

Transocean Ltd. and subsidiaries
Supplemental Effective Tax Rate Analysis

(In US\$ millions, except tax rates)

	Three months ended		Year ended
	December 31, 2016	September 30, 2016	December 31, 2016
Income from continuing operations before income taxes	\$ 242	\$ 242	\$ 934
Add back (subtract):			
Litigation matters	(30)	-	(30)
Restructuring charges	11	4	28
Loss on impairment of assets	67	11	93
Gain on disposal of assets, net	(5)	(3)	(13)
Gain on retirement of debt	-	(110)	(148)
Adjusted income from continuing operations before income taxes	285	144	864
Income tax expense (benefit) from continuing operations	2	(6)	103
Add back (subtract):			
Litigation matters	(2)	-	(2)
Restructuring charges	-	-	2
Loss on impairment of assets	1	-	2
Gain on disposal of assets, net	-	-	-
Changes in estimates (1)	31	32	55
Adjusted income tax expense from continuing operations	\$ 32	\$ 26	\$ 160
Effective Tax Rate (2)	1.0%	-2.5%	11.0%
Effective Tax Rate, excluding discrete items (3)	11.6%	18.2%	18.6%

- (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) 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.