



# Ocean Rig UDW Inc. NASDAQ: "ORIG"

December 08, 2015

3<sup>rd</sup> Quarter Ended September 30, 2015  
Earnings Presentation

# Forward Looking Statements

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Matters discussed in this presentation may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with such safe harbor legislation.

Forward-looking statements relate to Ocean Rig's expectations, beliefs, intentions or strategies regarding the future. These statements may be identified by the use of words like "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project," "should," "seek," and similar expressions. Forward-looking statements reflect Ocean Rig's current views and assumptions with respect to future events and are subject to risks and uncertainties.

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 Ocean Rig's records and other data available from third parties. Although Ocean Rig 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 Ocean Rig's control, Ocean Rig cannot assure you that it will achieve or accomplish these expectations, beliefs or projections described in the forward-looking statements contained herein. Actual and future results and trends could differ materially from those set forth in such statements.

Important factors that, in Ocean Rig's view, could cause actual results to differ materially from those discussed in the forward-looking statements include factors related to (i) the offshore drilling market, including supply and demand, utilization, day rates and customer drilling programs, commodity prices, effects of new rigs and drillships on the market and effects of declines in commodity process and downturns in the global economy on the market outlook for our various geographical operating sectors and classes of rigs and drillships; (ii) hazards inherent in the drilling industry and marine operations causing personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties or customers and suspension of operations; (iii) newbuildings, upgrades, and shipyard and other capital projects; (iv) changes in laws and governmental regulations, particularly with respect to environmental matters; (v) the availability of competing offshore drilling vessels; (vi) political and other uncertainties, including risks of terrorist acts, war and civil disturbances; piracy; significant governmental influence over many aspects of local economies, seizure; nationalization or expropriation of property or equipment; repudiation, nullification, modification or renegotiation of contracts; limitations on insurance coverage, such as war risk coverage, in certain areas; political unrest; foreign and U.S. monetary policy and foreign currency fluctuations and devaluations; the inability to repatriate income or capital; complications associated with repairing and replacing equipment in remote locations; import-export quotas, wage and price controls imposition of trade barriers; regulatory or financial requirements to comply with foreign bureaucratic actions; changing taxation policies; and other forms of government regulation and economic conditions that are beyond our control; (vii) the performance of our rigs; (viii) our ability to procure or have access to financing and our ability comply with our loan covenants; (ix) our substantial leverage, including our ability to generate sufficient cash flow to service our existing debt and the incurrence of substantial indebtedness in the future (x) our ability to successfully employ our drilling units; (xi) our capital expenditures, including the timing and cost of completion of capital projects; (xii) our revenues and expenses; (xiii) complications associated with repairing and replacing equipment in remote locations; and (xiv) regulatory or financial requirements to comply with foreign bureaucratic actions, including potential limitations on drilling activities. Due to such uncertainties and risks, investors are cautioned not to place undue reliance upon such forward-looking statements.

Risks and uncertainties are further described in reports filed by Ocean Rig UDW Inc. with the U.S. Securities and Exchange Commission, including the Company's most recently filed Annual Report on Form 20-F.



## Q3 2015 financial results

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	<b>Net Revenue: \$437.2 million</b>
	<b>Adjusted EBITDA: \$273.4 million</b>
	<b>Reported Net Income: \$138.4 million or \$0.94 per share</b>
<b>Minus:</b>	<b>Non-cash gains associated with the purchase of debt: \$52.2 million or \$0.36 per share</b>
	<b>Adjusted Net Income: \$86.2 million or \$0.58 per share</b>



## Key highlights

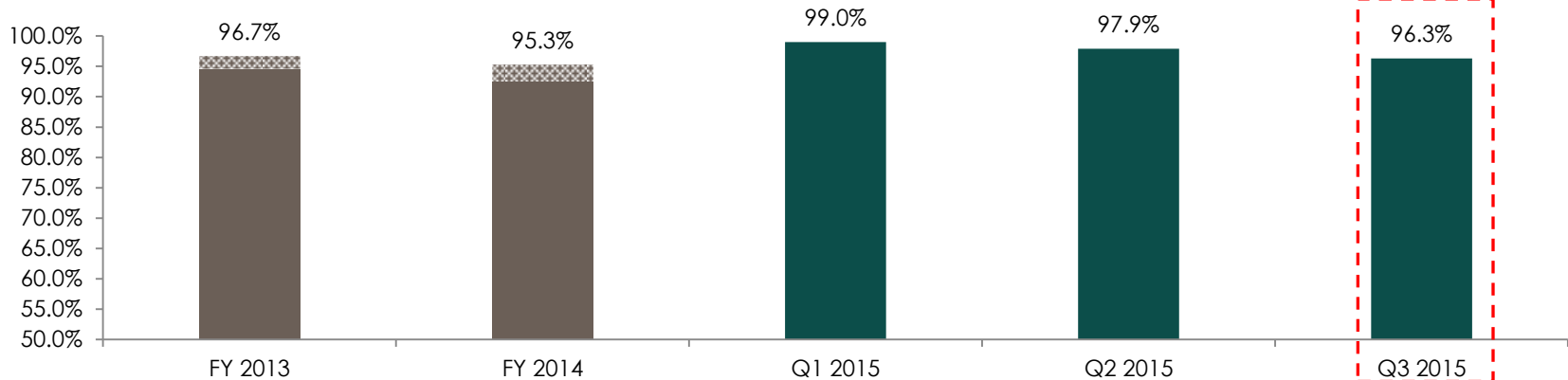
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- Achieved approximately 96.3% average fleet wide operating performance for the third quarter
- To date bought back \$268.1 million of the 7.25% Senior Unsecured Notes due 2019 and \$156.3 million of the 6.5% Senior Secured Notes due 2017
- Postponed our 7<sup>th</sup> generation unit *Ocean Rig Santorini* to Q2 2017
- Entered into an agreement to provide third party technical management services for the ultra-deepwater drillship *Cerrado*
- *Ocean Rig Skyros* and *Ocean Rig Olympia* have both started their new contracts in Angola

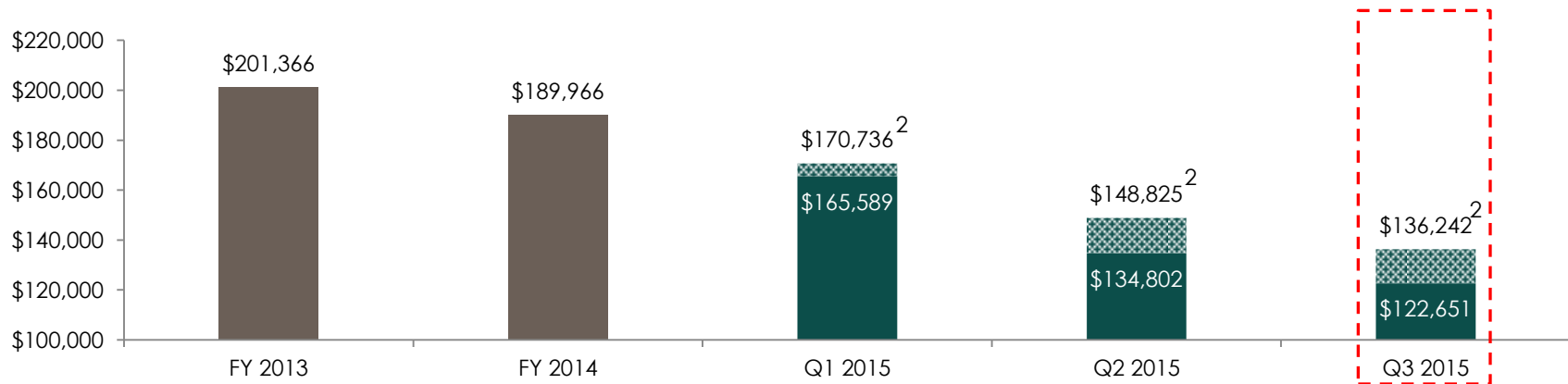


# Strong operational performance & significant cost reductions

**Fleet Average Operational Performance<sup>1</sup> Data**



**Fleet Average Daily Operating Expenses (direct & onshore opex)**



**Notes**

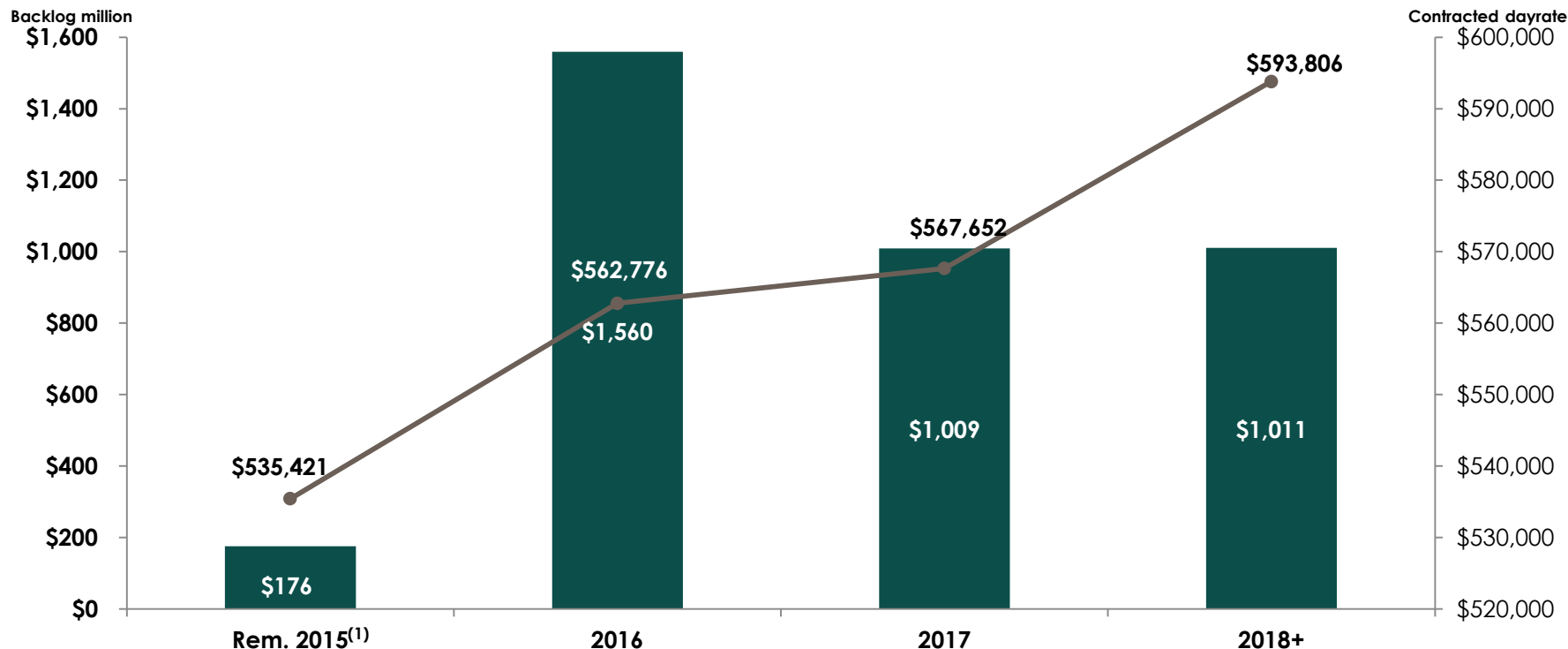
- 1) Operational performance calculated based on revenue earning days over available contracted drilling days (i.e. calendar days net of mobilization, acceptance testing, uncontracted/idle and drydock days). Shaded parts indicate extraordinary downtime effect
- 2) Opex per day per unit excluding Opex of idle units, Skyros and Olympia for the respective idle days. Skyros was idle for Q1, Q2 and Q3 2015 and Olympia for Q2 and part of Q3 2015. Idle units Q3 opex per day incorporated in the calculations, assumed approximately \$32,000. Q1, Q2 and Q3 2015 total opex per day, including idle units were \$165,589, \$134,802 and \$122,651, respectively.



# Solid backlog insulates ORIG from market softness

Ocean Rig's fleet is 100% contracted in 2015 and 75% contracted in 2016 and even 46% in 2017

## Revenue Backlog & Weighted Average Contracted Dayrate

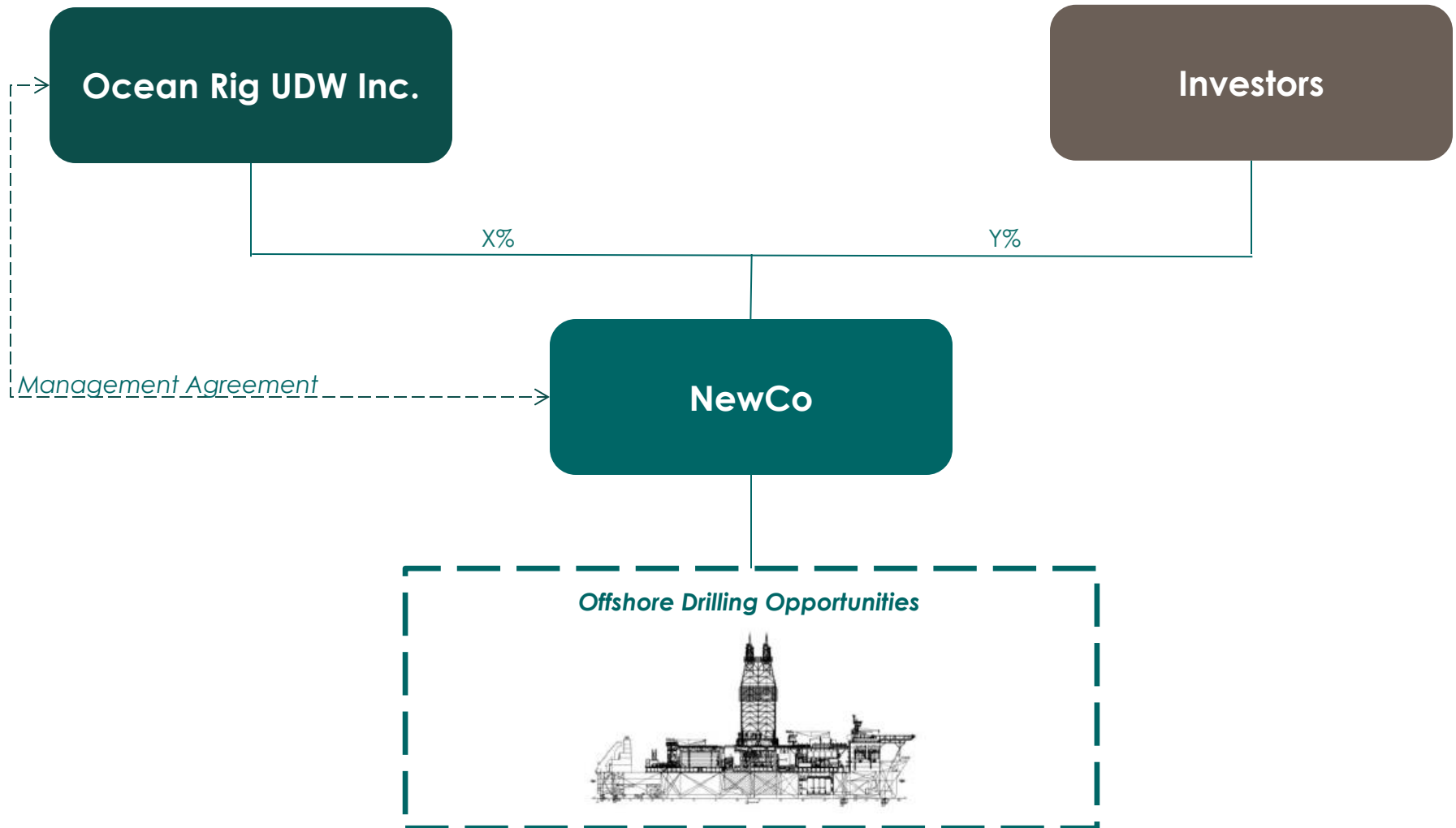


Even if we earn \$0 for all of our 2016 uncontracted days, our average fleet dayrate will be \$371,551 which is above our breakeven

<sup>(1)</sup>Remaining 2015 backlog from 12/01/2015 to 12/31/2015  
Backlog as of December 01, 2015; based on contracted units



# Taking advantage of distressed opportunities



# Operational & Financial Highlights

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# Solid fleet employment profile

- Average contract remaining fixed period of 1.8 years, 2.3 years with options
- 100%, 75% calendar days under contract in 2015 and 2016 respectively
- \$3.8 billion revenue backlog

Year	2016					2017			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Contract Coverage	100%	75%				46%			
Leiv Eiriksson	Rig Management Norway								
Eirik Raude	Premier Oil								
Ocean Rig Corcovado	Petrobras (through Q2 2018)								
Ocean Rig Olympia	Eni <sup>1</sup>	Vitol	Eni <sup>1</sup>						
Ocean Rig Poseidon	Eni							Option through 2018	
Ocean Rig Mykonos	Petrobras (through Q1 2018)								
Ocean Rig Mylos	Repsol								
Ocean Rig Skyros	Total (through Q3 2021)								
Ocean Rig Athena	ConocoPhillips							options for up to 2 years (through 2019)	
Ocean Rig Apollo	Total (through Q2 2018)								
Ocean Rig Santorini	Expected Delivery Q2 2017							Mob	
Ocean Rig Crete	Expected Delivery Q1 2018								
Ocean Rig Amorgos	Expected Delivery Q1 2019								

1) Ocean Rig Olympia from August to November at ENI, then November to December at Vitol and back to ENI from January to June

Backlog data as of December 01, 2015



## Q3 2015- Revenue and operating expenses summary

- During the quarter, we had 920 calendar days of which 118 days were uncontracted and 19 days were spent on mobilization (Ocean Rig Olympia, Ocean Rig Skyros)
- Resulting in 783 available contracted drilling days, of which 754 were revenue earning days i.e. 96.3% contracted operating efficiency<sup>(1)</sup>

	Mobilization/ Uncontracted Days	Available Contracted Drilling Days (a)	Off-hire Days (b)	Revenue Earning Days (a-b)	Contracted Operating Efficiency <sup>(1)</sup> (c)	Amortization of Deferred Revenues (\$ mln)
Total Fleet Q3 2015	137	783	29	754	96.3%	\$44.2

- Our daily direct and onshore rig operating expenses this quarter averaged \$122,651/unit versus \$134,802/unit during Q2 2015, and \$187,700/unit during Q3 2014

	Q3 2015 Direct & Onshore Rig Opex		Q3 2015 Amortization of Deferred Opex
	(in USD million)	(\$ per day)	(in USD million)
Total / Average Fleet	\$110.5	\$122,651	\$19.6

Notes:

(1) Contracted Operating Efficiency defined as Revenue Earning Days over Available Contracted Drilling Days

Any differences due to rounding



# Income Statement

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

	<b>Q3 2015</b>
<b>REVENUES:</b>	
<i>Revenues, net</i>	392.9
<i>Amortization of deferred revenue</i>	44.2
Total Revenues	437.2
<b>EXPENSES:</b>	
<i>Direct &amp; onshore rig operating expenses</i>	110.5
<i>Maintenance expenses &amp; other items, net</i>	5.4
<i>Amortization of deferred operating expenses</i>	19.6
Total drilling rig operating expenses	135.5
Depreciation and amortization	90.3
General and administrative expenses	23.2
Other, net	-0.6
<b>Operating income/(loss)</b>	<b>188.7</b>
<b>OTHER INCOME/(EXPENSES):</b>	
Net interest and finance costs	-67.2
Gain from repurchase of senior notes	52.2
Gain/(loss) on interest rate swaps	-6.2
Other, net	-5.6
<b>Total other expenses</b>	<b>-26.8</b>
Income taxes	-23.5
<b>Net income/ (loss)</b>	<b>138.4</b>
<b>Earnings/ (loss) per common share, basic and diluted</b>	<b>\$0.94</b>
Weighted average number of shares, basic and diluted	146,670,990

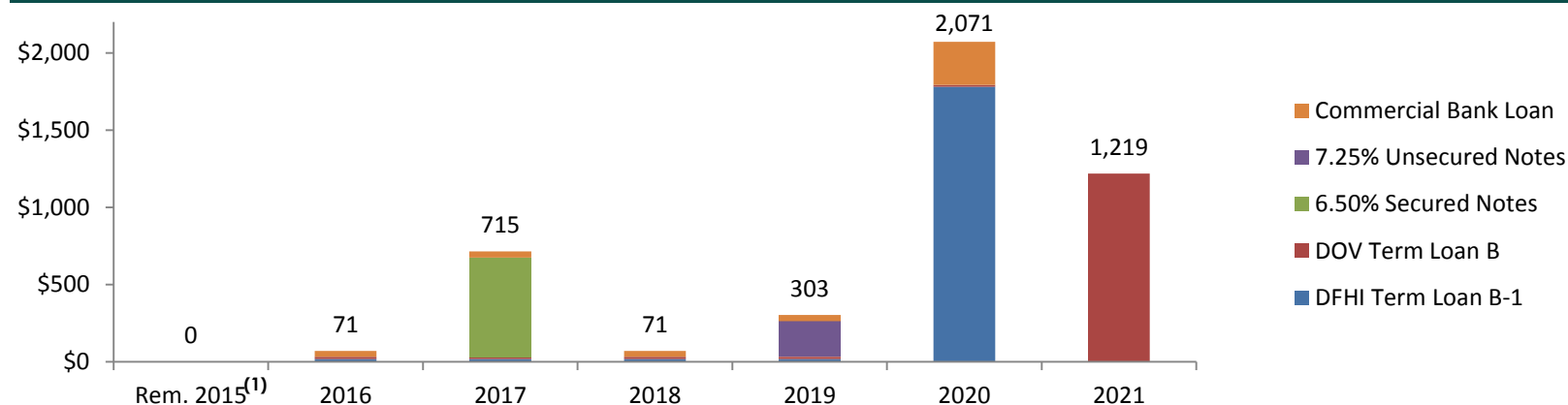


# Solid Balance Sheet

- Weighted average debt maturity of 4.4 years<sup>(1)</sup>
- No near-term maturities; next significant maturity in Q4 2017

	<i>DFHI Term Loan B-1</i>	<i>7.25% Unsecured Notes</i>	<i>6.50% Secured Notes</i>	<i>DOV Term Loan B</i>	<i>Commercial Bank Loan</i>
Amount Outstanding <sup>(1)</sup>	\$1,857mil	\$232 mil	\$644 mil	\$1,284mil	\$433 mil
Interest Rate / Coupon	Libor <sup>(2)</sup> +5.00%	7.25%	6.50%	Libor <sup>(2)</sup> +4.50%	Libor <sup>(3)</sup> +2.10%
Annual Amortization <sup>(4)</sup>	\$19.0 mil	N/A	N/A	\$13.0 mil	\$38.9 mil
Earliest Maturity	Q3 2020	Q2 2019	Q4 2017	Q3 2021	Q1 2020

## Current maturity profile<sup>(1)</sup>



(1) As of December 07, 2015

(2) Libor floor of 1.00%

(3) 3 month Libor with no floor

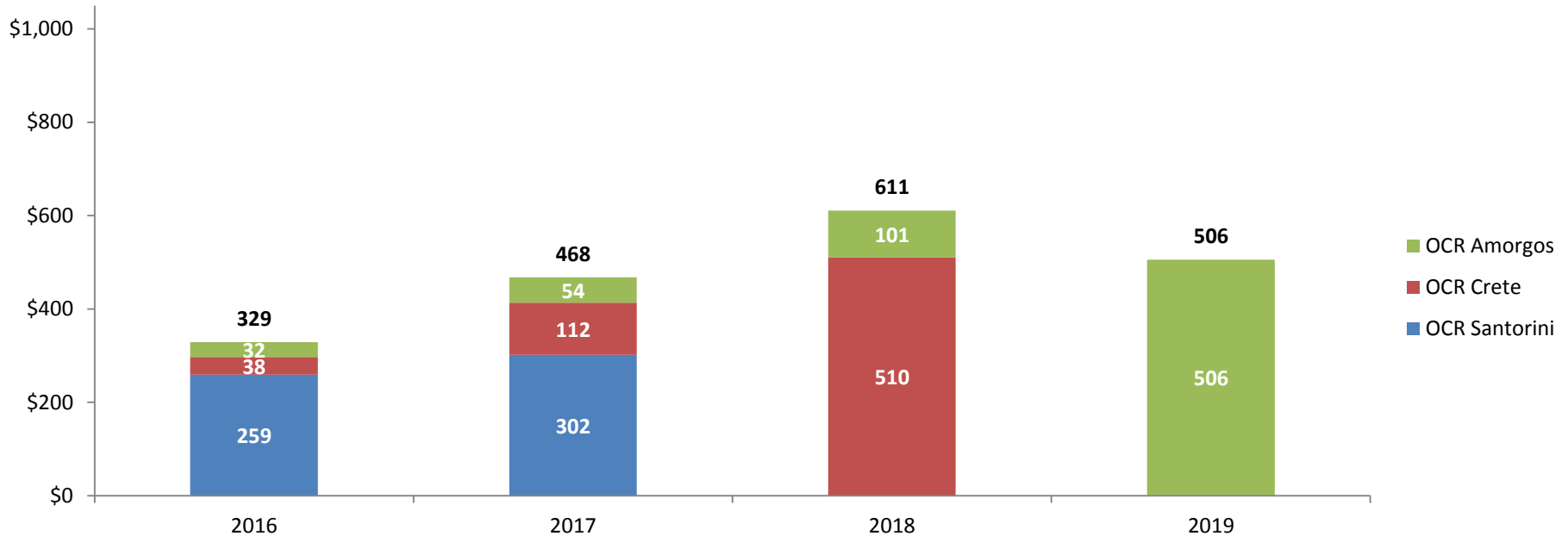
(4) Term loans and commercial bank loan amortize quarterly



# Managing our capital expenditure program

- \$353 million equity invested for our three newbuildings through Q3 2015

## Current construction payment profile



Represents remaining construction payments and construction related expenses (excluding financing costs) as of September 30, 2015; delivered cost includes recent order of second BOP unit and OFEs.



# Closing Remarks

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# Closing remarks

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- Attractive portfolio of modern drilling units
  - Fleet of 11 modern (6th and 7th generation) UDW drillships and 2 UDW harsh environment semi-submersible rigs
  - Premium high specification standardized assets
- Value creation initiatives
  - To date bought back \$268.1 million of the 7.25% Senior Unsecured Notes due 2019 and \$156.3 million of the 6.5% Senior Secured Notes due 2017
  - Focus on further reducing operating costs (~35% opex decrease over the last 12 months)
  - Focus maintaining high operating efficiency (~98% for the first nine months of 2015)
  - Actively pursuing distressed asset opportunities as they arise
- Managed newbuilding capital expenditure
  - Postponed delivery of all of our drillships and deferred pre-delivery payments
  - Newbuild drillship deliveries in 2H 2017, Q1 2018 and Q1 2019
- Attractive cash flow dynamics
  - Significant contracted cash flow with \$3.8 billion backlog<sup>(1)</sup> with high quality counterparties
  - No material debt maturities until Oct. 2017

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(1) Backlog as of December 01, 2015



# Appendix

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# Pure-play ultra-deepwater driller with premium assets

**Harsh environment UDW semis**  
**5<sup>th</sup> generation semisubmersibles**



Leiv Eiriksson



Eirik Raude

**Sister drillships provide benefits from standardization**

**Four 6<sup>th</sup> and five 7<sup>th</sup> generation drillships**



Corcovado, Olympia, Poseidon, Mykonos



Mylos, Skyros, Athena, Apollo, Santorini (6/17),

**Optimized for development drilling**

**Two advanced spec 7<sup>th</sup> gen. drillships**



Ocean Rig Crete(Q1 2018), Ocean Rig Amorgos (Q1 2019)

**Built at Dalian/Friedman Goldman Irving**

**Built at Samsung Heavy Industries**

**Built at Samsung Heavy Industries**

**Up to 10,000 ft. water depth capacity**

**Sister drillships with common equipment, spare parts and training standards**

**Sister drillships**

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

**Up to 12,000ft water depth capability**

**Up to 30,000 ft. drilling depth capacity**

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

**Dual 7 ram BOPs**

**Equipped to operate in both ultra-deepwater and harsh environment**

**Dual derricks for increased drilling activity/efficiency**

**Dual derricks**

**Accommodations for up to 215 personnel on board**

**Accommodations for up to 240 personnel**

**Winterized for operations in extreme climates, ideal for development drilling**

**Ocean Rig Mylos & Ocean Rig Santorini equipped with dual BOPs**

**Increased variable deck load, deck space and storage capacity**

**Ocean Rig Mylos equipped with MPD system, Ocean Rig Corcovado & Ocean Rig Mykonos MPD-ready upgrade paid by client**

**Increased hoisting and riser capacity**



# Healthy liquidity & capital structure

(in \$ million)	September 30, 2015
Total cash	895.8
Senior Secured Term Loan B Facility <sup>(1)</sup>	1,259.6
B-1 Term Loans <sup>(1)</sup>	1,817.4
6.50% senior secured notes due 2017 <sup>(1)</sup>	777.0
7.25% senior unsecured notes due 2019 <sup>(1)</sup>	380.9
Commercial Bank Loan <sup>(1)</sup>	437.1
Total debt <sup>(1)</sup>	4,672.0
Total shareholders' equity	3,448.9
Total capitalization	8,120.9
Net Debt	3,776.2
Debt to Capitalization	57.5%
Net Debt to Capitalization	46.5%

Ownership on September 30, 2015	
Shares Outstanding	138,666,384
Free Float Shares	82,586,851
% of free float Shares	59.6%
% ownership Drys	40.4%

**Equity market capitalization: \$ 277 mil**  
**Current Enterprise Value <sup>(2)</sup>: \$ 3,691 mil**  
**Fully Delivered Enterprise Value<sup>(3)</sup>: \$ 5,958 mil**

(1) Net of capitalized financing fees

(2) On a 10 unit fleet basis,

(3) On a 13 unit fleet basis

Assumes \$ 2.0 share price



# Projected deferred revenue & expense amortization

As of November 25, 2015

(USD million)	<u>Q1A 2015</u>	<u>Q2A 2015</u>	<u>Q3A 2015</u>	<u>Q4E 2015</u>	<u>FY 2015</u>	<u>Q1E 2016</u>	<u>Q2E 2016</u>	<u>Q3E 2016</u>	<u>Q4E 2016</u>
Amortization of deferred revenues	37.0	44.7	44.2	39.6	165.5	36.1	29.0	21.4	14.8
Amortization of deferred expenses	22.6	21.3	19.6	18.5	82.0	16.1	11.4	9.0	7.1

**Includes current accounting schedule and projected additions from future mobilizations**

## **Definitions**

**Deferred Revenues** include lump sum fees received related to mobilization, capital expenditures reimbursable for contract related rig upgrades etc. These revenues are capitalized and amortized through the duration of the contract.

**Deferred Expenses** include costs (recurring operating expenses, tug boats & helicopter rentals etc.) incurred during mobilization, capital expenditures for contract related rig upgrades etc. These costs are capitalized and amortized through the duration of the contract.

Mobilization revenue based on current estimates; actual revenue and actual expenses will differ from projections. Our projections for mobilization days will differ from actual mobilization days

Mobilization expenses based on estimated mobilization days indicatively multiplied by \$150,000/day estimated operating expenses  
Differences due to rounding,



# Balance Sheet

*(Expressed in Thousands of U.S. Dollars)*

	<u>December 31, 2014</u>	<u>September 30, 2015</u>
<b><u>ASSETS</u></b>		
Cash, cash equivalents and restricted cash (current and non-current)	\$ 531,497	\$ 895,755
Other current assets	446,695	462,343
Advances for drillships under construction and related costs	622,507	385,467
Drilling rigs, drillships, machinery and equipment, net	6,207,633	6,837,540
Other non-current assets	233,289	44,295
<b>Total assets</b>	<b><u>8,041,621</u></b>	<b><u>8,625,400</u></b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Total debt	4,372,450	4,672,043
Total other liabilities	502,895	504,461
Total stockholders' equity	3,166,276	3,448,896
<b>Total liabilities and stockholders' equity</b>	<b><u>\$ 8,041,621</u></b>	<b><u>\$ 8,625,400</u></b>

