

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

| | Three months ended | | | Years ended | |
|---|----------------------|-----------------------|----------------------|----------------------|----------------------|
| | December 31, 2017 | September 30, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
| Income (loss) from continuing operations before income taxes | \$ (111) | \$ (1,231) | \$ 242 | \$ (3,003) | \$ 934 |
| Litigation matters | (2) | - | (30) | (8) | (30) |
| Restructuring charges | 1 | - | 11 | 3 | 28 |
| Acquisition costs | - | 4 | - | 4 | - |
| Loss on impairment of assets | - | 1,385 | 67 | 1,498 | 93 |
| (Gain) loss on disposal of assets, net | (6) | 1 | (5) | 1,590 | (13) |
| (Gain) loss on retirement of debt | 6 | 1 | - | 55 | (148) |
| Adjusted income (loss) from continuing operations before income taxes | <u>\$ (112)</u> | <u>\$ 160</u> | <u>\$ 285</u> | <u>\$ 139</u> | <u>\$ 864</u> |
| Income tax expense (benefit) | \$ (9) | \$ 180 | \$ (15) | \$ 94 | \$ 107 |
| Litigation matters | (1) | - | (2) | - | (2) |
| Restructuring charges | - | 1 | - | 1 | 2 |
| Acquisition costs | - | - | - | - | - |
| Loss on impairment of assets | 2 | (1) | 1 | 1 | 2 |
| (Gain) loss on disposal of assets, net | - | - | - | - | - |
| Changes in estimates (1) | (20) | (90) | 26 | 37 | 50 |
| Adjusted income tax expense (benefit) (2) | <u>\$ (28)</u> | <u>\$ 90</u> | <u>\$ 10</u> | <u>\$ 133</u> | <u>\$ 159</u> |
| Effective Tax Rate (3) | 8.3 % | (14.7) % | (6.5) % | (3.1) % | 11.5 % |
| Effective Tax Rate, excluding discrete items (4) | 25.4 % | 56.5 % | 3.3 % | 95.2 % | 18.5 % |

- (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 year ended December 31, 2017 includes \$78 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 divided by income from continuing operations 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 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.