

**Transocean Ltd. and subsidiaries**  
**Supplemental Effective Tax Rate Analysis**  
(in millions, except tax rates)

	Three months ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Income (loss) before income taxes	\$ (149)	\$ (111)	\$ 55
Litigation matters	-	(2)	(8)
Acquisition and restructuring costs	7	1	-
Gain on disposal of assets, net	(6)	(6)	(2)
Loss on retirement of debt	-	6	-
Adjusted income (loss) before income taxes	<u>\$ (148)</u>	<u>\$ (112)</u>	<u>\$ 45</u>
Income tax expense (benefit)	\$ 63	\$ (9)	\$ (40)
Litigation matters	-	(1)	-
Acquisition and restructuring costs	-	-	-
Loss on impairment of assets	-	2	-
Gain on disposal of assets, net	-	-	-
Changes in estimates (1)	1	(20)	77
Adjusted income tax expense (benefit) (2)	<u>\$ 64</u>	<u>\$ (28)</u>	<u>\$ 37</u>
<b>Effective Tax Rate (3)</b>	<b>(42.2) %</b>	<b>8.3 %</b>	<b>(73.0) %</b>
<b>Effective Tax Rate, excluding discrete items (4)</b>	<b>(42.8) %</b>	<b>25.4 %</b>	<b>82.1 %</b>

- (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 ended December 31, 2017 includes \$78 million of additional tax benefit reflecting the catch-up effect of an decrease 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 and estimating the annual effective tax rate.