



# Ocean Rig UDW Inc. NASDAQ: "ORIG"

May 20, 2016

1<sup>st</sup> Quarter Ended March 31, 2016  
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.



## Q1 2016 financial results

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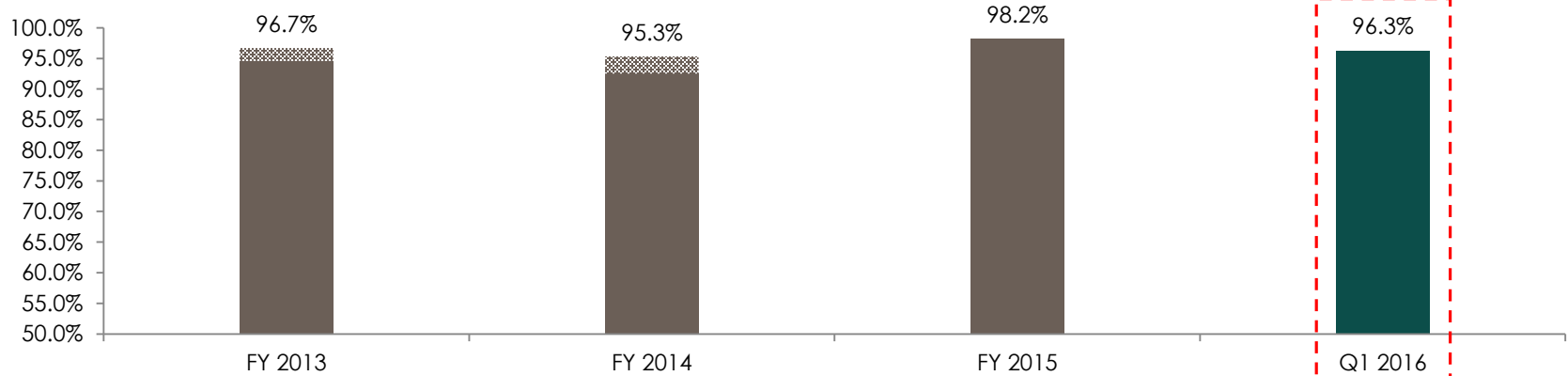
### Results for Q1 2016

	<b>Net Revenue: \$508.0 million</b>
	<b>Adjusted EBITDA: \$343.0 million</b>
	<b>Reported Net Income: \$288.0 million or \$2.07 per share</b>
Minus:	<b>Non-cash gains associated with the purchase of debt: \$125.0 million or \$0.90 per share</b>
	<b>Adjusted Net Income: \$163.0 million or \$1.17 per share</b>

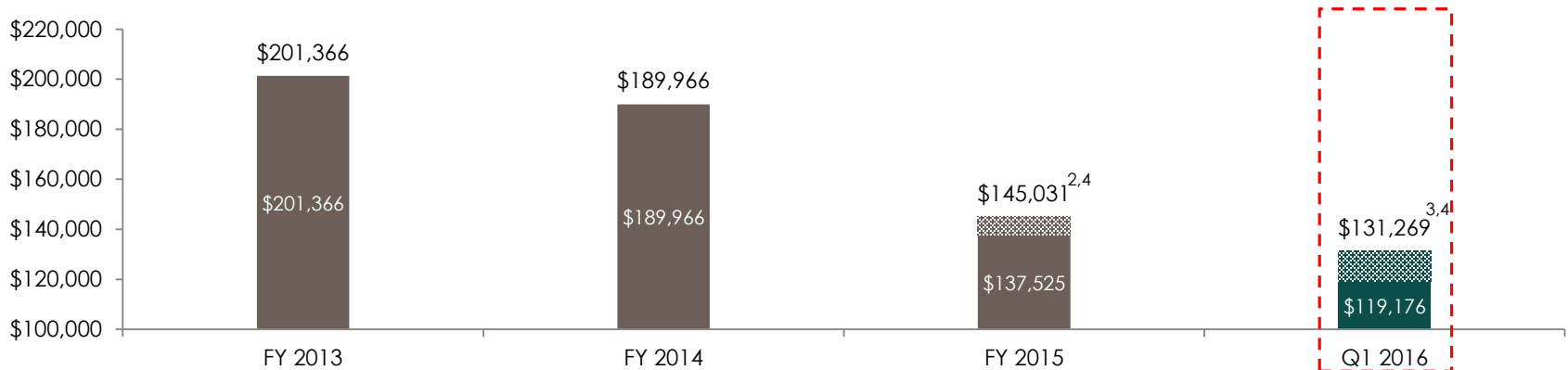


# Strong operational performance & significant cost reductions

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.
- 3) Opex per day per unit excluding Opex of idle units, Olympia, Eirik Raude and Apollo for the respective idle days.
- 4) Does not include Ocean Rig Paros (ex. Cerrado) operating expenses.



# Operational & Financial Highlights

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# Solid operating fleet employment profile

- Average contract remaining fixed period of 1.7<sup>(1)</sup> years
- 88%<sup>(1)</sup>, 55 %<sup>(1)</sup> calendar days under contract in remaining 2016 and 2017, respectively, for operating fleet
- \$2.43 billion revenue backlog<sup>(1)</sup>

Year	Rem 2016			2017			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Contract Coverage	88%			55%			
Leiv Eiriksson		Lundin Norway					
Ocean Rig Corcovado	Petrobras (through Q2 2018)						
Ocean Rig Poseidon	Eni					Options	
Ocean Rig Mykonos	Petrobras (through Q1 2018)						
Ocean Rig Mylos	Repsol						
Ocean Rig Skyros	Total (through Q3 2021)						
Ocean Rig Athena	ConocoPhillips						

1) Includes operating fleet only (excluding Newbuilding vessels Ocean Rig Santorini, Ocean Rig Crete and Ocean Rig Amorgos and uncontracted units Eirik Raude, Ocean Rig Olympia Ocean Rig Apollo and Ocean Rig Paros ex Cerrado).

Backlog data as of May 17, 2016



## Q1 2016- Revenue and operating expenses summary

- During the quarter, we had 910 calendar days of which 171 days were uncontracted
- Resulting in 739 available contracted drilling days, of which 712 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)
<b>Total Fleet Q1 2016</b>	<b>171</b>	<b>739</b>	<b>27</b>	<b>712</b>	<b>96.3%</b>	<b>\$79.1</b>

- Our daily direct and onshore rig operating expenses this quarter averaged \$131,269/unit<sup>(2),(3)</sup> versus \$131,548<sup>(2)</sup>/unit during Q4 2015, and \$170,736<sup>(4)</sup>/unit during Q1 2015

	Q1 2016 Direct & Onshore Rig Opex <sup>(2),(3)</sup>		Q1 2016 Amortization of Deferred Opex
	(in USD million)	(\$ per day)	(in USD million)
<b>Total / Average Fleet</b>	<b>\$104.5</b>	<b>\$131,269</b>	<b>28.3</b>

Notes:

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

(2) Does not include Ocean Rig Paros (ex. Cerrado) operating expenses.

(3) Opex per day per unit excluding Opex of idle units, Olympia, Eirik Raude and Apollo for the respective idle days.

(4) Opex per day per unit excluding Opex of idle unit, Skyros for its respective idle days. Q1 2015 total opex per day, including idle unit Skyros were \$165,589.

**Any differences due to rounding**



# Income Statement

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

	<b>Q1 2016</b>
<b>REVENUES:</b>	
Revenues, net	428.9
Amortization of deferred revenue	79.1
Total Revenues	<u>508.0</u>
<b>EXPENSES:</b>	
Direct & onshore rig operating expenses	105.3
Maintenance expenses & other items, net	11.9
Amortization of deferred operating expenses	28.3
Total drilling rig operating expenses	145.6
Depreciation and amortization	85.9
General and administrative expenses	18.8
Other, net	0.0
<b>Operating income/(loss)</b>	<u><b>257.7</b></u>
<b>OTHER INCOME/(EXPENSES):</b>	
Net interest and finance costs	-59.7
Gain from repurchase of senior notes	125.0
Gain/(loss) on interest rate swaps	-5.1
Other, net	-1.1
<b>Total other expenses</b>	<u><b>59.1</b></u>
Income taxes	-28.8
<b>Net income/ (loss)</b>	<u><b>288.0</b></u>
<b>Earnings/ (loss) per common share, basic and diluted</b>	<u><b>\$2.07</b></u>
Weighted average number of shares, basic and diluted	138,653,520



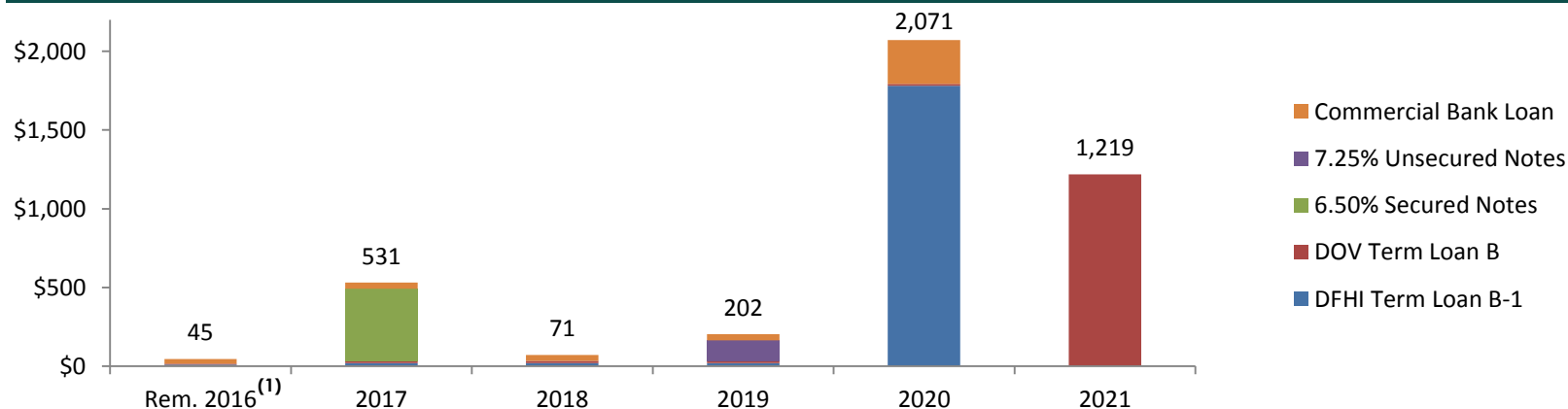


# Balance Sheet

- Weighted average debt maturity of 4.1 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>	\$1,848mil	\$131mil	\$460mil	\$1,277mil	\$423 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 May 19, 2016

(2) Libor floor of 1.00%

(3) 3 month Libor with no floor

(4) Term loans and commercial bank loan amortize quarterly



# Closing Remarks

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# Closing remarks

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- Attractive portfolio of modern drilling units
  - Fleet of 12 modern (6th and 7th generation) UDW drillships and 2 UDW harsh environment semi-submersible rigs
  - Premium high specification standardized assets
- Attractive cash flow
  - Significant contracted cash flow with \$2.43 billion backlog<sup>(1)</sup>
  - No material debt maturities until Oct. 2017
- Preparing for “Lower for Longer Scenario”
  - Focus on further reducing operating costs (~25% opex decrease over the last 12 months)
  - Focus on maintaining high operating efficiency (~96.3% for Q1 2016)
- Taking advantage of opportunities
  - Acquired 6th generation ultra deep water drillship *Cerrado*, renamed as *Ocean Rig Paros*, for a purchase price of \$65.0 m

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(1) Backlog as of May 17, 2016



# 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

Built at Dalian/Friedman Goldman Irving

Up to 10,000 ft. water depth capacity

Up to 30,000 ft. drilling depth capacity

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 6<sup>th</sup> and four 7<sup>th</sup> generation drillships



Corcovado, Olympia, Poseidon, Mykonos, Paros

Mylos, Skyros, Athena, Apollo

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 personnel on board

*Ocean Rig Mylos* equipped with dual BOPs

*Ocean Rig Corcovado & Ocean Rig Mykonos* MPD-ready upgrade paid by client



## Liquidity & capital structure

<i>(in \$ million)</i>	<i>March 31, 2015</i>	<i>Ownership on March 31, 2015</i>	
Total cash	827.9	Shares Outstanding	138,653,520
Senior Secured Term Loan B Facility <sup>(1)</sup>	1,255.3	Free Float Shares	82,586,851
B-1 Term Loans <sup>(1)</sup>	1,812.0	% of free float Shares	59.6%
6.50% senior secured notes due 2017 <sup>(1)</sup>	455.9	% ownership Drys <sup>(2)</sup>	40.4%
7.25% senior unsecured notes due 2019 <sup>(1)</sup>	129.5		
Commercial Bank Loan <sup>(1)</sup>	418.4		
Total debt <sup>(1)</sup>	4,071.1		
Total shareholders' equity	3,563.5		
Total capitalization	7,634.6		
Net Debt	3,243.2		
Debt to Capitalization	53.3%		
Net Debt to Capitalization	42.5%		

(1) Net of capitalized financing fees.

(2) On April 5, 2016, the Company, through one of its wholly-owned unrestricted subsidiaries, purchased all of Dryships Inc's shares in Ocean Rig. After this transaction, DryShips Inc. no longer holds any equity interest in the Company.



# Projected deferred revenue & expense amortization

As of May 17, 2016

(USD million)	<u>Q1A 2016</u>	<u>Q2E 2016</u>	<u>Q3E 2016</u>	<u>Q4E 2016</u>	<u>FY 2016</u>
Amortization of deferred revenues	79.1	25.1	20.0	13.3	137.5
Amortization of deferred expenses	28.3	9.4	7.5	5.7	50.8

**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

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

	<u>December 31, 2015</u>	<u>March 31, 2016</u>
<b><u>ASSETS</u></b>		
Cash, cash equivalents and restricted cash (current and non-current)	\$ 747,485	\$ 827,890
Other current assets	500,637	437,741
Advances for drilling units under construction and related costs	394,852	413,504
Drilling units, machinery and equipment, net	6,336,892	6,264,378
Other non-current assets	<u>40,354</u>	<u>23,379</u>
<b>Total assets</b>	<b><u>8,020,220</u></b>	<b><u>7,966,892</u></b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Total debt, net of deferred financing costs	4,328,468	4,071,087
Total other liabilities	416,987	332,301
Total stockholders' equity	<u>3,274,765</u>	<u>3,563,504</u>
<b>Total liabilities and stockholders' equity</b>	<b><u>\$ 8,020,220</u></b>	<b><u>\$ 7,966,892</u></b>

