

Transocean Ltd.  
Form 424B3  
February 21, 2018  
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Filed Pursuant to Rule 424(b)(3)

Registration Nos. 333-222894, 333-222894-01

## COMPULSORY ACQUISITION OF SHARES IN

Songa Offshore SE

by

Transocean Ltd.

Subscription Period: From and including 20 February 2018 to and including 20 March 2018 at 23:59 (CET)

This prospectus (the “Prospectus”) has been prepared by Transocean Ltd., a corporation incorporated under the laws of Switzerland (“Transocean” or the “Company”), in connection with a compulsory acquisition (squeeze-out) (the “Compulsory Acquisition”) of all remaining shares in Songa Offshore SE (the “Target” or “Songa Offshore,” and together with its consolidated subsidiaries, the “Songa Group”) not owned by Transocean. Such Compulsory Acquisition is governed by article 36 of the Cyprus Takeover Bids Law (L.41(I)/2007) as amended (the “Cyprus Takeover Bids Law”). The Compulsory Acquisition is initiated following completion of a voluntary tender offer (the “Voluntary Tender Offer”) resulting in Transocean acquiring shares of Songa Offshore representing 97.67% (on a fully diluted basis as of 30 January 2018) of the voting rights in Songa Offshore.

The consideration in the Compulsory Acquisition (the “Consideration”) per share of Songa Offshore (the “Songa Shares”) consists of either (i) or (ii) below:

- (i) A combination of (a) 0.35724 newly issued shares of Transocean (the “New Consideration Shares”), each with a par value of 0.10 Swiss franc (“CHF”), and (b) USD 2.99726 principal amount of 0.5% Exchangeable Senior Bonds due 2023, which are exchangeable into shares of Transocean (“Shares”), par value CHF 0.10 per share (the “New Exchangeable Bonds”), to be issued by Transocean Inc. (“TINC”), an exempted company incorporated under the laws of the Cayman Islands and a wholly owned subsidiary of Transocean, subject to the terms and conditions set forth in this Prospectus ((a) and (b) together referred to as the “Consideration in Kind”). In addition, each Songa Offshore shareholder will have the option to instead elect to receive an amount in cash of NOK 47.50 per Songa Share up to a maximum of NOK 125,000 per shareholder in lieu of some or all of the New Consideration Shares and New Exchangeable Bonds such shareholder would otherwise be entitled to receive (the “Partial Cash Consideration”); or
- (ii) An amount in cash of NOK 47.50 (the “Full Cash Alternative”) in lieu of all of the New Consideration Shares and New Exchangeable Bonds such shareholder would otherwise be entitled to receive under (i) above.

The aggregate amount of Consideration in Kind paid to each Songa Offshore shareholder shall be comprised, as near as possible, of 50% New Consideration Shares and 50% New Exchangeable Bonds, with the election by such shareholder of Partial Cash Consideration, if elected, reducing first the aggregate number of New Exchangeable Bonds and second the aggregate number of New Consideration Shares such shareholder would otherwise be entitled to receive.

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Shareholders of Songa Offshore who wish to receive Consideration in Kind (with or without Partial Cash Consideration) in the Compulsory Acquisition must complete and sign the Subscription Form enclosed with this Prospectus as Appendix B and return it to the Settlement Agent prior to the expiration of the Subscription Period on 20 March 2018 at 23:59 (CET). Songa Offshore shareholders who do not respond or fail to submit duly executed Subscription Forms to the Settlement Agent before the expiration of the Subscription Period will instead receive the Full Cash Alternative.

Shareholders who wish to receive the Full Cash Alternative will not be required to take any action in respect of the Compulsory Acquisition during the Subscription Period.

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The Shares and the 0.5% Exchangeable Senior Bonds due 2023 issued by TINC in the Voluntary Tender Offer (the “Existing Exchangeable Bonds”) are listed on the New York Stock Exchange (the “NYSE”) under the symbols “RIG” and “RIG/23”, respectively. The Songa Shares are listed on the Oslo Stock Exchange under the symbol “SONG.” Each shareholder of Songa Offshore is encouraged to obtain current market quotations for Transocean’s and Songa Offshore’s shares in connection with its decision on the form of Consideration that it wishes to receive in the Compulsory Acquisition.

All of the Shares, including the New Consideration Shares and any Shares issuable upon exchange of the New Exchangeable Bonds, will rank pari passu with one another and each carry one vote. Except where the context otherwise requires, reference in this Prospectus to the Shares includes the New Consideration Shares and any Shares issuable upon exchange of the New Exchangeable Bonds.

In this Prospectus, the expression “Group” shall be understood to refer to the Company together with its consolidated subsidiaries (including the Songa Group), and the expression “Transocean Group” shall be understood to refer to the Group excluding the Songa Group. For definitions of certain other terms used throughout this Prospectus, see Section 20 “Definitions and Glossary of Terms.”

The offer of New Consideration Shares and New Exchangeable Bonds in the Compulsory Acquisition is not being made, and this Prospectus does not constitute an offer or solicitation in any jurisdiction or to any person, where the making, solicitation or acceptance of such offer would be in violation of the laws or regulations of such jurisdiction.

Neither the U.S. Securities Exchange Commission (the “SEC”) nor any U.S. state securities commission has approved or disapproved of the New Consideration Shares and New Exchangeable Bonds or passed upon the adequacy or accuracy of this Prospectus. Any representation to the contrary is a criminal offense.

Investing in the New Consideration Shares and the New Exchangeable Bonds involves a high degree of risk. See Section 2 “Risk Factors” beginning on page 17.

Financial Advisor and Settlement Agent

The date of this Prospectus is 16 February 2018

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IMPORTANT INFORMATION

This Prospectus has been prepared by Transocean in connection with the Compulsory Acquisition by Transocean of all remaining shares of Songa Offshore not owned by Transocean. Such Compulsory Acquisition is governed by article 36 of the Cyprus Takeover Bids Law.

This Prospectus has been prepared to comply with the Norwegian Securities Trading Act of 29 June 2007 no. 75 (the “Norwegian Securities Trading Act”) and related secondary legislation, including the Commission Regulation (EC) no. 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 regarding information contained in prospectuses, as amended and as implemented in Norway. This Prospectus has been prepared solely in the English language. The Financial Supervisory Authority of Norway (Nw.: Finanstilsynet) (the “Norwegian FSA”) has reviewed and approved this Prospectus in accordance with Sections 7-7 and 7-8 of the Norwegian Securities Trading Act on 16 February 2018. The Norwegian FSA has not controlled or approved the accuracy or completeness of the information included in this Prospectus. The approval by the Norwegian FSA only relates to the information included in accordance with pre-defined disclosure requirements. The Norwegian FSA has not made any form of control or approval relating to corporate matters described in or referred to in this Prospectus.

This Prospectus has further been prepared to comply with Section 652a of the Swiss Code of Obligations and the requirement set forth thereunder to establish an issue prospectus in the event a corporation incorporated under Swiss law publicly offers new shares for subscription.

In this Prospectus, the expression “Group” shall be understood to refer to the Company together with its consolidated subsidiaries (including the Songa Group), and the expression “Transocean Group” shall be understood to refer to the Group excluding the Songa Group. For definitions of certain other terms used throughout this Prospectus, see Section 20 “Definitions and Glossary of Terms.”

The Company has appointed Clarksons Platou Securities AS as its financial advisor and settlement agent in connection with the Compulsory Acquisition (the “Financial Advisor” or “Settlement Agent”).

The information contained herein is current as at the date hereof and subject to change, completion and amendment without notice. In accordance with Section 7-15 of the Norwegian Securities Trading Act, significant new factors, material mistakes or inaccuracies relating to the information included in this Prospectus, which are capable of affecting the assessment by investors of the New Consideration Shares and New Exchangeable Bonds between the time of approval of this Prospectus by the Norwegian FSA and the end of the Subscription Period, will be included in a supplement to this Prospectus. Neither the publication nor distribution of this Prospectus, nor the offer or sale of any New Consideration Share or New Exchangeable Bond, shall under any circumstances imply that there has been no change in the Group’s affairs or that the information herein is correct as at any date subsequent to the date of this Prospectus.

No person is authorised to give information or to make any representation concerning the Group or in connection with the Compulsory Acquisition or the offer and sale of the New Consideration Shares and New Exchangeable Bonds other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorised by the Company or the Financial Advisor or by any of the affiliates, representatives, advisors or selling agents of any of the foregoing.

The distribution of this Prospectus and the offer and sale of the New Consideration Shares and New Exchangeable Bonds in certain jurisdictions may be restricted by law. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the New Consideration Shares and New Exchangeable Bonds in any jurisdiction in which such offer or sale would be unlawful. Songa Offshore shareholders who are restricted from subscribing New Consideration

Shares and New Exchangeable Bonds as a result of the selling restrictions set out in this Prospectus, will receive the Full Cash Alternative in the Compulsory Acquisition.

Neither this Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with applicable laws and regulations. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. In addition, the New Consideration Shares and New Exchangeable Bonds are subject to restrictions on transferability and resale and may

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not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. See Section 7 “Selling and Transfer Restrictions.”

This Prospectus and the terms and conditions set out herein and any offer and sale of securities hereunder shall be governed by and construed in accordance with Norwegian law and, to the extent applicable, the federal laws of the United States, including the federal securities laws, and the laws of Cyprus.

In making an investment decision, prospective investors must rely on their own examination, and analysis of, and enquiry into the Group and the terms of the Compulsory Acquisition, including the merits and risks involved. None of the Company or the Financial Advisor, or any of their respective representatives or advisers, is making any representation to any offeree or purchaser of the New Consideration Shares and New Exchangeable Bonds regarding the legality of an investment in the New Consideration Shares and New Exchangeable Bonds by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the New Consideration Shares and New Exchangeable Bonds.

All Sections of the Prospectus should be read in context with the information included in Section 4 “General Information.”

NOTICE TO INVESTORS IN THE UNITED STATES

The offer of the New Consideration Shares and New Exchangeable Bonds is made for the securities of a non-U.S. company. The Compulsory Acquisition is subject to the disclosure requirements of Norway, which are different from those of the United States. Financial information of Songa Offshore included in this Prospectus have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and, accordingly, may not be comparable to the financial statements or other financial information of Transocean or other U.S. companies.

It may be difficult for you to enforce your rights and any claim you may have arising under the U.S. federal securities laws, since Transocean and TINC, as the issuers of the New Consideration Shares and New Exchangeable Bonds, are located in Switzerland and the Cayman Islands, respectively, and some or all of their respective officers and directors may not be U.S. residents. You may not be able to sue a Swiss or Cayman Islands company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. It may also be difficult to compel a Swiss or Cayman Islands company and their affiliates to subject themselves to a U.S. court’s judgment.

You should be aware that Transocean may purchase securities otherwise than under the Compulsory Acquisition, such as in open market or privately negotiated purchases.

The New Consideration Shares and New Exchangeable Bonds that will be issued in connection with the Compulsory Acquisition will be registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”), and will not be subject to any restrictions on transfer arising under the U.S. Securities Act and the U.S. Securities Exchange Act of 1934, as amended (the “U.S. Exchange Act”), except for New Consideration Shares and New Exchangeable Bonds issued to any Songa Offshore shareholder who may be deemed to be an “affiliate” of Transocean for purposes of Rule 144 under the U.S. Securities Act after the completion of the Compulsory Acquisition.

The Compulsory Acquisition is of the shares of a Cyprus company with shares listed for trading on the Oslo Stock Exchange, and matters of a legal nature related to the Compulsory Acquisition, as well as securities law issues, are

subject to Norwegian and Cyprus law. The provisions of the Norwegian and Cyprus law differ considerably from the corresponding U.S. legal provisions. Only a limited set of U.S. legal provisions apply to the Compulsory Acquisition and this Prospectus. With respect to the issuance of the New Consideration Shares, only a limited set of Swiss legal provisions apply to the Compulsory Acquisition and this Prospectus. The applicable procedural and disclosure requirements of Norwegian and Cyprus law are different than those of the U.S. securities laws in certain material respects.

Neither the SEC nor any U.S. state securities commission has approved or disapproved of the New Consideration Shares and New Exchangeable Bonds or passed upon the adequacy or accuracy of this Prospectus. Any representation to the contrary is a criminal offense.

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NOTICE TO INVESTORS IN THE UNITED KINGDOM

This Prospectus is only being distributed to and is only directed at persons in the United Kingdom that are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (ii) high net worth entities, and other persons to whom this Prospectus may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “UK Relevant Persons”). The New Consideration Shares and New Exchangeable Bonds are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the New Consideration Shares and New Exchangeable Bonds will be engaged in only with, UK Relevant Persons. Any person who is not a UK Relevant Person should not act or rely on this document or any of its contents, and will, to the extent such person holds shares in Songa Offshore, receive the Full Cash Alternative in the Compulsory Acquisition.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

In any member state of the European Economic Area (the “EEA”) that has implemented the EU Prospectus Directive (as defined below), other than Norway (each, a “Relevant Member State”), this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the EU Prospectus Directive. The Prospectus has been prepared on the basis that all offers of New Consideration Shares and New Exchangeable Bonds outside Norway will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus for offer of shares. Accordingly, any person making or intending to make any offer within the EEA of the New Consideration Shares and New Exchangeable Bonds that is the subject of the Compulsory Acquisition contemplated in this Prospectus within any EEA member state (other than Norway) should only do so in circumstances in which no obligation arises for the Company or the Financial Advisor to publish a prospectus or a supplement to a prospectus under the EU Prospectus Directive for such offer. Neither the Company nor the Financial Advisor have authorised, nor do they authorise, the making of any offer of Shares through any financial intermediary, other than offers made by Financial Advisor which constitute the final placement of the New Consideration Shares and New Exchangeable Bonds contemplated in this Prospectus.

Each person in a Relevant Member State other than, in the case of paragraph (a), persons receiving offers contemplated in this Prospectus in Norway, who receives any communication in respect of, or who acquires any New Consideration Shares and New Exchangeable Bonds under, the Compulsory Acquisition contemplated in this Prospectus will be deemed to have represented, warranted and agreed to and with the Financial Advisor and the Company that:

- (a) it is a qualified investor as defined in the EU Prospectus Directive, and
- (b) in the case of any New Consideration Shares or New Exchangeable Bonds acquired by it as a financial intermediary, as that term is used in Article 3(2) of the EU Prospectus Directive, (i) such New Consideration Shares or New Exchangeable Bonds, as applicable, acquired by it in the Compulsory Acquisition have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the EU Prospectus Directive, or in circumstances in which the prior consent of the Financial Advisor has been given to the offer or resale; or (ii) where such New Consideration Shares or New Exchangeable Bonds, as applicable, have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those New Consideration Shares or New Exchangeable Bonds, as applicable, to it is not treated under the EU Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an “offer to the public” in relation to any of the New Consideration Shares or New Exchangeable Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Compulsory Acquisition and any New Consideration Shares or



New Exchangeable Bonds to be offered so as to enable an investor to decide to purchase any of the New Consideration Shares and New Exchangeable Bonds, as the same may be varied in that Relevant Member State by any measure implementing the EU Prospectus Directive in that Relevant Member State, and the expression “EU Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State, and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

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See Section 7 “Selling and Transfer Restrictions” for certain other notices to investors. Songa Offshore shareholders who are restricted from subscribing New Consideration Shares and New Exchangeable Bonds as a result of the selling restrictions set out in this Prospectus, will receive the Full Cash Alternative in the Compulsory Acquisition.

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1 SUMMARY

Summaries are made up of disclosure requirements known as “Elements.” These Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for the types of securities and issuers in this offer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the types of securities and issuers in this offer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable.”

Section A – Introduction and Warnings

A.1 Warning

This summary should be read as an introduction to the Prospectus.

Any decision to invest in the Shares should be based on consideration of the Prospectus as a whole by the investor.

Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the relevant European Union member states, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.

A.2 Consent to use of prospectus by financial intermediaries

Not applicable; no consent is granted by the Company or TINC to the use of the Prospectus for subsequent resale or final placement of the securities described herein.

Section B – Issuer

B.1 Legal and commercial names

Transocean Ltd. is the issuer of New Consideration Shares in the Compulsory Acquisition and Transocean Inc. is the issuer of New Exchangeable Bonds.

B.2 Domiciles and legal form, legislation and countries of incorporation

Transocean Ltd. is a corporation incorporated under the laws of Switzerland and Transocean Inc. is a corporation incorporated under the Companies Law of the Cayman Islands. Transocean is registered in Switzerland with enterprise identification number (UID) CHE-114.461.224 and TINC is registered in the Cayman Islands under the business registration number 89645.

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B.3 Current operations, principal activities and markets, The Group is a leading international provider of offshore contract drilling services for oil and gas wells.<sup>1</sup>

The Group's primary business is to contract its drilling rigs, related equipment and work crews predominantly on a day rate basis to drill oil and gas wells. The Group specializes in technically demanding regions of the global offshore drilling business with a particular focus on ultra-deepwater and harsh environment drilling services. The Group believes its mobile offshore drilling fleet is one of the most versatile fleets in the world, consisting of floaters used in support of offshore drilling activities and offshore support services on a worldwide basis.

The Group's drilling fleet consists of floaters, which include drillships and semisubmersibles. Most of the Group's drilling equipment is suitable for both exploration and development, and the Group normally engages in both types of drilling activity.

As of 31 January 2018, the Transocean Group's offshore drilling fleet consists of 26 ultra-deepwater floaters, seven harsh environment floaters, two deepwater floaters and four midwater floaters. Following the acquisition of 97.67% of the shares of Songa Offshore in January 2018, the Group's offshore drilling fleet further consists of the seven semisubmersible drilling rigs previously owned and operated by the Songa Group.

As of 31 January 2018, the Group also had three ultra-deepwater drillships under construction or under contract to be constructed. The Group also operates two jackups that were under contract at the time of sale and will continue to operate such jackups until completion or novation of their respective drilling contracts.

B.4a Significant recent trends The Company has not experienced any trends that are considered significant to the Group since 31 December 2016 and to the date of this Prospectus.

B.4b Known trends affecting the issuers and the industries in which they operate The Company believes that the following material factors may have effects on the Group's results:

The offshore drilling markets in which the Group compete experiences fluctuations in the demand for drilling services and is highly competitive with numerous industry participants, none of which has a dominant market share.

Presently, there are numerous recently constructed high-specification floaters and other drilling units capable of competing with the Group's rigs that have entered the global market.

Future expectations of lower day rates or rig utilization rates or a significant change to the composition of one or more of the Group's asset groups could result in the recognition of additional losses on impairment if future cash flow expectations, based upon information available to management at the time of measurement, indicate that the carrying amount of the Group's asset groups may be impaired. Likewise, if the Group commits to a plan to sell or retire additional floaters, this would result in the recognition of additional losses on impairment of the Group's long-lived asset groups.

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<sup>1</sup> Source: the Company.



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B.5 Description of the Group    The Group's operations are carried out by its various operating subsidiaries, including Songa Offshore. The following chart shows the legal structure of the Group:2

B.6 Interests in the Company and voting rights    If a person's, entity's or consolidated group's proportion of the total issued shares and/or rights to shares in a company listed on the NYSE reaches, exceeds or falls below the 5% threshold of the share capital or the voting rights of that company, the person, entity or group in question has an obligation under Section 13 of the U.S. Exchange Act to notify the SEC and the issuer of such change in ownership on a disclosure statement by filing the appropriate documentation with the SEC. The same applies if the disclosure threshold is passed due to other circumstances, such as a change in a company's share capital.

Listed below are the only persons who, to the knowledge of the Company, may be deemed to be beneficial owners, as of 31 January 2018, of more than 5% of the Shares:

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2 The chart does not reflect the Songa Group. Songa Offshore is currently a 97.67% owned subsidiary of the Company.

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| Name and Address of Beneficial Owner   | Shares<br>Beneficially<br>Owned | Percent of<br>Class(1) |   |
|--|---------------------------------|------------------------|---|
| Perestroika AS<br>Statsminister Michelsens veg 38<br>5230 Paradis, Norway                                | 65,696,433                      | 13.33                  | % |
| Asia Research & Capital Management Ltd<br>21/F, Shanghai Commercial Bank Tower<br>12 Queens Road Central | 47,996,841 (2)                  | 9.81                   | % |
| Hong Kong<br>BlackRock, Inc.<br>55 East 52nd Street<br>New York, NY 10055                                | 35,420,304 (3)                  | 7.73                   | % |
| The Vanguard Group<br>100 Vanguard Blvd.<br>Malvern, PA 19355  | 33,344,970 (4)                  | 7.28                   | % |

(1) The percentage indicated is based on 458,175,417 Shares deemed to be outstanding as of 31 January 2018.

(2) The number of shares is based on the Schedule 13G filed with the SEC on 8 February 2018, by Asia Research & Capital Management Ltd. According to the filing, Asia Research & Capital Management Ltd. has sole voting and dispositive power with regard to 47,996,841 Shares, comprised of 16,777,850 Shares currently held and 31,218,991 Shares issuable upon the exchange of USD 320,861,000 of Existing Exchangeable Bonds.

(3) The number of Shares is based on the Schedule 13G/A filed with the SEC on 30 January 2018 by BlackRock, Inc. According to the filing, BlackRock Inc. has sole voting power with regard to 33,768,833 Shares and sole dispositive power with regard to 35,420,304 Shares.

(4) The number of shares is based on the Schedule 13G/A filed with the SEC on 8 February 2018, by The Vanguard Group. According to the filing, The Vanguard Group has sole voting power with regard to 205,652 shares, shared voting power with regard to 45,538 shares, sole dispositive power with regard to 33,122,538 shares and shared dispositive power with regard to 222,432 shares.

The Company is not aware of any persons or entities who, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company following completion of the Compulsory Acquisition. The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.



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B.7 Selected historical key financial information of the Company

The following selected consolidated financial data for the Transocean Group has been derived from the financial statements as of and for the three and nine month periods ended 30 September 2017 and 2016, and for each of the three years ended 31 December 2016, 2015 and 2014. The selected consolidated financial data set forth in this Section should be read in conjunction with the financial statements as incorporated by reference in this Prospectus. See Section 19.3 “Incorporation by reference.”

The Company’s consolidated financial statements as of 31 December 2016 and 2015 and for each of the three years in the period ended 31 December 2016 included under “Item 8. Financial Statements and Supplementary Data” of the Transocean Group’s annual report on Form 10-K for the year ended 31 December 2016, and the Company’s condensed consolidated interim financial statements as of 30 September 2017 and for the three and nine months ended 30 September 2017 and 2016 included under “Item 1. Financial Information” of the Transocean Group’s quarterly report on Form 10-Q for the quarterly period ended 30 September 2017, have been prepared in accordance with U.S. GAAP.

The Transocean Group’s auditors are Ernst & Young LLP, at 1401 McKinney Street, Suite 1200 in Houston, Texas, 77010 (“EY Houston”) and Ernst & Young Ltd, Zurich, Switzerland (“EY Zurich”). EY Houston and its auditors are registered with the Public Company Accounting Oversight Board. EY Zurich, is registered with the Swiss Federal Audit Oversight Authority. The consolidated financial statements as of 31 December 2016 and 2015 and the three years in the period ended 31 December 2016, 2015, and 2014, have been audited by EY Houston and EY Zurich. The condensed consolidated financial statements as of 30 September 2017 and for the three and nine month periods ended 30 September 2017 and 2016, are unaudited.

The amounts from the financial statements are presented in U.S. dollars, rounded to the nearest million, unless otherwise stated.

The selected consolidated financial data set forth below may not contain all of the information that is important to a potential purchaser of shares in the Company, and the data should be read in conjunction with the relevant consolidated financial statements and the notes to those statements.

On 22 December 2017, the President of the United States signed into law tax reform legislation (“U.S. Tax Legislation”) that makes significant changes to various areas of U.S. federal income tax law, which legislation could significantly affect the Group’s business, operations, financial condition and results of operations, and may have an adverse impact on investors in shares in the Company.

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## Selected data from consolidated statements of operations

The table below sets out selected data derived from the Transocean Group's audited consolidated statements of operations for the years ended 31 December 2016, 2015 and 2014 (audited), and the Transocean Group's unaudited condensed consolidated statements of operations for the nine months ended 30 September 2017 and 2016 (unaudited).

| (In millions of U.S. dollars, except per share data)   | Nine months ended<br>30 September |          | Year ended<br>31 December |          |            |
|--|-----------------------------------|----------|---------------------------|----------|------------|
|  | 2017                              | 2016     | 2016                      | 2015     | 2014       |
| Operating revenues                                     | \$ 2,344                          | \$ 3,187 | \$ 4,161                  | \$ 7,386 | \$ 9,185   |
| Operating income (loss)                                | \$ (2,516)                        | \$ 816   | \$ 1,132                  | \$ 1,365 | \$ (1,347) |
| Income (loss) from continuing operations               | \$ (2,995)                        | \$ 570   | \$ 827                    | \$ 895   | \$ (1,880) |
| Net income (loss)                                      | \$ (2,995)                        | \$ 570   | \$ 827                    | \$ 897   | \$ (1,900) |
| Net income (loss) attributable to controlling interest | (3,016)                           | 535      | 778                       | 865      | (1,839)    |
|  | \$                                | \$       | \$                        | \$       | \$         |
| Per share earnings (loss) from continuing operations   |                                   |          |                           |          |            |
| Basic  | \$ (7.72)                         | \$ 1.44  | \$ 2.08                   | \$ 2.36  | \$ (5.02)  |
| Diluted  | \$ (7.72)                         | \$ 1.44  | \$ 2.08                   | \$ 2.36  | \$ (5.02)  |

## Selected data from consolidated balance sheets

The table below sets out selected data derived from the Transocean Group's audited consolidated balance sheets as of 31 December 2016 and 2015 and the Transocean Group's unaudited condensed consolidated balance sheet as of 30 September 2017.

| (In millions of U.S. dollars) | As of 30 September |           | As of 31 December |      |
|-------------------------------|--------------------|-----------|-------------------|------|
|                               | 2017               | 2016      | 2016              | 2015 |
| Total assets                  | \$ 22,441          | \$ 26,899 | \$ 26,431         |      |
| Debt due within one year      | \$ 799             | \$ 724    | \$ 1,093          |      |
| Long-term debt                | \$ 6,501           | \$ 7,740  | \$ 7,397          |      |
| Total equity                  | \$ 12,803          | \$ 15,805 | \$ 15,000         |      |

## Selected data from consolidated statements of cash flows

The table below sets out selected data derived from the Transocean Group's audited consolidated statements of cash flows for the years ended 31 December 2016, 2015 and 2014, and the Transocean Group's unaudited condensed consolidated statements of cash flows for the nine months ended 30 September 2017 and 2016.

|  | Nine months ended<br>30 September |      | Year ended<br>31 December |      |      |
|--|-----------------------------------|------|---------------------------|------|------|
|  | 2017                              | 2016 | 2016                      | 2015 | 2014 |



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(In millions of U.S. dollars, except per share data)

|  |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|
| Cash provided by operating activities                            | \$ 887     | \$ 1,278   | \$ 1,911   | \$ 3,445   | \$ 2,220   |
| Cash used in investing activities                                | \$ (46)    | \$ (1,056) | \$ (1,313) | \$ (1,932) | \$ (1,828) |
| Cash provided by (used in) financing activities                  | \$ (1,176) | \$ (27)    | \$ 115     | \$ (1,809) | \$ (1,000) |
| Capital expenditures   | \$ 386     | \$ 1,072   | \$ 1,344   | \$ 2,001   | \$ 2,165   |
| Distributions of qualifying additional paid-in capital           | \$ —       | \$ —       | \$ —       | \$ 381     | \$ 1,018   |
| Per share distributions of qualifying additional paid-in capital | \$ —       | \$ —       | \$ —       | \$ 1.05    | \$ 2.81    |

B.8 Selected key pro forma financial information

Not applicable. The Prospectus does not contain any pro forma financial information.

B.9 Profit forecast or estimate

Not applicable. The Prospectus does not contain any valid profit forecasts or estimates.

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|  |   |
|--|---|
| Audit report   | In its audit report for 2016, EY Houston stated that the Company’s management had identified a material weakness in the controls related to the Company’s income tax process and, because of the effect of this material weakness, the Company and its subsidiaries had not maintained effective internal control over financial reporting as of 31 December 2016, based on the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). The identification of this material weakness and related remedial actions is described in Section 11.6 “Internal Controls and Procedures.” |
| B.10 qualifications  |   |
| B.11 Working capital of the Company  | The Company is of the opinion that the working capital available to the Group is sufficient for the Group’s present requirements, for the period covering at least 12 months from the date of this Prospectus.  |
| B.13 Recent events particular to TINC which are to a material extent relevant to the evaluation of the issuer’s solvency | There has been no material adverse change in the prospects of Transocean or TINC since 31 December 2016.<br><br>There are no recent events particular to the TINC or the Guarantor which are to a material extent relevant to the evaluation of the issuer’s solvency.  |
| B.14 TINC’s position within the Group  | TINC is a wholly-owned subsidiary of Transocean.  |
| B.15 Principal activities of TINC  | TINC is a wholly owned subsidiary of Transocean and virtually all of Transocean’s operations are carried out through TINC and its subsidiaries. Transocean has no independent assets or operations, and its other subsidiaries not owned indirectly through TINC are minor. TINC has no independent assets and operations, other than those related to its investments in operating companies and balances primarily pertaining to its cash and cash equivalents and debt. For further information on the Group’s operations, see Element B.3 above.  |
| B.16 Controlling interests in TINC   | TINC is a wholly-owned subsidiary of Transocean, and a member of the Group.   |
| B.17 Credit ratings  | Not applicable. No credit ratings have been assigned to TINC or the New Exchangeable Bonds at the request of or with the cooperation of the issuer in the rating process.   |
| B.18 Guarantee   | The Company is the guarantor of the New Exchangeable Bonds. See Element C.9.  |

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Section C – Securities

US893830BJ77 / 893830 BJ7.

- C.1 Type and class of securities The Company has one class of shares, and the New Consideration Shares will have equal rights in all respects as the existing Shares. The Shares are registered in book-entry form in DTC under the ISIN CH0048265513.
- The New Exchangeable Bonds will constitute senior unsecured debt of TINC and will rank equally with its senior unsecured debt from time to time outstanding, senior to its subordinated debt from time to time outstanding, and effectively junior to its secured debt and to all debt and other liabilities of its subsidiaries from time to time outstanding. Transocean’s guarantee will rank equally with all of its other unsecured and subordinated debt from time to time outstanding.
- The New Exchangeable Bonds are being offered as additional notes under the indenture governing the Existing Exchangeable Bonds. The New Exchangeable Bonds and the previously issued Existing Exchangeable Bonds will be treated as a single series of securities under that indenture, except that for purposes of U.S. federal tax law, the New Exchangeable Bonds will not be treated as part of a single series of securities with the Existing Exchangeable Bonds to the extent that the New Exchangeable Bonds are issued with greater than a de minimis amount of original issue discount as determined under U.S. federal tax law. See Section 2.6 “Risks Related to the Compulsory Acquisition” and Section 18.2 “United States taxation.”
- The New Exchangeable Bonds issued in the Compulsory Acquisition will be evidenced by one or more global securities deposited with the trustee as custodian for DTC. The global securities will be registered in the name of Cede & Co., as DTC’s nominee. The address of DTC is 55 Water Street, New York, NY, United States. The New Exchangeable Bonds will be registered under the ISIN/CUSIP US893830BJ77 / 893830 BJ7 unless the New Exchangeable Bonds are not treated as part of the same series of securities as the Existing Exchangeable Bonds for U.S. federal tax purposes, in which case a different ISIN / CUSIP will be obtained.
- C.2 Currency of securities issue The Shares are, and the New Consideration Shares and New Exchangeable Bonds will be, issued, quoted and traded in USD.
- C.3 Number of shares in issue and par value As of 31 January 2018, the share capital of the Company registered in the commercial register was 46,173,149.40 Swiss francs, divided into 461,731,494 shares, par value CHF 0.10 each.
- C.4 Rights attaching to the shares The Company has one class of Shares in issue and, in accordance with the Swiss Code of Obligations, all Shares in that class provide equal rights in the Company, including the right to any dividends. Each of the Shares carries one vote.
- C.5 Restrictions on transfer The New Consideration Shares and New Exchangeable Bonds that will be issued in connection with the Compulsory Acquisition will be registered under the U.S. Securities Act and will not be subject to any restrictions on transfer arising under the U.S. Securities Act and the U.S. Exchange Act, except for New Consideration Shares and New Exchangeable Bonds issued to any Songa Offshore shareholder who may be deemed to be an “affiliate” of Transocean for purposes of Rule 144 under the U.S. Securities Act after the completion of the Compulsory

Acquisition.

See also Section 7 "Selling and Transfer Restrictions."

C.6 Admission to      The New Consideration Shares are expected to be listed on the NYSE as of the completion of  
trading of the New the Compulsory Acquisition.  
Consideration  
Shares

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Dividend policy C.7 of the Company In deciding whether to propose a dividend and in determining the dividend amount to propose to the general meeting of shareholders for distribution, the Board of Directors will take into account applicable legal restrictions, as set out in the Swiss Code of Obligations (see Section 14.3 “Legal constraints on the distribution of dividends”), the Company’s capital requirements, including capital expenditure requirements, its financial condition, general business conditions and any restrictions that its contractual arrangements in place at the time of the dividend may place on its ability to pay dividends and the maintenance of appropriate financial flexibility.

The Board of Directors may also propose to the general meeting of shareholders a distribution through par value reductions or out of qualifying additional paid-in capital as shown on the Company’s standalone Swiss statutory financial statements. The amount of par value available for the Company to use for par value reductions or the amount qualifying additional paid-in capital available for the Company to pay out as distributions is limited. If the Company is unable to make a distribution through a reduction in par value, or out of qualifying additional paid-in capital as shown on the Company’s standalone Swiss statutory financial statements, the Company may not be able to make distributions without subjecting its shareholders to Swiss withholding taxes.

The Company may also make distributions by repurchasing Shares under the share repurchase program, approved by the general meeting of shareholders in 2009 and pursuant to which the Company may repurchase Shares of up to CHF 3.5 billion for cancellation (see Section 12.7.2 “Sources and uses of liquidity of the Transocean Group”).

There can be no assurance that a dividend will be proposed or declared in any given period. If a dividend is proposed or declared, there can be no assurance that the dividend amount or yield will be as contemplated above.

C.8 Rights of the New Exchangeable Bonds The New Exchangeable Bonds will constitute senior unsecured debt of TINC and will rank equally with its senior unsecured debt from time to time outstanding, senior to its subordinated debt from time to time outstanding, and effectively junior to its secured debt and to all debt and other liabilities of its subsidiaries from time to time outstanding. Transocean’s guarantee will rank equally with all of its other unsecured and subordinated debt from time to time outstanding. See Section 16 “Description of the New Exchangeable Bonds.”

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|  |  |
|--|--|
| Key terms of the New Issuer: Transocean Inc.                                     |  |
| C.9 Exchangeable Bonds   | Guarantor: Transocean Ltd.   |
|  | Securities Offered: 0.5% Exchangeable Senior Bonds due 2023.   |
|  | Principal Amount: Up to USD 13,421,000 being offered in the Compulsory Acquisition. Together with the Existing Exchangeable Bonds currently outstanding, up to an aggregate USD 867,225,000 will be outstanding following completion of the Compulsory Acquisition.  |
|  | Currency: USD.   |
|  | Issue Date: On or around 28 March 2018.  |
|  | Maturity Date: 30 January 2023.  |
|  | Ranking: See Element C.8.  |
|  | Interest Payment Dates: 30 January and 30 July of each year, beginning 30 July 2018.   |
|  | Interest Rate/Yield: 0.5% per annum. Interest on the New Exchangeable Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.  |
|  | Permitted Denominations: USD 1,000.  |
|  | Amortisation: Amortisation in full on the Maturity Date.   |
|  | Co-Trustees: Computershare Trust Company, N.A., 8742 Lucent Boulevard, Suite 225, Highlands Ranch, Colorado 80129, and Computershare Trust Company of Canada, 1500 Robert-Bourassa Boulevard, 7th Floor, Montreal, Quebec H3A 3S8. The Co-Trustees are not a representative of the holders of the New Exchangeable Bonds. The Co-Trustees will act only in accordance with the requirements of the indenture governing the New Exchangeable Bonds.   |
| C.10 Derivative component in the interest payments on the New Exchangeable Bonds | Not applicable. The New Exchangeable Bonds bear fixed interest at the rate of 0.50% per annum.   |
| C.11 Admission to trading of the New Exchangeable Bonds                          | To the extent that the New Exchangeable Bonds are treated as part of the same series of securities as the Existing Exchangeable Bonds for U.S. federal tax purposes, the New Exchangeable Bonds have been approved for listing on the New York Stock Exchange under the symbol "RIG/23". If the New Exchangeable Bonds are not treated as part of the same series of securities as the Existing Exchangeable Bonds for U.S. federal tax purposes, TINC intends to apply to list the New Exchangeable Bonds on The New York Stock Exchange. |
|  | The guarantor's shares are listed for trading on The New York Stock Exchange under the ticker symbol "RIG."  |



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Section D – Risks

D.1 Key risks Risks related to the business of the Group, including:

specific to the  
Group or the  
industry in which  
it operates

The Group's drilling contracts may be terminated due to a number of events, and, during depressed market conditions, the Group's customers may seek to repudiate or renegotiate their contracts. If customers cancel some of the Group's contracts, and the Group is 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 the contracts are renegotiated, it could adversely affect the Group's consolidated statement of financial position, results of operations or cash flows.

The Group's current backlog of contract drilling revenue may not be fully realized, which may have a material adverse impact on the Group's consolidated statement of financial position, results of operations or cash flows.

The Group's operating and maintenance costs will not necessarily fluctuate in proportion to changes in the Group's operating revenues, which could adversely affect the Group's consolidated statement of financial position, results of operations or cash flows.

The Group's business involves numerous operating hazards, and the Group's insurance and indemnities from its customers may not be adequate to cover potential losses from the Group's operations, which could adversely affect the Group's consolidated statement of financial position, results of operations or cash flows.

Failure to comply with anti-bribery statutes, such as 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 the Group's business. The materialisation of such risks could adversely affect the Group's consolidated statement of financial position, results of operations or cash flows.

Regulation of greenhouse gases and climate change could have a negative impact on the Group's business.

The Group is subject to litigation that, if not resolved in the Group's favour and not sufficiently insured against, could have a material adverse effect on the Group.

A change in tax laws, treaties or regulations, or their interpretation, of any country in which the Group has operations, are incorporated or are resident could result in a higher tax rate on the Group's worldwide earnings, which could result in a significant negative impact on the Group's earnings and cash flows from operations.



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Recently enacted U.S. Tax Legislation could have a material effect on the Group's earnings and cash flows from operations. Although the Company is evaluating the U.S. Tax Legislation with its professional advisers, the impact of the U.S. Group's business is currently uncertain.

A loss of a major tax dispute or a successful tax challenge to the Group's operating structure, intercompany pricing policies or the taxable presence of the Group's key subsidiaries in certain countries could result in a higher tax rate on the Group's worldwide earnings, which could result in a significant negative impact on the Group's earnings and cash flows from operations.

The Company's 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.

Risks related to the industry in which the Group operates, including:

The Group operates in various regions throughout the world, which may expose the Group to political and other uncertainties, which could adversely affect the Group's consolidated statement of financial position, results of operations or cash flows.

Compliance with or breach of environmental laws can be costly and/or expose the Group to liability and could limit the Group's operations.

The continuing effects of the enhanced regulations enacted following the Macondo well incident and of agreements applicable to the Transocean Group could materially and adversely affect the Group's worldwide operations.

Acts of terrorism, piracy and political and social unrest could affect the markets for drilling services, which may have a material adverse effect on the Group's results of operations.

Financial risks, including:

The Group has identified a material weakness in its internal control over financial reporting, and the Group's business and stock price may be adversely affected if the Group's internal control over financial reporting is not effective.

The Group could experience a material adverse effect on the Group's consolidated statement of financial position, results of operations or cash flows to the extent the Macondo well's operator fails to indemnify the Transocean Group or is otherwise unable to indemnify the Transocean Group for compensatory damages related to the Macondo well incident as required under the terms of the settlement agreement.

The Group relies 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 the Group's consolidated statement of financial position, results of operations or cash flows.

The recent downgrades in the Transocean Group's credit ratings by various credit rating agencies could impact the Group's access to capital and materially adversely affect the Group's business and financial condition.



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The Group has a substantial amount of debt, including secured debt, and the Group may lose the ability to obtain future financing and suffer competitive disadvantages. The materialisation of such risks could adversely affect the Group's consolidated statement of financial position, results of operations or cash flows.

The Group must make substantial capital and operating expenditures to maintain the Group's fleet, and the Group may be required to make significant capital expenditures to maintain its competitiveness and to comply with laws and the applicable regulations and standards of governmental authorities and organizations, or to execute the Group's growth plan, each of which could negatively affect the Group's financial condition, results of operations and cash flows.

The Group has significant carrying amounts of long-lived assets that are subject to impairment testing.

U.S. tax authorities could treat the Company as a passive foreign investment company, which would have adverse U.S. federal income tax consequences to U.S. holders.

The Group may be limited in its use of net operating losses and tax credits, which could adversely affect the Group's consolidated statement of financial position, results of operations or cash flows.

D.3 Key risks specific to the securities

Risks related to the Shares of Transocean, including:

Future issuances of the Shares or other securities may dilute the holdings of shareholders and could materially affect the price of the Shares.

Exchange rate fluctuations could adversely affect the value of the Shares and any dividends paid on the Shares for an investor whose principal currency is not U.S. dollars or Swiss francs.

The Company may be unwilling or unable to pay any dividends in the future.

Risks related to the New Exchangeable Bonds, including:

The New Exchangeable Bonds are exclusively the obligations of TINC, as issuer, and Transocean, as guarantor, and not of TINC's subsidiaries or Transocean's other subsidiaries.

Payments on the New Exchangeable Bonds, including under the guarantees, will be effectively subordinated to claims of TINC's and Transocean's secured creditors.

Servicing TINC's debt requires a significant amount of cash, and TINC may not have sufficient cash flow from its business to pay its substantial debt.

Despite its current debt levels, TINC may still incur substantially more debt or take other actions which would intensify the risks discussed above.

The New Exchangeable Bonds are not protected by restrictive covenants.

TINC may not have the funds necessary to finance a repurchase in the event of a Fundamental Change.

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The make-whole premium that may be payable upon a Fundamental Change may not adequately compensate holders for the lost value of the New Exchangeable Bonds as a result of such Fundamental Change.

The exchange rate of the New Exchangeable Bonds may not be adjusted for all dilutive events.

The New Exchangeable Bonds issued in the Compulsory Acquisition may not be fungible for trading purposes with the Existing Exchangeable Bonds.

Exchange of the New Exchangeable Bonds will dilute the ownership interest of existing shareholders.

Volatility in the market price and trading volume of the Shares could adversely impact the trading price of the New Exchangeable Bonds.

Holders of New Exchangeable Bonds will not be entitled to any rights with respect to the Shares, but they will be subject to all changes made with respect to them.

Exchange rate fluctuations could adversely affect the market value of the New Exchangeable Bonds and any interest paid on the New Exchangeable Bonds for an investor whose principal currency is not U.S. dollars.

Holders of New Exchangeable Bonds may be subject to tax if the Company makes or fails to make certain adjustments to the exchange rate of the New Exchangeable Bonds even though such holders do not receive a corresponding cash distribution.

Risks related to the Compulsory Acquisition, including:

Because the market price of the Shares and Existing Exchangeable Bonds fluctuate, Songa Offshore shareholders cannot be sure of the value of the New Consideration Shares and New Exchangeable Bonds they may receive in the Compulsory Acquisition; participation in the Compulsory Acquisition may constitute a taxable event for Songa Offshore shareholders.

The expected benefits associated with the combination of the Transocean Group and the Songa Group may not be realised.

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Section E – The Compulsory Acquisition

|      |  |   |
|------|--|---|
| E.1  | Expenses   | As of the date of this Prospectus, Transocean estimates expenses incurred by itself and TINC related to the Compulsory Acquisition are approximately USD 370,000 (exclusive of VAT).  |
| E.2a | Reasons for the Compulsory Acquisition and use of proceeds             | Transocean is making the Compulsory Acquisition of all remaining shares of Songa Offshore not owned by Transocean following completion of the Voluntary Tender Offer. Such Compulsory Acquisition is governed by article 36 of the Cyprus Takeover Bids Law. The Voluntary Tender Offer resulted in Transocean acquiring shares of Songa Offshore representing 97.67% (on a fully diluted basis as of 30 January 2018) of the voting rights in Songa Offshore. The shares of Songa Offshore are expected to be delisted shortly following completion of the Compulsory Acquisition, subject to approval by the Oslo Stock Exchange.   |
| E.2b | Reasons for the issuance of New Exchangeable Bonds and use of proceeds | The Company will not receive any cash proceeds from the Compulsory Acquisition.<br>See Element E.2a above.  |
| E.3  | Terms and conditions of the Compulsory Acquisition                     | The consideration in the Compulsory Acquisition per Songa Share consists of either (i) or (ii) below: <ul style="list-style-type: none"> <li>(i) A combination of (a) 0.35724 New Consideration Shares, and (b) USD 2.99726 principal amount of New Exchangeable Bonds ((a) and (b) together referred to as the “Consideration in Kind”). In addition, each Songa Offshore shareholder will have the option to instead elect to receive an amount in cash of NOK 47.50 per Songa Share up to a maximum of NOK 125,000 per shareholder in lieu of some or all of the New Consideration Shares and New Exchangeable Bonds such shareholder would otherwise be entitled to receive (the “Partial Cash Consideration”); or</li> <li>(ii) An amount in cash of NOK 47.50 (the “Full Cash Alternative”) in lieu of all of the New Consideration Shares and New Exchangeable Bonds such shareholder would otherwise be entitled to receive under (i) above.</li> </ul> |

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The aggregate amount of Consideration in Kind paid to each Songa Offshore shareholder shall be comprised, as near as possible, of 50% New Consideration Shares and 50% New Exchangeable Bonds, with the election by such shareholder of Partial Cash Consideration, if elected, reducing first the aggregate number of New Exchangeable Bonds and second the aggregate number of New Consideration Shares such shareholder would otherwise be entitled to receive.

Shareholders in Songa Offshore who wish to receive Consideration in Kind (with or without Partial Cash Consideration) in the Compulsory Acquisition must complete and sign the Subscription Form enclosed with this Prospectus as Appendix B and return it to the Settlement Agent prior to the expiration of the Subscription Period on 20 March 2018 at 23:59 (CET). Songa Offshore shareholders who do not respond or fail to submit duly executed Subscription Forms to the Settlement Agent before the expiration of the Subscription Period will instead receive the Full Cash Alternative.

Shareholders who wish to receive the Full Cash Alternative will not be required to take any action in respect of the Compulsory Acquisition during the Subscription Period.

If all remaining Songa Offshore shareholders (on a fully diluted basis as of 30 January 2018) elect to receive New Consideration Shares and New Exchangeable Bonds in the Compulsory Acquisition (and no Songa Offshore shareholders receive Partial Cash Consideration or the Full Cash Alternative), approximately 1,599,589 New Consideration Shares and approximately USD 13,421,000 aggregate principal amount of New Exchangeable Bonds will be issued as a result of the Compulsory Acquisition.

Transocean will not issue any fractional New Consideration Shares or fractional amounts of New Exchangeable Bonds in the Compulsory Acquisition. Each Songa Offshore shareholder who elects to receive New Consideration Shares and New Exchangeable Bonds in the Compulsory Acquisition, and (a) who would otherwise be entitled to receive a fraction of a New Consideration Share will instead receive, for the fraction of a New Consideration Share, an amount in cash based on USD 8.39, the closing price of the Shares on the NYSE on 14 August 2017, the last trading day prior to the announcement of the Voluntary Tender Offer, and (b) who would otherwise be entitled to receive a fractional amount of New Exchangeable Bonds will instead receive, for the fractional amount of New Exchangeable Bonds, an amount in cash based on USD 1,000, the principal amount per New Exchangeable Bond, and in each case, paid in NOK, based on an exchange rate of 7.9239 NOK per U.S. dollar which is the NOK/USD closing price at 4:00 p.m. CET as determined by Norges Bank, on 14 August 2017, the trading day immediately preceding the announcement of the Voluntary Tender Offer.

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| Material and<br>E.4 conflicting<br>interests             | <p>The Financial Advisor and its respective affiliates has provided from time to time, and may provide in the future, investment and commercial banking services to Transocean, TINC, Songa Offshore and their respective affiliates in the ordinary course of business, for which it may have received and may continue to receive customary fees and commissions. The Financial Advisor, its employees and any affiliate may currently own securities issued by Transocean, TINC and Songa Offshore. The Financial Advisor does not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.</p> <p>None of the members of the Transocean Board of Directors or Transocean’s executive officers owns any Songa Shares or other securities exchangeable or convertible into Songa Shares.</p>   |
| E.5 Selling<br>shareholders and<br>lock-up<br>agreements | <p>Other than the above-mentioned, the Company is not aware of any interest (including conflict of interests) of any natural or legal persons involved in the Compulsory Acquisition.</p> <p>The New Consideration Shares will be issued by Transocean and, accordingly, there are no selling shareholders as part of the Compulsory Acquisition.</p> <p>Perestroika has agreed that it will not sell, transfer, encumber or otherwise dispose of Transocean shares received in the Voluntary Tender Offer for a period until 15 August 2018. Such lock-up shall not apply to any Shares that Perestroika acquires through exchange of Transocean exchangeable bonds.</p>  |
| E.6 Dilution<br>resulting from<br>the offering           | <p>The existing Transocean shareholders were diluted by approximately 27.7% as a consequence of the issuance of the Existing Consideration Shares and the Shares underlying the Existing Exchangeable Bonds that were issued in the Voluntary Tender Offer and related transactions. The existing shareholders in Transocean may be diluted by up to approximately 0.6% as a consequence of the Compulsory Acquisition and issuance of the New Consideration Shares to the Songa Offshore shareholders, assuming the following:</p> <p style="padding-left: 40px;">the issuance of approximately 1,599,589 Shares as New Consideration Shares and approximately USD 13,421,000 aggregate principal amount of New Exchangeable Bonds (exchangeable for approximately 1,305,830 Shares at the initial exchange rate) in the Compulsory Acquisition (which assumes that no Songa Offshore shareholder receives Partial Cash Consideration or the Full Cash Alternative); and</p> <p style="padding-left: 40px;">no additional capital increase by Songa Offshore is made after 30 September 2017.</p> |
| E.7 Estimated<br>expenses<br>charged to<br>investor      | <p>Shareholders who elect to receive New Consideration Shares and New Exchangeable Bonds in the Compulsory Acquisition will not have to pay brokerage fees in respect of the securities.</p>   |



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2 RISK FACTORS

An investment in the Company and TINC involves risks. Before making an investment decision with respect to the Compulsory Acquisition and the Company, investors should carefully consider the risk factors and all information contained in this Prospectus, including the financial statements and related notes incorporated herein by reference. The risks and uncertainties described in this Section 2 are the principal known risks and uncertainties faced by the Group as of the date hereof that the Company believes are material to an investment in the Company. The absence of negative past experience associated with any given risk does not mean that the risks and uncertainties described herein should not be considered prior to making an investment decision in respect of the Company. If any of the following risks were to materialise, individually or together with other circumstances, they could have a material and adverse effect on the Group or its business, financial condition, results of operations, cash flows or prospects, which could cause a decline in the value and trading price of the Shares, the Existing Exchangeable Bonds and/or New Exchangeable Bonds, resulting in the loss of all or part of an investment in the same. The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the Group's business, financial condition, results of operations, cash flows or prospects.

2.1 Risks related to the business of the Group

The Group's drilling contracts may be terminated due to a number of events, and, during depressed market conditions, the Group's customers may seek to repudiate or renegotiate their contracts

Certain of the Group's drilling contracts with customers may be cancellable at the option of the customer upon payment of an early termination payment. Such payments may not, however, fully compensate the Group for the loss of the contract. Drilling 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 the Group's control. During periods of depressed market conditions, the Group is subject to an increased risk of the Group's customers seeking to repudiate their contracts, including through claims of non-performance. The Group is at continued risk of experiencing early contract terminations in the current weak commodity price environment as operators look to reduce their capital expenditures. During the years ended 31 December 2017, December 2016 and 2015, the Transocean Group's customers early terminated or cancelled contracts for one, eight and five of the Transocean Group's rigs, respectively, and these rigs currently remain idle. The Group's customers' ability to perform their obligations under their drilling contracts, including their ability to fulfill their indemnity obligations to the Group, also may be negatively impacted by an economic downturn. The Group's customers, which include national oil companies, often have significant bargaining leverage over the Group. If customers cancel some of the Group's contracts, and the Group is 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 the contracts are renegotiated, it could adversely affect the Group's consolidated statement of financial position, results of operations or cash flows.

The Group's current backlog of contract drilling revenue may not be fully realized, which may have a material adverse impact on the Group's consolidated statement of financial position, results of operations or cash flows

At 26 October 2017, the Transocean Group's contract backlog was approximately USD 9.4 billion.<sup>3</sup> This amount represents the firm term of the drilling contract multiplied by the contractual operating rate, which may be higher than the actual day rate the Group receives or the Group may receive other day rates included in the contract, such as waiting on weather rate, repair rate, standby rate or force majeure rate. The contractual operating day rate may also be higher than the actual day rate the Group receives because of a number of factors, including rig downtime or suspension of operations.

3 Does not include the contract backlog of the Songa Group.

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Several factors could cause rig downtime or a suspension of operations, including:

- breakdowns of equipment and other unforeseen engineering problems;
- work stoppages, including labour strikes;
- shortages of material and skilled labour;
- surveys by government and maritime authorities;
- periodic classification surveys;
- severe weather, strong ocean currents or harsh operating conditions; and
- force majeure events.

In certain drilling contracts, the day rate may be reduced to zero or result in customer credit against future day rate if, for example, repairs extend beyond a stated period of time. The Group's contract backlog includes signed drilling contracts and, in some cases, other definitive agreements awaiting contract execution. The Group may not be able to realize the full amount of the Group's contract backlog due to events beyond the Group's control. In addition, some of the Group's 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 and other market pressures could lead the Group's customers to go into bankruptcy or could encourage the Group's customers to seek to repudiate, cancel or renegotiate these agreements for various reasons (see above "The Group's drilling contracts may be terminated due to a number of events, and, during depressed market conditions, the Group's customers may seek to repudiate or renegotiate their contracts"). The Group's inability to realize the full amount of the Group's contract backlog may have a material adverse effect on the Group's consolidated statement of financial position, results of operations or cash flows.

The Group's operating and maintenance costs will not necessarily fluctuate in proportion to changes in the Group's operating revenues

The Group's operating and maintenance costs will not necessarily fluctuate in proportion to changes in the Group's operating revenues. Costs for operating a rig are generally fixed or only semi-variable regardless of the day rate being earned. In addition, should the Group's rigs incur unplanned downtime while on contract or idle time between drilling contracts, the Group will not always reduce the staff on those rigs because the Group could use the crew to prepare the rig for its next contract. During times of reduced activity, costs reductions may not be immediate because portions of the crew may be required to prepare rigs for stacking, after which time the crew members may be assigned to active rigs or released. As the Group's rigs are mobilized from one geographic location to another, the labor and other operating and maintenance costs can vary significantly. In general, labour costs increase primarily due to higher salary levels and inflation. Equipment maintenance costs fluctuate depending upon the type of activity the unit is performing and the age and condition of the equipment, and these costs could increase for short or extended periods as a result of regulatory or customer requirements that raise maintenance standards above historical levels. Contract preparation costs vary based on the scope and length of contract preparation required and the duration of the firm contractual period during which such expenditures are amortized.

The Group's business involves numerous operating hazards, and the Group's insurance and indemnities from its customers may not be adequate to cover potential losses from the Group's operations

The Group's 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, lost or stuck drill strings, equipment defects, craterings, fires, explosions and pollution. Contract drilling requires the use of heavy equipment and exposure to hazardous conditions, which may subject the Group to liability claims by employees, customers and other parties. These hazards can cause personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties or customers and suspension of operations. The Group's offshore fleet is also subject to hazards inherent in marine operations, either while on site or during mobilization, such as capsizing,

sinking, grounding, collision, piracy, damage from severe weather and marine life infestations.

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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 the Group's 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. Operations may also be suspended because of machinery breakdowns, abnormal drilling conditions, subcontractors' failure to perform or supply goods or services, or personnel shortages. The Group customarily provides contract indemnity to the Group's customers for certain claims that could be asserted by the Group relating to damage to or loss of the Group's equipment, including rigs, and claims that could be asserted by the Group or the Group's employees relating to personal injury or loss of life.

Damage to the environment could also result from the Group's operations, particularly through spillage of hydrocarbons, fuel, lubricants or other chemicals and substances used in drilling operations, or extensive uncontrolled fires. The Group may also be subject to property damage, environmental indemnity and other claims by oil and natural gas companies. Drilling involves certain risks associated with the loss of control of a well, such as blowout, cratering, the cost to regain control of or re-drill the well and remediation of associated pollution. The Group's customers may be unable or unwilling to indemnify the Group against such risks. In addition, a court may decide that certain indemnities in the Group's current or future drilling contracts are not enforceable. The law generally considers contractual indemnity for criminal fines and penalties to be against public policy, and the enforceability of an indemnity as to other matters may be limited.

The Group's insurance policies and drilling contracts contain rights to indemnity that may not adequately cover the Group's losses, and the Group does not have insurance coverage or rights to indemnity for all risks. The Group has two main types of insurance coverage: (1) hull and machinery coverage for physical damage to the Group's property and equipment 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. The Group generally has no hull and machinery insurance coverage for damages caused by named storms in the U.S. Gulf of Mexico. The Group maintains per occurrence deductibles that generally range up to USD 10 million for various third-party liabilities and an additional aggregate annual deductible of USD 50 million, which is self-insured through the Group's wholly-owned captive insurance company. The Group also retains the risk for any liability exceeding the Group's USD 750 million excess liability coverage. However, pollution and environmental risks generally are not completely insurable. Additionally, the Company generally does not carry insurance for loss of revenue, except as required under certain debt agreements.

If a significant accident or other event occurs that is not fully covered by the Group's insurance or by an enforceable or recoverable indemnity, the occurrence could adversely affect the Group's consolidated statement of financial position, results of operations or cash flows. The amount of the Group's insurance may also be less than the related impact on enterprise value after a loss. The Group's insurance coverage will not in all situations provide sufficient funds to protect the Group from all liabilities that could result from its drilling operations. The Group's coverage includes annual aggregate policy limits. As a result, the Group generally retains the risk for any losses in excess of these limits. The Group generally does not carry insurance for loss of revenue, and certain other claims may also not be reimbursed by insurance carriers. Any such lack of reimbursement may cause the Group to incur substantial costs. In addition, the Group could decide to retain more risk in the future, resulting in higher risk of losses, which could be material. Moreover, the Group may not be able to maintain adequate insurance in the future at rates that the Group considers reasonable or be able to obtain insurance against certain risks.

Recent developments in Swiss corporate governance may affect the Company's ability to attract and retain top executives

On 1 January 2014, subject to certain transitional provisions, the Swiss Federal Council Ordinance Against Excessive Compensation at Public Companies (the “Ordinance”) became effective. The Ordinance, among other things, (a) requires a binding shareholder “say on pay” vote with respect to the compensation of members of the Company’s executive management and board of directors (the “Board of Directors”), (b) generally prohibits the making of severance, advance, transaction premiums and similar payments to members of the Company’s executive management and Board of Directors, and (c) requires a mandatory one-year term of the Company’s Board of Directors and the amendment of the Company’s articles of association (the “Articles of Association”) to specify various compensation-related matters. At the 2014 annual general meeting, the Company’s shareholders approved amendments to the Company’s Articles of Association that

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implement the requirements of the Ordinance, and at each of the Company's 2015, 2016 and 2017 annual general meetings the Company's shareholders approved in a binding "say on pay" vote the compensation of members of the Company's executive management and Board of Directors. At the 2017 annual general meeting, the Company's shareholders approved the maximum aggregate compensation of (1) the Company's Board of Directors for the period between the 2017 annual general meeting and the 2018 annual general meeting and (2) the Company's Executive Management Team for the year ending 31 December 2018. The Company's shareholders will be asked to approve such matters for successive one-year periods at subsequent annual general meetings. The Ordinance further provides for criminal penalties against directors and members of executive management in case of noncompliance with certain of its requirements. The Ordinance may negatively affect the Company's ability to attract and retain executive management and members of the Company's Board of Directors.

Corporate restructuring activity, divestitures, acquisitions and other business combinations and reorganizations could adversely affect the Group's ability to achieve the Group's strategic goals

The Group has undertaken and continues to seek appropriate opportunities for restructuring the Group's organization, engaging in strategic acquisitions, divestitures and other business combinations in order to optimize the Group's fleet and strengthen the Group's competitiveness. The Group faces risks arising from these activities, which could adversely affect the Group's ability to achieve its strategic goals. For example:

- the Group may be unable to realize the growth or investment opportunities, improvement of the Group's financial position and other expected benefits by these activities in the expected time period or at all;
- transactions may not be completed as scheduled or at all due to legal or regulatory requirements, market conditions or contractual and other conditions to which such transactions are subject;
- unanticipated problems could also arise in the integration or separation processes, including unanticipated restructuring or separation expenses and liabilities, as well as delays or other difficulties in transitioning, coordinating, consolidating, replacing and integrating personnel, information and management systems, and customer products and services; and
- the diversion of management and key employees' attention may detract from the Group's ability to increase revenues and minimize costs.

Certain transactions may result in other unanticipated adverse consequences.

Failure to recruit and retain key personnel could hurt the Group's operations

The Group depends on the continuing efforts of key members of the Group's management, as well as other highly skilled personnel, to operate and provide technical services and support for the Group's business worldwide. Historically, competition for the personnel required for drilling operations 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. The Group may experience a reduction in the experience level of the Group's personnel as a result of any increased turnover and ongoing staff reduction initiatives, 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 the Group may experience increases in costs or limits on operations.

Significant part or equipment shortages, supplier capacity constraints, supplier production disruptions, supplier quality and sourcing issues or price increases could increase the Group's operating costs, decrease the Group's revenues and adversely impact the Group's operations

The Group's reliance on third-party suppliers, manufacturers and service providers to secure equipment, parts, components and sub-systems used in the Group's operations exposes the Group to volatility in the quality, prices and

availability of such items. A disruption in the deliveries from third-party suppliers, manufacturers or service providers, capacity constraints, production disruptions, price increases, quality control issues, recalls or other decreased availability of parts

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and equipment could adversely affect the Group's ability to meet its commitments to customers, adversely impact the Group's operations and revenues or increase the Group's operating costs.

The Group's labour costs and the operating restrictions under which the Group operates could increase as a result of collective bargaining negotiations and changes in labour laws and regulations

A substantial part of the Group's total workforce are represented by, and some of the Group's contracted labour work under, collective bargaining agreements, substantially all of which are subject to annual salary negotiation. These negotiations could result in higher personnel expenses, other increased costs or increased operational restrictions as the outcome of such negotiations apply to all offshore employees not just the union members. 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 the Group's labour costs and operating restrictions.

Failure to comply with anti-bribery statutes, such as 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 the Group's business

The U.S. Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act 2010 ("Bribery Act") and similar anti-bribery laws in other jurisdictions, generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business. The Group operates 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 the Group is found to be liable for violations under the FCPA, the Bribery Act or other similar laws, either due to the Group's acts or omissions or due to the acts or omissions of others, including the Group's partners in various joint ventures, the Group could suffer from civil and criminal penalties or other sanctions, which could have a material adverse effect on the Group's business, financial condition and results of operations. In addition, investors could negatively view potential violations, inquiries or allegations of misconduct under the FCPA, the Bribery Act or similar laws, which could adversely affect the Group's reputation and the market for the Group's shares.

The Group could also face fines, sanctions and other penalties from authorities in the relevant jurisdictions, including prohibition of the Group's participation in or curtailment of business operations in those jurisdictions and the seizure of rigs or other assets. Additionally, the Group could also face other third-party claims by agents, shareholders, debt holders, or other interest holders or constituents of the Group. Further, disclosure of the subject matter of any investigation could adversely affect the Group's reputation and the Group's ability to obtain new business from potential customers or retain existing business from the Group's current customers, to attract and retain employees and to access the capital markets. The Group's customers in relevant jurisdictions could seek to impose penalties or take other actions adverse to the Group's interests, and the Group may be required to dedicate significant time and resources to investigate and resolve allegations of misconduct, regardless of the merit of such allegations.

Regulation of greenhouse gases and climate change could have a negative impact on the Group's business

A number of scientific studies suggests that emissions of certain gases, including greenhouse gases, 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 greenhouse gas emissions, in particular emissions from fossil fuels, are attracting increasing attention worldwide.

In the U.S., the U.S. Environmental Protection Agency ("EPA") has begun adopting and implementing a comprehensive suite of regulations to restrict emissions of greenhouse gases under existing provisions of the Clean Air Act. In addition, a number of other federal, state and regional efforts have focused on tracking or reducing greenhouse gas

emissions. Efforts have also 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. In December 2015, the U.S. joined the international community at the 21st Conference of the Parties of the United Nations Framework Convention on Climate Change in Paris, France, however at the date of this Prospectus the U.S.' participation in such arrangement is in doubt. Nevertheless, the resulting Paris Agreement calls for the parties to undertake "ambitious efforts" to limit the average global temperature

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and to conserve and enhance sinks and reservoirs of greenhouse gases. The Paris Agreement, if ratified, establishes a framework for the parties to cooperate and report actions to reduce greenhouse gas emissions.

Because the Group's 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 greenhouse gases and climate change, including incentives to conserve energy or use alternative energy sources, could have a negative impact on the Group's 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 the Group's business.

The Group is subject to litigation that, if not resolved in the Group's favour and not sufficiently insured against, could have a material adverse effect on the Group

The Group is subject to a variety of disputes, investigations and litigation. Certain of the companies in the Group 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 companies in the Group that have been put on notice of potential liabilities have no assets. Further, the Group's patent for dual-activity technology has been successfully challenged in certain jurisdictions, and the Group has been accused of infringing other patents. Other companies in the Group are subject to litigation relating to environmental damage. The Group cannot predict the outcome of the cases involving those companies or the potential costs to resolve them. Insurance may not be applicable or sufficient in all cases, insurers may not remain solvent, policies may not be located, and liabilities associated with the Macondo well incident (see Section 9.11.1 "Macondo well incident") may exhaust some or all of the insurance available to cover certain claims. Suits against non-asset-owning companies in the Group have and may in the future give rise to alter ego or successor-in-interest claims against the Group and the Group's asset-owning subsidiaries to the extent a Group company is unable to pay a claim or insurance is not available or sufficient to cover the claims. The Group is subject to litigation with certain of the Group's customers and suppliers as well as a number of significant tax disputes (including the DSME arbitration case and a tax matter relating to Songa Offshore, both as further discussed in Section 6.7.4 "Contingencies"). To the extent that one or more pending or future litigation matters is not resolved in the Group's favour and is not covered by insurance, a material adverse effect on the Group's financial results and condition could result.

The Group's information technology systems are subject to cybersecurity risks and threats

The Group depends on digital technologies to conduct the Group's offshore and onshore operations, to collect payments from customers and to pay vendors and employees. Threats to the Group's information technology systems associated with cybersecurity risks and cyber-incidents or attacks continue to grow. In addition, breaches to the Group's systems could go unnoticed for some period of time. Risks associated with these threats include disruptions of certain systems on the Group's rigs; other impairments of the Group's ability to conduct the Group's operations; loss of intellectual property, proprietary information or customer data; disruption of the Group's customers' operations; loss or damage to the Group's customer data delivery systems; and increased costs to prevent, respond to or mitigate cybersecurity events. If such a cyber-incident were to occur, it could have a material adverse effect on the Group's business, financial condition, cash flows and results of operations.

Public health threats could have a material adverse effect on the Group's operations and its financial results

Public health threats, such as Severe Acute Respiratory Syndrome, severe influenza and other highly communicable viruses or diseases, outbreaks of which have already occurred in various parts of the world in which the Group operates, could adversely impact the Group's operations, the operations of the Group's customers and the global

economy, including the worldwide demand for oil and natural gas and the level of demand for the Group's services. Quarantine of personnel or inability to access the Group's offices or rigs could adversely affect the Group's operations. Travel restrictions or operational problems in any part of the world in which the Group operates, or any reduction in the demand for drilling services caused by public health threats in the future, may materially impact operations and adversely affect the Group's financial results.

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A change in tax laws, treaties or regulations, or their interpretation, of any country in which the Group has operations, are incorporated or are resident could result in a higher tax rate on the Group's worldwide earnings, which could result in a significant negative impact on the Group's earnings and cash flows from operations

The Group operates worldwide. Consequently, the Group is subject to changes in applicable tax laws, treaties or regulations in the jurisdictions in which the Group operates, which could include laws or policies directed toward companies organized in jurisdictions with low tax rates. A material change in the tax laws, treaties or regulations, or their interpretation or application, of any country in which the Group has significant operations, or in which the Group is incorporated or resident, could result in a higher effective tax rate on the Group's worldwide earnings and such change could be significant to the Group's financial results.

Legislative tax 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. Whether any such U.S. tax legislation will be enacted and its impact on the Group is uncertain. Any material change in tax laws or policies, or their interpretation, resulting from such legislative proposals could result in a higher effective tax rate on the Group's worldwide earnings and such change could have a material adverse effect on the Group's consolidated statement of financial position, results of operations or cash flows.

In a referendum held on 12 February 2017, Swiss voters rejected a corporate tax legislative proposal that would have abolished certain cantonal tax privileges as well as implement other significant changes to existing tax laws and practices starting in 2019. These legislative proposals were in response to certain guidance from and demands by the European Union and the Organization for Economic Co-operation and Development (the "OECD"). Switzerland must now give consideration to a revised corporate tax reform proposal. Switzerland's implementation of any material change in tax laws or policies or its adoption of new interpretations of existing tax laws and rulings could result in a higher effective tax rate on the Group's worldwide earnings and such change could have a material adverse effect on the Group's consolidated statement of financial position, results of operations or cash flows.

Similarly, in October 2015, the OECD issued its action plan of tax reform measures that called for member states to take action to prevent "base erosion and profit shifting." Some of these measures impact transfer pricing, requirements to qualify for tax treaty benefits, and the definition of permanent establishments depending on each jurisdiction's adoption and interpretation of such proposals. The European Union issued its Anti-Tax Avoidance Directive in 2016 that required its member states to adopt specific tax reform measures by 2019. 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 the Group's worldwide earnings and such change could have a material adverse effect on the Group's consolidated statement of financial position, results of operations or cash flows.

Other tax jurisdictions in which the Group operates may consider implementing similar legislation. The implementation of such legislation, any other material changes in tax laws or policies or the adoption of new interpretations of existing tax laws and rulings could result in a higher effective tax rate on the Group's worldwide earnings and any such change could have a material adverse effect on the Group's consolidated statement of financial position, results of operations or cash flows.

Recently enacted U.S. Tax Reform Legislation could have material effects on the Group's earnings and cash flows from operations

On 22 December 2017, the President of the United States signed into law the U.S. Tax Legislation, which makes significant changes to various areas of U.S. federal income tax law and which could significantly affect the Group's business, operations, financial condition and results of operations, and may have an adverse impact on investors in shares in the Company. These changes may include (i) the taxation of unrepatriated earnings of non-U.S. subsidiaries of the Company's U.S. affiliates as part of the transition of U.S. international taxation from a worldwide tax system to a territorial tax system, (ii) a deferral or permanent reduction in the amount of interest that is deductible for U.S. federal income tax purposes after 2017, and (iii) additional U.S. tax after 2017 on certain deductible payments by the Company's U.S. subsidiaries to its

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non-U.S. subsidiaries if such payments are subject to reduced rates of U.S. withholding tax under a treaty. Although the Company is evaluating the U.S. Tax Legislation with its professional advisers, the impact on the U.S. Group's business is currently uncertain.

A loss of a major tax dispute or a successful tax challenge to the Group's operating structure, intercompany pricing policies or the taxable presence of the Group's key subsidiaries in certain countries could result in a higher tax rate on the Group's worldwide earnings, which could result in a significant negative impact on the Group's earnings and cash flows from operations

The Company is a Swiss corporation that operates through the Company's various subsidiaries in a number of countries throughout the world. Consequently, the Company is subject to tax laws, treaties and regulations in and between the countries in which the Group operates. The Group's income taxes are based upon the applicable tax laws and tax rates in effect in the countries in which the Group operates and earns income, as well as upon the Group's operating structures in these countries.

The Group's income tax returns are subject to review and examination. The Group's does not recognize the benefit of income tax positions the Group believes are more likely than not to be disallowed upon challenge by a tax authority. If any tax authority successfully challenges the Group's operational structure, intercompany pricing policies or the taxable presence of the Group's key subsidiaries in certain countries; or if the terms of certain income tax treaties are interpreted in a manner that is adverse to the Group's structure; or if the Group loses a material tax dispute in any country, the Group's effective tax rate on the Group's worldwide earnings could increase substantially and the Group's earnings and cash flows from operations could be materially adversely affected. For example, the Group cannot be certain that the U.S. Internal Revenue Service ("IRS") will not successfully contend that the Group or any of the Group's key subsidiaries were or are engaged in a trade or business in the U.S. or, when applicable, that the Group or any of the Group's key subsidiaries maintained or maintain a permanent establishment in the U.S., since, among other things, such determination involves considerable uncertainty. If the Group or any of its key subsidiaries were considered to have been engaged in a trade or business in the U.S., when applicable, through a permanent establishment, the Group could be subject to U.S. corporate income and additional branch profits taxes on the portion of the Group's earnings effectively connected to such U.S. business during the period in which this was considered to have occurred, in which case the Group's effective tax rate on worldwide earnings for that period could increase substantially, and the Group's earnings and cash flows from operations for that period could be adversely affected.

As a Swiss corporation, the Company is subject to Swiss legal provisions that may limit its flexibility to swiftly implement certain initiatives or strategies

The Company is required, from time to time, to evaluate the carrying amount of the Company's investments in affiliates, as presented on the Company's Swiss standalone balance sheet of the Company's statutory accounts. If the Company were to determine that the carrying amount of any such investment exceeded its fair value, the Company may conclude that such investment is impaired. The recognized loss associated with such a non-cash impairment could result in the Company's net assets no longer covering the Company's statutory share capital and statutory capital reserves. Under Swiss law, if the Company's net assets cover less than 50% of the Company's statutory share capital and statutory capital reserves, the Board of Directors must in these circumstances convene a general meeting of shareholders and propose measures to remedy such a capital loss. The appropriate measures depend on the relevant circumstances and the magnitude of the recognized loss and may include seeking shareholder approval for offsetting the aggregate loss, or a portion thereof, with the Company's statutory capital reserves including qualifying additional paid-in capital otherwise available for distributions to shareholders or raising new equity. Depending on the circumstances, the Company may also need to use qualifying additional paid-in capital available for distributions in order to reduce the Company's accumulated net loss and such use might reduce the Company's ability to make distributions without subjecting the Company's shareholders to Swiss withholding tax. These Swiss law requirements

could limit the Company's flexibility to swiftly implement certain initiatives or strategies.

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The Company is subject to anti-takeover provisions

The Company's 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 the Company's shares. These provisions, among other things:

- 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 under the current authorized share capital of the Company will expire on 12 May 2018, to issue a specified number of shares, which under the current authorized share capital of the Company is approximately 4.82 % of the share capital registered in the commercial register, and to limit or withdraw the pre-emptive rights of existing shareholders in various circumstances. The percentage provided above does not include the authorized share capital of the Company which has been approved by the extraordinary general meeting of shareholders convened on 16 January 2018, exclusively for the purpose of the Compulsory Acquisition or a mandatory offer of the Songa Shares that have not been acquired by the Company upon settlement of the Voluntary Tender Offer;
- provide for a conditional share capital that authorizes the issuance of additional shares up to a maximum amount of approximately 31.14% (of which 57.78% is reserved for the issuance of Shares issuable upon conversion of the Existing Exchangeable Bonds) of the share capital currently 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 the Company's 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 two-thirds of the shares entitled to vote;
- provide that a merger or demerger transaction requires the affirmative vote of the holders of at least two-thirds of the shares represented at the meeting and provide for the possibility of a so-called "cash-out" or "squeeze-out" merger if the acquirer controls 90% 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 the Company's shareholders to amend or repeal some provisions of the Company's Articles of Association; and
- limit transactions between the Company and an "interested shareholder," which is generally defined as a shareholder that, together with its affiliates and associates, beneficially, directly or indirectly, owns 15% or more of the Company's shares entitled to vote at a general meeting.

### 2.2 Risks related to the industry in which the Group operates

The global nature of the Group's operations involves additional risks

The Group operates in various regions throughout the world, which may expose the Group to political and other uncertainties, including risks of:

- terrorist acts, war, piracy and civil unrest;
- seizure, expropriation or nationalization of the Group's equipment;



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- expropriation or nationalization of the Group's customers' property;
- repudiation or nationalization of contracts;
- imposition of trade or immigration 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 unfavourable jurisdictions;
- damage to the Group's equipment or violence directed at the Group's 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 and currency exchange restrictions, including exchange or similar controls that may limit the Group's ability to convert local currency into U.S. dollars and transfer funds out of a local jurisdiction.

The Group's non-U.S. contract drilling operations are subject to various laws and regulations in certain countries in which the Group operates, 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, taxation and social contributions of offshore earnings and earnings of expatriate personnel. The Group is also subject to the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") and other U.S. laws and regulations governing the Group's 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. Failure to comply with applicable laws and regulations, including those relating to sanctions and export restrictions, may subject the Group 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 the Group's reputation and the market for the Company's shares.

Governments in some 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 favour or effectively require the awarding of drilling contracts to local contractors or require non-local 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 the Organisation of the Petroleum Exporting Countries ("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 the Group's drilling contracts are partially payable in local currency. Those amounts may exceed the Group's 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, the Group's functional currency, or to other currencies in which the Group operates. 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 the Group to extensive trade laws and regulations. The Group's import and export activities are governed by unique customs laws and regulations in each of the countries where the Group operates. Moreover, many countries, including the U.S., control the import and export of



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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 the Group is 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 the Group's operations. Ongoing economic challenges may increase some 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 the Group's 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 the Group's employees on a timely basis could impact the Group's operations and have an adverse effect on the Group's business. The Group's ability to operate worldwide depends on the Group's ability to obtain the necessary visas and work permits for the Group's personnel to travel in and out of, and to work in, the jurisdictions in which the Group operates. Governmental actions in some of the jurisdictions in which the Group operates may make it difficult for the Group to move its personnel in and out of these jurisdictions by delaying or withholding the approval of these permits. If the Group is not able to obtain visas and work permits for the employees needed to operate its rigs on a timely basis, the Group might not be able to perform its obligations under the Group's drilling contracts, which could allow the Group's customers to cancel the contracts. If the Group's customers cancel some of the Group's drilling contracts, and the Group is unable to secure new drilling contracts on a timely basis and on substantially similar terms, it could adversely affect the Group's consolidated statement of financial position, results of operations or cash flows.

Compliance with or breach of environmental laws can be costly and/or expose the Group to liability and could limit the Group's operations

The Group's business in the offshore drilling industry is affected by laws and regulations relating to the energy industry and the environment, including international conventions and treaties, and regional, national, state, and local laws and regulations. The offshore drilling industry depends on demand for services from the oil and gas exploration and production industry, and, accordingly, the Group is directly affected by the adoption of laws and regulations that, for economic, environmental or other policy reasons, curtail exploration and development drilling for oil and gas. Compliance with such laws, regulations and standards, where applicable, may require the Group to make significant capital expenditures, such as the installation of costly equipment or operational changes, and may affect the resale values or useful lives of the Group's rigs.

The Group may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions, including greenhouse gases, the management of ballast waters, maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of the Group's ability to address pollution incidents. Offshore drilling in certain areas has been curtailed and, in certain cases, prohibited because of concerns over protection of the environment. These costs could have a material adverse effect on the Group's consolidated statement of financial position, results of operations or cash flows. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of the Group's operations.

To the extent new laws are enacted or other governmental actions are taken that prohibit or restrict offshore drilling or impose additional environmental protection requirements that result in increased costs to the oil and gas industry, in general, or the offshore drilling industry, in particular, the Group's business or prospects could be materially adversely

affected. The operation of the Group's drilling rigs will require certain governmental approvals. These governmental approvals may involve public hearings and costly undertakings on the Group's part. The Group may not obtain such approvals or such approvals may not be obtained in a timely manner. If the Group fails to timely secure the necessary approvals or permits, the Group's customers may have the right to terminate or seek to renegotiate their drilling contracts to the Group's detriment. The amendment or modification of existing laws and regulations or the adoption of new laws and regulations curtailing or further regulating exploratory or development drilling and production of oil and gas could

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have a material adverse effect on the Group's business, operating results or financial condition. Compliance with any such new legislation or regulations could have an adverse effect on the Group's statements of operations and cash flows.

As an operator of mobile offshore drilling units in some offshore areas, the Group may be liable for damages and costs incurred in connection with oil spills or waste disposals related to those operations, and the Group may also be subject to significant fines in connection with spills. For example, an oil spill could result in significant liability, including fines, penalties and criminal liability and remediation costs for natural resource damages, as well as third-party damages, to the extent that the contractual indemnification provisions in the Group's drilling contracts are not enforceable or otherwise sufficient, or if the Group's customers are unwilling or unable to contractually indemnify the Group from these risks. Additionally, the Group may not be able to obtain such indemnities in the Group's future drilling contracts, and the Group's customers may not have the financial capability to fulfill their contractual obligations to the Company. Also, these indemnities may be held to be unenforceable in certain jurisdictions, as a result of public policy or for other reasons. For example, one of the courts in the litigation related to the Macondo well incident has refused to enforce aspects of the Transocean Group's indemnity with respect to certain environmental-related liabilities. 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 the Group 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 or measures could have a material adverse effect on the Group's consolidated statement of financial position, results of operations or cash flows. In addition, the Consent Decree (as defined below) and probation arising out of certain Transocean Group subsidiaries' cooperation guilty plea agreement by and among the U.S. Department of Justice (the "DOJ") and certain of the Transocean Group's affiliates (the "Plea Agreement"), add to these regulations, requirements and liabilities. One Transocean Group subsidiary's guilty plea to negligently discharging oil into the U.S. Gulf of Mexico, in violation of the Clean Water Act, in connection with the Macondo well incident caused the Company to incur liabilities under the environmental laws relating to the Macondo well incident. The Company may be subject to additional liabilities and penalties.

The continuing effects of the enhanced regulations enacted following the Macondo well incident and of agreements applicable to the Transocean Group could materially and adversely affect the Group's worldwide operations

Following the Macondo well incident, enhanced governmental safety and environmental requirements applicable to both deepwater and shallow water operations were adopted for drilling in the U.S. Gulf of Mexico. 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 previously had, and may in the future 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 related 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 the U.S. and non-U.S. offshore areas.

Other governments could take similar actions related to implementing new safety and environmental regulations in the future. Additionally, some of the Group's 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 the Group's

customers could increase the costs of the Group's operations, increase certification and permitting requirements, increase review periods and impose increased liability on offshore operations. The requirements applicable to the Transocean Group under the Transocean Group's settlement with the DOJ cover safety, environmental, reporting, operational and other matters (the "Consent Decree") and are in addition to the regulations applicable to other industry participants and may require additional agreements and corporate compliance resources that, together with the Plea Agreement could cause the Group to incur additional costs and liabilities. The continuing effects of the enhanced regulations may also decrease the demand for drilling services, negatively affect day rates and increase out-of-service time, which could ultimately have a material adverse effect on the Group's revenues and profitability.



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The offshore drilling 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. Although rig availability, service quality and technical capability are drivers of customer contract awards, bid pricing and intense price competition are often key determinants for which a qualified contractor is awarded a job.

The offshore drilling industry has historically been cyclical and is impacted by oil and natural gas price levels and volatility. There have been periods of high customer demand, limited rig supply and high day rates, followed by periods of low customer demand, excess rig supply and low day rates. Changes in commodity prices can have a dramatic effect on rig demand, and periods of excess rig supply may intensify competition in the industry and result in the idling of older and less technologically advanced equipment. The Group has idled and stacked rigs, and may in the future idle or stack additional rigs or enter into lower day rate drilling contracts in response to market conditions. The Group cannot predict when or if any idled or stacked rigs will return to service.

During prior periods of high day rates and rig utilization rates, the Group and other industry participants have responded to increased customer demand by increasing the supply of rigs through ordering the construction of new units. In periods of low oil and natural gas price levels, growth in new construction has historically resulted in an oversupply of rigs and has caused a subsequent decline in day rates and rig utilization rates, sometimes for extended periods of time. Presently, there are numerous recently constructed high-specification floaters and other drilling units capable of competing with the Group's rigs that have entered the global market, and there are more that are under construction.

The entry into service of these new units has increased and will continue to increase supply. The increased supply has contributed to and may continue to contribute to a reduction in day rates as rigs are absorbed into the active fleet and has led to accelerated stacking of the existing fleet.

Two of the Group's three ultra-deepwater drillships currently under construction have not been contracted for work. Combined with the rapid increase in the number of rigs in the global market completing contracts and becoming idle, the number of new units expected to be delivered without contracts has intensified and may further intensify price competition. Any further increase in construction of new units would likely exacerbate the negative impact of increased supply on day rates and utilization rates. Additionally, lower market day rates and intense price competition may drive customers to demand renegotiation of existing contracts to lower day rates in exchange for longer contract terms. In an oversupplied market, the Group may have limited bargaining power to negotiate on more favourable terms. Lower day rates and rig utilization rates could adversely affect the Group's revenues and profitability.

The Group may not be able to renew or obtain new drilling contracts for rigs whose contracts are expiring or are terminated or obtain drilling contracts for the Group's uncontracted newbuilds, which could adversely affect the Group's consolidated statements of operations

The Group's ability to renew expiring drilling contracts or obtain new drilling contracts will depend on the prevailing market conditions at the time. If the Group is unable to obtain new drilling contracts in direct continuation with existing contracts or for the Group's uncontracted newbuild units, or if new drilling contracts are entered into day rates substantially below the existing day rates or on terms otherwise less favourable compared to existing contract terms, the Group's revenues and profitability could be adversely affected.

The offshore drilling markets in which the Group compete experience fluctuations in the demand for drilling services. A number of existing drilling contracts for the Group's drilling rigs that are currently operating are scheduled to expire before 31 December 2018. As of 31 January 2018, two of the ultra-deepwater drillships the Group currently has under

construction as part of the Group's newbuild program are being constructed without customer drilling contracts. The Group will attempt to secure drilling contracts for these units prior to their completion. The Group may be unable to obtain drilling contracts for the Group's rigs that are currently operating upon the expiration or termination of such contracts or obtain drilling contracts for the Group's newbuilds, and there may be a gap in the operation of the rigs between the current contracts and subsequent contracts. In particular, if oil and natural gas prices remain low, as is currently the case, or it is expected that such prices will decrease in the future, at a time when the Group is seeking drilling contracts for the Group's rigs, the Group may be unable to obtain drilling contracts at attractive day rates or at all.

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The Group's 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

The Group's business depends on the level of activity in oil and gas exploration, development and production in offshore areas worldwide. Demand for the Group's 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 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;
- international sanctions on oil-producing countries, or the lifting of such sanctions;
- advances in exploration, development and production technology;
- the further development of shale technology to exploit oil and gas reserves;
- 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;
- accidents, adverse weather conditions, natural disasters and other similar incidents relating to the oil and gas industry; and
- the worldwide security 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 the Group's 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 the Group's services, which could have a material adverse effect on the Group's revenue and profitability. Oil and gas prices and market expectations of potential changes in these prices significantly affect this level of activity. However, increases in near-term commodity prices do not necessarily translate into increased offshore drilling activity since customers' expectations of longer-term future commodity prices typically drive demand for the Group's rigs. The current commodity pricing environment has had a negative impact on demand for the Group's services, and it could continue. The price of crude oil as reported on the New York Mercantile Exchange has weakened significantly and, despite recent price improvements, has not returned to the higher levels experienced prior to 31 December 2014. Consequently, customers have delayed or cancelled many exploration and development programs, resulting in reduced demand for the Group's services. Also, increased competition for customers' drilling budgets could come from, among other areas, land-based energy markets worldwide. The availability of quality drilling prospects, exploration success, relative production costs, the stage of reservoir development and political and

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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.

Acts of terrorism, piracy and political and social unrest could affect the markets for drilling services, which may have a material adverse effect on the Group's results of operations

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 of the Group. 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 coverage may be unavailable in the future. Government regulations may effectively preclude the Group from engaging in business activities in certain countries. These regulations could be amended to cover countries where the Group currently operates or where the Group may wish to operate in the future. The Group's drilling contracts do not generally provide indemnification against loss of capital assets or loss of revenues resulting from acts of terrorism, piracy or political or social unrest. The Group has limited insurance for the Group's assets providing coverage for physical damage losses resulting from risks, such as terrorist acts, piracy, vandalism, sabotage, civil unrest, expropriation and acts of war, and the Group does not carry insurance for loss of revenues resulting from such risks.

### 2.3 Financial risks

The Transocean Group has identified a material weakness in its internal control over financial reporting, and the Group's business and stock price may be adversely affected if the Group's internal control over financial reporting is not effective

Under Section 404 of the Sarbanes-Oxley Act of 2002 and rules promulgated by the SEC, the Group is required to conduct a comprehensive evaluation of the Group's internal control over financial reporting. To complete this evaluation, the Group is required to document and test the Group's internal control over financial reporting; management is required to assess and issue a report concerning the Group's internal control over financial reporting; and the Group's independent registered public accounting firm is required to attest to the effectiveness of the Group's internal control over financial reporting. The Group's internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be prevented or detected timely. Even effective internal control over financial reporting can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements.

In the course of the external audit of the consolidated financial statements for the year ended 31 December 2016 the Transocean Group identified a material weakness in the Transocean Group's controls over income tax accounting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Transocean Group's annual or interim financial statements will not be prevented or detected on a timely basis. A more complete description of the recently identified errors and the resulting material weakness is included in Section 11.6 "Internal Controls and Procedures." Although the Group is evaluating certain measures in order to remediate this material weakness, the Group can provide no assurance that the Group's remediation efforts will be effective or that additional material weaknesses in the Group's internal control over financial reporting will not be identified in the future.

The existence of a material weakness could result in errors in the Group's financial statements that could result in a restatement of financial statements, which could cause the Group to fail to meet its reporting obligations, potentially

lead to a loss of investor confidence and may have a negative impact on the trading price of the Shares.

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The Group could experience a material adverse effect on the Group's consolidated statement of financial position, results of operations or cash flows to the extent the Macondo well's operator fails to indemnify the Transocean Group or is otherwise unable to indemnify the Transocean Group for compensatory damages related to the Macondo well incident as required under the terms of the settlement agreement

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. Under the drilling contract and in accordance with the Transocean Group's settlement agreement with the operator, BP plc. (together with its affiliates, "BP") agreed to indemnify the Transocean Group with respect to certain matters, and the Transocean Group agreed to indemnify BP with respect to certain matters. The Group could experience a material adverse effect on the Group's consolidated statement of financial position, results of operations or cash flows to the extent that BP fails to fully satisfy its indemnification obligations, including by reason of financial or legal restrictions, or the Group's insurance policies do not fully cover these amounts. In addition, in connection with the Consent Decree the Company agreed that it will not use payments pursuant to a civil consent decree by and among the DOJ and certain of the Transocean Group's affiliates as a basis for indemnity or reimbursement from non insurer defendants named in the complaint by the U.S. or their affiliates.

The Group's shipyard projects and operations are subject to delays and cost overruns

As of 30 September 2017, the Group had three ultra-deepwater floater newbuild rigs under construction. The Group also has 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:

- shipyard availability, failures and difficulties;
- shortages of equipment, materials or skilled labour;
- 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;
- availability of suppliers to recertify equipment for enhanced regulations;
- strikes, labour 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 the Group's newbuild units and other rigs undergoing shipyard projects. Delays in the delivery of these units would impact contract commencement, resulting in a

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loss of revenue to the Group, 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 any of these drilling contracts, the Group may not be able to secure a replacement contract on as favorable terms, if at all.

The Group's operations also rely on a significant supply of capital and consumable spare parts and equipment to maintain and repair the Group's fleet. The Group also relies on the supply of ancillary services, including supply boats and helicopters. Shortages in materials, manufacturing defects, delays in the delivery of necessary spare parts, equipment or other materials, or the unavailability of ancillary services could negatively impact the Group's future operations and result in increases in rig downtime and delays in the repair and maintenance of the Group's fleet.

Worldwide financial, economic and political conditions could have a material adverse effect on the Group's consolidated statement of financial position, results of operations or cash flows

Worldwide financial and economic conditions could restrict the Group's ability to access the capital markets at a time when the Group would like, or need, to access such markets, which could have an impact on the Group's 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 the Group's credit facilities and the Group's customers, causing them to fail to meet their obligations to the Group. If economic conditions preclude or limit financing from banking institutions participating in the Group's credit facilities, the Group may not be able to obtain similar financing from other institutions. A slowdown in economic activity could further reduce worldwide demand for energy and extend or worsen the current period of low oil and natural gas prices. A further decline in oil and natural gas prices or an extension of the current low oil and natural gas prices could reduce demand for the Group's drilling services and have a material adverse effect on the Group's consolidated statement of financial position, results of operations or cash flows.

The world economy is currently facing a number of challenges. An extended period of negative outlook for the world economy could reduce the overall demand for oil and natural gas and for the Group's services. These potential developments, or market perceptions concerning these and related issues, could affect the Group's consolidated statement of financial position, results of operations or cash flows. In addition, turmoil and hostilities in the Middle East, North Africa and other geographic areas and countries are adding to overall risk. An extended period of negative outlook for the world economy could further reduce the overall demand for oil and natural gas and for the Group's services. Such changes could adversely affect the Group's business and the Group's consolidated statement of financial position, results of operations or cash flows.

The Group relies 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 the Group's consolidated statement of financial position, results of operations or cash flows

The Group engages 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 31 December 2016, the Transocean Group's most significant customers were Chevron Corporation ("Chevron"), BP, Royal Dutch Shell plc (together with its affiliates, "Shell") and Petróleo Brasileiro S.A. ("Petrobras"), accounting for approximately 24%, 12%, 12% and 11%, respectively, of the Transocean Group's consolidated operating revenues.<sup>4</sup> As of 26 October 2017, the customers with the most significant aggregate amount of contract backlog were Shell and Chevron, representing approximately 72% and 15%, respectively, of the Transocean Group's total contract backlog.<sup>5</sup> The loss of any of these customers or another significant customer, or a decline in payments under any of the Group's drilling contracts, could, at least in the short term, have a material adverse effect on the Group's results of operations and cash flows.

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<sup>4</sup> Numbers do not reflect customers of the Songa Group.

5 Numbers do not reflect customers of the Songa Group.

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In addition, the Group's drilling contracts subject the Group to counterparty risks. The ability of each of the Group's counterparties to perform its obligations under a contract with the Group will depend on a number of factors that are beyond the Group's control and may include, among other things, general economic conditions, the condition of the offshore drilling industry, prevailing prices for oil and natural gas, the overall financial condition of the counterparty, the day rates received and the level of expenses necessary to maintain drilling activities. In addition, in depressed market conditions, such as the Group is currently experiencing, the Group's customers may no longer need a drilling rig that is currently under contract or may be able to obtain a comparable drilling rig at a lower day rate. Should counterparty fail to honour its obligations under an agreement with the Group, the Group could sustain losses, which could have a material adverse effect on the Group's business and on the Group's consolidated statement of financial condition results of operations or cash flows.

The recent downgrades in the Transocean Group's credit ratings by various credit rating agencies could impact the Group's access to capital and materially adversely affect the Group's business and financial condition

During the year ended 31 December 2015, three credit rating agencies downgraded their credit ratings of the Transocean Group's non-credit enhanced senior unsecured long-term debt ("Debt Rating") to Debt Ratings that are below investment grade. During the year ended 31 December 2016 and in January 2017, the same three credit rating agencies further downgraded the Transocean Group's Debt Rating. The Transocean Group's Debt Rating levels could have material adverse consequences on the Group's business and future prospects and could:

- limit the Group's ability to access debt markets, including for the purpose of refinancing the Group's existing debt;
- cause the Group to refinance or issue debt with less favourable terms and conditions, which debt may require collateral and restrict, among other things, the Group's ability to pay distributions or repurchase shares;
- increase certain fees under the Group's credit facilities and interest rates under indentures governing certain of the Group's senior notes;
  - negatively impact current and prospective customers' willingness to transact business with the Group;
- impose additional insurance, guarantee and collateral requirements;
- limit the Group's 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 the Group thereby increasing the need for higher levels of cash on hand, which would decrease the Group's ability to repay debt balances.

The downgrades have caused some of the effects listed above, and any further downgrades may cause or exacerbate, any of the effects listed above.

The Group has a substantial amount of debt, including secured debt, and the Group may lose the ability to obtain future financing and suffer competitive disadvantages

At 30 September 2017 and 31 December 2016, the Transocean Group's total consolidated debt was USD 7.3 billion and USD 8.5 billion, respectively. At 30 September 2017 and 31 December 2016, the Songa Group's total consolidated liabilities were USD 2.4 billion and USD 2.6 billion, respectively. This substantial level of debt and other obligations could have significant adverse consequences on the Group's business and future prospects, including the following:

- the Group may be unable to obtain financing in the future for working capital, capital expenditures, acquisitions, debt service requirements, distributions, share repurchases, or other purposes;
- the Group may be unable to use operating cash flow in other areas of the Group's business because the Group must dedicate a substantial portion of these funds to service the debt;



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- the Group could become more vulnerable to general adverse economic and industry conditions, including increases in interest rates, particularly given the Group's substantial indebtedness, some of which bears interest at variable rates;
- the Group may be unable to meet financial ratios in the indentures governing certain of the Group's debt or in the Group's bank credit agreements or satisfy certain other conditions included in the Group's bank credit agreements, which could result in the Group's inability to meet requirements for borrowings under the Group's credit agreements or a default under these indentures or agreements, impose restrictions with respect to the Group's access to certain of the Group's capital, and trigger cross default provisions in the Group's other debt instruments;
- if the Group defaults under the terms of the Group's secured financing arrangements, the secured debtholders may, among other things, foreclose on the collateral securing the debt, including the applicable drilling units; and
- the Group may be less able to take advantage of significant business opportunities and to react to changes in market or industry conditions than the Group's less levered competitors.

The Group must make substantial capital and operating expenditures to maintain the Group's fleet, and the Group may be required to make significant capital expenditures to maintain its competitiveness and to comply with laws and the applicable regulations and standards of governmental authorities and organizations, or to execute the Group's growth plan, each of which could negatively affect the Group's financial condition, results of operations and cash flows

The Group must make substantial capital and operating expenditures to maintain its fleet. These expenditures could increase as a result of changes in the following:

- the cost of labour and materials;
- customer requirements;
- fleet size;
- the cost of replacement parts for existing drilling rigs;
- the geographic location of the drilling rigs;
- length of drilling contracts;
- governmental regulations and maritime self-regulatory organization and technical standards relating to safety, security or the environment; and
- industry standards.

Changes in offshore drilling technology, customer requirements for new or upgraded equipment and competition within the Group's industry may require the Group to make significant capital expenditures in order to maintain its competitiveness. In addition, changes in governmental regulations, safety or other equipment standards, as well as compliance with standards imposed by maritime self-regulatory organizations, may require the Group to make additional unforeseen capital expenditures. As a result, the Group may be required to take its rigs out of service for extended periods of time, with corresponding losses of revenues, in order to make such alterations or to add such equipment. In the future, market conditions may not justify these expenditures or enable the Group to operate its older rigs profitably during the remainder of their economic lives.

In addition, the Group may require additional capital in the future. If the Group is unable to fund capital expenditures with its cash flow from operations or sales of non-strategic assets, the Group may be required to either incur additional borrowings or raise capital through the sale of debt or equity securities. The Group's ability to access the capital markets may be limited by the Group's financial condition at the time, by changes in laws and regulations or interpretation thereof

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and by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond the Group's control. If the Group raises funds by issuing equity securities, existing shareholders may experience dilution. The Group's failure to obtain the funds for necessary future capital expenditures could have a material adverse effect on the Group's business and on its consolidated statements of financial condition, results of operations and cash flows.

The Group has significant carrying amounts of long-lived assets that are subject to impairment testing

At 30 September 2017, the carrying amount of the Transocean Group's property and equipment was USD 17.5 billion, representing 78% of the Transocean Group's total assets. In accordance with the Group's critical accounting policies, the Group reviews its property and equipment for impairment when events or changes in circumstances indicate that carrying amounts of the Group's assets held and used may not be recoverable. In the nine months ended 30 September 2017, the Transocean Group recognized an aggregate loss of USD 96 million associated with the impairment of the Transocean Group's midwater floater asset group. In the year ended 31 December 2016, the Transocean Group recognized an aggregate loss of USD 52 million associated with the impairment of the Transocean Group's deepwater floater asset group. In the year ended 31 December 2015, the Transocean Group recognized an aggregate loss of USD 1.2 billion associated with the impairment of the Transocean Group's deepwater floater and midwater floater asset groups. Future expectations of lower day rates or rig utilization rates or a significant change to the composition of one or more of the Group's asset groups or to the Group's contract drilling services reporting unit could result in the recognition of additional losses on impairment of the Group's long-lived asset groups if future cash flow expectations, based upon information available to management at the time of measurement, indicate that the carrying amount of the Group's asset groups may be impaired.

U.S. tax authorities could treat the Company as a passive foreign investment company, which would have adverse U.S. federal income tax consequences to U.S. holders

A foreign corporation will be treated as a passive foreign investment company ("PFIC") for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of passive income or (2) at least 50% 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.

The Company believes that it has not been and will not be a PFIC with respect to any taxable year. The Company's income from offshore contract drilling services should be treated as services income for purposes of determining whether the Company is a PFIC. Accordingly, the Company believes that the Company's income from the Company's offshore contract drilling services should not constitute "passive income," and the assets that the Company's owns and operates 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 prior case and an IRS pronouncement, which relies on the 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, the Company believes that the terms of the time charters in the recent case differ in material respects from the terms of the Company's drilling contracts with customers. No assurance can be given that the IRS or a court will accept the Company's position, and there is a risk that the IRS or a court could determine that the Company is a PFIC.

If the Company was to be treated as a PFIC for any taxable year, the Company's 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 (the "Internal Revenue Code"), and such elections could themselves have adverse consequences for such shareholder, the shareholder generally 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 the Company's shares, plus interest on such amounts, as if such excess distribution or gain had been recognized ratably over the shareholder's holding period of the Group's shares. In addition,

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under applicable statutory provisions, the preferential tax rate on “qualified dividend income,” which applies to dividends paid to non-corporate shareholders 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.

The Group may be limited in its use of net operating losses and tax credits

The Group’s ability to benefit from the Group’s deferred tax assets depends on the Group having sufficient future earnings to utilize the Group’s net operating loss and tax credit carryforwards before they expire. The Group has established a valuation allowance against the future tax benefit for a number of the Group’s U.S. and non-U.S. net operating losses and tax credit carryforwards, and the Group could be required to record an additional valuation allowance against other U.S. or non-U.S. deferred tax assets if market conditions change materially and, as a result, the Group’s future earnings are, or are projected to be, significantly less than the Group currently estimates. The Group’s net operating loss and tax credit carryforwards are subject to review and potential disallowance upon audit by the tax authorities of the jurisdictions where these tax attributes are incurred.

The Company’s status as a Swiss corporation may limit the Group’s flexibility with respect to certain aspects of capital management and may cause the Group to be unable to make distributions or repurchase shares without subjecting the Company’s shareholders to Swiss withholding tax

Under Swiss law, the Company’s shareholders may approve an authorized share capital that allows the Board of Directors to issue new shares without additional shareholder approval. As a matter of Swiss law, authorized share capital is limited to a maximum of 50% of a company’s registered share capital and is subject to re-approval by shareholders every two years. At the Company’s 2016 annual general meeting, the Company’s shareholders approved an authorized share capital, which will expire on 12 May 2018. The Company’s current authorized share capital is limited to approximately 4.82% of the Company’s registered share capital. Additionally, subject to specified exceptions, Swiss law grants pre-emptive rights to existing shareholders to subscribe for new issuances of shares. This percentage does not include the authorized share capital of Transocean Ltd. approved by the extraordinary general meeting of shareholders convened on 16 January 2018, which may be used exclusively for the purpose of the Compulsory Acquisition or a mandatory offer of the Songa Shares that have not been acquired by the Company upon settlement of the Voluntary Tender Offer. Further, Swiss law 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. Swiss law also reserves for shareholder approval 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 the Company’s capital management may limit the Group’s flexibility, and situations may arise where greater flexibility would have provided substantial benefits to the Group’s 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% Swiss federal withholding tax. However, the Swiss withholding tax rules could also be changed in the future, and any such change may adversely affect the Company or the Company’s shareholders. In addition, over the long-term, the amount of par value available for the Company to use for par value reductions or the amount of qualifying additional paid-in capital available for the Company to pay out as distributions is limited. If the Company is unable to make a distribution through a reduction in par value, or out of qualifying additional paid-in capital as shown on the Company’s standalone Swiss statutory financial statements, the Company may not be able to make distributions without subjecting the Company’s 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% Swiss withholding tax on the repurchase price less the par value, and since 1 January 2011, to the extent attributable to qualifying additional paid-in capital, if any. At the Company’s 2009 annual general

meeting, the Company's shareholders approved the repurchase of up to CHF 3.5 billion of the Company's shares for cancellation under the share repurchase program. The Company may repurchase shares under the share repurchase program using a procedure pursuant to which the Company can repurchase shares 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. The Company's ability to use the "virtual second trading line" is limited to the share repurchase program currently approved by the Company's 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 authorities. The Company may not be able to repurchase as many

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shares as the Company would like for purposes of capital reduction on the “virtual second trading line” without subjecting the selling shareholders to Swiss withholding taxes.

The results of the U.K.’s referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and the Group’s business

In June 2016, a majority of voters in the U.K. elected to withdraw from the European Union in a national referendum. As a result of this referendum, negotiations are commencing to determine the terms of the U.K.’s withdrawal from the European Union and its future relationship with the European Union. The referendum has created significant uncertainty about the future relationship between the U.K. and the European Union, including with respect to the laws and regulations that will apply as the U.K. determines which European Union-derived laws to replace or replicate in the event of a withdrawal. The referendum has also given rise to calls for the governments of other European Union member states to consider withdrawal. These developments, or the perception they may occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict the Group’s access to capital, which could have a material adverse effect on the Group’s business and on the Group’s consolidated statement of financial position, results of operations or cash flows.

### 2.4 Risks related to the Shares

Future issuances of the Shares or other securities may dilute the holdings of shareholders and could materially affect the price of the Shares

It is possible that the Company may in the future decide to offer additional Shares or other securities in order to finance new capital-intensive projects, in connection with unanticipated liabilities or expenses or for any other purposes. See Section 2.1 “Risks related to the business of the Group.” There can be no assurance the Company will not decide to conduct further offerings of securities in the future. Depending on the structure of any future offering, certain existing shareholders may not be able to purchase additional equity securities. If the Company raises additional funds by issuing additional equity securities, holdings and voting interests of existing shareholders may be diluted.

Exchange rate fluctuations could adversely affect the value of the Shares and any dividends paid on the Shares for an investor whose principal currency is not U.S. dollars or Swiss francs

The Shares are priced and traded in U.S. dollars on the NYSE and any dividends will be distributed in U.S. dollars, or in Swiss francs, and shareholders may be given the right to elect to be paid any such dividends in U.S. dollars or Swiss francs. Exchange rate movements of the U.S. dollar or Swiss francs will therefore affect the value of these dividends and distributions for investors whose principal currency is not U.S. dollars or Swiss francs. Furthermore, the market value of the Shares as expressed in foreign currencies will fluctuate in part as a result of foreign exchange fluctuations. This could affect the value of the Shares and of any dividends paid on the Shares for an investor whose principal currency is not U.S. dollars or Swiss francs.

The Company may be unwilling or unable to pay any dividends in the future

Pursuant to the Company’s dividend policy, dividends are only expected to be paid if certain conditions described in Section 14.1 “Dividend policy” are fulfilled. In addition, the Company may choose not, or may be unable, to pay dividends in future years. The amount of dividends paid by the Company, if any, for a given financial period, will depend on, among other things, the Company’s future operating results, cash flows, financial position, capital requirements, the sufficiency of its distributable reserves, the ability of the Company’s subsidiaries to pay dividends to



the Company, credit terms, general economic conditions, legal restrictions (as set out in Section 14.3 “Legal constraints on the distribution of dividends”) and other factors that the Company may deem to be significant from time to time.

Existing Transocean shareholders may be diluted as a result of the Compulsory Acquisition

The existing Transocean shareholders were diluted by approximately 27.7% as a consequence of the issuance of the Existing Consideration Shares and the Shares underlying the Existing Exchangeable Bonds that were issued in the

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Voluntary Tender Offer and related transactions. The existing Transocean shareholders may be further diluted by up to approximately 0.6% as a consequence of the Compulsory Acquisition, as described in Section 5.14 “Dilution.”

### 2.5 Risks related to the New Exchangeable Bonds

The New Exchangeable Bonds are exclusively the obligations of TINC, as issuer, and Transocean, as guarantor, and not of TINC’s subsidiaries or Transocean’s other subsidiaries

The New Exchangeable Bonds are obligations exclusively of TINC, as issuer, and Transocean, as guarantor of the New Exchangeable Bonds, and not of TINC’s subsidiaries or Transocean’s other subsidiaries. Each of TINC and Transocean is a holding company and, accordingly, substantially all of their respective operations are conducted through their subsidiaries. As a result, TINC’s and Transocean’s cash flow and TINC’s ability to service its debt, including the New Exchangeable Bonds, and Transocean’s ability to satisfy its guarantee obligations are dependent upon the earnings of their respective subsidiaries and on the distribution of earnings, loans or other payments by such subsidiaries to TINC and Transocean. The subsidiaries of Transocean are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due on the New Exchangeable Bonds or to make funds available to them to do so. In addition, contractual provisions or laws, as well as such subsidiaries’ financial condition and operating requirements, may limit TINC’s or Transocean’s ability to obtain from such subsidiaries the cash each needs to pay its respective debt service or guarantee obligations, including payments on or with respect to the New Exchangeable Bonds. TINC, Transocean and their respective subsidiaries are permitted under the terms of the indenture governing the New Exchangeable Bonds to incur additional indebtedness or otherwise enter into agreements that may restrict or prohibit subsidiaries of TINC or Transocean from the making of distributions, the payment of dividends or the making of loans to TINC or Transocean. TINC and Transocean can make no assurances that the agreements governing the current and future indebtedness of their respective subsidiaries or other agreements of TINC, Transocean or their respective subsidiaries will permit such subsidiaries to provide TINC or Transocean with sufficient dividends, distributions or loans to fund payments on the New Exchangeable Bonds when due or, in the case of Transocean, to satisfy any guarantee obligations.

Payments on the New Exchangeable Bonds, including under the guarantees, will be effectively subordinated to claims of secured creditors

The New Exchangeable Bonds represent unsecured obligations of TINC. Accordingly, any secured creditor of TINC will have claims that are superior to the claims of holders of the New Exchangeable Bonds to the extent of the value of the assets securing that other indebtedness. Similarly, the guarantees of the New Exchangeable Bonds will not be secured by any assets of Transocean and will effectively rank junior to any secured debt of Transocean, as the guarantor, to the extent of the value of the assets securing the debt. In the event of any distribution or payment of assets of TINC or Transocean in any foreclosure, dissolution, winding-up, liquidation, reorganization, bankruptcy or similar proceeding, secured creditors of TINC and Transocean, respectively, will have a superior claim to their respective collateral. If any of the foregoing events occur, there can be no assurance that there will be sufficient assets to pay amounts due on the New Exchangeable Bonds or with respect to any guarantee. Holders of the New Exchangeable Bonds will participate ratably with all holders of unsecured senior indebtedness of TINC and Transocean, and with all of TINC’s and Transocean’s other general senior creditors, based upon the respective amounts owed to each holder or creditor, in the remaining assets of TINC and Transocean. As a result, holders of New Exchangeable Bonds may receive less, ratably, than secured creditors of TINC and Transocean.

In addition, the terms of the indenture do not limit TINC’s or Transocean’s ability to create, assume or allow to exist any liens on assets of TINC or Transocean to secure any debt. As of 30 September 2017, Transocean and TINC had USD 1.54 billion aggregate principal amount of consolidated secured debt outstanding.

Servicing TINC's debt requires a significant amount of cash, and TINC may not have sufficient cash flow from its respective business to pay its substantial debt

TINC's ability to make scheduled payments of the principal of, to pay interest on or to refinance its indebtedness, including the New Exchangeable Bonds, depends on TINC's future performance, which is subject to economic, financial, competitive, regulatory and other factors beyond its control. TINC's business may not continue to generate cash flow from operations in the future sufficient to service its debt and make necessary capital expenditures. If TINC is unable to generate

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such cash flow, it may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous. TINC's ability to refinance its indebtedness will depend on the capital markets and its financial condition at such time. TINC may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on TINC's debt obligations.

Despite its current debt levels, TINC may still incur substantially more debt or take other actions which would intensify the risks discussed above

Despite TINC's current consolidated debt levels, TINC and its subsidiaries may be able to incur substantial additional debt in the future, subject to the restrictions contained in TINC's debt instruments, some of which may be secured debt. TINC is not restricted under the terms of the indenture governing the New Exchangeable Bonds from incurring additional debt, securing existing or future debt, recapitalizing the TINC's debt or taking a number of other actions that are not limited by the terms of the indenture governing the New Exchangeable Bonds that could have the effect of diminishing TINC's ability to make payments on the New Exchangeable Bonds when due.

The New Exchangeable Bonds are not protected by restrictive covenants

The indenture governing the New Exchangeable Bonds does not contain any financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by TINC, Transocean or any of their respective subsidiaries. The indenture contains no covenants or other provisions to afford protection to holders of the New Exchangeable Bonds in the event of a Fundamental Change or other corporate transaction involving TINC except to the extent described in Section 16 "Description of the New Exchangeable Bonds."

TINC may not have the funds necessary to finance a repurchase in the event of a Fundamental Change

Upon the occurrence of specific Fundamental Change events, including a Change of Control Repurchase Event and a Listing Failure Event, holders of New Exchangeable Bonds will have the right to require TINC to repurchase their New Exchangeable Bonds in cash. However, it is possible that TINC will not have sufficient funds at such time to make the required repurchase of New Exchangeable Bonds or that restrictions in TINC's credit agreements or other indebtedness will not allow such repurchases. TINC's failure to purchase all validly tendered New Exchangeable Bonds would constitute an event of default under the indenture under which the New Exchangeable Bonds are issued and may also constitute a cross-default on other indebtedness existing at that time.

The make-whole premium that may be payable upon a Fundamental Change or Tax Event Offer to Repurchase may not adequately compensate holders for the lost value of the New Exchangeable Bonds as a result of such Fundamental Change or tax event

If holders exchange New Exchangeable Bonds in connection with a Fundamental Change or Tax Event Offer to Repurchase TINC will be required to increase the applicable exchange rate by a make-whole premium determined using the applicable formula set forth under Section 16 "Description of the New Exchangeable Bonds." The make-whole premium payable in connection with a Fundamental Change or Tax Event Offer to Repurchase may not adequately compensate holders for any lost value of their New Exchangeable Bonds as a result of such transaction or event. In addition, if TINC's obligation to deliver the make-whole premium were to be considered a penalty, the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

Because holders' rights to require repurchase of the New Exchangeable Bonds are limited, the market prices of the New Exchangeable Bonds may decline if TINC enters into a transaction that is not a Fundamental Change under the indenture

TINC's obligation to repurchase the New Exchangeable Bonds upon a Fundamental Change may not preserve the value of the New Exchangeable Bonds because the terms "Change of Control," "Change of Control Repurchase Event" and "Listing Failure Event" are limited and may not include every event that might cause the market prices of the New Exchangeable Bonds to decline. TINC may enter into a highly leveraged transaction, reorganization, merger, scheme of arrangement or similar transaction that is not a Change of Control or Listing Failure Event under the indenture, and such transactions could negatively affect the liquidity, value or volatility of the New Exchangeable Bonds or the Shares.

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The exchange rate of the New Exchangeable Bonds may not be adjusted for all dilutive events

The exchange rate of the New Exchangeable Bonds is subject to adjustment for certain events including, but not limited to, certain dividends or distributions on the Shares, subdivisions or combinations of the Shares, the issuance of certain rights or warrants, certain distributions of capital stock, evidences of debt or other assets to holders of the Shares and certain purchases of the Shares in tender or exchange offers. The exchange rate will not be adjusted for other events that may adversely affect the trading price of the New Exchangeable Bonds and the Shares.

An active trading market for the New Exchangeable Bonds may not develop

The Existing Exchangeable Bonds were listed on the NYSE on 30 January 2018, and an active trading market for the Existing and New Exchangeable Bonds may not develop. To the extent that an active trading market for the New Exchangeable Bonds does not develop, the liquidity and trading prices for the New Exchangeable Bonds may be harmed. In addition, the New Exchangeable Bonds that are traded after their initial issuance may trade at a discount from their face amount, depending on prevailing interest rates, the market for similar securities, the price and volatility of the Shares, TINC's and Transocean's performance and other factors. As a result, holders may not be able to realize the full value of their investment, or liquidate their investment rapidly, or at all.

Any adverse rating of the New Exchangeable Bonds may cause their trading price to fall

If any rating service rates the New Exchangeable Bonds and subsequently lowers its rating or otherwise announces its intention to put the New Exchangeable Bonds on credit watch, the trading price of the notes could decline. Other than in the context of a Change of Control Repurchase Event, holders would have no related protection under the notes.

Recent and future regulatory actions and other events may adversely affect the trading price and liquidity of the New Exchangeable Bonds

Recipients, and potential subsequent purchasers, of the New Exchangeable Bonds may employ, or seek to employ, an arbitrage strategy with respect to the New Exchangeable Bonds. Investors would typically implement such a strategy by selling short the stock underlying the New Exchangeable Bonds and dynamically adjusting their short position while continuing to hold the New Exchangeable Bonds. Investors may also implement this type of strategy by entering into swaps on the Shares in lieu of or in addition to short selling the Shares.

The SEC and other regulatory and self-regulatory authorities have implemented various rules and taken certain actions, and may in the future adopt additional rules and take other actions, that may impact those engaging in short selling activity involving equity securities (including the Shares). Such rules and actions include Rule 201 of SEC Regulation SHO, the adoption by the Financial Industry Regulatory Authority, Inc. and the national securities exchanges of a "Limit Up-Limit Down" program, the imposition of market-wide circuit breakers that halt trading of securities for certain periods following specific market declines, and the implementation of certain regulatory reforms required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Any governmental or regulatory action that restricts the ability of investors in, or potential purchasers of, the New Exchangeable Bonds to effect short sales of the Shares, borrow the Shares or enter into swaps on the Shares could adversely affect the trading price and the liquidity of the New Exchangeable Bonds.

Future sales of the Shares, the Existing Exchangeable Bonds or the New Exchangeable Bonds in the public market could adversely impact the trading price of the Shares and the New Exchangeable Bonds

In the future, Transocean may sell additional Shares to raise capital. In addition, Shares are reserved for issuance upon the exercise of stock options, upon the vesting of restricted stock units and upon exchange of the Existing

Exchangeable Bonds and the New Exchangeable Bonds. Transocean cannot predict the size of future issuances or the effect, if any, that they may have on the market price for the Shares. The issuance and sale of substantial amounts of Shares, or the perception that such issuances and sales may occur, could adversely affect the trading price of the New Exchangeable Bonds and the Shares and impair Transocean's ability to raise capital through the sale of additional equity securities.

In addition, in connection with the Voluntary Tender Offer, Transocean and TINC agreed with certain holders of restricted Existing Exchangeable Bonds to file a registration statement in the United States registering the resale of certain Shares and Existing Exchangeable Bonds by these holders. The occurrence of any sales of such Shares and Existing Exchangeable

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Bonds (or any other sizeable sales of Shares or Existing Exchangeable Bonds issued in the Voluntary Tender Offer), or the perception that they may occur in the future, could also adversely affect the trading price of the New Exchangeable Bonds, the Existing Exchangeable Bonds and the Shares and impair Transocean's ability to raise capital through the sale of additional equity securities.

As of 31 January 2018, Transocean has outstanding 458,175,417 Shares and options to purchase 2,739,906 Shares, of which 1,250,145 were exercisable as of that date. Transocean also had outstanding approximately 4,303,604 Shares and 2,117,173 Shares issuable pursuant to outstanding restricted share units and performance share units, respectively, and 83,073,045 Shares issuable upon the exchange of the USD 853,804,000 outstanding Existing Exchangeable Bonds. The sale or the availability for sale of a large number of the Shares in the public market could cause the market price of the Shares, and the value of the New Exchangeable Bonds, to decline.

Exchange of the New Exchangeable Bonds will dilute the ownership interest of existing shareholders

The exchange of some or all of the New Exchangeable Bonds will dilute the ownership interest of existing shareholders. Any sales in the public market of any Shares issuable upon exchange of the New Exchangeable Bonds could adversely affect prevailing market prices of the Shares. In addition, the existence of the New Exchangeable Bonds may encourage short selling by market participants because the exchange of the New Exchangeable Bonds could be used to satisfy short positions, or anticipated exchange of the New Exchangeable Bonds into Shares could depress the price of the Shares and the value of the New Exchangeable Bonds.

Volatility in the market price and trading volume of the Shares could adversely impact the trading price of the New Exchangeable Bonds

The stock market in recent years has experienced significant price and volume fluctuations that have often been unrelated to the operating performance of companies. The market price of Shares could fluctuate significantly for many reasons, including in response to the risks described in this Prospectus. In addition, the market price of the Shares could fluctuate for reasons unrelated to its operations, such as reports by industry analysts, changes in Transocean's financial guidance, investor perceptions or negative announcements by Transocean's customers, competitors or suppliers regarding their own performance, as well as industry conditions and general financial, economic and political instability. A decrease in the market price of the Shares would likely adversely impact the trading price of the New Exchangeable Bonds. The market price of the Shares could also be affected by possible sales of the Shares by investors who view the New Exchangeable Bonds as a more attractive means of equity participation in Transocean and by hedging or arbitrage trading activity that Transocean expects to develop involving its Shares. This trading activity could, in turn, affect the trading price of the New Exchangeable Bonds.

Holder of New Exchangeable Bonds will not be entitled to any rights with respect to the Shares, but they will be subject to all changes made with respect to them

Subject to limitations regarding adverse changes to the rights of holders, holders of New Exchangeable Bonds will not be entitled to any rights with respect to the Shares (including voting rights and rights to receive any dividends or other distributions on Shares) prior to the last trading day of the relevant observation period, but holders of the New Exchangeable Bonds will be subject to all changes affecting the Shares. For example, if an amendment is proposed to Transocean's Articles of Association requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to the date a holder's New Exchangeable Bonds are exchanged into Shares, such holder will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes affecting the Shares.



Exchange rate fluctuations could adversely affect the market value of the New Exchangeable Bonds and any interest paid on the New Exchangeable Bonds for an investor whose principal currency is not U.S. dollars

The New Exchangeable Bonds are denominated and will be traded in U.S. dollars on the NYSE and any interest will be paid in U.S. dollars. Exchange rate movements of U.S. dollar will therefore affect the value of any interest for investors whose principal currency is not U.S. dollars. Furthermore, the market value of the New Exchangeable Bonds as expressed in foreign currencies will fluctuate in part as a result of foreign exchange fluctuations. This could affect the value of the

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New Exchangeable Bonds and of any interest paid on the New Exchangeable Bonds for an investor whose principal currency is not U.S. dollars.

Holders of New Exchangeable Bonds may be subject to tax if the Company makes or fails to make certain adjustments to the exchange rate of the New Exchangeable Bonds even though such holders do not receive a corresponding cash distribution

The exchange rate of the New Exchangeable Bonds is subject to adjustment in certain circumstances, including the payment of cash dividends. If the exchange rate is adjusted as a result of a distribution that is taxable to the Company's stockholders, such as a cash dividend, holders of New Exchangeable Bonds will be deemed to have received a dividend for U.S. federal income tax purposes without the receipt of any cash. In addition, a failure to adjust (or to adjust adequately) the exchange rate after an event that increases holders' proportionate interest in Transocean could be treated as a deemed taxable dividend to such holder for U.S. federal income tax purposes. If a Fundamental Change or a Tax Event Offer to Repurchase occurs prior to the maturity date, under some circumstances, the Company will increase the exchange rate for New Exchangeable Bonds exchanged in connection with the Fundamental Change or repurchase offer. Such increase may also be treated as a distribution for U.S. federal income tax purposes. See Section 18.2 "United States taxation – Material U.S. Federal Income Tax Consequences."

### 2.6 Risks related to the Compulsory Acquisition

Because the market price of the Shares and Existing Exchangeable Bonds fluctuate, Songa Offshore shareholders cannot be sure of the value of the New Consideration Shares and New Exchangeable Bonds they may receive in the Compulsory Acquisition; the Compulsory Acquisition may constitute a taxable event for Songa Offshore shareholders

A total of 0.35724 New Consideration Shares will be issued in exchange for each Songa Share held by Songa Offshore shareholders who have elected to receive consideration in New Consideration Shares and New Exchangeable Bonds. Share price changes may result from a variety of factors that are beyond the Company's control, including general market and economic conditions, changes in business prospects, catastrophic events, both natural and man-made, and regulatory considerations. An active trading market for the New Exchangeable Bonds may not develop. Also, the New Exchangeable Bonds may trade at a discount from their face amount. In addition, the ongoing business of Transocean may be adversely affected by actions taken by Transocean in connection with the Compulsory Acquisition, including payment of certain costs relating to the Compulsory Acquisition, including certain legal, accounting, financing, and financial and other advisory fees.

In addition, the Compulsory Acquisition may constitute a taxable event for Songa Offshore shareholders in the jurisdictions in which they are tax residents. Therefore, Songa Offshore shareholders are advised to take into account the structure of the mixed consideration consisting of New Consideration Shares and New Exchangeable Bonds, and their individual tax position when evaluating whether to receive New Consideration Shares and New Exchangeable Bonds in the Compulsory Acquisition.

The expected benefits associated with a combination of the Transocean Group and the Songa Group may not be realised

Transocean intends to integrate the two companies that have previously operated independently. There can be no assurances that Transocean will not encounter difficulties in integrating Songa Offshore's operations or that the benefits expected from the integration will be realised. If the benefits are not achieved, or only partly achieved, this could adversely affect the Group's business, financial condition, results of operations and prospects.

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The New Consideration Shares must be registered with the commercial register of the Canton of Zug, Switzerland before the Company can settle the Compulsory Acquisition

In order for the Company to issue the New Consideration Shares to be delivered to the holders of the Songa Shares, the Company must register the increase in its share capital and the issuance of the New Consideration Shares with the commercial register of the Canton of Zug, Switzerland. Under Swiss law, this registration may be blocked for reasons beyond the Company's control, thereby delaying or preventing the issuance of the New Consideration Shares and settlement of the Compulsory Acquisition.

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The New Exchangeable Bonds issued in the Compulsory Acquisition may not be fungible with Existing Exchangeable Bonds issued in the Voluntary Tender Offer for tax or trading purposes, which may adversely affect the liquidity of any secondary market in the New Exchangeable Bonds

If the stated par value of the New Exchangeable Bonds issued in the Compulsory Acquisition exceeds their fair market value at the time they are issued by more than a de minimis amount, the New Exchangeable Bonds issued in the Compulsory Acquisition may be treated as part of different issue than the Existing Exchangeable Bonds issued in the Voluntary Tender Offer for U.S. federal income tax purposes, and, in that case, the tax treatment of the New Exchangeable Bonds issued in the Compulsory Acquisition would be expected to differ from the tax treatment of the Exchangeable Bonds issued in the Voluntary Tender Offer. In that case any New Exchangeable Bonds issued in the Compulsory Acquisition would not be fungible for trading purposes with Exchangeable Bonds issued in the Voluntary Tender Offer. In addition, if the New Exchangeable Bonds issued in the Compulsory Acquisition are not fungible with the Existing Exchangeable Bonds for tax purposes, the Company may not be able to list the New Exchangeable Bonds on the NYSE if the aggregate principal amount of New Exchangeable Bonds issued in the Compulsory Acquisition does not meet NYSE listing requirements. Any New Exchangeable Bonds you may receive in the Compulsory Acquisition may therefore trade in the secondary market at a lower price than Exchangeable Bonds issued in the Voluntary Tender Offer, and any such secondary market for New Exchangeable Bonds issued in the Compulsory Acquisition may be significantly less liquid than any secondary market for Exchangeable Bonds issued in the Voluntary Tender Offer. See Section 18 “Taxation” below.

Holders of Songa Shares that elect to receive Shares and New Exchangeable Bonds in the Compulsory Acquisition may suffer adverse consequences

Songa Offshore shareholders who do not respond to the Compulsory Acquisition within the expiry of the Subscription Period will not receive New Consideration Shares and New Exchangeable Bonds in the Compulsory Acquisition and will instead receive the Full Cash Alternative.

The New Consideration Shares must be registered with the commercial register of the Canton of Zug,

Switzerland before the Company can settle the Compulsory Acquisition

In order for the Company to issue the New Consideration Shares to be delivered to the holders of Songa Shares, the Company must register the increase in its share capital and the issuance of the New Consideration Shares with the commercial register of the Canton of Zug, Switzerland. Under Swiss law, registration may be blocked for reasons beyond the Company’s control, thereby delaying or preventing the issuance of the New Consideration Shares and settlement of the Compulsory Acquisition.

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3 RESPONSIBILITY FOR THE PROSPECTUS

This Prospectus has been prepared in connection with the Compulsory Acquisition and issuance of New Consideration Shares and New Exchangeable Bonds as described herein.

The boards of directors of Transocean and TINC accept responsibility for the information contained in this Prospectus. The members of the boards of directors confirm that, after having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

16 February 2018

The board of directors of Transocean Ltd.

|                                    |                                 |                                |
|------------------------------------|---------------------------------|--------------------------------|
| Merrill A. Miller, Jr.<br>Chairman | Frederico F. Curado<br>Director | Frederik W. Mohn<br>Director   |
| Tan Ek Kia<br>Director             | Glyn A. Barker<br>Director      | Chadwick C. Deaton<br>Director |
| Samuel Merksamer<br>Director       | Jeremy D. Thigpen<br>Director   | Vanessa C.L. Chang<br>Director |
| Vincent J. Intrieri<br>Director    | Edward R. Muller<br>Director    |                                |

The board of directors of Transocean Inc.

|                                |                              |                            |
|--------------------------------|------------------------------|----------------------------|
| C. Stephen McFadin<br>Chairman | Stephen L. Hayes<br>Director | Colin Berryman<br>Director |
|--------------------------------|------------------------------|----------------------------|

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4 GENERAL INFORMATION

4.1 Important investor information

Transocean and Songa Offshore have furnished the information in this Prospectus. No representation or warranty, express or implied is made by the Financial Advisor as to the accuracy, completeness or verification of the information set forth herein, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. The Financial Advisor assumes no responsibility for the accuracy or completeness or the verification of this Prospectus and accordingly disclaims, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise, which they might otherwise be found to have in respect of this Prospectus or any such statement.

Neither Transocean, TINC, the Financial Advisor, or any of their respective affiliates, representatives, advisers or selling agents, is making any representation to any offeree or purchaser of the New Consideration Shares and New Exchangeable Bonds regarding the legality of an investment in the New Consideration Shares or the New Exchangeable Bonds. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of New Consideration Shares and New Exchangeable Bonds.

Investing in the New Consideration Shares and New Exchangeable Bonds involves a high degree of risk. See Section 2 “Risk Factors” beginning on page 17.

In connection with the Compulsory Acquisition, the Financial Advisor and its affiliates, acting as an investor for its own account, may take up New Consideration Shares and New Exchangeable Bonds in the Compulsory Acquisition and in that capacity may retain, purchase or sell for its own account such securities and any Shares and New Exchangeable Bonds or related investments and may offer or sell such Shares and New Exchangeable Bonds or other investments otherwise than in connection with the Compulsory Acquisition. Accordingly, references in the Prospectus to New Consideration Shares and New Exchangeable Bonds being offered or placed should be read as including any offering or placement of New Consideration Shares and New Exchangeable Bonds to the Financial Advisor or any of its affiliates acting in such capacity. The Financial Advisor does not intend to disclose the extent of any such investment or transactions other than in accordance with any legal or regulatory obligation to do so. In addition, the Financial Advisor or its affiliates may enter into financing arrangements (including swaps) with investors in connection with the Financial Advisor (or its affiliates) acquiring, holding or disposing of Shares and New Exchangeable Bonds.

Transocean has also prepared a Form S-4 Registration Statement under the U.S. Securities Act in connection with the Compulsory Acquisition (the “Registration Statement”). The Registration Statement will be available, free of charge, at the SEC’s website at: [www.sec.gov](http://www.sec.gov). In addition, free copies of the Registration Statement and other relevant documents filed by Transocean and Transocean Inc. with the SEC may be obtained from Transocean’s website at: [www.deepwater.com](http://www.deepwater.com). Certain sections included in the Registration Statement have been included in Appendix C. The information set forth in Appendix C is required by the rules of the SEC in order for the Prospectus to satisfy the statutory content requirements for a prospectus under U.S. federal securities laws and related SEC rules. The Norwegian FSA has not made any form of control or approval relating to the items included therein, and the information contained in Appendix C does not influence the information in this Prospectus given according to the content requirements of the Norwegian Securities Trading and related secondary legislation, including the Commission Regulation (EC) no. 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 regarding information contained in prospectuses, as amended and as implemented in Norway.

SEC rules require that Transocean disclose in its Registration Statement a detailed description of the background and reasons for the Voluntary Tender Offer, including a summary of any financial forecasts or projections on which any such report, opinion or appraisal was based. As a result of this requirement, Transocean has included in the Registration Statement (and, accordingly, in Appendix C) a summary of certain management projections (the "Management Projections") that were made available to Songa Offshore and its advisors on 28 June 2017. The Management Projections are intended solely to provide historical facts regarding the negotiation process between Transocean and Songa Offshore.

The Management Projections were initially prepared based on information available to Transocean's management only through the second quarter of 2017. Since that time, a number of events have occurred, and certain conditions and

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circumstances have changed, such that Transocean's management does not believe that the Management Projections represent a reliable current forecast of the future results that the Company may achieve, and are consequently no longer valid. The key changes to the assumptions made in the original Management Projections since they were initially prepared are the following:

- While the offshore drilling market fundamentals became more favorable as oil prices increased to the mid to high USD 50 per barrel level, this increase has not translated into a significant improvement in offshore drilling activity or dayrates as anticipated when the Management Projections were prepared. In this regard, the increase in tenders and contracts observed at the end of 2017 no longer appear to be sufficient to support the projected increase in activity and dayrates in 2018.
- Material value enhancement initiatives are underway at Transocean, including to further reduce operation and maintenance costs and capital expenditures. In addition to pursuing significant efficiencies in overhead optimization, Transocean has been able to reduce its future costs for mandatory five-year special periodic surveys, underwater inspections in lieu of dry docking and rig reactivations.
- Transocean announced the retirement of six floaters in September 2017, further reducing the costs associated with the cold stacking of rigs.

### 4.2 Presentation of financial and other information

#### 4.2.1 Financial information

The Company's consolidated financial statements as of 31 December 2016 and 2015 and for each of the three years in the period ended 31 December 2016 (the "Financial Statements") included under "Item 8. Financial Statements and Supplementary Data" of the Transocean Group's annual report on Form 10-K for the year ended 31 December 2016, and the Company's condensed consolidated interim financial statements as of 30 September 2017 and for the three and nine months ended 30 September 2017 and 2016 (the "Interim Financial Statements") included under "Item 1. Financial Information" of the Transocean Group's quarterly report on Form 10-Q for the quarterly period ended 30 September 2017, have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The Transocean Group's consolidated financial statements as of 31 December 2016 and 2015 and for each of the three years in the period ended 31 December 2016, have been audited by EY Houston and EY Zurich.

The consolidated financial statements of the Company are prepared in the Company's functional currency, U.S. dollars (presentation currency).

#### 4.2.2 Sources of industry and market data

In this Prospectus, the Company has used industry and market data obtained from independent industry publications, market research and other publicly available information. While the Company has compiled, extracted and reproduced industry and market data from external sources, the Company has not independently verified the correctness of such data. The Company cautions prospective investors not to place undue reliance on the above-mentioned data. Unless otherwise indicated in the Prospectus, the basis for any statements regarding the Company's competitive position is based on the Company's own assessment and knowledge of the market in which it operates.

The Company confirms that where information has been sourced from a third party, such information has been accurately reproduced and that as far as the Company is aware, and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified, however, source references to websites shall not be deemed as incorporated by reference to this Prospectus.



Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of market data contained in this Prospectus that was extracted from these industry publications or reports and reproduced herein. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based

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on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

As a result, prospective investors should be aware that statistics, data, statements and other information relating to markets, market size, market shares, market positions and other industry data in this Prospectus (and projections, assumptions and estimates based on such information) may not be reliable indicators of the Company's future performance and the future performance of the industry in which it operates. Such indicators are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in Section 2 "Risk Factors" and elsewhere in this Prospectus.

### 4.3 Cautionary note regarding forward-looking statements

The statements described in this Prospectus that are not historical facts are forward-looking statements. Forward-looking statements appear in, among other sections in this Prospectus, Section 6 "About the Songa Group," Section 8 "Industry and Market Overview," Section 9 "Business of the Transocean Group" and Section 12 "Operating and Financial Review of the Transocean Group." These forward-looking statements include, but are not limited to, statements regarding integration plans and expected synergies, and anticipated future growth, financial and operating performance and results. Forward-looking statements are based on management's current expectations and assumptions, and are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Forward-looking statements in this Prospectus are identifiable by use of any of the following words and other similar expressions: "anticipates," "could," "forecasts," "might," "projects," "believes," "estimates," "intends," "plans," "scheduled," "expects," "may," "predicts" and "should."

Actual results could differ materially from those indicated in these forward-looking statements. Factors that could cause actual results to differ materially are set out in Section 2 "Risk Factors."

Should one or more of such risks or uncertainties materialize (or the other consequences of such a development worsen), or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or expressed or implied by such forward-looking statements. All subsequent written and oral forward-looking statements attributable to Transocean or to persons acting on Transocean's 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 each of Transocean and Songa Offshore undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that occur, or which either Transocean or Songa Offshore become aware of, after the date hereof, except as otherwise may be required by law.

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5 THE COMPULSORY ACQUISITION

5.1 General

Transocean is making the Compulsory Acquisition of all remaining shares of Songa Offshore not owned by Transocean. Such Compulsory Acquisition is governed by article 36 of the Cyprus Takeover Bids Law. The Compulsory Acquisition is initiated following completion of the Voluntary Tender Offer resulting in Transocean acquiring shares of Songa Offshore representing 97.67% (on a fully diluted basis as of 30 January 2018) of the voting rights in Songa Offshore.

The consideration in the Compulsory Acquisition per remaining Songa Share consists of either (i) or (ii) below:

- (i) A combination of (a) 0.35724 New Consideration Shares, and (b) USD 2.99726 principal amount of New Exchangeable Bonds ((a) and (b) together referred to as the “Consideration in Kind”). In addition, each Songa Offshore shareholder will have the option to instead elect to receive an amount in cash of NOK 47.50 per Songa Share up to a maximum of NOK 125,000 per shareholder in lieu of some or all of the New Consideration Shares and New Exchangeable Bonds such shareholder would otherwise be entitled to receive (the Partial Cash Consideration); or
- (ii) An amount in cash of NOK 47.50 (the Full Cash Alternative) in lieu of all of the New Consideration Shares and New Exchangeable Bonds such shareholder would otherwise be entitled to receive under (i) above.

The aggregate amount of Consideration in Kind paid to each Songa Offshore shareholder shall be comprised, as near as possible, of 50% New Consideration Shares and 50% New Exchangeable Bonds, with the election by such shareholder of Partial Cash Consideration, if elected, reducing first the aggregate number of New Exchangeable Bonds and second the aggregate number of New Consideration Shares such shareholder would otherwise be entitled to receive.

Shareholders of Songa Offshore who wish to receive Consideration in Kind (with or without Partial Cash Consideration) in the Compulsory Acquisition must complete and sign the Subscription Form enclosed with this Prospectus as Appendix B and return it to the Settlement Agent prior to the expiration of the Subscription Period on 20 March 2018 at 23:59 (CET). Songa Offshore shareholders who do not respond or fail to submit duly executed Subscription Forms to the Settlement Agent before the expiration of the Subscription Period will instead receive the Full Cash Alternative.

Shareholders who wish to receive the Full Cash Alternative will not be required to take any action in respect of the Compulsory Acquisition during the Subscription Period.

If all remaining Songa Offshore shareholders (on a fully diluted basis as of 30 January 2018) elect to receive New Consideration Shares and New Exchangeable Bonds in the Compulsory Acquisition (and no Songa Offshore shareholders receive the Partial Cash Consideration or Full Cash Alternative), approximately 1,599,589 New Consideration Shares and approximately USD 13,421,000 aggregate principal amount of New Exchangeable Bonds will be issued as a result of the Compulsory Acquisition.

Transocean will not issue any fractional New Consideration Shares or fractional amounts of New Exchangeable Bonds in the Compulsory Acquisition. Each Songa Offshore shareholder who elects to receive New Consideration Shares and New Exchangeable Bonds in the Compulsory Acquisition, and (a) who would otherwise be entitled to receive a fraction of a New Consideration Share will instead receive, for the fraction of a New Consideration Share, an amount in cash based on USD 8.39, the closing price of the Shares on the NYSE on 14 August 2017, the last trading day prior to the announcement of the Voluntary Tender Offer (the “Reference Price”), and (b) who would otherwise be entitled to receive a fractional amount of New Exchangeable Bonds will instead receive, for the fractional amount of

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New Exchangeable Bonds, an amount in cash based on USD 1,000, the principal amount per New Exchangeable Bond, and in each case, paid in NOK, based on an exchange rate of 7.9239 NOK per U.S. dollar which is the NOK/USD closing price at 4:00 p.m. CET as determined by Norges Bank, on 14 August 2017, the trading day immediately preceding the announcement of the Voluntary Tender Offer.

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### 5.2 The offeror – Transocean Ltd.

The Compulsory Acquisition is made by Transocean Ltd., a corporation incorporated under the laws of Switzerland in 2008, with registered office at Turmstrasse 30, 6312 Steinhausen, Switzerland, on behalf of itself and through its wholly owned subsidiary, Transocean Inc., a corporation incorporated under the Companies Law of the Cayman Islands with principal executive offices located at P.O. Box 10342, 70 Harbour Drive, 4th Floor, Grand Cayman, KY1-1003. Transocean is registered in Switzerland with enterprise identification number (UID) CHE-114.461.224, and TINC is registered in the Cayman Islands under the business registration number 89645. The Shares and the Existing Exchangeable Bonds are listed on the NYSE under the symbols “RIG” and “RIG/23”, respectively. For further information about Transocean and its business, see Section 9 “Business of the Transocean Group” and Section 16 “Description of the New Exchangeable Bonds” Transocean’s obligations in relation to Consideration not offered in New Consideration Shares or cash is, for purposes of the Compulsory Acquisition, fully discharged by TINC.

### 5.3 The Target – Songa Offshore SE

Songa Offshore SE, the parent company of the Songa Group, is a European public company limited by shares organised under the laws of the Republic of Cyprus with the Cyprus Registrar of Companies with registration number SE 9. Its predecessor company, Songa Offshore ASA, was incorporated on 18 April 2005 as a Norwegian public limited liability company (Nw.: allmennaksjeselskap) and converted to an SE, by means of a merger between Songa Offshore ASA and Songa Offshore Cyprus Plc, on 12 December 2008. With effect from 11 May 2009, the survivor of the merger, renamed to Songa Offshore SE, transferred its registered office to Cyprus in accordance with Article 8 of the Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European Company (SE) and section 113 of the Cyprus Companies Law (as amended). Songa Offshore’s registered office is at Porto Bello building, Office 201, No 1 Siafi Street, 3042, Limassol, Cyprus.

As of 31 January 2018, Songa Offshore had an authorized share capital of EUR 24,095,941.10 consisting of (i) 191,865,592 issued ordinary shares of nominal value EUR 0.10 and (ii) 49,093,819 undesignated shares of nominal value EUR 0.10. The Songa Shares are registered in the Norwegian Central Securities Depository (the “VPS”) under ISIN CY0100962113 and are listed on the Oslo Stock Exchange under the ticker code “SONG.” For further information about the Songa Group and its business, see Section 6 “About the Songa Group.”

### 5.4 Background and reasons for the Compulsory Acquisition

Transocean is making the Compulsory Acquisition of all remaining shares of Songa Offshore not owned by Transocean following completion of the Voluntary Tender Offer. Such Compulsory Acquisition is governed by article 36 of the Cyprus Takeover Bids Law. The Voluntary Tender Offer resulted in Transocean acquiring shares of Songa Offshore representing 97.67% (on a fully diluted basis as of 30 January 2018) of the voting rights in Songa Offshore. The shares of Songa Offshore are expected to be delisted shortly following completion of the Compulsory Acquisition, subject to approval by the Oslo Stock Exchange.

### 5.5 Consideration

The consideration in the Compulsory Acquisition per remaining Songa Share consists of either (i) or (ii) below:

(i) A combination of (a) 0.35724 New Consideration Shares, and (b) USD 2.99726 principal amount of New Exchangeable Bonds ((a) and (b) together referred to as the “Consideration in Kind”). In addition, each Songa Offshore shareholder will have the option to instead elect to receive an amount in cash of NOK 47.50 per Songa Share up to a maximum of NOK 125,000 per shareholder in lieu of some or all of the New Consideration Shares and New Exchangeable Bonds such shareholder would otherwise be entitled to receive (the Partial Cash Consideration); or

(ii) An amount in cash of NOK 47.50 (the Full Cash Alternative) in lieu of all of the New Consideration Shares and New Exchangeable Bonds such shareholder would otherwise be entitled to receive under (i) above.

The aggregate amount of Consideration in Kind paid to each Songa Offshore shareholder shall be comprised, as near as possible, of 50% New Consideration Shares and 50% New Exchangeable Bonds, with the election by such shareholder of

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Partial Cash Consideration, if elected, reducing first the aggregate number of New Exchangeable Bonds and second the aggregate number of New Consideration Shares such shareholder would otherwise be entitled to receive.

Shareholders in Songa Offshore who wish to receive Consideration in Kind (with or without Partial Cash Consideration) in the Compulsory Acquisition must complete and sign the Subscription Form enclosed with this Prospectus as Appendix B and return it to the Settlement Agent prior to the expiration of the Subscription Period on 20 March 2018 at 23:59 (CET). Songa Offshore shareholders who do not respond or fail to submit duly executed Subscription Forms to the Settlement Agent before the expiration of the Subscription Period will instead receive the Full Cash Alternative.

The Partial Cash Consideration and Full Cash Alternative is payable in NOK. On the basis of the Reference Price and for the nominal value of the New Exchangeable Bonds, the implied consideration being paid in the Compulsory Acquisition is NOK 47.50 for each Songa Share (the “Implied Consideration”) using the USD/NOK closing exchange rate as determined by Norges Bank as of 14 August 2017.

Transocean will not issue any fractional New Consideration Shares or fractional amounts of New Exchangeable Bonds in the Compulsory Acquisition. Each Songa Offshore shareholder who elects to receive New Consideration Shares and New Exchangeable Bonds in the Compulsory Acquisition and (a) who would otherwise be entitled to receive a fraction of a New Consideration Share will instead receive, for the fraction of a New Consideration Share, an amount in cash based on USD 8.39, the closing price of the Shares on the NYSE on 14 August 2017, the last trading day prior to the announcement of the Voluntary Tender Offer, and (b) who would otherwise be entitled to receive a fractional amount of New Exchangeable Bonds will instead receive, for the fractional amount of New Exchangeable Bonds, an amount in cash based on USD 1,000, the principal amount per New Exchangeable Bond, and in each case, paid in NOK, based on an exchange rate of 7.9239 NOK per U.S. dollar which is the NOK/USD closing price at 4:00 p.m. CET as determined by Norges Bank, on 14 August 2017, the trading day immediately preceding the announcement of the Voluntary Tender Offer. For more information about the New Exchangeable Bonds, see Section 16 “Description of the New Exchangeable Bonds.”

The rights of the New Consideration Shares and any Shares issuable upon exchange of the New Exchangeable Bonds will in all respects be equal to those of the existing Shares from the time of issue.

The number of New Consideration Shares and New Exchangeable Bonds shall each be adjusted appropriately to reflect the effect of any stock split, reverse stock split, stock dividend and other like change (including any dividend or distribution of securities exchangeable into Shares). If an adjustment is made, Subscription Forms received prior to such adjustment shall be deemed a subscription of the Compulsory Acquisition as revised.

### 5.6 Subscription Period

The subscription period in the Compulsory Acquisition commences on 20 February 2018 and expires on 20 March 2018 at 23:59 (CET) (the “Subscription Period”).

Shareholders of Songa Offshore who wish to receive Consideration in Kind (with or without Partial Cash Consideration) in the Compulsory Acquisition must complete and sign the Subscription Form enclosed with this Prospectus as Appendix B and return it to the Settlement Agent prior to the expiration of the Subscription Period.

Songa Offshore shareholders who do not respond or who fail to submit duly executed Subscription Forms to the Settlement Agent before the expiration of the Subscription Period will instead receive the Full Cash Alternative. Shareholders who wish to receive the Full Cash Alternative will not be required to take any action in respect of the Compulsory Acquisition during the Subscription Period.

5.7 Issuance of consideration shares and exchangeable bonds in connection with the Voluntary Tender Offer

The Compulsory Acquisition is being initiated following completion of the Voluntary Tender Offer. The Voluntary Tender Offer and the transactions undertaken in connection with the Voluntary Tender Offer to refinance certain Song Offshore indebtedness resulted in the issuance of 66,929,504 shares of Transocean (the “Existing Consideration Shares”) and the issuance by TINC of USD 853,804,000 principal amount of 0.5% Exchangeable Senior Bonds due 2023, exchangeable into shares of Transocean (the “Existing Exchangeable Bonds”).

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5.8 Procedures for subscribing New Consideration Shares and New Exchangeable Bonds

Shareholders who wish to receive New Consideration Shares and New Exchangeable Bonds (with or without Partial Cash Consideration) must complete and sign the Subscription Form enclosed with this Prospectus as Appendix B and return it to the Settlement Agent prior to the expiration of the Subscription Period on 20 March 2018 at 23:59 (CET).

Shareholders who own shares in Songa Offshore registered on more than one VPS account must submit a separate Subscription Form for each such account. In addition to the shares in Songa Offshore the shareholder has registered on the VPS account stated in the Subscription Form, the subscription will cover all shares in Songa Offshore the shareholder holds or acquires and that are registered on the VPS account stated in the Subscription Form before the VPS account is debited.

Correctly completed and signed Subscription Forms shall be sent by fax, delivered by hand, e-mail or sent by mail to the Settlement Agent at the following address:

Clarksons Platou Securities AS

Munkedamsveien 62c

N-0270 Oslo

Norway

Tel: +47 22 01 63 00

Email: ecm.oslo@clarksons.com

Any Subscription Form that is not correctly completed or that is received after the expiration of the Subscription Period can be rejected without further notice and the shareholder will then receive the Full Cash Alternative.

Shareholders who own shares in Songa Offshore registered in the name of brokers, banks, investment companies or other nominees, must contact such persons to ensure subscription with respect to such shares.

All Songa Shares are to be transferred free of any encumbrances and any other third party rights whatsoever and with all shareholder rights attached to them. Any third party with registered encumbrances or other third-party rights over the relevant VPS account(s) must sign the Subscription Form and thereby waive its rights in the shares and approve the transfer of the shares to Transocean, free and clear of any such encumbrances and any other third-party rights. Failure to do so will result in the shareholder being given the Full Cash Alternative and such Full Cash Alternative being used to settle any such third-party encumbrances.

No confirmation of receipt of Subscription Forms or other documents will be made on behalf of Transocean. All notifications, documents and remittance that shall be delivered by or sent to or from the Songa Offshore shareholders (or their representatives) will be sent to or delivered by them at their own risk.

By delivering a duly executed Subscription Form, shareholders irrevocably authorise the Settlement Agent to, in each case on their behalf, (i) block the shares to which the Subscription Form relates (see Section 5.9 “Blocking of tendered shares and shareholder rights”), (ii) debit such shareholder’s VPS account, (iii) contribute the Songa Shares to the

Company, including by executing one or several contribution agreements between the Settlement Agent and the Company, (iv) subscribe for the New Consideration Shares and (v) take all other actions to effect the contribution in kind and the exchange of the Songa Shares for New Consideration Shares, New Exchangeable Bonds and cash, as applicable, as deemed necessary or advisable by the Settlement Agent and, where applicable, the Distribution Agent (as defined below). Further, by not executing the Subscription Form, the Settlement Agent will take all actions deemed necessary and applicable to effect the transfer of the Songa Shares to Transocean and pay the Full Cash Alternative.

In accordance with the Norwegian Securities Trading Act, the Settlement Agent must categorise all new customers in one of three customer categories. All Norwegian shareholders delivering the Subscription Form and who are not existing clients of the Settlement Agent will be categorised as non-professional clients. For further information about the categorisation, the shareholder may contact the Settlement Agent (telephone +(47) 22 01 63 00). The Settlement Agent will treat the delivery of the Subscription Form as an execution-only instruction from the shareholder, since the Settlement Agent is not in the position to determine whether the subscription is suitable for the relevant shareholder.

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5.9 Blocking of tendered shares and shareholder rights

By delivering a duly executed Subscription Form, shareholders give the Settlement Agent an authorization to block the Songa Shares to which the Subscription Form relates, in favor of the Settlement Agent. The Settlement Agent is at the same time authorized, acting in its own name but for the account of the tendering Songa Offshore shareholders, to contribute the Songa Shares to Transocean and to subscribe for the New Consideration Shares and take such other actions to effect the exchange of the Songa Shares for New Consideration Shares and New Exchangeable Bonds, as the Settlement Agent, and, where applicable, the Distribution Agent deem necessary or advisable (see Section 5.8 “Procedures for subscribing New Consideration Shares and New Exchangeable Bonds” and Section 5.11 “Settlement”). The shareholder undertakes, from the time of delivering a duly executed Subscription Form, not to, and it will not, from the time of blocking, be possible to, sell or in any other way dispose over, use as security, pledge, encumber or transfer to another VPS account, the shares covered by the Subscription Form. The shareholder is free to dispose over any other securities registered in the same VPS account as the blocked Songa Shares.

5.10 Notices

Notices in connection with the Compulsory Acquisition will be published by notification to the Oslo Stock Exchange. Notices will be deemed made when the Oslo Stock Exchange has published the notice through its information system.

To the extent required by applicable U.S. federal securities laws, notices will also be issued via press release.

5.11 Settlement

5.11.1 General

The result of the Compulsory Acquisition is expected to be published no later than the next business day following the expiration of the Subscription Period in accordance with the procedures in Section 5.10 “Notices.”

Transfer of the Songa Shares to the Settlement Agent (who is authorized to transfer the Songa Shares to Transocean), and delivery of New Consideration Shares, New Exchangeable Bonds and/or cash, will be made no later than 15 U.S. business days after the expiration of the Subscription Period. Transocean expects to issue and pay the New Consideration Shares and New Exchangeable Bonds and/or cash, as applicable, on or about 28 March 2018.

Upon contribution of the Songa Shares to the Company, (i) the relevant number of New Consideration Shares and New Exchangeable Bonds will be deposited with Computershare, Inc., acting as paying and distribution agent for the Compulsory Acquisition (the “Distribution Agent”), and (ii) cash sufficient to pay all cash consideration and cash in lieu of fractional New Consideration Shares and New Exchangeable Bonds will be deposited with the Settlement Agent, in each case for distribution in accordance with the procedures described below to each Songa Offshore shareholder. Contact information for the Distribution Agent is as follows:

Computershare, Inc.

250 Royall Street,

Canton, Massachusetts 02021

Telephone: 800-546-5141

Songa Offshore shareholders remain bound by the Subscription Form until settlement has occurred.

The Compulsory Acquisition is being made following a relevant application to CySEC pursuant to article 36 (4) of the Cyprus Takeover Bids Law. The application has been communicated by the offeror to Songa Offshore. The following business day from the submission of the application the offeror has announced this: (i) to its official website, (ii) to its employees or its representatives (if any) and (iii) to the board of directors of Songa Offshore in accordance with article 7 of the Cyprus Takeover Bids Law.

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5.11.2 Settlement Mechanics

The Company will acquire all Songa Shares as described in this Prospectus.

The New Consideration Shares will be issued in an authorized share capital increase by Transocean against a contribution in kind of the Songa Shares as part of the consideration for the Songa Shares acquired in the Compulsory Acquisition. The issuance of the New Consideration Shares was authorized at the meeting of the Board of Directors held on 9 February 2018. In connection with the issuance of the New Consideration Shares, the pre-emptive rights of the existing shareholders of Transocean will be withdrawn and allotted to the Settlement Agent, acting on behalf of the Songa Offshore shareholders whose Songa Shares are acquired in the Compulsory Acquisition. The issue price per New Consideration Share issued to Songa Offshore shareholders as consideration for the Songa Shares exchanged for such consideration will be determined for Swiss law purposes by Transocean's board of directors by reference to several factors, including the Implied Consideration.

As a part of the consideration for the contribution of Songa Shares, TINC, at the request of the Company, will issue the New Exchangeable Bonds. Further, the Company will pay cash consideration if a holder of Songa Shares (i) elects to receive Partial Cash Consideration, (ii) does not respond or fails to submit a duly executed Subscription Form to the Settlement Agent before the expiration of the Subscription Period (in which case it will receive the Full Cash Alternative), or (iii) in lieu of any fractional New Consideration Shares or New Exchangeable Bonds that would otherwise be issuable to any Songa Offshore shareholder. In consideration for the issuance of the New Exchangeable Bonds by TINC, the Company will issue exchangeable loan notes to TINC in an amount, and on terms, substantially corresponding to those of the New Exchangeable Bonds.

Upon registration of the Company's authorized share capital increase, the New Consideration Shares and the Company's amended Articles of Association in the commercial register of the Canton of Zug, Switzerland, the Company will register the Settlement Agent, acting on behalf of the Songa Offshore shareholders, as holder of all New Consideration Shares in the uncertificated share register of the Company. The Settlement Agent will then transfer the New Consideration Shares to the Distribution Agent for distribution to the Songa Offshore shareholders. TINC will deliver the New Exchangeable Bonds to the Distribution Agent for distribution to the Songa Offshore shareholders as described in this Prospectus. On the settlement date, the Company will deposit an aggregate cash amount sufficient to pay all cash consideration payable with the Settlement Agent for distribution to the bank account registered in the VPS of each Songa Offshore shareholder.

The Subscription Form requests that each Songa Offshore shareholder provide information for an account such shareholder has with a custodian, bank or broker capable of holding shares registered in the name of the Depository Trust Company ("DTC") or its nominee. The Distribution Agent will deliver New Consideration Shares and New Exchangeable Bonds to the DTC-eligible account specified by the applicable Songa Shareholder if such Songa Offshore shareholder elects to receive its New Consideration Shares and New Exchangeable Bonds through the account as part of the Subscription Form.

Any Songa Offshore shareholder who does not provide information for a DTC-eligible account or who elects not to receive its New Consideration Shares and New Exchangeable Bonds through a DTC-eligible account will instead, upon settlement of the Compulsory Acquisition, receive New Consideration Shares registered in the name of the applicable Songa Offshore shareholder on the Share records of the Company maintained by Computershare Trust Company, N.A., as transfer agent for the Shares (the "Transfer Agent"), and registered through the Direct Registration System ("DRS"). The Transfer Agent will mail a statement containing the Distribution Agent's contact information to each Songa Offshore shareholder whose New Consideration Shares are registered through the DRS promptly following settlement. Following DRS-registration, should you at any future point wish to hold your New Consideration Shares through a DTC-eligible account rather than having your New Consideration Shares held through

the DRS, you will need to present your DRS statement to the custodian, bank or broker who has your DTC-eligible account to have your New Consideration Shares moved.

New Exchangeable Bonds will only be delivered upon settlement through DTC. As a result, the Distribution Agent will continue to hold the New Exchangeable Bonds, subject to applicable escheat and unclaimed property laws, on behalf of any Songa Offshore shareholder who does not provide information for a DTC-eligible account or who elects not to receive its New Consideration Shares and New Exchangeable Bonds through a DTC-eligible account. Any New Exchangeable Bonds to be delivered to any such shareholder will only be delivered when the applicable shareholder provides the information of a DTC-eligible account to receive delivery of the New Exchangeable Bonds.

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If the Distribution Agent is unable to transfer any New Consideration Shares or New Exchangeable Bonds to a DTC-eligible account specified by any Songa Offshore shareholder, the Distribution Agent will register that shareholder's New Consideration Shares through the DRS and continue to hold the New Exchangeable Bonds, subject to applicable escheat and unclaimed property laws, on behalf of the shareholder until the shareholder provides a DTC-eligible account that is able and does take possession of the applicable New Exchangeable Bonds.

The payment of the Consideration (i.e the transfer of the New Consideration Shares and the New Exchangeable Bonds to the Songa Offshore shareholders and the payment of cash, as applicable) and the acquisition of the remaining Songa Shares by Transocean will be announced by Transocean to: (i) CySEC, (ii) its official website, (iii) to its employees or its representatives (if any), (iv) the board of directors of Songa Offshore in accordance with article 7 of the Cyprus Takeover Bids Law.

If you are deemed to be an affiliate of Songa Offshore at the time of the Compulsory Acquisition, you should consult your legal advisor to determine what trading restrictions on the New Consideration Shares and New Exchangeable Bonds you receive in the Compulsory Acquisition apply. For more information, see Section 7 "Selling and Transfer Restrictions" below.

### 5.11.3 Restrictions on registration of the New Consideration Shares

Pursuant to Article 7 of Transocean's Articles of Association, Transocean shall maintain, itself or through a third party, a share register that lists the surname, first name, address and citizenship (in the case of legal entities, the company name and company seat) of the holders and usufructuaries of Shares as well as any nominees. Transocean or the third party maintaining the share register on behalf of Transocean shall be entitled to request at the time of the entry into the share register from the person requesting such entry appropriate evidence of that person's title to the Shares. An acquirer of the Shares shall be recorded upon request in the share register as a shareholder with voting rights; provided, however, that any such acquirer expressly declares to have acquired the Shares in its own name and for its own account, save that the Board of Directors may record nominees who hold Shares in their own name, but for the account of third parties, as shareholders of record with voting rights in the share register of Transocean. Beneficial owners of Shares who hold Shares through a nominee exercise the shareholders' rights through the intermediation of such nominee.

### 5.11.4 The rights of the New Consideration Shares

The New Consideration Shares will be shares in Transocean with a nominal value of CHF 0.10 each and will have equal rights in all respects as the other existing Shares. The New Consideration Shares will be fully paid and entitled to dividends as of their registration in the commercial register of the Canton of Zug, Switzerland. The New Consideration Shares will not have any preferential rights. For further information on the rights attached to the Company's existing Shares, see Section 15 "Description of the Shares and Share Capital."

The New Consideration Shares will be subject to the restrictions on registration pursuant to article 7 of the Articles of Association, as described under Section 5.11.3 "Restrictions on registration of the New Consideration Shares."

Subject to completion of the Compulsory Acquisition, the New Consideration Shares are expected to be listed on the NYSE as of the completion of the Compulsory Acquisition. The Company's Shares are registered in book-entry form in DTC under the ISIN CH0048265513.

### 5.11.5 The ranking of the New Exchangeable Bonds

The New Exchangeable Bonds will constitute senior unsecured debt of TINC and will rank equally with its senior unsecured debt from time to time outstanding, senior to its subordinated debt from time to time outstanding, and effectively junior to its secured debt and to all debt and other liabilities of its subsidiaries from time to time outstanding. Transocean's guarantee will rank equally with all of its other unsecured and subordinated debt from time to time outstanding. See Section 16 "Description of the New Exchangeable Bonds."



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### 5.12 Expenses

As of the date of this Prospectus, Transocean estimates expenses incurred by itself and TINC related to the Compulsory Acquisition are approximately USD 370,000 (exclusive of VAT).

Shareholders who elect to receive New Consideration Shares and New Exchangeable Bonds in the Compulsory Acquisition will not have to pay brokerage fees in respect of the securities.

### 5.13 Tax

Each Songa Offshore shareholder is responsible for any taxes incurred as a consequence of the Compulsory Acquisition. Songa Offshore shareholders are advised to seek advice from their own tax consultants in order to determine the particular tax consequences to them from the Compulsory Acquisition and the relevance or effect of any domestic or foreign tax treaties. A general description of the tax implications of the Compulsory Acquisition is included in Section 18 "Taxation."

### 5.14 Dilution

The existing Transocean shareholders were diluted by approximately 27.7% as a consequence of the issuance of the Existing Consideration Shares and the Shares underlying the Existing Exchangeable Bonds that were issued in the Voluntary Tender Offer and related transactions. The existing shareholders in Transocean may be further diluted by up to approximately 0.6% as a consequence of the Compulsory Acquisition and issuance of the New Consideration Shares to the Songa Offshore shareholders, assuming the following:

- the issuance of approximately 1,599,589 Shares as New Consideration Shares and approximately USD 13,421,000 aggregate principal amount of New Exchangeable Bonds (exchangeable for approximately 1,305,830 Shares at the initial exchange rate) in the Compulsory Acquisition (which assumes that no Songa Offshore shareholder receives Partial Cash Consideration or the Full Cash Alternative); and
- no additional capital increase by Songa Offshore is made after 30 September 2017.

### 5.15 Additional information

#### 5.15.1 Financing of the Compulsory Acquisition

The cash consideration of the Compulsory Acquisition will be financed by Transocean from available cash reserves. The New Consideration Shares will be issued through an authorised share capital increase of Transocean against a contribution in kind of the Songa Shares, and the New Exchangeable Bonds will be newly issued debt securities of TINC.

#### 5.15.2 Delisting from Oslo Stock Exchange

Following completion of the Voluntary Tender Offer, Transocean intends to propose to the general meeting of Songa Offshore to apply to the Oslo Stock Exchange for a delisting of the shares in Songa Offshore. Any application for delisting will be approved or rejected by the Oslo Stock Exchange in accordance with the stock exchange rules, taking into account, among other things, the interests of minority shareholders (if any). The Oslo Stock Exchange may also decide on its own initiative to delist the shares in Songa Offshore should the conditions for listing no longer be fulfilled. Transocean expects that the Oslo Stock Exchange will delist the shares in Songa Offshore upon completion of the Compulsory Acquisition.

For as long as Songa Offshore remains listed, Songa Offshore will be subject to the Oslo Stock Exchange continuing obligations and the applicable requirements of the Norwegian Securities Trading Act and related secondary regulation, which imposes requirements on Songa Offshore to the benefit of remaining Songa Offshore shareholders, including, amongst others, financial and other reporting obligations and the duty to observe the principle of equal treatment of shareholders.

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## 5.15.3 Advisors

The Financial Advisor to the Company and Settlement Agent in connection with the Compulsory Acquisition is Clarksons Platou Securities AS.

King & Spalding LLP is acting as legal advisor to Transocean with respect to U.S. law, Wikborg Rein Advokatfirma AS is acting as legal advisor to Transocean with respect to Norwegian law, Homburger AG is acting as legal advisor to Transocean with respect to Swiss law and Stelios Americanos & Co LLC is acting as legal advisor to Transocean with respect to Cyprus law.

## 5.15.4 Participation of major existing shareholders and members of the Management and Board of Directors in the Compulsory Acquisition

The Company is not aware of whether any major existing shareholders and members of the Company's management or board of directors will participate in the Compulsory Acquisition or whether any person will subscribe for more than 5% of the New Consideration Shares and New Exchangeable Bonds in the Compulsory Acquisition.

## 5.15.5 Disparities between the Reference Price and effective cash cost paid for Shares by members of the administrative, management or supervisory bodies or Management of the Company

The table below gives an overview of Shares acquired by and options granted to the Company's board of directors and executive officers during the last 12 months, where there is a material disparity between the Reference Price of USD 8.39 and the effective cash cost paid for Shares or the exercise price for the options granted.

## Shares

| Name                | Position   | Volume  | Price Per Share | Date      | Disparity |
|---------------------|--|---------|-----------------|-----------|-----------|
| Jeremy D. Thigpen   | President, Chief Executive Officer and Director                                      | 300,135 | \$ -            | 10-Feb-17 | \$ 8.39   |
| Mark Mey            | Chief Financial Officer and Executive Vice President                                 | 129,659 | \$ -            | 10-Feb-17 | \$ 8.39   |
| John B. Stobart     | Chief Operating Officer, Executive Vice President and Chief Performance Officer      | 130,138 | \$ -            | 10-Feb-17 | \$ 8.39   |
| Howard E. Davis     | Chief Administrative Officer, Chief Information Officer and Executive Vice President | 103,247 | \$ -            | 10-Feb-17 | \$ 8.39   |
| Brady K. Long       | Senior Vice President and General Counsel  | 96,043  | \$ -            | 10-Feb-17 | \$ 8.39   |
| David Tonnel        | Senior Vice President and Corporate Controller                                       | 64,349  | \$ -            | 10-Feb-17 | \$ 8.39   |
| Glyn A. Barker      | Director   | 19,301  | \$ -            | 12-May-17 | \$ 8.39   |
| Vanessa C.L. Chang  | Director   | 19,301  | \$ -            | 12-May-17 | \$ 8.39   |
| Frederico F. Curado | Director   | 19,301  | \$ -            | 12-May-17 | \$ 8.39   |
| Chadwick C. Deaton  | Director   | 19,301  | \$ -            | 12-May-17 | \$ 8.39   |

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|                               |          |        |      |           |         |
|-------------------------------|----------|--------|------|-----------|---------|
| Vincent J. Intieri            | Director | 19,301 | \$ - | 12-May-17 | \$ 8.39 |
| Samuel J. Merksamer           | Director | 19,301 | \$ - | 12-May-17 | \$ 8.39 |
| Merrill A. "Pete" Miller, Jr. | Director | 29,871 | \$ - | 12-May-17 | \$ 8.39 |
| Edward R. Muller              | Director | 19,301 | \$ - | 12-May-17 | \$ 8.39 |
| Tan Ek Kia                    | Director | 19,301 | \$ - | 12-May-17 | \$ 8.39 |

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## Options Granted

| Name                          | Position   | Volume  | Exercise Price Per Share | Date      | Disparity |
|-------------------------------|--|---------|--------------------------|-----------|-----------|
| Jeremy D. Thigpen             | President, Chief Executive Officer and Director                                      | 217,618 | \$ 13.35                 | 10-Feb-17 | \$ -4.96  |
| Mark Mey                      | Chief Financial Officer and Executive Vice President                                 | 94,011  | \$ 13.35                 | 10-Feb-17 | \$ -4.96  |
| John B. Stobart               | Chief Operating Officer, Executive Vice President, and Chief Performance Officer     | 94,359  | \$ 13.35                 | 10-Feb-17 | \$ -4.96  |
| Howard E. Davis               | Chief Administrative Officer, Chief Information Officer and Executive Vice President | 74,861  | \$ 13.35                 | 10-Feb-17 | \$ -4.96  |
| Brady K. Long                 | Senior Vice President and General Counsel  | 69,638  | \$ 13.35                 | 10-Feb-17 | \$ -4.96  |
| David Tonnel                  | Senior Vice President and Corporate Controller                                       | 46,657  | \$ 13.35                 | 10-Feb-17 | \$ -4.96  |
| Glyn A. Barker                | Director   | -       | N/A                      | N/A       | N/A       |
| Vanessa C.L. Chang            | Director   | -       | N/A                      | N/A       | N/A       |
| Frederico F. Curado           | Director   | -       | N/A                      | N/A       | N/A       |
| Chadwick C. Deaton            | Director   | -       | N/A                      | N/A       | N/A       |
| Vincent J. Intieri            | Director   | -       | N/A                      | N/A       | N/A       |
| Samuel J. Merksamer           | Director   | -       | N/A                      | N/A       | N/A       |
| Merrill A. "Pete" Miller, Jr. | Director   | -       | N/A                      | N/A       | N/A       |
| Edward R. Muller              | Director   | -       | N/A                      | N/A       | N/A       |
| Tan Ek Kia                    | Director   | -       | N/A                      | N/A       | N/A       |

## 5.15.6 Interest of natural and legal persons involved in the Compulsory Acquisition

The Financial Advisor and its respective affiliates has provided from time to time, and may provide in the future, investment and commercial banking services to Transocean, TINC, Songa Offshore and their respective affiliates in the ordinary course of business, for which it may have received and may continue to receive customary fees and commissions. The Financial Advisor, its employees and any affiliate may currently own securities issued by Transocean, TINC and Songa Offshore. The Financial Advisor does not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

None of the members of the Transocean Board of Directors or Transocean's executive officers owns any Songa Shares or other securities exchangeable or convertible into Songa Shares.

Other than the above-mentioned, the Company is not aware of any interest (including conflict of interests) of any natural or legal persons involved in the Compulsory Acquisition.

5.15.7 Choice of law and legal venue

This Prospectus and the terms and conditions set out herein and any offer and sale of securities hereunder shall be governed by and construed in accordance with Norwegian law and, to the extent applicable, the federal laws of the United States, including the federal securities laws, and the laws of Cyprus. Pursuant to the Subscription Form, shareholders electing to receive New Consideration Shares and New Exchangeable Bonds (with or without Partial Cash Consideration) agree that any dispute in connection with such subscription is subject to the exclusive jurisdiction of the Norwegian courts, with the Oslo District Court as the agreed venue.

The indenture and the New Exchangeable Bonds will be governed by, and construed in accordance with, the law of the State of New York, United States.

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### 6 ABOUT THE SONGA GROUP

The following is a summary of the Songa Group as of the date of this Prospectus prepared based on publicly available information. The summary is not complete and does not contain all the information that should be considered in connection with a decision of whether to receive New Consideration Shares and New Exchangeable Bonds in the Compulsory Acquisition. Further information on the Songa Group, including annual reports, interim reports, investor information and previously issued prospectuses, may be found on the Songa Group's website:

www.songaoffshore.com. Information contained in or otherwise accessible through this website is not a part of this document. The information in this Section has been prepared in accordance with publicly available information, including annual reports, interim reports, investor information and stock exchange notices published by Songa Offshore and the prospectus issued by Songa Offshore dated 26 May 2016.

#### 6.1 Corporate information

Songa Offshore SE is a European public company limited by shares organised under the laws of the Republic of Cyprus with the Cyprus Registrar of Companies with registration number SE 9. Its predecessor company, Songa Offshore ASA, was incorporated on 18 April 2005 as a Norwegian public limited liability company (Nw.: allmennaksjeselskap) and converted to an SE, by means of a merger between Songa Offshore ASA and Songa Offshore Cyprus Plc, on 12 December 2008. With effect from 11 May 2009, the survivor of the merger, renamed to Songa Offshore SE, transferred its registered office to Cyprus in accordance with Article 8 of the SE Regulation and section 7 of the SE Act. Songa Offshore's registered office is at Porto Bello building, Office 201, No 1 Siafi Street, 3042, Limassol, Cyprus.

As of 31 January 2018, Songa Offshore had an authorized share capital of EUR 24,095,941.10 consisting of (i) 191,865,592 ordinary shares of nominal value EUR 0.10 each and (ii) 49,093,819 undesignated shares of nominal value EUR 0.10 each. The Songa Shares are registered in the VPS under ISIN CY0100962113 and are listed on the Oslo Stock Exchange under the ticker code "SONG."

As of 31 January 2018, based on publicly available information, Songa Offshore has outstanding 2,345 warrants, each exercisable into one new share in the company. The strike price for the warrants is EUR 0.10. According to Songa Offshore's financial statements for the year ended 31 December 2016, the outstanding warrants can be exercised up to and including 19 April 2018.

Songa Offshore is the parent company of the Songa Group, whose principal business is to construct, own and operate drilling rigs to be used in the exploration and production of hydrocarbons. Songa Offshore is the owner of two drilling rigs and is also the sole shareholder of five companies whose purpose is to own Songa Offshore's rigs and newbuilds with all the operational activity therein.

Songa Offshore is currently a 97.67% owned subsidiary of the Company.

#### 6.2 Legal structure of the Songa Group

All Songa Group companies are fully owned or controlled, and are direct or indirect subsidiaries under Songa Offshore.

Songa Offshore also holds 50% of Songa Opus Offshore Pte Ltd (the "Songa Opus JV"), a joint venture formed by Songa Offshore and Opus Offshore Ltd. ("Opus"). In February 2017, a court appointed joint provisional liquidators for Opus and its assets, and Songa Offshore requested a buy-out of its interest in the Songa Opus JV from Opus.

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The tables below sets forth the companies and branches constituting the Songa Group, divided between the active companies and dormant companies:

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## Active companies in the Songa Group:

| Name  | Registration          | Function   |
|---|-----------------------|--|
| Songa Offshore SE                                     | Cyprus, SE 9          | Group parent company. No operating activities.   |
| Songa Offshore SE                                     | Norway branch         | Financing, investor relations, insurance   |
| Songa Offshore SE                                     | Bermuda branch        | Rig owner of Songa Dee and Songa Trym  |
| Songa Offshore Rig AS                                 | Norway, 922 839 499   | To operate the Songa Dee, the Songa Delta, and the Songa Trym on the Norwegian continental shelf                               |
| Songa Offshore Rig 2 AS                               | Norway, 913 222 334   | To operate the Songa Equinox and Songa Endurance drilling rigs operating on the Troll Field on the Norwegian continental shelf |
| Songa Offshore Rig 3 AS                               | Norway, 913 292 073   | To operate the Songa Encourage and Songa Enabler drilling rigs operating on the Norwegian continental shelf                    |
| Songa Offshore Management AS                          | Norway, 987 916 451   | Provides management services to Norwegian operations   |
| Songa Offshore Management Ltd                         | Cyprus, HE 243376     | Provides management services to rig owning entities and to Songa Offshore SE   |
| Songa Offshore Drilling Ltd                           | Cyprus, HE 219868     | International operating company - currently inactive   |
| Songa Offshore Pte. Ltd                               | Singapore, 200515138R | Provides agency services   |
| Songa Offshore Endurance Ltd (formerly Songa Tor Ltd) | Cyprus, HE 285867     | Rig owner  |
| Songa Offshore Endurance Ltd (formerly Songa Tor Ltd) | Bermuda Branch        | Rig owner of Songa Endurance   |
| Songa Offshore Equinox Ltd (formerly Songa Odin Ltd)  | Cyprus, HE 285933     | Rig owner  |
| Songa Offshore Equinox Ltd (formerly Songa Odin Ltd)  | Bermuda Branch        | Rig owner of Songa Equinox   |
| Songa Offshore Enabler Ltd.                           | Cyprus, HE 300560     | Rig Owner  |
| Songa Offshore Enabler Ltd                            | Bermuda Branch        | Rig owner of Songa Enabler   |
| Songa Offshore Encourage Ltd                          | Cyprus, HE 300676     | Rig owner  |
| Songa Offshore Encourage Ltd                          | Bermuda Branch        | Rig owner of Songa Encourage   |
| Songa Offshore Services AS                            | Norway, 988 186 228   | Provides crew services   |
| Songa Offshore Delta Ltd                              | Cyprus, HE 235523     | Rig owner  |
| Songa Offshore Delta Ltd                              | Bermuda branch        | Rig owner of Songa Delta   |
| Songa Offshore Equipment Rental AS                    | Norway, 913978250     | Provision of base warehouse services for the rigs in operation   |

## Dormant companies in the Songa Group:

| Name                             | Registration | Function |
|----------------------------------|--------------|----------|
| Songa Saturn Chartering Pte. Ltd | Singapore    | Dormant  |
| Songa Saturn Chartering Pte. Ltd | Libya branch | Dormant  |
| Songa Offshore Saturn Ltd        | Cyprus       | Dormant  |

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|   |                           |   |
|---|---------------------------|---|
| Pegasus Invest Pte. Ltd   | Singapore                 | Dormant                                 |
| Songa Offshore Equipment Rental Ltd (ex Shenga Trading Company Ltd) | Cyprus                    | Dormant                                 |
| Songa Offshore Malaysia Sdn. Bhd                                    | Malaysia, 931576-D        | Dormant                                 |
| Songa Offshore T&P UK Ltd   | United Kingdom, SC 464398 | Dormant and in progress to be dissolved |
| Songa Offshore T&P Cyprus Ltd                                       | Cyprus, HE 328870         | Dormant and in progress to be dissolved |

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## 6.3 The business of the Songa Group

## 6.3.1 General

The object of the Songa Group is ownership, acquisition and operation of vessels, rigs and offshore installations, as well as other related business, and it may also acquire and own shares, securities and ownership interests in other companies. As of the date of this Prospectus, Songa Offshore owns and operates a fleet consisting of seven semisubmersible drilling rigs, of which four rigs are on long-term contracts with Statoil on the Norwegian Continental Shelf, and three rigs are stacked in Norway.

## 6.3.2 Overview of rigs and contracts

The Songa Group's core asset base consists of seven semisubmersible drilling rigs. A summary of the technical details of each of these units are set out below.

## Songa Dee

Rig type: Semisubmersible drilling rig, winterized  
 Built: 1984, Mitsubishi Heavy Industries, Ltd.  
 Design: Mitsubishi type MD-602 enhanced  
 Upgraded: 2004 / 2012 / 2014  
 Next main survey: 4Q 2019. Songa Group has agreed with the Class Society a suspension of Class up to 24 months. The next special periodic survey can therefore potentially be pushed forward up to third quarter 2021.  
 Flags: Marshall Islands  
 Class: DNV Class A1 Column Stabilized Unit  
 Water depth: 1,800 ft  
 Drilling capacity: 30,000 ft  
 Accommodation: 116 + 2 sick berths  
 Operations: Songa Offshore  
 Contract status: The rig is stacked since September 2016 and is marketed for new employment.

## Songa Delta

Rig type: Semisubmersible drilling rig, winterized  
 Built: 1981, Rauma Repola Oy, Pori Finland  
 Design: Modified Ocean Ranger design  
 Upgraded: 1996, 2011, extensive upgrade completed in 2012  
 Next main survey: 4Q 2016. The main survey is overdue and will be conducted when the rig is contracted for new employment.  
 Flags: Norwegian  
 Class: DNV + 1A1 Column Stabilized Unit  
 Water depth: 2,300 ft  
 Drilling capacity: 25,000 ft  
 Accommodation: 100  
 Operations: Songa Offshore  
 Contract status: The rig is stacked since November 2016 and is marketed for new employment.



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## Songa Trym

|                    |  |
|--------------------|--|
| Rig type:          | Semisubmersible drilling rig, winterized                                   |
| Built:             | 1976, Verdal/Bergen  |
| Design:            | Modified Aker H-   |
| Upgraded:          | 1996, 2002, 2005, extensive upgrade completed in 2012 and 2013             |
| Next main survey:  | 1Q 2018  |
| Flags:             | Norwegian  |
| Class:             | DNV Class A1 Column Stabilized Unit  |
| Water depth:       | 1,312 ft   |
| Drilling capacity: | 25,000 ft  |
| Accommodation:     | 100 + 2 sick berths  |
| Operations:        | Songa Offshore   |
| Contract status:   | The rig is stacked since November 2015 and is marketed for new employment. |

## Songa Equinox

|                    |   |
|--------------------|---|
| Rig type:          | Semisubmersible drilling rig, winterized harsh environment  |
| Built:             | 2015, DSME Korea  |
| Design:            | GVA 4000 NCS  |
| Upgraded:          | -   |
| Next main survey:  | 2Q 2020   |
| Flags:             | Norwegian   |
| Class:             | 1A1 Column Stabilized Drilling unit, DP-3   |
| Water depth:       | 1,640 ft  |
| Drilling capacity: | 28,000 ft   |
| Accommodation:     | 130   |
| Operations:        | Songa Offshore  |
| Contract status:   | The rig performs drilling services on the Troll field in Norway under its long-term drilling contract with Statoil. The day rate as of 31 December 2017 is USD 487,428. |

Songa Equinox is a winterised harsh environment semi-submersible drilling rig, built by DSME and delivered in June 2015. The rig is performing drilling services on the Troll field in Norway under its long-term drilling contract with Statoil. The day rate as of 31 December 2017 is USD 487,428. The day rate is subject to annual cost escalation, as well as certain adjustments as per the drilling contract. The Statoil eight-year drilling contract stipulates that the client is entitled to revise the duration of the drilling contract up to the amount of time that the rig has been delayed, relative to a pre-agreed delivery window. In this respect, Songa Offshore received in March 2016 notice that Statoil has exercised its contractual right to reduce the contract length on the Songa Equinox by 347 days. The Statoil drilling contract also included rights for Statoil to extend the drilling contract with up to 4x3 years at the contract rate.

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## Songa Endurance

|                    |   |
|--------------------|---|
| Rig type:          | Semisubmersible drilling rig, winterized harsh environment  |
| Built:             | 2015, DSME Korea  |
| Design:            | GVA 4000 NCS  |
| Upgraded:          | -   |
| Next main survey:  | 3Q 2020   |
| Flags:             | Norwegian   |
| Class:             | 1A1 Column Stabilized Drilling unit, DP-3   |
| Water depth:       | 1,640 ft  |
| Drilling capacity: | 28,000 ft   |
| Accommodation:     | 130   |
| Operations:        | Songa Offshore  |
| Contract status:   | The rig performs drilling services on the Troll field in Norway under its long-term drilling contract with Statoil. The day rate as of 31 December 2017 is USD 487,428. |

Songa Endurance is a winterised harsh environment semi-submersible drilling rig, built by DSME and delivered in August 2015. The rig is performing drilling services on the Troll field in Norway under its long-term drilling contract with Statoil. The day rate as of 31 December 2017 is USD 487,428. The day rate is subject to annual cost escalation, as well as certain adjustments as per the drilling contract. The Statoil eight-year drilling contract stipulates that the client is entitled to revise the duration of the drilling contract up to the amount of time that the rig has been delayed, relative to a pre-agreed delivery window. In this respect, Songa Offshore received in March 2016 notice that Statoil has exercised its contractual right to reduce the contract length on the Songa Endurance by 184 days. The Statoil drilling contract also included rights for Statoil to extend the drilling contract with up to 4x3 years at the contract rate.

## Songa Encourage

|                    |  |
|--------------------|--|
| Rig type:          | Semisubmersible drilling rig, winterized harsh environment   |
| Built:             | 2015, DSME Korea   |
| Design:            | GVA 4000 NCS   |
| Upgraded:          | -  |
| Next main survey:  | 3Q 2020  |
| Flags:             | Norwegian  |
| Class:             | 1A1 Column Stabilized Drilling unit, DP-3  |
| Water depth:       | 1,640 ft   |
| Drilling capacity: | 28,000 ft  |
| Accommodation:     | 130  |
| Operations:        | Songa Offshore   |
| Contract status:   | The rig performs drilling services in the Norwegian Sea in Norway under its long-term drilling contract with Statoil. The day rate as of 31 December 2017 is USD 447,723.* |

\* Based on USD/NOK exchange rate of 8.2050 as per 31 December 2017

Songa Encourage is a winterised harsh environment semi-submersible drilling rig, built by DSME and delivered in December 2015. The rig is performing drilling services in the mid-Norway area under its long-term drilling contract

with Statoil. The day rate as of 31 December 2017 is USD 447,723. The day rate is subject to annual cost escalation, as well as certain adjustments as per the drilling contract. The Statoil eight-year drilling contract stipulates that the client is entitled to revise the duration of the drilling contract up to the amount of time that the rig has been delayed, relative to a pre-agreed delivery window. In this respect, Songa Offshore received in July 2016 notice that Statoil has exercised its contractual right to reduce the contract length on the Songa Encourage by 132 days. Statoil has the right to extend the contract with up to 4x3 years at the contract rate.

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## Songa Enabler

|                    |  |
|--------------------|--|
| Rig type:          | Semisubmersible drilling rig, winterized harsh environment   |
| Built:             | 2016, DSME Korea   |
| Design:            | GVA 4000 NCS   |
| Upgraded:          | -  |
| Next main survey:  | 1Q 2021  |
| Flags:             | Norwegian  |
| Class:             | 1A1 Column Stabilized Drilling unit, DP-3  |
| Water depth:       | 1,640 ft   |
| Drilling capacity: | 28,000 ft  |
| Accommodation:     | 130  |
| Operations:        | Songa Offshore   |
| Contract status:   | The rig performs drilling services in the Barents in Norway under its long-term drilling contract with Statoil. The day rate as of 31 December 2017 is USD 451,770.* |

\* Based on USD/NOK exchange rate of 8.2050 as per 31 December 2017

Songa Enabler is a winterised harsh environment semi-submersible drilling rig, built by DSME and delivered in March 2016. The rig is performing drilling services on the Snøhvit field in the Barents Sea under its long-term drilling contract with Statoil. The rig is winterized for around-the-year operations in the Barents Sea. The day rate as of 31 December 2017 is USD 451,770. The day rate is subject to annual cost escalation, as well as certain adjustments as per the drilling contract. The Statoil eight-year drilling contract stipulates that the client is entitled to revise the duration of the drilling contract up to the amount of time that the rig has been delayed, relative to a pre-agreed delivery window. In this respect, Songa Offshore received in October 2016 notice that Statoil has exercised its contractual right to reduce the contract length on the Songa Enabler by 118 days. Statoil has the right to extend the contract with up to 4x3 years at the contract rate.

Statoil has the option for cancellation or termination of the Cat D drilling contracts.

Each drilling contract stipulates that Statoil has the right to cancel the contract at any time by giving written notice to Songa Offshore in which case Songa Offshore will be paid (i) the unpaid portion of any monies for the work performed up to the cancellation date (ii) the operating rate multiplied by the number of days from the cancellation date until either the last anchor has been bolstered or the drilling unit is ready for departure and (iii) a cancellation fee corresponding to the net present value of 100% of the capital element of the operating rate multiplied by the remaining days of the current contract period with a maximum of eight years.

Statoil also has the opportunity to terminate the Cat D drilling contracts in cases of certain events of default (for example insolvency, substantial breach of contract, the drilling unit becoming a total loss) in which case no further compensation will be paid.

While the Cat D drilling rig design is a product of a cooperation between Statoil and the industry to develop the next generation rigs well suited to cover Statoil's future drilling needs, the Cat Ds will also be able to work for all other clients in the midwater sector.

### 6.3.3 Offshore drilling contracts in general



Songa Offshore expects its future contracts for the provision of offshore drilling services to vary in their terms and conditions. Songa Offshore may obtain drilling contracts either through competitive bidding or through direct negotiations with oil companies. Drilling contracts generally provide for a fixed day rate that is payable regardless of whether the drilling results in a successful well. Drilling contracts usually provide for lower rates for days on which the rig is in transit or drilling operations are interrupted by adverse weather conditions or other conditions beyond Songa Offshore's or the customer's control. Likewise, Songa Offshore may receive lower day rates or no day rates at all, for periods during which drilling is restricted or interrupted as a result of equipment breakdowns. Under typical drilling contracts, interruptions in drilling operations that accumulates to more than one to two days per month result in a loss of day rate, and longer

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interruptions (typically lasting for more than 15 to 30 consecutive days, however Songa Offshore's contracts for the Cat D rigs deviate significantly from this and have 220 consecutive days) may permit the oil company to cancel the drilling contract. Songa Offshore typically would continue to incur full operating costs during any interruptions in the operation of its rigs. Certain interruptions caused by technical breakdowns may be covered by Songa Offshore's insurance.

Some day rate contracts provide for the payment of performance bonuses. Payments under day rate contracts are expected to account for the most substantial portion of Songa Offshore's revenues. As a result, it is unlikely that Songa Offshore will realize revenues from its rigs for periods during which they are not under contract or are not in use due to repairs or maintenance. Under day rate contracts, Songa Offshore will be responsible for all operating expenses of its rigs, including wages, supplies, insurance, repair and maintenance costs and the fees payable under rig management contracts with third parties (if any).

The duration of day rate contracts generally encompasses either the drilling of a single well or group of wells or a stated calendar period (the latter being known as "term contracts"). Drilling contracts may usually be terminated by the customer if the rig is destroyed or lost, if the performance of the contractor does not meet the contractual obligations, or if drilling operations are suspended for a set period of time due to a breakdown of equipment or certain events beyond the control of the parties.

Drilling contracts normally contain provisions regarding early termination of the contract. Drilling contracts also normally contain provisions regarding shortening or termination of the drilling contract if the relevant drilling rig commences the contract later than agreed in the drilling contract.

### 6.3.4 Contract overview

The table below shows the contract status for Songa Offshore's drilling fleet as of 31 December 2017. The current contracts for Songa Dee, Songa Delta and Songa Trym expired in September and November 2016, and in November 2015, respectively, and the rigs are stacked close to Bergen, Norway. Songa Offshore is currently finding new employment for those three rigs. Operating costs have declined from a normal operating level to around USD 2,000 per day, which basically covers insurance and inspections.

A new contract for Songa Delta will require Songa Offshore to perform the five-year special periodic survey, which is estimated to amount approximately USD 50 million or higher. Songa Offshore is of the opinion that such investment will only be made if this can be repaid from revenue generated from any potential new contract.

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6.4 Board of directors, management and employees

6.4.1 Board of directors

The Songa Board consists of five members: Stephen L. Hayes, Christos Makrygiannis, Niki Trapezari, Christina Ioannidou and Ronald Blakely.

6.4.2 Senior management

The current senior management of Songa Offshore consists of Bjørnar Iversen (Chief Executive Officer), Jan Rune Steinsland (Chief Financial Officer) and Mark Bessell (Chief Operating Officer). The CEO, CFO and COO of Songa Offshore have an agreement for 18 months of severance pay. Except for this, Songa Offshore's senior management does not currently have other benefits upon termination of employment.

6.4.3 Employees

The Songa Group has approximately 900 employees worldwide.

6.5 Share capital

As of 31 January 2018, Songa Offshore's authorised share capital is EUR 24,095,941.10 divided into (i) 191,865,592 ordinary shares of nominal value EUR 0.10 each and (ii) 49,093,819 undesignated shares of nominal value EUR 0.10 each.

As of 31 January 2018, Songa Offshore's issued share capital is EUR 19,186,599.20 consisting of 191,865,592 ordinary shares of nominal value EUR 0.10. All the Songa Shares are authorized, issued and fully paid up.

6.6 Auditor

Songa Offshore's auditor is PricewaterhouseCoopers Limited. PricewaterhouseCoopers Limited has its registered offices at Themistokli Dervi, 3 Julia House, 1066, Nicosia, Cyprus. PricewaterhouseCoopers Limited is a member of the Institute of Certified Public Accountants of Cyprus.

6.7 Financial condition, liquidity and capital resources of the Songa Group

6.7.1 Financing developments

In June 2017, the Songa Group agreed with the Songa Equinox and Songa Endurance senior lenders to remove a cash sweep mechanism in the loan agreements that otherwise would commence in June 2017. As part of the agreement, Songa Offshore has repaid USD 10 million against the facilities using restricted deposits accounts related to the financing arrangement. The deposit arrangement for the senior secured loan facility will be discontinued.

In April 2017, Songa Offshore made a mandatory prepayment against the credit facilities secured by rigs Songa Dee, Songa Trym and Songa Delta of USD 35.5 million as a result of the Songa Delta Scheduled Periodic Survey not being performed when due. The credit facilities mature in full in March 2018 and the installments in the period May 2017 to March 2018 will thus be reduced accordingly.

During the nine month period to September 2017, Songa Offshore received notices for exercise of 21,335,352 warrants. Following the exercise of the warrants, Songa Offshore's number of outstanding warrants has been reduced

to 78,932 as of end of September 2017.

During the nine month period to September 2017, Songa Offshore issued 222,000 new shares at par value for delivery under the Songa Offshore Long-Term Incentive Program.

During the nine-month period to September 2017, Songa Offshore received conversion notices from holders of the outstanding convertible bond of USD 6,631,420. Following the conversions, the outstanding principal amount of the convertible bond has been reduced to USD 108.7 million as of end of September 2017.

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Following the share issue and the exercise of warrants, the number of ordinary Songa Shares has increased to 137,616,041 as of end of September 2017.

In connection with the delivery of Songa Enabler on 31 March 2016, Songa Offshore utilized the credit facilities related to the rig. These fully utilized facilities total USD 550.0 million of which USD 90.0 million were used to repay the pre- delivery loan.

In connection with the comprehensive refinancing of the Songa Group, launched on 15 March 2016, a bridge bond of USD 91.5 million was issued on 17 March 2016 and funded by certain of Songa Offshore's largest stakeholders. The bridge loan was converted into the new subordinated convertible bond on 20 April 2016 (see below).

During the nine-month period ended 30 September 2016, the Songa Group aligned the minimum cash financial covenant across all debt facilities at USD 50.0 million.

In relation to the drawdown of the post-delivery facilities for Songa Encourage and Songa Enabler, USD 23.9 million and USD 17.4 million were deposited due to certain market value clauses in the loan agreements, reflecting decreasing broker rig valuations. On 30 June 2016 the Songa Group made a voluntary prepayment of the abovementioned deposits against the credit facilities.

## Refinancing

On 11 April 2016, the amendments to the Songa Group's bond loans were supported by qualified majorities across all three bonds series at the respective bondholder meetings, and were thus duly approved. The approved amendments included a full conversion to equity of the USD 150 million existing convertible bond SONG06. In addition, significant interest reductions, maturity extensions and other amendments were approved by the senior unsecured SONG 04 bond loans and SONG05 of NOK 1,400.0 and NOK 750.0 million respectively, as well as for the Perestroika USD 50.0 million shareholder loan.

On 13 April 2016, a subsequent equity offering of up to USD 25 million was announced. The subscription price in the subsequent equity offering was NOK 0.15, with a maximum of 1,418,100,000 shares to be issued.

On 20 April 2016, the Songa Group successfully fulfilled all the contemplated conditions for the refinancing. As part of this, Songa Offshore issued:

- The new USD 125 million subordinated convertible bond loan, by an amendment and increase of the bridge bond loan issued on 17 March 2016.
- In total 8,466,839,157 new Class A shares of nominal value of EUR 0.001 each were issued, of which (a) 7,347,678,915 shares were issued as part of a full conversion of Songa Offshore's previous USD 150 million subordinated convertible bond loan SONG06; (b) 608,399,269 shares were issued as equity compensation for conversion of accrued interest under Songa Offshore's senior unsecured SONG04 bond loans, and for reducing future interest payments; (c) 325,889,248 shares were issued as equity compensation for conversion of accrued interest under Songa Offshore's senior unsecured bond loan SONG05, and for reducing future interest payments and (d) 184,871,725 shares were issued as equity compensation for conversion of accrued interest under Songa Offshore's shareholder loan from Perestroika, and for reducing future cash flow interest payments. The Class A shares had equal rights as and ranked pari passu with Songa Offshore's existing ordinary shares, also with respect to voting and dividends.
- In total 2,141,427,856 transferable warrants to the subscribers of the new convertible bond, such warrants being exercisable in the period from 20 April 2017 up to 20 April 2019 and giving the holder the right to subscribe for one new share (in bundles of 10) per warrant at a price per share equal to their nominal value of EUR 0.001. After the

100:1 reverse share split a total of 21,414,284 transferable warrants giving the holder the right to subscribe for one new share (in bundles of 10) per warrant at a price per share equal to their nominal value of EUR 0.10. On 15 June 2016, the Songa Group announced the final result and allocation of the subsequent offering. In total, 1,418,100,000 shares had been allocated and issued at the subscription price of NOK 0.15 per share.

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The 8,466,839,157 Class A-shares that were issued in April 2016 as part of the refinancing of the Songa Group, were converted to ordinary, tradeable shares on 16 November 2016.

## Changes in debt

On 16 December 2016, the Songa Group agreed with Perestroika that the first installment of USD 16.7 million of the shareholder loan, initially due in June 2018, will be deferred by eighteen months to December 2019. A reset of the interest rate to 3 months LIBOR + 9.00% was agreed for the deferral period.

On 16 December 2016, it was approved by the bondholders' meeting that the first installment of NOK 466.5 million on the NOK 1,400 million senior unsecured bond will be deferred by twelve months, from May 2018 to May 2019. A reset of the interest rate was agreed to 10.5% for the bond for the deferral period.

## Reverse share split

In order for the Songa Group to ensure compliance with section 2.4 of the Oslo Stock Exchange continuing obligations and to secure adequate pricing of the share above NOK 1, the Songa Group on 12 December 2016 performed a 100:1 reverse share split.

## 6.7.2 Cash Flow

The Songa Group's primary sources of liquidity are cash provided by operating activities and external committed borrowings.

Total cash and cash equivalents as at the end of the year were USD 175.8 million, compared to USD 168.4 million at year end 2015. Free and available cash as at the end of the year were USD 147.7 million, compared to USD 96.1 million at year end 2015.

The following table summarizes cash flows:

Year ended 31 December 2016 compared to the year ended 31 December 2015

| (Amounts in USD '000)                                | For the year ended |             |             |          |
|--|--------------------|-------------|-------------|----------|
|  | 2016               | 2015        | Change      | % Change |
|  |                    | Unaudited   |             |          |
| Net cash flow from operating activities              | 317,664            | 144,320     | 173,344     | 120.1    |
| Net cash flow from (used in) investing activities    | (595,457)          | (1,649,277) | 1,053,820   | 63.9     |
| Net cash flow from financing activities              | 329,473            | 1,373,702   | (1,044,229) | (76.0)   |
| Net increase/(decrease) in cash and cash equivalents | 51,681             | (131,255)   | 182,936     | 139.4    |

Net cash generated from operating activities for the year was USD 317.7 million compared to USD 144.3 million in 2015. The main reason for the increase is due to higher operating cash flow of USD 168.1 million from a larger operating fleet.

Net cash used in investing activities for the year was USD 595.5 million, compared to net cash used in investing activities of USD 1,649.3 million in 2015. This decrease is primarily driven by only the final yard installment for Songa Enabler that was made in 2016, whereas in 2015 Songa made final yard installments for three Cat D rigs.

Net cash generated from financing activities for the year was USD 329.5 million compared to USD 1,373.7 million in 2015. This is mainly reflecting the proceeds from the full draw down of the Songa Enabler financing of USD 550.0 million, the proceeds from the issue of the new convertible bond of USD 125.0 million and USD 25.0 million from the proceeds from the share issue. This is partly offset by USD 367.3 million used for the repayment of bond and bank loans.

Net increase in cash and cash equivalents for the year was USD 51.7 million compared to a net decrease of USD 131.1 million in 2015. This is as a result of the above mentioned changes.



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Year ended 31 December 2015 compared to the year ended 31 December 2014

| (Amounts in USD '000)                                | For the year ended<br>31 December |                   | Change      | % Change  |
|--|-----------------------------------|-------------------|-------------|-----------|
|  | 2015<br>Unaudited                 | 2014<br>Unaudited |             |           |
| Net cash flow from operating activities              | 144,320                           | 42,364            | 101,956     | 240.7     |
| Net cash flow from (used in) investing activities    | (1,649,277)                       | (126,321)         | (1,522,956) | (1,205.6) |
| Net cash flow from financing activities              | 1,373,702                         | (113,052)         | 1,486,754   | nm        |
| Net increase/(decrease) in cash and cash equivalents | (131,255)                         | (197,008)         | 65,753      | 33.4      |

'nm' means not meaningful

Net cash generated from operating activities for the year was USD 144.3 million compared to USD 42.4 million in 2014. The main reasons for the increase are due to higher operating cash flow of USD 82.5 million and to a positive working capital movement of USD 19.4 million.

Net cash used in investing activities for the year was USD 1,649.3 million, compared to net cash used in investing activities of USD 126.3 million in 2014. This increase is mainly driven by the final yard installments for three of the Cat D rigs and other capital expenditures related to the Cat D newbuilds.

Net cash generated from financing activities for the year was USD 1,373.7 million compared to net cash used in financing activities of USD 113.1 million in 2014. This is mainly reflecting the proceeds from the full draw down of the Songa Equinox and Songa Endurance financing of USD 910.0 million, Songa Encourage loan of USD 550.0 million, Songa Enabler loan pre-delivery tranche of USD 90.0 million, and USD 50.0 million related to the shareholder loan from Perestroika, partly offset by USD 316.3 million used for loan repayments.

Net decrease in cash and cash equivalents for the year was USD 131.1 million compared to a net decrease of USD 197.0 million in 2014. This is as a result of the above mentioned changes.

At 31 December 2015 the Songa Group had USD 550.0 million of unutilized financing facilities in relation to the financing of Songa Enabler that is available upon repayment of the current pre-delivery financing of USD 90.0 million.

Nine months ended 30 September 2017 compared to the nine months ended 30 September 2016

| (Amounts in USD '000)  | For the nine months ended<br>30 September |                   | Change    | % Change |
|--|---|-------------------|-----------|----------|
|  | 2017<br>Unaudited                         | 2016<br>Unaudited |           |          |
| Net cash flow from operating activities                      | 220,591                                   | 215,624           | 4,967     | 2.3      |
| Net cash flow used in investing activities                   | (22,762)                                  | (591,292)         | 568,530   | 96.2     |
| Net cash flow (used in)/ generated from financing activities | (234,909)                                 | 395,062           | (629,971) | nm       |
| Net increase/(decrease) in cash and cash equivalents         | (37,079)                                  | 19,395            | (56,474)  | nm       |

'nm' means not meaningful



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## 6.7.3 Contractual Obligations

Cash payments required for bank loans, bond loans, cross currency interest rate swaps, operating leases and capital commitments relating to operating costs for the Cat D rigs in effect at 31 December 2016, are summarized, on an undiscounted basis, in the following table:

| Contractual Obligations<br>(Amounts in USD '000) | Payments due by period |                  |           |           |                   |
|--|------------------------|------------------|-----------|-----------|-------------------|
|  | Total                  | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Bank Loans                                       | 2,421,522              | 347,112          | 603,655   | 1,015,996 | 454,759           |
| Bond Loans                                       | 431,801                | 8,573            | 118,087   | 305,141   | —                 |
| Cross Currency Interest Rate Swaps               | 146,139                | 11,532           | 47,967    | 86,640    | —                 |
| Operating lease obligations(1)                   | 10,343                 | 2,517            | 1,661     | 1,317     | 4,849             |
| Capital commitments(2)                           | 64,000                 | 16,000           | 12,000    | 36,000    | —                 |
| Total  | 3,073,805              | 385,734          | 783,370   | 1,445,094 | 459,608           |

(1) Operating lease obligations represent estimated lease payments related to the leases of various offices and warehouses.

(2) Capital commitments represent contractual obligations relating to investment in newbuilds and planned surveys on the rigs.

## 6.7.4 Contingencies

## Tax matters - Re-domiciliation to Cyprus in 2009 - Exit tax

Songa Offshore moved from Norway to Cyprus in May 2009. According to the Norwegian Tax Act Section 10 71 prevailing in 2009, a company that emigrates and ceases to be tax resident in Norway is subject to exit tax.

On 2 March 2011, EFTA Surveillance Authority (“ESA”) sent a “reasoned opinion” to the Norwegian Ministry of Finance for failing to comply with its obligations under Articles 31, 34 and 40 of the Agreement on the European Economic Area by imposing immediate taxation on companies that transfer their seat or assets and liabilities to another EEA State and on the shareholders of such companies and for breach of the SE regulation.

On the 25 November 2014 the tax office delivered its exit tax decision in this case.

The tax office found that the exit as such was regulated by the Tax Act section 10 71 and further that section 9 14 was inapplicable.

The tax office increased the taxable income of the Songa Offshore by NOK 1.8 billion and the tax office set off the increased income directly against the carry forward of losses. Further the tax office did not refer the exit tax to the gain/loss account. Administratively the decision is final, and there is no further latent exit tax. Songa Offshore challenged this matter.

On 6 and 7 December 2016, the case was heard before the Oslo District Court. On 16 January 2017, Songa Offshore received the judgement from the Oslo District Court in favor of the State. The court held that the exit tax decision is valid. The court believed that a situation where a company moves the company and rigs out of Norway, and a situation where a company moves out rigs, are two different situations, and not in breach of the European Economic

Area (EEA)-agreement.

Furthermore, the court held that the exit tax was not disproportionate. As a consequence, the NOK 1.8 billion increase of Songa Offshore's taxable profit for the year 2009 remains unchanged. For the income years 2009-2015, the judgment does not result in any payable tax.

For 2016, Songa Offshore will partly be in tax paying position and based on results for the Norwegian entities for 2016, the 2016 payable tax is estimated to be approximately USD 10 million.

Songa Offshore assessed the legal opinions obtained in respect to the above case and as a result appealed the case. As Songa Offshore was of the opinion that it was more likely than not that it would win the case, Songa Offshore kept the tax asset of approximately USD 41 million in the 2016 financial statements which were issued in April 2017. However, reassessing the case in September 2017, the deferred tax asset of USD 19.8 million has been written off and Songa Offshore recognised a deferred tax liability of USD 11.3 million and tax payable of USD 9.8 million.

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DSME Arbitration Case

In July 2015, Songa Offshore received from DSME notices of arbitration in respect of the construction contracts for the Cat D rigs.

On November 2015, DSME delivered claim submissions in respect of the construction contracts for the first two Cat D rigs, Songa Equinox and Songa Endurance. DSME's claim relates to alleged cost overruns and additional work in relation to the Rigs due to what DSME alleges were inherent errors and omissions in the design documents (as often referred to as the FEED package). Total claims were USD 373.0 million, including claims for the recovery of USD 44.0 million in repayment of Liquidated Damages. Songa Offshore considers that DSME is solely responsible for the delays to the Rigs and any attempt by DSME to recover cost overruns has no merit due to the "turn-key" nature of the construction contracts and Songa Offshore will vigorously defend the claims asserted by DSME.

On 18 March 2016 Songa Offshore submitted its defense in the arbitrations. Along with its defense, Songa Offshore submitted counterclaims in respect of the two rigs for the aggregate amount of USD 65.8 million, by means of which Songa Offshore intends to recover damages caused by the default of DSME.

As previously reported, Songa Offshore remains confident of, and will vigorously defend, its position, since it is of the view that DSME is responsible for the delays and any attempt to recover cost overruns is of no merit due to the "turn-key" nature of the construction contracts. In this respect, Songa Offshore has obtained legal opinions from highly reputable law firms in the UK and Norway and from a Queen's Counsel all of which confirm Songa Offshore's position.

On 21 July 2017, the arbitral tribunal published its interim final award in favor of Songa Offshore. As previously reported, Songa Offshore had submitted its defense to the claims asserted by DSME in arbitrations related to the Rigs in which DSME asserted aggregate claims of USD 329.0 million, along with a request for repayment of liquidated damages in a total amount of USD 43.8 million, totaling to USD 372.8 million. The claims asserted related to alleged cost overruns and additional work in relation to the Rigs due to what DSME alleges were inherent errors and omissions in the design documents (as often referred to as the FEED package).

A question as to the legal interpretation of the rig construction contracts was put to the arbitral tribunal constituted in respect of the arbitrations on a preliminary basis. That question was to ascertain which party had responsibility for the FEED package and what the consequences of that would be. A two-day arbitration hearing took place before the arbitral tribunal on 2 and 3 May 2017 in London.

Songa Offshore considers that the tribunal's interim final award should be determinative of DSME's claims in respect of the Rigs (and in respect of any similar claims that DSME might assert in respect of the Songa Encourage, the third Cat D rig, and the Songa Enabler, the fourth Cat D rig) with an outcome that no payment will be due by Songa Offshore to DSME.

On 21 September 2017, Songa Offshore announced that it had been served with DSME's application to the English court where DSME is seeking permission to appeal the arbitration award. Songa Offshore considers that DSME's application was made out of time and has issued a strike out application to the English court.

Songa Offshore will seek to recover its legal costs of the arbitration process. Songa Offshore is also evaluating whether to pursue its counterclaims against DSME in respect of Songa Equinox and Songa Endurance for the aggregate amount of USD 65.8 million, as well as the counterclaims for Songa Encourage and Songa Enabler that potentially will be approximately in the same amount.



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## 6.8 Borrowings of the Songa Group

As of 30 September 2017, total drawn and outstanding debt for the Songa Group consisted of the following:

| Borrowings                | Outstanding principal<br>(millions) |         | Interest rate |             | Maturity   |
|---------------------------|-------------------------------------|---------|---------------|-------------|------------|
| Songa Equinox – Junior    | USD                                 | 93.0    | 7.50          | % Fixed     | Jun 2025   |
| Songa Equinox – Senior    | USD                                 | 303.0   | LIBOR + 3.00  | %           | Jun 2021 * |
| Songa Endurance – Junior  | USD                                 | 96.0    | 7.50          | % Fixed     | Aug 2025   |
| Songa Endurance – Senior  | USD                                 | 312.3   | LIBOR + 3.00  | %           | Aug 2021 * |
| Songa Encourage           | USD                                 | 454.1   | LIBOR + 2.50  | %           | Dec 2020 * |
| Songa Enabler             | USD                                 | 472.6   | LIBOR + 2.50  | %           | Mar 2021 * |
| Songa Dee, Trym and Delta | USD                                 | 33.1    | LIBOR + 2.75  | %           | Mar 2018   |
| Shareholder Loan          | USD                                 | 50.0    | 2.55          | % Fixed**   | Dec 2020   |
| SONG04 Bond               | NOK                                 | 1,400.0 | 2.55          | % Fixed***  | Nov 2020   |
| SONG05 Bond               | NOK                                 | 750.0   | 2.45          | % Fixed**** | Jun 2021   |
| SONG07 Convertible bond   | USD                                 | 108.7   | 2.00          | % Fixed     | Apr 2022   |

\* Certain tranches have longer maturities

\*\* 2.55% fixed interest until 30 June 2018, LIBOR + 9.00% until 30 December 2019, and LIBOR + 6.50% until maturity

\*\*\* 2.55% fixed interest until 17 May 2018, 10.50% until 17 May 2019, and 6.90% until maturity

\*\*\*\* 2.45% fixed interest until 11 December 2018, and 6.00% until maturity

All bank loans are secured by the relevant rig(s) and parts of the bank facilities are also guaranteed by GIEK (Garantiinstituttet for Eksportkreditt) and commercial banks in respect of certain bank loan facilities with Eksportfinans as lender. The shareholder loan and bonds are all unsecured.

All bank loans and bonds contain change of control provisions. Songa Offshore has received waivers, subject to certain conditions, for change of control provisions in certain of Songa Offshore's debt triggered by the Voluntary Tender Offer.

Transocean has also refinanced and repurchased certain of Songa Offshore's debt in connection with the Voluntary Tender Offer. Transocean purchased certain outstanding indebtedness previously issued by Songa Offshore from certain bondholders in exchange for Existing Exchangeable Bonds. In particular, Transocean purchased an aggregate of approximately NOK 1.270 billion of Songa Offshore's outstanding SONG04 Bonds (including accrued and unpaid interest to the time of purchase) from four bondholders at a price of 103.5% per bond and an aggregate of approximately NOK 599.9 million of Songa Offshore's outstanding SONG05 Bonds (including accrued and unpaid interest to the time of purchase) from three bondholders at a price of 101% per bond. Transocean has also purchased from Perestroika its USD 50 million loan to Songa Offshore for Existing Exchangeable Bonds at a price of 100% of the principal amount of the loan (plus accrued and unpaid interest). Transocean will call all remaining SONG04 Bonds and SONG05 Bonds for cash in accordance with their respective terms following the completion of the Compulsory Acquisition.

The SONG07 convertible bond was converted to Songa Offshore shares on 22 January 2018.





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7 SELLING AND TRANSFER RESTRICTIONS

7.1 General

As a consequence of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the securities offered by this Prospectus.

The Company is not taking any action to permit a public offering of Shares or New Exchangeable Bonds in any jurisdiction other than Norway. The distribution of this Prospectus or any summary documentation regarding the Compulsory Acquisition, and the making of the offer of the Consideration, may be restricted by law in certain jurisdictions.

None of the offer of the Consideration, this Prospectus or any such summary constitutes an offer to sell, or the solicitation of an offer to buy, securities in any jurisdiction in which such an offer or solicitation would be unlawful. Songa Offshore shareholders who are restricted from subscribing New Consideration Shares and New Exchangeable Bonds as a result of the restrictions set out in this Section 7, will receive the Full Cash Alternative in the Compulsory Acquisition.

Except as otherwise disclosed in this Prospectus, if an investor receives a copy of this Prospectus in any jurisdiction, the investor may not treat this Prospectus as constituting an invitation or offer to it, nor should the investor in any event deal in Shares or New Exchangeable Bonds, unless such an invitation or offer could lawfully be made to that investor or the Shares or New Exchangeable Bonds, as applicable, could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if an investor receives a copy of this Prospectus, the investor should not distribute or send the same, or transfer Shares or New Exchangeable Bonds, to any person or in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions. Transocean, TINC and the Financial Advisor do not accept or assume any responsibility or liability for any violation by any person of any such restriction.

By electing consideration in New Consideration Shares and New Exchangeable Bonds by delivery of a duly executed Subscription Form to the Settlement Agent, the accepting Songa Offshore shareholder certifies that it:

- (i) has not received the Prospectus, the Subscription Form or any other document relating to the Compulsory Acquisition in any jurisdiction in which it may not lawfully do so, nor has it mailed, transmitted or otherwise distributed any such document in any jurisdiction in which it may not lawfully do so;
- (ii) has not utilised, directly or indirectly, mail, or any means or instrumentality of commerce, or the facilities of any national securities exchange, of any jurisdiction in which it may not lawfully do so in connection with the Compulsory Acquisition;
- (iii) is not and was not located in any jurisdiction at the time of accepting the terms of the Compulsory Acquisition or returning the Subscription Form in which such shareholder may not lawfully accept the terms of the Compulsory Acquisition or return the Subscription Form in accordance with the local securities laws in such jurisdiction; and
- (iv) if acting in a fiduciary, agency or other capacity as an intermediary, (i) has full investment discretion with respect to the securities covered by the Subscription Form or (ii) the person on whose behalf it is acting was located outside any jurisdiction in which the acceptance of the terms of the Compulsory Acquisition or return the Subscription Form would not be in accordance with the local securities laws in such jurisdiction.

7.2 Selling Restrictions

Songa Offshore shareholders who are restricted from subscribing New Consideration Shares and New Exchangeable Bonds as a result of the restrictions set out in this Section 7, will receive the Full Cash Alternative in the Compulsory

Acquisition.

7.2.1 Belgium

The offer of securities pursuant to this Prospectus is exclusively conducted under applicable private placement exemptions and therefore it has not been and will not be notified to, and this document or any other offering material relating to the

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units has not been and will not be approved by, the Belgian Banking, Finance and Insurance Commission (Commission bancaire, financière et des assurances/Commissie voor het Bank, Financie en Assurantiewezen). Any representation to the contrary is unlawful.

### 7.2.2 Cayman Islands

The Compulsory Acquisition and this Prospectus does not constitute a public offer of Shares or New Exchangeable Bonds, whether by way of sale or subscription, in the Cayman Islands.

### 7.2.3 European Economic Area

With effect from and including the date on which the EU Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), an offer to the public of any New Consideration Shares and New Exchangeable Bonds, that is the subject of the Compulsory Acquisition contemplated in this Prospectus within any Relevant Member State (other than Norway, once this Prospectus has been approved by the competent authority in Norway and published in accordance with the EU Prospectus Directive (as implemented in Norway)) should only be made in circumstances in which no obligation arises for the Company or the Financial Advisor to publish a prospectus or a supplement to a prospectus under the EU Prospectus Directive for such offer. It is noted that an offer to the public in a Relevant Member State of any New Consideration Shares and New Exchangeable Bonds may be made at any time with effect from and including the Relevant Implementation Date under the following exemptions under the EU Prospectus Directive, if they have been implemented in that Relevant Member State:

- a) to legal entities that are qualified investors as defined in the EU Prospectus Directive;
- b) to fewer than 150, natural or legal persons (other than qualified investors as defined in the EU Prospectus Directive), as permitted under the EU Prospectus Directive, subject to obtaining the prior consent of the Financial Advisor for any such offer; or
- c) in any other circumstances falling within Article 3(2) of the EU Prospectus Directive; provided that no such offer of New Consideration Shares and New Exchangeable Bonds shall require the Company or the Financial Advisor to publish a prospectus pursuant to Article 3 of the EU Prospectus Directive or supplement a prospectus pursuant to Article 16 of the EU Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State.

For the purposes of this provision, the expression an “offer to the public” in relation to any New Consideration Shares and New Exchangeable Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Securities to be offered, so as to enable an investor to decide to purchase any New Consideration Shares and New Exchangeable Bonds, as the same may be varied in that Member State by any measure implementing the EU Prospectus Directive in that Member State.

This EEA selling restriction is in addition to any other selling restrictions set out in this Prospectus.

### 7.2.4 Sweden

This Prospectus is not a prospectus and has not been prepared in accordance with the prospectus requirements laid down in the Swedish Financial Instruments Trading Act (lag (1991:980) om handel med finansiella instrument) nor any other Swedish Enactment. Neither the Swedish Financial Supervisory Authority nor any other Swedish regulatory body has examined, approved or registered this Prospectus.

No securities will be offered or sold pursuant to the Compulsory Acquisition to any investor in Sweden except in circumstances that will not result in a requirement to prepare a prospectus pursuant to the provisions of the Swedish

Financial Instruments Trading Act.

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7.2.5 United States

The New Consideration Shares and New Exchangeable Bonds that will be issued in connection with the Compulsory Acquisition will be registered under the U.S. Securities Act, and will not be subject to any restrictions on transfer arising under the U.S. Securities Act and the U.S. Securities Exchange Act of 1934, as amended (the “U.S. Exchange Act”), except for New Consideration Shares and New Exchangeable Bonds issued to any Songa Offshore shareholder who may be deemed to be an “affiliate” of Transocean for purposes of Rule 144 under the U.S. Securities Act after the completion of the Compulsory Acquisition. If you are an affiliate of Songa Offshore, you should consult your legal advisor regarding requirements applicable to the transfer of “control” securities under U.S. law. For these purposes, an affiliate is defined as a person who directly or indirectly controls, is controlled by or is under common control with an issuer. The SEC views a person’s status as an officer, director or 10% shareholder as a fact that must be considered when determining whether such person is an affiliate. Restricted securities and control securities cannot be resold in the United States without registration or an exemption therefrom under the U.S. Securities Act.

7.2.6 United Kingdom

This Prospectus is only being distributed to and is only directed to the UK Relevant Persons. The New Consideration Shares and New Exchangeable Bonds are only available to, and any investment or investment activity to which this Prospectus relates is available only to, and will be engaged in only with, UK Relevant Persons. This Prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the United Kingdom. Persons who are not UK Relevant Persons should not take any action on the basis of this Prospectus and should not rely on it.

7.2.7 Other jurisdictions

The New Consideration Shares and New Exchangeable Bonds may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into, Canada, Japan, Hong Kong, Australia or any jurisdiction in which it would not be permissible to offer the New Consideration Shares and New Exchangeable Bonds.

In jurisdictions outside the United States and the European Economic Area where the transactions contemplated under the Compulsory Acquisition would be permissible, the New Consideration Shares and New Exchangeable Bonds will only be offered pursuant to applicable exceptions from prospectus requirements in such jurisdictions.

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8 INDUSTRY AND MARKET OVERVIEW

8.1 Demand for offshore drilling rigs

The Transocean Group and Songa Group operate in the offshore drilling services market. The fundamental driver for oilfield service and drilling activity is the level of investments and the oil companies' activity within exploration, development and production ("E&P") of crude oil and natural gas. There is a strong correlation between oil prices and the level of capital expenditure oil companies allocate to the exploration and development of oil prospects. Thereby, the demand for offshore oil and gas drilling and production activity is mainly driven by prices for these commodities along with other factors such as available capital, political and other macroeconomic factors.

The market for offshore drilling services turned dramatically down in the latter part of 2014 and continued its negative development in 2016 before showing early signs of recovery in 2017. The rig market has now undergone more than two years of a generally weakening trend in demand, rates and utilisation. Despite a slight recovery in the oil price, oil companies are continuing to take a cautious approach to capital expenditure and other cost commitments given the severity of the overall oil price decline. In order to manage this downturn, with little new fixture activity at lower dayrates, rig owners have been stacking or scrapping older units and newbuild deliveries have been delayed.

Amidst this picture, however, there have been a few encouraging signs. The market is still very weak, but the rate of decline in utilisation has slowed and in some sectors turned. Drilling companies have been keen to suggest that they are seeing a noticeable improvement in the volume of serious tendering activity from oil companies. Such suggestions would be positive for the market.

Y-O-Y change in global offshore E&P CAPEX spending

Source: Clarksons Research – Offshore Review & Outlook, Autumn 2017

Offshore oil market

Activity levels of E&P companies and their associated capital expenditures are largely driven by the worldwide demand for energy, including crude oil and natural gas. Worldwide energy supply and demand drives oil and natural gas prices, which, in turn, impact E&P companies' ability to fund investments in exploration, development and production activities. The industry is presently experiencing a cyclical downturn. Sustained weak commodity pricing has resulted in E&P companies delaying investment decisions and postponing exploration and production programs. Prior to the downturn, Brazil, the U.S. Gulf of Mexico, and West Africa emerged as key ultra deepwater market sectors, and licensing activity demonstrated an increased interest in deepwater fields as E&P companies looked to explore new prospects. A number of new deepwater and ultra deepwater development opportunities have been identified globally (Source: the Group's annual report on Form 10-K for the year ended 31 December 2016).

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Global oil production is ~96m bpd. The global offshore oil production is ~26 bpd, thus representing ~27% of total global oil production. The Middle East is the largest offshore oil producer followed by West Africa, North America, South & Central America and North-West Europe. The largest producing countries of offshore oil are Saudi Arabia, Brazil and Norway, respectively. In the latter part of 2016 and in 2017, oil prices have firmed up reaching the highest level since summer 2015. At the end of 2017, Brent Prompt traded in the mid USD 60's/bbl, representing an improvement from the low USD 40's/bbl levels seen in mid-2016.

## Offshore production, supply and demand

| Offshore Oil<br>Production | ,000 bpd oil |        |        | Trend<br>2017 f |
|----------------------------|--------------|--------|--------|-----------------|
|                            | 2014         | 2015 e | 2016 e |                 |
| North America              | 3,512        | 3,511  | 3,548  | 3,484           |
| South & Central America    | 2,843        | 2,972  | 2,969  | 3,113           |
| West Africa                | 4,220        | 4,304  | 3,933  | 4,036           |
| North-West Europe          | 2,897        | 3,098  | 3,118  | 3,091           |
| Med, Black Sea & Casplan   | 1,562        | 1,556  | 1,524  | 1,721           |
| Middle East/ISC            | 7,430        | 7,467  | 7,628  | 7,569           |
| Asia Pacific               | 2,802        | 2,848  | 2,786  | 2,556           |
| Offshore Oil Production    | 25,267       | 25,756 | 25,504 | 25,570          |
| % Growth                   | 2.5%         | 1.9%   | 1.0%   | 0.3%            |
| % Offshore                 | 28.7%        | 28.4%  | 28.1%  | 28.2%           |

Source: Clarksons Research – Offshore Review & Outlook, Autumn 2017 and Clarksons Research - Offshore Intelligence Monthly, December 2017

## 8.2 Classification of offshore drilling rigs

The industry commonly classifies mobile offshore drilling units (“MODUs”) into main categories based on water depth capacity and basic design. The four main water depth categories are: shallow water up to 450 ft, midwater (“MW”) up to 3,000 ft, deepwater (“DW”) up to 7,500 ft and ultra-deepwater (“UDW”) beyond 7,500 ft. The three main basic design categories are: jackups, semisubmersibles and drillships (the last two together are commonly referred to as floaters). In addition, the drilling market consists of several types of specialized rig designs, including tender rigs, barges and more.

The largest drilling rig category is jackups, with operation in shallow waters accounting for ~57.6% of the total offshore drilling rig supply. The semisubmersible category, where midwater depths are the most common area of operation, accounts for ~15.4% of the supply. Drillships operate in deepwater and ultra-deepwater category and account for ~12.1% of the total offshore drilling supply. The remaining ~14.9% of supply is covered by the specialized rig designs. The total rig fleet as of January 2018 consists of 967 units.





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Offshore drilling rig categories

| Jackups  | Semisubmersibles  | Drillships   |
|--|---|--|
| A self-contained combination drilling rig and floating barge, fitted with long support legs that can be raised or lowered independently of each other. Upon arrival at the drilling location, the legs are jacked down onto the seafloor, preloaded to securely drive them into the sea bottom, and then further jacked down. A jackup rig can naturally only work in water depths that are less than the length of its legs, and typically this limits operations to less than 450 feet of water depth. | A particular type of floating vessel that is supported primarily on large pontoon-like structures submerged below the sea surface. The operating decks are elevated perhaps 100 or more feet above the pontoons on large steel columns. This design has the advantage of submerging most of the area of components in contact with the sea and minimizing loading from waves and wind. Semisubmersibles can operate in a wide range of water depths, including deepwater. | A maritime vessel modified to include a drilling rig and using station-keeping equipment similar to semisubmersibles. The vessel is typically capable of operating in deepwater. A drillship must stay relatively stationary on location in the water for extended periods of time. Drillships typically carry larger payloads than semisubmersible drilling vessels, but their motion characteristics are usually inferior. |

Source: Clarksons Research - Offshore Review & Outlook, Spring 2017

8.2.1 Harsh environment

Harsh environment drilling assets are units capable of operating in locations with severe weather, often characterized by low temperatures, rough seas, strong winds and limited daylight – areas such as the Arctic, west coast of Australia and the Falkland Islands. Rigs built for harsh environment operations need to comply with extensive regulatory requirements and are of higher specification and build-cost than assets intended for non-harsh environment operations. To facilitate for work during all seasons, the rigs are often winterized meaning areas on deck are covered and sheltered for safer working environment and the rigs are usually semi-submersibles due to their superior stability in rough seas. The combined effect of these technical and regulatory hurdles, demanding operations and high-cost assets is that the harsh environment fleet exists as a niche subset with higher barriers to entry than the wider drilling sector. Suppliers in the harsh environment

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market have therefore tended to enjoy higher utilisation rates, longer contracts and a premium dayrate compared to other offshore drilling markets.

Among the harsh environment sectors, the Norwegian Continental Shelf has some of the most rigorous regulatory and technical requirements as well as higher tax levels and stricter crew rotation policies. These requirements further increase costs and barriers to entry, thus limit the supply of new rigs into the Norwegian waters. Nevertheless, offshore Norway is the most important area for harsh floaters by number of active units and the assets operating in Norway tend to have the highest contract utilization and visibility of the harsh environment drilling markets.

Of a total floater fleet of 266 units, 214 rigs are currently marketable, of which 41 are rated for harsh environments. Current utilisation of harsh environment units remains low at 63% and is comparable to that of the wider floater fleet, which remains distinctly under pressure. On the supply side, there is a sense that the harsh fleet is experiencing a lesser degree of oversupply than the wider floater sector and the industry sentiment has appeared to warm on the harsh floater sector due to exploration campaigns underway in the Barents Sea. Despite industry sentiment warming there is still a need for caution as removals from the harsh floater fleet have been fairly slow since the beginning of the downturn and it has been slower than the floater fleet as a whole.

### 8.3 Global floater fleet evolution

In the mid-1970s and early 1980s, a large number of floaters were ordered and delivered due to several factors, including supportive commodity prices. Between 1979 and 1988 in particular, 74 floaters were delivered, which led to an oversupply of rigs in the offshore drilling market until the middle of the 1990s. Consequently, few floating rigs were built during the period from the mid-1990s to the late 1990s. A new construction cycle commenced in 2005-06, however this cycle did not exceed the building output of the mid-1970s and mid-1980s.

Global floater fleet by year of delivery (# rigs)

Note: Slippage and cancellations expected to affect units in the order book

Source: Clarksons Research - Offshore Drilling Rig Monthly, January 2018

#### 8.3.1 Jackup fleet

The global jackup supply currently consists of 557 units, 483 of which are active supply. In addition, there are 86 units under construction or on order, bringing the total known supply side to 643 units (assuming all units under construction are delivered). 63 of the newbuilds are scheduled for delivery in the remainder of 2018, 20 for 2019 and 3 for 2020 and onwards.

11 jackups were delivered in 2017, ensuring that the total fleet declined by 1 rig during the year to 557 rigs. 12 jackups were permanently removed from the fleet in 2017, same as the 12 removed in 2016. Despite weak utilisation, this decline demonstrates the difficulty in removing rigs given the need to hire anchor handlers to mobilize rigs to scrap yards, and the

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relatively low scrap value. The number of jack-ups in cold-stacking also remained steady year-on-year (“Y-O-Y”) at around 74 units, and the number of ready-stacked units has been reduced to 158 units. In terms of newbuilds, many of the 86 jackup rigs on order are speculative and there are few concrete signs these are close to finding new buyers.

## 8.3.2 Floater fleet

The size of the floater fleet has continued to decline in 2017, with the total worldwide fleet now consisting of 266 units, 214 of which are in active supply. In addition, there are 49 units under construction or on order, bringing the total known supply side to 315 units (assuming all units under construction are delivered). 27 of the newbuilds are scheduled for delivery during 2018, 17 for delivery in 2019 and 5 for delivery in 2020 and onwards.

Scrapping and newbuild delays have helped to control supply and resulted in a Y-O-Y decline of 9% in the fleet size. The lack of floater demand has necessitated this level of removal. However, the 29 floaters removed in 2017 are similar to the 2016 removals. More removals through scrapping are likely to be required to help push the market in the direction of balance during 2018.

Global drilling fleet overview, existing and order book (# of units)

| Total Rig Fleet           | No. of Units, end 01 Jun 18 |      |     |         | Orderbook & Delivery Schedule |         |          |      |      |       |
|---------------------------|-----------------------------|------|-----|---------|-------------------------------|---------|----------|------|------|-------|
|                           | 2015                        | 2016 | No. | ,000 GT | No.                           | ,000 GT | % Fleet^ | 2018 | 2019 | 2020+ |
| Jack-Up <=300'            | 312                         | 299  | 292 | 1,654.1 | 11                            | 87.0    | 3.8%     | 8    | 3    | 0     |
| Jack-Up >300'             | 241                         | 259  | 265 | 2,985.9 | 75                            | 907.8   | 28.3%    | 55   | 17   | 3     |
| Semi-Submersible <=5,000' | 97                          | 83   | 69  | 1,238.2 | 3                             | 51.4    | 4.3%     | 3    | 0    | 0     |
| Semi-Submersible >5,000'  | 92                          | 88   | 80  | 2,394.0 | 13                            | 741.0   | 16.3%    | 5    | 7    | 1     |
| Drillship                 | 126                         | 120  | 117 | 6,464.9 | 33                            | 1,704.2 | 28.2%    | 19   | 10   | 4     |
| Drill Barge/Tender        | 151                         | 148  | 144 | 662.9   | 10                            | 116.4   | 6.9%     | 5    | 3    | 2     |
| RIGS TOTAL                | 1,021                       | 997  | 967 | 15,400  | 145                           | 3,608   | 15.0%    | 95   | 40   | 10    |

^Orderbook as % of fleet in numbers. \*Excluding barges/tenders.

Source: Clarksons Research - Offshore Drilling Rig Monthly, January 2018

Historically, there have been significant delays for units built outside the most experienced yards in Korea and Singapore. It is expected that this will repeat itself during the current newbuilding cycle. Hence, it should be expected that deliveries will be pushed out somewhat, contributing to a tightening of the supply/demand balance.

## 8.4 Current market sentiment

## 8.4.1 Day rates

Day rates for both jackups and floaters declined through 2016 and in 2017 we have continued to see depressed rates in both the jack-up and floater markets. With demand still at fairly low levels and many idle units in the fleet, there has

been little to no upward pressure in the year to date. However, after years of continuous decline, rates do appear to have stabilised, albeit at bottom of the market levels. As oil companies schedule drilling programs and consider longer term opportunities for 2018, a few negotiations have become apparent that justify some small upward revision from the nadir that assessments reached for some ultra-deepwater markets and for the North Sea semi-sub market. Nevertheless, it should be stressed that this is a small, limited movement, and not sustained enough to mark a firm signal that rates may be bottoming out. Similarly, assessed day rate levels have been somewhat theoretical given reduced demand.

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Jackup and floater day rates

Source: Clarksons Research - Offshore Review & Outlook, Autumn 2017

8.4.2 Utilization

At the start of January 2018, the working utilization of the jackup and floater fleet was 66% and the number of working rigs stood at 457 units with marketed supply of 697 units. Utilization of the jack-up fleet was at 67%, the floater utilization was at 62%, with semisubmersible and drillships accounting for 63% and 60% respectively. Market sentiment towards the jackup market has been slightly less negative than that of the floater market, as the lower cost of drilling in shallow water environments has allowed a number of projects to move forward, even with depressed oil prices.

Utilization

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Source: Clarksons Research - Offshore Review &amp; Outlook, Autumn 2017

| Jack-Ups            | Demand No., start |      |      |      | Demand No., start |        |        |        | Month-on-Month |              |
|---------------------|-------------------|------|------|------|-------------------|--------|--------|--------|----------------|--------------|
|                     | 2014              | 2015 | 2016 | 2017 | Aug-17            | Sep-17 | Oct-17 | Nov-17 | Dec-17         | Trend        |
| North America       | 85                | 65   | 39   | 36   | 36                | 35     | 37     | 36     | 38             | UP... 6%     |
| Sth & Cent America  | 12                | 12   | 12   | 17   | 7                 | 7      | 7      | 6      | 5              | DOWN!...-17% |
| West Africa         | 25                | 22   | 13   | 6    | 6                 | 6      | 7      | 9      | 9              | STEADY...    |
| NW Europe           | 47                | 54   | 44   | 29   | 32                | 30     | 31     | 32     | 31             | DOWN!...-3%  |
| Mediterranean       | 32                | 31   | 25   | 28   | 28                | 28     | 27     | 27     | 26             | DOWN!...-4%  |
| Middle East/ISC     | 153               | 148  | 146  | 142  | 138               | 140    | 140    | 140    | 140            | STEADY...    |
| Asia Pacific        | 104               | 100  | 71   | 58   | 76                | 73     | 75     | 71     | 71             | STEADY...    |
| Total Demand        | 459               | 434  | 350  | 306  | 323               | 319    | 324    | 321    | 320            | STEADY.0%    |
| Total Availability* | 487               | 502  | 473  | 480  | 482               | 482    | 484    | 482    | 482            | STEADY...    |
| % Utilisation       | 94%               | 86%  | 74%  | 64%  | 67%               | 66%    | 67%    | 67%    | 66%            |              |
| <br>                |                   |      |      |      |                   |        |        |        |                |              |
| Semi-Subs           | Demand No., start |      |      |      | Demand No., start |        |        |        | Month-on-Month |              |
|                     | 2014              | 2015 | 2016 | 2017 | Aug-17            | Sep-17 | Oct-17 | Nov-17 | Dec-17         | Trend        |
| North America       | 32                | 31   | 21   | 9    | 7                 | 8      | 8      | 7      | 8              | UP.... 14%   |
| Sth & Cent America  | 47                | 36   | 28   | 15   | 13                | 13     | 13     | 13     | 13             | STEADY...    |
| West Africa         | 18                | 16   | 7    | 1    | 1                 | 3      | 2      | 1      | 1              | STEADY...    |
| NW Europe           | 46                | 44   | 32   | 22   | 24                | 27     | 23     | 21     | 22             | UP.... 5%    |
| Mediterranean       | 14                | 11   | 9    | 6    | 6                 | 7      | 7      | 7      | 7              | STEADY...    |
| Middle East/ISC     | 4                 | 3    | 0    | 2    | 3                 | 3      | 4      | 4      | 4              | STEADY...    |
| Asia Pacific        | 33                | 34   | 22   | 14   | 15                | 14     | 15     | 16     | 16             | STEADY...    |
| Total Demand        | 194               | 175  | 119  | 69   | 69                | 75     | 72     | 69     | 71             | STEADY.3%    |
| Total Availability* | 198               | 190  | 162  | 123  | 115               | 115    | 115    | 113    | 113            | STEADY...    |
| % Utilisation       | 98%               | 92%  | 73%  | 56%  | 60%               | 65%    | 63%    | 61%    | 63%            |              |
| <br>                |                   |      |      |      |                   |        |        |        |                |              |
| Drillships          | Demand No., start |      |      |      | Demand No., start |        |        |        | Month-on-Month |              |
|                     | 2014              | 2015 | 2016 | 2017 | Aug-17            | Sep-17 | Oct-17 | Nov-17 | Dec-17         | Trend        |
| North America       | 21                | 34   | 34   | 23   | 20                | 19     | 20     | 20     | 20             | STEADY...    |
| Sth & Cent America  | 27                | 26   | 20   | 19   | 17                | 18     | 17     | 17     | 16             | DOWN....-6%  |
| West Africa         | 21                | 22   | 21   | 12   | 15                | 13     | 14     | 11     | 11             | STEADY...    |
| NW Europe           | 2                 | 1    | 2    | 1    | 2                 | 1      | 2      | 1      | 1              | STEADY...    |
| Mediterranean       | 1                 | 3    | 3    | 4    | 5                 | 6      | 4      | 4      | 4              | STEADY...    |
| Middle East/ISC     | 12                | 8    | 3    | 6    | 3                 | 4      | 4      | 5      | 5              | STEADY...    |
| Asia Pacific        | 8                 | 9    | 8    | 2    | 6                 | 5      | 6      | 4      | 4              | STEADY...    |
| Total Demand        | 92                | 103  | 91   | 67   | 68                | 66     | 67     | 62     | 61             | STEADY.-2%   |
|                     | 96                | 117  | 113  | 99   | 99                | 99     | 100    | 101    | 101            | STEADY...    |

Total

Availability\*

|               |     |     |     |     |     |     |     |     |     |
|---------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| % Utilisation | 96% | 88% | 81% | 68% | 69% | 67% | 67% | 61% | 60% |
|---------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|

Analysis does not include Barges & Tenders. \* Total availability excludes MODUs in long-term cold stacking, not generally considered marketable supply.

Source: Clarksons Research - Offshore Intelligence Monthly, January 2018

### 8.4.3 Supply and demand

In terms of the supply-demand balance, the two main sectors face slightly different challenges. For the jack-ups, although the demand side is weak, it is the supply side that is the real issue. There remain 86 jack-ups on the order book, predominantly substantially built, although their delivery timing remains uncertain. At the same time, it has proved more difficult to remove jack-ups from the existing fleet and floaters have made up the larger share of demolitions. Even if there were to be a small improvement in fixture liquidity levels in 2018, day rate levels are likely to struggle to increase given the supply overhang.

In the floater market, the issues on the supply side, although present, are a little more controlled. There remain 49 floaters on the order book. In general, owners have managed to defer newbuild orders into the medium-term or exercise cancellation clauses, leaving rigs for yards to attempt to resell. Scrapping and stacking have also been easier for floater owners, given slightly more resellable steel in the ageing second/third generation fleet. However, demand represents the largest problem for the floater market. Nevertheless, the number of floater fixtures has increased from amongst the 40 new fixtures recorded during 2016 to the 70's in 2017.

Overview of historical and recent fixtures

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Source: Clarksons Research - Offshore Drilling Rig Monthly, January 2018

## Latest Long-Term Jack-Up Drilling Contracts\*

| Reported | Rig Name   | Type^ | Env.  | Water Depth' | Year Built | Rig Owner | Operator | Country  | Period/Rate* |         |
|----------|------------|-------|-------|--------------|------------|-----------|----------|----------|--------------|---------|
|          |            |       |       |              |            |           |          |          | Mths.        | \$/day  |
|          | Jindal     |       |       |              |            | Jindal    |          |          |              | 26,000  |
| 27 Nov   | Explorer   | IC    |       | 350          | 2014       | Drilling  | ONGC     | India    | 36           |         |
|          | Greatdrill |       |       |              |            | Greatship |          |          |              | 26,000  |
| 21 Nov   | Chaaya     | IC    |       | 350          | 2013       | India     | ONGC     | India    | 36           |         |
|          | Greatdrill |       |       |              |            | Greatship |          |          |              | 27,000  |
| 21 Nov   | Chaaya     | IC    |       | 350          | 2009       | India     | ONGC     | India    | 36           |         |
|          | Valiant    |       |       |              |            | Ezion     |          |          |              | 26,000  |
| 20 Nov   | Driller    | IC    |       | 300          | 1981       | Holdings  | ONGC     | India    | 36           |         |
|          | Valiant    |       |       |              |            | Victory   |          |          |              | 26,000  |
| 20 Nov   | Driller    | IC    |       | 328          | 1983       | Drilling  | ONGC     | India    | 36           |         |
|          | Harvey H   |       |       |              |            | Shelf     |          |          |              | 32,000  |
| 19 Nov   | Ward       | IC    |       | 300          | 1981       | Drilling  | ONGC     | India    | 36           |         |
|          |            |       |       |              |            | Shelf     |          |          |              | 32,000  |
| 19 Nov   | J T Angel  | IC    |       | 300          | 1982       | Drilling  | ONGC     | India    | 36           |         |
|          | Trident    |       |       |              |            | Shelf     |          |          |              | 26,000  |
| 19 Nov   | XII        | IC    |       | 300          | 1982       | Drilling  | ONGC     | India    | 36           |         |
|          | Admarine   |       |       |              |            |           |          |          |              |         |
| 16 Nov   | III        | IC    |       | 250          | 1974       | ADES      | EGPC     | Egypt    | 24           |         |
|          | Maersk     |       |       |              |            | Maersk    | Repsol   |          |              |         |
| 16 Nov   | Inspirer   | IC    | Harsh | 492          | 2004       | Drilling  | Norge    | Norway   | 60           |         |
|          | Bob        |       |       |              |            | ARO       | Saudi    | Saudi    |              | 130,000 |
| 19 Oct   | Keller     | IC    | Harsh | 300          | 2005       | Drilling  | Aramco   | Arabia   | 36           |         |
|          | Gilbert    |       |       |              |            | ARO       | Saudi    | Saudi    |              | 69,000  |
| 19-Oct   | Rowe       | IC    |       | 350          | 1981       | Drilling  | Aramco   | Arabia   | 36           |         |
|          |            |       |       |              |            | ARO       | Saudi    | Saudi    |              | 130,000 |
| 19 Oct   | JP Bussell | IC    | Harsh | 300          | 2008       | Drilling  | Aramco   | Arabia   | 36           |         |
|          |            |       |       |              |            |           | BP       |          |              |         |
|          |            |       |       |              |            |           | Trinidad |          |              |         |
|          | Rowan      |       |       |              |            | Rowan     | &        |          |              |         |
| 19 Oct   | EXL II     | IC    |       | 350          | 2010       | Companies | Tobago   | Trinidad | 12           |         |
|          |            |       |       |              |            | ARO       | Saudi    | Saudi    |              | 195,000 |
| 19 Oct   | SAR-202    | IC    |       | 250          | 2012       | Drilling  | Aramco   | Arabia   | 36           |         |

^Where IC= Independent Leg Cantilever; IS= Independent Leg Slot; MC= Mat Supported Cantilever; MS= Mat Supported Slot; ER=Extended Reach.

\* Long-term contracts >=12 months. Short-term contracts <12 months.

Source: Clarksons Research - Offshore Drilling Rig Monthly, January 2018





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Source: Clarksons Research - Offshore Drilling Rig Monthly, January 2018

## Latest Long-Term Floater Drilling Contracts\*

| Reported | Rig Name    | Type      | Water Depth' | Year Built | Rig Owner  | Operator     | Country       | Period/Rate* |         |
|----------|-------------|-----------|--------------|------------|------------|--------------|---------------|--------------|---------|
|          |             |           |              |            |            |              |               | Mths.        | \$/day  |
|          | Deepsea     | Semi-Sub  |              |            | Odfjell    |              |               |              | \$105m  |
| 22-Dec   | Stavanger   | >5000'    | 10,000       | 2010       | Drilling   | Aker BP      | Norway        | 12           | LS      |
|          | Transocean  | Semi-Sub  |              |            |            | Statoil      |               |              | \$286m  |
| 21-Dec   | Spitsbergen | >5000'    | 10,000       | 2009       | Transocean | Petroleum    | Norway        | 33           | LS      |
|          | Deepwater   |           |              |            |            | BHP Billiton |               |              | \$106m  |
| 17-Oct   | Invictus    | Drillship | 10,000       | 2014       | Transocean | GOM          | United States | 24           | LS      |
|          |             | Semi-Sub  |              |            | Awilco     | Alpha        | United        |              |         |
| 20-Sep   | WilPhoenix  | <=5000'   | 1,200        | 1982       | Drilling   | Petroleum    | Kingdom       | 35           | 116,700 |
|          | Noble Bob   |           |              |            |            |              |               |              |         |
| 17-Aug   | Douglas     | Drillship | 10,000       | 2013       | Noble Corp | ExxonMobil   | Guyana        | 36           |         |
|          | ENSCO DS-4  | Drillship | 12,000       | 2010       | Enso       | Chevron      |               |              |         |
| 11-Jul   |             | Drillship | 12,000       | 2010       | Offshore   | Nigeria      | Nigeria       | 24           |         |
|          |             | Semi-Sub  |              |            | Queiroz    |              |               |              |         |
| 05-Jul   | Olinda Star | <=5000'   | 3,600        | 1983       | Galvao     | ONGC         | India         | 36           |         |
|          |             |           |              |            | COSL       | Nexen        |               |              |         |
| 04-Jul   | COSL        | Semi-Sub  |              |            | Drilling   | Petroleum    | United        |              |         |
|          | Pioneer     | <=5000'   | 2,500        | 2010       | Europe     | UK           | Kingdom       | 12           |         |
|          | Platinum    |           |              |            | Vantage    |              |               |              | \$118m  |
| 27-Jun   | Explorer    | Drillship | 12,000       | 2010       | Drilling   | ONGC         | India         | 36           | LS      |
|          |             | Semi-Sub  |              |            |            |              |               |              |         |
| 01-Jun   | Louisiana   | >5000'    | 6,234        | 1998       | Petroserv  | ONGC         | India         | 36           | 107,000 |
|          | Saipem      |           |              |            |            |              |               |              |         |
| 31-May   | 12000       | Drillship | 12,000       | 2010       | Saipem     | Eni          | Mozambique    | 16           |         |
|          | Ocean       | Semi-Sub  |              |            | Diamond    | Apach North  | United        |              |         |
| 30-Apr   | Patriot     | <=5000'   | 1,500        | 1983       | Offshore   | Sea          | Kingdom       | 24           |         |
|          | Transocean  | Semi-Sub  |              |            |            | Statoil      |               |              | \$95m   |
| 03-Apr   | Spitsbergen | >5000'    | 10,000       | 2009       | Transocean | Petroleum    | Norway        | 12           | LS      |
|          |             |           |              |            | Aban       |              |               |              | \$72m   |
| 27-Mar   | Aban Ice    | Drillship | 2,000        | 1975       | Offshore   | ONGC         | India         | 36           | LS      |
|          | ENSCO       | Semi-Sub  |              |            | Enso       | Woodside     |               |              |         |
| 02-Feb   | DPS-1       | >5000'    | 10,000       | 2012       | Offshore   | Energy       | Australia     | 17           | 222,300 |

Source: Clarksons Research - Offshore Drilling Rig Monthly, January 2018

## Latest Short-Term Floater Drilling Contracts\*

| Reported | Rig Name   | Type     | Water Depth' | Year Built | Rig Owner | Operator | Country | Period/Rate* |        |
|----------|------------|----------|--------------|------------|-----------|----------|---------|--------------|--------|
|          |            |          |              |            |           |          |         | Mths.        | \$/day |
| Dec      | Scarabeo 8 | Semi Sub | >5000'       | 9,843      | 2011      | Saipem   | Norway  | 3            |        |

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|     |                                  |                  |        |      |                       |                                 |                |    |                        |
|-----|----------------------------------|------------------|--------|------|-----------------------|---------------------------------|----------------|----|------------------------|
| Dec | West<br>Phoenix<br>Transocean    | Semi Sub >5000'  | 10,000 | 2008 | North<br>Atlantic     | Norske<br>Shell<br>VNG<br>Norge | Norway         | 9  | \$8<br>LS<br>\$6<br>LS |
| Nov | Arctic<br>Dhirubhal<br>Deepwater | Semi Sub <=5000' | 1,650  | 1986 | Transocean            | Dea Norge                       | Norway         | 11 | LS                     |
| Nov | KG2<br>Ocean                     | Drillship        | 12,000 | 2009 | Transocean<br>Diamond | Woodside<br>Energy              | Myanmar        | 5  |                        |
| Oct | Patriot<br>Paul B                | Semi-Sub <=5000' | 1,500  | 1983 | Offshore              | Shell UK                        | United Kingdom | 2  |                        |
| Oct | Loyd Jr                          | Semi-Sub <=5000' | 2,000  | 1990 | Transocean<br>Stena   | Zennor NS<br>Energean           | United Kingdom | 5  |                        |
| Oct | Stena Forth<br>ENSCO             | Drillship        | 10,000 | 2009 | Drilling<br>Ensco     | Israel                          | Israel         | 4  |                        |
| Oct | 8505<br>Ocean Rig                | Semi-Sub >5000'  | 8,500  | 2012 | Offshore              |                                 | United States  | 2  |                        |
| Oct | Poseidon<br>Noble Bob            | Drillship        | 10,000 | 2011 | Ocean Rig             | Statoil<br>Tanzania             | Tanzania       | 2  |                        |
| Oct | Douglas<br>Maersk                | Drillship        | 10,000 | 2013 | Noble Corp<br>Maersk  |                                 | United States  | 3  |                        |
| Oct | Deliverer                        | Semi-Sub >5000'  | 10,000 | 2010 | Drilling              | Total E&P<br>Malaysia<br>Sk     | Malaysia       | 2  |                        |
| Oct | Nan Hai VI<br>Maersk             | Semi-Sub <=5000' | 1,500  | 1982 | COSL<br>Maersk        | Innovation<br>Nippon            | China P.R.     | 2  |                        |
| Oct | Deliverer<br>Pacific             | Semi-Sub >5000'  | 10,000 | 2010 | Drilling<br>Pacific   | Sabah<br>Petronas               | Malaysia       | 1  |                        |
| Sep | Santa Ana<br>Saipem              | Drillship        | 12,000 | 2011 | Drilling              | Carigali                        | Mauritania     | 6  |                        |
| Sep | 12000                            | Drillship        | 12,000 | 2010 | Saipem                | Eni                             | Morocco        | 3  |                        |

\* Long-term contracts >=12 months. Short-term contracts <12 months.

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Source: Clarksons Research - Offshore Drilling Monthly, January 2018

## 8.5 Asset values

Current market newbuild price assessments for a high specification jack-up is USD 130-180m. For a floater, the equivalent assessment is USD 350-450m for a NB ultra-deep drillship and USD 400-500m for a NB semisubmersible harsh environment. However, there have been no offshore rig newbuild contracts lately and the absence of demand make the newbuild figures difficult to benchmark. In contrast, there have been several second hand asset transactions, mostly led by Borr Drilling, as illustrated in the table below.

Overview of historical and recent asset sales

Source: Clarksons Research - Offshore Drilling Monthly, January 2018

| Jack-Up<br>Asset Prices | Asset Price, \$m, end^ |      |      |      |      |      |      | Asset Price Trends |              |     |   |
|-------------------------|------------------------|------|------|------|------|------|------|--------------------|--------------|-----|---|
|                         | 2010                   | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Dec-17             | This Year    |     |   |
| NB Jack-Up High-Spec    | 193                    | 193  | 193  | 208  | 200  | 145  | 155  | 130                | STEADY...    | 0   | % |
| SH Jack-Up High-Spec    | 215                    | 215  | 218  | 225  | 190  | 110  | 75   | 80                 | FIRMER...    | 40  | % |
| SH Jack-Up Standard     | 48                     | 50   | 45   | 50   | 40   | 13   | 10   | 0-10               | WEAKER!!!... | 50  | % |
|                         |                        |      |      |      |      |      |      |                    |              |     |   |
| Floater<br>Asset Prices | Asset Price, \$m, end^ |      |      |      |      |      |      | Asset Price Trends |              |     |   |
|                         | 2010                   | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Dec-17             | This Year    |     |   |
| NB Semi-Sub Harsh       | 540                    | 570  | 580  | 615  | 595  | 510  | 450  | 400                | STEADY...    | 0   | % |
| NB Drillship Ultra-Deep | 530                    | 560  | 560  | 555  | 530  | 470  | 450  | 350                | WEAKER...    | -11 | % |
| SH Floater 6th Gen      | 635                    | 715  | 755  | 745  | 605  | 360  | 250  | 150                | WEAKER...    | -20 | % |
| SH Floater 5th Gen      | 500                    | 520  | 630  | 570  | 405  | 200  | 100  | 30                 | WEAKER...    | 40  | % |
| SH Floater 4th Gen      | 320                    | 350  | 375  | 350  | 265  | 120  | 50   | 15                 | WEAKER...    | -25 | % |
| SH Floater 3rd Gen      | 200                    | 250  | 235  | 190  | 135  | 35   | 10   | 1-20               | STEADY...    | 2   | % |
| SH Floater 2nd Gen      | 145                    | 145  | 125  | 90   | 60   | 20   | 2    | 0-3                | WEAKER...    | -14 | % |
|                         |                        |      |      |      |      |      |      |                    |              |     |   |
| NB Asset Index          | 83.6                   | 87.6 | 88.2 | 91.2 | 87.7 | 74.5 | 69.9 | 66.0               | SOFTER...    | -5  | % |
| SH Asset Index          | 76.4                   | 83.1 | 88.2 | 82.2 | 63.0 | 31.8 | 18.4 | 15.5               | WEAKER...    | 16  | % |



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## Recently Reported Rig Sales

| Date   | Type     | Name at Sale         | Seller              | Buyer                        | Price, m  | WD ft. | Design                     | Built |
|--------|----------|----------------------|---------------------|------------------------------|-----------|--------|----------------------------|-------|
| Dec 17 | Semi-Sub | West Rigel           | Jurong Shipyard Pte | Unknown                      | USD 500   | 10,000 | Moss CS 60                 | 2018  |
| Dec 17 | Semi-Sub | Bollsta Dolphin      | Hyundai HI          | Northern Drilling            | USD 400   | 10,000 | Moss CS 60                 | 2019  |
| Oct 17 | Jack-Up  | Animus*              | PPL Shipyard        | Borr Drilling                | USD 1,256 | 400    | Baker Marine Pacific Class | 2015  |
| Oct 17 | Jack-Up  | Supremus*            | PPL Shipyard        | Borr Drilling                | #         | 400    | Baker Marine Pacific Class | 2015  |
| Oct 17 | Jack-Up  | Vastus*              | PPL Shipyard        | Borr Drilling                | #         | 400    | Baker Marine Pacific Class | 2015  |
| Oct 17 | Jack-Up  | Perisai Pacific 102* | PPL Shipyard        | Borr Drilling                | #         | 400    | Baker Marine Pacific Class | 2015  |
| Oct 17 | Jack-Up  | Perisai Pacific 103* | PPL Shipyard        | Borr Drilling                | #         | 400    | Baker Marine Pacific Class | 2016  |
| Oct 17 | Jack-Up  | PPL JU TBN5*         | PPL Shipyard        | Borr Drilling                | #         | 400    | Baker Marine Pacific Class | 2018  |
| Oct 17 | Jack-Up  | PPL JU TBN6*         | PPL Shipyard        | Borr Drilling                | #         | 400    | Baker Marine Pacific Class | 2018  |
| Oct 17 | Jack-Up  | PPL JU TBN8*         | PPL Shipyard        | Borr Drilling                | #         | 400    | Baker Marine Pacific Class | 2018  |
| Oct 17 | Jack-Up  | P2053*               | PPL Shipyard        | Borr Drilling                | #         | 400    | Baker Marine Pacific Class | 2019  |
| Jun 17 | Jack-Up  | Petrobras III        | Petrobras           | Clients of America Oil & Gas | USD 0.024 | 260    | Gusto 3-Leg                | 1974  |
| May 17 | Jack-Up  | Transocean Circinus* | Transocean          | Borr Drilling                | USD 1,350 | 400    | KFELS B                    | 2020  |

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|        |         |                             |            |                  |   |     |            |      |
|--------|---------|-----------------------------|------------|------------------|---|-----|------------|------|
| May 17 | Jack-Up | Transocean<br>Cetus*        | Transocean | Borr<br>Drilling | # | 400 | KFELS<br>B | 2020 |
| May 17 | Jack-Up | Transocean<br>Centaurus*    | Transocean | Borr<br>Drilling | # | 400 | KFELS<br>B | 2018 |
| May 17 | Jack-Up | Transocean<br>Cepheus*      | Transocean | Borr<br>Drilling | # | 400 | KFELS<br>B | 2020 |
| May 17 | Jack-Up | Transocean<br>Cassiopeia*   | Transocean | Borr<br>Drilling | # | 400 | KFELS<br>B | 2018 |
| May 17 | Jack-Up | Transocean<br>Siam Driller* | Transocean | Borr<br>Drilling | # | 350 | KFELS<br>B | 2013 |
| May 17 | Jack-Up | Transocean<br>Andaman*      | Transocean | Borr<br>Drilling | # | 350 | KFELS<br>B | 2013 |

NB = Newbuild. SH = Secondhand. ^ Annual MODU prices end year mid-point. \*Denotes en-bloc sale. # En bloc price shown under first ship of bloc.

Source: Clarksons Research - Offshore Drilling Monthly, January 2018

## 8.6 Fleet by company

Offshore drilling markets are driven by supply and demand with a low degree of differentiation. The various types of offshore drilling rigs are relatively similar in function (after adjusting for differences in water depth capabilities – the primary differentiating factor among various rig types). Offshore drilling has witnessed consolidation since the industry's early days and this trend is expected to continue.

Overview of largest rig owners

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\*Data for Transocean does not reflect the acquisition of Songa Offshore

Source: Clarksons Research - Offshore Drilling Rig Monthly, January 2018

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9 BUSINESS OF THE TRANSOCEAN GROUP

9.1 Introduction

The Company is a corporation incorporated under the laws of Switzerland, in particular under Swiss corporate law as contained in the Swiss Code of Obligations. The legal and commercial name of the Company is Transocean Ltd. The Company was established on 18 August 2008 and is registered in the commercial register of the Canton of Zug with enterprise identification number (UID) CHE-114.461.224. The company's registered office is Turmstrasse 30, 6312 Steinhausen, Switzerland. The telephone number is +41 41 749 0500.

TINC is a corporation incorporated under the The Companies Law of the Cayman Islands. The legal and commercial name of TINC is Transocean Inc. TINC was established on 14 May 1999 and registered in the Cayman Islands under the business registration number 89645. TINC's principal executive offices are located at P.O. Box 10342, 70 Harbour Drive, 4th Floor, Grand Cayman, KY1-1003. The telephone number is +1 345 745 4500.

Transocean Ltd. is the parent company of the Group, which operates its business in the offshore drilling industry. The Company's primary business is to contract the Company's drilling rigs, related equipment and work crews predominantly on a day rate basis to drill oil and gas wells. The Company specializes in technically demanding regions of the global offshore drilling business with a particular focus on ultra-deepwater and harsh environment drilling services.

As of 31 January 2018, the Transocean Group's offshore drilling fleet consists of 26 ultra-deepwater floaters, seven harsh environment floaters, two deepwater floaters, and four midwater floaters. Following the acquisition of 97.67% of the shares of Songa Offshore in January 2018, the Group's offshore drilling fleet further consists of the seven semisubmersible drilling rigs previously owned and operated by the Songa Group.

As of 31 January 2017, the Group also had three ultra-deepwater drillships under construction or under contract to be constructed. The Group also operates two jackups that were under contract at the time of sale and will continue to operate such jackups until completion or novation of their respective drilling contracts.

TINC is a directly, wholly owned subsidiary of Transocean, and operates the same business as Transocean. The business of Transocean and TINC will be described jointly in this chapter 9. For further information about the Songa Group, see Section 6 "About the Songa Group".

9.2 Legal structure of the Group

The Group's operations are carried out by its various operating subsidiaries, including the material subsidiaries described further below. The following chart shows the legal structure of the Group:

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The chart does not reflect the Songa Group. Songa Offshore is currently a 97.67% owned subsidiary of the Company.

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Information regarding the Transocean Group's material subsidiaries as of 31 December 2017 is set forth below. All of the Transocean Group's material subsidiaries are operating subsidiaries. For information on the subsidiaries of the Songa Group, see Section 6.1 "Legal structure of the Songa Group".

| Company name                         | Registered office | Field of activity                | Proportion of capital held |
|--------------------------------------|-------------------|----------------------------------|----------------------------|
| Sedco Forex Holdings Limited         | Cayman Islands    | Rig operating company            | 100 %                      |
| Sedco Forex International Inc.       | Cayman Islands    | Rig owning and operating company | 100 %                      |
| Transocean Drilling U.K. Limited     | Scotland          | Rig owning and operating company | 100 %                      |
| Transocean Financing GmbH            | Switzerland       | Finance company                  | 100 %                      |
| Transocean Inc.                      | Cayman Islands    | Holding company                  | 100 %                      |
| Transocean Offshore Holdings Limited | Cayman Islands    | Holding company                  | 100 %                      |
| Transocean Partners Holdings Limited | Cayman Islands    | Holding company                  | 100 %                      |
| Transocean Worldwide Inc.            | Cayman Islands    | Holding company                  | 100 %                      |
| Triton Asset Leasing GmbH            | Switzerland       | Rig owning and leasing company   | 100 %                      |
| Triton Nautilus Asset Leasing GmbH   | Switzerland       | Rig owning and leasing company   | 100 %                      |

Transocean has not yet determined how the operations of Songa Group will be managed going forward, and whether it will operate as an intact business unit. The Company will organise the Group in the manner most efficient for its shareholders.

The shares in Songa Offshore are expected to be delisted shortly following completion of the Compulsory Acquisition, subject to approval by the Oslo Stock Exchange.

### 9.3 History and important events

Transocean traces its origins back to the 1920s ahead of being established in its present form in December 2008 when the Company redomesticated from the Cayman Islands to Switzerland. Transocean's registered office is Turmstrasse 30, 6312 Steinhausen, Switzerland. The Transocean Group's remaining offices and land bases are located in various countries throughout North America, South America, Europe, Africa, India and the Far East.

The table below provides an overview of key events in the Company's history since 2011:

#### Year Event

- 2011 Transocean acquired Aker Drilling AS.
- 2012 Transocean announced plans to construct four, high-specification, ultra-deepwater drillships, backed by drilling contracts for the four rigs, each with a 10-year term. The new drillships, two of which began operations in 2016, provide the most advanced offshore drilling technology available.

The Company closed on the sale of 38 shallow-water drilling rigs to Shelf Drilling Holdings Ltd., further repositioning the Company as a more focused operator of high-specification drilling rigs.

- 2014 Transocean conducted initial offering of Transocean Partners LLC, a limited liability company originally formed by Transocean to own, operate and acquire modern, technologically advanced offshore drilling rigs. Transocean Partners LLC became a publicly traded company in the United States, with Transocean holding a 71.3% interest as of 30 September 2016.
- 2016 Transocean acquired all outstanding units in Transocean Partners LLC.

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- 2017 In May 2017, Transocean completed the sale of its jackup fleet to Borr Drilling Limited for a total consideration of approximately USD 1.35 billion. The sale included the Company's 10 high-specification jackups and five jackups under construction at Keppel FELS Limited's shipyard in Singapore.
- 2018 Through the Voluntary Tender Offer, Transocean acquired 97.67% of the shares of Songa Offshore in January 2018.

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9.4 Competitive strengths<sup>7</sup>

The offshore drilling market has for the past few years experienced weakening demand, rates and utilization due to an unfavorable supply/demand balance. The Group believes that offshore deepwater drilling rates and utilization may remain low for the foreseeable future, and that the soft market is likely to persist in the near term. The Group furthermore believes that it has a number of competitive strengths, which provide it with the capacity to weather the soft market and position itself for a recovery.

The world's largest floater operator. The Group is the world's largest owner and operator of floaters based on number of units in the fleet. The scale and composition of the fleet, coupled with over 60 years of offshore drilling experience, provide the Group with unmatched capacity and flexibility to offer timely and reliable services anywhere in the world.

High-specification fleet focused on ultra-deepwater and harsh environment floaters. The Group's current fleet mainly comprises high specification ultra-deepwater and harsh environment floaters and includes 17 newbuilds added since 2008. In addition to 26 ultra-deepwater floaters and seven harsh environment floaters, the fleet of the Transocean Group includes two deepwater floaters and four midwater floaters as of 31 January 2018. Following the acquisition of 97.67% of the shares of Songa Offshore in January 2018, the Group's offshore drilling fleet further consists of the seven semisubmersible drilling rigs previously owned and operated by the Songa Group. With an increasingly targeted fleet, the Group is able to meet the needs of its customers in some of the world's most challenging offshore environments.

Strong operational track record. With more than 60 years of operations in the offshore drilling industry, the Group has obtained unsurpassed experience that allows it to meet the geographical and technical requirements of its customers in some of the world's most challenging offshore environments. Having worked with most of the leading international oil companies, as well as government-controlled and independents, throughout its long history of operations the Group has built a reputation as a leading provider of reliable and efficient offshore drilling services. The Group has access to a large pool of experienced employees with an extensive track-record within the industry. Access to experienced officers and crew is a competitive advantage in a market where customers not only value, but often require, significant combined time in-company and in-industry among senior crew.

Technological innovation. The Group has a history of developing and deploying industry-leading technology. Since launching the offshore industry's first jackup drilling rig in 1954, the Group has achieved a long list 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, as well as repeatedly setting water depth world records. The Group develops technology internally, and equips several of its drilling units with proprietary drilling technology. Making use of continued improvements in technology to address the Group's customers' requirements is critical to maintaining the Group's competitive position within the contract drilling services industry.

Strong balance sheet and backlog. The Group maintains a strong financial position with an industry leading contract revenue backlog and substantial available liquidity. This provides the Group with ample resources to weather and even take advantage of the current downturn in the offshore drilling industry. Despite challenging market conditions, the Group has been able to secure new financing at competitive terms, which is a testament to the Group's credit standing and reputation with lenders. The Group maintains additional balance sheet flexibility with capability to refinance and take on additional debt.

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<sup>7</sup> The Company is the source of the statements in this Section on the Group's competitive position.



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Strong customer relationships. Supported by its operational track record, the Group has built and maintained strong relationships with leading oil companies. The Group intends to leverage the advantages afforded by the strength of the Group through ongoing close and cooperative relationships with existing customers and emerging participants in the energy space. This strategy is already reflected in the Group's existing customer base.

Collaboration with original equipment manufacturers ("OEMs"). The Group has entered into arrangements collaborating with leading OEMs to the offshore drilling industry in a reliability-centered approach, focusing on improving uptime for the Group's customers. These collaborations allow the Group to reduce the total cost of ownership and further improve the operational performance of its drilling units.

Experienced management team and Board of Directors with strong credentials in governance and strategy. The Group's management team consists of seasoned executives with strong industry relationships that have demonstrated their ability to manage the commercial, technical and financial areas of the Group's business. The Group's Management has an extensive network of relationships with major oil and gas companies, shipyards, global financial institutions and other key participants in the energy space. The Group's management is complemented by a Board of Directors with extensive collective international experience in offshore drilling, energy and capital markets; as well as a broad range of complementary competencies.

In sum, the Group believes that these competitive strengths collectively enhance the Company's ability to develop and implement strategies that build upon customer satisfaction and help sustain the Company's leading position as a preferred supplier of offshore deepwater drilling services worldwide.

### 9.5 Business strategy

The Group is leveraging its competitive strengths to realize the following strategic goals:

Focus on the harsh environment and ultra-deepwater markets. The Group's strategic goal is to be the undisputed leader in providing drilling services in the ultra-deepwater and harsh environment markets. By focusing its fleet and service offering on the ultra-deepwater and harsh environment market, the Group will be able to increasingly specialize its service offering. By tailoring its services to these core market sectors, the Group aims to realize a premium multiple versus its peer group of competitors.

Fleet expansion and continued market leadership. As part of its long-term strategic goal, the Group aims to expand its existing fleet in all targeted operating regions to further strengthen its global presence. Through upgrades and rig acquisitions, the Group intends to grow by executing well-timed, value-accretive investments and gaining access to those opportunities through its continued leadership in the offshore deepwater drilling space. The acquisition of Songa Offshore is consistent with Transocean's strategy to grow its ultra-deepwater and harsh environment fleet, and allows Transocean to expand its harsh environment fleet in Norway and UK markets and increases Transocean's contract backlog with investment grade counterparts.

Maintaining and developing customer relationships. The Group will continue to pursue quality customers while seeking to develop, realign and expand its strategic relationships by consistently anticipating and exceeding customer expectations. Through long-standing customer and industry stakeholder relationships, the Group has developed insights into evolving customer and industry requirements. The Group plans to leverage these relationships by acting early in developing concepts and solutions. By maintaining active dialogue with a wide range of relevant stakeholders, the Group aims to remain ahead of the curve in the offshore drilling industry, and leverage the Group's expertise in accessing the most attractive growth opportunities.

Focus on safety, cost reductions and efficiency improvements. The Group aims to constantly identify efficiencies that lead to cost reductions, while working to maximize revenue from its contract revenue backlog in order to improve margins. To improve safety, the Group will maintain its focus on safety-related performance measures, and introduce equipment and rig layouts that enhance efficiency and safety.

Maximize asset utilization. Long-term planning is essential in achieving sustained attractive returns in a capital intensive industry, such as offshore drilling. Maintaining strong utilization is a key element of the Group's long-term planning, and requires constant evaluation of the existing fleet's quality and composition. This includes considering rigs for recycling and identifying acquisition targets with associated backlog in order to ensure maximum utilization of the Group's assets.

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### 9.6 Business description

#### 9.6.1 Overview

The Group is a leading international provider of offshore contract drilling services for oil and gas wells.<sup>8</sup> As of 31 January 2018, the Transocean Group's offshore drilling fleet consists of 26 ultra-deepwater floaters, seven harsh environment floaters, two deepwater floaters and four midwater floaters. Following the acquisition of 97.67% of the shares of Songa Offshore in January 2018, the Group's offshore drilling fleet further consists of the seven semisubmersible drilling rigs previously owned and operated by the Songa Group.

As of 31 January 2018, the Group also had three ultra-deepwater drillships under construction or under contract to be constructed. The Group also operates two jackups that were under contract at the time of sale and will continue to operate such jackups until completion or novation of their respective drilling contracts.

The Group's primary business is to contract its drilling rigs, related equipment and work crews predominantly on a day rate basis to drill oil and gas wells. The Group specializes in technically demanding regions of the global offshore drilling business with a particular focus on ultra-deepwater and harsh environment drilling services. The Group believes its mobile offshore drilling fleet is one of the most versatile fleets in the world, consisting of floaters used in support of offshore drilling activities and offshore support services on a worldwide basis.

The Group operates in a single, global market for the provision of contract drilling services to its customers. The locations of the Group's rigs and the allocation of its resources to operate, build or upgrade rigs are determined by the activities and needs of its customers.

The Group does not outsource significant portions of its business. The Group requires highly skilled personnel to operate its drilling units. Consequently, the Group conducts extensive personnel recruiting, training and safety programs and most of its workforce is directly employed. At 31 December 2017, the Transocean Group had approximately 4,900 employees, including approximately 400 persons engaged through contract labor providers. As a result of the acquisition of Songa Offshore, the number of employees of the Group is expected to increase.

#### 9.6.2 Recent Developments

**Transocean Partners**—On 9 December 2016, Transocean Partners LLC completed a merger with one of the Company's subsidiaries as contemplated under the Agreement and Plan of Merger, dated 31 July 2016, and as amended on 21 November 2016. Following the completion of the merger, Transocean Partners LLC became a wholly owned indirect subsidiary of Transocean. Each Transocean Partners LLC common unit that was issued and outstanding immediately prior to the closing, other than the units held by Transocean and its subsidiaries, was converted into the right to receive 1.20 of Transocean's shares. To complete the merger, the Company issued 23.8 million shares from its conditional capital.

**Markets for the Company's shares**—The Company's shares were previously listed on the SIX Swiss Exchange ("SIX") under the symbol "RIGN." Effective 31 March 2016, at the Company's request, its shares were delisted from SIX.

**Disposal of jackups**—On 30 May 2017, in connection with the Company's efforts to dispose of non strategic assets, the Company completed the sale of 10 high specification jackups, including GSF Constellation I, GSF Constellation II, GSF Galaxy I, GSF Galaxy II, GSF Galaxy III, GSF Monarch, Transocean Andaman, Transocean Ao Thai, Transocean Honor and Transocean Siam Driller, along with related assets, and novated the contracts relating to the construction of five high specification jackups, together with related assets. In the nine months ended 30 September 2017, the Company received aggregate net cash proceeds of USD 319 million and recognized an aggregate net loss of



USD 1.6 billion (USD 4.08 per diluted share), which had no tax effect, associated with the disposal of these assets. Following the completion of the sale, the Company agreed to continue to operate three of these high specification jackups through completion or novation of the drilling contracts, one of which was completed as of 30 September 2017. In the three and nine months ended 30 September 2017, excluding the Company's loss on the disposal of these assets, the Company's operating results included income of USD 19 million and USD 46 million, respectively, before taxes, associated with the high specification jackup asset group. In the three and nine months ended 30 September 2016, the Company's operating results included income of USD 25 million and USD 47 million, respectively, before taxes, associated with the high specification jackup asset group.

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8 Source: the Company.

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Tender offers—On 11 July 2017, the Company completed cash tender offers to purchase up to USD 1.5 billion aggregate principal amount of certain notes. The Company received valid tenders from holders of aggregate principal amounts of said notes as follows (in millions):

|                                       |  |
|---------------------------------------|--|
|                                       | Nine<br>months<br>ended<br>30<br>September<br>2017 |
| 2.50% Senior Notes due October 2017   | \$ 271   |
| 6.00% Senior Notes due March 2018     | 400  |
| 7.375% Senior Notes due April 2018    | 128  |
| 6.50% Senior Notes due November 2020  | 207  |
| 6.375% Senior Notes due December 2021 | 213  |
| Aggregate principal amount retired    | \$ 1,219   |
| Aggregate cash payment                | \$ 1,269   |

In the three and nine months ended 30 September 2017, the Company recognized an aggregate net loss of USD 1 million and USD 48 million, respectively, associated with the retirement of such validly tendered debt.

Retirement of rigs—On 22 September 2017, the Company announced its intent to retire the ultra-deepwater floaters GSF Jack Ryan, Sedco Energy, Sedco Express, Cajun Express, and Deepwater Pathfinder, and the deepwater floater Transocean Marianas. The rigs will be classified as held for sale and will be recycled in an environmentally responsible manner. All six rigs were previously cold stacked. The Company recognized an impairment charge of USD 1.4 billion during the third quarter of 2017 associated with these actions.

Debt offering—In October 2017, the Company completed an offering of an aggregate principal amount of USD 750 million of the 7.50% Senior Notes due January 2026. The Company received aggregate cash proceeds of USD 742 million, net of estimated issue costs. The Company intends to use the majority of the net proceeds from the debt offering to repay or redeem certain maturing debt.

Contract for Deepwater Invictus—On 17 October 2017, the Company announced that the ultra-deepwater drillship Deepwater Invictus had been awarded a two-year contract plus three one-year priced options with a subsidiary of BHP Billiton. The backlog associated with the firm contract is approximately USD 106 million. The contract is expected to commence in the second quarter of 2018.

Global Marine Litigation—On 28 November 2017, Wilmington Trust Company, in its capacity as trustee, filed a lawsuit against Global Marine, an indirect subsidiary of the Company, seeking a declaratory judgment that Global Marine is in default under the indenture governing its USD 300 million of outstanding 7.00% Notes due June 2028. See Section 9.11.2.5 “Global Marine litigation” for further information.

Acquisition of Songa Offshore—In January 2018, Transocean acquired shares in Songa Offshore representing 97.67% (on a fully diluted basis as of 30 January 2018) of the voting rights in Songa Offshore through the Voluntary Tender Offer. Following the acquisition, the Group’s offshore drilling fleet consists of the additional seven semisubmersible drilling rigs owned and operated by the Songa Group.

9.7 The fleet of the Transocean Group

9.7.1 Fleet overview

The Group's drilling fleet consists of floaters, which include drillships and semisubmersibles.

As of 31 January 2018, the Transocean Group's offshore drilling fleet consists 26 ultra-deepwater floaters, seven harsh environment floaters, two deepwater floaters, and four midwater floaters. Following the acquisition of 97.67% of the shares of Songa Offshore in January 2018, the Group's offshore drilling fleet further consists of the seven semisubmersible drilling rigs previously owned and operated by the Songa Group.

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Only the drilling rigs of the Transocean Group are described in this Section 9.7. For information on the drilling rigs of the Songa Group, see Section 6.3 “The business of the Songa Group.”

Most of the Transocean Group’s drilling equipment is suitable for both exploration and development, and the Transocean Group normally engages in both types of drilling activity. All of the Transocean Group’s drilling rigs are mobile and can be moved to new locations in response to customer demand. All of the Transocean Group’s mobile offshore drilling units are designed to operate in locations away from port for extended periods of time and have living quarters for the crews, a helicopter landing deck and storage space for drill pipe, riser and drilling supplies.

Drillships are generally self-propelled vessels, shaped like conventional ships, and are the most mobile of the major rig types. All of the Transocean Group’s drillships are ultra-deepwater capable and equipped with a computer-controlled dynamic positioning thruster system, which allows them to maintain position without anchors through the use of their on-board propulsion and station-keeping systems. These rigs typically have greater deck load and storage capacity than early generation semisubmersible rigs, providing logistical and resupply efficiency benefits for customers. Drillships are generally better suited to operations in calmer sea conditions and typically do not operate in areas considered to be harsh environments. As of 31 January 2018, the Transocean Group has 16 ultra-deepwater drillships that are, and three ultra-deepwater drillships under construction that will be, equipped with the Transocean Group’s patented dual-activity technology. Dual-activity technology employs structures, equipment and techniques using two drilling stations within a dual derrick to allow these drillships to perform simultaneous drilling tasks in a parallel, rather than a sequential manner, reducing critical path activity, to improve efficiency in both exploration and development drilling. In addition to dynamic positioning thruster systems, dual-activity technology, industry-leading<sup>9</sup> hoisting capacity and a second blowout preventer system, the Transocean Group’s drillship placed into service in October 2017 is, and the three newbuild drillships under construction will be, outfitted to accommodate a future upgrade to a 20,000 pounds per square inch (“psi”) blowout preventer.

Semisubmersibles are floating vessels that can be partially submerged by means of a water ballast system such that the lower column sections and pontoons 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 capable of operating in rougher sea conditions than drillships. As of 31 January 2018, the Transocean Group had two custom-designed, high-capacity, dual-activity semisubmersible drilling rigs, equipped for year-round operations in harsh environments, including those of the Norwegian continental shelf and sub-Arctic waters. The tri-act derrick, which was designed to reduce overall well construction costs since 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. As of 31 January 2018, five of the Transocean Group’s 17 semisubmersibles are equipped with the Transocean Group’s patented dual-activity technology.

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<sup>9</sup> Source: the Company.

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## 9.7.2 Fleet categories

The Transocean Group further categorizes the drilling units of the fleet as follows: (1) “ultra-deepwater floaters,” (2) “harsh environment floaters,” (3) “deepwater floaters” and (4) “midwater floaters.”

Ultra-deepwater floaters are equipped with high-pressure mud pumps and are capable of drilling in water depths of 7,500 feet or greater. 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. Deepwater floaters are generally those other semisubmersible rigs and drillships capable of drilling in water depths between 4,500 and 7,500 feet. Midwater floaters are generally comprised of those non-high-specification semisubmersibles that have a water depth capacity of less than 4,500 feet.

## 9.7.3 Fleet status

The Transocean Group provides contract drilling services in a single, global operating segment, which involves contracting the Transocean Group’s mobile offshore drilling fleet, related equipment and work crews primarily on a day rate basis to drill oil and gas wells. The Transocean Group specializes in technically demanding regions of the offshore drilling business with a particular focus on ultra-deepwater and harsh environment drilling services. The Transocean Group believes its drilling fleet is one of the most versatile fleets in the world, consisting of floaters used in support of offshore drilling activities and offshore support services on a worldwide basis.

The Transocean Group’s contract drilling services operations are geographically dispersed in oil and gas exploration and development areas throughout the world. Although rigs can be moved from one region to another, the cost of moving rigs and the availability of rig-moving vessels may cause the supply and demand balance to fluctuate somewhat between regions. Still, significant variations between regions do not tend to persist long-term because of rig mobility. The location of the Transocean Group’s rigs and the allocation of resources to operate, build or upgrade its rigs are determined by the activities and needs of the Transocean Group’s customers.

Depending on market conditions, the Transocean Group may idle or stack non-contracted rigs. An idle rig is between drilling contracts, readily available for operations, and operating costs are typically at or near normal levels. A stacked rig typically has reduced operating costs, is staffed by a reduced crew or has no crew 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 approximately 30 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 shipyard availability and cost of equipment and materials and the extent of repairs and maintenance that may ultimately be required. The Transocean Group considers these factors, together with market conditions, length of contract, day rate and other contract terms, when deciding whether to return a stacked rig to service. The contract lengths for the Transocean Group’s rigs vary in duration from months to years, depending on the counterparty, region and market conditions. As of 26 October 2017, being the date of the Transocean Group’s most recent fleet status report, the Transocean Group had 13 contracts with a remaining contract duration of less than one year, six contracts with a remaining contract duration comprised between one and five years and 4 contracts with a remaining contract duration of greater than five years. The Transocean Group may, from time to time, consider marketing stacked rigs as accommodation units or for other alternative uses until drilling activity increases and it obtains drilling contracts for these units. For information on the contracts of the Songa Group, see Section 6.3.4 “Contract overview.”



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## 9.7.4 Drilling units

The following tables, presented as of 26 October 2017, provide certain specifications for the Transocean Group's 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 26 October 2017, the Transocean Group owned all of the drilling rigs in the fleet noted in the tables below, except for the following: (1) those specifically described as being owned through the Transocean Group's interests in consolidated entities that were less than wholly owned and (2) Petrobras 10000, which is subject to a capital lease through August 2029.

## 9.7.4.1 Rigs under construction

The table below sets out an overview of the Transocean Group's rigs under construction, which are owned directly or indirectly by the Transocean Group as of 26 October 2017:

| Name   | Type | Expected completion | Water depth capacity (in feet) | Drilling depth capacity (in feet) | Contracted location or contracted status |
|--|------|---------------------|--------------------------------|-----------------------------------|--|
| Ultra-deepwater floaters                       |      |                     |                                |                                   |  |
| Deepwater Poseidon (a) (b) (c) (d) (e)         | HSD  | 1Q 2018             | 12,000                         | 40,000                            | To be determined                         |
| Ultra-deepwater drillship TBN1 (a) (b) (d) (e) | HSD  | 2Q 2020             | 12,000                         | 40,000                            | Uncontracted                             |
| Ultra-deepwater drillship TBN2 (a) (b) (d) (e) | HSD  | 4Q 2020             | 12,000                         | 40,000                            | Uncontracted                             |

“HSD” means high-specification drillship.

- (a) To be dynamically positioned.
- (b) To be equipped with dual-activity.
- (c) To be an Enterprise-class or Enhanced Enterprise-class rig.
- (d) Designed to accommodate a future upgrade to a 20,000 pounds psi blowout preventer.
- (e) To be equipped with two blowout preventers.

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## 9.7.4.2 Ultra-deepwater floaters

The table below sets out an overview of the Transocean Group's ultra-deepwater floaters, which are owned directly or indirectly by the Transocean Group as of the date of 26 October 2017:

| Name                                    | Type | Year entered service/<br>upgraded (a) | Water depth capacity<br>(in feet) | Drilling depth capacity<br>(in feet) | Contracted location or standby status |
|---|------|---------------------------------------|-----------------------------------|--------------------------------------|---------------------------------------|
| Deepwater Pontus (b) (c) (d) (e) (f)    | HSD  | 2017                                  | 12,000                            | 40,000                               | U.S. Gulf                             |
| Deepwater Conqueror (b) (c) (d) (e) (f) | HSD  | 2016                                  | 12,000                            | 40,000                               | U.S. Gulf                             |
| Deepwater Proteus (b) (c) (d) (e) (f)   | HSD  | 2016                                  | 12,000                            | 40,000                               | U.S. Gulf                             |
| Deepwater Thalassa (b) (c) (d) (e) (f)  | HSD  | 2016                                  | 12,000                            | 40,000                               | U.S. Gulf                             |
| Deepwater Asgard (b) (c) (d) (f)        | HSD  | 2014                                  | 12,000                            | 40,000                               | U.S. Gulf                             |
| Deepwater Invictus (b) (c) (d) (f)      | HSD  | 2014                                  | 12,000                            | 40,000                               | U.S. Gulf                             |
| Deepwater Champion (b) (c)              | HSD  | 2011                                  | 12,000                            | 40,000                               | Stacked                               |
| Discoverer Inspiration (b) (c) (d) (f)  | HSD  | 2010                                  | 12,000                            | 40,000                               | U.S. Gulf                             |
| Discoverer India (b) (c) (d)            | HSD  | 2010                                  | 12,000                            | 40,000                               | Idle                                  |
| Discoverer Americas (b) (c) (d)         | HSD  | 2009                                  | 12,000                            | 40,000                               | Stacked                               |
| Discoverer Clear Leader (b) (c) (d) (f) | HSD  | 2009                                  | 12,000                            | 40,000                               | U.S. Gulf                             |
| Petrobras 10000 (b) (c)                 | HSD  | 2009                                  | 12,000                            | 37,500                               | U.S. Gulf                             |
| Dhirubhai Deepwater KG2 (b)             | HSD  | 2010                                  | 12,000                            | 35,000                               | Idle                                  |
| Dhirubhai Deepwater KG1 (b)             | HSD  | 2009                                  | 12,000                            | 35,000                               | Brazil                                |
| Discoverer Deep Seas (b) (c) (d)        | HSD  | 2001                                  | 10,000                            | 35,000                               | Stacked                               |
| Discoverer Spirit (b) (c) (d)           | HSD  | 2000                                  | 10,000                            | 35,000                               | Stacked                               |
| GSF C.R. Luigs (b)                      | HSD  | 2000                                  | 10,000                            | 35,000                               | Stacked                               |
| Discoverer Enterprise (b) (c) (d)       | HSD  | 1999                                  | 10,000                            | 35,000                               | Stacked                               |
| Deepwater Discovery (b)                 | HSD  | 2000                                  | 10,000                            | 30,000                               | Stacked                               |
| Deepwater Frontier (b)                  | HSD  | 1999                                  | 10,000                            | 30,000                               | Stacked                               |
| Deepwater Millennium (b)                | HSD  | 1999                                  | 10,000                            | 30,000                               | Stacked                               |
| Deepwater Nautilus (g)                  | HSS  | 2000                                  | 8,000                             | 30,000                               | Malaysia                              |
| Discoverer Luanda (b) (c) (d) (h)       | HSD  | 2010                                  | 7,500                             | 40,000                               | Malaysia                              |
| Development Driller III (b) (c)         | HSS  | 2009                                  | 7,500                             | 37,500                               | Idle                                  |
| GSF Development Driller II (b) (c)      | HSS  | 2005                                  | 7,500                             | 37,500                               | Stacked                               |
| GSF Development Driller I (b) (c)       | HSS  | 2005                                  | 7,500                             | 37,500                               | Australia                             |

“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) Designed to accommodate a future upgrade to a 20,0000 pounds psi blowout preventer.
- (f) Two blowout preventers.
- (g) Moored floater.
- (h) Owned through the Transocean Group's 65% interest in Angola Deepwater Drilling Company Limited (“ADDCL”)



## 9.7.4.3 Harsh environment floaters

The table below sets out an overview of the Transocean Group's harsh environment floaters, which are owned directly or indirectly by the Transocean Group as of the date of 26 October 2017:

| Name                           | Type | Year entered service/ upgraded (a) | Water depth capacity (in feet) | Drilling depth capacity (in feet) | Contracted location or standby status |
|--------------------------------|------|------------------------------------|--------------------------------|-----------------------------------|---------------------------------------|
| Transocean Spitsbergen (b) (c) | HSS  | 2010                               | 10,000                         | 30,000                            | Norwegian N. Sea                      |
| Transocean Barents (b) (c)     | HSS  | 2009                               | 10,000                         | 30,000                            | Canada                                |
| Henry Goodrich (d)             | HSS  | 1985/2007                          | 5,000                          | 30,000                            | Canada                                |
| Transocean Leader (d)          | HSS  | 1987/1997                          | 4,500                          | 25,000                            | U.K. N. Sea                           |
| Paul B, Loyd, Jr.(d)           | HSS  | 1990                               | 2,000                          | 25,000                            | U.K. N. Sea<br>Norwegian              |
| Transocean Arctic (d)          | HSS  | 1986                               | 1,650                          | 25,000                            | N. Sea                                |
| Polar Pioneer (d)              | HSS  | 1985                               | 1,500                          | 25,000                            | Stacked                               |

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“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) Moored floater.

## 9.7.4.4 Deepwater floaters

The table below sets out an overview of the Transocean Group’s deepwater floaters, which are owned directly or indirectly by the Transocean Group as of the date of 26 October 2017:

| Name               | Type | Year entered service/<br>service/<br>upgraded (a) | Water depth<br>depth<br>capacity<br>(in feet) | Drilling depth<br>depth<br>capacity<br>(in feet) | Contracted location or<br>location or<br>standby<br>Status |
|--------------------|------|---|---|--|--|
| Transocean 706 (b) | HSS  | 1976/2008   | 6,500   | 25,000   | Brazil   |
| Jack Bates (c)     | HSS  | 1986/1997   | 5,400   | 30,000   | India  |

“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) Moored floater.

## 9.7.4.5 Midwater floaters

The table below sets out an overview of the Transocean Group’s midwater floaters, which are owned directly or indirectly by the Transocean Group as of the date of 26 October 2017:

| Name           | Type | Year entered service/<br>service/<br>upgraded (a) | Water depth<br>depth<br>capacity<br>(in feet) | Drilling depth<br>depth<br>capacity<br>(in feet) | Contracted location or<br>location or<br>standby<br>status |
|----------------|------|---|---|--|--|
| Sedco 711      | OS   | 1982  | 1,800   | 25,000   | Stacked  |
| Sedco 714      | OS   | 1983/1997   | 1,600   | 25,000   | Stacked  |
| Transocean 712 | OS   | 1983  | 1,600   | 25,000   | U.K. N. Sea  |
| Actinia        | OS   | 1982  | 1,500   | 25,000   | India  |

“OS” means other semisubmersible.

- (a) Dates shown are the original service date and the date of the most recent upgrade, if any.

## 9.8 Customers of the Transocean Group

The Group engages 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. At 26 October 2017, the Transocean Group’s contract backlog was approximately USD 9.4 billion. For the year ended 31 December 2016, the Transocean Group’s most significant customers were Chevron, BP, Shell and Petrobras, representing approximately

24%, 12%, 12% and 11%, respectively, of the Transocean Group's consolidated operating revenues for the year ended 31 December 2016. No other customers accounted for 10% or more of the Transocean Group's consolidated operating revenues in the year ended 31 December 2016. Additionally, as of 26 October 2017, the customers with the most significant aggregate amount of contract backlog associated with the Transocean Group's drilling contracts were Shell and Chevron, representing approximately 72% and 15%, respectively, of the Group's total contract backlog. See Section 2.3 "Financial Risks—The Group relies 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 the Group's consolidated statement of financial position, results of operations or cash flows."

For customer information for the Songa Group, see Section 6.3 "The business of the Songa Group."

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## 9.9 Competitors of the Transocean Group

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. Although rig availability, service quality and technical capability are drivers of customer contract awards, bid pricing and intense price competition are often key determinants for which a qualified contractor is awarded a job.

## 9.10 Technological Innovation

Since launching the offshore industry's first jackup drilling rig in 1954, the Group has achieved a long history of technological innovations, including the first dynamically positioned drillship, the first rig to drill year-round in the North Sea and the first semisubmersible rig for year-round sub-Arctic operations. The Group has repeatedly achieved water depth world records in the past. As of 31 January 2018, 21 drillships and semisubmersibles in the Transocean Group's existing fleet are, and its three drillships that are under construction will be, equipped with the Group's patented dual-activity technology, which allows the Group's 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.

The Group continues to develop and deploy industry-leading technology. In addition to its patented dual-activity drilling technology, some of the Group's most recent newbuild drillships include industry-leading hookload capability, compensated cranes for performing subsea installations, hybrid power systems and reduced emissions and advanced generator protection. As of 31 January 2018, eight drillships in the Group's existing fleet are, and the Group's three drillships that are under construction will be, outfitted with two blowout preventers and triple liquid mud systems. As of 31 January 2018, four drillships in the Group's existing fleet are, and the Group's three drillships that are under construction will be, designed to accept 20,000 psi blowout preventers in the future. The effective use of and continued improvements in technology to address the requirements of the Group's customers are critical to maintaining its competitive position within the contract drilling services industry. The Group continues to develop technology internally, such as its digital transformation program focused on utilizing analytics and data science to continuously improve operational integrity and efficiency while optimizing cost.

## 9.11 Litigation and disputes

## 9.11.1 Macondo well incident

## 9.11.1.1 Overview

On 22 April 2010, the ultra-deepwater floater Deepwater Horizon sank after a blowout of the Macondo well caused a fire and explosion on the rig off the coast of Louisiana. At the time of the explosion, Deepwater Horizon was contracted to BP. Following the incident, the Company has been subject to civil and criminal claims, as well as causes of action, fines and penalties by local, state and federal governments. Litigation commenced shortly after the incident, and most claims against the Company were consolidated by the U.S. Judicial Panel on Multidistrict Litigation and transferred to the U.S. District Court for the Eastern District of Louisiana (the "MDL Court"). A significant portion of the contingencies arising from the Macondo well incident have now been resolved as a result of settlements with DOJ, BP and the states of Alabama, Florida, Louisiana, Mississippi, and Texas (collectively, the "States"). Additionally, the Company and the Plaintiff Steering Committee ("PSC") entered into a settlement agreement (the "PSC Settlement Agreement"), which was approved by the MDL Court on 15 February 2017.

The Company has recognized a liability for the remaining estimated loss contingencies associated with litigation resulting from the Macondo well incident that the Company believes are probable and for which a reasonable estimate

can be made. At 30 September 2017 and 31 December 2016, the liability for estimated loss contingencies that the Company believes are probable and for which a reasonable estimate can be made was USD 244 million and USD 250 million, respectively, recorded in other current liabilities. The remaining litigation could result in certain loss contingencies that the Company believes are reasonably possible. Although the Company has not recognized a liability for such loss contingencies, these contingencies could result in liabilities that the Company ultimately recognizes.

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10 Source: the Company

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The Company recognizes an asset associated with the portion of its estimated losses that it believes is probable of recovery from insurance and for which it had received from underwriters' confirmation of expected payment. Although the Company has available policy limits that could result in additional amounts recoverable from insurance, recovery of such additional amounts is not probable and the Company is not currently able to estimate such amounts (see Section 9.11.1.8 "Insurance coverage"). The Company's estimates involve a significant amount of judgment.

### 9.11.1.2 Plea Agreement

Pursuant to the Plea Agreement, one of the Company's subsidiaries pled guilty to one misdemeanor count of negligently discharging oil into the U.S. Gulf of Mexico, in violation of the Clean Water Act ("CWA") and agreed to be subject to probation through February 2018. The DOJ agreed, subject to the provisions of the Plea Agreement, not to further prosecute the Company for certain matters arising from the Macondo well incident. The Company also agreed to make an aggregate cash payment of USD 400 million, including a criminal fine and cash contributions to the National Fish & Wildlife Foundation and the National Academy of Sciences, payable in scheduled installments. In the nine months ended 30 September 2017, the Company made a cash payment of USD 60 million, representing the final installment for its obligations under the Plea Agreement.

### 9.11.1.3 Environmental Protection Agency Administrative Agreement

On 25 February 2013, the Transocean Group and the EPA entered into an administrative agreement (the "EPA Agreement") related to the Macondo well incident, which had a five-year term. Subject to the Transocean Group's compliance with the terms of the EPA Agreement, the EPA agreed that it would not suspend, debar or statutorily disqualify the Transocean Group and would lift any existing suspension, debarment or statutory disqualification. In 2016, the Transocean Group approached the EPA Suspension and Debarment Division ("EPA SDD") to request the early termination of the EPA Agreement in light of the Transocean Group's successful performance of its obligations under the EPA Agreement. After discussions between the Transocean Group and the EPA SDD in 2016 and early 2017, the EPA Suspension and Debarment Official granted the Transocean Group's request. The EPA Agreement was terminated effective as of 21 June 2017.

### 9.11.1.4 Consent Decree

Under the Consent Decree, the Company agreed to undertake certain actions, including enhanced safety and compliance actions when operating in U.S. waters. The Consent Decree also requires the Company to submit certain plans, reports and submissions and also requires the Company to make such submittals available publicly. One of the required plans is a performance plan approved on 2 January 2014, which contains, among other things, interim milestones for actions in specified areas and schedules for reports required under the Consent Decree. Additionally, in compliance with the requirements of the Consent Decree and upon approval by the DOJ, the Company retained an independent auditor to review and report to the DOJ the Company's compliance with the Consent Decree and an independent process safety consultant to review, report and assist with the process safety requirements of the Consent Decree. The Company may request termination of the Consent Decree after 2 January 2019, provided it meets certain conditions. The Consent Decree resolved the claim by the U.S. for civil penalties under the CWA. The Company also agreed to pay civil penalties of USD 1.0 billion plus interest. In the year ended 31 December 2015, the Company paid USD 204 million, including interest, representing the final installment due under the Consent Decree.

### 9.11.1.5 PSC Settlement Agreement

On 29 May 2015, together with the PSC, the Company filed the PSC Settlement Agreement with the MDL Court for approval. Through the PSC Settlement Agreement, the Company agreed to pay a total of USD 212 million, plus up to USD 25 million for partial reimbursement of attorneys' fees, to be allocated between two classes of plaintiffs, as

follows: (1) private plaintiffs, businesses, and local governments who could have asserted punitive damages claims against the Company under general maritime law (the “Punitive Damages Class”); and (2) private plaintiffs who previously settled economic damages claims against BP and were assigned certain claims BP had made against the Company (the “Assigned Claims Class”). A court-appointed neutral representative established the allocation of the settlement payment to be 72.8% paid to the Punitive Damages Class and 27.2% paid to the Assigned Claims Class. In exchange for these payments, each of the classes agreed to release all respective claims it has against the Company. Members of the Punitive Damages Class were given the opportunity to opt out, and 30 claimants have elected to opt out, of the PSC Settlement Agreement. In June 2016 and August 2015, the Company made a cash deposit of USD 25 million and USD 212 million, respectively, into

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escrow accounts pending approval of the settlement by the MDL Court. On 15 February 2017, the MDL Court entered a final order and judgment approving the PSC Settlement Agreement, which is no longer subject to appeal. At 30 September 2017 and 31 December 2016, the aggregate cash balance in escrow accounts was USD 237 million, recorded in restricted cash.

### 9.11.1.6 Federal Securities claims

On 30 September 2010, a proposed federal securities class action was filed against the Company in the U.S. District Court for the Southern District of New York. In the action, a former shareholder of the acquired company alleged that the joint proxy statement related to the Company's shareholder meeting in connection with the merger with the acquired company violated various securities laws and that the acquired company's share-

holders received inadequate consideration for their shares as a result of the alleged violations and sought compensatory and rescissory damages and attorneys' fees. On 11 March 2014, the District Court for the Southern District of New York dismissed the claims as time-barred. Plaintiffs appealed to the U.S. Court of Appeals for the Second Circuit (the "Second Circuit"), but on 17 March 2016, the Second Circuit affirmed the dismissal. Plaintiffs filed a petition for writ of certiorari with the U.S. Supreme Court on 12 August 2016. On 27 June 2017, the petition was denied and the dismissal is now final.

### 9.11.1.7 Pending claims

As of the date of this Prospectus, numerous complaints remain pending against the Company, along with other unaffiliated defendants in the MDL Court. The Company believes its settlement with the PSC resolves many of these pending actions. As for any actions not resolved by these settlements, including any claims by individuals who opted out of the PSC Settlement Agreement, claims by the Mexican government under the Oil Pollution Act and maritime law actions, the Company is vigorously defending those claims and pursuing any and all defenses available. See Section 9.11.1.5 "PSC Settlement Agreement".

### 9.11.1.8 Insurance coverage

At the time of the Macondo well incident, the Company's excess liability insurance program offered aggregate insurance coverage of USD 950 million, excluding a USD 15 million deductible and a USD 50 million self-insured layer through the Company's wholly owned captive insurance subsidiary. This excess liability insurance coverage consisted of a first and a second layer of USD 150 million each, a third and fourth layer of USD 200 million each and a fifth layer of USD 250 million. The Company has recovered costs under the first four excess layers, the limits of which are now fully exhausted. The Company has submitted claims to the USD 250 million fifth layer, which is comprised of Bermuda market insurers (the "Bermuda Insurers"). In the nine months ended 30 September 2017 and the year ended 31 December 2016, the Company received cash proceeds of USD 10 million and USD 20 million, respectively, associated with settlements with two of the Bermuda Insurers. The Company is in the early stages of arbitration with one of the Bermuda Insurers. The Company cannot provide assurance that it will successfully recover additional proceeds under the policy limits with the Bermuda Insurers.

### 9.11.2 Other legal proceedings

#### 9.11.2.1 Asbestos litigation

In 2004, several of the Company's 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 in 2014, a group of similar complaints were filed in Louisiana. The plaintiffs, former employees of some of the defendants, generally



allege that the defendants used or manufactured asbestos containing drilling mud additives for use in connection with drilling operations, claiming 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, but the court appointed special master has ruled that a Jones Act employer defendant, such as the Company, cannot be sued for punitive damages. As of 30 September 2017, 15 plaintiffs have claims pending in Mississippi and eight plaintiffs have claims pending in Louisiana in which the Company has or may have an interest. The Company intends to defend these lawsuits vigorously, although it can provide no assurance as to the outcome. The Company historically has maintained broad liability insurance, although it is not certain whether insurance will cover the liabilities, if any, arising out of these claims. Based on the Company's evaluation of the exposure to date, it does not expect the liability, if any, resulting from these claims to have a material adverse effect on the Company's consolidated statement of financial position, results of operations or cash flows.

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One of the Company's subsidiaries has been named as a defendant, along with numerous other companies, in lawsuits arising out of the subsidiary's manufacture and sale of heat exchangers, and involvement in the construction and refurbishment of major industrial complexes alleging bodily injury or personal injury as a result

of exposure to asbestos. As of 30 September 2017, the subsidiary was a defendant in approximately 123 lawsuits with a corresponding number of plaintiffs. For many of these lawsuits, the Company has 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 operating assets of the subsidiary were sold and its operations were discontinued in 1989, and the subsidiary has no remaining assets other than insurance policies, rights and proceeds, including (i) certain policies subject to litigation and (ii) certain rights and proceeds held directly or indirectly through a qualified settlement fund. The subsidiary has in excess of USD 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, the Company believes that the subsidiary will have sufficient funding directly or indirectly from settlements and payments from insurers, assigned rights from insurers and coverage-in-place settlement agreements with insurers to respond to these claims. While the Company cannot predict or provide assurance as to the outcome of these matters, the Company does not expect the ultimate liability, if any, resulting from these claims to have a material adverse effect on its consolidated statement of financial position, results of operations or cash flows.

### 9.11.2.2 Rio de Janeiro tax assessment

In the year ended 31 December 2006, the state tax authorities of Rio de Janeiro in Brazil issued to one of the Company's subsidiaries tax assessments on equipment imported into the state in connection with the Transocean Group's operations, resulting from a preliminary finding by these authorities that the Transocean Group's record keeping practices were deficient. At 30 September 2017, the aggregate tax assessment was for BRL 525 million, equivalent to approximately USD 166 million, including interest and penalties. In September 2006, the Company filed an initial response refuting these tax assessments, and, in September 2007, the state tax authorities confirmed that they believe the tax assessments are valid. On 27 September 2007, the Company filed an appeal with the state Taxpayer's Council contesting the assessments. While the Company cannot predict or provide assurance as the final outcome of these proceedings, it does not expect it to have a material adverse effect on its condensed consolidated statement of financial position, results of operations or cash flows.

### 9.11.2.3 Nigerian Cabotage Act litigation

In October 2007, three of the Company's subsidiaries were each served a Notice and Demand from the Nigeria Maritime Administration and Safety Agency, imposing a 2% surcharge on the value of all contracts performed by the Company's subsidiaries in Nigeria pursuant to the Coastal and Inland Shipping (Cabotage) Act 2003 (the "Cabotage Act"). The Company's subsidiaries each filed an originating summons in the Federal High Court in Lagos challenging the imposition of this surcharge on the basis that the Cabotage Act and associated levy is not applicable to drilling rigs. The respondents challenged the competence of the suits on several procedural grounds. The court upheld the objections and dismissed the suits. In December 2010, the Company's subsidiaries filed a new joint Cabotage Act suit. While the Company cannot predict or provide assurance as to the outcome of these proceedings, it does not expect the proceedings to have a material adverse effect on its consolidated statement of financial position, results of operations or cash flows.

### 9.11.2.4 Norway tax investigations and trial

Norwegian civil tax authorities have challenged certain transactions undertaken by the Company's subsidiaries in 1999, 2001 and 2002. On 26 June 2014, the Norwegian district court in Oslo ruled that the Company's subsidiary was liable for the civil tax assessment but waived all penalties and penalty interest. On 9 January 2017, the Norwegian

appeal court in Oslo ruled entirely in favor of the Company's subsidiaries and overturned the district court with respect to the remaining question of principal tax obligations. On 10 February 2017, the tax authorities filed an appeal with the Norwegian Supreme Court. On 16 June 2017, the Norwegian Supreme Court rejected the appeal, formally closing the dispute in the Company's favor.

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9.11.2.5 Global Marine litigation

On 28 November 2017, Wilmington Trust Company, in its capacity as trustee, filed a lawsuit against Global Marine Inc. (“Global Marine”), an indirect subsidiary of the Company, seeking a declaratory judgment that Global Marine is in default under the indenture governing its USD 300 million of outstanding 7.00% Notes due June 2028. The Group disagrees with the assertions in the lawsuit and believes that Global Marine is in compliance with the indenture and has meritorious defenses against these allegations, although it can make no assurance regarding the outcome of the lawsuit, including the actual amount that would be due in the event that the lawsuit is successful. The notes are neither guaranteed by, nor recourse to, the Company or other subsidiaries of the Company. However, should the court ultimately determine that an event of default had occurred, Global Marine could potentially be obligated to pay prior to scheduled maturity the principal amount of notes outstanding as well as other amounts under the indenture. In addition, the acceleration of the amounts due under the indenture could, absent a waiver from the requisite lenders, result in an event of default under the Transocean Group’s currently undrawn USD 3 billion revolving credit facility. Any requirement to pay all of the Global Marine notes prior to scheduled maturity or the inability of the Group to access the Transocean Group’s revolving credit facility, prior to their respective scheduled maturity dates, could have an adverse effect on the Group’s liquidity position. The Group intends to vigorously defend the lawsuit.

9.11.2.6 Other environmental matters

The Company has 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.

The Company has been named as a PRP in connection with a site located in Santa Fe Springs, California, known as the Waste Disposal, Inc. site. The Company and other PRPs have agreed with the EPA and the DOJ to settle its potential liabilities for this site by agreeing to perform the remaining remediation required by the EPA. The parties to the settlement have entered into a participation agreement, which makes the Company liable for approximately 8% of the remediation and related costs. The remediation is complete, and the Company believes its 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 the Company has no reason at this time to believe that they will be material.

One of the Company’s 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, which is now a part of the San Gabriel Valley, Area 3, Superfund site. The Company was also advised that one or more of its subsidiaries that formerly owned and operated the site would likely be named by the EPA as PRPs. The current property owner, an unrelated party, performed the required testing and detected no contaminants. In discussions with CRWQCB staff, the Company was advised of the CRWQCB’s intent to issue a “no further action” letter, but it has not yet been received by the Company. Based on the test results, the Company would contest any potential liability. The Company has 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 the Company’s subsidiaries are responsible parties. 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 (a) the actual responsibility attributed to the Company and the other PRPs at the site, (b) appropriate investigatory or remedial actions and (c) allocation of the costs of such activities among the PRPs and other site users. The Company’s ultimate financial responsibility in connection

with those sites may depend on many factors, including (i) the volume and nature of material, if any, contributed to the site for which the Company is responsible, (ii) the number of other PRPs and their financial viability and (iii) 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, the Company believes that its

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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 its consolidated statement of financial position or results of operations.

### 9.11.2.7 Other matters

The Company is involved in various tax matters, various regulatory matters, and a number of claims and lawsuits, asserted and unasserted, all of which have arisen in the ordinary course of business. The Company cannot predict with certainty the outcome or effect of any of the litigation matters specifically described above or of any such other pending, threatened, or possible litigation or liability. The Company can provide no assurance that its beliefs or expectations as to the outcome or effect of any tax, regulatory, lawsuit or other litigation matter will prove correct and the eventual outcome of these matters could materially differ from management's current estimates.

In addition to the legal proceedings described above, the Company may from time to time identify other matters that it monitors through its compliance program and in response to events arising generally within its industry and in the markets where the Company does business. For example, in the year ended 31 December 2015, the Company began investigating statements made by a former employee of Petróleo Brasileiro S.A. ("Petrobras") related to the award to the Company of a drilling services contract in Brazil. These statements were made in connection with an ongoing criminal investigation by the Brazilian authorities into Petrobras and certain other companies and individuals. The Company has completed its internal investigation and has not identified any wrongdoing by any of the Company's employees or agents in connection with its business. The Company has voluntarily met with governmental authorities in the U.S. to discuss the statements made by the former Petrobras employee and its internal investigation as well as its findings. The Company will continue to investigate these types of allegations and cooperate with governmental authorities.

Other than as set out in this Section 9.11 and in Section 6.7.4 "Contingencies" in relation to the Songa Group, neither the Company nor any other company in the Group is, nor has been, during the course of the preceding twelve months involved in any legal, governmental or arbitration proceedings which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability, and the Company is not aware of any such proceedings which are pending or threatened.

### 9.12 Material contracts

Other than as set out below and contracts entered into in the ordinary course of business; there are no contracts that are material to the Group.

**Dispositions**—On 31 May 2017, the Company completed the sale of 10 high-specification jackups and novated the contracts relating to the construction of five high-specification jackups, together with related assets. In the nine months ended 30 September 2017, as a result of the transaction, the Company received aggregate net cash proceeds of USD 319 million and recognized an aggregate net loss of USD 1.6 billion associated with the disposal of these assets. See Section 12.5 "Consolidated Results of Operations of the Transocean Group" and Section 9.7 "The fleet of the Transocean Group."

**Transocean Partners**—On 9 December 2016, Transocean Partners LLC completed a merger with one of the Company's subsidiaries as contemplated under the Agreement and Plan of Merger, dated 31 July 2016 and as amended on 21 November 2016. Following the completion of the merger, Transocean Partners LLC became a

wholly owned indirect subsidiary of the Company. Each Transocean Partners LLC common unit that was issued and outstanding immediately prior to the closing, other than the units held by the Company and its subsidiaries, was

converted into the right to receive 1.20 of the Company's shares. To complete the merger, the Company issued 23.8 million shares from conditional capital.

Songa Offshore SE—On 13 August 2017, the Company entered into a transaction agreement with Songa Offshore and TINC, as amended, pursuant to which the Company would offer to acquire all of the Songa Shares in the Voluntary Tender Offer. As a result of the Voluntary Tender Offer, Transocean has acquired shares in Songa Offshore representing 97.67% (on a fully diluted basis as of 30 January 2018) of the voting rights in Songa Offshore.

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### 9.13 Property, plants and equipment

The Group's most important assets are the vessels currently in operation. A description of the Transocean Group's existing fleet is provided in Section 9.7 "The fleet of the Transocean Group". Following the acquisition of 97.67% of the shares of Songa Offshore, the Group's offshore drilling fleet further consists of the seven semisubmersible drilling rigs owned and operated by the Songa Group. The Songa Group's offshore drilling fleet is described in Section 6.3 "The business of the Songa Group."

### 9.14 Environmental, Health and Safety Matters

The Company's operations are subject to a variety of global environmental regulations. The Company monitors its compliance with environmental regulation in each country of operation and, while it sees an increase in general environmental regulation, the Company has made and will continue to make the required expenditures to comply with current and future environmental requirements. The Company makes expenditures to further its commitment to environmental improvement and the setting of a global environmental standard. The Company assesses the environmental impacts of its business, focusing on the areas of greenhouse gas emissions, climate change, discharges and waste management. The Company's actions are designed to reduce risk in its current and future operations, to promote sound environmental management and to create a proactive environmental program. To date, the Company has not incurred material costs in order to comply with recent environmental legislation, and does not believe that its compliance with such requirements will have a material adverse effect on its competitive position, consolidated results of operations or cash flows. For a discussion of the effects of environmental regulation, see Section 2.2 "Risks related to the industry in which the Group operates—Compliance with or breach of environmental laws can be costly and/or expose the Group to liability and could limit the Group's operations." For certain material environmental claims pending against the Group, see Section 9.11 "Litigation and disputes."

### 9.15 Insurance

The Company has two main types of insurance coverage: (1) hull and machinery coverage for physical damage to the Company's property and equipment 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. The Company generally has no hull and machinery insurance coverage for damages caused by named storms in the U.S. Gulf of Mexico. The Company maintains per occurrence deductibles that generally range up to USD 10 million for various third-party liabilities and an additional aggregate annual deductible of USD 50 million, which is self-insured through the Company's wholly-owned captive insurance company. The Company also retains the risk for any liability in excess of its USD 750 million excess liability coverage. However, pollution and environmental risks generally are not completely insurable. Additionally, the Company generally does not carry insurance for loss of revenue, except as required under certain debt agreements. For a discussion of the risks of the Groups insurance coverage, see Section 2.1 "Risks related to the business of the Group—The Group's business involves numerous operating hazards, and the Group's insurance and indemnities from its customers may not be adequate to cover potential losses from the Group's operations."

In addition, directors' and officers' ("D&O") liability insurance is in force for the members of the Company's Board of Directors and the management. The Company considers the Group to be adequately covered with regard to the nature of the business activities of the Group and the related risks in the context of available insurance offerings and premiums. The Management regularly reviews the adequacy of the insurance coverage. However, no assurance can be given that the Group will not incur any damages that are not covered by its insurance policies or that exceed the coverage limits of such insurance policies.

### 9.16 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. The Group may or may not control these joint ventures. The Group is 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

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appropriate in these areas, the Group enters into agency or sponsorship agreements. At 30 September 2017, joint ventures in which the Transocean Group participated were as follows:

- The Transocean Group holds a 65% interest in ADDCL, a consolidated Cayman Islands joint venture company formed to own Discoverer Luanda, which operates in Angola. The Transocean Group's local partner, Angco Cayman Limited, a Cayman Islands company, holds the remaining 35% interest in ADDCL. Angco Cayman Limited has 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.
- The Transocean Group holds a 24% direct interest and a 36% indirect interest in Indigo Drilling Limited ("Indigo"), a consolidated Nigerian joint venture company formed to engage in drilling operations offshore Nigeria. The Transocean Group's local partners, Mr. Fidelis Oditah and Mr. Chima Ibeneche, each hold a 12.5% direct interest, and the Transocean Group's other partners, Mr. Joseph Obi and Mr. Ben Osuno, together own a 15% indirect interest, in Indigo.

Additionally, the Transocean Group holds interests in certain joint venture companies in Angola, Indonesia, Malaysia, Nigeria and other countries that have been formed to perform certain management services and other onshore support services for the Transocean Group's operations.

The Songa Group holds 50% of Songa Opus Offshore Pte Ltd, a joint venture formed by Songa Offshore and Opus Offshore Ltd. In February 2017, a court appointed joint provisional liquidators for Opus Offshore Ltd. and its assets, and Songa Offshore requested a buy-out of its interest in Songa Opus Offshore Pte Ltd from Opus Offshore Ltd. See Section 6.2 "Legal structure of the Songa Group."

9.17      Dependency on contracts, patents, licenses etc.

It is the Company's opinion that the Group's existing business or profitability is not dependent upon any material contracts, patents or licenses.

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## 10 CAPITALIZATION AND INDEBTEDNESS

The information presented below should be read in conjunction with the other parts of this Prospectus, in particular Section 11 “Selected Financial and Other Information of the Transocean Group” and Section 12 “Operating and Financial Review of the Transocean Group,” and the Financial Statements and Interim Financial Information and the notes related thereto, incorporated by reference in this Prospectus.

## 10.1 Capitalization

The following table sets forth information derived from the Transocean Group’s unaudited consolidated financial statements with respect to its capitalization as of 30 September 2017 on a historical basis and on an as adjusted basis to reflect (i) the Voluntary Tender Offer and related transactions and (ii) the Compulsory Acquisition, in each case as if such transaction had been completed on 30 September 2017. The Company will account for the combination of Transocean and Songa Offshore using the acquisition method of accounting, pursuant to which it will record the consideration transferred, assets acquired and liabilities assumed at fair value, measured as of the acquisition date. The adjustments for the Songa Offshore acquisition are based on Songa Offshore’s financial position and will change based on actual balances of the assets and liabilities outstanding as of the acquisition date.

| (In USD million)                       | As of 30<br>September<br>2017<br>(unaudited) | Adjustments<br>for the<br>Voluntary<br>Tender Offer<br>and related<br>transactions<br>(unaudited) | Adjustments for<br>the Compulsory<br>Acquisition<br>(unaudited) | As adjusted<br>(unaudited) |
|--|--|---|---|----------------------------|
| Indebtedness†                          |  |   |   |                            |
| Total current debt                     | 799  | 1,779   | —   | 2,578                      |
| Guaranteed                             | —  | —   | —   | —                          |
| Secured                                | 219  | 1,738   | —   | 1,957                      |
| Unguaranteed/unsecured                 | 580  | 41  | —   | 621                        |
| Total non-current debt                 | 6,501  | 510   | 8   | 7,019                      |
| Guaranteed                             | —  | —   | —   | —                          |
| Secured                                | 1,319  | —   | —   | 1,319                      |
| Unguaranteed/unsecured                 | 5,182  | 510   | 8   | 5,700                      |
| Total indebtedness                     | 7,300  | 2,289   | 8   | 9,597                      |
| Shareholders’ equity                   |  |   |   |                            |
| Share capital                          | 37   | 7   | —   | 44                         |
| Additional paid-in capital             | 11,020                                       | 1,053   | 24  | 12,097                     |
| Other reserves                         | —  | —   | —   | —                          |
| Retained earnings                      | 2,040  | —   | —   | 2,040                      |
| Accumulated other comprehensive income | (298)  | —   | —   | (298)                      |
| Noncontrolling interests               | 4  | 18  | (18)  | 4                          |
| Total shareholders’ equity             | 12,803                                       | †† 1,078  | 6   | 13,887                     |
| Total capitalization                   | 20,103                                       | 3,367   | 14  | 23,484                     |

† Carrying amount.

†† Please note that the equity components above do not sum to this total because the table does not include accumulated other comprehensive income, which is a component of equity.

Certain of the Company's wholly owned subsidiaries have issued notes that are secured by the assets and earnings of the subsidiary issuers, including the assets and earnings associated with the ultra deepwater floaters Deepwater Thalassa, Deepwater Proteus and Deepwater Conqueror and certain related assets.

Additionally, the Transocean Group has certain cash accounts and investments that were subject to restrictions due to collateral requirements, legislation, regulation or court order. At 30 September 2017, the carrying amount of such restricted cash accounts and investments was USD 503 million.

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The following adjustments have been made in the table above:

- Indebtedness: adjustment of USD 2.29 billion
  - o Increase of USD 1.78 billion related to the assumption of Songa Offshore indebtedness, measured at fair value, as if the Songa Offshore acquisition were completed on 30 September 2017. Approximately USD 75 million of such indebtedness is expected to be repaid and retired in separate transactions following the completion of the Songa Offshore acquisition.
  - o Increase of USD 510 million related to the debt component resulting from the issuance of USD 854 million aggregate principal amount of Existing Exchangeable Bonds as if the Voluntary Tender Offer and the related transactions (as described in Section 6.8 “Borrowings of the Songa Group”) were completed on 30 September 2017. USD 564 million aggregate principal amount of such Existing Exchangeable Bonds were issued in the Voluntary Tender Offer. USD 292 million aggregate principal amount of such Existing Exchangeable Bonds were issued to purchase certain outstanding Songa Offshore indebtedness.
  - o Increase of USD 8 million related to the estimated debt component resulting from the issuance of USD 14 million aggregate principal amount of New Exchangeable Bonds as if the Compulsory Acquisition were completed on 30 September 2017, assuming no Songa Offshore shareholder receives Partial Cash Consideration or the Full Cash Alternative.
  - Equity: adjustment of USD 1.09 billion
  - o Increase of USD 720 million related to the issuance of 66.9 million Existing Consideration Shares as if the Voluntary Tender Offer had been completed on 30 September 2017.
  - o Increase of USD 341 million related to the equity component resulting from the issuance of Existing Exchangeable Bonds as if the Voluntary Tender Offer and the private exchange (as described in Section 6.8 “Borrowings of the Songa Group”) were completed on 30 September 2017.
  - o Increase of USD 18 million related to the issuance of 1.7 million New Consideration Shares as if the Compulsory Acquisition had been completed on 30 September 2017, assuming that no Songa Offshore shareholder receives Partial Cash Consideration or the Full Cash Alternative.
  - o Increase of USD 6 million related to the estimated equity component resulting from the issuance of the New Exchangeable Bonds as if the Compulsory Acquisition were completed on 30 September 2017.
- 10.2 Indebtedness

The following table sets forth information about the Transocean Group’s unaudited net indebtedness as of 30 September 2017 on a historical basis and on an as adjusted basis to reflect the Songa Offshore acquisition as if it had been completed on 30 September 2017. The Company will account for the Songa Offshore acquisition using the acquisition method of accounting, pursuant to which it will record the consideration transferred, assets acquired and liabilities assumed at fair value, measured as of the acquisition date. The adjustments for the Songa Offshore acquisition are based on Songa Offshore’s financial position and will change based on actual balances of the assets and liabilities outstanding as of the acquisition date.

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## Net indebtedness†

|   | As of 30<br>September<br>2017<br>(unaudited) | Adjustments<br>for the<br>Voluntary<br>Tender Offer<br>and related<br>transactions<br>(unaudited) | Adjustments<br>for<br>the<br>Compulsory<br>Acquisition<br>(unaudited) | As adjusted<br>(unaudited) |
|---|--|---|---|----------------------------|
| (In USD million)                                      |  |   |   |                            |
| (A) Cash  | 484  | 98  | —   | 582                        |
| (B) Cash equivalents                                  | 2,233  | —   | —   | 2,233                      |
| (C) Trading securities                                | —  | —   | —   | —                          |
| (D) Liquidity (A)+(B)+(C)                             | 2,717  | 98  | —   | 2,815                      |
| (E) Current financial receivables                     | 663  | 119   | —   | 782                        |
| (F) Current bank debt                                 | 27   | 1,738   | —   | 1,765                      |
| (G) Current portion of non-current debt               | 219  | —   | —   | 219                        |
| (H) Other current financial debt                      | 553  | 41  | —   | 594                        |
| (I) Current financial debt (F)+(G)+(H)                | 799  | 1,779   | —   | 2,578                      |
| (J) Net current financial indebtedness<br>(I)-(E)-(D) | (2,581)                                      | 1,562   | —   | (1,019)                    |
| (K) Non-current bank loans                            | —  | —   | —   | —                          |
| (L) Bonds issued                                      | 5,983  | 510   | 8   | 6,501                      |
| (M) Other non-current loans                           | 518  | —   | —   | 518                        |
| (N) Non-current financial indebtedness<br>(K)+(L)+(M) | 6,501  | 510   | 8   | 7,019                      |
| (O) Net financial indebtedness (J)+(N)                | 3,920  | 2,072   | 8   | 6,000                      |

† Carrying amount.

The following adjustments have been made in the table above:

- Net current financial indebtedness: adjustment of USD 1.56 billion
  - o Increase of USD 98 million related to acquisition of cash and cash equivalents, net of estimated transaction costs, as if the Songa Offshore acquisition were completed on 30 September 2017.
  - o Increase of USD 119 million related to acquisition of Songa Offshore accounts receivable as if the Songa Offshore acquisition were completed on 30 September 2017.
  - o Increase of USD 1.78 billion related to the assumption of Songa Offshore indebtedness, measured at estimated fair value, as if the Songa Offshore acquisition were completed on 30 September 2017. Approximately USD 75 million of such indebtedness is expected to be repaid and retired in separate transactions following the completion of the Songa Offshore acquisition.
- Noncurrent financial indebtedness: adjustment of USD 533 million
  - o Increase of USD 510 million related to the debt component resulting from the issuance of Existing Exchangeable Bonds as if the Voluntary Tender Offer and the related transactions were completed on 30 September 2017.

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Increase of USD 8 million related to the debt component resulting from the issuance of New Exchangeable Bonds as if the Compulsory Acquisition were completed on 30 September 2017.

10.3 Contingent and indirect indebtedness

As at 30 September 2017 and as at the date of the Prospectus, with the exception of the following, the Company did not have any material contingent or indirect indebtedness:

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Macondo well incident

The Company recognized a liability for the remaining estimated loss contingencies associated with litigation resulting from the Macondo well incident (see Section 9.11.1 “Macondo well incident”) that the Company believes are probable and for which a reasonable estimate can be made. At 30 September 2017 and 31 December 2016, the liability for estimated loss contingencies that the Company believed were probable and for which a reasonable estimate could be made was USD 244 million and USD 250 million, respectively, recorded in other current liabilities. The remaining litigation could result in certain loss contingencies that the Company believes are reasonably possible. Although the Company has not recognized a liability for such loss contingencies, these contingencies could result in liabilities that the Company ultimately recognizes.

10.4 Working capital statement

The Company is of the opinion that the working capital available to the Group is sufficient for the Group’s present requirements, for the period covering at least 12 months from the date of this Prospectus.



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11 SELECTED FINANCIAL AND OTHER INFORMATION OF THE TRANSOCEAN GROUP

11.1 Introduction and basis for preparation

The following selected financial information for the Transocean Group should be read in conjunction with the information contained in Section 2 “Risk Factors,” Section 9 “Business of the Transocean Group,” and the audited consolidated financial statements and the notes thereto included under “Item 8. Financial Statements and Supplementary Data” of the Transocean Group’s annual report on Form 10 K for the year ended 31 December 2016 filed on 7 March 2017 and the unaudited condensed consolidated financial statements and the notes thereto included under “Item 1. Financial Information” of the Transocean Group’s quarterly report on Form 10-Q for the quarterly period ended 30 September 2017, which are incorporated by reference in this Prospectus.

The selected consolidated financial data for the Transocean Group set forth in this Section has been derived from the Company’s consolidated financial statements as of 31 December 2016 and 2015 and for each of the three years in the period ended 31 December 2016, and the Company’s condensed consolidated interim financial statements as of 30 September 2017 and for the three and nine months ended 30 September 2017 and 2016. The selected consolidated financial data set forth in this Section should be read in conjunction with the financial statements as incorporated by reference in this Prospectus. See Section 19.3 “Incorporation by reference.” The Transocean Group’s financial statements may also be inspected at the Company’s website: [www.deepwater.com](http://www.deepwater.com), or be obtained, free of charge, at the registered offices of the Company at Turmstrasse 30, 6312 Steinhausen, Switzerland. Except as specifically incorporated by reference in this Prospectus, information contained in or otherwise accessible through this website is not part of this document.

The Company’s consolidated financial statements as of 31 December 2016 and 2015 and for each of the three years in the period ended 31 December 2016, and the Company’s condensed consolidated interim financial statements as of 30 September 2017 and for the three and nine months ended 30 September 2017 and 2016, have been prepared in accordance with U.S. GAAP.

The Transocean Group’s auditors are Ernst & Young LLP, at 1401 McKinney Street, Suite 1200 in Houston, Texas, 77010 (“EY Houston”) and Ernst & Young Ltd, Zurich, Switzerland (“EY Zurich”). EY Houston and its auditors are registered with the Public Company Accounting Oversight Board. EY Zurich is registered with the Swiss Federal Audit Oversight Authority. The consolidated financial statements as of 31 December 2016 and 2015 and the three years in the period ended 31 December 2016, 2015, and 2014, have been audited by EY Houston and EY Zurich. The condensed consolidated financial statements as of 30 September 2017 and for the three and nine month periods ended 30 September 2017 and 2016, are unaudited.

The Transocean Group’s consolidated balance sheet as of 31 December 2014 has not been included in the Prospectus. In 2016, Transocean discovered an error in its accounting for deferred income tax. This error was not material for any of the previously issued financial statements for the interim and annual periods, but due to the cumulative nature of the error, the correction of this error would have been material to the 2016 financial results. Under the applicable SEC guidance, such prior-year misstatements which, if corrected in the current year would be material to the current year, must be corrected by adjusting the prior-year financial statements. However, correcting prior-year financial statements for such immaterial misstatements does not require previously filed reports to be amended. In application of these requirements, Transocean presented the adjusted financials in the Note 4 (Correction of Errors in previously Reported Consolidated Financial Statements) of its 2016 form 10-K. In accordance with the standard, Transocean presented the adjusted consolidated statements of operations and comprehensive income (loss) for the year ended 31 December 2015 and 2014. However, under the standard, Transocean only had to present an adjusted balance sheet for the year ended 31 December 2015, and did not prepare and audit an adjusted balance sheet for the year ended 31 December 2014. In relation with the error, the Transocean Group identified a material weakness in its internal control over

financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002, as further described in Section 11.6 “Internal Controls and Procedures.”

On 22 December 2017 the President of the United States signed into law U.S. Tax Legislation that makes significant changes to various areas of U.S. federal income tax law, which could significantly affect the Group’s business, operations, financial condition and results of operations, and may have an adverse impact on investors in shares in the Company. The Company is in the process of preparing and analyzing information to determine the impact of the U.S. Tax Legislation on 2017 and future periods, including the remeasurement of the Company’s deferred tax assets and liabilities to reflect the

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change in tax rate from 35% to 21%. Based on its preliminary analysis of the U.S. Tax Legislation, the Company considers that such legislation may have an adverse impact on the Group's net income, cash flows, and diluted earnings per share for 2017 and future periods. Some of the changes that may have significant adverse tax impact include (i) the taxation of unrepatriated earnings of non-U.S. subsidiaries of the Company's U.S. affiliates as part of the transition of U.S. international taxation from a worldwide tax system to a territorial tax system, (ii) a deferral or permanent reduction in the amount of interest that is deductible for U.S. federal income tax purposes after 2017, and (iii) additional U.S. tax after 2017 on certain deductible payments by the Company's U.S. subsidiaries to its non-U.S. subsidiaries if such payments are subject to reduced rates of U.S. withholding tax under a treaty. The selected consolidated financial data set forth, and the financial statements incorporated by reference, in this Prospectus do not reflect any impact that may result from completing the accounting for the income tax effects of the U.S. Tax Legislation.

The amounts from the financial statements are presented in U.S. dollars, rounded to the nearest million, unless otherwise stated.

The selected consolidated financial data set forth below may not contain all of the information that is important to a potential purchaser of shares in the Company, and the data should be read in conjunction with the relevant consolidated financial statements and the notes to those statements.

## 11.2 Summary of accounting policies

The consolidated financial statements have been prepared in accordance with U.S. GAAP. The U.S. GAAP principles have been applied consistently for 2014, 2015, 2016, and the nine-month period ending 30 September 2017. For further information on the Transocean Group's accounting policies, see Section 12.2.1 "Critical accounting policies and estimates." For a discussion of the Transocean Group's significant accounting policies, refer to the Notes to Consolidated Financial Statements—Note 2—Significant Accounting Policies in the Financial Statements and the Notes to Condensed Consolidated Financial Statements—Note 2—Significant Accounting Policies in the Interim Financial Statements incorporated by reference to this Prospectus. The Transocean Group's accounting policies and notes are incorporated by reference to this Prospectus (see Section 19.3 "Incorporation by reference").

## 11.3 Consolidated historical financial information

### 11.3.1 Selected data from consolidated statements of operations

The table below sets out selected data derived from the Transocean Group's audited consolidated statements of operations for the years ended 31 December 2016, 2015 and 2014 and the Transocean Group's unaudited condensed consolidated statements of operations for the nine months ended 30 September 2017 and 2016.

|  | Nine months ended |          | Years ended |          |          |
|--|-------------------|----------|-------------|----------|----------|
|  | 30 September      |          | 31 December |          |          |
| (In millions of U.S. dollars, except per share data)   | 2017              | 2016     | 2016        | 2015     | 2014     |
| Operating revenues                                     | \$ 2,344          | \$ 3,187 | \$ 4,161    | \$ 7,386 | \$ 9,185 |
| Operating income (loss)                                | (2,516)           | 816      | 1,132       | 1,365    | (1,347)  |
| Income (loss) from continuing operations               | (2,995)           | 570      | 827         | 895      | (1,880)  |
| Net income (loss)                                      | (2,995)           | 570      | 827         | 897      | (1,900)  |
| Net income (loss) attributable to controlling interest | (3,016)           | 535      | 778         | 865      | (1,839)  |

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Per share earnings (loss) from continuing operations

|         |           |         |         |         |           |
|---------|-----------|---------|---------|---------|-----------|
| Basic   | \$ (7.72) | \$ 1.44 | \$ 2.08 | \$ 2.36 | \$ (5.02) |
| Diluted | \$ (7.72) | \$ 1.44 | \$ 2.08 | \$ 2.36 | \$ (5.02) |

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## 11.3.2 Selected data from consolidated balance sheets

The table below sets out selected data derived from the Transocean Group's audited consolidated balance sheets as of 31 December 2016 and 2015 and the Transocean Group's unaudited condensed consolidated balance sheet as of 30 September 2017.

|                               | As of<br>30 September<br>2017 | As of<br>31 December<br>2016 | 2015      |
|-------------------------------|-------------------------------|------------------------------|-----------|
| (In millions of U.S. dollars) |                               |                              |           |
| Total assets                  | \$ 22,441                     | \$ 26,889                    | \$ 26,431 |
| Debt due within one year      | 799                           | 724                          | 1,093     |
| Long-term debt                | 6,501                         | 7,740                        | 7,397     |
| Total equity                  | 12,803                        | 15,805                       | 15,000    |

## 11.3.3 Selected data from consolidated statements of cash flows

The table below sets out selected data derived from the Transocean Group's audited consolidated statements of cash flows for the years ended 31 December 2016, 2015 and 2014, and the Transocean Group's unaudited condensed consolidated statements of cash flows for the nine months ended 30 September 2017 and 2016.

|  | Nine months ended<br>30 September |          | Years ended<br>31 December |          |          |
|--|-----------------------------------|----------|----------------------------|----------|----------|
| (In millions of U.S. dollars, except per share data)             | 2017                              | 2016     | 2016                       | 2015     | 2014     |
| Cash provided by operating activities                            | \$ 887                            | \$ 1,278 | \$ 1,911                   | \$ 3,445 | \$ 2,220 |
| Cash used in investing activities                                | (46)                              | (1,056)  | (1,313)                    | (1,932)  | (1,828)  |
| Cash provided by (used in) financing activities                  | (1,176)                           | (27)     | 115                        | (1,809)  | (1,000)  |
| Capital expenditures   | 386                               | 1,072    | 1,344                      | 2,001    | 2,165    |
| Distributions of qualifying additional paid-in capital           | —                                 | —        | —                          | 381      | 1,018    |
| Per share distributions of qualifying additional paid-in capital | \$ —                              | \$ —     | \$ —                       | \$ 1.05  | \$ 2.81  |

## 11.4 Segment and geographic information

The Group operates in a single, global market for the provision of contract drilling services to its customers. The location of the Group's rigs and the allocation of its resources to operate, build or upgrade rigs are determined by the activities and needs of its customers.

The following table presents the geographic areas in which the Transocean Group's operating revenues were earned (presented in millions of U.S. dollars) for the years ended 31 December 2016, 2015 and 2014.

|                    | Years ended 31 December |          |          |
|--------------------|-------------------------|----------|----------|
|                    | 2016                    | 2015     | 2014     |
| Operating revenues |                         |          |          |
| U.S.               | \$ 1,977                | \$ 2,416 | \$ 2,410 |

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|                          |          |          |          |
|--------------------------|----------|----------|----------|
| U.K.                     | 551      | 1,139    | 1,194    |
| Brazil                   | 453      | 673      | 651      |
| Norway                   | 214      | 650      | 1,036    |
| Other countries (a)      | 966      | 2,508    | 3,894    |
| Total operating revenues | \$ 4,161 | \$ 7,386 | \$ 9,185 |

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(a) Other countries represent countries in which the Transocean Group operates that individually had operating revenues representing less than 10% of total operating revenues earned.

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The following table presents the geographic areas in which the Transocean Group's long-lived assets were located (presented in millions of U.S. dollars) as of 31 December 2016 and 2015.

|                         | 31 December |           |
|-------------------------|-------------|-----------|
|                         | 2016        | 2015      |
| Long-lived assets       |             |           |
| U.S.                    | \$ 6,181    | \$ 7,451  |
| Trinidad                | 3,977       | 1,766     |
| Korea                   | 1,459       | 2,048     |
| Other countries (a)     | 9,476       | 9,544     |
| Total long-lived assets | \$ 21,093   | \$ 20,809 |

(a) Other countries represents countries in which the Transocean Group operates that individually had long-lived assets representing less than 10% of total long-lived assets.

As further discussed in Section 9.5 and 12.1, the Group specializes in technically demanding regions of the offshore drilling business with a particular focus on ultra-deepwater and harsh environment drilling services. This covers North Europe, North America, South America, Africa, Asia and the Pacific. The above table shows the regions in which the Transocean Group is predominantly present today, but all of the above markets are of importance for the Group.

#### 11.5 Auditor

The Transocean Group's auditors are EY Houston and EY Zurich. EY Houston and its auditors are registered with the Public Company Accounting Oversight Board. EY Zurich is registered with the Swiss Federal Audit Oversight Authority.

EY Houston and EY Zurich have audited the historical financial information for the years 2016, 2015 and 2014.

In its audit report for 2016, EY Houston stated that the Company's management had identified a material weakness in the controls related to the Company's income tax process and, because of the effect of this material weakness, the Company and its subsidiaries had not maintained effective internal control over financial reporting as of 31 December 2016, based on the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). The identification of this material weakness and related remedial actions is described in Section 11.6 "Internal Controls and Procedures." Neither EY Houston nor EY Zurich have audited, reviewed or produced any report on any other information provided in this Prospectus.

#### 11.6 Internal Controls and Procedures

In the course of the external audit of the Company's consolidated financial statements for the year ended 31 December 2016, and of its related control over financial reporting, errors resulting from the deficient controls described below were identified for which correction of the cumulative error would have been material to the 2016 financial statements, but which was not material to any of the Company's previously issued consolidated

financial statements. The errors did not result in a material misstatement in the Company's prior financial statements, and therefore did not require its previously filed reports to be amended. However, as a result of the significance of the cumulative accounting errors resulting from the deficient controls, the Company revised its financial statements for 2014 and 2015, and the interim financial statements in 2016 and 2015. The corrections of prior year financial statements for 2014 and 2015 are included in the Company's consolidated financial statements for the year ended 31 December 2016, which are incorporated by reference into this Prospectus.

In connection with the errors, the Company evaluated the deficiencies in its internal controls over financial reporting and determined its internal control over financial reporting as of 31 December 2016, was not effective due to a material weakness in its controls over income tax accounting. Specifically, the execution of the controls over the application of the accounting literature to the measurement of deferred taxes did not operate effectively in relation to: (1) the remeasurement of certain nonmonetary assets in Norway, (2) the analysis of the Company's U.S. defined benefit pension plans and effect on other comprehensive income and (3) the assessment of the realizability of the Company's deferred tax assets, and the need for valuation allowances. The matters were discovered during the course of the Company's 2016 external audit of the accounts and related controls.

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Notwithstanding the material weakness described above, and after having performed additional procedures, the Company's management concluded that the Financial Statements and the Interim Financial Statement incorporated by reference into this Prospectus fairly present, in all material respects, the Company's financial position, results of operations and cash flows for all periods and dates presented.

The Company's management is committed to the planning and implementation of remediation efforts to address this material weakness. These remediation efforts, summarized below, which are either implemented or in process, are intended to both address the identified material weakness and to enhance the Company's overall financial control environment. In this regard, the Company's initiatives include:

- add additional personnel and resources with the appropriate level of tax accounting experience;
- invest in additional technical tax accounting training; and
- enhance integration and documentation standards within and between tax and other key departments.

The Company is in the process of remediating this material weakness by executing upon the above actions. The Company's management believes the ongoing efforts will effectively remediate the material weakness. The actions that the Company is taking are subject to ongoing senior management review, as well as oversight by the audit committee of the Board of Directors (the "Audit Committee"). As the Company continues to monitor the effectiveness of its internal control over financial reporting in the area affected by the material weakness, the Company is performing additional procedures, including the use of manual mitigating control procedures, where necessary, and has employed any additional resources deemed necessary to provide assurance that its financial statements continue to be fairly stated in all material respects. As the Company continues to evaluate and work to improve its internal control over financial reporting, the Company's management may execute additional measures to address potential control deficiencies or modify the remediation plan described above. The Company's management will continue to review and make necessary changes to the overall design of the Company's internal controls.

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12 OPERATING AND FINANCIAL REVIEW OF THE TRANSOCEAN GROUP

This operating and financial review should be read together with Section 11 “Selected Financial and Other Information of the Transocean Group” and the Financial Statements and Interim Financial Statements and related notes incorporated by reference into this Prospectus. See Section 19.3 “Incorporation by reference.” This operating and financial review contains forward-looking statements. These forward-looking statements are not historical facts, but are based on the Group’s current expectations, estimates, assumptions and projections about the Group’s industry, business and future financial results. Actual results could differ materially from the results contemplated by these forward-looking statements because of a number of factors, including those discussed in Section 2 “Risk Factors” and Section 4.3 “Cautionary note regarding forward-looking statements,” as well as other Sections of this Prospectus.

12.1 Business

The Group is a leading international provider of offshore contract drilling services for oil and gas wells.<sup>11</sup> As of 31 January 2018, the Transocean Group’s offshore drilling fleet consists of 26 ultra-deepwater floaters, seven harsh environment floaters, two deepwater floaters and four midwater floaters. Following the acquisition of 97.67% of the shares of Songa Offshore in January 2018, the Group’s offshore drilling fleet further consists of the seven semisubmersible drilling rigs previously owned and operated by the Songa Group.

As of 31 January 2018, the Group also had three ultra-deepwater drillships under construction or under contract to be constructed. The Group also operates two high-specification jackups that were under drilling contracts when the rigs were sold, and the Group will continue to operate these jackups until completion or novation of their respective drilling contracts. For further information on the Group’s operations, see Section 6 “About the Songa Group” and Section 9 “Business of the Transocean Group.”

12.2 Basis for preparation of financial information of the Transocean Group

12.2.1 Critical accounting policies and estimates

The Company considers the following to be its critical accounting policies and estimates since they are very important to the portrayal of the Company’s financial condition and results, requiring its most subjective and complex judgments. The Company has discussed the development, selection and disclosure of such policies and estimates with the Audit Committee. For a discussion of the Transocean Group’s significant accounting policies, refer to the Notes to Consolidated Financial Statements—Note 2—Significant Accounting Policies in the Financial Statements and the Notes to Condensed Consolidated Financial Statements—Note 2—Significant Accounting Policies in the Interim Financial Statements incorporated by reference to this Prospectus.

The Company prepares its consolidated financial statements in accordance with U.S. GAAP, which requires the Company to make estimates that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures of contingent assets and liabilities. These estimates require significant judgments and assumptions. The Company bases its estimates on historical experience and on various other assumptions that it believes 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.

Income taxes—The Company is a Swiss corporation, operating through various subsidiaries in a number of countries throughout the world. The Company provides for income taxes based upon the tax laws and rates in the countries in which it operates and earns income. The relationship between the provision for or benefit from income taxes and income or loss before income taxes can vary significantly from period to period because the countries in which the Company operates have taxation regimes that vary with respect to the nominal tax rate and the availability of

deductions, credits and other benefits. Generally, the Company's annual marginal tax rate is lower than its annual effective tax rate. Consequently, the Company's income tax expense does not change proportionally with its income before income taxes. Variations also arise when income earned and taxed in a particular country or countries fluctuates from year to year.

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11 Source: the Company.

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The Company's annual tax provision is based on expected taxable income, statutory rates and tax planning opportunities available to it in the various jurisdictions in which it operates. The determination of the Company's annual tax provision and evaluation of its 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. The Company's tax liability in any given year could be affected by changes in tax laws, regulations, agreements, and treaties, currency exchange restrictions or its level of operations or profitability in each jurisdiction. Additionally, the Company operates in many jurisdictions where the tax laws relating to the offshore drilling industry are not well developed. Although the Company's annual tax provision is based on the best information available at the time, a number of years may elapse before the tax liabilities in the various jurisdictions are ultimately determined.

The Company maintains liabilities for estimated tax exposures in its jurisdictions of operation, and the provisions and benefits resulting from changes to those liabilities are included in its 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 the Company to revise past estimates. At 31 December 2016, the liability for estimated tax exposures in the Company's jurisdictions of operation was approximately USD 370 million.

The Company is currently undergoing examinations in a number of taxing jurisdictions for various fiscal years. The Company reviews its liabilities on an ongoing basis and, to the extent audits or other events cause it to adjust the liabilities accrued in prior periods, the Company recognizes those adjustments in the period of the event. The Company does not believe it is possible to reasonably estimate the future impact of changes to the assumptions and estimates related to the Company's annual tax provision because changes to its 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.

The Company does not provide for taxes on unremitted earnings of subsidiaries when it considers such earnings to be indefinitely reinvested. The Company recognizes deferred taxes related to the earnings of certain subsidiaries that it does not consider to be indefinitely reinvested or that will not be permanently reinvested in the future. If facts and circumstances cause the Company to change its expectations regarding future tax consequences, the resulting adjustments to the Company's deferred tax balances could have a material effect on its consolidated statement of financial position, results of operations or cash flows. At 31 December 2016, the amount of indefinitely reinvested earnings was approximately USD 2.5 billion. Should the Company make a distribution from the unremitted earnings of these subsidiaries, the Company could be subject to taxes payable to various jurisdictions. The Company estimates taxes in the range of USD 200 million to USD 250 million would be payable upon distribution of all previously unremitted earnings at 31 December 2016.

Estimates, judgments and assumptions are required in determining whether deferred tax assets will be fully or partially realized. In evaluating the ability to realize deferred tax assets, the Company considers all available positive and negative evidence, including projected future taxable income and the existence of cumulative losses in recent years. 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, the Company establishes a valuation allowance for the amount of the deferred tax assets that is considered to be unrealizable. The Company continually evaluates strategies that could allow for the future utilization of its deferred tax assets. During the year ended 31 December 2016, in evaluating its projected realizability of deferred tax assets, the Company took into account plans to

combine certain subsidiaries. During the year ended 31 December 2015, in evaluating its future realization of deferred tax assets, the Company took into account plans to centralize ownership of certain rigs among its subsidiaries, which resulted in utilization of additional deferred tax assets against income from operations. During the year ended 31 December 2014, the Company did not make any significant changes to its valuation allowance against deferred tax assets.

See Note 7 to the Financial Statements incorporated by reference to this Prospectus.

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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. At 31 December 2016 and 2015, the carrying amount of the Company's property and equipment was USD 21.1 billion and USD 20.8 billion, representing 78% and 79%, respectively, of the Company's total assets.

Capitalized costs—The Company capitalizes costs incurred to enhance, improve and extend the useful lives of its property and equipment and expense costs incurred to repair and maintain the existing condition of its rigs. For newbuild construction projects, the Company also capitalizes the initial preparation, mobilization and commissioning costs incurred until the drilling unit is placed into service. Capitalized costs increase the carrying amounts and depreciation expense of the related assets, which also impact the Company's results of operations.

Useful lives and salvage values—The Company depreciates its assets using the straight-line method over their estimated useful lives after allowing for salvage values. The Company estimates useful lives and salvage values by applying judgments and assumptions that reflect both historical experience and expectations regarding future operations, rig utilization and asset performance. Useful lives and salvage values 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 and salvage values would likely result in materially different net carrying amounts and depreciation expense for the Company's assets. The Company reevaluates the remaining useful lives and salvage values of its rigs when certain events occur that directly impact the useful lives and salvage values of the rigs, including changes in operating condition, functional capability and market and economic factors. When evaluating the remaining useful lives of rigs, the Company also considers major capital upgrades required to perform certain contracts and the long-term impact of those upgrades on future marketability. At 31 December 2016, a hypothetical one-year increase in the useful lives of all of the Company's rigs would cause a decrease in the Company's annual depreciation expense of approximately USD 49 million and a hypothetical one-year decrease would cause an increase in the Company's annual depreciation expense of approximately USD 53 million.

Long-lived asset impairment—The Company reviews its property and equipment for impairment when events or changes in circumstances indicate that the carrying amounts of its 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 day rates or utilization, cancellations of contracts or credit concerns of multiple customers. During periods of oversupply, the Company may idle or stack rigs for extended periods of time or it may elect to sell certain rigs for scrap, which could be an indication that an asset group may be impaired since supply and demand are the key drivers of rig utilization and the Company's ability to contract its rigs at economical rates. The Company's rigs are mobile units, equipped to operate in geographic regions throughout the world and, consequently, the Company 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 the Company's contracts generally allow the Company's customers to relocate its rigs from one geographic region to another, subject to certain conditions, and the Company's customers utilize this capability to meet their worldwide drilling requirements. Accordingly, the Company's rigs are considered to be interchangeable within classes or asset groups, and the Company evaluates impairment by asset group. The Company considers its asset groups to be ultra-deepwater floaters, harsh environment floaters, deepwater floaters and midwater floaters.

The Company assesses 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, the Company recognizes an impairment loss, measured as the amount by which the carrying amount of the asset group exceeds its estimated fair value. To estimate the fair value of each asset group, the Company applies a variety of valuation methods, incorporating income, market and cost approaches. The Company may weigh the approaches, under certain

circumstances, when relevant data is limited, when results are inconclusive or when results deviate significantly. The Company's estimate of fair value generally requires it to use significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the long-term future performance of the Company's asset groups, such as projected revenues and costs, day rates, rig utilization and revenue efficiency. These projections involve uncertainties that rely on assumptions about demand for the Company's services, future market conditions and technological developments. Because the Company's business is cyclical in nature, the results of its 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 to

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estimate fair value and significant unanticipated changes to the 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.

In the year ended 31 December 2016, the Company recognized a loss of USD 52 million, which had no tax effect, associated with the impairment of the deepwater floater asset group. In the year ended 31 December 2015, the Company recognized losses of USD 507 million (USD 481 million, net of tax) and USD 668 million (USD 654 million, net of tax) associated with the impairment of the deepwater floater asset group and the midwater floater asset group, respectively. In the year ended 31 December 2014, the Company recognized a loss of USD 788 million (USD 693 million, net of tax) associated with the impairment of the deepwater floater asset group.

See Note 6 to the Financial Statements incorporated by reference to this Prospectus.

**Revenue recognition**—The Company's contracts to provide offshore drilling services are individually negotiated and vary in their terms and provisions. The Company obtains most of its drilling contracts through competitive bidding against other contractors and direct negotiations with operators. Drilling contracts generally provide for payment on a day rate basis, with higher rates for periods 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 the Company's control. A day rate 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. The Company recognizes operating revenues as they are realized and earned and can be reasonably measured, based on contractual day rates, and when collectability is reasonably assured. For contractual daily rate contracts, the Company recognizes the losses for loss contracts as such losses are incurred.

Certain of the Company's drilling contracts may be cancelled for the convenience of the customer upon payment of an early termination payment. The Company recognizes revenues, presented in other revenues, associated with cancellations or early terminations over the period in which the Company satisfies its performance obligations based on the negotiated or contractual terms, which are typically specific to the contractual arrangement. In the years ended 31 December 2016 and 2015, the Company recognized revenues of USD 471 million and USD 505 million, respectively, associated with cancellations and early terminations.

**Contingencies**—The Company performs assessments of its contingencies on an ongoing basis to evaluate the appropriateness of its liabilities and disclosures for such contingencies. The Company establishes liabilities for estimated loss contingencies when it believes a loss is probable and the amount of the probable loss can be reasonably estimated. The Company recognizes corresponding assets for loss contingencies that it believes are probable of being recovered through insurance. Once established, the Company adjusts the carrying amount of a contingent liability upon the occurrence of a recognizable event when facts and circumstances change, altering its previous assumptions with respect to the likelihood or amount of loss. The Company recognizes liabilities for legal costs as they are incurred, and the Company recognizes a corresponding asset for those legal costs only if it expects such legal costs to be recovered through insurance. The Company's estimates involve a significant amount of judgement. Actual results may differ from the Company's estimates.

The Company has recognized a liability for estimated loss contingencies associated with litigation and investigations resulting from the Macondo well incident that it believes are probable and for which a reasonable estimate can be made. The litigation and investigations also give rise to certain loss contingencies that it believes are reasonably possible. Although the Company has not recognized a liability for such loss contingencies, these contingencies could increase the liabilities the Company ultimately recognizes. As of 31 December 2016 and 2015, the liability for estimated loss contingencies that the Company believes are probable and for which a reasonable estimate can be made



was USD 250 million, recorded in other current liabilities.

See Note 13 to the Financial Statements incorporated by reference to this Prospectus.

Pension and other postretirement benefits—The Company uses a 1 January measurement date for net periodic benefit costs and a 31 December measurement date for projected benefit obligations and plan assets. The Company measures its pension liabilities and related net periodic benefit costs using actuarial assumptions based on a market-related value of

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assets that reduces year-to-year volatility. In applying this approach, the Company recognizes 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% of the greater of plan assets or plan liabilities, the Company amortizes 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 the Company's future pension obligations and net periodic benefit costs.

Additionally, the pension obligations and related net periodic benefit costs for the Company's defined benefit pension and other postretirement benefit plans are actuarially determined and are affected by assumptions, including long-term rate of return, discount rates, mortality rates and employee turnover rates. Because the Company's defined benefit plans have ceased accruing benefits, certain assumptions, including compensation increases and health care cost trend rates no longer apply. The two most critical assumptions are the long-term rate of return and the discount rate. For the long-term rate of return of plan assets, the Company develops its assumptions based on historical experience and projected returns for the investments considering each plan's target asset allocation and long-term asset class expected returns. For the discount rate, the Company develops its assumptions utilizing a yield curve approach based on Aa-rated corporate bonds and the expected timing of future benefit payments. The Company periodically evaluates its assumptions and, when appropriate, adjusts the recorded liabilities and expense. Changes in these and other assumptions used in the actuarial computations could impact the Company's projected benefit obligations, pension liabilities, net periodic benefit costs and other comprehensive income.

See Note 12 to the Financial Statements incorporated by reference to this Prospectus.

### 12.2.2 New and amended accounting standards

For a discussion of the new accounting pronouncements that have had or are expected to have an effect on the Company's consolidated financial statements, see Note 3 to the Financial Statements incorporated by reference to this Prospectus.

### 12.3 Significant factors affecting the Transocean Group's results of operation and financial performance

The Transocean Group's results of operations have been, and will continue to be, affected by a range of factors, many of which are beyond the Transocean Group's control. The key factors that Management believes have had a material effect on the Transocean Group's results of operations during the periods under review, as well as those considered likely to have a material effect on its results of operations in the future, are described below.

**Business combination**—On 13 August 2017, Transocean entered into a transaction agreement with Songa Offshore pursuant to which it would offer to acquire all of the issued and outstanding shares of Songa Offshore, subject to certain conditions, through the Voluntary Tender Offer. Following completion of the Voluntary Tender Offer in January 2018, Transocean had acquired shares in Songa Offshore representing 97.67% (on a fully diluted basis as of 30 January 2018) of the voting rights in Songa Offshore. Following the acquisition, the Group's offshore drilling fleet consists of an additional seven semisubmersible drilling rigs owned and operated by Songa Offshore.

**Transocean Partners**—On 9 December 2016, Transocean Partners LLC completed a merger with one of the Company's subsidiaries as contemplated under the Agreement and Plan of Merger, dated 31 July 2016 and as amended on 21 November 2016. Following the completion of the merger, Transocean Partners LLC became a wholly owned indirect subsidiary of the Company. Each Transocean Partners LLC common unit that was issued and outstanding immediately prior to the closing, other than the units held by the Company and its subsidiaries, was converted into the

right to receive 1.20 of the Company's shares. To complete the merger, the Company issued 23.8 million shares from conditional capital.

Dispositions—On 31 May 2017, the Company completed the sale of 10 high-specification jackups and novated the contracts relating to the construction of five high-specification jackups, together with related assets. In the nine months ended 30 September 2017, as a result of the transaction, the Company received aggregate net cash proceeds of USD 319 million and recognized an aggregate net loss of USD 1.6 billion associated with the disposal of these assets.

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During the year ended 31 December 2016, the Company completed the sale for scrap value of three deepwater floaters and eight midwater floaters, along with related assets, for which the Company received net cash proceeds of USD 22 million, and recognized an aggregate net gain of USD 13 million.

Impairments— During the nine months ended 30 September 2017, the Company recognized a loss of USD 1.4 billion associated with the impairment of five ultra deepwater floaters, one deepwater floater and two midwater floaters, along with related assets, which were classified as held for sale at the time of impairment.

During the three months ended 30 June 2017, the Company identified indicators that the asset groups in its contract drilling services reporting unit may not be recoverable. Such indicators included recent significant declines in commodity prices and the market value of the Company's stock, a reduction of projected dayrates and a further extension of currently low utilization rates. As a result of the Company's testing, the Company determined that the carrying amount of the midwater floater asset group was impaired. In the nine months ended 30 September 2017, the Company recognized a loss of USD 94 million, which had no tax effect, associated with the impairment of the midwater floater asset group.

During the year ended 31 December 2016, the Company identified indicators that the asset groups in its contract drilling services reporting unit may not be recoverable. Such indicators included a reduction of projected dayrates and an extension to the currently low utilization rates. In the year ended 31 December 2016, as a result of impairment testing, the Company determined that its deepwater asset group was impaired, and the Company recognized a loss of USD 52 million, which had no tax effect, associated with the impairment of these held and used assets. In the year ended 31 December 2016, the Company committed to a plan to sell for scrap value three deepwater floaters and eight midwater floaters, along with assets. As a result, the Company recognized an aggregate loss of USD 41 million (USD 39 million, net of tax), associated with the impairment of these held for sale assets.

Debt issuance— On 17 October 2017, the Company completed an offering of an aggregate principal amount of USD 750 million of 7.50% senior unsecured notes due January 2026, and received aggregate cash proceeds of USD 742 million, net of issue costs. The Company intends to use the majority of the net proceeds from the debt offering to repay or redeem certain maturing debt.

On 5 May 2017, the Company's wholly owned subsidiary completed an offering of an aggregate principal amount of USD 410 million of 5.52% Senior Secured Notes due May 2022, and the Company's subsidiary received aggregate cash proceeds of USD 403 million, net of issue costs.

On 21 July 2016, the Company completed an offering of an aggregate principal amount of USD 1.25 billion of 9.00% senior unsecured notes due 15 July 2023, and the Company received aggregate cash proceeds of USD 1.21 billion, net of initial discount and costs payable by the Company. On 19 October 2016, the Company completed an offering of an aggregate principal amount of USD 600 million of 7.75% senior secured notes due 15 October 2024, and the Company received aggregate cash proceeds of USD 583 million, net of initial discount and costs payable by the Company. On 8 December 2016, the Company completed an offering of an aggregate principal amount of USD 625 million of 6.25% senior secured notes due 1 December 2024, and the Company received aggregate cash proceeds of USD 609 million, net of initial discount and costs payable by the Company.

Debt retirements—On 11 July 2017, the Company completed cash offers to purchase (the "2017 Debt Tender Offers") up to USD 1.5 billion aggregate principal amount of certain of the Company's debt securities (the "2017 Tendered Notes"). The Company received valid tenders from holders of USD 1.2 billion aggregate principal amount of the 2017 Tendered Notes. As a result, the Company made an aggregate cash payment of USD 1.3 billion and recognized or expect to recognize an aggregate net loss of USD 48 million associated with the retirement of such debt, validly tendered on or before the expiration date of the 2017 Debt Tender Offers.

During the nine months ended 30 September 2017, the Company completed transactions to repurchase in the open market an aggregate principal amount of USD 147 million of the Company's debt securities for an aggregate cash payment of USD 147 million. As a result, in the nine months ended 30 September 2017, the Company recognized an aggregate net loss of USD 1 million associated with the retirement of such repurchased debt.

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During the year ended 31 December 2016, the Company completed transactions to repurchase in the open market an aggregate principal amount of USD 399 million of the Company's debt securities for an aggregate cash payment of USD 354 million. As a result, the Company recognized an aggregate gain of USD 44 million associated with the retirement of debt.

On 1 August 2016, the Company completed a tender offer (the "2016 Debt Tender Offers") to purchase for cash up to USD 1.0 billion aggregate principal amount of certain of the Company's outstanding senior notes (collectively, the "2016 Tendered Notes"). In connection with the 2016 Debt Tender Offers, the Company received valid tenders from holders of an aggregate principal amount of USD 981 million of the 2016 Tendered Notes, and the Company made an aggregate cash payment of USD 876 million to settle the 2016 Tendered Notes. In the year ended 31 December 2016, as a result of the retirement of the 2016 Tendered Notes, the Company recognized an aggregate gain of USD 104 million associated with the retirement of debt.

Fleet expansion— In October 2017, the Company completed construction of and placed into service the ultra deepwater floater Deepwater Pontus. During the year ended 31 December 2016, the Company completed construction of and placed into service the ultra-deepwater floaters Deepwater Thalassa, Deepwater Proteus and Deepwater Conqueror.

Drilling contract terminations—As a result of recent market conditions, the Company has observed an unprecedented level of early drilling contract terminations in the contract drilling industry. In September 2017, the Company received notice from one of its customers that it elected to exercise its contractual option to terminate the drilling contract for the ultra deepwater drillship Discoverer Clear Leader, effective November 2017, prior to its previously agreed expiration in October 2018. As a result of the early termination, the Company expects to receive approximately USD 148 million in termination fees. In the year ended 31 December 2016, the Company recognized revenues of USD 471 million and received aggregate cash proceeds of USD 453 million associated with early terminated or cancelled drilling contracts.

Markets for the Company's shares—The Company's shares are listed on the NYSE under the ticker symbol "RIG" and were previously listed on the SIX Swiss Exchange ("SIX") under the symbol "RIGN." Effective 31 March 2016, at the Company's request, the shares were delisted from the SIX.

Par value reduction—On 29 October 2015, at the Company's extraordinary general meeting, the Company's shareholders approved the reduction of the par value of each of the Company's shares to CHF 0.10 from the original par value of CHF 15.00. The reduction of the par value became effective as of 7 January 2016 upon registration in the commercial register.

### 12.4 Performance and other key indicators for the Transocean Group

#### 12.4.1 Contract backlog

Contract backlog is defined as the maximum contractual operating day rate 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 the Company's contract drilling revenues. Average contractual day rate relative to the Company's contract backlog is defined as the maximum contractual operating day rate 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 day rate during the firm contract period after commencement of operations.

The contract backlog represents the maximum contract drilling revenues that can be earned considering the contractual operating day rate in effect during the firm contract period and represents the basis for the maximum revenues in the Company's revenue efficiency measurement. To determine maximum revenues for purposes of

calculating revenue efficiency, however, the Company includes the revenues earned for mobilization, demobilization and contract preparation, other incentive provisions or cost escalation provisions which are excluded from the amounts presented for contract backlog.

The Company's contract backlog includes only firm commitments, which are represented by signed drilling contracts or, in some cases, by other definitive agreements awaiting contract execution. The Company's contract backlog includes amounts associated with the Company's newbuild units that are currently under construction. The contractual operating day rate may be higher than the actual day rate the Company ultimately receives or an alternative contractual day rate, such as a waiting-on-weather rate, repair rate, standby rate or force majeure rate, may apply under certain circumstances.

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The contractual operating day rate may also be higher than the actual day rate the Company ultimately receives because of a number of factors, including rig downtime or suspension of operations. In certain contracts, the day rate may be reduced to zero if, for example, repairs extend beyond a stated period of time.

In September 2017, one of the Company's customers notified the Company of its election to early terminate the drilling contract for the ultra deepwater drillship Discoverer Clear Leader, effective November 2017, prior to its expiration in October 2018. The Company's contract backlog for ultra deepwater floaters presented as of 26 October 2017, reflects a reduction of approximately USD 206 million of backlog related to the early termination of this contract.

In December 2016, a subsidiary of Chevron issued a notice of early termination of the drilling contract for Deepwater Asgard, effective 3 February 2017. In January 2017, Chevron adjusted the termination date to be 13 January 2017. As a result of the termination, the Company's contract backlog for ultra-deepwater floaters reflects a reduction of approximately USD 110 million to remove the backlog related to this contract. During the year ended 31 December 2016, the Company's customers early terminated or cancelled drilling contracts for Deepwater Champion, Deepwater Millennium, Discoverer Deep Seas, Discoverer India, GSF Constellation II, GSF Development Driller I and Transocean John Shaw.

On 31 May 2017, the Company completed the sale of 10 high-specification jackups and novated the contracts relating to the construction of five high-specification jackups, together with related assets. At 26 October 2017, the contract backlog for the high-specification jackups represents the contract backlog associated with the two high-specification jackups that the Company continues to operate following the sale.

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 day rates than the full contractual operating day rate. 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 the Company's customers under certain circumstances.

### 12.4.2 Average daily revenue

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 day rate during the firm contract period after commencement of operations. The Company's average daily revenue fluctuates relative to market conditions and the Company's revenue efficiency. The average daily revenue may also be affected by revenues for lump sum bonuses or demobilization fees received from the Company's customers. The Company's total fleet average daily revenue is also affected by the mix of rig classes being operated, as deepwater floaters, midwater floaters and high-specification jackups are typically contracted at lower day rates compared to ultra-deepwater floaters and harsh environment floaters. The Company includes newbuilds in the calculation when the rigs commence operations upon acceptance by the customer. The Company removes rigs from the calculation upon disposal or classification as held for sale, except when the Company continues to operate rigs subsequent to sale, as the Company does with two of the high-specification jackups sold in May 2017.

### 12.4.3 Revenue efficiency

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. The Company's revenue efficiency rate varies due to revenues earned under alternative contractual day rates, such as a waiting-on-weather rate, repair rate, standby rate, force majeure rate or zero rate, that may apply under certain circumstances. The Company includes newbuilds in the calculation when the rigs commence operations upon acceptance by the customer. The Company excludes rigs that are not operating under contract, such as those that are stacked.

#### 12.4.4 Rig utilization

Rig utilization is defined as the total number of operating days divided by the total number of rig calendar days in the measurement period, expressed as a percentage. The Company's rig utilization rate declines as a result of idle and stacked rigs and during shipyard and mobilization periods to the extent these rigs are not earning revenues. The Company includes

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newbuilds in the calculation when the rigs commence operations upon acceptance by the customer. The Company removes rigs from the calculation upon disposal, classification as held for sale or classification as discontinued operations. Accordingly, the Company's rig utilization can increase when idle or stacked units are removed from the Company's drilling fleet.

## 12.5 Consolidated results of operations of the Transocean Group

The following information should be read in conjunction with the information contained in Section 2 "Risk Factors," Section 9 "Business of the Transocean Group" and the audited consolidated financial statements and the notes thereto included under "Item 8. Financial Statements and Supplementary Data" of the Transocean Group's annual report on Form 10-K for the year ended 31 December 2016 filed on 7 March 2017 and the unaudited condensed consolidated financial statements and the notes thereto included under "Item 1. Financial Information" of the Transocean Group's quarterly report on Form 10-Q for the quarterly period ended 30 September 2017, which are incorporated by reference in this Prospectus.

## 12.5.1 Nine month period ended 30 September 2017 compared to the nine month period ended 30 September 2016

The following is an analysis of the Company's historical operating results. See Section 12.4 "Performance and other key indicators for the Transocean Group" for definitions of operating days, average daily revenue, revenue efficiency and rig utilization.

|  | Nine months ended<br>30 September                 |             |             |          |   |
|--|---|-------------|-------------|----------|---|
|  | 2017  | 2016        | Change      | % Change |   |
|  | (unaudited)                                       | (unaudited) |             |          |   |
|  | (In millions, except day amounts and percentages) |             |             |          |   |
| Operating days                               | 6,513   | 8,042       | (1,529)     | (19)     | % |
| Average daily revenue                        | \$ 328,800  | \$ 360,700  | \$ (31,900) | (9)      | % |
| Revenue efficiency                           | 97  | % 98        | %           |          |   |
| Rig utilization                              | 46  | % 49        | %           |          |   |
| Contract drilling revenues                   | \$ 2,142  | \$ 2,912    | \$ (770)    | (26)     | % |
| Other revenues                               | 202   | 275         | (73)        | (27)     | % |
|  | 2,344   | 3,187       | (843)       | (26)     | % |
| Operating and maintenance expense            | (999)   | (1,561)     | 562         | 36       | % |
| Depreciation expense                         | (648)   | (667)       | 19          | 3        | % |
| General and administrative expense           | (113)   | (125)       | 12          | 10       | % |
| Loss on impairment                           | (1,498)   | (26)        | (1,472)     | nm       |   |
| Gain (loss) on disposal of assets, net       | (1,602)   | 8           | (1,610)     | nm       |   |
| Operating income (loss)                      | (2,516)   | 816         | (3,332)     | nm       |   |
| Other income (expense), net                  |   |             |             |          |   |
| Interest income                              | 34  | 15          | 19          | nm       |   |
| Interest expense, net of amounts capitalized | (368)   | (296)       | (72)        | (24)     | % |
| Gain (loss) on retirement of debt            | (49)  | 148         | (197)       | nm       |   |
| Other, net                                   | 7   | 9           | (2)         | (22)     | % |
| Income (loss) before income tax expense      | (2,892)   | 692         | (3,584)     | nm       |   |
| Income tax expense                           | (103)   | (122)       | 19          | 16       | % |

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|                   |            |        |            |    |
|-------------------|------------|--------|------------|----|
| Net income (loss) | \$ (2,995) | \$ 570 | \$ (3,565) | nm |
|-------------------|------------|--------|------------|----|

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“nm” means not meaningful.

Operating revenues—Contract drilling revenues decreased for the nine months ended 30 September 2017, compared to the nine months ended 30 September 2016, primarily due to the following: (a) approximately USD 440 million resulting from additional rigs idle or stacked, (b) approximately USD 395 million resulting from rigs sold or classified as held for sale and (c) approximately USD 195 million resulting from lower dayrates. These decreases were partially offset by increased revenues as follows: (a) approximately USD 235 million resulting from the Company’s three newbuild ultra deepwater drillships that commenced operations during the year ended 31 December 2016, and (b) approximately USD 40 million resulting from rigs reactivated since 1 January 2016.

Other revenues decreased for the nine months ended 30 September 2017, compared to the nine months ended 30 September 2016, due to the recognition of USD 138 million resulting from drilling contracts early terminated or cancelled

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by the Company's customers and approximately USD 21 million resulting from reimbursable items. These decreases were partially offset by the recognition of USD 87 million of revenues awarded to the Company in connection with a drilling contract terminated by a customer in the year ended 31 December 2015.

Costs and expenses—Operating and maintenance costs and expenses decreased for the nine months ended 30 September 2017, compared to the nine months ended 30 September 2016, primarily due to the following: (a) approximately USD 230 million resulting from rigs sold or classified as held for sale, (b) approximately USD 225 million resulting from a greater number of rigs idle or stacked, (c) approximately USD 85 million resulting from reduced onshore costs and (d) approximately USD 80 million resulting from reduced offshore costs. These decreases were partially offset by approximately USD 55 million of increased costs resulting from the Company's three newbuild ultra deepwater drillships that commenced operations in the year ended 31 December 2016.

Depreciation expense decreased for the nine months ended 30 September 2017, compared to the nine months ended 30 September 2016, primarily due to the following: (a) approximately USD 39 million of decreased depreciation resulting from rigs sold or classified as held for sale and (b) approximately USD 15 million of decreased depreciation primarily resulting from the impairment of the Company's midwater floater asset group and the retirement of other assets subsequent to 30 September 2016. These decreases were partially offset by approximately USD 35 million of increased depreciation associated with the Company's newbuild ultra deepwater drillships placed into service in the year ended 31 December 2016.

General and administrative expense decreased for the nine months ended 30 September 2017, compared to the nine months ended 30 September 2016, primarily due to the following: (a) approximately USD 5 million of reduced professional fees and (b) approximately USD 3 million of reduced personnel costs.

Loss on impairment or disposal of assets—In the nine months ended 30 September 2017, the Company recognized a loss on impairment related to the following: (a) a loss of USD 1.4 billion associated with the impairment of certain assets to be sold for scrap value or for alternative use, which were classified as held for sale at the time of impairment and (b) a loss of USD 94 million associated with the impairment of the Company's midwater floater asset group. In the nine months ended 30 September 2016, the Company recognized a loss of USD 26 million associated with the impairment of certain assets classified as held for sale.

Loss on disposal of assets in the nine months ended 30 September 2017 was primarily the result of the completion of the sale of 10 high specification jackups and novation of the contracts relating to the construction of five high specification jackups, together with related assets.

Other income and expense—Interest expense, net of amounts capitalized, increased in the nine months ended 30 September 2017, compared to the nine months ended 30 September 2016, primarily due to the following: (a) approximately USD 142 million of increased interest expense resulting from debt issued subsequent to 30 September 2016, (b) approximately USD 50 million of increased interest expense resulting from reduced interest costs capitalized for the Company's newbuild ultra deepwater drillships that commenced operations during the year ended 31 December 2016 and (c) approximately USD 12 million of increased interest expense resulting from downgrades to the credit ratings for the Company's senior unsecured long term debt. Partially offsetting these increases was approximately USD 120 million of decreased interest expense resulting from the retirement of debt.

Loss on retirement of debt in the nine months ended 30 September 2017, resulted primarily from the retirement of notes validly tendered in the 2017 Tender Offers. Gain on retirement of debt in the nine months ended 30 September 2016, resulted primarily from the following: (a) an aggregate net gain of USD 104 million associated with the retirement of notes validly tendered in the 2016 Debt Tender Offers and (b) an aggregate gain of USD 44 million resulting from the retirement of notes repurchased in the open market.

Income tax expense—The Company operates internationally and provides for income taxes based on the tax laws and rates in the countries in which it operates and earns income. In the nine months ended 30 September 2017 and 2016, the Company's effective tax rate, excluding discrete items, was 64.2 percent and 25.9 percent, respectively, based on income from continuing operations before income tax expense, after excluding certain items, such as losses on impairment and gains and losses on certain asset disposals. The Company's effective tax rate increased in the nine months ended 30

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September 2017 compared to the nine months ended 30 September 2016, primarily due to (a) changes in the relative blend of income from operations in certain jurisdictions and (b) valuation allowances on deferred tax assets for losses not expected to be realized. The Company considers the tax effect, if any, of the excluded items as well as settlements of prior year tax estimates to be discrete period tax expenses or benefits. In the nine months ended 30 September 2017 and 2016, the effect of the various discrete period tax items was a net tax benefit of USD 57 million and USD 24 million, respectively. In the nine months ended 30 September 2017, such discrete items were primarily related to tax benefit of changes in unrecognized tax benefit associated with tax positions taken in prior years, valuation allowances on deferred tax assets for foreign tax credits not expected to be realized, release of a valuation allowance on deferred tax assets for losses expected to be realized, and deductions related to resolution of certain litigation matters related to Macondo well incident. In the nine months ended 30 September 2016, such discrete items were primarily related to tax benefit of changes in unrecognized tax benefit associated with tax positions taken in prior years and valuation allowances on deferred tax assets for losses not expected to be realized. For the nine months ended 30 September 2017 and 2016, these discrete tax items, coupled with the excluded income and expense items noted above, resulted in an effective tax rate of (3.6) percent and 17.8 percent, respectively, based on income from continuing operations before income tax expense. The Company's effective tax rate, after including the discrete tax items noted above, and excluding the income and expense items noted above, decreased mainly due to loss on impairment and disposal of assets with no tax benefit and valuation allowances recorded on U.S. deferred tax assets not expected to be realized.

In evaluating the Company's ability to realize deferred tax assets, the Company considers all available positive and negative evidence, including projected future taxable income and the existence of cumulative losses in recent years. As of 30 September 2017, the Company's consolidated cumulative loss incurred over the recent three year period, primarily due to losses on impairment and disposal of assets, represented significant objective negative evidence for the Company's evaluation. Such evidence, together with potential organizational changes that could alter the Company's ability to realize certain deferred tax assets, has limited its ability to consider other subjective evidence, such as projected future contract activity. As a result, the Company recorded a valuation allowance of USD 144 million to recognize only a portion of its U.S. deferred tax assets that are more likely than not to be recognized. If estimated future taxable income changes during the carryforward periods or if the cumulative loss is no longer present, the Company may adjust the amount of deferred tax assets that it expects to realize.

For the nine months ended 30 September 2017 and 2016, in accordance with accounting standards for the provision of income taxes, the Company calculated its annual estimated effective income tax rate of 64.2 percent and 25.9 percent, respectively, by excluding certain operating losses in taxable jurisdictions for which it does not expect to realize a tax benefit. For the nine months ended 30 September 2017 and 2016, if the Company had included all jurisdictions without regard to its expectations for such realization, the Company's estimated effective income tax rate would have been 89.3 percent and 22.7 percent, respectively.

The relationship between the Company's provision for or benefit from income taxes and its 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) the Company's rig operating structures. Generally, the Company's marginal tax rate is lower than its effective tax rate. Consequently, the Company's income tax expense does not change proportionally with its income before income taxes. Significant decreases in the Company's income before income taxes typically lead to higher effective tax rates, while significant increases in income before income taxes can lead to lower effective tax rates, subject to the other factors impacting income tax expense noted above. With respect to the effective tax rate calculation for the nine months ended 30 September 2017, a significant portion of the Company's 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. Conversely, the countries in which the Company incurred the most significant income taxes during this period that were based on income before income tax include Brazil,

Switzerland, Norway, the U.K. and the U.S.

The Company's rig operating structures further complicate its tax calculations, especially in instances where the Company has 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.

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## 12.5.2 Three month period ended 30 September 2017 compared to the three month period ended 30 September 2016

The following is an analysis of the Company's historical operating results. See Section 12.4 "Performance and other key indicators for the Transocean Group" for definitions of operating days, average daily revenue, revenue efficiency and rig utilization.

|  | Three months ended<br>30 September                |             |             |          |   |
|--|---|-------------|-------------|----------|---|
|  | 2017  | 2016        | Change      | % Change |   |
|  | (unaudited)                                       | (unaudited) |             |          |   |
|  | (In millions, except day amounts and percentages) |             |             |          |   |
| Operating days                               | 2,189   | 2,657       | (468)       | (18)     | % |
| Average daily revenue                        | \$ 319,000  | \$ 332,100  | \$ (13,100) | (4)      | % |
| Revenue efficiency                           | 97  | 100         |             |          | % |
| Rig utilization                              | 52  | 49          |             |          | % |
| Contract drilling revenues                   | \$ 699  | \$ 886      | \$ (187)    | (21)     | % |
| Other revenues                               | 109   | 20          | 89          | nm       |   |
|  | 808   | 906         | (98)        | (11)     | % |
| Operating and maintenance expense            | (323)   | (409)       | 86          | 21       | % |
| Depreciation expense                         | (197)   | (225)       | 28          | 12       | % |
| General and administrative expense           | (39)  | (41)        | 2           | 5        | % |
| Loss on impairment                           | (1,385)   | (11)        | (1,374)     | nm       |   |
| Gain (loss) on disposal of assets, net       | (9)   | 9           | (18)        | nm       |   |
| Operating income (loss)                      | (1,145)   | 229         | (1,374)     | nm       |   |
| Other income (expense), net                  |   |             |             |          |   |
| Interest income                              | 21  | 5           | 16          | nm       |   |
| Interest expense, net of amounts capitalized | (112)   | (109)       | (3)         | (3)      | % |
| Gain (loss) on retirement of debt            | (1)   | 110         | (111)       | nm       |   |
| Other, net                                   | 6   | 7           | (1)         | (14)     |   |
| Income (loss) before income tax expense      | (1,231)   | 242         | (1,473)     | nm       |   |
| Income tax expense                           | (180)   | (6)         | (174)       | nm       |   |
| Net income (loss)                            | \$ (1,411)  | \$ 236      | \$ (1,647)  | nm       |   |

"nm" means not meaningful.

Operating revenues—Contract drilling revenues decreased for the three months ended 30 September 2017, compared to the three months ended 30 September 2016, primarily due to the following: (a) approximately USD 100 million resulting from lower dayrates, (b) approximately USD 95 million resulting from rigs sold or classified as held for sale, (c) approximately USD 25 million resulting from lower revenue efficiency and (d) approximately USD 20 million resulting from lower activity across the fleet. These decreases were partially offset by approximately USD 55 million of increased revenues associated with the Company's newbuild ultra deepwater drillships that commenced operations during the year ended 31 December 2016.

Other revenues increased for the three months ended 30 September 2017, compared to the three months ended 30 September 2016, primarily due to the recognition of USD 87 million of revenues awarded to the Company in connection with a drilling contract terminated by a customer in the year ended 31 December 2015.



Costs and expenses—Operating and maintenance costs and expenses decreased for the three months ended 30 September 2017, compared to the three months ended 30 September 2016, primarily due to the following: (a) approximately USD 60 million resulting from rigs sold or classified as held for sale, (b) approximately USD 40 million resulting from decreased offshore costs and (c) approximately USD 10 million resulting from reduced onshore costs. These decreases were partially offset by increased costs and expenses as follows: (a) approximately USD 15 million resulting from the Company's newbuild ultra deepwater drillships that commenced operations in the year ended 31 December 2016 and (b) approximately USD 10 million resulting from rig reactivations.

Depreciation expense decreased for the three months ended 30 September 2017, compared to the three months ended 30 September 2016, primarily resulting from rigs sold or classified as held for sale.

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Loss on impairment—In the three months ended 30 September 2017 and 2016, the Company recognized a loss of USD 1.4 billion and USD 11 million, respectively, associated with the impairment of certain assets to be sold for scrap value or for alternative use, which were classified as held for sale at the time of impairment.

Other income and expense—Interest expense, net of amounts capitalized, increased in the three months ended 30 September 2017, compared to the three months ended 30 September 2016, primarily due to the following: (a) approximately USD 35 million of increased interest expense resulting from debt issued subsequent to 30 September 2016 and (b) approximately USD 12 million of increased interest expense resulting from reduced interest costs capitalized for the Company's newbuild ultra deepwater drillships that commenced operations during the year ended 31 December 2016. Partially offsetting these increases was approximately USD 45 million of decreased interest expense resulting from the retirement of debt.

Loss on retirement of debt in the three months ended 30 September 2017, resulted primarily from the retirement of notes validly tendered after the early tender date of the 2017 Tender Offers. Gain on retirement of debt in the three months ended 30 September 2016, resulted primarily from the retirement of notes validly tendered in cash in the 2016 Debt Tender Offers.

Income tax expense—The Company operates internationally and provides for income taxes based on the tax laws and rates in the countries in which it operates and earns income. In the three months ended 30 September 2017 and 2016, the Company's effective tax rate, excluding discrete items, was 56.5 percent and 26.6 percent, respectively, based on income from continuing operations before income tax expense, after excluding certain items, such as losses on impairment and gains and losses on certain asset disposals. The Company's effective tax rate increased in the three months ended 30 September 2017, compared to the three months ended 30 September 2016, primarily due to (a) changes in the relative blend of income from operations in certain jurisdictions and (b) valuation allowances on deferred tax assets for losses not expected to be realized. The Company considers the tax effect, if any, of the excluded items as well as settlements of prior year tax estimates to be discrete period tax expenses or benefits. In the three months ended 30 September 2017 and 2016, the effect of the various discrete period tax items was a net tax expense of USD 90 million and a net tax benefit of USD 32 million, respectively. In the three months ended 30 September 2017, such discrete items were primarily related to tax benefit of changes in unrecognized tax benefit associated with tax positions taken in prior years and valuation allowances on deferred tax assets not expected to be realized. In the three months ended 30 September 2016, such discrete items were primarily related to tax benefit of changes in unrecognized tax benefit associated with tax positions taken in prior years and valuation allowances on deferred tax assets for losses not expected to be realized. For the three months ended 30 September 2017 and 2016, these discrete tax items, coupled with the excluded income and expense items noted above, resulted in an effective tax rate of (14.7) percent and 2.5 percent, respectively, based on income from continuing operations before income tax expense. The Company's effective tax rate, after including discrete tax items noted above, excluding the income and expense items noted above, decreased mainly due to loss on impairment and disposal of assets with no tax benefit and valuation allowances recorded on U.S. deferred tax assets not expected to be realized.

In evaluating the Company's ability to realize deferred tax assets, the Company considers all available positive and negative evidence, including projected future taxable income and the existence of cumulative losses in recent years. As of 30 September 2017, the Company's consolidated cumulative loss incurred over the recent three year period, primarily due to losses on impairment and disposal of assets, represented significant objective negative evidence for the Company's evaluation. Such evidence, together with potential organizational changes that could alter the Company's ability to realize certain deferred tax assets, has limited the Company's ability to consider other subjective evidence, such as projected future contract activity. As a result, the Company recorded a valuation allowance of USD 144 million to recognize only a portion of its U.S. deferred tax assets that are more likely than not to be recognized. If estimated future taxable income changes during the carryforward periods or if the cumulative loss is no longer present, the Company may adjust the amount of deferred tax assets that it expects to realize.

The relationship between the Company's provision for or benefit from income taxes and its 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) the Company's rig operating structures. Generally, the Company's marginal tax rate is lower than its effective tax rate. Consequently, the Company's income tax expense does not change proportionally with its income before income taxes. Significant decreases in the Company's income before income taxes

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typically lead to higher effective tax rates, while significant increases in income before income taxes can lead to lower effective tax rates, subject to the other factors impacting income tax expense noted above. With respect to the effective tax rate calculation for the three months ended 30 September 2017, a significant portion of the Company's 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 and India. Conversely, the countries in which the Company incurred the most significant income taxes during this period that were based on income before income tax include Brazil, Switzerland, Norway, the U.K. and the U.S.

The Company's rig operating structures further complicate its tax calculations, especially in instances where it has 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.

## 12.5.3 Year ended 31 December 2016 compared to the year ended 31 December 2015

The following is an analysis of the Company's historical operating results. See Section 12.4 "Performance and other key indicators for the Transocean Group" for definitions of operating days, average daily revenue, revenue efficiency and rig utilization.

|   | Years ended<br>31 December                        |            |             |          |   |
|---|---|------------|-------------|----------|---|
|   | 2016  | 2015       | Change      | % Change |   |
|   | (In millions, except day amounts and percentages) |            |             |          |   |
| Operating days  | 10,443  | 16,948     | (6,505)     | (38)     | % |
| Average daily revenue                                       | \$ 353,500  | \$ 400,500 | \$ (47,000) | (12)     | % |
| Revenue efficiency  | 98  | % 96       | %           |          |   |
| Rig utilization   | 48  | % 71       | %           |          |   |
| Contract drilling revenues                                  | \$ 3,705  | \$ 6,802   | \$ (3,097)  | (46)     | % |
| Other revenues  | 456   | 584        | (128)       | (22)     | % |
|   | 4,161   | 7,386      | (3,225)     | (44)     | % |
| Operating and maintenance expense                           | (1,875)   | (2,955)    | 1,080       | 37       | % |
| Depreciation expense  | (893)   | (963)      | 70          | 7        | % |
| General and administrative expense                          | (172)   | (192)      | 20          | 10       | % |
| Loss on impairment  | (93)  | (1,875)    | 1,782       | 95       | % |
| Gain (loss) on disposal of assets, net                      | 4   | (36)       | 40          | nm       |   |
| Operating income  | 1,132   | 1,365      | (233)       | (17)     | % |
| Other income (expense), net                                 |   |            |             |          |   |
| Interest income   | 20  | 22         | (2)         | (9)      | % |
| Interest expense, net of amounts capitalized                | (409)   | (432)      | 23          | 5        | % |
| Gain on retirement of debt                                  | 148   | 23         | 125         | nm       |   |
| Other, net  | 43  | 37         | 6           | 16       | % |
| Income from continuing operations before income tax expense | 934   |            |             | (8)      |   |
|   |   | 1,015      | (81)        |          | % |
| Income tax expense  | (107)   | (120)      | 13          | 11       | % |
| Income from continuing operations                           | \$ 827  | \$ 895     | \$ (68)     | (8)      | % |

"nm" means not meaningful.

Operating revenues

Contract drilling revenues decreased for the year ended 31 December 2016 compared to the year ended 31 December 2015 primarily due to the following: (a) approximately USD 2.2 billion of decreased revenues resulting from a greater number of rigs idle or stacked, (b) approximately USD 860 million of decreased revenues resulting from rigs sold or classified as held for sale and (c) approximately USD 365 million of decreased revenues resulting from lower day rates. These decreases were partially offset by (a) approximately USD 270 million of increased revenues associated with the Transocean Group's newbuild ultra-deepwater drillships that commenced operations in the year ended 31 December 2016 and (b) approximately USD 70 million of increased revenues resulting from improved revenue efficiency.

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Other revenues decreased for the year ended 31 December 2016 compared to the year ended 31 December 2015, primarily due to approximately USD 91 million of decreased revenues for reimbursable items and approximately USD 37 million of decreased revenues resulting from drilling contracts early terminated or cancelled by the Transocean Group's customers.

### Costs and expenses

Excluding the income effect of USD 30 million and USD 788 million of cost reimbursements from settlements, recoveries from insurance and net adjustments to contingent liabilities associated with the Macondo well incident in the years ended 2016 and 2015, respectively, operating and maintenance expense decreased for the year ended 31 December 2016 compared to the year ended 31 December 2015, by approximately USD 1.8 billion. This decrease was primarily due to the following: (a) approximately USD 1.04 billion of decreased costs and expenses resulting from a greater number of rigs idle or stacked, (b) approximately USD 355 million of decreased costs and expenses resulting from rigs sold or classified as held for sale, (c) approximately USD 315 million of decreased costs and expenses primarily related to optimized maintenance and shipyard expenses and reduced personnel costs associated with the Transocean Group's active fleet and (d) approximately USD 195 million of decreased costs and expenses resulting from reduced onshore costs. These decreases were partially offset by approximately USD 75 million of increased costs and expenses associated with the Transocean Group's newbuild ultra-deepwater drillships that commenced operations in the year ended 31 December 2016.

Depreciation expense decreased for the year ended 31 December 2016, compared to the year ended 31 December 2015, primarily due to the following: (a) approximately USD 87 million of decreased depreciation primarily resulting from the impairment of the Transocean Group's deepwater floater and midwater floater asset groups in the prior year and (b) approximately USD 40 million of decreased depreciation resulting from rigs sold or classified as held for sale, partially offset by (c) approximately USD 66 million of increased depreciation associated with the Transocean Group's newbuild ultra-deepwater drillships and other property and equipment placed into service in the year ended 31 December 2016.

General and administrative expense decreased for the year ended 31 December 2016 compared to the year ended 31 December 2015 primarily due to the following: (a) approximately USD 22 million of reduced personnel costs, (b) approximately USD 8 million of reduced rental expenses, partially offset by (c) approximately USD 9 million of increased professional fees.

### Loss on impairment and disposals

In the year ended 31 December 2016, the Transocean Group recognized a loss on impairment related to the following: (a) a loss of USD 52 million associated with the impairment of the Transocean Group's deepwater floater asset group and (b) a loss of USD 41 million associated with the impairment of certain assets classified as held for sale. In the year ended 31 December 2015, the Transocean Group recognized a loss on impairment related to the following: (a) an aggregate loss of USD 700 million associated with the impairment of certain assets classified as held for sale, (b) a loss of USD 668 million associated with the impairment of the Transocean Group's midwater floater asset group and (c) a loss of USD 507 million associated with the impairment of the Transocean Group's deepwater floater asset group.

In the year ended 31 December 2016, the Transocean Group recognized an aggregate net loss associated with the disposal of three deepwater floaters and eight midwater floaters, along with related equipment, and other assets. In the year ended 31 December 2015, the Transocean Group recognized an aggregate net loss associated with the disposal of two ultra-deepwater floaters, six deepwater floaters and nine midwater floaters, along with related equipment, and other assets.

Other income and expense

Interest expense, net of amounts capitalized, decreased in the year ended 31 December 2016, compared to the year ended 31 December 2015, primarily due to the following: (a) approximately USD 98 million of decreased interest expense resulting from the Transocean Group's debt repurchases and redemptions and (b) approximately USD 36 million of increased interest capitalized resulting from the Transocean Group's newbuild construction program, partially offset by (c) approximately USD 64 million of increased interest resulting from new debt issued in the year ended 31 December 2016, and (d) approximately USD 37 million of increased interest expense resulting from downgrades to the credit rating for the Transocean Group's senior unsecured long-term debt.

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In the year ended 31 December 2016, the Transocean Group recognized net gains due to the following: (a) an aggregate gain of USD 104 million resulting from the completion of the Transocean Group's tender offer of certain of the Transocean Group's debt securities and (b) an aggregate net gain of USD 44 million resulting from the Transocean Group's repurchases of USD 399 million aggregate principal amount of the Transocean Group's debt securities. In the year ended 31 December 2015, the Transocean Group recognized a net gain due to the following: (a) an aggregate net gain of USD 33 million resulting from the Transocean Group's repurchases of USD 503 million aggregate principal amount of the Transocean Group's debt securities partially offset by (b) an aggregate loss of USD 10 million resulting from the redemption of USD 893 million aggregate principal amount of the 4.95% senior notes due November 2015.

## Income tax expense

The Transocean Group operates internationally and provides for income taxes based on the tax laws and rates in the countries in which the Transocean Group operates and earns income. For the years ended 31 December 2016 and 2015, the Transocean Group's effective tax rate, excluding discrete items, was 18.5% and 14.4%, respectively, based on income from continuing operations before income tax expense, after excluding certain items, such as losses on impairment, and gains and losses on certain asset disposals. The Transocean Group's effective tax rate increased in the year ended 31 December 2016, compared to the year ended 31 December 2015, primarily due to (a) changes in the relative blend of income from operations in certain jurisdictions and (b) valuation allowances on deferred tax assets for losses not expected to be realized. The Transocean Group considers the tax effect, if any, of the excluded items, as well as settlements of prior-year tax estimates to be discrete period tax expenses or benefits. In the years ended 31 December 2016 and 2015, the effect of the various discrete period tax items was a net tax benefit of USD 50 million and USD 75 million, respectively. For the years ended 31 December 2016 and 2015, these discrete tax items, coupled with the excluded income and expense items noted above, resulted in an effective tax rate of 11.5% and 11.9%, respectively, based on income from continuing operations before income tax expense.

The relationship between the Transocean Group's provision for or benefit from income taxes and the Transocean Group's 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) the Transocean Group's rig operating structures. Generally, the Transocean Group's marginal tax rate is lower than its effective tax rate. Consequently, the Transocean Group's income tax expense does not change proportionally with its income before income taxes. Significant decreases in the Transocean Group's income before income taxes typically lead to higher effective tax rates, while significant increases in income before income taxes can lead to lower effective tax rates, subject to the other factors impacting income tax expense noted above. With respect to the effective tax rate calculation for the year ended 31 December 2016, a significant portion of the Transocean Group's 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. Conversely, the countries in which the Transocean Group incurred the most significant income taxes during this period that were based on income before income tax include Norway, Switzerland, the United Kingdom and the United States.

The Transocean Group's rig operating structures further complicate the Transocean Group's tax calculations, especially in instances where the Transocean Group has 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.





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## 12.5.4 Year ended 31 December 2015 compared to the year ended 31 December 2014

The following is an analysis of the Company's historical operating results. See Section 12.4 "Performance and other key indicators for the Transocean Group" for definitions of operating days, average daily revenue, revenue efficiency and rig utilization.

|  | Years ended<br>31 December                        |            |            |          |    |
|--|---|------------|------------|----------|----|
|  | 2015  | 2014       | Change     | % Change |    |
|  | (In millions, except day amounts and percentages) |            |            |          |    |
| Operating days   | 16,948  | 21,893     | (4,945)    | (23)     | %  |
| Average daily revenue  | \$ 400,500  | \$ 408,200 | \$ (7,700) | (2)      | %  |
| Revenue efficiency   | 96 %  | 95 %       |            |          |    |
| Rig utilization  | 71 %  | 76 %       |            |          |    |
| Contract drilling revenues   | \$ 6,802  | \$ 8,963   | \$ (2,161) | (24)     | %  |
| Other revenues   | 584   | 222        | 362        | nm       |    |
|  | 7,386   | 9,185      | (1,799)    | (20)     | %  |
| Operating and maintenance expense                                  | (2,955)   | (5,100)    | 2,145      | 42       | %  |
| Depreciation expense   | (963)   | (1,129)    | 166        | 15       | %  |
| General and administrative expense                                 | (192)   | (234)      | 42         | 18       | %  |
| Loss on impairment   | (1,875)   | (4,043)    | 2,168      | 54       | %  |
| Loss on disposal of assets, net                                    | (36)  | (26)       | (10)       | (38)     | %  |
| Operating income (loss)  | 1,365   | (1,347)    | 2,712      | nm       |    |
| Other income (expense), net  |   |            |            |          |    |
| Interest income  | 22  | 20         | 2          | 10       | %  |
| Interest expense, net of amounts capitalized                       | (432)   | (483)      | 51         | 11       | %  |
| Gain (loss) on retirement of debt                                  | 23  | (13)       | 36         | nm       |    |
| Other, net   | 37  | 35         | 2          | 6        | %  |
| Income (loss) from continuing operations before income tax expense |   |            |            |          | nm |
| Income tax expense   | 1,015   | (1,788)    | 2,803      |          |    |
| Income tax expense   | (120)   | (92)       | (28)       | (30)     | %  |
| Income (loss) from continuing operations                           | \$ 895  | \$ (1,880) | \$ 2,775   | nm       |    |

"nm" means not meaningful.

## Operating revenues

Contract drilling revenues decreased for the year ended 31 December 2015, compared to the year ended 31 December 2014, primarily due to the following: (a) approximately USD 1.7 billion of decreased revenues resulting from a greater number of rigs idle or stacked, (b) approximately USD 945 million of decreased revenues resulting from rigs sold or classified as held for sale and (c) approximately USD 120 million of decreased revenues resulting from lower day rates. These decreases were partially offset by the following: (a) approximately USD 280 million of increased revenues associated with the Transocean Group's two newbuild ultra-deepwater drillships that commenced operations in the year ended 31 December 2014, (b) approximately USD 240 million of increased revenues resulting from fewer shipyard and mobilization days for the active fleet, (c) approximately USD 105 million of increased revenues resulting from improved revenue efficiency and (d) approximately USD 90 million of increased revenues resulting from demobilization fees.

Other revenues increased for the year ended 31 December 2015, compared to the year ended 31 December 2014, primarily due to USD 433 million of revenues resulting from drilling contracts early terminated or cancelled by the Transocean Group's customers.

#### Costs and expenses

Excluding the favorable effect of USD 788 million resulting from cost reimbursements from settlements, recoveries from insurance and net adjustments to contingent liabilities associated with the Macondo well incident in the year ended 31 December 2015, operating and maintenance expense decreased for the year ended 31 December 2015, compared to the year ended 31 December 2014, primarily due to the following: (a) approximately USD 545 million of decreased costs and expenses resulting from rigs sold or classified as held for sale, (b) approximately USD 395 million of decreased costs and expenses resulting from cost reductions for the Transocean Group's idle or stacked rigs, (c) approximately USD 345 million of decreased costs and expenses resulting fewer shipyard and mobilization costs and reduced personnel expenses

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associated with the Transocean Group's active fleet and (d) approximately USD 135 million of decreased costs and expenses resulting from reduced onshore costs. These decreases were partially offset by approximately USD 70 million of increased costs and expenses associated with the Transocean Group's two newbuild ultra-deepwater drillships that commenced operations in the year ended 31 December 2014.

Depreciation expense decreased for the year ended 31 December 2015, compared to the year ended 31 December 2014, primarily due to the following: (a) approximately USD 198 million of decreased depreciation resulting from rigs sold or classified as held for sale and (b) approximately USD 94 million of decreased depreciation resulting from the impairment of the Transocean Group's deepwater floater and midwater floater asset groups. These decreases were partially offset by the following: (a) approximately USD 51 million of increased depreciation resulting from the reduction of the salvage values for certain drilling units and (b) approximately USD 30 million of increased depreciation resulting from the Transocean Group's two newbuild ultra-deepwater drillships that commenced operations in the year ended 31 December 2014, and (c) approximately USD 45 million of increased depreciation resulting from the Transocean Group's completion of other construction projects.

## Loss on impairment

In the year ended 31 December 2015, the Transocean Group recognized a loss on impairment related to the following: (a) an aggregate loss of USD 700 million associated with the impairment of certain assets classified as held for sale, (b) a loss of USD 668 million associated with the impairment of the Transocean Group's midwater floater asset group and (c) a loss of USD 507 million associated with the impairment of the Transocean Group's deepwater floater asset group. In the year ended 31 December 2014, the Transocean Group recognized a loss on impairment related to the following: (a) a loss of USD 3.0 billion associated with the full impairment of the carrying amount of the Transocean Group's goodwill, (b) a loss of USD 788 million associated with the impairment of the Transocean Group's deepwater floater asset group and (c) an aggregate loss of USD 268 million associated with the impairment of certain assets classified as held for sale.

## Income tax expense

The Transocean Group operates internationally and provide for income taxes based on the tax laws and rates in the countries in which the Transocean Group operates and earns income. For the years ended 31 December 2015 and 2014, the Transocean Group's effective tax rate, excluding discrete items, was 14.4% and 16.4%, respectively, based on income from continuing operations before income tax expense, after excluding certain items, such as losses on impairment, and gains and losses on certain asset disposals. The Transocean Group considers 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 to be discrete period tax expenses or benefits. In the years ended 31 December 2015 and 2014, the effect of the various discrete period tax items was a net tax benefit of USD 75 million and USD 143 million, respectively. For the years ended 31 December 2015 and 2014, these discrete tax items, coupled with the excluded income and expense items noted above, resulted in an effective tax rate of 11.9% and (5.0)%, respectively, based on income from continuing operations before income taxes.

The relationship between the Transocean Group's provision for or benefit from income taxes and the Transocean Group's 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) the Transocean Group's rig operating structures. Generally, the Transocean Group's marginal tax rate is lower than its effective tax rate. Consequently, the Transocean Group's income tax expense does not change proportionally with its income before income taxes. Significant decreases in the Transocean Group's income before income taxes typically lead to higher effective tax rates, while significant increases in income before income taxes can lead to lower effective tax rates,

subject to the other factors impacting income tax expense noted above. With respect to the effective tax rate calculation for the year ended 31 December 2015, a significant portion of the Transocean Group's income tax expense was generated in countries in which income taxes are imposed on gross revenues, with the most significant of these countries being Angola, India, Nigeria, Indonesia and the Republic of Congo. Conversely, the countries in which the Transocean Group incurred the most significant income taxes during this period that were based on income before income tax include Norway, the United Kingdom, Switzerland, Brazil and the United States.

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The Transocean Group's rig operating structures further complicate its tax calculations, especially in instances where the Transocean Group has 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.

12.6 Consolidated balance sheet information for the Transocean Group

12.6.1 As at 30 September 2017 compared with as of 31 December 2016

The carrying amount of the Transocean Group's total assets at 30 September 2017 was USD 22.4 billion compared to USD 26.9 billion at 31 December 2016. The differences primarily related to (a) the completion of the sale of 10 high-specification jackups and novation of the contracts to construct five high-specification jackups, together with related assets, which resulted in a loss of USD 1.6 billion associated with disposal of these assets, (b) the reclassification to held for sale of five ultra-deepwater floaters, one deepwater floater and two midwater floaters, which resulted in a loss of USD 1.4 billion associated with the impairment of these assets, and (c) the use of cash to repay debt.

The carrying amount of the Transocean Group's total equity at 30 September 2017 was USD 12.8 billion compared to USD 15.8 billion at 31 December 2016. The Transocean Group's equity ratio was 57% at 30 September 2017, compared to 59% at 31 December 2016. The differences primarily related to the Transocean Group's consolidated total comprehensive loss for the nine months ended 30 September 2017.

The carrying amount of the Transocean Group's total liabilities at 30 September 2017 was USD 9.6 billion, of which USD 7.3 billion consisted of total consolidated debt and USD 2.3 billion consisted of other liabilities, compared to total liabilities of USD 11.1 billion at 31 December 2016, of which USD 8.5 billion consisted of total consolidated debt and USD 2.6 billion consisted of other liabilities. The differences primarily related to a net reduction of total consolidated debt.

12.6.2 As at 31 December 2016 compared with as at 31 December 2015

The carrying amount of the Transocean Group's total assets at 31 December 2016 amounted to USD 26.9 billion compared to USD 26.4 billion at 31 December 2015. The differences primarily related to a net increase of consolidated cash and cash equivalents.

The carrying amount of the Transocean Group's total equity at 31 December 2016 amounted to USD 15.8 billion compared to USD 15.0 billion at 31 December 2015. The Transocean Group's equity ratio was 59% at 31 December 2016, compared to 57% at 31 December 2015. The differences primarily related to the Transocean Group's consolidated total comprehensive income for the year ended 31 December 2016.

The carrying amount of the Transocean Group's total liabilities as at 31 December 2016 was USD 11.1 billion, of which USD 8.5 billion consisted of total consolidated debt and USD 2.6 billion consisted of other liabilities, compared to total liabilities of USD 11.4 billion at 31 December 2015, of which USD 8.5 billion consisted of total consolidated debt and USD 2.9 billion consisted of other liabilities. The differences primarily related to a net reduction of accounts payable and other current liabilities.

12.7 Liquidity and capital resources of the Transocean Group

This Section 12.7 explains the Transocean Group's cash position as at 30 September 2017. Since 30 September 2017, the Transocean Group's cash position has been reduced by approximately USD 200 million as follows:

- Use of USD 450 million in short-term investments;
- Use of approximately USD 100 million in capital expenditures;
- Proceeds of approximately USD 250 million in cash from operations; and
- Proceeds of approximately USD 100 million from issuance of debt, net of repayments.

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## 12.7.1 Sources and uses of cash

At 30 September 2017, the Company had USD 2.7 billion in cash and cash equivalents. In the nine months ended 30 September 2017, the Company's primary sources of cash were cash flows from operating activities, including cash proceeds from customers for early terminations or cancellations of drilling contracts, net proceeds from the issuance of debt and net proceeds from the sale of the high specification jackups. The Company's primary uses of cash were the repayment of debt, primarily related to the 2017 Debt Tender Offers and repurchases of debt in the open market, and capital expenditures, primarily associated with the Company's newbuild construction projects.

|  | Nine months ended<br>30 September    |                     | Change     |
|--|--------------------------------------|---------------------|------------|
|  | 2017<br>(unaudited)<br>(In millions) | 2016<br>(unaudited) |            |
| Cash flows from operating activities                   |                                      |                     |            |
| Net income   | \$ (2,995)                           | \$ 570              | \$ (3,565) |
| Depreciation   | 648                                  | 667                 | (19)       |
| Loss on impairment                                     | 1,498                                | 26                  | 1,472      |
| Loss on disposal of assets, net                        | 1,602                                | (8)                 | 1,610      |
| (Gain) loss on retirement of debt                      | 49                                   | (148)               | 197        |
| Deferred income tax expense                            | 32                                   | 44                  | (12)       |
| Other non-cash items, net                              | 59                                   | 42                  | 17         |
| Changes in deferred revenues and costs, net            | (67)                                 | 34                  | (101)      |
| Changes in other operating assets and liabilities, net | 61                                   | 51                  | 10         |
|  | \$ 887                               | \$ 1,278            | \$ (391)   |

Net cash provided by operating activities decreased primarily due to a decrease of USD 90 million cash received from customers for early terminations or cancellations of drilling contracts and reduced operating activities.

|                                       | Nine months ended<br>30 September    |                     | Change   |
|---------------------------------------|--------------------------------------|---------------------|----------|
|                                       | 2017<br>(unaudited)<br>(In millions) | 2016<br>(unaudited) |          |
| Cash flows from investing activities  |                                      |                     |          |
| Capital expenditures                  | \$ (386)                             | \$ (1,072)          | \$ 686   |
| Proceeds from disposal of assets, net | 330                                  | 16                  | 314      |
| Other, net                            | 10                                   | —                   | 10       |
|                                       | \$ (46)                              | \$ (1,056)          | \$ 1,010 |

Net cash used in investing activities decreased primarily due to reduced capital expenditures, primarily associated with the Company's major construction projects, partially offset by increased proceeds from asset disposals, primarily related to the sale of 10 high specification jackups and the novation of contracts relating to the construction of five high specification jackups, together with related assets, in the current year period with no comparable activity in the prior year period.

Nine months ended



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|  | 30 September  |             |            |
|--|---------------|-------------|------------|
|  | 2017          | 2016        | Change     |
|  | (unaudited)   | (unaudited) |            |
|  | (In millions) |             |            |
| Cash flows from financing activities   |               |             |            |
| Proceeds from debt issuance, net of issue costs  | \$ 403        | \$ 1,210    | \$ (807)   |
| Repayments of debt   | (1,629)       | (1,316)     | (313)      |
| Proceeds from cash accounts and investments restricted for financing activities, net of deposits | 53            | 100         | (47)       |
| Distributions to holders of noncontrolling interest  | —             | (23)        | 23         |
| Other, net   | (3)           | 2           | (5)        |
|  | \$ (1,176)    | \$ (27)     | \$ (1,149) |

Net cash used in financing activities increased primarily due to (a) reduced cash proceeds from the issuance of the 5.52% Senior Secured Notes in the current year period compared to the cash proceeds from the issuance of the 9.00% Senior Notes due July 2023 in the prior year period, and (b) increased cash used to repay debt, primarily related to the Company's cash tender offers in each period.

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At 31 December 2016, the Company had USD 3.1 billion in cash and cash equivalents. In the year ended 31 December 2016, the Company's primary sources of cash were cash flows from operating activities, including cash proceeds from customers that executed early terminations or cancellations of drilling contracts; net proceeds from the issuance of debt and net proceeds from restricted cash investments. The Company's primary uses of cash were capital expenditures, primarily associated with the Company's newbuild construction projects, repayment of debt at scheduled maturities, settlement of the Tendered Notes, debt repurchased in the open market and payment of scheduled installments for the Company's Macondo well incident settlement obligations.

|  | Years ended   |          |            |
|--|---------------|----------|------------|
|  | 2016          | 2015     | Change     |
|  | (In millions) |          |            |
| Cash flows from operating activities                   |               |          |            |
| Net income   | \$ 827        | \$ 897   | \$ (70)    |
| Depreciation   | 893           | 963      | (70)       |
| Loss on impairment                                     | 93            | 1,875    | (1,782)    |
| Gain on retirement of debt                             | (148)         | (23)     | (125)      |
| Deferred income tax expense (benefit)                  | 68            | (134)    | 202        |
| Other non-cash items, net                              | 52            | 173      | (121)      |
| Changes in deferred revenues and costs, net            | 291           | 89       | 202        |
| Changes in other operating assets and liabilities, net | (165)         | (395)    | 230        |
|  | \$ 1,911      | \$ 3,445 | \$ (1,534) |

Net cash provided by operating activities decreased primarily due to reduced operating activities and a decrease of USD 633 million associated with cash proceeds from insurance recoveries and cost reimbursements related to the Macondo well incident, partially offset by a decrease of USD 200 million of cash paid for scheduled installments under the Company's Macondo well incident settlement obligations and increase of USD 53 million received from customers for early terminations or cancellations of drilling contracts.

|   | Years ended   |            |        |
|---|---------------|------------|--------|
|   | 2016          | 2015       | Change |
|   | (In millions) |            |        |
| Cash flows from investing activities        |               |            |        |
| Capital expenditures                        | \$ (1,344)    | \$ (2,001) | \$ 657 |
| Proceeds from disposal of assets, net       | 30            | 54         | (24)   |
| Proceeds from repayment of notes receivable | —             | 15         | (15)   |
| Other, net                                  | 1             | —          | 1      |
|   | \$ (1,313)    | \$ (1,932) | \$ 619 |

Net cash used in investing activities decreased primarily due to reduced capital expenditures, primarily associated with the timing of milestone payments for the Company's major construction projects and other shipyard projects.

|  | Years ended   |      |        |
|--|---------------|------|--------|
|  | 2016          | 2015 | Change |
|  | (In millions) |      |        |

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|   |          |            |          |
|---|----------|------------|----------|
| Cash flows from financing activities  |          |            |          |
| Proceeds from issuance of debt, net of discounts and costs                              | \$ 2,401 | \$ —       | \$ 2,401 |
| Repayments of debt  | (2,295)  | (1,506)    | (789)    |
| Proceeds from cash and investments restricted for financing activities, net of deposits | 39       | 110        | (71)     |
| Distributions of qualifying additional paid-in capital                                  | —        | (381)      | 381      |
| Other, net  | (30)     | (32)       | 2        |
|   | \$ 115   | \$ (1,809) | \$ 1,924 |

Net cash provided by financing activities increased primarily due to the following: (a) cash proceeds from the issuance of the 9.00% Senior Notes, the 7.75% Senior Secured Notes and the 6.25% Senior Secured Notes in the current year with no comparable activity in the prior year and (b) cash used to pay the Company's shareholders installments of distributions of qualifying additional paid in capital in the prior year with no comparable activity in the current year, partially offset by (c) increased cash used to repay debt in connection with scheduled maturities, the Company's tender offer, open market repurchases and redemption and (d) cash deposited into cash accounts restricted for financing activities, primarily for the

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payment of principal amounts of the Company's senior secured notes in the current year with no comparable activity in the prior year.

12.7.2 Sources and uses of liquidity

The Group expects to use existing cash balances, internally generated cash flows, borrowings under the Group's existing bank credit agreement, proceeds from the disposal of assets or proceeds from the issuance of additional debt to fulfill anticipated obligations, which may include business combinations, capital expenditures, working capital and other operational requirements, scheduled debt maturities or other payments. The Group may also consider establishing additional financing arrangements with banks or other capital providers. Subject to market conditions and other factors, the Group may also be required to provide collateral for future financing arrangements. In each case subject to the then existing market conditions and to the Group's then expected liquidity needs, among other factors, the Group may continue to use a portion of its 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, or through debt redemptions or tender offers.

The Group's access to debt and equity markets may be limited due to a variety of events, including, among others, credit rating agency downgrades of its Debt Ratings, industry conditions, general economic conditions, market conditions and market perceptions of the Group and its industry. During the year ended 31 December 2016 and in January and October 2017, three credit rating agencies downgraded the Transocean Group's Debt Rating. Such downgrades have caused and will cause the Group to experience increased fees under its credit facility and interest rates under agreements governing certain of its senior notes. Further downgrades may affect or limit the Group's ability to access debt markets in the future. The Group's ability to access such markets may be severely restricted at a time when it would like, or need, to access such markets, which could have an impact on its flexibility to react to changing economic and business conditions. An economic downturn could have an impact on the lenders participating in the Group's credit facilities or on its customers, causing them to fail to meet their obligations to the Group.

The Group's internally generated cash flow is directly related to its business and the market sectors in which the Group operates. Should the drilling market deteriorate, or should the Group experience poor results in its operations, cash flow from operations may be reduced. The Transocean Group has, however, continued to generate positive cash flow from operating activities during recent years and expects that such cash flow will continue to be positive during the next year.

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## Outstanding debt

As of the dates set out below, the aggregate principal amounts and aggregate carrying amounts, net of debt related balances, including unamortized discounts, premiums and issue costs, of the Transocean Group's debt were as follows (in millions):

|  | Principal amount  |                  | Carrying amount   |                  |
|--|-------------------|------------------|-------------------|------------------|
|  | 30 September 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 |
| 2.50% Senior Notes due October 2017          | \$ 152            | \$ 485           | \$ 152            | \$ 484           |
| Eksportfinans Loans due January 2018         | 27                | 123              | 27                | 123              |
| 6.00% Senior Notes due March 2018            | 319               | 754              | 319               | 757              |
| 7.375% Senior Notes due April 2018           | 82                | 211              | 82                | 211              |
| 6.50% Senior Notes due November 2020         | 292               | 508              | 295               | 513              |
| 6.375% Senior Notes due December 2021        | 332               | 552              | 330               | 549              |
| 5.52% Senior Secured Notes due May 2022      | 381               | —                | 375               | —                |
| 3.80% Senior Notes due October 2022          | 506               | 539              | 501               | 534              |
| 9.00% Senior Notes due July 2023             | 1,250             | 1,250            | 1,215             | 1,211            |
| 7.75% Senior Secured Notes due October 2024  | 570               | 600              | 556               | 583              |
| 6.25% Senior Secured Notes due December 2024 | 594               | 625              | 580               | 609              |
| 7.45% Notes due April 2027                   | 88                | 88               | 86                | 86               |
| 8.00% Debentures due April 2027              | 57                | 57               | 57                | 57               |
| 7.00% Notes due June 2028                    | 300               | 300              | 307               | 308              |
| Capital lease contract due August 2029       | 545               | 566              | 545               | 566              |
| 7.50% Notes due April 2031                   | 588               | 588              | 585               | 585              |
| 6.80% Senior Notes due March 2038            | 1,000             | 1,000            | 991               | 991              |
| 7.35% Senior Notes due December 2041         | 300               | &                |                   |                  |