# Transocean Ltd. Reports Second Quarter 2021 Results

August 2, 2021

- Total contract drilling revenues were $656 million (total adjusted contract drilling revenues of $713 million), compared with $653 million in the first quarter of 2021 (total adjusted contract drilling revenues of $709 million);
- Revenue efficiency[(1)] was 98.0%, compared with 97.4% in the prior quarter;
- Operating and maintenance expense was $434 million, compared with $435 million in the prior period;
- Net loss attributable to controlling interest was $103 million, $0.17 per diluted share, compared with net loss attributable to controlling interest of $99 million, $0.16 per diluted share, in the first quarter of 2021;
- Adjusted EBITDA was $255 million, compared with adjusted EBITDA of $245 million in the prior quarter; and
- Contract backlog was $7.3 billion as of the July 2021 Fleet Status Report.

STEINHAUSEN, Switzerland, Aug. 02, 2021 (GLOBE NEWSWIRE) -- Transocean Ltd. (NYSE: RIG) today reported a net loss attributable to controlling interest of $103 million, $0.17 per diluted share, for the three months ended June 30, 2021.

Second quarter 2021 results included net favorable item of $6 million, or $0.1 per diluted share, related to discrete tax items. After consideration of this net favorable item, second quarter 2021 adjusted net loss was $109 million, $0.18 per diluted share, compared to $117 million adjusted net loss, $0.19 per diluted share, in the first quarter of 2021.

Contract drilling revenues for the three months ended June 30, 2021 increased sequentially by $3 million to $656 million, primarily due to three rigs that returned to work following a shipyard stay, partially offset by two rigs that went idle in the second quarter.

A non-cash revenue reduction of $57 million was recognized in the second quarter as a result of contract intangible amortization associated with the Songa and Ocean Rig acquisitions. This compares with $56 million in the prior quarter.

Operating and maintenance expense was $434 million, compared with $435 million in the prior quarter.

General and administrative expense was $39 million, in line with the first quarter of 2021.

Interest expense, net of amounts capitalized, was $115 million, in line with the first quarter of 2021. Interest income was $4 million, compared with $3 million in the previous quarter.

The Effective Tax Rate[(2)] was (4.6)%, down from 17.8% in the prior quarter. The decrease was primarily due to higher earnings in jurisdictions with lower tax rates, releases of uncertain tax positions related to settlements and other various discrete items. The Effective Tax Rate excluding discrete items was (10.2)% compared to (5.7)% in previous quarter.

Cash flows provided by operating activities were $153 million, compared to $96 million in the prior quarter. This was primarily due to the timing of interest payments and reduced personnel-related payments.

Second quarter 2021 capital expenditures of $41 million were primarily related to our newbuild drillships under construction. This compares with $59 million in the previous quarter.

"Operationally, we delivered another solid quarter, with an Adjusted EBITDA Margin of 36% on Adjusted Revenue of $713 million," said President and Chief Executive Officer, Jeremy Thigpen. "These better than anticipated results were driven largely by our continued focus on operational excellence, as evidenced by our strong uptime performance, which resulted in revenue efficiency of 98 percent."

"During the quarter, we took meaningful steps to improve our liquidity by agreeing to delay delivery and payment of our two newbuild drillships, the *Deepwater Atlas* and the *Deepwater Titan*, ultimately deferring over $450 million of near-term capex. Additionally, we further improved our liquidity through the initiation of our ATM program that provides us with additional optionality. We will remain pragmatic yet disciplined in using this tool now and in the future."

Thigpen concluded: "As we enter the back half of this year, we remain encouraged by the upcycle that is currently unfolding. Assuming oil prices remain supportive, we see utilization and dayrates for our ultra-deepwater assets materially improving as we move into 2022."

**Non-GAAP Financial Measures**

We present our operating results in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP"). We believe certain financial measures, such as Adjusted Contract Drilling Revenues, EBITDA, Adjusted EBITDA and Adjusted Net Income, which are non-GAAP measures, provide users of our financial statements with supplemental information that may be useful in evaluating our operating performance. We believe that such non-GAAP measures, when read in conjunction with our operating results presented under U.S. GAAP, can be used to better assess our performance from period to period and relative to performance of other companies in our industry, without regard to financing methods, historical cost basis or capital structure. Such non-GAAP measures should be considered as a supplement to, and not as a substitute for, financial measures prepared in accordance with U.S. GAAP.

All non-GAAP measure reconciliations to the most comparative U.S. GAAP measures are displayed in quantitative schedules on the company's website at: www.deepwater.com.

**About Transocean**

Transocean is a leading international provider of offshore contract drilling services for oil and gas wells. The company specializes in technically demanding sectors of the global offshore drilling business with a particular focus on ultra-deepwater and harsh environment drilling services and believes that it operates one of the most versatile offshore drilling fleets in the world.

Transocean owns or has partial ownership interests in and operates a fleet of 37 mobile offshore drilling units consisting of 27 ultra-deepwater floaters and 10 harsh environment floaters. In addition, Transocean is constructing two ultra-deepwater drillships.

For more information about Transocean, please visit: www.deepwater.com.

**Conference Call Information**

Transocean will conduct a teleconference starting at 9 a.m. EDT, 3 p.m. CEST, on Tuesday, August 3, 2021, to discuss the results. To participate, dial +1 313-209-6544 and refer to conference code 1865445 approximately 10 minutes prior to the scheduled start time.

The teleconference will be simulcast in a listen-only mode at: www.deepwater.com, by selecting Investors, News, and Webcasts. Supplemental materials that may be referenced during the teleconference will be available at: www.deepwater.com, by selecting Investors, Financial Reports.

A replay of the conference call will be available after 12 p.m. EDT, 6 p.m. CEST, on Tuesday, August 3, 2021. The replay, which will be archived for approximately 30 days, can be accessed at +1 719-457-0820, passcode 1865445, pin 1126. The replay will also be available on the company's website.

**Forward-Looking Statements**

The statements described herein that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements could contain words such as "possible," "intend," "will," "if," "expect," or other similar expressions. Forward-looking statements are based on management's current expectations and assumptions, and are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. As a result, actual results could differ materially from those indicated in these forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, estimated duration of customer contracts, contract dayrate amounts, future contract commencement dates and locations, planned shipyard projects and other out-of-service time, sales of drilling units, timing of the company's newbuild deliveries, operating hazards and delays, risks associated with international operations, actions by customers and other third parties, the fluctuation of current and future prices of oil and gas, the global and regional supply and demand for oil and gas, the intention to scrap certain drilling rigs, the success of our business following prior acquisitions, the effects of the spread of and mitigation efforts by governments, businesses and individuals related to contagious illnesses, such as COVID-19, and other factors, including those and other risks discussed in the company's most recent Annual Report on Form 10-K for the year ended December 31, 2020, and in the company's other filings with the SEC, which are available free of charge on the SEC's website at: www.sec.gov. Should one or more of these risks or uncertainties materialize (or the other consequences of such a development worsen), or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or expressed or implied by such forward-looking statements. All subsequent written and oral forward-looking statements attributable to the company or to persons acting on our behalf are expressly qualified in their entirety by reference to these risks and uncertainties. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that occur, or which we become aware of, after the date hereof, except as otherwise may be required by law. All non-GAAP financial measure reconciliations to the most comparative GAAP measure are displayed in quantitative schedules on the company's website at: www.deepwater.com.

This press release, or referenced documents, do not constitute an offer to sell, or a solicitation of an offer to buy, any securities, and do not constitute an offering prospectus within the meaning of the Swiss Financial Services Act ("FinSA") or advertising within the meaning of the FinSA. Investors must rely on their own evaluation of Transocean and its securities, including the merits and risks involved. Nothing contained herein is, or shall be relied on as, a promise or representation as to the future performance of Transocean.

**Notes**

(1) Revenue efficiency is defined as actual contract drilling revenues, excluding revenues for contract terminations and reimbursements, for the measurement period divided by the maximum revenue calculated for the measurement period, expressed as a percentage. Maximum revenue is defined as the greatest amount of contract drilling revenues the drilling unit could earn for the measurement period, excluding revenues for incentive provisions, reimbursements and contract terminations. See the accompanying schedule entitled "Revenue Efficiency."

(2) Effective Tax Rate is defined as income tax expense divided by income before income taxes. See the accompanying schedule entitled "Supplemental Effective Tax Rate Analysis."

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**TRANSOCEAN LTD. AND SUBSIDIARIES**

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

(Unaudited)

| | Three months ended June 30, 2021 | Three months ended June 30, 2020 | Six months ended June 30, 2021 | Six months ended June 30, 2020 |
|---|---|---|---|---|
| **Contract drilling revenues** | $ 656 | $ 930 | $ 1,309 | $ 1,689 |
| **Costs and expenses** | | | | |
| Operating and maintenance | 434 | 525 | 869 | 1,065 |
| Depreciation and amortization | 186 | 196 | 373 | 402 |
| General and administrative | 39 | 45 | 78 | 88 |
| | 659 | 766 | 1,320 | 1,555 |
| Loss on impairment | — | (429) | — | (597) |
| Gain (loss) on disposal of assets, net | 1 | 1 | (58) | — |
| **Operating loss** | (2) | (264) | (69) | (463) |
| **Other income (expense), net** | | | | |
| Interest income | 4 | 4 | 7 | 13 |
| Interest expense, net of amounts capitalized | (115) | (153) | (230) | (313) |
| Gain (loss) on retirement of debt | — | 4 | 51 | (53) |
| Other, net | 14 | (56) | 23 | (44) |
| | (97) | (201) | (149) | (397) |
| Loss before income tax expense | (99) | (465) | (218) | (860) |
| Income tax expense (benefit) | 4 | 32 | (17) | 28 |
| **Net loss** | (103) | (497) | (201) | (888) |
| Net income attributable to noncontrolling interest | — | — | 1 | 1 |
| **Net loss attributable to controlling interest** | $ (103) | $ (497) | $ (202) | $ (889) |
| Loss per share, basic and diluted | $ (0.17) | $ (0.81) | $ (0.33) | $ (1.45) |
| Weighted average shares, basic and diluted | 621 | 615 | 619 | 615 |

## TRANSOCEAN LTD. AND SUBSIDIARIES
## CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

(Unaudited)

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 988 | $ 1,154 |
| Accounts receivable, net of allowance of $2 at June 30, 2021 and December 31, 2020 | 539 | 583 |
| Materials and supplies, net of allowance of $145 and $143 at June 30, 2021 and December 31, 2020, respectively | 433 | 434 |
| Restricted cash and cash equivalents | 502 | 406 |
| Other current assets | 156 | 163 |
| Total current assets | 2,618 | 2,740 |
| Property and equipment | 23,054 | 23,040 |
| Less accumulated depreciation | (5,718) | (5,373) |

| | | |
|---|---|---|
| Property and equipment, net | 17,336 | 17,667 |
| Contract intangible assets | 280 | 393 |
| Deferred income taxes, net | 8 | 9 |
| Other assets | 956 | 995 |
| Total assets | $ 21,198 | $ 21,804 |
| **Liabilities and equity** | | |
| Accounts payable | $ 198 | $ 194 |
| Accrued income taxes | 8 | 28 |
| Debt due within one year | 536 | 505 |
| Other current liabilities | 577 | 659 |
| Total current liabilities | 1,319 | 1,386 |
| Long-term debt | 6,991 | 7,302 |
| Deferred income taxes, net | 325 | 315 |
| Other long-term liabilities | 1,251 | 1,366 |
| Total long-term liabilities | 8,567 | 8,983 |
| Commitments and contingencies | | |
| Shares, CHF 0.10 par value, 891,379,015 authorized, 142,363,647 conditionally authorized, 685,676,165 issued and 634,629,502 outstanding at June 30, 2021, and 824,650,660 authorized, 142,363,647 conditionally authorized, 639,676,165 issued and 615,140,276 outstanding at December 31, 2020 | 62 | 60 |
| Additional paid-in capital | 13,578 | 13,501 |
| Accumulated deficit | (2,068) | (1,866) |
| Accumulated other comprehensive loss | (264) | (263) |
| Total controlling interest shareholders' equity | 11,308 | 11,432 |
| Noncontrolling interest | 4 | 3 |
| Total equity | 11,312 | 11,435 |
| Total liabilities and equity | $ 21,198 | $ 21,804 |

**TRANSOCEAN LTD. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
(In millions)
(Unaudited)

| | Six months ended June 30, | |
|---|---|---|
| | **2021** | **2020** |
| **Cash flows from operating activities** | | |
| Net loss | $ (201) | $ (888) |
| Adjustments to reconcile to net cash provided by operating activities: | | |
| Contract intangible asset amortization | 113 | 101 |
| Depreciation and amortization | 373 | 402 |
| Share-based compensation expense | 14 | 15 |
| Loss on impairment | — | 597 |
| Loss on impairment of investment in unconsolidated affiliates | — | 59 |
| Loss on disposal of assets, net | 58 | — |
| (Gain) loss on retirement of debt | (51) | 53 |
| Deferred income tax expense | 11 | 30 |
| Other, net | 14 | 32 |
| Changes in deferred revenues, net | (72) | (10) |
| Changes in deferred costs, net | 7 | (4) |
| Changes in other operating assets and liabilities, net | (17) | (348) |
| Net cash provided by operating activities | 249 | 39 |

**Cash flows from investing activities**

| | | |
|---|---|---|
| Capital expenditures | (100) | (153) |
| Proceeds from disposal of assets, net | 7 | 3 |
| Investments in loans to unconsolidated affiliates | (33) | — |
| Investments in unconsolidated affiliates | — | (6) |
| Net cash used in investing activities | (126) | (156) |
| | | |
| **Cash flows from financing activities** | | |
| Repayments of debt | (239) | (1,009) |
| Proceeds from issuance of shares, net of issue costs | 66 | — |
| Proceeds from issuance of debt, net of issue costs | — | 743 |
| Other, net | (20) | (18) |
| Net cash used in financing activities | (193) | (284) |
| | | |
| Net decrease in unrestricted and restricted cash and cash equivalents | (70) | (401) |
| Unrestricted and restricted cash and cash equivalents, beginning of period | 1,560 | 2,349 |
| Unrestricted and restricted cash and cash equivalents, end of period | $ 1,490 | $ 1,948 |

**TRANSOCEAN LTD. AND SUBSIDIARIES**
**FLEET OPERATING STATISTICS**

| | Three months ended | | | Six months ended | |
|---|---|---|---|---|---|
| **Contract Drilling Revenues (in millions)** | **June 30, 2021** | **March 31, 2021** | **June 30, 2020** | **June 30, 2021** | **June 30, 2020** |
| Contract drilling revenues | | | | | |
| Ultra-deepwater floaters | $ 424 | $ 436 | $ 636 | $ 860 | $ 1,164 |
| Harsh environment floaters | 232 | 217 | 293 | 449 | 513 |
| Midwater floaters | — | — | 1 | — | 12 |
| Total contract drilling revenues | $ 656 | $ 653 | $ 930 | $ 1,309 | $ 1,689 |

| | Three months ended | | | Six months ended | |
|---|---|---|---|---|---|
| **Average Daily Revenue** [(1)] | **June 30, 2021** | **March 31, 2021** | **June 30, 2020** | **June 30, 2021** | **June 30, 2020** |
| Ultra-deepwater floaters | $ 363,500 | $ 371,600 | $ 296,500 | $ 367,500 | $ 314,800 |
| Harsh environment floaters | 379,900 | 377,800 | 331,900 | 378,900 | 317,000 |
| Midwater floaters | — | — | 99,400 | — | 111,400 |
| Total fleet average daily revenue | $ 369,400 | $ 373,700 | $ 307,800 | $ 371,500 | $ 311,300 |

| | Three months ended | | | Six months ended | |
|---|---|---|---|---|---|
| **Utilization** [(2)] | **June 30, 2021** | **March 31, 2021** | **June 30, 2020** | **June 30, 2021** | **June 30, 2020** |
| Ultra-deepwater floaters | 48 % | 48 % | 61 % | 48 % | 61 % |
| Harsh environment floaters | 73 % | 65 % | 80 % | 69 % | 71 % |
| Midwater floaters | —% | —% | 25 % | —% | 37 % |
| Total fleet average rig utilization | 55 % | 53 % | 66 % | 54 % | 63 % |

| | Three months ended | | | Six months ended | |
|---|---|---|---|---|---|
| **Revenue Efficiency** [(3)] | **June 30, 2021** | **March 31, 2020** | **June 30, 2020** | **June 30, 2021** | **June 30, 2020** |
| Ultra-deepwater floaters | 98 % | 97 % | 98 % | 98 % | 98 % |
| Harsh environment floaters | 98 % | 98 % | 97 % | 98 % | 93 % |
| Midwater floaters | —% | —% | 79 % | —% | 86 % |
| Total fleet average revenue efficiency | 98 % | 97 % | 97 % | 98 % | 96 % |

[1] Average daily revenue is defined as contract drilling revenues, excluding revenues for contract terminations, reimbursements and contract intangible amortization, earned per operating day. An operating day is defined as a calendar day during which a rig is contracted to earn a dayrate during the firm contract period after commencement of operations.

[2] Rig utilization is defined as the total number of operating days divided by the total number of rig calendar days in the measurement period, expressed as a percentage.

[3] Revenue efficiency is defined as actual contract drilling revenues, excluding revenues for contract terminations and reimbursements, for the measurement period divided by the maximum revenue calculated for the measurement period, expressed as a percentage. Maximum revenue is defined as the greatest amount of contract drilling revenues the drilling unit could earn for the measurement period, excluding revenues for incentive provisions, reimbursements and contract terminations.

**TRANSOCEAN LTD. AND SUBSIDIARIES**
**NON-GAAP FINANCIAL MEASURES AND RECONCILIATIONS**
**ADJUSTED NET INCOME (LOSS) AND ADJUSTED DILUTED EARNINGS (LOSS) PER SHARE**
(In millions, except per share data)

| | YTD 06/30/21 | QTD 06/30/21 | YTD 03/31/21 |
|---|---|---|---|
| **Adjusted Net Loss** | | | |
| Net loss attributable to controlling interest, as reported | $ (202) | $ (103) | $ (99) |
| Loss on disposal of assets, net | 60 | — | 60 |
| Gain on retirement of debt | (51) | — | (51) |
| Discrete tax items | (33) | (6) | (27) |
| Net loss, as adjusted | $ (226) | $ (109) | $ (117) |
| **Adjusted Diluted Loss Per Share:** | | | |
| Diluted loss per share, as reported | $ (0.33) | $ (0.17) | $ (0.16) |
| Loss on disposal of assets, net | 0.10 | — | 0.10 |
| Gain on retirement of debt | (0.08) | — | (0.08) |
| Discrete tax items | (0.06) | (0.01) | (0.05) |
| Diluted loss per share, as adjusted | $ (0.37) | $ (0.18) | $ (0.19) |

| | YTD 12/31/20 | QTD 12/31/20 | YTD 09/30/20 | QTD 09/30/20 | YTD 06/30/20 | QTD 06/30/20 | YTD 03/31/20 |
|---|---|---|---|---|---|---|---|
| **Adjusted Net Loss** | | | | | | | |
| Net income (loss) attributable to controlling interest, as reported | $ (567) | $ (37) | $ (530) | $ 359 | $ (889) | $ (497) | $ (392) |
| Restructuring costs | 5 | (1) | 6 | 5 | 1 | 1 | — |
| Loss on impairment of assets | 597 | — | 597 | — | 597 | 430 | 167 |
| Loss on disposal of assets, net | 61 | — | 61 | 61 | — | — | — |
| Loss on impairment of investment in unconsolidated affiliates | 62 | 3 | 59 | — | 59 | 59 | — |
| (Gain) loss on restructuring and retirement of debt | (533) | (137) | (396) | (449) | 53 | (4) | 57 |
| Discrete tax items | (91) | (37) | (54) | (45) | (9) | 10 | (19) |
| Net loss, as adjusted | $ (466) | $ (209) | $ (257) | $ (69) | $ (188) | $ (1) | $ (187) |
| **Adjusted Diluted Loss Per Share:** | | | | | | | |
| Diluted earnings (loss) per share, as reported | $ (0.92) | $ (0.06) | $ (0.86) | $ 0.51 | $ (1.45) | $ (0.81) | $ (0.64) |
| Restructuring costs | 0.01 | — | 0.01 | 0.01 | — | — | — |
| Loss on impairment of assets | 0.97 | — | 0.97 | — | 0.97 | 0.70 | 0.28 |
| Loss on disposal of assets, net | 0.10 | — | 0.10 | 0.09 | — | — | — |
| Loss on impairment of investment in unconsolidated affiliates | 0.10 | — | 0.10 | — | 0.10 | 0.10 | — |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| (Gain) loss on restructuring and retirement of debt | (0.87) | (0.22) | (0.65) | (0.65) | 0.09 | (0.01) | 0.09 |
| Discrete tax items | (0.15) | (0.06) | (0.09) | (0.07) | (0.02) | 0.02 | (0.03) |
| Diluted loss per share, as adjusted | $ (0.76) | $ (0.34) | $ (0.42) | $ (0.11) | $ (0.31) | $ — | $ (0.30) |

**TRANSOCEAN LTD. AND SUBSIDIARIES**
**NON-GAAP FINANCIAL MEASURES AND RECONCILIATIONS**
**ADJUSTED CONTRACT DRILLING REVENUES**
**EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION AND RELATED MARGINS**
(In millions, except percentages)

| | **YTD 06/30/21** | **QTD 06/30/21** | **YTD 03/31/21** |
|---|---|---|---|
| **Contract drilling revenues** | $ 1,309 | $ 656 | $ 653 |
| Contract intangible asset amortization | 113 | 57 | 56 |
| **Adjusted Contract Drilling Revenues** | $ 1,422 | $ 713 | $ 709 |
| | | | |
| **Net loss** | $ (201) | $ (103) | $ (98) |
| Interest expense, net of interest income | 223 | 111 | 112 |
| Income tax expense (benefit) | (17) | 4 | (21) |
| Depreciation and amortization | 373 | 186 | 187 |
| Contract intangible asset amortization | 113 | 57 | 56 |
| **EBITDA** | 491 | 255 | 236 |
| | | | |
| Loss on disposal of assets, net | 60 | — | 60 |
| Gain on retirement of debt | (51) | — | (51) |
| **Adjusted EBITDA** | $ 500 | $ 255 | $ 245 |
| | | | |
| EBITDA margin | 35 % | 36 % | 33 % |
| Adjusted EBITDA margin | 35 % | 36 % | 35 % |

| | **YTD 12/31/20** | **QTD 12/31/20** | **YTD 09/30/20** | **QTD 09/30/20** | **YTD 06/30/20** | **QTD 06/30/20** | **YTD 03/31/20** |
|---|---|---|---|---|---|---|---|
| **Contract drilling revenues** | $ 3,152 | $ 690 | $ 2,462 | $ 773 | $ 1,689 | $ 930 | $ 759 |
| Contract intangible asset amortization | 215 | 57 | 158 | 57 | 101 | 53 | 48 |
| **Adjusted Contract Drilling Revenues** | $ 3,367 | $ 747 | $ 2,620 | $ 830 | $ 1,790 | $ 983 | $ 807 |
| | | | | | | | |
| **Net income (loss)** | $ (568) | $ (39) | $ (529) | $ 359 | $ (888) | $ (497) | $ (391) |
| Interest expense, net of interest income | 554 | 115 | 439 | 139 | 300 | 149 | 151 |
| Income tax expense (benefit) | 27 | 23 | 4 | (24) | 28 | 32 | (4) |
| Depreciation and amortization | 781 | 189 | 592 | 190 | 402 | 196 | 206 |
| Contract intangible asset amortization | 215 | 57 | 158 | 57 | 101 | 53 | 48 |
| **EBITDA** | 1,009 | 345 | 664 | 721 | (57) | (67) | 10 |
| | | | | | | | |
| Restructuring costs | 5 | (1) | 6 | 5 | 1 | 1 | — |
| Loss on impairment of assets | 597 | — | 597 | — | 597 | 429 | 168 |
| Loss on disposal of assets, net | 61 | — | 61 | 61 | — | — | — |
| (Gain) loss on restructuring and retirement of debt | (533) | (137) | (396) | (449) | 53 | (4) | 57 |
| Loss on impairment of investment in unconsolidated affiliates | 62 | 3 | 59 | — | 59 | 59 | — |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Adjusted EBITDA** | $ 1,201 | $ 210 | $ 991 | $ 338 | $ 653 | $ 418 | $ 235 |
| | | | | | | | |
| EBITDA margin | 30 % | 46 % | 25 % | 87 % | (3) % | (7) % | 1 % |
| Adjusted EBITDA margin | 36 % | 28 % | 38 % | 41 % | 36 % | 43 % | 29 % |

**TRANSOCEAN LTD. AND SUBSIDIARIES**
**SUPPLEMENTAL EFFECTIVE TAX RATE ANALYSIS**
(In millions, except tax rates)

| | Three months ended | | | Six months ended | |
|---|---|---|---|---|---|
| | **June 30, 2021** | **March 31, 2021** | **June 30, 2020** | **June 30, 2021** | **June 30, 2020** |
| Loss before income taxes | $ (99) | $ (119) | $ (465) | $ (218) | $ (860) |
| Restructuring costs | — | — | 1 | — | 1 |
| Loss on impairment of assets | — | — | 429 | — | 597 |
| Loss on disposal of assets, net | — | 60 | — | 60 | — |
| Loss on impairment of investment in unconsolidated affiliates | — | — | 59 | — | 59 |
| (Gain) loss on retirement of debt | — | (51) | (4) | (51) | 53 |
| Adjusted income (loss) before income taxes | $ (99) | $ (110) | 20 | $ (209) | (150) |
| | | | | | |
| Revenues recognized for the settlement of disputes | | | (157) | | (157) |
| Adjusted loss before income taxes for determining effective tax rate | | | $ (137) | | $ (307) |
| | | | | | |
| Income tax expense (benefit) | $ 4 | $ (21) | $ 32 | $ (17) | $ 28 |
| Restructuring costs | — | — | — | — | — |
| Loss on impairment of assets | — | — | (1) | — | — |
| Loss on disposal of assets, net | — | — | — | — | — |
| Loss on impairment of investment in unconsolidated affiliates | — | — | — | — | — |
| (Gain) loss on retirement of debt | — | — | — | — | — |
| Changes in estimates (1) | 6 | 27 | (8) | 33 | 11 |
| Revenues recognized for the settlement of disputes | — | — | (2) | — | (2) |
| Adjusted income tax expense (2) | $ 10 | $ 6 | $ 21 | $ 16 | $ 37 |
| | | | | | |
| **Effective Tax Rate** (3) | **(4.6) %** | **17.8 %** | **(6.8) %** | **7.7 %** | **(3.2) %** |
| | | | | | |
| **Effective Tax Rate, excluding discrete items** (4) | **(10.2) %** | **(5.7) %** | **(15.0) %** | **(7.8) %** | **(12.0) %** |

(1) Our estimates change as we file tax returns, settle disputes with tax authorities, or become aware of changes in laws and other events that have an effect on our (a) deferred taxes, (b) valuation allowances on deferred taxes and (c) other tax liabilities.

(2) The three months ended June 30, 2021 included $2 million of additional tax expense, reflecting the cumulative effect of an increase in the annual effective tax rate from the previous quarter estimate.

(3) Our effective tax rate is calculated as income tax expense divided by income before income taxes.

(4) Our effective tax rate, excluding discrete items, is calculated as income tax expense, excluding various discrete items (such as changes in estimates and tax on items excluded from income before income taxes), divided by income before income tax expense, excluding gains and losses on sales and similar items pursuant to the accounting standards for income taxes related to estimating the annual effective tax rate.