

OCEAN RIG



Deutsche Bank

Leveraged Finance Conference

October 10th 2012



Disclaimer – Forward looking statements

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The forward-looking statements in this presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties, which have not been independently verified by the Company. Although Ocean Rig UDW Inc. believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, Ocean Rig UDW Inc. cannot assure you that it will achieve or accomplish these expectations, beliefs or projections. Important factors that, in the Company's view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies and currencies, general market conditions, including changes in charter hire rates and vessel values, changes in demand that may affect attitudes of time charterers to scheduled and unscheduled drydocking, changes in Ocean Rig UDW Inc's operating expenses, including bunker prices, dry-docking and insurance costs, or actions taken by regulatory authorities, potential liability from pending or future litigation, domestic and international political conditions, potential disruption of shipping routes due to accidents and political events or acts by terrorists.

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OCEAN RIG UDW INC.



Company Overview

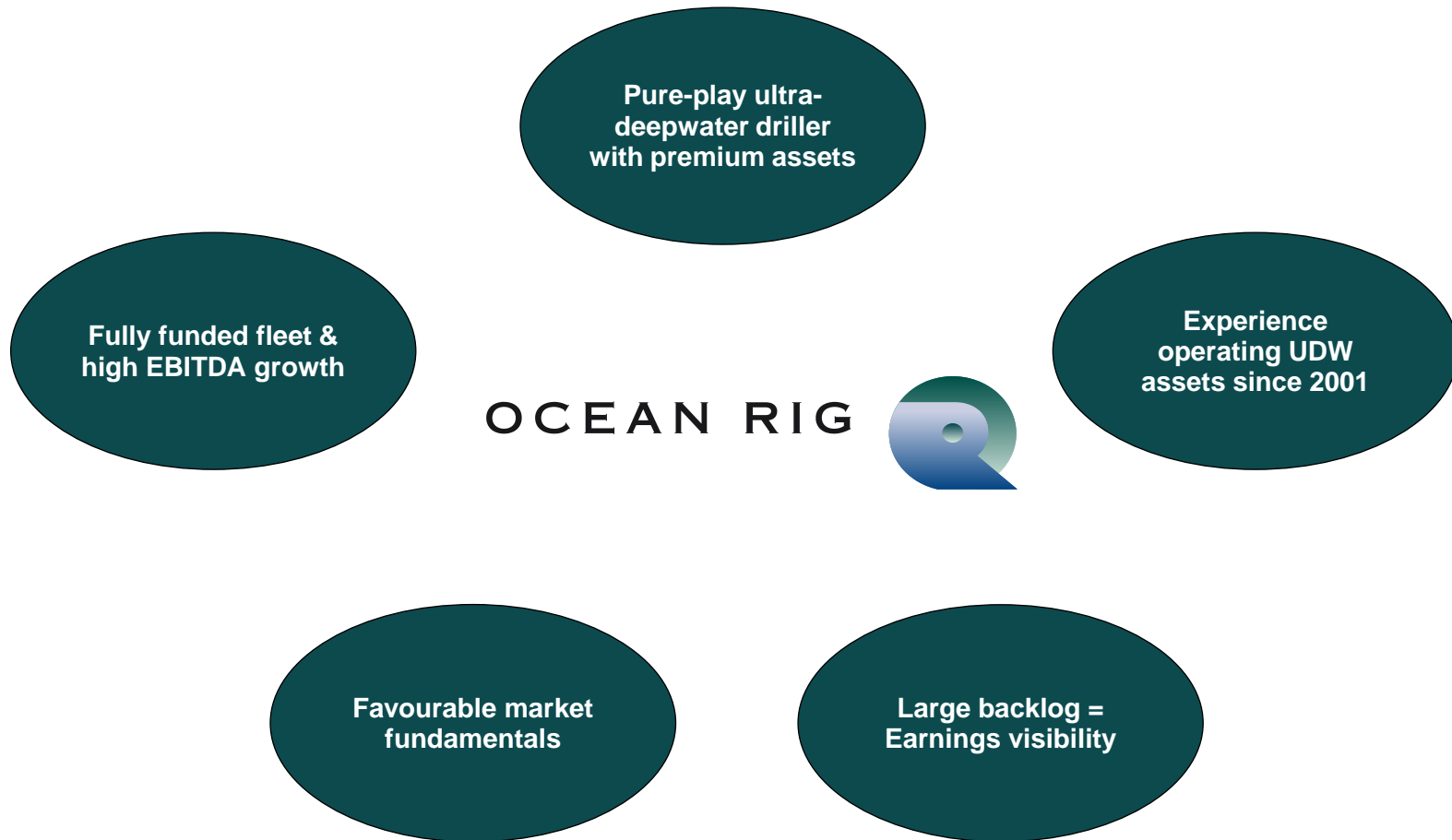
UDW Drilling Market

Financial Review

Summary Considerations

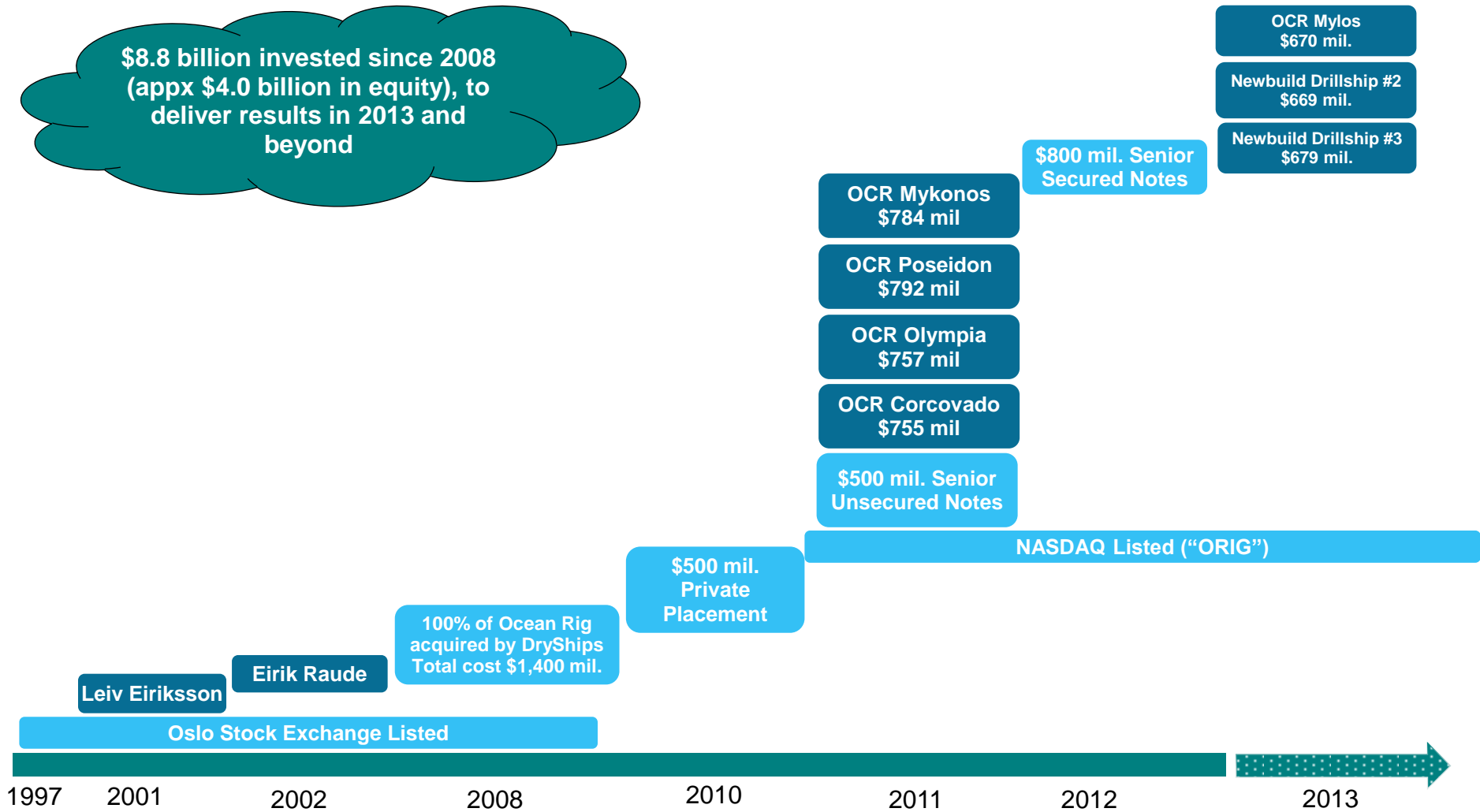


Who is Ocean Rig UDW Inc.



Fleet growth & capital invested

\$8.8 billion invested since 2008
 (appx \$4.0 billion in equity), to
 deliver results in 2013 and
 beyond



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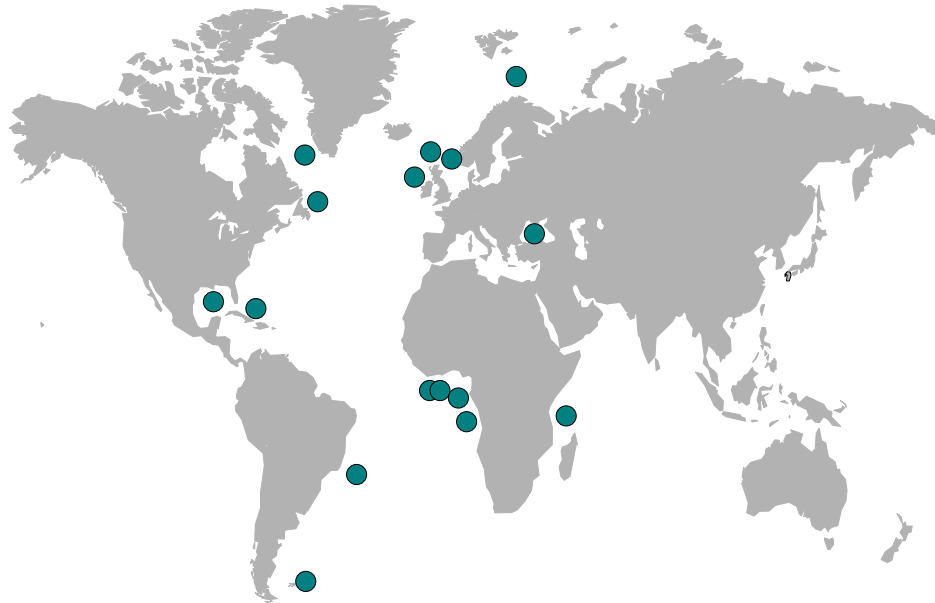
Worldwide drilling experience

- Operating in UDW since 2001 having drilled 135 wells for 25 clients
- Drilled in harsh environments and in nearly every deepwater area of the world
- Extensive experience working in multiple jurisdictions and regulatory regimes across the globe

Our People

- Management team with average 21 years in offshore drilling industry
- 1,389 employees as of June 2012, of which ca. 200 employees in corporate support functions
- Expanding operational capabilities to operate a 9-10 rig fleet

Worldwide Drilling Experience



Selected clients



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Pure-play ultra-deepwater driller with premium assets

Harsh environment UDW semis

5th generation semisubmersibles



Leiv Eiriksson

Eirik Raude

Built at Dalian/Friedman Goldman Irving

Up to 7,500-10,000 ft. water depth capacity

Up to 30,000 ft. drilling depth capacity

Two of only 15 drilling units worldwide equipped to operate in both ultra-deepwater and harsh environment

Winterized for operations in extreme climates, ideal for development drilling

Sister drillships provide benefits from standardization

Four 6th generation drillships



OCR Corcovado

OCR Olympia

OCR Poseidon

OCR Mykonos

Three 7th generation NB drillships



Jul 2013

Oct 2013

Nov 2013

Built at Samsung Heavy Industries

Sister drillships with common equipment, spare parts and training standards

Up to 10,000-12,000 ft. water depth capability

Up to 40,000 ft. drilling depth capability with 6 and 7 ram BOPs

Dual derricks for increased drilling activity/efficiency

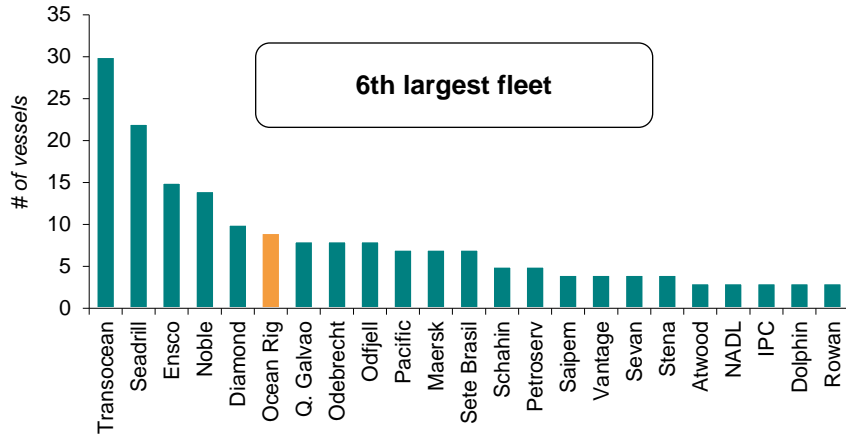
Accommodations for up to 215 people on board

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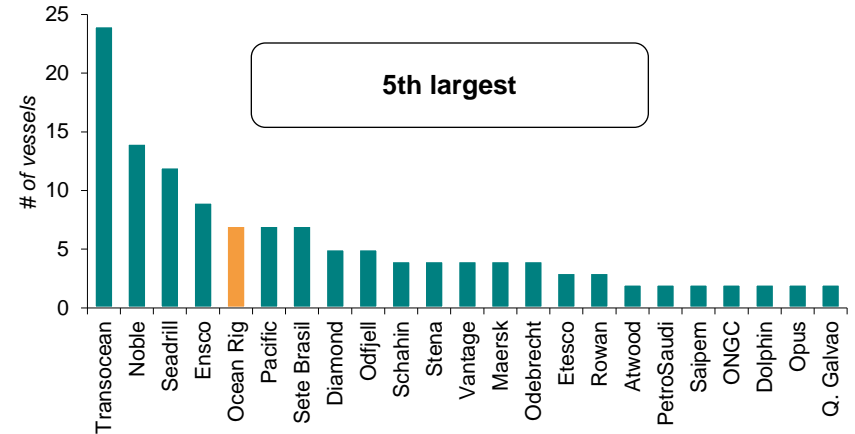


Pure-play ultra-deepwater driller with premium assets

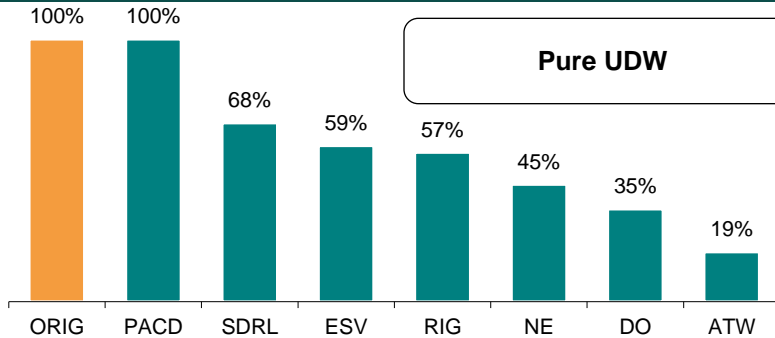
Owned & operated ultra-deepwater⁽¹⁾ fleet



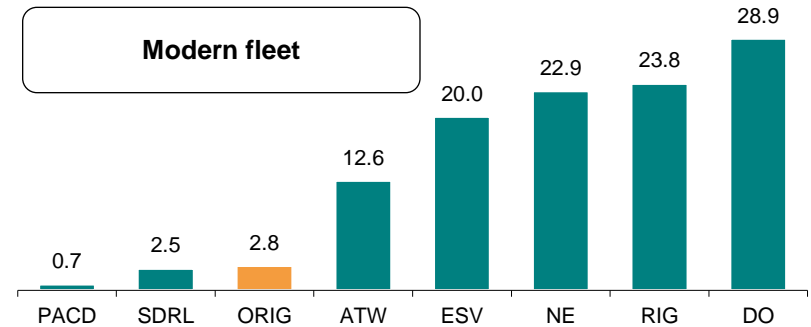
Owned & operated drillships



Fleet composition – Ultra-deepwater⁽¹⁾ as a % of NAV



Average fleet age⁽²⁾



(1) Ultra-deepwater is defined as being capable of drilling in 7,500 feet of water or greater.

(2) Includes newbuilds (assigned zero fleet age) and jackups.

Source: ODS Petrodata, includes 5G/6G unit in operation, ordered and under construction



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Strong contract backlog provides cash flow visibility

Unit	Year built	Redelivery	Operating area	Backlog (\$m)
Leiv Eiriksson	2001	Q4 – 12	Falklands	\$78
Leiv Eiriksson	2001	Q1 – 16	North Sea	\$653
Eirik Raude	2002	Q3 – 12	Equatorial Guinea	\$49
Eirik Raude	2002	Q1 – 13	West Africa	\$75
Ocean Rig Corcovado	2011	Q2 – 15	Brazil	\$483
Ocean Rig Olympia	2011	Q3 – 15	Angola	\$652
Ocean Rig Poseidon	2011	Q2 – 13	Africa	\$162
Ocean Rig Mykonos	2011	Q1 – 15	Brazil	\$452
Ocean Rig Mylos	Q3 2013	Q3 - 16	Brazil	\$700
Total				\$3.3 billion
3 LOIs*				\$1.6 billion
Pro-forma Total				\$4.9 billion

Note: Backlog as of 6/30/2012, adjusted for subsequent LOIs, contracts

* Contracts subject to final documentation and the satisfaction of customary conditions precedents



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Near term contracting opportunities

- Taking advantage of tight market to secure lucrative contracts, 2 units still available in 2013
 - Contract signed with Repsol Sinopec Brazil for OCR Mylos (delivery July, 2013)
 - Up to 6 month LOI* for Eirik Raude signed with an Oil Major representing \$112m for drilling in North Sea
 - Two 3 Year LOIs* signed with oil majors representing \$1.5 billion

Investment grade counter-parties

Year	2012		2013				2014				2015				2016			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Contract Coverage	100%		94%				78%				60%				44%			
Leiv Eriksson	Borders & Southern	Mobilization, Upgrades		Rig Management Norway (led by Total)														
Eirik Raude	Ophir	Mobilization, drydock	African Petroleum		LOI*													
Ocean Rig Corcovado	Petrobras																	
Ocean Rig Olympia	Total																	
Ocean Rig Poseidon	Petrobras				Mob		LOI*											
Ocean Rig Mykonos	Petrobras																	
Ocean Rig Mylos	Expected Delivery July 2013				Mob		Repsol											
ORIG Drillship TBN #2	Expected Delivery October 2013																	
ORIG Drillship TBN #3	Expected Delivery November 2013				Mob		LOI*											

* Contracts subject to final documentation and the satisfaction of customary conditions precedents



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Company Overview

UDW Drilling Market

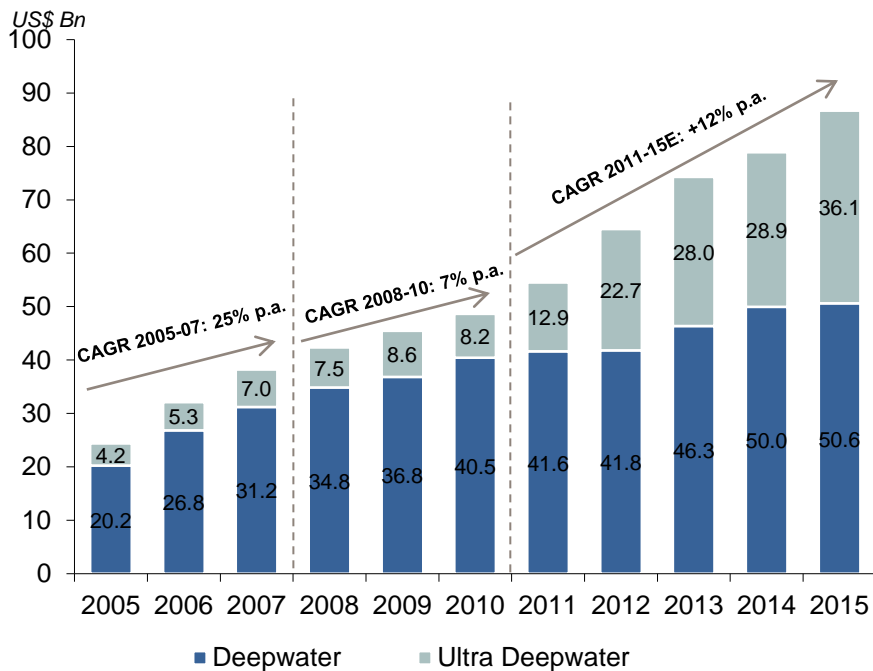
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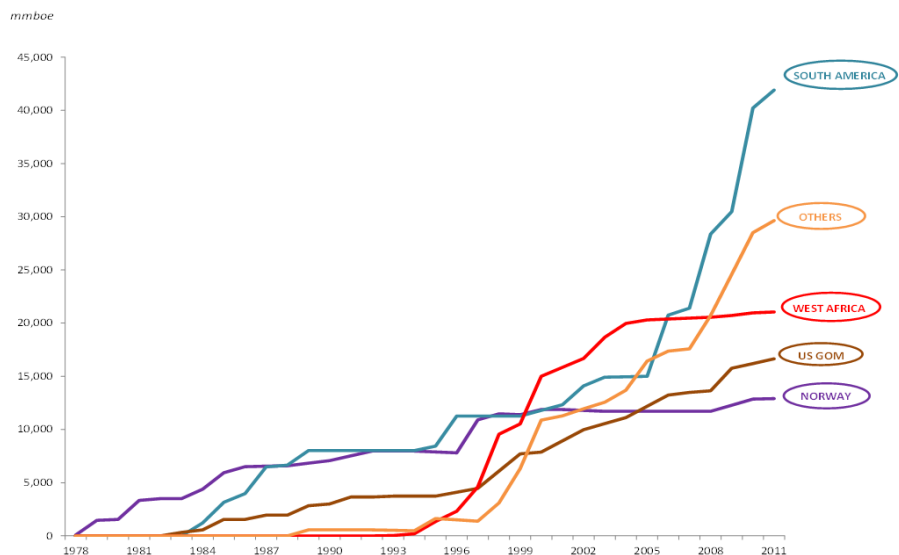


Exploration success fuels deepwater E&P spending

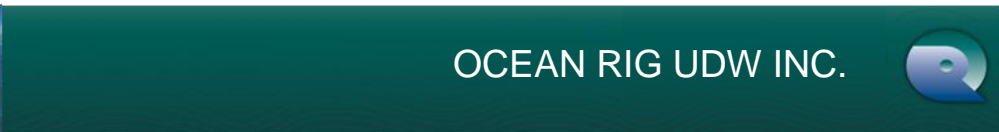
E&P capex for UDW expected to accelerate



Proven UDW reserves require substantial UDW drilling fleet

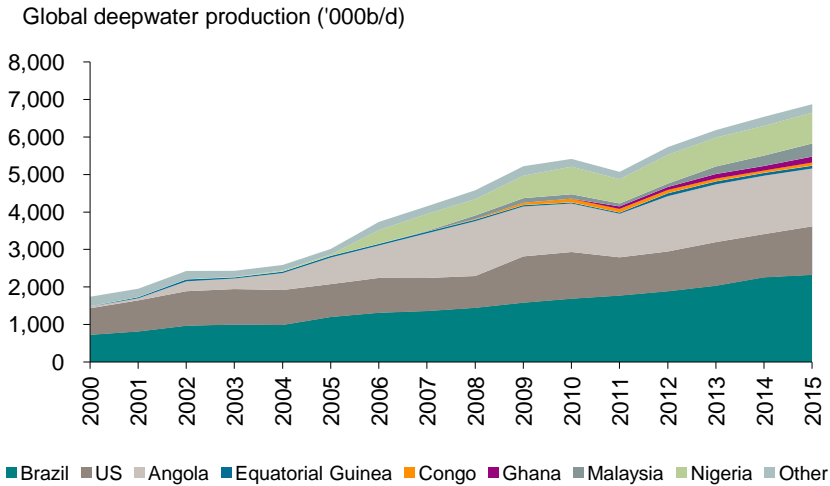


Note: Deepwater defined as water depths of over 400 meters and less than 1,500 meters. Ultra-deepwater defined as water depths of 1,500 meters or greater
Source: Wood Mackenzie, reserves discovered data based on oil industry research reports and company data.

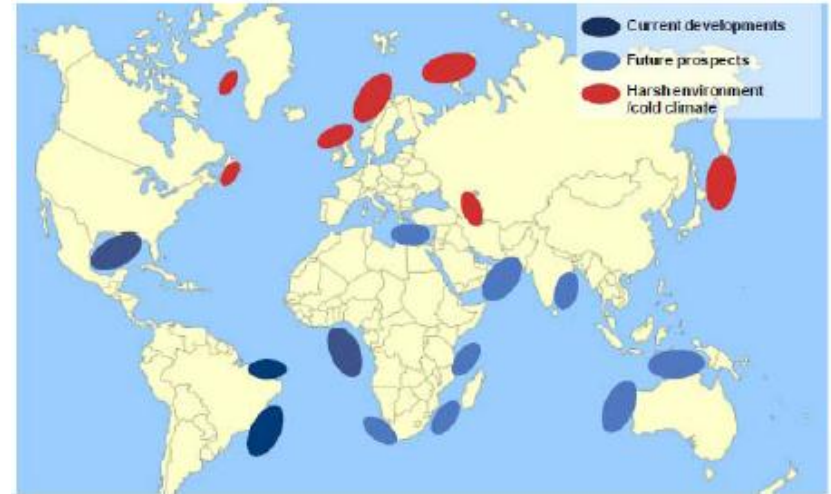


Deep / Ultra deepwater – a proven growth market

Deepwater production has doubled in last 5 years



Deep water activity is spreading worldwide



- Development drilling program activity to increase
- Deeper and more complicated wells requiring more rig capacity

Source: Pareto Research, IHS CERA, Wood Mackenzie

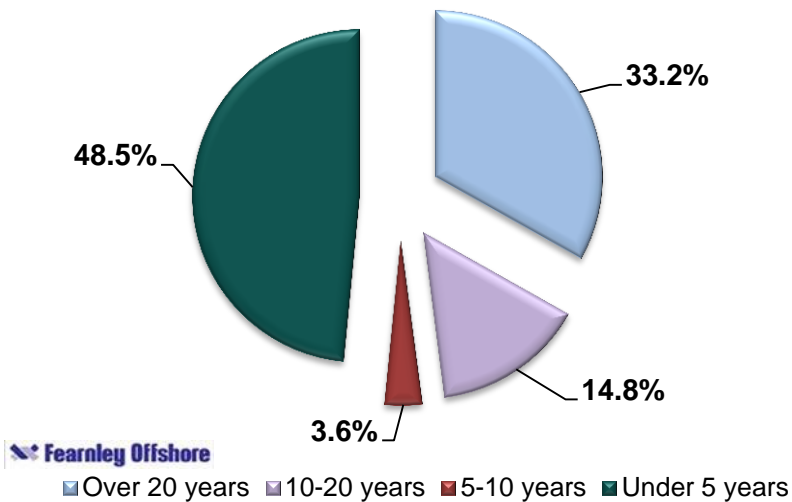


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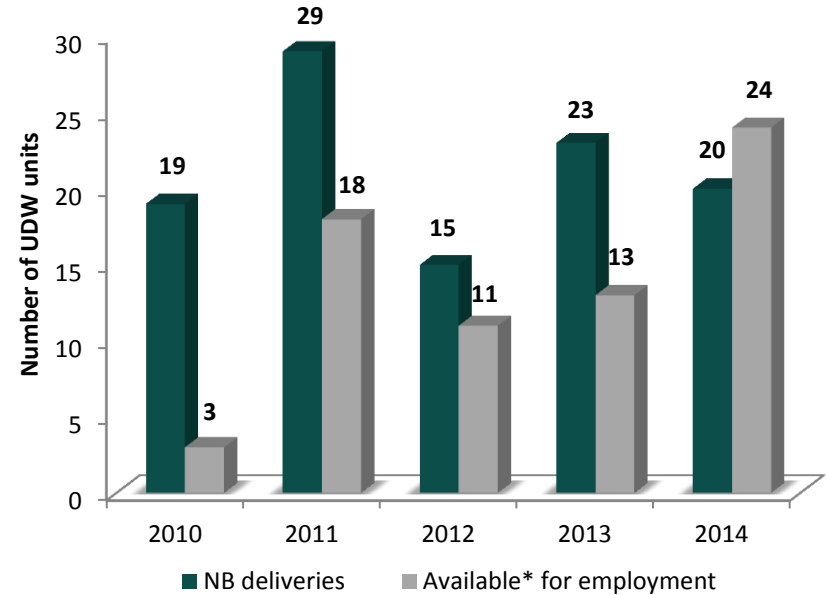
Supply constraints

Age Profile of DW and UDW fleet



- 48% of DW and UDW drilling rigs over 10 years old
- Newer and higher spec assets command market premium
- Yard availability non-existent until 2015, over 2 ½ years from order to delivery:
 - UDW units usually built at top quality yards (Samsung, Daewoo, Hyundai)
 - Drillships/rigs compete for yard space with other “heavy” vessels (LNG, FPSOs)

Beginning of Year UDW Deliveries & Availability



- On-the-water (OTW) unit supply very tight
 - 2012 sold out
 - 2013 close to sold out
 - focus on 2014 availability

Notes

* Available for employment includes all rigs (existing and newbuilds) that are available for employment within that calendar year
 Historical data as of start of each calendar year, data for 2013-2014 as of September 2012. Based on Fearnleys Offshore, Pareto, ODS.

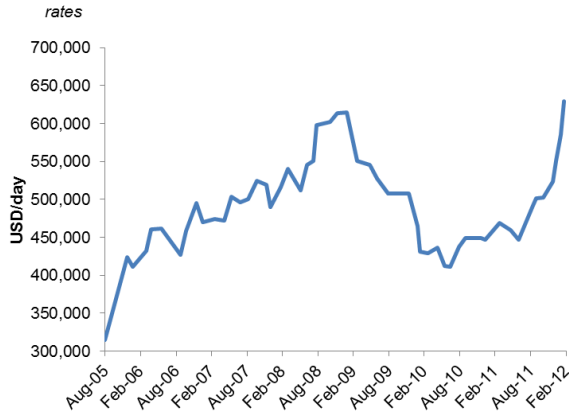


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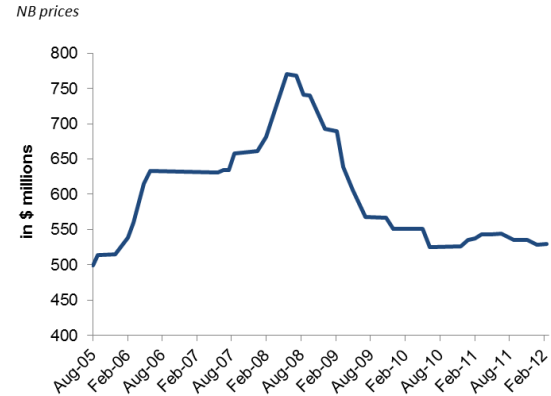


Favorable industry dynamics

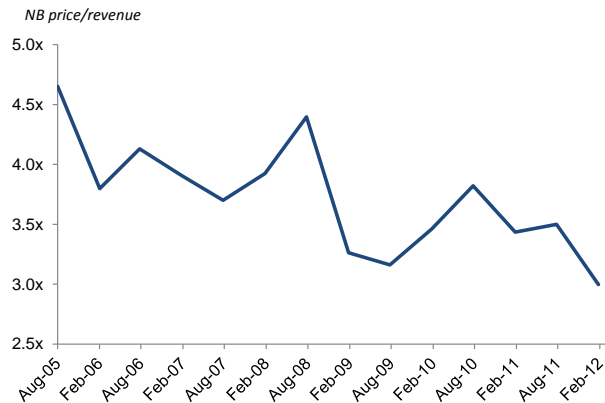
Day Rates - 3 month rolling average



Newbuilding Prices



NB Price to Revenue¹ Multiple



High day rates & low newbuilding prices = Attractive returns

1. Revenue calculation for the Newbuilding Price/Revenue multiple assumes 95% utilization. Data based on oil industry research reports and company data.



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Attractive rig economics

Indicative Drillship Economics	
Market Rate	\$625,000
Net Market Rate ³	\$606,250
Daily OPEX, G&A, Maintenance	\$235,000
Daily EBITDA	\$371,250
Delivered Cost (mln)	\$675
Annual EBITDA ² (mln)	\$129
Payback (years)	5.7
ROCE (EBIT / Delivered Cost)	16%
IRR ¹	20%

Notes

1) The IRR calculation assumes a single investment outlay (Delivered Cost) that is made at delivery of the rig, i.e. first calendar year of operations, while EBITDA generation is assumed to commence with a lag of 3 months from the investment outflow. The Delivered Cost is the average cost of the 2013 Newbuilds. The calculation assumes sale of the asset at Depreciated Delivered Cost after 5 years of operation (\$563 million). Depreciation is calculated on a straight line basis assuming no salvage value for the asset over a useful life of 30 years. The calculation also assumes 5% local tax on gross revenues

2) For EBITDA calculations we assume earnings efficiency of 95% , EBITDA before 5% local taxes on revenues

3) Net market rate assumes 3% contract costs & commissions



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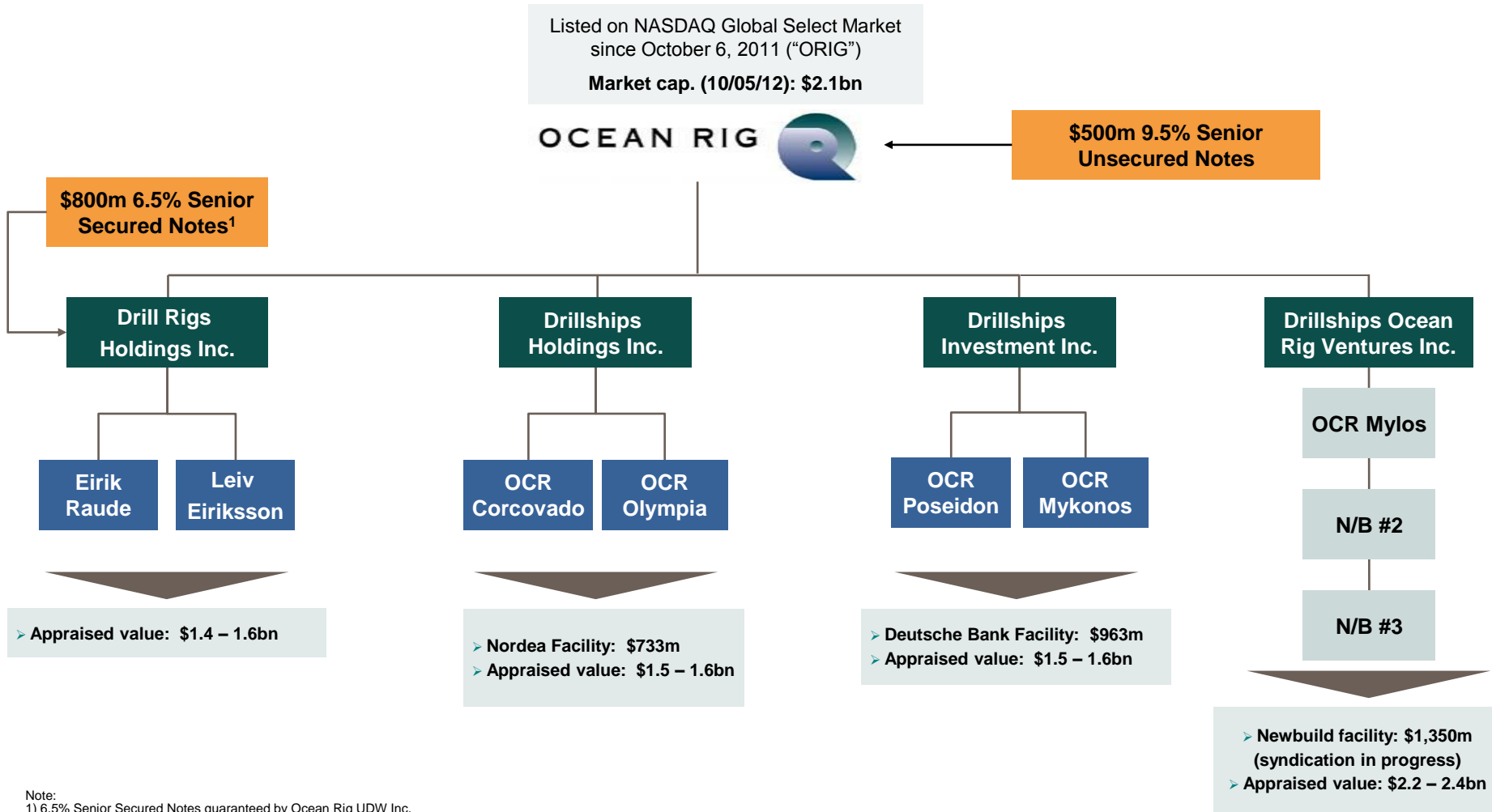
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Corporate structure



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Healthy liquidity & capital structure

<i>Pro forma for Senior Secured Notes (in \$ million)</i>	<i>June 30, 2012</i>
Cash	514
Restricted cash	143
Secured bank debt	1,696
9.5% unsecured notes due 2016	500
6.5% secured notes due 2017	800
Total debt	2,996
Market capitalization <small>(10/5/2012)</small>	2,090
Total capitalization	5,086
Net Debt	2,339
Debt to capitalization	59%
Net Debt to capitalization	46%

<i>Ownership on June 30th, 2012</i>	
Shares Outstanding	131.7 million
Free float shares	45.9 million
% of free float shares	34.8 %
% ownership DRYS	65.2 %

Equity market capitalization: \$2,090 mil
Current Enterprise Value: \$3,702 mil
Fully Delivered Enterprise Value :\$5,720 mil



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Manageable capital expenditures

- No material construction costs expected until H2 2013 upon delivery of each new build
- All the equity - over \$727m - for newbuilds already invested, remaining capex funded with bank debt
- Newbuild facility is composed of a Commercial tranche (oversubscribed) and an ECA tranche (syndication process underway)

	Total Delivered Cost	Already Funded	Remaining Cost ⁽¹⁾		
			2012	2013	2013 Delivery
OCR Mylos	670	242	–	428	July
NB #2	669	242	–	427	October
NB #3	679	242	–	437	November
Total	\$2,018	\$727	–	\$1,292	

Advance stage syndication process of a \$1.35b senior secured term loan facility to finance the three newbuildings

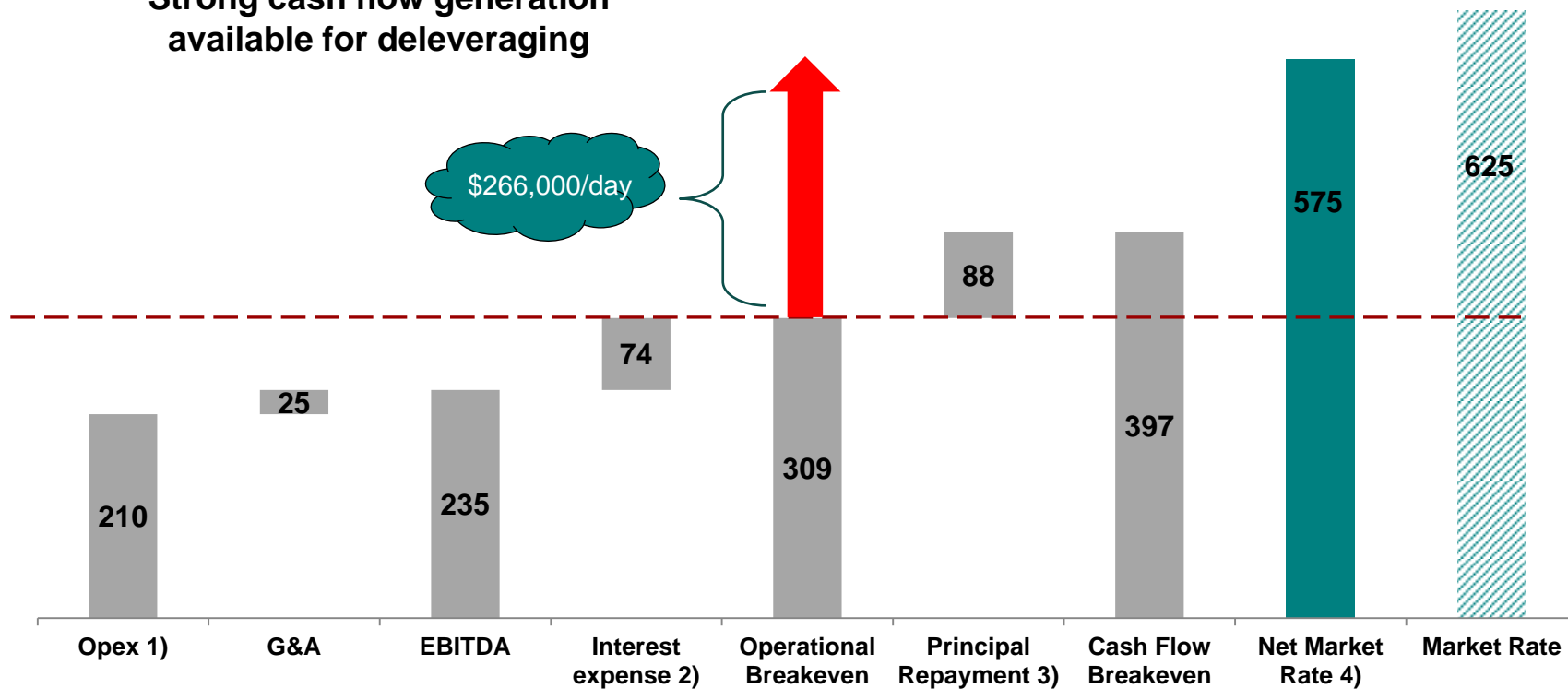
(1) Represents construction payments and construction related expenses (excluding financing costs)



Indicative daily breakeven analysis

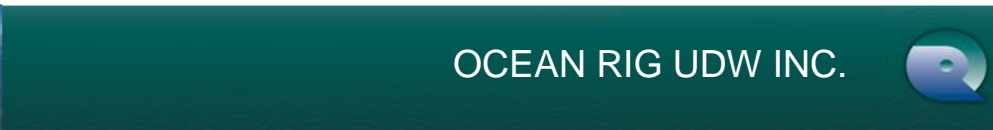
Indicative drillship daily breakeven (\$000s)

Strong cash flow generation available for deleveraging



Notes:

- 1) Average industry drilling unit operating expenditures and maintenance, yearly G&A assumed on approximately \$10 million per unit basis
- 2) Assuming a \$450 million debt @ 5.0% interest per unit
- 3) Assuming principle amount amortized to 50% over 7 years
- 4) Net market rate after 8% in commissions and local taxes on revenues



Credit statistics – Potential development

- The table below facilitates the calculation of Ocean Rig UDW key credit statistics by inputting EBITDA projections.

(\$ million)	2012	2013	2014
YE Debt	\$2,907	\$4,071	\$3,771
EBITDA	\$_____	\$_____	\$_____
Debt/EBITDA	____X	____X	____X
Interest Expense ¹	\$142	\$165	\$225
Fixed Charges ¹	\$353	\$352	\$525
EBITDA/Interest Expense	____X	____X	____X
EBITDA/Fixed Charges	____X	____X	____X

Actual YE Debt, Interest Expense and Fixed Charges will vary from these estimates; such variations may be significant.

Notes

1. Assumes 3.5% margin on \$1,350 million debt related to 2013 newbuilds and 11 year profile.; includes various assumptions on LIBOR rates, imputed interest and swaps



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Credit statistics – Potential development

(\$ million)	2013	2014	2015	2016	2017
YB Bank Debt	1,608	2,771	2,471	2,171	1,871
Bank Debt Amortization	187	300	300	300	300
Newbuild Drillships Debt ²	1,350				
YE Bank Debt	2,771	2,471	2,171	1,871	1,571
HY Notes	1,300	1,300	1,300	1,300	1,300
YE Total Debt ³	4,071	3,771	3,471	3,171	2,871
YE Total Debt / Rig	452	419	386	352	319
Nordea Facility Balloon				500	
9.5% Unsecured Notes				500	
6.5% Secured Notes					800
Indicative Asset Value ¹	6,750	6,750	6,750	6,750	6,750
LTV %	60%	56%	51%	47%	43%
Average Age of Fleet (years)	3.4	4.4	5.4	6.4	7.4

Notes

- 1) Assumes \$750 million asset value per drilling unit
- 2) Assumes \$1,350 debt to fund the acquisition of three 2013 newbuild 7th generation drillships with 11 year profile
- 3) Assumes refinancing of 9.5% Unsecured Notes (exp. Q2 2016) and Nordea Facility (exp. Q2 2016) with identical notes/facility respectively

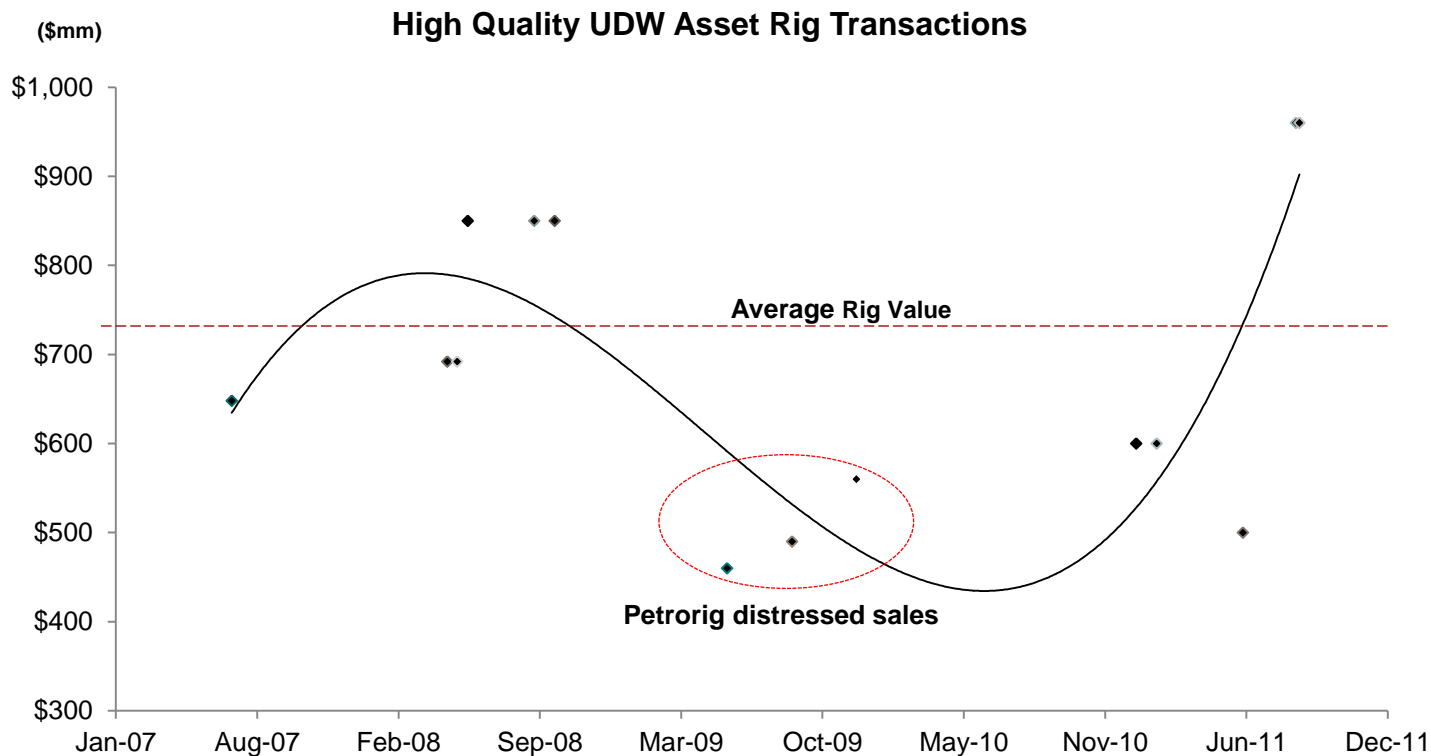


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Significant asset coverage

➤ A Petrorig high quality 7,500 ft semi-submersible, was sold in a firesale to Diamond via Jurong shipyard for \$460m



Source: Fearnleys, Wall Street research



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Rating agency considerations

Increased Contract Backlog

- \$1.6 billion year end 2011
- \$4.9 billion current pro-forma LOIs
- Advanced contract discussions on remaining 2 units

Cross Default Clauses

- Removed all such clauses related to DryShips Inc.

Refinance Upcoming Maturities

- \$800 million note proceeds, refinanced \$488 million DNB facility due Q3 2013

Committed Newbuilding Financing

- \$1,350 million loan commitment advance stage syndication process



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Company highlights

Pure-play ultra-deepwater driller with premium assets

- Fleet composed of 100% UDW assets
- Sixth largest UDW company globally with a fleet of 9 drillships/rigs
- Latest generation assets with an average age of 2.8 years

Experienced management team

- Highly efficient drilling operator in harsh conditions
- Corporate culture focused on safety and incident-free operations
- Drilled more than 135 wells for 25 clients over the last 10+ years
- 1,380 employees of which 200 in corporate functions

Fully funded with moderate leverage

- Removed all cross-default clauses with DryShips Inc.
- Advanced stages on syndication of loan facility for the three 2013 newbuildings
- Rapid deleveraging across bank facilities increases stakeholder value
- No unfunded newbuilding capex and no debt maturities unfunded until Q2 2016

Strong cashflow visibility and significant earnings potential

- Seven units employed to investment grade counter-parties
- Revenue backlog of \$4.9 billion including recent LOIs
- Uniquely positioned with 2 additional units available for employment in 2013

Favorable market fundamentals

- UDW is the key growth market in the drilling space
- Deepwater production has doubled in the last five years
- Rising oil prices improve economics for UDW operators
- Depleting reserves make UDW exploration & production critical



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Appendix



Summary of high yield notes terms

Issue	Senior Secured Notes	Senior Unsecured Notes
Issuer	Drill Rigs Holdings Inc.	Ocean Rig UDW Inc. (NASDAQ: ORIG)
Guarantors	Ocean Rig UDW Inc. (NASDAQ: ORIG)	
Amount	\$800 million	\$500 million
Maturity	October 2017	April 2016
Coupon	6.5%	9.5%
Optional redemption	NC3 - 10% of the notes can be called per annum at 103% within the NC period	4/2014 to 4/2015 at 104.5% and onwards at 102.5%
Issue rating	B2 / B	Caa1 / CCC+
Collateral	Eirik Raude and the Leiv Eiriksson (two 5 th generation UDW semisubmersibles)	Unsecured
Governing law	New York Law	Norwegian Law



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Income Statement

(Expressed in Thousands of U.S. Dollars
except for share and per share data)

	Year ended December 31,		Six Months Ended June 30,	
	2010	2011	2011	2012
REVENUES:				
Revenues from drilling contracts	\$ 405,712	\$ 699,649	\$ 235,955	\$ 426,490
EXPENSES:				
Drilling rig operating expenses	119,369	281,833	104,137	230,392
Depreciation and amortization	75,092	162,532	64,908	111,486
General and administrative expenses and other	19,443	37,639	17,519	34,083
Legal settlements	-	-	-	6,394
Loss on asset sales	1,458	754	-	-
Operating income	<u>190,350</u>	<u>216,891</u>	<u>49,391</u>	<u>44,135</u>
OTHER INCOME / (EXPENSES)				
Interest and finance costs, net of interest income	4,046	(59,172)	(11,820)	(62,627)
Loss on interest rate swaps	(40,303)	(33,455)	(18,616)	(10,940)
Other, net	1,104	(1,538)	1,256	1,917
Income taxes	(20,436)	(27,428)	(9,778)	(21,628)
Total other expenses	<u>(55,589)</u>	<u>(121,593)</u>	<u>(38,958)</u>	<u>(93,278)</u>
Net income / (loss)	\$ <u>134,761</u>	\$ <u>95,298</u>	\$ <u>10,433</u>	\$ <u>(49,143)</u>
Earnings / (loss) per common share, basic and diluted	\$ 1.30	\$ 0.72	\$ 0.08	\$ (0.37)
Weighted average number of shares, basic and diluted	103,908,279	131,696,928	131,696,928	131,696,928



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Balance Sheet

(Expressed in Thousands of U.S. Dollars)

	December 31, 2010	December 31, 2011	June 30, 2012
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 95,707	\$ 250,878	\$ 191,158
Restricted cash	512,793	57,060	59,374
Other current assets	63,506	188,471	260,097
Total current assets	672,006	496,409	510,629
FIXED ASSETS, NET:			
Advances for rigs assets under construction and acquisitions	1,888,490	754,925	780,418
Drilling rigs, machinery and equipment, net	1,249,333	4,538,838	4,479,597
Total fixed assets, net	3,137,823	5,293,763	5,260,015
OTHER NON-CURRENT ASSETS:			
Restricted cash	50,000	125,040	113,854
Other non-current assets	483,869	100,143	110,465
Total non-current assets	533,869	225,183	224,319
Total assets	4,343,698	6,015,355	5,994,963
 LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Current portion of long-term debt	560,561	210,166	235,951
Other current liabilities	107,357	217,391	281,689
Total current liabilities	667,918	427,557	517,640
NON-CURRENT LIABILITIES:			
Long-term debt, net of current portion	696,986	2,525,599	2,406,440
Other non-current liabilities	97,712	63,743	105,277
Total non-current liabilities	794,698	2,589,342	2,511,717
STOCKHOLDERS' EQUITY:			
Total stockholders' equity	2,881,082	2,998,456	2,965,606
Total liabilities and stockholders' equity	\$ 4,343,698	\$ 6,015,355	\$ 5,994,963



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