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TRANSOCEAN INC
Form DEF 14A
March 28, 2003

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

SCHEDULE 14A
(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant [X]
Filed by a Party other than the Registrant []

Check the appropriate box:

- [] Preliminary Proxy Statement
- [] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- [X] Definitive Proxy Statement
- [] Definitive Additional Materials
- [] Soliciting Material Pursuant to Sec. 240.14a-12

TRANSOCEAN INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required.
- [] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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- Fee paid previously with preliminary materials.
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

[LETTERHEAD OF TRANSOCEAN INC.]

MARCH 28, 2003

Dear Shareholder:

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

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

Sincerely,

/s/ J. Michael Talbert

/s/ Robert L. Long

J. Michael Talbert
Chairman of the Board

Robert L. Long
President & Chief Executive Officer

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

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

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

1. To re-elect five directors as members of our board of directors to serve until the 2006 annual general meeting and until their respective successors have been duly elected.
2. To approve the amendment of our Long-Term Incentive Plan to allow grants of incentive stock options for an additional ten year period to May 1, 2013, and to allow a continuing right to grant stock options and share appreciation rights to our outside directors.
3. To approve the amendment of our Employee Stock Purchase Plan to increase the number of ordinary shares reserved for issuance under the plan from 1,500,000 to 2,500,000.
4. To approve the appointment of Ernst & Young LLP as independent auditors for 2003.
5. To transact such other business as may properly be brought before the meeting.

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

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

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

By order of the Board of Directors,

/s/ Eric B. Brown

Eric B. Brown
Secretary

Houston, Texas
March 28, 2003

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YOUR VOTE IS IMPORTANT
PLEASE COMPLETE, SIGN AND PROMPTLY RETURN YOUR PROXY CARD IN THE ENCLOSED
RETURN ENVELOPE.

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

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

PROPOSALS

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

- A proposal to reelect each of five nominees as directors to serve three-year terms. These directors will be members of a class of directors that will serve until the 2006 annual general meeting and until their respective successors have been duly elected.
- A proposal to approve the amendment of our Long-Term Incentive Plan to allow grants of incentive stock options for an additional ten year period to May 1, 2013, and to allow a continuing right to grant stock options and share appreciation rights to our outside directors.
- A proposal to approve the amendment of our Employee Stock Purchase Plan to increase the number of ordinary shares reserved for issuance under the plan from 1,500,000 to 2,500,000.
- A proposal to approve the appointment of Ernst & Young LLP as independent auditors for 2003.
- Any other matters that may properly come before the meeting.

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

QUORUM

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

RECORD DATE

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

VOTES REQUIRED

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

Approval of the proposal to amend our Long-Term Incentive Plan requires the affirmative vote of the holders of at least a majority of votes cast on the

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proposal, provided that the total number of votes cast on the proposal represents a majority of the votes entitled to be cast. Abstentions and "broker non-votes" on this proposal will not affect the voting on the proposal as long as holders of a majority of ordinary shares cast votes on the proposal. Otherwise, the effect of an abstention or "broker non-vote" is a vote against the proposal.

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

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

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

PROXIES

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

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

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

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

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

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

SOLICITATION OF PROXIES

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

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

ELECTION OF DIRECTORS

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

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

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE RE-ELECTION OF VICTOR E. GRIJALVA, ARTHUR LINDENAUER, RICHARD A. PATTAROZZI, KRISTIAN SIEM AND J. MICHAEL TALBERT AS CLASS I DIRECTORS.

NOMINEES FOR DIRECTOR-CLASS I-TERMS EXPIRING 2006

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

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

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the Cystic Fibrosis Foundation and a Trustee of the American University in Cairo.

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

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

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

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

CONTINUING DIRECTORS-CLASS II-TERMS EXPIRING 2004

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

MARTIN B. MCNAMARA, age 55, is Partner-in-Charge of the Dallas, Texas,

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office of the law firm of Gibson, Dunn & Crutcher and a member of the firm's finance and compensation committees. He has served as one of our directors since November 1994. During the past five years, Mr. McNamara has been in the private practice of law.

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

CONTINUING DIRECTORS-CLASS III-TERMS EXPIRING 2005

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

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

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

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

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as Deputy CEO from 1991 to 1995. He was employed by Exxon Corporation from 1970 to 1986. Mr. Strachan has served as one of our directors since the Sedco Forex merger.

RETIREMENT OF MR. ROGER, RESIGNATION OF MR. KUEHN AND RESTRUCTURING OF DIRECTOR CLASSES

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

MERGER WITH R&B FALCON AND DESIGNATION OF BOARD MEMBERS

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

MERGER WITH SEDCO FOREX, DESIGNATION OF BOARD MEMBERS AND APPOINTMENT OF MR. GRIJALVA

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

COMPENSATION OF DIRECTORS

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

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

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

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

BOARD MEETINGS AND COMMITTEES

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

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

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

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

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benefits committee are Mr. Siem, Chairman, and Messrs. Lindenauer, Loyd and Strachan. The finance and benefits committee met 4 times during 2002.

Corporate Governance Committee. The corporate governance committee makes recommendations to the board with respect to the selection and compensation of the board, how the board functions and how the board

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should interact with shareholders and management. It reviews the qualifications of potential candidates for the board of directors, evaluates the performance of incumbent directors and recommends to the board nominees to be elected at the annual meeting of shareholders. The current members of the corporate governance committee are Mr. Grijalva, Chairman, and Messrs. Kuehn, Loyd, McNamara and Monti, although Mr. Kuehn has submitted his resignation from the Board of Directors to be effective as of March 31, 2003. The corporate governance committee met 2 times during 2002.

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

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

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

AUDIT COMMITTEE REPORT

Our committee has reviewed and discussed the audited financial statements of the Company for the year ended December 31, 2002 with management, our internal auditors and Ernst & Young LLP. In addition, we have discussed with Ernst & Young LLP, the independent auditing firm for the Company, the matters required by Codification of Statements on Auditing Standards No. 61 (SAS 61). The Sarbanes-Oxley Act of 2002 requires certifications by the Company's chief executive officer and chief financial officer in certain of the Company's

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filings with the Securities and Exchange Commission ("SEC"). The committee discussed the review of the Company's reporting and internal controls undertaken in connection with these certifications with the Company's management and outside auditors. The audit committee has further periodically reviewed such other matters as it deemed appropriate, including other provisions of the Sarbanes-Oxley Act of 2002 and rules adopted or proposed to be adopted by the SEC and the New York Stock Exchange.

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

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

ARTHUR LINDENAUER, CHAIRMAN

IAN C. STRACHAN

MARTIN B. MCNAMARA

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SECURITY OWNERSHIP OF 5% BENEFICIAL OWNERS AND MANAGEMENT

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

AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP

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

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- (1) The business address of each director and executive officer is c/o Transocean Inc., 4 Greenway Plaza, Houston, Texas 77046.
- (2) Includes options exercisable within 60 days held by Messrs. Cahuzac (136,928), Cauthen (15,000), Grijalva (8,667), Kuehn (32,833), Lindenauer (8,667), Long (137,666), Loyd (1,407,354), McNamara (28,339), Monti (8,667), Pattarozzi (34,667), Ray (230,413), Roger (8,667), Siem (19,508), Strachan (8,667), Talbert (588,793) and all directors and executive officers as a group (3,190,300). Also includes rights to acquire ordinary shares under our deferred compensation plan held by Messrs. Grijalva (13,037), Kuehn (7,851) and McNamara (7,349), and all directors and executive officers as a group (28,237).
- (3) As of January 31, 2003, each listed individual beneficially owned less than 1.0% of the outstanding ordinary shares.
- (4) Includes:

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

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- (5) Includes 34,322 shares held in a joint account with his wife.
- (6) Includes 35,231 shares held in a joint trust account with his wife.
- (7) Siem Industries, Inc. holds 1,423,720 of our ordinary shares. Mr. Siem is the Chairman and Chief Executive Officer of Siem Industries, Inc. As a result, he may be deemed a beneficial owner of those ordinary shares.
- (8) Includes 80,409 shares held in a joint account with his wife.
- (9) Based on a Schedule 13G filed with the SEC on January 31, 2003. According to the filing, Montag & Caldwell, Inc. has sole dispositive power over 20,882,399 shares and does not have voting power over any shares. The address of Montag & Caldwell, Inc. is 3455 Peachtree Road, NE Suite 1200, Atlanta, Georgia 30326-3248.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

We believe all Section 16(a) reporting requirements related to our directors and executive officers were timely fulfilled during 2002 except for a late Form 4 reporting one option grant for each of Mr. Long and Mr. Cahuzac. This belief is based solely on a review of the reports required to be filed

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under Section 16(a) of the U.S. Securities Exchange Act of 1934 that have been furnished to us and written representations from those with filing obligations that all reports were timely filed.

COMPENSATION OF EXECUTIVE OFFICERS

REPORT OF THE EXECUTIVE COMPENSATION COMMITTEE

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

Our executive compensation program has three principal objectives:

- (1) to attract and retain a highly qualified and motivated management team;
- (2) to appropriately reward individual executives for their contributions to the attainment of key strategic goals; and
- (3) to link the interests of executives and shareholders through stock-based plans and performance measures.

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

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

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

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

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

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

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

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

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

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

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to encourage management continuity. A further stock option grant was awarded to Mr. Long upon his appointment as CEO on October 9, 2002.

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

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

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

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

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

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

Ronald L. Kuehn, Jr., Chairman

Roberto L. Monti

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Richard A. Pattarozzi

Alain Roger

EXECUTIVE COMPENSATION

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

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SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	ANNUAL COMPENSATION			LONG-TERM COMPENSATION AWARDS	
		Salary (\$)	Bonus (\$) (1)	Other Annual Compensation (\$)	Restricted Stock Award (\$) (2)	Securities Underlying Options/SAR
J. Michael Talbert (5) Chairman	2002	851,042	735,000	0	0	200
	2001	896,218	625,000	0	0	175
	2000	736,458	580,700	0	0	175
Robert L. Long	2002	520,833	400,000	0	0	110
President and Chief	2001	460,494	260,039	0	0	50
Executive Officer	2000	346,875	179,100	0	0	50
Jean P. Cahuzac	2002	395,000	281,768	45,486 (8)	0	75
Executive Vice	2001	384,244	196,656	50,365 (8)	0	50
President, Chief Operating Officer	2000	328,750	173,400	86,525 (8)	0	50
Donald R. Ray	2002	345,000	208,061	0	0	40
Executive Vice	2001	334,244	137,300	0	0	40
President, Quality, Safety, Health and Environment	2000	381,542	189,630	0	0	40
Gregory L. Cauthen (9) .	2002	286,458	154,340	0	0	40
Senior Vice President, Chief Financial Officer and Treasurer	2001	176,791	53,270	0	0	30

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

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

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- (3) Represents options to purchase our ordinary shares at fair market value on the date of the grants.
- (4) With respect to 2002, the amounts shown as "All Other Compensation" include the following:

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

- (5) Mr. Talbert served as our Chief Executive Officer until October 2002.
- (6) In addition to the items listed in footnote (4), includes a payment of \$2,272,943 to Mr. Talbert in connection with the change of control provisions in his former employment agreement. See "-Employment Agreements."

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- (7) In addition to the items listed in footnote (4), includes a payment of \$942,509 to Mr. Long in connection with the change of control provisions in his former employment agreement. See "-Employment Agreements."
- (8) For the years 2001 and 2002, includes payments to Mr. Cahuzac relating to school fees (\$30,192 and \$31,876, respectively) and home country travel entitlement (\$14,172 and \$7,610, respectively). For the year 2000, includes payments relating to Mr. Cahuzac's relocation (\$36,735) and school fees (\$26,852).
- (9) Mr. Cauthen was not employed by us in 2000.

OPTIONS GRANTED

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

OPTION/SAR GRANTS IN 2002

Potential Realizable Value at Assumed Annual Rates of Company Share Price Appreciation for Option

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

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

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

AGGREGATE OPTION EXERCISES

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

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

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at Fiscal Year End		Value of Unexercised In-the-Money Options at Fiscal Year End	
			Exercisable	Unexercisable	Exercisable(1)	Unexercisable
J. Michael Talbert	0	\$ 0.00	530,459	375,001	\$ 991,362	\$
Robert L. Long . .	0	\$ 0.00	120,999	160,001	0	\$ 2
Jean P. Cahuzac. .	0	\$ 0.00	120,261	125,001	0	\$ 1
Donald R. Ray. . .	0	\$ 0.00	217,079	80,001	\$ 1,523,324	\$
Gregory L. Cauthen	0	\$ 0.00	10,000	60,000	0	\$

(1) The value of each unexercised in-the-money option or tandem SAR is

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equal to the difference between \$23.20, which was the closing price of our ordinary shares on December 31, 2002, and the exercise price of the option.

DEFINED BENEFIT PLANS

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

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

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

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

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

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DEFINED BENEFIT PLAN TABLE

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

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- (1) Includes years of service with Sonat Inc. in the case of Messrs. Long and Ray.
- (2) Estimated annual retirement benefit payable under the Retirement Plan and related supplemental benefit plans as a single life annuity at age 65 (based on the assumptions that the officer retires from employment with us at age 65 with average covered compensation at his retirement date equal to his 2002 covered compensation) and calculated prior to the offset for covered social security earnings.

PERFORMANCE GRAPH

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

CUMULATIVE TOTAL SHAREHOLDER RETURN
INDEXED TOTAL SHAREHOLDER RETURN
DECEMBER 31, 1997-DECEMBER 31, 2002

[GRAPHIC OMITTED]

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

COMPENSATION UPON CHANGE OF CONTROL

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

Upon the occurrence of a change of control, all outstanding restricted shares granted under the Long-Term Incentive Plan will immediately vest and all options and SARs granted under the Long-Term Incentive Plan to outside directors or held by then-current employees will become immediately exercisable. In addition, the executive compensation committee may provide that if a SAR is exercised within 60 days of the occurrence of a change of control, the holder will receive a payment equal to the excess over the amount otherwise due of the highest price per ordinary share paid during the 60-day period prior to exercise of the SAR. The executive compensation committee also may provide that the holder is entitled to a supplemental payment on that excess. Those payments are

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in addition to the amount otherwise due on exercise. Also, upon the occurrence of a change of control, the participant will become vested in 100% of the maximum performance award he could have earned under our Performance Award and Cash Bonus Plan for the proportionate part of the performance period prior to the change of control and will retain the right to earn out any additional portion of his award if he remains in our employ.

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

CONSULTING AGREEMENTS WITH DIRECTORS

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

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

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

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

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

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- Mr. Loyd would provide consulting services with regard to strategies, policies, special projects, incentives, goals and other matters related to the development and growth of R&B Falcon for a minimum of 30 hours per month;
- Mr. Loyd agreed not to perform substantially similar services during

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the term of the consulting agreement for any other company that provides offshore contract drilling services;

- we would pay Mr. Loyd \$360,000 per year and he would waive all director's fees or other remuneration that he would otherwise receive for being a member of our board of directors; and
- Mr. Loyd would be entitled to reimbursement of expenses incurred in providing consulting services.

EMPLOYMENT AGREEMENTS

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

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

In October 2002, in connection with the change in his duties with the Company, Mr. Talbert entered into an agreement revoking his employment agreement described above, which had provided him a right to leave for any reason and receive his change of control payments. The new agreement provides for the reduction in his annual salary to \$475,000 and a cash payment of \$4,877,593 to

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be vested and paid, with interest, over a three year period in equal annual installments beginning October 2002. The amount of this payment is approximately equal to the amount Mr. Talbert would have been entitled to receive under his prior employment agreement if his employment had been terminated in January 2001. The agreement also provides that Mr. Talbert will tender his resignation as

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

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

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

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

CERTAIN TRANSACTIONS

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

PROPOSAL TO AMEND OUR LONG-TERM INCENTIVE PLAN

DESCRIPTION OF THE PROPOSAL

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

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE PROPOSAL TO APPROVE THE AMENDMENT TO OUR LONG-TERM INCENTIVE PLAN.

PRINCIPAL PROVISIONS OF THE LONG-TERM INCENTIVE PLAN

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

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

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

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

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

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

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current employees and all of our current outside directors have received awards under the incentive plan. All of our employees are eligible to receive awards under the incentive plan at present.

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

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

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

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

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

- sales;
- operating profits;
- operating profits before interest expense and taxes;
- net earnings;

- earnings per share;
- return on equity;
- return on assets;
- return on invested capital;
- total shareholder return;
- cash flow;
- debt-to-equity ratio;
- market share;
- stock price;
- economic value added; and
- market value added.

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

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

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

- reorganization;
- recapitalization;

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

Upon the occurrence of a change of control, following the grant of an

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

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

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

U.S. FEDERAL INCOME TAX CONSEQUENCES

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

Options

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

purposes and we will not receive any deduction. Generally, upon the exercise of an incentive stock option, the optionee will recognize no income for U.S. federal income tax purposes. However, the difference between the exercise price of the incentive stock option and the fair market value of the shares at the time of exercise is an item of tax adjustment that may require payment of an alternative minimum tax. On the sale of shares acquired by exercise of an incentive stock option (assuming that the sale does not occur within two years of the date of grant of the option or within one year from the date of exercise,

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

Share Appreciation Rights

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

Restricted Share Awards

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

Cash Performance Awards

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

Other

In general, a U.S. federal income tax deduction is allowed to us in an amount equal to the ordinary income recognized by a participant with respect to awards under the incentive plan, provided that such amount constitutes an ordinary and necessary business expense of our company, that such amount is reasonable, and that the qualified performance-based compensation requirements of Section 162(m) of the U.S. Internal Revenue Code are satisfied. We will not be entitled to a deduction with respect to payments to employees that are

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contingent upon a change of control if those payments are deemed to constitute "excess parachute payments" under Section 280G of the U.S. Internal Revenue Code and do not qualify as reasonable compensation pursuant to that section; such payments will subject the recipients to a 20% excise tax.

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

PROPOSAL TO AMEND OUR EMPLOYEE STOCK PURCHASE PLAN

DESCRIPTION OF THE PROPOSAL

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

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE PROPOSAL TO APPROVE THE AMENDMENT TO OUR EMPLOYEE STOCK PURCHASE PLAN.

PRINCIPAL PROVISIONS OF THE EMPLOYEE STOCK PURCHASE PLAN

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

Under the stock purchase plan, all full-time employees of Transocean Inc. and any subsidiary that has, with the consent of Transocean Inc.'s board of directors, adopted the stock purchase plan who do not own, or hold options to acquire, five percent or more of the total combined voting power or value of our ordinary shares, are eligible to participate in the stock purchase plan. Participants in the stock purchase plan may purchase our ordinary shares through payroll deductions on an after-tax basis over a plan year beginning on each January 1 and ending on the following December 31 during the term of the stock purchase plan. A participant's right to participate in the stock purchase plan terminates immediately when a participant ceases to be employed by us. An employee may elect to participate in the stock purchase plan as of any January 1 following his or her completion of six consecutive months of employment. A participant may elect to make contributions each pay period in an amount not less than two percent of the participant's monthly compensation, with no dollar minimum, subject to a monthly limitation equal to twenty percent of his base

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monthly earnings or such other amount established by the our board of directors finance and benefits committee, taking into account a "maximum share limitation." The maximum share limitation is the number of ordinary shares derived by dividing \$25,000 by the fair market value, as defined below, of ordinary shares determined as of the first trading day of the plan year. The contributions will be held in trust during a plan year, and interest will be credited to the participant's account. Unless a participant elects otherwise, the dollar amount in the participant's account at the end of the plan year will then be used to purchase as many whole ordinary shares as the funds in his or her account will allow subject to the maximum share limitation. The purchase price for the stock will be 85 percent of the lesser of (1) its fair market value on the first trading day of the plan year or (2) its fair market value on the last trading day of the plan year. "Fair market value" means the closing composite sales price per ordinary share on the New York Stock Exchange on the applicable date. Any cash remaining in the participant's account is refunded to the participant unless the finance and benefits committee of the board of directors decides, in its discretion, to carry over the excess enrollments to the following plan year.

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

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

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

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

U.S. FEDERAL INCOME TAX CONSEQUENCES

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

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

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

EQUITY COMPENSATION PLAN INFORMATION

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

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of remaining future issuances of equity compensation (excluding reflected)
Equity compensation plans approved by security holders (1) (2) . . .	15,522,950	\$ 28.10	
Equity compensation plans not approved by security holders (3).	-	-	
Total	15,522,950	\$ 28.10	