

Transocean Ltd. and subsidiaries
Supplemental Effective Tax Rate Analysis

(In US\$ millions, except tax rates)

	Three months ended			Six months ended	
	June 30, 2016	March 31, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Income (loss) from continuing operations before income taxes	\$ 104	\$ 330	\$ 387	\$ 434	\$ 3
Add back (subtract):					
Litigation matters	-	-	(788)	-	(788)
Restructuring charges	8	5	12	13	17
Loss on impairment of goodwill and other assets	20	3	890	23	1,826
Gain on disposal of other assets, net	(4)	(1)	(3)	(5)	(5)
Gain on retirement of debt	(38)	-	-	(38)	-
Adjusted income from continuing operations before income taxes	90	337	498	427	1,053
Income tax expense from continuing operations	17	74	40	91	123
Add back (subtract):					
Litigation matters	-	-	(53)	-	(53)
Restructuring charges	1	1	1	2	1
Loss on impairment of goodwill and other assets	2	1	93	3	155
Loss on disposal of other assets, net	-	-	2	-	1
Changes in estimates (1)	(5)	1	1	(4)	-
Adjusted income tax expense from continuing operations (2)	\$ 15	\$ 77	\$ 84	\$ 92	\$ 227
Effective Tax Rate (3)	16.2%	22.4%	10.3%	21.0%	4100.0%
Annual Effective Tax Rate (4)	16.3%	22.8%	16.9%	21.5%	21.6%

- (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 six months ended June 30, 2016 includes \$(22) 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.