilling (Nigeria) Ltd.	Nigeria	Lagos	2,500,000.00	(Nigeria) Naira	100.00
Transocean Drilling (U.S.A.) Inc.	Texas	Austin	10,000.00	(United States) Dollar	100.00
Transocean Drilling Israel Ltd.	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Drilling Limited	Scotland	Aberdeen	100,000.00	(Great Britain) Pound	100.00
Transocean Drilling Namibia Inc.	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Drilling Offshore International Limited	Cayman Islands	Grand Cayman	0.01	(United States) Dollar	100.00
Transocean Drilling Offshore S.a.r.l.	Luxembourg	Luxembourg	20,000.00	(United States) Dollar	100.00
Transocean Drilling Offshore Ventures Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean Drilling Resources Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Drilling Sdn. Bhd.	Malaysia	Kuala Lumpur	350,000.00	(Malaysia) Ringgit	40.00
Transocean Drilling Services (India) Private Limited	India	Mumbai	40,000,000.00	(India) Rupee	100.00
Transocean Drilling Services Inc.	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Drilling Services Offshore Inc.	British Virgin Islands	Tortola	101.00	(United States) Dollar	69.31
Transocean Drilling Turkey Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Drilling U.K. Limited	Scotland	Aberdeen	1,220.00	(Great Britain) Pound	100.00
Transocean Eastern Pte. Ltd.	Singapore	Singapore	500,000.00	(Singapore) Dollar	100.00
Transocean Enterprise Inc.	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Finance Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean Financing GmbH	Switzerland	Zug	495,869,700.00	(Switzerland) Franc	100.00
Transocean GSF Monitor Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Holdings LLC	Delaware	Dover	10,000.00	(United States) Dollar	100.00
Transocean Hungary Holdings LLC	Hungary	Budapest	3,000.00	(United States) Dollar	100.00
Transocean Inc.	Cayman Islands	Grand Cayman	3,192,886.32	(United States) Dollar	100.00
Transocean Inc. Luxembourg Asset Management S.C.S.	Luxembourg	Luxembourg	1,000.00	(United States) Dollar	100.00
Transocean India Limited	Cayman Islands	Grand Cayman	0.01	(United States) Dollar	100.00
Transocean International Drilling Inc.	Delaware	Dover	10.00	(United States) Dollar	100.00
Transocean International Drilling Limited	Cayman Islands	Grand Cayman	1,192.00	(United States) Dollar	100.00
Transocean International Holdings Limited	Cayman Islands	Grand Cayman	0.01	(United States) Dollar	100.00
Transocean International Resources, Limited	British Virgin Islands	Tortola	10,000.00	(United States) Dollar	100.00
Transocean Investimentos Ltda.	Brazil	Macae	4,000,000.00	(Brazil) Real	100.00
Transocean Investments S.a.r.l.	Luxembourg	Luxembourg	12,500.00	(European Union) Euro	100.00
Transocean Jupiter LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Labrador Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean LR34 LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00

Entities as of December 31, 2012	Jurisdiction	Registered City	Value Issued	Currency	Interest
Transocean Magellan Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Management Inc.	Delaware	Dover	10.00	(United States) Dollar	100.00
Transocean Management Ltd.	Switzerland	Vernier	100,000.00	(Switzerland) Franc	100.00
Transocean Marine Limited	Cayman Islands	Grand Cayman	0.01	(United States) Dollar	100.00
Transocean Mediterranean LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Nautilus Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean North Africa Inc.	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean North Sea Limited	Bahamas	Nassau	10.00	(United States) Dollar	100.00
Transocean Norway Drilling AS	Norway	Stavanger	299,194,832.00	(Norway) Krone	100.00
Transocean Norway Operations AS	Norway	Stavanger	1,000,000.00	(Norway) Krone	100.00
Transocean Norway Operations Support AS	Norway	Stavanger	100,000.00	(Norway) Krone	100.00
Transocean Offshore (Cayman) Inc.	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean Offshore (North Sea) Ltd.	Cayman Islands	Grand Cayman	100.00	(United States) Dollar	100.00
Transocean Offshore (U.K.) Inc.	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Offshore Canada Services Ltd.	Nova Scotia	Halifax	0.00	(United States) Dollar	100.00
Transocean Offshore Caribbean Sea, L.L.C.	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Offshore D.V. Inc.	Delaware	Dover	10.00	(United States) Dollar	100.00
Transocean Offshore Deepwater Drilling Inc.	Delaware	Dover	10.00	(United States) Dollar	100.00
Transocean Offshore Deepwater Holdings Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean Offshore Drilling Limited	England	London	2,000,002.00	(Great Britain) Pound	100.00
Transocean Offshore Drilling Services LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Offshore Europe Limited	Cayman Islands	Grand Cayman	4,384.30	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea II Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea III Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea IV Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea V Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea VI Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea VII Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Holdings Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean Offshore International Limited	Cayman Islands	Grand Cayman	2,500.00	(United States) Dollar	100.00
Transocean Offshore International Ventures Limited	Cayman Islands	Grand Cayman	591,504,000.00	(United States) Dollar	100.00
Transocean Offshore Limited	Cayman Islands	Grand Cayman	3.36	(United States) Dollar	100.00
Transocean Offshore Management Services Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Offshore Nigeria Limited	Nigeria	Lagos	1,250,000.00	(Nigeria) Naira	100.00
Transocean Offshore Norway Inc.	Delaware	Dover	10,000.00	(United States) Dollar	100.00
Transocean Offshore Norway Services AS	Norway	Stavanger	1,000,000.00	(Norway) Krone	100.00
Transocean Offshore PR Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Offshore Services Ltd.	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Offshore USA Inc.	Delaware	Dover	10,000.00	(United States) Dollar	100.00
Transocean Offshore Ventures Inc.	Delaware	Dover	10,000.00	(United States) Dollar	100.00
Transocean Onshore Support Services Limited	Scotland	Aberdeen	1.00	(Great Britain) Pound	100.00
Transocean Pacific Drilling Holdings Limited	Cayman Islands	Grand Cayman	10.00	(United States) Dollar	100.00
Transocean Pacific Drilling Inc.	British Virgin Islands	Tortola	500.00	(United States) Dollar	100.00
Transocean Payroll Services SRL	Barbados	St. Michael	1,000.00	(Barbados) Dollar	100.00
Transocean Perfuracoes Ltda.	Brazil	Macae	1,000.00	(Brazil) Real	100.00
Transocean Rig 140 Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Rig Management Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Rig Services Offshore LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Sedco Forex Ventures Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean Services AS	Norway	Stavanger	13,000,000.00	(Norway) Krone	100.00
Transocean Services Offshore LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Services UK Limited	England	London	6,700,000.00	(Great Britain) Pound	100.00
Transocean Seven Seas LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Spitsbergen ASA	Norway	Stavanger	1,000,000.00	(Norway) Krone	100.00

Entities as of December 31, 2012	Jurisdiction	Registered City	Value Issued	Currency	Interest
Transocean Support Services Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean Support Services Nigeria Limited	Nigeria	Lagos	10,000,000.00	(Nigeria) Naira	70.00
Transocean Support Services Private Limited	India	Mumbai	100,000.00	(India) Rupee	100.00
Transocean Technical Services Inc.	Panama	Costa del Este	10,000.00	(United States) Dollar	100.00
Transocean Technology Innovations LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Treasury Services SRL	Barbados	St. Michael	1,000.00	(Barbados) Dollar	100.00
Transocean Trident VI Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Trident XVII Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean UK Limited	England	London	1.00	(Great Britain) Pound	100.00
Transocean Ventures Holdings GmbH	Switzerland	Zug	600,000,000.00	(Switzerland) Franc	100.00
Transocean West Africa Holdings Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean West Africa South Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Worldwide Inc.	Cayman Islands	Grand Cayman	0.01	(United States) Dollar	100.00
Trident 4 Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Triton Asset Leasing GmbH	Switzerland	Zug	1,164,300,000.00	(Switzerland) Franc	100.00
Triton Drilling Limited	Cayman Islands	Grand Cayman	40,000.00	(United States) Dollar	100.00
Triton Drilling Mexico LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Triton Financing LLC	Hungary	Budapest	593,268,018.92	(United States) Dollar	100.00
Triton Holdings Limited	British Virgin Islands	Tortola	10,000.00	(United States) Dollar	100.00
Triton Hungary Asset Management LLC	Hungary	Budapest	1,750,015,000.00	(United States) Dollar	100.00
Triton Hungary Investments 1 Limited Liability Company	Hungary	Budapest	81,692.00	(United States) Dollar	100.00
Triton Industries, Inc.	Panama	Costa del Este	1,000.00	(United States) Dollar	100.00
Triton Management Services LLC	Hungary	Budapest	3,000,000.00	(Hungary) Forint	100.00
Triton Nautilus Asset Leasing GmbH	Switzerland	Zug	358,590,000.00	(Switzerland) Franc	100.00
Triton Nautilus Asset Management LLC	Hungary	Budapest	520,020,447.00	(United States) Dollar	100.00
Triton Offshore Leasing Services Limited	Malaysia	Jalan Kemajuan	10,000.00	(United States) Dollar	100.00
Triton Pacific Limited	England	London	1.00	(Great Britain) Pound	100.00
TSSA—Servicos de Apoio, Lda.	Angola	Luanda	95,000.00	(Angolan) Kwanza	65.00
Turnkey Ventures de Mexico Inc.	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Wilrig Offshore (UK) Limited	England	London	50,000.00	(Great Britain) Pound	100.00

BOARD OF DIRECTORS

J. Michael Talbert
Chairman
Transocean Ltd.

Glyn Barker
Former Vice Chairman-U.K.
PricewaterhouseCoopers LLP

Jagjeet S. Bindra
Former President
Chevron Global Manufacturing

Thomas W. Cason
Former Senior Vice President and
Chief Financial Officer
Baker Hughes Incorporated

Vanessa C.L. Chang
Director
EL & EL Investments

Chad Deaton
Executive Chairman
Baker Hughes Incorporated

Tan Ek Kia
Former Vice President, Ventures
and Developments, Asia Pacific
and Middle East Region
Shell Chemicals

Steve Lucas
Former Group Finance Director
National Grid plc

Martin B. McNamara
Former Partner
Gibson, Dunn & Crutcher, LLP

Edward R. Muller
Former Chairman and
Chief Executive Officer
GenOn Energy, Inc.

Steven L. Newman
President and
Chief Executive Officer
Transocean Ltd.

Robert M. Sprague
Former Executive
Royal Dutch/Shell

Ian C. Strachan
Former Chairman
Instinet Group Incorporated

EXECUTIVE OFFICERS

Steven L. Newman
President and Chief Executive Officer

Esa T. Ikäheimonen
Executive Vice President and Chief Financial Officer

Allen M. Katz
Interim Senior Vice President and General Counsel

John B. Stobart
Executive Vice President and Chief Operating Officer

Ihab M. Toma
Executive Vice President,
Chief of Staff

David Tonnel
Senior Vice President,
Finance and Controller

CORPORATE INFORMATION

Registered Address
Transocean Ltd.
Turmstrasse 30
CH-6300
Zug, Switzerland
Phone: +41 (41) 749 05 00

Shareholder correspondence should be mailed to:
Computershare
P.O. Box 43006
Providence, RI 02940-3006

Overnight correspondence should be mailed to:
Computershare
250 Royall Street
Canton, MA 02021

Shareholder toll free line
1 877 397 7229
1 201 680 6578 (for callers outside the United States)

Shareholder website
www.computershare.com/investor

Shareholder online inquiries
https://www-us.computershare.com/investor/Contact

Direct Purchase Plan
Computershare, the Transfer Agent for Transocean Ltd., offers a direct purchase and sale plan for the shares of Transocean Ltd. called BuyDirect. For more information on BuyDirect, including a complete enrollment package, please contact Computershare at 1 877 397 7229 or 1 201 680 6578 for callers outside the United States.

Proxy solicitor
Innisfree M&A Incorporated
501 Madison Avenue
20th Floor
New York, NY 10022

Independent Registered Public Accounting Firm
Ernst & Young LLP
Houston, Texas

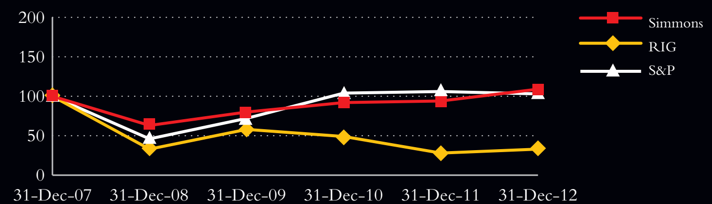
Swiss Auditor
Ernst & Young Ltd.
Zurich, Switzerland

Stock Exchange Listing
Transocean Ltd. shares are listed on the New York Stock Exchange (NYSE) under the symbol RIG and on the SIX Swiss Exchange under the symbol RIGN.

	(NYSE in USD) HIGH	LOW	(SIX in CHF) HIGH	LOW
2011				
First Quarter	85.98	68.89	79.95	64.60
Second Quarter	83.05	59.30	75.80	49.58
Third Quarter	65.39	47.70	55.25	36.52
Fourth Quarter	60.09	38.21	51.70	36.02
2012				
First Quarter	59.03	38.80	54.30	36.70
Second Quarter	56.36	39.32	50.80	37.92
Third Quarter	50.38	43.04	49.06	41.55
Fourth Quarter	49.50	43.65	46.62	40.18

Indexed Cumulative Total Shareholder Return
The graph below compares the cumulative total shareholder return of our shares, the Standard & Poor's ("S&P") 500 Stock Index and the Simmons & Company International Upstream Index over our last five fiscal years. The graph assumes that $100 was invested in our shares and the two indices on December 31, 2007, and that all dividends were reinvested on the date of payment.

December 31, 2007 - December 31, 2012



	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
RIG	$100.00	$33.00	$58.00	$49.00	$28.00	$33.00
Simmons	$100.00	$46.00	$72.00	$104.00	$106.00	$103.00
S&P	$100.00	$63.00	$80.00	$92.00	$94.00	$109.00

[1] The above Performance Graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

Financial Information
Financial analysts and shareholders desiring information about Transocean Ltd. should call Investor Relations at + 1 713 232 7500. Information may also be obtained by visiting the company's website at http://www.deepwater.com.

NYSE Annual CEO Certification and Sarbanes-Oxley Section 302 Certifications
We submitted the annual chief executive officer certification to the NYSE as required under the corporate governance rules of the NYSE. We also filed as an exhibit to our 2012 Annual Report on Form 10-K the chief executive officer certifications required under section 302 of the Sarbanes-Oxley Act of 2002.


Transocean
www.deepwater.com