Proxy Statement & 2002 Annual Report

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Taking A Closer Look At Transocean

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ABOUT TRANSOCEAN INC.

Transocean Inc. is the world's largest offshore drilling contractor with more than 150 full or partially owned and managed mobile offshore drilling units, inland drilling barges and other assets utilized in the support of offshore drilling activities worldwide. The company's mobile offshore drilling fleet is considered one of the most modern and versatile in the world with 31 high-specification semisubmersibles and drillships, 27 other semisubmersibles, two other drillships and 55 jackup drilling rigs. Transocean Inc. specializes in technically demanding segments of the offshore drilling business, including industry-leading positions in deepwater and harsh environment drilling services.

Since launching the offshore drilling industry's first jackup drilling rig in 1954, Transocean has achieved a long history of technological "firsts." These innovations include the first dynamically positioned drillship, the first rig to drill year-round in the North Sea, the first semisubmersible for sub-Arctic, year-round operations and the latest generation of ultra-deepwater semisubmersible rigs and drillships.

A Cayman Islands company, Transocean has approximately 13,200 employees worldwide. Principal executive U.S. offices are at 4 Greenway Plaza, Houston, Texas 77046, where the telephone number is 713.232.7500.

With the largest equity market capitalization among all offshore drilling companies in excess of $7 billion at February 28, 2003, the company's ordinary shares are traded on the New York Stock Exchange under the symbol "RIG."

Transocean: We're never out of our depth.®

About the Cover: *For the second consecutive year, Transocean Inc. has combined a shareholders' letter, Proxy Statement and Annual Report on Form 10-K into a single, cost-effective document for shareholders. The company invites shareholders to take a closer look at Transocean and its initiatives aimed at improving operational and financial performance.*

Forward Looking Statements: *Any statements included in this Proxy Statement and 2002 Annual Report that are not historical facts, including without limitation statements regarding future results and operations, are forward-looking statements within the meaning of applicable securities laws. Such statements are subject to numerous risks and uncertainties (including, but not limited to, those that can be found on pages A-__ to A-__ and A-__ and A-__ of this Proxy Statement and 2002 Annual Report) that could cause actual results to differ materially from those projected.*

TRANSOCEAN: A WORLD OF EXPERIENCE

Transocean's industry-leading fleet of mobile offshore drilling units has constructed the majority of deepwater wells in the world and has held a leading position in harsh-environment drilling since the beginning of well construction in challenging offshore environments. Here are just a few more examples why Transocean brings a world of experience to clients who explore for and develop oil and natural gas offshore.

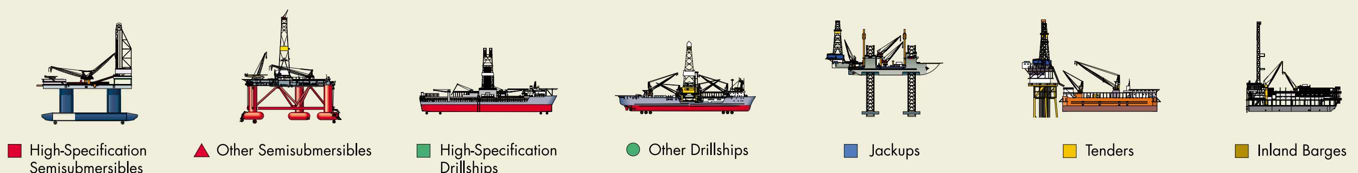
Deepwater Drilling: Our drillships and semisubmersibles form the world's largest "floater" fleet and the largest deepwater fleet, working all around the world. Transocean's *Discoverer Spirit* drillship holds the current world deepwater drilling record at 9,727 feet of water in the U.S. Gulf of Mexico, as well as the world record for setting a subsea production "tree" in 7,209 feet of water, also in the U.S. Gulf of Mexico. The *Deepwater Nautilus* semisubmersible holds the current world deepwater record by a floating drilling rig in a moored configuration at 8,009 feet of water in the U.S. Gulf of Mexico.

Harsh-Environment Drilling: Transocean has achieved several milestones in harsh-environment drilling, including the first rigs to drill year-round in the Barents Sea and in the deepwaters west of the Shetland Islands. Our harsh-environment fleet serves customers in the Norwegian North Sea, the U.K. North Sea and Eastern Canada.

Jackup and Inland Barge Drilling: The company operates a fleet of non-U.S. jackup rigs and has the largest fleet of jackups and inland drilling barges in the U.S. Gulf Coast.

Transocean: We're never out of our depth.®

** As of February 28, 2003 - Does not include three submersible drilling rigs, one mobile offshore production unit, two platform drilling rigs, 10 land rigs and three lake barges.*



To Our Shareholders,

We entered 2002 with optimism that the year would be a rewarding one if commodity prices were reasonable. Our newbuild program was substantially behind us and the integration of R&B Falcon Corporation into the company had gone well. We had an excellent backlog of contracts and were generating substantial cash from operations to pay down debt. Even though commodity prices exceeded our expectations, 2002 proved to be a difficult year.

We reported a net loss for the year of $3,732 million, or $11.69 per diluted share, on revenues of $2,674 million. Excluding the impact of goodwill impairment charges totaling $4,240 million and long-lived asset impairments of $34 million, both of which were non-cash charges, a tax benefit totaling $176 million (attributable to the restructuring of certain non-U.S. operations) and a net after-tax gain on the sale of assets of $3 million, net income for the year ended December 31, 2002 was $363 million, or $1.14 per diluted share. While our operating earnings reflected the slowdown in activity, we generated $376 million more cash flow from operating activities in 2002 than we did in 2001 and reduced our net debt by $873 million, from $4,155 million at the beginning of the year to $3,282 million at December 31, 2002.

Developments leading up to war in Iraq and a lengthy national strike in Venezuela aided commodity prices, but created an environment of uncertainty. This made our customers more cautious about their exploration and production drilling. Drilling activity declined dramatically throughout the year, especially in the U.K. and Norwegian sectors of the North Sea and in the U.S. Gulf of Mexico shallow water market segment. In addition, while deepwater drilling in the Gulf of Mexico remained active, drilling levels were less than expected and a modest oversupply of deepwater rigs put pressure on dayrates. We responded to these uncertainties by utilizing the advantages afforded by our size and geographic diversity to reposition rigs to stronger markets and to reduce operating and maintenance costs.

During 2002, we enhanced our financial performance by cost-reduction efforts that focused primarily on procurement, maintenance and personnel. We made progress in implementing worldwide purchasing agreements, which allowed us to take advantage of our company's size to realize substantial savings in the cost of supplying our rigs with needed parts and equipment. We were particularly successful with our efforts to increase the number of local nationals hired from within certain regions of operation, resulting in a reduced reliance on expatriates in these regions. We expect to continue this effort and realize additional savings in 2003 and beyond. The result of our cost-reduction initiatives allowed us to improve our 2002 adjusted EBITDA margin in our International and U.S. Floater Contract Drilling Services business segment to 46% from 43% in 2001, despite a decline in fleet utilization. However, the margin improvement was offset by a marked decline in activity levels within our Gulf of Mexico Shallow and Inland Water business segment, leaving the overall adjusted EBITDA margin flat at 42% when compared to the 2001 level.

Our industry-leading fleet size and geographic diversity contributed to our successful efforts in placing rigs in regions possessing more robust demand while removing these units from areas of depressed rig activity. Responding to weakening activity in the North Sea jackup market segment and an oversupply situation in the deepwater U.S. Gulf of Mexico, we mobilized rigs to locations where our strong operations base and knowledge and understanding of customer needs helped us secure profitable, long-term contracts. Two jackup rigs previously operating in the North Sea were mobilized to India and Equatorial Guinea, while a semisubmersible rig and a drillship previously operating in the U.S. Gulf of Mexico were moved to Angola and India, respectively.

India became a significant market segment for Transocean, as we grew from one jackup rig in 2001 to five jackup rigs and a deepwater drillship in early 2003. Like most regions where we operate, Transocean now has

the largest presence of any international drilling contractor in India and is well positioned to compete for the expected increase in the long-term needs for deepwater drilling rigs offshore India.

Excellent progress was made in 2002 resolving technical problems initially experienced on several of our newbuild rigs. During the year, we improved operating uptime on our 12 newly constructed semisubmersible rigs and drillships to 95% from 90% in 2001. All of these technically advanced rigs are now performing within expected industry norms for reliable uptime and are providing our customers with enhanced drilling efficiencies in well construction.

The company is advantageously positioned in 2003 to weather the continuing market uncertainties caused by geopolitical events and concern over the near-term economic outlook of the developed countries. We begin 2003 with $1.2 billion of cash and cash equivalents, and we expect to continue to generate significant cash from operations, despite the anticipated difficult market conditions.

Operationally, we will continue to stress our longstanding focus on safety after a disappointing year in which there were several fatalities and serious injuries on the company's rigs. These incidents have had a profound effect on all of us, and we have recommitted the company to strive for an incident-free environment – all the time, everywhere.

While we believe the slight oversupply of deepwater rigs in the U.S. Gulf of Mexico will continue in 2003, we remain optimistic about the longer-term deepwater outlook. The substantial number of large discoveries in West Africa, combined with continuing exploratory interest there and growing demand for rigs in India and the Far East, are positive developments supporting long-term deepwater activity.

In the mid-water floater market segment, the outlook remains difficult, as substantial oversupply is expected to continue throughout 2003. The outlook for the non-U.S. jackup market segment remains strong in most regions with high current utilization and an expected increase in demand for jackups in Mexico and India.

The shallow and inland water market segment of the U.S. Gulf of Mexico remains depressed, despite recent historically high North American natural gas prices. While we are unable to predict when or if this segment will recover, it is worth noting that jackup rigs continue to leave the U.S. Gulf of Mexico for long-term drilling opportunities in other regions. We expect this trend to continue, based on recently announced jackup rig needs in Mexico and India. With this expected decline in jackup rig supply, we do not believe it would take a dramatic increase in activity to cause substantial improvement in the U.S. Gulf of Mexico shallow water business.

As previously announced, it is our intent to pursue a divestiture of our Gulf of Mexico Shallow and Inland Water business segment through an initial public offering. Given the uncertainty in both the U.S. shallow water drilling market segment and U.S. equity markets, we are unsure when or if we will be able to proceed with this planned transaction in 2003.

In conclusion, Transocean remains well situated to succeed in the face of the uncertain environment that exists for the offshore drilling industry during 2003. We have the most technologically advanced fleet in the business and a solid infrastructure in every major offshore market segment in the world. Our cash position and balance sheet are strong and our people are committed to delivering improved performance for our customers and attractive returns for our shareholders.

Sincerely,

J. Michael Talbert
Chairman

Robert L. Long
President and Chief Executive Officer

March 24, 2003

March 28, 2003

Dear Shareholder:

The 2003 annual general meeting of Transocean Inc. will be held on Thursday, May 8, 2003 at 9:00 a.m., at the Royal Pavilion Hotel, St. James, Barbados. The Secretary's notice of annual general meeting, the proxy statement and a proxy card are enclosed and describe the matters to be acted upon at the meeting.

It is important that your shares be represented and voted at the meeting. Please read the enclosed notice of annual general meeting and proxy statement and date, sign and promptly return the proxy card in the enclosed self-addressed envelope.

Sincerely,

J. Michael Talbert
Chairman of the Board

Robert L. Long
President & Chief Executive Officer

This proxy statement and the accompanying proxy card are dated March 28, 2003 and are first being mailed on or about April 4, 2003 to record shareholders as of March 21, 2003.

NOTICE OF ANNUAL GENERAL MEETING OF TRANSOCEAN INC. TO BE HELD MAY 8, 2003

The annual general meeting of Transocean Inc., a Cayman Islands exempted company limited by shares, will be held at the Royal Pavilion Hotel, St. James, Barbados at 9:00 a.m., Barbados time, on Thursday, May 8, 2003 for the following purposes:

1. To re-elect five directors as members of our board of directors to serve until the 2006 annual general meeting and until their respective successors have been duly elected.

2. To approve the amendment of our Long-Term Incentive Plan to allow grants of incentive stock options for an additional ten year period to May 1, 2013, and to allow a continuing right to grant stock options and share appreciation rights to our outside directors.

3. To approve the amendment of our Employee Stock Purchase Plan to increase the number of ordinary shares reserved for issuance under the plan from 1,500,000 to 2,500,000.

4. To approve the appointment of Ernst & Young LLP as independent auditors for 2003.

5. To transact such other business as may properly be brought before the meeting.

This constitutes notice of the meeting as required by Cayman Islands law and our articles of association.

Only record holders of ordinary shares at the close of business on Friday, March 21, 2003 will be entitled to notice of, and to vote at, the meeting.

The meeting may generally be adjourned from time to time without advance notice other than announcement at the meeting, or any adjournment thereof, and any and all business for which the meeting is hereby noticed may be transacted at any such adjournment.

By order of the Board of Directors,

Eric B. Brown
Secretary

Houston, Texas
March 28, 2003

YOUR VOTE IS IMPORTANT
Please complete, sign and promptly return your proxy card in the enclosed return envelope.

PROXY STATEMENT
FOR ANNUAL GENERAL MEETING OF TRANSOCEAN INC.
MAY 8, 2003

This proxy statement is furnished in connection with the solicitation of proxies by Transocean Inc., on behalf of our board of directors, to be voted at our annual general meeting to be held on Thursday, May 8, 2003 at 9:00 a.m., at the Royal Pavilion Hotel, St. James, Barbados.

Proposals

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

- A proposal to reelect each of five nominees as directors to serve three-year terms. These directors will be members of a class of directors that will serve until the 2006 annual general meeting and until their respective successors have been duly elected.

- A proposal to approve the amendment of our Long-Term Incentive Plan to allow grants of incentive stock options for an additional ten year period to May 1, 2013, and to allow a continuing right to grant stock options and share appreciation rights to our outside directors.

- A proposal to approve the amendment of our Employee Stock Purchase Plan to increase the number of ordinary shares reserved for issuance under the plan from 1,500,000 to 2,500,000.

- A proposal to approve the appointment of Ernst & Young LLP as independent auditors for 2003.

- Any other matters that may properly come before the meeting.

We know of no other matters that are likely to be brought before the annual general meeting.

Quorum

The presence, in person or by proxy, of shareholders holding a majority of our outstanding ordinary shares will constitute a quorum. Abstentions and "broker non-votes" will be counted as present for purposes of determining whether there is a quorum at the meeting.

Record Date

Only shareholders of record at the close of business on Friday, March 21, 2003 are entitled to notice of and to vote, or to grant proxies to vote, at the meeting.

Votes Required

Approval of the proposal to re-elect the five nominees as directors requires the affirmative vote of a plurality of the votes cast. Abstentions and "broker non-votes" will not be counted in that vote.

Approval of the proposal to amend our Long-Term Incentive Plan requires the affirmative vote of the holders of at least a majority of votes cast on the proposal, provided that the total number of votes cast on the proposal represents a majority of the votes entitled to be cast. Abstentions and "broker non-votes" on this proposal will not affect the voting on the proposal as long as holders of a majority of ordinary shares cast votes on the proposal. Otherwise, the effect of an abstention or "broker non-vote" is a vote against the proposal.

Approval of the proposal to amend our Employee Stock Purchase Plan to increase the number of ordinary shares reserved for issuance under the plan from 1,500,000 to 2,500,000 requires the affirmative vote of the holders of at least a majority of votes cast on the proposal, provided that the total number of votes cast on the proposal represents a majority of the votes entitled to be cast. Abstentions and "broker non-votes" on this proposal will not affect the voting on the proposal as long as holders of a majority of ordinary shares cast votes on the proposal. Otherwise, the effect of an abstention or "broker non-vote" is a vote against the proposal.

Approval of the proposal to appoint Ernst & Young LLP as independent auditors requires the affirmative vote of holders of at least a majority of the ordinary shares present in person or by proxy at the meeting and entitled to vote on the matter. Abstentions and "broker non-votes" on the proposal have the effect of a vote against the proposal.

As of the record date for the meeting, there were 319,767,820 ordinary shares outstanding and entitled to notice of and to vote at the meeting. Holders of ordinary shares on the record date are entitled to one vote for each share held.

Proxies

A proxy card is being sent to each shareholder as of the record date. If you properly received a proxy card, you may grant a proxy to vote on each of the four proposals by marking your proxy card appropriately, executing it in the space provided, dating it and returning it to us. We may accept your proxy by any form of communication permitted by Cayman Islands law and our articles of association. If you hold your shares in the name of a bank, broker or other nominee, you should follow the instructions provided by your bank, broker or nominee when voting your shares.

If you have timely submitted a properly executed proxy card and clearly indicated your votes, your shares will be voted as indicated. If you have timely submitted a properly executed proxy card and have not clearly indicated your votes, your shares will be voted "FOR" the election of all director nominees and "FOR" each of the other three proposals.

If any other matters are properly presented at the meeting for consideration, the persons named in the proxy card will have the discretion to vote on these matters in accordance with their best judgment. Proxies voted against any of the four proposals will not be voted in favor of any adjournment of the meeting for the purpose of soliciting additional proxies.

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

- giving written notice of the revocation to our Secretary;
- appearing at the meeting, notifying our Secretary and voting in person; or
- properly completing and executing a later-dated proxy and delivering it to our Secretary at or before the meeting.

Your presence without voting at the meeting will not automatically revoke your proxy, and any revocation during the meeting will not affect votes previously taken. If you hold your shares in the name of a bank, broker or other nominee, you should follow the instructions provided by your bank, broker or nominee in revoking your previously granted proxy.

Solicitation of Proxies

The accompanying proxy is being solicited on behalf of the board of directors. The expenses of preparing, printing and mailing the proxy and the materials used in the solicitation will be borne by us. We have retained D. F. King & Co., Inc. for a fee of $6,000, plus expenses, to aid in the solicitation of proxies. Proxies may be solicited by personal interview, telephone and telegram by our directors, officers and employees, who will not

receive additional compensation for those services. Arrangements also may be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation materials to the beneficial owners of ordinary shares held by those persons, and we will reimburse them for reasonable expenses incurred by them in connection with the forwarding of solicitation materials.

ELECTION OF DIRECTORS

Our articles of association divide our board of directors into three classes: Class I, Class II and Class III. Five Class I directors are to be elected at our 2003 annual general meeting to serve for three-year terms expiring at the annual general meeting in 2006.

The board has nominated for re-election as Class I directors Victor E. Grijalva, Arthur Lindenauer, Richard A. Pattarozzi, Kristian Siem and J. Michael Talbert. If any of the nominees become unavailable for any reason, which we do not anticipate, the board of directors in its discretion may designate a substitute nominee. If you have submitted an executed proxy card, your vote will be cast for the substitute nominee unless contrary instructions are given in the proxy.

The board of directors recommends a vote "FOR" the re-election of Victor E. Grijalva, Arthur Lindenauer, Richard A. Pattarozzi, Kristian Siem and J. Michael Talbert as Class I directors.

Nominees for Director—Class I—Terms Expiring 2006

VICTOR E. GRIJALVA, age 64, is Chairman of the Board of Hanover Compressor Company. Mr. Grijalva has been a director since the Sedco Forex merger described below and served as Chairman of our board of directors until October 2002. He is the retired Vice Chairman of Schlumberger Limited. Before serving as Vice Chairman, he served as Executive Vice President of Schlumberger's Oilfield Services division from 1994 to January 1999 and as Executive Vice President of Schlumberger's Wireline, Testing & Anadrill division from 1992 to 1994.

ARTHUR LINDENAUER, age 65, is Chairman of the Board of Schlumberger Technology Corporation, Schlumberger's principal U.S. subsidiary. He previously served as Executive Vice President-Finance and Chief Financial Officer of Schlumberger from January 1980 to December 1998. Mr. Lindenauer was a partner with the accounting firm of Price Waterhouse from 1972 to 1980. Mr. Lindenauer has served as one of our directors since the Sedco Forex merger. Mr. Lindenauer is also a director of the New York Chapter of the Cystic Fibrosis Foundation and a Trustee of the American University in Cairo.

RICHARD A. PATTAROZZI, age 59, served at Shell Oil Company as President and CEO of Shell Deepwater Development Inc. and Shell Deepwater Production Inc. from 1996 to 1999. In early 1999, he was promoted to Vice President of Shell Oil Company, responsible for Shell Deepwater Development Inc., Shell Deepwater Production Inc. and the company's Shallow Water Gulf of Mexico exploration and production business and retired in January 2000. Mr. Pattarozzi joined Shell in 1966 in its offshore engineering organization and has more than 33 years of experience in the petroleum industry. Mr. Pattarozzi has served as one of our directors since the merger with R&B Falcon Corporation described below. Before the merger, he had served as a director of R&B Falcon since February 2000. He is also a director of Superior Energy Services, Inc., FMC Technologies, Inc., Global Industries, Ltd., Stone Energy Company and Tidewater, Inc., all of which are publicly traded.

KRISTIAN SIEM, age 54, is Chairman and Chief Executive Officer of Siem Industries, Inc., an industrial holding company that owns offshore oil and gas drilling and subsea construction services businesses, a fleet of reefer vessels and a fleet of car carrying vessels through subsidiaries in Bermuda, the U.K. and Norway. Mr. Siem has served as one of our directors since September 1996 and was Chairman of Transocean ASA prior to its acquisition by us in 1996. Mr. Siem is also chairman of DSND Inc., Subsea 7 Inc., Star Reefers Inc. and Four Seasons Capital A.B. During the past five years, Mr. Siem has served as an executive officer with Siem Industries, Inc. and as Chairman of Wilrig AS, and on the boards of Kvaerner ASA, Norwegian

Cruise Line, Lambert Fenchurch Group Holdings plc and Oslo Reinsurance ASA. He was also a member of the board of directors of Saga Petroleum ASA until its merger with Norsk Hydro in September 1999.

J. MICHAEL TALBERT, age 56, has served as Chairman of our board of directors since October 2002 and a member of our board of directors since August 1994. Mr. Talbert also served as Chief Executive Officer from August 1994 until October 2002, Chairman of our board of directors from August 1994 until December 1999, and as President from December 1999 until December 2001. Prior to assuming his duties with us, Mr. Talbert was President and Chief Executive Officer of Lone Star Gas Company, a natural gas distribution company and a division of Ensearch Corporation. He has also been elected as a director of El Paso Corporation to be effective April 1, 2003.

Continuing Directors—Class II—Terms Expiring 2004

ROBERT L. LONG, age 57, is President, Chief Executive Officer and a member of our board of directors. Mr. Long served as President from December 2001 to October 2002, at which time he assumed the additional position of Chief Executive Officer. Mr. Long also served as Chief Operating Officer from June 2002 until October 2002, Chief Financial Officer from August 1996 until December 2001, as Senior Vice President from May 1990 until the time of the Sedco Forex merger, at which time he assumed the position of Executive Vice President, and as Treasurer from September 1997 until March 2001. Mr. Long has been an employee since 1976 and was elected Vice President in 1987.

MARTIN B. MCNAMARA, age 55, is Partner-in-Charge of the Dallas, Texas, office of the law firm of Gibson, Dunn & Crutcher and a member of the firm's finance and compensation committees. He has served as one of our directors since November 1994. During the past five years, Mr. McNamara has been in the private practice of law.

ALAIN ROGER, age 72, is a retired executive officer of Schlumberger. He served as Executive Vice President of Health, Safety and Environment for Schlumberger from October 1993 to December 1995. He served as Executive Vice President of Drilling and Pumping for Schlumberger from July 1991 to September 1993, as President of Sedco Forex, which was the former offshore contract drilling business of Schlumberger Limited, from 1985 to 1991 and as President of Forex Neptune from 1976 to 1984. Mr. Roger has served as one of our directors since the Sedco Forex merger. Mr. Roger also served as Chairman of the International Association of Drilling Contractors (I.A.D.C.) in 1991. Mr. Roger has informed us that he intends to retire from the Board of Directors as of the Annual General Meeting.

Continuing Directors—Class III—Terms Expiring 2005

RONALD L. KUEHN, JR., age 67, is currently Chairman of the Board and Chief Executive Officer of El Paso Corporation, a diversified natural gas company. He has served as one of our directors since 1975. Mr. Kuehn is also a director of AmSouth Bancorporation, The Dun & Bradstreet Corporation and Praxair, Inc., and is a member of the Board of Trustees of Tuskegee University. From 1986 to 1999, Mr. Kuehn served as Chairman and Chief Executive Officer of Sonat Inc. prior to its merger with El Paso Energy Corporation (now known as El Paso Corporation), and he has served as a director of El Paso Corporation since 1999. He served as Chairman of the Board of El Paso Corporation from 1999 to 2000 and again became Chairman of the Board and was named Chief Executive Officer in March 2003. Mr. Kuehn also served as President and Chief Executive Officer of Sonat Inc. from 1984 to 1986. Mr. Kuehn has submitted his resignation from the Board of Directors to be effective as of March 31, 2003.

PAUL B. LOYD, JR., age 56, has served as one of our directors since the R&B Falcon merger. Before the merger, he served as Chairman of the Board of R&B Falcon since January 1998 and Chief Executive Officer since April 1999. He was CEO and Chairman of the Board of R&B Falcon Drilling (International & Deepwater) Inc. (formerly Reading & Bates Corporation) from 1991 through 1997. Mr. Loyd has over 30 years of experience in the offshore drilling industry, having joined Reading & Bates in 1970 in its management-training program. He is also a director of Carrizo Oil & Gas, Inc. and Frontier Oil Corporation and is on the Board of Trustees of Southern Methodist University.

ROBERTO MONTI, age 63, is the retired Executive Vice President of Exploration and Production for Repsol YPF. He was the President and Chief Executive Officer of YPF Sociedad Anonima from September 1995 to June 1999 prior to its acquisition by Repsol. From October 1993 to July 1995, he served as President of Dowell, a division of Schlumberger. He is also a director of Pecom Energía S.A. Mr. Monti has served as one of our directors since the Sedco Forex merger.

IAN C. STRACHAN, age 59, is Chairman of the Board of Instinet Group Incorporated and a director of Reuters Group PLC, Harsco Corporation and Johnson Matthey plc. He served as Deputy Chairman of Invensys plc from 1999 to 2000. He served as CEO of BTR plc from 1996 until its merger with Siebe plc in 1999, when it changed its name to Invensys plc. From 1987 to 1995, Mr. Strachan was with Rio Tinto plc, serving as CFO from 1987 to 1991 and as Deputy CEO from 1991 to 1995. He was employed by Exxon Corporation from 1970 to 1986. Mr. Strachan has served as one of our directors since the Sedco Forex merger.

Retirement of Mr. Roger, Resignation of Mr. Kuehn and Restructuring of Director Classes

Mr. Roger has informed us that he intends to retire from the Board of Directors as of the Annual General Meeting. On March 27, 2003, Mr. Kuehn submitted his resignation from the Board of Directors to be effective as of March 31, 2003. In order to more evenly distribute directors among the three classes, Mr. Talbert intends to resign from his Class I directorship immediately after the Annual General Meeting (assuming he is reelected), and the Board of Directors intends to then concurrently fill with Mr. Talbert the vacancy in the Class II directors created by Mr. Roger's retirement. We expect Mr. Talbert to then stand for re-election again in 2004 along with the other Class II directors.

Merger with R&B Falcon and Designation of Board Members

On January 31, 2001, we completed a merger transaction with R&B Falcon in which common shareholders of R&B Falcon received 0.5 newly issued ordinary shares for each R&B Falcon share and R&B Falcon became our indirect wholly owned subsidiary. Pursuant to the merger agreement, our board elected three new members who were designated by R&B Falcon in consultation with us and had previously served on the R&B Falcon board of directors. Two of those directors, Messrs. Loyd and Pattarozzi, continue to serve on our board of directors. On December 12, 2002, R&B Falcon changed its name to TODCO.

Merger with Sedco Forex, Designation of Board Members and Appointment of Mr. Grijalva

On December 31, 1999, we completed a merger with Sedco Forex Holdings Limited following the spin-off of Sedco Forex to Schlumberger stockholders on December 30, 1999. As a result of the merger, Schlumberger stockholders exchanged all of the Sedco Forex shares distributed to them by Schlumberger in the Sedco Forex spin-off for our ordinary shares, and Sedco Forex became our wholly owned subsidiary. Pursuant to the merger agreement, Transocean's board of directors designated Messrs. Kinder, Kuehn, McNamara, Siem and Talbert as directors and Schlumberger's board of directors designated Messrs. Grijalva, Lindenauer, Monti, Roger and Strachan as directors. In the merger agreement, we agreed to nominate Mr. Grijalva to our board of directors to serve as Chairman until his 65th birthday (in July 2003). In October 2002, Mr. Grijalva resigned his position as Chairman but agreed to remain as a director.

Compensation of Directors

Fees and Retainers. Our employees receive no extra pay for serving as directors. Other than Mr. Grijalva, who has a consulting agreement with us that terminates in July 2003, each director who is not one of our officers or employees receives an annual retainer of $34,000. The audit committee chairman receives an additional $20,000 annual retainer, and the other committee chairmen receive an additional $5,000 annual retainer. Non-employee directors also receive a fee of $2,000 for each board meeting and $1,500 for each board committee meeting attended, plus incurred expenses where appropriate. Directors are eligible to participate in our deferred compensation plan. The director may defer any fees or retainer by investing those amounts in Transocean ordinary share equivalents or in other investments selected by the administrative committee.

Stock Options/Stock Appreciation Rights. When elected, each outside director is granted an option to purchase 4,000 ordinary shares at the fair market value of those shares on the date of grant. Following the initial grant, if the outside director remains in office, the director is granted an additional option to purchase 6,000 ordinary shares after each annual general meeting at the fair market value of those shares on the date of grant. Directors residing in certain countries may receive share appreciation rights, commonly referred to as SARs, instead of options.

Each stock option and SAR granted to a director has a ten-year term and becomes exercisable in equal annual installments on the first, second and third anniversaries of the date of grant assuming continued service on the board. In the event of an outside director's retirement in accordance with the board's retirement policy or his earlier death or disability, or in the event of a change of control of our company as described under "Compensation of Executive Officers—Compensation Upon Change of Control," options and SARs will become immediately exercisable and will remain exercisable for the remainder of their ten-year term. Options and SARs will terminate 60 days after an outside director leaves the board for any other reason. However, if that person ceases to be a director for our convenience, as determined by the board, the board may at its discretion accelerate the exercisability and retain the original term of those options and SARs. This treatment was afforded the options of Richard D. Kinder in connection with his resignation from the Board of Directors in 2002.

We have reserved an aggregate of 600,000 ordinary shares for issuance to outside directors under our Long-Term Incentive Plan, of which 255,032 remained available for grant as of March 1, 2003. The provisions of the Long-Term Incentive Plan relating to grants to outside directors will terminate on May 1, 2003. However, we are proposing to amend our Long-Term Incentive Plan to allow for continuing grants to be made to our directors as described under "Proposal to Amend Our Long-Term Incentive Plan".

Board Meetings and Committees

During 2002, the board of directors held 5 regular meetings and 1 special meeting. Each of our directors attended at least 75% of the meetings during the year, including committee meetings.

The board has standing executive compensation, finance and benefits, corporate governance and audit committees. In addition, the board may from time to time form special committees to consider particular matters that arise.

Executive Compensation Committee. The executive compensation committee reviews and approves the compensation of our officers, administers our executive compensation programs and makes awards under the Long-Term Incentive Plan and the Performance Award and Cash Bonus Plan. The current members of the executive compensation committee are Mr. Kuehn, Chairman, and Messrs. Monti, Pattarozzi, Roger and Siem, although Mr. Kuehn has submitted his resignation from the Board of Directors to be effective as of March 31, 2003. Mr. Siem was appointed to the executive compensation committee in February 2003. The executive compensation committee met 4 times during 2002.

Finance and Benefits Committee. The finance and benefits committee approves our long-term financial policies and annual financial plans, significant capital expenditures, insurance programs and investment policies. It also makes recommendations to the board concerning dividend policy, the issuance and terms of debt and equity securities and the establishment of bank lines of credit. In addition, the finance and benefits committee approves the creation, termination and amendment of our employee benefit programs and periodically reviews the status of these programs and the performance of the managers of the funded programs. The current members of the finance and benefits committee are Mr. Siem, Chairman, and Messrs. Lindenauer, Loyd and Strachan. The finance and benefits committee met 4 times during 2002.

Corporate Governance Committee. The corporate governance committee makes recommendations to the board with respect to the selection and compensation of the board, how the board functions and how the board should interact with shareholders and management. It reviews the qualifications of potential candidates for the board of directors, evaluates the performance of incumbent directors and recommends to the board nominees to be elected at the annual meeting of shareholders. The current members of the corporate governance committee are Mr. Grijalva, Chairman, and Messrs. Kuehn, Loyd, McNamara and Monti, although Mr. Kuehn has submitted his

resignation from the Board of Directors to be effective as of March 31, 2003. The corporate governance committee met 2 times during 2002.

The corporate governance committee will consider nominees for director recommended by shareholders. Please submit your recommendations in writing, along with a resume of the nominee's qualifications and business experience and a signed statement of the proposed candidate consenting to be named as a candidate and, if nominated and elected, to serve as a director. Submit nominations to Eric B. Brown, Secretary, Transocean Inc., 4 Greenway Plaza, Houston, Texas 77046.

Audit Committee. The audit committee assists our board of directors in fulfilling its oversight responsibilities by monitoring the integrity of the Company's financial statements and the independence and performance of our auditors and by reviewing our financial reporting processes. The committee reviews and reports to the board the scope and results of audits by our outside auditor and our internal auditing staff. It also reviews with the outside auditor the adequacy of our system of internal controls. It reviews transactions between us and our directors and officers, our policies regarding those transactions and compliance with our business ethics and conflict of interest policies. The audit committee also recommends to the board of directors a firm of certified public accountants to serve as our outside auditor, reviews the audit and other professional services rendered by the outside auditor and periodically reviews the independence of the outside auditor. The board of directors has adopted a written charter for the audit committee, which is attached as Appendix A to this proxy statement. The current members of the audit committee are Mr. Lindenauer, Chairman, and Messrs. McNamara and Strachan. Mr. Siem was also a member of the audit committee until February 2003. The audit committee met 8 times during 2002.

The rules of the New York Stock Exchange, Inc. restrict directors that have relationships with the company that may interfere with the exercise of their independence from management and the company from serving on the audit committee. We believe that the members of the audit committee have no such relationships and are therefore independent for purposes of New York Stock Exchange rules.

AUDIT COMMITTEE REPORT

Our committee has reviewed and discussed the audited financial statements of the Company for the year ended December 31, 2002 with management, our internal auditors and Ernst & Young LLP. In addition, we have discussed with Ernst & Young LLP, the independent auditing firm for the Company, the matters required by Codification of Statements on Auditing Standards No. 61 (SAS 61). The Sarbanes-Oxley Act of 2002 requires certifications by the Company's chief executive officer and chief financial officer in certain of the Company's filings with the Securities and Exchange Commission ("SEC"). The committee discussed the review of the Company's reporting and internal controls undertaken in connection with these certifications with the Company's management and outside auditors. The audit committee has further periodically reviewed such other matters as it deemed appropriate, including other provisions of the Sarbanes-Oxley Act of 2002 and rules adopted or proposed to be adopted by the SEC and the New York Stock Exchange.

The committee also has received the written disclosures and the letter from Ernst & Young LLP required by Independence Standards Board Standard No. 1, and we have reviewed, evaluated and discussed the written disclosures with that firm and its independence from the Company. We also have discussed with management of the Company and the auditing firm such other matters and received such assurances from them as we deemed appropriate.

Based on the foregoing review and discussions and relying thereon, we have recommended to the Company's Board of Directors the inclusion of the Company's audited financial statements for the year ended December 31, 2002 in the Company's Annual Report on Form 10-K for such year filed with the SEC.

ARTHUR LINDENAUER, CHAIRMAN   IAN C. STRACHAN

MARTIN B. MCNAMARA

SECURITY OWNERSHIP OF 5% BENEFICIAL OWNERS AND MANAGEMENT

The table below shows how many ordinary shares each of our directors and nominees, each of the executive officers named in the summary compensation section below and all directors and executive officers as a group owned as of January 31, 2003. The table below also sets forth information concerning the persons known by us to beneficially own 5% or more of our ordinary shares.

AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP

Name of Beneficial Owner	Shares Owned Beneficially (1)(2)	Percent of Shares Owned Beneficially (3)
Jean P. Cahuzac (4)	138,603	
Gregory L. Cauthen (4)	17,090	
Victor E. Grijalva	46,851	
Ronald L. Kuehn, Jr	40,684	
Arthur Lindenauer	13,788	
Robert L. Long (4)(5)	178,679	
Paul B. Loyd, Jr.	1,472,354	
Martin B. McNamara	36,688	
Roberto Monti	8,667	
Richard A. Pattarozzi	34,667	
Donald R. Ray (4)(6)	271,901	
Alain Roger	14,209	
Kristian Siem (7)	19,520	
Ian C. Strachan	9,167	
J. Michael Talbert (4)(8)	669,526	
All directors and executive officers as a group (21 persons) (4)	3,195,225	1%
Montag & Caldwell, Inc. (9)	20,882,399	7%

(1) The business address of each director and executive officer is c/o Transocean Inc., 4 Greenway Plaza, Houston, Texas 77046.

(2) Includes options exercisable within 60 days held by Messrs. Cahuzac (136,928), Cauthen (15,000), Grijalva (8,667), Kuehn (32,833), Lindenauer (8,667), Long (137,666), Loyd (1,407,354), McNamara (28,339), Monti (8,667), Pattarozzi (34,667), Ray (230,413), Roger (8,667), Siem (19,508), Strachan (8,667), Talbert (588,793) and all directors and executive officers as a group (3,190,300). Also includes rights to acquire ordinary shares under our deferred compensation plan held by Messrs. Grijalva (13,037), Kuehn (7,851) and McNamara (7,349), and all directors and executive officers as a group (28,237).

(3) As of January 31, 2003, each listed individual beneficially owned less than 1.0% of the outstanding ordinary shares.

(4) Includes:

	Mr. Cahuzac	Mr. Cauthen	Mr. Long	Mr. Ray	Mr. Talbert	All directors and executive officers as a group
Shares held by Trustee under 401(k) plan	0	0	3,269	2,960	1,914	12,350
Shares held in Employee Stock Purchase Plan	1,294	590	3,422	3,297	0	16,737

(5) Includes 34,322 shares held in a joint account with his wife.

(6) Includes 35,231 shares held in a joint trust account with his wife.

(7) Siem Industries, Inc. holds 1,423,720 of our ordinary shares. Mr. Siem is the Chairman and Chief Executive Officer of Siem Industries, Inc. As a result, he may be deemed a beneficial owner of those ordinary shares.

(8) Includes 80,409 shares held in a joint account with his wife.

(9) Based on a Schedule 13G filed with the SEC on January 31, 2003. According to the filing, Montag & Caldwell, Inc. has sole dispositive power over 20,882,399 shares and does not have voting power over any shares. The address of Montag & Caldwell, Inc. is 3455 Peachtree Road, NE Suite 1200, Atlanta, Georgia 30326-3248.

Section 16(a) Beneficial Ownership Reporting Compliance

We believe all Section 16(a) reporting requirements related to our directors and executive officers were timely fulfilled during 2002 except for a late Form 4 reporting one option grant for each of Mr. Long and Mr. Cahuzac. This belief is based solely on a review of the reports required to be filed under Section 16(a) of the U.S. Securities Exchange Act of 1934 that have been furnished to us and written representations from those with filing obligations that all reports were timely filed.

COMPENSATION OF EXECUTIVE OFFICERS

Report of the Executive Compensation Committee

The executive compensation committee is composed solely of nonemployee directors. It administers our executive compensation program. The committee's primary responsibility is to ensure that the executive compensation program furthers our interests and those of our shareholders.

Our executive compensation program has three principal objectives:

(1) to attract and retain a highly qualified and motivated management team;

(2) to appropriately reward individual executives for their contributions to the attainment of key strategic goals; and

(3) to link the interests of executives and shareholders through stock-based plans and performance measures.

The committee meets with outside consultants at least annually to review and compare the level of compensation we pay or award to key executives to the compensation practices of a peer group of companies. For 2002, the primary peer group of companies used to determine compensation (base salary, annual cash bonus incentives and stock options) for key executives consisted of 14 publicly held companies which the committee believes are generally of comparable financial size, business focus and scope; however, as described below, we use a slightly different group of companies for comparison based on total shareholder return.

The key components of our executive compensation program are base salary, annual cash bonus incentives and long-term stock incentives. The committee's policies with respect to each component of the program, including the basis for the compensation of the Chief Executive Officer, are described below. The committee consults with the Chief Executive Officer in reviewing the individual performance and compensation of key executives (other than the Chief Executive Officer). The committee reviews the Chief Executive Officer's performance and compensation at least annually.

Base Salaries. The committee reviews at least annually the base salaries of key executive officers and determines whether salaries should be adjusted. Any adjustments are based primarily on the executive's individual performance, responsibilities and experience and salary survey information. In general, the committee's objective is

to maintain executive salaries at the size-adjusted median of the salaries for comparable executives in our peer group. Executive salaries for 2002 were at the median level as compared to the peer group of companies. Accordingly, at its salary review meeting on July 10, 2002, the committee made no significant adjustment of the base salaries of the executive officers. The committee is advised by a third party executive compensation consultant. Upon Mr. Talbert's resignation as CEO and appointment as Chairman in October 2002, his salary was adjusted from $950,000 to $475,000. Upon Mr. Long's appointment as CEO in October 2002, his salary was adjusted from $500,000 to $600,000.

Annual Cash Bonus Incentives. We award annual cash bonus incentive opportunities under the Performance Award and Cash Bonus Plan. The amount of an executive's bonus opportunity, which is expressed as a percentage of base salary, depends primarily upon that individual's position and responsibilities and bonus opportunities provided to comparable positions within our peer group. At the beginning of each year, the committee reviews and approves annual performance goals. Shortly after the end of the year, the committee determines the appropriate bonus payout levels based on the degree to which these goals have been achieved. The annual incentive program is designed to pay total annual cash compensation, which is salary plus bonus, above the median of our peer group when we meet substantially all of the goals established for an executive's bonus opportunity. Similarly, when the goals are not achieved, the program is intended to result in total annual cash compensation below the median of our peer group. The committee also has the discretion to award performance-based cash bonuses under our Long-Term Incentive Plan.

The committee determined that the payout of an executive's 2002 bonus opportunity was to be based on the level of achievement of a company-wide financial goal, corporate goals and individual goals, as described below. The financial goal was weighted at 50%, the corporate goals at 35% and the individual goals at 15%. The committee also has discretion to make additional cash bonus awards beyond the bonus opportunity to recognize exceptional individual performance or to take account of other factors.

The financial goal included in the 2002 bonus opportunities under our Performance Award and Cash Bonus Plan for senior executive officers, including Mr. Long, was our 2002 earnings per share (''EPS'') as compared to our budgeted EPS. Payout of the EPS goal was based on minimum, target and maximum levels of achievement. Mr. Talbert had no financial goal under our Performance Award and Cash Bonus Plan, but he had similar financial performance goals under our Long Term Incentive Plan. The corporate goals for all senior executives included in the 2002 bonus opportunities included operating excellence, technical leadership and annual goals relating to safety and customer focus programs.

The committee met in December 2002 and February 2003 to review the EPS performance versus the goals and the attainment of the corporate goals and objectives for the year 2002. Mr. Talbert's bonus under our Performance Award Cash Bonus Plan and Long-Term Incentive Plan for the period during which he was CEO was determined by the committee to entitle him to a bonus payment of $685,000 or 114% of his bonus opportunity. Mr. Long's bonus under our Performance Award Cash Bonus Plan for the period during which he was CEO was determined by the committee to entitle him to a bonus payment of $114,000 or 114% of his bonus opportunity. Mr. Talbert's and Mr. Long's bonuses for the entire year were $735,000 and $400,000, respectively.

Long-Term Stock Incentives. The long-term stock incentive component of our executive compensation program is designed to align executive and shareholder interests by rewarding executives for the attainment of stock price appreciation and total shareholder return.

As a general rule, the committee administers the long-term stock incentive program through annual grants of stock options to designated executive officers and other key employees. In addition, the committee may consider the award of restricted stock based on the company's total shareholder return ("TSR") when compared to a peer group of companies, and the committee may also make special awards to individual executives and other key employees during the year on a discretionary basis. The peer group of companies used to measure our relative TSR consists of fifteen (15) publicly traded companies with a narrower focus on contract drilling and oilfield services. On July 11, 2002 the committee made stock option grants to executives, including Mr. Talbert and Mr. Long, and stock option grants to other key employees in order to further the goal of aligning the executives' and key employees' interests with those of the shareholders and to encourage management continuity. A further stock option grant was awarded to Mr. Long upon his appointment as CEO on October 9, 2002.

Each executive officer is given a grant opportunity based on the executive's individual position and compensation survey data of our peer group. The executives are granted stock options at the 50th percentile level each year, subject to the committee's discretion to grant more or fewer options based upon company performance. Vesting of options would occur over three years. Restricted stock awards generally would only be made for company performance based upon the last year's TSR, if TSR had been above the 50th percentile. The committee determines whether or not the restricted stock grant opportunity is earned by comparing our annual TSR, calculated by considering stock price appreciation and dividends, to the total shareholder return of the companies in the peer group. Restricted stock awards would provide long-term incentive compensation between the competitive median and 75th percentile levels directly proportional to TSR performance between the 50th and 75th percentiles.

Based upon the above criteria, on July 11, 2002, we granted Mr. Talbert options to purchase 200,000 ordinary shares at an exercise price of $28.80 per share, which was the fair market value of the ordinary shares at the date of the grant. On October 10, 2002, we granted Mr. Long options to purchase 50,000 ordinary shares at an exercise price of $18.82, which was the fair market value of the ordinary shares at the date of the grant. Based upon the formula, the executives, including Messrs. Talbert and Long, were not awarded any restricted stock. Mr. Long also received a grant of options to purchase 60,000 ordinary shares at an exercise price of $28.80 per share, which was the market value of the ordinary shares at the date of the grant, related to the portion of 2002 for which he was not CEO.

Stock Ownership Guidelines. In 1993, the committee established guidelines designed to encourage our key executives to attain specified levels of stock ownership over a five-year period. Stock ownership goals are based on the value of the ordinary shares and are expressed as a multiple of the executive's base salary.

Limitations on Deductibility of Non-Performance Based Compensation. Section 162(m) of the U.S. Internal Revenue Code limits the tax deduction that we or our subsidiaries can take with respect to the compensation of designated executive officers, unless the compensation is ''performance-based.'' The committee expects that all income recognized by executive officers upon the exercise of stock options granted under the Long-Term Incentive Plan will qualify as performance-based compensation. The committee also believes that all restricted stock which it has awarded to date also qualifies as performance-based.

Under the Long-Term Incentive Plan, the committee has the discretion to award performance-based cash compensation that qualifies under Section 162(m) of the U.S. Internal Revenue Code based on the achievement of objective performance goals. For 2002, Mr. Talbert was the only executive eligible for a performance-based cash award under the Long-Term Incentive Plan. The committee may determine to award compensation that does not qualify under Section 162(m) as performance-based compensation.

Conclusion. The committee believes that the executive compensation philosophy that we have adopted effectively serves our interests and those of our shareholders. It is the committee's intention that the pay delivered to executives be commensurate with company performance.

RONALD L. KUEHN, JR., CHAIRMAN   ROBERTO L. MONTI

RICHARD A. PATTAROZZI   ALAIN ROGER

Executive Compensation

The table below shows the compensation during 2000, 2001 and 2002 of the two individuals who served as our Chief Executive Officer during 2002 and our four most highly compensated executive officers other than our Chief Executive Officer who were serving as executive officers at the end of 2002 (the "named executive officers").

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term Compensation Awards		
Name and Principal Position	Year	Salary($)	Bonus($)(1)	Other Annual Compensation($)	Restricted Stock Award($)(2)	Securities Underlying Options/SARs(3)	All Other Compensation($)(4)
J. Michael Talbert (5)......	2002	851,042	735,000	0	0	200,000	2,318,844(6)
Chairman	2001	896,218	625,000	0	0	175,000	86,550
	2000	736,458	580,700	0	0	175,000	54,602
Robert L. Long	2002	520,833	400,000	0	0	110,000	968,380(7)
President and Chief	2001	460,494	260,039	0	0	50,000	46,938
Executive Officer	2000	346,875	179,100	0	0	50,000	22,925
Jean P. Cahuzac..............	2002	395,000	281,768	45,486(8)	0	75,000	57,547
Executive Vice	2001	384,244	196,656	50,365(8)	0	50,000	74,708
President, Chief	2000	328,750	173,400	86,525(8)		50,000	40,393
Operating Officer							
Donald R. Ray	2002	345,000	208,061	0	0	40,000	17,300
Executive Vice	2001	334,244	137,300	0	0	40,000	25,888
President, Quality,	2000	381,542	189,630	0	0	40,000	24,041
Safety, Health and							
Environment							
Gregory L. Cauthen (9)...	2002	286,458	154,340	0	0	40,000	13,002
Senior Vice	2001	176,791	53,270	0	0	30,000	1,060
President, Chief							
Financial Officer							
and Treasurer							

(1) The amount shown as "Bonus" for a given year includes amounts earned with respect to that year but paid in the first quarter of the following year.

(2) Represents the number of restricted shares times the market price of the shares on the date of grant. Any declared dividends are paid on all restricted shares. As of December 31, 2002, none of the named executive officers held any restricted ordinary shares.

(3) Represents options to purchase our ordinary shares at fair market value on the date of the grants.

(4) With respect to 2002, the amounts shown as "All Other Compensation" include the following:

	Mr. Cahuzac	Mr. Cauthen	Mr. Long	Mr. Ray	Mr. Talbert
Matching contributions under the Savings Plan	8,250	6,188	8,325	3,825	7,615
Contributions under the Supplemental Benefit Plan.................................	10,449	6,814	17,546	13,475	38,286
Defined contribution international retirement benefit plan.....................	38,848	0	0	0	0

(5) Mr. Talbert served as our Chief Executive Officer until October 2002.

(6) In addition to the items listed in footnote (4), includes a payment of $2,272,943 to Mr. Talbert in connection with the change of control provisions in his former employment agreement. See "—Employment Agreements."

(7) In addition to the items listed in footnote (4), includes a payment of $942,509 to Mr. Long in connection with the change of control provisions in his former employment agreement. See "—Employment Agreements."

(8) For the years 2001 and 2002, includes payments to Mr. Cahuzac relating to school fees ($30,192 and $31,876, respectively) and home country travel entitlement ($14,172 and $7,610, respectively). For the year 2000, includes payments relating to Mr. Cahuzac's relocation ($36,735) and school fees ($26,852).

(9) Mr. Cauthen was not employed by us in 2000.

Options Granted

The table below contains information with respect to options to purchase our ordinary shares granted to the named executive officers in 2002.

OPTION/SAR GRANTS IN 2002

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Company Share Price Appreciation for Option Term (10 Years)	
Name	Number of Securities Underlying Options/SARs Granted	% of Total Options/SARs Granted to Company Employees in 2002	Exercise Price ($ /share)	Expiration Date(1)	5%(2)	10%(2)
J. Michael Talbert	200,000	9	$28.80	7/10/12	$ 3,622,433	$ 9,179,956
Robert L. Long	60,000	3	$28.80	7/10/12	$ 1,086,729	$ 2,753,986
	50,000	2	$18.82	10/10/12	$ 567,356	$ 1,460,805
Jean P. Cahuzac	50,000	2	$28.80	7/10/12	$ 905,608	$ 2,294,989
	25,000	1	$18.82	10/10/12	$ 283,678	$ 730,402
Donald R. Ray	40,000	2	$28.80	7/10/12	$ 724,486	$ 1,835,991
Gregory L. Cauthen	40,000	2	$28.80	7/10/12	$ 724,486	$ 1,835,991

(1) The options are subject to termination prior to their expiration date in some cases where employment is terminated.

(2) These columns show the gains the named executives and all of our shareholders could realize if our shares appreciate at a 5% or 10% rate. These growth rates are arbitrary assumptions specified by the Securities and Exchange Commission, not our predictions.

Aggregate Option Exercises

The following table shows information concerning options to purchase our ordinary shares the named executive officers exercised during 2002, and unexercised options they held as of December 31, 2002:

AGGREGATED OPTION EXERCISES IN 2002 AND 2002 YEAR-END OPTION VALUE

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at Fiscal Year End		Value of Unexercised, In-the-Money Options at Fiscal Year End	
			Exercisable	Unexercisable	Exercisable(1)	Unexercisable
J. Michael Talbert	0	$0.00	530,459	375,001	$ 991,362	$ 0
Robert L. Long	0	$0.00	120,999	160,001	$ 0	$ 219,000
Jean P. Cahuzac	0	$0.00	120,261	125,001	$ 0	$ 109,500
Donald R. Ray	0	$0.00	217,079	80,001	$1,523,324	$ 0
Gregory L. Cauthen	0	$0.00	10,000	60,000	$ 0	$ 0

(1) The value of each unexercised in-the-money option or tandem SAR is equal to the difference between $23.20, which was the closing price of our ordinary shares on December 31, 2002, and the exercise price of the option.

Defined Benefit Plans

We maintain a U.S. Retirement Plan for our qualifying employees and officers and those of participating subsidiaries. In general, we base annual retirement benefits on average covered compensation for the highest five consecutive years of the final ten years of employment and years of service. We include salaries and bonuses and some personal benefits as covered compensation under the U.S. Retirement Plan. We do not include (1) amounts relating to the grant or vesting of restricted shares, the exercise of options and SARs, and receipt of tax-offset supplemental payments with respect to options, SARs or restricted shares, or (2) employer contributions under our Savings Plan or our Supplemental Benefit Plan.

The maximum annual retirement benefit under our U.S. Retirement Plan is generally 60% of the participant's average covered compensation minus 19.5% of his or her covered social security earnings. The eligible survivors of a deceased U.S. Retirement Plan participant are entitled to a survivor's benefit under the plan. Benefits under our U.S. Retirement Plan are generally paid as life annuities.

Eligible participants in our U.S. Retirement Plan and their eligible survivors are entitled to receive retirement and survivors benefits that would have been payable under the U.S. Retirement Plan but for the fact that benefits payable under funded pension plans are limited by federal tax laws. As a general rule, during 2002, the federal tax laws limited annual benefits under tax-qualified retirement plans to $160,000, subject to reduction in some cases, and required those plans to disregard any portion of the participant's 2002 compensation in excess of $200,000. A participant may choose to have these benefits paid either as a life annuity or in a cash lump sum upon termination of employment.

Mr. Cahuzac is a non-U.S. citizen and participates in a defined contribution international retirement plan. He does not participate in our U.S. Retirement Plan.

The following table contains the benefits payable to the named executive officers under our U.S. Retirement Plan and related supplemental benefit plans as of December 31, 2002:

DEFINED BENEFIT PLAN TABLE

Name	Current Years of Service(1)	Estimated Annual Retirement Benefit at Age 65(2)
J. Michael Talbert	8.3	$503,702
Robert L. Long	27.5	$430,339
Donald R. Ray	30.8	$275,320
Gregory L. Cauthen	1.6	$147,938

(1) Includes years of service with Sonat Inc. in the case of Messrs. Long and Ray.

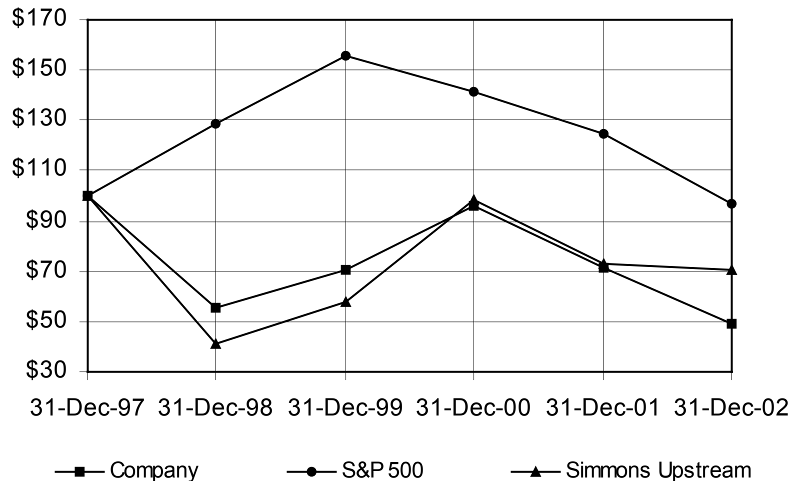
(2) Estimated annual retirement benefit payable under the Retirement Plan and related supplemental benefit plans as a single life annuity at age 65 (based on the assumptions that the officer retires from employment with us at age 65 with average covered compensation at his retirement date equal to his 2002 covered compensation) and calculated prior to the offset for covered social security earnings.

Performance Graph

The graph below compares the cumulative total shareholder return of (1) our ordinary shares, (2) the Standard & Poor's 500 Stock Index and (3) the Simmons & Company International Upstream Index over our last five fiscal years. The graph assumes that $100 was invested in our ordinary shares and each of the other two indices on December 31, 1997, and that all dividends were reinvested on the date of payment.

CUMULATIVE TOTAL SHAREHOLDER RETURN

Indexed Total Shareholder Return
December 31, 1997—December 31, 2002



	December 31,					
	1997	1998	1999	2000	2001	2002
Transocean	100.00	55.85	70.44	96.19	71.31	49.42
S&P 500	100.00	128.57	155.61	141.46	124.68	97.16
Simmons Upstream Index	100.00	57.79	57.79	98.13	73.34	70.32

Compensation upon Change of Control

Some of our benefit plans provide for the acceleration of benefits in the event of a change of control of our company. A change of control generally includes acquisitions of beneficial ownership of 20% or more of our ordinary shares, changes in board composition and certain merger and sale transactions.

Upon the occurrence of a change of control, all outstanding restricted shares granted under the Long-Term Incentive Plan will immediately vest and all options and SARs granted under the Long-Term Incentive Plan to outside directors or held by then-current employees will become immediately exercisable. In addition, the executive compensation committee may provide that if a SAR is exercised within 60 days of the occurrence of a change of control, the holder will receive a payment equal to the excess over the amount otherwise due of the highest price per ordinary share paid during the 60-day period prior to exercise of the SAR. The executive compensation committee also may provide that the holder is entitled to a supplemental payment on that excess. Those payments are in addition to the amount otherwise due on exercise. Also, upon the occurrence of a change of control, the participant will become vested in 100% of the maximum performance award he could have earned under our Performance Award and Cash Bonus Plan for the proportionate part of the performance period prior to the change of control and will retain the right to earn out any additional portion of his award if he remains in our employ.

The Sedco Forex merger constituted a change of control under our Long-Term Incentive Plan and Performance Award and Cash Bonus Plan.

Consulting Agreements with Directors

As part of the Sedco Forex merger and as a condition to his appointment as Chairman of the Board, we entered into a consulting agreement with Victor E. Grijalva. The consulting agreement originally contained the following material terms:

- we will nominate Mr. Grijalva to the board of directors to serve as Chairman until his 65th birthday, at which time he will tender his resignation for action by the board of directors. Mr. Grijalva will turn 65 in July of 2003;
- until the time of his resignation, Mr. Grijalva will provide consulting services to us, as an independent contractor, with regard to long-range planning, strategic direction and integration and rationalization matters;
- we will pay Mr. Grijalva $400,000 per year;
- we will indemnify Mr. Grijalva in connection with the services he provides to the fullest extent available under our articles of association; and
- Mr. Grijalva will be entitled to the non-cash compensation and benefits we provide to non-employee directors.

Effective October 10, 2002, the consulting agreement was amended to provide that Mr. Grijalva would resign as Chairman of the Board but would remain as a member of the board. Mr. Grijalva agreed to resign as a consultant no later than the date of his 65th birthday. If Mr. Grijalva remains on the board after the period he serves as a consultant, he will be entitled to the same compensation and benefits (including any pro-rated cash director fees) as other non-employee members of the board in accordance with our policies.

At the time of the R&B Falcon merger, R&B Falcon entered into a consulting agreement with Paul B. Loyd, Jr. The consulting agreement, which has now expired, contained the following material terms:

- the term of the consulting agreement was for a period of two years following the date of Mr. Loyd's termination of employment from R&B Falcon, which occurred on January 31, 2001, and he could terminate it at any time on 30 days' advance written notice;

- Mr. Loyd would provide consulting services with regard to strategies, policies, special projects, incentives, goals and other matters related to the development and growth of R&B Falcon for a minimum of 30 hours per month;
- Mr. Loyd agreed not to perform substantially similar services during the term of the consulting agreement for any other company that provides offshore contract drilling services;
- we would pay Mr. Loyd $360,000 per year and he would waive all director's fees or other remuneration that he would otherwise receive for being a member of our board of directors; and
- Mr. Loyd would be entitled to reimbursement of expenses incurred in providing consulting services.

Employment Agreements

During September and October 2000, we entered into new agreements with some of our executive officers, including Messrs. Talbert, Long, Ray, Brown and Ms. Koucouthakis. These agreements replaced employment agreements entered into prior to the Sedco Forex merger. The prior agreements provided that the occurrence of a change in control triggered provisions that allowed executives to leave for any reason during a specified period following the change of control and receive the payments defined in the employment agreements, which generally guaranteed a minimum salary and bonus for a period of three years. The Sedco Forex merger triggered these provisions, and as a result, the executives could have left for any reason during January 2001 and received the payments under the employment agreements. In order to induce the executives to remove such right and remain with our company, we offered the executives either (a) a cash payment equivalent to the amount otherwise due under the employment agreement as if the executive left in January 2001 to be vested and paid, with interest, over a three year period in equal annual installments commencing January 2002, in exchange for termination of the employment agreement (such amounts would become payable if the executive remained employed, and would become payable in a lump sum if the executive's termination occurred due to death, disability or termination without cause, or due to certain reductions in authority or base salary), or (b) an extension of the existing employment agreement for three years beyond the current one month trigger period with a first term of 18 months during which the employee commits to remain with our company, followed by an additional term of 18 months (commencing July 1, 2002) during which the employee can self trigger the payment rights to predetermined amounts, with interest, under the employment agreement by terminating his or her employment. Mr. Brown and Ms. Koucouthakis entered into agreements described in clause (a) of the foregoing sentence, and Messrs. Talbert, Long and Ray entered into agreements described in clause (b) of the foregoing sentence. None of the new agreements contain change of control provisions. The agreements with Messrs. Talbert, Long, and Ray provide that in the event the payments called for under the agreement would subject the executive to an excise tax under Section 4999 of the U.S. Internal Revenue Code, the executive will be entitled to receive an additional "gross-up" payment in some circumstances. Mr. Ray has indicated that he plans to retire at the end of this year, which would trigger the payment of $1,794,212 excluding interest.

In May 2002, Mr. Long entered into an agreement revoking his employment agreement described above, which had provided him a right to leave for any reason and receive his change of control payments. The new agreement provides for a cash payment of $2,142,756 to be vested and paid, with interest, over a three year period in equal annual installments beginning June 1, 2002. The amount of this payment is approximately equal to the amount Mr. Long would have been entitled to receive under his employment agreement if his employment had been terminated in January 2001.

In October 2002, in connection with the change in his duties with the Company, Mr. Talbert entered into an agreement revoking his employment agreement described above, which had provided him a right to leave for any reason and receive his change of control payments. The new agreement provides for the reduction in his annual salary to $475,000 and a cash payment of $4,877,593 to be vested and paid, with interest, over a three year period in equal annual installments beginning October 2002. The amount of this payment is approximately equal to the amount Mr. Talbert would have been entitled to receive under his prior employment agreement if his employment had been terminated in January 2001. The agreement also provides that Mr. Talbert will tender his resignation as

Chairman of the Board for action by the board of directors on the earliest to occur of any regularly scheduled meeting of the board of directors in October 2004 and October 16, 2004.

Neither Mr. Cahuzac nor Mr. Cauthen is a party to an employment agreement with us.

Compensation Committee Interlocks and Insider Participation

The members of the executive compensation committee of the board of directors during the last completed fiscal year were Mr. Kuehn, Chairman, and Messrs. Monti, Pattarozzi and Roger. There are no matters relating to interlocks or insider participation that we are required to report.

CERTAIN TRANSACTIONS

We own a 50 percent interest in an unconsolidated joint venture company, Overseas Drilling Limited ("ODL"), which owns the drillship *Joides Resolution*. DSND Inc. owns the other 50 percent interest in ODL. Our director, Kristian Siem, is the chairman of DSND and is also a director and officer of ODL. We provide operational and management services to ODL, and we earned $1.2 million for these services in 2002. ODL also reimburses us for costs which we incur in connection with these services. ODL loaned $1 million to each of DSND and us in March 2003. These loans are to be repaid in September 2003 and do not bear interest if repaid on time. Mr. Siem is also chairman and chief executive officer of Siem Industries, Inc., which owns more than a 50 percent interest in DSND.

PROPOSAL TO AMEND OUR LONG-TERM INCENTIVE PLAN

Description of the Proposal

Our board of directors has unanimously adopted a resolution to submit to a vote of our shareholders a proposal to amend our Long-Term Incentive Plan to allow grants of incentive stock options for an additional ten year period to May 1, 2013, and to allow a continuing right to grant stock options and share appreciation rights to our outside directors. The provisions of the Long-Term Incentive Plan relating to grants to outside directors and grants of incentive stock options will terminate on May 1, 2003 unless shareholders approve this proposal. The board believes that the amendment is necessary to attract and retain qualified outside directors and to allow flexibility in the types of stock options that we award under the incentive plan.

Our board of directors unanimously recommends a vote "FOR" the proposal to approve the amendment to our long-term incentive plan.

Principal Provisions of the Long-Term Incentive Plan

The following summary of the incentive plan is qualified by reference to the full text of the proposed amended and restated plan, which is attached as Appendix B to this proxy statement.

The incentive plan is administered by the executive compensation committee of the board of directors, all of the members of which are "non-employee directors" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934 and "outside directors" within the meaning of Section 162(m) of the U.S. Internal Revenue Code. It is intended that the grant of awards under the amended incentive plan, after approval by shareholders, will satisfy the requirements of Section 162(m) of the code, as applicable to limitations on deductions of compensation expenses in excess of $1 million for certain executive officers.

The committee designates the employees of our company and our subsidiaries and affiliated companies to be granted awards under the incentive plan and the type and amount of awards to be granted. The committee has authority to interpret and amend the incentive plan, adopt administrative regulations for the operation of the incentive plan and determine and amend the terms of awards to employees under the incentive plan. However, the committee has no authority to vary the amount or terms of awards to outside directors from those set forth in the incentive plan.

Under the incentive plan, options to purchase ordinary shares, share appreciation rights in tandem with options, freestanding share appreciation rights, restricted shares and cash performance awards may be granted to employees at the discretion of the committee. The committee may provide for a supplemental cash payment upon the exercise of an option or share appreciation right to cover the employee's tax burden associated with the exercise. In addition, the incentive plan provides for automatic awards to outside directors of options to purchase 4,000 ordinary shares at the time the individual becomes one of our directors and options to purchase 6,000 ordinary shares after each annual meeting of our shareholders at which the individual remains or is reelected as a director. Outside directors who reside in Norway may elect to receive share appreciation rights instead of these option grants.

The aggregate number of ordinary shares that may be issued under the incentive plan may not exceed 18,900,000 shares with respect to awards to employees, reduced by the number of shares that have previously been issued with respect to awards to employees. Cash tax-offset supplemental payments will not count against these limits. Lapsed, forfeited or canceled awards, including options canceled upon the exercise of tandem share appreciation rights, will not count against these limits and can be regranted under the incentive plan. If the exercise price of an option is paid in ordinary shares or if ordinary shares are withheld from payment of an award to satisfy tax obligations with respect to the award, those shares will also not count against the above limits. No employee may be granted options or restricted shares with respect to more than 600,000 ordinary shares in any fiscal year. The aggregate number of ordinary shares subject to awards to outside directors may not exceed 600,000. The aggregate number of ordinary shares subject to awards of freestanding share appreciation rights to employees may not exceed 300,000. The aggregate number of restricted shares which may be issued from and after January 31, 2001 from the 18,900,000 shares then reserved under the plan may not exceed 2,000,000. The shares issued under the incentive plan may be ordinary shares held in treasury or authorized but unissued ordinary shares.

Our officers are eligible to participate in the incentive plan, as are employees of our company and our subsidiaries, and of partnerships or joint ventures in which we and our subsidiaries have a significant ownership interest, as determined by the committee. Our outside directors are automatically granted options or, for outside directors residing in Norway, share appreciation rights that have the terms specified in the incentive plan. Outside directors are not eligible for any other awards under the incentive plan. Approximately 350 current employees and all of our current outside directors have received awards under the incentive plan. All of our employees are eligible to receive awards under the incentive plan at present.

Each stock option and SAR granted to a director has a ten-year term and becomes exercisable in equal annual installments on the first, second and third anniversaries of the date of grant assuming continued service on the board. In the event of an outside director's retirement in accordance with the board's retirement policy or his earlier death or disability, or in the event of a change of control of our company, options and SARs will become immediately exercisable and will remain exercisable for the remainder of their ten-year term. Options and SARs will terminate 60 days after an outside director leaves the board for any other reason. However, if that person ceases to be a director for our convenience, as determined by the board, the board may at its discretion accelerate the exercisability and retain the original term of those options and SARs.

The committee determines, in connection with each option awarded to an employee, the exercise price, whether that price is payable in cash, ordinary shares or by cashless exercise, the terms and conditions of exercise, whether the option will qualify as an incentive stock option under the U.S. Internal Revenue Code, or a non-qualified option, restrictions on transfer of the option and other provisions not inconsistent with the incentive plan. The committee is also authorized to grant share appreciation rights to incentive plan participants, either as freestanding awards or in tandem with an option. Every share appreciation right entitles the participant, upon exercise of the share appreciation right, to receive in cash or ordinary shares a value equal to the excess of the market value of a specified number of ordinary shares at the time of exercise, over the exercise price established by the committee. The incentive plan requires that the exercise price of options and share appreciation rights be at least equal to fair market value on the date of grant, except with respect to options granted within 90 days of the closing of our initial public offering in June 1993. The term of options and share appreciation rights under the incentive plan may not exceed 10 years, except that the committee may extend the term for up to one year following the death of the participant.

The committee is authorized to grant employees awards of restricted shares. The committee determines the terms, conditions, restrictions and contingencies applicable to awards of restricted shares. Awards of restricted

shares may be designated as "qualified performance-based compensation" under Section 162(m) of the U.S. Internal Revenue Code. The performance goals will be based on the same criteria as the cash performance awards discussed below.

The committee may also provide for cash performance awards to employees based on the achievement of one or more objective performance goals. Cash performance awards may be designated as "qualified performance-based compensation" under Section 162(m) of the U.S. Internal Revenue Code. If so designated, the cash performance awards will be contingent upon our performance during the performance period, as measured by targets established by the committee, based on any one or more of:

- sales;
- operating profits;
- operating profits before interest expense and taxes;
- net earnings;
- earnings per share;
- return on equity;
- return on assets;
- return on invested capital;
- total shareholder return;
- cash flow;
- debt-to-equity ratio;
- market share;
- stock price;
- economic value added; and
- market value added.

Such performance measures may be applied to us on a consolidated basis and to a business unit, as an absolute measure or as a measure relative to a peer group of companies. The committee will establish the performance objectives for an award in writing no later than 90 days after beginning of the fiscal year to which the award relates.

We have not granted any incentive options to date under the plan but could determine to do so in the future.

The number and kind of shares covered by the incentive plan and by outstanding awards under the incentive plan and the exercise price of outstanding awards are subject to adjustment in the event of any:

- reorganization;
- recapitalization;

- stock dividend;
- stock split;
- merger;
- consolidation;
- extraordinary cash dividend;
- split-up;
- spin-off;
- combination; or
- exchange of shares.

Upon the occurrence of a change of control, following the grant of an award, (1) all outstanding restricted shares will immediately vest, (2) all options and share appreciation rights held by outside directors will become immediately exercisable and will remain exercisable for the remainder of their term, and (3) all outstanding options, tandem share appreciation rights and freestanding share appreciation rights held by then-current employees will become immediately exercisable and will remain exercisable for the remainder of their term.

The incentive plan is not limited in duration by its terms. However, pursuant to Section 422(b)(2) of the U.S. Internal Revenue Code, no option that is intended to constitute an incentive stock option may currently be granted under the incentive plan after May 1, 2003. Also, the provisions of the incentive plan relating to outside directors will terminate on May 1, 2003. The proposal to amend our incentive plan would extend the period during which incentive stock options may be granted for an additional ten years to May 1, 2013 and extend indefinitely the right to grant stock options and share appreciation rights to our outside directors. Our board of directors may at any time amend, suspend or terminate the incentive plan, but in doing so cannot adversely affect any outstanding awards without the grantee's written consent. In addition, the board of directors may not increase the number of shares reserved for issuance under the incentive plan or change the minimum option or share appreciation right price without shareholder approval.

The amount and type of awards to be granted in the future under the incentive plan to the named officers, to all executive officers as a group and to all other employees are not currently determinable.

U.S. Federal Income Tax Consequences

The following is a summary of the general rules of present U.S. federal income tax law relating to the tax treatment of incentive stock options, non-qualified stock options, share appreciation rights, restricted shares awards and cash performance awards issued under the incentive plan. The discussion is general in nature and does not take into account a number of considerations that may apply based on the circumstances of a particular participant under the incentive plan, including the possibility that a participant may not be subject to U.S. federal income taxation. When the terms "we", "our" or "our company" is used in this section, the term is understood to mean the principal U.S. operating subsidiary of Transocean.

Options

Some of the options issuable under the incentive plan may constitute "incentive stock options" within the meaning of Section 422 of the U.S. Internal Revenue Code, while other options granted under the incentive plan will be non-qualified stock options. The U.S. Internal Revenue Code provides for tax treatment of stock options qualifying as incentive stock options that may be more favorable to employees than the tax treatment accorded non-qualified stock options. Upon the grant of either form of option, the optionee will not recognize income for tax

purposes and we will not receive any deduction. Generally, upon the exercise of an incentive stock option, the optionee will recognize no income for U.S. federal income tax purposes. However, the difference between the exercise price of the incentive stock option and the fair market value of the shares at the time of exercise is an item of tax adjustment that may require payment of an alternative minimum tax. On the sale of shares acquired by exercise of an incentive stock option (assuming that the sale does not occur within two years of the date of grant of the option or within one year from the date of exercise, which is referred to as a disqualifying disposition) any gain will be taxed to the optionee as mid-term or long-term capital gain, depending on the actual holding period from the exercise date. In contrast, upon the exercise of a non-qualified option, the optionee recognizes taxable ordinary income (subject to withholding) in an amount equal to the difference between the fair market value of the shares on the date of exercise and the exercise price. Upon any sale of such shares by the optionee, any difference between the sale price and the fair market value of the shares on the date of exercise of the non-qualified option will be treated generally as a capital gain or loss. No deduction is available to us upon the exercise of an incentive stock option (although a deduction may be available if the employee sells the shares acquired upon exercise before the applicable holding period expires) whereas upon exercise of a non-qualified stock option, we are entitled to a deduction in an amount equal to the income recognized by the employee. Except in the case of the death or disability of an optionee, an optionee has three months after termination of employment in which to exercise an incentive stock option and retain favorable tax treatment at exercise. An option exercised more than three months after an optionee's termination of employment other than upon death or disability of an optionee cannot qualify for the tax treatment accorded incentive stock options. Such option would be treated as a non-qualified stock option instead.

Share Appreciation Rights

The amount of any cash or the fair market value of any share received by the holder upon the exercise of share appreciation rights under the incentive plan will be subject to ordinary income tax in the year of receipt, and we will be entitled to a deduction for that amount.

Restricted Share Awards

Generally, a grant of ordinary shares under the incentive plan that are subject to vesting and transfer restrictions will not result in taxable income to the recipient for U.S. federal income tax purposes or a tax deduction to us in the year of the grant. The value of the shares will generally be taxable to the recipient as compensation income in the years in which the restrictions on the shares lapse. Such value will be the fair market value of the shares on the dates the restrictions terminate, less any consideration paid for the shares. Any recipient, however, may elect pursuant to Section 83(b) of the U.S. Internal Revenue Code to treat the fair market value of the shares on the date of a grant as compensation income in the year of the grant of restricted shares, provided the recipient makes the election pursuant to Section 83(b) within 30 days after the date of the grant. In any case, we will receive a deduction for U.S. federal income tax purposes corresponding in amount to the amount of compensation included in the recipient's income in the year in which that amount is so included.

Cash Performance Awards

Cash performance awards are taxable income to the recipient for U.S. federal income tax purposes at the time of payment. The recipient will have compensation income equal to the amount of cash paid, and we will have a corresponding deduction for U.S. federal income tax purposes.

Other

In general, a U.S. federal income tax deduction is allowed to us in an amount equal to the ordinary income recognized by a participant with respect to awards under the incentive plan, provided that such amount constitutes an ordinary and necessary business expense of our company, that such amount is reasonable, and that the qualified performance-based compensation requirements of Section 162(m) of the U.S. Internal Revenue Code are satisfied. We will not be entitled to a deduction with respect to payments to employees that are contingent upon a change of control if those payments are deemed to constitute "excess parachute payments" under Section 280G of the U.S. Internal Revenue Code and do not qualify as reasonable compensation pursuant to that section; such payments will subject the recipients to a 20% excise tax.

A participant's tax basis in shares acquired upon exercise of an option under the incentive plan is equal to the sum of the price paid for the shares, if any, and the amount of ordinary income recognized by the participant upon receipt of the shares. The participant's holding period for the shares begins upon receipt of the shares. If a participant sells the shares, any difference between the amount realized in the sale and the participant's tax basis in the shares is taxed as long-term, mid-term or short-term capital gain or loss (provided the shares are held as a capital asset on the date of sale) depending on the participant's holding period for the shares.

PROPOSAL TO AMEND OUR EMPLOYEE STOCK PURCHASE PLAN

Description of the Proposal

Our board of directors has unanimously adopted a resolution to submit to a vote of our shareholders a proposal to amend our Employee Stock Purchase Plan to increase the number of ordinary shares reserved for issuance under the stock purchase plan from 1,500,000 to 2,500,000. The purpose of our stock purchase plan is to encourage and assist our employees to acquire an equity interest in the company through the purchase of ordinary shares. Our board of directors believes the stock purchase plan is achieving its purpose, and desires to have sufficient shares authorized for issuance under the plan to continue participation by our employees. We currently have 225,984 authorized shares remaining for issuance under the plan, and, based on current enrollment, we do not believe we would have a sufficient number of shares available at the end of the current plan year to meet the participants' purchase needs. The stock purchase plan will terminate after all of our ordinary shares covered by the stock purchase plan have been purchased, unless our board of directors terminates the plan earlier.

Our board of directors unanimously recommends a vote "FOR" the proposal to approve the amendment to our employee stock purchase plan.

Principal Provisions of the Employee Stock Purchase Plan

The following summary of the employee stock purchase plan is qualified by reference to the full text of the proposed amended and restated plan, which is attached as Appendix C to this proxy statement.

Under the stock purchase plan, all full-time employees of Transocean Inc. and any subsidiary that has, with the consent of Transocean Inc.'s board of directors, adopted the stock purchase plan who do not own, or hold options to acquire, five percent or more of the total combined voting power or value of our ordinary shares, are eligible to participate in the stock purchase plan. Participants in the stock purchase plan may purchase our ordinary shares through payroll deductions on an after-tax basis over a plan year beginning on each January 1 and ending on the following December 31 during the term of the stock purchase plan. A participant's right to participate in the stock purchase plan terminates immediately when a participant ceases to be employed by us. An employee may elect to participate in the stock purchase plan as of any January 1 following his or her completion of six consecutive months of employment. A participant may elect to make contributions each pay period in an amount not less than two percent of the participant's monthly compensation, with no dollar minimum, subject to a monthly limitation equal to twenty percent of his base monthly earnings or such other amount established by the our board of directors finance and benefits committee, taking into account a "maximum share limitation." The maximum share limitation is the number of ordinary shares derived by dividing $25,000 by the fair market value, as defined below, of ordinary shares determined as of the first trading day of the plan year. The contributions will be held in trust during a plan year, and interest will be credited to the participant's account. Unless a participant elects otherwise, the dollar amount in the participant's account at the end of the plan year will then be used to purchase as many whole ordinary shares as the funds in his or her account will allow subject to the maximum share limitation. The purchase price for the stock will be 85 percent of the lesser of (1) its fair market value on the first trading day of the plan year or (2) its fair market value on the last trading day of the plan year. "Fair market value" means the closing composite sales price per ordinary share on the New York Stock Exchange on the applicable date. Any cash remaining in the participant's account is refunded to the participant unless the finance and benefits committee of the board of directors decides, in its discretion, to carry over the excess enrollments to the following plan year.

If the participant elects not to purchase ordinary shares at the end of the plan year, such participant will receive a return of his or her payroll deductions during the plan year plus the interest accrued on such deductions. At the end of each plan year, participants will receive a statement of their account balances, including interest earned

and the number of whole ordinary shares purchased and in the accounts. Any dividends on ordinary shares held in a participant's account will be credited to his or her account. A participant may elect to withdraw his or her entire contributions for the current year from the stock purchase plan at any time prior to the purchase of our ordinary shares. Any participant who so elects will receive his or her entire account balance, including interest and dividends, if any. A participant who suspends his or her payroll deductions or withdraws contributions cannot resume participation in the stock purchase plan during that plan year and must reenroll in the stock purchase plan the following year in order to participate. A participant may also elect at any time to withdraw ordinary shares held in his or her account for at least one year. Although the plan provides that a participant may not sell ordinary shares held in the participant's account for less than three months, this restriction has been waived by the finance and benefits committee. In the event of a participant's death, amounts credited to his or her account, including interest and dividends, if applicable, will be paid in cash, and a certificate for any ordinary shares will be delivered to his or her designated beneficiaries or other legal representative.

Our board of directors generally may amend or terminate the stock purchase plan at any time, provided that approval of our shareholders must be obtained for any amendment to the stock purchase plan if required under Section 423 of U.S. Internal Revenue Code or any other applicable law or regulation. Section 423 of the U.S. Internal Revenue Code currently requires shareholder approval of a plan amendment that would change the number of shares reserved for issuance under the stock purchase plan. The shares to be issued pursuant to the stock purchase plan may be ordinary shares held in treasury or authorized but unissued ordinary shares.

The amount and type of awards to be granted in the future under the stock purchase plan to the named officers, to all executive officers as a group and to all other employees are not currently determinable.

U.S. Federal Income Tax Consequences

The following is a summary of the general rules of present U.S. federal income tax law relating to the tax treatment of the ordinary shares purchased under the stock purchase plan. The discussion is general in nature and does not take into account a number of considerations that may apply based on the circumstances of a particular participant under the stock purchase plan, including the possibility that a participant may not be subject to U.S. federal income taxation. When the term "we," "our" or "our company" is used in this section, the term is understood to mean the principal U.S. operating subsidiary of Transocean.

The stock purchase plan is intended to qualify as an "employee stock purchase plan" under the provisions of Section 423 of the U.S. Internal Revenue Code. A participant under the stock purchase plan is not subject to U.S. federal income taxation when ordinary shares are purchased under the plan, even though such shares are purchased at 85% of the lesser of the fair market value on the first trading day of the calendar year or the fair market value on the last trading day of the calendar year. A participant, however, will recognize taxable ordinary income upon disposition of the ordinary shares acquired under the stock purchase plan if such shares are disposed of in a "disqualifying disposition," which is a disposition of the shares before the later of (1) two years from the date a right to purchase stock was issued under the plan or (2) one year from the date that shares acquired under the plan were transferred to the participant. This taxable income will be recognized in the year of the disqualifying disposition and will equal the amount by which the fair market value of the shares on the purchase date exceeds the purchase price of the shares, but in no event will the income recognized exceed the sales proceeds for such shares reduced by the purchase price for such shares. Any additional gain or loss recognized on the disqualifying disposition of the shares will be short-term or long-term capital gain or loss, depending on the length of time the participant has held the shares after the exercise of the purchase right. If a participant sells or otherwise disposes of his or her shares after the above holding period so that there is no disqualifying disposition or in the event of a participant's death (whenever occurring), the participant (or the participant's estate in the event of death) would realize ordinary income, in the year of the qualifying disposition, equal to the lesser of (1) the excess of the fair market value of the shares at the time of the disposition over the purchase price or (2) the excess of the fair market value of the shares at the time the purchase right was granted over the purchase price. Any additional gain or loss recognized on the qualifying disposition of the shares will be long-term capital gain or loss. If a participant sells the ordinary shares acquired under the stock purchase plan, assuming there is no disqualifying disposition, any difference between the amount realized in the sale and the participants' tax basis in the shares (which would include any ordinary income recognized with respect to the shares) is taxed as long-term or short-term capital gain or loss, provided the shares are held as a capital asset on the date of sale, and depending on the participant's holding period for the shares.

We are entitled to a deduction for U.S. federal income tax purposes for dispositions of shares acquired by a participant in the stock purchase plan only to the extent that the participant realizes ordinary income as a result of a disqualifying disposition of shares acquired under the stock purchase plan. Any such deduction is subject to the limitations of Section 162(m) of the U.S. Internal Revenue Code.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information concerning securities authorized for issuance under our equity compensation plans as of December 31, 2002.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1) (2)..........	15,522,950	$28.10	9,273,465
Equity compensation plans not approved by security holders (3)..	—	—	—
Total...............................	15,522,950	$28.10	9,273,465

(1) Includes 7,306,631 shares to be issued upon exercise of options with a weighted average exercise price of $23.22 that were granted under (a) our Sedco Forex Employees Option Plan in connection with the Sedco Forex merger, which was approved by our shareholders, and (b) equity compensation plans of R&B Falcon assumed by us in connection with the R&B Falcon merger, which was approved by our shareholders.

(2) In addition to stock options, we are authorized to grant awards of restricted stock under our Long Term Incentive Plan, and 1,959,877 ordinary shares are available for future issuance pursuant to grants of restricted stock under this plan.

(3) Does not include any shares that may be distributed under our deferred compensation plan, which has not been approved by our shareholders. Under this plan, our directors may defer any fees or retainers by investing those amounts in Transocean ordinary share equivalents or in other investments selected by the administrative committee. Amounts that are invested in the ordinary share equivalents at the time of distribution are distributed in ordinary shares. There is no limit on the number of shares directors may acquire under this plan. As of December 31, 2002, our directors had purchased 27,688 Transocean ordinary share equivalents under this plan.

SELECTION OF AUDITOR

We have selected Ernst & Young LLP as our auditor for the 2003 calendar year. Ernst & Young LLP served as our auditor for the 2002 calendar year. Although the selection and appointment of independent auditors is not required to be submitted to a vote of shareholders, the Board of Directors has decided to ask our shareholders to approve this appointment. Approval of our appointment of Ernst & Young LLP to serve as independent auditors for the year 2003 requires the affirmative vote of holders of at least a majority of the ordinary shares present in person or by proxy at the meeting and entitled to vote on the matter. If the shareholders do not approve the appointment of Ernst & Young LLP, the Board of Directors will consider the appointment of other independent auditors. A representative of Ernst & Young LLP is expected to be present at the annual general meeting with the opportunity to make a statement if so desired and to respond to appropriate questions.

FEES PAID TO ERNST & YOUNG LLP

Ernst & Young LLP has billed us fees as set forth in the table below for (i) the audit of our annual financial statements and reviews of quarterly financial statements, (ii) financial information systems design and implementation work rendered in 2002 and (iii) all other services rendered in 2002.

		Financial Information	All Other Fees		
	Audit Fees	Systems Design and Implementation Fees	Audit-Related Fees	Other	Total of All Other Fees
Fiscal year 2002	$400,000	$0	$1,815,060	$1,106,639	$2,921,699

The audit committee pre-approves all auditing services, review or attest engagements and permitted non-audit services to be performed by our independent auditor, subject to the some de minimis exceptions for non-audit services which are approved by the audit committee prior to the completion of the annual audit. The audit committee has considered whether the provision of services rendered in 2002 other than the audit of our financial statements and reviews of quarterly financial statements was compatible with maintaining the independence of Ernst & Young LLP and determined that the provision of such services was compatible with maintaining such independence.

HOUSEHOLDING

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

As a result, if you hold your shares through a broker and you reside at an address at which two or more stockholders reside, you will likely be receiving only one annual report and proxy statement unless any stockholder at that address has given the broker contrary instructions. However, if any such beneficial stockholder residing at such an address wishes to receive a separate annual report or proxy statement in the future, or if any such beneficial stockholder that elected to continue to receive separate annual reports or proxy statements wishes to receive a single annual report or proxy statement in the future, that stockholder should contact their broker or send a request to our corporate secretary at Eric B. Brown, Secretary, Transocean Inc., 4 Greenway Plaza, Houston, Texas 77046, telephone number (713) 232-7500. We will deliver, promptly upon written or oral request to the corporate secretary, a separate copy of the 2002 annual report and this proxy statement to a beneficial stockholder at a shared address to which a single copy of the documents was delivered.

2002 ANNUAL GENERAL MEETING OF SHAREHOLDERS

At our last Annual General Meeting held on May 9, 2002, our shareholders elected Ronald L. Kuehn, Jr., Paul B. Loyd, Jr., Roberto Monti and Ian C. Strachan as directors, approved the appointment of Ernst & Young LLP as our independent auditors for 2002 and approved the change of our name to "Transocean Inc." Since the 2002 Annual General Meeting, our articles and memorandum of association have not been amended, other than to reflect the name change, and no meetings of shareholders have been held.

PROPOSALS OF SHAREHOLDERS

Shareholder Proposals in the Proxy Statement. Rule 14a-8 under the Securities Exchange Act of 1934 addresses when a company must include a shareholder's proposal in its proxy statement and identify the proposal in its form of proxy when the company holds an annual or special meeting of shareholders. Under Rule 14a-8, in order for your proposals to be considered for inclusion in the proxy statement and proxy card relating to our 2004 annual general meeting, your proposals must be received at our principal executive offices, 4 Greenway Plaza, Houston, Texas 77046, by no later than November 28, 2003. However, if the date of the 2004 annual general meeting changes by more than 30 days from the anniversary of the 2003 annual general meeting, the deadline is a reasonable

time before we begin to print and mail our proxy materials. We will notify you of this deadline in a Quarterly Report on Form 10-Q or in another communication to you. Shareholder proposals must also be otherwise eligible for inclusion.

Shareholder Proposals and Nominations for Directors to Be Presented at Meetings. If you desire to bring a matter before an annual general meeting and the proposal is submitted outside the process of Rule 14a-8, you must follow the procedures set forth in our articles of association. Our articles of association provide generally that, if you desire to propose any business at an annual general meeting, you must give us written notice not less than 90 days prior to the anniversary of the originally scheduled date of the immediately preceding annual general meeting. However, if the date of the forthcoming annual general meeting is more than 30 days before or after that anniversary date, the deadline is the close of business on the tenth day after we publicly disclose the meeting date. The deadline under our articles of association for submitting proposals will be February 8, 2004 for the 2004 annual general meeting unless it is more than 30 days before or after the anniversary of the 2003 annual general meeting. Your notice must set forth:

- a brief description of the business desired to be brought before the meeting and the reasons for conducting the business at the meeting;
- your name and address;
- a representation that you are a holder of record of our ordinary shares entitled to vote at the meeting, or if the record date for the meeting is subsequent to the date required for shareholder notice, a representation that you are a holder of record at the time of the notice and intend to be a holder of record on the date of the meeting, and, in either case, intend to appear in person or by proxy at the meeting to propose that business; and
- any material interest you have in the business.

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

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

The chairman of the meeting may refuse to transact any business or to acknowledge the nomination of any person if you fail to comply with the foregoing procedures.

You may obtain a copy of our articles of association, in which these procedures are set forth, upon written request to Eric B. Brown, Secretary, Transocean Inc., 4 Greenway Plaza, Houston, Texas 77046.

Appendix A

TRANSOCEAN

AUDIT COMMITTEE CHARTER

Purpose

The Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing: the Company's financial statements contained in the annual report to stockholders; the Company's systems of internal control regarding finance, accounting, legal compliance and ethics that management and the Board have established; and the Company's auditing, accounting and financial reporting processes in general. Consistent with this oversight function, the Audit Committee encourages continuous improvement of and fosters adherence to the company's policies, procedures and practices at all levels. The Audit Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the corporation's financial reporting process and internal control system.
- Review and appraise the audit efforts of the Company's independent auditors and internal audit function.
- Provide an open avenue of communication among the independent auditors, financial and senior management, the internal auditing department, and the Board of Directors.
- Prepare the audit committee report required by the rules of the Securities and Exchange Commission (the "Commission") to be included in the Company's annual proxy statement.

The Audit Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in the section on Committee Authority and Responsibilities.

Committee Membership

The Audit Committee shall consist of at least three active members of the Board, each of whom shall be independent directors, as defined by the New York Stock Exchange, the rules and regulations of the Commission and applicable law, and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. In no event shall an active or retired officer or employee of the Company be a member of the Committee.

The proposed committee members and Chairman of the Audit Committee shall be recommended to the Board of Directors by the Corporate Governance Committee. All members of the committee shall have a working familiarity with basic finance and accounting practices, and at least one member of the Committee shall have accounting or related financial management expertise.

Meetings

The Audit Committee shall meet as often as it determines but not less frequently than quarterly. The Committee should meet periodically with the internal auditors and the independent auditors in separate executive sessions to discuss any matters that the Committee or any of these groups believe should be discussed privately.

Committee Authority and Responsibilities

The Audit Committee shall have the sole authority to retain or terminate the independent auditors. The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent auditors (including resolution of disagreements between management and the independent auditors regarding

financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditors shall report directly to the Audit Committee.

The Audit Committee shall pre-approve all auditing services, review or attest engagements and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditors, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Audit Committee prior to the completion of the audit. The Audit Committee may establish policies and procedures for purposes of such pre-approval to the extent allowed by applicable law and regulations.

The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Audit Committee at its next scheduled meeting.

The Audit Committee shall have the authority to retain, dismiss or replace independent legal, accounting or other advisors. The Audit Committee shall have the sole authority to approve the fees and other retention terms for any advisors employed by the Audit Committee. The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditors for the purpose of rendering or issuing an audit report and to any advisors employed by the Audit Committee.

A. With Regard to the Independent Auditors

1. Review at least annually plans for the scope of the independent auditors' activities, including the auditors' performance of non-audit services, and expected fees to be incurred therefor, the auditors' report of findings resulting from examination of the Company's records and systems of internal accounting controls, and matters affecting their independence in the performance of the audit of Company accounts.

2. Review with Internal Audit and the independent auditors their annual audit plans, including the degree of coordination of the respective plans. The Committee should inquire as to the extent to which the planned audit scope can be relied upon to detect fraud or weaknesses in internal accounting controls.

3. Have a clear understanding with the independent auditors that they are ultimately accountable to the Audit Committee, as representatives of the shareholders, and that these shareholder representatives have ultimate authority and responsibility to engage, evaluate, and if appropriate, terminate their services. To this end, the Committee will have the exclusive authority with regard to the appointment or discharge of the independent auditors.

4. On an annual basis, obtain from the independent auditors a written communication delineating all their relationships and professional services as required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees. In addition, review with the independent auditors the nature and scope of any disclosed relationships or professional services and take, or recommend appropriate action to ensure the continuing independence of the auditors. Evaluate whether the provision of permitted non-audit services is compatible with maintaining the auditors' independence.

5. Review with the independent auditors the cooperation received from Management during the course of the audit and extent of any restrictions that may have affected their examination.

6. Review and discuss reports from the independent auditors on:

    - All critical accounting policies and practices to be used;

- All alternative treatments within Generally Accepted Accounting Principles for policies and practices related to material items that have been discussed with Management, including ramification of the use of such alternative disclosures and treatments; and the treatment preferred by the independent auditors;

- Other material written communications between the independent auditors and the Management, such as any management letter or schedule of unadjusted differences.

7. Discuss with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit.

B. With Regard to the Company's Financial Statements and Footnotes, and Internal Accounting Control Systems

1. Review the Annual Report and footnotes thereto prior to its publication, and discuss with the independent auditors any significant transactions not a normal part of the Company's business, significant adjustments proposed by them, and comments submitted by the independent auditors concerning the Company's system of internal accounting control together with Management's actions to correct any deficiencies noted.

2. Review with the independent auditors the quality, not just the acceptability, of the company's accounting principles as applied in its financial reporting in terms of clarity of disclosures, degree of aggressiveness or conservatism of the Company's accounting principles and underlying estimates and other significant decisions made by the Company in preparing the financial disclosures.

3. Review steps taken to assure compliance with the Company's policy regarding conflicts of interest and business ethics.

4. Review transactions or relationships between the Company and any Director, Officer, or shareholder owning more than 5% of the Company's common stock (including any family members of the foregoing), and make recommendation to the Board of Directors concerning whether such relationships should continue.

5. Ascertain that appropriate reporting of such transactions or relationships is made to the Commission or other regulatory agencies.

6. Review the quality and depth of staffing of the Company's financial, accounting, and internal audit personnel.

7. Review disclosures made to the Audit Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein or instances of fraud involving management or other employees who have a significant role in the Company's internal controls.

8. Review and discuss with management and the independent auditors the annual audited financial statements, and based upon the review and discussion decide whether to recommend to the Board that the audited financial statements should be included in the Company's Form 10-K.

C. With Regard to the Company's Internal Auditors

1. Review the scope of the internal auditors' activities, their report of findings resulting from the examination of the Company's records, operations, and systems of internal accounting controls, and matters affecting their independence in the performance of the audit of Company accounts, including the cooperation received from Management during the course of any audit, and the extent of any restrictions that may have affected their examination.

D. Other Responsibilities

1. Review expense accounts and executive perquisites of the Company's senior officers.

2. Review litigation involving claims by shareholders of wrongdoing by or against directors, officers, or independent auditors of the Company.

3. Review and update this Charter periodically, at least annually, as conditions dictate.

4. Annually review the Audit Committee's own performance.

5. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

Limitation of Audit Committee's Role

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of Management and the independent auditors.

Unless he or she believes to the contrary (in which case, he or she will advise the Audit Committee of such belief), each member of the Audit Committee shall be entitled to assume and rely on (1) the integrity of those persons and organizations within and outside the Company that it receives information from and (2) the accuracy of the financial, legal and other information provided to the Audit Committee by such persons or organizations.

Appendix B

PROPOSED AMENDED AND RESTATED LONG-TERM INCENTIVE PLAN

OF

TRANSOCEAN INC.

(As Amended and Restated Effective May 8, 2003)

I. GENERAL

1.1 Purpose of the Plan

The Long-Term Incentive Plan (the "Plan") of Transocean Inc., a Cayman Islands exempted company (the "Company"), is intended to advance the best interests of the Company and its subsidiaries by providing Directors and employees with additional incentives through the grant of options ("Options") to purchase ordinary shares, par value US $0.01 per share of the Company ("Ordinary Shares"), share appreciation rights ("SARs"), restricted Ordinary Shares ("Restricted Shares") and cash performance awards ("Cash Awards"), thereby increasing the personal stake of such Directors and employees in the continued success and growth of the Company.

1.2 Administration of the Plan

(a) The Plan shall be administered by the Executive Compensation Committee or other designated committee (the "Committee") of the Board of Directors of the Company (the "Board of Directors") which shall consist of at least two Directors, all of whom (i) are not eligible for awards under Articles II and III of the Plan, (ii) are "non-employee directors" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, and (iii) are outside directors satisfying the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended, or any successor thereto ("the Code"). The Committee shall have authority to interpret conclusively the provisions of the Plan, to adopt such rules and regulations for carrying out the Plan as it may deem advisable, to decide conclusively all questions of fact arising in the application of the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. Notwithstanding the foregoing, the Committee shall have no power or discretion to vary the amount or terms of awards under Article IV of the Plan, except as provided in Section 6.2. All decisions and acts of the Committee shall be final and binding upon all affected Plan participants.

(b) The Committee shall designate the eligible employees, if any, to be granted awards under Articles II and III and the type and amount of such awards and the time when awards will be granted. All awards granted under the Plan shall be on the terms and subject to the conditions hereinafter provided.

1.3 Eligible Participants

Employees, including officers, of the Company and its subsidiaries, and of partnerships or joint ventures in which the Company and its subsidiaries have a significant ownership interest as determined by the Committee (all of such subsidiaries, partnerships and joint ventures being referred to as "Subsidiaries") shall be eligible for awards under Articles II, III and V of the Plan. Directors who are not employees of the Company or its Subsidiaries shall not be eligible for awards under Articles II, III and V.

Each Director of the Company who is not an officer or employee of the Company or any of its subsidiaries (an "Eligible Director") shall automatically be granted awards under Article IV of the Plan. Each Eligible Director to whom Options or SARs are granted under Article IV is hereinafter referred to as a "Participant."

1.4 Awards Under the Plan

Awards to employees under Articles II and III may be in the form of (i) Options to purchase Ordinary Shares, (ii) Share Appreciation Rights which may be either freestanding or issued in tandem with Options, (iii)

Restricted Ordinary Shares, (iv) Supplemental Payments which may be awarded with respect to Options, Share Appreciation Rights and Restricted Ordinary Shares, or (v) any combination of the foregoing. Awards to employees under Article V will be in the form of performance awards payable in cash.

Awards to Eligible Directors under Article IV shall be in the form of (i) Options to purchase Ordinary Shares and Supplemental Payments with respect thereto, or (ii) solely in the case of Eligible Directors residing in Norway, freestanding SARs.

1.5 Shares Subject to the Plan

The aggregate number of Ordinary Shares which may be issued with respect to awards made under Articles II and III shall not exceed 18,900,000 shares, reduced by the number of shares which have been issued pursuant to such Articles prior to January 31, 2001. Of such 18,900,000 shares, the aggregate number of Restricted Ordinary Shares which may be issued pursuant to Article III from and after January 31, 2001, shall not exceed 2,000,000 shares. In addition, the aggregate number of Ordinary Shares which may be issued with respect to awards made under Article IV shall not exceed 600,000, reduced by the number of shares which have been issued pursuant to such Article prior to January 31, 2001. At no time shall the number of shares issued plus the number of shares estimated by the Committee to be ultimately issued with respect to outstanding awards under the Plan exceed the number of shares that may be issued under the Plan. No employee shall be granted Share Options, freestanding Share Appreciation Rights, or Restricted Ordinary Shares, or any combination of the foregoing, with respect to more than 600,000 Ordinary Shares in any fiscal year (subject to adjustment as provided in Section 6.2). No employee shall be granted a Supplemental Payment in any fiscal year with respect to more than the number of Ordinary Shares covered by Share Options, freestanding Share Appreciation Rights or Restricted Ordinary Shares awards granted to such employee in such fiscal year. Shares distributed pursuant to the Plan may consist of authorized but unissued shares or treasury shares of the Company, as shall be determined from time to time by the Board of Directors.

If any Option under the Plan shall expire, terminate or be canceled (including cancellation upon the holder's exercise of a related Share Appreciation Right) for any reason without having been exercised in full, or if any Restricted Ordinary Shares shall be forfeited to the Company, the unexercised Options and forfeited Restricted Ordinary Shares shall not count against the above limit and shall again become available for grants under the Plan (regardless of whether the holder of such Options or shares received dividends or other economic benefits with respect to such Options or shares). Ordinary Shares equal in number to the shares surrendered in payment of the option price, and Ordinary Shares which are withheld in order to satisfy federal, state or local tax liability, shall not count against the above limit and shall again become available for grants under the Plan. Only the number of Ordinary Shares actually issued upon exercise of a Share Appreciation Right or payment of a Supplemental Payment shall count against the above limit, and any shares which were estimated to be used for such purposes and were not in fact so used shall again become available for grants under the Plan.

Freestanding Shares Appreciation Rights which may be settled solely in cash shall be issued with respect to no more than an aggregate of 300,000 underlying shares. Such SARs shall not count against the limits set forth above on the number of Ordinary Shares which may be issued under the Plan. If any freestanding SAR shall expire, terminate, or be canceled for any reason without having been exercised in full, the unexercised SARs shall not count against this limit and shall again become available for grants under the Plan.

1.6 Other Compensation Programs

The existence and terms of the Plan shall not limit the authority of the Board of Directors in compensating Directors and employees of the Company and its subsidiaries in such other forms and amounts, including compensation pursuant to any other plans as may be currently in effect or adopted in the future, as it may determine from time to time.

II. SHARE OPTIONS AND SHARE APPRECIATION RIGHTS

2.1 Terms and Conditions of Options

Subject to the following provisions, all Options granted under the Plan to employees of the Company and its Subsidiaries shall be in such form and shall have such terms and conditions as the Committee, in its discretion, may from time to time determine.

(a) *Option Price.* The option price per share shall not be less than the fair market value of the Ordinary Shares (as determined by the Committee) on the date the Option is granted. Notwithstanding the foregoing, the option price per share with respect to any Option granted by the Committee within 90 days of the closing of the initial public offering of the Company's Ordinary Shares shall be at the initial public offering price for such Shares.

(b) *Term of Option.* The term of an Option shall not exceed ten years from the date of grant, except as provided pursuant to Section 2.1(g) with respect to the death of an optionee. No Option shall be exercised after the expiration of its term.

(c) *Exercise of Options.* Options shall be exercisable at such time or times and subject to such terms and conditions as the Committee shall specify in the Option grant. The Committee shall have discretion to at any time declare all or any portion of the Options held by any optionee to be immediately exercisable. An Option may be exercised in accordance with its terms as to any or all shares purchasable thereunder.

(d) *Payment for Shares.* The Committee may authorize payment for shares as to which an Option is exercised to be made in cash, Ordinary Shares, by "cashless exercise" or in such other manner as the Committee in its discretion may provide.

(e) *Nontransferability of Options.* No Option or any interest therein shall be transferable by the optionee other than by will or by the laws of descent and distribution. During an optionee's lifetime, all Options shall be exercisable only by such optionee or by the guardian or legal representative of the optionee.

(f) *Shareholder Rights.* The holder of an Option shall, as such, have none of the rights of a shareholder.

(g) *Termination of Employment.* The Committee shall have discretion to specify in the Option grant or an amendment thereof, provisions with respect to the period during which the Option may be exercised following the optionee's termination of employment. Notwithstanding the foregoing, the Committee shall not permit any Option to be exercised beyond the term of the Option established pursuant to Section 2.1(b), except that the Committee may provide that, notwithstanding such Option term, an Option which is outstanding on the date of an optionee's death shall remain outstanding and exercisable for up to one year after the optionee's death.

(h) *Change of Control.* Notwithstanding the exercisability schedule governing any Option, upon the occurrence of a Change of Control (as defined in Section 6.10) all Options outstanding at the time of such Change of Control and held by optionees who are employees of the Company or its Subsidiaries at the time of such Change of Control shall become immediately exercisable and, unless the optionee agrees otherwise in writing, shall remain exercisable for the remainder of the Option term.

2.2 Share Appreciation Rights in Tandem with Options

(a) The Committee may, either at the time of grant of an Option or at any time during the term of the Option, grant Share Appreciation Rights with respect to all or any portion of the Ordinary Shares covered by such Option. A tandem Share Appreciation Right may be exercised at any time the Option to which it relates is then exercisable, but only to the extent the Option to which it relates is exercisable, and shall be subject to the conditions applicable to such Option. When a tandem Share Appreciation Right is exercised, the Option to which it relates shall cease to be exercisable to the extent of the number of shares with respect to which the tandem Share Appreciation Right is exercised. Similarly, when an Option is exercised, the tandem Share Appreciation Rights

relating to the shares covered by such Option exercise shall terminate. Any tandem Share Appreciation Right which is outstanding on the last day of the term of the related Option (as determined pursuant to Section 2.1(b)) shall be automatically exercised on such date for cash without any action by the optionee.

(b) Upon exercise of a tandem Share Appreciation Right, the holder shall receive, for each share with respect to which the tandem Share Appreciation Right is exercised, an amount (the "Appreciation") equal to the amount by which the fair market value (as defined below) of an Ordinary Share on the date of exercise of the Share Appreciation Right exceeds the option price per share of the Option to which the tandem Share Appreciation Right relates. For purposes of the preceding sentence, the fair market value of an Ordinary Share shall be the average of the high and low prices of such share as reported on the consolidated reporting system. The Appreciation shall be payable in cash, Ordinary Shares, or a combination of both, at the option of the Committee, and shall be paid within 30 days of the exercise of the tandem Share Appreciation Right.

(c) Notwithstanding the foregoing, if a tandem Share Appreciation Right is exercised within 60 days of the occurrence of a Change of Control, (i) the Appreciation and any Supplemental Payment (as defined in Section 2.4) to which the holder is entitled shall be payable solely in cash, and (ii) in addition to the Appreciation and the Supplemental Payment (if any), the holder shall receive, in cash, (1) the amount by which the greater of (a) the highest market price per Ordinary Share during the 60-day period preceding exercise of the tandem Share Appreciation Right or (b) the highest price per Ordinary Share (or the cash-equivalent thereof as determined by the Board of Directors) paid by an acquiring person during the 60-day period preceding a Change of Control, exceeds the fair market value of an Ordinary Share on the date of exercise of the tandem Share Appreciation Right, plus (2) if the holder is entitled to a Supplemental Payment, an additional payment, calculated under the same formula as used for calculating such holder's Supplemental Payment, with respect to the amount referred to in clause (1) of this sentence.

2.3 Freestanding Share Appreciation Rights

The Committee may grant Freestanding Share Appreciation Rights to employees of the Company and its Subsidiaries, in such form and having such terms and conditions as the Committee, in its discretion, may from time to time determine, subject to the following provisions.

(a) *Base Price and Appreciation.* Each freestanding SAR shall be granted with a base price, which shall not be less than the fair market value of the Ordinary Shares (as determined by the Committee) on the date the SAR is granted. Upon exercise of a freestanding SAR, the holder shall receive, for each share with respect to which the SAR is exercised, an amount (the "Appreciation") equal to the amount by which the fair market value (as defined below) of an Ordinary Share on the date of exercise of the SAR exceeds the base price of the SAR. For purposes of the preceding sentence, the fair market value of an Ordinary Share shall be the average of the high and low prices of such share as reported on the New York Stock Exchange composite tape. The Appreciation shall be payable in cash and shall be paid within 30 days of the exercise of the SAR.

(b) *Term of SAR.* The term of a freestanding SAR shall not exceed ten years from the date of grant, except as provided pursuant to Section 2.3(f) with respect to the death of the grantee. No SAR shall be exercised after the expiration of its term. Any freestanding SAR which is outstanding on the last day of its term (as such term may be extended pursuant to Section 2.3(f)) and as to which the Appreciation is a positive number on such date shall be automatically exercised on such date for cash without any action by the grantee.

(c) *Exercise of SARs.* Freestanding SARs shall be exercisable at such time or times and subject to such terms and conditions as the Committee may specify in the SAR grant. The Committee shall have discretion to at any time declare all or any portion of the freestanding SARs then outstanding to be immediately exercisable. A freestanding SAR may be exercised in accordance with its terms in whole or in part.

(d) *Nontransferability of SARs.* No SAR or any interest therein shall be transferable by the grantee other than by will or by the laws of descent and distribution. During a grantee's lifetime, all SARs shall be exercisable only by such grantee or by the guardian or legal representative of the grantee.

(e) *Shareholder Rights.* The holder of an SAR shall, as such, have none of the rights of a shareholder.

(f) *Termination of Employment.* The Committee shall have discretion to specify in the SAR grant or an amendment thereof, provisions with respect to the period during which the SAR may be exercised following the grantee's termination of employment. Notwithstanding the foregoing, the Committee shall not permit any SAR to be exercised beyond the term of the SAR established pursuant to Section 2.3(b), except that the Committee may provide that, notwithstanding such SAR term, an SAR which is outstanding on the date of a grantee's death shall remain outstanding and exercisable for up to one year after the grantee's death.

(g) *Change of Control.* Notwithstanding the exercisability schedule governing any SAR, upon the occurrence of a Change of Control (as defined in Section 6.10) all SARs outstanding at the time of such Change of Control and held by grantees who are employees of the Company or its Subsidiaries at the time of such Change of Control shall become immediately exercisable and, unless the grantee agrees otherwise in writing, shall remain exercisable for the remainder of the SAR term. In addition, the Committee may provide that if a freestanding SAR is exercised within 60 days of the occurrence of a Change of Control, in addition to the Appreciation the holder shall receive, in cash, the amount by which the greater of (a) the highest market price per Ordinary Share during the 60-day period preceding exercise of the SAR or (b) the highest price per Ordinary Share (or the cash equivalent thereof as determined by the Board of Directors) paid by an acquiring person during the 60-day period preceding a Change of Control, exceeds the fair market value of an Ordinary Share on the date of exercise of the SAR.

2.4 Supplemental Payment on Exercise of Options or Share Appreciation Rights

The Committee, either at the time of grant or at the time of exercise of any Option or tandem Share Appreciation Right, may provide for a supplemental payment (the "Supplemental Payment") by the Company to the optionee with respect to the exercise of any Option or tandem Share Appreciation Right. The Supplemental Payment shall be in the amount specified by the Committee, which shall not exceed the amount necessary to pay the income tax payable to the national government with respect to both exercise of the Option or tandem Share Appreciation Right and receipt of the Supplemental Payment, assuming the optionee is taxed at the maximum effective income tax rate applicable thereto. The Committee shall have the discretion to grant Supplemental Payments that are payable solely in cash or Supplemental Payments that are payable in cash, Ordinary Shares, or a combination of both, as determined by the Committee at the time of payment. The Supplemental Payment shall be paid within 30 days of the date of exercise of an Option or Share Appreciation Right (or, if later, within 30 days of the date on which income is recognized for federal income tax purposes with respect to such exercise).

2.5 Statutory Options

Subject to the limitations on Option terms set forth in Section 2.1, the Committee shall have the authority to grant (i) incentive stock options within the meaning of Section 422 of the Code and (ii) Options containing such terms and conditions as shall be required to qualify such Options for preferential tax treatment under the Code as in effect at the time of such grant. Options granted pursuant to this Section 2.4 may contain such other terms and conditions permitted by Article II of this Plan as the Committee, in its discretion, may from time to time determine (including, without limitation, provision for Share Appreciation Rights and Supplemental Payments), to the extent that such terms and conditions do not cause the Options to lose their preferential tax treatment. To the extent the Code and Regulations promulgated thereunder require a plan to contain specified provisions in order to qualify options for preferential tax treatment, such provisions shall be deemed to be stated in this Plan.

III. Restricted Ordinary Shares

3.1 Terms and Conditions of Restricted Ordinary Shares Awards

Subject to the following provisions, all awards of Restricted Ordinary Shares under the Plan to employees of the Company and its Subsidiaries shall be in such form and shall have such terms and conditions as the Committee, in its discretion, may from time to time determine.

(a) The Restricted Ordinary Shares award shall specify the number of Restricted Ordinary Shares to be awarded, the price, if any, to be paid by the recipient of the Restricted Ordinary Shares, and the date or dates on

which the Restricted Ordinary Shares will vest. The vesting of Restricted Ordinary Shares may be conditioned upon the completion of a specified period of service with the Company or its Subsidiaries, upon the attainment of specified performance goals, or upon such other criteria as the Committee may determine in its sole discretion.

(b) Share certificates representing the Restricted Ordinary Shares granted to an employee shall be registered in the employee's name. Such certificates shall either be held by the Company on behalf of the employee, or delivered to the employee bearing a legend to restrict transfer of the certificate until the Restricted Ordinary Shares have vested, as determined by the Committee. The Committee shall determine whether the employee shall have the right to vote and/or receive dividends on the Restricted Ordinary Shares before they have vested. No Restricted Ordinary Shares may be sold, transferred, assigned, or pledged by the employee until they have vested in accordance with the terms of the Restricted Ordinary Shares award. In the event of an employee's termination of employment before all of his Restricted Ordinary Shares have vested, or in the event other conditions to the vesting of Restricted Ordinary Shares have not been satisfied prior to any deadline for the satisfaction of such conditions set forth in the award, the Restricted Ordinary Shares which have not vested shall be forfeited and any purchase price paid by the employee shall be returned to the employee. At the time Restricted Ordinary Shares vest (and, if the employee has been issued legended certificates of Restricted Ordinary Shares, upon the return of such certificates to the Company), a certificate for such vested shares shall be delivered to the employee (or the Beneficiary designated by the employee in the event of death), free of all restrictions.

(c) Notwithstanding the vesting conditions set forth in the Restricted Ordinary Shares award, (i) the Committee may in its discretion accelerate the vesting of Restricted Ordinary Shares at any time, and (ii) all Restricted Ordinary Shares shall vest upon a Change of Control of the Company.

3.2 Performance Awards under Section 162(m) of the Code

The Committee shall have the right to designate awards of Restricted Ordinary Shares as "Performance Awards." Notwithstanding any other provisions of this Article III, awards so designated shall be granted and administered in a manner designed to preserve the deductibility of the compensation resulting from such awards in accordance with Section 162(m) of the Code. The grant or vesting of a Performance Award shall be subject to the achievement of performance objectives (the "Performance Objectives") established by the Committee based on one or more of the following criteria, in each case applied to the Company on a consolidated basis and/or to a business unit, and either as an absolute measure or as a measure of comparative performance relative to a peer group of companies: sales, operating profits, operating profits before interest expense and taxes, net earnings, earnings per share, return on equity, return on assets, return on invested capital, total shareholder return, cash flow, debt to equity ratio, market share, share price, economic value added, and market value added.

The Performance Objectives for a particular Performance Award relative to a particular fiscal year shall be established by the Committee in writing no later than 90 days after the beginning of such year. The Committee shall have the authority to determine whether the Performance Objectives and other terms and conditions of the award are satisfied, and the Committee's determination as to the achievement of Performance Objectives relating to a Performance Award shall be made in writing. The Committee shall have discretion to modify or waive the Performance Objectives or conditions to the grant or vesting of a Performance Award only to the extent that the exercise of such discretion would not cause the Performance Award to fail to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code.

3.3 Supplemental Payment on Vesting of Restricted Ordinary Shares

The Committee, either at the time of grant or at the time of vesting of Restricted Ordinary Shares, may provide for a Supplemental Payment by the Company to the employee in an amount specified by the Committee which shall not exceed the amount necessary to pay the federal income tax payable with respect to both the vesting of the Restricted Ordinary Shares and receipt of the Supplemental Payment, assuming the employee is taxed at the maximum effective federal income tax rate applicable thereto and has not elected to recognize income with respect to the Restricted Ordinary Shares before the date such Restricted Ordinary Shares vest. The Supplemental Payment shall be paid within 30 days of each date that Restricted Ordinary Shares vest. The Committee shall have the discretion to grant Supplemental Payments that are payable solely in cash or Supplemental Payments that are payable in cash, Ordinary Shares, or a combination of both, as determined by the Committee at the time of payment.

IV. SHARE OPTIONS OR FREESTANDING SHARE APPRECIATION RIGHTS FOR DIRECTORS

4.1 Grant of Options or Freestanding SARs

Each person who becomes an Eligible Director (other than a person who first becomes an Eligible Director on the date of an annual meeting of the Company's shareholders) shall be granted, effective as of the date such person becomes an Eligible Director, (i) an Option to purchase 4,000 Ordinary Shares (the "Initial Option"), if such person is not then residing in Norway, or (ii) a freestanding SAR with respect to 4,000 Ordinary Shares (the "Initial SAR"), if such person is then residing in Norway. Each person who is or becomes an Eligible Director on the date of an annual meeting of the Company's shareholders and whose service on the Board of Directors will continue after such meeting shall be granted, effective as of the date of such meeting, (i) an Option to purchase 6,000 Ordinary Shares (the "Annual Option"), if such person is not then residing in Norway, or (ii) a freestanding SAR with respect to 6,000 Ordinary Shares (the "Annual SAR"), if such person is then residing in Norway.

4.2 Terms and Conditions of Options

Each Option granted under this Article shall have the following terms and conditions:

(a) *Option Price.* The option price per share shall be the closing sales price of an Ordinary Share on the date the Option is granted (or, if the Ordinary Shares are not traded on such date, on the immediately preceding date on which the Ordinary Shares are traded).

(b) *Term of Option.* Each Option shall expire ten years from the date of grant, except as provided in Section 4.2(c) with respect to the death of an optionee. No Option shall be exercised after the expiration of its term.

(c) *Exercise of Options.* Subject to Section 4.2(g) and the remainder of this paragraph, the Initial Option shall become exercisable in installments as follows: (1) a total of 1,333 Ordinary Shares may be purchased through exercise of the Initial Option on or after the first anniversary of the date of grant; (2) a total of 2,666 Ordinary Shares may be purchased through exercise of the Initial Option on or after the second anniversary of the date of grant; and (3) a total of 4,000 Ordinary Shares may be purchased through exercise of the Initial Option on or after the third anniversary of the date of grant. Subject to Section 4.2(g) and the remainder of this paragraph, the Annual Option shall become exercisable in installments as follows: (1) a total of 2,000 Ordinary Shares may be purchased through exercise of the Annual Option on or after the first anniversary of the date of grant; (2) a total of 4,000 Ordinary Shares may be purchased through exercise of the Annual Option on or after the second anniversary of the date of grant; and (3) a total of 6,000 Ordinary Shares may be purchased through exercise of the Annual Option on or after the third anniversary of the date of grant. If a Participant ceases to be a Director of the Company as a result of death, disability, or retirement from the Board of Directors on his Retirement Date (as defined in Section 4.2(i)), each Option shall immediately become fully exercisable and shall remain exercisable for the remainder of its term, except that an Option which is outstanding on the date of an optionee's death shall remain outstanding and exercisable for a term of the greater of ten years from the date of grant or one year after the optionee's death. If a Participant ceases to be a Director of the Company for any reason not set forth in the preceding sentence, no additional portions of the Option will become exercisable, and the portion of the Option that is then exercisable shall expire if not exercised within 60 days after cessation of service as a Director. An Option may be exercised in accordance with its terms as to any or all shares purchasable thereunder.

(d) *Payment for Shares.* Payment for shares as to which an Option is exercised shall be made in cash, Ordinary Shares, by "cashless exercise," or a combination thereof, in the discretion of the Participant. Ordinary Shares delivered in payment of the Option price shall be valued at the average of the high and low prices of such Shares on the date of exercise (or, if the Ordinary Shares are not traded on such date, at the weighted average of the high and low prices on the nearest trading dates before and after such date).

(e) *Nontransferability of Options.* No Option or any interest therein shall be transferable by the Participant other than by will or by the laws of descent and distribution. During a Participant's lifetime, all Options shall be exercisable only by such Participant or by the guardian or legal representative of the Participant.

(f) *Shareholder Rights.* The holder of an Option shall, as such, have none of the rights of a shareholder.

(g) *Change of Control.* Notwithstanding any other provisions of the Plan, upon the occurrence of a Change of Control (as defined in Section 6.10) all Options outstanding at the time of such Change of Control shall become immediately exercisable and shall remain exercisable for the remainder of their term.

(h) *Tax Status.* The Options granted under this Article shall be "non-qualified" options, and shall not be incentive stock options as defined in Section 422 of the Code.

(i) *Retirement Date.* For purposes of this Article, a Participant's Retirement Date shall mean the date on which the Participant shall be required to retire from the Board of Directors under the retirement policies of the Board of Directors as in effect on the date of the Participant's retirement.

4.3 Terms and Conditions of Freestanding Share Appreciation Rights

Each Freestanding Share Appreciation Right granted under this Article shall have the following terms and conditions:

(a) *Base Price and Appreciation.* The base price of the SAR shall be the closing sales price of an Ordinary Share on the date the SAR is granted (or, if the Ordinary Shares are not traded on such date, on the immediately preceding date on which the Ordinary Shares are traded). Upon exercise of an SAR, the holder shall receive, for each share with respect to which the SAR is exercised, an amount (the "Appreciation") equal to the amount by which the fair market value of an Ordinary Share on the date of exercise of the SAR exceeds the base price of the SAR. For purposes of the preceding sentence, the fair market value of an Ordinary Share shall be the average of the high and low prices of such share as reported on the New York Stock Exchange composite tape. The Appreciation shall be payable in cash and shall be paid within 30 days of the exercise of the SAR.

(b) *Term of SAR.* Each SAR shall expire ten years from the date of grant, except as provided in Section 4.3(c) with respect to the death of a Participant. No SAR shall be exercised after the expiration of its term.

(c) *Exercise of SARs.* Subject to Section 4.3(f) and the remainder of this paragraph, the Initial SAR shall become exercisable in installments as follows: (1) the Initial SAR shall be exercisable with respect to a total of 1,333 Ordinary Shares on or after the first anniversary of the date of grant; (2) the Initial SAR shall be exercisable with respect to a total of 2,666 Ordinary Shares on or after the second anniversary of the date of grant; and (3) the Initial SAR shall be exercisable with respect to a total of 4,000 Ordinary Shares on or after the third anniversary of the date of grant. Subject to Section 4.3(f) and the remainder of this paragraph, the Annual SAR shall become exercisable in installments as follows: (1) the Annual SAR shall be exercisable with respect to a total of 2,000 Ordinary Shares on or after the first anniversary of the date of grant; (2) the Annual SAR shall be exercisable with respect to a total of 4,000 Ordinary Shares on or after the second anniversary of the date of grant; and (3) the Annual SAR shall be exercisable with respect to a total of 6,000 Ordinary Shares on or after the third anniversary of the date of grant. If a Participant ceases to be a Director of the Company as a result of death, disability, or retirement from the Board of Directors on his Retirement Date (as defined in Section 4.2(i)), each SAR shall immediately become fully exercisable and shall remain exercisable for the remainder of its term, except that notwithstanding the term of the SAR, an SAR which is outstanding on the date of a Participant's death shall remain outstanding and exercisable for a term of the greater of ten years from the date of grant or one year after the Participant's death. If a Participant ceases to be a Director of the Company for any reason not set forth in the preceding sentence, no additional portions of the SAR will become exercisable, and the portion of the SAR that is then exercisable shall expire if not exercised within 60 days after cessation of service as a Director. An SAR may be exercised in accordance with its terms in whole or in part.

(d) *Nontransferability of SARs.* No SAR or any interest therein shall be transferable by the Participant other than by will or by the laws of descent and distribution. During a Participant's lifetime, all SARs shall be exercisable only by such Participant or by the guardian or legal representative of the Participant.

(e) *Shareholder Rights.* The holder of an SAR shall, as such, have none of the rights of a shareholder.

(f) *Change of Control.* Notwithstanding any other provisions of the Plan, upon the occurrence of a Change of Control (as defined in Section 6.10) all SARs outstanding at the time of such Change of Control shall become immediately exercisable and shall remain exercisable for the remainder of their term.

(g) *Special Provisions.* Notwithstanding the foregoing provisions of Section 4.3, the freestanding SARs granted to Eligible Directors residing in Norway who were first elected to the Board of Directors in 1996 (and who waived the grant of an Option to which they were then entitled under the terms of the Plan as then in effect) with respect to their initial election to the Board of Directors (i) shall have a base price equal to the closing sales price of the Ordinary Shares on the date of their initial election, and (ii) shall have exercise and expiration dates determined as if such SARs had been granted on the date of their initial election.

4.4 Supplemental Payment on Exercise of Prior Awards of Options or SARs

(a) *Supplemental Payments*. Within 30 days of each date that an Option or SAR granted prior to the date of this Amendment and Restatement is exercised, a Supplemental Payment shall be paid to the Participant (or to the Participant's Beneficiary in the event of death), in cash, in an amount equal to the amount necessary to pay the income tax payable to the national government where the Director resides with respect to both the exercise of such Option or SAR and receipt of the Supplemental Payment, assuming the Participant is taxed at the maximum effective income tax rate applicable thereto; provided, however, that no such payment shall be made if the Participant has waived his right to the payment pursuant to Section 4.4(b).

(b) *Waiver*. The Committee may grant an additional Option or SAR, as applicable, to any Participant who agrees in writing to waive the right to receive a supplemental cash payment under Section 4.4(a). Such Option or SAR shall be immediately exercisable. All other provisions of Section 4.2 or 4.3 will apply as though the date of acceptance of the Option or SAR were the date of grant. Notwithstanding the foregoing, however, in no event shall (i) the number of Ordinary Shares subject to this Section 4.4(b) exceed 50,000, or (ii) the number of SARs subject to this Section 4.4(b) exceed 50,000.

V. CASH PERFORMANCE AWARDS

5.1 Terms and Conditions of Cash Performance Awards

A "Cash Award" is a cash bonus paid solely on account of the attainment of one or more objective performance goals that have been preestablished by the Committee. Each Cash Award shall be subject to such terms and conditions, restrictions and contingencies, if any, as the Committee shall determine. Restrictions and contingencies limiting the right to receive a cash payment pursuant to a Cash Award shall be based on the achievement of single or multiple performance goals over a performance period established by the Committee. No employee shall receive Cash Awards during any calendar year aggregating in excess of $1 million.

5.2 Performance Objectives Under Section 162(m) of the Code

The Committee shall have the right to designate Cash Awards as "Cash Performance Awards." Notwithstanding any other provisions of this Article V, awards so designated shall be granted and administered in a manner designed to preserve the deductibility of the compensation resulting from such awards in accordance with Section 162(m) of the Code. The payment of a Cash Performance Award shall be subject to the achievement of performance objectives (the "Performance Objectives") established by the Committee based on one or more of the following criteria, in each case applied to the Company on a consolidated basis and/or to a business unit, and either as an absolute measure or as a measure of comparative performance relative to a peer group of companies: sales, operating profits, operating profits before interest expense and taxes, net earnings, earnings per share, return on equity, return on assets, return on invested capital, total shareholder return, cash flow, debt to equity ratio, market share, share price, economic value added, and market value added.

The Performance Objectives for a particular Cash Performance Award relative to a particular fiscal year shall be established by the Committee in writing no later than 90 days after the beginning of such year. The Committee shall have the authority to determine whether the Performance Objectives and other terms and conditions of the award are satisfied, and the Committee's determination as to the achievement of Performance Objectives relating to a Cash Performance Award shall be made in writing.

VI. ADDITIONAL PROVISIONS

6.1 General Restrictions

Each award under the Plan shall be subject to the requirement that, if at any time the Committee shall determine that (i) the listing, registration or qualification of the Ordinary Shares subject or related thereto upon any securities exchange or under any state or federal law, or (ii) the consent or approval of any government regulatory body, or (iii) an agreement by the recipient of an award with respect to the disposition of Ordinary Shares is necessary or desirable (in connection with any requirement or interpretation of any federal or state securities law, rule or regulation) as a condition of, or in connection with, the granting of such award or the issuance, purchase or delivery of Ordinary Shares thereunder, such award may not be consummated in whole or in part unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained free of any conditions not acceptable to the Committee.

6.2 Adjustments for Changes in Capitalization

In the event of a scheme of arrangement, reorganization, recapitalization, Ordinary Share split, Ordinary Share dividend, combination of shares, rights offer, liquidation, dissolution, merger, consolidation, spin-off, sale of assets, payment of an extraordinary cash dividend, or any other change in or affecting the corporate structure or capitalization of the Company, the Committee shall make appropriate adjustment in the number and kind of shares authorized by the Plan (including any limitations on individual awards), in the number, price or kind of shares covered by the awards and in any outstanding awards under the Plan; provided, however, that no such adjustment shall increase the aggregate value of any outstanding award.

6.3 Amendments

(a) The Board of Directors may amend the Plan from time to time. No such amendment shall require approval by the shareholders unless shareholder approval is required to satisfy Rule 16b-3 under the Securities Exchange Act of 1934 or Section 162(m) of the Code, or by applicable law or Stock exchange requirements.

(b) The Committee shall have the authority to amend any grant to include any provision which, at the time of such amendment, is authorized under the terms of the Plan; however, no outstanding award may be revoked or altered in a manner unfavorable to the holder without the written consent of the holder.

(c) If a Participant has ceased or will cease to be a Director of the Company for the convenience of the Company (as determined by the Board of Directors), the Board of Directors may amend all or any portion of such Participant's Options or SARs so as to make such Options or SARs fully exercisable and/or specify a schedule

upon which they become exercisable, and/or permit all or any portion of such Options or SARs to remain exercisable for such period designated by it, but not beyond the expiration of the term established pursuant to Section 4.2(b) or 4.3(b). A Participant shall not participate in the deliberations or vote by the Board of Directors under this paragraph with respect to his Options or SARs. The exercise periods of Options or SARs established by the Board of Directors pursuant to this paragraph shall override the provisions of Section 4.2(c) or 4.3(c) to the extent inconsistent therewith.

6.4 Cancellation of Awards

Any award granted under Articles II and III of the Plan may be canceled at any time with the consent of the holder and a new award may be granted to such holder in lieu thereof, which award may, in the discretion of the Committee, be on more favorable terms and conditions than the canceled award; provided, however, that the Committee may not reduce the exercise or base price of outstanding Options or SARs where the existing exercise or base price is higher than the then current market price of the Ordinary Shares.

6.5 Beneficiary

An employee or Participant may file with the Company a written designation of Beneficiary, on such form as may be prescribed by the Committee, to receive any Options, SARs, Restricted Shares, Ordinary Shares and Supplemental Payments that become deliverable to the employee or Participant pursuant to the Plan after the employee's or Participant's death. An employee or Participant may, from time to time, amend or revoke a designation of Beneficiary. If no designated Beneficiary survives the employee or Participant, the executor or administrator of the employee's or Participant's estate shall be deemed to be the employee's or Participant's Beneficiary.

6.6 Withholding

(a) Whenever the Company proposes or is required to issue or transfer Ordinary Shares under the Plan, the Company shall have the right to require the award holder to remit to the Company an amount sufficient to satisfy any applicable withholding tax liability prior to the delivery of any certificate for such shares. Whenever under the Plan payments are to be made in cash, such payments shall be net of an amount sufficient to satisfy any withholding tax liability.

(b) An employee entitled to receive Ordinary Shares under the Plan who has not received a cash Supplemental Payment may elect to have the withholding tax liability (or a specified portion thereof) with respect to such Ordinary Shares satisfied by having the Company withhold from the shares otherwise deliverable to the employee Ordinary Shares having a value equal to the amount of the tax liability to be satisfied with respect to the Ordinary Shares. An election to have all or a portion of the tax liability satisfied using Ordinary Shares shall comply with such requirements as may be imposed by the Committee.

6.7 Non-Assignability

Except as expressly provided in the Plan, no award under the Plan shall be assignable or transferable by the holder thereof except by will or by the laws of descent and distribution. During the life of the holder, awards under the Plan shall be exercisable only by such holder or by the guardian or legal representative of such holder.

6.8 Non-Uniform Determinations

Determinations by the Committee under the Plan (including, without limitation, determinations of the persons to receive awards under Articles II and III; the form, amount and timing of such awards; the terms and provisions of such awards and the agreements evidencing same; and provisions with respect to termination of employment) need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, awards under the Plan, whether or not such persons are similarly situated.

6.9 No Guarantee of Employment or Directorship

The grant of an award under the Plan shall not constitute an assurance of continued employment for any period or any obligation of the Board of Directors to nominate any Director for re-election by the Company's shareholders.

6.10 Change of Control

A "Change of Control" means:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding ordinary shares of the Company (the "Outstanding Company Ordinary Shares") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation or other entity controlled by the Company or (iv) any acquisition by any corporation or other entity pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 6.10; or

(b) Individuals who, as of the date hereof, constitute the Board of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of the Company; provided, however, that for purposes of this Section 6.10 any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of the Company; or

(c) Consummation of a scheme of arrangement, reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Ordinary Shares and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding ordinary shares or shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation or other entity resulting from such Business Combination (including, without limitation, a corporation or other entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Ordinary Shares and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation or other entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation or other entity resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding ordinary shares or shares of common stock of the corporation or other entity resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation or other entity except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the action of the Board of the Company providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

6.11 Duration and Termination

(a) The Plan shall be of unlimited duration. Notwithstanding the foregoing, no incentive Share option (within the meaning of Section 422 of the Code) shall be granted under the Plan after May 1, 2013, but awards granted prior to such dates may extend beyond such dates, and the terms of this Plan shall continue to apply to all awards granted hereunder.

(b) The Board of Directors may discontinue or terminate the Plan at any time. Such action shall not impair any of the rights of any holder of any award outstanding on the date of the Plan's discontinuance or termination without the holder's written consent.

6.12 Effective Date

The Plan was originally effective May 1, 1993. The Plan was amended and restated effective March 13, 1997, March 12, 1998 and January 1, 2000.

IN WITNESS WHEREOF, this document has been executed effective as of May 8, 2003.

TRANSOCEAN INC.

By: ______________________________

Eric B. Brown
Corporate Secretary

Appendix C

PROPOSED AMENDED AND RESTATED EMPLOYEE STOCK PURCHASE PLAN

OF

TRANSOCEAN INC.

(As Amended and Restated Effective May 8, 2003)

1. Purpose

The Transocean Inc. Employee Stock Purchase Plan (the "Plan") is designed to encourage and assist all employees of Transocean Inc., a Cayman Islands exempted company limited by shares ("Transocean") and Subsidiaries (as defined in Section 4) (hereinafter collectively referred to as the "Company"), where permitted by applicable laws and regulations, to acquire an equity interest in Transocean through the purchase of ordinary shares, par value US$.01 per share, of Transocean ("Ordinary Shares"). It is intended that this Plan shall constitute an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Administration of the Plan

The Plan shall be administered and interpreted by the Finance and Benefits Committee (the "Committee") appointed by the Board of Directors of Transocean (the "Board"), which Committee shall consist of at least two (2) persons. The Committee shall supervise the administration and enforcement of the Plan according to its terms and provisions and shall have all powers necessary to accomplish these purposes and discharge its duties hereunder including, but not by way of limitation, the power to (i) employ and compensate agents of the Committee for the purpose of administering the accounts of participating employees; (ii) construe or interpret the Plan; (iii) determine all questions of eligibility; and (iv) compute the amount and determine the manner and time of payment of all benefits according to the Plan.

The Committee may act by decision of a majority of its members at a regular or special meeting of the Committee or by decision reduced to writing and signed by all members of the Committee without holding a formal meeting. The Committee may delegate its duties and authority under this Plan to one or more officers of the Company, and actions taken by such duly authorized officers shall be deemed to be actions of the Committee.

3. Nature and Number of Shares

The Ordinary Shares subject to issuance under the terms of the Plan shall be shares of Transocean's authorized but unissued Ordinary Shares, previously issued Ordinary Shares reacquired and held by Transocean or Ordinary Shares purchased on the open market. The aggregate number of Ordinary Shares which may be issued under the Plan shall not exceed two million five hundred thousand (2,500,000) Ordinary Shares. All Ordinary Shares purchased under the Plan, regardless of source, shall be counted against the two million five hundred thousand (2,500,000) Ordinary Share limitation.

In the event of any scheme of arrangement, reorganization, share split, reverse share split, share dividend, combination of shares, merger, consolidation, offering of rights or other similar change in the capital structure of Transocean, the Committee may make such adjustment, if any, as it deems appropriate in the number, kind and purchase price of the Ordinary Shares available for purchase under the Plan and in the maximum number of Ordinary Shares which may be issued under the Plan, subject to the approval of the Board and in accordance with Section 19.

4. Eligibility Requirements

Each "Employee" (as hereinafter defined), except as described in the next following paragraph, shall become eligible to participate in the Plan in accordance with Section 5 on the first "Enrollment Date" (as defined therein) following employment by the Company. Participation in the Plan is voluntary.

The following Employees are not eligible to participate in the Plan:

(i) Employees who would, immediately upon enrollment in the Plan, own directly or indirectly, or hold options or rights to acquire, an aggregate of five percent (5%) or more of the total combined voting power or value of all outstanding shares of all classes of the Company or any subsidiary (in determining share ownership of an individual, the rules of Section 424(d) of the Code shall be applied, and the Committee may rely on representations of fact made to it by the employee and believed by it to be true); and

(ii) Employees of Transocean who are customarily employed for less than twenty (20) hours per week or less than five (5) months in any calendar year; and

(iii) Employees of any Subsidiary who are excluded under the terms of any agreement evidencing the adoption of the Plan; and

(iv) Employees who reside in a country in which the Plan fails to meet applicable legal and regulatory requirements or in a country whose laws make participation impractical.

"Employee" shall mean any individual employed by Transocean or any Subsidiary (as hereinafter defined). "Subsidiary" shall mean any corporation (a) which is in an unbroken chain of corporations beginning with Transocean if, on or after the Effective Date, each of the corporations other than the last corporation in the chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in the chain and (b) which has adopted the Plan with the approval of the Committee.

5. Enrollment

Each eligible Employee of Transocean or any Subsidiary as of May 14, 1998, (the "Effective Date" herein) may enroll in the Plan as soon as administratively feasible after the Effective Date, as determined by the Committee. Each other eligible Employee of Transocean or a participating Subsidiary who thereafter becomes eligible to participate may enroll in the Plan on the first January 1 following the date he first meets the eligibility requirements of Section 4. Notwithstanding the foregoing, with respect to the Plan's designated purchase period (the "Purchase Period") ending December 31, 2000, an eligible employee must enroll in the Plan prior to the first to occur of (i) January 1, 2000 or, if later, the date of the consummation of the merger transaction contemplated by the July 12, 1999 Agreement and Plan of Merger between Schlumberger Limited, Sedco Forex Holdings Limited, and the Company (the "Merger") or (ii) February 29, 2000. Any eligible Employee not enrolling in the Plan when first eligible may enroll in the Plan on any subsequent January 1. Any eligible Employee may enroll or re-enroll in the Plan on the dates hereinabove prescribed or such other specific dates established by the Committee from time to time ("Enrollment Dates"). In order to enroll, an eligible Employee must complete, sign and submit the appropriate form to the person designated by the Committee.

6. Method of Payment

Payment for shares is to be made as of the applicable "Purchase Date" (as defined in Section 9) through payroll deductions on an after-tax basis (with no right of prepayment) over the Purchase Period, with the first such deduction commencing with the first payroll period ending after the Enrollment Date. Each Purchase Period under the Plan shall be a period of one (1) year beginning on each January 1 and ending on the following December 31 or such other period as the Committee may prescribe. Each participating Employee (hereinafter referred to as a "Participant") will authorize such deductions from his pay for each month during the Purchase Period, and such amounts will be deducted in conformity with his employer's payroll deduction schedule; provided, however, that

payroll withholding during the initial Purchase Period will begin as soon as administratively feasible, after the Effective Date, as is determined by the Committee in its discretion.

Each Participant may elect to make contributions each pay period in amounts not less than two percent (2%) of the Participant's monthly compensation (with no dollar minimum), not to exceed a monthly contribution equal to twenty percent (20%) of the Participant's monthly compensation (base pay and overtime pay associated with base pay, but excluding premium or special pay and overtime associated therewith) (or such other dollar amounts as the Committee may establish from time to time before an Enrollment Date for all purchases to occur during the relevant Purchase Period). In establishing other dollar amounts of permitted contributions, the Committee may take into account the "Maximum Share Limitation" (as defined in Section 8). The rate of contribution shall be designated by the Participant in the enrollment form.

A Participant may elect to increase or decrease the rate of contribution effective as of the first day of the Purchase Period by giving prior written notice to the person designated by the Committee on the appropriate form. A Participant may not elect to increase or decrease the rate of contribution during a Purchase Period. A Participant may suspend payroll deductions at any time during the Purchase Period by giving prior written notice to the person designated by the Committee on the appropriate form. If a Participant elects to suspend his payroll deductions, such Participant's account will continue to accrue interest and will be used to purchase shares at the end of the Purchase Period. A Participant may also elect to withdraw his entire contributions for the current Purchase Period in accordance with Section 8 by giving prior written notice to the person designated by the Committee on the appropriate form. Any Participant who withdraws his contributions will receive, as soon as practicable, his entire account balance, including interest and dividends, if any. Any Participant who suspends payroll deductions or withdraws contributions during any Purchase Period cannot resume payroll deductions during such Purchase Period and must re-enroll in the Plan in order to participate in the next Purchase Period.

Any Participant, in accordance with the procedure established by the Company, can elect to contribute to the Plan by making a cash payment or by assigning to the Company the right to receive a cash payment. This assignment or transfer of a cash payment to the Plan must occur after the consummation of the Merger and not later than February 29, 2000.

Except in case of cancellation of election to purchase, death, resignation or other terminating event, the amount in a Participant's account at the end of the Purchase Period will be applied to the purchase of Ordinary Shares.

7. Crediting of Contributions, Interest and Dividends

Contributions shall be credited to a Participant's account as soon as administratively feasible after payroll withholding. Unless otherwise prohibited by laws and regulations, Participant contributions will receive interest at a rate realized for the investment vehicle or vehicles designated by the Committee for purposes of the Plan. Interest will be credited to a Participant's account from the first date on which such Participant's contributions are deposited with the investment vehicle until the earlier of (i) the end of the Purchase Period or (ii) in the event of cancellation, death, resignation or other terminating event, the last day for which interest is allocated for such investment vehicle prior to the date on which such contributions are returned to the Participant. Dividends on shares held in a Participant's account in the Plan will be invested in Ordinary Shares under the Company's Shareholder Dividend Reinvestment Plan. Any such contributions, interest and dividends shall be deposited in or held by a bank or financial institution designated by the Committee for this purpose (the "Custodian").

8. Grant of Right to Purchase Shares on Enrollment

Enrollment in the Plan by an Employee on an Enrollment Date will constitute the grant by the Company to the Participant of the right to purchase Ordinary Shares under the Plan. Re-enrollment by a Participant in the Plan will constitute a grant by the Company to the Participant of a new opportunity to purchase shares on the Enrollment Date on which such re-enrollment occurs. A Participant who has not (a) terminated employment, (b) withdrawn his contributions from the Plan, or (c) notified the Company in writing, by December 1 (or such date as the Committee shall establish), of his election to withdraw his payroll deductions plus interest as of December 31 will have Ordinary Shares purchased for him on the applicable Purchase Date, and he will automatically be re-enrolled in the

Plan on the Enrollment Date immediately following the Purchase Date on which such purchase has occurred, unless each Participant notifies the person designated by the Committee on the appropriate form that he elects not to re-enroll.

Each right to purchase Ordinary Shares under the Plan during a Purchase Period shall have the following terms:

(i) the right to purchase Ordinary Shares during a particular Purchase Period shall expire on the earlier of: (A) the completion of the purchase of shares on the Purchase Date occurring in the Purchase Period, or (B) the date on which participation of such Participant in the Plan terminates for any reason;

(ii) payment for shares purchased will be made through payroll withholding and the crediting of interest and dividends, if applicable, in accordance with Sections 6 and 7;

(iii) purchase of shares will be accomplished only in accordance with Section 9;

(iv) the price per share will be determined as provided in Section 9;

(v) the right to purchase shares (taken together with all other such rights then outstanding under this Plan and under all other similar stock purchase plans of Transocean or any Subsidiary) will in no event give the Participant the right to purchase a number of shares during a calendar year in excess of the number of Ordinary Shares derived by dividing twenty-five thousand dollars (US$25,000) by the fair market value of the Ordinary Shares (the "Maximum Share Limitation") on the applicable Grant Date determined in accordance with Section 9;

(vi) shares purchased under this Plan may not be sold within three (3) months of the Purchase Date, unless the Committee, in its sole discretion, waives this requirement; and

(vii) the right to purchase shares will in all respects be subject to the terms and conditions of the Plan, as interpreted by the Committee from time to time.

9. Purchase of Shares

The right to purchase Ordinary Shares granted by the Company under the Plan is for the term of a Purchase Period. The fair market value of the Ordinary Shares ("Fair Market Value") to be purchased during such Purchase Period will be the closing composite sales price per Ordinary Share in the New York Stock Exchange Composite Transactions Quotations on the first trading day of the calendar month of January, or such other trading date designated by the Committee (the "Grant Date"); provided, however, that for the Purchase Period which begins on the Effective Date, the Grant Date shall be the Effective Date. Notwithstanding the foregoing, with respect to the Purchase Period ending December 31, 2000, the Grant Date shall be the first to occur of (i) January 1, 2000 or, if later, the date of the consummation of the Merger or (ii) February 29, 2000. The Fair Market Value of the Ordinary Shares will again be determined in the same manner on the last trading day of the calendar month of December, or such other trading date designated by the Committee (the "Purchase Date"); however, in no event shall the Committee, in the exercise of its discretion, designate a Purchase Date beyond twelve (12) months from the related Enrollment Date or otherwise fail to meet the requirements of Section 423(b)(7) of the Code. These dates constitute the date of grant and the date of exercise for valuation purposes of Section 423 of the Code.

As of the Purchase Date, the Committee shall apply the funds then credited to each Participant's account to the purchase of Ordinary Shares. The cost to the Participant for the shares purchased during a Purchase Period shall be the lower of:

(i) eighty-five percent (85%) of the Fair Market Value of Ordinary Shares on the Grant Date; or

(ii) eighty-five percent (85%) of the Fair Market Value of Ordinary Shares on the Purchase Date.

Certificates evidencing shares purchased shall be delivered to the Custodian or to any other bank or financial institution designated by the Committee for this purpose or delivered to the Participant (if the Participant has elected by written notice to the Committee to receive the certificate) as soon as administratively feasible after the Purchase Date; however, certificates shall not be delivered to the Participant within one (1) year of the Purchase Date of the underlying shares, except as otherwise provided herein. Notwithstanding the foregoing, Participants shall be treated as the record owners of their shares effective as of the Purchase Date. Shares that are held by the Custodian or any other designated bank or financial institution shall be held in book entry form. Until such certificates are distributed to the Participant, the Participant will not be permitted to transfer ownership of the certificates except as contemplated by Section 10 or Section 14 of the Plan. Any Participant who terminates employment will receive a certificate for the number of shares held in his account and a cash refund attributable to amounts equal to less than the price of a whole share, and any accumulated contributions, dividends and interest. If for any reason the purchase of shares with a Participant's allocations to the Plan exceeds or would exceed the Maximum Share Limitation, such excess amounts shall be refunded to the Participant as soon as practicable after such excess has been determined to exist.

If as of any Purchase Date the shares authorized for purchase under the Plan are exceeded, enrollments shall be reduced proportionately to eliminate the excess. Any funds that cannot be applied to the purchase of shares due to excess enrollment shall be refunded as soon as administratively feasible, including interest determined in accordance with Section 7. The Committee in its discretion may also provide that excess enrollments may be carried over to the next Purchase Period under this Plan or any successor plan according to the regulations set forth under Section 423 of the Code.

10. Withdrawal of Shares and Sale of Shares

(a) A Participant may elect to withdraw at any time (without withdrawing from participation in the Plan) shares which have been held in his account for at least one (1) year by giving notice to the person designated by the Committee on the appropriate form. Upon receipt of such notice from the person designated by the Committee, the Custodian, bank or other financial institution designated by the Committee for this purpose will arrange for the issuance and delivery of such shares held in the Participant's account as soon as administratively feasible.

(b) Notwithstanding anything in the Plan to the contrary, a Participant may sell shares which are held in his account, including shares which have been held in his account for less than one (1) year, but not less than three (3) months as provided in Section 8(vi) (unless waived by the Committee), by giving notice to the person designated by the Committee on the appropriate form. Upon receipt of such notice from the person designated by the Committee, the Custodian, bank or other financial institution designated by the Committee for this purpose will arrange for the sale of such Participant's shares. Any sale will be deemed to occur as soon as practicable after the Participant provides such notice to the person designated by the Committee. The proceeds of any sale under this subsection 10(b), less any associated commissions or required withholding for taxes, shall be paid to the Participant as soon as practicable after the sale.

11. Termination of Participation

The right to participate in the Plan terminates immediately when a Participant ceases to be employed by the Company for any reason whatsoever (including death, unpaid disability or when the Participant's employer ceases to be a Subsidiary) or the Participant otherwise becomes ineligible. Participation also terminates immediately when the Participant voluntarily withdraws his contributions from the Plan. Participation terminates immediately after the Purchase Date if the Participant is not re-enrolled in the Plan for the next Purchase Period or if the Participant has suspended payroll deductions during any Purchase Period and has not re-enrolled in the Plan for the next Purchase Period. As soon as administratively feasible after termination of participation due to cessation of employment, the Committee shall pay to the Participant or his beneficiary or legal representative all amounts credited to his account, including interest and dividends, if applicable, determined in accordance with Section 7, and shall cause a certificate for the number of shares held in his account to be delivered to the Participant, subject to the restrictions in Section 9.

For purposes of the Plan, a Participant is not deemed to have terminated his employment if he transfers employment from Transocean to a Subsidiary, or vice versa, or transfers employment between Subsidiaries.

12. Unpaid Leave of Absence

Unless the Participant has voluntarily withdrawn his contributions from the Plan, shares will be purchased for his account on the Purchase Date next following commencement of an unpaid leave of absence by such Participant, provided such leave does not constitute a termination of employment. The number of shares to be purchased will be determined by applying to the purchase the amount of the Participant's contributions made up to the commencement of such unpaid leave of absence plus interest on such contributions and dividends, if applicable, both determined in accordance with Section 7. If the Participant's unpaid leave of absence both commences and terminates during the same Purchase Period and he has resumed eligible employment prior to the Purchase Date related to that Purchase Period, he may also resume payroll deductions immediately, and shares will be purchased for him on such Purchase Date as otherwise provided in Section 9.

13. Designation of Beneficiary

Each Participant may designate one or more beneficiaries in the event of death and may, in his sole discretion, change such designation at any time. Any such designation shall be effective upon receipt by the person designated by the Committee and shall control over any disposition by will or otherwise.

As soon as administratively feasible after the death of a Participant, amounts credited to his account, including interest and dividends, if applicable, determined in accordance with Section 7, shall be paid in cash and a certificate for any shares shall be delivered to the Participant's designated beneficiaries or, in the absence of such designation, to the executor, administrator or other legal representative of the Participant's estate. Such payment shall relieve the Company of further liability to the deceased Participant with respect to the Plan. If more than one beneficiary is designated, each beneficiary shall receive an equal portion of the account unless the Participant has given express contrary instructions.

14. Assignment

Except as provided in Section 13, the rights of a Participant under the Plan will not be assignable or otherwise transferable by the Participant, other than by will or the laws of descent and distribution or pursuant to a "qualified domestic relations order," as defined in Section 414(p) of the Code. No purported assignment or transfer of such rights of a Participant under the Plan, whether voluntary or involuntary, by operation of law or otherwise, shall vest in the purported assignee or transferee any interest or right therein whatsoever, but immediately upon such assignment or transfer, or any attempt to make the same, such rights shall terminate and become of no further effect. If this provision is violated, the Participant's election to purchase Ordinary Shares shall terminate, and the only obligation of the Company remaining under the Plan will be to pay to the person entitled thereto the amount then credited to the Participant's account. No Participant may create a lien on any funds, securities, rights or other property held for the account of the Participant under the Plan, except to the extent that there has been a designation of beneficiaries in accordance with the Plan, and except to the extent permitted by will or the laws of descent and distribution if beneficiaries have not been designated. A Participant's right to purchase shares under the Plan shall be exercisable only during the Participant's lifetime and only by him.

15. Costs

All costs and expenses incurred in administering this Plan shall be paid by the Company. Any brokerage fees for the sale of shares purchased under the Plan shall be paid by the Participant.

16. Reports

At the end of each Purchase Period, the Company shall provide or cause to be provided to each Participant a report of his contributions, including interest earned, and the number of Ordinary Shares purchased with such contributions by that Participant on each Purchase Date.

17. Equal Rights and Privileges

All eligible Employees shall have equal rights and privileges with respect to the Plan to the extent necessary to enable the Plan to qualify for U.S. tax purposes as an “employee stock purchase plan” within the meaning of Section 423 or any successor provision of the Code and related regulations. Any provision of the Plan which is inconsistent with Section 423 or any successor provision of the Code shall without further act or amendment by the Company be reformed to comply with the requirements of Section 423. This Section 17 shall take precedence over all other provisions in the Plan.

18. Rights as Shareholders

A Participant will have no rights as a shareholder under the election to purchase until he becomes a shareholder as herein provided. A Participant will become a shareholder with respect to shares for which payment has been completed as provided in Section 9 at the close of business on the last business day of the Purchase Period.

19. Modification and Termination

The Board may amend or terminate the Plan at any time insofar as permitted by law. No amendment shall be effective unless within one (1) year after it is adopted by the Board, it is approved by the holders of Transocean’s outstanding shares if and to the extent such amendment is required to be approved by shareholders in order to cause the rights granted under the Plan to purchase Ordinary Shares to meet the requirements of Section 423 of the Code (or any successor provision).

The Plan shall terminate after all Ordinary Shares issued under the Plan have been purchased, unless terminated earlier by the Board or unless additional Ordinary Shares are issued under the Plan with the approval of the shareholders. In the event the Plan is terminated, the Committee may elect to terminate all outstanding rights to purchase shares under the Plan either immediately or upon completion of the purchase of shares on the next Purchase Date, unless the Committee has designated that the right to make all such purchases shall expire on some other designated date occurring prior to the next Purchase Date. If the rights to purchase shares under the Plan are terminated prior to expiration, all funds contributed to the Plan which have not been used to purchase shares shall be returned to the Participants as soon as administratively feasible, including interest and dividends, if applicable, determined in accordance with Section 7.

20. Board and Shareholder Approval; Effective Date

The Plan was originally adopted by the Board on March 12, 1998 and was effective immediately on such date. The Plan was originally approved by shareholders at the 1998 annual meeting. The Plan was amended and restated effective January 1, 2000. This amendment and restatement of the Plan shall be effective as of May 8, 2003.

21. Governmental Approvals or Consents

This Plan and any offering or sale made to Employees under it are subject to any governmental approvals or consents that may be or become applicable in connection therewith. Subject to the provisions of Section 19, the Board may make such changes in the Plan and include such terms in any offering under the Plan as may be desirable to comply with the rules or regulations of any governmental authority.

22. Listing of Shares and Related Matters

If at any time the Board or the Committee shall determine, based on opinion of legal counsel, that the listing, registration or qualification of the shares covered by the Plan upon any national securities exchange or reporting system or under any state or federal law is necessary or desirable as a condition of, or in connection with, the sale or purchase of shares under the Plan, no shares will be sold, issued or delivered unless and until such listing, registration or qualification shall have been effected or obtained, or otherwise provided for, free of any conditions not acceptable to legal counsel.

23. Employment Rights

The Plan shall neither impose any obligation on Transocean or on any Subsidiary to continue the employment of any Participant, nor impose any obligation on any Participant to remain in the employ of Transocean or of any Subsidiary.

24. Withholding of Taxes

The Committee may make such provisions as it may deem appropriate for the withholding of any taxes which it determines is required in connection with the purchase of Ordinary Shares under the Plan.

25. Subsidiary Terms

In addition to changes in eligibility requirements, the adopting Subsidiaries may make any changes in the terms of this Plan applicable to their Employees as shall be acceptable to the Committee, provided that such changes do not cause the Plan to fail to comply with the requirements of Section 423 of the Code, to the extent it is applicable.

26. Governing Law

The Plan and rights to purchase shares that may be granted hereunder shall be governed by and construed and enforced in accordance with the laws of the State of Texas.

27. Use of Gender

The gender of words used in the Plan shall be construed to include whichever may be appropriate under any particular circumstances of the masculine, feminine or neuter genders.

28. Other Provisions

The agreements to purchase Ordinary Shares under the Plan shall contain such other provisions as the Committee and the Board shall deem advisable, provided that no such provision shall in any way be in conflict with the terms of the Plan.

IN WITNESS WHEREOF, this document has been executed effective as of May 8, 2003.

TRANSOCEAN INC.

By: ____________________________

Eric B. Brown
Corporate Secretary

ANNUAL REPORT TO SHAREHOLDERS

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2002

OR

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

For the transition period from _____ to ______.

Commission file number 333-75899

TRANSOCEAN INC.
(Exact name of registrant as specified in its charter)

Cayman Islands **(State or other jurisdiction of incorporation or organization)**	**66-0582307** **(I.R.S. Employer Identification No.)**
4 Greenway Plaza **Houston, Texas** **(Address of principal executive offices)**	**77046** **(Zip Code)**

Registrant's telephone number, including area code: (713) 232-7500

Securities registered pursuant to Section 12(b) of the Act:

Title of class	Exchange on which registered
Ordinary Shares, par value $0.01 per share	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

As of June 28, 2002, 319,207,590 ordinary shares were outstanding and the aggregate market value of such shares held by non-affiliates was approximately $9.9 billion (based on the reported closing market price of the ordinary shares on such date of $31.15 and assuming that all directors and executive officers of the Company are "affiliates," although the Company does not acknowledge that any such person is actually an "affiliate" within the meaning of the federal securities laws). As of February 28, 2003, 319,764,712 ordinary shares were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days of December 31, 2002, for its 2003 annual general meeting of shareholders, are incorporated by reference into Part III of this Form 10-K.

TRANSOCEAN INC. AND SUBSIDIARIES
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FOR THE YEAR ENDED DECEMBER 31, 2002

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PART I

ITEM 1. *Business*

Transocean Inc. (formerly known as "Transocean Sedco Forex Inc.", together with its subsidiaries and predecessors, unless the context requires otherwise, the "Company," "Transocean," "we," "us" or "our") is a leading international provider of offshore and inland marine contract drilling services for oil and gas wells. As of March 1, 2003, we owned, had partial ownership interests in or operated 158 mobile offshore and barge drilling units that we consider to be our core assets. As of this date, our core assets consisted of 31 high-specification drillship and semisubmersibles (floaters), 29 other floaters, 55 jackup rigs, 35 drilling barges, five tenders and three submersible drilling rigs. In addition, the fleet included non-core assets consisting of a mobile offshore production unit, two platform drilling rigs and a land rig, as well as nine land rigs and three lake barges in Venezuela.

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

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

Background of Transocean

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

On December 31, 1999, we completed our merger with Sedco Forex Holdings Limited ("Sedco Forex"), the former offshore contract drilling business of Schlumberger Limited ("Schlumberger"). Effective upon the merger, we changed our name to "Transocean Sedco Forex Inc." The merger followed the spin-off of Sedco Forex to Schlumberger shareholders on December 30, 1999. We accounted for the merger using the purchase method of accounting with Sedco Forex treated as the accounting acquiror. On January 31, 2001, we completed a merger transaction (the "R&B Falcon merger") with R&B Falcon Corporation ("R&B Falcon", now known as "TODCO"). We accounted for the R&B Falcon merger using the purchase method of accounting with the Company treated as the acquiror. In May 2002, we changed our name to "Transocean Inc."

Drilling Fleet

We principally use four types of drilling rigs:

- drillships
- semisubmersibles
- jackups
- barge drilling rigs

Also included in our fleet are tenders, submersible rigs, a mobile offshore production unit, platform drilling rigs, land drilling rigs and lake barges.

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

As of February 28, 2003, our marine fleet of 158 core assets was located in the U.S. Gulf of Mexico (75 units), Canada (one unit), Brazil (11 units), Trinidad (two units), the North Sea (17 units), the Mediterranean and Middle East (eight units), the Caspian Sea (one unit), Africa (21 units), India (six units) and Asia and Australia (16 units).

Our operations are separated into two business segments. The International and U.S. Floater Contract Drilling Services segment is comprised of drillships, semisubmersibles and non-U.S. jackups and barge drilling rigs. Our Gulf of Mexico Shallow and Inland Water segment consists of jackups and submersible drilling rigs located in the U.S. Gulf of Mexico and Trinidad and U.S. inland drilling barges, as well as land drilling units and lake barges located in Venezuela.

International and U.S. Floater Contract Drilling Services Fleet

As of February 28, 2003, our International and U.S. Floater Contract Drilling Services segment fleet consisted of 14 drillships, 46 semisubmersibles, 26 jackups, four drilling barges, five tenders, a platform drilling rig, a mobile offshore production unit and a land rig.

Drillships (14)

Drillships are generally self-propelled and designed to drill in the deepest water in which offshore drilling rigs currently operate. Shaped like conventional ships, they are the most mobile of the major rig types. Our drillships are either dynamically positioned, which allows them to maintain position without anchors through the use of their onboard propulsion and station-keeping systems, or are operated in a moored configuration. Drillships typically have greater load capacity than semisubmersible rigs. This enables them to carry more supplies on board, which often makes them better suited for drilling in remote locations where resupply is more difficult. However, drillships are typically limited to calmer water conditions than those in which semisubmersibles can operate. High-specification drillships are those that are dynamically positioned and rated for drilling in water depths of at least 7,000 feet and are designed for ultra-deepwater exploration and development drilling programs. Our three Discoverer Enterprise-class drillships are equipped for dual-activity drilling, which is a well-construction technology we developed that allows for drilling tasks associated with a single well to be accomplished in a parallel rather than sequential manner by utilizing two complete drilling systems under a single derrick. The dual-activity well-construction process is designed to reduce critical path activity and improve efficiency in both exploration and development drilling. Our Deepwater-class drillships are also high-specification drillships and are designed with a high-pressure mud system.

The following table provides certain information regarding our drillship fleet as of February 28, 2003:

Type and Name	Year Entered Service/ Upgraded(a)	Water Depth Capacity (in feet)	Drilling Depth Capacity (in feet)	Location	Customer	Estimated Expiration (b)
High-Specification Drillships (12)						
Deepwater Discovery (c)	2000	10,000	30,000	Benin	ChevronTexaco	December 2003
Deepwater Expedition (c)	1999	10,000	30,000	Brazil	Petrobras	October 2005
Deepwater Frontier (c)(d)	1999	10,000	30,000	Brazil	Petrobras	November 2003
Deepwater Millennium	1999	10,000	30,000	U.S. Gulf	Anadarko	June 2003
				U.S. Gulf	KerrMcGee	December 2003
				U.S. Gulf	KerrMcGee	December 2004
Deepwater Pathfinder (c)(e)	1998	10,000	30,000	U.S. Gulf	Conoco	January 2004
Discoverer Deep Seas (c)	2001	10,000	35,000	U.S. Gulf	ChevronTexaco	January 2006
Discoverer Enterprise (c)	1999	10,000	35,000	U.S. Gulf	BP	December 2004
Discoverer Spirit (c)......................	2000	10,000	35,000	U.S. Gulf	Unocal	September 2005
Deepwater Navigator (c)	2000	7,200	25,000	Brazil	Petrobras	July 2003
				Brazil	Petrobras	July 2004
Peregrine I (c)	1982/1996	7,200	25,000	Brazil	Petrobras	June 2003

Type and Name	Year Entered Service/ Upgraded(a)	Water Depth Capacity (in feet)	Drilling Depth Capacity (in feet)	Location	Customer	Estimated Expiration (b)
Discoverer 534 (c)	1975/1991	7,000	25,000	India	Reliance	June 2003
Discoverer Seven Seas (c)	1976/1997	7,000	25,000	Brazil	–	Idle
Other Drillships (2)						
Joides Resolution (c)(f)	1978	27,000	30,000	Brazil	Texas A&M	September 2003
Peregrine III..................................	1976	4,200	25,000	U.S. Gulf	–	Idle

(a) Dates shown are the original service date and the date of the most recent upgrade, if any.
(b) Expiration dates represent our current estimate of the earliest date the contract for each rig is likely to expire. Some rigs have two or more contracts in continuation, so the last line shows the estimated earliest availability. Some contracts may permit the client to extend the contract.
(c) Dynamically positioned.
(d) The *Deepwater Frontier* is leased and operated by a limited liability company in which we own a 60 percent interest. See Note 19 to our consolidated financial statements.
(e) The *Deepwater Pathfinder* is leased and operated by a limited liability company in which we own a 50 percent interest. See Note 19 to our consolidated financial statements.
(f) The *Joides Resolution* is currently engaged in scientific geological coring activities and is owned by a joint venture in which we have a 50 percent interest. See Note 19 to our consolidated financial statements.

Semisubmersibles (46)

Semisubmersibles are floating vessels that can be submerged by means of a water ballast system such that a substantial portion of the lower hull is below the water surface during drilling operations. These rigs maintain their position over the well through the use of an anchoring system or computer controlled dynamic positioning thruster system. Some semisubmersible rigs are self-propelled and move between locations under their own power when afloat on the pontoons although most are relocated with the assistance of tugs. Typically, semisubmersibles are better suited for operations in rough water conditions than drillships. High-specification semisubmersibles are those that were built or extensively upgraded since 1984 and have one or more of the following characteristics: larger physical size than other semisubmersibles; rated for drilling in water depths of over 4,000 feet; year-round harsh environment capability; variable deck load capability of greater than 4,000 metric tons; dynamic positioning; and superior motion characteristics.

The following table provides certain information regarding our semisubmersible fleet as of February 28, 2003:

Type and Name	Year Entered Service/ Upgraded(a)	Water Depth Capacity (in feet)	Drilling Depth Capacity (in feet)	Location	Customer	Estimated Expiration (b)
High-Specification Semisubmersibles (19)						
Deepwater Horizon (c)........	2001	10,000	30,000	U.S. Gulf	BP	September 2004
Cajun Express (c)...............	2001	8,500	35,000	U.S. Gulf	Dominion	March 2003
Deepwater Nautilus (d)	2000	8,000	30,000	U.S. Gulf	Shell	June 2005
Sedco Energy (c)................	2001	7,500	25,000	Las Palmas	ChevronTexaco	May 2003
				Nigeria	ChevronTexaco	October 2004
Sedco Express (c)...............	2001	7,500	25,000	Brazil	Petrobras	August 2004
Transocean Marianas...........	1979/1998	7,000	25,000	U.S. Gulf	Shell	August 2003
Sedco 707 (c)	1976/1997	6,500	25,000	Brazil	Petrobras	January 2004
Jack Bates...........................	1986/1997	5,400	30,000	U.K. North Sea	–	Idle
Sedco 709 (c)	1977/1999	5,000	25,000	Nigeria	Shell	May 2003
				Nigeria	Shell	May 2004
M. G. Hulme, Jr. (e)	1983/1996	5,000	25,000	Nigeria	TotalFinaElf	March 2003
				Nigeria	TotalFinaElf	May 2003
Transocean Richardson	1988	5,000	25,000	U.S. Gulf	KerrMcGee	March 2003

Type and Name	Year Entered Service/ Upgraded(a)	Water Depth Capacity (in feet)	Drilling Depth Capacity (in feet)	Location	Customer	Estimated Expiration (b)
Jim Cunningham	1982/1995	4,600	25,000	Malta	–	Shipyard
				Egypt	IEOC	July 2003
Transocean Leader	1987/1997	4,500	25,000	U.K. North Sea	BP	March 2003
Transocean Rather..............	1988	4,500	25,000	Enroute to Angola	ExxonMobil	August 2004
Sovereign Explorer.............	1984	4,500	25,000	Equatorial Guinea	Amerada Hess	March 2003
				Ivory Coast	CNR	May 2003
Henry Goodrich..................	1985	2,000	30,000	Canada	Terra Nova	February 2005
Paul B. Loyd, Jr..................	1990	2,000	25,000	U.K. North Sea	BP	March 2003
Transocean Arctic	1986	1,650	25,000	Norwegian N. Sea	–	Idle
Polar Pioneer......................	1985	1,500	25,000	Norwegian N. Sea	Norsk Hydro	December 2003

Type and Name	Year Entered Service/ Upgraded(a)	Water Depth Capacity (in feet)	Drilling Depth Capacity (in feet)	Location	Customer	Estimated Expiration (b)
Other Semisubmersibles (27)						
Sedco 710 (c)	1983/1997	4,500	25,000	Brazil	Petrobras	October 2006
Sedco 700	1973/1997	3,600	25,000	Equatorial Guinea	Amerada Hess	October 2003
Transocean Amirante	1978/1997	3,500	25,000	U.S. Gulf	–	Idle
Transocean Legend	1983	3,500	25,000	Brazil	Petrobras	May 2004
C. Kirk Rhein, Jr.	1976/1997	3,300	25,000	U.S. Gulf	–	Idle
Transocean Driller	1991	3,000	25,000	Brazil	El Paso	August 2003
Falcon 100	1974/1999	2,400	25,000	U.S. Gulf	ChevronTexaco	April 2003
Sedco 711	1982	1,800	25,000	U.K. North Sea	Ramco	April 2003
				U.K. North Sea	Marathon	June 2003
				U.K. North Sea	Ramco	July 2003
Transocean John Shaw	1982	1,800	25,000	U.K. North Sea	TotalFinaElf	April 2003
				U.K. North Sea	TotalFinaElf	August 2003
Sedco 714	1983/1997	1,600	25,000	U.K. North Sea	EnCana	March 2003
				U.K. North Sea	BP	May 2003
Sedco 712	1983	1,600	25,000	U.K. North Sea	Shell	March 2003
Actinia	1982	1,500	25,000	Egypt	IEOC	April 2003
J. W. McLean	1974/1996	1,250	25,000	U.K. North Sea	–	Idle
Sedco 600	1983/1994	1,500	25,000	Indonesia	Conoco	March 2003
Sedco 601	1983	1,500	25,000	Indonesia	TotalFinaElf	April 2003
Sedco 602	1983	1,500	25,000	Singapore	–	Idle
Sedco 702	1973/1992	1,500	25,000	Australia	Esso	March 2003
Sedco 703	1973/1995	2,000	25,000	Australia	Woodside	March 2003
Sedco 708	1976	1,500	25,000	Congo	–	Idle
Sedneth 701	1972/1993	1,500	25,000	Angola	ChevronTexaco	April 2003
Transocean Prospect...........	1983/1992	1,500	25,000	U.K. North Sea	–	Idle
Transocean Searcher	1983/1988	1,500	25,000	Norwegian N. Sea	Statoil	June 2003
				Norwegian N. Sea	Statoil	March 2004
Transocean Winner	1983	1,500	25,000	Norwegian N. Sea	–	Idle
Transocean Wildcat...........	1977/1985	1,300	25,000	U.K. North Sea	–	Idle
Transocean Explorer	1976	1,250	25,000	U.K. North Sea	–	Idle
Sedco 704	1974/1993	1,000	25,000	U.K. North Sea	ChevronTexaco	April 2003
				U.K. North Sea	Ramco	September 2003
Sedco 706	1976/1994	1,000	25,000	U.K. North Sea	–	Idle

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

(b) Expiration dates represent our current estimate of the earliest date the contract for each rig is likely to expire. Some rigs have two or more contracts in continuation, so the last line shows the estimated earliest availability. Some contracts may permit the client to extend the contract.
(c) Dynamically positioned.
(d) The *Deepwater Nautilus* is leased from its owner, an unrelated third party, pursuant to a fully defeased lease arrangement.
(e) The *M. G. Hulme, Jr*. is accounted for as an operating lease as a result of a sale/leaseback transaction in November 1995.

Jackup Rigs (26)

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

The following table provides certain information regarding our jackup rig fleet in this segment as of February 28, 2003:

Name	Year Entered Service/ Upgraded(a)	Water Depth Capacity (in feet)	Drilling Depth Capacity (in feet)	Location	Status
Trident IX	1982	400	21,000	Vietnam	Operating
Trident 17	1983	355	25,000	Indonesia	Operating
Harvey H. Ward	1981	300	25,000	Malaysia	Operating
J. T. Angel	1982	300	25,000	India	Operating
Roger W. Mowell	1982	300	25,000	Malaysia	Operating
Ron Tappmeyer	1978	300	25,000	Singapore	Idle
D. R. Stewart	1980	300	25,000	Italy	Operating
Randolph Yost	1979	300	25,000	Equatorial Guinea	Operating
C. E. Thornton	1974	300	25,000	India	Operating
F. G. McClintock	1975	300	25,000	India	Operating
Shelf Explorer	1982	300	25,000	Enroute to Equatorial Guinea	Operating
Transocean III	1978/1993	300	20,000	Oman	Shipyard
Transocean Nordic	1984	300	25,000	India	Operating
Trident II	1977/1985	300	25,000	India	Operating
Trident IV	1980/1999	300	25,000	Congo	Operating
Trident VI	1981	300	21,000	Nigeria	Operating
Trident VIII	1981	300	21,000	Nigeria	Operating
Trident XII	1982/1992	300	25,000	Vietnam	Operating
Trident XIV	1982/1994	300	20,000	Angola	Operating
Trident 15	1982	300	25,000	Thailand	Operating
Trident 16	1982	300	25,000	Vietnam	Operating
Trident 20 (b)	2000	350	25,000	Caspian Sea	Operating
George H. Galloway	1984	300	25,000	Italy	Operating
Transocean Comet	1980	250	20,000	Egypt	Operating
Transocean Mercury	1969/1998	250	20,000	Egypt	Operating
Transocean Jupiter	1981/1997	170	16,000	United Arab Emirates	Idle

(a) Dates shown are the original service date and the date of the most recent upgrade, if any.
(b) Owned by a joint venture in which we have a 75 percent interest.

Barge Drilling Rigs (4)

Our barge drilling fleet in this segment consists of swamp barges. Swamp barges are usually not self-propelled but can be moored alongside a platform and contain crew quarters, mud pits, mud pumps, power generation and other equipment. Swamp barges are generally suited for water depths of 25 feet or less.

The following table provides certain information regarding our barge drilling rig fleet in this segment as of February 28, 2003:

Name	Year Entered Service/ Upgraded(a)	Drilling Capacity (in feet)	Location	Status
Searex 4	1981/1989	25,000	Nigeria	Idle
Searex 6	1981/1991	25,000	Nigeria	Idle
Searex 12	1982/1992	25,000	Nigeria	Operating
Hibiscus (b)	1979/1993	16,000	Indonesia	Operating

(a) Dates shown are the original service date and the date of the most recent upgrade, if any.
(b) The *Hibiscus* is owned by a joint venture in which we own more than 50 percent.

Other Rigs

In addition to the drillships, semisubmersibles, jackups and drilling barges, we also own or operate several other types of rigs in this segment. These rigs include five tenders, a platform drilling rig, a mobile offshore production unit and a land rig.

Some of our idle rigs would require additional costs to return to service. The actual cost, which could fluctuate over time, is dependent upon various factors, including the availability and cost of shipyard facilities, cost of equipment and materials and the extent of repairs and maintenance that may ultimately be required. We would take these factors into consideration together with market conditions, length of contract and the dayrate and other contract terms in deciding whether to return a particular idle rig to service.

Gulf of Mexico Shallow and Inland Water Fleet

As of February 28, 2003, our Gulf of Mexico Shallow and Inland Water segment fleet consisted of 29 jackups, 31 drilling barges, three submersible rigs and a platform drilling rig, as well as nine land rigs and three lake barges.

Jackup Rigs (29)

The following table provides certain information regarding our jackup rig fleet in this segment as of February 28, 2003:

Name	Type	Year Entered Service	Water Depth Capacity (in feet)	Rated Drilling Depth (in feet)	Location	Status
RBF 151 (a)	ILC	1981	150	20,000	U.S. Gulf	Idle
RBF 156	ILC	1983	150	20,000	U.S. Gulf	Operating
RBF 185	ILC	1982	120	20,000	U.S. Gulf	Idle
RBF 150	ILC	1979	150	20,000	U.S. Gulf	Operating
RBF 155	ILC	1980	150	20,000	U.S. Gulf	Idle
RBF 154	ILC	1979	150	16,000	U.S. Gulf	Idle
RBF 110	MC	1982	100	20,000	Trinidad	Operating
RBF 152	MC	1980	150	20,000	U.S. Gulf	Idle
RBF 153	MC	1980	150	20,000	U.S. Gulf	Idle
RBF 200	MC	1979	200	20,000	U.S. Gulf	Idle
RBF 201	MC	1981	200	20,000	U.S. Gulf	Operating
RBF 202	MC	1982	200	20,000	U.S. Gulf	Operating
RBF 203	MC	1981	200	20,000	U.S. Gulf	Idle
RBF 204	MC	1981	200	20,000	U.S. Gulf	Idle
RBF 205	MC	1979	200	20,000	U.S. Gulf	Idle
RBF 206	MC	1980	200	20,000	U.S. Gulf	Idle
RBF 207	MC	1981	200	20,000	U.S. Gulf	Idle
RBF 208 (a)	MC	1980	200	20,000	Trinidad	Idle
RBF 100	MC	1982	100	20,000	U.S. Gulf	Idle
RBF 190	MS	1978	160	20,000	U.S. Gulf	Idle

Name	Type	Year Entered Service	Water Depth Capacity (in feet)	Rated Drilling Depth (in feet)	Location	Status
RBF 191	MS	1978	160	20,000	U.S. Gulf	Idle
RBF 192	MS	1981	160	20,000	U.S. Gulf	Idle
RBF 250	MS	1974	250	20,000	U.S. Gulf	Idle
RBF 251	MS	1978	250	20,000	U.S. Gulf	Idle
RBF 252	MS	1978	250	20,000	U.S. Gulf	Idle
RBF 253	MS	1982	250	20,000	U.S. Gulf	Idle
RBF 254	MS	1976	250	20,000	U.S. Gulf	Idle
RBF 255	MS	1976	250	20,000	U.S. Gulf	Idle
RBF 256	MS	1975	250	20,000	U.S. Gulf	Idle

"ILC" means an independent leg cantilevered jackup rig.
"MC" means a mat-supported cantilevered jackup rig.
"MS" means a mat-supported slot-type jackup rig.

(a) This rig is currently unable to operate in the U. S. Gulf of Mexico due to regulatory restrictions.

Barge Drilling Rigs (31)

Our barge drilling fleet in this segment consists of conventional and posted barge rigs. Our conventional and posted barge drilling rigs are mobile drilling platforms that are submersible and are built to work in eight to 20 feet of water. A posted barge is identical to a conventional barge except that the hull and superstructure are separated by 10 to 14 foot columns, which increases the water depth capabilities of the rig.

The following table provides certain information regarding our barge drilling rig fleet in this segment as of February 28, 2003:

Name	Type	Year Entered Service	Horsepower Rating	Rated Drilling Depth (in feet)	Location	Status
11..	Conv.	1982	3,000	30,000	U.S. Gulf	Operating
28..	Conv.	1979	3,000	30,000	U.S. Gulf	Idle
29..	Conv.	1980	3,000	30,000	U.S. Gulf	Idle
30..	Conv.	1981	3,000	30,000	U.S. Gulf	Idle
31..	Conv.	1981	3,000	30,000	U.S. Gulf	Idle
32..	Conv.	1982	3,000	30,000	U.S. Gulf	Idle
15..	Conv.	1981	2,000	25,000	U.S. Gulf	Idle
1..	Conv.	1980	2,000	20,000	U.S. Gulf	Idle
21..	Conv.	1982	1,500	15,000	U.S. Gulf	Idle
19..	Conv.	1996	1,000	14,000	U.S. Gulf	Operating
20..	Conv.	1998	1,000	14,000	U.S. Gulf	Operating
23..	Conv.	1995	1,000	14,000	U.S. Gulf	Idle
55..	Posted	1981	3,000	30,000	U.S. Gulf	Operating
17..	Posted	1981	3,000	30,000	U.S Gulf	Operating
27..	Posted	1978	3,000	30,000	U.S. Gulf	Operating
41..	Posted	1981	3,000	30,000	U.S. Gulf	Operating
46..	Posted	1981	3,000	30,000	U.S. Gulf	Operating
47..	Posted	1982	3,000	30,000	U.S. Gulf	Idle
48..	Posted	1982	3,000	30,000	U.S. Gulf	Operating
49..	Posted	1980	3,000	30,000	U.S. Gulf	Operating
61..	Posted	1978	3,000	30,000	U.S. Gulf	Idle
62..	Posted	1978	3,000	30,000	U.S. Gulf	Operating
64..	Posted	1979	3,000	30,000	U.S. Gulf	Operating
75 (a)	Posted	1979	3,000	30,000	U.S. Gulf	Idle
52..	Posted	1981	2,000	25,000	U.S. Gulf	Operating
56..	Posted	1973	2,000	25,000	U.S. Gulf	Idle
57..	Posted	1975	2,000	25,000	U.S. Gulf	Operating

Name	Type	Year Entered Service	Horsepower Rating	Rated Drilling Depth (in feet)	Location	Status
9	Posted	1981	2,000	25,000	U.S. Gulf	Operating
10	Posted	1981	2,000	25,000	U.S. Gulf	Idle
7	Posted	1978	2,000	25,000	U.S. Gulf	Idle
74 (a)	Posted	1981	2,000	25,000	U.S. Gulf	Idle

"Conv." means a conventional rig.
"Posted" means a posted barge rig.

(a) These rigs are not owned by us but are bareboat chartered from a third party. Each charter expires in February 2006.

Other Rigs

In addition to the jackups and drilling barges, we also own or operate several other types of rigs in this segment. These rigs include three submersible rigs and a platform drilling rig. We also have nine land rigs and three lake barges in Venezuela.

Some of our idle rigs would require additional costs to return to service. The actual cost, which could fluctuate over time, is dependent upon various factors, including the availability and cost of shipyard facilities, cost of equipment and materials and the extent of repairs and maintenance that may ultimately be required. We would take these factors into consideration together with market conditions, length of contract and the dayrate and other contract terms in deciding whether to return a particular idle rig to service.

Markets

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

In recent years, there has been increased emphasis by oil companies on exploring for hydrocarbons in deeper waters. This is, in part, because of technological developments that have made such exploration more feasible and cost-effective. The deepwater and mid-depth market segments are serviced by our semisubmersibles and drillships. While the use of the term "deepwater" as used in the drilling industry to denote a particular segment of the market can vary and continues to evolve with technological improvements, we generally view the deepwater market segment as that which begins in water depths of approximately 3,000 feet and extends to the maximum water depths in which rigs are capable of drilling, which is currently approximately 10,000 feet. The mid-depth market segment begins in water depths of about 300 feet and extends to water depths of about 3,000 feet.

The global shallow water market segment is serviced by our jackups, submersibles and drilling tenders. This market segment begins at the outer limit of the transition zone and extends to water depths of about 300 feet. It has been developed to a significantly greater degree than the deepwater market segment, as technology required to explore for and produce hydrocarbons in these water depths is not as demanding as in the deepwater market segment and, accordingly, the costs are lower.

Our barge rig fleet operates in marshes, rivers, lakes and shallow bay and coastal water areas that are referred to as the "transition zone." Our principal barge market segment is the shallow water areas of the U.S. Gulf of Mexico. This area historically has been the world's largest market segment for barge rigs. International market segments for our barge rigs include West Africa and Southeast Asia.

We conduct land rig operations in Venezuela.

Management Services

We use our engineering and operating expertise to provide management of third party drilling service activities. These services are provided through service teams generally consisting of our personnel and third-party subcontractors and

we frequently serve as lead contractor. The work generally consists of individual contractual agreements to meet specific client needs and may be provided on either a dayrate or fixed price basis. As of March 1, 2003, we performed such services only in the North Sea. These management service revenues did not represent a material portion of our revenues during 2002.

Drilling Contracts

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

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

Significant Clients

During the past five years, we have engaged in offshore drilling for most of the leading international oil companies (or their affiliates) in the world, as well as for many government-controlled and independent oil companies. Major clients included BP, Shell, Petrobras, ChevronTexaco, TotalFinaElf, AGIP, Unocal, Amerada Hess and Statoil. Our largest unaffiliated clients in 2002 were BP and Shell accounting for 14.1 percent and 11.6 percent, respectively, of our 2002 operating revenues. No other unaffiliated client accounted for 10 percent or more of our 2002 operating revenues (see Note 20 to our consolidated financial statements). The loss of any of these significant clients could, at least in the short term, have a material adverse effect on our results of operations.

Regulation

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

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

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

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

The U.S. Outer Continental Shelf Lands Act authorizes regulations relating to safety and environmental protection applicable to lessees and permittees operating on the Outer Continental Shelf. Specific design and operational standards may apply to Outer Continental Shelf vessels, rigs, platforms, vehicles and structures. Violations of environmental related lease conditions or regulations issued pursuant to the Outer Continental Shelf Lands Act can result in substantial civil and criminal penalties, as well as potential court injunctions curtailing operations and canceling leases. Such enforcement liabilities can result from either governmental or citizen prosecution.

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

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

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

Employees

At January 31, 2003, we had approximately 13,200 employees, including approximately 2,300 persons contracted through contract labor providers. We require highly skilled personnel to operate our drilling units. As a result, we conduct extensive personnel recruiting, training and safety programs.

On January 31, 2003, we had approximately 10 percent of our employees worldwide working under collective bargaining agreements, most of whom were working in Norway, U.K., Nigeria and Trinidad. Of these represented employees, a majority are working under agreements that are subject to salary negotiation in 2003. These ongoing negotiations could result in higher personnel expenses, other increased costs or increased operating restrictions.

Available Information

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

ITEM 2. ***Properties***

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

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

We acquired our oil and gas business in the R&B Falcon merger described under "Item 1. Business." The only properties of any significance to this business remaining in 2002 were interests in production sharing contracts covering two concessions in Gabon. We terminated our interest in one of the two concessions in January 2003 and have also given notice to terminate our interest in the second concession. We incurred a non-cash impairment charge of approximately $1 million in the first quarter of 2003 as a result of the termination of these two interests.

ITEM 3. ***Legal Proceedings***

In 1990 and 1991, two of our subsidiaries were served with various assessments collectively valued at approximately $7 million from the municipality of Rio de Janeiro, Brazil to collect a municipal tax on services. We believe that neither subsidiary is liable for the taxes and have contested the assessments in the Brazilian administrative and court systems. The Brazil Supreme Court rejected our appeal of an adverse lower court's ruling with respect to a June 1991 assessment, which was valued at approximately $6 million. We plan to challenge the assessment in a separate proceeding. We have received adverse rulings at various levels in connection with a disputed August 1990 assessment that is still pending before the Brazil Superior Court of Justice. We also are awaiting a ruling from the Taxpayer's Council in connection with an October 1990 assessment. If our defenses are ultimately unsuccessful, we believe that the Brazilian government-controlled oil company, Petrobras, has a contractual obligation to reimburse us for municipal tax payments required to be paid by them. We do not expect the liability, if any, resulting from these assessments to have a material adverse effect on our business or consolidated financial position.

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

In January 2000, a pipeline in the U.S. Gulf of Mexico was damaged by an anchor from one of our drilling rigs while the rig was under tow. The incident resulted in damage to offshore facilities, including a crude oil pipeline, the release of hydrocarbons from the damaged section of the pipeline and the shutdown of the pipeline and allegedly affected production platforms. All appropriate governmental authorities were notified, and we cooperated fully with the operator and relevant authorities in support of the remediation efforts. Certain owners and operators of the pipeline (Poseidon Oil Pipeline Company LLC, Equilon Enterprises LLC, Poseidon Pipeline Company, LLC and Marathon Oil Company) filed suit in March 2000 in federal court, Eastern District of Louisiana, alleging various damages in excess of $30 million. A second suit was filed by Walter Oil & Gas Corporation and certain other plaintiffs in Harris County, Texas alleging various damages in excess of $1.8 million, and we obtained a summary judgment against Walter Oil & Gas Corporation and Amerada Hess. We filed a limitation of liability proceeding in federal court, Eastern District of Louisiana, claiming benefit of various statutes providing limitation of liability for vessel owners, the result of which was to stay the first two suits and to cause potential claimants (including the plaintiffs in the existing suits) to file claims in this proceeding. El Paso Energy Corporation, the owner/operator of the platform from which a riser was allegedly damaged, and Texaco Exploration and Production Inc. filed claims in the limitation of liability proceeding as well. All claims arising out of the loss have been settled and the terms of the settlement have been reflected in our results of operations for the year ended December 31, 2002. The settlement did not have a material adverse effect on our business or consolidated financial position.

In November 1988, a lawsuit was filed in the U.S. District Court for the Southern District of West Virginia against Reading & Bates Coal Co., a wholly owned subsidiary of R&B Falcon, by SCW Associates, Inc. claiming breach of an alleged agreement to purchase the stock of Belva Coal Company, a wholly owned subsidiary of Reading & Bates Coal Co. with coal properties in West Virginia. When those coal properties were sold in July 1989 as part of the disposition of R&B Falcon's coal operations, the purchasing joint venture indemnified Reading & Bates Coal Co. and R&B Falcon against any liability Reading & Bates Coal Co. might incur as a result of this litigation. A judgment for the plaintiff of $32,000 entered in February 1991 was satisfied and Reading & Bates Coal Co. was indemnified by the purchasing joint venture. On October 31, 1990, SCW Associates, Inc., the plaintiff in the above-referenced action, filed a separate ancillary action in the Circuit Court, Kanawha County, West Virginia against R&B Falcon, Caymen Coal, Inc. (the former owner of R&B Falcon's West Virginia coal properties), as well as the joint venture, Mr. William B. Sturgill (the former President of Reading & Bates Coal Co.) personally, three other companies in which we believe Mr. Sturgill holds an equity interest, two employees of the joint venture, First National Bank of Chicago and First Capital Corporation. The lawsuit sought to recover compensatory damages of $50 million and punitive damages of $50 million for alleged tortious interference with the contractual rights of the plaintiff and to impose a constructive trust on the proceeds of the use and/or sale of the assets of Caymen Coal, Inc. as they existed on October 15, 1988. The lawsuit was settled in August 2002, and the terms of the settlement have been reflected in our results of operations for the year ended December 31, 2002. The settlement did not have a material adverse effect on our business or consolidated financial position.

In March 1997, an action was filed by Mobil Exploration and Producing U.S. Inc. and affiliates, St. Mary Land & Exploration Company and affiliates and Samuel Geary and Associates, Inc. against us, the underwriters and insurance broker in the 16th Judicial District Court of St. Mary Parish, Louisiana. The plaintiffs alleged damages amounting to in excess of $50 million in connection with the drilling of a turnkey well in 1995 and 1996. The case was tried before a jury in January and February 2000, and the jury returned a verdict of approximately $30 million in favor of the plaintiffs for excess drilling costs, loss of insurance proceeds, loss of hydrocarbons and interest. We have appealed such judgment, and the Louisiana Court of Appeals has reduced the amount for which we may be responsible to less than $10 million. The plaintiffs have requested that the Supreme Court of Louisiana consider the matter and reinstate the original verdict. We believe that all but potentially the portion of the verdict representing excess drilling costs of approximately $4.7 million is covered by relevant primary and excess liability insurance policies. However, the insurers and underwriters have denied coverage. We have instituted litigation against those insurers and underwriters to enforce our rights under the relevant policies. We do not expect that the ultimate outcome of this case will have a material adverse effect on our business or consolidated financial position.

In October 2001, we were notified by the U.S. Environmental Protection Agency ("EPA") that the EPA had identified a subsidiary of ours as a potentially responsible party in connection with the Palmer Barge Line superfund site located in Port Arthur, Jefferson County, Texas. Based upon the information provided by the EPA and our review of our internal records to date, we dispute our designation as a potentially responsible party and do not expect that the ultimate outcome of this case will have a material adverse effect on our business or consolidated financial position.

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

ITEM 4. ***Submission of Matters to a Vote of Security Holders***

The Company did not submit any matter to a vote of its security holders during the fourth quarter of 2002.

Executive Officers of the Registrant

Officer	Office	Age as of March 1, 2003
J. Michael Talbert................	Chairman of the Board	56
Robert L. Long	President and Chief Executive Officer	57
Jean P. Cahuzac...................	Executive Vice President and Chief Operating Officer	49
Donald R. Ray.....................	Executive Vice President, Quality, Health, Safety and Environment	56
Eric B. Brown......................	Senior Vice President, General Counsel and Corporate Secretary	51
Gregory L. Cauthen.............	Senior Vice President, Chief Financial Officer and Treasurer	45
Barbara S. Koucouthakis......	Vice President and Chief Information Officer	44
Ricardo H. Rosa	Vice President and Controller	46
Tim Juran	Vice President, Human Resources	44
Michael I. Unsworth............	Vice President, Marketing	44
Jan Rask	President and Chief Executive Officer of TODCO	47

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

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

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

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

Donald R. Ray is Executive Vice President, Quality, Health, Safety & Environment of the Company. Mr. Ray served as Executive Vice President, Technical Services of the Company from February 2001 until October 2002, at which time he assumed his current position. Mr. Ray served as Senior Vice President, Technical Services of the Company from the time of the Sedco Forex merger until February 2001 and served as Senior Vice President, with responsibility for technical services, from December 1, 1996 until the time of the Sedco Forex merger. Mr. Ray has been employed by the Company since 1972 and has served as a Vice President of the Company since 1986.

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

Gregory L. Cauthen is Senior Vice President, Chief Financial Officer and Treasurer of the Company. Mr. Cauthen served as Vice President, Chief Financial Officer and Treasurer since December 2001 and was elected in July 2002 as

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

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

Ricardo H. Rosa is Vice President and Controller of the Company. Mr. Rosa served as Controller of Sedco Forex from September 1995 until the time of the Sedco Forex merger, at which time he assumed his current position with the Company. Mr. Rosa had been employed in various positions by Schlumberger since 1983. Prior to joining Schlumberger in 1983, he served as an Audit Manager for the accounting firm, Price Waterhouse.

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

Michael I. Unsworth is Vice President, Marketing of the Company. Mr. Unsworth served as Region Manager, Asia for the Company from the time of the Sedco Forex merger until February 2001, at which time he assumed his present position with the Company. Previously, he served as Region Manager, Asia for Sedco Forex from 1998 through 1999 and had been employed by Schlumberger since 1981.

Jan Rask is President and Chief Executive Officer of TODCO, with responsibility for our Shallow & Inland Water business segment. Mr. Rask was Managing Director, Acquisitions and Special Operations, of Pride International, Inc., a contract drilling company, from September 2001 to July 2002, when he joined the Company. From July 1996 to September 2001, Mr. Rask was President, Chief Executive Officer and a director of Marine Drilling Companies, Inc., a contract drilling company. Mr. Rask served as President and Chief Executive Officer of Arethusa (Off-Shore) Limited from May 1993 until the acquisition of Arethusa (Off-Shore) Limited by Diamond Offshore Drilling in May 1996. Mr. Rask joined Arethusa (Off-Shore) Limited's principal operating subsidiary in 1990 as its President and Chief Executive Officer.

We have also elected Brenda S. Masters to become our Vice President and Controller effective as of April 1, 2003, replacing Mr. Rosa, who will assume a new management position within our company. Ms. Masters has been our Assistant Controller since November 1996. She joined the Company in April 1996 as Director of Accounting and served in that capacity until November 1996 at which time she was promoted to her current position. Before joining the Company, she served as Senior Manager with Ernst & Young LLP.

PART II

ITEM 5. ***Market for Registrant's Common Equity and Related Shareholder Matters***

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

		Price	
		High	**Low**
2001	First Quarter	$54.50	$40.00
	Second Quarter	57.69	40.35
	Third Quarter	41.98	23.05
	Fourth Quarter	34.22	24.20
2002	First Quarter	$34.66	$26.51
	Second Quarter	39.33	30.00
	Third Quarter	31.75	19.60
	Fourth Quarter	25.89	18.10
2003	First Quarter (through February 28)	$24.36	$20.75

On February 28, 2003, the last reported sales price of our ordinary shares on the NYSE Composite Tape was $22.70 per share. On such date, there were 24,398 holders of record of the Company's ordinary shares and 319,764,712 ordinary shares outstanding.

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

There is currently no reciprocal tax treaty between the Cayman Islands and the United States regarding withholding.

We are a Cayman Islands exempted company. Our authorized share capital is $13,000,000, divided into 800,000,000 ordinary shares, par value $0.01, and 50,000,000 preference shares, par value $0.10, which shares may be designated and created as shares of any other classes or series of shares with the respective rights and restrictions determined by action of our board of directors. On February 28, 2003, no preference shares were outstanding.

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

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

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

The rights attached to any separate class or series of shares, unless otherwise provided by the terms of the shares of that class or series, may be varied only with the consent in writing of the holders of all of the issued shares of that class or series or by a special resolution passed at a separate general meeting of holders of the shares of that class or series. The necessary quorum for that meeting is the presence of holders of at least a majority of the shares of that class or series. Each holder of shares of the class or series present, in person or by proxy, will have one vote for each share of the class or series

of which he is the holder. Outstanding shares will not be deemed to be varied by the creation or issuance of additional shares that rank in any respect prior to or equivalent with those shares.

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

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

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

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

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

ITEM 6. ***Selected Consolidated Financial Data***

The selected consolidated financial data as of December 31, 2002 and 2001 and for each of the three years in the period ended December 31, 2002 has been derived from the audited consolidated financial statements included elsewhere herein. The selected consolidated financial data as of December 31, 2000, 1999 and 1998, and for the years ended December 31, 1999 and 1998 has been derived from audited consolidated financial statements not included herein. The following data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and the notes thereto included under "Item 8. Financial Statements and Supplementary Data."

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

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

	Years ended December 31,				
	2002	2001	2000	1999	1998
	(In millions, except per share data)				
Statement of Operations					
Operating revenues	$ 2,674	$ 2,820	$1,230	$ 648	$1,091
Operating income (loss)	(2,310)	550	133	49	377
Income (loss) before extraordinary items and cumulative effect of a change in accounting principle	(2,368)	272	107	58	342
Income (loss) before extraordinary items and cumulative effect of a change in accounting principle per share					
Basic	$ (7.42)	$ 0.88	$ 0.51	$ 0.53 (a)	$ 3.12 (a)
Diluted	$ (7.42)	$ 0.86	$ 0.50	$ 0.53 (a)	$ 3.12 (a)
Balance Sheet Data (at end of period)					
Total assets	$12,665	$17,048	$6,359	$ 6,140	$1,473
Total debt	4,678	5,024	1,453	1,266	100
Total equity	7,141	10,910	4,004	3,910	564
Dividends per share	$ 0.06	$ 0.12	$ 0.12	–	–
Other Financial Data					
Cash provided by operating activities	$ 937	$ 560	$ 196	$ 241	$ 473
Cash used in investing activities	(45)	(26)	(493)	(90)	(422)
Cash provided by (used in) financing activities	(531)	285	166	(159)	27
Capital expenditures	141	506	575	537	425
Adjusted EBITDA (b)	1,122	1,175	383	187	508
Operating margin	N/M	20%	11%	8%	35%
Adjusted EBITDA margin (c)	42%	42%	31%	29%	47%

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

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

(b) Adjusted EBITDA means income (loss) before minority interest, interest, taxes, depreciation, amortization, impairment loss on long-lived assets, net gain (loss) from sale of assets, extraordinary items and cumulative effect of a change in accounting principle. Adjusted EBITDA is presented here because it is an indication of our operating performance and our ability to incur and service debt and is commonly used by investors as an analytical indicator in our industry. Adjusted EBITDA measures presented may not be comparable to similarly titled measures used by other companies. Adjusted EBITDA is not a measurement presented in accordance with generally accepted accounting principles ("GAAP"), and we do not intend Adjusted EBITDA to represent cash flows from operations as defined by GAAP. You should not consider Adjusted EBITDA to be an alternative to net income, cash flows from operations or any other items calculated in accordance with GAAP or an indicator of our operating performance. The following are the components of our Adjusted EBITDA (in millions):

	Years ended December 31,				
	2002	2001	2000	1999	1998
Net income (loss)	$(3,732)	$253	$108	$58	$342
Cumulative effect of a change in accounting principle	1,364	–	–	–	–
(Gain) loss on extraordinary items, net of tax	–	19	(1)	–	–
Minority interest	3	3	–	–	–
Income tax expense (benefit)	(123)	86	37	(9)	32
Interest expense, net of amounts capitalized	212	224	3	10	13
Interest income	(26)	(19)	(6)	(5)	(4)
(Gain) loss from sale of assets, net	(3)	(56)	(18)	1	–
Impairment loss on long-lived assets	2,927	40	–	–	–
Goodwill amortization	–	155	27	–	–
Depreciation	500	470	233	132	125

(c) Adjusted EBITDA margin means Adjusted EBITDA divided by operating revenues.

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

	Years ended December 31,		
	2002	2001	2000
Operating Revenues			
United States	$ 753	$ 980	$ 265
United Kingdom	346	355	159
Brazil	283	356	154
Norway	145	228	248
Rest of the World	1,147	901	404
Total Operating Revenues	$2,674	$2,820	$1,230

	As of December 31,	
	2002	2001
Long-Lived Assets		
United States	$ 3,905	$ 3,882
Goodwill (a)	2,218	6,467
Rest of the World	4,630	4,962
Total Long-Lived Assets	$10,753	$15,311

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

ITEM 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

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

Overview

Transocean Inc. (formerly known as “Transocean Sedco Forex Inc.”, together with its subsidiaries and predecessors, unless the context requires otherwise, the "Company," "Transocean," "we," "us" or "our") is a leading international provider of offshore and inland marine contract drilling services for oil and gas wells. As of March 1, 2003, we owned, had partial ownership interests in or operated 158 mobile offshore and barge drilling units that we consider to be our core assets. As of this date, our core assets consisted of 31 high-specification drillships and semisubmersibles ("floaters"), 29 other floaters, 55 jackup rigs, 35 drilling barges, five tenders and three submersible drilling rigs. In addition, the fleet included non-core assets consisting of a mobile offshore production unit, two platform drilling rigs and a land rig, as well as nine land rigs and three lake barges in Venezuela. We contract our drilling rigs, related equipment and work crews primarily on a dayrate basis to drill oil and gas wells. We also provide additional services, including management of third-party well service activities.

General uncertainty over world economic and political events translated into decreased demand for our rigs during the year. While the overall average fleet dayrate increased from $66,000 in 2001 to $77,600 in 2002, utilization was down substantially from 72% in 2001 to 61% in 2002. Revenues in 2002 were down $146 million from 2001, but we also brought costs down by more than $100 million by responding rapidly to reduce costs when rigs were idled. Our efforts to reduce costs by implementing standardized purchasing through negotiated agreements, nationalization of our labor force where appropriate and improved operating performance on our newbuild high-specification rigs contributed to the reduction of costs year over year. Our 2002 financial results included the recognition of a number of non-cash charges pertaining substantially to goodwill impairment. We generated significant cash during 2002 and brought our net debt down from $4.2 billion at the end of 2001 to $3.3 billion at the end of 2002 (see "—Liquidity and Capital Resources—Sources of Liquidity").

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

Prior to the R&B Falcon merger, we operated in one industry segment. As a result of acquiring shallow and inland water drilling units in the R&B Falcon merger, our operations have been aggregated into two reportable segments: (i) International and U.S. Floater Contract Drilling Services and (ii) Gulf of Mexico Shallow and Inland Water. The International and U.S. Floater Contract Drilling Services segment consists of high-specification floaters, other floaters, non-U.S. jackups, other mobile offshore drilling units, other assets used in support of offshore drilling activities and other offshore support services. The Gulf of Mexico Shallow and Inland Water segment consists of jackups and submersible drilling rigs located in the U.S. Gulf of Mexico and Trinidad and U.S. inland drilling barges, as well as land drilling units and lake barges located in Venezuela.

Effective January 1, 2002, we changed the composition of our reportable segments with the move of the responsibility for our Venezuela operations to the Gulf of Mexico Shallow and Inland Water segment. Prior periods have been restated to reflect the change.

On May 9, 2002, we changed our name from Transocean Sedco Forex Inc. to Transocean Inc.

On May 9, 2002, our Board of Directors voted to discontinue the payment of a cash dividend after the cash dividend payable on June 13, 2002 to shareholders of record on May 30, 2002.

In July 2002, we announced plans to pursue a divestiture of our Gulf of Mexico Shallow and Inland Water business. In December 2002, our subsidiary, TODCO, filed a registration statement with the Securities and Exchange Commission (“SEC”) relating to our previously announced initial public offering of our Gulf of Mexico Shallow and Inland Water business. We expect to separate this business from Transocean and establish TODCO as a publicly traded company.

We are proceeding to reorganize TODCO as the entity that owns that business in preparation of the offering. We plan to transfer assets not used in this business from TODCO to our other subsidiaries, and these internal transfers will not affect the consolidated financial statements of Transocean. We expect to complete the initial public offering when market conditions warrant, subject to various factors. Given the current general uncertainty in the equity and U.S. natural gas drilling markets, we are unsure when the transaction could be completed on terms acceptable to us. We do not expect to sell all of our interest in TODCO in the initial public offering. Until we complete the initial public offering transaction, we will continue to operate and account for TODCO as our Gulf of Mexico Shallow and Inland Water segment.

Critical Accounting Policies And Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to bad debts, materials and supplies obsolescence, investments, property and equipment, intangible assets and goodwill, income taxes, financing operations, workers' insurance, pensions and other post-retirement and employment benefits and contingent liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following are our most critical accounting policies. These policies require significant judgments and estimates used in the preparation of our consolidated financial statements.

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

Valuation allowance for deferred tax assets—We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, should we determine that we would more likely than not be able to realize our deferred tax assets in the future in excess of our net recorded amount, an adjustment to the valuation allowance would increase income in the period such determination was made. Likewise, should we determine that we would more likely than not be unable to realize all or part of our net deferred tax asset in the future, an adjustment to the valuation allowance would reduce income in the period such determination was made.

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

Property and equipment—Our property and equipment represents more than 60 percent of our total assets. We determine the carrying value of these assets based on our property and equipment accounting policies, which incorporate our estimates, assumptions and judgments relative to capitalized costs, useful lives and salvage values of our rigs. We review our property and equipment for impairment when events or changes in circumstances indicate that the carrying value of such assets may be impaired or when reclassifications are made between property and equipment and assets held for sale as prescribed by SFAS 144, *Accounting for Impairment or Disposal of Long-Lived Assets*. Asset impairment evaluations are based on estimated undiscounted cash flows for the assets being evaluated. Our estimates, assumptions and judgments used in the application of our property and equipment accounting policies reflect both historical experience and expectations regarding future industry conditions and operations. Using different estimates, assumptions and judgments,

especially those involving the useful lives of our rigs and expectations regarding future industry conditions and operations, could result in different carrying values of assets and results of operations.

Pension and Other Postretirement Benefits—Our defined benefit pension and other postretirement benefit (retiree life insurance and medical benefits) obligations and the related benefit costs are accounted for in accordance with SFAS 87, *Employers' Accounting for Pensions*, and SFAS 106, *Employers' Accounting for Postretirement Benefits Other than Pensions*. Pension and postretirement costs and obligations are actuarially determined and are affected by assumptions including expected return on plan assets, discount rates, compensation increases, employee turnover rates and health care cost trend rates. We evaluate our assumptions periodically and make adjustments to these assumptions and the recorded liabilities as necessary.

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

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

Historical 2002 compared to 2001

Although our 2002 results of operations include a full year of operations from the assets acquired in the R&B Falcon merger compared to 11 months in 2001, our revenues and operating and maintenance expense decreased in 2002 by $146.2 million and $109.1 million, respectively. These decreases were mainly attributable to a decline in overall market conditions and resulted from a general uncertainty over world economic and political events. While our overall average fleet dayrate increased from $66,000 in 2001 to $77,600 in 2002, the resulting increase in revenues was more than offset by a substantial decrease in utilization, which was 73% in 2001 compared to 61% in 2002. Our 2002 financial results included the recognition of a number of non-cash charges pertaining substantially to goodwill impairment. Following is a detailed analysis of our International and U.S. Floater Contract Drilling Services segment and Gulf of Mexico Shallow and Inland Water segment operating results, as well as an analysis of income and expense categories that we have not allocated to our two segments.

International and U.S. Floater Contract Drilling Services Segment

	Years ended December 31,			
	2002	2001	Change	% Change
	(In millions, except day amounts and % change)			
Operating days (a)	25,938	27,060	(1,122)	(4.1)%
Utilization (a) (b)	78%	81%	N/A	(3.7)%
Average dayrate (a) (c)	$ 94,500	$ 83,700	$ 10,800	12.9%
Operating revenues	$ 2,486.1	$2,385.2	$ 100.9	4.2%
Operating and maintenance	1,291.3	1,326.7	(35.4)	(2.7)%
Depreciation	408.4	373.5	34.9	9.3%
Goodwill amortization	–	114.2	(114.2)	N/M
Impairment loss on long-lived assets	2,528.1	39.4	2,488.7	N/M
Gain from sale of assets, net	(2.7)	(50.7)	48.0	94.7%
Operating income (loss) before general and administrative expense	$(1,739.0)	$ 582.1	$(2,321.1)	(398.7)%

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

(a) Applicable to core assets only defined as high specification drillships and semisubmersibles (floaters), other floaters, jackup rigs, drilling barges and tenders.
(b) Utilization is the total actual number of revenue earning days as a percentage of total calendar days.
(c) Average dayrate is defined as revenue earned per revenue earning day.

The increase in this segment's operating revenues resulted from a $97.6 million increase from core assets acquired in the R&B Falcon merger representing a full year of revenues in 2002 compared to 11 months of operations in 2001, a $122.6 million increase from four newbuild drilling units placed into service during 2001 and a $36.4 million increase from three rigs transferred into this segment from the Gulf of Mexico Shallow and Inland Water segment late in 2001 and mid-2002. In addition, operating revenues relating to historical Transocean core assets totaled $1.5 billion for 2002, representing a $32.9 million, or two percent, increase over 2001. Average dayrates for these historical Transocean core assets increased from $87,500 for 2001 to $92,900 for 2002 and utilization of these core assets decreased from 84 percent for 2001 to 81 percent for 2002. These increases were partially offset by a $33.5 million decrease related to the *Deepwater Frontier* following the expiration of our lease with a related party late in 2001, a $32.5 million decrease from four leased rigs returned to their owners, a $23.9 million decrease related to two rigs removed from our active fleet and marketed for sale and a $20.4 million decrease related to rigs sold during 2001 and 2002. Revenues from non-core assets decreased $36.4 million for 2002 compared to 2001. The decrease in revenues from these non-core assets resulted from the sale of RBF FPSO L.P., which owned the *Seillean* ($29.5 million), and a decrease in average dayrates and utilization of the remaining non-core assets from $88,900 and 61 percent, respectively, for 2001 to $82,000 and 57 percent, respectively, for 2002. A decrease of $38.2 million resulting from the winding up of our turnkey drilling business early in 2001 and loss of hire proceeds of $10.7 million in 2001 for the *Jack Bates* was partially offset by a settlement of a contract dispute in 2002.

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

The decrease in this segment's operating and maintenance expense resulted from a decrease of $40.5 million related to the *Deepwater Frontier* following the expiration of our lease with a related party late in 2001, a $22.7 million decrease related to four leased rigs returned to their owners, a $13.6 million decrease related to two rigs removed from our active fleet and marketed for sale, a $9.8 million decrease related to rigs sold during 2001 and 2002, a decrease of $5.1 million related to legal disputes and a $10.1 million decrease primarily related to a reduction in rig utilization, which resulted in certain rigs becoming idle with a reduced crew complement. Operating and maintenance expense also decreased $5.5 million during 2002 for two newbuilds placed into service during 2001. The decrease resulted from additional startup costs incurred during 2001 with no comparable costs in 2002. In addition, operating and maintenance expense in this segment decreased $39.9 million as a result of the winding up of our turnkey drilling business in 2001. These decreases were partially offset by an increase of $35.7 million in operating and maintenance expenses from core assets acquired in the

R&B Falcon merger for the full year ended 2002 compared to 11 months of activity in 2001, an increase of $21.6 million resulting from the activation of two newbuild drilling units during 2001 and an increase of $22.6 million resulting from three jackup rigs transferred into this segment from the Gulf of Mexico Shallow and Inland Water segment in late 2001 and mid-2002. In addition, accelerated amortization of deferred gain on the *Pride North Atlantic's* (formerly, the *Drill Star*) during 2001 produced incremental gains for 2001 of $36.6 million with no equivalent expense reduction during 2002.

The increase in this segment's depreciation expense resulted primarily from four newbuild drilling units placed into service during 2001 ($17.5 million), the transfer of three jackup rigs into this segment from the Gulf of Mexico Shallow and Inland Water segment ($13.3 million) and a full year of depreciation in 2002 on rigs acquired in the R&B Falcon merger compared to 11 months in 2001 ($18.8 million). These increases were partially offset by lower depreciation expense following the suspension of depreciation on certain rigs transferred to assets held for sale ($4.6 million), the sale of various rigs classified as assets held and used during 2001 ($11.4 million) and an asset classified as held for sale in 2002 that was subsequently transferred to the Gulf of Mexico Shallow and Inland Water segment ($0.7 million).

The absence of goodwill amortization in 2002 resulted from our adoption of SFAS 142, *Goodwill and Other Intangible Assets*, as of January 1, 2002. Goodwill is no longer amortized but is reviewed for impairment at least annually as more fully described in Note 2 to our consolidated financial statements.

The increase in impairment loss in this segment resulted primarily from our annual impairment test of goodwill conducted as of October 1, 2002 ($2,494.1 million). In addition, we recorded non-cash impairment charges in this segment of $34.0 million in 2002, representing a decrease of $5.4 million over 2001, primarily related to assets reclassified from held for sale to our active fleet ($28.5 million) because they no longer met the held for sale criteria under SFAS 144. See Note 7 to our consolidated financial statements.

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

Gulf of Mexico Shallow and Inland Water Segment

	Years ended December 31,			
	2002	**2001**	**Change**	**% Change**
	(In millions, except day amounts and % change)			
Operating days (a)	7,710	13,100	5,390	(41.1)%
Utilization (a) (b)	34%	60%	N/A	(43.3)%
Average dayrate (a) (c)	$ 20,800	$29,500	$(8,700)	(29.5)%
Operating revenues	$ 187.8	$ 434.9	$(247.1)	(56.8)%
Operating and maintenance	202.9	276.6	(73.7)	(26.6)%
Depreciation	91.9	96.6	(4.7)	(4.9)%
Goodwill amortization	–	40.7	(40.7)	N/M
Impairment loss on long-lived assets	399.3	1.0	398.3	N/M
Gain from sale of assets, net	(1.0)	(5.8)	4.8	82.8%
Operating income (loss) before general and administrative expense	$ (505.3)	$ 25.8	$(531.1)	(2,058.5)%

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

(a) Applicable to core assets only defined as jackup rigs, drilling barges and submersible drilling rigs.
(b) Utilization is the total actual number of revenue earning days as a percentage of total calendar days.
(c) Average dayrate is defined as revenue earned per revenue earning day.

Although this segment's operating revenues represent a full year of operations in 2002 compared to 11 months of operations in 2001, revenues decreased mainly due to the further weakening of the Gulf of Mexico shallow and inland water market segment, a decline that began in mid-2001. In addition, the transfer of three jackup rigs from this segment into the International and U.S. Floater Contract Drilling Services segment resulted in a $23.7 million decrease. Excluding the three jackup rigs transferred into the International and U.S. Floater Contract Drilling Services segment, average dayrates and utilization for core assets in this segment decreased from $28,800 and 60 percent, respectively, for 2001 to $20,900 and 34 percent, respectively, for 2002. Revenues from non-core assets in this segment decreased $28.0 million and related primarily to Venezuela ($27.9 million) where average dayrates and utilization decreased from $19,500 and 77 percent, respectively, for 2001 to $18,300 and 26 percent, respectively, for 2002.

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

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

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

The absence of goodwill amortization in 2002 resulted from our adoption of SFAS 142, *Goodwill and Other Intangible Assets*, as of January 1, 2002. Goodwill is no longer amortized but is reviewed for impairment at least annually as more fully described in Note 2 to our consolidated financial statements.

The increase in impairment loss in this segment resulted primarily from our annual impairment test of goodwill conducted as of October 1, 2002 ($381.9 million). In addition, we recorded non-cash impairment charges in this segment of $17.4 million in 2002, representing an increase of $16.4 million over 2001, primarily related to assets reclassified from held for sale to our active fleet because they no longer met the held for sale criteria under SFAS 144. See Note 7 to our consolidated financial statements.

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

Total Company Results of Operations

	Years ended December 31,			
	2002	**2001**	**Change**	**% Change**
	(In millions, except % change)			
General and Administrative Expense	$ 65.6	$ 57.9	$ 7.7	13.3%
Other (Income) Expense, net				
Equity in earnings of joint ventures	(7.8)	(16.5)	8.7	52.7%
Interest income	(25.6)	(18.7)	(6.9)	(36.9)%
Interest expense, net of amounts capitalized	212.0	223.9	(11.9)	(5.3)%
Other, net	0.3	0.8	(0.5)	(62.5)%
Income Tax Expense (Benefit)	(123.0)	85.7	(208.7)	N/M
Loss on Extraordinary Items, net of tax	–	19.3	(19.3)	N/M
Cumulative Effect of a Change in Accounting Principle	1,363.7	–	1,363.7	N/M

"N/M" means not meaningful

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

The decrease in equity in earnings of joint ventures was primarily related to our 25 percent share of losses from Delta Towing Holdings, L.L.C. ($4.1 million) and to the reduced earnings attributable to our 60 percent share of the earnings of Deepwater Drilling II L.L.C. ("DDII LLC"), which owns the *Deepwater Frontier* ($4.5 million), and our 50 percent share of Deepwater Drilling L.L.C. ("DD LLC"), which owns the *Deepwater Pathfinder* ($1.6 million). Both the *Deepwater Frontier* and the *Deepwater Pathfinder* experienced increased downtime and decreased utilization during 2002. These decreases were partially offset by losses recorded in February 2001 on the sale of the *Drill Star* and *Sedco Explorer* by a joint venture in which we own a 25 percent interest ($2.6 million). The increase in interest income was primarily due to interest earned on higher average cash balances for 2002 compared to 2001. The decrease in interest expense was attributable to reductions in interest expense of $33.2 million associated with debt that was refinanced, repaid or retired during and subsequent to 2001 and a decrease in the London Interbank Offered Rate ("LIBOR") of approximately 226 basis points that resulted in a $9.0 million reduction on floating rate bank debt. Additionally, our fixed to floating interest rate swaps resulted in reduced interest expense of $39.6 million. Offsetting these decreases were $26.4 million of additional interest expense on debt issued during the second quarter of 2001, $8.6 million of interest expense on debt acquired in the R&B Falcon merger, which represents additional interest for the full year 2002 compared to 11 months in 2001, and the absence of capitalized interest in 2002 due to the completion of our newbuild projects in 2001 compared to $34.9 million of capitalized interest in 2001. The increase in other, net was due primarily to a loss on sale of securities during 2001 with no comparable activity in 2002.

We operate internationally and provide for income taxes based on the tax laws and rates in the countries in which we operate and earn income. There is no expected relationship between the provision for income taxes and income before income taxes as more fully described in Note 15 to our consolidated financial statements. The year ended December 31, 2002 included a non-U.S. tax benefit of $175.7 million attributable to the restructuring of certain non-U.S. operations.

During 2001, we recognized a $19.3 million extraordinary loss, net of tax, related to the early retirement of certain debt as more fully described in Note 8 to our consolidated financial statements.

During 2002, we recognized a $1,363.7 million goodwill impairment charge as a cumulative effect of a change in accounting principle in our Gulf of Mexico Shallow and Inland Water segment related to the implementation of SFAS 142 as more fully described in Note 2 to our consolidated financial statements.

Historical 2001 compared to 2000

Our 2001 results of operations include 11 months of operations from the assets acquired in the R&B Falcon merger, which was completed January 21, 2001. The addition of these assets is reflected in the $1.6 billion and $790.7 million increase in our revenues and operating and maintenance expense, respectively, in 2001 compared to 2000. Although our revenues increased during 2001, our overall average fleet dayrate and utilization decreased from $70,400 and 74%, respectively, in 2000 to $66,000 and 73%, respectively, in 2001. Following is a detailed analysis of our International and U.S. Floater Contract Drilling Services segment and Gulf of Mexico Shallow and Inland Water segment operating results, as well as an analysis of income and expense categories that we have not allocated to our two segments.

International and U.S. Floater Contract Drilling Services Segment

	Years ended December 31,			
	2001	**2000**	**Change**	**% Change**
	(In millions, except day amounts and % change)			
Operating days (a)	27,060	16,454	10,606	64.5%
Utilization (a) (b)	81%	74%	N/A	9.5%
Average dayrate (a) (c)	$ 83,700	$ 70,400	$ 13,300	18.9%
Operating revenues	$2,385.2	$1,229.5	$1,155.7	94.0%
Operating and maintenance	1,326.7	812.6	514.1	63.3%
Depreciation	373.5	232.8	140.7	60.4%
Goodwill amortization	114.2	26.7	87.5	327.7%
Impairment loss on long-lived assets	39.4	–	39.4	N/M
Gain from sale of assets, net	(50.7)	(17.8)	(32.9)	(184.8)%
Operating income (loss) before general and administrative expense	$ 582.1	$ 175.2	$ 406.9	232.2%

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

(a) Applicable to core assets only, defined as high specification drillships and semisubmersibles (floaters), other floaters, jackup rigs, drilling barges and tenders.
(b) Utilization is the total actual number of revenue earning days as a percentage of total calendar days.
(c) Average dayrate is defined as revenue earned per revenue earning day.

The increase in this segment's operating revenues reflected the inclusion of operating revenues from core assets acquired in the R&B Falcon merger of $806.7 million, revenues of $210.7 million from five newbuild drilling units placed into service during and subsequent to 2000, recognition of $10.7 million related to a recovery from a loss-of-hire claim for an incident that occurred in November 2000 and an increase in activity reflected in higher utilization and average dayrates. Operating revenues relating to historical Transocean core assets totaled $1,359.7 million for 2001, representing a $213.9 million, or 19 percent, increase over the comparable 2000 period. Average dayrates and utilization for these core assets increased from $68,300 and 66 percent, respectively, for 2000 to $75,600 and 79 percent, respectively, for 2001. These increases were partially offset by decreases in comparable revenues attributed to less activity for non-core assets and lower revenue earned from managed rigs no longer operated in 2001. Revenues for 2000 included a cash settlement of $25.1 million relating to an agreement with a unit of BP to cancel the remaining 14 months of firm contract time on the semisubmersible *Transocean Amirante.*

The increase in 2001 in this segment's operating and maintenance expense was primarily attributable to assets acquired in the R&B Falcon merger ($369.8 million), the activation of five newbuild drilling units during and subsequent to 2000 ($77.7 million) and one newbuild drilling unit that was placed into service during September 2000 ($15.9 million), offset by $36.6 million related to accelerated amortization of the deferred gain on the *Pride North Atlantic* (formerly the *Drill Star*) during 2001. See Note 6 to our consolidated financial statements. A large portion of our operating and maintenance expense consists of employee-related costs and is fixed or only semi-variable. Accordingly, operating and maintenance expense does not vary in direct proportion to activity or dayrates.

This segment's depreciation expense increased primarily due to depreciation expense for the rigs acquired in the R&B Falcon merger ($129.4 million) and depreciation expense in 2001 for six newbuild drilling units placed into service during and subsequent to 2000 ($35.4 million). This increase was partially offset by a reduction of approximately $23 million for 2001 as a result of conforming our policies for estimated rig lives in conjunction with the R&B Falcon merger.

The increase in this segment’s goodwill amortization expense resulted from the R&B Falcon merger.

During the fourth quarter of 2001, we recorded non-cash impairment charges in this segment of $39.4 million related to certain assets held for sale and certain non-core assets held and used. The impairments resulted from deterioration in current market conditions with the fair value of these assets determined based on projected cash flows, industry knowledge and third-party appraisals.

During 2001, we recognized a pre-tax gain of $26.3 million related to the sale of RBF FPSO L.P., which owned the *Seillean*, and $18.5 million related to accelerated amortization of the deferred gain on the sale of the *Sedco Explorer.* In addition, we recognized a pre-tax gain of $5.9 million during the year ended December 31, 2001 related to sales of certain non-strategic assets acquired in the R&B Falcon merger and certain other assets held for sale. During the year ended December 31, 2000, we recognized a pre-tax gain of $12.9 million on the sale of three drilling units, the semisubmersible *Transocean Discoverer*, the multi-purpose service vessel *Mr. John* and the tender *Searex V*.

Gulf of Mexico Shallow and Inland Water Segment

	Years ended December 31,			
	2001	**2000**	**Change**	**% Change**
	(In millions, except day amounts and % change)			
Operating days (a)	13,100	–	13,100	N/M
Utilization (a) (b)	60%	–	N/A	N/M
Average dayrate (a) (c)	$29,500	$ –	$29,500	N/M
Operating revenues	$434.9	$ –	$ 434.9	N/M
Operating and maintenance	276.6	–	(276.6)	N/M
Depreciation	96.6	–	(96.6)	N/M
Goodwill amortization	40.7	–	(40.7)	N/M
Impairment loss on long-lived assets	1.0	–	(1.0)	N/M
Gain from sale of assets, net	(5.8)	–	5.8	N/M
Operating income (loss) before general and administrative expense	$ 25.8	$ –	$ 25.8	N/M

“N/A” means not applicable
“N/M” means not meaningful

(a) Applicable to core assets only, defined as jackup rigs, drilling barges and submersible drilling rigs.
(b) Utilization is the total actual number of revenue earning days as a percentage of total calendar days.
(c) Average dayrate is defined as revenue earned per revenue earning day.

This segment's operating results were attributable to operations acquired in the R&B Falcon merger. Prior to January 31, 2001, we operated in one segment, the International and U.S. Floater Contract Drilling Services segment.

During 2001, we recorded a non-cash impairment charge in this segment of $1.0 million related to an asset held and used. The impairment resulted from deterioration in current market conditions with the fair value of this asset determined based on projected cash flows, industry knowledge and third-party appraisals.

During 2001, we recognized a net pre-tax gain of $5.8 million related to sales of certain other assets acquired in the R&B Falcon merger and certain other assets held for sale.

Total Company Results of Operations

	Years ended December 31,			
	2001	**2000**	**Change**	**% Change**
	(In millions, except % change)			
General and Administrative Expense	$ 57.9	$42.1	$ 15.8	37.5%
Other (Income) Expense, net				
Equity in earnings of joint ventures	(16.5)	(9.4)	(7.1)	(75.5)%
Interest income	(18.7)	(6.2)	(12.5)	(201.6)%
Interest expense, net of amounts capitalized	223.9	3.0	220.9	N/M
Other, net	0.8	1.3	(0.5)	(38.5)%
Income Tax Expense	85.7	36.7	49.0	133.5%
(Gain) Loss on Extraordinary Items, net of tax	19.3	(1.4)	20.7	N/M

"N/M" means not meaningful

The increase in general and administrative expense reflects the costs to manage a larger and more complex organization as a result of the R&B Falcon merger.

The increase in equity in earnings of joint ventures was due primarily to equity in earnings of joint ventures acquired in the R&B Falcon merger. The increase in interest income was primarily due to interest earned on secured contingent notes from a related party acquired as part of the R&B Falcon merger (see "—Related Party Transactions") and higher average cash balances for 2001 compared to 2000. The increase in interest expense during 2001 was due to higher debt levels arising from the additional debt assumed in the R&B Falcon merger and additional borrowings to complete newbuild construction projects. Total interest capitalized relating to construction projects was $34.9 million for 2001 compared to $86.6 million for 2000, a decrease of $51.7 million, or 60 percent, resulting from the completion of six newbuild drilling units during and subsequent to 2000.

We operate internationally and provide for income taxes based on the tax laws and rates in the countries in which we operate and earn income. There is no expected relationship between the provision for income taxes and income before income taxes as more fully described in Note 15 to our consolidated financial statements.

During 2001, we recognized a $19.3 million extraordinary loss, net of tax, related to the early retirement of certain debt as more fully described in Note 8 to our consolidated financial statements. During 2000, we recognized a $1.4 million extraordinary gain, net of tax, related to the early retirement of certain debt.

Financial Condition

December 31, 2002 compared to December 31, 2001

	December 31,			
	2002	**2001**	**Change**	**% Change**
	(In millions, except % change)			
Total Assets				
International and U.S. Floater Contract Drilling Services	$11,804.1	$14,247.3	$(2,443.2)	(17.1)%
Gulf of Mexico Shallow and Inland Water	861.0	2,800.5	(1,939.5)	(69.3)%
	$12,665.1	$17,047.8	$(4,382.7)	(25.7)%

The decrease in the International and U.S. Floater Contract Drilling Services segment was primarily due to the impairment of goodwill of $2.5 billion resulting from our annual impairment test of goodwill in accordance with SFAS 142, which was performed as of October 1. The decrease in the Gulf of Mexico Shallow and Inland Water segment of $1.9 billion was primarily due to the impairment of goodwill of $1.4 billion, which resulted from our initial test of goodwill impairment upon adoption of SFAS 142, and $0.4 billion from our annual impairment test of goodwill performed as of October 1.

Restructuring Charges

In September 2002, we committed to a restructuring plan to eliminate our engineering department located in Montrouge, France. We established a liability of $2.8 million for the estimated severance-related costs associated with the involuntary termination of 15 employees pursuant to this plan. The charge was reported as operating and maintenance expense in the International and U.S. Floater Contract Drilling Services segment in our consolidated statements of operations. As of December 31, 2002, $1.7 million had been paid to employees whose positions were eliminated as a result of this plan. We anticipate that substantially all amounts will be paid by the end of the first quarter of 2003.

In September 2002, we committed to a restructuring plan for a staff reduction in Norway as a result of a decline in activity in that region. We established a liability of $1.2 million for the estimated severance-related costs associated with the involuntary termination of eight employees pursuant to this plan. The charge was reported as operating and maintenance expense in the International and U.S. Floater Contract Drilling Services segment in our consolidated statements of operations. As of December 31, 2002, $0.1 million had been paid to employees whose positions are being eliminated as a result of this plan. We anticipate that substantially all amounts will be paid by the end of the first quarter of 2004.

In September 2002, we committed to a restructuring plan to consolidate certain functions and offices utilized in our Gulf of Mexico Shallow and Inland Water segment. The plan resulted in the closure of an administrative office and warehouse in Louisiana and relocation of most of the operations and administrative functions previously conducted at that location. We established a liability of $1.2 million for the estimated severance-related costs associated with the involuntary termination of 57 employees pursuant to this plan. The charge was reported as operating and maintenance expense in our consolidated statements of operations. As of December 31, 2002, no amounts had been paid to employees whose employment is being terminated as a result of this plan. We anticipate that substantially all amounts will be paid by the end of the first quarter of 2003.

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

2001 Pro Forma Operating Results

Our unaudited pro forma consolidated results for the year ended December 31, 2001, giving effect to the R&B Falcon merger, reflected net income of $260.2 million or $0.80 per diluted share on pro forma operating revenues of $2,946.0 million. The pro forma operating results assume the merger was completed as of January 1, 2001 (see Note 4 to our consolidated financial statements). These pro forma results do not reflect the effects of reduced depreciation expense related to conforming the estimated lives of our drilling rigs. The pro forma financial data should not be relied on as an indication of operating results that we would have achieved had the merger taken place earlier or of the future results that we may achieve.

Defined Benefit Pension Plans

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

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

Plans, the Norway Plans and the Nigeria Plan. The following information regarding the Transocean Plans was obtained from the information used to prepare Note 18 to our consolidated financial statements.

	Retirement Plan	Supplemental Retirement Plan	Frozen Plans	Subtotal-U.S. Plans	Norway Plans	Nigeria Plan	Total Transocean Plans	
			(in millions)					
Projected Benefit Obligation								
At December 31, 2002	$131.2	$ 7.6	$ 95.8	$ 234.6	$ 50.4	$ 10.6	$ 295.6	
At December 31, 2001	97.4	7.6	90.4	195.4	38.2	9.1	242.7	
Fair Value of Plan Assets								
At December 31, 2002	$ 80.9	$ -	$ 79.6	$ 160.5	$ 28.0	$ -	$ 188.5	
At December 31, 2001	91.6	-	93.2	184.8	25.6	-	210.4	
Funded Status								
At December 31, 2002	$ (50.3)	$ (7.6)	$ (16.2)	$ (74.1)	$ (22.4)	$ (10.6)	$ (107.1)	
At December 31, 2001	(5.8)	(7.6)	2.8	(10.6)	(12.6)	(9.1)	(32.3)	
Net Periodic Benefit Cost (Income)								
Year Ending December 31, 2002	$ 11.6	$ 2.6	$ (3.7)	$ 10.5	$ 3.4	$ 3.2	$ 17.1	(b)
Year Ending December 31, 2001	5.7	1.5	(3.3) (a)	3.9	2.8	3.1	9.8	(b)
Change in Accumulated Other Comprehensive Income								
Year Ending December 31, 2002	$ 8.2	$ -	$ 37.5	$ 45.7	$ -	$ -	$ 45.7	
Year Ending December 31, 2001	-	-	-	-	-	-	-	
Employer Contributions								
Year Ending December 31, 2002	$ -	$ 2.4	$ 0.3	$ 2.7	$ 3.0	$ 0.9	$ 6.6	
Year Ending December 31, 2002	-	-	0.4 (a)	0.4	4.2	0.2	4.8	
Weighted-average Assumptions								
Discount rate								
At December 31, 2002	6.50%	6.50%	6.50%		6.00%	20.00%	6.90%	(c)
At December 31, 2001	7.00%	7.00%	7.00%		6.00%	20.00%	7.45%	(c)
Expected return on plan assets								
At December 31, 2002	9.00%	-	9.00%		7.00%	-	8.73%	(d)
At December 31, 2001	9.00%	-	10.00%		7.00%	-	9.24%	(d)
Rate of Compensation Increase								
At December 31, 2002	5.50%	5.50%	-		3.50%	15.00%	5.53%	(c)
At December 31, 2001	5.50%	5.50%	-		3.50%	15.00%	5.71%	(c)

(a) Represents 11 months of activity in 2001 subsequent to the R&B Falcon merger.
(b) Pension costs were reduced by expected returns on plan assets of $20.7 million and $7.5 million for the years ended December 31, 2002 and 2001, respectively.
(c) Weighted-average based on relative average projected benefit obligation for the year.
(d) Weighted-average based on relative average fair value of plan assets for the year.

For the U.S. Plans, our funding policy is to review amounts annually and contribute an amount at least equal to the minimum contribution required under the Employee Retirement Income Security Act of 1974 (ERISA). Employer contributions to the funded U.S. Plans are based on actuarial computations that establish the minimum contribution required under ERISA and the maximum deductible contribution for income tax purposes. No contributions were made to the funded U.S. Plans during 2002 or 2001. Contributions to the Supplemental Retirement Plan in 2002 and the Frozen Plans in 2002 and 2001 were to fund benefit payments from our unfunded U.S. Plans.

Plan assets of the funded U.S. Plans have been adversely impacted by declines in equity market values. During 2002, the market value of the investments in the Transocean Plans declined by $21.9 million or 10.4 percent. The decline is due to benefit plan payments in excess of employee and employer contributions and $14.4 million of net investment losses, primarily in the U.S. Plans, resulting from the poor performance of the equity markets in 2002. We expect to begin

making annual contributions to the Retirement Plan in 2003 and that the 2003 contribution will be approximately $11 million. We believe the required contributions can be funded from cash flow from operations. We have generated unrecognized net actuarial losses due to the effect of the unfavorable performance of the equity markets on the plan assets of the U.S. Plans. As of December 31, 2002 we had cumulative losses of approximately $39.6 million that remain to be recognized in the calculation of the market-related value of assets. These unrecognized net actuarial losses may result in increases in our future pension expense depending on several factors, including whether such losses at each measurement date exceed certain amounts in accordance with SFAS No. 87, *Employers' Accounting for Pensions.*

We account for the Transocean Plans in accordance with SFAS 87. This statement requires us to calculate our pension expense and liabilities using assumptions based on a market-related valuation of assets, which reduces year-to-year volatility using actuarial assumptions. Changes in these assumptions can result in different expense and liability amounts, and future actual experience can differ from these assumptions. In accordance with SFAS No. 87, changes in pension obligations and assets may not be immediately recognized as pension costs in the statement of operations but generally are recognized in future years over the remaining average service period of plan participants. As such, significant portions of pension costs recorded in any period may not reflect the actual level of benefit payments provided to plan participants.

Two of the most critical assumptions used in calculating our pension expense and liabilities are the expected long-term rate of return on plan assets and the assumed discount rate. Primarily due to the decline in the market value of the U.S. Plans' assets and increased benefit obligations associated with a reduction in the discount rate, the value of the U.S. Plans' assets is less than the accumulated benefit obligation. As a result, we recorded a non-cash minimum liability adjustment related to the U.S. Plans, which resulted in a charge to other comprehensive income during the fourth quarter of 2002 of $32.5 million, net of tax. The minimum liability adjustment did not affect our results of operations during 2002 nor our ability to meet any financial covenants related to our debt facilities. We changed our expected long-term rate of return on plan assets for our Frozen Plans to 9.0 percent as of December 31, 2002 from 10.0 percent as of December 31, 2001 due to a change in the asset allocation of plan assets. For all U.S. Plans, we changed our discount rate as of December 31, 2002 to 6.50 percent from 7.0 percent as of December 31, 2001. The change in the expected long-term rate of return on plan assets assumption was developed by reviewing each plan's targeted asset allocation and asset class long-term rate of return expectations. Pension expense related to the Transocean Plans for 2003 is estimated to increase by approximately $7 million based on the change in the expected long-term rate of return assumptions, discount rate assumptions and other factors. Continued poor performance in the equity markets could result in additional significant changes to the accumulated other comprehensive loss component of shareholders' equity and additional increases in future pension expense and funding requirements.

We regularly review our actual asset allocation and periodically rebalance plan assets as appropriate. For each percentage point the expected long-term rate of return assumption is lowered, pension expense would increase approximately $1.0 million. For each one-half percentage point the discount rate is lowered, pension expense would increase by approximately $3.5 million.

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

Outlook

Fleet utilization decreased and average dayrates improved within our International and U.S. Floater Contract Drilling Services business segment during the fourth quarter of 2002 compared with the third quarter of 2002. Both fleet utilization and average dayrates decreased slightly within our Gulf of Mexico Shallow and Inland Water business segment during the fourth quarter of 2002 compared with the third quarter of 2002.

	Three months ended		
	December 31, 2002	**September 30, 2002**	**December 31, 2001**
Average Dayrates (a) (b)			
International and U.S. Floater Contract Drilling Services Segment			
High-Specification Floaters	$147,700	$144,600	$145,000
Other Floaters	78,800	81,300	71,100
Jackups – Non-U.S.	57,700	60,400	52,800
Other	40,500	55,100	41,300
Segment Total	97,200	95,500	88,200
Gulf of Mexico Shallow and Inland Water Segment			
Jackups and Submersibles	21,900	23,000	30,600
Inland Barges	19,600	20,700	22,800
Segment Total	20,600	21,600	25,600
Total Mobile Offshore Drilling Fleet	$ 77,200	$ 76,400	$ 74,000
Utilization (a) (c)			
International and U.S. Floater Contract Drilling Services Segment			
High-Specification Floaters	93%	85%	90%
Other Floaters	56%	76%	89%
Jackups – Non-U.S.	83%	84%	89%
Other	47%	51%	54%
Segment Total	75%	79%	86%
Gulf of Mexico Shallow and Inland Water Segment			
Jackups and Submersibles	33%	34%	27%
Inland Barges	44%	47%	49%
Segment Total	39%	40%	38%
Total Mobile Offshore Drilling Fleet	60%	63%	67%

(a) Applicable to core assets only, defined as high specification drillships and semisubmersibles (floaters), other floaters, jackup rigs, drilling barges, tenders and submersible drilling rigs.
(b) Average dayrate is defined as revenue earned per revenue earning day.
(c) Utilization is the total actual number of revenue earning days as a percentage of total calendar days.

Commodity prices have increased significantly in the first quarter of 2003. Concern created by the prospect of a war with Iraq and the political turmoil in Venezuela resulting in lost production have both contributed to higher crude oil prices. Cold weather and lower inventory levels have similarly helped push U.S. natural gas prices significantly higher during the first quarter of 2003. However, demand for our drilling rigs is driven largely by our clients' perception of future commodity prices, and whether the current strong commodity prices will translate into increased drilling activity in the face of the general uncertainty over world political events remains unclear. We believe our customers still see too much political and commercial uncertainty to materially increase demand for drilling rigs in the near future.

Although we do not expect a significant increase in activity during 2003 within our International and U.S. Floater Contract Drilling Services segment, we remain optimistic about the longer-term deepwater outlook. There is a slight oversupply of deepwater rigs in the U.S. Gulf of Mexico, and we expect this trend to continue in 2003. The substantial number of large discoveries in West Africa combined with continuing exploratory interest in that region and growing demand for rigs in India and the Far East are positive developments supporting long-term deepwater activity.

The non-U.S. jackup market sectors remain strong. We look for this activity level to continue through 2003. There has been some slowdown in activity in Nigeria but we expect it to be offset by increased activity in Mexico and India.

The mid-water floater business remains extremely weak. This segment is significantly oversupplied globally with mid-water rig activity levels particularly low in the North Sea. At February 28, 2003, eight of our 17 rigs in the North Sea were idle but we anticipate putting three of these rigs back to work in the second quarter of 2003. It is uncertain if the expected increase in activity during the second quarter of 2003 will be sustained past the summer season, as substantial oversupply is expected to continue throughout 2003.

The U.S. Gulf of Mexico shallow and inland water jackup market segment remains depressed, despite historically high North American natural gas prices. Jackup rigs continue to leave the U.S. Gulf of Mexico for long-term drilling opportunities in other regions and, based on recently announced jackup rig needs in Mexico and India, we expect this trend to continue. With this expected decline in the jackup rig supply in the U.S. Gulf of Mexico market segment, a slight increase in activity could cause substantial improvement in our U.S. Gulf of Mexico shallow water business.

The contract drilling market historically has been highly competitive and cyclical, and we are unable to predict the extent to which current market conditions will continue. A decline in oil or gas prices could further reduce demand for our contract drilling services and adversely affect both utilization and dayrates.

We conduct our worldwide operations through various subsidiaries and branch offices. Consequently, we are subject to changes in tax laws and the interpretations of those tax laws in the jurisdictions in which we operate. This includes tax laws directed toward companies organized in jurisdictions with low tax rates. A material change in the tax laws of any country in which we have operations, including the United States, could result in a higher effective tax rate on our worldwide earnings.

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

Following the terrorist attacks on September 11, 2001, insurance underwriters increased insurance premiums charged for many of the coverages historically maintained by the Company, and the underwriters issued general notices of cancellations to their customers for war risk, terrorism and political risk coverages with respect to a wide variety of insurance products, including but not limited to, property damage, liability and aviation coverages. Our insurance underwriters renegotiated substantially higher premium rates for war risk coverage, which can be canceled by the underwriters on short notice. Our directors and officers liability coverage was renewed in the second quarter of 2002 with a substantial increase in premium and we expect it to increase significantly in the second quarter of 2003. Our current property insurance program was renewed at the beginning of 2003, and we have substantially higher deductibles for property claims, which will result in lower insurance recovery for property claims. Our principal insurance programs providing our occupational injury and illness coverages were renewed at the end of 2002 with no substantial increase in premiums but with significantly higher deductibles. If our property and occupational illness claim experience in 2003 is comparable to 2002, we expect our total insurance expense to increase between $10 million and $14 million. Because of the substantial increase in our deductible exposure for 2003, an increase in our loss experience would result in higher insurance expense for the period.

As a result of the implementation of Emerging Issues Task Force Issue No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent,* costs we incur that are charged to our customers on a reimbursable basis will be recognized as operating and maintenance expense in 2003. In addition, the amounts billed to our customers associated with these reimbursable costs will be recognized as operating revenue. We expect the increase in operating revenues and operating and maintenance expenses to be between $60 million and $80 million for the year 2003. This change in the accounting treatment for client reimbursables will have no effect on our results of operations or consolidated financial position. We previously recorded these charges and related reimbursements on a net basis in operating and maintenance expense. Prior period amounts are not reclassified as the amounts are not material.

In January 2003, we will begin recognizing stock compensation expense effective with new options granted to employees in 2003. See "—New Accounting Pronouncements."

As of February 28, 2003, approximately 55 percent of our International and U.S. Floater Contract Drilling Services segment fleet days were committed for the remainder of 2003 and approximately 24 percent for the year 2004. For our Gulf of Mexico Shallow and Inland Water segment, which has traditionally operated under short-term contracts, committed fleet days were approximately 2 percent for the remainder of 2003 and none are currently committed for the year 2004.

Other Factors Affecting Operating Results and Financial Condition

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

- worldwide demand for oil and gas,
- the ability of the Organization of Petroleum Exporting Countries, commonly called "OPEC," to set and maintain production levels and pricing,
- the level of production in non-OPEC countries,
- the policies of various governments regarding exploration and development of their oil and gas reserves,
- advances in exploration and development technology, and
- the worldwide military and political environment, including uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities or other crises in the Middle East or other geographic areas or further acts of terrorism in the United States, or elsewhere.

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

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

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

Our customers may terminate or suspend some of our term drilling contracts under various circumstances such as the loss or destruction of the drilling unit, downtime caused by equipment problems or sustained periods of downtime due to force majeure events. Some drilling contracts permit the customer to terminate the contract at the customer's option without paying a termination fee. Suspension of drilling contracts results in loss of the dayrate for the period of the suspension. If our customers cancel some of our significant contracts and we are unable to secure new contracts on

substantially similar terms, it could adversely affect our results of operations. In reaction to depressed market conditions, our customers may also seek renegotiation of firm drilling contracts to reduce their obligations.

We plan to continue our restructuring of the ownership of a portion of the assets held by TODCO and its subsidiaries in connection with the planned initial public offering of our Gulf of Mexico Shallow and Inland Water business. Any transfer of assets by TODCO or one of its subsidiaries to Transocean or one of its other subsidiaries in this restructuring could, in some cases, result in the imposition of additional taxes.

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

We maintain broad insurance coverage, including insurance against general and marine third-party liabilities. Our offshore drilling equipment is covered by physical damage insurance policies, which cover against marine and other perils, including losses due to capsizing, grounding, collision, fire, lightning, hurricanes, wind, storms, action of waves, punchthroughs, cratering, blowouts, explosions and war risks. We also carry employer's liability and other insurance customary in the offshore contract drilling business. We do not normally carry loss of hire or business interruption insurance.

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

We believe we are adequately insured in accordance with industry standards against normal risks in our operations; however, such insurance coverage may not in all situations provide sufficient funds to protect us from all liabilities that could result from our drilling operations. Although our current practice is to insure the majority of our drilling units for their approximate fair value, our insurance would not completely cover the costs that would be required to replace certain of our units, including certain high-specification semisubmersibles and drillships. We may also change our deductibles from time to time in a manner that significantly limits the available recovery for an individual property claim.

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

- terrorist acts, war and civil disturbances;
- expropriation or nationalization of equipment; and
- the inability to repatriate income or capital.

We are protected to a substantial extent against loss of capital assets, but generally not loss of revenue, from most of these risks through insurance, indemnity provisions in our drilling contracts, or both. The necessity of insurance coverage for risks associated with political unrest, expropriation and environmental remediation for operating areas not covered under our existing insurance policies is evaluated on an individual contract basis. Although we maintain insurance in the areas in which we operate, pollution and environmental risks generally are not totally insurable. If a significant accident or other event occurs and is not fully covered by insurance or a recoverable indemnity from a client, it could adversely affect our consolidated financial position or results of operations. Moreover, no assurance can be made that we will be able to maintain adequate insurance in the future at rates we consider reasonable or be able to obtain insurance against certain risks, particularly in light of the instability and developments in the insurance markets following the recent terrorist attacks. As of February 28, 2003, all areas in which we were operating were covered by existing insurance policies.

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

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

We are a Cayman Islands company as a result of our reorganization from a Delaware corporation in May 1999. We operate worldwide through our various subsidiaries. Consequently, we are subject to changing taxation policies in the jurisdictions in which we operate, which could include policies directed toward companies organized in jurisdictions with low tax rates. A material change in the tax laws of any country in which we have significant operations, including the U.S., could result in a higher effective tax rate on our worldwide earnings

Another risk inherent in our operations is the possibility of currency exchange losses where revenues are received and expenses are paid in nonconvertible currencies. We may also incur losses as a result of an inability to collect revenues because of a shortage of convertible currency available to the country of operation. We seek to limit these risks by structuring contracts such that compensation is made in freely convertible currencies and, to the extent possible, by limiting acceptance of non-convertible currencies to amounts that match our expense requirements in local currency (see "Item 7A. Quantitative and Qualitative Disclosures About Market Risk—Foreign Exchange Risk"). Venezuela has recently implemented foreign exchange controls that limit our ability to convert local currency into U.S. dollars and transfer excess funds out of Venezuela. Our drilling contracts in Venezuela typically call for payments to be made in local currency, even when the dayrate is denominated in U.S. dollars. The exchange controls could also result in an artificially high value being placed on the local Venezuela currency.

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

On January 31, 2003, we had approximately 10 percent of our employees worldwide working under collective bargaining agreements, most of whom were working in Norway, U.K., Nigeria and Trinidad. Of these represented employees, a majority are working under agreements that are subject to salary negotiation in 2003. These ongoing negotiations could result in higher personnel expenses, other increased costs or increased operating restrictions.

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

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

On September 11, 2001, the U.S. was the target of terrorist attacks of unprecedented scope. Recent world political events have resulted in military action in Afghanistan and Iraq, and increasing military tension involving North Korea. Military action by the U.S. or other nations could escalate and further acts of terrorism in the U.S. or elsewhere may occur. Such acts of terrorism could be directed against companies such as ours. These developments have caused instability in the world's financial and insurance markets and will likely significantly increase political and economic instability in the geographic areas in which we currently operate. In addition, these developments could lead to increased volatility in prices for crude oil and natural gas and could affect the markets for drilling services. Insurance premiums have increased and could rise further and coverages may be unavailable in the future. See "—Outlook".

U.S. government regulations may effectively preclude us from actively engaging in business activities in certain countries. These regulations could be amended to cover countries where we currently operate or where we may wish to operate in the future. These developments could subject the worldwide operations of our company to increased risks and, depending on their magnitude, could have a material adverse effect on our business.

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

Merger Purchase Price Allocation

The purchase price allocation for the R&B Falcon merger included, at estimated fair value, total assets of $4.8 billion and the assumption of total liabilities of $3.8 billion. The excess of the purchase price over the estimated fair value of net assets acquired of approximately $5.6 billion was accounted for as goodwill. At December 31, 2002, the remaining goodwill balance of $1.2 billion represented approximately 10 percent of total assets and 17 percent of total shareholders' equity. Prior to our January 1, 2002 adoption of SFAS 142, goodwill was amortized using a 40-year life based on the nature of the offshore drilling industry, long-lived drilling equipment and long-standing relationships with core customers. See "—New Accounting Pronouncements".

The purchase price allocation for the merger of Transocean Offshore Inc. and Sedco Forex included, at estimated fair value, total assets of $3.8 billion and the assumption of total liabilities of $1.9 billion. The excess of the purchase price over the estimated fair value of net assets acquired of approximately $1.1 billion was accounted for as goodwill. At December 31, 2002, the remaining goodwill balance of $1.0 billion represented approximately eight percent of total assets and 14 percent of total shareholders' equity. Prior to our January 1, 2002 adoption of SFAS 142, goodwill was amortized using a 40-year life based on the nature of the offshore drilling industry, long-lived drilling equipment and long-standing relationships with core customers. See "—New Accounting Pronouncements".

Liquidity and Capital Resources

Sources and Uses of Cash

	Years ended December 31,		
	2002	**2001**	**Change**
		(In millions)	
Net Cash Provided by Operating Activities			
Net income (loss)	$(3,731.9)	$252.6	$(3,984.5)
Non-cash items	4,547.5	416.0	4,131.5
Working capital	121.0	(108.2)	229.2
	$ 936.6	$560.4	$ 376.2

Cash generated from net income items adjusted for non-cash activity in 2002 increased $147.0 million over 2001. For 2002, we recognized non-cash losses on impairments of goodwill and long-lived assets in the amount of $4,239.7 million and $51.4 million, respectively, while we recognized $40.4 million of non-cash impairments on long-lived assets and $154.9 million of goodwill amortization in 2001. The increase in cash provided by working capital items for 2002 compared to 2001 was primarily due to lower activity and improved accounts receivable collections.

	Years ended December 31, 2002	2001	Change
		(In millions)	
Net Cash Used in Investing Activities			
Capital expenditures	$(141.0)	$(506.2)	$365.2
Proceeds from sale of securities	–	17.2	(17.2)
Proceeds from disposal of assets	88.3	201.7	(113.4)
Merger costs paid	–	(24.4)	24.4
Cash acquired in merger, net of cash paid	–	264.7	(264.7)
Other, net	7.4	20.6	(13.2)
	$ (45.3)	$ (26.4)	$ (18.9)

Net cash used in investing activities was greater in 2002 compared to 2001 as a result of lower proceeds in 2002 from asset sales and cash received in 2001 in connection with the R&B Falcon merger, partially offset by lower capital expenditures in 2002 due to the completion of our newbuild program in 2001.

	Years ended December 31, 2002	2001	Change
		(In millions)	
Net Cash Provided by (Used in) Financing Activities			
Net borrowings (repayments) under commercial paper program	$ (326.4)	$ 326.4	$ (652.8)
Net proceeds from issuance of debt	–	1,693.5	(1,693.5)
Repayments on other debt instruments	(189.3)	(1,551.0)	1,361.7
Net repayments on revolving credit agreements	–	(180.1)	180.1
Other, net	(14.8)	(3.9)	(10.9)
	$ (530.5)	$ 284.9	$ (815.4)

During 2002, we had no borrowings under our revolving credit agreements and we repaid the $326.4 million that we borrowed under our commercial paper program in 2001. The decrease in repayments of debt instruments of $1,361.7 million was primarily due to repayments of TODCO debt instruments totaling $1,458.0 million in the second quarter of 2001 as more fully described in Note 8 to our consolidated financial statements. Also in 2002, we made early repayments of the secured rig financings on the *Trident IX* and *Trident 16* of $50.6 million in aggregate and scheduled debt payments of $138.6 million. The increase in cash used in other, net mainly reflects $8.3 million in consent payments related to the exchange of our notes for TODCO notes, no exercise of warrants in 2002 and lower proceeds from stock option exercises in 2002, partially offset by the discontinuance of cash dividend payments after the second quarter of 2002 and financing costs paid in 2001 in connection with debt issuances. In the second quarter of 2001, we received net proceeds of $1,693.5 million primarily due to the issuance of our 6.625% Notes, 7.5% Notes and 1.5% Convertible Debentures.

Capital Expenditures

Capital expenditures totaled $141.0 million during the year ended December 31, 2002. During 2003, we expect to spend between $130 million and $150 million on our existing fleet, corporate infrastructure and major upgrades. A substantial majority of our expected capital expenditures in 2003 relates to our International and U.S. Floater Contract Drilling Services segment.

We intend to fund the cash requirements relating to our capital expenditures through available cash balances, cash generated from operations and asset sales. We also have available credit under our revolving credit agreements and commercial paper program (see "—Sources of Liquidity") and may engage in other commercial bank or capital market financings.

Acquisitions and Dispositions

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

In March 2002, in our International and U.S. Floater Contract Drilling Services segment, we sold two semisubmersible rigs, the *Transocean 96* and *Transocean 97*, for net proceeds of $30.7 million and recognized net after-tax gains of $1.3 million. In June 2002, in our International and U.S. Floater Contract Drilling Services segment, we sold a jackup rig, the *RBF 209*, and recognized a net after-tax loss of $1.5 million. During the year ended December 31, 2002, we also partially settled an insurance claim and sold certain other non-strategic assets and certain other assets held for sale for net proceeds of approximately $38.9 million and recognized net after-tax gains of $2.7 million and $0.6 million in our International and U.S. Floater Contract Drilling Services and Gulf of Mexico Shallow and Inland Water segments, respectively.

In January 2003, we completed the sale of the *RBF 160* to a third party for net proceeds of $13.0 million and recognized a net after-tax gain on sale of $0.2 million. The proceeds were received in December 2002 and were reflected as deferred income and proceeds from asset sales in the consolidated balance sheet and consolidated statement of cash flow, respectively.

We continue to proceed with our previously announced plans to pursue an initial public offering of our Gulf of Mexico Shallow and Inland Water business. Our plan is to separate this business from Transocean and establish it as a publicly traded company. We are proceeding with our plans to reorganize TODCO as the entity that owns this business in preparation of the offering. We expect to effect the initial public offering when market conditions warrant, subject to various factors. Given the current general uncertainty in the equity and U.S. natural gas drilling markets, we are unsure when the transaction could be completed on terms acceptable to us. See "—Overview."

Our plans to sell certain other individual assets have been impeded by difficult market conditions. We expect the pace of these asset sales to remain slow until market conditions improve. We received $207 million in 2001 and $79 million in 2002 from the sale of these assets. Future sales will be dependent upon obtaining an acceptable sale price. We may evaluate our decision to sell these assets from time to time depending upon market conditions and may decide to discontinue our sales efforts, in whole or in part.

Sources of Liquidity

Our primary sources of liquidity in 2002 were our cash flows from operations and asset sales. Primary uses of cash were debt repayment and capital expenditures. At December 31, 2002, we had $1,214.2 million in cash and cash equivalents.

We anticipate that we will rely primarily upon existing cash balances and internally generated cash flows to maintain liquidity in 2003, as cash flows from operations are expected to be positive and, together with existing cash balances, adequate to fulfill anticipated obligations, including the potential obligation to repurchase the Zero Coupon Convertible Debentures at the option of the holders. See Note 8 to our consolidated financial statements. From time to time, we may also use bank lines of credit and commercial paper to maintain liquidity for short-term cash needs.

We intend to use the proceeds from the initial public offering of our Gulf of Mexico Shallow and Inland Water business as well as any proceeds from asset sales (see “—Acquisitions and Dispositions") to further reduce our debt balances.

We intend to use cash from operations primarily to pay debt as it comes due and to fund capital expenditures. If we seek to reduce our debt other than through scheduled maturities, we could do so through repayment of bank borrowings or through repurchases or redemptions of, or tender offers for, debt securities. We have significantly reduced capital expenditures compared to prior years due to the completion of our newbuild program in 2001. During 2002, we have reduced net debt, defined as total debt less swap receivables and cash and cash equivalents, by $873 million. The components of net debt at carrying value were as follows (in millions):

	December 31,	
	2002	**2001**
Total Debt	$4,678.0	$5,023.8
Less: Cash and cash equivalents	(1,214.2)	(853.4)
Swap receivables	(181.3)	(15.1)

Because we intend to pay debt with cash on hand, we use net debt to represent debt that is anticipated to be paid with future cash flows. The net debt measure also allows us to measure the cash flow that has been generated to date to fund our major obligations. Net debt since 2001 has been on a downward trend as cash flows, primarily from operations and asset sales, have been greater than that needed for capital expenditures.

Our internally generated cash flow is directly related to our business and the market segments in which we operate. Should the drilling market deteriorate further, or should we experience poor results in our operations, cash flow from operations may be reduced. To date, however, we have continued to generate positive cash flow from operations.

We have access to $800 million in bank lines of credit under two revolving credit agreements, a 364-day revolving credit agreement providing for $250 million in borrowings and expiring in December 2003 and a five-year revolving credit agreement providing for $550 million in borrowings and expiring in December 2005. These credit lines are used primarily to back our $800 million commercial paper program and may also be drawn on directly. As of December 31, 2002, none of the credit line capacity was utilized, leaving $800 million of availability under the bank lines of credit for commercial paper issuance or drawdowns.

The bank credit lines require compliance with various covenants and provisions customary for agreements of this nature, including an interest coverage ratio and leverage ratio, both as defined by the credit agreements, of not less than three to one and not greater than 40 percent, respectively. In calculating the leverage ratio, the credit agreements specifically exclude the impact on total capital of all non-cash goodwill impairment charges recorded in compliance with SFAS 142 (see Note 2 to our consolidated financial statements). Other provisions of the credit agreements include limitations on creating liens, incurring debt, transactions with affiliates, sale/leaseback transactions and mergers and sale of substantially all assets. Should we fail to comply with these covenants, we would be in default and may lose access to these facilities. A loss of the bank facilities would also cause us to lose access to the commercial paper markets. We are also subject to various covenants under the indentures pursuant to which our public debt was issued, including restrictions on creating liens, engaging in sale/leaseback transactions and engaging in merger, consolidation or reorganization transactions. A default under our public debt could trigger a default under our credit lines and cause us to lose access to these facilities. See Note 8 to our consolidated financial statements for a description of our credit agreements and debt securities.

In April 2001, the SEC declared effective our shelf registration statement on Form S–3 for the proposed offering from time to time of up to $2.0 billion in gross proceeds of senior or subordinated debt securities, preference shares, ordinary shares and warrants to purchase debt securities, preference shares, ordinary shares or other securities. In May 2001, we issued $400.0 million aggregate principal amount of 1.5% Convertible Debentures due May 15, 2021 under the shelf registration statement. At February 28, 2003, $1.6 billion in gross proceeds of securities remained unissued under the shelf registration statement.

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

Our contractual obligations in the table below include our debt obligations at face value.

	For the years ending December 31,				
	Total	**2003**	**2004-2005**	**2006-2007**	**Thereafter**
			(In millions)		
Contractual Obligations					
Debt	$4,476.3	$1,062.0	$614.3	$500.0	$2,300.0
Operating Leases	113.7	32.2	45.5	13.5	22.5
Total Obligations	$4,590.0	$1,094.2	$659.8	$513.5	$2,322.5

The bondholders may, at their option, require us to repurchase, or put, the Zero Coupon Convertible Debentures due 2020, the 1.5% Convertible Debentures due 2021 and the 7.45% Notes due 2027 in May 2003, May 2006 and April 2007, respectively. With regard to both series of the Convertible Debentures, we have the option to pay the repurchase price in cash, ordinary shares or any combination of cash and ordinary shares. The chart above assumes that the holders of these convertible debentures and notes exercise the options at the first available date. We expect that most, if not all, of the holders of the Zero Coupon Convertible Debentures will exercise their put option in May 2003 and, at that time, we would recognize additional expense of approximately $11 million as a loss on retirement of debt to fully amortize the remaining debt issue costs related to these debentures. We expect to satisfy the May 2003 put option in cash. We are also required to repurchase the convertible debentures at the option of the holders at other later dates as more fully described in Note 8 to our consolidated financial statements.

At December 31, 2002, we had other commitments that we are contractually obligated to fulfill with cash should the obligations be called. These obligations consisted primarily of standby letters of credit and surety bonds that guarantee our performance as it relates to our drilling contracts, insurance, tax and other obligations in various jurisdictions. These obligations are not normally called as we typically comply with the underlying performance requirement. The table below

provides a list of these obligations in U.S. dollar equivalents and their time to expiration. It should be noted that these obligations could be called at any time prior to the expiration dates.

	For the years ending December 31,				
	Total	2003	2004-2005	2006-2007	Thereafter
			(In millions)		
Other Commercial Commitments					
Standby Letters of Credit	$ 54.0	$ 40.2	$ 9.4	$4.4	$–
Surety Bonds	215.8	152.5	63.3	–	–
Purchase Option Guarantees -					
Joint Ventures (a)	208.9	92.5	116.4	–	–
Other Commitments	0.1	–	0.1	–	–
Total	$478.8	$285.2	$189.2	$4.4	$–

(a) See "—Special Purpose Entities".

Letters of credit are issued under a number of facilities provided by several banks. The obligations that are the subject of these surety bonds are geographically concentrated in the United States, Brazil and Nigeria, of which 93 percent are concentrated in five bonds.

In March 2002, we completed an exchange offer where TODCO's 6.5% Senior Notes due April 15, 2003, 6.75% Senior Notes due April 15, 2005, 6.95% Senior Notes due April 15, 2008, 7.375% Senior Notes due April 15, 2018, 9.125% Senior Notes due December 15, 2003 and 9.5% Senior Notes due December 15, 2008, whose holders accepted the offer, were exchanged for our newly issued notes. The new notes were issued in six series corresponding to the six series of TODCO notes and have the same principal amount, interest rate, redemption terms and payment and maturity dates as the corresponding series of TODCO notes. The aggregate principal amount of the new notes issued was approximately $1.4 billion. Because the holders of a majority in principal amount of each of these series of notes consented to the proposed amendments to the applicable indenture pursuant to which the notes were issued, some covenants, restrictions and events of default were eliminated from the indentures with respect to these series of notes. The notes not exchanged, with an aggregate principal amount of $38.8 million, remain the obligation of TODCO. In connection with the exchange offers, TODCO paid $8.3 million in consent payments to holders of TODCO's notes whose notes were exchanged.

Derivative Instruments

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

Gains and losses on foreign exchange derivative instruments that qualify as accounting hedges are deferred as accumulated other comprehensive income and recognized when the underlying foreign exchange exposure is realized. Gains and losses on foreign exchange derivative instruments that do not qualify as hedges for accounting purposes are recognized currently based on the change in market value of the derivative instruments. At December 31, 2002, we had no material open foreign exchange derivative instruments.

From time to time, we may use interest rate swaps to manage the effect of interest rate changes on future income. Interest rate swaps are designated as a hedge of underlying future interest payments. The interest rate differential to be received or paid under the swaps is recognized over the lives of the swaps as an adjustment to interest expense (see "Item 7A. Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk"). If an interest rate swap is terminated, the gain or loss is amortized over the life of the underlying debt. At December 31, 2002, we had a $3.6 million gain related to a terminated interest rate swap that was included in accumulated other comprehensive income in our consolidated balance sheet and is being amortized over the life of the underlying debt.

DD LLC, an unconsolidated joint venture in which we have a 50% ownership interest, has entered into interest rate swaps associated with the operating lease for the *Deepwater Pathfinder*. At December 31, 2002, the aggregate market values of these swaps netted to a liability of $6.7 million. The effect of the swap has been to convert the interest portion of the operating lease payments from a floating rate of one-month LIBOR plus a margin to a fixed rate of 5.7175 percent per annum. We report our share of the fair value of the interest rate swaps in accumulated other comprehensive income with a corresponding reduction to investments in and advances to joint ventures in our consolidated balance sheet. At December 31, 2002, this amount was an unrealized loss of $2.0 million, net of tax.

In June 2001, we entered into $700 million aggregate notional amount of interest rate swaps as a fair value hedge against our 6.625% Notes due April 2011. In February 2002, we entered into $900 million aggregate notional amount of interest rate swaps as a fair value hedge against our 6.75% Senior Notes due April 2005, 6.95% Senior Notes due April 2008 and 9.5% Senior Notes due December 2008. The swaps effectively converted the fixed interest rate on each of the four series of notes into a floating rate of LIBOR plus a margin of 50, 246, 171 and 413 basis points, respectively. The market value of the swaps was carried as an asset or a liability in our consolidated balance sheet and the carrying value of the hedged debt was adjusted accordingly. At December 31, 2002, the swaps had a market value of $181.3 million that was recorded as an increase to other assets and long-term debt in our consolidated balance sheets.

In January 2003, we terminated the swaps with respect to our 6.75% Senior Notes due April 2005, 6.95% Senior Notes due April 2008 and 9.5% Senior Notes due December 2008. In March 2003, we terminated the swaps with respect to our 6.625% Notes due April 2011. As a result of these terminations, we will have an aggregate fair value adjustment of approximately $173.5 million included in long-term debt in our consolidated balance sheet, which will be amortized as an adjustment to interest expense over the life of the underlying debt. For the year 2003, we expect this reduction to interest expense will be approximately $23.1 million.

Special Purpose Entities

As a result of the R&B Falcon merger, we have ownership interests in two unconsolidated joint ventures, 50 percent in DD LLC, and 60 percent in DDII LLC. Subsidiaries of ConocoPhillips ("Conoco") own the remaining interests in DD LLC and DDII LLC. We share management of the joint ventures equally with Conoco. Each of the joint ventures is a lessee in a synthetic lease financing facility entered into in connection with the construction of the *Deepwater Pathfinder*, in the case of DD LLC, and the *Deepwater Frontier*, in the case of DDII LLC. Pursuant to the lease financings, the rigs are owned by special purpose entities and leased to the joint ventures. We do not own, manage or control the special purpose entities. The lease payments under both synthetic leases are supported by drilling contracts between the two respective joint ventures and Conoco and, in the case of DDII LLC, one of our subsidiaries. Conoco is responsible for all of the remaining commitment to DD LLC and most of the remaining commitment to DDII LLC under these drilling contracts.

We, together with Conoco, provide the joint ventures with certain operational support services. For each of the joint ventures, we and Conoco guarantee the obligation of the joint venture to pay certain contingent lease obligations in proportion to their respective ownership interests in the joint ventures.

DD LLC's annual rent payments for the *Deepwater Pathfinder*, totaling approximately $29 million in 2002, are substantially fixed due to the interest rate swap described above. DDII LLC's annual rent payments for the *Deepwater Frontier* are subject to changes in market interest rates and totaled approximately $24 million in 2002.

If an event of default occurs under the applicable lease documents, each joint venture may be required to pay an amount equal to the amount of debt and equity financing owed by the applicable special purpose entity plus certain expenses. The debt and equity financing outstanding as of December 31, 2002, applicable to the owner of *Deepwater Pathfinder* and of *Deepwater Frontier,* was $203 million and $217 million, respectively. We, together with Conoco, have guaranteed our respective share of each joint venture's obligations to pay these amounts.

The scheduled expiration of the lease is December 2003, in the case of the *Deepwater Pathfinder*, and March 2004, in the case of the *Deepwater Frontier*. Each of the leases is subject to certain extension options of DD LLC and DDII LLC, respectively. At the expiration of the leases, each joint venture may purchase the rig for $185 million, in the case of the *Deepwater Pathfinder*, and $194 million, in the case of the *Deepwater Frontier*, or return the rig to the special purpose entities. If a joint venture purchases the rig, we would be obligated to pay only the portion of such price equal to our percentage ownership interest in the applicable joint venture. Our proportionate share for each such purchase option is $93 million and $116 million, respectively. Under each joint venture agreement, the consent of each venturer is generally required to approve actions of the joint venture, including the exercise of this purchase option. If a joint venture returns the rig at the end of the lease, the special purpose entity may sell the rig. In connection with the return, DD LLC may be required to pay an amount up to $138 million, and DDII LLC may be required to pay an amount up to $145 million, plus certain expenses in each case. These payments may be reduced by a portion of the proceeds of the sale of the applicable rig.

These leases contain ratings triggers that are invoked only if we are involved in a change of control and the acquiror has a credit rating lower than BBB or Baa2. Should these triggers be invoked, the acquiring company would, at the option of the investors, be obligated to pay our share of the outstanding investments under the leases.

Sale/Leaseback

We lease the *M. G. Hulme, Jr.* from Deep Sea Investors, L.L.C., a special purpose entity formed by several leasing companies to acquire the rig from one of our subsidiaries in November 1995 in a sale/leaseback transaction. We are obligated to pay rent of approximately $13 million per year through December 2005. At the termination of the lease, we may purchase the rig for approximately $35 million. Effective September 2002, the lease neither requires that collateral be maintained nor contains any credit rating triggers.

Related Party Transactions

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

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

In 2002, we incurred charges totaling $10.7 million from Delta Towing for services rendered, of which $1.6 million was rebilled to our customers and $9.1 million was reflected in operating and maintenance expense. As of March 1, 2003, the carrying value of the notes was $78.9 million and $3.9 million was outstanding under the Delta Towing Revolver. In January 2003, Delta Towing failed to make its scheduled quarterly interest payment of $1.7 million. We granted a 90-day waiver of this payment. As of February 28, 2003, a total of $2.7 million unpaid interest was outstanding.

Delta Towing operates in the Gulf of Mexico in support of the oil and gas industry and faces similar market conditions as we do with our Gulf of Mexico Shallow and Inland Water business segment. Should weakened market conditions persist or should market conditions deteriorate further, Delta Towing's ability to pay its debts to us as they come due may be adversely affected. A failure by Delta Towing to service its debt obligations to us may result in an impairment of the carrying value of the notes, the Delta Towing Revolver and related accrued interest.

DD LLC and DDII LLC - We are a party to drilling services agreements with DD LLC and DDII LLC for the operation of the *Deepwater Pathfinder* and *Deepwater Frontier*, respectively. In 2002, we earned $1.6 million for such drilling services from each of DD LLC and DDII LLC.

ODL - We own a 50 percent interest in an unconsolidated joint venture company, Overseas Drilling Limited ("ODL"). ODL owns the *Joides Resolution*, for which we provide certain operational and management services. In 2002, we earned $1.2 million for those services.

New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board's ("FASB") issued SFAS 142, *Goodwill and Other Intangible Assets*, which is effective for fiscal years beginning after December 15, 2001. Under SFAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed at least annually for impairment. The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, we adopted SFAS 142 effective January 1, 2002 and selected October 1 as our annual test date for impairment of goodwill. In conjunction with the adoption of this statement, we discontinued the amortization of goodwill. Application of the non-amortization provisions of SFAS 142 for goodwill resulted in an increase in operating income of approximately $155 million in 2002. During 2002, we recognized non-cash impairment charges of $4.2 billion as a result of the adoption and application of this statement. See Note 2 to our consolidated financial statements.

In August 2001, the FASB issued SFAS 144, *Accounting for Impairment or Disposal of Long-Lived Assets*. SFAS 144 supersedes SFAS 121, *Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of*, and the accounting and reporting provisions of Accounting Principles Board Opinion ("APB") 30, *Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions.* SFAS 144 retains the accounting and reporting provisions of SFAS 121 for recognition and measurement of long-lived asset impairment and for the measurement of long-lived assets to be disposed of by sale and the accounting and reporting provisions of APB 30. In addition to these accounting and reporting provisions, SFAS 144 provides guidance for determining whether long-lived assets should be tested for impairment and specific criteria for classifying assets to be disposed of as held for sale. The statement is effective for fiscal years beginning after December 15, 2001. We adopted this statement as of January 1, 2002. The adoption of this statement had no material effect on our consolidated financial position or results of operations.

In April 2002, the FASB issued SFAS 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*. This statement eliminates the requirement under SFAS 4 to aggregate and classify all gains and losses from extinguishment of debt as an extraordinary item, net of related income tax effect. This statement also amends SFAS 13 to require certain lease modifications with economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. In addition, SFAS 145 requires reclassification of gains and losses in all prior periods presented in comparative financial statements related to debt extinguishment that do not meet the criteria for extraordinary item in APB 30. The statement is effective for fiscal years beginning after May 15, 2002 with early adoption encouraged. We adopted SFAS 145 effective January 1, 2003. We do not expect adoption of this statement to have a material effect on our consolidated financial position or results of operations.

In July 2002, the FASB issued SFAS 146, *Obligations Associated with Disposal Activities*, which is effective for disposal activities initiated after December 15, 2002, with early application encouraged. SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring*). Under this statement, a liability for a cost associated with an exit or disposal activity would be recognized and measured at its fair value when it is incurred rather than at the date of commitment to an exit plan. Under SFAS 146, severance pay would be recognized over time rather than up front provided the benefit arrangement requires employees to render future service beyond a minimum retention period, which would be based on the legal notification period, or if there is no such requirement, 60 days, thereby allowing a liability to be recorded over the employees' future service period. We will adopt SFAS 146 effective with disposal activities initiated after December 15, 2002. We do not expect adoption of this statement to have a material effect on our consolidated financial position or results of operations.

In December 2002, the FASB issued SFAS 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*, which is effective for fiscal years ending after December 15, 2002. SFAS 148 amends SFAS 123, *Accounting for Stock-Based Compensation*, to permit two additional transition methods for a voluntary change to the fair value based method of accounting for stock-based employee compensation from the intrinsic method under APB 25, *Accounting for Stock Issued to Employees*. The prospective method of transition under SFAS 123 is an option for entities adopting the recognition provisions of SFAS 123 in a fiscal year beginning before December 15, 2003. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements concerning the method of accounting used for stock-based employee compensation and the effects of that method on reported results of operations. Under SFAS 148, pro forma disclosures are required in a specific tabular format in the "Summary of Significant Accounting Policies". We adopted the disclosure requirements of this statement as of December 31, 2002. The adoption had no effect on our consolidated financial position or results of operations. We adopted the fair value method of accounting for stock-based compensation using the prospective method of transition under SFAS 123 effective January 1, 2003. We expect compensation expense in 2003 will increase by approximately $6 million as of result of adoption. See Note 2 to our consolidated financial statements.

In December 2002, the FASB issued Interpretation ("FIN") 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. FIN 45 requires that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under that guarantee. This interpretation is applicable on a prospective basis to guarantees issued or modified after December 31, 2002. We do not expect adoption of this interpretation to have a material effect on our consolidated financial position or results of operations.

In January 2003, the FASB issued FIN 46, *Consolidation of Variable Interest Entities*. FIN 46 requires companies with a variable interest in a variable interest entity to apply this guidance to that entity as of the beginning of the first interim period beginning after June 15, 2003 for existing interests and immediately for new interests. The application of

the guidance could result in the consolidation of a variable interest entity. We are evaluating the impact of this interpretation on our consolidated financial position and results of operations.

Forward-Looking Information

The statements included in this annual report regarding future financial performance and results of operations and other statements that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Statements to the effect that the Company or management "anticipates," "believes," "budgets," "estimates," "expects," "forecasts," "intends," "plans," "predicts," or "projects" a particular result or course of events, or that such result or course of events "could," "might," "may," "scheduled" or "should" occur, and similar expressions, are also intended to identify forward-looking statements. Forward-looking statements in this annual report include, but are not limited to, statements involving payment of severance costs, contract commencements, potential revenues, increased expenses, customer drilling programs, supply and demand, utilization rates, dayrates, planned shipyard projects, expected downtime, effect of technical difficulties with newbuild rigs, future activity in the deepwater, mid-water and the shallow and inland water markets, market outlooks for our various geographical operating sectors, the U.S. gas drilling market, rig classes and business segments, the planned initial public offering of our Gulf of Mexico Shallow and Inland Water business (including the timing of the offering and portion sold), planned asset sales, timing of asset sales, proceeds from asset sales, reactivation of stacked units, timing of and results of negotiations with the labor union representing U.K. employees, future labor costs, the contracting of jackup rigs in Mexico and India, the Company's other expectations with regard to market outlook, operations in international markets, expected capital expenditures, results and effects of legal proceedings and governmental audits and assessments, adequacy of insurance, receipt of loss of hire insurance proceeds, liabilities for tax issues, liquidity, positive cash flow from operations, the exercise of the option of holders of Zero Coupon Convertible Debentures, the 1.5% Convertible Debentures or the 7.45% Notes to require the Company to repurchase the notes and debentures, and the satisfaction of such obligation in cash, adequacy of cash flow for 2003 obligations, effects of accounting changes, and the timing and cost of completion of capital projects. Such statements are subject to numerous risks, uncertainties and assumptions, including, but not limited to, worldwide demand for oil and gas, uncertainties relating to the level of activity in offshore oil and gas exploration and development, exploration success by producers, oil and gas prices (including U.S. natural gas prices), securities market conditions, demand for offshore and inland water rigs, competition and market conditions in the contract drilling industry, our ability to successfully integrate the operations of acquired businesses, delays or terminations of drilling contracts due to a number of events, delays or cost overruns on construction and shipyard projects and possible cancellation of drilling contracts as a result of delays or performance, our ability to enter into and the terms of future contracts, the availability of qualified personnel, labor relations and the outcome of negotiations with unions representing workers, operating hazards, political and other uncertainties inherent in non-U.S. operations (including exchange and currency fluctuations), risks of war, terrorism and cancellation or unavailability of certain insurance coverage, the impact of governmental laws and regulations, the adequacy of sources of liquidity, the effect and results of litigation, audits and contingencies and other factors discussed in this annual report and in the Company's other filings with the SEC, which are available free of charge on the SEC's website at www.sec.gov. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements.

ITEM 7A. *Quantitative and Qualitative Disclosures About Market Risk*

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our long-term and short-term debt obligations. The table below presents scheduled debt maturities and related weighted-average interest rates for each of the years ended December 31 relating to debt obligations as of December 31, 2002. Weighted-average variable rates are based on LIBOR rates at December 31, 2002, plus applicable margins.

At December 31, 2002 (in millions, except interest rate percentages):

	Scheduled Maturity Date (a) (b)							Fair Value
	2003	2004	2005	2006	2007	Thereafter	Total	12/31/02
Total debt								
Fixed Rate	$911.8	$ 44.7	$ 69.6	$400.0	$100.0	$1,050.0	$2,576.1	$2,739.3
Average interest rate	4.6%	7.3%	8.8%	1.5%	7.5%	7.6%	5.6%	
Variable Rate	$150.2	$150.0	-	-	-	-	$300.2	$ 300.2
Average interest rate	2.1%	2.1%	-	-	-	-	2.1%	
Receive Fixed/Pay Variable								
Swaps (c)	-	-	$350.0	-	-	$1,250.0	$1,600.0	$1,809.0
Average interest rate	-	-	4.2%	-	-	3.1%	3.3%	

(a) Maturity dates of the face value of our debt assumes the put options on the Zero Coupon Convertible Debentures, 1.5% Convertible Debentures and 7.45% Notes will be exercised in May 2003, May 2006 and April 2007, respectively.
(b) Expected maturity amounts are based on the face value of debt and do not reflect fair market value of debt.
(c) The 6.625%, 6.75%, 6.95% and 9.5% Notes are considered variable as a result of the interest rate swaps. See Notes 8 and 26 to our consolidated financial statements.

At December 31, 2002, we had approximately $1.9 billion of variable rate debt at face value (42 percent of total debt at face value). Of that variable rate debt, $1.6 billion resulted from interest rate swaps with the remainder representing term bank debt. Given outstanding amounts as of that date, a one percent rise in interest rates would result in an additional $14.5 million in interest expense per year. Offsetting this, a large part of our cash investments would earn commensurately higher rates of return. Using December 31, 2002 cash investment levels, a one percent increase in interest rates would result in approximately $12.1 million of additional interest income per year. Based on December 31, 2002 balances, our net variable debt balance at face value, defined as variable rate debt less swap receivables and cash and cash equivalents, totaled $504.7 million (16 percent of net total debt at face value). Because we intend to pay debt with cash on hand, we use net debt and net variable rate debt to represent debt that is anticipated to be paid with future cash flows. The net debt and net variable rate debt measure also allows us to measure the cash flow that has been generated to date to fund our major obligations. We use variable rate debt to measure effects of changes in interest rates on interest expense associated with outstanding variable rate debt.

The components of net variable rate debt at face value were as follows (in millions):

	December 31, 2002
Total Debt	$4,476.3
Less: Fixed rate debt	2,576.1
Cash and cash equivalents	(1,214.2)
Swap receivables	(181.3)

The components of net debt at face value were as follows (in millions):

	December 31, 2002
Total Debt	$4,476.3
Less: Cash and cash equivalents	(1,214.2)
Swap receivables	(181.3)

As a result of the January 2003 and March 2003 interest rate swap terminations and payment of variable rate debt of $0.2 million (see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources"), our variable rate debt at face value decreased to $300.0 million.

Foreign Exchange Risk

Our international operations expose us to foreign exchange risk. We use a variety of techniques to minimize the exposure to foreign exchange risk. Our primary foreign exchange risk management strategy involves structuring customer contracts to provide for payment in both U.S. dollars and local currency. The payment portion denominated in local currency is based on anticipated local currency requirements over the contract term. Due to various factors, including local banking laws, other statutory requirements, local currency convertibility and the impact of inflation on local costs, actual foreign exchange needs may vary from those anticipated in the customer contracts, resulting in partial exposure to foreign exchange risk. Fluctuations in foreign currencies have minimal impact on overall results. In situations where the primary strategy is not entirely attainable, foreign exchange derivative instruments, specifically foreign exchange forward contracts or spot purchases, may be used. We do not enter into derivative transactions for speculative purposes. At December 31, 2002, we had no material open foreign exchange contracts.

Venezuela has recently implemented foreign exchange controls that limit our ability to convert local currency into U.S. dollars and transfer excess funds out of Venezuela. Our drilling contracts in Venezuela typically call for payments to be made in local currency, even when the dayrate is denominated in U.S. dollars. The exchange controls could also result in an artificially high value being placed on the local currency.

ITEM 8. ***Financial Statements and Supplementary Data***

REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors
Transocean Inc.

We have audited the accompanying consolidated balance sheets of Transocean Inc. and Subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2002. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Transocean Inc. and Subsidiaries at December 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standard 142, *Goodwill and Other Intangible Assets,* in 2002.

/s/ Ernst & Young LLP

Houston, Texas
January 27, 2003

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

	Years ended December 31,		
	2002	**2001**	**2000**
Operating Revenues	$ 2,673.9	$2,820.1	$1,229.5
Costs and Expenses			
Operating and maintenance	1,494.2	1,603.3	812.6
Depreciation	500.3	470.1	232.8
Goodwill amortization	–	154.9	26.7
General and administrative	65.6	57.9	42.1
Impairment loss on long-lived assets	2,927.4	40.4	–
Gain from sale of assets, net	(3.7)	(56.5)	(17.8)
	4,983.8	2,270.1	1,096.4
Operating Income (Loss)	(2,309.9)	550.0	133.1
Other Income (Expense), net			
Equity in earnings of joint ventures	7.8	16.5	9.4
Interest income	25.6	18.7	6.2
Interest expense, net of amounts capitalized	(212.0)	(223.9)	(3.0)
Other, net	(0.3)	(0.8)	(1.3)
	(178.9)	(189.5)	11.3
Income (Loss) Before Income Taxes, Minority Interest, Extraordinary Items and Cumulative Effect of a Change in Accounting Principle	(2,488.8)	360.5	144.4
Income Tax Expense (Benefit)	(123.0)	85.7	36.7
Minority Interest	2.4	2.9	0.6
Income (Loss) Before Extraordinary Items and Cumulative Effect of a Change in Accounting Principle	(2,368.2)	271.9	107.1
Gain (Loss) on Extraordinary Items, net of tax	–	(19.3)	1.4
Cumulative Effect of a Change in Accounting Principle	(1,363.7)	–	–
Net Income (Loss)	$(3,731.9)	$ 252.6	$ 108.5
Basic Earnings (Loss) Per Share			
Income (Loss) Before Extraordinary Items and Cumulative Effect of a Change in Accounting Principle	$ (7.42)	$ 0.88	$ 0.51
Gain (Loss) on Extraordinary Items, net of tax	–	(0.06)	0.01
Loss on Cumulative Effect of a Change in Accounting Principle	(4.27)		–
Net Income (Loss)	$ (11.69)	$ 0.82	$ 0.52
Diluted Earnings (Loss) Per Share			
Income (Loss) Before Extraordinary Items and Cumulative Effect of a Change in Accounting Principle	$ (7.42)	$ 0.86	$ 0.50
Gain (Loss) on Extraordinary Items, net of tax	–	(0.06)	0.01
Loss on Cumulative Effect of a Change in Accounting Principle	(4.27)	–	–
Net Income (Loss)	$ (11.69)	$ 0.80	$ 0.51
Weighted Average Shares Outstanding			
Basic	319.1	309.2	210.4
Diluted	319.1	314.8	211.7
Dividends Paid Per Share	$ 0.06	$ 0.12	$ 0.12

See accompanying notes.

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

	Years ended December 31,		
	2002	**2001**	**2000**
Net income (loss)	$(3,731.9)	$252.6	$108.5
Other comprehensive income (loss), net of tax			
Gain on terminated interest rate swaps	-	4.1	-
Amortization of gain on terminated interest rate swaps	(0.3)	(0.2)	-
Change in unrealized loss on securities available for sale	-	(0.6)	-
Share of unrealized loss in unconsolidated joint venture's interest rate swaps	-	(5.6)	-
Change in share of unrealized loss in unconsolidated joint venture's interest rate swaps	3.6	-	-
Minimum pension liability	(32.5)	-	-
	(29.2)	(2.3)	-
Total comprehensive income (loss)	$(3,761.1)	$250.3	$108.5

See accompanying notes.

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

	December 31,	
	2002	**2001**
ASSETS		
Cash and Cash Equivalents	$ 1,214.2	$ 853.4
Accounts Receivable		
Trade	437.6	602.9
Other	61.7	72.8
Materials and Supplies	155.8	158.8
Deferred Income Taxes	21.9	21.0
Other Current Assets	20.5	27.9
Total Current Assets	1,911.7	1,736.8
Property and Equipment	10,198.0	10,081.4
Less Accumulated Depreciation	2,168.2	1,713.3
Property and Equipment, net	8,029.8	8,368.1
Goodwill, net	2,218.2	6,466.7
Investments in and Advances to Joint Ventures	108.5	107.1
Deferred Income Taxes	26.2	28.0
Other Assets	370.7	341.1
Total Assets	$12,665.1	$17,047.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts Payable	$ 134.1	$ 188.4
Accrued Income Taxes	59.5	118.3
Debt Due Within One Year	1,048.1	484.4
Other Current Liabilities	262.2	283.4
Total Current Liabilities	1,503.9	1,074.5
Long-Term Debt	3,629.9	4,539.4
Deferred Income Taxes	107.2	345.1
Other Long-Term Liabilities	282.7	178.5
Total Long-Term Liabilities	4,019.8	5,063.0
Commitments and Contingencies		
Preference Shares, $0.10 par value; 50,000,000 shares authorized, none issued and outstanding	–	–
Ordinary Shares, $0.01 par value; 800,000,000 shares authorized, 319,219,072 and 318,816,035 shares issued and outstanding at December 31, 2002 and 2001, respectively	3.2	3.2
Additional Paid-in Capital	10,623.1	10,611.7
Accumulated Other Comprehensive Loss	(31.5)	(2.3)
Retained Earnings (Deficit)	(3,453.4)	297.7
Total Shareholders' Equity	7,141.4	10,910.3
Total Liabilities and Shareholders' Equity	$12,665.1	$17,047.8

See accompanying notes.

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

	Ordinary Shares		Additional Paid-in	Accumulated Other Comprehensive	Retained Earnings	Total
	Shares	Amount	Capital	Income (Loss)	(Deficit)	Equity
Balance at December 31, 1999	210.1	$2.1	$ 3,908.0	$ –	$ –	$ 3,910.1
Net income	–	–	–	–	108.5	108.5
Issuance of ordinary shares under stock-based compensation plans	0.6	–	16.6	–	–	16.6
Cash dividends ($0.12 per share)	–	–	–	–	(25.2)	(25.2)
Other	–	–	(5.9)	–	–	(5.9)
Balance at December 31, 2000	210.7	2.1	3,918.7	–	83.3	4,004.1
Net income	–	–	–	–	252.6	252.6
Shares issued for R&B Falcon merger	106.1	1.1	6,654.9	–	–	6,656.0
Issuance of ordinary shares under stock-based compensation plans	1.6	–	45.2	–	–	45.2
Issuance of ordinary shares upon exercise of warrants	0.6	–	10.6	–	–	10.6
Cash dividends ($0.12 per share)	–	–	–	–	(38.2)	(38.2)
Gain on terminated interest rate swaps	–	–	–	3.9	–	3.9
Fair value adjustment on marketable securities held for sale	–	–	–	(0.6)	–	(0.6)
Other comprehensive income related to joint venture	–	–	–	(5.6)	–	(5.6)
Other	(0.2)	–	(17.7)	–	–	(17.7)
Balance at December 31, 2001	318.8	3.2	10,611.7	(2.3)	297.7	10,910.3
Net loss	–	–	–	–	(3,731.9)	(3,731.9)
Issuance of ordinary shares under stock-based compensation plans	0.4	–	10.9	–	–	10.9
Cash dividends ($0.06 per share)	–	–	–	–	(19.2)	(19.2)
Gain on terminated interest rate swaps	–	–	–	(0.3)	–	(0.3)
Other comprehensive income related to joint venture	–	–	–	3.6	–	3.6
Minimum pension liability	–	–	–	(32.5)	–	(32.5)
Other	–	–	0.5	–	–	0.5
Balance at December 31, 2002	319.2	$3.2	$10,623.1	$(31.5)	$(3,453.4)	$ 7,141.4

See accompanying notes.

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

	Years ended December 31,		
	2002	**2001**	**2000**
Cash Flows from Operating Activities			
Net income (loss)	$(3,731.9)	$ 252.6	$ 108.5
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation	500.3	470.1	232.8
Goodwill amortization	–	154.9	26.7
Impairment loss on goodwill	4,239.7	–	–
Deferred income taxes	(224.4)	(98.2)	(30.1)
Equity in earnings of joint ventures	(7.8)	(16.5)	(9.4)
Net (gain) loss from disposal of assets	3.9	(52.5)	(15.0)
Impairment loss on long-lived assets	51.4	40.4	–
Amortization of debt-related discounts/premiums, fair value adjustments and issue costs, net	6.2	(4.0)	9.4
Deferred income, net	(6.0)	(46.5)	(20.7)
Deferred expenses, net	(20.0)	(53.8)	(18.6)
Extraordinary (gain) loss on debt extinguishment, net of tax	–	19.3	(1.4)
Tax benefit from exercise of stock options	0.3	9.6	1.9
Other, net	3.9	(6.8)	(7.0)
Changes in operating assets and liabilities, net of effects from the R&B Falcon merger			
Accounts receivable	179.4	(55.2)	(5.9)
Accounts payable and other current liabilities	(78.8)	(95.9)	(58.6)
Income taxes receivable/payable, net	8.9	48.2	1.2
Other current assets	11.5	(5.3)	(17.9)
Net Cash Provided by Operating Activities	936.6	560.4	195.9
Cash Flows from Investing Activities			
Capital expenditures	(141.0)	(506.2)	(574.7)
Proceeds from sale of coiled tubing drilling services business	–	–	24.9
Proceeds from sale of securities	–	17.2	–
Proceeds from sale of subsidiary	–	85.6	–
Proceeds from disposal of assets, net	88.3	116.1	56.3
Merger costs paid	–	(24.4)	(4.5)
Cash acquired in merger, net of cash paid	–	264.7	–
Joint ventures and other investments, net	7.4	20.6	5.1
Net Cash Used in Investing Activities	(45.3)	(26.4)	(492.9)

See accompanying notes.

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

	Years ended December 31,		
	2002	**2001**	**2000**
Cash Flows from Financing Activities			
Net borrowings (repayments) under commercial paper program	(326.4)	326.4	–
Net proceeds from issuance of debt	–	1,693.5	489.1
Net repayments on revolving credit agreements	–	(180.1)	(54.9)
Repayments on other debt instruments	(189.3)	(1,551.0)	(254.9)
Net proceeds from issuance of ordinary shares under stock-based compensation plans	10.2	29.6	13.7
Proceeds from issuance of ordinary shares upon exercise of warrants	–	10.6	–
Dividends paid	(19.1)	(38.2)	(25.3)
Financing costs	(8.5)	(15.2)	(2.6)
Decrease in cash dedicated to debt service	–	6.4	–
Other, net	2.6	2.9	0.7
Net Cash Provided by (Used in) Financing Activities	(530.5)	284.9	165.8
Net Increase (Decrease) in Cash and Cash Equivalents	360.8	818.9	(131.2)
Cash and Cash Equivalents at Beginning of Period	853.4	34.5	165.7
Cash and Cash Equivalents at End of Period	$ 1,214.2	$853.4	$ 34.5

See accompanying notes.

Note 1—Nature of Business and Principles of Consolidation

Transocean Inc. (formerly known as "Transocean Sedco Forex Inc.", together with its subsidiaries and predecessors, unless the context requires otherwise, the "Company") is a leading international provider of offshore and inland marine contract drilling services for oil and gas wells. The Company's mobile offshore drilling fleet is considered one of the most modern and versatile fleets in the world. The Company specializes in technically demanding segments of the offshore drilling business with a particular focus on deepwater and harsh environment drilling services. At December 31, 2002, the Company owned, had partial ownership interests in or operated 159 mobile offshore and barge drilling units that it considers to be its core assets. As of this date, the Company's core assets consisted of 31 high-specification semisubmersibles and drillships ("floaters"), 29 other floaters, 56 jackup rigs, 35 drilling barges, five tenders and three submersible drilling rigs. In addition, the fleet included non-core assets consisting of a mobile offshore production unit, two platform drilling rigs and a land rig as well as nine land rigs and three lake barges in Venezuela. The Company contracts its drilling rigs, related equipment and work crews primarily on a dayrate basis to drill oil and gas wells.

On January 31, 2001, we completed a merger transaction (the "R&B Falcon merger") with R&B Falcon Corporation ("R&B Falcon", now known as "TODCO"). At the time of the merger, TODCO owned, had partial ownership interests in, operated or had under construction more than 100 mobile offshore drilling units and other units utilized in the support of offshore drilling activities. As a result of the merger, TODCO became an indirect wholly owned subsidiary of the Company. The merger was accounted for as a purchase with the Company as the accounting acquiror. The consolidated balance sheet as of December 31, 2001 represents the financial position of the merged company. The consolidated statements of operations and of cash flows for the year ended December 31, 2001 include 11 months of operating results and cash flows for TODCO.

Intercompany transactions and accounts have been eliminated. The equity method of accounting is used for investments in joint ventures where the Company's ownership is between 20 percent and 50 percent and for investments in joint ventures owned more than 50 percent where the Company does not have control of the joint venture. The cost method of accounting is used for investments in joint ventures where the Company's ownership is less than 20 percent and the Company does not have control of the joint venture.

Note 2—Summary of Significant Accounting Policies

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

Segments—The Company's operations have been aggregated into two reportable business segments: (i) International and U.S. Floater Contract Drilling Services and (ii) Gulf of Mexico Shallow and Inland Water. The Company provides services with different types of drilling equipment in several geographic regions. The location of the Company's operating assets and the allocation of resources to build or upgrade drilling units is determined by the activities and needs of customers. See Note 20.

Cash and Cash Equivalents—Cash equivalents are stated at cost plus accrued interest, which approximates fair value. Cash equivalents are highly liquid debt instruments with an original maturity of three months or less and may consist of time deposits with a number of commercial banks with high credit ratings, Eurodollar time deposits, certificates of deposit and commercial paper. The Company may also invest excess funds in no-load, open-end, management investment trusts ("mutual funds"). The mutual funds invest exclusively in high quality money market instruments. Generally, the maturity date of the Company's investments is the next business day.

As a result of the *Deepwater Nautilus* project financing in 1999, the Company is required to maintain in cash an amount to cover certain principal and interest payments. Such restricted cash, classified as other assets in the consolidated balance sheets, was $13.2 million at December 31, 2002 and 2001.

Accounts and Notes Receivable—Accounts receivable trade are stated at the historical carrying amount net of write-offs and allowance for doubtful accounts receivable. Interest receivable on delinquent accounts receivable is included in the accounts receivable trade balance and recognized as interest income when chargeable and collectibility is reasonably assured. Notes receivable, included in investments in and advances to joint ventures, are carried at the historical carrying amount net of write-offs and allowance for loan loss. Interest income on notes receivable, which is included in accounts receivable-other, is accrued and recognized as interest income monthly on any unimpaired loan balance. The Company's notes receivable do not have premiums or discounts associated with their balances. Uncollectible notes and accounts receivable trade are written off when a settlement is reached for an amount that is less than the outstanding historical balance.

Allowance for Doubtful Accounts—The Company establishes an allowance for doubtful accounts receivable on a case-by-case basis when it believes the required payment of specific amounts owed is unlikely to occur. This allowance was approximately $21 million and $24 million at December 31, 2002 and 2001, respectively. An allowance for loan loss is established when events or circumstances indicate that both the contractual interest and principal for a note receivable are not fully collectible. A loan is considered delinquent when principal and/or interest payments have not been made in accordance with the payment terms of the loan. Collectibility is determined based on estimated future cash flows discounted at the respective loan's effective interest rate with the excess of the loan's total contractual interest and principal over the estimated discounted future cash flows recorded as an allowance for loan loss. There was no allowance for loan loss at December 31, 2002 and 2001.

Materials and Supplies—Materials and supplies are carried at the lower of average cost or market less an allowance for obsolescence. Such allowance was approximately $19 million and $24 million at December 31, 2002 and 2001, respectively.

Property and Equipment—Property and equipment, consisting primarily of offshore drilling rigs and related equipment, represented more than 60 percent of the Company's total assets at December 31, 2002. The carrying values of these assets are based on estimates, assumptions and judgments relative to capitalized costs, useful lives and salvage values of the Company's rigs. These estimates, assumptions and judgments reflect both historical experience and expectations regarding future industry conditions and operations. Property and equipment obtained in the R&B Falcon merger (see Note 4) were recorded at fair value. The Company generally provides for depreciation using the straight-line method after allowing for salvage values. Expenditures for renewals, replacements and improvements are capitalized. Maintenance and repairs are charged to operating expense as incurred. Upon sale or other disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount, less proceeds from disposal, is charged or credited to income.

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

Assets Held for Sale—Assets are classified as held for sale when the Company has a plan for disposal of certain assets and those assets meet the held for sale criteria of the Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standards ("SFAS") 144, *Accounting for Impairment or Disposal of Long-Lived Assets.* Prior to the Company's adoption of SFAS 144 (see "—New Accounting Pronouncements"), certain assets were classified as held for sale under SFAS 121, *Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of.* Effective with the R&B Falcon merger, the Company established a plan to sell certain assets that were considered non-core to the Company's business with the disposition of these assets expected to complete by December 31, 2002. These assets included certain drilling rigs, surplus equipment and an office building. At December 31, 2001, the Company had assets held for sale in the amount of $148.4 million that were included in other assets of which $105.3 million and $43.1 million related to the International and U.S. Floater Contract Drilling Services and Gulf of Mexico Shallow and Inland Water segments, respectively. At December 31, 2002, the Company had either disposed of these non-core assets or reclassified them to property and equipment in accordance with SFAS 144.

Goodwill—Prior to the adoption of SFAS 142, *Goodwill and Other Intangible Assets* (see "—New Accounting Pronouncements"), the excess of the purchase price over the estimated fair value of net assets acquired was accounted for as goodwill and was amortized on a straight-line basis based on a 40-year life. The amortization period was based on the nature of the offshore drilling industry, long-lived drilling equipment and the long-standing relationships with core customers. In accordance with SFAS 142, goodwill is tested at the reporting unit level, which is defined as an operating segment or a component of an operating segment that constitutes a business for which financial information is available and is regularly

reviewed by management. Management has determined that the Company's reporting units are the same as its operating segments for the purpose of allocating goodwill and the subsequent testing of goodwill for impairment. Goodwill was allocated to the Company's two reporting units, International and U.S. Floater Contract Drilling Services and Gulf of Mexico Shallow and Inland Water, at a ratio of 68 percent and 32 percent, respectively. The allocation was determined based on the percentage of each reporting unit's assets at fair value to the total fair value of assets acquired in the R&B Falcon merger. The fair value was determined from a third party valuation.

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

During the fourth quarter of 2002, the Company performed its annual test of goodwill impairment as of October 1. Due to a general decline in market conditions, the Company recorded a non-cash impairment charge of $2,876.0 million ($9.01 per diluted share) of which $2,494.1 million and $381.9 million related to the International and U.S. Floater Contract Drilling Services and Gulf of Mexico Shallow and Inland Water reporting units, respectively.

The Company's goodwill balance, after giving effect to the goodwill write-downs, is $2.2 billion as of December 31, 2002. The changes in the carrying amount of goodwill are as follows (in millions):

	Balance at January 1, 2002	Loss on Impairments	Other (a)	Balance at December 31, 2002
International and U.S. Floater Contract Drilling Services.......	$4,721.1	$ (2,494.1)	$ (8.8)	$2,218.2
Gulf of Mexico Shallow and Inland Water	1,745.6	(1,745.6)	–	–
	$6,466.7	$ (4,239.7)	$ (8.8)	$2,218.2

(a) Represents favorable settlements during 2002 of pre-acquisition contingencies related to the R&B Falcon merger ($5.4 million) and the Sedco Forex merger ($3.4 million).

Net income (loss) and earnings (loss) per share for the twelve months ended December 31, 2002, 2001 and 2000 adjusted for goodwill amortization are as follows (in millions, except per share data):

	Years ended December 31,		
	2002	2001	2000
Reported net income (loss) before extraordinary items and cumulative effect of a change in accounting principle	$(2,368.2)	$ 271.9	$ 107.1
Add back: Goodwill amortization	–	154.9	26.7
Adjusted reported net income (loss) before extraordinary items and cumulative effect of a change in accounting principle	(2,368.2)	426.8	133.8
Gain (loss) on extraordinary items, net of tax	–	(19.3)	1.4
Cumulative effect of a change in accounting principle	(1,363.7)	–	–
Adjusted net income (loss)	$(3,731.9)	$ 407.5	$ 135.2
Basic earnings (loss) per share:			
Reported net income (loss) before extraordinary items and cumulative effect of a change in accounting principle	$ (7.42)	$ 0.88	$ 0.51
Goodwill amortization	–	0.50	0.12
Adjusted reported net income (loss) before extraordinary items and cumulative effect of a change in accounting principle	(7.42)	1.38	0.63
Gain (loss) on extraordinary items, net of tax	–	(0.06)	0.01
Cumulative effect of a change in accounting principle	(4.27)	–	–
Adjusted net income (loss)	$ (11.69)	$ 1.32	$ 0.64
Diluted earnings (loss) per share:			
Reported net income (loss) before extraordinary items and cumulative effect of a change in accounting principle	$ (7.42)	$ 0.86	$ 0.50
Goodwill amortization	–	0.49	0.13
Adjusted reported net income (loss) before extraordinary items and cumulative effect of a change in accounting principle	(7.42)	1.35	0.63
Gain (loss) on extraordinary items, net of tax	–	(0.06)	0.01
Cumulative effect of a change in accounting principle	(4.27)	–	–
Adjusted net income (loss)	$ (11.69)	$ 1.29	$ 0.64

Impairment of Long-Lived Assets—The carrying value of long-lived assets, principally goodwill and property and equipment, is reviewed for potential impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. For property and equipment held for use, the determination of recoverability is made based upon the estimated undiscounted future net cash flows of the related asset or group of assets being evaluated. Property and equipment held for sale are recorded at the lower of net book value or net realizable value. See Note 7. Prior to January 1, 2002, recoverability of goodwill was determined based upon a comparison of the Company's net book value to the value indicated by the market price of its equity securities (see "—Goodwill" and "—New Accounting Pronouncements").

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

Capitalized Interest—Interest costs for the construction and upgrade of qualifying assets are capitalized. The Company incurred total interest expense of $212.0 million, $258.8 million and $89.6 million for the years ended December 31, 2002, 2001 and 2000, respectively. The Company capitalized interest costs on construction work in progress of $34.9 million and $86.6 million for the years ended December 31, 2001 and 2000, respectively. No interest cost was capitalized during the year ended December 31, 2002.

Derivative Instruments and Hedging Activities—The Company adopted SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* as of January 1, 2001. Because of the Company's limited use of derivatives to manage its exposure to fluctuations in foreign currency exchange rates and interest rates, the adoption of the new statement had no effect on the Company's results of operations or consolidated financial position. See Note 9.

Foreign Currency Translation—The Company accounts for translation of foreign currency in accordance with SFAS 52, *Foreign Currency Translation*. The majority of the Company's revenues and expenditures are denominated in U.S. dollars to limit the Company's exposure to foreign currency fluctuations, resulting in the use of the U.S. dollar as the functional currency for all of the Company's operations. Foreign currency exchange gains and losses are included in other income (expense) as incurred. Net foreign currency gains (losses) were $(0.5) million, $1.1 million, and $(1.4) million for the years ended December 31, 2002, 2001 and 2000, respectively.

Income Taxes—Income taxes have been provided based upon the tax laws and rates in the countries in which operations are conducted and income is earned. The income tax rates imposed by these taxing authorities vary substantially. Taxable income may differ from pre-tax income for financial accounting purposes. There is no expected relationship between the provision for income taxes and income before income taxes because the countries have different taxation regimes, which vary not only with respect to nominal rate but also in terms of the availability of deductions, credits and other benefits. Variations also arise because income earned and taxed in any particular country or countries may fluctuate from period to period. Deferred tax assets and liabilities are recognized for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of the Company's assets and liabilities using the applicable tax rates in effect at year end. A valuation allowance for deferred tax assets is recorded when it is more likely than not that, some or all of the benefit from the deferred tax asset will not be realized. See Note 15.

Stock-Based Compensation—In accordance with the provisions of SFAS 123, *Accounting for Stock-Based Compensation,* the Company had elected to follow the Accounting Principles Board Opinion ("APB") 25, *Accounting for Stock Issued to Employees,* and related interpretations in accounting for its employee stock-based compensation plans through December 31, 2002 (see "—New Accounting Pronouncements"). Under the intrinsic value method of APB 25, if the exercise price of employee stock options equals or exceeds the fair value of the underlying stock on the date of grant, no compensation expense is recognized. If an employee stock option is modified subsequent to the original grant date, and the exercise price is less than the fair value of the underlying stock on the date of the modification, compensation expense equal to the excess of the fair value over the exercise price is recognized over the remaining vesting period. Compensation expense for grants of restricted shares to employees is calculated based on the fair value of the shares on the date of grant and is recognized over the vesting period. Stock appreciation rights are considered variable grants and are recorded at fair value, with the change in the recorded fair value recognized as compensation expense. The Company did not record compensation expense related to its employee Stock Purchase Plan. See Note 17.

If compensation expense for grants to employees under the Incentive Plan and the Stock Purchase Plan for the years ended December 31, 2002, 2001 and 2000, were recognized using the fair value method of accounting under SFAS 123 rather than the intrinsic value method under APB 25, net income (loss) and earnings (loss) per share would have been reduced to the pro forma amounts indicated below (in millions, except per share data):

	Years ended December 31,		
	2002	**2001**	**2000**
Net Income (Loss) as Reported	$(3,731.9)	$252.6	$108.5
Add back: Stock-based compensation expense included in reported net income, net of related tax effects	2.8	0.1	1.1
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects			
Incentive Plan	(23.5)	(11.2)	(6.4)
Employee Stock Purchase Plan	(2.2)	(1.7)	(1.7)
Pro Forma net income (loss)	$(3,754.8)	$ 239.8	$101.5
Basic Earnings (Loss) Per Share			
As Reported	$ (11.69)	$ 0.82	$ 0.52
Pro Forma	(11.77)	0.78	0.48
Diluted Earnings (Loss) Per Share			
As Reported	$ (11.69)	$ 0.80	$ 0.51
Pro Forma	(11.77)	0.76	0.48

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

	Years ended December 31,		
	2002	**2001**	**2000**
Dividend yield	0.00%	0.30%	0.25%
Expected price volatility range	49-51%	50-51%	46-47%
Risk-free interest rate range	2.79-4.11%	4.13-5.25%	6.13-6.56%
Expected life of options (in years)	3.84	4.00	4.00
Weighted-average fair value of options granted	$12.25	$16.26	$15.21

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

	Years ended December 31,		
	2002	**2001**	**2000**
Dividend yield	0.00%	0.30%	0.25%
Expected price volatility	45%	51%	50%
Risk-free interest rate	2.14%	1.71%	5.64%
Expected life of options	Less than one year	Less than one year	Less than one year
Weighted-average fair value of options granted	$4.76	$7.22	$7.67

New Accounting Pronouncements—In July 2001, the FASB issued SFAS 142, *Goodwill and Other Intangible Assets*, which is effective for fiscal years beginning after December 12, 2001. Under SFAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed at least annually for impairment. The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company adopted SFAS 142 effective January 1, 2002 and selected October 1 as its annual test date for impairment of goodwill. In conjunction with the adoption of this statement, the Company has discontinued the amortization of goodwill. Application of the non-amortization provisions of SFAS 142 for goodwill resulted in an increase in operating income of approximately $155 million ($0.49 per diluted share) in 2002. During 2002, we recognized non-cash impairment charges of $4.2 billion ($13.29 per diluted share) as a result of the adoption and application of this statement. See "—Goodwill".

In August 2001, the FASB issued SFAS 144, *Accounting for Impairment or Disposal of Long-Lived Assets*. SFAS 144 supersedes SFAS 121, *Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of*, and the accounting and reporting provisions of APB 30, *Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions.* SFAS 144 retains the accounting and reporting provisions of SFAS 121 for recognition and measurement of long-lived asset impairment and for the measurement of long-lived assets to be disposed of by sale and the accounting and reporting provisions of APB 30. In addition to these fundamental provisions, SFAS 144 provides guidance for determining whether long-lived assets should be tested for impairment and specific criteria for classifying assets to be disposed of as held for sale. The statement is effective for fiscal years beginning after December 15, 2001. The Company adopted the statement as of January 1, 2002. The adoption of this statement had no material effect on the Company's consolidated financial position or results of operations. See Note 7.

In April 2002, the FASB issued SFAS 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*. This statement eliminates the requirement under SFAS 4 to aggregate and classify all gains and losses from extinguishment of debt as an extraordinary item, net of related income tax effect. This statement also amends SFAS 13 to require certain lease modifications with economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. In addition, SFAS 145 requires reclassification of gains and losses in all prior periods presented in comparative financial statements related to debt extinguishment that do not meet the criteria for extraordinary item in APB 30. The statement is effective for fiscal years beginning after May 15, 2002 with early adoption encouraged. The Company will adopt SFAS 145 effective January 1, 2003. Management does not expect adoption of this statement to have a material effect on the Company's consolidated financial position or results of operations.

In July 2002, the FASB issued SFAS 146, *Obligations Associated with Disposal Activities*, which is effective for disposal activities initiated after December 15, 2002, with early application encouraged. SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. Under this statement, a liability for a cost associated with an exit or disposal activity would be measured and recognized at its fair value when it is incurred rather than at the date of commitment to an exit plan. Also, severance pay would be recognized over time rather than up front provided the benefit arrangement requires employees to render future service beyond a minimum retention period, which would be based on the legal notification period, or if there is no such requirement, 60 days, thereby allowing a liability to be recorded over the employees' future service period. The Company will adopt SFAS 146 effective with disposal activities initiated after December 15, 2002. Management does not expect adoption of this statement to have a material effect on the Company's consolidated financial position or results of operations.

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

under SFAS 123 effective January 1, 2003. Management expects compensation expense in 2003 will increase approximately $6 million as a result of adoption. See "—Stock-Based Compensation".

In December 2002, the FASB issued Interpretation ("FIN") 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. FIN 45 requires that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under that guarantee. This interpretation is applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The Company does not anticipate adoption of this interpretation will have a significant impact on its consolidated financial position and results of operations.

In January 2003, the FASB issued FIN 46, *Consolidation of Variable Interest Entities*. FIN 46 requires companies with a variable interest in a variable interest entity to apply this guidance to that entity as of the beginning of the first interim period beginning after June 15, 2003 for existing interests and immediately for new interests. The application of the guidance could result in the consolidation of a variable interest entity. The Company is evaluating the impact of this interpretation on its consolidated financial position and results of operations.

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

Note 3—Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) at December 31, 2002 and 2001 are as follows (in millions):

	Gain on Terminated Interest Rate Swaps	Unrealized Gains on Available-for-Sale Securities	Other Comprehensive Loss Related to Unconsolidated Joint Venture	Minimum Pension Liability	Total Other Comprehensive Income (Loss)
Balance at December 31, 2000	$ –	$ –	$ –	$ –	$ –
Other comprehensive income (loss)	3.9	(0.6)	(5.6)	–	(2.3)
Balance at December 31, 2001	3.9	(0.6)	(5.6)	–	(2.3)
Other comprehensive income (loss)	(0.3)	–	3.6	(32.5)	(29.2)
Balance at December 31, 2002	$3.6	$(0.6)	$(2.0)	$(32.5)	$(31.5)

Deepwater Drilling L.L.C. ("DD LLC"), an unconsolidated subsidiary in which the Company has a 50% ownership interest, has entered into interest rate swaps with aggregate market values netting to a $6.7 million liability at December 31, 2002. The Company's interest in these swaps is recorded as other comprehensive loss related to unconsolidated joint venture.

Note 4—Business Combination

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

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

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

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

Unaudited pro forma combined operating results of the Company and TODCO assuming the R&B Falcon merger was completed as of January 1, 2001 and 2000, respectively, are as follows (in millions, except per share data):

	Years ended December 31,	
	2001	**2000**
Operating revenues	$2,946.0	$2,292.4
Operating income	553.9	124.2
Income (Loss) from continuing operations	260.2	(292.9)
Earnings (Loss) per share:		
Basic	$ 0.82	$ (0.93)
Diluted	$ 0.80	$ (0.93)

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

Note 5—Capital Expenditures

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

Capital expenditures, including capitalized interest, totaled $506 million during the year ended December 31, 2001 and included $175 million, $42 million, $41 million and $24 million spent on the construction of the *Deepwater Horizon, Sedco Energy, Sedco Express* and *Cajun Express*, respectively. A substantial majority of the capital expenditures is related to the International and U.S. Floater Contract Drilling Services segment. The Company's construction program was completed as of December 31, 2001.

Note 6—Asset Dispositions

In June 2002, in the International and U.S. Floater Contract Drilling Services segment, the Company sold a jackup rig, the *RBF 209*, and recognized a net after-tax loss of $1.5 million. In March 2002, in the International and U.S. Floater Contract Drilling Services segment, the Company sold two semisubmersible rigs, the *Transocean 96* and *Transocean 97*, for net proceeds of $30.7 million and recognized net after-tax gains of $1.3 million.

During the year ended December 31, 2002, the Company also settled an insurance claim and sold certain other assets acquired in the R&B Falcon merger and certain other assets held for sale for net proceeds of approximately $38.9 million and recorded net after-tax gains of $2.7 million ($0.01 per diluted share) and $0.6 million in the Company's International and U.S. Floater Contract Drilling Services and Gulf of Mexico Shallow and Inland Water segments, respectively.

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

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

During the year ended December 31, 2001, the Company sold certain other assets acquired in the R&B Falcon merger and certain other assets held for sale. The Company received net proceeds of approximately $116.1 million, and recorded net after-tax gains of $5.1 million ($0.02 per diluted share) and $3.8 million ($0.01 million per diluted share) in its International and U.S. Floater Contract Drilling Services and Gulf of Mexico Shallow and Inland Water segments, respectively.

In July 2000, the Company sold a semisubmersible rig, the *Transocean Discoverer.* Net proceeds from the sale of the rig totaled $42.7 million and recognized a net after-tax gain of $9.4 million, or $0.04 per diluted share.

In February 2000, the Company sold its coiled tubing drilling services business to Schlumberger Limited ("Schlumberger"). The net proceeds from the sale were $24.9 million and no gain or loss was recognized on the sale. The Company's interests in its Transocean-Nabors Drilling Technology LLC and DeepVision LLC joint ventures were excluded from the sale.

Note 7—Impairment Loss on Long-Lived Assets

In 2002, the Company recorded non-cash impairment charges of $28.5 million ($0.09 per diluted share) and $16.3 million ($0.05 per diluted share) in its International and U.S. Floater Contract Drilling Services and Gulf of Mexico Shallow and Inland Water segments, respectively, relating to the reclassification of assets held for sale to assets held and used. The impairment of these assets resulted from management's assessment that they no longer met the held for sale criteria under SFAS 144. In accordance with SFAS 144, the carrying value of these assets was adjusted to the lower of fair market value or carrying value adjusted for depreciation from the date the assets were classified as held for sale. The fair market values of these assets were based on third party valuations.

During the fourth quarter of 2002, the Company performed its annual test of goodwill impairment as of October 1, 2002. As a result of that test and a general decline in market conditions, the Company recorded non-cash impairments of $2,494.1 million ($7.82 per diluted share) and $381.9 million ($1.20 per diluted share) in its International and U.S. Floater Contract Drilling Services and Gulf of Mexico Shallow and Inland Water segments, respectively. See Note 2.

In 2002, the Company recorded non-cash impairment charges in its International and U.S. Contract Drilling Services and Gulf of Mexico Shallow and Inland Water segments of $5.5 million ($0.02 per diluted share) and $1.1 million relating to assets held for sale, which resulted from deterioration in market conditions. The impairments were determined and measured based on an estimate of fair value derived from offers from potential buyers.

During the fourth quarter 2001, the Company recorded noncash impairment charges in its International and U.S. Floater Contract Drilling Services and Gulf of Mexico Shallow and Inland Water segments of $39.4 million ($0.13 per diluted share) and $1.0 million, respectively. In the International and U.S. Floater Contract Drilling Services segment, the impairment related to assets held for sale and certain non-core assets held and used of $27.6 million and $11.8 million, respectively. In the Gulf of Mexico Shallow and Inland Water segment, the impairment related to certain non-core assets held and used of $1.0 million. The impairments resulted from deterioration in market conditions. The methodology used in determining the fair market value included third-party appraisals and industry experience for non-core assets held and used and offers from potential buyers for assets held for sale.

Note 8—Debt

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

	December 31,	
	2002	2001
Commercial Paper	$ –	$ 326.4
6.5% Senior Notes, due April 2003	239.7	240.5
9.125% Senior Notes, due December 2003	89.5	92.0
Amortizing Term Loan Agreement – Final Maturity December 2004	300.0	400.0
6.75% Senior Notes, due April 2005 (a)	371.8	354.6
7.31% Nautilus Class A1 Amortizing Notes – Final Maturity May 2005	104.7	142.9
9.41% Nautilus Class A2 Notes, due May 2005	51.7	52.4
Secured Rig Financing	–	50.6
6.95% Senior Notes, due April 2008 (a)	277.2	252.3
9.5% Senior Notes, due December 2008 (a)	371.8	348.1
6.625% Notes, due April 2011 (a)	803.7	711.7
7.375% Senior Notes, due April 2018	250.5	250.5
Zero Coupon Convertible Debentures, due May 2020 (put options exercisable May 2003, May 2008 and May 2013) (b)	527.2	512.2
1.5% Convertible Debentures, due May 2021 (put options exercisable May 2006, May 2011 and May 2016)	400.0	400.0
8% Debentures, due April 2027	198.0	197.9
7.45% Notes, due April 2027 (put options exercisable April 2007)	94.6	94.4
7.5% Notes, due April 2031	597.4	597.3
Other	0.2	–
Total Debt	4,678.0	5,023.8
Less Debt Due Within One Year (b)	1,048.1	484.4
Total Long-Term Debt	$3,629.9	$4,539.4

(a) At December 31, 2002, the Company was a party to interest rate swap agreements with respect to these debt instruments. See Notes 10 and 26.
(b) The Zero Coupon Convertible Debentures are classified as debt due within one year since the put option can be exercised in May 2003.

The scheduled maturity of the face value of the Company's debt assumes the bondholders exercise their options to require the Company to repurchase the Zero Coupon Convertible Debentures, 1.5% Convertible Debentures and 7.45% Notes in May 2003, May 2006 and April 2007, respectively, and is as follows (in millions):

	Years ending December 31,
2003	$1,062.0
2004	194.7
2005	419.6
2006	400.0
2007	100.0
Thereafter	2,300.0
Total	$4,476.3

*Commercial Paper Program¾*The Company has two revolving credit agreements, described below, which provide liquidity for commercial paper borrowings. At December 31, 2002, no amounts were outstanding under the Commercial Paper Program.

Revolving Credit Agreements—The Company is a party to two revolving credit agreements (together the "Revolving Credit Agreements"), a $550.0 million five-year revolving credit agreement (the "Five-Year Revolver") dated December 29, 2000 and a $250.0 million 364-day revolving credit agreement (the "364-Day Revolver") dated December 26, 2002. The Revolving Credit Agreements bear interest, at the Company's option, at a base rate or London Interbank Offered Rate ("LIBOR") plus a margin that can vary from 0.180 percent to 0.700 percent under the Five-Year Revolver and from 0.190 percent to 0.725 percent under the 364-Day Revolver depending on the Company's non-credit enhanced senior unsecured public debt rating. At December 31, 2002, the Five-Year Revolver and the 364-Day Revolver margins were 0.45 percent and 0.475 percent, respectively. Facility fees varying from 0.070 percent to 0.200 percent under the Five-Year Revolver and from 0.060 percent to 0.175 percent under the 364-Day Revolver, depending on the Company's non-credit enhanced senior unsecured public debt rating, are incurred on the daily amount of the underlying commitment, whether used or unused, throughout the term of the facility. At December 31, 2002, the facility fees on the Five-Year Revolver and 364-Day Revolver were 0.125 percent and 0.100 percent, respectively. A utilization fee varying from 0.075 percent to 0.150 percent, depending on the Company's non-credit enhanced senior unsecured public debt rating, is payable if amounts outstanding under the Five-Year Revolver or the 364-Day Revolver are greater than $181.5 million or $82.5 million, respectively. The Revolving Credit Agreements contain covenants similar to those contained in the Term Loan Agreement described below. There were no amounts outstanding under the Revolving Credit Agreements at December 31, 2002.

Term Loan Agreement—The Company is a party to a $400.0 million amortizing unsecured five-year term loan agreement dated as of December 16, 1999. Amounts outstanding under the Term Loan Agreement bear interest, at the Company's option, at a base rate or LIBOR plus a margin that can vary from 0.350 percent to 1.475 percent depending on the Company's senior unsecured public debt rating. At December 31, 2002, the margin was 0.70 percent per annum. The debt began to amortize in March 2002, at a rate of $25.0 million per quarter in 2002. In 2003 and 2004, the debt amortizes at a rate of $37.5 million per quarter. As of December 31, 2002, $300.0 million was outstanding under this agreement.

The Term Loan Agreement and the Revolving Credit Agreements require compliance with various covenants and provisions customary for agreements of this nature, including an interest coverage ratio, as defined by the credit agreement, of not less than three to one, a debt to total capital ratio, as defined by the credit agreement, of not greater than 40 percent, and limitations on creating liens, incurring debt, transactions with affiliates, sale/leaseback transactions and mergers and sale of substantially all assets. In calculating the debt to total capital ratio, the credit agreements specifically exclude the impact on total capital of all non-cash goodwill impairment charges recorded in compliance with SFAS 142 (see Note 2).

6.5%, 6.75%, 6.95%, 7.375%, 9.125% and 9.5% Senior Notes and Exchange Offer—In April 1998, TODCO issued 6.5%, 6.75%, 6.95% and 7.375% Senior Notes with an aggregate principal amount of $1.1 billion. In December 1998, TODCO issued 9.125% Senior Notes and 9.5% Senior Notes with an aggregate principal amount of $400.0 million. Each of these notes was recorded at fair value on January 31, 2001 as part of the R&B Falcon merger. The 6.75%, 6.95%, 7.375%, 9.125% and 9.5% Senior Notes are redeemable at the Company's option at a make-whole premium. The 6.5% Senior Notes are not redeemable at the Company's option.

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

At December 31, 2002, approximately $239.5 million, $350.0 million, $250.0 million, $250.0 million, $87.1 million and $300.0 million principal amount of both the Company's and TODCO's 6.5%, 6.75%, 6.95%, 7.375%, 9.125% and 9.5% Senior Notes, respectively, were outstanding. The fair value of these Senior Notes at December 31, 2002 was approximately

$242.3 million, $375.6 million, $283.8 million, $279.2 million, $92.5 million and $383.2 million, respectively, based on the estimated yield to maturity as of that date.

The Company entered into interest rate swaps relating to the 6.75%, 6.95% and 9.5% Senior Notes. See Note 10.

1.5% Convertible Debentures—In May 2001, the Company issued $400.0 million aggregate principal amount of 1.5% Convertible Debentures due May 2021. The Company has the right to redeem the debentures after five years for a price equal to 100 percent of the principal. Each holder has the right to require the Company to repurchase the debentures after five, 10 and 15 years at 100 percent of the principal amount. The Company may pay this repurchase price with either cash or ordinary shares or a combination of cash and ordinary shares. The debentures are convertible into ordinary shares of the Company at the option of the holder at any time at a ratio of 13.8627 shares per $1,000 principal amount debenture, subject to adjustments if certain events take place, if the closing sale price per ordinary share exceeds 110 percent of the conversion price for at least 20 trading days in a period of 30 consecutive trading days ending on the trading day immediately prior to the conversion date or if other specified conditions are met. At December 31, 2002, $400.0 million principal amount of these notes was outstanding. The fair value of the 1.5% Convertible Debentures at December 31, 2002 was approximately $367.0 million based on the estimated yield to maturity as of that date.

6.625% Notes and 7.5% Notes—In April 2001, the Company issued $700.0 million aggregate principal amount of 6.625% Notes due April 15, 2011 and $600.0 million aggregate principal amount of 7.5% Notes due April 15, 2031. At December 31, 2002, $700.0 million and $600.0 million principal amount of these notes was outstanding, respectively. The fair value of the 6.625% Notes and 7.5% Notes at December 31, 2002 was approximately $766.4 million and $698.0 million, respectively, based on the estimated yield to maturity as of that date.

The Company entered into interest rate swaps relating to the 6.625% Notes and 7.5% Notes. See Note 10.

Zero Coupon Convertible Debentures—In May 2000, the Company issued Zero Coupon Convertible Debentures due May 2020 with a face value at maturity of $865.0 million. The debentures were issued to the public at a price of $579.12 per debenture and accrue original issue discount at a rate of 2.75 percent per annum compounded semiannually to reach a face value at maturity of $1,000 per debenture. The Company will pay no interest on the debentures prior to maturity and has the right to redeem the debentures after three years for a price equal to the issuance price plus accrued original issue discount to the date of redemption. Each holder has the right to require the Company to repurchase the debentures on the third, eighth and thirteenth anniversary of issuance at the issuance price plus accrued original issue discount to the date of repurchase. The Company may pay this repurchase price with either cash or ordinary shares or a combination of cash and ordinary shares. The debentures are convertible into ordinary shares of the Company at the option of the holder at any time at a ratio of 8.1566 shares per debenture subject to adjustments if certain events take place. At December 31, 2002, $865.0 million face value of these notes was outstanding with a discounted value of $537.6 million. The fair value of the Zero Coupon Convertible Debentures at December 31, 2002 was approximately $534.2 million based on the estimated yield to maturity as of that date. Should all of the debentures be put to the Company in May 2003, the debentures will have a discounted value of $543.7 million.

7.45% Notes and 8% Debentures—In April 1997, the Company issued $100.0 million aggregate principal amount of 7.45% Notes due April 15, 2027 and $200.0 million aggregate principal amount of 8% Debentures due April 15, 2027. Holders of the 7.45% Notes may elect to have all or any portion of the 7.45% Notes repaid on April 15, 2007 at 100 percent of the principal amount. The 7.45% Notes, at any time after April 15, 2007, and the 8% Debentures, at any time, are redeemable at the Company's option at a make-whole premium. At December 31, 2002, $100.0 million and $200.0 million principal amount of these notes was outstanding, respectively. The fair value of the 7.45% Notes and 8% Debentures at December 31, 2002 was approximately $115.0 million and $242.8 million, respectively, based on the estimated yield to maturity as of that date.

All of the notes, debentures and bank agreements described above are senior and unsecured.

Nautilus Class A1 and A2 Notes—In August 1999, one of the Company's subsidiaries completed a $250.0 million project financing for the construction of the *Deepwater Nautilus* that consisted of a $200.0 million, 7.31% Class A1 amortizing note with a final maturity in May 2005 and a $50.0 million, 9.41% Class A2 note maturing in May 2005. Both notes are collateralized by the *Deepwater Nautilus*, which had a carrying value of $303.6 million at December 31, 2002, and the rig's drilling contract revenues. These notes were recorded at fair value on January 31, 2001 as part of the R&B Falcon merger. At December 31, 2002, approximately $105.8 million and $50.0 million principal amount, respectively, of these notes were outstanding. The fair value of the Nautilus Class A1 and A2 Notes at December 31, 2002 was approximately $111.9 million and $56.4 million, respectively, based on the estimated yield to maturity as of that date.

Secured Rig Financing—At December 31, 2001, the Company had outstanding $50.6 million of debt secured by the *Trident IX* and *Trident 16*. Payments under these financing agreements included an interest component of 7.95 percent for the *Trident IX* and 7.20 percent for the *Trident 16*. The financing arrangements provided for a call right on the part of the Company to repay the financing prior to expiration of their scheduled terms and in some circumstances a put right on the part of the banks to require the Company to repay the financing. Under either circumstance, the Company would retain ownership of the rigs.

In January 2002, the Company exercised its call option under the financing arrangement to repay the financing on the *Trident 16* prior to the expiration of the scheduled term. The aggregate principal amount outstanding was $32.2 million. The premium paid as a result of the call option of approximately $2.0 million was recorded as an increase in the net book value of the *Trident 16*.

In March 2002, the Company also exercised its call option under the financing arrangement to repay the financing on the *Trident IX* prior to the expiration of the scheduled term. The aggregate principal amount outstanding was $14.9 million. The premium paid as a result of the call option of approximately $0.5 million was recorded as an increase in the net book value of the *Trident IX*.

Redeemed and Repurchased Debt—In November and December of 2001, the Company repurchased and retired approximately $11.3 million face value of the 9.125% Senior Notes due 2003 and $10.5 million face value of the 6.5% Senior Notes due 2003. The Company funded the repurchases from cash on hand. The Company recognized an extraordinary loss, net of tax, of approximately $0.6 million in the fourth quarter of 2001 relating to the early retirement of this debt.

On November 30, 2001, the Company repaid all amounts outstanding related to the 6.9% Notes using cash on hand. As a result, the Company recognized an extraordinary loss, net of tax, of approximately $1.4 million in the fourth quarter of 2001 relating to the early retirement of this debt.

On May 18, 2001, Cliffs Drilling Company ("Cliffs Drilling"), an indirect wholly owned subsidiary of the Company, redeemed all of the approximately $200.0 million principal amount outstanding 10.25% Senior Notes due 2003, at 102.5 percent, or $1,025 per $1,000 principal amount, plus interest accrued to the redemption date. The Company recognized an extraordinary gain, net of tax, of approximately $1.6 million ($0.01 per diluted share) in the second quarter of 2001 relating to the early retirement of this debt.

On April 10, 2001, TODCO acquired, pursuant to a tender offer, all of the approximately $400.0 million principal amount outstanding 11.375% Senior Secured Notes due 2009 of its affiliate, RBF Finance Co., at 122.51 percent of principal amount, or $1,225.10 per $1,000 principal amount, plus accrued and unpaid interest.

On April 6, 2001, RBF Finance Co., an indirect wholly owned subsidiary of the Company, redeemed all of the approximately $400.0 million principal amount outstanding 11% Senior Secured Notes due 2006 at 125.282 percent, or $1,252.82 per $1,000 principal amount, plus accrued and unpaid interest, and TODCO redeemed all of the approximately $200.0 million principal amount outstanding 12.25% Senior Notes due 2006 at 130.675 percent or $1,306.75 per $1,000 principal amount, plus accrued and unpaid interest. The Company funded the redemption from the issuance of the 6.625% Notes and 7.5% Notes in April 2001.

On March 30, 2001, pursuant to an offer made in connection with the R&B Falcon merger, Cliffs Drilling, a wholly owned subsidiary of TODCO, acquired approximately $0.1 million of the 10.25% Senior Notes due 2003 at an amount equal to 101 percent of the principal amount.

The Company recognized an extraordinary loss, net of tax, of approximately $18.9 million ($0.06 per diluted share) in the second quarter of 2001 on the early retirement of these debt instruments.

Note 9—Financial Instruments and Risk Concentration

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

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

Gains and losses on foreign exchange derivative instruments, which qualify as accounting hedges, are deferred as other comprehensive income and recognized when the underlying foreign exchange exposure is realized. Gains and losses on foreign exchange derivative instruments, which do not qualify as hedges for accounting purposes, are recognized currently based on the change in market value of the derivative instruments. At December 31, 2002 and 2001, the Company did not have any foreign exchange derivative instruments not qualifying as accounting hedges.

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

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

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

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

The Company has entered into interest rate swap transactions hedging debt. See Note 10. The Company has not hedged any of its other assets or liabilities against interest rate movements.

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

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

Credit Risk—Financial instruments which potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents, trade receivables, swap receivables and notes receivable from Delta Towing LLC (see Note 21). It is the Company's practice to place its cash and cash equivalents in time deposits at commercial banks with high credit ratings or mutual funds, which invest exclusively in high quality money market instruments. In foreign locations, local

financial institutions are generally utilized for local currency needs. The Company limits the amount of exposure to any one institution and does not believe it is exposed to any significant credit risk.

The Company derives the majority of its revenue from services to international oil companies and government-owned and government-controlled oil companies. Receivables are concentrated in various countries. See Note 20. The Company maintains an allowance for uncollectible accounts receivable based upon expected collectibility. The Company is not aware of any significant credit risks relating to its customer base and does not generally require collateral or other security to support customer receivables.

Labor Agreements—On a worldwide basis, the Company had approximately 10 percent of its employees working under collective bargaining agreements at December 31, 2002, most of whom were working in Norway, U.K., Nigeria and Trinidad. Of these represented employees, a majority are working under agreements that are subject to salary negotiation in 2003.

Note 10—Interest Rate Swaps

In June 2001, the Company entered into interest rate swap agreements in the aggregate notional amount of $700.0 million with a group of banks relating to the Company's $700.0 million aggregate principal amount of 6.625% Notes due April 2011. In February 2002, the Company entered into interest rate swap agreements with a group of banks in the aggregate notional amount of $900.0 million relating to the Company's $350.0 million aggregate principal amount of 6.75% Senior Notes due April 2005, $250.0 million aggregate principal amount of 6.95% Senior Notes due April 2008 and $300.0 million aggregate principal amount of 9.5% Senior Notes due December 2008 (see Note 26). The objective of each transaction is to protect the debt against changes in fair value due to changes in the benchmark interest rate. Under each interest rate swap, the Company receives the fixed rate equal to the coupon of the hedged item and pays the floating rate (LIBOR) plus a margin of 50 basis points, 246 basis points, 171 basis points and 413 basis points, respectively, which are designated as the respective benchmark interest rates, on each of the interest payment dates until maturity of the respective notes. The hedges are considered perfectly effective against changes in the fair value of the debt due to changes in the benchmark interest rates over their term. As a result, the shortcut method applies and there is no need to periodically reassess the effectiveness of the hedges during the term of the swaps.

On March 13, 2001, the Company entered into interest rate swap agreements relating to the anticipated private placement of $700.0 million aggregate principal amount of 6.625% Notes due April 15, 2011 and $600.0 million aggregate principal amount of 7.5% Notes due April 15, 2031 in the notional amounts of $200.0 million and $400.0 million, respectively. The objective of each transaction was to hedge a portion of the forecasted payments of interest resulting from the anticipated issuance of fixed rate debt. Under each forward interest rate swap, the Company paid a LIBOR swap rate and received the floating rate of three-month LIBOR. Hedge effectiveness was assessed by the dollar-offset method by comparing the changes in expected cash flows from the hedges with the change in the LIBOR swap rates and the forward interest rate swaps were determined to be highly effective. The hedge transactions were closed out on March 30, 2001. The gain on these hedge transactions of $4.1 million is a component of accumulated other comprehensive income in the consolidated balance sheet. This gain is being recognized as a reduction of interest expense over the life of the 7.5% Notes beginning in April 2001. For the years ended December 31, 2002 and 2001, the amount of net after-tax gain recognized was $0.3 million and $0.2 million, respectively. At December 31, 2002 and 2001, the net after-tax gain on these terminated interest rate swaps included in accumulated other comprehensive income was $3.6 million and $3.9 million, respectively.

At December 31, 2002, the Company had outstanding interest rate swaps in the aggregate notional amount of $1.6 billion. The market value of the Company's outstanding interest rate swaps was included in other assets with corresponding increases to long-term debt and was as follows (in millions):

	December 31,	
	2002	2001
6.75% Senior Notes, due April 2005	$ 18.7	$ –
6.95% Senior Notes, due April 2008	25.3	–
9.5% Senior Notes, due December 2008	30.6	–
6.625% Notes, due April 2011	106.7	15.1
	$181.3	$15.1

DD LLC, an unconsolidated subsidiary in which the Company has a 50 percent ownership interest, has entered into interest rate swaps with aggregate market values netting to a liability of $6.7 million at December 31, 2002. The Company's interest in these swaps has been included in accumulated other comprehensive income, net of tax, with corresponding reductions to deferred income taxes and investments in and advances to joint ventures.

Note 11—Fair Value of Financial Instruments

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

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

*Swap receivables*¾The carrying value of swap receivables is adjusted to estimated market value based on current and forward LIBOR rates.

Notes receivable from related party—The fair value of notes receivable from related party with a carrying amount of $82.8 million and $78.9 million at December 31, 2002 and 2001, respectively, could not be determined because there is no available market price for such notes. See Note 21.

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

	December 31, 2002		December 31, 2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$1,214.2	$1,214.2	$ 853.4	$ 853.4
Trade receivables	437.6	437.6	602.9	602.9
Swap receivables	181.3	181.3	15.1	15.1
Debt	4,678.0	4,848.5	5,023.8	5,001.8

Note 12—Other Current Liabilities

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

	December 31,	
	2002	2001
Accrued Payroll and Employee Benefits	$143.6	$134.2
Accrued Interest	32.2	38.8
Deferred Income	31.1	18.2
Reserves for Contingent Liabilities	22.9	47.5
Accrued Taxes, Other than Income	19.3	26.6
Other	13.1	18.1
Total Other Current Liabilities	$262.2	$283.4

Note 13—Other Long-Term Liabilities

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

	December 31,	
	2002	2001
Reserves for Contingent Liabilities	$137.6	$ 69.9
Accrued Pension and Early Retirement	56.0	22.8
Accrued Retiree Life Insurance and Medical Benefits	30.1	27.5
Minority Interest	6.8	4.8
Long-Term Portion of Accrued Workers' Insurance	6.5	6.5
Deferred Income	6.4	11.6
Other	39.3	35.4
Total Other Long-Term Liabilities	$282.7	$178.5

Note 14—Supplementary Cash Flow Information

Non-cash investing activities for the years ended December 31, 2002, 2001 and 2000 included $7.9 million, $11.8 million and $45.0 million, respectively, related to accruals of capital expenditures. The accruals have been reflected in the consolidated balance sheet as an increase in property and equipment, net and accounts payable.

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

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

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

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

Cash payments for interest were $210.5 million, $190.6 million and $81.3 million for the years ended December 31, 2002, 2001 and 2000, respectively. Cash payments for income taxes, net, were $91.1 million, $122.5 million and $63.3 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Note 15—Income Taxes

Income taxes have been provided based upon the tax laws and rates in the countries in which operations are conducted and income is earned. There is no expected relationship between the provision for or benefit from income taxes and income or loss before income taxes because the countries have taxation regimes that vary not only with respect to nominal rate, but also in terms of the availability of deductions, credits and other benefits. Variations also arise because income earned and taxed in any particular country or countries may fluctuate from year to year. Transocean Inc., a Cayman Islands company, is not subject to income tax in the Cayman Islands. The effective tax rate on continuing operations for the years ended December 31, 2002, 2001 and 2000 was 4.9 percent, 23.8 percent and 25.4 percent, respectively.

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

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

	Years ended December 31,		
	2002	**2001**	**2000**
Current provision	$ 101.4	$174.2	$ 66.5
Deferred benefit	(224.4)	(98.2)	(30.1)
Income tax expense (benefit) after extraordinary items and after cumulative effect of a change in accounting principle	(123.0)	76.0	36.4
Tax effect of extraordinary items	–	9.7	0.3
Income Tax Expense (Benefit) before Extraordinary Items and Cumulative Effect of a Change in Accounting Principle	$(123.0)	$ 85.7	$ 36.7

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

	December 31,	
	2002	2001
Deferred Tax Assets- Current		
Accrued personnel taxes	$ 1.7	$ 1.4
Accrued workers' compensation insurance	4.6	4.4
Other accruals	9.1	17.9
Insurance accruals	5.7	–
Other	5.4	3.7
Total Current Deferred Tax Assets	26.5	27.4
Deferred Tax Liabilities- Current		
Deferred drydock	(4.6)	(2.7)
Insurance accruals	–	(3.5)
Other accruals	–	(0.2)
Total Current Deferred Tax Liabilities	(4.6)	(6.4)
Net Current Deferred Tax Assets	$ 21.9	$ 21.0
Deferred Tax Assets- Noncurrent- non-U.S.		
Net operating loss carryforwards- non-U.S.	$ 26.2	$ 28.0
Net Noncurrent Deferred Tax Assets- non-U.S.	$ 26.2	$ 28.0
Deferred Tax Assets- Noncurrent		
Net operating loss carryforwards	$ 380.3	$ 354.3
Foreign tax credit carryforwards	216.9	185.6
Retirement and benefit plan accruals	7.9	0.8
Other accruals	11.5	7.9
Deferred income and other	29.5	41.3
Valuation allowance for noncurrent deferred tax assets	(112.3)	(90.7)
Total Noncurrent Deferred Tax Assets	533.8	499.2
Deferred Tax Liabilities- Noncurrent		
Depreciation and amortization	(558.9)	(640.0)
Deferred gains	–	(123.2)
Investment in subsidiaries	(67.7)	(72.1)
Other	(14.4)	(9.0)
Total Noncurrent Deferred Tax Liabilities	(641.0)	(844.3)
Net Noncurrent Deferred Tax Liabilities	$ (107.2)	$ (345.1)

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

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

The Company's U.S. net operating loss carryforwards expire between 2003 and 2022. The tax effect of the U.S. net operating loss carryforwards was $380.3 million at December 31, 2002. The Company's U.K. net operating loss carryforwards do not expire. The tax effect of the U.K. net operating loss carryforwards was $26.2 million at December 31, 2002. The Company's fully benefited U.S. foreign tax credit carryforwards will expire between 2004 and 2007.

Transocean Inc., a Cayman Islands company, is not subject to income taxes in the Cayman Islands. For the three years ended December 31, 2002, there was no Cayman Islands income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by a Cayman Islands company or its shareholders. The Company has obtained an assurance from the Cayman Islands government under the Tax Concessions Law (1995 Revision) that, in the event that any legislation is enacted in the Cayman Islands imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, such tax shall not, until June 1, 2019, be applicable to the Company or to any of its operations or to the shares, debentures or other obligations of the Company. Therefore, under present law there will be no Cayman Islands tax consequences affecting distributions.

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

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

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

Note 16—Commitments and Contingencies

*Operating Leases¾*The Company has operating lease commitments expiring at various dates, principally for real estate, office space, office equipment and rig bareboat charters. In addition to rental payments, some leases provide that the Company pay a pro rata share of operating costs applicable to the leased property. As of December 31, 2002, future minimum rental payments related to noncancellable operating leases are as follows (in millions):

	Years ended December 31,
2003	$ 32.2
2004	25.8
2005	19.7
2006	6.9
2007	6.6
Thereafter	22.5
Total	$113.7

The Company is a party to an operating lease on the *M. G. Hulme, Jr.* The drilling rig is leased from Deep Sea Investors, L.L.C., a special purpose entity formed by several leasing companies to acquire the rig from one of the Company's subsidiaries in November 1995 in a sale/leaseback transaction. Under this lease, the Company may purchase the rig for approximately $35 million at the end of the lease term of November 29, 2005. At December 31, 2002, the future minimum lease payments, excluding the purchase option, was $37.9 million and was included in the table above.

Rental expense for all operating leases, including leases with terms of less than one year, was $52 million, $96 million and $50 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Legal Proceedings—In 1990 and 1991, two of the Company's subsidiaries were served with various assessments collectively valued at approximately $7 million from the municipality of Rio de Janeiro, Brazil to collect a municipal tax on services. The Company believes that neither subsidiary is liable for the taxes and has contested the assessments in the Brazilian administrative and court systems. The Brazil Supreme Court rejected the Company's appeal of an adverse lower court's ruling with respect to a June 1991 assessment, which was valued at approximately $6 million. The Company plans to challenge the assessment in a separate proceeding, which is currently at the trial court level. The Company also is awaiting a ruling at various levels in connection with a disputed August 1990 assessment that is still pending before the Brazil Superior Court of Justice. The Company also received an adverse ruling from the Taxpayer's Council in connection with an October 1990 assessment and is appealing the ruling. If the Company's defenses are ultimately unsuccessful, the Company believes that the Brazilian government-controlled oil company, Petrobras, has a contractual obligation to reimburse the Company for municipal tax payments required to be paid by them. The Company does not expect the liability, if any, resulting from these assessments to have a material adverse effect on its business or consolidated financial position.

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

In January 2000, a pipeline in the U.S. Gulf of Mexico was damaged by an anchor from one of the Company's drilling rigs while the rig was under tow. The incident resulted in damage to offshore facilities, including a crude oil pipeline, the release of hydrocarbons from the damaged section of the pipeline and the shutdown of the pipeline and allegedly affected production platforms. All appropriate governmental authorities were notified, and the Company cooperated fully with the

operator and relevant authorities in support of the remediation efforts. Certain owners and operators of the pipeline (Poseidon Oil Pipeline Company LLC, Equilon Enterprises LLC, Poseidon Pipeline Company, LLC and Marathon Oil Company) filed suit in March 2000 in federal court, Eastern District of Louisiana, alleging various damages in excess of $30 million. A second suit was filed by Walter Oil & Gas Corporation and certain other plaintiffs in Harris County, Texas alleging various damages in excess of $1.8 million, and the Company obtained a summary judgment against Walter Oil & Gas Corporation and Amerada Hess. The Company filed a limitation of liability proceeding in federal court, Eastern District of Louisiana, claiming benefit of various statutes providing limitation of liability for vessel owners, the result of which was to stay the first two suits and to cause potential claimants (including the plaintiffs in the existing suits) to file claims in this proceeding. El Paso Energy Corporation, the owner/operator of the platform from which a riser was allegedly damaged, and Texaco Exploration and Production Inc. have filed claims in the limitation of liability proceeding as well. All claims arising out of the loss have been settled and the terms of the settlement have been reflected in the Company's results of operations for the year ended December 31, 2002. The settlement did not have a material adverse effect on the Company's business or consolidated financial position.

In November 1988, a lawsuit was filed in the U.S. District Court for the Southern District of West Virginia against Reading & Bates Coal Co., a wholly owned subsidiary of R&B Falcon, by SCW Associates, Inc. claiming breach of an alleged agreement to purchase the stock of Belva Coal Company, a wholly owned subsidiary of Reading & Bates Coal Co. with coal properties in West Virginia. When those coal properties were sold in July 1989 as part of the disposition of R&B Falcon's coal operations, the purchasing joint venture indemnified Reading & Bates Coal Co. and R&B Falcon against any liability Reading & Bates Coal Co. might incur as a result of this litigation. A judgment for the plaintiff of $32,000 entered in February 1991 was satisfied and Reading & Bates Coal Co. was indemnified by the purchasing joint venture. On October 31, 1990, SCW Associates, Inc., the plaintiff in the above-referenced action, filed a separate ancillary action in the Circuit Court, Kanawha County, West Virginia against R&B Falcon, Caymen Coal, Inc. (the former owner of R&B Falcon's West Virginia coal properties), as well as the joint venture, Mr. William B. Sturgill (the former President of Reading & Bates Coal Co.) personally, three other companies in which the Company believes Mr. Sturgill holds an equity interest, two employees of the joint venture, First National Bank of Chicago and First Capital Corporation. The lawsuit sought to recover compensatory damages of $50 million and punitive damages of $50 million for alleged tortious interference with the contractual rights of the plaintiff and to impose a constructive trust on the proceeds of the use and/or sale of the assets of Caymen Coal, Inc. as they existed on October 15, 1988. The lawsuit was settled in August 2002, and the terms of the settlement have been reflected in the Company's results of operations for the year ended December 31, 2002. The settlement did not have a material adverse effect on the Company's business or consolidated financial position.

In March 1997, an action was filed by Mobil Exploration and Producing U.S. Inc. and affiliates, St. Mary Land & Exploration Company and affiliates and Samuel Geary and Associates, Inc. against the Company, its underwriters and insurance broker in the 16th Judicial District Court of St. Mary Parish, Louisiana. The plaintiffs alleged damages amounting to in excess of $50 million in connection with the drilling of a turnkey well in 1995 and 1996. The case was tried before a jury in January and February 2000, and the jury returned a verdict of approximately $30 million in favor of the plaintiffs for excess drilling costs, loss of insurance proceeds, loss of hydrocarbons and interest. The Company has appealed such judgment, and the Louisiana Court of Appeals has reduced the amount for which the Company may be responsible to less than $10 million. The plaintiffs have requested that the Supreme Court of Louisiana consider the matter and reinstate the original verdict. The Company believes that all but potentially the portion of the verdict representing excess drilling costs of approximately $4.7 million is covered by relevant primary and excess liability insurance policies; however, the insurers and underwriters have denied coverage. The Company has instituted litigation against those insurers and underwriters to enforce its rights under the relevant policies. The Company does not expect that the ultimate outcome of this case will have a material adverse effect on its business or consolidated financial position.

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

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

Self Insurance—The Company is self-insured for the deductible portion of its insurance coverage. In the opinion of management, adequate accruals have been made based on known and estimated exposures up to the deductible portion of the

Company's insurance coverages. Management believes that claims and liabilities in excess of the amounts accrued are adequately insured.

Letters of Credit and Surety Bonds—The Company had letters of credit outstanding at December 31, 2002 totaling $54.0 million. These letters of credit guarantee various contract bidding and insurance activities under various lines provided by several banks. In January 2002, the Company terminated a $70.0 million letter of credit facility secured by mortgages on five drilling units, the *J.W. McLean, J.T. Angel, Randolph Yost, D.R. Stewart* and *George H. Galloway*.

As is customary in the contract drilling business, the Company also has various surety bonds totaling $215.8 million in place that secure customs obligations relating to the importation of its rigs and certain performance and other obligations.

Note 17—Stock-Based Compensation Plans

Long-Term Incentive Plan—The Company has an incentive plan for key employees and outside directors (the "Incentive Plan"). Under the Incentive Plan, awards can be granted in the form of stock options, restricted stock, stock appreciation rights ("SARs") and cash performance awards. As of December 31, 2002, the Company was authorized to grant up to (i) 18.9 million ordinary shares to employees; (ii) 600,000 ordinary shares to outside directors; and (iii) 300,000 freestanding SARs to employees or directors under the Incentive Plan. Options issued under the Incentive Plan have a 10-year term and become exercisable in three equal annual installments after the date of grant. On December 31, 1999, all unvested stock options and SARs and all unvested restricted shares granted after April 1996 became fully vested as a result of the Sedco Forex merger. At December 31, 2002, there were approximately 8.4 million total shares available for future grants under the Incentive Plan.

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

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

The following table summarizes option activities:

	Number of Shares Under Option	Weighted-Average Exercise Price
Outstanding at December 31, 1999	3,259,418	$26.46
Granted	1,636,918	37.30
Exercised	(499,428)	23.99
Forfeited	(22,500)	37.00
Outstanding at December 31, 2000	4,374,408	30.74
Granted	2,370,840	38.53
Options assumed in the R&B Falcon merger	8,094,010	22.25
Exercised	(1,286,554)	20.91
Forfeited	(92,025)	42.15
Outstanding at December 31, 2001	13,460,679	27.99
Granted	2,160,963	28.63
Exercised	(102,480)	18.12
Forfeited	(141,576)	37.99
Outstanding at December 31, 2002	15,377,586	28.03
Exercisable at December 31, 2000	2,754,073	$26.91
Exercisable at December 31, 2001	9,977,963	$24.29
Exercisable at December 31, 2002	11,332,039	$26.14

The following table summarizes information about stock options outstanding at December 31, 2002:

		Options Outstanding		Options Exercisable	
Range of Exercise Prices	Weighted-Average Remaining Contractual Life	Number Outstanding	Weighted-Average Exercise Price	Number Outstanding	Weighted-Average Exercise Price
$ 7.58 - $19.50	5.59 years	4,084,172	$14.95	3,999,172	$14.87
$20.12 - $33.69	6.85 years	6,047,605	$26.21	4,046,705	$24.93
$34.63 - $81.78	7.45 years	5,245,809	$40.30	3,286,162	$41.36

At December 31, 2002, there were 35,341 restricted ordinary shares and 145,364 SARs outstanding under the Incentive Plan.

Employee Stock Purchase Plan—The Company provides a stock purchase plan (the "Stock Purchase Plan") for certain full-time employees. Under the terms of the Stock Purchase Plan, employees can choose each year to have between two and 20 percent of their annual base earnings withheld to purchase up to $25,000 of the Company's ordinary shares. The purchase price of the stock is 85 percent of the lower of its beginning-of-year or end-of-year market price. At December 31, 2002, 771,909 ordinary shares were available for issuance pursuant to the Stock Purchase Plan.

Note 18—Retirement Plans and Other Postemployment Benefits

Defined Benefit Pension Plans—The change in benefit obligation, change in plan assets and funded status for the years ended December 31, 2002 and 2001 is shown in the table below (in millions):

	December 31,	
	2002	**2001**
Change in benefit obligation		
Benefit obligation at beginning of year	$ 242.7	$133.6
Merger with R&B Falcon	–	85.7
Service cost	16.8	12.0
Interest cost	19.0	15.9
Actuarial losses	27.0	4.8
Special termination benefits	1.1	–
Plan amendments	3.1	0.8
Benefits paid	(14.1)	(10.1)
Benefit obligation at end of year	295.6	242.7
Change in plan assets		
Fair value of plan assets at beginning of year	210.4	117.7
Merger with R&B Falcon	–	99.3
Actual return on plan assets	(14.4)	(1.3)
Company contributions	6.6	4.8
Benefits paid	(14.1)	(10.1)
Fair value of plan assets at end of year	188.5	210.4
Funded status	(107.1)	(32.3)
Unrecognized transition obligation	2.9	3.5
Unrecognized net actuarial loss	86.4	32.4
Unrecognized prior service cost	11.3	0.1
Accrued pension asset (liability)	$ (6.5)	$ 3.7
Comprised of:		
Prepaid benefit cost	$ 1.6	$ 34.2
Accrued benefit liability	(54.5)	(30.5)
Intangible asset	0.7	–
Accumulated other comprehensive income	45.7	–
Accrued pension asset (liability)	$ (6.5)	$ 3.7

	As of December 31,	
	2002	**2001**
Weighted-average assumptions		
Discount rate	6.90%	7.45%
Expected return on plan assets	8.73%	9.24%
Rate of compensation increase	5.53%	5.71%

The aggregate projected benefit obligation and fair value of plan assets for plans with projected benefit obligations in excess of plan assets were $291.3 million and $182.9 million, respectively, at December 31, 2002. The aggregate projected benefit obligation and fair value of plan assets for plans with projected benefit obligations in excess of plan assets were $153.3 million and $112.5 million, respectively, at December 31, 2001.

The aggregate accumulated benefit obligation and fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets were $216.0 million and $174.3 million, respectively, at December 31, 2002. The aggregate accumulated benefit obligation and fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets were $23.9 million and $7.0 million, respectively, at December 31, 2001.

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

	Years ended December 31,		
	2002	**2001**	**2000**
Components of Net Periodic Benefit Cost (a)			
Service cost	$16.8	$ 12.0	$ 9.5
Interest cost	19.0	15.9	9.1
Expected return on plan assets	(20.7)	(7.5)	(8.9)
Amortization of transition obligation	0.3	0.3	0.4
Amortization of prior service cost	1.4	0.4	–
Recognized net actuarial gains	(0.5)	(11.3)	(1.4)
Special termination benefits (b)	1.1	–	–
FAS 88 settlements/curtailments	(0.3)	–	–
Benefit cost	$17.1	$ 9.8	$ 8.7
Change in accumulated other comprehensive income	$45.7	$ –	$ –

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

Postretirement Benefits Other Than Pensions—The change in benefit obligation, change in plan assets and funded status are shown in the table below (in millions).

	December 31,	
	2002	**2001**
Change in benefit obligation		
Benefit obligation at beginning of year	$29.2	$12.0
Merger with R&B Falcon	–	16.1
Service cost	1.0	0.4
Interest cost	2.5	1.9
Actuarial losses (gains)	6.7	(0.2)
Participants' contributions	0.2	0.2
Plan amendments	3.5	–
Benefits paid	(1.9)	(1.2)
Benefit obligation at end of year	41.2	29.2
Change in plan assets		
Fair value of plan assets at beginning of year	0.5	0.6
Actual return on plan assets	(0.3)	0.1
Company contributions	1.7	0.8
Participants' contributions	0.2	0.2
Benefits paid	(1.9)	(1.2)
Fair value of plan assets at end of year	0.2	0.5
Funded status	(41.0)	(28.7)
Unrecognized net actuarial gain	7.6	0.9
Unrecognized prior service cost	3.3	0.3
Postretirement benefit liability	$30.1	$(27.5)

	As of December 31,	
	2002	**2001**
Weighted-average assumptions		
Discount rate	6.50%	7.00%
Expected return on plan assets	–	7.00%
Rate of compensation increase	5.50%	5.50%

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

	Years ended December 31,		
	2002	**2001**	**2000**
Components of Net Periodic Benefit Cost			
Service cost	$1.0	$0.4	$0.2
Interest cost	2.5	1.9	0.8
Amortization of prior service cost	0.5	–	0.1
Recognized net actuarial loss (gain)	0.3	(0.1)	–
Benefit Cost	$4.3	$2.2	$1.1

For measurement purposes, the rate of increase in the per capita costs of covered health care benefits was assumed 12 percent in 2002, decreasing gradually to five percent by the year 2009.

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

	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on total service and interest cost components in 2002	$0.4	$(0.3)
Effect on postretirement benefit obligations as of December 31, 2002	$4.1	$(3.3)

Defined Contribution Plans—The Company provides a defined contribution pension and savings plan covering senior non-U.S. field employees working outside the United States. Contributions and costs are determined as 4.5 percent to 6.5 percent of each covered employee's salary, based on years of service. In addition, the Company sponsors a U.S. defined contribution savings plan. It covers certain employees and limits Company contributions to no more than 4.5 percent of each covered employee's salary, based on the employee's contribution. The Company also sponsors various other defined contribution plans worldwide. The Company recorded approximately $21.3 million, $21.6 million and $11.5 million of expense related to its defined contribution plans for the years ended December 31, 2002, 2001 and 2000, respectively.

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

Eligible employees who enroll in the Plan may elect to defer up to a maximum of 90 percent of base salary, 100 percent of any future performance awards, 100 percent of any special payments and 100 percent of directors' meeting fees and annual retainers; however, the Administrative Committee (seven individuals appointed by the Finance and Benefits Committee of the Board of Directors) may, at its discretion, establish minimum amounts that must be deferred by anyone electing to participate in the Plan. In addition, the Executive Compensation Committee of the Board of Directors may authorize employer contributions to participants and the Chief Executive Officer of the Company (with Executive Compensation Committee approval) is authorized to cause the Company to enter into "Deferred Compensation Award Agreements" with such participants. There were no employer contributions to the Plan during the years ending December 31, 2002, 2001 or 2000.

Note 19—Investments in and Advances to Joint Ventures

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

The Company has a 50 percent interest in Overseas Drilling Limited ("ODL"), which owns the drillship, *Joides Resolution*. The drillship is contracted to perform drilling and coring operations in deep waters worldwide for the purpose of scientific research. The Company manages and operates the vessel on behalf of ODL. See Note 21.

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

As a result of the R&B Falcon merger, the Company has a 50 percent interest in DD LLC. DD LLC leases and operates the *Deepwater Pathfinder*. The investment in DD LLC was recorded at fair value as part of the R&B Falcon merger. See Note 21.

As a result of the R&B Falcon merger, the Company has a 60 percent interest in Deepwater Drilling II L.L.C. ("DDII LLC"). DDII LLC leases and operates the *Deepwater Frontier*. The investment in DDII LLC was recorded at fair value as part of the R&B Falcon merger. Management of DDII LLC is governed by the Limited Liability Company Agreement (the "LLCA")

between the Company and Conoco. In accordance with the LLCA, DDII LLC's day-to-day operations and financial decisions are governed by the Members Committee, which is comprised of six individuals of which the Company and Conoco each appoint three individuals. Because the Company shares equal responsibility and control with Conoco, DDII LLC's results of operations are not consolidated with the Company's consolidated results of operations. See Note 21.

As a result of the R&B Falcon merger, the Company has a 25 percent interest in Delta Towing Holdings LLC. See Note 21.

Note 20—Segments, Geographical Analysis and Major Customers

The Company's operations are aggregated into two reportable segments: (i) International and U.S. Floater Contract Drilling Services and (ii) Gulf of Mexico Shallow and Inland Water. The International and U.S. Floater Contract Drilling Services segment consists of high-specification floaters, other floaters, non-U.S. jackups, other mobile offshore drilling units and other assets used in support of offshore drilling activities and offshore support services. The Gulf of Mexico Shallow and Inland Water segment consists of jackup and submersible drilling rigs and inland drilling barges located in the U. S. Gulf of Mexico and Trinidad, as well as land and lake barge drilling units located in Venezuela. The Company provides services with different types of drilling equipment in several geographic regions. The location of the Company's rigs and the allocation of resources to build or upgrade rigs is determined by the activities and needs of customers. Accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies (see Note 2). The Company accounts for intersegment revenue and expenses as if the revenue or expenses were to third parties at current market prices.

Effective January 1, 2002, the Company changed the composition of its reportable segments with the move of the responsibility for its Venezuela operations to the Gulf of Mexico Shallow and Inland Water segment. Prior periods have been restated to reflect the change.

Operating revenues and income before income taxes, minority interest, extraordinary items and cumulative effect of a change in accounting principle by segment were as follows (in millions):

	Years ended December 31,		
	2002	**2001**	**2000**
Operating Revenues			
International and U.S. Floater Contract Drilling Services	$2,486.1	$2,385.2	$1,229.5
Gulf of Mexico Shallow and Inland Water	187.8	441.1	–
Elimination of intersegment revenues	–	(6.2)	–
Total Operating Revenues	$2,673.9	$2,820.1	$1,229.5
Income (Loss) Before Income Taxes, Minority Interest, Extraordinary Items and Cumulative Effect of a Change in Accounting Principle			
International and U.S. Floater Contract Drilling Services	$(1,739.0)	$582.1	$144.4
Gulf of Mexico Shallow and Inland Water	(505.3)	25.8	–
	(2,244.3)	607.9	144.4
Unallocated general and administrative expense	(65.6)	(57.9)	–
Unallocated other expense, net	(178.9)	(189.5)	–
Total Income (Loss) Before Income Taxes, Minority Interest, Extraordinary Items and Cumulative Effect of a Change in Accounting Principle	$(2,488.8)	$360.5	$144.4

Prior to the R&B Falcon merger on January 31, 2001, the Company operated in one industry segment and, as such, there were no unallocated income items for the year ended December 31, 2000.

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

	Years ended December 31,		
	2002	2001	2000
International and U.S. Floater Contract Drilling Services	$408.4	$373.5	$232.8
Gulf of Mexico Shallow and Inland Water	91.9	96.6	–
Total Depreciation Expense	$500.3	$470.1	$232.8

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

	December 31,	
	2002	2001
International and U.S. Floater Contract Drilling Services	$11,804.1	$14,247.3
Gulf of Mexico Shallow and Inland Water	861.0	2,800.5
Total Assets	$12,665.1	$17,047.8

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

	Years ended December 31,		
	2002	2001	2000
Operating Revenues			
United States	$ 752.5	$ 979.5	$ 265.0
United Kingdom	345.7	354.6	158.9
Brazil	283.0	355.8	153.6
Norway	145.2	227.8	248.5
Rest of the World	1,147.5	902.4	403.5
Total Operating Revenues	$2,673.9	$2,820.1	$1,229.5

	As of December 31,	
	2002	2001
Long-Lived Assets		
United States	$ 3,905.0	$ 3,881.5
Goodwill (a)	2,218.2	6,466.7
Rest of the World	4,630.2	4,962.8
Total Long-Lived Assets	$10,753.4	$15,311.0

(a) Goodwill has not been allocated to individual countries.

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

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

For the year ended December 31, 2002, BP and Shell accounted for approximately 14.1 percent and 11.6 percent, respectively, of the Company's operating revenues, of which the majority was reported in the International and U.S. Floater Contract Drilling Services segment. For the year ended December 31, 2001, BP and Petrobras accounted for approximately 12.3 percent and 10.9 percent, respectively, of the Company's operating revenues, of which the majority was reported in the International and U.S. Floater Contract Drilling Services segment. For the year ended December 31, 2000, Statoil, BP and Petrobras accounted for approximately 16.8 percent, 14.4 percent and 12.5 percent, respectively, of the Company's operating

revenues. The loss of these or other significant customers could have a material adverse effect on the Company's results of operations.

Note 21—Related Party Transactions

Schlumberger—The Company incurred expenses amounting to approximately $1.1 million, $3.5 million and $9.0 million for the years ended December 31, 2002, 2001 and 2000, respectively, for the transitional services provided by Schlumberger in connection with the Sedco Forex merger.

DD LLC and DDII LLC—The Company is party to drilling services agreements with DD LLC and DDII LLC for the operations of the *Deepwater Pathfinder* and *Deepwater Frontier*, respectively. For the years ended December 31, 2002 and 2001, the Company earned $1.6 million and $1.4 million, respectively, for such services to each of DD LLC and DDII LLC. Such revenue amounts are included in operating revenues in the consolidated statement of operations. At December 31, 2002, the Company had receivables from DD LLC and DDII LLC of $2.6 million and $3.9 million, respectively, which are included in accounts receivable – other. At December 31, 2001, the Company had receivables from DD LLC and DDII LLC of $2.6 million and $2.3 million, respectively, which are included in accounts receivable – other.

From time to time, the Company contracts the *Deepwater Frontier* from DDII LLC. During this time, DDII LLC bills the Company for the full operating dayrate and issues a non-cash credit for downtime hours in excess of 24 hours in any calendar month. The Company records a dayrate rebate receivable for all such non-cash credits and is responsible for payment of 100 percent of all drilling contract invoices received. At the end of the drilling contract, the Company will receive in cash the credits issued for downtime hours plus an escalation factor. At December 31, 2002 and 2001, the cumulative dayrate rebate receivable from DDII LLC totaled $15.1 million and $13.7 million, respectively, and is recorded as investment in and advances to joint ventures in the consolidated balance sheet. For the year ended December 31, 2001, the Company incurred $54.4 million net expense from DDII LLC under the drilling contract. This amount is included in operating and maintenance expense in the Company's consolidated statement of operations. The Company incurred no expense for the year ended December 31, 2002 due to the expiration of its lease late in 2001. At December 31, 2002 and 2001, the Company had amounts payable to DDII LLC of $0.3 million and $2.1 million, respectively, which is included in accounts payable in the consolidated balance sheet.

At the expiration of the leases, each joint venture may purchase the rig for $185 million, in the case of the *Deepwater Pathfinder*, and $194 million, in the case of the *Deepwater Frontier*, or return the rig to the respective special purpose entity that owns the rig. The Company would be obligated to pay only the portion of such price equal to its percentage ownership interest in the applicable joint venture. The Company's proportionate share for such purchase options is $93 million and $116 million, respectively. Under each joint venture agreement, the consent of each joint venture partner is generally required to approve actions of the joint venture, including the exercise of this purchase option. The scheduled expiration of the lease is December 2003, in the case of the *Deepwater Pathfinder*, and March 2004, in the case of the *Deepwater Frontier*. Each of the leases is subject to certain extension options of DD LLC and DDII LLC, respectively.

If a joint venture returns the rig at the end of the lease, the special purpose entity may sell the rig. In connection with the return, DD LLC may be required to pay an amount up to $138 million and DDII LLC may be required to pay an amount up to $145 million, plus certain expenses in each case. These payments may be reduced by a portion of the proceeds of the sale of the applicable rig. If an event of default occurs under the applicable lease agreements, each joint venture may be required to pay an amount equal to the amount of debt and equity financing owed by the applicable special purpose entity plus certain expenses. At December 31, 2002, the debt and equity financing outstanding applicable to the owner of *Deepwater Pathfinder* and of *Deepwater Frontier,* was $203 million and $217 million, respectively. At December 31, 2001, the debt and equity financing outstanding applicable to the owner of *Deepwater Pathfinder* and of *Deepwater Frontier,* was $219 million and $236 million, respectively. The Company and Conoco have guaranteed their respective share of DD LLC's obligation to pay the debt and equity financing outstanding. In December 2001, Transocean became a guarantor of the DDII LLC debt and equity financing through a refinancing of the lease. Transocean and Conoco have guaranteed their respective share of DDII LLC's obligation to pay the debt and equity financing outstanding.

Delta Towing—Immediately prior to the closing of the R&B Falcon merger, TODCO formed a joint venture to own and operate its U.S. inland marine support vessel business (the "Marine Business"). In connection with the formation of the joint venture, the Marine Business was transferred by a subsidiary of TODCO to Delta Towing LLC ("Delta Towing") in exchange for a 25 percent equity interest in Delta Towing Holdings, LLC, the parent of Delta Towing, and certain secured notes payable from Delta Towing. The secured notes consisted of (i) an $80.0 million principal amount note bearing interest at eight percent per annum due January 30, 2024 (the "Tier 1 Note"), (ii) a contingent $20.0 million principal amount note bearing interest at

eight percent per annum with an expiration date of January 30, 2011 (the "Tier 2 Note") and (iii) a contingent $44.0 million principal amount note bearing interest at eight percent per annum with an expiration date of January 30, 2011 (the "Tier 3 Note"). The 75 percent equity interest holder in the joint venture also loaned Delta Towing $3.0 million in the form of a Tier 1 Note. Until January 2011, Delta Towing must use 100 percent of its excess cash flow towards the payment of principal and interest on the Tier 1 Notes. After January 2011, 50 percent of its excess cash flows are to be applied towards the payment of principal and unpaid interest on the Tier 1 Notes. Interest is due and payable quarterly without regard to excess cash flow.

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

TODCO valued its Tier 1, 2 and 3 Notes at $80 million immediately prior to the closing of the R&B Falcon merger, the effect of which was to fully reserve the Tier 2 and 3 Notes. At both December 31, 2002 and 2001, $78.9 million was outstanding under the Company's Tier 1 Note. For the years ended December 31, 2002 and 2001, the Company earned interest income on the outstanding balance at each period of $6.3 million and $5.8 million, respectively, on the Tier 1 Note. In December 2001, the note agreement was amended to provide for a $4.0 million, three-year revolving credit facility (the "Delta Towing Revolver") from the Company. Amounts drawn under the Delta Towing Revolver accrue interest at eight percent per annum, with interest payable quarterly. For the year ended December 31, 2002, the Company earned $0.3 million of interest income on the Delta Towing Revolver. At December 31, 2002, $3.9 million was outstanding under the Delta Towing Revolver. At December 31, 2001, no amounts were outstanding under the Delta Towing Revolver. At December 31, 2002 and 2001, the Company had interest receivable from Delta Towing of $1.7 million and $1.6 million, respectively. See Note 26.

As part of the formation of the joint venture on January 31, 2001, the Company entered into an agreement with Delta Towing under which the Company committed to charter certain vessels for a period of one year ending January 31, 2002 and committed to charter for a period of 2.5 years from the date of delivery 10 crewboats then under construction, all of which had been placed into service as of December 31, 2002. During the year ended December 31, 2002, the Company incurred charges totaling $10.7 million from Delta Towing for services rendered, of which $1.6 million was rebilled to the Company's customers and $9.1 million was reflected in operating and maintenance expense. During the year ended December 31, 2001, the Company incurred charges totaling $15.6 million from Delta Towing for services rendered, of which $6.5 million was rebilled to the Company's customers and $9.1 million was reflected in operating and maintenance.

ODL—In conjunction with the management and operation of the *Joides Resolution* on behalf of ODL, the Company earned $1.2 million, $1.2 million and $1.1 million for the years ended December 31, 2002, 2001 and 2000, respectively. Such amounts are included in operating revenues in the Company's consolidated statements of operations. At December 31, 2002 and 2001, the Company had receivables from ODL of $1.2 million and $2.6 million, respectively, which were recorded as accounts receivable – other in the consolidated balance sheets.

Note 22—Restructuring Charges

In September 2002, the Company committed to a restructuring plan to close its engineering office in Montrouge, France. The Company established a liability of $2.8 million for the estimated severance-related costs associated with the involuntary termination of 15 employees pursuant to this plan. The charge was reported as operating and maintenance expense in the International and U.S. Floater Contract Drilling Services segment in the Company's consolidated statements of operations. Through December 31, 2002, $1.7 million had been paid to employees whose positions were eliminated as a result of this plan. The Company anticipates that substantially all amounts will be paid by the end of the first quarter of 2003.

In September 2002, the Company committed to a restructuring plan for a staff reduction in Norway as a result of a decline in activity in that region. The Company established a liability of $1.2 million for the estimated severance-related costs associated with the involuntary termination of eight employees pursuant to this plan. The charge was reported as operating and maintenance expense in the International and U.S. Floater Contract Drilling Services segment in the Company's consolidated statements of operations. Through December 31, 2002, $0.1 million had been paid to employees whose positions are being eliminated as a result of this plan. The Company anticipates that substantially all amounts will be paid by the end of the first quarter of 2004.

In September 2002, the Company committed to a restructuring plan to consolidate certain functions and offices utilized in its Gulf of Mexico Shallow and Inland Water segment. The plan resulted in the closure of an administrative office and warehouse in Louisiana and relocation of most of the operations and administrative functions previously conducted at that location. The Company established a liability of $1.2 million for the estimated severance-related costs associated with the involuntary termination of 57 employees pursuant to this plan. The charge was reported as operating and maintenance expense in the Company's consolidated statements of operations. Through December 31, 2002, no amounts had been paid to employees whose employment is being terminated as a result of this plan. The Company anticipates that substantially all amounts will be paid by the end of the first quarter of 2003.

Note 23—Earnings Per Share

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

	Years ended December 31,		
	2002	**2001**	**2000**
Numerator for Basic and Diluted Earnings (Loss) per Share			
Income (Loss) Before Extraordinary Items and Cumulative Effect of a Change in Accounting Principle	$(2,368.2)	$271.9	$107.1
Gain (Loss) on Extraordinary Items, net of tax	–	(19.3)	1.4
Cumulative Effect of a Change in Accounting Principle	(1,363.7)	–	–
Net Income (Loss)	$(3,731.9)	$252.6	$108.5
Denominator for Diluted Earnings (Loss) per Share			
Weighted-average shares outstanding for basic earnings per share	319.1	309.2	210.4
Effect of dilutive securities:			
Employee stock options and unvested stock grants	–	3.4	1.3
Warrants to purchase ordinary shares	–	2.2	–
Adjusted weighted-average shares and assumed conversions for diluted earnings per share	319.1	314.8	211.7
Basic Earnings (Loss) Per Share			
Income (Loss) Before Extraordinary Items and Cumulative Effect of a Change in Accounting Principle	$ (7.42)	$0.88	$0.51
Gain (Loss) on Extraordinary Items, net of tax	–	(0.06)	0.01
Cumulative Effect of a Change in Accounting Principle	(4.27)	–	–
Net Income (Loss)	$(11.69)	$0.82	$0.52
Diluted Earnings (Loss) Per Share			
Income (Loss) Before Extraordinary Items and Cumulative Effect of a Change in Accounting Principle	$ (7.42)	$0.86	$0.50
Gain (Loss) on Extraordinary Items, net of tax	–	(0.06)	0.01
Cumulative Effect of a Change in Accounting Principle	(4.27)	–	–
Net Income (Loss)	$(11.69)	$0.80	$0.51

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

Note 24—Stock Warrants

In connection with the R&B Falcon merger, the Company assumed the then outstanding R&B Falcon stock warrants. Each warrant enables the holder to purchase 17.5 ordinary shares at an exercise price of $19.00 per share. The warrants expire on May 1, 2009. In 2001, the Company received $10.6 million and issued 560,000 ordinary shares as a result of 32,000 warrants being exercised. At December 31, 2002 there were 261,000 warrants outstanding to purchase 4,567,500 ordinary shares.

Note 25—Quarterly Results (Unaudited)

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

Quarter	First	Second	Third	Fourth
2002				
Operating Revenues	$ 667.9	$646.2	$695.2	$ 664.6
Operating Income (Loss) (a)	142.3	139.0	136.1	(2,727.3)
Income (Loss) Before Cumulative Effect of a Change in Accounting Principle	77.3	80.0	255.2	(2,780.7)
Net Income (Loss) (b)	(1,286.4)	80.0	255.2	(2,780.7)
Basic Earnings (Loss) Per Share				
Income (Loss) Before Cumulative Effect of a Change in Accounting Principle	$ 0.24	$ 0.25	$ 0.80	$ (8.71)
Diluted Earnings (Loss) Per Share				
Income (Loss) Before Cumulative Effect of a Change in Accounting Principle	$ 0.24	$ 0.25	$ 0.79	$ (8.71)
Weighted Average Shares Outstanding				
Shares for basic earnings per share	319.1	319.1	319.2	319.2
Shares for diluted earnings per share	323.1	323.9	328.8	319.2
2001				
Operating Revenues	$ 550.1	$752.2	$770.2	$ 747.6
Operating Income (c)	74.5	178.2	179.8	117.5
Income Before Extraordinary Items	30.5	85.8	97.6	58.0
Net Income (d)	30.5	68.5	97.6	56.0
Basic Earnings Per Share				
Income Before Extraordinary Items	$ 0.11	$ 0.27	$ 0.31	$ 0.19
Diluted Earnings Per Share				
Income Before Extraordinary Items	$ 0.11	$ 0.26	$ 0.30	$ 0.19
Weighted Average Shares Outstanding (e)				
Shares for basic earnings per share	280.6	318.2	318.7	318.7
Shares for diluted earnings per share	285.5	325.0	322.7	322.7

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

(b) First quarter 2002 included a cumulative effect of a change in accounting principle of $1,363.7 million relating to the impairment of goodwill (see Note 2). Third quarter 2002 included a foreign tax benefit of $176.2 million (see Note 15).

(c) First quarter 2001 included two months of operating results for TODCO and the second, third and fourth quarters of 2001 included three months of operating results of TODCO, respectively. Fourth quarter 2001 included impairment charges (see Note 7) and gain on sale of RBF FPSO L.P. (see Note 6).

(d) Second and fourth quarter 2001 included extraordinary losses of $17.3 million and $2.0 million, net of income taxes, respectively, relating to the early retirement of debt.

(e) First quarter 2001 included the weighted-average effect of approximately 106 million ordinary shares issued on January 31, 2001 in the R&B Falcon merger (see Note 4).

Note 26—Subsequent Events (Unaudited)

Initial Public Offering—The Company is continuing with its previously announced plans to divest its Gulf of Mexico Shallow and Inland Water business. Under this plan, the Gulf of Mexico Shallow and Inland Water business would be separated from the Company and established as a publicly traded company. The Company currently anticipates that it will establish TODCO as the entity that owns the business. The Company intends to transfer assets not used in this business from TODCO to its other subsidiaries and these transfers will not affect the consolidated financial statements of Transocean. The Company expects to sell a portion of its interest in TODCO in an initial public offering when market conditions warrant, subject to various factors. Given the current general uncertainty in the equity and natural gas drilling markets, the Company is unsure when the transaction could be completed on terms acceptable to it.

Asset Dispositions—In January 2003, the Company completed the sale of the jackup rig, *RBF 160,* to a third party for net proceeds of $13.0 million and recognized a net after-tax gain on sale of $0.2 million. The proceeds were received in December 2002 and were reflected as deferred income and proceeds from asset sales in the consolidated balance sheet and consolidated statement of cash flow, respectively.

Delta Towing—In January 2003, Delta Towing failed to make its scheduled quarterly interest payment of $1.7 million on the notes receivable. See Note 21. The Company has signed a 90-day waiver on the terms for payment of interest.

Termination of Interest Rate Swaps—In January 2003, the Company terminated the swaps with respect to its 6.75% Senior Notes due April 2005, 6.95% Senior Notes due April 2008 and 9.5% Senior Notes due December 2008. In March 2003, the Company terminated the swaps with respect to its 6.625% Notes due April 2011. See Note 10. As a result of these terminations, the Company received cash proceeds of $173.5 million, net of accrued interest, which will be recognized as a fair value adjustment to long-term debt in the Company's consolidated balance sheet and amortized as a reduction to interest expense over the life of the underlying debt. For the year ended December 31, 2003, the amount to be amortized as an adjustment to interest expense will be approximately $23.1 million.

Foreign Currency—Venezuela has recently implemented foreign exchange controls that limit the Company's ability to convert local currency into U.S. dollars and transfer excess funds out of Venezuela. The Company's drilling contracts in Venezuela typically call for payments to be made in local currency, even when the dayrate is denominated in U.S. dollars. The exchange controls could also result in an artificially high value being placed on the local currency.

ITEM 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

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

PART III

ITEM 10. ***Directors and Executive Officers of the Registrant***

ITEM 11. ***Executive Compensation***

ITEM 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters***

ITEM 13. ***Certain Relationships and Related Transactions***

The information required by Items 10, 11, 12 and 13 is incorporated herein by reference to the Company's definitive proxy statement for its 2003 annual general meeting of shareholders, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 within 120 days of December 31, 2002. Certain information with respect to the executive officers of the Company is set forth in Item 4 of this annual report under the caption "Executive Officers of the Registrant."

ITEM 14. ***Controls and Procedures***

Within the 90 days prior to the date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company’s management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company’s periodic SEC filings. Subsequent to the date of their evaluation, there were no significant changes in the Company's internal controls or in other factors that could significantly affect the internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART IV

ITEM 15. ***Exhibits, Financial Statement Schedules and Reports on Form 8-K***

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

(1) Financial Statements

	Page
Included in Part II of this report:	
Report of Independent Auditors	50
Consolidated Statements of Operations	51
Consolidated Statements of Comprehensive Income (Loss)	52
Consolidated Balance Sheets	53
Consolidated Statements of Equity	54
Consolidated Statements of Cash Flows	55
Notes to Consolidated Financial Statements	57

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

(2) Financial Statement Schedules

Transocean Inc. and Subsidiaries
Schedule II - Valuation and Qualifying Accounts
(In millions)

	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts Describe		Deductions Describe		Balance at End of Period
Year Ended December 31, 2000							
Reserves and allowances deducted from asset Accounts:							
Allowance for doubtful accounts Receivable	$ 27.1	$20.0	$ 0.2	(a)	$23.0	(a)	$24.3
Allowance for obsolete materials and Supplies	23.1	0.3	(0.2)	(c)	(0.1)	(b) (d)	23.3
Year Ended December 31, 2001							
Reserves and allowances deducted from asset Accounts:							
Allowance for doubtful accounts Receivable	24.3	12.0	14.9	(e)	27.0	(a) (g)	24.2
Allowance for obsolete materials and Supplies	23.3	–	9.2	(f)	8.4	(b) (h)	24.1
Year Ended December 31, 2002							
Reserves and allowances deducted from asset Accounts:							
Allowance for doubtful accounts Receivable	24.2	16.6	–		20.0	(a)	20.8
Allowance for obsolete materials and Supplies	$24.1	$ 0.3	$ 0.7	(i)	$ 6.5	(b) (j) (k)	$18.6

(a) Uncollectible accounts receivable written off, net of recoveries.
(b) Obsolete materials and supplies written off, net of scrap.
(c) Amount includes $0.4 related to a write-off to assets held for sale.
(d) Amount includes $0.7 related to reversals of prior year write-offs.
(e) Amount includes $15.0 relating to the allowance for doubtful accounts receivable assumed in the R&B Falcon merger.
(f) Amount includes $8.7 relating to the obsolete materials and supplies inventory assumed in the R&B Falcon merger.
(g) Amount includes $4.9 related to adjustments to the provision.
(h) Amount includes $2.7 related to sale of rigs.
(i) Amount includes $0.4 related to adjustments to the provision.
(j) Amount includes $0.8 related to sale of rigs/inventory.
(k) Amount includes $3.7 related to adjustments to the provision.

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

(3) Exhibits

The following exhibits are filed in connection with this Report:

Number Description

Number	Description
2.1	Agreement and Plan of Merger dated as of August 19, 2000 by and among Transocean Inc., Transocean Holdings Inc., TSF Delaware Inc. and R&B Falcon Corporation (incorporated by reference to Annex A to the Joint Proxy Statement/Prospectus dated October 30, 2000 included in a 424(b)(3) prospectus filed by the Company on November 1, 2000)
2.2	Agreement and Plan of Merger dated as of July 12, 1999 among Schlumberger Limited, Sedco Forex Holdings Limited, Transocean Offshore Inc. and Transocean SF Limited (incorporated by reference to Annex A to the Joint Proxy Statement/Prospectus dated October 27, included in a 424(b)(3) prospectus filed by the Company on November 1, 2000)
2.3	Distribution Agreement dated as of July 12, 1999 between Schlumberger Limited and Sedco Forex Holdings Limited (incorporated by reference to Annex B to the Joint Proxy Statement/Prospectus dated October 27, included in a 424(b)(3) prospectus filed by the Company on November 1, 2000)
2.4	Agreement and Plan of Merger and Conversion dated as of March 12, 1999 between Transocean Offshore Inc. and Transocean Offshore (Texas) Inc. (incorporated by reference to Exhibit 2.1 to the Registration Statement on Form S-4 of Transocean Offshore (Texas) Inc. filed on April 8, 1999 (Registration No. 333-75899))
2.5	Agreement and Plan of Merger dated as of July 10, 1997 among R&B Falcon, FDC Acquisition Corp., Reading & Bates Acquisition Corp., Falcon Drilling Company, Inc. and Reading & Bates Corporation (incorporated by reference to Exhibit 2.1 to R&B Falcon's Registration Statement on Form S-4 dated November 20, 1997)
2.6	Agreement and Plan of Merger dated as of August 21, 1998 by and among Cliffs Drilling Company, R&B Falcon Corporation and RBF Cliffs Drilling Acquisition Corp. (incorporated by reference to Exhibit 2 to R&B Falcon's Registration Statement No. 333-63471 on Form S-4 dated September 15, 1998)
3.1	Memorandum of Association of Transocean Sedco Forex Inc., as amended (incorporated by reference to Annex E to the Joint Proxy Statement/Prospectus dated October 30, 2000 included in a 424(b)(3) prospectus filed by the Company on November 1, 2000)
3.2	Articles of Association of Transocean Sedco Forex Inc., as amended (incorporated by reference to Annex F to the Joint Proxy Statement/Prospectus dated October 30, 2000 included in a 424(b)(3) prospectus filed by the Company on November 1, 2000)
3.3	Certificate of Incorporation on Change of Name to Transocean Inc. (incorporated by reference to Exhibit 3.3 to the Company's Form 10-Q for the quarter ended June 30, 2002)
4.1	Credit Agreement dated as of December 16, 1999 among Transocean Offshore Inc., the Lenders party thereto, and SunTrust Bank, Atlanta, as Agent (incorporated by reference to Exhibit 4.6 to the Company's Form 10-K for the year ended December 31, 1997)
4.2	Indenture dated as of April 15, 1997 between the Company and Texas Commerce Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated April 29, 1997)
4.3	First Supplemental Indenture dated as of April 15, 1997 between the Company and Texas Commerce Bank National Association, as trustee, supplementing the Indenture dated as of April 15, 1997 (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated April 29, 1997)
4.4	Second Supplemental Indenture dated as of May 14, 1999 between the Company and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 4.5 to the Company's Post-Effective Amendment No. 1 to Registration Statement on Form S-3 (Registration No. 333-59001-99))

4.5 Third Supplemental Indenture dated as of May 24, 2000 between the Company and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on May 24, 2000)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.21 Supplement to Warrant Agreement dated January 31, 2001 among Transocean Sedco Forex Inc., R&B Falcon Corporation and American Stock Transfer & Trust Company (incorporated by reference to Exhibit 4.28 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000)

4.22 Registration Rights Agreement dated April 22, 1999 between R&B Falcon and American Stock Transfer & Trust Company (incorporated by reference to Exhibit 4.2 to R&B Falcon's Registration Statement No. 333-81181 on Form S-3 dated June 21, 1999)

4.23 Supplement to Registration Rights Agreement dated January 31, 2001 between Transocean Sedco Forex Inc. and R&B Falcon Corporation (incorporated by reference to Exhibit 4.30 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000)

4.24 Exchange and Registration Rights Agreement dated April 5, 2001 by and between the Company and Goldman, Sachs & Co., as representatives of the initial purchasers (incorporated by reference to the Company's Current Report on Form 8-K dated March 30, 2001)

4.25 Credit Agreement dated as of December 29, 2000 among the Company, the Lenders party thereto, Suntrust Bank, as Administrative Agent, ABN AMRO Bank, N.V., as Syndication Agent, Bank of America, N.A., as Documentation Agent, and Wells Fargo Bank Texas, National Association, as Senior Managing Agent (incorporated by reference to Exhibit 4.32 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000)

4.26 364-Day Credit Agreement dated as of December 27, 2001 among the Company, the Lenders party thereto, Suntrust Bank, as Administrative Agent, ABN AMRO Bank, N.V., as Syndication Agent, Bank of America, N.A., as Documentation Agent, and Wells Fargo Bank Texas, National Association, as Senior Managing Agent (incorporated by reference to Exhibit 4.26 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001)

4.27 Note Agreement dated as of January 30, 2001 among Delta Towing, LLC, as Borrower, R&B Falcon Drilling USA, Inc., as RBF Noteholder and Beta Marine Services, L.L.C., as Beta Noteholder (incorporated by reference to Exhibit 4.35 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000)

4.28 Trust Indenture and Security Agreement dated as of August 12, 1999 between RBF Exploration Co., a Nevada corporation, and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 10.6 to R&B Falcon's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999)

4.29 Supplemental Indenture and Amendment dated as of February 1, 2000 to the Trust Indenture and Security Agreement dated as of August 12, 1999 among RBF Exploration Co., BTM Capital Corporation and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 10.251 to R&B Falcon's Annual Report on Form 10-K for the year ended December 31, 1999)

4.30 Second Supplemental Indenture and Amendment dated as of June 2, 2000 among RBF Exploration Co., BTM Capital Corporation, Nautilus Exploration Limited, R&B Falcon Deepwater (UK) Limited and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 4.30 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001)

4.31 Third Supplemental Indenture and Amendment dated as of February 20, 2001 among RBF Exploration Co., BTM Capital Corporation, RBF Nautilus Corporation, Nautilus Exploration Limited, R&B Falcon Deepwater (UK) Limited and The Chase Manhattan Bank, as trustee (incorporated by reference to Exhibit 4.31 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001)

10.1 Tax Sharing Agreement between Sonat Inc. and Sonat Offshore Drilling Inc. dated June 3, 1993 (incorporated by reference to Exhibit 10-(3) to the Company's Form 10-Q for the quarter ended June 30, 1993)

*10.2 Performance Award and Cash Bonus Plan of Sonat Offshore Drilling Inc. (incorporated by reference to Exhibit 10-(5) to the Company's Form 10-Q for the quarter ended June 30, 1993)

*10.3 Form of Sonat Offshore Drilling Inc. Executive Life Insurance Program Split Dollar Agreement and Collateral Assignment Agreement (incorporated by reference to Exhibit 10-(9) to the Company's Form 10-K for the year ended December 31, 1993)

*10.4 Employee Stock Purchase Plan, as amended and restated effective January 1, 2000 (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 (Registration No. 333-94551) filed January 12, 2000)

*10.5 First Amendment to the Amended and Restated Employee Stock Purchase Plan of Transocean Inc., effective as of January 31, 2001 (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000)

*10.6 Long-Term Incentive Plan of Transocean Inc., as amended and restated effective January 1, 2000 (incorporated by reference to Annex B to the Company's Proxy Statement dated April 3, 2001)

*10.7 First Amendment to the Amended and Restated Long-Term Incentive Plan of Transocean Inc., effective as of January 31, 2001 (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000)

*10.8 Second Amendment to the Amended and Restated Long-Term Incentive Plan of Transocean Inc., effective May 11, 2001 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001)

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

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

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

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

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

*10.14 Employment Agreement dated October 3, 2000 between Jon C. Cole and Transocean Offshore Deepwater Drilling Inc. (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended September 30, 2000)

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

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

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

*10.18 Employment Agreement dated September 26, 2000 between Donald R. Ray and Transocean Offshore Deepwater Drilling Inc. (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q for the quarter ended September 30, 2000)

*10.19 Employment Agreement dated October 8, 2000 between W. Dennis Heagney and Transocean Offshore Deepwater Drilling Inc. (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q for the quarter ended September 30, 2000)

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

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

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

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

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

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

*10.26 1992 Long-Term Incentive Plan of Reading & Bates Corporation (incorporated by reference to Exhibit B to Reading & Bates' Proxy Statement dated April 27, 1992)

*10.27 1995 Long-Term Incentive Plan of Reading & Bates Corporation (incorporated by reference to Exhibit 99.A to Reading & Bates' Proxy Statement dated March 29, 1995)

*10.28 1995 Director Stock Option Plan of Reading & Bates Corporation (incorporated by reference to Exhibit 99.B to Reading & Bates' Proxy Statement dated March 29, 1995)

*10.29 1997 Long-Term Incentive Plan of Reading & Bates Corporation (incorporated by reference to Exhibit 99.A to Reading & Bates' Proxy Statement dated March 18, 1997)

*10.30 1998 Employee Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.A to R&B Falcon's Proxy Statement dated April 23,1998)

*10.31 1998 Director Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.B to R&B Falcon's Proxy Statement dated April 23,1998)

*10.32 1999 Employee Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.A to R&B Falcon's Proxy Statement dated April 13, 1999)

*10.33 1999 Director Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.B to R&B Falcon's Proxy Statement dated April 13, 1999)

10.34 Memorandum of Agreement dated November 28, 1995 between Reading and Bates, Inc., a subsidiary of Reading & Bates Corporation, and Deep Sea Investors, L.L.C. (incorporated by reference to Exhibit 10.110 to Reading & Bates' Annual Report on Form 10-K for 1995)

10.35 Amended and Restated Bareboat Charter dated July 1, 1998 to Bareboat Charter M. G. Hulme, Jr. dated November 28, 1995 between Deep Sea Investors, L.L.C. and Reading & Bates Drilling Co., a subsidiary of Reading & Bates Corporation (incorporated by reference to Exhibit 10.177 to R&B Falcon's Annual Report on Form 10-K for the year ended December 31, 1998)

10.36 Limited Liability Company Agreement dated October 28, 1996 between Conoco Development Company and RB Deepwater Exploration Inc. (incorporated by reference to Exhibit 10.162 to Reading & Bates' Annual Report on Form 10-K for the year ended December 31, 1996)

10.37 Amendment No. 1 dated February 7, 1997 to Limited Liability Company Agreement dated October 28, 1996 between Conoco Development Company and RB Deepwater Exploration Inc. (incorporated by reference to Exhibit 10.183 to R&B Falcon's Annual Report on Form 10-K for the year ended December 31, 1998)

10.38 Amendment No. 2 dated April 30, 1997 to Limited Liability Company Agreement dated October 28, 1996 between Conoco Development Company and RB Deepwater Exploration Inc. (incorporated by reference to Exhibit 10.184 to R&B Falcon's Annual Report on Form 10-K for the year ended December 31, 1998)

10.39 Amendment No. 3 dated April 24, 1998 to Limited Liability Company Agreement dated October 28, 1996 between Conoco Development Company and RB Deepwater Exploration Inc. (incorporated by reference to Exhibit 10.185 to R&B Falcon's Annual Report on Form 10-K for the year ended December 31, 1998)

10.40 Amendment No. 4 dated August 7, 1998 to Limited Liability Company Agreement dated October 28, 1996 between Conoco Development Company and RB Deepwater Exploration Inc. (incorporated by reference to Exhibit 10.186 to R&B Falcon's Annual Report on Form 10-K for the year ended December 31, 1998)

10.41 Participation Agreement dated as of July 30, 1998 among Deepwater Drilling L.L.C., Deepwater Investment Trust 1998-A, Wilmington Trust FSB and other Financial Institutions, as Certificate Purchasers, and RBF Deepwater Exploration Inc. and Conoco Development Company solely with respect to Sections 5.2 and 6.4 (incorporated by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001)

10.42 Limited Liability Company Agreement dated April 30, 1997 between Conoco Development II Inc. and RB Deepwater Exploration II Inc. (incorporated by reference to Exhibit 10.159 to R&B Falcon's Annual Report on Form 10-K for the year ended December 31, 1997)

10.43 Amendment No. 1 dated April 24, 1998 to Limited Liability Company Agreement dated April 30, 1997 between Conoco Development II Inc. and RB Deepwater Exploration II Inc. (incorporated by reference to Exhibit 10.188 to R&B Falcon's Annual Report on Form 10-K for the year ended December 31, 1998)

10.44 Guaranty, dated as of July 30, 1998, made by R&B Falcon in favor of the Deepwater Investment Trust 1998-A, Wilmington Trust FSB, not in its individual capacity, but solely as Investment Trustee, Wilmington Trust Company, not in its individual capacity, except as specified herein, but solely as Charter Trustee, BA Leasing & Capital Corporation, as Documentation Agent, ABN Amro Bank N.V., as Administrative Agent, The Bank of Nova Scotia, as Syndication Agent, BA Leasing & Capital Corporation, ABN Amro Bank N.V., Bank Austria Aktiengesellschaft New York Branch, The Bank of Nova Scotia, Bayerische Vereinsbank AG New York Branch, Commerzbank Aktiengesellschaft, Atlanta Agency, Credit Lyonnais New York Branch, Great-West Life and Annuity Insurance Company, Mees Pierson Capital Corporation, Westdeutsche Landesbank Girozentrale, New York Branch, as Certificate Purchasers, and ABN Amro Bank, N.V., Bank of America National Trust and Savings Association and The Bank of Nova Scotia, New York Branch, as Swap Counterparties, and the other parties named therein (incorporated by reference to Exhibit 10.1 to R&B Falcon's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998)

10.45 Letter agreement dated as of August 7, 1998 between RBF Deepwater Exploration Inc., an indirect subsidiary of R&B Falcon, and Conoco Development Company and Acknowledgment by Conoco Inc. and R&B Falcon

(incorporated by reference to Exhibit 10.2 to R&B Falcon's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998)

10.46 Letter agreement dated as of August 7, 1998 between RBF Deepwater Exploration Inc., an indirect subsidiary of R&B Falcon, and Conoco Development Company and Acknowledgment by Conoco Inc. and R&B Falcon (incorporated by reference to Exhibit 10.3 to R&B Falcon's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998)

10.47 Amended and Restated Participation Agreement dated as of December 18, 2001 among Deepwater Drilling II L.L.C., Deepwater Investment Trust 1999-A, Wilmington Trust FSB, Wilmington Trust Company and other Financial Institutions, as Certificate Purchasers, solely with respect to Sections 2.15, 9.4, 12.13(b) and 12.13(d) Transocean Sedco Forex Inc. and Conoco Inc., and solely with respect to Sections 5.2 and 6.4, RBF Deepwater Exploration II Inc. and Conoco Development II Inc. (incorporated by reference to Exhibit 10.43 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001)

10.48 Appendix 1 to Amended and Restated Participation Agreement dated as of December 18, 2001 (incorporated by reference to Exhibit 10.44 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001)

10.49 Agreement dated as of August 31, 1991 among Reading & Bates, Arcade Shipping AS and Sonat Offshore Drilling, Inc. (incorporated by reference to Exhibit 10.40 to Reading & Bates' Annual Report on Form 10-K for the year ended December 30, 1991)

*10.50 Separation Agreement dated as of December 21, 2001 by and between Transocean Offshore Deepwater Drilling Inc. and W. Dennis Heagney (incorporated by reference to Exhibit 10.46 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001)

*10.51 Separation Agreement dated as of July 23, 2002 by and between Transocean Offshore Deepwater Drilling Inc. and Jon C. Cole (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended June 30, 2002)

†21 Subsidiaries of the Company

†23.1 Consent of Ernst & Young LLP

†24 Powers of Attorney

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*Compensatory plan or arrangement.
†Filed herewith.

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

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

Reports on Form 8-K

The Company filed a Current Report on Form 8-K on October 10, 2002 announcing senior management appointments, a Current Report on Form 8-K on October 29, 2002 (information furnished not filed) announcing that the updated "Monthly Fleet Report" was available on the Company's website and a Current Report on Form 8-K on November 26, 2002 (information furnished not filed) announcing that the updated “Monthly Fleet Report” was available on the Company’s website.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized, on March 25, 2003.

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

Gregory L. Cauthen
Senior Vice President, Chief Financial Officer and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated on March 25, 2003

Signature	Title
/s/ J. Michael Talbert **J. Michael Talbert**	Chairman of the Board of Directors
/s/ Robert L. Long **Robert L. Long**	President and Chief Executive Officer (Principal Executive Officer)
/s/ Gregory L. Cauthen **Gregory L. Cauthen**	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)
/s/ Ricardo H. Rosa **Ricardo H. Rosa**	Vice President and Controller (Principal Accounting Officer)
* **Victor E. Grijalva**	Director
* **Ronald L. Kuehn, Jr.**	Director
* **Arthur Lindenauer**	Director
* **Paul B. Loyd, Jr.**	Director
* **Martin B. McNamara**	Director
* **Roberto Monti**	Director

Signature	**Title**
* **Richard A. Pattarozzi**	Director
* **Alain Roger**	Director
* **Kristian Siem**	Director
* **Ian C. Strachan**	Director

By /s/ William E. Turcotte
William E. Turcotte
(Attorney-in-Fact)

CERTIFICATIONS

Principal Executive Officer

I, Robert L. Long, certify that:

1. I have reviewed this annual report on Form 10-K of Transocean Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 25, 2003

/s/ Robert L. Long
Robert L. Long
President and Chief Executive Officer

Principal Financial Officer

I, Gregory L. Cauthen, certify that:

1. I have reviewed this annual report on Form 10-K of Transocean Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 25, 2003

/s/ Gregory L. Cauthen
Gregory L. Cauthen
Senior Vice President, Chief Financial Officer and Treasurer

BOARD OF DIRECTORS

J. Michael Talbert
Chairman
Transocean Inc.
Houston, Texas

Victor E. Grijalva
Chairman
Hanover Compressor Company
Houston, Texas

Ronald L. Kuehn, Jr.
Chairman and Chief Executive Officer
El Paso Corporation
Houston, Texas

Arthur Lindenauer
Chairman
Schlumberger Technology Corporation
Houston, Texas

Robert L. Long
President and Chief Executive Officer
Transocean Inc.
Houston, Texas

Paul B. Loyd, Jr.
Former Chairman
R&B Falcon Corporation
Houston, Texas

Martin B. McNamara
Partner-In-Charge
Gibson, Dunn & Crutcher, LLP
Dallas, Texas

Roberto L. Monti
Retired Executive Vice President
Exploration and Production
Repsol YPF
Buenos Aires, Argentina

Richard A. Pattarozzi
Retired Shell Oil Company Executive
Metairie, Louisiana

Alain Roger
Retired Schlumberger Limited Executive
La Foret, Fouesnant, France

Kristian Siem
Chairman and Chief Executive Officer
Siem Industries, Inc.
Hamilton, Bermuda

Ian C. Strachan
Chairman
Instinet Group Incorporated
New York, New York

EXECUTIVE OFFICERS

J. Michael Talbert
Chairman

Robert L. Long
President and Chief Executive Officer

Jean P. Cahuzac
Executive Vice President and Chief Operating Officer

Donald R. Ray
Executive Vice President, Quality, Health, Safety and Environment

Eric B. Brown
Senior Vice President, General Counsel and Corporate Secretary

Gregory L. Cauthen
Senior Vice President, Chief Financial Officer and Treasurer

Barbara S. Koucouthakis
Vice President and Chief Information Officer

Ricardo H. Rosa
Vice President and Controller

Tim Juran
Vice President, Human Resources

Michael I. Unsworth
Vice President, Marketing

Jan Rask
President and Chief Executive Officer, TODCO

CORPORATE INFORMATION

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Transocean Inc.
4 Greenway Plaza
Houston, Texas 77046
713.232.7500

Internet Address: http://www.deepwater.com

Transfer Agent and Registrar
The Bank of New York
P.O. Box 11258
Church Street Station
New York, New York 10286
1.877.397.7229

Internet Address: http://www.stockbny.com

E-mail Address: shareowner-svcs@bankofny.com

Direct Purchase Plan

The Bank of New York, the Transfer Agent for Transocean Inc., offers a Direct Purchase and Sale Plan for the ordinary shares of Transocean Inc. called BuyDirect. For more information on the Plan, including a complete enrollment package, please contact The Bank of New York at 1.877.397.7229.

Auditors

Ernst & Young LLP
Houston, Texas

Stock Exchange Listing

Transocean Inc. ordinary shares are listed on the New York Stock Exchange (NYSE) under the symbol RIG. The following table sets forth the high and low sales prices of the company's ordinary shares for the periods indicated, as reported on the NYSE Composite Tape.

Price (in U.S. dollars)	HIGH	LOW
2001		
First Quarter	*54.50*	*40.00*
Second Quarter	*57.69*	*40.35*
Third Quarter	*41.98*	*23.05*
Fourth Quarter	*34.22*	*24.20*
2002		
First Quarter	*34.66*	*26.51*
Second Quarter	*39.33*	*30.00*
Third Quarter	*31.75*	*19.60*
Fourth Quarter	*25.89*	*18.10*

Financial Information

Financial analysts and shareholders desiring information about Transocean Inc. should write to the Investor Relations and Corporate Communications Department or call 713.232.7694. Information may also be obtained by visiting the company's website at http://www.deepwater.com.

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Houston, TX 77046
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