

Transocean Ltd. and Subsidiaries
Supplemental Effective Tax Rate Analysis

(In US\$ millions)

	Three months ended			Nine months ended	
	September 30,	June 30,	September 30,	September 30,	September 30,
	2014	2014	2013	2014	2013
Income (loss) from continuing operations before income taxes	\$ (2,278)	\$ 676	\$ 603	\$ (1,048)	\$ 1,392
Add back (subtract):					
Litigation matters	(21)	-	29	(18)	103
One-time termination benefits	4	4	16	9	26
Loss on impairment of goodwill and other assets	2,768	-	-	2,833	37
Loss (gain) on disposal of other assets, net	3	(1)	(34)	2	(34)
Loss on financial instruments	-	-	-	-	19
Loss on retirement of debt	-	4	-	5	2
Adjusted income from continuing operations before income taxes	<u>476</u>	<u>683</u>	<u>614</u>	<u>1,783</u>	<u>1,545</u>
Income tax (benefit) expense from continuing operations	(16)	72	63	136	214
Add back (subtract):					
Litigation matters	(7)	-	10	(6)	36
One-time termination benefits	1	-	1	1	4
Loss on impairment of goodwill and other assets	95	-	-	95	-
Loss (gain) on disposal of other assets, net	-	-	(12)	-	(12)
Changes in estimates (1)	45	14	55	72	77
Adjusted income tax expense from continuing operations (2)	<u>\$ 118</u>	<u>\$ 86</u>	<u>\$ 117</u>	<u>\$ 298</u>	<u>\$ 319</u>
Effective Tax Rate (3)	0.7%	10.7%	10.4%	-13.0%	15.4%
Annual Effective Tax Rate (4)	24.8%	12.6%	19.1%	16.7%	20.6%

- (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) The three months and nine months ended September 30, 2014 includes \$39 million of additional tax expense (benefit) reflecting the catch-up effect of an increase (decrease) in the annual effective tax rate from the previous quarter estimate.
- (3) Effective Tax Rate is income tax expense for continuing operations, divided by income from continuing operations before income taxes.
- (4) Annual Effective Tax Rate is 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.