

Transocean Ltd. and subsidiaries
Supplemental Effective Tax Rate Analysis

(In US\$ millions, except tax rates)

	Three months ended			Nine months ended	
	September 30, 2016	June 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Income from continuing operations before income taxes	\$ 235	\$ 104	\$ 344	\$ 669	\$ 347
Add back (subtract):					
Litigation matters	-	-	-	-	(788)
Restructuring charges	4	8	3	17	20
Loss on impairment of goodwill and other assets	11	20	13	34	1,839
Gain on disposal of other assets, net	(3)	(4)	(1)	(8)	(6)
Gain on retirement of debt	(110)	(38)	(7)	(148)	(7)
Adjusted income from continuing operations before income taxes	137	90	352	564	1,405
Income tax expense (benefit) from continuing operations	(9)	17	17	82	140
Add back (subtract):					
Litigation matters	-	-	-	-	(53)
Restructuring charges	-	1	1	2	2
Loss on impairment of goodwill and other assets	-	2	-	3	155
Gain on disposal of other assets, net	-	-	-	-	1
Changes in estimates (1)	38	(5)	9	34	9
Adjusted income tax expense from continuing operations (2)	\$ 29	\$ 15	\$ 27	\$ 121	\$ 254
Effective Tax Rate (3)	-3.8%	16.2%	4.9%	12.3%	40.3%
Effective Tax Rate, excluding discrete items (4)	21.2%	16.3%	7.5%	21.5%	18.0%

- (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, 2016 includes \$4 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) Our effective tax rate is calculated as income tax expense for continuing operations divided by income from continuing operations before income taxes.
- (4) 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.