TRANSOCEAN INC
Form 424B5
September 11, 2012

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FEE TABLE

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Maximum Aggregate Offering Price	Amount of Registration Fee
2.500% Senior Notes due 2017	$750,000,000	99.714%	$85,950
3.800% Senior Notes due 2022	$750,000,000	99.309%	$85,950
Total	$1,500,000,000		$171,900

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-169401

Prospectus Supplement to Prospectus dated September 16, 2010.

$1,500,000,000

$750,000,000 2.500% Senior Notes due 2017
$750,000,000 3.800% Senior Notes due 2022

**Fully and Unconditionally Guaranteed by
Transocean Ltd.**

Transocean Inc. will pay interest on each series of notes semi-annually on April 15 and October 15 of each year, commencing on April 15, 2013. The interest rate on the notes of each series may be adjusted under the circumstances described in this prospectus supplement under "Description of the Notes and Guarantees Interest Rate Adjustment." The notes are unsecured and will rank equally with all of Transocean Inc.'s existing and future unsecured and unsubordinated debt. The due and punctual payment of the principal of, premium, if any, interest on and all other amounts due under the notes will be fully and unconditionally guaranteed by Transocean Ltd. The guarantees will rank equally with all other unsecured indebtedness of Transocean Ltd. The notes will be issued only in denominations of $1,000 and integral multiples of $1,000.

Transocean Inc. may redeem all or part of either series of the notes at any time prior to maturity at prices described under "Description of the Notes and Guarantees Optional Redemption."

See "Risk Factors" beginning on page S-8 of this prospectus supplement and on page 3 of the accompanying prospectus to read about factors you should consider before buying the notes.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Public Offering Price		Underwriting Discount		Proceeds, Before Expenses, to Us	
	Per Note	**Total**	**Per Note**	**Total**	**Per Note**	**Total**
2.500% Senior Notes due 2017	99.714%	$ 747,855,000	0.60%	$ 4,500,000	99.114%	$ 743,355,000
3.800% Senior Notes due 2022	99.309%	$ 744,817,500	0.65%	$ 4,875,000	98.659%	$ 739,942,500
Total		$ 1,492,672,500		$ 9,375,000		$ 1,483,297,500

The initial public offering price set forth above does not include accrued interest, if any. Interest on the notes will accrue from September 13, 2012 and must be paid by the purchasers if the notes are delivered after September 13, 2012.

The underwriters expect to deliver the notes through the facilities of The Depository Trust Company against payment in New York, New York on September 13, 2012.

Joint Book-Running Managers

Barclays
Citigroup
J.P. Morgan
Wells Fargo Securities
BofA Merrill Lynch
DNB Markets

Co-Managers

Credit Agricole CIB
Credit Suisse
Mitsubishi UFJ Securities
Morgan Stanley
Standard Chartered Bank

Prospectus Supplement dated September 10, 2012.

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Transocean Inc. and Transocean Ltd. have not authorized anyone to provide you with information other than the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. This prospectus is an offer to sell only the notes offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus is current only as of its date.

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of the notes and adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus, gives more general information, some of which does not apply to the notes offered hereby. If the description of the notes varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

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The notes will not be listed on the SIX Swiss Exchange and, therefore, this prospectus supplement has been prepared without regard to the disclosure standards of the listing rules (including any additional Listing Rules or prospectus schemes) of the SIX Swiss Exchange. The notes will not be publicly offered in Switzerland and, therefore, this prospectus supplement has been prepared without regard to the disclosure standards for issuance prospectuses under article 652a or article 1156 of the Swiss Code of Obligations. Neither this document nor any other offering or marketing material relating to these securities or the offering may be publicly distributed or otherwise made publicly available in Switzerland. This document has not been and will not be filed with or approved by any Swiss regulatory authority. In particular, this document has not and will not be filed with the Swiss Financial Market Supervisory Authority FINMA.

This communication is only being distributed to and is only directed at (1) persons who are outside the United Kingdom or (2) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (3) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Correction of Errors in Previously Reported Consolidated Financial Statements

As previously disclosed in Note 4 to the unaudited condensed consolidated financial statements included in Transocean Ltd.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, we identified an error in our previously issued financial statements for the year ended December 31, 2011 and the three months ended March 31, 2012 related to the recognition of assets for insurance recoveries related to legal and other costs, which we have concluded should not have been recorded because they were not probable of recovery. In addition to the adjustments in 2011 and 2012 related to the assets for insurance recoveries, we recorded other adjustments related to the years ended December 31, 2011 and 2010 and the three months ended March 31, 2012 to correct for errors for repair and maintenance costs, income taxes, discontinued operations, and the allocation of net income attributable to noncontrolling interest. Upon assessing the materiality of these errors in accordance with the Securities and Exchange Commission's ("SEC") Staff Accounting Bulletins Nos. 99 and 108, we determined that these errors, collectively, were immaterial to the prior year financial statements. Since the correction of prior financial statements for immaterial errors does not require our previously filed reports to be amended, the audited consolidated financial statements included in Transocean Ltd.'s Annual Report on Form 10-K for the year ended December 31, 2011 and the unaudited quarterly condensed consolidated financial statements included in Transocean Ltd.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, both of which are also incorporated by reference in this prospectus supplement and the accompanying prospectus, have not been corrected for these errors.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements included in this prospectus supplement and the documents incorporated by reference in the accompanying prospectus 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, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements include, but are not limited to, statements about the following subjects:

the impact of the Macondo well incident and related matters,

the impact of the Brazil Frade field incident and related matters,

our results of operations and cash flow from operations, including revenues and expenses,

the offshore drilling market, including the impact of enhanced regulations in the jurisdictions in which we operate, supply and demand, utilization rates, dayrates, customer drilling programs, commodity prices, stacking of rigs, reactivation of rigs, effects of new rigs on the market and effects of declines in commodity prices and the downturn in the global economy or market outlook for our various geographical operating sectors and classes of rigs,

customer contracts, including contract backlog, force majeure provisions, contract commencements, contract extensions, contract terminations, contract option exercises, contract revenues, contract awards and rig mobilizations,

liquidity and adequacy of cash flows for our obligations,

debt levels, including impacts of the financial and economic downturn,

uses of excess cash, including the payment of dividends and other distributions and debt retirement,

newbuild, upgrade, shipyard and other capital projects, including completion, delivery and commencement of operation dates, expected downtime and lost revenue, the level of expected capital expenditures and the timing and cost of completion of capital projects,

the cost, timing and integration of acquisitions and the proceeds and timing of dispositions, including the sale of the Standard Jackups and the swamp barge as described under "Summary Recent Developments Standard Jackup Divestiture",

tax matters, including our effective tax rate, changes in tax laws, treaties and regulations, tax assessments and liabilities for tax issues, including those associated with our activities in Brazil, Norway and the United States ("U.S."),

legal and regulatory matters, including results and effects of legal proceedings and governmental audits and assessments, outcomes and effects of internal and governmental investigations, customs and environmental matters,

insurance matters, including adequacy of insurance, renewal of insurance, insurance proceeds and cash investments of our wholly owned captive insurance company,

effects of accounting changes and adoption of accounting policies, and

investments in recruitment, retention and personnel development initiatives, pension plan and other postretirement benefit plan contributions, the timing of severance payments and benefit payments.

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Forward-looking statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus are identifiable by use of the following words and other similar expressions, among others:

"anticipates"	"may"
"believes"	"might"
"budgets"	"plans"
"could"	"predicts"
"estimates"	"projects"
"expects"	"scheduled"
"forecasts"	"should"
"intends"	

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

- those described under "Risk Factors" in this prospectus supplement and the accompanying prospectus and in Transocean Ltd.'s filings with the SEC,
- the adequacy of and access to sources of liquidity,
- our inability to obtain contracts for our rigs that do not have contracts,
- our inability to renew contracts at comparable dayrates,
- operational performance,
- the impact of regulatory changes,
- the cancellation of contracts currently included in our reported contract backlog,
- increased political and civil unrest,

- the effect and results of litigation, regulatory matters, settlements, audits, assessments and contingencies, and

- other factors discussed in this prospectus supplement, the accompanying prospectus and in Transocean Ltd.'s filings with the SEC, which are available free of charge on the SEC's website at *www.sec.gov*. Information on Transocean Ltd.'s website or any other website is not incorporated by reference in this prospectus supplement or the accompanying prospectus and does not constitute a part of this prospectus supplement or the accompanying prospectus.

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

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

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WHERE YOU CAN FIND MORE INFORMATION

Transocean Ltd. files annual, quarterly and current reports, proxy statements and other information with the SEC. You can read and copy these materials at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information about the operation of the SEC's public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains information Transocean Ltd. has filed electronically with the SEC, which you can access over the Internet at *www.sec.gov*. You can also obtain information about Transocean Ltd. at the offices of the NYSE Euronext, 11 Wall Street, 5th Floor, New York, New York 10005.

Transocean Ltd.'s website is located at *www.deepwater.com*. Transocean Ltd.'s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings with the SEC are available, free of charge, through its website, as soon as reasonably practicable after those reports or filings are electronically filed with or furnished to the SEC. Information on Transocean Ltd.'s website or any other website is not incorporated by reference in this prospectus supplement or the accompanying prospectus and does not constitute a part of this prospectus supplement or the accompanying prospectus.

This prospectus supplement and the accompanying prospectus are part of a registration statement Transocean Ltd. and Transocean Inc. have filed with the SEC relating to the securities the issuers may offer. As permitted by SEC rules, this prospectus supplement and the accompanying prospectus do not contain all of the information included in the registration statement and the accompanying exhibits and schedules. You may refer to the registration statement, exhibits and schedules for more information about Transocean Ltd., Transocean Inc. and the securities. The registration statement, exhibits and schedules are available at the SEC's public reference room or through its website.

The SEC allows the issuers to "incorporate by reference" the information Transocean Ltd. has filed with it, which means that the issuers can disclose important information to you by referring you to those documents. The information the issuers incorporate by reference is an important part of this prospectus supplement, and later information that Transocean Ltd. files with the SEC will automatically update and supersede this information. Transocean Ltd. and Transocean Inc. incorporate by reference the documents listed below and any future filings Transocean Ltd. makes with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act (other than information "furnished" and not "filed" with the SEC, unless the issuers specifically provide that such "furnished" information is to be incorporated by reference) after the date of this prospectus supplement and until all of the notes offered hereby are sold. The documents the issuers incorporate by reference are:

- Transocean Ltd.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2011, as amended by Transocean Ltd.'s Annual Report on Form 10-K/A filed with the SEC on March 9, 2012;

- Transocean Ltd.'s Quarterly Reports on Form 10-Q for the periods ended March 31, 2012 and June 30, 2012; and

- Transocean Ltd.'s Current Reports on Form 8-K filed with the SEC on January 10, 2012, January 23, 2012, January 25, 2012, February 23, 2012, February 29, 2012, March 30, 2012, April 3, 2012, May 7, 2012, May 21, 2012, June 5, 2012, July 2, 2012 and September 10, 2012.

You may request a copy of these filings, other than an exhibit to these filings unless the issuers have specifically incorporated that exhibit by reference into the filing, at no cost, by writing or calling:

Transocean Ltd.
c/o Transocean Offshore Deepwater Drilling Inc.
4 Greenway Plaza
Houston, Texas 77046
Attention: Vice President, Investor Relations and Communications
Telephone: (713) 232-7500

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ENFORCEABILITY OF CIVIL LIABILITIES AGAINST FOREIGN PERSONS

Transocean Inc. is a Cayman Islands exempted company and Transocean Ltd. is a Swiss corporation. Certain of their respective officers and directors may be residents of various jurisdictions outside the U.S. All or a substantial portion of the assets of Transocean Inc. and Transocean Ltd. and the assets of these persons may be located outside the U.S. As a result, it may be difficult for investors to effect service of process within the U.S. upon these persons or to enforce any U.S. court judgment obtained against these persons that is predicated upon the civil liability provisions of U.S. federal securities laws. Transocean Inc. has agreed to be served with process with respect to actions based on offers and sales of the notes. To bring a claim against Transocean Inc., you may serve Transocean Ltd.'s Corporate Secretary, c/o Transocean Offshore Deepwater Drilling Inc., 4 Greenway Plaza, Houston, Texas 77046, the U.S. agent appointed for that purpose.

Ogier, Transocean Inc.'s Cayman Islands legal counsel, has advised Transocean Inc. that it is uncertain that Cayman Islands courts would enforce (1) judgments of U.S. courts obtained in actions against Transocean Inc. or other persons that are predicated upon the civil liability provisions of the U.S. federal securities laws or (2) original actions brought against Transocean Inc. or other persons predicated upon the Securities Act. There is no treaty between the United States and the Cayman Islands providing for enforcement of judgments, and there are grounds upon which Cayman Islands courts may not enforce judgments of U.S. courts. In general, Cayman Islands courts would not enforce any remedies if they are deemed to be penalties, fines, taxes or similar remedies.

Homburger AG, Transocean Ltd.'s Swiss legal counsel, has advised Transocean Ltd. that it is uncertain that Swiss courts would enforce (1) judgments of U.S. courts obtained in actions against Transocean Ltd. or other persons that are predicated upon the civil liability provisions of U.S. federal securities laws or (2) original actions brought against Transocean Ltd. or other persons predicated upon the Securities Act. The enforceability in Switzerland of a foreign judgment rendered against Transocean Ltd. or such other persons is subject to the limitations set forth in such international treaties by which Switzerland is bound and the Swiss Federal Private International Law Act. In particular, and without limitation to the foregoing, a judgment rendered by a foreign court may only be enforced in Switzerland if:

- such foreign court had jurisdiction,
- such judgment has become final and nonappealable,
- the court procedures leading to such judgment followed the principles of due process of law, including proper service of process, and
- such judgment does not violate Swiss law principles of public policy.

In addition, enforceability of a judgment by a non-Swiss court in Switzerland may be limited if Transocean Ltd. can demonstrate that it or such other persons were not effectively served with process.

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SUMMARY

This summary may not contain all of the information that is important to you. You should read this entire prospectus supplement and the accompanying prospectus, including the documents incorporated by reference, before making an investment decision. In sections of this prospectus supplement that describe the business of Transocean Ltd., when we use the terms "we," "us" or "our," we are referring to Transocean Ltd. together with its consolidated subsidiaries and predecessors, the term "Transocean Ltd." means Transocean Ltd. only, and the term "Transocean Inc." means Transocean Inc. only, unless the context otherwise requires. Transocean Inc. is a direct, wholly owned subsidiary of Transocean Ltd.

About Transocean Inc.

Transocean Inc. is a direct, wholly owned subsidiary of Transocean Ltd. Substantially all of our operations are conducted through subsidiaries of Transocean Inc. We also conduct operations through Transocean Services AS, a direct, wholly owned subsidiary of Transocean Ltd.

Transocean Inc.'s principal executive offices are located at 70 Harbour Drive, Grand Cayman, Cayman Islands KY1-1003, and its telephone number at that address is (345) 745-4500.

About Transocean Ltd.

Transocean Ltd., through its subsidiaries, is a leading international provider of offshore contract drilling services for oil and gas wells. We specialize in technically demanding sectors of the global offshore drilling business with a particular focus on deepwater and harsh environment drilling services, and believe that we operate one of the most versatile offshore drilling fleets in the world.

At September 10, 2012, we own or have partial ownership interests in, and operate a fleet of, 115 mobile offshore drilling units consisting of 48 High-Specification Floaters (Ultra-Deepwater, Deepwater and Harsh-Environment drilling rigs), 25 Midwater Floaters, nine High-Specification Jackups, 32 Standard Jackups and one swamp barge. Included in the 115 drilling units, we have 32 Standard Jackups and one swamp barge classified as discontinued operations. An additional 12 Standard Jackups, including five Standard Jackups described under "Recent Developments Standard Jackup Divestiture", have been classified as held for sale. We have two Ultra-Deepwater Drillships and three High-Specification Jackups under construction.

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

Transocean Ltd. is a Swiss corporation with its registered office at Turmstrasse 30, CH-6300 Zug, Switzerland, and its principal executive offices located at Chemin de Blandonnet 10, CH-1214 Vernier, Switzerland. Transocean Ltd.'s telephone number at that address is +41 22 930 9000. Transocean Ltd.'s shares are listed on the New York Stock Exchange under the symbol "RIG" and on the SIX Swiss Exchange under the symbol "RIGN."

Recent Developments

Potential Newbuild Drillships. We are currently in discussions with a major integrated international oil company for the construction of four dynamically-positioned, Ultra-Deepwater drillships. These newbuilds are expected to be of an enhanced DSME 12000 design and are expected to feature our patented dual-activity drilling technology with industry-leading hoisting capacity. Each newbuild is

expected to be able to operate in water depths of up to 12,000 feet and drill wells up to 40,000 feet, and is anticipated to incorporate enhanced well completion capabilities. Each newbuild is also expected to be equipped with a second blow-out preventer system, or BOP, expected to reduce the customer's non-productive time. Each newbuild is also expected to be outfitted to accommodate a future upgrade to a 20,000 psi BOP system when such advanced subsea technology is developed.

We contemplate that each newbuild would be contracted with the customer for a term of 10 years. These contracts, which are expected to commence in 2015 and 2016 following shipyard construction and mobilization, would contribute an estimated total backlog of $7.6 billion, excluding mobilization. The capital investment for these four newbuilds is estimated at $3.0 billion, excluding capitalized interest.

We are also in discussions, subject to mutual agreement between us and the customer, to enter into alternative arrangements, such as a joint venture with the customer that would own the newbuilds, whereby the customer would provide a portion of the financing for the newbuilds (and the customer would participate in profits from the newbuilds under such an alternative arrangement). We have not entered into any binding agreements with respect to the drilling services for the customer, the newbuilds, the construction of the newbuilds or the alternative financing arrangements, and there can be no assurance that we will enter into any transaction on the terms described above or at all.

Macondo Well Update. We have had discussions with the U.S. Department of Justice seeking to resolve certain civil and criminal claims of the United States related to the Macondo incident for $1.5 billion over a period of years. The parties have been unable to come to an agreement on a settlement. There are a number of issues that the parties would need to resolve in order to reach any settlement, including whether such settlement would include or exclude claims under the Natural Resource Damage Assessment Process under the Oil Pollution Act of 1990, the time period for payment, and the factual basis of a plea. If we were to enter into a settlement including such payment terms, we would not expect that any incremental charge to earnings related to any such settlement would be required over our previously announced $2.0 billion reserve for Macondo-related claims. There can be no assurance that the parties will enter into agreements on the terms described or at all, nor any assurance regarding the timing of such agreements, the effect of such agreements on other claims arising out of the Macondo incident or that any court approvals required as conditions of such agreements will be obtained. See "Risk Factors Risks related to our business Compliance with or breach of environmental laws can be costly and could limit our operations" in Transocean Ltd.'s Annual Report on Form 10-K for the year ended December 31, 2011.

Shortly prior to the February 2012 announcement of the settlement between BP America Production Co. ("BP") and the Plaintiff's Steering Committee ("PSC"), BP proposed a settlement to us. Later that month, but before the announcement of the preliminary BP/PSC settlement, we suggested a settlement of all claims of the plaintiffs represented by the PSC. The PSC responded with a settlement proposal. We made no counterproposal to either BP or the PSC after receiving their respective proposals.

There have been no settlement discussions with either the PSC or BP since February 2012. The settlement amounts proposed by both BP and the PSC were each far in excess of the amount contemplated by our current settlement discussions with the Department of Justice. Both of these proposed amounts also far exceeded the amounts we had been willing to consider for a settlement with either the PSC or BP.

Brazil Frade Field Update. On August 28, 2012, the federal court in Rio de Janeiro affirmed a preliminary injunction against us and Chevron. While the terms of the preliminary injunction have been published by the court, the federal court in Rio de Janeiro has not yet served us with the injunction itself. The terms of the preliminary injunction require us to cease conducting extraction or transportation activities in Brazil within 30 calendar days from the date of service. We intend to vigorously pursue the overturning or suspension of this preliminary injunction. While we cannot predict

or provide assurance as to the final outcome of these proceedings, if the preliminary injunction is upheld, it could have a material adverse effect on our future consolidated statement of financial position, results of operations or cash flows. For both the year ended December 31, 2011 and the six months ended June 30, 2012, our operations in Brazil accounted for 11 percent of our consolidated operating revenues.

Standard Jackup Divestiture. As part of our asset strategy to increase our focus on High-Specification Floaters and Jackups, on September 9, 2012 we entered into definitive agreements with Shelf Drilling International Holdings, Ltd. to sell in a series of related transactions 37 Standard Jackups, including the *GSF Baltic*, and one swamp barge. Of the 38 drilling units, 31 are operating, five are stacked and two are being reactivated. The aggregate sales price is approximately $1.05 billion, including seller financing of $195 million, and is subject to certain working capital and other adjustments. The seller financing consists of perpetual preference shares in the parent company of Shelf Drilling International that will be entitled to dividends that are cumulative and payable in kind at 10% per annum, generally subject to adjustments escalating up to 14% over time, and are subject to mandatory redemption upon certain specified events, including an initial public offering or change of control of Shelf Drilling International. The agreements relating to the transactions contemplate termination fee payments by both parties in the event that, under specified circumstances, the transactions are not consummated. The transactions are expected to close in the fourth quarter of 2012, subject to certain conditions. The parent company of Shelf Drilling International is a newly formed company sponsored equally by Castle Harlan, Inc., Lime Rock Partners and CHAMP Private Equity and Shelf Drilling International is a newly formed company that will own these drilling units.

Upon completion of such transactions on the terms described above, we expect to recognize a loss on the overall transactions, and we expect such loss to be significant. As of June 30, 2012, the aggregate carrying amount of the long-lived assets included in the sale transactions was approximately $1.4 billion. The sales price includes approximately $200 million related to the net current assets associated with the transactions. Our total aggregate consolidated goodwill as of June 30, 2012 was $3.1 billion, a portion of which is expected to be allocated to the group to be disposed of in the transactions based upon the disposal group's fair value relative to our fair value. Additionally, we expect to incur between $120 million and $140 million of tax, personnel-related and other transaction costs associated with the transactions. We also have agreed to provide transition and other services to the purchasers in the transactions and the costs to us of providing such services may exceed the amounts we receive as compensation for providing such services.

Additionally, in the third quarter of 2012 we have committed to discontinue operations in the Standard Jackup and swamp barge markets. As a result, we would also reclassify our seven remaining stacked Standard Jackups to assets held for sale in September 2012. As of June 30, 2012, the aggregate carrying amount of the seven remaining Standard Jackups was approximately $165 million.

Market Update. As of September 5, 2012, estimated backlog associated with new contracts as compared to our most recently published estimates is approximately $1.4 billion primarily associated with contracts for two Ultra-Deepwater Floaters and a Midwater Floater.

We currently expect estimated out of service days to increase by approximately 50 days in 2012 and 210 days in 2013, as compared to our most recently published estimates of the out of service days as of July 18, 2012. The increase in 2012 out of service days is primarily due to unexpected repairs on a Harsh Environment semisubmersible. With respect to 2013 out of service days, approximately 50% is due to the acceleration of a shipyard from 2014 and approximately 30% is due to shipyard scope changes. Changes in estimated planned out of service time are based on a variety of factors, some of which are not within our control, including (1) modifications or upgrades to a rig as a result of contract or regulatory requirements, (2) performance of our significant suppliers, (3) changes in customers'

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operating schedules, and (4) changes to scheduled shipyards, surveys, repairs and regulatory inspections or other scheduled service or work on the rig.

Appointment of Esa Ikäheimonen as Chief Financial Officer. On September 9, 2012, we announced that Esa Ikäheimonen will succeed Gregory L. Cauthen as Executive Vice President and Chief Financial Officer on November 15, 2012. Mr. Ikäheimonen, age 48, most recently served as the Chief Financial Officer and Senior Vice President of Seadrill Ltd., an offshore drilling contractor.

Potential Secured Credit Facility. We are in discussions with banks and other financial institutions regarding a secured credit facility, allowing borrowings in the future in an aggregate amount of $500 million to $1.0 billion. We anticipate that the collateral for this facility would include two or three of our Ultra-Deepwater drillships, depending upon the size of the secured credit facility. Transocean Ltd. and the entities that own the collateral would guarantee the obligations under the secured credit facility. We may not be able to enter into such a facility on the terms described or at all. But if we do enter into such a facility, the notes offered hereby will be effectively subordinated to our obligations under the facility, to the extent of the value of the collateral securing such debt. If we enter into such a facility, we expect to use the proceeds from the facility for general corporate purposes.

Repayment of Borrowings under the Aker Revolving Credit and Term Loan Facility. We currently anticipate prepaying the $150 million of borrowings outstanding under the secured Aker Revolving Credit and Term Loan Facility, and canceling the $500 million secured Aker Revolving Credit and Term Loan Facility Agreement, which is secured by the Harsh Environment Ultra-Deepwater semisubmersibles *Transocean Barents* and *Transocean Spitsbergen*, prior to the closing of the potential secured credit facility described above. We do not anticipate using the proceeds of this offering for such prepayment.

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The Offering

Issuer	Transocean Inc.
Guarantor	Transocean Ltd.
Notes Offered	$750,000,000 principal amount of 2.500% Senior Notes due 2017, which we refer to as the 2017 notes.
	$750,000,000 principal amount of 3.800% Senior Notes due 2022, which we refer to as the 2022 notes.
	We refer to the 2017 notes and the 2022 notes, collectively, as the "notes."
Maturity Date	October 15, 2017 for the 2017 notes.
	October 15, 2022 for the 2022 notes.
Interest Payment Dates	Semi-annually on April 15 and October 15, commencing on April 15, 2013.
Interest Rate Adjustment	The interest rate payable on the notes of each series will be subject to adjustment from time to time if Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") (or a substitute therefor), downgrades (or downgrades and subsequently upgrades) the credit rating assigned to such series of notes as described under "Description of the Notes and Guarantees Interest Rate Adjustment."
Guarantees	The due and punctual payment of the principal of, premium, if any, interest on and all other amounts due under each series of the notes will be fully and unconditionally guaranteed by Transocean Ltd.
Ranking	The notes will rank equally with all of Transocean Inc.'s existing and future unsecured, unsubordinated debt and senior to any future subordinated debt of Transocean Inc. The guarantees will be the general unsecured obligations of Transocean Ltd. and will rank equally with all existing and future unsecured and unsubordinated debt of Transocean Ltd. The notes and the guarantees will be effectively subordinated to all existing and future indebtedness of the subsidiaries of Transocean Inc. and Transocean Ltd., respectively.

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	As of June 30, 2012, Transocean Inc. had no secured indebtedness, and Transocean Inc.'s subsidiaries and consolidated variable interest entities had aggregate indebtedness of $1.9 billion, excluding intercompany indebtedness. As of June 30, 2012, Transocean Ltd. had no outstanding indebtedness other than its guarantee of an aggregate of $9.7 billion of indebtedness of Transocean Inc. and its guarantee of an aggregate of $174 million of indebtedness of a subsidiary of Transocean Services AS. As of June 30, 2012, a subsidiary of Transocean Services AS had aggregate indebtedness of $1.3 billion. We are in discussions with lenders regarding a potential secured credit facility, as described under " Recent Developments Potential Secured Credit Facility."
Optional Redemption	Transocean Inc. may redeem all or part of the notes of either series at any time prior to maturity. If the relevant redemption date occurs prior to (x) maturity, in the case of the 2017 notes, or (y) July 15, 2022 (three months prior to maturity), in the case of the 2022 notes, the redemption price payable will be equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest and a "make-whole premium." If the relevant redemption date occurs on or after July 15, 2022 (three months prior to maturity), in the case of the 2022 notes, the redemption price payable will be equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest (with no make-whole premium). See "Description of the Notes and Guarantees Optional Redemption."
Certain Covenants	The indenture relating to the notes contains limitations on Transocean Inc.'s ability to incur debt secured by specified liens, to engage in sale/leaseback transactions and to engage in specified merger, consolidation, scheme of arrangement or reorganization transactions.
No Listing of the Notes	Transocean Inc. does not intend to apply to list the notes on any securities exchange or include them in any automated quotation system.
Additional Notes	Transocean Inc. may, from time to time, without giving notice to or seeking the consent of the existing holders of the notes, issue additional notes having the same ranking, interest rate, maturity and other terms as notes issued in this offering, except for the issue date and public offering price. Any additional notes having such similar terms together with the previously issued notes will constitute a single series of debt securities under the indenture.

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Use of Proceeds	Transocean Inc. intends to use the net proceeds from this offering to fund all or part of the costs associated with the construction of four newbuilds, as described under " Recent Developments Potential Newbuild Drillships." We are currently discussing these newbuilds as opportunities with a customer with whom we would expect to enter into drilling contracts for the newbuilds; provided, that, to the extent we do not enter into such drilling contracts with the customer, and do not construct the newbuilds or, to the extent we do not require the full amount of proceeds for such construction, we would instead apply the net proceeds from this offering to the repayment of debt and for general corporate purposes outside of Switzerland. Pending application of the net proceeds from the sale of the notes, Transocean Inc. intends to invest such proceeds in cash or cash equivalents. See "Use of Proceeds."
Form of the Notes	The notes will be evidenced by one or more global notes deposited with the trustee as custodian for The Depository Trust Company ("DTC"). The global notes will be registered in the name of Cede & Co., as DTC's nominee.
Risk Factors	Transocean Inc. and Transocean Ltd. urge you to consider carefully the risks described in "Risk Factors" beginning on page S-8 of this prospectus supplement, and on page 3 of the accompanying prospectus and in Transocean Ltd.'s SEC filings, which are included or incorporated by reference in this prospectus supplement or the accompanying prospectus, before making an investment decision.
Governing Law	State of New York.

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RISK FACTORS

In considering whether to purchase the notes, you should consider carefully the following matters and those described under "Risk Factors" in the accompanying prospectus, in addition to the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus.

Risks Related to Our Business

Investment in the notes involves various risks. In making an investment decision, you should carefully consider the risks and uncertainties described under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2011 and our Quarterly Reports on Form 10-Q for the periods ended March 31, 2012 and June 30, 2012 that are incorporated herein by reference and any future filings made by Transocean Ltd. pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, prior to the termination of this offering as well as the risk factors below.

Risks Related to the Notes

The notes are obligations exclusively of Transocean Inc. and Transocean Ltd., as guarantor, and not of Transocean Inc.'s subsidiaries or Transocean Ltd.'s other subsidiaries, and payments to holders of the notes will be effectively subordinated to the claims of such subsidiaries' creditors.

The notes are obligations exclusively of Transocean Inc. and Transocean Ltd., as guarantor of the notes, and not of Transocean Inc.'s subsidiaries or Transocean Ltd.'s other subsidiaries. Each of Transocean Inc. and Transocean Ltd. is a holding company and, accordingly, substantially all of their respective operations are conducted through their subsidiaries. As a result, Transocean Inc.'s and Transocean Ltd.'s cash flow and Transocean Inc.'s ability to service its debt, including the notes, and Transocean Ltd.'s ability to satisfy its guarantee obligations are dependent upon the earnings of their respective subsidiaries and on the distribution of earnings, loans or other payments by such subsidiaries to Transocean Inc. and Transocean Ltd. The subsidiaries of Transocean Ltd. are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due on the notes or to make funds available to them to do so. In addition, contractual provisions or laws, as well as such subsidiaries' financial condition and operating requirements, may limit Transocean Inc.'s or Transocean Ltd.'s ability to obtain from such subsidiaries the cash each needs to pay its respective debt service or guarantee obligations, including payments on or with respect to the notes. Transocean Inc., Transocean Ltd. and their respective subsidiaries will be permitted under the terms of the indenture governing the notes to incur additional indebtedness or otherwise enter into agreements that may restrict or prohibit subsidiaries of Transocean Inc. or Transocean Ltd. from the making of distributions, the payment of dividends or the making of loans to Transocean Inc. or Transocean Ltd. Transocean Inc. and Transocean Ltd. cannot assure you that the agreements governing the current and future indebtedness of their respective subsidiaries or other agreements of Transocean Inc., Transocean Ltd. or their respective subsidiaries will permit such subsidiaries to provide Transocean Inc. or Transocean Ltd. with sufficient dividends, distributions or loans to fund payments on the notes when due or, in the case of Transocean Ltd., to satisfy any guarantee obligations. We have agreed to provide the U.S. Department of Justice reasonable prior notice before making substantial cash payments out of certain of our U.S. subsidiaries, other than in the ordinary course of business. In addition, holders of the notes will have a junior position to the claims of creditors and securityholders of our subsidiaries on their assets and earnings, including claims and potential claims against our subsidiaries relating to the Macondo well incident. In addition, the indenture allows Transocean Inc. and Transocean Ltd. to create new subsidiaries and invest in their subsidiaries, all of whose assets you will not have any claim against. As of June 30, 2012, Transocean Inc.'s subsidiaries and consolidated variable interest entities had outstanding approximately $1.9 billion of indebtedness, excluding intercompany indebtedness. Transocean Inc. is currently considering a secured credit facility that would be guaranteed by Transocean Ltd. and the Transocean Inc. subsidiaries that would provide the collateral for such facility.

See "Summary Recent Developments Potential Secured Credit Facility." As of June 30, 2012, a subsidiary of Transocean Services AS had aggregate indebtedness of $1.3 billion.

Payments on the notes, including under the guarantees, will be effectively subordinated to claims of secured creditors.

The notes represent unsecured obligations of Transocean Inc. Accordingly, any secured creditor of Transocean Inc. will have claims that are superior to your claims as holders of the notes to the extent of the value of the assets securing that other indebtedness. Similarly, the guarantees of the notes will not be secured by any assets of Transocean Ltd. and will effectively rank junior to any secured debt of Transocean Ltd., as the guarantor, to the extent of the value of the assets securing the debt. In the event of any distribution or payment of assets of Transocean Inc. or Transocean Ltd. in any foreclosure, dissolution, winding-up, liquidation, reorganization, bankruptcy or similar proceeding, secured creditors of Transocean Inc. and Transocean Ltd., respectively, will have a superior claim to their respective collateral. If any of the foregoing events occur, we cannot assure you that there will be sufficient assets to pay amounts due on the notes or with respect to any guarantee. Holders of the notes will participate ratably with all holders of unsecured senior indebtedness of Transocean Inc. and Transocean Ltd., and with all of Transocean Inc.'s and Transocean Ltd.'s other general senior creditors, based upon the respective amounts owed to each holder or creditor, in the remaining assets of Transocean Inc. and Transocean Ltd. As a result, holders of notes may receive less, ratably, than secured creditors of Transocean Inc. and Transocean Ltd. The terms of the indenture limit Transocean Inc.'s ability to create, assume or allow to exist any debt secured by a lien upon the drilling rigs or drillships of Transocean Inc. However, these limitations are subject to numerous exceptions. See "Description of the Notes and Guarantees Certain Covenants." In addition, the terms of the indenture do not limit Transocean Ltd.'s ability to create, assume or allow to exist any liens on assets of Transocean Ltd. to secure any debt. As of June 30, 2012, Transocean Ltd. and Transocean Inc. had no outstanding secured debt, and Transocean Inc.'s subsidiaries and consolidated variable interest entities had aggregate secured debt obligations of $1.3 billion. Transocean Inc. is currently considering a secured credit facility that would be guaranteed by Transocean Ltd. and the Transocean Inc. subsidiaries that would provide the collateral for such facility. See "Summary Recent Developments Potential Secured Credit Facility." As of June 30, 2012, a subsidiary of Transocean Services AS had outstanding secured debt obligations of an aggregate of $989 million.

No market currently exists for the notes, and an active trading market for the notes may not develop.

Each series of the notes comprises a new issue of securities for which there is currently no public market. If the notes are traded after their initial issuance, they may trade at a discount from their initial public offering price, depending on prevailing interest rates, the market for similar securities, the interest of securities dealers in making a market and the number of available buyers, our performance and financial condition and other factors. To the extent that an active trading market for the notes does not develop, the liquidity and trading prices for the notes may be harmed. Thus, you may not be able to liquidate your investment rapidly, or at all.

We could enter into various transactions that could increase the amount of our outstanding debt, adversely affect our capital structure or credit ratings or otherwise adversely affect holders of the notes.

The terms of the notes do not prevent us from incurring indebtedness, paying dividends and other distributions, repurchasing securities or entering into a variety of acquisition, change-of-control, refinancing, recapitalization or other highly leveraged transactions. As a result, we could enter into a variety of transactions that could increase the total amount of our outstanding indebtedness, adversely affect our capital structure or credit ratings or otherwise adversely affect the holders of the notes. Also,

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we cannot assure you that our credit ratings will not be downgraded in the future. A negative change in our credit ratings could have an adverse effect on the trading price of the notes. See "Risk Factors Our overall debt level and/or market conditions could lead the credit rating agencies to lower our corporate credit ratings below current levels and possibly below investment grade" in the accompanying prospectus.

To service our indebtedness, we will use a significant amount of cash. Our ability to generate cash to service our indebtedness depends on many factors beyond our control.

Our ability to make payments on our indebtedness, including the notes, and to fund planned capital expenditures will depend on our ability to generate cash in the future. This ability, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control, and the costs and liabilities associated with the Macondo well incident. We cannot assure you that cash flow generated from our business will be sufficient to enable us to pay our indebtedness, including the notes, and to fund our other liquidity needs or that other sources of cash, including future borrowings by us under our existing revolving credit facility, will be available to us on attractive terms or at all to provide any required liquidity.

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USE OF PROCEEDS

The net proceeds to Transocean Inc. from this offering, after deducting underwriting discounts and estimated offering expenses, are estimated to be approximately $1.48 billion. Transocean Inc. intends to use the net proceeds from this offering to fund all or part of the costs associated with the construction of four newbuilds, as described under "Summary Recent Developments Potential Newbuild Drillships." We are currently discussing these newbuilds as opportunities with a customer with whom we would expect to enter into drilling contracts for the newbuilds; provided, that, to the extent we do not enter into such drilling contracts with the customer, and do not construct the newbuilds or, to the extent we do not require the full amount of proceeds for such construction, we would instead apply the net proceeds from this offering to the repayment of debt and for general corporate purposes outside of Switzerland. We may also enter into arrangements with the customer whereby the customer would provide a portion of the financing for such newbuilds. We have not entered into any binding agreement with the customer with respect to the newbuilds and there can be no assurance that we will enter into any transaction on the terms described above or at all.

Pending application of the net proceeds from the sale of the notes, Transocean Inc. intends to invest such proceeds in cash and cash equivalents.

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RATIO OF EARNINGS TO FIXED CHARGES

The following table presents our historical ratio of earnings to fixed charges for the six-month period ended June 30, 2012 and for each of the years in the five-year period ended December 31, 2011. As previously disclosed in Note 4 to the unaudited condensed consolidated financial statements included in Transocean Ltd.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, we identified an error in our previously issued financial statements for the year ended December 31, 2011 and the three months ended March 31, 2012 related to the recognition of assets for insurance recoveries related to legal and other costs, which we have concluded should not have been recorded because they were not probable of recovery. In addition to the adjustments in 2011 and 2012 related to the assets for insurance recoveries, we recorded other adjustments related to the years ended December 31, 2011 and 2010 and the three months ended March 31, 2012 to correct for errors for repair and maintenance costs, income taxes, discontinued operations, and the allocation of net income attributable to noncontrolling interest. Upon assessing the materiality of these errors in accordance with the SEC's Staff Accounting Bulletins Nos. 99 and 108, we determined that these errors, collectively, were immaterial to the prior year financial statements. Since the correction of prior financial statements for immaterial errors does not require our previously filed reports to be amended, the audited consolidated financial statements included in Transocean Ltd.'s Annual Report on Form 10-K for the year ended December 31, 2011, which is also incorporated by reference in this prospectus supplement and accompanying prospectus, have not been corrected for these errors.

	Six months ended	Years ended December 31,				
	June 30, 2012	2011	2010	2009	2008	2007
Historical ratio of earnings to fixed charges	*	*	2.76x	6.34x	6.59x	12.84x

* Our ratio of earnings to fixed charges was less than 1.0x for the six months ended June 30, 2012 and for the year ended December 31, 2011 since total fixed charges exceeded adjusted earnings in each of the periods by $316 million and $5.5 billion, respectively.

We have computed the ratios of earnings to fixed charges shown above by dividing earnings by fixed charges. For this purpose, "earnings" is the amount resulting from adding (a) income from continuing operations before income tax expense, (b) fixed charges, (c) amortization of capitalized interest, and (d) distributed earnings of unconsolidated affiliates; and then subtracting (1) capitalized interest, (2) equity in earnings or losses of unconsolidated affiliates, and (3) the noncontrolling interest in pre-tax income of subsidiaries that have not incurred fixed charges. "Fixed charges" is the amount resulting from adding (a) interest expense, (b) amortization of debt discount or premium, (c) capitalized interest and (d) an estimate of the interest component of rent expense. Interest expense excludes interest on unrecognized tax benefits related to uncertain tax positions, as such amounts are recognized in income tax expense and are immaterial.

Our ratios of earnings to fixed charges and preferred stock dividends for the six-month period ended June 30, 2012 and for each of the years in the five-year period ended December 31, 2011 are the same as the ratios of earnings to fixed charges because we had no preferred stock outstanding for any of the periods presented.

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CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2012, on an actual basis and on an as adjusted basis to give effect to the completion of this offering and the application of the net proceeds of this offering as described under "Use of Proceeds." The carrying amounts of our debt and the debt of our consolidated variable interest entities are presented net of unamortized discounts, premiums and fair value adjustments.

You should read this table in conjunction with the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Transocean Ltd.'s Annual Report on Form 10-K for the year ended December 31, 2011 and in its Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 and its consolidated financial statements and related notes incorporated by reference in this prospectus supplement, as well as the section entitled "Summary Recent Developments Potential Secured Credit Facility" in this prospectus supplement.

	June 30, 2012	
	Actual	As Adjusted
	(In millions)	
Debt		
5.00% Notes due February 2013	$ 252	$ 252
5.25% Senior Notes due March 2013	505	505
TPDI Credit Facilities due March 2015	438	438
4.95% Senior Notes due November 2015	1,121	1,121
Aker Revolving Credit and Term Loan Facility due December 2015[a]	174	174
Callable Bonds due February 2016	265	265
5.05% Senior Notes due December 2016	999	999
ADDCL Credit Facilities due December 2017	205	205
Eksportfinans Loans due January 2018	815	815
6.00% Senior Notes due March 2018	998	998
7.375% Senior Notes due April 2018	247	247
6.50% Senior Notes due November 2020	899	899
6.375% Senior Notes due December 2021	1,199	1,199
7.45% Notes due April 2027	97	97
8.00% Debentures due April 2027	57	57
7.00% Notes due June 2028	311	311
Capital lease contract due August 2029	667	667
7.50% Notes due April 2031	598	598
1.50% Series C Convertible Senior Notes due December 2037[b]	1,693	1,693
6.80% Senior Notes due March 2038	999	999
7.35% Senior Notes due December 2041	300	300
2.500% Senior Notes due October 2017 offered hereby		748
3.800% Senior Notes due October 2022 offered hereby		745
Total Debt	$ 12,839	$ 14,332
Less debt due within one year[c]	2,800	2,800
Total long-term debt	10,039	11,532
Total Equity	15,609	15,609
Total capitalization	$ 28,448	$ 29,941

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[a] As of September 5, 2012, $150 million of borrowings were outstanding under the Aker Revolving Credit and Term Loan Facility.

[b]

Holders of the 1.50% Series C Convertible Senior Notes due December 2037 will have the right to require Transocean Inc. to repurchase their notes on December 14, 2012. In light of current market conditions, we currently anticipate substantially all of such notes will be submitted for repurchase as of such date.

c

Includes debt of consolidated variable interest entities due within one year.

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DESCRIPTION OF THE NOTES AND GUARANTEES

The notes will be issued under an indenture dated December 11, 2007, among Transocean Ltd., Transocean Inc. and Wells Fargo Bank, National Association, as trustee, as supplemented, which will be further supplemented by a supplemental indenture dated as of the closing date of this offering. We have summarized selected portions of the indenture, the supplemental indenture and the notes below. This summary is not complete and is subject to, and qualified by reference to, all of the provisions of the indenture, the supplemental indenture and the notes. We urge you to read the indenture, the supplemental indenture and the notes because these documents define your rights as holders of the notes. In this summary, "we," "our" and "us" means Transocean Inc. only, unless we indicate otherwise or the context indicates otherwise.

General

Each series of notes will constitute a single series of senior debt securities under the indenture. The principal amount of the 2017 notes and 2022 notes will be initially limited to $750,000,000 and $750,000,000, respectively. We may, from time to time, without giving notice to or seeking the consent of the existing holders of the notes, issue additional notes having the same ranking, interest rate, maturity and other terms as notes issued in this offering, except for the issue date and public offering price. Any additional notes having such similar terms together with the previously issued notes will constitute a single series of debt securities under the indenture. We may also from time to time repurchase the notes in open market purchases, by tender offer or in negotiated transactions without prior notice to holders.

The 2017 notes will mature on October 15, 2017 and will bear interest at the rate of 2.500% per annum. The 2022 notes will mature on October 15, 2022 and will bear interest at the rate of 3.800% per annum. Interest on each series of notes will accrue from September 13, 2012. Interest on each series of notes will be paid semi-annually on April 15 and October 15, commencing April 15, 2013, to the holders of record at the close of business on the April 1 and October 1 immediately preceding the applicable interest payment date. Interest on each series of notes will be computed on the basis of a 360-day year of twelve 30-day months.

If any interest payment date, redemption date or the maturity date of the notes is not a business day at any place of payment, then payment of the principal, premium, if any, and interest may be made on the next business day at that place of payment. In that case, no interest will accrue on the amount payable for the period from and after the applicable interest payment date, redemption date or maturity date, as the case may be.

Principal is payable, and notes may be presented for registration of transfer and exchange, without service charge, at our office or agency in The City of New York, New York or Dallas, Texas, which is initially the office or agency of the trustee in The City of New York, New York or Dallas, Texas. See " Global Notes: Book-Entry Form."

The indenture will not contain any financial covenants or any restrictions on the payment of dividends, the making of investments, the incurrence of indebtedness, the granting of liens or mortgages, or the issuance, redemption or repurchase of securities by us, other than as described below under " Certain Covenants." The indenture will not contain any covenants or other provisions to protect holders of the notes in the event of a highly leveraged transaction or a fundamental change. Transocean Ltd. has irrevocably and unconditionally guaranteed our obligations under the senior indenture and the debt securities issued thereunder, including the notes. The notes will not be obligations of, or guaranteed by, any of our existing or future subsidiaries or any other existing or future subsidiaries of Transocean Ltd.

The notes will not be subject to a sinking fund provision.

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Interest Rate Adjustment

The interest rate payable on the notes of each series will be subject to adjustments from time to time if either Moody's or S&P or, if either Moody's or S&P ceases to rate the notes of that series or fails to make a rating of the notes of that series publicly available for reasons outside of our control, a "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by us as a replacement agency for Moody's or S&P (a "substitute rating agency"), downgrades (or subsequently upgrades) the credit rating assigned to the notes of that series, in the manner described below.

If the rating from Moody's (or any substitute rating agency therefor) of the notes of a series is decreased to a rating set forth in the immediately following table, the interest rate on the notes of that series will increase such that it will equal the interest rate payable on the notes of that series on the date of their initial issuance plus the percentage set forth opposite the ratings from the table below:

Moody's Rating*	**Percentage**
Ba1	0.25%
Ba2	0.50%
Ba3	0.75%
B1 or below	1.00%

* Including the equivalent ratings of any substitute rating agency.

If the rating from S&P (or any substitute rating agency therefor) of the notes of a series is decreased to a rating set forth in the immediately following table, the interest rate on the notes of that series will increase such that it will equal the interest rate payable on the notes of that series on the date of their initial issuance plus the percentage set forth opposite the ratings from the table below:

S&P Rating*	**Percentage**
BB+	0.25%
BB	0.50%
BB-	0.75%
B+ or below	1.00%

* Including the equivalent ratings of any substitute rating agency.

If at any time the interest rate on the notes of a series has been adjusted upward and either Moody's or S&P (or, in either case, a substitute rating agency therefor), as the case may be, subsequently increases its rating of the notes of that series to any of the threshold ratings set forth above, the interest rate on the notes of that series will be decreased such that the interest rate for the notes of that series equals the interest rate payable on the notes of that series on the date of their initial issuance plus the percentages set forth opposite the ratings from the tables above in effect immediately following the increase in rating. If Moody's (or any substitute rating agency therefor) subsequently increases its rating of the notes of a series to Baa3 (or its equivalent, in the case of a substitute rating agency) or higher, and S&P (or any substitute rating agency therefor) increases its rating to BBB- (or its equivalent, in the case of a substitute rating agency) or higher, the interest rate on the notes of that series will be decreased to the interest rate payable on the notes of that series on the date of their initial issuance. In addition, the interest rates on the notes of each series will permanently cease to be subject to any adjustment described above (notwithstanding any subsequent decrease in the ratings by either or both rating agencies) if the notes of that series become rated Baa1 and BBB+ (or the equivalent of either such rating, in the case of a substitute rating agency) or higher by Moody's and S&P (or, in either case, a substitute rating agency therefor), respectively (or one of these ratings if the notes are only rated by one rating agency).

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Each adjustment required by any decrease or increase in a rating set forth above, whether occasioned by the action of Moody's or S&P (or, in either case, a substitute rating agency therefor), shall be made independent of any and all other adjustments. In no event shall (1) the interest rate for the notes of a series be reduced to below the interest rate payable on the notes of that series on the date of their initial issuance or (2) the total increase in the interest rate on the notes of a series exceed 2.00% above the interest rate payable on the notes of that series on the date of their initial issuance.

No adjustments in the interest rate of the notes of a series shall be made solely as a result of a rating agency ceasing to provide a rating of such series of notes. If at any time Moody's or S&P ceases to provide a rating of the notes of a series for a reason beyond our control, we will use our commercially reasonable efforts to obtain a rating of such series of notes from a substitute rating agency, to the extent one exists, and if a substitute rating agency exists, for purposes of determining any increase or decrease in the interest rate on the notes of a series pursuant to the tables above (a) such substitute rating agency will be substituted for the last rating agency to provide a rating of such series of notes but which has since ceased to provide such rating, (b) the relative rating scale used by such substitute rating agency to assign ratings to senior unsecured debt will be determined in good faith by an independent investment banking institution of national standing appointed by us and, for purposes of determining the applicable ratings included in the applicable table above with respect to such substitute rating agency, such ratings will be deemed to be the equivalent ratings used by Moody's or S&P, as applicable, in such table and (c) the interest rate on the notes of such series will increase or decrease, as the case may be, such that the interest rate equals the interest rate payable on the notes of such series on the date of their initial issuance plus the appropriate percentage, if any, set forth opposite the rating from such substitute rating agency in the applicable table above (taking into account the provisions of clause (b) above) (plus any applicable percentage resulting from a decreased rating by the other rating agency). For so long as only one rating agency provides a rating of the notes of a series, any subsequent increase or decrease in the interest rate of such series of notes necessitated by a reduction or increase in the rating by the agency providing the rating shall be twice the percentage set forth in the applicable table above. For so long as none of Moody's, S&P or a substitute rating agency provides a rating of the notes of a series, the interest rate on the notes of such series will increase to, or remain at, as the case may be, 2.00% above the interest rate payable on the notes of such series on the date of their initial issuance. If Moody's or S&P either ceases to rate the notes for reasons within our control or ceases to make a rating of the notes publicly available for reasons within our control, we will not be entitled to obtain a rating from a substitute rating agency and the increase or decrease in the interest rate of the notes shall be determined in the manner described above as if either only one or no rating agency provides a rating of the notes, as the case may be.

Any interest rate increase or decrease described above will take effect from the first day of the interest period commencing after the date on which a rating change occurs that requires an adjustment in the interest rate. If Moody's or S&P (or, in either case, a substitute rating agency therefor) changes its rating of the notes of a series more than once during any particular interest period, the last change by such agency will control for purposes of any interest rate increase or decrease with respect to the notes of such series described above relating to such rating agency's action.

If the interest rate payable on the notes is increased as described above the term "interest," as used with respect to the notes, will be deemed to include any such additional interest unless the context otherwise requires.

Ranking; Guarantees; Additional Debt

The notes will be our general unsecured obligations and will rank:

- senior in right of payment to all of our existing and future indebtedness that is expressly subordinated in right of payment to the notes,

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equally in right of payment with all of our existing and future unsecured indebtedness that is not so subordinated, and

effectively junior to any of our secured indebtedness, to the extent of the assets securing such indebtedness, and will be structurally subordinated to all secured and unsecured liabilities of our subsidiaries.

The due and punctual payment of the principal of, premium, if any, interest on and all other amounts due under the notes will be fully and unconditionally guaranteed by Transocean Ltd. The guarantees will be the general unsecured obligations of Transocean Ltd. and will rank equally with all existing and future unsecured and unsubordinated debt of Transocean Ltd.

The indenture does not limit the amount of debt that we, Transocean Ltd. or any of our or its subsidiaries may incur or issue, nor does it restrict transactions between us, Transocean Ltd. and our or its affiliates or dividends and other distributions by us, Transocean Ltd. or our or its subsidiaries. We may issue debt securities under the indenture from time to time in the same or separate series, each up to the aggregate amount we authorize from time to time for that series. As of June 30, 2012, we had no secured indebtedness, and our subsidiaries and consolidated variable interest entities had aggregate indebtedness of $1.9 billion, excluding intercompany indebtedness. As of June 30, 2012, Transocean Ltd. had no outstanding indebtedness other than its guarantee of an aggregate of $9.7 billion of indebtedness of Transocean Inc. and its guarantee of $174 million of indebtedness of a subsidiary of Transocean Services AS. As of June 30, 2012, a subsidiary of Transocean Services AS had an aggregate principal amount of indebtedness of $1.3 billion.

Optional Redemption

Each series of notes will be redeemable at our option, at any time or from time to time, in whole or in part, on any date prior to maturity in principal amounts of $1,000 or any integral multiple of $1,000. If the relevant redemption date occurs prior to (x) maturity, in the case of the 2017 notes, or (y) July 15, 2022 (three months prior to maturity), in the case of the 2022 notes, the redemption price payable will be equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest to the redemption date and a "make-whole premium." If the relevant redemption date occurs on or after July 15, 2022 (three months prior to maturity), in the case of the 2022 notes, the redemption price payable will be equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest to the redemption date (with no make-whole premium). Accrued and unpaid interest payable as part of any redemption price will exclude any interest that is payable in respect of a record date that occurs on or prior to the redemption date (and any such interest will instead be payable to holders of record on the applicable record date). The redemption price will never be less than 100% of the principal amount of the notes plus accrued interest to the redemption date.

For each series of notes, the amount of the make-whole premium with respect to any note (or portion of a note) to be redeemed (if applicable) will be equal to the excess, if any, of:

(i) the sum of the present values, calculated as of the redemption date, of:

(A) the remaining scheduled payments of interest on the notes to be redeemed that would be due after the related redemption date but for such redemption (except that, if such redemption date is not an interest payment date, the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued thereon to the redemption date), and

(B) the principal amount that, but for the redemption, would have been payable at the final maturity of the note (or its portion) being redeemed;

over

(ii) the principal amount of the note (or its portion) being redeemed.

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The present values of interest and principal payments referred to in clause (i) above will be determined in accordance with generally accepted principles of financial analysis. Those present values will be calculated by discounting the amount of each payment of interest or principal from the date that each payment would have been payable, but for the redemption, to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Treasury Rate (as defined below) plus (A) 30 basis points in the case of the 2017 notes and (B) 35 basis points in the case of the 2022 notes.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity (computed by us as of the second business day immediately preceding such redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes of the relevant series. "Independent Investment Banker" means one of the Reference Treasury Dealers appointed by us.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "H.15(519) Selected Interest Rates" or (2) if such release (or any successor release) is not published or does not contain such prices on such business day, (a) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if the trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations obtained.

"Reference Treasury Dealer" means Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC and a Primary Treasury Dealer (defined below) selected by Wells Fargo Securities, LLC and their successors and two other nationally recognized investment banking firms that are Primary Treasury Dealers specified from time to time by us, except that if any of the foregoing ceases to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), we are required to designate as a substitute another nationally recognized investment banking firm that is a Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer as of 3:30 p.m., New York City time, on the third business day preceding such redemption date.

On and after any redemption date, interest will cease to accrue on the notes called for redemption. Prior to any redemption date, we are required to deposit with a paying agent money sufficient to pay the redemption price of the notes to be redeemed on such date. If we are redeeming less than all the notes of a series, the trustee under the indenture must select the notes to be redeemed by such method as the trustee deems fair and appropriate.

We will send a notice of redemption at least 30 days but not more than 60 days before the redemption date to each holder of notes to be redeemed. The trustee may select for redemption notes and portions of notes in amounts of integral multiples of $1,000. Unless we default in payment of the

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redemption price, on and after the redemption date, interest will cease to accrue on the notes or portions thereof called for redemption.

Certain Covenants

In the following discussion, "we" or "our" means Transocean Inc. and its subsidiaries, unless the context indicates otherwise. When we refer to our "drilling rigs and drillships," we mean any drilling rig or drillship (or the stock or indebtedness of any subsidiary owning a drilling rig or drillship) that we lease or own, either entirely or in part, and that our board of directors deems to be of material importance to us. No drilling rig or drillship that has a gross book value of less than 2% of our consolidated net tangible assets will be deemed to be of material importance. When we refer to "consolidated net tangible assets," we mean the total amount of our assets (less reserves and other properly deductible items) after deducting current liabilities (other than those that are extendable at our option to a date more than 12 months after the date the amount is determined), goodwill and other intangible assets shown in our most recent consolidated balance sheet prepared in accordance with GAAP.

Limitation on Liens

In the supplemental indenture, we have agreed that we will not create, assume or allow to exist any debt secured by a lien upon any of our drilling rigs or drillships, unless we secure the notes equally and ratably with the secured debt. This covenant has exceptions that permit:

- liens already existing on the date the notes are issued,
- liens already existing on a particular drilling rig or drillship at the time we acquire that drilling rig or drillship, and liens already existing on drilling rigs or drillships of a corporation or other entity at the time it becomes our subsidiary,
- liens securing debt incurred to finance the acquisition, completion of construction and commencement of commercial operation, alteration, repair or improvement of any drilling rig or drillship, if the debt was incurred prior to, at the time of or within 12 months after that event, and liens securing debt in excess of the purchase price or cost if recourse on the debt is only against the drilling rig or drillship in question,
- liens securing intercompany debt,
- liens in favor of a governmental entity to secure either (1) payments under any contract or statute, or (2) industrial development, pollution control or similar indebtedness,
- liens imposed by law such as mechanics' or workmen's liens,
- governmental liens under contracts for the sale of products or services,
- liens under workers compensation laws or similar legislation,
- liens in connection with legal proceedings or securing taxes or assessments,
- good faith deposits in connection with bids, tenders, contracts or leases,
- deposits made in connection with maintaining self-insurance, to obtain the benefits of laws, regulations or arrangements relating to unemployment insurance, old age pensions, social security or similar matters or to secure surety, appeal or customs bonds, and

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any extensions, renewals or replacements of the above-described liens if both of the following conditions are met:

(1) the amount of debt secured by the new lien does not exceed the amount of debt secured by the existing lien, plus any additional debt used to complete a specific project, and

(2) the new lien is limited to all or a part of the drilling rigs or drillships (plus any improvements) secured by the original lien.

In addition, without securing the notes as described above, we may create, assume or allow to exist secured debt that would otherwise be prohibited, in an aggregate amount that does not exceed a "basket" equal to 10% of our consolidated net tangible assets. When determining whether secured debt is permitted by this exception, we must include in the calculation of the "basket" amount all of our other secured debt that would otherwise be prohibited and the present value of lease payments in connection with sale and lease-back transactions that would be prohibited by the "Limitation on Sale and Lease-Back Transactions" covenant described below if this exception did not apply.

Limitation on Sale and Lease-Back Transactions

We have agreed that we will not enter into a sale and lease-back transaction covering any drilling rig or drillship, unless one of the following applies:

- we could incur debt secured by the leased property in an amount at least equal to the present value of the lease payments in connection with that sale and lease-back transaction without violating the "Limitation on Liens" covenant described above, or

- within six months of the effective date of the sale and lease-back transaction, we apply an amount equal to the present value of the lease payments in connection with the sale and lease-back transaction to (1) the acquisition of any drilling rig or drillship, or (2) the retirement of long-term debt ranking at least equally with the notes.

When we use the term "sale and lease-back transaction," we mean any arrangement by which we sell or transfer to any person any drilling rig or drillship that we then lease back from them. This term excludes leases shorter than three years, intercompany leases, leases executed within 12 months of the acquisition, construction, improvement or commencement of commercial operation of the drilling rig or drillship, and arrangements pursuant to any provision of law with an effect similar to the former Section 168(f)(8) of the Internal Revenue Code of 1954 (which permitted the lessor to recognize depreciation on the property).

Events of Default

The occurrence of any of the events described in the accompanying prospectus under "Description of Transocean Inc. Debt Securities and Transocean Ltd. Guarantee Events of Default" shall constitute a default for the notes.

Tax Additional Amounts

Transocean Inc. will pay any amounts due with respect to the notes and Transocean Ltd. will pay any amounts due with respect to the guarantees without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges (a "withholding tax") imposed by or for the account of the Cayman Islands, Switzerland or any other jurisdiction in which either Transocean Inc. or Transocean Ltd. is a resident for tax purposes or any political subdivision or taxing authority of such jurisdiction (the "Taxing Jurisdiction"), unless such withholding or deduction is required by law. If such deduction or withholding is at any time required, Transocean Inc. or Transocean Ltd., as applicable, will, to the fullest extent allowed by law (subject to compliance by you

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with any relevant administrative requirements), pay you additional amounts as will result in your receipt of such amounts as you would have received had no such withholding or deduction been required.

If the Taxing Jurisdiction requires Transocean Inc. or Transocean Ltd. to deduct or withhold any of these taxes, levies, imposts or charges, Transocean Inc. or Transocean Ltd., as applicable, will, to the fullest extent allowed by law (subject to compliance by the holder of a note with any relevant administrative requirements), pay these additional amounts in respect of principal amount, redemption price and interest (if any), in accordance with the terms of the notes and the indenture, as may be necessary so that the net amounts paid to the holder or the trustee after such deduction or withholding will equal the principal amount, redemption price and interest (if any), on the notes. However, neither Transocean Inc. nor Transocean Ltd. will pay any additional amounts in the following instances:

- if any withholding would not be payable or due but for the fact that (1) the holder of a note (or a fiduciary, settlor, beneficiary of, member or shareholder of, the holder, if the holder is an estate, trust, partnership or corporation), is a domiciliary, national or resident of, or engaging in business or maintaining a permanent establishment or being physically present in, the Taxing Jurisdiction or otherwise having some present or former connection with the Taxing Jurisdiction other than the holding or ownership of the note or the collection of principal amount, redemption price, repurchase price and interest (if any), in accordance with the terms of the notes and the indenture, or the enforcement of the note or (2) where presentation is required, the note was presented more than 30 days after the date such payment became due or was provided for, whichever is later,

- if any withholding tax is attributable to any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, levy, impost or charge,

- if any withholding tax is attributable to any tax, levy, impost or charge which is payable otherwise than by withholding from payment of principal amount, redemption price, repurchase price and interest (if any),

- if any withholding tax would not have been imposed but for the failure to comply with certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connections with the relevant tax authority of the holder or beneficial owner of the note, if this compliance is required by statute or by regulation as a precondition to relief or exemption from such withholding tax,

- to the extent a holder of a note is entitled to a refund or credit in such Taxing Jurisdiction of amounts required to be withheld by such Taxing Jurisdiction,

- if any withholding tax or deduction is required to be made pursuant to an agreement between Switzerland and another country or countries on final withholding taxes levied by Swiss paying agents in respect of persons resident in the other country on income of such person on any notes booked or deposited with a Swiss paying agent (*Abgeltungssteuer*), and such holder of a note chooses not to provide the certification, documentation or other information that would eliminate such withholding or deduction, or

- any combination of the instances described in the preceding bullet points.

With respect to the fifth bullet point listed above, in the absence of evidence satisfactory to us we may conclusively presume that a holder of a note is entitled to a refund or credit of all amounts required to be withheld. We also will not pay any additional amounts to any holder who is a fiduciary or partnership or other than the sole beneficial owner of the note to the extent that a beneficiary or settlor with respect to such fiduciary, or a member of such partnership or a beneficial owner thereof, would not have been entitled to the payment of such additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of the note.

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Global Notes: Book-Entry Form

The notes of each series will be represented by one or more global securities. A global security is a special type of indirectly held security. Each global security will be deposited with, or on behalf of, DTC and be registered in the name of a nominee of DTC. Except under the circumstances described below, the notes will not be issued in definitive form in the name of individual holders.

Investors may hold interests in the notes outside the United States through Euroclear or Clearstream if they are participants in those systems, or indirectly through organizations which are participants in those systems. Euroclear and Clearstream will hold interests on behalf of their participants through customers' securities accounts in Euroclear's and Clearstream's names on the books of their respective depositaries which in turn will hold such positions in customers' securities accounts in the names of the nominees of the depositaries on the books of DTC. All securities in Euroclear or Clearstream are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts.

Upon the issuance of a global security, DTC will credit on its book-entry registration and transfer system the accounts of persons designated by the underwriters with the respective principal amounts of the notes represented by the global security. Ownership of beneficial interests in a global security will be limited to DTC participants (i.e., persons that have accounts with DTC or its nominee) or persons that may hold interests through DTC participants including Euroclear and Clearstream. Ownership of beneficial interests in a global security will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (except with respect to persons that are themselves DTC participants).

So long as DTC or its nominee is the registered owner of a global security, DTC or the nominee will be considered the sole owner or holder of the notes represented by that global security under the indenture. Except as described below, owners of beneficial interests in a global security will not be entitled to have notes represented by that global security registered in their names, will not receive or be entitled to receive physical delivery of notes in definitive form and will not be considered the owners or holders of the notes under the indenture. Principal and interest payments on notes registered in the name of DTC or its nominee will be made to DTC or the nominee, as the registered owner. Neither Transocean Inc., Transocean Ltd., the trustee, any paying agent or the registrar for the notes will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial interests in a global security or for maintaining, supervising or reviewing any records relating to such beneficial interests. The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Those limits and laws may impair the ability to transfer beneficial interests in a global security.

We expect that DTC or its nominee, upon receipt of any payment of principal or interest, will credit immediately the participants' accounts with payments in amounts proportionate to their beneficial interests in the principal amount of the relevant global security as shown on the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in a global security held through those participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of those participants.

If DTC is at any time unwilling or unable to continue as a depositary and a successor depositary is not appointed by us within 90 days, we will issue notes in definitive form in exchange for the entire global security for the notes. If an event of default has occurred with respect to the notes and is continuing and the registrar has received a request from the depositary to issue notes in definitive form in exchange for all or a portion of a global security, we will do so within 30 days of such request. In addition, we may at any time choose not to have notes represented by a global security and will then issue notes in definitive form in exchange for the entire global security relating to the notes. In any

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such instance, an owner of a beneficial interest in a global security will be entitled to physical delivery in definitive form of notes represented by the global security equal in principal amount to that beneficial interest and to have the notes registered in its name. Notes so issued in definitive form will be issued as registered notes in denominations of $1,000 and integral multiples thereof, unless otherwise specified by us.

Notices

Notices to holders of notes will be sent to the holder's address as it appears in the notes register.

Information Regarding the Trustee

Wells Fargo Bank, National Association, as trustee under the indenture, has been appointed by us as paying agent, registrar and custodian with regard to the notes. The trustee and its affiliates provide and may from time to time in the future provide banking and other services to us in the ordinary course of their business.

Governing Law

The indenture and the notes will be governed by, and construed in accordance with, the law of the State of New York.

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MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

Scope of Discussion

The following discussion summarizes the material U.S. federal income tax consequences relating to the purchase, ownership and disposition of the notes. This discussion is based upon the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations promulgated under the Code, court decisions, published positions of the Internal Revenue Service (the "IRS") and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations, possibly with retroactive effect. This discussion is limited to holders of the notes who purchase the notes in the initial offering at their "issue price" and hold the notes as "capital assets" within the meaning of Section 1221 of the Code. For this purpose only, the "issue price" of the notes is the first price at which a substantial amount of the notes are sold for cash to persons other than bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. For purposes of this discussion, "holder" means either a U.S. holder (as defined below) or a non-U.S. holder (as defined below) or both, as the context may require.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to holders in light of their particular circumstances or to holders who may be subject to special treatment under U.S. federal income tax laws, such as:

- a financial institution (including a bank),
- a tax-exempt organization,
- an S corporation, an entity or arrangement treated as a partnership or any other pass-through entity for U.S. federal income tax purposes,
- an insurance company,
- a mutual fund,
- a dealer in stocks and securities, or foreign currencies,
- a trader in securities who elects the mark-to-market method of accounting for its securities,
- a holder who is subject to the alternative minimum tax provisions of the Code,
- any person who actually or constructively owns 10% or more of the total combined voting power of all classes of Transocean Ltd. stock entitled to vote,
- certain expatriates or former long-term residents of the United States,
- a U.S. holder that has a functional currency other than the U.S. dollar,

- a personal holding company,
- a regulated investment company,
- a real estate investment trust,
- a controlled foreign corporation that is related to Transocean Ltd., within the meaning of the Code, or
- a holder who holds the notes as part of a hedge, conversion or constructive sale transaction, straddle, wash sale, or other risk reduction transaction.

If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of notes, the tax treatment of a partner will generally depend upon the status of the partner, the activities of the partnership and certain determinations

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made at the partner level. Partners of partnerships that are beneficial owners of notes should consult their tax advisors.

This discussion does not address any aspect of non-income taxation or state, local or foreign taxation. No ruling has been or will be obtained from the IRS regarding the U.S. federal tax consequences relating to the purchase, ownership or disposition of the notes. As a result, no assurance can be given that the IRS will not assert, or that a court will not sustain, a position contrary to the conclusions set forth below.

THIS SUMMARY IS NOT A SUBSTITUTE FOR AN INDIVIDUAL ANALYSIS OF THE TAX CONSEQUENCES RELATING TO THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE NOTES. WE URGE YOU TO CONSULT A TAX ADVISOR REGARDING THE PARTICULAR FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES RELATING TO THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE NOTES IN LIGHT OF YOUR OWN SITUATION.

U.S. Holders

The following is a discussion of the material U.S. federal income tax consequences that will apply to U.S. holders of the notes. The discussion is subject to the assumptions and limitations set forth above in "Material U.S. Federal Income Tax Considerations Scope of Discussion." As used in this discussion, a "U.S. holder" is a beneficial owner of a note who, for U.S. federal income tax purposes, is:

- an individual U.S. citizen or resident alien,
- a corporation or other entity created or organized under U.S. law (federal or state, including the District of Columbia) and treated as a corporation for U.S. federal income tax purposes,
- an estate whose worldwide income is subject to U.S. federal income tax, or
- a trust if (1) a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust or (2) the trust has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

Payments of Interest on the Notes

A U.S. holder generally will be required to include interest received on a note as ordinary income at the time it accrues or is received in accordance with the holder's regular method of accounting for U.S. federal income tax purposes.

Interest Rate Adjustments

In certain circumstances (see "Description of the Notes and Guarantees Interest Rate Adjustment"), we may be obligated to pay additional interest on the notes as a result of adjustments to the credit ratings assigned to the notes. Special rules, including rules for variable rate debt instruments ("VRDIs") and for contingent payment debt instruments ("CPDIs"), apply to debt instruments that provide for payments that vary or are contingent upon a specified event, including an interest rate that varies based on the credit quality of the issuer. It is unclear how these rules apply to the notes. We believe and intend to take the position that the notes should be treated as VRDIs rather than CPDIs, and the discussion below assumes that the notes will be treated as VRDIs. It is possible, however, that the IRS could assert that the notes should be treated as CPDIs, which could materially and adversely affect the amount, timing and character of income, gain or loss with respect to a U.S. holder's investment in the notes. Under the CPDI rules, a U.S. holder might be required to accrue income at a

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higher rate than the coupon on the notes, subject to certain adjustments based on the difference between amounts actually received in a taxable year and projected payments, and to treat any gain on a disposition of the notes as ordinary income rather than capital gain. The CPDI rules are complex. Accordingly, prospective purchasers of the notes are urged to consult their own tax advisors regarding the tax consequences of the purchase, ownership and disposition of the notes.

Sale, Exchange, Redemption or Other Taxable Disposition of the Notes

Generally, the sale, exchange, redemption or other taxable disposition of a note will result in taxable gain or loss to a U.S. holder equal to the difference between (1) the amount of cash plus the fair market value of any other property received by the holder in the sale, exchange, redemption or other taxable disposition (excluding amounts attributable to accrued but unpaid interest, which will be taxed as described under " Payments of Interest on the Notes," above) and (2) the holder's adjusted tax basis in the note. A U.S. holder's adjusted tax basis in a note will generally equal the holder's original purchase price for the note.

Gain or loss recognized on the sale, exchange, redemption or other taxable disposition of a note will generally be capital gain or loss and will be long-term capital gain or loss if the note is held for more than one year. A reduced tax rate on capital gain generally will apply to long term capital gain of a non-corporate U.S. holder. There are limitations on the deductibility of capital losses.

Information Reporting Requirements with Respect to Foreign Financial Assets

Individual U.S. holders that own "specified foreign financial assets" with an aggregate value in excess of $50,000 are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which would include the notes) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Treasury Regulations have been proposed that would extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. holders who fail to report the required information could be subject to substantial penalties. U.S. holders are urged to consult their own tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the notes.

Non-U.S. Holders

The following is a discussion of the material U.S. federal income tax consequences that will apply to non-U.S. holders of the notes. The discussion is subject to the assumptions and limitations set forth above in "Material U.S. Federal Income Tax Considerations Scope of Discussion." As used in this discussion, a "non-U.S. holder" is a beneficial owner of the notes (other than a partnership) who is not a U.S. holder.

Payments of Interest on the Notes

Subject to the next paragraph and the discussion in " Backup Withholding and Information Reporting," below, a non-U.S. holder will not be subject to U.S. federal income or withholding tax on the payment of interest on a note.

We may, in our discretion, request a non-U.S. holder to establish eligibility for the "portfolio interest" exemption from U.S. withholding tax. A non-U.S. holder could generally establish eligibility for this exemption by certifying to us or certain intermediaries on IRS Form W-8BEN, or other applicable IRS form, that the holder is not a U.S. person. If a non-U.S. holder fails to establish

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eligibility for an exemption from U.S. withholding tax, then payments of interest to that holder may be subject to U.S. withholding tax at the 30% statutory rate.

Gain on Disposition of the Notes

A non-U.S. holder generally will not be subject to U.S. federal income or withholding tax on gain realized on the sale, exchange or retirement of a note unless:

- the non-U.S. holder is an individual present in the United States for 183 days or more in the year of such sale, exchange or retirement and certain other conditions are met,
- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States (and, if a treaty applies, the income is attributable to a permanent establishment maintained by the non-U.S. holder in the United States), or
- the holder does not qualify for an exemption from backup withholding, as discussed in " Backup Withholding and Information Reporting," below.

However, in some instances a non-U.S. holder may be required to establish an exemption from U.S. federal income and withholding tax with respect to amounts attributable to accrued and unpaid interest on the notes. See " Payments of Interest on the Notes."

Medicare Tax

For taxable years beginning after December 31, 2012, certain holders that are U.S. citizens, resident aliens, estates or trusts will be subject to a 3.8% tax (the "Medicare tax") on all or a portion of their "net investment income," which may include all or a portion of their interest payments received on the notes and net capital gains from the disposition of the notes. Holders that are U.S. citizens, resident aliens, estates or trusts are urged to consult their own tax advisors regarding the applicability of the Medicare tax to their income and gains in respect of their investment in the notes.

Backup Withholding and Information Reporting

U.S. Holders

Interest on the notes paid to a U.S. holder within the United States or through certain U.S.-related financial intermediaries is subject to information reporting and may be subject to backup withholding unless the U.S. holder (1) is a corporation or other exempt recipient and, when required, demonstrates this fact or (2) provides a taxpayer identification number and satisfies certain certification requirements. Information reporting requirements and backup withholding may also apply to the cash proceeds of a sale of the notes.

In addition to being subject to backup withholding, if a U.S. holder of the notes does not provide us (or our paying agent) with the holder's correct taxpayer identification number or other required information, the holder may be subject to penalties imposed by the IRS. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the holder furnishes certain required information to the IRS.

Non-U.S. Holders

Non-U.S. holders of notes should consult their tax advisors regarding the application of information reporting and backup withholding in their particular situations, the availability of exemptions, and the procedure for obtaining such an exemption, if available. Any amount withheld from a payment to a non-U.S. holder under the backup withholding rules will be allowable as a credit against the non-U.S. holder's U.S. federal income tax, provided that the required information is furnished to the IRS.

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CAYMAN ISLANDS TAX CONSEQUENCES

According to our Cayman Islands counsel, Ogier, there is currently no Cayman Islands income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by a holder in respect of any income, gain or loss derived from holding notes. We have obtained an undertaking from the Governor in Cabinet of the Cayman Islands under the Tax Concessions Law (as amended) 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, that tax will not until May 31, 2019 apply to us or to any of our operations or our shares, notes, debentures or other obligations. Therefore, there should be no Cayman Islands tax consequences with respect to holding notes; however, if notes are taken into the Cayman Islands in original form, they will be subject to stamp duty up to CI$250.00 per note.

MATERIAL SWISS TAX CONSEQUENCES

The following is a general description of the material Swiss tax considerations relating to the notes, according to current Swiss taxation laws in force and respective practice. It does not purport to be a complete description of all tax considerations relating to the notes. Prospective purchasers of notes should consult their professional advisers.

Withholding Tax

Payments by Transocean Inc., or by Transocean Ltd. as guarantor, of interest on, and repayment of principal of, the notes, will not be subject to Swiss federal withholding tax, even though the notes are guaranteed by Transocean Ltd. as guarantor, provided that Transocean Inc. uses the proceeds from the offering and sale of the notes outside of Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the notes becoming subject to withholding for Swiss withholding tax as a consequence of such use of proceeds in Switzerland. Although Transocean Ltd. will guarantee the notes, none of the proceeds are expected to be used in Switzerland. Consequently, no Swiss withholding tax should be due with respect to the notes.

On August 24, 2011, the Swiss Federal Council issued draft legislation, which, if enacted, may require a paying agent in Switzerland to deduct Swiss withholding tax at a rate of 35% on any payment of interest in respect of a debt security, such as the notes, to an individual resident in Switzerland or to a person resident outside of Switzerland.

Stamp Taxes

The issue and redemption of notes by Transocean Inc. and the issue of the guarantee by Transocean Ltd. as guarantor are not subject to Swiss federal stamp duty.

Purchases or sales of debt securities with a maturity in excess of 12 months where a Swiss domestic bank or a Swiss domestic securities dealer (as defined in the Swiss federal stamp duty act) is a party, or acts as an intermediary, to the transaction may be subject to Swiss federal stamp duty on dealings in securities at a rate of up to 0.3 per cent of the purchase price of the debt securities. Where both the seller and the purchaser of the debt securities are non-residents of Switzerland or the Principality of Liechtenstein, no Swiss federal stamp duty on dealing in securities is payable.

European Directive 2003/48/EC

On October 26, 2004, the European Community and Switzerland entered into an agreement on the taxation of savings income pursuant to which Switzerland will adopt measures equivalent to those of the European Directive 2003/48/EC of 3 June 2003 on the taxation of savings income in the form of interest payments. The agreement came into force as of July 1, 2005.

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On the basis of that agreement, Switzerland has introduced a withholding tax on interest payments and other similar income paid by a paying agent within Switzerland to an individual resident in an EU member state. The withholding tax is withheld at a rate of 35%, with the option of such individual to have the paying agent and Switzerland provide to the tax authorities of that member state details of the payments in lieu of the withholding. The beneficial owner of the interest payments may be entitled to a tax credit or refund of the withholding, if any, provided that certain conditions are met.

Foreign Final Withholding Taxes

The Swiss Federal Council recently signed treaties with Germany, the United Kingdom and Austria providing, among other things, for a final withholding tax. The treaties, which are in the process of legislative approval in the respective contracting states, may enter into force on January 1, 2013 and might be followed by similar treaties with other European countries.

According to the treaties, a Swiss paying agent may levy a final withholding tax on capital gains and on certain income items derived therefrom, including from the notes. The final withholding tax will substitute the ordinary income tax due by an individual resident of a contracting state on such gains and income items. In lieu of the final withholding, individuals may opt for a voluntary disclosure of the relevant capital gains and income items to the tax authorities of their state of residency.

As regards the regularization of specific assets defined in the treaties and held by individuals of a contracting state with a Swiss paying agent prior to the entry into force of the treaties, such individuals may opt either for a one-off payment substituting the tax liability in the state of residency with regard to such assets or for the voluntary disclosure of such assets to the tax authority of the state of residency.

Income Taxation on Principal or Interest

Notes held by non-Swiss holders

Payments by Transocean Inc., or by Transocean Ltd. as guarantor, of interest and repayment of principal to, and gain realized on the sale or redemption of notes by, a holder of notes who is not a resident of Switzerland and who during the relevant taxation year has not engaged in a trade or business through a permanent establishment or a fixed place of business in Switzerland to which the notes are attributable and who is not subject to income taxation in Switzerland for any other reason will not be subject to any Swiss federal, cantonal or communal income tax.

Debt securities held by Swiss holders as private assets

Debt securities without a "predominant one-time interest payment": individuals who reside in Switzerland and who hold debt securities without a predominant one-time interest payment as private assets are required to include all payments of interest in respect of the debt securities by Transocean Inc., or by Transocean Ltd. as guarantor, in their personal income tax return and will be taxable on any net taxable income (including the payments of interest in respect of the debt securities) for the relevant tax period. Debt securities without a predominant one-time interest payment are debt securities the yield-to-maturity of which predominantly derives from periodic interest payments and not from a one-time-interest-payment.

Debt securities with a "predominant one-time interest payment": if the yield-to-maturity of debt securities predominantly derives from a one-time-interest-payment, such as an original issue discount or a repayment premium, and not from periodic interest payments, then a person who is an individual resident in Switzerland holding the debt securities as a private asset, is required to include in his or her personal income tax return for the relevant tax period any periodic interest payments in respect of the debt securities received from Transocean Inc., or Transocean Ltd. as guarantor, and, in addition, any

amount realized on the sale or redemption of such debt securities equal to the difference between the value of the debt security at redemption or sale, as applicable, and the value of the debt security at issuance or secondary market purchase, as applicable, and converted into Swiss Francs at the exchange rate prevailing at the time of sale or redemption, issuance or purchase, respectively, and will be taxable on any net taxable income (including such amounts) for the relevant tax period. Any value decreases realized on such debt securities on sale or redemption may be offset by such person against any gains (including periodic interest payments) realized by him or her within the same tax period from other instruments with a predominant one-time interest payment.

Capital gains and losses: in general, Swiss resident individuals who sell or otherwise dispose of privately held debt securities realize either a tax-free private capital gain or a non-tax-deductible capital loss. See the preceding paragraph for a summary of the tax treatment of a gain or a loss realized on debt securities with a "predominant one-time interest payment." See " Debt securities held as Swiss business assets" below for a summary of the tax treatment of individuals classified as "professional securities dealers."

Debt securities held as Swiss business assets

Individuals who hold debt securities as part of a business in Switzerland and Swiss resident corporate taxpayers and corporate taxpayers residing abroad holding debt securities as part of a permanent establishment or fixed place of business in Switzerland are required to recognize the payments of interest and any capital gain or loss realized on the sale or other disposition of such debt securities in their income statement for the respective tax period and will be taxable on any net taxable earnings for such tax period. The same taxation treatment also applies to Swiss resident individuals who, for income tax purposes, are classified as "professional securities dealers" for reasons of, among other things, frequent dealings and leveraged transactions in securities.

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UNDERWRITING

Transocean Inc., Transocean Ltd. and the underwriters for the offering named below have entered into an underwriting agreement dated September 10, 2012 with respect to the notes. Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Wells Fargo Securities, LLC are acting as representatives for the underwriters. Subject to certain conditions, each underwriter has severally agreed to purchase the principal amount of notes indicated in the following table.

Underwriters	Principal Amount of 2.500% Notes Due 2017	Principal Amount of 3.800% Notes Due 2022
Barclays Capital Inc.	$ 112,500,000	$ 112,500,000
Citigroup Global Markets Inc.	$ 112,500,000	$ 112,500,000
J.P. Morgan Securities LLC	$ 112,500,000	$ 112,500,000
Wells Fargo Securities, LLC	$ 112,500,000	$ 112,500,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	$ 75,000,000	$ 75,000,000
DNB Markets, Inc.	$ 112,500,000	$ 112,500,000
Credit Agricole Securities (USA) Inc	$ 22,500,000	$ 22,500,000
Credit Suisse Securities (USA) LLC	$ 22,500,000	$ 22,500,000
Mitsubishi UFJ Securities (USA), Inc	$ 30,000,000	$ 30,000,000
Morgan Stanley & Co. LLC	$ 22,500,000	$ 22,500,000
Standard Chartered Bank	$ 15,000,000	$ 15,000,000
Total	$ 750,000,000	$ 750,000,000

The underwriters are committed to take and pay for all of the notes being offered, if any are taken.

Notes sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus supplement. Any notes sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price of up to 0.35% and 0.40% of the principal amount of the 2017 notes and 2022 notes, respectively. Any such securities dealers may resell any notes purchased from the underwriters to certain other brokers or dealers at a discount from the initial public offering price of up to 0.25% of the principal amount of the notes. If all the notes are not sold at the initial offering price, the underwriters may change the offering price and the other selling terms. The offering of the notes by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

Each series of the notes is a new issue of securities with no established trading market. Transocean Inc. and Transocean Ltd. have been advised by the underwriters that one or more of the underwriters intend to make a market in the notes of each series but are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the notes.

In connection with the offering, the underwriters may purchase and sell notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of notes than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the notes while the offering is in progress.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives

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have repurchased notes sold by or for the account of such underwriter in stabilizing or short covering transactions.

These activities by the underwriters, as well as other purchases by the underwriters for their own accounts, may stabilize, maintain or otherwise affect the market price of the notes. As a result, the price of the notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected in the over-the-counter market or otherwise.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes which has are the subject of the offering contemplated by this prospectus supplement to the public in that Relevant Member State other than:

to any legal entity which is a qualified investor as defined in the Prospectus Directive;

to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the issuer for any such offer; or

in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the issuers or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of notes to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

Each underwriter has represented and agreed that:

it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to Transocean Inc. or Transocean Ltd., and

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

The notes may not be offered or sold by means of any document other than (a) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (b) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (c) in other circumstances which do not result in the document being a "prospectus" within the meaning of the

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Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

This prospectus supplement has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (b) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed for or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

The notes may not be publicly offered, sold or advertised, directly or indirectly, in Switzerland. Neither this prospectus nor any other offering or marketing material relating to the notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd., and neither this prospectus nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland.

Standard Chartered Bank will not effect any offers or sales of any notes in the United States unless it is through one or more U.S. registered broker-dealers as permitted by the regulations of FINRA.

Transocean Inc. estimates that its share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately $2.8 million.

Transocean Inc. and Transocean Ltd. have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

The underwriters and their respective affiliates are financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for Transocean Inc. and Transocean Ltd., for which they received or will receive customary fees and expenses. Some of the underwriters are affiliates of lenders under our credit facility, including the agents under that facility, and agents and lenders under our subsidiaries' lending arrangements and are expected to be agents and lenders under our potential secured credit facility. Although we intend to use the net proceeds from this offering to fund all or part of the costs associated with the construction of four newbuilds, as described under "Summary Recent Developments Potential Newbuild Drillships," to the extent we do not enter into such drilling contracts with the customer, and do not construct the newbuilds or, to the extent we do not require the full amount of proceeds for such construction, we would instead apply the net proceeds from this offering to the repayment of debt and for general corporate purposes outside of Switzerland, and this may include repayment of debt owed to underwriters. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of Transocean Inc. or Transocean Ltd. If any of the underwriters or their affiliates have a lending relationship with us, certain of those underwriters or their affiliates routinely hedge, and certain other of those underwriters may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

LEGAL MATTERS

Certain legal matters in connection with the notes offered by this prospectus supplement and the accompanying prospectus will be passed upon for us by our Senior Vice President, General Counsel and Assistant Corporate Secretary, Nick Deeming, and by our outside counsel, Baker Botts L.L.P., Houston, Texas. Ogier, Grand Cayman, Cayman Islands will pass upon certain matters relating to Cayman Islands law. Homburger AG, Zurich, Switzerland will pass upon certain matters relating to Swiss law. Certain legal matters will be passed upon for the underwriters by Cleary Gottlieb Steen & Hamilton LLP, New York, New York.

EXPERTS

The consolidated financial statements of Transocean Ltd. and subsidiaries appearing in Transocean Ltd.'s Annual Report (Form 10-K) for the year ended December 31, 2011 (including the schedule appearing therein), and the effectiveness of Transocean Ltd.'s internal control over financial reporting as of December 31, 2011, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein in reliance upon the reports given on the authority of such firm as experts in accounting and auditing.

See "Correction of Errors in Previously Reported Consolidated Financial Statements."

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PROSPECTUS

Transocean Ltd.

Shares

Warrants

Transocean Inc.

Debt Securities

Fully and Unconditionally Guaranteed by

Transocean Ltd.

Transocean Ltd. or Transocean Inc. will provide the specific terms of the securities in supplements to this prospectus. You should read this prospectus and any supplement carefully before you invest.

Transocean Ltd.'s shares are traded on the New York Stock Exchange under the trading symbol "RIG" and on the SIX Swiss Exchange under the symbol "RIGN."

You should consider carefully the risk factors beginning on page 3 of this prospectus and in any applicable prospectus supplement before purchasing any of our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined whether this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is September 16, 2010.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that Transocean Ltd. and Transocean Inc. have filed with the U.S. Securities and Exchange Commission ("SEC") using a "shelf" registration process. Using this process, either or both of Transocean Ltd. and Transocean Inc. may offer any combination of the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities Transocean Ltd. and Transocean Inc. may offer. Each time Transocean Ltd. or Transocean Inc. uses this prospectus to offer securities, the issuers will provide a prospectus supplement and, if applicable, a pricing supplement that will describe the specific terms of the offering. The prospectus supplement and any pricing supplement may also add to, update or change the information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in the prospectus supplement. Please carefully read this prospectus, the prospectus supplement and any pricing supplement, in addition to the information contained in the documents described under the heading "Where You Can Find More Information."

You should rely only on the information contained in or incorporated by reference into this prospectus, the prospectus supplement and any pricing supplement. Transocean Ltd. and Transocean Inc. have not authorized anyone to provide you with different information. You should assume that the information appearing in or incorporated by reference into this prospectus, any prospectus supplement and any pricing supplement is accurate only as of the date on its cover page and that any information incorporated by reference is accurate only as of the date of the document incorporated by reference. The business, financial condition, results of operations and prospects of Transocean Ltd. and Transocean Inc. may have changed since such dates.

In this prospectus, references to "dollars" and "$" are to United States currency, and the terms "United States" and "U.S." mean the United States of America, its states, its territories, its possessions and all areas subject to its jurisdiction. References to CHF are to Swiss francs.

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FORWARD-LOOKING INFORMATION

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

- the impact of the Macondo well incident and related matters,
- the offshore drilling market, including the impact of the drilling moratorium in the United States ("U.S.") Gulf of Mexico, supply and demand, utilization rates, dayrates, customer drilling programs, commodity prices, stacking of rigs, reactivation of rigs, effects of new rigs on the market and effects of declines in commodity prices and the downturn in the global economy or market outlook for our various geographical operating sectors and classes of rigs,
- customer contracts, including contract backlog, force majeure provisions, contract commencements, contract extensions, contract terminations, contract option exercises, contract revenues, contract awards and rig mobilizations,
- newbuild, upgrade, shipyard and other capital projects, including completion, delivery and commencement of operation dates, expected downtime and lost revenue, the level of expected capital expenditures and the timing and cost of completion of capital projects,
- liquidity and adequacy of cash flow for our obligations, including our ability and the expected timing to access certain investments in highly liquid instruments,
- our results of operations and cash flow from operations, including revenues and expenses,
- uses of excess cash, including the payment of dividends and other distributions, debt retirement and share repurchases under our share repurchase program,
- the cost and timing of acquisitions and the proceeds and timing of dispositions,
- tax matters, including, but not limited to, our effective tax rate, changes in tax laws, treaties and regulations, tax assessments and liabilities for tax issues, including those associated with our activities in Brazil, Norway and the U.S.,
- legal and regulatory matters, including results and effects of legal proceedings and governmental audits and assessments, outcomes and effects of internal and governmental investigations, customs and environmental matters,
- insurance matters, including adequacy of insurance, renewal of insurance, insurance proceeds and cash investments of our wholly-owned captive insurance company,
- debt levels, including impacts of the financial and economic downturn,

effects of accounting changes and adoption of accounting policies, and

investments in recruitment, retention and personnel development initiatives, pension plan and other postretirement benefit plan contributions, the timing of severance payments and benefit payments.

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Forward-looking statements in this prospectus and the documents incorporated by reference in this prospectus are identifiable by use of the following words and other similar expressions among others:

"anticipates"	"expects"
"believes"	"forecasts"
"budgets"	"intends"
"could"	"may"
"estimates"	"might"
"plans"	"scheduled"
"predicts"	"should"
"projects"	

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

- those described under "Risk Factors" included herein and in our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q and our other SEC filings,
- the adequacy of and access to sources of liquidity,
- our inability to obtain contracts for our rigs that do not have contracts,
- our inability to renew contracts at comparable dayrates,
- the cancellation of contracts currently included in our reported contract backlog,
- the effect and results of litigation, tax audits and contingencies, and
- other factors discussed in this prospectus and in our other filings with the SEC, which are available free of charge on the SEC's website at www.sec.gov.

The foregoing risks and uncertainties are beyond the issuers' ability to control, and in many cases, the issuers cannot predict the risks and uncertainties that could cause actual results to differ materially from those indicated by the forward-looking statements. Should one or more of

these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated.

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

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ABOUT TRANSOCEAN LTD.

Transocean Ltd., through its subsidiaries, is the leading international provider of offshore contract drilling services for oil and gas wells. As of September 14, 2010, we owned, had partial ownership interests in or operated 139 mobile offshore drilling units. As of this date, our fleet consisted of 45 High-Specification Floaters (Ultra-Deepwater, Deepwater and Harsh Environment semisubmersibles and drillships), 26 Midwater Floaters, 10 High-Specification Jackups, 55 Standard Jackups and three Other Rigs. In addition, we had three Ultra-Deepwater Floaters under construction.

We believe our mobile offshore drilling fleet is one of the most modern and versatile fleets in the world. Our primary business is to contract our drilling rigs, related equipment and work crews predominantly on a dayrate basis to drill oil and gas wells. We specialize in technically demanding segments of the offshore drilling business with a particular focus on deepwater and harsh environment drilling services. We also provide oil and gas drilling management services on either a dayrate basis or a completed-project, fixed-price (or "turnkey") basis, as well as drilling engineering and drilling project management services, and we participate in oil and gas exploration and production activities.

Transocean Ltd. is a Swiss corporation with its registered office at Turmstrasse 30, CH-6300 Zug, Switzerland, and its principal executive offices located at Chemin de Blandonnet 10, CH-1214 Vernier, Switzerland. Our telephone number at that address is +41 22 930 9000. Our shares are listed on the New York Stock Exchange under the symbol "RIG" and on the SIX Swiss Exchange under the symbol "RIGN."

References in this prospectus to "we," "our" and "us" mean Transocean Ltd. and its subsidiaries unless indicated otherwise. References to "issuers" mean Transocean Ltd. and Transocean Inc.

ABOUT TRANSOCEAN INC.

Transocean Inc. is a direct, wholly-owned subsidiary of Transocean Ltd. Transocean Inc. is the issuer of certain notes and debentures that have been guaranteed by Transocean Ltd.

Transocean Inc.'s principal executive offices are located at 70 Harbour Drive, Grand Cayman, Cayman Islands KY1-1003, and its telephone number at that address is (345) 745-4500.

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WHERE YOU CAN FIND MORE INFORMATION

Transocean Ltd. files annual, quarterly and current reports, proxy statements and other information with the SEC. You can read and copy these materials at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information about the operation of the SEC's public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains information Transocean Ltd. has filed electronically with the SEC, which you can access over the Internet at http://www.sec.gov. You can also obtain information about Transocean Ltd. at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

This prospectus is part of a registration statement the issuers have filed with the SEC relating to the securities the issuers may offer. As permitted by SEC rules, this prospectus does not contain all of the information included in the registration statement and the accompanying exhibits and schedules. You may refer to the registration statement, exhibits and schedules for more information about the issuers and the securities. The registration statement, exhibits and schedules are available at the SEC's public reference room or through its website.

The SEC allows the issuers to "incorporate by reference" the information Transocean Ltd. has filed with it, which means that the issuers can disclose important information to you by referring you to those documents. The information the issuers incorporate by reference is an important part of this prospectus, and later information that Transocean Ltd. files with the SEC will automatically update and supersede this information. The issuers incorporate by reference the documents listed below and any future filings Transocean Ltd. makes with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act (other than information "furnished" and not "filed" with the SEC, unless the issuers specifically provide that such "furnished" information is to be incorporated by reference) after the date of this prospectus and until all of the offered securities are sold. The documents the issuers incorporate by reference are:

- Transocean Ltd.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2009;

- Transocean Ltd.'s Quarterly Reports on Form 10-Q for the periods ended March 31, 2010 and June 30, 2010;

- Transocean Ltd.'s Current Reports on Form 8-K filed with the SEC on February 18, 2010, February 26, 2010, April 23, 2010, May 19, 2010, July 1, 2010, August 16, 2010, August 17, 2010 and September 16, 2010 (both reports); and

- the description of Transocean Ltd.'s share capital contained in Transocean Ltd.'s Current Report on Form 8-K12G3 filed with the SEC on December 19, 2008.

You may request a copy of these filings, other than an exhibit to these filings unless the issuers have specifically incorporated that exhibit by reference into the filing, at no cost, by writing or calling:

Transocean Ltd.
c/o Transocean Offshore Deepwater Drilling Inc.
4 Greenway Plaza
Houston, Texas 77046
Attn: Investor Relations
(713) 232-7500

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RISK FACTORS

In addition to the other information contained in this prospectus and the documents incorporated by reference, including, without limitation, our Annual Report on Form 10-K for the year ended December 31, 2009 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010 and June 30, 2010, you should carefully consider the risk factors below before buying any of the securities offered by this prospectus. This prospectus also contains forward-looking statements that involve risks and uncertainties. Please read "Forward-Looking Information." Our actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors, including the risks described elsewhere in this prospectus or any prospectus supplement and in the documents incorporated by reference into this prospectus or any prospectus supplement. If any of these risks occur, our business, financial condition or results of operations could be adversely affected. Additional risks not currently known to us or that we currently deem immaterial may also have a material adverse effect on us.

Risks related to our business

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

Numerous lawsuits have been filed against us and unaffiliated defendants related to the Macondo well incident, and we expect additional lawsuits to be filed. We may be subject to claims alleging that we are jointly and severally liable, along with BP p.l.c. and its affiliates (collectively, "BP") and others, for damages arising from the Macondo well incident. We expect to incur significant legal fees and costs in responding to these matters. We may also be subject to governmental fines or penalties. Although we have excess liability insurance coverage, our personal injury and other third-party liability insurance coverage is subject to deductibles and overall aggregate policy limits. In addition, we have also been placed on notice by the Macondo well operator that it intends to make a claim on our excess liability coverage. Such a claim, if paid, could limit the amount of coverage otherwise available to us. There can be no assurance that our insurance will ultimately be adequate to cover all of our potential liabilities in connection with these matters. For a discussion of the potential impact of the failure of the Macondo well operator to honor its indemnification obligations to us, see "We could experience a material adverse effect on our consolidated statement of financial position, results of operations and cash flows to the extent any of the operator's indemnification obligations to us are not enforceable or the operator does not indemnify us" below. If we ultimately incur substantial liabilities in connection with these matters with respect to which we are neither insured nor indemnified, those liabilities could have a material adverse effect on us.

As a result of the incident, our business will be negatively impacted by the loss of revenue from the *Deepwater Horizon*. The backlog associated with the *Deepwater Horizon* drilling contract was approximately $590 million through the end of the contract term in 2013. We do not carry insurance for loss of revenue. In addition, we expect an increase of approximately $180 million in operating and maintenance expenses in 2010 comprised primarily of approximately $70 million of insurance deductibles, approximately $30 million of higher insurance premiums, approximately $36 million of additional legal expenses related to lawsuits and investigations, net of insurance recoveries, and approximately $44 million of additional costs primarily related to our internal investigation of the Macondo well incident, including consultant costs, travel costs and other miscellaneous costs. We may also experience increased operating and maintenance expenses resulting from changing regulations and practices related to the Macondo well incident. The uncertainties and contingencies resulting from the incident, which have resulted in a reduction of our credit rating by two rating agencies, could result in further reductions of our credit ratings by the rating agencies or could have a material adverse effect on our ability to access the debt and equity markets, any of which could ultimately have an adverse impact on our liquidity in the future. Both Moody's Investors Service and Standard & Poor's recently

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downgraded their ratings of our senior unsecured debt with a negative outlook. We cannot assure you that our credit ratings will not be downgraded in the future.

Our relationship with BP, one of which was the operator on the Macondo well, could also be negatively impacted by the Macondo well incident. For 2009, BP was our most significant customer, accounting for 12% of our 2009 operating revenues. As of July 15, 2010, the contract backlog associated with our contracts with BP and its affiliates was $3.4 billion.

Our business may also be adversely impacted by any negative publicity relating to the incident and us, any negative perceptions about us by customers, the skilled personnel that we require to support our operations or others, any further increases in premiums for insurance or difficulty in obtaining coverage and the diversion of management's attention from our other operations to focus on matters relating to the incident. Ultimately, these factors could have a material adverse effect on our statement of financial position, results of operations or cash flows.

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

The combined response team was unable to stem the flow of hydrocarbons from the Macondo well prior to the sinking of the rig. The resulting spill of hydrocarbons has been the most extensive in U.S. history. According to its public filings, as of June 30, 2010, the operator had already recognized a pre-tax charge of $32.2 billion in relation to the spill, and we expect the operator will continue to incur substantial costs related to the spill for the foreseeable future. Under the drilling contract for *Deepwater Horizon*, the Macondo well operator has agreed to indemnify us with respect to certain matters, and we have agreed to indemnify the operator with respect to certain matters. We could ultimately experience a material adverse effect on our consolidated statement of financial position, results of operations and cash flows to the extent that BP does not honor its indemnification obligations, including by reason of financial or legal restrictions, or our insurance policies do not fully cover these amounts. In response to our demand to BP to honor its indemnity obligations, BP's outside counsel has stated that BP could not yet determine that it was obligated to defend or indemnify us under the contract and that BP has reserved its rights in that regard. The letter also claims that the operator may not be obligated to defend or indemnify us based on various arguments, including alleged breach of contract and gross negligence or other factors, such as in the event our actions materially increased the risks to, or prejudiced the rights of, BP. The interpretation and enforceability of this contractual indemnity depends upon the specific facts and circumstances involved in this case, as governed by applicable laws. The question may ultimately need to be decided by a court or other proceeding which will need to consider the specific contract language, the facts and applicable laws.

The moratorium on drilling operations in the U.S Gulf of Mexico and potential new related regulations could materially and adversely affect our business.

The U.S. government has implemented a six-month moratorium on certain drilling activities in the U.S. Gulf of Mexico. Some operators have claimed that the moratorium is a force majeure event under their drilling contracts that allows them to terminate these contracts. We do not believe that a force majeure event exists and are in discussions with our customers. In some instances, we have negotiated special lower standby dayrates with our customers for rigs in the U.S. Gulf of Mexico for the period in which the moratorium is in effect but have also agreed to extend the terms of these contracts. The moratorium may result in a number of rigs being moved, or becoming available for movement to locations outside of the U.S. Gulf of Mexico, which could potentially reduce dayrates worldwide and negatively affect our ability to contract our rigs that are currently uncontracted or coming off contract. The moratorium may also decrease the demand for drilling services and negatively affect dayrates,

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which could ultimately have a material adverse affect on our revenue and profitability. There can be no assurance that the moratorium will not be extended beyond the current time period.

Following the issuance of the moratorium, new governmental safety and environmental requirements applicable to both deepwater and shallow water operations have been adopted. The new safety and environmental guidelines and regulations for drilling in the U.S. Gulf of Mexico that the U.S. government has already issued, and any further new guidelines or regulations the U.S. government may issue or any other steps the U.S. government may take, could disrupt or delay operations, increase the cost of operations or reduce the area of operations for drilling rigs in U.S. offshore areas. Other governments could adopt similar moratoria and take similar actions relating to implementing new safety and environmental regulations. Additional governmental regulations and requirements concerning licensing, taxation, equipment specifications and training requirements could increase the costs of our operations, increase certification and permitting requirements, increase review periods and impose increased liability on offshore operations. Legislation pending before the U.S. Congress would impose some of these regulations and requirements. Additionally, increased costs for our customers' operations in the U.S. Gulf of Mexico, along with permitting delays, could affect the economics of currently planned exploration and development activity in the area and reduce demand for our services, which could ultimately have a material adverse affect on our revenue and profitability.

Many investigations are ongoing in connection with the Macondo well incident, the outcome of which is unknown and could have a material adverse effect on us.

The Departments of Homeland Security and Interior have begun a joint investigation into the cause or causes of the Macondo well incident. The U.S. Coast Guard and the Bureau of Ocean Energy Management, Regulation, and Enforcement (the "BOE") share jurisdiction over the investigation into the incident. In connection with the investigation, we have received a subpoena from the Office of Inspector General of the Department of Interior for certain information. In addition, an investigation has been commenced by the Chemical Safety Board, and the President of the United States has established the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling to, among other things, examine the relevant facts and circumstances concerning the cause or causes of the Macondo well incident and develop options for guarding against future oil spills associated with offshore drilling. In addition, we have participated in hearings related to the incident before various committees and subcommittees of the House of Representatives and the Senate of the United States. These hearings may result in changes in laws and regulations, such as the Consolidated Land, Energy, and Aquatic Resources Act of 2010 recently passed by the House of Representatives, that may have a material adverse effect on the level of liability that we expect in connection with the Macondo well incident.

On June 28, 2010, we received a letter from the U.S. Department of Justice ("DOJ") asking us to meet with them to discuss our financial responsibilities in connection with the Macondo well incident and requesting that we provide them certain financial and organizational information. The letter also requested that we provide the DOJ advance notice of certain corporate actions involving the transfer of cash or other assets outside the ordinary course of business. After preliminary discussions with the DOJ, we have voluntarily agreed to provide them with 30 days notice prior to repurchasing any additional shares under our share repurchase program and prior to making substantial cash payments out of our U.S. entities, other than in the ordinary course of business. We expect to engage in further discussions with the DOJ in the future.

The worldwide financial and economic downturn could have a material adverse effect on our revenue, profitability and financial position.

The worldwide financial and economic downturn reduced the availability of liquidity and credit to fund the continuation and expansion of industrial business operations worldwide. The shortage of

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liquidity and credit combined with losses in worldwide equity markets led to an extended worldwide economic recession. A slowdown in economic activity caused by the recession reduced worldwide demand for energy and resulted in an extended period of lower oil and natural gas prices. Crude oil prices have declined from record levels in July 2008 and natural gas prices have also experienced sharp declines. Declines in commodity prices, along with difficult conditions in the credit markets, have had a negative impact on our business, and this impact could continue or worsen. Demand for our services depends on oil and natural gas industry activity and expenditure levels that are directly affected by trends in oil and, to a lesser extent, natural gas prices. Demand for our services is particularly sensitive to the level of exploration, development, and production activity of, and the corresponding capital spending by, oil and natural gas companies, including national oil companies. Any prolonged reduction in oil and natural gas prices could depress the immediate levels of exploration, development, and production activity. Perceptions of longer-term lower oil and natural gas prices by oil and gas companies could similarly reduce or defer major expenditures given the long-term nature of many large-scale development projects. Lower levels of activity result in a corresponding decline in the demand for our services, which could have a material adverse effect on our revenue and profitability. Additionally, these factors may adversely impact our statement of financial position if they are determined to cause an impairment of our goodwill or intangible assets or of our long-lived assets or our assets held for sale. The worldwide financial and economic downturn may also adversely affect the ability of shipyards to meet scheduled deliveries of our newbuild and other shipyard projects.

The worldwide financial and economic downturn may continue to negatively impact our business and financial condition.

The continued economic downturn and related instability in the global financial system has had, and may continue to have, an impact on our business and our financial condition. Our ability to access the capital markets may be severely restricted at a time when we would like, or need, to access such markets, which could have an impact on our flexibility to react to changing economic and business conditions. The economic downturn has impacted lenders participating in our credit facilities and our customers, and an extended or worsening economic downturn may cause them to fail to meet their obligations to us.

Our business depends on the level of activity in the offshore oil and gas industry, which is significantly affected by volatile oil and gas prices and other factors.

Our business depends on the level of activity in oil and gas exploration, development and production in offshore areas worldwide. 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 customers' expectations of future commodity prices typically drive demand for our rigs. Also, increased competition for customers' drilling budgets could come from, among other areas, land-based energy markets in Africa, Russia, Western Asian countries, the Middle East, the U.S. and elsewhere. The availability of quality drilling prospects, exploration success, relative production costs, the stage of reservoir development and political and regulatory environments also affect customers' drilling campaigns. Worldwide military, political and economic events have contributed to oil and gas price volatility and are likely to do so in the future.

Oil and gas prices are extremely volatile and are affected by numerous factors, including the following:

- worldwide demand for oil and gas including economic activity in the U.S. and other energy-consuming markets;

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- the ability of the Organization of the Petroleum Exporting Countries ("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 U.S., or elsewhere.

Our industry is highly competitive and cyclical, with intense price competition.

The offshore contract drilling industry is highly competitive with numerous industry participants, none of which has a dominant market share. Drilling contracts are traditionally awarded on a competitive bid basis. Intense price competition is often the primary factor in determining which qualified contractor is awarded a job, although rig availability and the quality and technical capability of service and equipment may also be considered.

Our industry has historically been cyclical and is impacted by oil and gas price levels and volatility. There have been periods of high demand, short rig supply and high dayrates, followed by periods of low demand, excess rig supply and low dayrates. Changes in commodity prices can have a dramatic effect on rig demand, and periods of excess rig supply intensify the competition in the industry and often result in rigs being idle for long periods of time. Since the onset of the worldwide financial and economic downturn, we have experienced weakness in our Midwater Floater, High-Specification Jackups and Standard Jackup markets. We have idled rigs, and may in the future idle additional rigs or enter into lower dayrate contracts in response to market conditions. We cannot predict when any idled or stacked rigs will return to service.

During prior periods of high utilization and dayrates, industry participants have increased the supply of rigs by ordering the construction of new units. This has typically resulted in an oversupply of drilling units and has caused a subsequent decline in utilization and dayrates, sometimes for extended periods of time. There are numerous high-specification rigs and jackups under contract for construction. The entry into service of these new units will increase supply and could curtail a strengthening, or trigger a reduction, in dayrates as rigs are absorbed into the active fleet. Any further increase in construction of new drilling units would likely exacerbate the negative impact on utilization and dayrates. Lower utilization and dayrates could adversely affect our revenues and profitability. Prolonged periods of low utilization and dayrates could also result in the recognition of impairment charges on certain classes of our drilling rigs or our goodwill balance if future cash flow estimates, based upon information available to management at the time, indicate that the carrying values of these rigs, goodwill or other intangible assets may not be recoverable.

We rely heavily on a relatively small number of customers and the loss of a significant customer and/or a dispute that leads to the loss of a customer could have a material adverse impact on our financial results.

We engage in offshore drilling services for most of the leading international oil companies (or their affiliates), as well as for many government-controlled and independent oil companies. Our most significant customer in 2009 was BP, accounting for 12% of our 2009 operating revenues. See "The Macondo well incident could result in increased expenses and decreased revenues, which could ultimately have a material adverse effect on us." The loss of this customer or another significant customer could, at least in the short term, have a material adverse effect on our results of operations.

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Our operating and maintenance costs will not necessarily fluctuate in proportion to changes in operating revenues.

Our operating and maintenance costs will not necessarily fluctuate in proportion to changes in operating revenues. Costs for operating a rig are generally fixed or only semi-variable regardless of the dayrate being earned. In addition, should our rigs incur idle time between contracts, we typically will not reduce the staff on those rigs because we will use the crew to prepare the rig for its next contract. During times of reduced activity, reductions in costs may not be immediate as portions of the crew may be required to prepare rigs for stacking, after which time the crew members are assigned to active rigs or dismissed. In addition, as our rigs are mobilized from one geographic location to another, the labor and other operating and maintenance costs can vary significantly. In general, labor costs increase primarily due to higher salary levels and inflation. Equipment maintenance expenses fluctuate depending upon the type of activity the unit is performing and the age and condition of the equipment. Contract preparation expenses vary based on the scope and length of contract preparation required and the duration of the firm contractual period over which such expenditures are amortized.

Our shipyard projects and operations are subject to delays and cost overruns.

As of September 14, 2010, we had a total of three deepwater newbuild rig projects. We also have a variety of other more limited shipyard projects at any given time. These shipyard projects are subject to the risks of delay and/or cost overruns inherent in any such construction project resulting from numerous factors, including the following:

- shipyard availability;
- shortages of equipment, materials or skilled labor;
- unscheduled delays in the delivery of ordered materials and equipment;
- engineering problems, including those relating to the commissioning of newly designed equipment;
- work stoppages;
- customer acceptance delays;
- weather interference or storm damage;
- unanticipated cost increases;
- unforeseen extensions of work scope arising from unforeseen repairs, including those required by inspectors appointed by the customer; and
- difficulty in obtaining necessary permits or approvals.

These factors may contribute to cost variations and delays in the delivery of our upgraded and newbuild units and other rigs undergoing shipyard projects. Delays in the delivery of these units would result in delay in contract commencement, resulting in a loss of revenue to us, and may also cause customers to terminate or shorten the term of the drilling contract for the rig pursuant to applicable late delivery clauses. In the event of termination of one of these contracts, we may not be able to secure a replacement contract on as favorable terms, if at all.

Our operations also rely on a significant supply of capital and consumable spare parts and equipment to maintain and repair our fleet. We also rely on the supply of ancillary services, including supply boats and helicopters. Shortages in materials, delays in the delivery of necessary

spare parts, equipment or other materials, or the unavailability of ancillary services could negatively impact our future operations and result in increases in rig downtime, and delays in the repair and maintenance of our fleet.

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Our drilling contracts may be terminated due to a number of events.

Certain of our contracts with customers may be cancelable at the option of the customer upon payment of an early termination payment. Such payments may not, however, fully compensate us for the loss of the contract. Contracts also customarily provide for either automatic termination or termination at the option of the customer typically without the payment of any termination fee, under various circumstances such as non-performance, as a result of downtime or impaired performance caused by equipment or operational issues, or sustained periods of downtime due to force majeure events. Many of these events are beyond our control. During periods of depressed market conditions such as the current economic downturn, we are subject to an increased risk of our customers seeking to repudiate their contracts, including through claims of non-performance. Our customers' ability to perform their obligations under their drilling contracts with us may also be negatively impacted by the economic downturn. If our customers cancel some of our contracts, and we are unable to secure new contracts on a timely basis and on substantially similar terms, or if contracts are suspended for an extended period of time or if a number of our contracts are renegotiated, it could adversely affect our consolidated statement of financial position, results of operations or cash flows.

Our current backlog of contract drilling revenue may not be fully realized.

Our contract backlog as of July 15, 2010 was approximately $27.6 billion. This amount represents the firm term of the contract multiplied by the contractual operating rate, which may be higher than other rates included in the contract such as waiting on weather rate, repair rate or force majeure rate. Our contract backlog includes signed drilling contracts and, in some cases, other definitive agreements awaiting contract execution. We may not be able to realize the full amount of our contract backlog due to events beyond our control. In addition, some of our customers have experienced liquidity issues, and these liquidity issues could increase if commodity prices decline to lower levels for an extended period of time. Liquidity issues could lead our customers to go into bankruptcy or could encourage our customers to seek to repudiate, cancel or renegotiate these agreements for various reasons, as described under "Our drilling contracts may be terminated due to a number of events" above. Our inability to realize the full amount of our contract backlog may have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Our non-U.S. operations involve additional risks not generally associated with U.S. operations.

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

- terrorist acts, war, piracy and civil disturbances;
- seizure, expropriation or nationalization of equipment;
- imposition of trade barriers;
- import-export quotas;
- wage and price controls;
- unexpected changes in law and regulatory requirements, including changes in interpretation and enforcement of existing laws;
- damage to our equipment or violence directed at our employees, including kidnappings;
- complications associated with supplying, repaiin 0in 0in 0in;width:12.0%;">

31.5

1.4

%

Non-voice revenues as % of revenues (%)

65.0

62.5

2.6

pp

The solid growth of residential customers is clearly supported by the success of MEO, PT s innovative pay-TV service that has already moved towards a seamless multiscreen experience, with live TV channels, games, music and video on demand on all screens. MEO s experience is now convergent. As of 11 January 2013, in line with its strategy for the Residential and Personal segment which focuses on the fixed-mobile and services convergence, PT presented the new MEO, with a rebranding and the launch of PT s first quadruple-play offer: M4O, which is a truly fixed-mobile convergent service, including pay-TV, broadband and fixed and mobile voice. M4O offers 90 TV channels plus 18 radio channels, 100 Mbps broadband speed (24 Mbps of broadband speed over ADSL 2+), unlimited calls and two to four mobile SIM cards including unlimited voice and SMS to all wireline and wireless networks, on the back of PT s 3G and 4G-LTE networks.

Consistent with the convergence trends offering pay-TV, broadband and fixed and mobile voice under the same brand MEO assumed a new positioning, moving from a triple-play offer based on a new TV experience to become a brand that offers an integrated service bundle of telecommunications and entertainment. The new MEO builds its new positioning based on three concepts: (1) simplicity, as a single mobile network to talk freely and without barriers to all mobile and fixed networks in Portugal; (2) convenience, as a single brand for voice, internet, and TV inside and outside the home, on the move, with a single commercial contact point and a single

customer care centre, and (3) economy, as the concentration of all services under MEO s brand allows PT to transfer the subsequent economies of scale to its customers, allowing immediate savings.

MEO s M4O enables a unique customer experience reflected in the: (1) billing, through a single invoice and value for the entire family, allowing total cost control; (2) self-care, with an integrated online portal for all products and services; (3) CRM, allowing for an integrated customer view, and (4) sales, giving PT s customers an integrated experience online and at the stores. The offer M4O allows all families to have access to more services and of superior quality for a monthly fee of Euro 79.99, including two mobile SIM cards allowing unlimited voice and SMS to all fixed and mobile networks and 200MB of internet access. Up to two additional SIM cards can be included for monthly fee of Euro 7.5 per each SIM card. Already in April 2013, PT launched two new Internet packages, with traffic allowances of 200MB (IT Light) for Euro 2.99 per month and 5GB (IT Ultra) for Euro 19.99 per month. At the same time, PT repositioned the existing IT packages offering additional savings of up to 55%: IT Super offers 500MB of traffic for Euro 4.99 per month and IT Super Plus offers 1GB of traffic for Euro 7.99 per month.

During 1Q13, PT continued to consolidate MEO s leadership in terms of innovation, content differentiation and customer experience. In what concerns MEO GO!, the MEO service over the top application that allows access to 60+ channels, video on demand and recordings on smartphones, tablets and PC through WiFi and mobile networks, it is worth highlighting the launch of the new MEO GO! Apps for Android tablets and iPad, for Windows 8 and the renovation of MEO GO! website. MEO continued to innovate and to add new content to its grid through: (1) the launch of CM TV, Correio da Manhã TV , in partnership with Cofina, the owner of several newspapers and magazines in Portugal, including the most widely read tabloid in Portugal, Correio da Manhã ; (2) the launch of the KBS World HD channel, and (3) several promotions on existing content, namely the campaign offering two free monthly fees on Globo Premium. New content was also made available in the Meo Kids. In what concerns content, PT continued to focus on the intensification of the partnerships with content providers, focusing on two-way collaborations to improve content quality, and on the renegotiation of existing content deals aiming at adapting further the content cost structure to the macro environment, thus generating savings in content costs. Already in April 2013, MEO launched together with TVI, a leading free-to-air portuguese channel, an interactive channel entirely dedicated to the new programme Big Brother VIP enabling access to the Big Brother house for 24 hours a day and to be able to follow all that happens between competitors of the most watched reality show of the world. The Big Brother VIP channel stood at fourth place in the April audience ranking.

Service revenues in the Residential segment reached Euro 180 million, up by 4.1% y.o.y and continued to show solid growth (4Q12: +4.9% y.o.y; 3Q12: +4.3% y.o.y; 2Q12: +4.4% y.o.y, and 1Q12: +4.2% y.o.y). This performance was achieved on the back of the continued strong performance of MEO triple-play offer (voice, broadband and pay-TV) and benefiting from a relentless effort to transform PT s residential service offering from a fixed telephone legacy to a triple-play customer base. As a result of the higher penetration of triple-play offers, the weight of non-voice services in Residential service revenues stood at 65.0% in 1Q13 (+2.6pp y.o.y) and the weight of flat revenues stood at 88.4% (+1.8pp y.o.y).

Personal

In 1Q13, mobile Personal customers, including voice and broadband customers, increased by 3.2% y.o.y improving further the momentum observed in the previous nine quarters (4Q12: +1.5%, 3Q12: -1.1% y.o.y; 2Q12: -1.1% y.o.y; 1Q12: -0.9% y.o.y; 4Q11: -0.5% y.o.y; 3Q11: 0.0% y.o.y; 2Q11: +0.4% y.o.y, and 1Q11: +2.0%

y.o.y). In 1Q13, mobile Personal customers registered 52 thousand net additions (44 thousand net disconnections in 1Q12), underpinned by the solid performance in postpaid (99 thousand net additions in 1Q13). This performance is anchored on the strong commercial success of M4O, which is underpinning the transformation of the Portuguese mobile market by introducing convergence, which allows additional differentiation of commercial offers, while at the same time shifting the focus from prepaid to postpaid. PT s M4O offer, launched only on 11 January 2013, has a 24 month loyalty plan, thus reinforcing revenue predictability. The results obtained show a solid and continued growth in fixed and mobile RGUs. As at May 2013, total RGUs associated with M4O amounted to more than 600 thousand and 40% are new customers to PT. M4O is allowing savings of 18.5% for customers while driving a 10% revenue enhancement at PT. Net disconnections of prepaid customers stood at 47 thousand in 1Q13, a seasonally weak quarter, albeit having improved versus 1Q12 (57 thousand net disconnections). This improvement was achieved on the back of the successful commercial performance of the Moche tariff plans, following the new positioning implemented in 2012, that allowed TMN in one year to achieve leadership in the 10-14 years old segment.

Personal operating data

	1Q13	1Q12	y.o.y
Mobile Customers (000)	6,076	5,889	3.2%
Postpaid	1,192	1,077	10.6%
Prepaid	4,884	4,811	1.5%
Net additions (000)	52	(44)	219.9%
Postpaid	99	14	n.m.
Prepaid	(47)	(57)	18.9%
MOU (minutes)	92	91	1.2%
ARPU (Euro)	7.6	8.8	(13.5)%
Customer	7.1	8.0	(10.8)%
Interconnection	0.4	0.8	(41.7)%
SARC(Euro)	25.5	27.1	(5.7)%
Data as %of service revenues (%)	36.0	32.7	3.3pp

PT s strategy for the Personal customer segment is anchored on mobile data offers based on high quality network offering, best in class coverage and high capacity to meet customers demand for increasingly higher bandwidth and provide the best quality of service in the market. PT has the best 4G-LTE network coverage reaching 92% of the population and allowing speeds of up to 150 Mbps. PT is testing LTE-Advanced and has already achieved speeds of 300Mbps, preparing the evolution of its 4G-LTE offer. TMN s commercial offers include: (1) voice and data tariff plans designed to integrate seamlessly unlimited voice and data plans, targeted at the high value postpaid segments and, in the prepaid segment, to prevent migration to the low value tariff plans by offering additional voice and data services; (2) distinctive smartphone offering leveraging on a comprehensive portfolio of circa 30 smartphones, including exclusive handsets, and on innovative value added and convergent services to use on-the-go (mobile TV MEO GO!; music on demand Music Box; navigation app TMN Drive, and Cloud PT, which offers 16Gb of cloud storage space for free), and (3) mobile broadband competitive offers of up to 150Mbps speed, on 4G-LTE, and offering free access to PT s leading national WiFi network. PT s WiFi offer includes automatic subscriber authentication based on SIM Card (EAP-SIM), over-the-air or standard terminal configuration and automatic 3G and 4G-LTE offload to WiFi whenever the device is within WiFi coverage. As such, WiFi clearly complements 3G and 4G-LTE for data coverage, thus increasing customer mobility and satisfaction and ultimately its loyalty.

In January 2013, TMN s multi-SIM 4G-LTE service, that allows customers to share the Internet plafond among the smartphone, tablet and PC, was elected product of the year in the mobile tariff plans category. This award is

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the result of an independent survey carried out amongst consumers in the sector of fast moving consumer goods. In March 2013, following the launch of M4O, TMN repositioned its Unlimited tariff plans and launched a commercial campaign aimed at reinforcing the competitiveness of its postpaid tariff plans targeted at heavy mobile consumers that want to use their smartphones without limitations on voice and data services. The new Unlimited tariff plans offer unlimited voice and SMS for all national networks, up to 5GB of Internet, unlimited access to PT s WiFi network, 16GB of storage in Cloud PT and free access to Musicbox , PT s music streaming service. The range of the Unlimited tariff plans addresses different profiles of Internet usage: from the Unlimited S that sells at Euro 15.9 per month and offers 200MB per month up to the Unlimited XL that sells at Euro 69.9 per month and offers 5GB per month. TMN also continued to strengthen its smartphone portfolio, aiming at diversifying operating systems and providing the widest range of handsets to meet customer demand. It is worth highlighting the launch of Blackberry Z10, using the BB10 software, and Huawei Ascend W1, using Windows Phone 8.

In 1Q13, customer revenues in the Personal segment declined by 8.6% y.o.y to Euro 129 million, improving when compared to 4Q12 (-9.1% y.o.y) and 3Q12 (-11.2% y.o.y), despite the challenging economic background and the adverse calendar movements as 2012 was a leap year and in 2013 the Easter took place in the first quarter. The decline in customer revenues reflected: (1) lower and volatile recharges as a result of difficult economic conditions; (2) price competition and migration to lower tariff plans, and (3) lower revenues derived from mobile broadband as penetration of fixed broadband and WiFi coverage increases. These effects were partially compensated by the strong growth of internetnotelemovel revenues leveraged on the increased penetration of smartphones. Interconnection revenues declined by 40.2% y.o.y to Euro 8 million in 1Q13, accelerating when compared to 4Q12 (-38.6% y.o.y to Euro 10 million) and 3Q12 (-32.8% y.o.y to Euro 11 million) and also contributed to a total decline of service revenues of -11.4% y.o.y (-11.9% y.o.y in 4Q12 and -13.2% y.o.y in 3Q12). In effect, MTRs declined throughout 2012 from Euro 3.50 cents to Euro 1.27 cents as from 31 December 2012. ARPU of the personal segment stood at Euro 7.6 (-13.5% y.o.y) and customer ARPU stood at Euro 7.1 (-10.8% y.o.y). The weight of non-voice revenues in service revenues stood at 36.0% in 1Q13 (+3.3pp y.o.y), reflecting the solid performance of data packages internetnotelemovel , while the weight of flat-fee revenues stood at 34.9% (+6.2pp y.o.y).

As referred to before, in January 2013 PT launched M4O, the first truly converged fixed-mobile quadruple-play service including TV, broadband, fixed and mobile telephone with unlimited voice and SMS to all mobile networks. This new converged quadruple-play service is anchored on MEO s triple-play unique offer and is targeted at differentiating further the mobile services offered in the Personal segment, thus moving away from price competition.

Enterprise

The Enterprise customer segment (B2B segment) includes mobile and fixed, voice and data and convergent and integrated IT offers provided to large corporates and to small and medium size businesses. In this customer segment, PT aims at growing its revenue base beyond connectivity and legacy services by seizing the ICT opportunity, including cloud, outsourcing and BPO, on the back of cutting-edge solutions for companies and future-proof data centre investments to meet demand for high bandwidth services and virtualisation.

PT has a three-tier approach to the B2B market focused on value added services: (1) Residential+, which makes available to the small offices/home offices (SOHO) fixed and mobile voice and fixed and mobile broadband and convergent services through the M4O offer; (2) Connected+, which provides multi-employee convergent

connectivity to small and medium businesses, including mobility solutions for itinerant employees, and simple software solutions, and (3) Integrated+, which provides unified communications, outsourcing of ICT services, application integration, M2M and specific IT/IS solutions, business process outsourcing and IT consultancy, including end-to-end approach to customers by supporting their IT transformation through business consulting approach, in order to extend the services provided to corporations to video, multiscreen and highly differentiated convergent services. Cloud services, where PT positions itself as a hybrid player serving the full stack of IT needs, are available to all tiers by leveraging on strategic partnerships to accelerate access to leading-edge technologies, which are hosted in PT s data centre in Covilhã. PT s market positioning allows it to offer comprehensive cloud solutions: (1) hybrid player providing three deployment models (Public, Private and Hybrid); (2) complete offering for the full range of service models (IaaS, SaaS and PaaS), and (3) high flexibility to work on and off premises (public and virtual public cloud). As part of its wide-ranging approach to the enterprise market, PT has developed multiplatform payment solutions, available for the smartphone, PC and TV, and that also allow the integration of payments with existing systems through industrial wallet PT terminal and with physical card through a MPOWA mini-terminal paired with the smartphone through Bluetooth. This comprehensive platform enables merchants to integrate diversified payment solutions and customer loyalty programmes, with their communications and IT needs. Additionally, PT has available integrated pay-per-user vertical solutions designed for specific sectors and/or companies.

In 1Q13, fixed retail customers of the enterprise segment stood at 1,030 thousand, an improved performance of 12 thousand net additions during the quarter as compared to 5 thousand and 68 thousand net disconnections in 4Q12 and 2012, respectively. Moreover, in 1Q13, the Enterprise segment registered: (1) 8 thousand net disconnections of fixed lines (13 thousand and 101 thousand net disconnections in 4Q12 and 2012, respectively); (2) 9 thousand net additions of fixed broadband (4 thousand and 15 thousand net additions in 4Q12 and 2012, respectively), and (3) 11 thousand net additions of pay-TV customers (4 thousand and 18 thousand net additions in 4Q12 and 2012, respectively). This improved performance across the various services reflects a solid success of the M4O offer in the SOHO and small and medium business, although it was only launched on 11 January 2013.

Enterprise operating data

	1Q13	1Q12	y.o.y
Fixed retail accesses (000)	1,030	1,039	(0.8)%
PSTN/ISDN	717	769	(6.8)%
Broadband customers	217	197	10.1%
Pay-TV customers	97	74	31.9%
Retail RGU per access	1.44	1.35	6.4%
Mobile Customers (000)	1,514	1,504	0.6%
Net additions (000)			
Fixed retail accesses	12	(48)	124.5%
PSTN/ISDN	(8)	(58)	85.5%
Broadband customers	9	4	126.1%
Pay-TV customers	11	6	93.6%
Mobile Customers	(0)	59	(100.6)%
ARPU (Euro)	21.7	24.4	(10.7)%
Non-voice revenues as %of revenues (%)	52.1	47.2	4.9pp

Operating revenues of the Enterprise customer segment declined by 10.5% y.o.y to Euro 202 million in 1Q13, showing a sequential deterioration as a result of adverse calendar effects, mainly on mobile, including 2012 being a leap year and Easter being in 1Q13 (working days in 1Q13 were 4.6% lower than in 1Q12). The revenue

performance in the Enterprise segment also continues to be penalised by the economic and pricing environment, namely by: (1) the public administration strong cost cut initiatives and significant reduction in investments in new projects; (2) the large corporate cost reduction initiatives; (3) the small and medium businesses, which were still showing some resilience in 2012, are now more penalised by the economic and financing context, and (4) intense price competition across the various segments. Notwithstanding the economic environment, PT maintained a solid leadership both in large corporates and in small and medium size businesses, anchored on its distinctive products and services to both market segments as referred to above. In 1Q13, non-voice services represented 52.1% of Enterprise retail revenues, up by 4.9pp y.o.y.

Consolidated financial performance in Portugal

In 1Q13, revenues from Portuguese telecommunications businesses declined by Euro 46 million (-6.8% y.o.y) to Euro 634 million. This performance reflected the revenue decline at the Enterprise and Personal customer segments (Euro 24 million and Euro 13 million, respectively) and lower revenues from wholesale and other, including intragroup eliminations (Euro 15 million), that more than compensated the 3.2% y.o.y increase in the Residential customer segment (Euro 6 million). This revenue performance also included the impact of adverse calendar effects, as referred before, with a total direct impact in revenues amounting to Euro 5 million in 1Q13. Wholesale, other and eliminations revenues declined to Euro 93 million (-13.6% y.o.y), primarily as a result of lower revenues associated to: (1) public pay phones; (2) directories business; (3) leased lines and accesses, including lower prices resulting from adverse regulatory decisions and lower volumes as operators continue to build own networks, and (4) termination of national and international traffic, due to lower volumes in certain geographic and non-geographic special services and indirect traffic terminations.

In 1Q13, revenues in Portugal were also penalised by adverse regulation movements (Euro 14 million), including lower MTRs (Euro 9 million) and roaming (Euro 2 million). Excluding regulation effects, revenues would have decreased by 4.6% y.o.y in 1Q13.

In 1Q13, operating costs excluding D&A and PRBs declined by 2.6% y.o.y (Euro 10 million) to Euro 363 million. The performance of operating costs reflected the adverse impact of weather conditions, including heavy rains. The total direct impact of this effect in opex and the costs associated with the launch of M4O amounted to Euro 6 million in 1Q13. Excluding these two effects, opex in Portuguese telecommunications businesses would have declined by 4.1% y.o.y in 1Q13.

Wages and salaries increased by 4.4% y.o.y to Euro 63 million. This performance reflects a higher allocation of field force engineers to maintenance and repair activities due to adverse weather conditions. Direct costs were down by 1.0% y.o.y to Euro 114 million in 1Q13, reflecting mainly lower traffic costs at TMN, following the impact of the regulated MTR cuts, and also lower costs associated with the directories business. These declines were partially compensated by: (1) higher costs associated with international traffic; (2) higher costs associated with the provision of IT/IS solutions and outsourcing services, as a result of increased weight of these services in revenues, and (3) higher programming costs (+1.1% y.o.y in 1Q13) on the back of continued customer growth and investment in the differenciation of the MEO content offering. Notwithstanding this investment, programming costs per customer declined by 11.0% y.o.y. Commercial costs decreased by 16.7% y.o.y to Euro 60 million in 1Q13, reflecting: (1) lower cost of goods sold (-23.2% y.o.y), due to lower subsidies and lower average cost of handsets; (2) lower commissions (-9.0% y.o.y), despite continued customer growth, thus reflecting lower churn, and (3) lower marketing and publicity (-21.8% y.o.y). This performance of commercial costs was achieved despite the costs associated with the launch of M4O, in which PT did significant investments,

and reflects a continued favourable performance in terms of churn. This is particularly observed in TV customers, as not only the FTTH has lower churn than ADSL and satellite, but also churn has been coming down across all technologies. Other operating expenses were broadly stable (+0.5% y.o.y in 1Q13) at Euro 126 million, explained by a higher level of maintenance and repairs and customer support costs due to the weather conditions. However, it is worth highlighting that the adverse effects of the heavy rain were felt solely in copper customers, as FTTH customers were immune to these conditions. Structural costs benefit of the FTTH and 4G- LTE networks and the extensive field force transformation programme continued to be visible with improved quality of service and lower cost structure.

In 1Q13, EBITDA in Portuguese telecommunications businesses stood at Euro 272 million (-11.7% y.o.y) with a margin of 42.8% (-2.4pp y.o.y). EBITDA performance reflected primarily the decline in service revenues (Euro 43 million), which have a higher operating leverage. In effect, service revenues less direct costs declined by Euro 42 million, while EBITDA declined by Euro 36 million as a result of lower operating expenses that stem from context measures but also from the fact that new technologies are more cost efficient. As previously mentioned, heavy rainfall (6.7x higher than in 1Q12) and the launch of M4O had a negative impact on the cost performance. Excluding these two effects and also the calendar impact on revenues, EBITDA in Portuguese telecommunications businesses would have declined by 8.5% y.o.y in 1Q13.

Portuguese telecommunications businesses financial information **Euro million**

	1Q13	**1Q12**	**y.o.y**
Operating revenues	**634.4**	**680.4**	**(6.8)%**
Residential	182.5	176.9	3.2%
Service revenues	180.3	173.2	4.1%
Sales and other revenues	2.2	3.8	(40.4)%
Personal	156.3	169.3	(7.7)%
Service revenues	137.5	155.2	(11.4)%
Customer revenues	129.4	141.6	(8.6)%
Interconnection revenues	8.1	13.6	(40.2)%
Sales and other	18.7	14.1	32.6%
Enterprise	202.2	226.0	(10.5)%
Wholesale, other and eliminations	93.4	108.2	(13.6)%
Operating costs	**362.9**	**372.7**	**(2.6)%**
Wages and salaries	63.0	60.3	4.4%
Direct costs	114.4	115.6	(1.0)%
Commercial costs	59.8	71.7	(16.7)%
Other operating costs	125.8	125.1	0.5%
EBITDA (1)	**271.6**	**307.7**	**(11.7)%**
Post retirement benefits	10.6	14.7	(27.5)%
Depreciation and amortisation	161.8	166.9	(3.1)%
Income from operations (2)	**99.1**	**126.1**	**(21.4)%**
EBITDA margin (3)	42.8%	45.2%	(2.4pp)
Capex	99.2	114.9	(13.7)%
Capex as % of revenues	15.6%	16.9%	(1.3pp)
EBITDA minus Capex	172.4	192.8	(10.6)%

(1) EBITDA = income from operations + post retirement benefits + depreciation and amortisation. **(2)** Income from operations = income before financials and income taxes + curtailment costs + losses (gains) on disposal of fixed assets + net other costs. **(3)** EBITDA margin = EBITDA / operating revenues.

Capex from Portuguese telecommunications businesses decreased by 13.7% y.o.y to Euro 99 million in 1Q13 and stood at 15.6% of revenues (-1.3pp y.o.y). The capex decline is explained by: (1) lower customer related

capex, reflecting lower unitary equipment costs, lower net additions and lower churn across the pay-TV and broadband services, and (2) lower infrastructure and technology related capex, as a result of the strong investments made in the past years, both on FTTH and 4G-LTE networks. These past investments have translated into PT s clear leadership in FTTH and 4G-LTE coverage in Portugal, where PT already covers 1.6 million households with FTTH and 92% of the population with 4G-LTE allowing speeds of up to 150 Mbps. PT is testing LTE-Advanced and has already achieved speeds of 300Mbps, preparing the evolution of its 4G-LTE offer. In 1Q13, the investment in the Portuguese telecommunications businesses was primarily directed to: (1) investments in IT/IS projects, which represented 28% of total capex in 1Q13 and almost doubled versus 1Q12; (2) customer capex, which amounted to Euro 40 million (-20.3% y.o.y), and (3) technology and infrastructure capex (Euro 32 million, -35.7% y.o.y). The investments in IT/IS projects were focused on the IT transformation programme aimed at converge, standardise, integrate and simplify business processes and IT, thus enabling a truly convergent customer experience.

EBITDA minus capex in 1Q13 was down by 10.6% y.o.y to Euro 172 million. In 2013, capex in the Portuguese telecommunications businesses is expected to continue to decline, notwithstanding the investment made in the data centre, by more than Euro 50 million when compared to 2012.

International Businesses

Oi

Oi has reorganised its business units in order to move its focus from product to customer segments, having defined three main customer segments and priorities: (1) residential: aiming at leveraging the largest residential customer base in Brazil; (2) personal mobility: aimed at improving the competitiveness to expand market share, particularly in postpaid and in mobile data, and (3) corporate and SMEs: focused on maintaining the leadership position in the segment and penetrate new markets. As part of Oi s reorganisation, the company is also implementing a more active commercial strategy, including establishing regional commercial structures and restructuring its distribution network and stepping up investments in network, technology and innovation.

In 1Q13, Oi s revenue generating units (RGUs) stood at 74,705 thousand, up by 5.5% y.o.y, including: (1) 18,471 thousand residential RGUs (+3.5% y.o.y); (2) 46,569 thousand personal mobile customers, which grew by 5.6% y.o.y, and (3) 8,949 thousand enterprises RGUs, up by 10.3% y.o.y.

Oi operating data

	1Q13	1Q12	y.o.y
Residential RGUs (000)	**18,471**	**17,850**	**3.5%**
Fixed lines	12,383	12,841	(3.6)%
Fixed broadband	5,251	4,614	13.8%
Pay-TV	837	396	111.4%
ARPU (R$)	68.8	63.1	9.0%
Personal Mobility RGUs (000)	**46,569**	**44,106**	**5.6%**
Prepaid customers	39,905	38,536	3.6%
Postpaid customers + Oi controle	6,664	5,570	19.6%
Enterprises RGUs (000)	**8,949**	**8,112**	**10.3%**
Fixed lines	5,398	5,192	4.0%
Broadband	604	535	12.9%
Mobile	2,946	2,385	23.5%
Other (000)	**716**	**757**	**(5.4)%**
RGUs (000)	**74,705**	**70,826**	**5.5%**

In 1Q13, in the residential segment, Oi continued to show a deceleration in the trend of line loss (1Q12: -7.8% y.o.y; 2Q12: -6.2% y.o.y; 3Q12: -5.0% y.o.y, 4Q12: -4.4% y.o.y, and 1Q13: -3.6% y.o.y), a steady growth of fixed broadband accesses (+13.8% y.o.y in 1Q13 to 5,251 thousand) and another quarter of pay-TV growth, reaching 837 thousand customers (+111.4% y.o.y). This performance continues to confirm the turnaround of the historical wireline trends, underpinned by the strengthening of Oi s convergent offers and increased broadband speeds coupled with increased sales channels and advertising campaigns. The average broadband speed in Oi s residential customer base stood at 3.4 Mbps, which compares to 3.1 Mbps in December 2012, reflecting that 34% (+10pp y.o.y) and 15% (+3pp y.o.y) of Oi s broadband customers have speeds above 5 Mbps and 10 Mbps, respectively.

During 1Q13, Oi continued to invest in the pay-TV offer which is core to its convergence strategy, with the purpose to increase the number of revenue generating units per each unique customer as it increases customer loyalty and drives sustainable ARPU growth. Oi has one of the largest HD subscriber penetration in the market, with 100% of Oi s new customers subscribing to an HD package. Oi TV s residential penetration more than doubled in the last 12 months, leading to a pay-TV penetration per household of 6.7% (up by 3.7pp y.o.y in 1Q13). As a result of the focus on convergence and double and triple-play, the weight of unique customers that subscribe to more than one service from Oi increased by 7.6pp y.o.y in 1Q13, to 55.5%. This progress is underpinned by over 100% growth in pay-TV, continued double-digit growth in fixed broadband and the effectiveness of customer loyalty and retention programmes aimed at the wireline base.

In 1Q13, Oi s Residential revenues increased by 5.2% y.o.y to R$ 2,555 million, showing a strong improvement when compared to previous quarters, due to the positive contribution of revenue from broadband and pay-TV services, which revealed strong customer demand for triple-play and quadruple-play services. This performance, coupled with a significant reduction in fixed line churn, is explained by Oi s successful strategy of offering convergent services and initiatives to increase profitability and customer loyalty, leading to residential ARPU growth of 9.0% y.o.y, reaching R$ 68.8.

In the Personal Mobility segment, Oi s mobile customers stood at 46,569 (+5.6% y.o.y) with net additions of 264 thousand in 1Q13. Oi continued to focus on growth of high value and postpaid customers, on increasing the penetration of data and value added services and improving prepaid profitability. Postpaid customers increased

by 19.6% y.o.y, reaching 6,664 thousand at the end of 1Q13, with net additions of 192 thousand. The weight of postpaid customers in the Personal Mobility segment increased to 14.3% as at 31 March 2013 (+1.7pp y.o.y). Oi has continued to focus on growing in the high-end market and has gained an increased share of the postpaid market (+2.4pp y.o.y) on the back of: (1) increased sales channel reach; (2) simplified plans; (3) handset discounts, and (4) 3G network expansion. Postpaid customers under loyalty contracts increased significantly in 1Q13, which resulted in a close to 50% churn reduction for those postpaid customers with only one product.

Prepaid customers stood at 39,905 thousand in 1Q13, increasing by 3.6% y.o.y and representing 85.7% of Oi s Personal Mobility customer base. This performance was underpinned by the focus of Oi s growth strategy on profitability of the customer base with Oi observing consistent growth in recharges. Revenues from prepaid SMS and mobile data increased significantly in 1Q13 due to Oi s comprehensive customer offerings. In 1Q13, Oi expanded its 3G coverage to 74% of the population (+19pp y.o.y), in order to sustain the continued growth of mobile data, and also expanded its 4G-LTE footprint, through: (1) the expansion of its 4G-LTE network in the six cities where the Confederations Cup will take place, and (2) 4G-LTE network sharing with TIM, already approved by the Brazilian authorities.

In 1Q13, Oi s Personal Mobility revenues stood at R$ 2,316 million, having increased by 10.0% y.o.y. Oi s service revenues increased by 6.4% y.o.y to R$ 1,597 million, on the back of the strong performance in data and value added services, explained by the strong rollout of 3G services and attractive data and SMS plans. Oi s focus on high-end customers is driving a revenue profile change in the Personal Mobility segment, which is becoming less dependent on prepaid and interconnections revenues and relying more on postpaid, data and value added services revenues.

Oi s enterprise customers stood at 8,949 thousand in 1Q13, increasing by 10.3% y.o.y, underpinned by wireline (+4.0% y.o.y), mobile (+23.5% y.o.y) and data (+12.9% y.o.y) growth.

In 1Q13, revenues from the Enterprises segment decreased by 1.5% y.o.y to R$ 2,079 million, explained by higher provisions for regulatory tariff reductions in wholesale. This decline was partially offset by the increased usage of data services and growth of the Enterprises mobile base. In the small and medium businesses, Oi continued focused on profitable customer growth. This was achieved by: (1) increasing revenues, through continued expansion of sales channels; (2) reducing churn by focusing on customer retention programmes, and (3) rasing the minimum traffic thresholds of entry plans, thereby, increasing the profitability of new customers. This programme translated into growth of RGUs in 1Q13 (+4.2% y.o.y), having Oi been able to turn around the secular RGU loss in this segment. In the small and medium businesses, Oi also continued to implement programmes to increase operating efficiency, including repositioning of certain offerings and adjusting selling policies and credit filters. In the end of 2012, Oi launched a cloud computing offering, Oi Smart Cloud, which has obtained favourable customer response and has strengthened Oi s portfolio of services by moving towards IT and IS value added services. These initiatives are aligned with the strategy to increase its focus on this segment, leveraging on mobile penetration and strengthening of Oi s IT offering.

Oi s mobile customers stood at 49,515 thousand (+6.5% y.o.y), with net additions of 255 thousand in 1Q13 and gross additions of 6.2 million. In 1Q13, Oi maintained its focus on growing in the high value segment by improving the reach of its retail channels, simplifying its tariff plans, launching smartphone campaigns and expanding its 3G network. As a result, Oi continued as the sole operator in the Brazilian market to meaningfully grow share of postpaid.

Oi pro-forma consolidated revenues (1) **R$ million, 100%**

	1Q13	1Q12	y.o.y
Residential	**2,555**	**2,429**	**5.2%**
Personal Mobility	**2,316**	**2,106**	**10.0%**
Services	1,597	1,501	6.4%
Network Usage	571	580	(1.6)%
Sales of handsets, sim cards and others	148	25	n.m.
Enterprises	**2,079**	**2,111**	**(1.5)%**
Other services	**91**	**155**	**(41.3)%**
Pro-forma consolidated net revenues	**7,041**	**6,802**	**3.5%**

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(1) The pro-forma data amount refers to the former TNL as if the takeovers had occurred on 1 January 2012. Oi s earnings proportionally consolidated by PT differ from figures presented in the table above as they are adjusted in order to comply with PT s accounting policies, estimates and criteria, including differences regarding the income statement format.

In 1Q13, Oi s pro-forma consolidated net revenues, as prepared by Oi, increased by 3.5% y.o.y to R$ 7,041 million, a growth that was driven by the Personal Mobility and Residential segments. For the third consecutive quarter, Oi posted annual growth in net revenues (1Q12: -1.9% y.o.y; 2Q12: -2.4% y.o.y; 3Q12: +1.5% y.o.y; 4Q12; +6.2% y.o.y and 1Q13: +3.5% y.o.y), mainly driven by the continuing expansion of the mobile customer base, primarily the postpaid segment, and higher broadband and pay-TV sales that reduced fixed line attrition in the Residential segment.

EBITDA, as reported by Oi, increased by 6.6% y.o.y in 1Q13, to R$ 2,151 million, with a margin of 30.5%. In 1Q13, EBITDA performance reflected higher operating expenses (+2.2% y.o.y to R$ 4,890 million), as a result of an increase in: (1) third-party services (+16.3% y.o.y), due to higher maintenance expenses, higher expenses with commissions and increased pay-TV content costs; (2) cost of goods sold (157.9% y.o.y), explained by Oi s return to the handset market, in line with its strategy to focus on the high-value segment; (3) personnel costs (+10.2% y.o.y), due to the insourcing of some external operations and increased sales channels, and (4) provision for bad debts (+4.5% y.o.y). Other net operating expenses include the reversal of R$ 173 million in 1Q13, related to accrued bonus.

Oi pro-forma income statement (1) **R$ million, 100%**

	1Q13	1Q12	y.o.y
Pro-forma consolidated net revenues	**7,041**	**6,802**	**3.5%**
Pro-forma operating costs	**4,890**	**4,784**	**2.2%**
Interconnection	1,094	1,163	(5.9)%
Personnel	531	482	10.2%
Cost of goods sold	147	57	157.9%
Third-Party Services	2,182	1,876	16.3%
Marketing	65	115	(43.5)%
Rent and Insurance	462	455	1.5%
Provision for Bad Debts	209	200	4.5%
Other Operating Expenses (Revenue), Net	200	436	(54.1)%
Pro-forma EBITDA	**2,151**	**2,018**	**6.6%**
EBITDA margin	30.5%	29.7%	0.8pp

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(1) The pro-forma data amount refers to the former TNL as if the takeovers had occurred on 1 January 2012. Oi s earnings proportionally consolidated by PT differ from figures presented in the table above as they are adjusted in order to comply with PT s accounting policies, estimates and criteria, including differences regarding the income statement format.

Other international assets

In 1Q13, other international assets, on a pro-forma basis, increased their proportional revenues by 3.0% y.o.y to Euro 129 million and grew EBITDA by 3.7% y.o.y to Euro 62 million, as a result of a solid operational and

financial performance by the majority of PT s international assets, notwithstanding a high level of penetration in some markets and some negative foreign exchange effects.

Proportional financial information of other international assets (1) **Euro million**

	1Q13	1Q12	y.o.y
Operating revenues	**128.5**	**124.7**	**3.0%**
EBITDA (2)	**61.7**	**59.5**	**3.7%**
Depreciation and amortisation	15.8	13.8	14.5%
Income from operations (3)	**45.9**	**45.7**	**0.4%**
EBITDA margin (4)	48.0%	47.7%	0.3pp

(1) Pro-forma consolidation of other international assets using the percentage of ownership held by PT. **(2)** EBITDA = income from operations + depreciation and amortisation. **(3)** Income from operations = income before financials and income taxes + curtailment costs + losses (gains) on disposal of fixed assets + net other costs. **(4)** EBITDA margin = EBITDA / operating revenues

Highlights of main assets in Africa and Asia (1Q13) (1) **Million (financials)**

	Stake	Customers	Rev. local	y.o.y	EBITDA local	y.o.y	Margin	Rev. Eur	EBITDA Eur
Unitel, Angola (2) (4)	25.00%	9,185	496	6.5%	274	3.5%	55.3%	376	208
MTC, Namibia (3) (4)	34.00%	2,188	487	9.4%	236	16.6%	48.5%	41	20
CVT, Cape Verde (3) (4)	40.00%	430	1,875	(18.9)%	971	(14.8)%	51.8%	17	9
CST, S.Tomé & Principe (3) (4)	51.00%	134	71,415	1.0%	17,664	6.2%	24.7%	3	1
CTM, Macao (2)	28.00%	1,039	1,188	5.4%	392	20.0%	33.0%	113	37
Timor Telecom, East Timor (3) (5)	44.17%	626	17	2.9%	9	(7.5)%	50.1%	13	7

(1) Figures account for 100% of the company. PT has management contracts in CVT, CST and Timor Telecom. **(2)** Equity consolidation method. **(3)** Full consolidation method. **(4)** These stakes are held by Africatel, which is 75% controlled by PT. **(5)** PT increased its stake in Timor Telecom from 41.12% to 44.17% in March 2013.

In 1Q13, Unitel s revenues and EBITDA, in USD, increased by 6.5% y.o.y to USD 496 million and by 3.5% y.o.y to USD 274 million. In 1Q13, Unitel posted solid operational and financial figures on the back of successful campaigns aimed at increasing penetration of mobile broadband and promoting voice usage. Unitel also continued to launch several initiatives targeted at strengthening its distribution channels and improving the quality of its network.

In 1Q13, MTC s revenues and EBITDA increased by 9.4% y.o.y and by 16.6% y.o.y, reaching NAD 487 million and NAD 236 million, respectively. EBITDA margin was 48.5%. Data revenues accounted for 22.5% of service revenues, amongst the highest in the African continent. In 1Q13, MTC focused its marketing efforts and commercial activity on: (1) boosting broadband revenues growth, underpinned by the use of 4G-LTE technology and Netman brand; (2) promoting migration between pricing plans to increase usage and revenues; (3) developing campaigns to promote recharges and usage, and

(4) launching Smartshare, a convergent internet/mobile service, that combines Netman Home (internet router) with 1 up to 3 smartphones.

In 1Q13, CVT s revenues decreased by 18.9% y.o.y to CVE 1,875 million, while EBITDA decreased by 14.8% y.o.y to CVE 971 million. EBITDA margin stood at 51.8%. The performance of CVT s revenues and EBITDA was impacted by international accounting rule IFRIC12. Excluding this effect, revenues would have decreased by 5.9% y.o.y, while EBITDA would have decreased by 12.1% y.o.y. Revenues and EBITDA were primarily impacted by the adverse evolution of fixed wholesale revenues (-17.8%), fixed retail revenues (-9.9% y.o.y) and by a one-off in 1Q12 in other revenues. In 1Q13, CVT s posted a solid mobile performance, underpinned by the success of the broadband commercial strategy. During 1Q13, CVT launched several commercial offers, including: (1) door to door and outbound campaign which underpinned fixed gross adds and migration from the basic fixed voice price plan to Di Casa, a new pricing plan and (2) Powa Swag Total, new youngsters pricing plan (with monthly and weekly subscription options).

In 1Q13, CST s revenues and EBITDA increased by 1.0% y.o.y and by 6.2% y.o.y to STD 71,415 million and STD 17,664 million, respectively. EBITDA margin was 24.7%. In 1Q13, CST launched new broadband mobile and fixed services, using the new submarine cable broadband capabilities and developed its distribution network. Penetration of mobile services in São Tomé e Principe now stands at circa 73% (+3.3pp y.o.y).

In 1Q13, CTM s revenues and EBITDA increased by 5.4% y.o.y and by 20.0% y.o.y to MOP 1,188 million and MOP 392 million, respectively. EBITDA margin was 33.0%. Revenue growth was driven by an increase in data and roaming. Data revenues represented 25.5% of mobile service revenues. In 1Q13, CTM launched several marketing campaigns aimed at increasing penetration of smartphones and wireless broadband.

In 1Q13, Timor Telecom s revenues and EBITDA stood at USD 17 million (+2.9% y.o.y) and USD 9 million (-7.5% y.o.y), respectively, reflecting the entry of a new competitor in the market. EBITDA margin was 50.1%. As at 31 of March 2013, Timor Telecom reached 621 thousand mobile customers. Data revenues accounted for 18.5% of mobile service revenues. In 1Q13, Timor Telecom launched several initiatives including: (1) segmented mobile broadband and data offers; (2) new pricing plans with more competitive tariffs; (3) several voice and data stimulation campaigns, and (4) improvement of its distribution network, both with the launch of new shops/upgrade of existing ones and the strenghtning of its indirect distribution channels.

04 Other Disclosures

Additional information

Please see additional information in the notes to our financial statements as at 31 March 2013.

Changes in accounting policies and estimates

Post retirement benefits costs in 2012 were restated in order to reflect the impact of the adoption of a revised version of IAS 19 Employee Benefits. The main changes consisted of determining the expected return on assets based on the discount rate of the correspondent liabilities instead of the long-term rate of return on assets, which in our case resulted in a lower return on assets and consequently higher post retirement benefits costs. The impacts of this adoption are as follows:

Euro million

	1Q12	2Q12	3Q12	4Q12	2012
Reported					
PRB	14.8	14.0	13.9	15.6	58.3
EBIT	210.2	218.6	219.6	171.3	819.8
Work force reduction programme costs	0.9	0.0	1.1	0.1	2.1
Net Income	56.5	68.8	63.7	41.4	230.3
Restated					
PRB	16.2	15.4	15.3	17.0	64.0
EBIT	208.8	217.2	218.2	169.9	814.1
Work force reduction programme costs	0.9	0.0	1.1	0.4	2.4
Net Income	55.4	67.7	62.6	40.1	225.8

Please see additional information regarding the matters referred to above, including the detailed impacts of the restatements, in Note 2 of our financial statements as of 31 March 2013.

Forward looking statement / disclaimer

This release contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements are not statements of historical fact, and reflect goals of the company s management. The words anticipates, believes, estimates, expects, forecasts, intends, plans, predicts, projects and targets are intended to identify these forward-looking statements, which necessarily involve known and unknown risks and uncertainties. Accordingly, the results of operations of the company to be achieved may be different from the company s current goals and the reader should not place undue reliance on these forward-looking statements. Forward-looking statements speak only as of the date they are made, and the company does not undertake any obligation to update them in

light of new information or future developments.

05 Glossary

ARPU	Average Revenue per User. Monthly average recurrent service revenues per average number of users in the period, includes interconnection and roaming out revenues.
Capex	Capital expenditure. Investments in tangible and intangible assets.
Cash flow	The difference between cash inflows and cash outflows for a specific period.
Cloud services	Services delivering virtual and centralised IT/IS resources, that differentiate from traditional IT approach due to the availability through a network on as a service and on demand model, offering a pay as you use pricing to the customer. Cloud services usually include infrastructure (IaaS), software (SaaS) and plataforms (PaaS), and are growing to other portfolio areas like communication (CaaS) and security.
Curtailment costs	Work force reduction programme costs.
Diluted earnings per share	Earnings per share computed using net income excluding the costs associated with the convertible bonds divided by the diluted number of shares.
EBITDA	EBITDA = income from operations + PRBs + depreciation and amortisation.
EBITDA margin	EBITDA Margin = EBITDA / operating revenues.
EBITDA to net interest	EBITDA to net interest = EBITDA / net interest
Enterprises	Customer segment that includes all SOHOs, SMEs and corporate customers that subscribe wireline and wireless products and services. All figures are gross of intercompany eliminations.
Free cash flow	Free cash flow = operating cash flow +/- acquisitions/sales of financial investments +/- net interest paid payments related with PRB income taxes paid +/- dividends paid/received +/- other cash movements.
FTTH	Fibre-to-the-home. Next generation network that brings fibre to the customer premises.
GSM	Global System for Mobile. Internationally standardised digital radio network that allows both voice and data transmission.
HDTV	High Definition Television. Transmission of the television signal with a higher resolution than the traditional formats.

IAS/IFRS	International Accounting Standards/International Financial Reporting Standards. The new international accountancy standards introduced as of 1 January 2005.
Income from operations	Income from operations = income before financials and taxes + workforce reduction costs + losses (gains) on disposal of fixed assets + net other costs.
IP	Internet Protocol. Standard that specifies the exact format of packets of data as they are transmitted through an Internet network.
IPTV	Internet Protocol Television. Digital television service available over a fixed telephony line, through a broadband connection.
ISDN	Integrated Services Digital Network. Digital telecommunications network that allows simultaneous voice and data transmission over an access line.
ISP	Internet Service Provider. Company that provides access to the Internet.
MMS	Multimedia Message Service. Technology allowing for data such as text, tunes, pictures, photos and brief video sequences to be transmitted via mobile phone.
MOU	Minutes of Usage. Monthly average of outgoing and incoming traffic in minutes per average number of users in the period. Segmented MoU does not include interconnection minutes.
Net Debt	Net debt = short-term debt + medium and long-term debt - cash and equivalents
Net debt to EBITDA	Net debt to EBITDA = Net debt / EBITDA
NGAN	Next generation access network.
Non-voice revenues as % of revenues	Percentage of retail service revenues related to data, video or other non-voice services.
Operating cash flow	Operating cash flow = EBITDA - capex +/- change in working capital +/- non-cash provisions.
Personal	Customer segment that includes all consumer customers that subscribe to wireless products and services on an individual basis. All figures are gross of intercompany eliminations.

PRB	Post Retirement Benefits Costs.
PBO	Post Retirement Benefit Obligations.
PSTN	Public Switched Telephone Network. Traditional telephone system that runs through copper lines.
Residential	Customer segment that includes all consumer customers that subscribe to wireline products and services at home on an individual basis. All figures are gross of intercompany eliminations.
Retail RGU per access	Retail accesses per PSTN/ISDN line.
SARC	Subscriber Acquisition and Retention Cost. SARC = (70% of marketing and publicity costs + commissions + subsidies) / (gross additions + upgrades).
SMS	Short Message Service. Short text messages service for mobile handsets, allowing customers to send and receive alphanumerical messages.
Tribal plans	Flat-fee prepaid tariff plans offering unlimited traffic for customers using the same tariff plan
Triple-play Offer	Integrated offer of voice, television and Internet services.
VoD	Video-on-demand. System that allows users to select and watch videos.
Wholesale, Other and Eliminations	Customer segment that includes all the wireline and wireless wholesale business for, the other businesses (e.g. directories) and all intercompany eliminations that are related to the Portuguese telecommunications businesses.
3G	3Generation. Third generation is a generic term, covering several technologies for mobile networks (UMTS, W-CDMA and EDGE), that integrate mobile multimedia services and allows a higher data transmission rates than GSM technology.
4G-LTE	4Generation. Fourth generation is a generic term, covering technologies for mobile access network (LTE/LTE Advanced) with high spectral efficiency, high peak data rates, short round trip time and frequency flexibility allowing enhanced broadband and multimedia services.

Additional Information

This information is also available on PT s IR website ir.telecom.pt and mobile website m.telecom.pt and on PT s IR&CSR app for iPad and Android tablets.

Conference Call details

Date: 23 May 2013
Time: 16:00 (Portugal/UK), 17:00 (CET),
11:00 (US/NY)
Telephone numbers
Outside US: +1 201 689 7817
US and Canada: 877 269 7756

If you are unable to attend the conference call
a replay will be available for one week through
the following numbers:
Outside US callers: +1 201 612 7415
(Account Number: 3082, Conference ID: 413803)
US and Canada callers: 877 660 6853
(Account Number: 3082, Conference ID: 413803)

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Portugal Telecom is listed on the Euronext and New York Stock Exchanges. Information may be accessed on Reuters under the symbols PTC.LS and PT and on Bloomberg under the symbol PTC PL.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 23, 2013

PORTUGAL TELECOM, SGPS, S.A.

By: /s/ Nuno Vieira

Nuno Vieira Investor Relations Director
Investor Relations Director

FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management s current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words anticipates , believes , estimates , expects , plans and similar expressions, as t relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.