

Transocean Ltd. and subsidiaries  
Supplemental Effective Tax Rate Analysis

(In US\$ millions, except tax rates)

	Three months ended		
	March 31, 2017	December 31, 2016	March 31, 2016
<b>Income from continuing operations before income taxes</b>	\$ 55	\$ 242	\$ 340
Add back (subtract):			
Litigation matters	(8)	(30)	-
Restructuring charges	-	11	5
Loss on impairment of assets	-	67	3
Gain on disposal of assets, net	(2)	(5)	(1)
Gain on retirement of debt	-	-	-
<b>Adjusted income from continuing operations before income taxes</b>	<b>45</b>	<b>285</b>	<b>347</b>
Income tax expense (benefit) from continuing operations	(40)	(15)	98
Add back (subtract):			
Litigation matters	-	(2)	-
Restructuring charges	-	-	1
Loss on impairment of assets	-	1	1
Gain on disposal of assets, net	-	-	-
Changes in estimates (1)	77	26	(1)
<b>Adjusted income tax expense from continuing operations</b>	<b>\$ 37</b>	<b>\$ 10</b>	<b>\$ 99</b>
<b>Effective Tax Rate (2)</b>	<b>-73.0%</b>	<b>-6.5%</b>	<b>29.1%</b>
<b>Effective Tax Rate, excluding discrete items (3)</b>	<b>82.1%</b>	<b>3.3%</b>	<b>28.6%</b>

- (1) Our estimates change as we file tax returns, settle disputes with tax authorities or become aware of other events and include changes in (a) deferred taxes, (b) valuation allowances on deferred taxes and (c) other tax liabilities.
- (2) Our effective tax rate is calculated as income tax expense for continuing operations divided by income from continuing operations before income taxes.
- (3) Our effective tax rate, excluding discrete items, is calculated as income tax expense for continuing operations, excluding various discrete items (such as changes in estimates and tax on items excluded from income before income taxes), divided by income from continuing operations before income tax expense, excluding gains and losses on sales and similar items pursuant to the accounting standards for income taxes and estimating the annual effective tax rate.