UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2016

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report: Not applicable

Commission file number 001-35298

OCEAN RIG UDW INC.
(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

The Cayman Islands
(Jurisdiction of incorporation or organization)

Ocean Rig Cayman Management Services SEZC Limited
3rd Floor Flagship Building
Harbour Drive, Grand Cayman, Cayman Islands
(Address of principal executive offices)

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of class	Name of exchange on which registered
Common stock, $0.01 par value	The NASDAQ Stock Market LLC
Preferred stock purchase rights	The NASDAQ Stock Market LLC

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: As of December 31, 2016, there were 82,586,851 shares of the registrant's common stock, $0.01 par value, outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ☐ Yes ☒ No

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definitions of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

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FORWARD-LOOKING STATEMENTS

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.

This annual report and any other written or oral statements made by us or on our behalf may include forward-looking statements which reflect our current views and assumptions with respect to future events and financial performance and are subject to risks and uncertainties. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical or present facts or conditions. The words "believe," "anticipate," "intend," "estimate," "forecast," "project," "plan," "potential," "may," "should," "expect" and similar expressions identify forward-looking statements.

The forward-looking statements in this document 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. Although we believe 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, we cannot assure you that we will achieve or accomplish the expectations, beliefs or projections described in the forward-looking statements contained in this annual report.

In addition to these important factors and matters discussed elsewhere in this annual report, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include factors related to:

- our ability to come to a satisfactory resolution with our creditors in our ongoing consideration of various strategic alternatives, which we expect to include a restructuring of our debt, and our ability to successfully conclude such a restructuring;
- the offshore drilling market, including supply and demand, utilization rates, dayrates, customer drilling programs, commodity prices, effects of new rigs and drillships on the market and effects of declines in commodity prices and downturn in global economy on market outlook for our various geographical operating sectors and classes of rigs and drillships;
- hazards inherent in the offshore 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;
- customer contracts, including contract backlog, contract commencements, contract terminations, contract option exercises, contract revenues, contract awards and drilling rig and drillship mobilizations, performance provisions, newbuildings, upgrades, shipyard and other capital projects, including completion, delivery and commencement of operations dates, expected downtime and lost revenue;
- political and other uncertainties, including political unrest, 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, termination, modification or renegotiation of contracts;
- limitations on insurance coverage, such as war risk coverage, in certain areas;
- 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, including potential limitations on drilling activity;

- changing taxation policies and other forms of government regulation and economic conditions that are beyond our control;
- the level of expected capital expenditures and the timing and cost of completion of capital projects;
- our ability to successfully employ both our existing and newbuilding drilling units, procure or have access to financing, ability to comply with loan covenants, liquidity and adequacy of cash flow for our obligations;
- continued borrowing availability under our debt agreements and compliance with the covenants contained therein;
- 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;
- factors affecting our results of operations and cash flow from operations, including revenues and expenses, uses of excess cash, including debt retirement, dividends, timing and proceeds of asset sales, tax matters, changes in tax laws, treaties and regulations, tax assessments and liabilities for tax issues, legal and regulatory matters, including results and effects of legal proceedings, customs and environmental matters, insurance matters, debt levels, including impacts of the financial and credit crisis;
- the effects of accounting changes and adoption of accounting policies;
- recruitment and retention of personnel; and
- other important factors described in "Item 3. Key Information—D. Risk factors."

We caution readers of this annual report not to place undue reliance on these forward-looking statements.

All forward-looking statements made in this annual report are qualified by these cautionary statements. These forward-looking statements are made only as of the date of this annual report, and we expressly disclaim any obligation to update or revise any forward-looking statements to reflect changes in assumptions, the occurrence of unanticipated events, changes in future operating results over time or otherwise.

Please note in this annual report, "we," "us," "our," "Ocean Rig UDW" and "the Company," all refer to Ocean Rig UDW Inc. and its subsidiaries, unless the context otherwise requires.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Historical Consolidated Financial Data

The following table sets forth our selected historical consolidated financial and other data, at the dates and for the periods indicated. The selected historical consolidated financial data are derived from our audited consolidated financial statements and notes thereto which have been prepared in accordance with U.S. generally accepted accounting principles or U.S. GAAP.

The selected historical consolidated financial and other data should be read in conjunction with "Item 5. Operating and Financial Review and Prospects" and the audited consolidated financial statements, the related notes thereto and other financial information appearing elsewhere in this annual report.

(U.S. Dollars in thousands except for share and per share data)	Ocean Rig UDW Inc. As of December 31,				
	2012	**2013**	**2014**	**2015**	**2016**
Income statement data:					
Total revenues	**941,903**	**1,180,250**	**1,817,077**	**1,748,200**	**1,653,667**
Drilling units operating expenses	563,583	504,957	727,832	582,122	454,329
Loss on disposals	133	-	-	5,177	25,274
Impairment loss	-	-	-	414,986	3,776,338
Depreciation and amortization	224,479	235,473	324,302	362,587	334,155
Legal settlements and other, net	4,524	6,000	(721)	(2,591)	(8,720)
General and administrative expenses	83,647	126,868	131,745	100,314	103,961
Total operating expenses	**876,366**	**873,298**	**1,183,158**	**1,462,595**	**4,685,337**
Operating income/ (loss)	**65,537**	**306,952**	**633,919**	**285,605**	**(3,031,670)**
Interest and finance costs	(116,427)	(220,564)	(300,131)	(280,348)	(226,981)
Interest income	553	9,595	12,227	9,811	3,449
Gain/(loss) on interest rate swaps	(36,974)	8,616	(12,671)	(11,513)	(4,388)
Gain from repurchase of Senior Notes	-	-	-	189,174	125,001
Other income/(expense), net	(1,068)	3,315	4,282	(12,899)	(614)
Total other expenses, net	**(153,916)**	**(199,038)**	**(296,293)**	**(105,775)**	**(103,533)**
Income/(loss) before income taxes	(88,379)	107,914	337,626	179,830	(3,135,203)
Income taxes	(43,957)	(44,591)	(77,823)	(99,816)	(106,315)
Net income/(loss)	**$ (132,336)**	**$ 63,323**	**$ 259,803**	**$ 80,014**	**$ (3,241,518)**
Net Income/(loss) attributable to common stockholders	**$ (132,336)**	**$ 63,221**	**$ 259,031**	**$ 78,839**	**$ (3,241,518)**
Earnings/(loss) per share attributable to common stockholders, basic and diluted	$ (1.00)	$ 0.48	$ 1.96	$ 0.57	$ (33.43)
Weighted average number of common shares, basic and diluted	131,696,935	131,727,504	131,837,227	138,757,176	96,950,847

(U.S. Dollars in thousands except for share and per share data)	Ocean Rig UDW Inc. As of December 31, 2012	2013	2014	2015	2016
Balance sheet data:					
Cash and cash equivalents	317,366	605,467	528,933	734,747	718,684
Other current assets	279,768	404,250	449,259	503,355	361,257
Total current assets	**597,134**	**1,009,717**	**978,192**	**1,238,102**	**1,079,941**
Drilling units, machinery and equipment, net	4,399,462	5,777,025	6,207,633	6,336,892	2,438,292
Intangible assets, net	7,619	6,175	4,732	3,289	1,845
Other non-current assets	228,074	165,220	228,557	47,085	25,997
Advances for drilling units under construction and related costs	992,825	662,313	622,507	394,852	545,469
Total assets	**6,225,114**	**7,620,450**	**8,041,621**	**8,020,220**	**4,091,544**
Current liabilities, including current portion of long term debt, net of deferred financing costs	505,665	543,654	417,693	401,464	812,011
Long term debt, net of current portion and deferred financing costs	2,683,630	3,907,835	4,352,592	4,271,743	3,247,216
Other non-current liabilities	127,304	189,118	105,060	72,248	21,567
Total liabilities	**3,316,599**	**4,640,607**	**4,875,345**	**4,745,455**	**4,080,794**
Number of shares issued	**131,725,128**	**131,875,128**	**132,017,178**	**160,888,606**	**160,888,606**
Stockholders' equity	**2,908,515**	**2,979,843**	**3,166,276**	**3,274,765**	**10,750**
Common Stock	**1,317**	**1,319**	**1,320**	**1,609**	**1,609**
Dividends declared, per share	**-**	**-**	**0.57**	**0.38**	**-**
Total liabilities and stockholders' equity	**$ 6,225,114**	**$ 7,620,450**	**$ 8,041,621**	**$ 8,020,220**	**$ 4,091,544**

(U.S. Dollars in thousands, except for operating data)	Ocean Rig UDW Inc. Year Ended December 31, 2012	2013	2014	2015	2016
Cash flow data:					
Net cash provided by / (used in):					
Operating activities	$ 278,303	$ 333,008	$ 469,817	$ 593,012	$ 763,129
Investing activities	(320,469)	(1,144,230)	(814,984)	(643,717)	(392,547)
Financing activities	108,654	1,099,323	268,633	263,267	(386,645)
Other financial data					
EBITDA (1)	251,974	554,356	949,832	812,954	(2,577,516)
Cash paid for interest	73,219	113,337	212,014	256,056	254,207
Capital expenditures	(310,054)	(1,283,364)	(748,981)	(633,843)	(340,153)
Operating data, when on hire					
Total Fleet	6	8	9	10	11

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(1) EBITDA represents net income/loss before interest, taxes, depreciation and amortization. EBITDA is a non-U.S. generally accepted accounting principles, or U.S. GAAP, measure and does not represent and should not be considered as an alternative to net income /loss or cash flow from operations, as determined by GAAP or other GAAP measures, and our calculation of EBITDA may not be comparable to that reported by other companies. EBITDA is included herein because it is a basis upon which we measure our operations.

(U.S. Dollars in thousands)	Ocean Rig UDW Inc. Year Ended December 31, 2012	2013	2014	2015	2016
EBITDA reconciliation					
Net income / (loss)	$ (132,336)	$ 63,323	$ 259,803	$ 80,014	(3,241,518)
Add: Depreciation and amortization	224,479	235,473	324,302	362,587	334,155
Add: Net interest expense	115,874	210,969	287,904	270,537	223,532
Add: Income taxes	43,957	44,591	77,823	99,816	106,315
EBITDA	**$ 251,974**	**$ 554,356**	**$ 949,832**	**$ 812,954**	**$ (2,577,516)**

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Some of the following risks relate principally to the industry in which we operate and our business in general. Other risks relate principally to the securities market and ownership of our common stock. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, operating results, cash flows or our ability to pay dividends, if any, in the future, or the trading price of our common stock.

Risks Relating to Our Industry

The current downturn in activity in the oil and gas drilling industry has had and is likely to continue to have an adverse impact on our business and results of operations. We expect that these conditions will require us to effect a restructuring of our debt.

The oil and gas drilling industry is currently in the midst of a severe and prolonged downcycle. Crude oil prices have fallen during the past years. The price of crude oil has fallen from over $100 per barrel in March 2014, to approximately $50 per barrel in March 2017. The significant decrease in oil and natural gas prices is expected to continue to reduce many of our customers' demand for our services in 2017 onwards. In fact, in response to the recent decrease in the prices of oil and gas, a number of our oil and gas company customers have announced significant decreases in budgeted expenditures for offshore drilling. Declines in capital spending levels, coupled with additional newbuilding supply, have and are likely to continue to put significant pressure on dayrates and utilization. The decline and the perceived risk of a further decline in oil and/or gas prices could cause oil and gas companies to further reduce their overall level of activity or spending, in which case demand for our services may further decline and revenues may continue to be adversely affected through lower drilling unit utilization and/or lower dayrates.

Historically, when drilling activity and spending decline, utilization and dayrates also decline and drilling has been reduced or discontinued, resulting in an oversupply of drilling units. The recent oversupply of drilling units is exacerbated by the entry of a large number of newbuilding drilling units into the market. The supply of available uncontracted units has and is likely to further intensify price competition as scheduled delivery dates occur and additional contracts terminate without renewal and lead to a reduction in dayrates as the active fleet grows.

In general, drilling unit owners are bidding for available work extremely competitively with a focus on utilization over returns, which has and will likely continue to drive rates down to or below cash breakeven levels. To maintain the continued employment of our units, we may also accept contracts at lower dayrates or on less favorable terms due to market conditions. In addition, customers have and may in the future request renegotiation of existing contracts to lower dayrates. In an over-supplied market, we may have limited bargaining power to renegotiate on more favorable terms. Lower utilization and dayrates have and will adversely affect our revenues and profitability.

In the current environment our customers may seek to cancel or renegotiate our contracts for various reasons, including adverse conditions, resulting in lower dayrates. Since 2014, five of our clients have decided to terminate the drilling contracts for five of our operating units, the *Eirik Raude*, the *Ocean Rig Olympia*, the *Ocean Rig Apollo,* the *Ocean Rig Mylos* and the *Ocean Rig Athena*. The effects of the down-cycle may have other impacts on our business as well. In addition, as the market value of our drilling units decreases, and if we sell any drilling unit at a time when prices for drilling units have fallen, such a sale may result in a loss, which would negatively affect our results of operations.

Prolonged periods of low dayrates, the possible termination or loss of contracts and reduced values of our drilling units could negatively impact our ability to comply with certain financial covenants under the terms of our debt agreements. Our ability to comply with these restrictions and covenants, including meeting financial ratios and tests, is dependent on our future performance and may be affected by events beyond our control. If a default occurs under these agreements, lenders could terminate their commitments to lend or in some circumstances accelerate the outstanding loans and declare all amounts borrowed due and payable. In addition, our existing debt agreements contain cross-default provisions that would be triggered upon an acceleration under other debt instruments. In the event of an acceleration or payment default by us under one of our debt agreements, the lenders under our other existing debt agreements could determine that we are in default under our other financing agreements. This could lead to an acceleration and enforcement of such agreements by our lenders.

We cannot predict the future level of demand for our services or future conditions of the oil and gas industry. Any decrease in exploration, development or production expenditures by oil and gas companies could reduce our revenues and materially harm our business and results of operations. There can be no assurance that the current demand for drilling units will not further decline in future periods. The continued or future decline in demand for drilling units would adversely affect our financial position, operating results and cash flows.

Due to these factors and our current financial condition, we do not expect that we will be able to obtain new drilling contracts in the medium term or that financing will be available to the extent required, in either case on acceptable terms or at all. Without new drilling contracts or additional financing being available when needed, or is available only on unfavorable terms, we will be unable to meet our obligations as they come due or we may be unable to enhance our existing business, complete additional drilling unit acquisitions or otherwise take advantage of business opportunities as they arise.

As a result, we are actively exploring and considering various strategic alternatives with our financial and legal advisors and key stakeholders, which we expect will result in a restructuring of our debt. We expect that any comprehensive deleveraging plan will result in significant dilution to current shareholders and potential losses for other financial stakeholders. We expect the implementation of any restructuring of our debt to involve schemes of arrangement in the Cayman Islands, a filing under the U.S. Bankruptcy Code or other available options.

Our business depends on the level of activity in the offshore oil and gas industry, which is significantly affected by, among other things, volatile oil and gas prices and may be materially and adversely affected by a decline in the offshore oil and gas industry.

The offshore contract drilling industry is cyclical and volatile. Our business depends on the level of activity in oil and gas exploration, development and production in offshore areas worldwide. The availability of quality drilling prospects, exploration success, relative production costs, the stage of reservoir development and political and regulatory environments affect customers' drilling programs. Oil and gas prices and market expectations of potential changes in these prices also significantly affect this level of activity and demand for drilling units.

Oil and gas prices are extremely volatile and are affected by numerous factors beyond our control, including the following:

- worldwide production and demand for oil and gas and any geographical dislocations in supply and demand;
- the cost of exploring for, developing, producing and delivering oil and gas;
- expectations regarding future energy prices;
- advances in exploration, development and production technology;
- the ability of the Organization of Petroleum Exporting Countries, or OPEC, to set and maintain levels and pricing;
- the level of production in non-OPEC countries;
- government regulations;
- local and international political, economic and weather conditions;
- domestic and foreign tax policies;
- development and exploitation of alternative fuels;
- the policies of various governments regarding exploration and development of their oil and gas reserves; and
- the worldwide military and political environment, including uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities, insurrection or other crises in the Middle East or other geographic areas or further acts of terrorism in the United States, or elsewhere.

In addition to oil and gas prices, the offshore drilling industry is influenced by additional factors, including:

- the availability of competing offshore drilling vessels and the level of newbuilding activity for drilling vessels;
- the level of costs for associated offshore oilfield and construction services;
- oil and gas transportation costs;
- the discovery of new oil and gas reserves;
- the cost of non-conventional hydrocarbons, such as the exploitation of oil sands; and
- regulatory restrictions on offshore drilling.

Any of these factors could reduce demand for our services and adversely affect our business and results of operations.

Continuation of the recent worldwide economic downturn could have a material adverse effect on our revenue, profitability and financial position.

Although there are signs that the economic recession has abated in many countries, there is still considerable instability in the world economy, due in part to uncertainty related to continuing discussions in the United States regarding the federal debt ceiling and in the economies of Eurozone countries, and most recently in China. Further decrease in global economic activity would likely reduce worldwide demand for energy and result in an extended period of lower crude oil and natural gas prices. In addition, continued hostilities and insurrections in the Middle East and North Africa and the occurrence or threat of terrorist attacks against the United States or other countries could adversely affect the economies of the United States and of other countries. Any prolonged reduction in crude oil and natural gas prices would depress the levels of exploration, development and production activity. Moreover, even during periods of high commodity prices, customers may cancel or curtail their drilling programs, or reduce their levels of capital expenditures for exploration and production for a variety of reasons, including their lack of success in exploration efforts. These factors could cause our revenues and margins to decline, decrease daily rates and utilization of our drilling units and limit our future growth prospects. Any significant decrease in daily rates or utilization of our drilling units could materially reduce our revenues and profitability. In addition, any instability in the financial and insurance markets, as experienced in the recent financial and credit crisis, could make it more difficult for us to access capital and to obtain insurance coverage that we consider adequate or is otherwise required by our drilling contracts. An extended period of deterioration in outlook for the world economy could reduce the overall demand for our services and could also adversely affect our ability to obtain financing on terms acceptable to us or at all.

The current state of global financial markets, current economic conditions and our financial condition has adversely affected our ability to obtain additional financing on acceptable terms. We expect that these conditions will require us to effect a restructuring of our debt.

Global financial markets and economic conditions have been, and continue to be, volatile. In recent years, the debt and equity capital markets have been severely distressed for companies in our sector. These issues, along with the re-pricing of credit risk and uncertain economic conditions, coupled with our current financial condition, have made, and will likely continue to make, it difficult to obtain additional financing. We expect that the current state of our financial condition will adversely affect our ability to issue additional equity at prices which will not be dilutive to our existing shareholders or preclude us from issuing equity at all.

Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets has increased as many lenders have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at all or on terms similar to current debt and reduced, and in some cases ceased, to provide funding to borrowers.

The offshore drilling industry is highly competitive with intense price competition and, as a result, we may be unable to compete successfully with other providers of contract drilling services that have greater resources than we have.

The offshore contract drilling industry is highly competitive with several industry participants, none of which has a dominant market share, and is characterized by high capital and maintenance requirements. Drilling contracts are traditionally awarded on a competitive bid basis. Price competition is often the primary factor in determining which qualified contractor is awarded the drilling contract, although drilling unit availability, location and suitability, the quality and technical capability of service and equipment, reputation and industry standing are key factors which are considered. Mergers among oil and natural gas exploration and production companies have reduced, and may from time to time further reduce the number of available customers, which would increase the ability of potential customers to achieve pricing terms favorable to them.

Many of our competitors are significantly larger than we are and have more diverse drilling assets and significantly greater financial and other resources than we have. In addition, because of our relatively small fleet, we may be unable to take advantage of economies of scale to the same extent as some of our larger competitors. Given the high capital requirements that are inherent in the offshore drilling industry, we may also be unable to invest in new technologies or expand in the future as may be necessary for us to succeed in this industry, while our larger competitors with superior financial resources, and in many cases less leverage than we have, may be able to respond more rapidly to changing market demands and compete more efficiently on price for drilling units employment. We may not be able to maintain our competitive position, and we believe that competition for contracts will continue to be intense in the future. Our inability to compete successfully may reduce our revenues and profitability.

An over-supply of drilling units may lead to a reduction in dayrates and therefore may materially impact our profitability.

During the recent period of high utilization and high dayrates, industry participants have increased the supply of drilling units by ordering the construction of new drilling units. Historically, this has resulted in an over-supply of drilling units and has caused a subsequent decline in utilization and dayrates when the drilling units enter the market, sometimes for extended periods of time until the units have been absorbed into the active fleet. According to industry sources, the worldwide fleet of floating rigs as of the end of the third quarter of 2016 consisted of 295 units, comprised of 75 midwater and 220 deepwater rigs. An additional three midwater and 54 deepwater rigs were under construction or on order as of the end of the third quarter of 2016, which would bring the total fleet to 352 floating rigs. The entry into service of these new, upgraded or reactivated drilling units will increase supply and has already led to a reduction in dayrates as drilling units are absorbed into the active fleet. In addition, the new construction of high-specification drilling units, as well as changes in our competitors' drilling unit fleets, could require us to make material additional capital investments to keep our fleet competitive. Lower utilization and dayrates could adversely affect our revenues and profitability. Prolonged periods of low utilization and dayrates could also result in the recognition of impairment charges on our drilling units if future cash flow estimates, based upon information available to management at the time, indicate that the carrying value of these drilling units may not be recoverable.

Consolidation of suppliers may increase the cost of obtaining supplies, which may have a material adverse effect on our results of operations and financial condition.

We rely on certain third parties to provide supplies and services necessary for our operations, including, but not limited to, drilling equipment suppliers and catering and machinery suppliers. Recent mergers have reduced the number of available suppliers, resulting in fewer alternatives for sourcing key supplies. Such consolidation, combined with a high volume of drilling units under construction, may result in a shortage of supplies and services, thereby increasing the cost of supplies and/or potentially inhibiting the ability of suppliers to deliver on time, or at all. These cost increases, delays or unavailability could have a material adverse effect on our results of operations and result in drilling unit downtime and delays in the repair and maintenance of our drilling units.

Our international operations involve additional risks, which could adversely affect our business.

We operate in various regions throughout the world. Our drilling units, the *Ocean Rig Corcovado*, and the *Ocean Rig Mykonos*, are operating offshore Brazil, the *Ocean Rig Poseidon* and the *Ocean Rig Skyros* are operating offshore Angola and the *Leiv Eiriksson* is operating offshore Norway. Our drilling units, the *Eirik Raude*, the *Ocean Rig Olympia*, *the Ocean Rig Mylos, the Ocean Rig Paros*, the *Ocean Rig Apollo* and the *Ocean Rig Athena* are cold stacked in Greece.

In the past, our drilling units have operated among other locations, in the Gulf of Mexico and offshore Canada, Norway, the United Kingdom, Ghana, West Africa, Ivory Coast, offshore Greenland, Turkey, Ireland, west of the Shetland Islands, the Falkland Islands, Tanzania, the North Sea, offshore Brazil, Ivory Coast, Greenland, Senegal, Angola and Congo, respectively. As a result of our international operations, we may be exposed to political and other uncertainties, including risks of:

- terrorist and environmental activist acts, armed hostilities, war and civil disturbances;
- acts of piracy, which have historically affected ocean-going vessels trading in regions of the world such as the South China Sea and in the Gulf of Aden off the coast of Somalia and which have generally increased significantly in frequency since 2008, particularly in the Gulf of Aden and off the west coast of Africa;
- 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, government debt downgrades and potential defaults 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, including confiscatory taxation;
- other forms of government regulation and economic conditions that are beyond our control; and
- governmental corruption.

In addition, international contract drilling operations are subject to various laws and regulations in countries in which we operate, including laws and regulations relating to:

- the equipping and operation of drilling units;
- repatriation of foreign earnings;
- oil and gas exploration and development;
- taxation of offshore earnings and earnings of expatriate personnel; and
- use and compensation of local employees and suppliers by foreign contractors.

Some foreign governments favor or effectively require (i) the awarding of drilling contracts to local contractors or to drilling units owned by their own citizens, (ii) the use of a local agent or (iii) foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. These practices may adversely affect our ability to compete in those regions. It is difficult to predict what governmental regulations may be enacted in the future that could adversely affect the international drilling industry. The actions of foreign governments, including initiatives by OPEC, may adversely affect our ability to compete. Failure to comply with applicable laws and regulations, including those relating to sanctions and export restrictions, may subject us to criminal sanctions or civil remedies, including fines, denial of export privileges, injunctions or seizures of assets.

Our business and operations involve numerous operating hazards.

Our operations are subject to hazards inherent in the drilling industry, such as blowouts, reservoir damage, loss of production, loss of well control, lost or stuck drill strings, equipment defects, punch throughs, craterings, fires, explosions and pollution, including spills similar to the events on April 20, 2010 related to the *Deepwater Horizon*, in which we were not involved. Contract drilling and well servicing require the use of heavy equipment and exposure to hazardous conditions, which may subject us to liability claims by employees, customers and third parties. These hazards can cause 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. Our offshore fleet is also subject to hazards inherent in marine operations, either while on-site or during mobilization, such as capsizing, sinking, grounding, collision, damage from severe weather and marine life infestations. Operations may also be suspended because of machinery breakdowns, abnormal drilling conditions, personnel shortages or failure of subcontractors to perform or supply goods or services.

Damage to the environment could also result from our operations, particularly through spillage of fuel, lubricants or other chemicals and substances used in drilling operations, leaks and blowouts or extensive uncontrolled fires. We may also be subject to property, environmental and other damage claims by oil and gas companies. Our insurance policies and contractual indemnity rights with our customers may not adequately cover losses, and we do not have insurance coverage or rights to indemnity for all the risks to which we are exposed. Consistent with standard industry practice, our customers generally assume, and indemnify us against, well control and subsurface risks under dayrate drilling contracts, including pollution damage in connection with reservoir fluids stemming from operations under the contract, damage to the well or reservoir, loss of subsurface oil and gas and the cost of bringing the well under control. We generally indemnify our customers against pollution from substances in our control that originate from the drilling unit (e.g., diesel used onboard the unit or other fluids stored onboard the unit and above the water surface). However, our drilling contracts are individually negotiated, and the degree of indemnification we receive from the customer against the liabilities discussed above can vary from contract to contract, based on market conditions and customer requirements existing when the contract was negotiated. Notwithstanding a contractual indemnity from a customer, there can be no assurance that our customers will be financially able to indemnify us or will otherwise honor their contractual indemnity obligations. We maintain insurance coverage for property damage, occupational injury and illness, and general and marine third-party liabilities. However, pollution and environmental risks generally are not totally insurable. Furthermore, we have no insurance coverage for named storms in the Gulf of Mexico and while trading within war risks excluded areas.

The Deepwater Horizon oil spill in the Gulf of Mexico may result in more stringent laws and regulations governing deep-water drilling, which could have a material adverse effect on our business, operating results or financial condition.

On April 20, 2010, there was an explosion and a related fire on the Deepwater Horizon, an ultra-deep-water semi-submersible drilling unit that is not connected to us, while it was servicing the Macondo well in the Gulf of Mexico. This catastrophic event resulted in the death of 11 workers and the total loss of that drilling unit, as well as the release of large amounts of oil into the Gulf of Mexico, severely impacting the environment and the region's key industries. This event was investigated by several federal agencies, including the U.S. Department of Justice, and by the U.S. Congress, and the subject of numerous lawsuits. On January 11, 2011, the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling released its final report, with recommendations for new regulations.

We do not currently operate our drilling units in these regions, but we may do so in the future. In any event, changes to leasing and drilling activity requirements as a result of the Deepwater Horizon incident could have a substantial impact on the offshore oil and gas industry worldwide. All drilling activity in the U.S. Gulf of Mexico must be in compliance with enhanced safety requirements contained in the Notice to Lessees 2015-N01. Effective October 22, 2012 all drilling in the U.S. Gulf of Mexico must also comply with the Final Drilling Safety Rule as adopted on August 15, 2012, which enhances safety measures for energy development on the outer continental shelf. All drilling must also comply with the Workplace Safety Rule on Safety and Environmental Management Systems. Also the Bureau of Ocean Energy Management, or BOEM, proposed a rule increasing the limits of liability of damages for offshore facilities under OPA based on inflation which became effective in January 2015. In April 2015, it was announced that new regulations are expected to be imposed in the United States regarding offshore oil and gas drilling and the Bureau of Safety and Environmental Enforcement, or BSEE, announced a new Well Control Rule in April 2016. In December 2015, the BSEE announced a new pilot inspection program for offshore facilities. We continue to evaluate these requirements to ensure that our drilling units and equipment are in full compliance, where applicable. Additional requirements could be forthcoming based on further recommendations by regulatory agencies investigating the Macondo well incident.

We are not able to predict the extent of future leasing plans or the likelihood, nature or extent of additional rulemaking. Nor are we able to predict when the BOEM will enter into leases with our customers or when the BSEE will issue drilling permits to our customers. We are not able to predict the future impact of these events on our operations. The current and future regulatory environment in the Gulf of Mexico could impact the demand for drilling units in the Gulf of Mexico in terms of overall number of drilling units in operations and the technical specification required for offshore drilling units to operate in the Gulf of Mexico. It is possible that short-term potential migration of drilling units from the Gulf of Mexico could adversely impact dayrates levels and fleet utilization in other regions. In addition, insurance costs across the industry have increased as a result of the Macondo well incident and certain insurance coverage has become more costly, less available, and not available at all from certain insurance companies.

Our insurance coverage may not adequately protect us from certain operational risks inherent in the drilling industry.

Our insurance is intended to cover normal risks in our current operations, including insurance against property damage, occupational injury and illness, loss of hire, certain war risks and third-party liability, including pollution liability. For example, the amount of risk we are subject to might increase regarding occupational injuries because on January 12, 2012, the U.S. Supreme Court ruled that the Longshore and Harbor Worker's Compensation Act, whose provisions are incorporated into the U.S. Outer Continental Shelf Lands Act could cover occupational injuries.

Insurance coverage may not, under certain circumstances, be available, and if available, may not provide sufficient funds to protect us from all losses and liabilities that could result from our operations. We have also obtained loss of hire insurance which becomes effective after 45 days of downtime with coverage that extends for approximately one year. This loss of hire insurance is recoverable only if there is physical damage to the drilling unit or equipment which is caused by a peril against which we are insured. The principal risks which may not be insurable are various environmental liabilities and liabilities resulting from reservoir damage caused by our gross negligence. Moreover, our insurance provides for premium adjustments based on claims and is subject to deductibles and aggregate recovery limits. In the case of pollution liabilities, our deductible is $10,000 per event and $250,000 for protection and indemnity claims brought before any U.S. jurisdiction. Our aggregate recovery limit is $500.0 million for all claims arising out of any event covered by our protection and indemnity insurance. Our deductible is $1.5 million per hull and machinery insurance claim. In addition, insurance policies which are extended to cover physical damage claims due to a named windstorm in the Gulf of Mexico generally require additional premium and impose strict recovery limits. Our insurance coverage may not protect fully against losses resulting from a required cessation of drilling unit operations for environmental or other reasons. Insurance may not be available to us at all or on terms acceptable to us, we may not maintain insurance or, if we are so insured, our policy may not be adequate to cover our loss or liability in all cases. The occurrence of a casualty, loss or liability against, which we may not be fully insured against, could significantly reduce our revenues, make it financially impossible for us to obtain a replacement drilling unit or to repair a damaged drilling unit, cause us to pay fines or damages which are generally not insurable and that may have priority over the payment obligations under our indebtedness or otherwise impair our ability to meet our obligations under our indebtedness and to operate profitably.

If we enter into drilling contracts or engage in certain other activities with countries or government-controlled entities or customers associated with countries that are subject to restrictions imposed by the U.S. government, or engage in certain other activities, including entering into drilling contracts with individuals or entities in such countries that are not controlled by their governments or engaging in operations associated with such countries or entities pursuant to contracts with third parties unrelated to those countries or entities, our ability to conduct our business and access U.S. capital markets and our reputation and the market for our securities could be adversely affected.

Although none of our drilling units have operated during the year ending December 31, 2016 in countries subject to sanctions and embargoes imposed by the U.S. government and other authorities or countries identified by the U.S. government or other authorities as state sponsors of terrorism, including Iran, Sudan and Syria, in the future our drilling units may operate in these countries from time to time on our customers' instructions. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. In 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act, or CISADA, which amended the Iran Sanctions Act. Among other things, CISADA introduced limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products. In 2012, President Obama signed Executive Order 13608 which prohibits foreign persons from violating or attempting to violate, or causing a violation of any sanctions in effect against Iran or facilitating any deceptive transactions for or on behalf of any person subject to U.S. sanctions. Any persons found to be in violation of Executive Order 13608 will be deemed a foreign sanctions evader and will be banned from all contacts with the United States, including conducting business in U.S. dollars. Also in 2012, President Obama signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012, or the Iran Threat Reduction Act, which created new sanctions and strengthened existing sanctions. Among other things, the Iran Threat Reduction Act intensifies existing sanctions regarding the provision of goods, services, infrastructure or technology to Iran's petroleum or petrochemical sector. The Iran Threat Reduction Act also includes a provision requiring the President of the United States to impose five or more sanctions from Section 6(a) of the Iran Sanctions Act, as amended, on a person the President determines is a controlling beneficial owner of, or otherwise owns, operates, or controls or insures a vessel that was used to transport crude oil from Iran to another country and (1) if the person is a controlling beneficial owner of the vessel, the person had actual knowledge the vessel was so used or (2) if the person otherwise owns, operates, or controls, or insures the vessel, the person knew or should have known the vessel was so used. Such a person could be subject to a variety of sanctions, including exclusion from U.S. capital markets, exclusion from financial transactions subject to U.S. jurisdiction, and exclusion of that person's vessels from U.S. ports for up to two years.

On July 14, 2015, the P5+1 and the EU announced that they reached a landmark agreement with Iran titled the Joint Comprehensive Plan of Action Regarding the Islamic Republic of Iran's Nuclear Program (the "JCPOA"), which is intended to significantly restrict Iran's ability to develop and produce nuclear weapons for 10 years while simultaneously easing sanctions directed toward non-U.S. persons for conduct involving Iran, but taking place outside of U.S. jurisdiction and does not involve U.S. persons. On January 16, 2016 ("Implementation Day"), the United States joined the EU and the UN in lifting a significant number of their nuclear-related sanctions on Iran following an announcement by the International Atomic Energy Agency ("IAEA") that Iran had satisfied its respective obligations under the JCPOA.

U.S. sanctions prohibiting certain conduct that is now permitted under the JCPOA have not actually been repealed or permanently terminated at this time. Rather, the U.S. government has implemented changes to the sanctions regime by: (1) issuing waivers of certain statutory sanctions provisions; (2) committing to refrain from exercising certain discretionary sanctions authorities; (3) removing certain individuals and entities from OFAC's sanctions lists; and (4) revoking certain Executive Orders and specified sections of Executive Orders. These sanctions will not be permanently "lifted" until the earlier of "Transition Day," set to occur on October 20, 2023, or upon a report from the IAEA stating that all nuclear material in Iran is being used for peaceful activities.

Although we believe that we are in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines, penalties or other sanctions that could severely impact our ability to access U.S. capital markets and conduct our business, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in us. In addition, certain institutional investors may have investment policies or restrictions that prevent them from holding securities of companies that have contracts with countries identified by the U.S. government as state sponsors of terrorism. The determination by these investors not to invest in, or to divest from, our common stock may adversely affect the price at which our common stock trades. Moreover, our customers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our drilling units, and those violations could in turn negatively affect our reputation. In addition, our reputation and the market for our securities may be adversely affected if we engage in certain other activities, such as entering into drilling contracts with individuals or entities in countries subject to U.S. sanctions and embargo laws that are not controlled by the governments of those countries, or engaging in operations associated with those countries pursuant to contracts with third parties that are unrelated to those countries or entities controlled by their governments. Investor perception of the value of our common stock may be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

The instability of the euro or the inability of Eurozone countries to refinance their debts could have a material adverse effect on our ability to fund our future capital expenditures or refinance our debt.

As a result of the credit crisis in Europe in recent years, in particular in Greece, Italy, Ireland, Portugal and Spain, the European Commission created the European Financial Stability Facility, or the EFSF, and the European Financial Stability Mechanism, or the EFSM, to provide funding to Eurozone countries in financial difficulties that seek such support. In March 2011, the European Council agreed on the need for Eurozone countries to establish a permanent stability mechanism, the European Stability Mechanism, or the ESM, which was activated by mutual agreement, and entered into force in 2013, and assumed the role of the EFSF and the EFSM in providing external financial assistance to Eurozone countries.

Despite these measures, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations and the overall stability of the euro. An extended period of adverse development in the outlook for European countries could make it difficult for current or potential lenders in the Eurozone to provide new loan facilities we may need to fund our future capital expenditures.

Governmental laws and regulations, including environmental laws and regulations, may add to our costs or limit our drilling activity.

Our business is affected by laws and regulations relating to the energy industry and the environment in the geographic areas where we operate. The offshore drilling industry is dependent on demand for services from the oil and gas exploration and production industry, and, accordingly, we are directly affected by the adoption of laws and regulations that, for economic, environmental or other policy reasons, curtail exploration and development drilling for oil and gas. We may be required to make significant capital expenditures to comply with governmental laws and regulations. It is also possible that these laws and regulations may, in the future, add significantly to our operating costs or significantly limit drilling activity. Our ability to compete in international contract drilling markets may be limited by foreign governmental regulations that favor or require the awarding of contracts to local contractors or by regulations requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Governments in some countries are increasingly active in regulating and controlling the ownership of concessions, the exploration for oil and gas, and other aspects of the oil and gas industries. Offshore drilling in certain areas has been curtailed and, in certain cases, prohibited because of concerns over protection of the environment. For example, on December 20, 2016, the United States President invoked a law that banned offshore oil and gas drilling in large areas of the Arctic and the Atlantic Seaboard. It is presently unclear how long this ban will remain in effect. A ban on new drilling in Canadian Arctic waters was announced simultaneously. Moreover, operations in less developed countries can be subject to legal systems that are not as mature or predictable as those in more developed countries, which can lead to greater uncertainty in legal matters and proceedings.

To the extent new laws are enacted or other governmental actions are taken that prohibit or restrict offshore drilling or impose additional environmental protection requirements that result in increased costs to the oil and gas industry, in general, or the offshore drilling industry, in particular, our business or prospects could be materially adversely affected. The operation of our drilling units will require certain governmental approvals, the number and prerequisites of which cannot be determined until we identify the jurisdictions in which we will operate on securing contracts for the drilling units. Depending on the jurisdiction, these governmental approvals may involve public hearings and conditions that result in costly undertakings on our part. We may not obtain such approvals or such approvals may not be obtained in a timely manner. If we fail to timely secure the necessary approvals or permits, our customers may have the right to terminate or seek to renegotiate their drilling contracts to our detriment. The amendment or modification of existing laws and regulations or the adoption of new laws and regulations curtailing or further regulating exploratory or development drilling and production of oil and gas could have a material adverse effect on our business, operating results or financial condition. Future earnings may be negatively affected by compliance with any such new legislation or regulations.

We are subject to complex laws and regulations, including environmental laws and regulations that can adversely affect the cost, manner or feasibility of doing business.

Our operations are subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national and international regulations in force in the jurisdictions in which our vessels operate or are registered, which can significantly affect the ownership and operation of our drilling units. These regulations include, but are not limited to, the International Maritime Organization, or IMO, International Convention for the Prevention of Pollution from Ships of 1973, as from time to time amended and generally referred to as MARPOL, including designation of Emission Control Areas, or ECAs, thereunder, the IMO International Convention on Civil Liability for Oil Pollution Damage of 1969, as from time to time amended and generally referred to as CLC, the International Convention on Civil Liability for Bunker Oil Pollution Damage, or Bunker Convention, the IMO International Convention for the Safety of Life at Sea of 1974, as from time to time amended and generally referred to as SOLAS, the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, or ISM Code, the IMO International Convention on Load Lines of 1966, as from time to time amended, the International Convention for the Control and Management of Ships' Ballast Water and Sediments in February 2004, or the BWM Convention, the U.S. Oil Pollution Act of 1990, or OPA, requirements of the U.S. Coast Guard, or USCG, and the U.S. Environmental Protection Agency, or EPA, the U.S. Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, the U.S. Clean Water Act, or CWA, the U.S. Clean Air Act, or CAA, the U.S. Outer Continental Shelf Lands Act, the U.S. Maritime Transportation Security Act of 2002, or the MTSA, European Union regulations, and Brazil's National Environmental Policy Law (6938/81), Environmental Crimes Law (9605/98) and Law (9966/2000) relating to pollution in Brazilian waters.

Compliance with such laws, regulations and standards, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lives of our vessels. Moreover, the manner in which these laws are enforced and interpreted is constantly evolving. We may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions, including greenhouse gases, the management of ballast waters, maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. These costs could have a material adverse effect on our business, results of operations, cash flows and financial condition. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations. Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil in U.S. waters, including the 200-nautical mile exclusive economic zone around the United States. An oil spill could result in significant liability, including fines, penalties and criminal liability and remediation costs for natural resource damages under other international and U.S. federal, state and local laws, as well as third-party damages. We are required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents and our insurance may not be sufficient to cover all such risks. As a result, claims against us could result in a material adverse effect on our business, results of operations, cash flows and financial condition.

Although our drilling units are separately owned by our subsidiaries, under certain circumstances a parent company and all of the ship-owning affiliates in a group under common control engaged in a joint venture could be held liable for damages or debts owed by one of the affiliates, including liabilities for oil spills under OPA or other environmental laws. Therefore, it is possible that we could be subject to liability upon a judgment against us or any one of our subsidiaries.

Our drilling units could cause the release of oil or hazardous substances, especially as our drilling units age. Any releases may be large in quantity, above our permitted limits or occur in protected or sensitive areas where public interest groups or governmental authorities have special interests. Any releases of oil or hazardous substances could result in fines and other costs to us, such as costs to upgrade our drilling units, clean up the releases, and comply with more stringent requirements in our discharge permits. Moreover, these releases may result in our customers or governmental authorities suspending or terminating our operations in the affected area, which could have a material adverse effect on our business, results of operation and financial condition.

If we are able to obtain from our customers some degree of contractual indemnification against pollution and environmental damages in our contracts, such indemnification may not be enforceable in all instances or the customer may not be financially able to comply with its indemnity obligations in all cases. In addition, we may not be able to obtain such indemnification agreements in the future.

Our insurance coverage may not be available in the future or we may not obtain certain insurance coverage. If it is available and we have the coverage, it may not be adequate to cover our liabilities. Any of these scenarios could have a material adverse effect on our business, operating results and financial condition.

Regulation of greenhouse gases and climate change could have a negative impact on our business.

Currently, emissions of greenhouse gases from ships involved in international transport are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions. The 2015 United Nations Convention of Climate Change Conference in Paris resulted in the Paris Agreement, which entered into force on November 4, 2016. The Paris Agreement does not directly limit greenhouse gas emissions from ships. As of January 1, 2013, all ships (including drilling units) must comply with mandatory requirements adopted by the MEPC in July 2011 relating to greenhouse gas emissions. Currently operating ships are now required to develop and implement the Ship Energy Efficiency Management Plans, or SEEMPs, and the new ships to be designed in compliance with minimum energy efficiency levels per capacity mile as defined by the Energy Efficiency Design Index, or EEDI. Also, under these measures, by 2025 all new ships built will be 30% more efficient than those built in 2014. These requirements could cause us to incur additional compliance costs. The IMO is also considering the implementation of market-based mechanisms to reduce greenhouse gas emissions from ships. In April 2015, a regulation was adopted requiring that large ships (over 5,00 gross tons) calling at European Union, or EU, ports from January 2018 collect and publish data on carbon dioxide emissions and other information. In the United States, the EPA has issued a finding that greenhouse gases endanger public health and safety and has adopted regulations to limit greenhouse gas emissions from certain mobile sources and large stationary sources. The EPA enforces both the CAA and the international standards found in Annex VI of MARPOL concerning marine diesel engines, their emissions, and the sulphur content in marine fuel. Any passage of climate control legislation or other regulatory initiatives by the IMO, European Union, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol, that restrict emissions of greenhouse gases could require us to make significant financial expenditures, including capital expenditures to upgrade our vessels, which we cannot predict with certainty at this time.

Because our business depends on the level of activity in the offshore oil and gas industry, existing or future laws, regulations, treaties or international agreements related to greenhouse gases and climate change, including incentives to conserve energy or use alternative energy sources, could have a negative impact on our business if such laws, regulations, treaties or international agreements reduce the worldwide demand for oil and gas. In addition, such laws, regulations, treaties or international agreements could result in increased compliance costs or additional operating restrictions, which may have a negative impact on our business.

Failure to comply with the U.S. Foreign Corrupt Practices Act and anti-bribery and anti-corruption regulations in other jurisdictions in which we operate could result in fines, criminal penalties, drilling contract terminations and an adverse effect on our business.

We currently operate, and historically have operated, our drilling units outside of the United States in a number of countries throughout the world, including some with developing economies. Also, the existence of state or government-owned shipbuilding enterprises puts us in contact with persons who may be considered "foreign officials" under the U.S. Foreign Corrupt Practices Act of 1977, or the FCPA. We are committed to doing business in accordance with applicable anti-corruption laws and have adopted a code of business conduct and ethics which is consistent and in full compliance with the FCPA. We are subject, however, to the risk that we, our affiliated entities or our or their respective officers, directors, employees and agents may take actions determined to be in violation of such anti-corruption laws, including the FCPA and anti-corruption and anti-bribery laws in other jurisdictions in which we operate such as Brazil and the U.K. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties, curtailment of operations in certain jurisdictions, and might adversely affect our business, results of operations or financial condition. In addition, actual or alleged violations could damage our reputation and ability to do business. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

Acts of terrorism and political and social unrest could affect the markets for drilling services, which may have a material adverse effect on our results of operations.

Acts of terrorism and political and social unrest, brought about by world political events or otherwise, have caused instability in the world's financial and insurance markets in the past and may occur in the future. Such acts could be directed against companies such as ours. In addition, acts of terrorism and social unrest could lead to increased volatility in prices for crude oil and natural gas and could affect the markets for drilling services and result in lower dayrates. Insurance premiums could increase and coverage may be unavailable in the future. U.S. government regulations may effectively preclude us from actively engaging in business activities in certain countries. These regulations could be amended to cover countries where we currently operate or where we may wish to operate in the future. Increased insurance costs or increased cost of compliance with applicable regulations may have a material adverse effect on our results of operations.

Military action, other armed conflicts, or terrorist attacks have caused significant increases in political and economic instability in geographic regions where we operate and where our newbuilding drilling units are being constructed.

Military tension involving North and South Korea, the Middle East, Africa and other attacks, threats of attacks, terrorism and unrest, have caused instability or uncertainty in the world's financial and commercial markets and have significantly increased political and economic instability in some of the geographic areas where we operate and where we have contracted with a major shipyard in Korea, to build our two newbuilding drilling units. Acts of terrorism and armed conflicts or threats of armed conflicts in these locations could limit or disrupt our operations, including disruptions resulting from the cancellation of contracts or the loss of personnel or assets. In addition, any possible reprisals as a consequence of ongoing military action in the Middle East, such as acts of terrorism in the United States or elsewhere, could materially and adversely affect us in ways we cannot predict at this time.

Acts of piracy have recently increased in frequency, which could adversely affect our business.

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean, off the coast of West Africa and in the Gulf of Aden off the coast of Somalia. Although the frequency of sea piracy worldwide decreased during 2012 to its lowest level since 2009, sea piracy incidents continue to occur, particularly in the Gulf of Aden off the coast of Somalia and increasingly in the Gulf of Guinea. If these piracy attacks result in regions in which our drilling units are deployed being characterized as "war risk" zones by insurers, or Joint War Committee "war and strikes" listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including due to employing onboard security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, any detention hijacking as a result of an act of piracy against our drilling units, or an increase in cost, or unavailability, of insurance for our vessels, could have a material adverse impact on our business, financial condition and results of operations.

The U.S. government recently imposed legislation concerning the deteriorating situation in Somalia, including acts of piracy offshore Somalia. On April 13, 2010, the President of the United States issued an Executive Order, which we refer to as the Order, prohibiting, among other things, the payment of monies to or for the benefit of individuals and entities on the list of Specially Designated Nationals, or SDNs, published by U.S. Department of the Treasury's Office of Foreign Assets Control. Certain individuals associated with piracy offshore Somalia are currently designated persons under the SDN list. The Order is applicable only to payments by U.S. persons and not by foreign entities, such as Ocean Rig UDW Inc. Notwithstanding this fact, it is possible that the Order, and the regulations promulgated thereunder, may affect foreign private issuers to the extent that such foreign private issuers provide monies, such as ransom payments to secure the release of crews and ships in the event of detention hijackings, to any SDN for which they seek reimbursement from a U.S. insurance carrier. While additional regulations relating to the Order may be promulgated by the U.S. government in the future, we cannot predict what effect these regulations may have on our operations.

Hurricanes may impact our ability to operate our drilling units in the Gulf of Mexico or other U.S. coastal waters, which could reduce our revenues and profitability.

Hurricanes Ivan, Katrina, Rita, Gustav and Ike caused damage to a number of drilling units unaffiliated with us in the U.S. Gulf of Mexico. Drilling units that moved off their locations during the hurricanes damaged platforms, pipelines, wellheads and other drilling units. BOEM and the BSEE, the U.S. organizations that issue a significant number of relevant guidelines for the drilling units' activities, had guidelines for tie-downs on drilling units and permanent equipment and facilities attached to outer continental shelf production platforms, and moored drilling unit fitness during hurricane season. These guidelines effectively imposed requirements on the offshore oil and natural gas industry in an attempt to increase the likelihood of survival of offshore drilling units during a hurricane. The guidelines also provided for enhanced information and data requirements from oil and natural gas companies that operate properties in the Gulf of Mexico region of the Outer Continental Shelf. BOEM and BSEE may issue similar guidelines for future hurricane seasons and may take other steps that could increase the cost of operations or reduce the area of operations for our ultra-deepwater drilling units, thereby reducing their marketability. Implementation of new guidelines or regulations that may apply to ultra-deepwater drilling units may subject us to increased costs and limit the operational capabilities of our drilling units. Our drilling units do not currently operate in the Gulf of Mexico or other U.S. coastal waters but may do so in the future.

Any failure to comply with the complex laws and regulations governing international trade could adversely affect our operations.

The shipment of goods, services and technology across international borders subjects us to extensive trade laws and regulations. Import activities are governed by unique customs laws and regulations in each of the countries of operation. Moreover, many countries, including the United States, control the export and re-export of certain goods, services and technology and impose related export recordkeeping and reporting obligations. Governments also may impose economic sanctions against certain countries, persons and other entities that may restrict or prohibit transactions involving such countries, persons and entities.

The laws and regulations concerning import activity, export recordkeeping and reporting, export control and economic sanctions are complex and constantly changing. These laws and regulations may be enacted, amended, enforced or interpreted in a manner materially impacting our operations. Shipments can be delayed and denied export or entry for a variety of reasons, some of which are outside our control and some of which may result from failure to comply with existing legal and regulatory regimes. Shipping delays or denials could cause unscheduled operational downtime. Any failure to comply with applicable legal and regulatory trading obligations also could result in criminal and civil penalties and sanctions, such as fines, imprisonment, debarment from government contracts, seizure of shipments and loss of import and export privileges.

New technologies may cause our current drilling methods to become obsolete, resulting in an adverse effect on our business.

The offshore contract drilling industry is subject to the introduction of new drilling techniques and services using new technologies, some of which may be subject to patent protection. As competitors and others use or develop new technologies, we may be placed at a competitive disadvantage and competitive pressures may force us to implement new technologies at substantial cost. In addition, competitors may have greater financial, technical and personnel resources that allow them to benefit from technological advantages and implement new technologies before we can. We may not be able to implement technologies on a timely basis or at a cost that is acceptable to us.

Risks Relating to Our Company

We have substantial indebtedness, and may incur substantial additional indebtedness, which could adversely affect our financial health.

As of December 31, 2016, on a consolidated basis, we had $3.9 billion in aggregate principal amount of indebtedness outstanding, including the repurchase of senior notes discussed below.

On February 13, 2015, our wholly owned subsidiary, Drillship Alonissos Shareholders Inc., entered into a secured term loan facility to partially finance the construction costs of the *Ocean Rig Apollo* and we drew down an amount of $462 million under this facility on March 3, 2015. On February 11, 2016, the client of the *Ocean Rig Apollo* sent to the Company a notice of termination for convenience of the client. Under the $462 million Senior Secured Credit Facility, the Company was required to find a new Satisfactory Drilling Contract (as defined in the loan agreement) by May 21, 2016. The Company did not secure a new drilling contract for the *Ocean Rig Apollo* and, therefore, the Company was required to make a mandatory prepayment of approximately $145.9 million on August 22, 2016. On August 31, 2016, the Company's wholly owned subsidiary, Drillship Alonissos Shareholders Inc., entered into an amendment to the term loan facility agreement in consideration for the lenders agreeing to, among other amendments, reduce the amount of the mandatory prepayment from $145.9 million to $125.0 million. Please refer to the discussion on Long- term debt as detailed in Note 9 of our audited consolidated financial statements.

During the years ended December 31, 2015 and 2016, two of our wholly owned subsidiaries have repurchased a principal amount of $369.0 million of the 7.25% Senior Unsecured Notes due in 2019 and $340.3 million of the 6.5% Senior Secured Notes due in 2017. Effective March 21, 2017, the Notes held by our wholly owned subsidiaries have been cancelled.

Our substantial indebtedness could have significant adverse consequences for an investment in us and on our business and future prospects, including the following:

- we may not be able to satisfy our financial obligations under our indebtedness and our contractual and commercial commitments, which may result in possible defaults on and acceleration of such indebtedness;
- we may not be able to obtain financing in the future for working capital, capital expenditures, acquisitions, debt service requirements or other purposes;
- we may not be able to use operating cash flow in other areas of our business because we must dedicate a substantial portion of these funds to service the debt;
- we could become more vulnerable to general adverse economic and industry conditions, including increases in interest rates, particularly given our substantial indebtedness, some of which bears interest at variable rates;
- our ability to refinance indebtedness may be limited or the associated costs may increase;
- less leveraged competitors could have a competitive advantage because they have lower debt service requirements and, as a result, we may not be better positioned to withstand economic downturns;
- we may be less able to take advantage of significant business opportunities and to react to changes in market or industry conditions than our competitors and our management's discretion in operating our business may be limited; and
- we may be unable to raise the funds necessary to repurchase our Senior Secured Notes due 2017, issued by Drill Rigs Holdings Inc., our wholly-owned subsidiary, or Drill Rigs Holdings, if there is a change of control or event of loss or in connection with an asset sale offer, which would constitute a default under the indenture governing the Senior Secured Notes.

Each of these factors may have a material and adverse effect on our financial condition and viability. Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating income is not sufficient to service our current or future indebtedness, we will be forced to take actions such as reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt or seeking additional equity capital. Any or all of these actions may be insufficient to allow us to service our debt obligations. Further, we may not be able to effect any of these remedies on satisfactory terms, or at all.

The uncertainty associated with our ability to meet our obligations as they become due raises substantial doubt about our ability to continue as a going concern. This annual report on Form 20-F discloses, and the report of the Company's independent registered public accounting firm that accompanies our audited consolidated financial statements in this annual report contains, an explanatory paragraph regarding the substantial doubt about the Company's ability to continue as a going concern. See Note 3 to the Company's consolidated financial statements in this annual report. As a result, we have been exploring and considering various strategic alternatives with our financial and legal advisors and key stakeholders, which we expect will result in a restructuring of our debt. We expect that any comprehensive deleveraging plan will result in significant dilution to current shareholders and potential losses for other financial stakeholders. We expect the implementation of any restructuring of our debt to involve schemes of arrangement in the Cayman Islands, a filing under the U.S. Bankruptcy Code or other available options.

Recently we announced that we are considering various strategic alternatives which we expect will result in a restructuring of the Company's debt and that we expect that any comprehensive deleveraging plan is likely to result in significant dilution to current shareholders and potential losses for our other financial stakeholders.

As previously announced, as a result of the impact on the Company's financial position from the sustained weakness in industry conditions and the substantial amount of long-term debt outstanding, the Company has engaged financial and legal advisors to assist with the evaluation of various strategic alternatives to address our liquidity and capital structure, including a review of strategic and refinancing alternatives. The options under consideration include, but are not be limited to, seeking a restructuring, amendment or refinancing of existing debt through a private restructuring or reorganization under schemes of arrangement in the Cayman Islands, a filing under the U.S. Bankruptcy Code or other available options.

Obtaining a court approved restructuring or seeking bankruptcy court protection could have a material adverse effect on our business prospects, financial condition, liquidity, and results of operations. So long as schemes of arrangement or court process related to U.S. bankruptcy proceeding continues, our senior management would be required to spend a significant amount of time and effort dealing with the reorganization instead of focusing exclusively on our business operations. These types of proceedings also might make it more difficult to retain management and other key personnel necessary to the success and growth of our business. In addition, the longer such a process continues, the more likely it is that our customers and suppliers would lose confidence in our ability to reorganize our business successfully and would seek to establish alternative commercial relationships. Our ability to implement our business strategy will be subject to the final terms of any restructuring plan.

We expect that any comprehensive deleveraging plan will result in significant dilution to current shareholders and potential losses for other financial stakeholders. However, there is no guarantee that a successful restructuring will be concluded. We have a significant amount of indebtedness that is senior to our existing common shares in our capital structure, and we believe that seeking bankruptcy court protection under schemes of arrangement in the Cayman Islands, a filing under the U.S. Bankruptcy Code or other available options could place our common shareholders at significant risk of losing all of their interests in the Company.

The international nature of our operations may make the outcome of any bankruptcy proceedings difficult to predict.

We are domiciled in the Cayman Islands and all but four of our subsidiaries are incorporated in the Republic of the Marshall Islands and certain other countries other than the United States. Practically all of our assets and those of our subsidiaries are located outside the United States, and we conduct operations in countries around the world. Consequently, in the event of any bankruptcy, insolvency or similar proceedings involving us or one of our subsidiaries, bankruptcy laws other than those of the United States could apply. We have limited operations in the United States. If we become a debtor under the United States bankruptcy laws, bankruptcy courts in the United States may seek to assert jurisdiction over all of our assets, wherever located, including property situated in other countries. There can be no assurance, however, that we would become a debtor in the United States or that a United States bankruptcy court would be entitled to, or accept, jurisdiction over such bankruptcy case or that courts in other countries that have jurisdiction over us and our operations would recognize a United States bankruptcy court's jurisdiction if any other bankruptcy court would determine it had jurisdiction.

We may incur additional debt, which could exacerbate the risks associated with our substantial leverage.

Even with our existing level of debt, we and our subsidiaries may incur additional indebtedness in the future. In March 2015 we drew down an amount of $462.0 million under the previous agreed facility in connection with the delivery of *Ocean Rig Apollo* and we may incur additional indebtedness in order to fund the estimated remaining contractual obligations for the construction of the remaining two unfinanced seventh generation drilling units, excluding financing costs, of $0.9 billion as of the day of this annual report. Although the terms of our existing debt agreements, and any future debt agreements we enter into, will limit our ability to incur additional debt, these terms may not prohibit us from incurring substantial amounts of additional debt for specific purposes or under certain circumstances. If new debt is added to our and our subsidiaries' current debt levels, the related risks that we and they now face could intensify and could further exacerbate the risks associated with our substantial leverage.

The agreements and instruments governing our indebtedness contain restrictions and limitations that could significantly impact our ability to operate our business.

Our secured credit facilities, the indentures governing the Senior Secured Notes and Senior Unsecured Notes impose, and future financial obligations may impose, certain operating and financial restrictions on us. These restrictions may prohibit or otherwise limit our ability to, among other things:

- enter into other financing arrangements;
- incur or guarantee additional indebtedness;
- create or permit liens on our assets;
- consummate a merger, consolidation or sale of our drilling units or the shares of our subsidiaries;
- make investments;
- change the general nature of our business;
- pay dividends, redeem capital stock or subordinated indebtedness or make other restricted payments;
- incur dividend or other payment restrictions affecting our restricted subsidiaries under the indenture governing our Senior Secured Notes;
- change the management and/or ownership of our drilling units;
- enter into transactions with affiliates;
- transfer or sell assets;
- amend, modify or change our organizational documents;
- make capital expenditures; and
- compete effectively to the extent our competitors are subject to less onerous restrictions.

In addition, certain of our existing secured credit facilities require us to maintain specified financial ratios and satisfy various financial covenants, including covenants related to the market value of our drilling units, capital expenditures and maintenance of a minimum amount of total available cash. Any future credit agreement or amendment or debt instrument we enter into may contain similar or more restrictive covenants. Events beyond our control, including changes in the economic and business conditions in the deepwater offshore drilling market in which we operate, may affect our ability to comply with these ratios and covenants. Our ability to maintain compliance will also depend substantially on the value of our assets, our dayrates, our ability to obtain drilling contracts, our success at keeping our costs low and our ability to successfully implement our overall business strategy. We cannot guarantee that we would be able to obtain our lenders' waiver or consent with respect to any noncompliance with the specified financial ratios and financial covenants under our various credit facilities or future financial obligations or that we would be able to refinance any such indebtedness in the event of default.

These restrictions, ratios and financial covenants in our debt agreements could limit our ability to fund our operations or capital needs, make acquisitions or pursue available business opportunities, which in turn may adversely affect our financial condition. A violation of any of these provisions could result in a default under our existing and future debt agreements which could allow all amounts outstanding thereunder to be declared immediately due and payable. An acceleration thereunder would likely in turn trigger cross-acceleration and cross-default rights under the terms of our indebtedness outstanding at such time. If the amounts outstanding under our indebtedness were to be accelerated or were the subject of foreclosure actions, we cannot assure you that our assets would be sufficient to repay in full the money owed to the lenders or to our other debt holders. Furthermore, if our assets are foreclosed upon, we will not have any income-producing assets left, and as such, we may not be able to generate any cash flow in the future. We have been exploring and considering various strategic alternatives with our financial and legal advisors and key stakeholders, which we expect will result in a restructuring of our debt. In the event we seek protection under insolvency under jurisdictions other than the United States, including the Cayman Islands, or file for bankruptcy protection under the U.S. Bankruptcy Code (or any of our creditors forces us into bankruptcy), the value of our securities may be reduced to zero, our existing shareholders may not receive any distributions or assets in any liquidation and/or existing shareholders may be subject to significant dilution.

We may not be able to generate sufficient cash flow to meet our debt service and other obligations due to events beyond our control.

Our ability to make scheduled payments on our outstanding indebtedness will depend on our ability to generate cash from operations in the future. Our future financial and operating performance will be affected by a range of economic, financial, competitive, regulatory, business and other factors that we cannot control, such as general economic and financial conditions in the offshore drilling industry or the economy generally. In particular, our ability to generate steady cash flow will depend on our ability to secure drilling contracts at acceptable rates. Assuming no exercise of any options to extend the terms of our existing drilling contracts, the contracts of our five operating drilling units expire between the third quarter of 2017 and the third quarter of 2021. We cannot guarantee that we will be able to secure employment for the *Ocean Rig Olympia,* the *Eirik Raude,* the *Ocean Rig Mylos* and the *Ocean Rig Apollo,* the *Ocean Rig Athena* and *the Ocean Rig Paros* our uncontracted operating drilling units. We also cannot guarantee that we will be able to secure employment for the *Ocean Rig Santorini* and the *Ocean Rig Crete* which were previously scheduled for delivery in 2017 and 2018, respectively, but have been postponed to June 2018 and January 2019, respectively.

Furthermore, our financial and operating performance, and our ability to service our indebtedness, is also dependent on our subsidiaries' ability to make distributions to us, whether in the form of dividends, loans or otherwise. The timing and amount of such distributions will depend on our earnings, financial condition, cash requirements and availability, fleet renewal and expansion, restrictions in our various debt agreements, the provisions of the laws of various jurisdictions in which our subsidiaries operate which affect the payment of dividends and other factors.

If our operating cash flows are insufficient to service our debt and to fund our other liquidity needs, we may be forced to take actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness, seeking additional capital, or any combination of the foregoing. We cannot assure you that any of these actions could be effected on satisfactory terms, if at all, or that they would yield sufficient funds to make required payments on our outstanding indebtedness and to fund our other liquidity needs. Also, the terms of existing or future debt agreements may restrict us from pursuing any of these actions. Furthermore, reducing or delaying capital expenditures or selling assets could impair future cash flows and our ability to service our debt in the future.

If for any reason we are unable to meet our debt service and repayment obligations, we would be in default under the terms of the agreements governing such indebtedness, which would allow creditors at that time to declare all such indebtedness then outstanding to be due and payable. This would likely in turn trigger cross-acceleration or cross-default rights among our other debt agreements. Under these circumstances, lenders could compel us to apply all of our available cash to repay borrowings or they could prevent us from making payments on the notes. If the amounts outstanding under our existing and future debt agreements were to be accelerated, or were the subject of foreclosure actions, we cannot assure you that our assets would be sufficient to repay in full the money owed to the lenders or to our other debt holders. Furthermore, if our assets are foreclosed upon, we will not have any income-producing assets left, and as such, we may not be able to generate any cash flow in the future. We have been exploring and considering various strategic alternatives with our financial and legal advisors and key stakeholders, which we expect will result in a restructuring of our debt. In the event we seek protection under insolvency under jurisdictions other than the United States, including the Cayman Islands, or file for bankruptcy protection (or any of our creditors forces us into bankruptcy), the value of our securities may be reduced to zero, our existing shareholders may not receive any distributions or assets in liquidation and/or existing shareholders may be subject to significant dilution.

We will need to procure significant additional financing, which may be difficult to obtain on acceptable terms or at all, in order to complete the construction of our seventh generation drilling units.

We have entered into contracts with a major shipyard in Korea, for the construction of three seventh generation drilling units. The estimated total project cost for our three seventh generation drilling units, excluding financing costs, was approximately $2.2 billion, of which an aggregate of approximately $0.9 billion was outstanding as of December 31, 2016. On August 11, 2016, we entered into agreements with the shipyard to amend certain terms relating to contracts for the construction of the three seventh generation drilling units (the *Ocean Rig Santorini*, the *Ocean Rig Crete* and the *Ocean Rig Amorgos*) which were previously scheduled for delivery in 2017, 2018 and 2019, respectively. As part of the agreements, the delivery of the *Ocean Rig Santorini* and the *Ocean Rig Crete* were postponed to June 2018 and January 2019, respectively, certain installments were rescheduled and the total construction costs were increased to $694.8 million and $709.6 million, respectively. With respect to the *Ocean Rig* Amorgos, we agreed to suspend its construction with an option, subject to our option, to bring it back into force within a period of 18 months after the date of the addendum. We expect to finance the remaining delivery payments of these seventh generation drilling units with cash on hand, operating cash flow, equity financing and additional bank debt. In the event of a default, we may also incur additional costs and liability to the shipyards, which may pursue claims against us for damages under our newbuilding construction contracts and retain and sell our seventh generation drilling units to third parties.

We may be unable to secure ongoing drilling contracts, including for the Ocean Rig Olympia, the Eirik Raude, the Ocean Rig Apollo, the Ocean Rig Mylos, the Ocean Rig Paros and the Ocean Rig Athena our uncontracted drilling units, the Ocean Rig Santorini and the Ocean Rig Crete which were postponed to June 2018 and January 2019, respectively, and for the Ocean Rig Amorgos, which we agreed to suspend its construction, due to strong competition, and the contracts that we enter into may not provide sufficient cash flow to meet our debt service obligations with respect to our indebtedness.

Assuming no exercise of any options to extend the terms of our existing drilling contracts, the contracts of our five operating drilling units expire between the third quarter of 2017 and the third quarter of 2021.

Our ability to renew our existing drilling contracts or obtain new drilling contracts for our drilling units, including the six uncontracted stacked drilling units and the seventh generation drilling units under construction for which we have not yet secured employment will depend on prevailing market conditions. We cannot guarantee we will be able to enter into new drilling contracts upon the expiration or termination of the contracts we have in place or at all or that there will not be a gap in employment between our current drilling contracts and subsequent contracts. In particular, if the price of crude oil is low, or it is expected that the price of crude oil will decrease in the future, at a time when we are seeking to arrange employment contracts for our drilling units, we may not be able to obtain employment contracts at attractive rates or at all.

If the rates we receive for the reemployment of our drilling units upon the expiration or termination of our existing drilling contracts are lower than the rates under our existing contracts, we will recognize less revenue from the operations of our drilling units. In addition, delays under existing drilling contracts could cause us to lose future contracts if a drilling unit is not available to start work at the agreed date. Our ability to meet our cash flow obligations will depend on our ability to consistently secure drilling contracts for our drilling units at sufficiently high dayrates. We cannot predict the future level of demand for our services or future conditions in the oil and gas industry. If the oil and gas companies do not continue to increase exploration, development and production expenditures, we may have difficulty securing drilling contracts, including for the seventh generation drilling units under construction, or we may be forced to enter into drilling contracts at unattractive dayrates. Either of these events could impair our ability to generate sufficient cash flow to make principal and interest payments under our indebtedness and meet our capital expenditure and other obligations.

Construction of drilling units is subject to risks, including delays and cost overruns, which could have an adverse impact on our available cash resources and results of operations.

We have entered into contracts with a major shipyard in Korea, for the construction of three seventh generation drilling units, which were previously scheduled for delivery in 2017, 2018 and 2019, respectively. As part of renegotiations, the delivery of the *Ocean Rig Santorini* and the *Ocean Rig Crete* were postponed to June 2018 and January 2019, respectively, certain installments were rescheduled and the total construction costs were increased to $694.8 million and $709.6 million, respectively. With respect to the *Ocean Rig Amorgos*, we agreed to suspend its construction with an option, subject to our option, to bring it back into force within a period of 18 months after the date of the addendum. From time to time in the future, we may undertake additional new construction projects and conversion projects. In addition, we may make significant upgrade, refurbishment, conversion and repair expenditures for our fleet from time to time, particularly as our drilling units become older. Some of these expenditures are unplanned. These projects together with our existing construction projects and other efforts of this type are subject to risks of cost overruns or delays inherent in any large construction project as a result of numerous factors, including the following:

- shipyard unavailability;
- shortages of equipment, materials or skilled labor for completion of repairs or upgrades to our equipment;

- unscheduled delays in the delivery of ordered materials and equipment or shipyard construction;
- financial or operating difficulties experienced by equipment vendors or the shipyard;
- unanticipated actual or purported change orders;
- local customs strikes or related work slowdowns that could delay importation of equipment or materials;
- engineering problems, including those relating to the commissioning of newly designed equipment;
- design or engineering changes;
- latent damages or deterioration to the hull, equipment and machinery in excess of engineering estimates and assumptions;
- work stoppages;
- client acceptance delays;
- weather interference, storm damage or other events of force majeure;
- disputes with shipyards and suppliers;
- shipyard failures and difficulties;
- failure or delay of third-party equipment vendors or service providers;
- unanticipated cost increases; and
- difficulty in obtaining necessary permits or approvals or in meeting permit or approval conditions.

These factors may contribute to cost variations and delays in the delivery of our ultra-deepwater newbuilding drilling units. Delays in the delivery of these newbuilding drilling units or the inability to complete construction in accordance with their design specifications may, in some circumstances, result in a delay in drilling contract commencement, resulting in a loss of revenue to us, and may also cause customers to renegotiate, terminate or shorten the term of a drilling contract for the drilling unit pursuant to applicable late delivery clauses. In the event of termination of one of these contracts, we may not be able to secure a replacement contract on as favorable terms or at all. Additionally, capital expenditures for drilling unit upgrades, refurbishment and construction projects could materially exceed our planned capital expenditures. Moreover, our drilling units that may undergo upgrade, refurbishment and repair may not earn a dayrate during the periods they are out of service. In addition, in the event of a shipyard failure or other difficulty, we may be unable to enforce certain provisions under our newbuilding contracts such as our refund guarantee, to recover amounts paid as installments under such contracts. The occurrence of any of these events may have a material adverse effect on our results of operations, financial condition or cash flows. In the event of a default, we may also incur additional costs and liability to the shipyards, which may pursue claims against us for damages under our newbuilding construction contracts and retain and sell our seventh generation drilling units to third parties.

As our current operating fleet is comprised of 11 drilling units of which five drilling units are currently operative, we rely heavily on a small number of customers and the loss of a significant customer could have a material adverse impact on our financial results.

As of December 31, 2016, we had four customers for our current total fleet of 11 drilling units. We are subject to the usual risks associated with having a limited number of customers for our services. Our three largest customers represented 31%, 20% and 18% of our revenues during the fiscal year ended December 31, 2016, respectively, and these three customers represented, 69% of our revenues during the year ended December 31 2016. If our customers terminate, suspend or seek to renegotiate the drilling contracts for drilling units, as they are entitled to do under various circumstances, or cease doing business, our results of operations and cash flows could be adversely affected. We expect that a limited number of customers will continue to generate a substantial portion of our revenues for the foreseeable future.

Currently, our revenues depend on 11 drilling units, which are designed to operate in harsh environments. The damage or loss of any of our drilling units could have a material adverse effect on our results of operations and financial condition.

Our revenues are dependent on the *Leiv Eiriksson*, which is operating offshore Norway, our drilling units, the *Ocean Rig Corcovado* and the *Ocean Rig Mykonos*, which are operating offshore Brazil, the *Ocean Rig Poseidon* and the *Ocean Rig Skyros* which are operating offshore Angola, while the *Eirik Raude,* the *Ocean Rig Olympia,* the *Ocean Rig Mylos,* the *Ocean Rig Athena,* the *Ocean Rig Paros* and the *Ocean Rig Apollo* are currently uncontracted.

Our drilling units may be exposed to risks inherent in deepwater drilling and operating in harsh environments that may cause damage or loss. The drilling of oil and gas wells, particularly exploratory wells where little is known of the subsurface formations involves risks, such as extreme pressure and temperature, blowouts, reservoir damage, loss of production, loss of well control, lost or stuck drill strings, equipment defects, punch throughs, craterings, fires, explosions, pollution and natural disasters such as hurricanes and tropical storms.

In addition, offshore drilling operations are subject to perils peculiar to marine operations, either while on-site or during mobilization, including capsizing, sinking, grounding, collision, marine life infestations, and loss or damage from severe weather. The replacement or repair of a drilling unit could take a significant amount of time, and we may not have any right to compensation for lost revenues during that time. As long as we have only five drilling units in operation, loss of or serious damage to one of the drilling units could materially reduce our revenues for the time that drilling unit is out of operation. In view of the sophisticated design of the drilling units, we may be unable to obtain a replacement unit that could perform under the conditions that our drilling units are expected to operate, which could have a material adverse effect on our results of operations and financial condition.

Our future contracted revenue for our fleet of drilling units may not be ultimately realized.

As of March 17, 2017, the future contracted revenue for our fleet of operating drilling units, or our contract backlog, was approximately $1.5 billion under firm commitments. We may not be able to perform under our drilling contracts due to events beyond our control, and our customers may seek to cancel or renegotiate our drilling contracts for various reasons, including adverse conditions, resulting in lower daily rates. For example, during the year ended December 31, 2016 and up to the date of this report, five of our customers have terminated five of our drilling contracts. Our inability or the inability of our customers, to perform under the respective contractual obligations may have a material adverse effect on our financial position, results of operations and cash flows.

We are subject to certain risks with respect to our counterparties, including under our drilling contracts, and failure of these counterparties to meet their obligations could cause us to suffer losses or otherwise adversely affect our business.

We enter into drilling services contracts with our customers, newbuilding contracts with shipyards, interest rate swap agreements and forward exchange contracts, and have employed and may employ our drilling units and newbuild drilling units on fixed-term and well contracts. Our drilling contracts, newbuilding contracts, and hedging agreements subject us to counterparty risks. The ability of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the offshore contract drilling industry, the overall financial condition of the counterparty, the dayrates received for specific types of drilling units and various expenses. In addition, in depressed market conditions, our customers may no longer need a drilling unit that is currently under contract or may be able to obtain a comparable drilling unit at a lower dayrate. As a result, customers may seek to renegotiate the terms of their existing drilling contracts or avoid their obligations under those contracts. Should a counterparty fail to honor its obligations under an agreement with us, we could sustain significant losses, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Most of our offshore drilling contracts may be terminated early due to certain events.

Under most of our current drilling contracts, our customers have the right to terminate the drilling contract upon the payment of an early termination or cancellation fee. However, such payments may not fully compensate us for the loss of the contract.

In addition, our drilling contracts permit our customers to terminate the contracts early without the payment of any termination fees under certain circumstances, including as a result of major non-performance, longer periods of downtime or impaired performance caused by equipment or operational issues, or sustained periods of downtime due to piracy or force majeure events beyond our control. In addition, during periods of challenging market conditions, our customers may no longer need a drilling unit that is currently under contract or may be able to obtain a comparable drilling unit at a lower dayrate. As a result, we may be subject to an increased risk of our clients seeking to renegotiate the terms of their existing contracts or repudiate their contracts, including through claims of non-performance. Our customers' ability to perform their obligations under their drilling contracts with us may also be negatively impacted by the prevailing uncertainty surrounding the development of the world economy and the credit markets. If our customers cancel some of our contracts, and we are unable to secure new contracts on a timely basis and on substantially similar terms, or if contracts are suspended for an extended period of time or if a number of our contracts are renegotiated, it could adversely affect our consolidated statement of financial position, results of operations or cash flows.

If our drilling units fail to maintain their class certification or fail any annual survey or special survey, that drilling unit would be unable to operate, thereby reducing our revenues and profitability and violating certain covenants under certain of our debt agreements.

Every drilling unit must be "classed" by a classification society. The classification society certifies that the drilling unit is "in-class," signifying that such drilling unit has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the drilling unit's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned. Three of our drilling units are certified as being "in class" by Det Norske Veritas, one of our drillings units is certified as being "in class" by Bureau Veritas while the remaining six are certified as being "in class" by American Bureau of Shipping. The *Leiv Eiriksson* was credited with completing its last Special Periodical Survey in June 2016 and the *Eirik Raude* completed the same in December 2012, while their next Special Periodical Survey is scheduled for 2021 and 2017, respectively. However, due to the fact that the *Eirik Raude* is stacked, class layup has been applied and therefore it will be done as part of its reactivation. Two of our sixth-generation operating drilling units are due for their second Special Periodical Surveys in 2021 while the third drilling unit is due in 2017. Our one operating seventh generation drilling unit is due for its' first Special Periodical Survey in 2018. The stacked drilling units are due for their next Special Periodical Surveys in 2018, 2019, 2020, however, they are class laid up and therefore will be done as part of their reactivation. If any drilling unit does not maintain its class and/or fails any annual survey or special survey, the drilling unit will be unable to carry on operations and will be unemployable and uninsurable, which could cause us to be in violation of certain covenants in certain of our debt agreements. Any such inability to carry on operations or be employed, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations.

Our drilling units, including our seventh generation drilling units under construction following their delivery to us, may suffer damage and we may face unexpected yard costs, which could adversely affect our cash flow and financial condition.

If our drilling units, including our seventh generation drilling units under construction following their delivery to us, suffer damage, they may need to be repaired at a yard. The costs of yard repairs are unpredictable and can be substantial. The loss of earnings while our drilling units are being repaired and repositioned, as well as the actual cost of these repairs, would decrease our earnings. We may not have insurance that is sufficient to cover all or any of these costs or losses and may have to pay dry docking costs not covered by our insurance.

We may not be able to maintain or replace our drilling units as they age.

The capital associated with the repair and maintenance of our fleet increases with age. We may not be able to maintain our existing drilling units to compete effectively in the market, and our financial resources may not be sufficient to enable us to make expenditures necessary for these purposes or to acquire or build replacement drilling units.

We may have difficulty managing our planned growth properly.

We intend to continue to grow our fleet. Our future growth will primarily depend on our ability to:

- locate and acquire suitable drilling units;
- identify and consummate acquisitions or joint ventures;
- enhance our customer base;
- locate and retain suitable personnel for our fleet;
- manage our expansion; and
- obtain required financing on acceptable terms.

Growing any business by acquisition presents numerous risks, such as undisclosed liabilities and obligations, the possibility that indemnification agreements will be unenforceable or insufficient to cover potential losses and difficulties associated with imposing common standards, controls, procedures and policies, obtaining additional qualified personnel, managing relationships with customers and integrating newly acquired assets and operations into existing infrastructure. We may experience operational challenges as we begin operating our new drilling units which may result in low earnings efficiency and/or reduced dayrates compared to maximum dayrates. We may be unable to successfully execute our growth plans or we may incur significant expenses and losses in connection with our future growth which would have an adverse impact on our financial condition and results of operations.

The market value of our current drilling units, and any drilling units we may acquire in the future, including our seventh generation drilling units under construction upon their delivery to us, may decrease, which could cause us to incur losses if we decide to sell them following a decline in their values or accounting charges that may affect our ability to comply with certain covenants in our secured credit facilities.

If the offshore contract drilling industry suffers further adverse developments in the future, the fair market value of our drilling units may further decline. The fair market value of the drilling units we currently own or may acquire in the future may increase or decrease depending on a number of factors, including:

- prevailing level of drilling services contract dayrates;
- general economic and market conditions affecting the offshore contract drilling industry, including competition from other offshore contract drilling companies;
- types, sizes and ages of drilling units;
- supply and demand for drilling units;
- costs of newbuildings;
- governmental or other regulations; and
- technological advances.

In the future, if the market values of our drilling units deteriorate significantly, we may be required to record an impairment charge in our financial statements, which could adversely affect our results of operations. If we sell any drilling unit when drilling unit prices have fallen and before we have recorded an impairment adjustment to our financial statements, the sale may be at less than the drilling unit's carrying amount on our financial statements, resulting in a loss. Additionally, any such deterioration in the market values of our drilling units could trigger a breach of certain financial covenants under our secured credit facilities and our lenders may accelerate loan repayments. Such a charge, loss or repayment could materially and adversely affect our business prospects, financial condition, liquidity, and results of operations. As a result of the impairment review for the year ended December 31, 2016, it was determined that the carrying amount of eight of our drilling units was not recoverable and, therefore, an impairment loss of $3,658.8 million was recognized, the impairment of the total advances and related costs provided to the yard, amounting to $92.4 million for the *Ocean Rig Amorgos*, and impairment of $25.2 million relating to the cashflow hedges for interest capitalized on vessels impaired included in "Impairment loss" in the accompanying consolidated statement of operations of our financial statements.

Because we generate most of our revenues in U.S. Dollars, but incur a significant portion of our employee salary and administrative and other expenses in other currencies, exchange rate fluctuations could have an adverse impact on our results of operations.

Our principal currency for our operations and financing is the U.S. Dollar. A substantial portion of the operating dayrates for the drilling units, our principal source of revenues, are quoted and received in U.S. Dollars; however, a portion of our revenue under our contracts is receivable in Brazilian Real and Angolan Kwanza. The principal currency for operating expenses is also the U.S. Dollar; however, a significant portion of employee salaries and administration expenses, as well as parts of the consumables and repair and maintenance expenses for the drilling units, may be paid in Norwegian Kroner (NOK), Great British Pounds (GBP), Canadian dollars (CAD), Euros (EUR) or other currencies depending in part on the location of our drilling operations. For the year ended December 31, 2016, approximately 57% of our expenses were incurred in currencies other than the U.S. Dollars. This exposure to foreign currency could lead to fluctuations in net income and net revenue due to changes in the value of the U.S. Dollar relative to the other currencies. Revenues paid in foreign currencies against which the U.S. Dollar rises in value can decrease, resulting in lower U.S. Dollar denominated revenues. Expenses incurred in foreign currencies against which the U.S. Dollar falls in value can increase, resulting in higher U.S. Dollar denominated expenses. We have employed derivative instruments in order to economically hedge our currency exposure; however, we may not be successful in hedging our future currency exposure and our U.S. Dollar denominated results of operations could be materially and adversely affected upon exchange rate fluctuations determined by events outside of our control.

We are dependent upon key management personnel.

Our operations depend to a significant extent upon the abilities and efforts of our key management personnel. The loss of our key management personnel's service to us could adversely affect our efforts to obtain employment for our drilling units and discussions with our lenders and, therefore, could adversely affect our business prospects, financial condition and results of operations. We do not currently, nor do we intend to, maintain "key man" life insurance on any of our personnel.

Failure to attract or retain key personnel, labor disruptions or an increase in labor costs could adversely affect our operations.

We require highly skilled personnel to operate and provide technical services and support for our business in the offshore drilling sector worldwide. As of December 31, 2016, we employed 1,367 employees, the majority of whom are full-time crew employed on our drilling units. Under certain of our employment contracts, we are required to have a minimum number of local crew members on our drilling units. We will need to recruit additional qualified personnel as we take delivery on our newbuilding drilling units. Competition for the labor required for drilling operations has intensified as the number of drilling units activated, added to worldwide fleets or under construction has increased, leading to shortages of qualified personnel in the industry and creating upward pressure on wages and higher turnover. If turnover increases, we could see a reduction in the experience level of our personnel, which could lead to higher downtime, more operating incidents and personal injury and other claims, which in turn could decrease revenues and increase costs. In response to these labor market conditions, we are increasing efforts in our recruitment, training, development and retention programs as required to meet our anticipated personnel needs. If these labor trends continue, we may experience further increases in costs or limits on our offshore drilling operations.

Currently, our employees in Brazil and Norway are covered by collective bargaining agreements. In the future, some of our employees or contracted labor may be covered by collective bargaining agreements in certain jurisdictions. As part of the legal obligations in some of these agreements, we may be required to contribute certain amounts to retirement funds and pension plans and have restricted ability to dismiss employees. In addition, many of these represented individuals could be working under agreements that are subject to salary negotiation. These negotiations could result in higher personnel costs, other increased costs or increased operating restrictions that could adversely affect our financial performance. Labor disruptions could hinder our operations from being carried out normally and if not resolved in a timely cost-effective manner, could have a material impact our business. If we choose to cease operations in one of those countries or if market conditions reduce the demand for our drilling services in such a country, we would incur costs, which may be material, associated with workforce reductions.

Our operating and maintenance costs with respect to our offshore drilling units will not necessarily fluctuate in proportion to changes in operating revenues, which may have a material adverse effect on our results of operations, financial condition and cash flows.

Operating revenues may fluctuate as a function of changes in supply of offshore drilling units and demand for contract drilling services, which, in turn, affect dayrates and the utilization and performance of our drilling units. However, costs for operating drilling units are generally fixed regardless of the dayrate being earned. Therefore, our operating and maintenance costs with respect to our offshore drilling units will not necessarily fluctuate in proportion to changes in operating revenues. In addition, should our drilling units incur idle time between contracts, we typically will not de-man those drilling units but rather use the crew to prepare the units for its next contract. During times of reduced activity, reductions in costs may not be immediate, as portions of the crew may be required to prepare drilling units for stacking, after which time the crew members are assigned to active drilling units or dismissed. In addition, as our drilling units are mobilized from one geographic location to another, labor and other operating and maintenance costs can vary significantly. In general, labor costs increase primarily due to higher salary levels and inflation. Equipment maintenance expenses fluctuate depending upon the type of activity the unit is performing and the age and condition of the equipment. Contract preparation expenses vary based on the scope and length of contract preparation required and the duration of the firm contractual period over which such expenditures are incurred. If we experience increased operating costs without a corresponding increase in earnings, this may have a material adverse effect on our results of operations, financial condition and cash flows.

In the event the major shipyard in Korea does not perform under its agreements with us and we are unable to enforce certain refund guarantees, we may lose all or part of our investment, which would have a material adverse effect on our results of operations, financial condition and cash flows. Similarly failure by us to honor our commitments under these shipbuilding contracts would result in events of default and affect our results of operations, financial condition and cash flows.

As of March 17, 2017, we had paid an aggregate of $542.9 million to the major shipyard in Korea in connection with three of our seventh generation drilling units (the *Ocean Rig Santorini*, the *Ocean Rig Crete* and the *Ocean Rig Amorgos*) which were previously scheduled for delivery in 2017, 2018 and 2019, respectively. As part of renegotiations, the delivery of two of the drilling units were postponed to June 2018 and January 2019, respectively, and one we agreed to suspend its construction with an option, subject to our option, to bring it back into force within a period of 18 months after the date of the addendum. The estimated remaining total construction payments for two newbuilding drilling units, excluding financing costs, amounted to approximately $0.9 billion in aggregate as of December 31, 2016.

In the event the major shipyard in Korea does not perform under its agreements with us and we are unable to enforce certain refund guarantees with third party bankers due to an outbreak of war, bankruptcy or otherwise, we may lose all or part of our investment, which would have a material adverse effect on our results of operations, financial condition and cash flows. Similarly failure by us to honor our commitments under these shipbuilding contracts would result in events of default and would require us to certain default payments plus interest, including charges and expenses incurred by the shipyard as a direct consequence of the default. Upon default, the shipyard would be entitled to retain installments already paid by us, the cost of supplies already delivered to the shipyard and other claims for damages. As such, events of default under the shipbuilding contracts for our newbuildings would adversely affect our results of operations, financial condition and cash flows.

The derivative contracts we have entered into to hedge our exposure to fluctuations in interest rates could result in higher than market interest rates and charges against our income.

We recognize fluctuations in the fair value of interest rate swap and cap floor agreements in our statement of operations. In addition, our financial condition could be materially adversely affected to the extent we do not hedge our exposure to interest rate fluctuations under our financing arrangements, under which loans have been advanced at a floating rate based on LIBOR and for which we have not entered into an interest rate swap or other hedging arrangement. Any hedging activities we engage in may not effectively manage our interest rate exposure or have the desired impact on our financial conditions or results of operations. As of December 31, 2016, we had no interest rate swap and cap and floor agreements. Please refer to the discussion on financial instruments and fair value measurements of our audited consolidated financial statements.

An increase in interest rates would increase the cost of servicing our indebtedness and could reduce our profitability.

Our debt under certain of our senior secured credit facilities bears interest at variable rates. We may also incur indebtedness in the future with variable interest rates. As a result, an increase in market interest rates would increase the cost of servicing our indebtedness and could materially reduce our profitability and cash flows. The impact of such an increase would be more significant for us than it would be for some other companies because of our substantial indebtedness.

A cyber-attack could materially disrupt our business.

We rely on information technology systems and networks in our operations and administration of our business. Our business operations could be targeted by individuals or groups seeking to sabotage or disrupt our information technology systems and networks, or to steal data. A successful cyber-attack could materially disrupt our operations, including the safety of our operations, or lead to unauthorized release of information or alteration of information in our systems. Any such attack or other breach of our information technology systems could have a material adverse effect on our business and results of operations.

A change in tax laws, treaties or regulations, or their interpretation, of any country in which we operate could result in a higher tax rate on our worldwide earnings, which could result in a significant negative impact on our earnings and cash flows from operations.

We conduct our worldwide drilling operations through various subsidiaries. Tax laws and regulations are highly complex and subject to interpretation. Consequently, we are subject to changing tax laws, treaties and regulations in and between countries in which we operate. Our income tax expense is based upon our interpretation of tax laws in effect in various countries at the time that the expense was incurred. A change in these tax laws, treaties or regulations, or in the interpretation thereof, or in the valuation of our deferred tax assets, could result in a materially higher tax expense or a higher effective tax rate on our worldwide earnings, and such change could be significant to our financial results. If any tax authority successfully challenges our operational structure, inter-company pricing policies or the taxable presence of our operating subsidiaries in certain countries; or if the terms of certain income tax treaties are interpreted in a manner that is adverse to our structure; or if we lose a material tax dispute in any country, particularly in the United States, Canada, the U.K., Brazil, Angola, Cyprus, Ghana, Netherlands, Ivory Coast, Tanzania, Falkland Islands, Ireland, Congo, Senegal, Equatorial Guinea or Norway, our effective tax rate on our worldwide earnings could increase substantially and our earnings and cash flows from our operations could be materially adversely affected.

Our subsidiaries are subject to taxation in the jurisdictions in which their offshore drilling activities are conducted. Such taxation results in decreased earnings available to our shareholders.

United States tax authorities may treat us as a "passive foreign investment company" for United States federal income tax purposes, which may have adverse tax consequences to U.S. shareholders.

A foreign corporation will be treated as a "passive foreign investment company," or PFIC, for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of "passive income" or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of "passive income". For purposes of these tests, "passive income" includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute "passive income." U.S. shareholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

We do not believe that we are currently a PFIC, although we may have been a PFIC for certain prior taxable years. Based on our current operations and future projections, we do not believe that we have been, are, or will be a PFIC with respect to any taxable year beginning with the 2009 taxable year.

However, no assurance can be given that the U.S. Internal Revenue Service, or IRS, or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that we or one of our subsidiaries is a PFIC. Moreover, no assurance can be given that we or one of our subsidiaries would not constitute a PFIC for any future taxable year if there were to be changes in the nature and extent of its operations.

If the IRS were to find that we are or have been a PFIC for any taxable year, our U.S. shareholders will face adverse U.S. tax consequences. Under the PFIC rules, unless those shareholders make an election available under the Code (which election could itself have adverse consequences for such shareholders, as discussed below under "Taxation—U.S. Federal Income Tax Considerations"), such shareholders would be liable to pay U.S. federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of the common shares, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of the common shares. In the event that our shareholders face adverse U.S. tax consequences as a result of investing in our common shares, this could adversely affect our ability to raise additional capital through the equity markets. See "Taxation—U.S. Federal Income Tax Considerations" for a more comprehensive discussion of the U.S. federal income tax consequences to U.S. shareholders if we are treated as a PFIC.

We may be subject to litigation that, if not resolved in our favor and not sufficiently insured against, could have a material adverse effect on us.

We may be, from time to time, involved in various litigation matters. These matters may include, among other things, contract disputes, personal injury claims, environmental claims or proceedings, asbestos and other toxic tort claims, employment matters, governmental claims for taxes or duties, and other litigation that arises in the ordinary course of our business. We cannot predict with certainty the outcome or effect of any claim or other litigation matter, and the ultimate outcome of any litigation or the potential costs to resolve them may have a material adverse effect on us. Insurance may not be applicable or sufficient in all cases, insurers may not remain solvent and policies may not be located.

Investor confidence may be adversely impacted if we are unable to comply with Section 404 of the Sarbanes-Oxley Act of 2002.

We have implemented procedures in order to meet the evaluation requirements of Rules 13a-15(c) and 15d-15(c) under the Securities Exchange Act of 1934, or the Exchange Act, for the assessment under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404. Section 404 requires us to include in our annual reports on Form 20-F (i) our management's report on, and assessment of, the effectiveness of our internal controls over financial reporting and (ii) our independent registered public accounting firm's attestation to and report on the effectiveness of our internal controls over financial reporting in our annual report. If we fail to maintain the adequacy of our internal controls over financial reporting, we will not be in compliance with all of the requirements imposed by Section 404. Any failure to comply with Section 404 could result in an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of our financial statements, which ultimately could harm our business.

We are domiciled in the Cayman Islands and most of our subsidiaries are incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate law, and as a result, shareholders may have fewer rights and protections under Marshall Islands law than under a typical jurisdiction in the United States.

Our corporate affairs are governed by our amended and restated memorandum and articles of association (as may be amended from time to time), the Companies Law (2016 Revision) of the laws of the Cayman Islands (as may be amended from time to time), and the common law of the Cayman Islands. The rights of shareholders to take legal action against our directors and us, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. It should be noted that because the Cayman Islands law has no legislation specifically dedicated to the rights of investors in securities, and thus no statutorily defined private causes of action to investors in securities such as those found under the Securities Act or the Exchange Act in the United States, it provides significantly less statutory protection to investors.

The corporate affairs of many of our subsidiaries are governed by the Marshall Islands Business Corporations Act, or the BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Republic of the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the law of the Republic of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain United States jurisdictions. Shareholders' rights may differ as well. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, shareholders may have more difficulty in protecting their interests in the face of actions by management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction.

It may not be possible for investors to enforce U.S. judgments against us.

All but four of our subsidiaries are incorporated in jurisdictions outside the United States and a substantial portion of our assets and those of our subsidiaries are located outside the United States. In addition, all of our directors and officers reside outside the United States and a substantial portion of the assets of our directors and officers are located outside the United States. As a result, it may be difficult or impossible for U.S. investors to serve process within the United States upon us, our subsidiaries or our directors and officers or to enforce a judgment against us for civil liabilities in U.S. courts. In addition, you should not assume that courts in the countries in which we or our subsidiaries are incorporated or where our assets or the assets of our subsidiaries and directors and officers are located (i) would enforce judgments of U.S. courts obtained in actions against us or our subsidiaries and directors and officers based upon the civil liability provisions of applicable U.S. federal and state securities laws or (ii) would enforce, in original actions, liabilities against us or our subsidiaries and directors and officers based on those laws. There is no statutory recognition in the Cayman Islands of judgments obtained in the U.S., although the courts of the Cayman Islands will generally recognize and enforce a monetary judgment of a foreign court of a competent jurisdiction without retrial on the merits, which: (a) is final; (b) is not in respect of taxes, a fine or a penalty; (c) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands

We depend on officers and directors who are associated with affiliated companies which may create conflicts of interest.

Our officers and directors have fiduciary duties to manage our business in a manner beneficial to us and our shareholders. However, our Chairman of the Board, Chief Executive Officer, Mr. George Economou, is also the Chairman and Chief Executive Officer of DryShips, our former parent company, DryShips. In addition, our President and Chief Financial Officer, Mr. Anthony Kandylidis is also the President and Chief Financial Officer of DryShips. Mr. Economou has fiduciary duties to manage the business of DryShips in a manner beneficial to DryShips and its shareholders and may have conflicts of interest in matters involving or affecting us and our customers or shareholders. In addition, Messrs. Economou and Kandylidis may have conflicts of interest when faced with decisions that could have different implications for DryShips than they do for us. The resolution of these conflicts may not always be in our best interest or that of our shareholders and could have a material adverse effect on our business, results of operations, cash flows and financial condition.

In addition, up to March 31, 2016, we had engaged Cardiff Drilling Inc. and Vivid Finance Ltd. companies, controlled by our Chairman, Chief Executive Officer and Class A Director, Mr. George Economou, to provide consulting and other services with respect to the arrangement of employment for, and relating to the purchase and sale of, our drilling units. On March 31, 2016, we signed a management services agreement with TMS Offshore Services Ltd., a Company affiliated with Mr. Economou, to provide certain management services related to our drilling units including but not limited to commercial, financing, legal and insurance services, effective from January 1, 2016. This agreement was amended effective January 1, 2017. See "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions. If any of these conflicts of interest are not resolved in our favor, this could have a material adverse effect on our business.

Furthermore, the indentures governing our Senior Secured Notes, Senior Unsecured Notes and our credit facilities contains restrictions on our ability and the ability of our Restricted Subsidiaries (as defined in the indenture and credit facilities, respectively), including Drill Rigs Holdings, Drillships Ocean Ventures and Drillships Financing Holdings Inc. the issuer of the Senior Secured Notes, to engage in transactions with, or make certain payments to, affiliates. These restrictions do not prohibit us or any Restricted Subsidiary from entering into a management agreement with an affiliate, and any of its subsidiaries, for the provision of drilling unit management services (and the making of payments thereunder) that is entered into in the ordinary course of business and that is in line with industry standards, so long as such agreement has been approved by a majority of the disinterested directors.

We are a "foreign private issuer", which could make our common shares less attractive to some investors or otherwise harm our stock price.

We are a "foreign private issuer," as such term is defined in Rule 405 under the Securities Act. As a "foreign private issuer" the rules governing the information that we disclose differ from those governing U.S. corporations pursuant to the Securities and Exchange Act of 1934, as amended, or the Exchange Act. We are not required to file quarterly reports on Form 10-Q or provide current reports on Form 8-K disclosing significant events within four days of their occurrence. In addition, our officers and directors are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and related rules with respect to their purchase and sales of our securities. Our exemption from the rules of Section 16 of the Exchange Act regarding sales of ordinary shares by insiders means that you will have less data in this regard than shareholders of U.S. companies that are subject to the Exchange Act. Moreover, we are exempt from the proxy rules, and proxy statements that we distribute will not be subject to review by the SEC. Accordingly there may be less publicly available information concerning us than there is for other U.S. public companies. These factors could make our common shares less attractive to some investors or otherwise harm our stock price.

Risks Relating to Our Common Shares

We cannot assure you that an active and liquid public market for our common shares will continue.

Our common shares commenced "regular way" trading on the NASDAQ Global Select Market on October 6, 2011 and commenced trading in the Norwegian OTC market maintained by the Norwegian Security Dealers Association in December 2010. We received written notification from NASDAQ dated September 26, 2016, indicating that because the closing bid price of the Company's common stock for 30 consecutive business days, from August 12, 2016 to September 23, 2016, was below the minimum $1.00 per share bid price requirement for continued listing on the Nasdaq Global Select Market, the Company is not in compliance with Nasdaq Listing Rule 5550(a)(2). We received confirmation on November 22, 2016 that we had regained compliance with the minimum bid price requirement. Furthermore, our shares have been trading below the $1.00 per share bid price Nasdaq requirement since February 23, 2017. If our shares continue to trade below $1.00 for a total of 30 consecutive business days, we expect to receive another minimum bid notification from Nasdaq and there is no guarantee that our stock price will rise over the $1.00 minimum in the future. As such, we cannot assure you that we will be able to maintain the minimum bid price level in the future. Also, we cannot assure you that an active and liquid public market for our common shares will continue.

Since 2008, the U.S. stock market has experienced extreme price and volume fluctuations. In addition, the offshore drilling industry has been highly unpredictable and volatile. If the volatility in the market or the offshore drilling industry continues or worsens, it could have an adverse effect on the market price of our common stock and may impact a potential sale price if holders of our common stock decide to sell their shares. The market price of our common stock may be influenced by many factors, many of which are beyond our control, including those described above in "—D. Risk Factors" and market reaction to any of the following:

- the final terms of any comprehensive deleveraging plan that we seek to implement;
- actual or anticipated variations in our operating results;
- changes in our cash flow, EBITDA or earnings estimates;
- changes in the price of oil;
- publication of research reports about us or the industry in which we operate;
- increases in market interest rates that may lead purchasers of common shares to demand a higher expected yield which, would mean our share price would fall;
- changes in applicable laws or regulations, court rulings and enforcement and legal actions;
- changes in market valuations of similar companies;
- announcements by us or our competitors of significant contracts, acquisitions or capital commitments;
- increased indebtedness we incur in the future;
- additions or departures of key personnel;
- actions by institutional stockholders or other key stakeholders;
- speculation in the press or investment community;
- terrorist attacks;
- economic and regulatory trends; and
- general market conditions.

As a result of these and other factors, investors in our common stock may not be able to resell their shares at or above the price they paid for such shares or at all. These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance.

The NASDAQ listing rules provide that securities of a company that trades on NASDAQ may be delisted in the event that such company seeks bankruptcy protection. As previously announced, we are currently exploring and considering various strategic alternatives with our financial and legal advisors and key stakeholders, which may include a possible we expect will result in a restructuring of our debt. If a consensual solution cannot be reached among all stakeholders, we will consider all available options including implementation of a restructuring plan through schemes of arrangement or under a U.S. bankruptcy proceeding. Announcement of a restructuring through schemes of arrangement in the Cayman Islands, under the U.S. Bankruptcy Code restructuring or other restructuring options may lead to a halt in our trading on the NASDAQ or NASDAQ issuing a notice of delisting of our common shares. If NASDAQ issued such a delisting letter, our common shares may soon thereafter be delisted and there would be a very limited market or no market at all, in which our common shares would be traded.

Future issuances of our common shares could have an adverse effect on our share price.

In order to finance the currently contracted and future growth of our fleet, we will have to incur substantial additional indebtedness and possibly issue additional equity securities. Future common share issuances, directly or indirectly through convertible or exchangeable securities, options or warrants, will generally dilute the ownership interests of our existing common stockholders, including their relative voting rights, and could require substantially more cash to maintain the then existing level, if any, of our dividend payments to our common stockholders, as to which no assurance can be given. Preferred shares, if issued, will generally have a preference on dividend payments, which could prohibit or otherwise reduce our ability to pay dividends to our common stockholders. Our debt will be senior in all respects to our common shares, will generally include financial and operating covenants with which we must comply and will include acceleration provisions upon defaults thereunder, including our failure to make any debt service payments, and possibly under other debt. Because our decision to issue equity securities or incur debt in the future will depend on a variety of factors, including market conditions and other matters that are beyond our control, we cannot predict or estimate the timing, amount or form of our capital raising activities in the future, but such activities could cause the price of our common shares to decline significantly. Furthermore, we expect that any comprehensive deleveraging plan will result in the issuance of equity to our existing creditors, which will cause significant dilution to current shareholders and the price of our common shares to decline significantly.

On April 5, 2016, we purchased, through our restricted subsidiary, Ocean Rig Investments Inc., all 56,079,533 common shares held in our Company by DryShips Inc. for $0.89 per share. As a result, DryShips Inc. no longer holds any equity interests in our Company and no registrable securities under the registration rights agreement we entered into with DryShips on March 20, 2012 remain outstanding. As of March 21, 2017 our Chairman and Chief Executive Officer, Mr. George Economou, was deemed to beneficially own 7,421,860, or approximately 9.0% of our outstanding common shares and our President and Chief Financial Officer, Mr. Anthony Kandylidis, was deemed to beneficially own 1,684,512, or 2.0%, of our outstanding common shares. The common shares beneficially owned by Mr. Economou are "restricted securities" within the meaning of Rule 144 under the U.S. Securities Act of 1933, as amended, or the Securities Act, and may not be transferred unless they have been registered under the Securities Act or an exemption from registration is available. Upon satisfaction of certain conditions, Rule 144 permits the sale of certain amounts of restricted securities six months following the date of acquisition of the restricted securities from us. As our common shares become eligible for sale under Rule 144, the volume of sales of our common shares on applicable securities markets may increase, which could reduce the market value of our common shares.

Anti-takeover provisions contained in our organizational documents could make it difficult for our shareholders to replace or remove our current board of directors or have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of our securities.

Several provisions of our amended and restated memorandum and articles of association could make it difficult for our shareholders to change the composition of our board of directors in any one year, preventing them from changing the composition of management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that shareholders may consider favorable.

These provisions include:

- authorizing our board of directors to issue "blank check" preferred shares without shareholder approval;

- providing for a classified board of directors with staggered, three-year terms;

- prohibiting cumulative voting in the election of directors;

- authorizing the removal of directors only for cause and only upon the affirmative vote of the holders of a majority of the outstanding common shares entitled to vote generally in the election of directors;

- limiting the persons who may call special meetings of shareholders; and

- establishing advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by shareholders at shareholder meetings.

In addition, we entered into an Amended and Restated Stockholder Rights Agreement that makes it more difficult for a third party to acquire us without the support of our board of directors. Under the Amended and Restated Stockholder Rights Agreement, our board of directors declared a dividend of one preferred share purchase right, or a right, to purchase one one-thousandth of a share of our Series A Participating Preferred Shares for each of our outstanding common shares. Each right entitles the registered holder, upon the occurrence of certain events, to purchase from us one one-thousandth of a share of Series A Participating Preferred Shares. The rights may have anti-takeover effects. The rights will cause substantial dilution to any person or group that attempts to acquire us without the approval of our board of directors. As a result, the overall effect of the rights may be to render more difficult or discourage any attempt to acquire us. Because our board of directors will be able to approve a redemption of the rights or a permitted offer, the rights should not interfere with a merger or other business combination approved by our board of directors.

Although Cayman Islands law does not contain specific provisions regarding "business combinations" between companies organized under the laws of the Cayman Islands and "interested shareholders," our amended and restated memorandum and articles of association include provisions that prohibit us from engaging in a business combination with an interested shareholder for a period of three years after the date of the transaction in which the person became an interested shareholder, unless:

- prior to the date of the transaction in which the person became an interested shareholder, our board of directors approved either the business combination or the transaction which resulted in the shareholder becoming an interested shareholder;

- upon consummation of the transaction that resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of our voting stock outstanding at the time the transaction commenced;

- at or subsequent to the date of the transaction that resulted in the shareholder becoming an interested shareholder, the business combination is approved by the board of directors and authorized at an annual or special meeting of shareholders by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested shareholder; or

- the shareholder became an interested shareholder prior to the consummation of our initial public offering under the Securities Act.

For purposes of these provisions, a "business combination" includes mergers, consolidations, exchanges, asset sales, leases and other transactions resulting in a financial benefit to the interested shareholder and an "interested shareholder" is any person or entity that beneficially owns 15% or more of our outstanding voting stock and any person or entity affiliated with or controlling or controlled by that person or entity, other than DryShips, provided, however, that the term "interested shareholder" does not include any person whose ownership of shares in excess of the 15% limitation is the result of action taken solely by us; provided that such person shall be an interested shareholder if thereafter such person acquires additional shares of our voting shares, except as a result of further action by us not caused, directly or indirectly, by such person.

Item 4. Information on the Company

A. History and Development of the Company

Ocean Rig UDW Inc., a corporation organized under the laws of the Cayman Islands, was formed on December 10, 2007 under the name Primelead Shareholders Inc., a corporation organized under the laws of the Republic of the Marshall Islands. Primelead Shareholders Inc. was formed in December 2007 for the purpose of acquiring the shares of our predecessor, Ocean Rig ASA, which was incorporated in September 1996 under the laws of Norway. We acquired control of Ocean Rig ASA on May 14, 2008. Prior to the private offering of our common shares in December 2010, discussed below, we were a wholly-owned subsidiary of DryShips. Our shares commenced trading on the NASDAQ Global Select Market under the symbol "ORIG" on October 6, 2011. As of April 5, 2016, DryShips Inc. no longer holds any equity interests in our Company and no registrable securities under the registration rights agreement we entered into with DryShips on March 20, 2012 remain outstanding. As of April 14, 2016, we redomiciled from the Republic of the Marshall Islands to the Cayman Islands. Each of our drilling units is owned by a separate wholly-owned vessel-owning subsidiary.

We maintain our principal executive offices at c/o Ocean Rig Cayman Management Services SEZC Limited, 3rd Floor Flagship Building, Harbour Drive, Grand Cayman, Cayman Islands. Our telephone number is +1 345 327 9232. Our website address is www.ocean-rig.com. Information contained on our website does not constitute part of this annual report.

Business Development

We were formed under the laws of the Republic of the Marshall Islands on December 10, 2007, under the name Primelead Shareholders Inc. and as a wholly-owned subsidiary of DryShips.

Our predecessor, Ocean Rig ASA, was incorporated on September 26, 1996 under the laws of Norway and contracted for the construction of our two operating drilling units, the *Leiv Eiriksson* and the *Eirik Raude*. The shares of Ocean Rig ASA traded on the Oslo Stock Exchange from January 1997 to July 2008.

In December 2007, Primelead Limited, our wholly-owned subsidiary, acquired approximately 30.4% of the outstanding capital stock of Ocean Rig ASA from Cardiff Marine Inc., or Cardiff Marine, a company controlled by the Chairman, Chief Executive Officer and Director of DryShips and us. After acquiring more than 33% of Ocean Rig ASA's outstanding shares through a series of transactions through April 2008, we launched a mandatory offer for the remaining shares of Ocean Rig ASA at a price of NOK45 per share, or $8.89 per share, as required by Norwegian law. We gained control over Ocean Rig ASA on May 14, 2008. As of July 10, 2008, we held 100% of the shares of Ocean Rig ASA, or 163.6 million shares, which we acquired at a total cost of $1.4 billion.

With respect to the acquisition of Ocean Rig ASA, discussed above, DryShips purchased 4.4% of the share capital of Ocean Rig ASA from companies affiliated with our Chairman, Chief Executive Officer and Director. In March 2009, DryShips contributed to us all of its equity interests in the newbuilding vessel-owning companies of the *Ocean Rig Poseidon* and *Ocean Rig Mykonos*. In May 2009, we acquired the equity interests of Drillships Holdings Inc., the owner of the *Ocean Rig Corcovado* and the *Ocean Rig Olympia*, from third parties and entities affiliated with our Chairman, Chief Executive Officer and Director and, in exchange, we issued to the sellers common shares equal to 25% of our total issued and outstanding common shares as of May 15, 2009. In connection with the acquisition the *Ocean Rig Corcovado* and the *Ocean Rig Olympia*, we incurred debt obligations of $230.0 million, which has been repaid in full. In July 2009, DryShips acquired the remaining 25% of our total issued and outstanding capital stock from the minority interests held by third parties and entities controlled by our Chairman, Chief Executive Officer and Director for a $50.0 million cash payment and the issuance of DryShips Series A Convertible Preferred Shares with an aggregate face value of $280.0 million, following which we became a wholly-owned subsidiary of DryShips.

On December 21, 2010, we completed the sale of an aggregate of 28,571,428 of our common shares (representing approximately 22% of our outstanding common shares) in the 2010 Private Offering. A company controlled by our Chairman, Chief Executive Officer and Director, Mr. George Economou, purchased 2,869,428 common shares, or 2.38% of our outstanding common shares, in the 2010 Private Offering at the offering price of $17.50 per share. We received approximately $488.3 million of net proceeds from the private offering, of which we used $99.0 million to purchase our option contract with a major shipyard in Korea from DryShips, our then parent company. We applied the remaining proceeds to partially fund remaining installment payments for our newbuilding drilling units and general corporate purposes. Following the completion of the 2010 Private Offering, DryShips owned approximately 78% of our outstanding common shares.

On April 27, 2011, we completed the issuance of $500.0 million aggregate principal amount of 9.5% senior unsecured notes due 2016 offered in the 2011 Unsecured Bond Offering. The net proceeds of the 2011 Unsecured Bond Offering of approximately $487.5 million were used to finance our newbuilding drilling unit program and for general corporate purposes.

On August 26, 2011, we commenced the Exchange Offer to exchange up to 28,571,428 shares of our new common stock that were registered under the Securities Act pursuant to a registration statement on Form F-4 (Registration No. 333-175940), for an equivalent number of our common shares previously sold in the 2010 Private Offering. On September 29, 2011, an aggregate of 28,505,786 common shares were exchanged in the Exchange Offer.

On October 5, 2011, DryShips completed the partial spin off of our Company by distributing an aggregate of 2,967,291 common shares of the Company, representing approximately a 2.25% stake in the Company, after giving effect to the treatment of fractional shares, on a pro rata basis to DryShips's shareholders of record as of September 21, 2011. In lieu of fractional shares, DryShips's transfer agent aggregated all fractional shares that would otherwise be distributable to DryShips's shareholders and sold a total of 105 common shares on behalf of those shareholders who would otherwise be entitled to receive a fractional share of our Company. Following the distribution, each such shareholder received a cash payment in an amount equal to its pro rata share of the total net proceeds of the sale of fractional shares. On September 19, 2011, our common shares commenced "when issued" trading on the NASDAQ Global Select Market under the ticker "ORIGV." Our common shares commenced "regular way" trading on the NASDAQ Global Select Market under the ticker symbol "ORIG" on October 6, 2011.

On September 20, 2012, Drill Rigs Holdings, our wholly-owned subsidiary, completed the issuance of $800 million of aggregate principal amount of Senior Secured Notes in an offering made to both non-U.S. persons in reliance on Regulation S under the Securities Act and to qualified institutional buyers in the United States in reliance on Rule 144A under the Securities Act, or the 2012 Secured Bond Offering.

On July 12, 2013, our wholly-owned subsidiaries, Drillships Financing Holding Inc. and Drillships Projects Inc., entered into a $1.8 billion senior secured term loan facility, comprised of tranche B-1 term loans in an aggregate principal amount equal to $975.0 million and tranche B-2 term loans in an aggregate principal amount equal to $825.0 million. On February 7, 2014, our wholly-owned subsidiaries, Drillships Financing Holding Inc. and Drillships Projects Inc., refinanced its existing short-term Tranche B-2 Term Loans with a fungible add-on to its existing long-term Tranche B-1 Term Loans. As a result of this refinancing, the total $1.9 billion of Tranche B-1 Term Loans will mature no earlier than the third quarter of 2020.

On March 26, 2014, we issued $500.0 million aggregate principal amount of 7.25% senior unsecured notes due 2019, offered in a private placement, resulting in net proceeds of approximately $493.6 million and together with cash on hand we repurchased the previously issued 9.5% Senior Unsecured Notes.

On July 25, 2014, our wholly owned subsidiary, Drillships Ocean Ventures Inc., entered into a $1.3 billion Senior Secured Term Loan B facility and refinanced the $1.35 billion Senior Secured Credit Facility.

On June 4, 2015, we reached an agreement with DryShips to partially exchange $40 million owed to us under the $120 million Exchangeable Promissory Note dated November 18, 2014, for 4,444,444 of our common shares owned by DryShips.

On June 8, 2015, we completed the issuance of 28,571,428 common shares in a public offering amount to net proceeds to us of $194.0 million, net of issuance costs.

On August 13, 2015, we reached an agreement with DryShips to exchange the remaining outstanding balance of $80 million owed to us under the $120 million Exchangeable Promissory Note dated November 18, 2014 for 17,777,778 of our common shares owned by DryShips.

On April 5, 2016, we purchased, through our restricted subsidiary, Ocean Rig Investments Inc., all 56,079,533 common shares held in our Company by DryShips Inc. for $0.89 per share. As a result, DryShips Inc. no longer holds any equity interests in our Company and no registrable securities under the registration rights agreement we entered into with DryShips on March 20, 2012 remain outstanding.

On April 14, 2016, we effected the redomiciliation of our company from the Republic of the Marshall Islands to the Cayman Islands.

Recent Developments

On February 3, 2017, we appointed Mr. Michael Pearson to our Board of Directors. Mr. Pearson is considered to be an independent director, under the NASDAQ rules.

On February 6, 2017, the Company reached an agreement with Premier Oil and Noble Energy to settle the disputed invoices related to the contract of the Eirik Raude against a total payment of $25.0 million. This settles all claims by all parties.

On February 10, 2017, the Company reached an agreement with ConocoPhillips to terminate the contract of the Ocean Rig Athena. As part of the agreement, ConocoPhillips will pay a termination fee. The Ocean Rig Athena is currently cold stacked in Greece.

Effective March 21, 2017, we cancelled the $369.0 million of the 7.25% Senior Unsecured Notes due in 2019 and $340.3 million of the 6.5% Senior Secured Notes due in 2017 held by wholly owned subsidiaries of the Company.

Our Proposed Restructuring

On February 22, 2017, we announced that we continue to explore and consider various strategic alternatives with our financial and legal advisors, which may include a possible restructuring of our debt. We expect that any comprehensive deleveraging plan is likely to result in significant dilution to current shareholders and potential losses for other financial stakeholders. If a consensual solution cannot be reached among all stakeholders, we will consider all available options including implementation of a restructuring plan through schemes of arrangement in the Cayman Islands, under the U.S. Bankruptcy Code or other restructuring options.

Capital Expenditures

During the year ended December 31, 2014, our principal capital expenditures related mainly to construction expenses of the *Ocean Rig Athena*, which was delivered in March 2014 with a total cost of approximately $728.6 million, the *Ocean Rig Santorini,* the *Ocean Rig Crete* and the *Ocean Rig Amorgos.* During the year ended December 31, 2015, our principal capital expenditures related to the construction expenses of the *Ocean Rig Apollo,* which was delivered in March 2015 with a total cost of approximately $727.7 million, the *Ocean Rig Santorini,* the *Ocean Rig Crete* and the *Ocean Rig Amorgos.* During the year ended December 31, 2016, our principal capital expenditures related to the purchase of the *Ocean Rig Paros* which was acquired through an auction on April 28, 2016 for a purchase price of $65.0 million and the construction expenses of the *Ocean Rig Santorini* and the *Ocean Rig Crete*. For more information on our seventh generation drilling units, please see "—B. Business Overview— Newbuilding drilling units and Options to Purchase Newbuilding Drilling Units." As of December 31, 2016, we had paid an aggregate of $542.9 million to a major shipyard in Korea in connection with our three unfinanced seventh generation drilling units which were previously scheduled for delivery in 2017, 2018 and 2019, respectively. As part of renegotiations, the delivery of the *Ocean Rig Santorini* and the *Ocean Rig Crete* were postponed to June 2018 and January 2019, respectively, certain installments were rescheduled and the total construction costs were increased to $694,790 and $709,565, respectively. With respect to the *Ocean Rig Amorgos*, we agreed to suspend its construction with an option, subject to our option, to bring it back into force within a period of 18 months after the date of the addendum. As of December 31, 2016, the Company impaired the total advances and related costs provided to the yard for the *Ocean Rig Amorgos*. The remaining total construction payments for these two unfinanced newbuilding drilling units, excluding financing costs, amounted to approximately $0.9 billion in aggregate as of December 31, 2016. We plan to finance these remaining payments with cash on hand, new debt or equity financing, which we have not yet secured in full. We cannot be certain that we will be able to obtain the additional financing we need to complete the acquisition of our seventh generation drilling units on acceptable terms or at all.

B. Business Overview

We are an international offshore drilling contractor providing oilfield services for offshore oil and gas exploration, development and production drilling and specializing in the ultra-deepwater and harsh-environment segment of the offshore drilling industry. We seek to utilize our high-specification drilling units to the maximum extent of their technical capability and we believe that we have earned a reputation for operating performance excellence, customer service and safety.

We, through our wholly-owned subsidiaries, currently own two modern, fifth generation harsh weather ultra-deepwater semisubmersible offshore drilling units, the *Leiv Eiriksson* and the *Eirik Raude*, five sixth generation advanced capability ultra-deepwater drilling units, the *Ocean Rig Corcovado*, the *Ocean Rig Olympia*, the *Ocean Rig Poseidon* and the *Ocean Rig Mykonos*, delivered in January 2011, March 2011, July 2011 and September 2011, respectively and the *Ocean Rig Paros*, acquired on April 28, 2016 through an auction, and four seventh generation drilling units, the *Ocean Rig Mylos*, the *Ocean Rig Skyros*, the *Ocean Rig Athena* and the *Ocean Rig Apollo*, delivered in August 2013, December 2013, March 2014 and March 2015, respectively. The *Ocean Rig Corcovado*, the *Ocean Rig Olympia*, the *Ocean Rig Poseidon* the *Ocean Rig Mykonos* and the *Ocean Rig Paros* are "sister-ships" constructed to the same high-quality vessel design and specifications and are capable of drilling in water depths of 10,000 feet. The design of our seventh generation drilling units reflects additional enhancements that will enable the drilling units to drill in water depths of 12,000 feet. The *Ocean Rig Mylos*, the *Ocean Rig Skyros*, the *Ocean Rig Athena* and the *Ocean Rig Apollo,* are "sister ships" constructed to the same high – quality drilling unit design and specifications. We believe that owning and operating "sister-ships" helps us maintain our cost efficient operations on a global basis through the shared inventory and use of spare parts and the ability of our offshore maritime crews to work seamlessly across all of our drilling units.

In addition, we have contracts to construct three seventh generation drilling units at a major shipyard in Korea, the *Ocean Rig Santorini*, the *Ocean Rig Crete* and the *Ocean Rig Amorgos*. These newbuildings were previously scheduled for delivery in 2017, 2018 and 2019, respectively. As part of renegotiations, the delivery of the *Ocean Rig Santorini* and the *Ocean Rig Crete* were postponed to June 2018 and January 2019, respectively, certain installments were rescheduled and the total construction costs were increased to $694.8 million and $709.6 million, respectively. With respect to the *Ocean Rig Amorgos*, we agreed to suspend its construction with an option, subject to our option, to bring it back into force within a period of 18 months after the date of the addendum. The estimated remaining total construction payments for our three drilling units under construction amounted to approximately $0.9 billion in aggregate as of December 31, 2016.

We employ our drilling units primarily on a dayrate basis for periods of between two months and six years to drill wells for our customers, typically major oil companies, integrated oil and gas companies, state-owned national oil companies and independent oil and gas companies.

We believe that our drilling units, the *Ocean Rig Corcovado*, the *Ocean Rig Olympia*, the *Ocean Rig Poseidon,* the *Ocean Rig Mykonos*, the *Ocean Rig Mylos,* the *Ocean Rig Skyros,* the *Ocean Rig Athena,* the *Ocean Rig Apollo* and the *Ocean Rig Paros*, which was acquired on April 28, 2016 through an auction, as well as our two seventh generation drilling units under construction, are among the most technologically advanced drilling units in the world. The S10000E design, used for our operating drilling units, was originally introduced in 1998 and has been widely accepted by customers. Including our operating drilling units, a total of 63 drilling units have been ordered using this base design, of which 56 have been delivered, as of March 2017, including the *Ocean Rig Corcovado*, the *Ocean Rig Olympia*, the *Ocean Rig Poseidon*, the *Ocean Rig Mykonos*, the *Ocean Rig Paros*, the *Ocean Rig Mylos*, the *Ocean Rig Skyros*, the *Ocean Rig Athena* and the *Ocean Rig Apollo*. Among other technological enhancements, our drilling units are equipped with dual activity drilling technology, which involves two drilling systems using a single derrick that permits two drilling-related operations to take place simultaneously. We estimate this technology saves between 15% and 40% in drilling time, depending on the well parameters. Each of our sixth generation operating drilling units is capable of drilling 40,000 feet at water depths of 10,000 feet and our seventh generation drilling units have the capacity to drill 40,000 feet at water depths of 12,000 feet, while our fifth generation drilling units are capable of drilling 30,000 feet at water depths of 10,000 feet.

Our Fleet

Set forth below is summary information concerning our offshore drilling units as of March 17, 2017.

Drilling Unit	Year Built or Scheduled Delivery/ Generation	Water Depth to the Wellhead (ft)	Drilling Depth to the Oil Field (ft)	Customer	Expected Contract Expiration(1)	Dayrate (4)	Drilling Location
Operating Drilling Units							
Leiv Eiriksson	2001/5th	10,000	30,000	Lundin Norway AS	Q3 2017	$145,000	Norway
Ocean Rig Corcovado	2011/6th	10,000	40,000	Petroleo Brasileiro S.A.	Q2 2018	$498,552(3)	Brazil
Ocean Rig Poseidon	2011/6th	10,000	40,000	ENI Angola S.p.A.	Q3 2017	$581,715	Angola
Ocean Rig Mykonos	2011/6th	10,000	40,000	Petroleo Brasileiro S.A.	Q1 2018	$498,552(3)	Brazil
Ocean Rig Skyros	2013/7th	12,000	40,000	Total E&P Angola	Q3 2021	$569,367	Angola
Available for employment (2)							
Ocean Rig Mylos	2013/7th	12,000	40,000				
Eirik Raude	2002/5th	10,000	30,000				
Ocean Rig Paros	2011/6th	10,000	40,000				
Ocean Rig Olympia	2011/6th	10,000	40,000				
Ocean Rig Apollo(5)	2015/7th	12,000	40,000				
Ocean Rig Athena(5)	2014/7th	12,000	40,000				

(1) Not including the exercise of any applicable options to extend the term of the contract and any notification received for the termination of contracts.

(2) These drilling units are cold stacked in Greece and are available for charter.

(3) Approximately 20% of the dayrates are service fees paid to us in Brazilian Real (R$). The day rate disclosed in this table is based on the March 17, 2017 exchange rate of R$3.11:$1.00. During the first and second quarter of 2015, the *Ocean Rig Mykonos* and the *Ocean Rig Corcovado*, respectively, commenced drilling operations under the new awarded contracts, which are extensions of the previous contracts from Petrobras, for drilling offshore Brazil. The term of each extension was for 1,095 excluding reimbursement by Petrobras for contract related equipment upgrades.

(4) These rates represent the current operating rates applicable under each contract. Depending on the contract, these rates may be escalated.

(5) These drilling units are currently receiving termination fees according to settlement agreements signed between us and our clients.

Newbuilding Drilling Units

We have entered into contracts with a major shipyard in Korea for the construction of three seventh generation drilling units, which were previously scheduled for delivery in 2017, 2018 and 2019, respectively. As part of renegotiations, the delivery of the *Ocean Rig Santorini* and the *Ocean Rig Crete* were postponed to June 2018 and January 2019, respectively, and certain installments were rescheduled and the total construction costs were increased to $694,790 and $709,565, respectively. With respect to the *Ocean Rig* Amorgos, we agreed to suspend its construction with an option, subject to our option, to bring it back into force within a period of 18 months after the date of the addendum. As of December 31, 2016, the Company impaired the total advances and related costs provided to the yard for the *Ocean Rig Amorgos*. In connection with the three newbuilding agreements we had made total payments of $542.9 million as of December 31, 2016, excluding the impaired advances, we had made total payments of $466.3 million. The estimated total project cost for the two drilling units under construction is approximately $0.9 billion.

Employment of Our Fleet

Employment of our Drilling Units

On December 20, 2016 Lundin Norway AS ("Lundin") exercised one of its options for a fifth well that will now keep the *Leiv Eiriksson* employed until approximately the middle of July 2017. We are in discussions with Lundin to potentially extend the current drilling program to the end of 2017. As of March 17, 2017, the dayrate is $145,000.

In May 2015, the *Ocean Rig Corcovado* commenced a three-year extension under the previous contract with Petrobras. The contract includes reimbursement by Petrobras for contract related equipment upgrades. As of March 17, 2017, the dayrate is 498,552, (including service fees of $94,552 based on the contracted rate in Real and the March 17, 2017 exchange rate of R$ 3.11:$1.00).

The *Ocean Rig Poseidon* commenced a three-year drilling contract with ENI Angola S.p.A., or ENI, in May 2013 for drilling operations offshore Angola at a dayrate as of March 17, 2017 of $581,715. In April 2016, ENI exercised its option to extend the contract for the *Ocean Rig Poseidon* for a further one year until the third quarter of 2017.

In March 2015, the *Ocean Rig Mykonos* commenced a three-year extension under the previous contract with Petrobras. The contract includes reimbursement by Petrobras for contract related equipment upgrades. As of March 17, 2017, the dayrate is $498,552, (including service fees of $94,552 based on the contracted rate in Real and the March 17, 2017 exchange rate of R$3:11:$1.00).

In October 2015, the *Ocean Rig Skyros* commenced its six year contract with Total E&P Angola for drilling operations offshore Angola. As of March 17, 2017, the dayrate is $569,367.

The total contracted backlog under our drilling contracts for our drilling units, as of March 17, 2017, was $1.5 billion. We calculate our contract backlog by multiplying the contractual dayrate under all of our employment contracts for which we have firm commitments as of December 31, 2016, by the minimum expected number of days committed under such contracts (excluding any options to extend), assuming full earnings efficiency. There can be no assurance that the counterparties to such contracts will fulfill their obligations under the contracts. See the section of this annual report entitled " Risk Factors—Risks Relating to Our Company—Our future contracted revenue for our fleet of drilling units may not be ultimately realized."

Unless otherwise stated, all references to dayrates included in this annual report are exclusive of any applicable annual contract revenue adjustments, which generally result in the escalation of the dayrates payable under the drilling contracts.

Management of Our Drilling Units

Ocean Rig Management Inc., our wholly owned subsidiary, provides supervisory management services including onshore management to our operating drilling units and drilling units under construction, pursuant to separate management agreements entered/to be entered with each of the drilling unit – owning subsidiaries. Under the terms of these management agreements, Ocean Rig Management Inc., through its affiliates is responsible for, among other things, (i) assisting in construction contract technical negotiations and (ii) providing technical and operational management for the drilling units.

In addition, up to March 31, 2016 we had engaged Cardiff Drilling Inc, a company controlled by our Chairman of the Board, Chief Executive Officer and Class A Director, Mr. George Economou, to provide us with consulting and other services with respect to the arrangement of employment for, and relating to the purchase and sale of, our drilling units. On March 31, 2016, we entered into a Management services agreement with TMS Offshore Services Ltd., a Company affiliated with Mr. Economou to provide certain management services related to our drilling units including but not limited to commercial, financing, legal and insurance services. This agreement is effective from January 1, 2016 and was amended effective January 1, 2017. See "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions."

The Offshore Drilling Industry

In recent years, the international drilling market has seen an increasing trend towards deep and ultra-deepwater oil and gas exploration. As shallow water resources mature, deep and ultra-deepwater regions are expected to play an increasing role in offshore oil and gas exploration and production. The floating rig fleet as of the end of the third quarter of 2016 consisted of 295 units. An additional 57 units were under construction or on order as of the end of the third quarter of 2016. Historically, an increase in supply has caused a decline in utilization and dayrates until drilling units are absorbed into the market. Accordingly, dayrates have been very cyclical. We believe that the largest undiscovered offshore reserves are mostly located in ultra-deepwater fields and primarily located in the "golden triangle" between West Africa, Brazil and the Gulf of Mexico, as well as in East Africa, Australia and Southeast Asia. The location of these large offshore reserves has resulted in more than 90% of the floating drilling unit, or floater, orderbook being represented by ultra-deepwater units. Furthermore, due to increased focus on technically challenging operations and the inherent risk of developing offshore fields in ultra-deepwater, particularly in light of the *Deepwater Horizon* accident in the Gulf of Mexico, in which we were not involved, oil companies have already begun to show a preference for modern units more capable of drilling in these challenging environments.

Markets

Our operations are geographically dispersed in oil and gas exploration and development areas worldwide. Although the cost of moving a drilling unit and the availability of drilling unit-moving vessels may cause the balance between supply and demand to vary between regions, significant variations do not tend to exist long-term because of rig mobility. Consequently, we operate in a single, global offshore drilling market. Because our drilling units are mobile assets and are able to be moved according to prevailing market conditions, we cannot predict the percentage of our revenues that will be derived from particular geographic or political areas in future periods.

In recent years, there has been increased emphasis by oil companies to expand their proven reserves and thus focus on exploring for hydrocarbons in deeper waters. This deepwater focus is due, in part, to technological developments that have made such exploration more feasible and cost-effective. Therefore, water-depth capability is a key component in determining drilling rig suitability for a particular drilling project. Another distinguishing feature in some drilling market sectors is a drilling rig's ability to operate in harsh environments, including extreme marine and climatic conditions and temperatures.

Our drilling units service the ultra-deepwater sector of the offshore drilling market. Although the term "deepwater" as used in the drilling industry to denote a particular sector of the market can vary and continues to evolve with technological improvements, we generally view the deepwater market sector as that which begins in water depths of approximately 4,500 feet and extends to the maximum water depths in which seventh generation drilling units are capable of drilling, which is currently approximately 12,000 feet.

Our Customers

Our customers are generally major oil companies, integrated oil and gas companies, state-owned national oil companies and independent oil and gas companies. We, together with our predecessor, Ocean Rig ASA, have an established history with 336 wells drilled in 20 countries for 35 different customers as of March 2017.

For the years ended December 31, 2014, 2015 and 2016 the following customers, which represent all of our customers for the years indicated, accounted for more than 10% of our consolidated annual revenues:

	Year ended December 31,		
	2014	2015	2016
Customer A	14%	14%	11%
Customer B	18%	19%	20%
Customer C	12%	13%	—
Customer D	30%	15%	31%
Customer E	14%	13%	14%
Customer F	—	15%	18%

Contract Drilling Services

Our contracts to provide offshore drilling services and drilling units are individually negotiated and vary in their terms and provisions. We generally obtain our contracts through competitive bidding against other contractors. The contracts for our drilling units typically provide for compensation on a "dayrate" basis under which we are paid a fixed amount for each day that the vessel is operating under a contract at full efficiency, with higher rates while the drilling unit is operating and lower rates for periods of mobilization or when drilling operations are interrupted or restricted by equipment breakdowns, adverse environmental conditions or other conditions beyond our control. Under most dayrate contracts, we pay the operating expenses of the drilling units, including planned drilling unit maintenance, crew wages, insurance and the cost of supplies.

A dayrate drilling contract generally extends over a period of time covering either the drilling of a single well or group of wells or covering a stated term, as do the current contracts under which our drilling units are employed. Currently, there is no spot market for offshore drilling units. The length of shorter-term contracts is typically from 60 to 365 days and the longer-term contracts are typically from two to five years. The contract term in some instances may be extended by the client exercising options for the drilling of additional wells or for an additional term. Our contracts also typically include a provision that allows the client to extend the contract to finish drilling a well-in-progress.

From time to time, contracts with customers in the offshore drilling industry may contain terms whereby the customer has an option to cancel upon payment of an early termination payment, but where such payments may not fully compensate for the loss of the contract. Contracts also customarily provide for either automatic termination or termination at the option of the customer typically without the payment of any termination fee, under various circumstances such as major nonperformance, in the event of substantial downtime or impaired performance caused by equipment or operational issues, or sustained periods of downtime due to force majeure events. Many of these events are beyond our control.

We expect that provisions of future contracts will be similar to those in our current contracts for our drilling units. See "—Employment of our Fleet."

Competition

The offshore contract drilling industry is competitive with numerous industry participants, few of which at the present time have a dominant market share. The drilling industry has experienced consolidation in recent years and may experience additional consolidation, which could create additional large competitors. Many of our competitors have significantly greater financial and other resources, including more drilling units, than us. We compete with offshore drilling contractors that, as of the end of the third quarter of 2016, together have approximately 296 floating rigs.

The offshore contract drilling industry is influenced by a number of factors, including global demand for oil and natural gas, current and anticipated prices of oil and natural gas, expenditures by oil and gas companies for exploration and development of oil and natural gas and the availability of drilling units. In addition, mergers among oil and natural gas exploration and production companies have reduced, and may from time to time reduce, the number of available customers.

Drilling contracts are traditionally awarded on a competitive bid basis. Intense price competition is often the primary factor in determining which qualified contractor is awarded a contract. Customers may also consider unit availability, location and suitability, a drilling contractor's operational and safety performance record, and condition and suitability of equipment. We believe that we compete favorably with respect to these factors.

We compete on a worldwide basis, but competition may vary significantly by region at any particular time. Competition for offshore units generally takes place on a global basis, as these units are highly mobile and may be moved from one region to another, at a cost that may be substantial. Competing contractors are able to adjust localized supply and demand imbalances by moving units from areas of low utilization and dayrates to areas of greater activity and relatively higher dayrates. Significant new unit construction and upgrades of existing drilling units could also intensify price competition.

Seasonality

In general, seasonal factors do not have a significant direct effect on our business as most of our drilling units are contracted for periods of at least 12 months. However, our drilling units may perform drilling operations in certain parts of the world where weather conditions during parts of the year could adversely impact the operational utilization of our drilling units and our ability to relocate units between drilling locations, and as such, limit contract opportunities in the short term. Such adverse weather could include the hurricane season for our operations in the Gulf of Mexico, the winter season in offshore Norway, and the monsoon season in Southeast Asia.

Environmental and Other Regulations

Our offshore drilling operations include activities that are subject to numerous international, federal, state and local laws and regulations, including, the International Maritime Organization, or IMO, International Convention for the Prevention of Pollution from Ships of 1973, as from time to time amended and generally referred to as MARPOL, including designation of Emission Control Areas, or ECAs, thereunder, the IMO International Convention on Civil Liability for Oil Pollution Damage of 1969, as from time to time amended and generally referred to as CLC, the International Convention on Civil Liability for Bunker Oil Pollution Damage, or Bunker Convention, the IMO International Convention for the Safety of Life at Sea of 1974, as from time to time amended and generally referred to as SOLAS, the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, or ISM Code, the IMO International Convention on Load Lines of 1966, as from time to time amended, the International Convention for the Control and Management of Ships' Ballast Water and Sediments in February 2004, or the BWM Convention, the U.S. Oil Pollution Act of 1990, or OPA, requirements of the U.S. Coast Guard, or USCG, and the U.S. Environmental Protection Agency, or EPA, the U.S. Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, the U.S. Clean Water Act, or CWA, the U.S. Clean Air Act, or CAA, the U.S. Outer Continental Shelf Lands Act, the U.S. Maritime Transportation Security Act of 2002, or the MTSA, European Union regulations, and Brazil's National Environmental Policy Law (6938/81), Environmental Crimes Law (9605/98) and Law (9966/2000) relating to pollution in Brazilian waters. These laws govern the discharge of materials into the environment or otherwise relate to environmental protection. In certain circumstances, these laws may impose strict liability, rendering us liable for environmental and natural resource damages without regard to negligence or fault on our part.

For example, the IMO has adopted MARPOL Annex VI to regulate harmful air emissions from ships, which include drilling units. Amendments to the Annex VI regulations which entered into force on July 1, 2010, require a progressive reduction of sulfur oxide levels in heavy bunker fuels and create more stringent nitrogen oxide emissions standards for marine engines in the future. Effective August 1, 2012, certain coastal areas of North America were designated ECAs, and in January 1, 2014, the United States Caribbean Sea was designated ECA. We may incur costs to comply with these revised standards. Drilling units must comply with MARPOL limits on emissions of sulfur oxide, nitrogen oxide, chlorofluorocarbons and other air pollutants, except that the MARPOL limits do not apply to emissions that are directly related to drilling, production, or processing activities. We believe that all of our drilling units are currently compliant in all material respects with these regulations.

Our drilling units are subject not only to MARPOL regulation of air emissions, but also to the Bunker Convention's strict liability for pollution damage caused by discharges of bunker fuel in jurisdictional waters of ratifying states.

Furthermore, any drilling unit that we may operate in United States waters, including the U.S. territorial sea and the 200 nautical mile exclusive economic zone around the United States, would have to comply with OPA and CERCLA requirements, among others, that impose liability (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges of oil or other hazardous substances.

The BSEE periodically issues guidelines for drilling unit fitness requirements in the Gulf of Mexico and may take other steps that could increase the cost of operations or reduce the area of operations for our units, thus reducing their marketability. Implementation of BSEE guidelines or regulations may subject us to increased costs or limit the operational capabilities of our units and could materially and adversely affect our operations and financial condition.

Numerous governmental agencies issue regulations to implement and enforce the laws of the applicable jurisdiction, which often involve lengthy permitting procedures, impose difficult and costly compliance measures, particularly in ecologically sensitive areas, and subject operators to substantial injunctive relief and administrative, civil and criminal penalties for failure to comply. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly compliance or limit contract drilling opportunities, including changes in response to a serious marine incident that results in significant oil pollution or otherwise causes significant adverse environmental impact, such as the April 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico, in which we were not involved, could adversely affect our financial results. While we believe that we are in substantial compliance with the current laws and regulations, there is no assurance that compliance can be maintained in the future.

In addition to the MARPOL, OPA, and CERCLA requirements described above, our international operations are subject to various other international conventions and laws and regulations in countries in which we operate, including laws and regulations relating to the importation of and operation of drilling units and equipment, currency conversions and repatriation, oil and gas exploration and development, environmental protection, taxation of offshore earnings and earnings of expatriate personnel, the use of local employees and suppliers by foreign contractors and duties on the importation and exportation of drilling units and other equipment. New environmental or safety laws and regulations could be enacted, which could adversely affect our ability to operate in certain jurisdictions. Governments in some countries have become increasingly active in regulating and controlling the ownership of concessions and companies holding concessions, the exploration for oil and gas and other aspects of the oil and gas industries in their countries. In some areas of the world, this governmental activity has adversely affected the amount of exploration and development work done by major oil and gas companies and may continue to do so. Operations in less developed countries can be subject to legal systems that are not as mature or predictable as those in more developed countries, which can lead to greater uncertainty in legal matters and proceedings.

Implementation of new environmental laws or regulations that may apply to ultra-deepwater drilling units may subject us to increased costs or limit the operational capabilities of our drilling units and could materially and adversely affect our operations and financial condition.

Insurance for Our Offshore Drilling Units

We maintain insurance for our drilling units in accordance with industry standards. Our insurance is intended to cover normal risks in our current operations, including insurance against property damage, loss of hire, war risk and third-party liability, including pollution liability. The insurance coverage is established according to the Nordic Plan, version 2016, but excluding collision liabilities which are covered by the Protection and Indemnity insurance. We have obtained insurance for the full assessed market value of our drilling units, as assessed by rig brokers. Our insurance provides for premium adjustments based on claims and is subject to deductibles and aggregate recovery limits. In the case of pollution liabilities, our deductible is $10,000 per event and in the case of other hull and machinery claims, our deductible is $1.5 million per event. Our insurance coverage may not protect fully against losses resulting from a required cessation of drilling unit operations for environmental or other reasons. We also have loss of hire insurance cover for approximately one year which becomes effective after 45 days. This loss of hire insurance is recoverable only if there is physical damage to the rig or equipment which is caused by a peril against which we are insured. The principal risks which may not be insurable are various environmental liabilities and liabilities resulting from reservoir damage caused by our negligence. In addition, insurance may not be available to us at all or on terms acceptable to us, and there is no guarantee that even if we are insured, our policy will be adequate to cover our loss or liability in all cases. We plan to maintain insurance for our seventh generation drilling units upon their delivery to us in accordance with the Nordic Plan, version 2016. This insurance would also be intended to cover normal risks in our current operations, including insurance against property damage, loss of hire and war risks. Third-party liability, including pollution liability and collision liability, is covered under our protection and indemnity insurance.

Permits and Authorizations

We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our drilling units. The kinds of permits, licenses and certificates required depend upon several factors, including the waters in which a drilling unit operates, the nationality of a drilling unit's crew and the age of a drilling unit. We have been able to obtain all permits, licenses and certificates currently required to permit our drilling units to operate. Additional laws and regulations, environmental or otherwise, may be adopted which could limit our ability to do business or increase the cost of us doing business.

C. Organizational Structure

For a full list of our subsidiaries, please see Exhibit 8.1 to this annual report. All of the subsidiaries are, directly or indirectly, wholly-owned by Ocean Rig UDW Inc., except for Olympia Rig Angola Ltd., which is 51% owned by Angolan shareholders and 49% indirectly owned by Ocean Rig UDW Inc.

On August 31, 2016, a Trust was formed for the purpose of amendment of the $462 million Senior Secured Credit Facility, namely "Drillship Alonissos Stock Trust", in which two of our wholly-owned subsidiaries have transferred their shares. The Company transferred the shares of Drillship Alonissos Shareholders Inc. together with the shares of Drillship Alonissos Owners Inc., previously held by Drillship Alonissos Shareholders Inc. to the Trust. Following the repayment of the loan the Trust will be dissolved and shares will be returned to their initial holders.

On April 5, 2016, we purchased, through our restricted subsidiary, Ocean Rig Investments Inc., all 56,079,533 common shares held in our Company by DryShips Inc. for $0.89 per share. As a result, DryShips Inc. no longer holds any equity interests in our Company and no registrable securities under the registration rights agreement we entered into with DryShips on March 20, 2012 remain outstanding.

D. Property, Plants and Equipment

We do not own any real property. We maintain our principal executive offices in Grand Cayman, Cayman Islands and certain of our subsidiaries lease office space from unaffiliated third parties for offices in Athens, Greece; Luanda, Angola; Rio de Janeiro, Brazil; Stavanger, Norway and Aberdeen, United Kingdom. Our interests in the drilling units in our fleet are our only material properties. See "—B. Business Overview—Our Fleet" in this section.

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

The following is a discussion of financial condition and results of operations of Ocean Rig UDW Inc. and its wholly-owned subsidiaries for the years referenced below. You should read this section together with the historical consolidated financial statements, including the notes to those historical consolidated financial statements, for those same years included in this annual report. All of the consolidated financial statements included herein have been prepared in accordance with U.S. GAAP. See "—Results of operations."

This discussion includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties, which could cause actual events or conditions to differ materially from those currently anticipated and expressed or implied by such forward-looking statements. For a discussion of some of those risks and uncertainties, please see the section entitled "Forward-Looking Statements" at the beginning of this annual report and "Item. 3 Key Information—D. Risk Factors."

A. Operating Results

Overview

We are an international offshore drilling contractor providing oilfield services and drilling units for offshore oil and gas exploration, development and production drilling, and specializing in the ultra-deepwater and harsh-environment segment of the offshore drilling industry. We, through our wholly-owned subsidiaries, currently own and operate two modern, fifth generation harsh weather ultra-deepwater semi-submersible offshore drilling units, the *Leiv Eiriksson* and the *Eirik Raude*, four sixth generation advanced capability ultra-deepwater drilling units, the *Ocean Rig Corcovado,* the *Ocean Rig Olympia*, the *Ocean Rig Poseidon*, and the *Ocean Rig Mykonos*, which were delivered to us on January 3, 2011, March 30, 2011, July 28, 2011 and September 30, 2011, respectively and four seventh generation advanced capability ultra-deepwater drilling units, the *Ocean Rig Mylos*, the *Ocean Rig Skyros,* the *Ocean Rig Athena* and the *Ocean Rig Apollo* which were delivered to us on August 19, 2013 and December 20, 2013, March 24, 2014 and March 5, 2015, respectively. On April 28, 2016, we acquired the sixth generation ultra-deepwater drilling unit *Cerrado*, sold through an auction, for a purchase price of $65.0 million. The drilling unit was built in 2011 to similar design specifications to our existing sixth generation drilling units and was renamed as *Ocean Rig Paros*. In addition, we have contracts to construct three seventh generation drilling units at a major shipyard in Korea, the *Ocean Rig Santorini*, the *Ocean Rig Crete* and the *Ocean Rig Amorgos*. These newbuildings were previously scheduled for delivery in 2017, 2018 and 2019, respectively. As part of renegotiations, the delivery of the *Ocean Rig Santorini* and the *Ocean Rig Crete* were postponed to June 2018 and January 2019, respectively, certain installments were rescheduled and the total construction costs were increased to $694.8 million and $709.6 million, respectively. With respect to the *Ocean Rig Amorgos*, we agreed to suspend its construction with an option, subject to our option, to bring it back into force within a period of 18 months after the date of the addendum. The estimated remaining total construction payments for these drilling units amounted to approximately $0.9 billion in aggregate as of December 31, 2016.

Our Drilling Units

Our drilling units are marketed for offshore exploration and development drilling programs worldwide, with particular focus on drilling operations in ultra-deepwater and harsh environments. The *Leiv Eiriksson*, delivered in 2001, has a water depth drilling capacity of 10,000 feet. Since 2001, it has drilled 59 deepwater and ultra-deepwater wells as of in a variety of locations, including Angola, Congo, Greenland, Turkey, Norway, Senegal the United Kingdom and Ireland, in addition to five shallow-water wells.

The *Eirik Raude*, delivered in 2002, has a water depth drilling capacity of 10,000 feet. Since 2002, it has drilled 82 deepwater and ultra-deepwater wells in countries such as Canada, Ghana, Norway, Ivory Coast and the United Kingdom, and the Gulf of Mexico, in addition to six shallow-water wells.

We took delivery of the *Ocean Rig Corcovado*, the *Ocean Rig Olympia*, the *Ocean Rig Poseidon* and the *Ocean Rig Mykonos*, our four sixth generation advanced capability ultra-deepwater drilling units on January 3, 2011, March 30, 2011, July 28, 2011 and September 30, 2011, respectively. The total cost of construction and construction-related expenses for the *Ocean Rig Corcovado* the *Ocean Rig Olympia*, the *Ocean Rig Poseidon* and the *Ocean Rig Mykonos* amounted to approximately $3,088.8 million in aggregate. Construction-related expenses include equipment purchases, commissioning, supervision and commissions to related parties, excluding financing costs.

We took delivery of the *Ocean Rig Mylos*, the *Ocean Rig Skyros*, the *Ocean Rig Athena* and the *Ocean Rig Apollo*, our four seventh generation advanced capability ultra-deepwater drilling units on August 19, 2013, December 20, 2013, March 24, 2014 and March 5, 2015, respectively. The total cost of construction and construction-related expenses for the *Ocean Rig Mylos*, the *Ocean Rig Skyros*, the *Ocean Rig Athena* and *Ocean Rig Apollo* amounted to approximately $2,899.0 million in aggregate. Construction-related expenses include equipment purchases, commissioning, supervision and commissions to related parties, excluding financing costs.

On April 28, 2016, we acquired the sixth generation ultra-deepwater drilling unit *Cerrado*, sold through an auction, for a purchase price of $65.0 million. The drilling unit was built in 2011 to similar design specifications to our existing sixth generation drilling units and was renamed as *Ocean Rig Paros*.

We have contracts to construct three seventh generation drilling units at a major shipyard in Korea, the *Ocean Rig Santorini*, the *Ocean Rig Crete* and the *Ocean Rig Amorgos*. These newbuildings were previously scheduled for delivery in 2017, 2018 and 2019, respectively. As part of renegotiations, the delivery of the *Ocean Rig Santorini* and the *Ocean Rig Crete* were postponed to June 2018 and January 2019, respectively, certain installments were rescheduled and the total construction costs were increased to $694.8 million and $709.6 million, respectively. With respect to the *Ocean Rig Amorgos*, we agreed to suspend its construction with an option, subject to our option, to bring it back into force within a period of 18 months after the date of the addendum. As of December 31, 2016, the Company impaired the total advances and related costs provided to the yard for the *Ocean Rig Amorgos*. The estimated remaining total construction payments for these drilling units amounted to approximately $0.9 billion in aggregate as of December 31, 2016.

Our drilling units, the *Eirik Raude*, the *Ocean Rig Olympia*, *the Ocean Rig Mylos*, the *Ocean Rig Paros*, the *Ocean Rig Apollo*, and the *Ocean Rig Athena* are cold stacked in Greece.

For information on the employment of our drilling units, please see "Item 4. Information on the Company—B. Business Overview—Employment of our Fleet—Employment of Our Drilling Units."

Factors Affecting Our Results of Operations

We charter our drilling units to customers primarily pursuant to long-term drilling contracts. Under the drilling contracts, the customer typically pays us a fixed daily rate, depending on the activity and up-time of the drilling unit. The customer bears all fuel costs and logistics costs related to transport to and from the unit. We remain responsible for paying the unit's operating expenses, including the cost of crewing, catering, insuring, repairing and maintaining the unit, the costs of spares and consumable stores and other miscellaneous expenses.

We believe that the most important measures for analyzing trends in the results of our operations consist of the following:

- *Employment Days:* We define employment days as the total number of days the drilling units are employed on a drilling contract.

- *Dayrates or maximum dayrates:* We define drilling dayrates as the maximum rate in U.S. Dollars possible to earn for drilling services for one 24 hour day at 100% efficiency under the drilling contract. Such dayrate may be measured by quarter-hour, half-hour or hourly basis and may be reduced depending on the activity performed according to the drilling contract.

- *Earnings efficiency:* We measure our revenue earning performance over a period as a percentage of the maximum revenues that we could earn under our drilling contracts in such period. More specifically, all drilling contracts provide for an operating or base rate that applies for the period during which the drilling unit is operational and at the client's drilling location. Furthermore, drilling contracts generally provide for a general repair allowance for preventive maintenance or repair of equipment; such allowance varies from contract to contract, and we may be compensated at the full operating dayrate or at a reduced operating day rate for such general repair allowance. In addition, drilling contracts typically provide for situations where the drilling units would operate at reduced operating dayrates, such as, among other things: a standby rate, where the drilling unit is prevented from commencing operations for reasons such as bad weather, waiting for customer orders, waiting on other contractors; a moving rate, where the drilling unit is in transit between locations; a reduced performance rate in the event of major equipment failure; or a force majeure rate in the event of a force majeure that causes the suspension of operations. At these instances we are compensated with a portion of the base rate. In addition there are circumstances that due to equipment failure or other events defined in our drilling contracts, we do not earn the base rate.

- *Utilization*: We define utilization as the employment days divided by the total number of the drilling unit calendar days i.e. the percentage of the period that the drilling unit was under contract.

- *Mobilization / demobilization fees:* In connection with drilling contracts, we may receive revenues for preparation and mobilization of equipment and personnel or for capital improvements to the drilling units, dayrate or fixed price mobilization and demobilization fees.

- *Revenue:* For each contract, we determine whether the contract, for accounting purposes, is a multiple element arrangement, meaning it contains both a lease element and a drilling services element, and, if so, identify all deliverables (elements). For each element we determine how and when to recognize revenue.

- *Term contracts:* These are contracts pursuant to which we agree to operate the unit for a specified period of time. For these types of contracts, we determine whether the arrangement is a multiple element arrangement. For revenues derived from contracts that contain a lease, the lease elements are recognized as "Leasing revenues" in the statement of operations on a basis approximating straight line over the lease period. The drilling services element is recognized as "Service revenues" in the period in which the services are rendered at fair value rates. Revenues related to the drilling element of mobilization and direct incremental expenses of drilling services are deferred and recognized over the estimated duration of the drilling period.

- *Well contracts:* These are contracts pursuant to which we agree to drill a certain number of wells. Revenue from dayrate based compensation for drilling operations is recognized in the period during which the services are rendered at the rates established in the contracts. All mobilization revenues, direct incremental expenses of mobilization and contributions from customers for capital improvements are initially deferred and recognized as revenues over the estimated duration of the drilling period.

Revenue from Drilling Contracts

Our drilling revenues are driven primarily by the number of drilling units in our fleet, the contractual dayrates and the utilization of the drilling units. This, in turn, is affected by a number of factors, including the amount of time that our drilling units spend on planned off-hire class work, unplanned off-hire maintenance and repair, off-hire upgrade and modification work, reduced dayrates due to reduced efficiency or non-productive time, the age, condition and specifications of our drilling units, levels of supply and demand in the drilling rig market, the price of oil and other factors affecting the market dayrates for drilling units. Historically, industry participants have increased supply of drilling units in periods of high utilization and dayrates. This has resulted in an oversupply and caused a decline in utilization dayrates. Therefore, dayrates have historically been very cyclical.

Drilling Unit Operating Expenses

Drilling unit operating expenses include crew wages and related costs, catering, the cost of insurance, expenses relating to repairs and maintenance, the costs of spares and consumable stores, shore based costs and other miscellaneous expenses. Our drilling unit operating expenses, which generally represent fixed costs, have historically increased as a result of the business climate in the offshore drilling sector. Specifically, wages and vendor supplied spares, parts and services have experienced a significant price increase over the previous two to three years, while during the year ended 2015, there's a decrease in the amount of these operating expenses. Other factors beyond our control, some of which may affect the offshore drilling industry in general, such as exchange rate fluctuations and including developments relating to market prices for insurance, may also cause these expenses to increase. In addition, these drilling units operating expenses are higher when operating in harsh environments, though an increase in expenses is typically offset by the higher dayrates we receive when operating in these conditions.

Depreciation

We depreciate our drilling units on a straight-line basis over their estimated useful lives. Specifically, we depreciate bare-decks over 30 years and other asset parts over five to 30 years. We expense the costs associated with a five-year periodic class work.

General and Administrative Expenses

Our general and administrative expenses mainly include the costs of our offices, including salary and related costs for members of senior management and our shore-side employees, fees for management services and other professional fees.

Interest and Finance Costs

As of December 31, 2016, 2015 and 2014, we had total indebtedness of $3.9 billion, $4.4 billion and $4.5 billion, respectively. We capitalize our interest on the debt we have incurred in connection with our drilling units under construction.

Critical Accounting Policies

Drilling unit machinery and equipment, net: Drilling units are stated at historical cost less accumulated depreciation. Such costs include the cost of adding or replacing or increase the earnings capacity parts of drilling unit machinery and equipment when that cost is incurred, if the recognition criteria are met. The recognition criteria require that the cost incurred extends the useful life or increases the earnings capacity of a drilling unit. The carrying amounts of those parts that are replaced are written off and the cost of the new parts is capitalized. Depreciation is calculated on a straight- line basis over the useful life of the assets as follows: bare-deck, 30 years and other asset parts, from five to 30 years.

Impairment of long-lived assets: We review for impairment long-lived assets whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. To the extent impairment indicators are present; we assesse recoverability of the carrying value of the asset by estimating the undiscounted future net cash flows expected to result from the asset. In developing estimates of future undiscounted cash flows, we make assumptions and estimates about the drilling units future performance, with the significant assumptions being related to drilling rates, fleet utilization, operating expenses, capital expenditures, class survey costs, residual value and the estimated remaining useful life of each drilling unit. The projected net operating cash flows are determined by considering the drilling revenues from existing drilling contracts for the fixed days, while for the unfixed days we use an estimated daily rate equivalent by utilizing available market data. The remaining significant assumptions used to develop estimates of future undiscounted cash flows are based on historical trends as well as future expectations. Although we believe that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are highly subjective. If the estimate of undiscounted future cash flows for any drilling unit is lower than the carrying value, the carrying value is written down, by recording a charge to operations, to the drilling unit's fair market value if the fair market value is lower than the drilling unit's carrying value. The fair market value for the drilling unit is obtained by independent appraisals. For the year ended December 31, 2015 and 2016, as a result of the impairment review, we determined that the carrying amount of two and eight drilling units was not recoverable and, therefore, a charge of $415.0 and $3,658.8 million, respectively was recognized, and included in "Impairment loss" on the consolidated statements of operations of our financial statements. In additioin, we impaired the total advances and related costs provided to the yard, amounting to $92.4 million for the *Ocean Rig Amorgos*, and the impairment of $25.2 million relating to the cashflow hedges for interest capitalized on vessels impaired and is included in "Impairment loss" in the 2016 consolidated statement of operations of our financial statements.

Revenue and related expenses: Our services and deliverables are generally sold based upon contracts with our customers that include fixed or determinable prices. We recognize revenue when delivery occurs, as directed by our customer, or the customer assumes control of physical use of the asset and collectability is reasonably assured. We evaluate if there are multiple deliverables within our contracts and whether the agreement conveys the right to use the drilling units for a stated period of time and meet the criteria for lease accounting, in addition to providing a drilling services element, which are generally compensated for by dayrates. In connection with drilling contracts, we may also receive revenues for preparation and mobilization of equipment and personnel or for capital improvements to the drilling units and dayrate or fixed price mobilization and demobilization fees. Revenues are recorded net of agents' commissions. There are two types of drilling contracts: well contracts and term contracts.

Well contracts: Well contracts are contracts under which the assignment is to drill a certain number of wells. Revenue from dayrate-based compensation for drilling operations is recognized in the period during which the services are rendered at the rates established in the contracts. All mobilization revenues, direct incremental expenses of mobilization and contributions from customers for capital improvements are initially deferred and recognized as revenues and expenses, as applicable, over the estimated duration of the drilling period. To the extent that expenses exceed revenue to be recognized, they are expensed as incurred. Demobilization fees and expenses are recognized over the demobilization period. All revenues for well contracts are recognized as "Service revenues" in the statement of operations.

Term contracts: Term contracts are contracts under which the assignment is to operate the drilling unit for a specified period of time. For these types of contracts we determine whether the arrangement is a multiple element arrangement containing both a lease element and drilling services element. For revenues derived from contracts that contain a lease, the lease elements are recognized as "Leasing revenues" in the statement of operations on a basis approximating straight line over the lease period. The drilling services element is recognized as "Service revenues" in the period in which the services are rendered at fair value. Revenues related to the drilling element of mobilization and direct incremental expenses of drilling services are deferred and recognized over the estimated duration of the drilling periods. To the extent that expenses exceed revenue to be recognized, they are expensed as incurred. Demobilization fees and expenses are recognized over the demobilization period. Contributions from customers for capital improvements are initially deferred and recognized as revenues over the estimated duration of the drilling contract.

Income taxes: Income taxes have been provided for based upon the tax laws and rates in effect in the countries in which our operations are conducted and income is earned. There is no expected relationship between the provision for/or benefit from income taxes and income or loss before income taxes because the countries in which we operate have taxation regimes that vary not only with respect to the nominal rate, but also in terms of the availability of deductions, credits and other benefits. Variations also arise because income earned and taxed in any particular country or countries may fluctuate from year to year. Deferred tax assets and liabilities are recognized for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of our assets and liabilities using the applicable jurisdictional tax rates in effect at the year end. A valuation allowance for deferred tax assets is recorded when it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized. We accrue interest and penalties related to its liabilities for unrecognized tax benefits as a component of income tax expense.

Inflation

Inflation has not had a material effect on our expenses given current economic conditions. In the event that significant global inflationary pressures appear, these pressures could increase our operating, administrative and financing costs.

Results of Operations

Included in this document are our audited consolidated historical financial statements for the years ended December 31, 2016, 2015, and 2014.

Year Ended December 31, 2016 compared to Year Ended December 31, 2015

	Year Ended December 31, 2015	Year Ended December 31, 2016	Change	Percentage Change
REVENUES:				
Total revenues	1,748,200	1,653,667	(94,533)	(5.4)%
EXPENSES:				
Drilling units operating expenses	582,122	454,329	(127,793)	(22.0)%
Depreciation and amortization	362,587	334,155	(28,432)	(7.8)%
Impairment loss	414,986	3,776,338	3,361,352	810.0%
General and administrative expenses	100,314	103,961	3,647	3.7%
Loss on sale of fixed assets	5,177	25,274	20,097	388.2%
Legal settlements and other, net	(2,591)	(8,720)	(6,129)	236.5%
Operating income/ (loss)	**285,605**	**(3,031,670)**	**(3,317,275)**	**(1,161.5)%**
OTHER INCOME/(EXPENSES):				
Interest and finance costs	(280,348)	(226,981)	53,367	(19.0)%
Interest income	9,811	3,449	(6,362)	(64.8)%
Loss on interest rate swaps	(11,513)	(4,388)	7,125	(61.9)%
Gain from repurchase of Senior Notes	189,174	125,001	(64,173)	(33.9)%
Other, net	(12,899)	(614)	12,285	(95.2)%
Total other expenses, net	**(105,775)**	**(103,533)**	**2,242**	**(2.1)%**
Income / (loss) before income taxes	**179,830**	**(3,135,203)**	**(3,315,033)**	**(1,843.4)%**
Income taxes	(99,816)	(106,315)	(6,499)	6.5%
Net Income / (loss)	**80,014**	**(3,241,518)**	**(3,321,532)**	**(4,151.2)%**

Revenues

Revenues from drilling contracts decreased by $94.5 million, or 5.4%, to $1,653.7 million for the year ended December 31, 2016, as compared to $1,748.2 million for the year ended December 31, 2015, mainly due to lower utilization of the fleet. The drilling units, the *Eirik Raude* and the *Leiv Eiriksson* the *Ocean Rig Mykonos*, the *Ocean Rig Poseidon* and the *Ocean Rig Mylos* contributed decreased revenues of $380.1 million for the year ended December 31, 2016, as compared to the year ended December 31, 2015. This decrease was partly offset by the increased revenues from the *Ocean Rig Skyros* amounting to $162.5 million mainly due to increased operating days during the year ended December 31, 2016 as compared to the year ended, December 31, 2015 and by the increased revenues of the *Ocean Rig Apollo*, of $84.7 million which mainly relate to termination fees and the revenue of the *Ocean Rig Corcovado*, the *Ocean Rig Olympia* and the *Ocean Rig Athena* which contributed $42.7 million in aggregate more, during the year ended December 31, 2016, as compared to the relevant year ended December 31, 2015.

During the years 2015 and 2016, we recorded 92.2% and 57.2% utilization, respectively. Furthermore, our fleet under contract achieved an earnings efficiency of 96.4% for the year ended December 31, 2016, as compared to 97.6% for the year ended December 31, 2015.

Operating expenses

Drilling units operating expenses decreased by $127.8 million, or 22.0%, to $454.3 million for the year ended December 31, 2016, compared to $582.1 million for the year ended December 31, 2015, mainly due to cost-reduction initiatives implemented and the cold stacking of five drilling units of the total fleet. This decrease was partly offset by the increase in operating expenses by $15.0 million of the *Ocean Rig Corcovado* mainly due to increased repair and maintenance expenses incurred during the five year class survey, $6.7 million of the *Ocean Rig Skyros* and $8.9 million of the *Ocean Rig Paros*, due to the increased number of operating days during the year ended December 31, 2016, as compared to the year ended December 31, 2015.

Depreciation and amortization expense

Depreciation and amortization expense decreased by $28.4 million, or 7.8%, to $334.2 million for the year ended December 31, 2016, as compared to $362.6 million for the year ended December 31, 2015. The decrease in depreciation and amortization expense was mainly attributable to the decrease in depreciation expense of the *Leiv Eiriksson* and the *Eirik Raude* amounting to $36.8 million, in aggregate, due to the lower depreciable value of these drilling units as a result of the impairment charge that was recognized as at December 31, 2015. An aggregate decrease of the depreciation expense amounting to $3.5 million was noted for the drilling units the *Ocean Rig Olympia*, the *Ocean Rig Mykonos* and the *Ocean Rig Mylos*. This decrease was partly offset by the increase in depreciation of $4.5 million, $0.9 million, $0.6 million and $5.6 million, of the *Ocean Rig Corcovado*, the *Ocean Rig Skyros*, the *Ocean Rig Athena* and the *Ocean Rig Apollo,* respectively, (delivered in March 2015) and the increase of $0.7 million in the depreciation of the *Ocean Rig Paros*, acquired in April 2016. The depreciation expense charged for the remaining drilling units for the year ended December 31, 2016 was consistent with that charged in the corresponding period in 2015.

Impairment loss

During the year ended, December 31, 2016, we recorded an impairment loss of $3,776.3 million due to the reduction of the carrying amount to the fair value of eight of our drilling units, impaired advances of one of our drilling units under construction and a write off of cash flow hedges associated with interest capitalized, as compared to a loss of $415.0 million during the year ended December 31, 2015.

General and administrative expenses

General and administrative expenses increased by $3.7 million, or 3.7%, to $104.0 million for the year ended December 31, 2016, as compared to $100.3 million for year ended December 31, 2015 mainly due to the increase in professional fees.

Loss on sale of fixed assets

For the year ended, December 31, 2016, we incurred losses on sale of fixed assets amounting to $25.3 million which relate mainly to the sale of equipment of the *Eirik Raude* and extra costs relating to a settlement agreement between us and the supplier, compared to $5.2 million for the year ended December 31, 2015.

Legal Settlements and other, net

A gain of $8.7 million was realized for the year ended December 31, 2016, as compared to a gain of $2.6 million during the year ended December 31, 2015 resulting in an increase of $6.1 million or 234.5%. The increase relates mainly to the gains from insurance claims during the year ended December 31, 2016.

Interest and finance costs

Interest and finance costs decreased by $53.2 million, or 19.0%, to $227.1 million for year ended December 31, 2016, as compared to $ 280.3 million for the year ended December 31, 2015. The decrease is mainly associated with the lower level of debt during the year ended December 31, 2016, as compared to the corresponding year ended in 2015, mainly due to the repurchase of the 7.25% Senior Unsecured Notes and 6.50% Senior Secured Notes as well as the prepayment of $125.0 million of the $462.0 million Senior Secured Credit Facility during the year ended December 31, 2016.

Interest income

Interest income decreased by $6.4 million, or 65.3%, to $3.4 million for the year ended December 31, 2016, compared to $9.8 million for the year ended December 31, 2015. The decrease was mainly due to the interest income received from the $120.0 million Exchangeable Promissory Note provided to DryShips Inc. during the year ended December 31,2015.

Loss on interest rate swaps

Loss on interest rate swaps decreased by $7.1 million, or 61.9%, to $4.4 million for year ended December 31, 2016, as compared to a loss of $11.5 million for the year ended December 31, 2015. As of December 31, 2016, we have no outstanding interest rate swaps.

Gain from repurchase of Senior Notes

Gain from repurchase of senior notes, decreased by $64.2 million or 33.9% to $125.0 million for the year ended December 31, 2016, as compared to the year ended December 31, 2015, during which we incurred gains of $189.2 million. The increase is due to the repurchase of the 7.25% Senior Unsecured Notes and 6.50% Senior Secured Notes at a discount due to the market value at which the notes were trading,

Other, net

Other, net resulted to a loss of $0.6 million for year ended December 31, 2016, compared to a loss of $12.9 million for the year ended December 31, 2015. The decrease is mainly due to foreign currency exchange rate differences between the United States Dollars (USD), the Norwegian Krone (NOK), the Brazilian Real (BRL) and the Angolan Kwanza (AOA).

Income taxes

Income taxes increased by $6.5 million, or 6.5%, to $106.3 million for year ended December 31, 2016, compared to $99.8 million for the year ended December 31, 2015. As our drilling units operate around the world, they may become subject to taxation in many different jurisdictions. The basis for such taxation depends on the relevant regulation in the countries in which we operate. Consequently, there is no expected relationship between the income tax expense or benefit for the period and the income or loss before taxes.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

	Year Ended December 31, 2014	Year Ended December 31, 2015	Change	Percentage Change
REVENUES:				
Total revenues	1,817,077	1,748,200	(68,877)	(3.8)%
EXPENSES:				
Drilling units operating expenses	727,832	582,122	(145,710)	(20.0)%
Depreciation and amortization	324,302	362,587	38,285	11.8%
Impairment Loss	-	414,986	414,986	-%
General and administrative expenses	131,745	100,314	(31,431)	(23.9)%
Loss on sale of fixed assets	-	5,177	5,177	-%
Legal settlements and other, net	(721)	(2,591)	1,870	259.4%
Operating income	**633,919**	**285,605**	**348,314**	**(54.9)%**
OTHER INCOME/(EXPENSES):				
Interest and finance costs	(300,131)	(280,348)	19,783	(6.6)%
Interest income	12,227	9,811	(2,416)	(19.8)%
Loss on interest rate swaps	(12,671)	(11,513)	1,158	(9.1)%
Gain from repurchase of Senior Notes	-	189,174	189,174	-%
Other, net	4,282	(12,899)	(17,181)	(401.2)%
Total other expenses, net	**(296,293)**	**(105,775)**	**190,518**	**(64.3)%**
Income before income taxes	**337,626**	**179,830**	**(157,796)**	**(46.7)%**
Income taxes	(77,823)	(99,816)	(21,993)	28.3%
Net Income	**259,803**	**80,014**	**(179,789)**	**(69.2)%**

Revenues

Revenues from drilling contracts decreased by $68.9 million, or 3.8%, to $1,748.2 million for the year ended December 31, 2015, as compared to $1,817.1 million for the year ended December 31, 2014, mainly due to lower utilization of the fleet. The drilling units, the *Eirik Raude*, the *Ocean Rig Corcovado*, the *Ocean Rig Olympia*, the *Ocean Rig Poseidon*, the *Ocean Rig Mylos* and the *Ocean Rig Skyros* contributed decreased revenues of $381.0 million for the year ended December 31, 2015, as compared to the year ended December 31, 2014. This decrease was partly offset by the increased revenues from the *Ocean Rig Apollo*, of $156.7 million and the revenue of the *Ocean Rig Mykonos*, the *Leiv Eiriksson* and the *Ocean Rig Athena*, which contributed $144.7 million in aggregate more, during the year ended December 31, 2015, as compared to the relevant year ended December 31, 2014.

During the years 2014 and 2015, we recorded 99.1% and 92.2% utilization, respectively. Furthermore, our fleet under contract achieved an earnings efficiency of 97.6% for the year ended December 31, 2015, as compared to 91.8% for the year ended December 31, 2014.

Operating expenses

Drilling units operating expenses decreased by $145.7 million, or 20.0%, to $582.1 million for the year ended December 31, 2015, compared to $727.8 million for the year ended December 31, 2014, mainly due to cost-reduction initiatives. The *Ocean Rig Corcovado*, the *Ocean Rig Olympia*, the *Ocean Rig Poseidon*, the *Ocean Rig Mykonos*, the *Ocean Rig Mylos* and the *Ocean Rig Skyros* contributed in aggregate decreased operating expenses of $187.2 million for the year ended December 31, 2015 as compared to the corresponding year ended December 31, 2014. Furthermore, the drilling units, the *Leiv Eiriksson* and the *Eirik Raude*, contributed in aggregate decreased operating expenses of $22.7 million for the year ended December 31, 2015 as compared to the corresponding year ended December 31, 2014. The total decrease in operating expenses was partly offset by the increased in aggregate operating expenses of $57.8 million for the *Ocean Rig Athena* and the *Ocean Rig Apollo*.

Depreciation and amortization expense

Depreciation and amortization expense increased by $38.3 million, or 11.8%, to $362.6 million for the year ended December 31, 2015, as compared to $324.3 million for the year ended December 31, 2014. The increase in depreciation and amortization expense was mainly attributable to the depreciation expense of the *Ocean Rig Apollo* and the *Ocean Rig Athena*, amounting to $25.6 million, and $7.2 million which were added to the current fleet in the first quarter of 2015 and 2016, respectively. Furthermore, the *Leiv Eiriksson*, the *Eirik Raude*, the *Ocean Rig Mylos*, the *Ocean Rig Skyros* and the *Ocean Rig Poseidon*, contributed in aggregate $12.0 million more, for the year ended December 31, 2015 as compared to the corresponding year ended December 31, 2014 which was partly offset by the decrease in depreciation expense of $6.5 million in aggregate of the *Ocean Rig Mykonos* and the *Ocean Rig Corcovado*. The depreciation expense charged for the *Ocean Rig Olympia*, remained approximately the same for the year ended December 31, 2015, as compared to the corresponding year ended December 31, 2014.

Impairment Loss

During the year ended December 31, 2015, we recorded an impairment loss of $415.0 million, due to a reduction of the drilling units' carrying amount to their fair value. No such case existed for the relevant year ended, December 31, 2014.

General and administrative expenses

General and administrative expenses decreased by $31.4 million, or 23.8%, to $100.3 million for the year ended December 31, 2015, as compared to $131.7 million for year ended December 31, 2014, due to the decreased operating costs of our offices in Angola, Brazil and Athens and due to decreased consultancy fees.

Loss on sale of fixed assets

For the year ended, December 31, 2015, we incurred losses on sale of fixed asset equipment of $5.2 million. No such case existed in the relevant year ended, December 31, 2014.

Legal Settlements and other, net

A gain of $2.6 million was realized for the year ended December 31, 2015, as compared to a gain of $0.7 million during the year ended December 31, 2014 resulting in an increase of $1.9 million or 271.4%. The gain during the year ended December 31, 2015, related mainly to insurance claims for the *Ocean Rig Mylos*.

Interest and finance costs

Interest and finance costs decreased by $19.8 million, or 6.6%, to $280.3 million for year ended December 31, 2015, as compared to $ 300.1 million for the year ended December 31, 2014. The decrease is mainly associated with the non-cash write-offs and redemption costs associated with the full refinancing of our $500.0 million 9.50% Senior Unsecured Notes and $1.35 billion Senior Secured Credit Facility, amounting to $54.6 million during the year ended December 31, 2014, and the lower level of debt during the year ended December 31, 2015.

Interest income

Interest income decreased by $2.4 million, or 19.7%, to $9.8 million for the year ended December 31, 2015, compared to $12.2 million for the year ended December 31, 2014. The decrease was mainly due to the lower interest rates on bank deposits.

Loss on interest rate swaps

Loss on interest rate swaps decreased by $1.2 million, or 9.4%, to $11.5 million for year ended December 31, 2015, as compared to a loss of $12.7 million for the year ended December 31, 2014. The losses for the year ended December 31, 2015 were mainly due to payments of interest on swaps.

Gain from repurchase of Senior Notes

For the year ended December 31, 2015, we incurred gains of $189.2 million due to the repurchase of the 7.25% Senior Unsecured Notes and 6.50% Senior Secured Notes at a discount due to the market value at which the notes were trading. No such case existed for the relevant year ended December 31, 2014.

Other, net

Other, net resulted in a loss of $12.9 million for year ended December 31, 2015, compared to a gain of $4.3 million for the year ended December 31, 2014. The decrease is mainly due to foreign currency exchange rate differences between the United States Dollars (USD) and the Norwegian Krone (NOK), the Brazilian Real (BRL) and the Angolan Kwanza (AOA).

Income taxes

Income taxes increased by $22.0 million, or 28.3%, to $99.8 million for year ended December 31, 2015, compared to $77.8 million for the year ended December 31, 2014, mainly due to the increase of withholding taxes based on revenues of the fleet. As our drilling units operate around the world, they may become subject to taxation in many different jurisdictions. The basis for such taxation depends on the relevant regulation in the countries in which we operate. Consequently, there is no expected relationship between the income tax expense or benefit for the period and the income or loss before taxes.

B. Liquidity and Capital Resources

As of December 31, 2016, we had $54.3 million of restricted cash relating mainly to bank deposits which are blocked or pledged as cash collateral. Our restricted cash balances as of December 31, 2016 increased by $41.6 million, or 327.6%, to $54.3 million, compared to $12.7 million as of December 31, 2015. Restricted cash increased by $42.0 million under the terms of the $462 million Senior Secured Credit Facility.

As of December 31, 2016, we had $718.7 million of cash and cash equivalents. Our cash and cash equivalents decreased by $16.1 million, or 2.2%, to $718.7 million as of December 31, 2016, compared to $734.7 million as of December 31, 2015. The decrease relates mainly to net cash used in investing activities amounting to $392.4 million, the principal payments and repayments of long-term debt of $215.3 million, the repurchase of senior notes amounting to $121.5 million and the repurchase of common stock amounting to $49.9 million. As of December 31, 2016 and December 31, 2015, we had total indebtedness, on a consolidated basis, of $3.9 billion and $4.4 billion, respectively, under our outstanding debt agreements, excluding unamortized financing fees. Our total indebtedness as of December 31, 2016 decreased by $0.5 billion, or 11.4%, to $3.9 billion, compared to $4.4 billion as of December 31, 2015 due to loan payments and the repurchase of senior notes.

As of December 31, 2016, the aggregate available undrawn amounts under our facilities are zero. As of December 31, 2016, we were in compliance with all covenants related to our outstanding debt agreements. Please refer to the discussion on Long-term Debt as detailed in Note 9 of our audited consolidated financial statements.

As of December 31, 2016, our total purchase commitments consisted of the estimated remaining construction expenses of approximately $0.9 billion relating to the construction of our two seventh generation drilling units under construction, which are scheduled to be delivered in 2018 and 2019, respectively. The estimated total project cost per drilling unit under construction, excluding financing costs, is approximately $747.9 million and $735.7 million. We have not yet arranged financing for the remaining construction payments relating to the construction of our two seventh generation drilling units, which are scheduled for delivery during 2018 and 2019. We plan to finance these remaining payments, with new debt or equity financing, which we have not yet secured in full. We cannot be certain that we will be able to obtain the additional financing we need to complete the acquisition of our seventh generation drilling units on acceptable terms or at all.

Working capital is defined as current assets minus current liabilities (including the current portion of long-term debt). Our working capital surplus amounted to $267.9 million as of December 31, 2016, as compared to a working capital surplus of $836.6 million as of December 31, 2015. The decrease in working capital surplus as of December 31, 2016, as compared to December 31, 2015, is mainly due to the decrease in cash and cash equivalents, trade accounts receivable and the increase in the current portion of long- term debt.

Our principal use of funds has been capital expenditures to establish and grow our fleet, maintain the quality of our drilling units, comply with international standards, environmental laws and regulations, fund working capital requirements and make principal repayments on outstanding loan facilities. Since our formation, our principal source of funds has been equity provided by our shareholders, operating cash flows, our equity and notes offerings and long-term bank borrowings.

Our internally generated cash flow is directly related to our business and the market sectors in which we operate. As the drilling market has deteriorated and we have experienced poorer results in our operations compared to past years, our cash flow from operations has been reduced. As of December 31, 2016, we believe that our current cash balances and operating cash flow, together with the proceeds of any debt or equity issuances in the future, will not be sufficient to meet our liquidity needs for the next 12 months, including the maturity of our Senior Secured Notes due on October 1, 2017 and potential covenant breaches under our Secured Term Loan B Facilities. Our access to debt and equity markets has been severely reduced and we do not expect that we will have access to the equity or debt capital markets at all in the near future, due to a variety of events, including a credit crisis, credit rating agency downgrades of our debt, industry conditions, general economic conditions, our existing financial condition, market conditions and market perceptions of us and our industry.

Compliance with Covenants under Our Debt Agreements

Our debt agreements, including the indenture governing our Senior Secured Notes, impose operating and financial restrictions on us. These restrictions generally limit our ability to, among other things (i) pay dividends; (ii) incur or guarantee additional indebtedness; (iii) create or permit liens on our assets; (iv) change the management and/or ownership of the drilling units; (v) change the general nature of their business; (vi) consummate a merger, consolidation or sale of our drilling units or the shares of our subsidiaries; (vii) make investments; and (viii) enter into transactions with affiliates.

In addition, our secured credit facilities, which are secured by mortgages on our operating drilling units, require us and certain of our subsidiaries to maintain specified financial ratios and satisfy certain financial covenants, including the requirement that that the market value of the mortgaged drilling units under the applicable credit facility, determined in accordance with the terms of that facility, does not fall below a certain percentage of the outstanding amount of the loan, which we refer to as a value maintenance clause. In general, these financial covenants relate to the maintenance of (i) minimum amount of free cash; (ii) leverage ratio not to exceed specified levels; (iii) minimum interest coverage ratio; (iv) minimum current ratio (the ratio of current assets to current liabilities); and (v) minimum equity ratio (the ratio of value adjusted equity to value adjusted total assets). Any future credit agreement or amendment or debt instrument we enter into may contain similar or more restrictive covenants.

Events beyond our control, including changes in the economic and business conditions in the deepwater offshore drilling market in which we operate, may affect our ability to comply with these ratios and covenants. Our ability to maintain compliance will also depend substantially on the value of our assets, our dayrates, our ability to obtain drilling contracts, our success at keeping our costs low and our ability to successfully implement our overall business strategy. The prolonged market downturn in the offshore drilling industry and the continued depressed outlook, have led to materially lower levels of investing in for offshore exploration and development by the current and potential customers on a global basis, while at the same time supply of available high specification drilling units has increased, which in turn has affected the Company with the early termination of five drilling contracts during the year ended December 31, 2016 and also led to the stacking of six drilling units of the Company's fleet as of the date of this report.

The restrictions, ratios and financial covenants in our debt agreements could limit our ability to fund our operations or capital needs, make acquisitions or pursue available business opportunities, which in turn may adversely affect our financial condition. A violation of any of these provisions could result in a default under our existing and future debt agreements which could allow all amounts outstanding thereunder to be declared immediately due and payable. We cannot guarantee that we would be able to obtain our lenders' waiver or consent with respect to any violation of these provisions under our debt agreements or any future financial obligations. An acceleration or a payment default under existing financial instruments would likely in turn trigger cross-acceleration and cross-default rights under the terms of our indebtedness outstanding at such time. If the amounts outstanding under our indebtedness were to be accelerated or were the subject of foreclosure actions, we cannot assure you that our assets would be sufficient to repay in full the money owed to the lenders or to our other debt holders.

If our indebtedness is accelerated pursuant to the cross-default or cross-acceleration provisions contained therein, it will be very difficult in the current financing environment for us to refinance our debt or obtain additional financing and we could lose our drilling units if any of our lenders or the trustee and collateral agent under the indenture governing our Senior Secured Notes move to foreclose their liens on the collateral securing the agreements. We expect that cash on hand and cash generated from operations would be insufficient to cover the scheduled payments of interest and principal on our facilities that have cross-default provisions, which amounted to approximately $3.95 billion in the aggregate, as of December 31, 2016.

In addition, the Company expects that during the fourth quarter of 2017, it will be in breach of the maximum leverage ratio covenant requirement for the Secured Term Loan B Facilities. In such event, the Company will require additional cash liquidity that it does not believe it will be able to achieve, in order to cure the covenant and remain in compliance, otherwise the Secured Term Loan B Facilities will become capable of being declared immediately due and payable in full.

Considering all the above, the Company does not believe that cash on hand and cash generated from operations, following the repayment of its obligations under the Senior Secured Notes, will be sufficient to meet the maximum leverage ratio covenant requirement for the Secured Term Loan B Facilities. If that debt were to be accelerated, in the absence of a restructuring of this debt, we would have to seek to access the capital markets to fund the mandatory payments. We believe that current market conditions combined with the Company's financial condition will not allow the Company to improve its liquidity position through the sale of any of its drilling units, access to equity or debt offerings or a combination thereof, over the next year.

As of December 31, 2016, we were in compliance with all covenants related to our debt agreements. Please refer to the discussion on Long-term Debt as detailed in Note 9 and the discussion on Liquidity and Going Concern considerations as detailed in Note 3 of our audited consolidated financial statements.

Our Debt Agreements

Existing Debt Agreements

6.50% senior secured notes due 2017

On September 20, 2012, Drill Rigs Holdings, our wholly-owned subsidiary, or the Issuer, completed the issuance of $800 million aggregate principal amount of Senior Secured Notes pursuant to an indenture in the 2012 Secured Bond Offering. The Senior Secured Notes and are fully and unconditionally guaranteed, on a senior secured basis, by us and certain existing and future subsidiaries of the Issuer, or the Subsidiary Guarantors, including subsidiaries of the Issuer that holds or will hold the *Leiv Eiriksson* or the *Eirik Raude*, or certain assets related to such drilling units, or that is or becomes party to a drilling contract in respect of either the *Leiv Eiriksson* or the *Eirik Raude*.

The Senior Secured Notes are secured, on a first priority basis, by a security interest in the *Leiv Eiriksson* and the *Eirik Raude* and certain other assets of the Issuer and Subsidiary Guarantors, assignments of all earnings and insurance proceeds related to the two drilling units, and by a pledge of the stock of the Issuer and the Subsidiary Guarantors.

The Senior Secured Notes mature on October 1, 2017, and bear interest from the date of their issuance at the rate of 6.50% per annum. Interest on outstanding Senior Secured Notes is payable semi-annually in arrears, commencing on April 1, 2013. The net proceeds, after fees and expenses, of the 2012 Secured Bond Offering of approximately $782.0 million were used to fully repay outstanding indebtedness under our $1.04 billion senior secured credit facility described below under "—Repaid Debt Agreements—$1.04 billion secured credit facility," amounting to $487.5 million as of June 30, 2012, and for the purposes of financing offshore drilling units, and to pay all fees and expenses associated therewith.

The Senior Secured Notes rank equally in right of payment with all of the Issuer's existing and future senior indebtedness and senior in right of payment to any of the Issuer's existing and future subordinated indebtedness. The guarantees of each guarantor are senior obligations of that guarantor and rank equally in right of payment with all of that guarantor's existing and future senior indebtedness, including guarantees, and senior in right of payment to all of that guarantor's existing and future subordinated indebtedness.

At any time on or after October 1, 2015, the Issuer may redeem some or all of the Senior Secured Notes at specified redemption prices, plus accrued and unpaid interest on the Senior Secured Notes redeemed.

If a change of control, as defined in the indenture, occurs, each holder of Senior Secured Notes will have the right to require the repurchase of all or any part of its Senior Secured Notes at a price equal to 101% of their original principal amount, plus accrued and unpaid interest to the date of repurchase. In addition, the Issuer may be required to offer to use all or a portion of the net proceeds of certain asset sales to purchase some or all of the Senior Secured Notes at 100% of the principal amount thereof, plus accrued and unpaid interest thereon to the date of purchase.

The indenture governing the Senior Secured Notes, among other things, limits the ability of us and our restricted subsidiaries thereunder, including the Issuer, to: (i) incur or guarantee additional indebtedness or issue preferred stock or disqualified capital stock; (iii) pay dividends, redeem equity interests or subordinated indebtedness or make other restricted payments; (iv) transfer or sell assets; (v) incur dividend or other payment restrictions affecting restricted subsidiaries; (vii) enter into transactions with affiliates; (ix) engage in businesses other than a business that is the same as our current business and any reasonably related businesses; and (viii) designate subsidiaries as unrestricted subsidiaries. In addition, the indenture also restricts the Issuer's ability and the ability of us and the other guarantors to, among other things, (i) create or incur liens; (ii) consummate a merger, consolidation or sale of all or substantially all of the assets of the Issuer, us or the other guarantors; and (iii) take or omit to take any actions that would adversely affect or impair in any material respect the collateral securing the Senior Secured Notes. Subject to certain exceptions, our future subsidiaries will become restricted subsidiaries under the indenture governing the Senior Secured Notes and, under limited circumstances, may also become guarantors of the Senior Secured Notes.

The Senior Secured Notes are listed on the Official List of the Irish Stock Exchange and trade on the Global Exchange Market of that exchange.

During the years ended December 31, 2015 and 2016, two of the Company's wholly owned subsidiaries purchased in the open market an aggregate principal amount of $340.3 million of these notes. As of December 31, 2016, the outstanding balance of $459.7 million is net of the notes repurchased in the open market. Effective March 21, 2017, the Notes held by our wholly owned subsidiaries have been cancelled.

$1.9 billion Term Loan B Facilities, dated July 12, 2013

On July 12, 2013, we, through our wholly-owned subsidiaries, Drillships Financing Holding Inc. ("DFHI") and Drillships Projects Inc., entered into a $1.8 billion senior secured term loan facility, comprised of tranche B-1 term loans in an aggregate principal amount equal to $975.0 million ("Tranche B-1 Term Loans") and tranche B-2 term loans in an aggregate principal amount equal to $825.0 million ("Tranche B-2 Term Loans" and, together with the Tranche B-1 Term Loans, the "Term Loans"), with respective maturity dates in the first quarter of 2021, subject to adjustment to the third quarter of 2020 in certain circumstances and the third quarter of 2016. The Term Loans are initially guaranteed by Ocean Rig and certain existing and future subsidiaries of DFHI and are secured by certain assets of, and by a pledge of the stock of, DFHI and the subsidiary guarantors. The net proceeds of the Term Loans were used by Ocean Rig to repay in full amounts outstanding under Ocean Rig's $800.0 million secured term loan agreement and the two $495.0 million senior secured credit facilities, amounting to $1,519.2 million in aggregate. The unamortized balance of deferred finance fees associated with the repaid loans, amounting to approximately $23.3 million was written off upon the extinguishment of the related debt in July 2013. In addition, restricted cash of $131.6 million associated with the respective loans has been released upon the repayment. On July 26, 2013, we through our wholly-owned subsidiaries DFHI and Drillships Projects Inc entered into an incremental amendment to the $1.8 billion senior term loan for additional tranche B-1 term loans in a principal amount of $100.0 million.

On February 7, 2014, we refinanced our existing short-term Tranche B-2 Term Loans with a fungible add-on to its existing long-term Tranche B-1 Term Loans. As a result of this refinancing, the total $1.9 billion of Tranche B-1 Term Loans will mature no earlier than the third quarter of 2020.

As of December 31, 2015, we had outstanding borrowings amounting to $1,857.3 million under this facility. As of December 31, 2016, we had outstanding borrowings amounting to $1,838.3 million under this facility.

$1.3 billion Senior Secured Term Loan B Facility

On July 25, 2014, Ocean Rig's wholly owned subsidiary, Drillships Ocean Ventures Inc., entered into a $1.3 billion Senior Secured Term Loan B ("New Term Loan B") facility to refinance the $1.35 billion Senior Secured Credit Facility, which had an outstanding loan balance of approximately $1.3 billion on that date. The unamortized balance of the deferred finance fees associated with the loan repaid, amounting to approximately $19.8 million, was written off in the consolidated statement of operations upon the extinguishment of the related debt in July 2014. In addition, restricted cash of $75.0 million associated with the respective debt was released upon the repayment. The New Term Loan B facility which is secured primarily by first priority mortgages on the drilling units, *Ocean Rig Mylos*, *Ocean Rig Skyros* and *Ocean Rig Athena*, bears interest at a fixed rate and matures on July 25, 2021.

As of December 31, 2015, we had outstanding borrowings amounting to $1,283.8 million under this facility. As of December 31, 2016, we had outstanding borrowings amounting to $1,270.8 million under this facility.

Ocean Rig's 7.25% senior unsecured notes due 2019

On March 26, 2014, Ocean Rig issued $500.0 million aggregate principal amount of 7.25% senior unsecured notes due 2019, offered in a private placement, resulting in net proceeds of approximately $493.6 million. The 7.25% Senior Unsecured Notes are unsecured obligations and rank senior in right of payment to any future subordinated indebtedness and equally in right of payment to all of its existing and future unsecured senior indebtedness. Ocean Rig used the net proceeds from the offering of the 7.25% Senior Unsecured Notes, together with cash on hand and repurchased $462.3 million of its 9.5% Senior Unsecured Notes, of which $500 million in aggregate principal amount was outstanding prior to closing of the 7.25% Senior Unsecured Notes Offering, at a tender premium of 105.375%, while the remaining $37.7 million, was redeemed at a redemption price of 104.5% on May 13, 2014.

The 7.25% Senior Unsecured Notes are not guaranteed by any of the Company's subsidiaries. Upon a change of control, which occurs if 50% or more of the Company's shares are acquired by any person or group other than DryShips or its affiliates, the noteholders will have an option to require the Company to purchase all outstanding notes at a redemption price of 101% of the principal amount thereof plus accrued and unpaid interest to the date of purchase. The contractual semi-annual coupon interest rate is 7.25% per year.

During the years ended December 31, 2015 and 2016, two of the Company's wholly owned subsidiaries purchased in the open market an aggregate principal amount of $369 million of these notes. As of December 31, 2016, the outstanding balance of $131 million is net of the notes repurchased in the open market. Effective March 21, 2017, the Notes held by our wholly owned subsidiaries have been cancelled.

$462 million Senior Secured Credit Facility

On February 13, 2015, the Company's wholly owned subsidiary, Drillship Alonissos Owners Inc., entered into a secured term loan facility agreement with a syndicate of lenders and DNB Bank ASA, as facility agent and security agent, for up to $475.0 million to partially finance the construction costs of the *Ocean Rig Apollo*. This facility has a 5 year term and bears interest at LIBOR plus a margin. On March 3, 2015, the Company drew down an amount of $462.0 million under this facility and pledged restricted cash of $10.0 million associated with the respective loan. On February 11, 2016, the charterer of the *Ocean Rig Apollo* sent a notice of termination of the drilling contract. Under the terms of the $462 million Senior Secured Credit Facility, the Company has 90 days from the date of termination of the contract to enter into a new Satisfactory Drilling Contract (as defined in the loan agreement). If such Satisfactory Drilling Contract is not entered into by the Company, then the Company must make a prepayment within 180 days from the date of termination of the contract.

On August 31, 2016, the Company entered into an amending and restating agreement (the "Amending and Restating Agreement"), to amend and restate the secured term loan facility agreement. Pursuant to the Amending and Restating Agreement, (i) the Company has been released from its guarantee under the secured term loan facility, (ii) the amount of mandatory prepayment required to be made due to the termination of drilling contract for the *Ocean Rig Apollo* with Total E&P Congo has been reduced, (iii) the ownership of the Borrower and Drillship Alonissos Owners Inc., as owner of the Ocean Rig Apollo, has been transferred from the Company to a trustee, and (iv) the Company has been given an option to purchase the shares of Drillship Alonissos Owners Inc. upon satisfaction of certain condition.

Cash Flows

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Our cash and cash equivalents decreased to $718.7 million as of December 31, 2016, compared to $734.7 million as of December 31, 2015, primarily due to cash used in investing and financing activities. Our working capital surplus was $268.0 million as of December 31, 2016, compared to a $836.6 million working capital surplus as of December 31, 2015.

Net Cash Provided by Operating Activities

Net cash provided by operating activities was $763.0 million for the year ended December 31, 2016. In determining net cash provided by operating activities for the year ended December 31, 2016, the net loss was adjusted for the effects of certain non-cash items, including $3,776.3 million impairment loss, $334.2 million of depreciation and amortization, $21.0 million of amortization of deferred financing costs, $25.3 million of loss on fixed asset disposals, partly offset by the gain from the repurchase of senior notes amounting to $125.0 million. Moreover, for the year ended December 31, 2016, the net loss was also adjusted for the effects of non-cash items, such as the amortization of deferred revenue amounting to $137.0 million. Net cash provided by operating activities was $593.0 million for the year ended December 31, 2015.

Net Cash Used in Investing Activities

Net cash used in investing activities was $392.5 million for the year ended December 31, 2016, compared to $643.7 million for the year ended December 31, 2015. We incurred expenditures related to drilling units under construction and related costs of $243.0 million and drilling units, machinery, equipment and other improvements and upgrades of $97.2 million for the year ended December 31, 2016, compared to $89.9 million and $544.0 million, respectively for the year ended December 31, 2015. A loss of $10.9 million was realized from the sale of fixed assets during 2016. The increase in restricted cash was $41.5 million during the year ended December 31, 2016, compared to an increase of $10.2 million in the corresponding year ended December 31, 2015.

Net Cash Used in Financing Activities

Net cash used in financing activities was $386.6 million for the year ended December 31, 2016. Net cash consisted of repayments of credit facilities amounting to $215.3 million, payments for senior notes repurchase amounting to $121.5 million and repurchase of common stock amounting to $49.9 million. This compares to net cash provided by financing activities of $263.3 million for the year ended December 31, 2015.

Effect on exchange rate changes on cash

Effect on exchange rate changes on cash was nil for the year ended December 31, 2016 compared to $6.8 million, loss for the year ended December 31, 2015.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Our cash and cash equivalents increased to $734.7 million as of December 31, 2015, compared to $528.9 million as of December 31, 2014, primarily due to cash provided by financing and operating activities, proceeds from long-term debt, partly offset by cash used in investing activities. Our working capital surplus was $836.6 million as of December 31, 2015, compared to a $ 560.5 million working capital surplus as of December 31, 2014.

Net Cash Provided by Operating Activities

Net cash provided by operating activities was $593.0 million for the year ended December 31, 2015. In determining net cash provided by operating activities for the year ended December 31, 2015, net income was adjusted for the effects of certain non-cash items, including $362.6 million of depreciation and amortization, $415.0 million of impairment, $24.0 million of amortization of deferred financing costs and $114.6 million allowance for doubtful receivables, partly offset by the gain from the repurchase of senior notes amounting to $189.2 million. Moreover, for the year ended December 31, 2015, net income was also adjusted for the effects of non-cash items, such as the gain in the change in fair value of derivatives of $8.2 million. Net cash provided by operating activities was $469.8 million for the year ended December 31, 2014.

Net Cash Used in Investing Activities

Net cash used in investing activities was $643.7 million for the year ended December 31, 2015, compared to $815.0 million for the year ended December 31, 2014. We made expenditures related to drilling units under construction, operating drilling units, machinery, equipment and other improvements net of sale of fixed assets, of approximately $633.5 million for the year ended December 31, 2015, compared to $749.0 million for shipyard payments and project capital expenditures for the year ended December 31, 2014. The increase in restricted cash was $10.2 million during the year ended December 31, 2015, compared to a decrease of $51.0 million in the corresponding year ended December 31, 2014.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was $263.3 million for the year ended December 31, 2015. Net cash consisted of proceeds from long term debt amounting to $462.0 million and net proceeds from common stock issuance, amounting to $192.7 million, partly offset by repayments of credit facilities amounting to $61.2 million, payments for senior notes repurchase amounting to $273.7 million, payments of financing fees amounting to $6.3 million and payments of dividends amounting to $50.3 million. This compares to net cash provided by financing activities of $268.6 million for the year ended December 31, 2014, consisting of repayments of credit facilities amounting to $1,862.3 million, payments of financing fees amounting to $43.5 million and payments of dividends amounting to $75.2 that were partly offset by proceeds from long term debt amounting to $2,250.0 million.

Effect on exchange rate changes on cash

Effect on exchange rate changes on cash was $6.8 million, loss for the year ended December 31, 2015 compared to no effect in the corresponding year ended 2014.

Swap Agreements

As of December 31, 2015, we had seven interest rate swap and cap and floor agreements outstanding, with a notional amount of $1.6 billion, maturing from April 2016 through November 2017. These agreements were entered into in order to economically hedge our exposure to interest rate fluctuations with respect to our borrowings. As of December 31, 2015, the aggregate fair value the above agreements was a net liability of $8.2 million. This fair value equates to the amount that would be paid by us if the agreements were cancelled at the reporting date, taking into account current interest rates and our creditworthiness.

The interest rate swap and cap and floor agreements were terminated during 2016 and as at December 31, 2016 there are no outstanding agreements.

See "Item 11. Quantitative and Qualitative Disclosures About Market Risk."

Currency Forward Sale Exchange Contracts

As of December 31, 2016, 2015, and 2014, we had no outstanding currency forward sale exchange contracts.

See "Item 11. Quantitative and Qualitative Disclosures About Market Risk."

Supplemental Information

Drill Rigs Holdings Inc. and its Operating Subsidiaries

Drill Rigs Holdings, the issuer of our Senior Secured Notes, or the Issuer, is a corporation incorporated under the laws of the Republic of the Marshall Islands on October 10, 2008 and registered as a foreign company in the Cayman Islands on October 18, 2016. The Issuer is a wholly owned subsidiary of the Company. Ocean Rig 1 Inc. and Ocean Rig 2 Inc., corporations incorporated under the laws of the Marshall Islands on October 10, 2008, and wholly owned subsidiaries of the Issuer, each separately own and operate our modern, fifth generation harsh weather ultra-deepwater semi-submersible offshore drilling units, the *Leiv Eiriksson* and the *Eirik Raude*, respectively. The Senior Secured Notes are secured by, among other things, first priority mortgages on the *Leiv Eiriksson* and the *Eirik Raude*. Ocean Rig 1 Inc. and Ocean Rig 2 Inc., along with other existing and future subsidiaries of the Issuer that hold or will hold the *Leiv Eiriksson* or the *Eirik Raude*, or certain assets related to such drilling units, or that are or become a party to a drilling contract for the employment of the *Leiv Eiriksson* or the *Eirik Raude*, or collectively, the Issuer Subsidiary Guarantors, and Ocean Rig UDW Inc. are guarantors of our Senior Secured Notes. The address for the Drill Rigs Holdings Inc.'s executive offices and principal place of business is c/o Ocean Rig Cayman Management Services SEZC Limited, 3rd Floor Flagship Building, Harbour Drive, Grand Cayman, Cayman Islands.

The registered address for our Issuer Subsidiary Guarantors, all of which are private limited companies organized under the laws of the Republic of the Marshall Islands and all of which are wholly owned subsidiaries of the Issuer is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960.

Selected Historical Consolidated Financial Information and Other Data

The following table sets forth certain financial and other data of Drill Rigs Holdings, our wholly-owned subsidiary and the issuer of our Senior Secured Notes, and its operating subsidiaries, each an Issuer Subsidiary Guarantor of the Senior Secured Notes, at the dates and for the periods indicated, which is derived from unaudited financial statements of Drill Rigs Holdings and its operating subsidiaries on a consolidated basis and was prepared by us for use in connection with certain reporting requirements set forth under the indenture governing the Senior Secured Notes.

(U.S. Dollars in thousands)	**Year Ended December 31, 2016***
Total revenue	96,098
EBITDA(1)	(699,128)
Total assets	109,659
Total liabilities	477,478
Shareholders' equity	(367,819)
Total cash and cash equivalents	4,274
Capital Expenditures (2)	17,365

(1) EBITDA represents net income/ loss before interest, taxes, depreciation and amortization. EBITDA is a non-U.S. GAAP measure and does not represent and should not be considered as an alternative to net income / loss or cash flow from operations, as determined by U.S. GAAP or other U.S. GAAP measures, and our calculation of EBITDA may not be comparable to that reported by other companies. EBITDA is included herein because it is a basis upon which we measure our operations. EBITDA is also used by various of our lenders as a measure of our compliance with certain loan covenants and because we believe that it presents useful information to investors regarding a company's ability to service and/or incur indebtedness.

(2) Capital expenditures represent fixed assets improvements.

* Includes inter-company balances as adjusted by an agreement among the Company, DRH, DFHI and DOV entered into on March 17, 2017 to settle any outstanding payables and receivables owed among the entities.

EBITDA reconciliation

EBITDA represents net income / loss before interest, taxes, depreciation and amortization. EBITDA does not represent and should not be considered as an alternative to net income / loss or cash flow from operations, as determined by US GAAP and our calculation of EBITDA may not be comparable to that reported by other companies. EBITDA is included herein because it is a basis upon which Drill Rigs Holdings measures its operations. EBITDA is also presented herein because Drill Rigs Holdings believes that it presents useful information to investors regarding a company's ability to service and/or incur indebtedness.

(U.S. Dollars in thousands)	**Year Ended December 31, 2016**
EBITDA reconciliation	
Net loss	(802,054)
Net interest expense	55,547
Depreciation	50,123
Income taxes	(2,744)
EBITDA	(699,128)

Ocean Rig UDW Inc. and its Operating Subsidiaries

Adjustments to the calculation of Consolidated Net Income under the 7.25% Senior Unsecured Notes.

During the year ended December 31, 2016, we estimate that we will not exceed $85.1 million of adjustments to the calculation of consolidated net income in connection with drydock, shipyard stay and special survey expenses for the drilling units of Ocean Rig.

Drillships Financing Holdings Inc. and its Operating Subsidiaries

Adjustments to the calculation of Consolidated Net Income under the $1.9 billion Term Loan B Facility.

During the year ended December 31, 2016, we estimate that we will not exceed $85.1 million of adjustments to the calculation of consolidated net income in connection with drydock, shipyard stay and special survey expenses for the drilling units of Drillships Financing Holdings Inc.

Selected Historical Consolidated Financial Information and Other Data

The following table sets forth certain financial and other data of Drillships Financing Holdings Inc., our wholly-owned subsidiary and the issuer of $1.9 billion Term Loan B Facility and each of its subsidiaries, that is a guarantor of the loan (collectively "Drillships Financing Holdings Inc."), at the dates and for the periods indicated, which are derived from the unaudited financial statements of Drillships Financing Holdings on a consolidated basis and were prepared by us for use in connection with certain reporting requirements set forth in the indenture governing the $1.9 billion Term Loan B Facility.

The address for the Drillships Financing Holdings Inc.'s executive offices and principal place of business is c/o Ocean Rig Cayman Management Services SEZC Limited, 3rd Floor Flagship Building, Harbour Drive, Grand Cayman, Cayman Islands.

(U.S. Dollars in thousands)	**Year Ended December 31, 2016∗**
Total revenue	561,675
EBITDA(1)	(2,758,863)
Total assets	1,221,349
Total liabilities	1,875,030
Shareholders' equity	(653,681)
Total cash and cash equivalents	362,458
Capital expenditures (2)	88,001

(1) EBITDA represents net income / loss before interest, taxes, depreciation and amortization. EBITDA is a non-U.S. GAAP measure and does not represent and should not be considered as an alternative to net income / loss or cash flow from operations, as determined by U.S. GAAP or other U.S. GAAP measures, and our calculation of EBITDA may not be comparable to that reported by other companies. EBITDA is included herein because it is a basis upon which we measure our operations. EBITDA is also used by various of our lenders as a measure of our compliance with certain loan covenants and because we believe that it presents useful information to investors regarding a company's ability to service and/or incur indebtedness.

(2) Capital expenditures represent fixed assets improvements.

EBITDA reconciliation

EBITDA represents net income / loss before interest, taxes, depreciation and amortization. EBITDA does not represent and should not be considered as an alternative to net income / loss or cash flow from operations, as determined by United States generally accepted accounting principles ("U.S. GAAP") and our calculation of EBITDA may not be comparable to that reported by other companies. EBITDA is included herein because it is a basis upon which Drillships Financing Holdings measures its operations. EBITDA is also presented herein because Drillships Financing Holdings believes that it presents useful information to investors regarding a company's ability to service and/or incur indebtedness.

(U.S. Dollars in thousands)	**Year Ended December 31, 2016**
EBITDA reconciliation	
Net loss	(3,048,658)
Net interest expense	118,164
Depreciation	152,174
Income taxes	19,457
EBITDA	(2,758,863)

Drillships Ocean Ventures Inc. and its Operating Subsidiaries

Adjustments to the calculation of Consolidated Net Income under the $1.3 billion Senior Secured Term Loan B Facility.

During the year ended December 31, 2016, we estimate that we will not exceed $85.1 million of adjustments to the calculation of consolidated net income in connection with drydock, shipyard stay and special survey expenses for the drilling units of Drillships Ocean Ventures Inc.

Selected historical consolidated financial information and other data:

The following table sets forth certain financial and other data of Drillships Ocean Ventures Inc. our wholly-owned subsidiary and the issuer of $1.3 billion Senior Secured Term Loan B Facility (the "New Term Loan B") and each of its subsidiaries, that is a guarantor of the New Term Loan B (collectively "Drillships Ocean Ventures"), at the dates and for the periods indicated, which are derived from the unaudited financial statements of Drillships Ocean Ventures on a consolidated basis and were prepared by us for use in connection with certain reporting requirements set forth in the indenture governing the $1.3 billion New Term Loan B Facility.

∗ Includes inter-company balances as adjusted by an agreement among the Company, DRH, DFHI and DOV entered into on March 17, 2017 to settle any outstanding payables and receivables owed among the entities.

The address for the Drillships Ocean Ventures Inc.'s executive offices and principal place of business is c/o Ocean Rig Cayman Management Services SEZC Limited, 3rd Floor Flagship Building, Harbour Drive, Grand Cayman, Cayman Islands.

(U.S. Dollars in thousands)	Year Ended December 31, 2016*
Total revenue	635,431
EBITDA(1)	(302,272)
Total assets	1,203,505
Total liabilities	1,304,222
Shareholders' equity	(100,717)
Total cash and cash equivalents	157,386
Capital expenditures (2)	30,770

(1) EBITDA represents net income/ loss before interest, taxes, depreciation and amortization. EBITDA is a non-U.S. GAAP measure and does not represent and should not be considered as an alternative to net income / loss or cash flow from operations, as determined by U.S. GAAP or other U.S. GAAP measures, and our calculation of EBITDA may not be comparable to that reported by other companies. EBITDA is included herein because it is a basis upon which we measure our operations. EBITDA is also used by various of our lenders as a measure of our compliance with certain loan covenants and because we believe that it presents useful information to investors regarding a company's ability to service and/or incur indebtedness.

(2) Capital expenditures represent fixed assets improvements, payments made to yard for the drilling units under construction and related construction expenses.

EBITDA reconciliation

EBITDA represents net income / loss before interest, taxes, depreciation and amortization. EBITDA does not represent and should not be considered as an alternative to net income/ loss or cash flow from operations, as determined by United States generally accepted accounting principles ("U.S. GAAP") and our calculation of EBITDA may not be comparable to that reported by other companies. EBITDA is included herein because it is a basis upon which Drillships Ocean Ventures measures its operations. EBITDA is also presented herein because Drillships Ocean Ventures believes that it presents useful information to investors regarding a company's ability to service and/or incur indebtedness.

(U.S. Dollars in thousands)	Year Ended December 31, 2016
EBITDA reconciliation	
Net loss	(522,704)
Net interest expense	75,630
Depreciation	98,154
Income taxes	46,648
EBITDA	(302,272)

Ocean Rig Investments Inc.

Selected Historical Consolidated Financial Information and Other Data

The following table sets forth certain financial and other data of Ocean Rig Investments Inc., our wholly owned subsidiary, which is designated as an unrestricted subsidiary under our loan agreements.

(U.S. Dollars in thousands)	Year Ended December 31, 2016*
EBITDA(1)	(2)
Total assets	180,638
Total liabilities	2
Shareholders' equity	180,636
Total cash and cash equivalents	130,691

(1) EBITDA represents net income/ loss before interest, taxes, depreciation and amortization. EBITDA is a non-U.S. GAAP measure and does not represent and should not be considered as an alternative to net income / loss or cash flow from operations, as determined by U.S. GAAP or other U.S. GAAP measures, and our calculation of EBITDA may not be comparable to that reported by other companies. EBITDA is included herein because it is a basis upon which we measure our operations. EBITDA is also used by various of our lenders as a measure of our compliance with certain loan covenants and because we believe that it presents useful information to investors regarding a company's ability to service and/or incur indebtedness.

* Includes inter-company balances as adjusted by an agreement among the Company, DRH, DFHI and DOV entered into on March 17, 2017 to settle any outstanding payables and receivables owed among the entities.

EBITDA reconciliation

EBITDA represents net income / loss before interest, taxes, depreciation and amortization. EBITDA does not represent and should not be considered as an alternative to net income / loss or cash flow from operations, as determined by United States generally accepted accounting principles ("U.S. GAAP") and our calculation of EBITDA may not be comparable to that reported by other companies. EBITDA is included herein because it is a basis upon which Drillships Financing Holdings measures its operations. EBITDA is also presented herein because Drillships Financing Holdings believes that it presents useful information to investors regarding a company's ability to service and/or incur indebtedness.

(U.S. Dollars in thousands)	**Year Ended December 31, 2016**
EBITDA reconciliation	
Net income	624
Net interest expense	(626)
EBITDA	(2)

C. Research and Development, Patents and Licenses, etc.

Not applicable.

D. Trend Information

In recent years, the international drilling market has seen an increasing trend towards deep and ultra-deepwater oil and gas exploration. As shallow water resources mature, deep and ultra-deepwater regions are expected to play an increasing role in offshore oil and gas exploration and production. According to industry sources, for all floating rigs, total utilization of fleet had declined through 2015 and 2016.

According to industry sources, the in-service fleet as of the end of the third quarter of 2016 totaled 295 floating rigs and is expected to grow to 352 floating rigs upon the scheduled delivery of the current newbuild orderbook by the end of 2020. Historically, an increase in supply has caused a decline in utilization and dayrates until drilling units are absorbed into the market. Accordingly, dayrates have been very cyclical. We believe that the largest undiscovered offshore reserves are mostly located in ultra-deepwater fields and primarily located in the "golden triangle" between West Africa, Brazil and the Gulf of Mexico, as well as in East Africa, Australia and Southeast Asia. The location of these large offshore reserves has resulted in more than 90% of the floating drilling unit, or floater, orderbook being represented by deepwater rigs. Furthermore, due to increased focus on technically challenging operations and the inherent risk of developing offshore fields in ultra-deepwater, particularly in light of the *Deepwater Horizon* accident in the Gulf of Mexico, in which we were not involved, oil companies have already begun to show a preference for modern units more capable of drilling in these challenging environments.

Historically, operating results in the offshore contract drilling industry have been cyclical and directly related to the demand for and the available supply of drilling units. Throughout 2014, there was generally a balanced supply-demand situation which led to high utilization for the industry. Currently, we note certain unfavorable trends which we believe may have a material effect on our future results of operations, liquidity or capital resources, or which may cause our reported financial information not to be necessarily indicative of our future operating results of financial position.

The offshore drilling market is currently challenged by both the pace of drilling unit supply additions as well as a reduction in their demand. On the demand side, oil companies are reducing capital expenditure amidst the significant decline in oil prices which has curtailed drilling budgets. New tendering activity remains subdued as oil companies set their budgets at lower levels than seen in recent years. Drilling unit owners, such as ourselves, are bidding for available work extremely aggressively which will likely drive rates lower. On the supply side, based on industry sources, the worldwide fleet of floating rigs as of the end of the third quarter of 2016 will increase from 295 units to up to 352 units assuming delivery of the orderbook as of the end of the third quarter of 2016. This is due to over-ordering at shipyards during the boom periods. Based on this overcapacity, significant delays and cancellations of newbuild projects can be expected. Furthermore, owners will be forced to makes decisions regarding cold stacking and scrapping of older units.

For more information on risks to our business and our industry, please read "Risk Factors."

E. Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

F. Tabular disclosure of contractual obligations

The following table sets forth our contractual obligations and their maturity dates as of December 31, 2016:

Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
(U.S. Dollars in thousands)					
Drilling units under construction (1)	938,096	417,931	520,165	-	-
Loan payments (2)	3,949,239	658,063	2,072,426	1,218,750	-
Interest payments (3)	862,019	184,203	613,384	64,432	-
Total	5,749,354	1,260,197	3,205,975	1,283,182	-

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(1) The figure includes contracted purchase obligations only.

(2) Includes $131.0 million in aggregate principal amount of 7.25% senior unsecured notes and $459.7 million in aggregate principal amount of 6.5% senior secured notes.

(3) Based on interest rates ranging from 2.04% to 7.25%, including part of interest rate swap payments for the floating rates (LIBOR).

Recent Accounting Pronouncements:

Leases: In February 2016, the FASB issued ASU No. 2016-02, Leases (ASC 842), which requires lessees to recognize most leases on the balance sheet. This is expected to increase both reported assets and liabilities. The new lease standard does not substantially change lessor accounting. For public companies, the standard will be effective for the first interim reporting period within annual periods beginning after December 15, 2018, although early adoption is permitted. Lessees and lessors will be required to apply the new standard at the beginning of the earliest period presented in the financial statements in which they first apply the new guidance, using a modified retrospective transition method. Under the updated accounting standards, the Company's drilling contracts may contain a lease component and the adoption, therefore, may require that the Company separately recognizes revenues associated with the lease and services components. Given the interaction with the accounting standard update related to revenue from contracts with customers, the Company expects to adopt the updates concurrently, effective January 1, 2018 expecting to apply the modified retrospective approach. The adoption and ultimate effect on the consolidated financial statements will be based on an evaluation of the Company's contracts. The Company is currently evaluating the related requirements to determine the effects such requirements may have on the consolidated financial statements.

Revenue from Contracts with Customers: In March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) ("ASU 2016-08"), which clarifies the implementation guidance on principal versus agent considerations. In May and April 2016, the FASB issued two Updates with respect to Topic 606: ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" and ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients." The amendments in these Updates do not change the core principle of the guidance in Topic 606, which is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by applying the following steps: (1) Identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The amendments in Update 2016-10 simply clarify the following two aspects of Topic 606: (1) identifying performance obligations and (2) licensing implementation guidance. The amendments in Update 2016-12 similarly affect only certain narrow aspects of Topic 606; namely, (1) "Assessing the Collectability Criterion in Paragraph 606-10-25-1(e) and Accounting for Contracts That Do Not Meet the Criteria for Step 1 (Applying Paragraph 606-10-25-7)," (2) "Presentation of Sales Taxes and Other Similar Taxes Collected from Customers," (3) "Noncash Consideration," (4) "Contract Modifications at Transition," (5) "Completed Contracts at Transition," and (6) "Technical Correction." The amendments in these Updates also affect the guidance in Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments in these Updates are the same as the effective date and transition requirements in Topic 606 (and any other Topic amended by Update 2014-09). Accounting Standards Update 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," has deferred the effective date of Update 2014-09 for public business entities to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted.

The new revenue standard may be applied using either of the following transition methods: (1) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (2) a modified retrospective approach with the cumulative effect of initially adopting the standard recognized at the date of adoption (which includes additional footnote disclosures). Due to the significant interaction between Update 2014-09 and Accounting Standards Update 2016-02 Leases (ASC 842), the Company expects to adopt Update 2014-09 and Update 2016-02 concurrently with an effective date of January 1, 2018. The Company expects to apply the modified retrospective approach to the adoption. The Company is evaluating the effect Update 2014-09 and Update 2016-02 will have on the consolidated financial statements and related disclosures.

Share-based Payments: On March 30, 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which requires recognition of the income tax effects of equity awards in the income statement when the awards vest or are settled. The standard also allows employers to withhold shares upon settlement of an award for an amount up to the employees' maximum individual tax rate in the relevant jurisdiction without resulting in liability classification of the award. The standard permits entities to make an accounting policy election for the impact of forfeitures on the recognition of expense for share-based payment awards. We will adopt the standard for our annual and interim periods beginning January 1, 2017. The Company does not expect the adoption of the standard to have a material effect on its consolidated financial statements and related disclosures.

Statement of Cash Flows: In August 2016, the FASB issued ASU No. 2016-15- Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments which addresses certain cash flow issues with the objective of reducing the existing diversity in practice: ASU 2016-15 is effective for fiscal years beginning after December 15, 2017 including interim periods within that reporting period, however early adoption is permitted. The Company is currently evaluating the provisions of this guidance and assessing its impact on its consolidated financial statements and notes disclosures. In November 2016, the FASB issued ASU No. 2016-18—Statement of Cash Flows (Topic 230) - Restricted Cash which addresses the requirement that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017 including interim periods within that reporting period, however early adoption is permitted. The Company is currently evaluating the provisions of this guidance and assessing its impact on its consolidated financial statements and notes disclosures.

Measurement of Credit Losses on Financial Instruments: On June 16, 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), which introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. The new model will apply to: (1) loans, accounts receivable, trade receivables, and other financial assets measured at amortized cost, (2) loan commitments and certain other off-balance sheet credit exposures, (3) debt securities and other financial assets measured at fair value through other comprehensive income, and (4) beneficial interests in securitized financial assets. This update is effective for annual and interim periods beginning after January 1, 2020. The Company is currently evaluating the provisions of this guidance and assessing its impact on its consolidated financial statements and notes disclosures.

Deferred Taxes: On November 20, 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, which requires all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. The new guidance, however, does not change the existing requirement that only permits offsetting within a tax jurisdiction. The Company is currently evaluating the provisions of this guidance and assessing its impact on its consolidated financial statements and notes disclosures.

Tax Accounting for Intra-Entity Asset Transfers: On October 24, 2016, the FASB issued ASU 2016-16, Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory, which requires entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transaction occurs as opposed to deferring tax consequences and amortizing them into future periods. This update is effective for annual and interim periods, beginning after January 1, 2018, with early adoption permitted and requires a modified retrospective approach with a cumulative-effect adjustment directly to retained earnings at the beginning of the period of adoption. The Company is currently evaluating the provisions of this guidance and assessing its impact on its consolidated financial statements and notes disclosures.

Definition of a Business: In January 2017, the FASB issued ASU 2017-01 Business Combinations to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisition (or disposals) of assets or businesses. Under current implementation guidance the existence of an integrated set of acquired activities (inputs and processes that generate outputs) constitutes an acquisition of business. This ASU provides a screen to determine when a set of assets and activities does not constitute a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This update is effective for public entities with reporting periods beginning after December 15, 2017, including interim periods within those years. The amendments of this ASU should be applied prospectively on or after the effective date. Early adoption is permitted, including adoption in an interim period 1) for transactions for which the acquisition date occurs before the issuance date or effective date of the ASU, only when the transaction has not been reported in financial statements that have been issued or made available for issuance and 2) for transactions in which a subsidiary is deconsolidated or a group of assets is derecognized that occurs before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance. This FASB standard Update is not expected to have a material effect on the Company's future or historical statements of cash flows; however, The Company will assess such impact, if circumstances arise

G. Safe Harbor

See the section entitled "Forward-looking Statements" at the beginning of this annual report.

Item 6. Directors, Senior Management and Employees

A. Directors and senior management

Set forth below are the names, ages and positions of our directors and executive officers and the principal officers of certain of our operating subsidiaries. Members of our board of directors are elected annually on a staggered basis. Each director elected holds office for a three-year term and until his successor shall have been duly elected and qualified, except in the event of his death, resignation, removal, or the earlier termination of his term of office. Officers are appointed from time to time by our board of directors, or our relevant subsidiary, as applicable, and hold office until a successor is appointed.

Directors and executive officers of Ocean Rig UDW Inc.(1)

Name	*Age*	*Position*
George Economou	64	Chairman of the Board, Chief Executive Officer and Class A Director
Chrysoula Kandylidis	63	Class C Director
Michael Pearson	39	Class A Director
Vassilis Karamitsanis	41	Class B Director
Anthony Kandylidis	40	President and Chief Financial Officer
Dimitris Koukoulas	57	Executive Vice President
George Kokkodis	55	Class C Director
John Liveris	65	Class B Director
Iraklis Sbarounis	32	Vice President Business Development and Secretary
Niki Fotiou (1)	47	Senior Vice President of Finance and Accounting

(1) Ms. Fotiou resigned from the position of Senior Vice President of Finance and Accounting on December 16, 2016.

The business address of each of our directors and executive officers is c/o Ocean Rig Cayman Management Services SEZC Limited, P.O. Box 309, Ugland House, South Church Street George Town, Grand Cayman, KYI -1104 Cayman Islands.

George Economou was appointed as our Chief Executive Officer on September 2, 2010, and Chairman and director in December 2010. Mr. Economou has over 25 years of experience in the maritime industry. He has served as Chairman and Chief Executive Officer of DryShips Inc. since January 2005, and President until 2016. He successfully took DryShips public in February 2005, on NASDAQ under the trading symbol "DRYS". Mr. Economou has overseen the growth of DryShips into one of the largest US-listed dry bulk companies in fleet size and revenue and one of the largest Panamax owners in the world. Mr. Economou has also served as a director of Danaos Corporation. Mr. Economou began his career in 1976 when he commenced working as a Superintendent Engineer in Thenamaris Ship Management in Greece. From 1981-1986 he held the position of General Manager of Oceania Maritime Agency in New York. Between 1986 and 1991 he invested and participated in the formation of numerous individual shipping companies. Mr. Economou is a member of ABS Council, Intertanko Hellenic Shipping Forum, and Lloyds Register Hellenic Advisory Committee. Mr. Economou is a graduate of the Massachusetts Institute of Technology and holds both a Bachelor of Science and a Master of Science degree in Naval Architecture and Marine Engineering and a Master of Science in Shipping and Shipbuilding Management.

Chryssoula Kandylidis was appointed to our board of directors on December 3, 2015. Mrs. Kandylidis has also served as an advisor to the Minister of Transport and Communications in Greece for matters concerning people with special abilities for the past three years on a voluntary basis. Mrs. Kandylidis graduated from Pierce College in Athens, Greece and from the Institut Francais d' Athenes. She also holds a degree in Economics from the University of Geneva. Mrs. Kandylidis has served in the board of Directors of DryShips Inc. from 2008 until 2015. Mrs. Kandylidis is the sister of George Economou, our Chief Executive Officer.

Michael Pearson was appointed to the Board of the Company as of February 3, 2017. Mr. Pearson is based in the Cayman Islands. He is a chartered accountant and insolvency practitioner by background having commenced his career at Arthur Andersen. He moved to the Cayman Islands in 2008 from where he currently acts as an independent director to a number of listed and private entities and investment funds undertaking financial and operational turn arounds and wind downs. The Company's board of directors has determined that Mr. Pearson is considered to be an independent director, under the NASDAQ rules.

Vassilis Karamitsanis was appointed to our board of directors on December 3, 2015. Vassilis Karamitsanis is an attorney and head of BKK Karamitsanis Law Office. From 2009 to 2015 has been a member of the Board of Directors of DryShips Inc. From 2012 to 2014 he acted as counsel to the Greek Minister of Development. From 2007 to 2009, Mr. Karamitsanis was the head of the legal department at Karouzos Construction & Development Group. Mr. Karamitsanis has also previously served as a legal advisor to Dimand Real Estate Development and LPSA Consultants S.A. and has served as a special advisor to the Hellenic Ministry of Health & Welfare. He is a member of the Athens Bar Association and practices real estate, corporate, domestic and international contracting, telecommunications, and energy law. Mr. Karamitsanis graduated from Athens College Lyceum and received his law degree from Aristotle University of Thessaloniki. He also holds a postgraduate degree in Economic Analysis of Law from Erasmus University of Rotterdam and a postgraduate degree in Economic Analysis of Institutions from University Aix-Marseille III, Aix-en-Provence.

Anthony Kandylidis has served as our Executive Vice President since June 2012. On May 17, 2016, Mr. Kandylidis was appointed as our President. On December 16, 2016 Mr. Kandylidis was appointed as our Chief Executive Officer. Mr. Kandylidis started his career at OMI Corporation's commercial department. During his tenure at OMI Corporation, he gained significant experience in the tanker vessel business and held various positions with responsibilities spanning Sale and Purchase, Time Charters, FFA Trading, Corporate Finance and Strategic Planning. In the spring of 2006, Mr. Kandylidis returned to Greece where he provided consultancy services to companies affiliated with Mr. George Economou. In September of 2006, Mr. Kandylidis founded OceanFreight Inc. and he took OceanFreight Inc. public in April of 2007. In 2011 OceanFreight Inc. was absorbed by DryShips through a merger. Mr. Kandylidis graduated *magna cum laude* from Brown University and continued his studies at the Massachusetts Institute of Technology where he graduated with a Master's degree of Science in Ocean Systems Management. Mr. Kandylidis is also the President and Chief Financial Officer of DryShips.

Dimitris Koukoulas was been appointed as Executive Vice President of the Company on December 16, 2016. Prior to joining Ocean Rig, Mr. Koukoulas served in various positions with ship management entities controlled by Mr. George Economou since 2005, prior to which he was the Technical Manager of Oceanbulk Maritime SA. Mr. Koukoulas has over 30 years of experience in the shipping industry and shipbuilding projects out of which 25 years in managerial positions in the technical management field of bulk carriers, general cargo ships, containers, multi-purpose ships and offshore support vessels, including six years of experience in the marine repairs field in Houston, USA. Mr. Koukoulas holds a BSc degree in Mechanical Engineering from the University of Toledo, Ohio. He is a member of the ASME and the Hellenic Technical Committees of Bureau Veritas, Class NK, CCS, DNV GL, KRS and Lloyd's Register.

George Kokkodis has served as a director of the Company since September 2015. Prior to serving as a director and from 2009 to January 2015, Mr. Kokkodis has been an Independent Business Introducer and Independent Client Advisor of financial investments at BNP Paribas (Suisse) SA, where he was a Senior Private Banker from 2003 to 2009 and the Head of the Greek Private Banking Desk at BNP Paribas London from 1999 to 2003. From 1998 to 1999, Mr. Kokkodis was Vice President of Private Banking at Merrill Lynch International Bank, London UK and, from 1996 to 1998 held the same position at Merrill Lynch Bank Suisse S.A. Prior to that, he was Vice President of Private Banking at Bankers Trust International PLC, London UK from 1993 to 1996. Mr. Kokkodis holds a Bachelor of Science in Aeronautical Engineering from the Imperial College of Science and Technology and a Master of Science in Aeronautical Engineering from the University of Glasgow. Mr. Kokkodis was a member of the board of directors of MIG Real Estate from April 2011 to September 2015.

John Liveris has served as a director of the Company since February 2014 and as an international consultant in the energy and technology industries. During the years 2007 to 2011, Professor Liveris served as Chairman of the Board of OceanFreight Inc., which was a shipping company listed on the NASDAQ. Prior to his current activities and until 1999, Professor Liveris was the Group Senior Advisor at Intracom, the leading Greek telecommunications and electronics manufacturer. Professor Liveris studied mechanical engineering at Tufts University in Boston, Mass. and did his graduate and doctoral studies in engineering management at the George Washington University in Washington, DC. There he taught from 1979 to 1996, attaining Professorial rank.

Iraklis Sbarounis was appointed as Vice President Business Development of the Company on December 16, 2016 and Secretary of the Company on February 3, 2017. Prior to that he held the position of Business Development Director. Prior to joining Ocean Rig, he held various positions with shipping entities controlled by Mr. George Economou, dealing with commercial, investment, and corporate finance matters, on the shipping and offshore sectors. He started his career in investment banking with BNP Paribas. Mr. Sbarounis holds a B.S. degree in Management Science from the Massachusetts Institute of Technology (MIT) and a M.Sc. degree in Finance and Economics from the London School of Economics and Political Science (LSE).

Niki Fotiou was appointed as the Company's Senior Vice President of Finance and Accounting on December 3, 2015 and has over 20 years of finance and accounting experience and 9 years with DryShips Inc. as SVP Accounting and Reporting and has been involved with Ocean Rig since 2008. Prior to her time with DryShips, she was employed at Deloitte and PWC. Niki is a graduate of the University of Cape Town and is a fellow of the Association of Certified Chartered Accountants and a member of the Certified Internal Auditors. From July 2006 to December 2009, Ms. Fotiou served as the Group Controller of Cardiff Marine Inc. For the period from 1993 to 2006, Ms. Fotiou worked for Deloitte and for Hyatt International Trade and Tourism Hellas. Ms. Fotiou resigned from the position of Senior Vice President of Finance and Accounting on December 16, 2016.

B. Compensation

The aggregate compensation paid by us to the members of our senior management was $3.5 million for the year ended December 31, 2016. The aggregate compensation paid by us to the members of our senior management was $3.7 million for the year ended December 31, 2015. The aggregate compensation paid by us to the members of our senior management was $18.4 million for the year ended December 31, 2014. Our non-employee directors are each entitled to receive annual directors' fees of $30,000, such amount to be pro-rated for any portion of a full calendar year that a non-employee director is a member of our board of directors, plus reimbursement for actual expenses incurred while acting in their capacity as director. In addition, the chairmen of the committees of our board of directors receive annual fees of $10,000, such amount to be pro-rated for any portion of the full calendar year that the director is chairman of the committee, plus reimbursement for actual expenses incurred while acting in their capacity as chairman. We do not maintain a medical, dental, or retirement plan for our directors. Members of our senior management who also serve as directors do not receive additional compensation for their services as directors.

Our board of directors has adopted an equity incentive plan, pursuant to which officers, directors and employees of the Company, our subsidiaries and our affiliates and consultants and service providers to the Company, our subsidiaries and our affiliates are eligible to receive awards under the plan. See "—E. Share Ownership—2012 Equity Incentive Plan" below.

C. Board Practices

Our board of directors consists of the six directors named above. Each director elected holds office for a three-year term and until his successor shall have been duly elected and qualified, except in the event of his death, resignation, removal, or the earlier termination of his term of office. The term of office of each director is as follows: our Class A directors, Mr. George Economou and Mr. Michael Pearson, serve for a term expiring at the 2017 annual general meeting of shareholders, our two Class B directors, Messrs. John Liveris and Vassilis Karamitsanis, serve for a term expiring at the 2018 annual meeting of shareholders and our two Class C directors, Mr. George Kokkodis and Ms. Chrysoula Kandylidis, serve for a term expiring at the 2019 annual meeting of shareholders.

There are no service contracts between us or any of our subsidiaries and any of our directors providing for benefits upon termination of their employment or service.

Our board of directors has determined four of our directors to be independent under Rule 10A-3 of the Exchange Act and the rules of the NASDAQ Stock Market: Messrs. Kokkodis, Karamitsanis, Liveris and Pearson. Under the NASDAQ corporate governance rules, a director is not considered independent unless our board of directors affirmatively determines that the director has no direct or indirect material relationship with us or our affiliates that could reasonably be expected to interfere with the exercise of such director's independent judgment. In making this determination, our board of directors broadly considers all facts and circumstances it deems relevant from the standpoint of the director and from that of persons or organizations with which the director has an affiliation.

We have established an audit committee, a compensation committee and a nominating and corporate governance committee, in each case comprised of independent directors.

Our audit committee, among other things, reviews our external financial reporting, engages our external auditors and oversees our internal audit activities, procedures and the adequacy of our internal accounting controls. Messrs. Kokkodis and Karamitsanis serve as members of the audit committee. Mr. Liveris serves as Chairman of the audit committee. The board of directors has determined that Mr. Liveris qualifies as an "audit committee financial expert" as defined in Item 407 of Regulation S-K promulgated by the SEC and Form 20-F.

Our compensation committee is responsible for establishing directors and executive officers' compensation and benefits and reviewing and making recommendations to the board of directors regarding our compensation policies. Messrs. Kokkodis and Karamitsanis serve as members of the compensation committee. Mr. Liveris serves as Chairman of the compensation committee.

Our nominating and corporate governance committee is responsible for recommending to the board of directors nominees for director and directors for appointment to committees of the board of directors and advising the board of directors with regard to corporate governance practices. Shareholders may also nominate directors in accordance with procedures set forth in our second amended and restated bylaws. Messrs. Liveris and Kokkodis serve as members of the nominating and corporate governance committee. Mr. Karamitsanis serves as Chairman of the nominating and corporate governance committee.

D. Employees

As of December 31, 2016, 2015, and 2014, the total number of employees employed by Ocean Rig UDW and its subsidiaries was approximately 1,367, 2,274 and 2,320, respectively.

We did not experience any material work stoppages due to labor disagreements during 2016, 2015, and 2014.

Consultancy Agreements

Effective January 1, 2013, we entered through one of our wholly owned subsidiary into a consultancy agreement with Azara Services S.A. ("Azara"), a Marshall Islands entity beneficially owned by our Chief Executive Officer, Mr. George Economou, for the provision of the services of our Chief Executive Officer. The agreement has an initial term of five years and may be renewed or extended with the consent of both parties. Under the terms of the agreement, we are obligated to pay an annual remuneration to Azara. Azara is also entitled to cash or equity-based bonuses to be awarded at our sole discretion. We may terminate the agreement for cause, as defined in the agreement, in which case Azara will not be entitled to further payments of any kind. Upon termination of the agreement by us without cause, or in the event the agreement is terminated within three months of a change of control, as defined in the agreement, we will be obligated to pay a lump sum amount. Azara may terminate the agreement without cause upon three months written notice. In addition, Azara may terminate the agreement for good reason and in such event, we will be obligated to pay a lump sum amount. The agreement was terminated on December 31, 2016.

Effective June 1, 2012, we entered through one of our wholly owned subsidiary into a consultancy agreement with Basset Holdings Inc., or Basset, a Marshall Islands entity beneficially owned by our President and Chief Financial Officer, Mr. Anthony Kandylidis, for the provision of the services of our Executive Vice President. The agreement has an initial term of five years and may be renewed or extended for one-year successive terms with the consent of both parties. Under the terms of the agreement, we are obligated to pay an annual remuneration to Basset. Basset is also entitled to cash or equity-based bonuses to be awarded at our sole discretion. We may terminate the agreement for cause, as defined in the agreement, in which case Basset will not be entitled to further payments of any kind. Upon termination of the agreement by us without cause, or in the event the agreement is terminated within three months of a change of control, as defined in the agreement, we will be obligated to pay a lump sum amount. Basset may terminate the agreement without cause upon three months written notice. In addition, Basset may terminate the agreement for good reason and in such event, we will be obligated to pay a lump sum amount. The agreement was terminated on December 31, 2016.

E. Share Ownership

With respect to the total amount of common shares owned by our officers and directors, individually and as a group, see "Item 7. Major Stockholders and Related Party Transactions—A. Major Shareholders."

2012 Equity Incentive Plan

On March 21, 2012, our board of directors adopted the Ocean Rig UDW Inc. 2012 Equity Incentive Plan, or the plan, the material terms of which are set forth below. Under the plan, officers, directors and employees of, and consultants and service providers to, us, our subsidiaries and our affiliates are eligible to participate. The plan provides for the award of stock options, stock appreciation rights, restricted stock, restricted stock units, phantom stock units, dividend equivalents, unrestricted stock, and other stock or cash-based awards.

Administration

The plan is administered by our compensation committee, or such other committee of our board of directors as may be designated by our board of directors. The plan administrator has the authority to, among other things, designate participants under the plan, determine the type or types of awards to be granted to a participant, determine the number of shares of common stock to be covered by awards, determine the terms and conditions applicable to awards and interpret and administer the plan.

Number of Shares of Common Stock

Subject to adjustment in the event of any distribution, recapitalization, split, merger, consolidation and the like, the number of shares of our common stock with respect to which awards may be granted under the plan is 2,000,000. Shares subject to an award that remain unissued upon the termination or cancellation of the award, restricted shares awarded under the plan that are forfeited, shares in respect of an award that are settled for cash without delivery of common stock, and shares that are tendered or withheld to satisfy the grant or exercise price or tax withholding obligation pursuant to an award under the plan, will again be available for grant under the plan. Common stock delivered under the plan consists of authorized but unissued shares or shares acquired by us in the open market, from us or from any other person or entity.

Stock Options and Stock Appreciation Rights

The plan permits the grant of options covering common stock and the grant of stock appreciation rights. A stock appreciation right is an award that, upon exercise, entitles the participant to receive the excess of the fair market value of a share of common stock on the exercise date over the base price established for the stock appreciation right. Such excess may be paid in common stock, cash, or a combination thereof, as determined by the plan administrator in its discretion. The plan administrator will be able to make grants of stock options and stock appreciation rights under the plan containing such terms as the plan administrator may determine. Stock options and stock appreciation rights may have an exercise price or base price that is no less than the fair market value of our common stock on the date of grant. In general, stock options and stock appreciation rights granted will become exercisable over a period determined by the plan administrator, but in no event will they be exercisable later than ten years from the date of grant.

Restricted Stock, Restricted Stock Units and Phantom Stock Units

Restricted stock is subject to forfeiture prior to the vesting of the award. A restricted stock unit is notional stock that entitles the grantee to receive a share of common stock following the vesting of the restricted stock unit or, in the discretion of the plan administrator, cash equivalent to the value of our common stock. The plan administrator may determine to make grants under the plan of restricted stock and restricted stock units containing such terms as the plan administrator may determine. The plan administrator will determine the period over which restricted stock and restricted stock units granted to plan participants will vest. The plan administrator may base its determination upon the achievement of specified performance goals. Phantom stock units, which represent a notional share of our common stock, may also be granted by the plan administrator under the plan, subject to vesting and forfeiture and other terms and conditions as determined by the plan administrator.

Dividend Equivalent Rights

The plan administrator may grant dividend equivalent rights under the plan, subject to such terms and conditions as determined by the plan administrator in accordance with the terms of the plan.

Unrestricted Stock

The plan administrator may grant shares of our common stock free of restrictions under the plan in respect of past services or other valid consideration.

Other Stock-Based Awards

The plan administrator may, subject to the provisions of the plan, grant other equity-based or equity-related awards in such amounts and subject to such terms and conditions as the plan administrator may determine.

Change in Control

Unless otherwise provided in the instrument evidencing the award, in the event of a change in control of Ocean Rig UDW Inc., as defined in the plan, all outstanding awards will become fully and immediately vested and exercisable.

Term, Termination and Amendment of Plan and Awards

Our board of directors may terminate, suspend or discontinue the plan at any time with respect to any award that has not yet been granted. Unless the plan is terminated earlier, no award may be granted under the plan following the tenth anniversary of the date of the plan's adoption by our board of directors. Our board of directors also has the right to alter or amend the plan or any part of the plan from time to time, subject to shareholder approval in certain circumstances as provided in the plan. The plan administrator may also modify outstanding awards granted under the plan. However, other than adjustments to outstanding awards upon the occurrence of certain unusual or nonrecurring events, generally no change in any outstanding grant may be made that would materially impair the rights or materially increase the obligations of the participant without the consent of the participant.

Awards

On March 21, 2012, the Company's Board of Directors approved the 2012 Equity Incentive Plan (the "Plan") and reserved a total of 2,000,000 common shares. Under the Plan, officers, key employees, and directors are eligible to receive awards of stock options, stock appreciation rights, restricted stock, restricted stock units, phantom stock units and unrestricted stock.

On May 16, 2013, our Compensation Committee approved the grant of 192,400 shares of non-vested common stock to the Company's employees. The shares vest over a period of three years. The stock-based compensation is being recognized to expenses over the vesting period and based on the fair value of the Ocean Rig Shares on the grant date of $16.90 per share.

On August 20, 2013, our Compensation Committee approved the grant of 150,000 shares of the Company's common stock to Azara, pursuant to a consultancy agreement with Azara effective January 1, 2013, relating to the services of Mr. George Economou as Chief Executive Officer of the Company. The shares vested over a period of two years, with 50,000 shares vesting on the grant date. The stock based compensation was recognized to expenses over the vesting period and based on the fair value of the Ocean Rig Shares on the grant date of $17.56 per share.

On March 31, 2014, our Compensation Committee approved the grant of 161,200 shares of non-vested common stock to employees of the Company. The shares vest over a period of three years. The stock-based compensation is being recognized to expenses over the vesting period and based on the fair value of the Company's shares on the grant date of $17.79 per share.

On August 19, 2014, our Compensation Committee approved a bonus of 150,000 shares of the Company's common stock to Azara, pursuant to a consultancy agreement with Azara effective January 1, 2013, relating to the services of Mr. George Economou as Chief Executive Officer of Ocean Rig during 2013. The shares vest over a period of three years with 50,000 shares vesting on December 31, 2014, 50,000 shares vesting on December 31, 2015, and 50,000 vesting on December 31, 2016, respectively. The stock based compensation is being recognized to expenses over the vesting period and based on the fair value of the Company's shares on the grant date of $18.37 per share.

On November 4, 2014, our Compensation Committee approved the grant of 45,450 shares of non-vested common stock to employees of the Company's. The shares vest over a period of three years. The stock-based compensation is being recognized to expenses over the vesting period and based on the fair value of the Company's shares on the grant date of $12.60 per share.

On December 30, 2014, our Compensation Committee approved a bonus in the form of 300,000 shares to be granted to Azara for the contribution of Mr. George Economou for Chief Executive Officer's services rendered during 2014. The shares vest over a period of three years with 100,000 shares vesting on December 31, 2015, 100,000 shares vesting on December 31, 2016, and 100,000 vesting on December 31, 2017. The stock-based compensation is being recognized to expenses over the vesting period and based on the fair value of the Company's shares on the grant date of $9.46 per share.

On April 29, 2015, our Compensation Committee approved the grant of 173,200 shares of non-vested common stock to Company's employees. The shares vest over a period of three years. The stock-based compensation is being recognized to expenses over the vesting period and based on the fair value of the Company's shares on the grant date of $7.24 per share.

On August 5, 2015, our Compensation Committee approved the grant of 13,502 shares of non-vested common stock to Company's employees. The shares vest over a period of three years. The stock-based compensation is being recognized to expenses over the vesting period and based on the fair value of the Company's shares on the grant date of $3.19 per share.

On May 17, 2016, our Compensation Committee approved the discontinuance of the granting of stock awards to the Company's employees. Following the approval all the Company's restricted stock awards (expect for the below) were cancelled.

As of December 31, 2016, 343,885 shares have vested.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth the beneficial ownership of our common shares, as of March 17, 2017, held by:

- each person or entity that we know beneficially owns 5% or more of our common stock;
- each of our executive officers and directors; and
- all our executive officers and directors as a group.

Beneficial ownership is determined in accordance with the SEC's rules. In computing percentage ownership of each person, common shares subject to options held by that person that are currently exercisable or convertible, or exercisable or convertible within 60 days of March 17, 2017, are deemed to be beneficially owned by that person. These shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person. All of our shareholders, including the shareholders listed in the table below, are entitled to one vote for each common share held.

Name and Address of Beneficial Owner(1)	**Number of Shares Owned**	**Percent of Class** (2)
Executive Officers and Directors:		
George Economou(3)	7,421,860	9.0%
Anthony Kandylidis(4)	1,684,512	2.0%
Executive Officers and Directors as a Group	9,110,582	11.2%
5% Beneficial Owners:		
James D. Dondero (5)	13,677,574	16.6%
Certain Highland Funds (5)	6,621,724	8.0%
Nancy Marie Dondero (5)	4,813,132	5.8%

* Less than 1.0% of our total outstanding common shares.

(1) Unless otherwise indicated, the business address of each beneficial owner identified is c/o Ocean Rig Cayman Management Services SEZC Limited, Po Box 309, Ugland House, South Church Street George Town, Grand Cayman, KYI -1104 Cayman Islands.

(2) Based on 82,586,851 shares outstanding as of December 31, 2016. Additionally, Ocean Rig Investments Inc. holds 56,079,533 shares of our common stock that are treated as treasury stock and not considered outstanding for the calculations set forth in the table above. In the Cayman Island, the jurisdiction in which we are incorporated, shares of a subsidiary have all the rights attached to the class including voting rights. As such, the 56,079,533 shares held by Ocean Rig Investments Inc. would be considered outstanding for voting purposes.

(3) George Economou, our Chairman and Chief Executive Officer and Class A Director, may be deemed to beneficially own 6,490,001 of these shares through Sphinx Investment Corp., a Marshall Islands corporation controlled by Mr. Economou. Mr. Economou may be deemed to beneficially own 600,000 of these shares through Azara Services S.A., a Marshall Islands corporation controlled by Mr. Economou. Mr. Economou may be deemed to beneficially own 79,525 of these shares through Elios Investments Inc., a wholly owned subsidiary of the Entrepreneurial Spirit Foundation, a Lichtenstein foundation, or the Foundation, the beneficiaries of which are Mr. Economou and members of Mr. Economou's family. Mr. Economou may be deemed to beneficially own 145,128 of these shares through Entrepreneurial Spirit Holdings Inc., a Liberian corporation that is wholly owned by the Foundation. Mr. Economou may be deemed to beneficially own 105,357 of these shares through Fabiana Services S.A., a Marshall Islands corporation, of which Mr. Economou is the controlling person. Mr. Economou may be deemed to own 1,849 of these shares through Goodwill Shipping Company Limited, a Malta corporation, of which Mr. Economou is the controlling person.

(4) Anthony Kandylidis, our President and Chief Financial Officer may be deemed to beneficially own 1,570,226 of these shares through Steel Wheel Investments Limited, a Marshall Islands corporation controlled by Mr. Kandylidis. Mr. Kandylidis, may be deemed to beneficially own 114,286 of these shares through Basset Holdings Inc., a Marshall Islands corporation controlled by Mr. Kandylidis.

(5) This information is derived from Schedule 13G filed with the SEC on May 4, 2016. Highland Global Allocation Fund, Highland Capital Management Fund Advisors, L.P. and Strand Advisors XVI, Inc. may be deemed the beneficial owners of 8.0% of the outstanding shares of our common stock held by Highland Global Allocation Fund as per the Schedule 13G filed with the SEC on May 4, 2016.

The following transaction accounts for the significant changes in the percentage of beneficial ownership of our common shares held by our Chairman, Chief Executive Officer and Class A Director, Mr. George Economou:

On June 8, 2015, we successfully completed the offering of 28,571,428 shares of our common stock. As part of the offering, companies affiliated with our Chairman, Chief Executive Officer and Class A Director, Mr. Economou, purchased 1,428,571 shares of common stock in the offering at public offering price.

As of March 15, 2017, we had 56 shareholders of record, 38 of which were located in the United States and held an aggregate of 82,586,851 of our common shares, representing 99.3% of our outstanding shares of common stock. However, one of the U.S. shareholders of record is CEDE & CO., a nominee of The Depository Trust Company, which held 81,979,344 shares of our common stock as of March 15, 2017. Accordingly, we believe that the shares held by Cede & Co. include shares of common stock beneficially owned by both holders in the United States and non-U.S. beneficial owners.

As previously announced, we are currently exploring and considering various strategic alternatives with our financial and legal advisors and key stakeholders, which we expect will result in a restructuring of our debt. We expect that any comprehensive deleveraging plan will result in significant dilution to current shareholders and potential losses for other financial stakeholders. We expect the implementation of any restructuring of our debt to involve schemes of arrangement in the Cayman Islands or a filing under the U.S. Bankruptcy Code, although we may continue to explore other available options. We expect such a restructuring plan to result in significant dilution to current shareholders through the issuance of new shares of our common stock which may at a subsequent date result in a change of control of the Company.

B. Related Party Transactions

All related party transactions are subject to the review and approval of the independent members of our board of directors.

Related Party Agreements

Effective January 1, 2013, Ocean Rig Management Inc., or Ocean Rig Management, our wholly-owned subsidiary, entered into a Global Services Agreement with Cardiff Drilling Inc. ("Cardiff Drilling") a company controlled by our Chairman, Chief Executive Officer and Director, Mr. George Economou, pursuant to which Ocean Rig Management engaged Cardiff Drilling to act as consultant on matters of chartering and sale and purchase transactions for our offshore drilling units. Under the Global Services Agreement, Cardiff Drilling, or its subcontractor, (i) provides consulting services related to the identification, sourcing, negotiation and arrangement of new employment for our offshore assets and subsidiaries; and (ii) identifies, sources, negotiates and arranges the sale or purchase of our offshore assets and subsidiaries. In consideration of such services, we will pay Cardiff Drilling a fee of 1.0% in connection with employment arrangements and 0.75% in connection with sale and purchase activities. Costs from the Global Services Agreement are expensed in the consolidated statement of operations or capitalized as a component of "Advances for drilling units under construction and related costs" being a directly attributable cost to the construction, as applicable. The consultancy agreement has a term of five years and may be terminated (i) at the end of its term unless extended by mutual agreement of the parties; and, (ii) at any time by the mutual agreement of the parties. For the years ended December 31, 2014 and 2015, total charges from Cardiff under the Global Service Agreement amounted to $21.3 million, $19.9 million. As of March 31, 2016, the Company terminated the agreement with Cardiff Drilling, at no cost.

Consultancy Agreement

Under the consultancy agreement effective from January 1, 2013, between Ocean Rig Management and Vivid Finance Limited ("Vivid"), a company controlled by our Chairman, Chief Executive Officer and Director, Mr. George Economou, pursuant to which Vivid acts as a consultant on financing matters for Ocean Rig and its subsidiaries. Vivid provides financing-related services such as (i) negotiating and arranging new loan and credit facilities, interest rate swap agreements, foreign currency contracts and forward exchange contracts, (ii) renegotiating existing loan facilities and other debt instruments and, (iii) the raising of equity or debt in the capital markets. In consideration for these services, Vivid is entitled to a fee equal to 0.20% on the total transaction amount. The consultancy agreement has a term of five years and may be terminated (i) at the end of its term unless extended by mutual agreement of the parties; and, (ii) at any time by the mutual agreement of the parties. On July 29, 2015, we amended the agreement with Vivid to expand the scope of the services provided under the agreement to cover certain cash management and cash investment services. In consideration for these services, Vivid is entitled to a fee equal to 30% of any profits provided the profits are at least 10% of the invested amount. For the years ended December 31, 2014 and 2015 total charges from Vivid Finance under the consultancy agreement amounted to $13.2 million, $1.4 million. As of March 31, 2016, the Company terminated the agreement with Vivid, at no cost.

$120.0 million unsecured facility to DryShips

On November 18, 2014, we entered into a $120.0 million unsecured facility with our former parent company, DryShips. The loan from us to DryShips bore interest at a LIBOR plus margin rate and was due in May 2016. On June 4, 2015, we signed an amendment under the $120,000 Exchangeable Promissory Note to, among other things, partially exchange $40,000 of the loan for 4,444,444 of our shares owned by DryShips, amend the interest of the loan and pledged 20,555,556 shares of our stock, owned by DryShips. On August 13, 2015, we reached an agreement with DryShips and exchanged the remaining outstanding balance of $80,000 owed to us under the $120,000 Exchangeable Promissory Note, for 17,777,778 shares owned by DryShips.

New Management Service Agreement

On March 31, 2016, the Company signed a management services agreement with TMS Offshore Services Ltd. ("TMS"), a company affiliated with our Chairman and Chief Executive Officer, Mr. George Economou, to provide certain management services related to the our drilling units including but not limited to commercial, financing, legal and insurance services, which is effective from January 1, 2016. Under the terms of this agreement, TMS will be compensated with a one-time set up fee of $2,000, a fixed monthly fee of $835,000 as well as certain variable fees including 1.00% on monies earned under drilling contracts, 0.75% on sale and purchase or M&A transactions and 0.20% on all financing transactions. Furthermore, we will reimburse TMS for all out-of-pocket expenses and travel expenses. We may terminate the agreement for convenience for a fee of $150,000. This agreement supersedes the previous agreements with Vivid and Cardiff Drilling, which were cancelled at no cost to us.

Effective from January 1, 2017, we together with TMS agreed to amend certain terms of the agreement, for the following material terms, in particular: 1) the existing monthly fee was increased from $835,000 to $1.29 million for the provision of the executive management services of the Company's Chairman and Chief Executive Officer and President and Chief Financial Officer; 2) the annual reduction of the termination fee by $15.0 million per annum starting from 2018 which at any given time may not be lower than $30.0 million; 3) a performance fee of up to $10 million per year at to be paid in stock or cash, at our Board's discretion; and 4) an increase in the variable fee to 0.50% on all financing transactions. For the year ended December 31, 2016, total charges from TMS under this agreement amounted to $38.0 million.

Employment Agreements

See "Item 6. Directors, Senior Management and Employees—D. Employees—Consultancy Agreements."

Registration Rights Agreement

On March 20, 2012, we entered into a registration rights agreement with DryShips, pursuant to which DryShips has the right, subject to certain restrictions, to require us to register under the Securities Act a total of 97,301,755 of our common shares that it owned as of the date of the agreement. On April 17, 2012, DryShips completed the sale of 11,500,000 of our common shares that were covered by the registration rights agreement. On February 14, 2013, DryShips Inc. completed the sale of an aggregate of 7,500,000 common shares of Ocean Rig UDW owned by DryShips Inc. in a public offering. During the year ended December 31, 2015, we exchanged the $120,000 Exchangeable Promissory Note for an aggregate amount of 22,222,222 of our shares owned by DryShips. On April 5, 2016, our unrestricted subsidiary, Ocean Rig Investments Inc., purchased 56,079,533 shares of our common stock held by DryShips. These shares were not retired and are treated as treasury stock for accounting purposes. After this transaction, DryShips no longer holds any equity interest in our Company.

C. Interests of experts and counsel

Not applicable.

Item 8. Financial Information

A. Consolidated statements and other financial information

See "Item 18. Financial Statements."

Legal Proceedings

Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the offshore drilling business.

We have obtained insurance coverage for our drilling units for the assessed market value of the drilling units. However, such insurance coverage may not provide sufficient funds to protect the Company from all liabilities that could result from its operations in all situations. Risks against which the Company may not be fully insured or insurable for include environmental liabilities, which may result from a blow-out or similar accident, or liabilities resulting from reservoir damage alleged to have been caused by the negligence of the Company.

The occurrence of casualty or loss, against which the Company is not fully insured, could have a material adverse effect on the Company's results of operations and financial condition.

As part of the Company's normal course of operations, the Company's customer may disagree on amounts due to the Company under the provision of the contracts which are normally settled through negotiations with the customer. Disputed amounts are normally reflected in revenues at such time as the Company reaches agreement with the customer on the amounts due.

HPOR Servicos De Consultaria Ltda ("HPOR") on September 1, 2016, commenced arbitration proceedings against, amongst other and us, for certain agency and marketing services provided for the *Ocean Rig Mykonos* and *Ocean Rig Corcovado* drilling units. We are disputing such allegations and have counter-claimed repayment of the commission already paid to HPOR.

On March 7, 2016, two our subsidiaries commenced arbitration proceedings against Total E&P Angola for the termination of the contract with the drilling unit *Ocean Rig Olympia* and we expect to have our hearing on the matter in June 2017.

On December 22, 2016, Mayze Services Limited ("Mayze") issued a claim before the English High Court of Justice against us and others seeking payment of GBP 5,230,074.13 in respect of fees allegedly owed in connection with marketing services provided by Mayze to us. We are in the process of defending these proceedings.

On February 6, 2017, the Company reached an agreement with Premier Oil and Noble Energy to settle the disputed invoices related to the contract of the Eirik Raude against a total payment of $25.0 million. This settles all claims by all parties.

Except for the matters discussed above, we are not a party to any material litigation where claims or counterclaims have been filed against us other than routine legal proceedings incidental to our business.

Dividend Policy

Our long-term objective is to pay a regular dividend in support of our main objective to maximize shareholder returns. On May 20, 2014, we paid our first dividend, which was for the first quarter of 2014, of $0.19 per common share, to Shareholders of record as of May 20, 2014. On August 8, 2014, we paid a quarterly cash dividend with respect to the quarter ended June 30, 2014 of $0.19 per common share to shareholders of record as of August 1, 2014. On November 10, 2014, we paid a quarterly cash dividend with respect to the quarter ended September 30, 2014, of $0.19 per common share to shareholders of record as of October 31, 2014. On March 23, 2015, we paid a quarterly cash dividend with respect to the quarter ended December 31, 2014, of $0.19 per common share to shareholders of record as of March 10, 2015. On June 2, 2015, we paid a quarterly cash dividend with respect to the quarter ended March 31, 2015, of $0.19 per common share to shareholders of record as of May 22, 2015. On July 30, 2015, our Board of Directors decided to suspend company's quarterly dividend until market conditions improve.

Because we are a holding company with no material assets other than the shares of our subsidiaries through which we conduct our operations, our ability to pay dividends will depend on our subsidiaries distributing their earnings and cash flow to us. In addition, under certain of our debt agreements, our ability to pay dividends to our shareholders is restricted.

Any future dividends declared will be at the discretion of our board of directors and will depend upon our financial condition, earnings and other factors, including the covenants contained in our debt agreements. See "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Our Debt Agreements—Existing Debt Agreements." Our ability to pay dividends is also subject to Cayman Islands law. Dividends may be paid out of profits. "Profits" is not defined under the Companies Law (2016 Revision) of the Cayman Islands, but may include income and realised and unrealised gains. The share premium account may be used to fund a bonus issue and a cash dividend, subject to the Company being able to pay its debts as they fall due in the ordinary course of business immediately following the date of the dividend and if the articles of association so permit

We believe that, under current U.S. law, any future dividend payments from our then current and accumulated earnings and profits, as determined under U.S. federal income tax principles, would constitute "qualified dividend income" and, as a consequence, non-corporate U.S. shareholders would generally be subject to the same preferential U.S. federal income tax rates applicable to long-term capital gains with respect to such dividend payments. Distributions in excess of our earnings and profits, as so calculated, will be treated first as a non-taxable return of capital to the extent of a U.S. stockholder's tax basis in its shares of common stock on a dollar-for-dollar basis and thereafter as capital gain. Please see "Item 10. Additional Information—E. Taxation" for additional information relating to the tax treatment of our dividend payments.

During the year ended December 31, 2016 no dividends were paid. During the year ended December 31, 2015, we paid dividends of $50.3 million out of which $29.8 million were paid to DryShips by virtue of its shareholders.

B. Significant Changes

See note 18 of "Item 18. Financial Statements"

Item 9. The Offer and Listing

Since October 6, 2011, the primary trading market for our common shares has been the NASDAQ Global Select Market, on which our shares are listed under the symbol "ORIG." On September 19, 2011 our common shares began "when issued" trading and on October 6, 2011 commenced "regular way" trading on the NASDAQ Global Select Market. The secondary trading market for our common stock is the Norwegian OTC Market, on which our common shares have been trading since the pricing the private offering on December 15, 2010.

The table below sets forth the high and low closing prices of our common shares for each of the periods indicated, as reported by the NASDAQ Global Select Market and the Norwegian OTC Market. The quoted prices from the Norwegian OTC Market reflect intermittent transactions that were privately negotiated. Accordingly, the quoted prices are not necessarily indicative of the share prices that would have been obtained had there been a more active market for our common shares. The trading prices for our common shares on the Norwegian OTC Market are quoted in Norwegian kroner.

	Low (NASDAQ)	High (NASDAQ)	Low(1) (OTC)	High(1) (OTC)
December 31, 2012	$ 11.75	18.17	73.00	102.00
December 31, 2013	13.76	20.83	89.03	124.00
December 31, 2014	8.50	19.87	124.00	124.00
December 31, 2015	1.38	9.52	(4)	(4)
December 31, 2016	0.66	3.38	(4)	(4)
For the Quarter Ended				
March 31, 2015	5.91	9.49	(4)	(4)
June 30, 2015	5.12	9.52	(4)	(4
September 30, 2015	2.04	5.27	(4)	(4)
December 31, 2015	1.38	2.94	(4)	(4)
March 31, 2016	0.66	1.69	(4)	(4)
June 30, 2016	0.75	3.38	(4)	(4)
September 30, 2016	0.67	2.81	(4)	(4)
December 31, 2016	0.81	2.89	(4)	(4)
For the Month Ended				
August 2016	0.67	2.18	(4)	(4)
September 2016	0.68	0.88	(4)	(4)
October 2016	0.81	1.30	(4)	(4)
November 2016	0.86	1.90	(4)	(4)
December 2016	1.53	2.89	(4)	(4)
January 2017	1.36	1.90	(4)	(4)
February 2017	0.72	1.45	(4)	(4)
March 2017 (through March 21, 2016)	0.65	0.80	(4)	(4)

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(1) As reported in Norwegian Kroner. As of March 17, 2017, the U.S. Dollar/Norwegian Kroner exchange rate was $1.00/NOK 8.46.

(2) For the period from December 15, 2010, the date on which our common shares began trading on Norwegian OTC Market, until the end of the period.

(3) For the period from October 6, 2011, the date on which our common shares began "regular way" trading on the NASDAQ Global Select Market, until the end of the period.

(4) There were no trades during this period.

Item 10. Additional Information

A. Share capital

Not applicable.

B. Memorandum and Articles of Association

Our current second amended and restated articles of incorporation and second amended and restated bylaws have been filed as Exhibits 3.1 and 3.2, respectively, to our Registration Statement on Form F-4 (File No. 333-175940) filed with the SEC on August 1, 2011. The information contained in these exhibits is hereby incorporated by reference in this annual report.

Information required by "Item 10. Additional Information—B. Memorandum and Articles of Association" of Form 20-F is hereby incorporated by reference to the section entitled "Description of Capital Stock" in our Registration Statement on Form F-4 (Registration Statement No. 333-210118), filed with the SEC on March 11, 2016, as amended. As of the date of this annual report, 160,888,606 common shares were issued, of which 82,586,851 common shares were outstanding and 22,222,222 common shares were held in our treasury.

On March 11, 2016, we filed a registration statement with the SEC in connection with a redomiciliation of our company from the Republic of the Marshall Islands to the Cayman Islands, which was effective as of April 14, 2016. The new amended and restated memorandum and articles of association which were adopted on July 4, 2016 and are filed as Exhibit 3.4 to our post-effective amendment to our registration statement on Form F-4 dated July 7, 2016.

C. Material Contracts

We refer you to "Item 5. Operating and Financial Review and Prospects —B. Liquidity and Capital Resources—Credit Facilities," "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions" for a discussion of our material agreements that we have entered into outside the ordinary course of our business during the two-year period immediately preceding the date of this annual report.

Other than the agreements discussed in the aforementioned sections of this annual report, we have no material contracts, other than contracts entered into in the ordinary course of business, to which we or any member of the group is a party.

D. Exchange controls

There are no exchange control regulations or currency restrictions in the Cayman Islands. Under Cayman Islands law, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends, interest or other payments to non-resident holders of our common shares.

E. Taxation

The following is a discussion of the material Cayman Islands and U.S. federal income tax considerations relevant to an investment decision by a U.S. Holder and a Non-U.S. Holder, each as defined below with respect to the common shares. This discussion does not purport to deal with the tax consequences of owning common shares to all categories of investors, some of which, such as dealers in securities, U.S. Holders whose functional currency is not the United States dollar and investors that own, actually or under applicable constructive ownership rules, 10% or more of our common shares, may be subject to special rules. This discussion deals only with holders who acquire common shares in this offering and hold the common shares as a capital asset. You are encouraged to consult your own tax advisors concerning the overall tax consequences arising in your own particular situation under U.S. federal, state, local or foreign law of the ownership of common shares.

Cayman Islands Tax Considerations

The Government of the Cayman Islands will not, under existing legislation, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon the Company. Interest, dividends and gains payable to the Company and all distributions by the Company will be received free of any Cayman Islands income or withholding taxes. The Company has registered as an exempted limited company under Cayman Islands law and the Company has applied for, and received, an undertaking from the Governor in Cabinet of the Cayman Islands to the effect that, for a period of 20 years from the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company in respect of the operations or assets of the Company; and may further provide that any such taxes or any tax in the nature of estate duty or inheritance tax shall not be payable in respect of the obligations of the Company. The Cayman Islands are not party to a double tax treaty with any country that is applicable to any payments made to or by the Company. The Cayman Islands has entered into two intergovernmental agreements to improve international tax compliance and the exchange of information - one with the United States and one with the United Kingdom (the "US IGA" and the "UK IGA", respectively). The Cayman Islands has also signed, along with over 60 other countries, a multilateral competent authority agreement to implement the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard (the "CRS").

Regulations were issued pursuant to the Cayman Islands Tax Information Authority Law (2014 Revision)(as amended) on 4 July 2014 to give effect to the US IGA and the UK IGA, and on 16 October 2015 to give effect to the CRS (together, the "AEOI Regulations"). All Cayman Islands "Financial Institutions" (including the Company) will be required to comply with the reporting requirements of the AEOI Regulations, unless the Company can rely on an exemption that permits it to be treated as a "Non-Reporting Cayman Islands Financial Institution" (as defined in the relevant AEOI Regulations). The Company does not propose to rely on any reporting exemption and will therefore comply with the registration, due diligence and reporting requirements of the AEOI Regulations as a "Reporting Financial Institution". As such, the Company is required to (i) register with the IRS to obtain a Global Intermediary Identification Number (for the purposes of the US IGA only), (ii) register with the Cayman Islands Tax Information Authority (the "TIA"), and thereby notify the TIA of its status as a "Reporting Financial Institution", (iii) conduct due diligence on its accounts to identify whether any such accounts are considered "Reportable Accounts", and (iv) report information on such Reportable Accounts to the TIA. The TIA will transmit such information to the IRS (for US Reportable Accounts), the HMRC (for UK Reportable Accounts) or other applicable overseas fiscal authorities as the case may be. Under the terms of the US IGA, withholding will not be imposed on payments made to the Company unless the IRS has specifically listed the Company as a non-participating financial institution, or on payments made by the Company unless the Company has otherwise assumed responsibility for withholding under United States tax law.

U.S. Federal Income Tax Considerations

The following are the material U.S. federal income tax consequences relevant to an investment decision by a U.S. Holder and a Non-U.S. Holder, each as defined below, with respect to our common shares. The following discussion of U.S. federal income tax matters is based on the U.S. Internal Revenue Code of 1986, or the Code, judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the U.S. Department of the Treasury, all of which are subject to change, possibly with retroactive effect.

This discussion does not purport to deal with the tax consequences of owning our common shares to all categories of investors, some of which, such as dealers in securities, investors whose functional currency is not the U.S. Dollar and investors that own, actually or under applicable constructive ownership rules, 10% or more of our shares, may be subject to special rules. This discussion deals only with holders who purchase common shares in connection with this offering and hold the common shares as a capital asset. You are encouraged to consult your own tax advisors concerning the overall tax consequences arising in your own particular situation under U.S. federal, state, local or foreign law of the ownership of our common shares. Unless otherwise noted, references in the following discussion to the "Company," "we" and "us" are to Ocean Rig UDW Inc. and its subsidiaries on a consolidated basis.

If a partnership holds common shares, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding common shares, you are encouraged to consult your tax advisor.

Taxation of U.S. Holders

As used herein, the term "U.S. Holder" means a beneficial owner of common shares that is a U.S. citizen or resident, U.S. corporation or other U.S. entity taxable as a corporation, an estate the income of which is subject to U.S. federal income taxation regardless of its source, or a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

Distributions

Subject to the discussion of passive foreign investment companies below, any distributions made by us with respect to our common shares to a U.S. Holder, will generally constitute dividends, to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of our earnings and profits will be treated first as a nontaxable return of capital to the extent of the U.S. Holder's tax basis in his common shares on a dollar-for-dollar basis and thereafter as capital gain. Because we are not a U.S. corporation, U.S. Holders that are corporations will not be entitled to claim a dividends received deduction with respect to any distributions they receive from us. Dividends paid with respect to our common shares will generally be treated as "passive category income" or, in the case of certain types of U.S. Holders, "general category income" for purposes of computing allowable foreign tax credits for U.S. foreign tax credit purposes.

Dividends paid on our common shares to a U.S. Holder who is an individual, trust or estate (a "U.S. Individual Holder") will generally be treated as "qualified dividend income" that is taxable to such U.S. Individual Holders at preferential tax rates provided that (1) the common share is readily tradable on an established securities market in the United States (such as the NASDAQ Global Select Market, on which our common shares are listed); (2) we are not a passive foreign investment company for the taxable year during which the dividend is paid or the immediately preceding taxable year (which we do not believe we are, have been or will be); and (3) the U.S. Individual Holder has owned the common shares for more than 60 days in the 121-day period beginning 60 days before the date on which the common shares become ex-dividend. There is no assurance that any dividends paid on our common shares will be eligible for these preferential rates in the hands of a U.S. Individual Holder. Any dividends paid by us which are not eligible for these preferential rates will be taxed as ordinary income to a U.S. Holder.

Special rules may apply to any "extraordinary dividend" generally, a dividend in an amount which is equal to or in excess of ten percent of a stockholder's adjusted basis (or fair market value in certain circumstances) in a common share paid by us. If we pay an "extraordinary dividend" on our common shares that is treated as "qualified dividend income," then any loss derived by a U.S. Individual Holder from the sale or exchange of such common shares will be treated as long-term capital loss to the extent of such dividend.

Sale, Exchange or other Disposition of Common Shares

Assuming we do not constitute a passive foreign investment company for any taxable year, a U.S. Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common shares in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder's tax basis in such stock. Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder's holding period is greater than one year at the time of the sale, exchange or other disposition. Such capital gain or loss will generally be treated as U.S. source income or loss, as applicable, for U.S. foreign tax credit purposes. A U.S. Holder's ability to deduct capital losses is subject to certain limitations.

Passive Foreign Investment Company Status and Significant Tax Consequences

Special U.S. federal income tax rules apply to a U.S. Holder that holds stock in a foreign corporation classified as a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes. In general, a foreign corporation will be treated as a PFIC with respect to a U.S. shareholder in such foreign corporation, if, for any taxable year in which such shareholder holds stock in such foreign corporation, either:

- at least 75% of the corporation's gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business); or

- at least 50% of the average value of the assets held by the corporation during such taxable year produce, or are held for the production of, passive income.

For purposes of determining whether a foreign corporation is a PFIC, it will be treated as earning and owning its proportionate share of the income and assets, respectively, of any of its subsidiary corporations in which it owns at least 25% of the value of the subsidiary's stock. If Ocean Rig UDW Inc. is treated as a PFIC, then a U.S. person would be treated as indirectly owning shares of its foreign corporate subsidiaries for purposes of the PFIC rules.

Income earned by a foreign corporation in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute "passive income" unless the foreign corporation is treated under specific rules as deriving its rental income in the active conduct of a trade or business.

We do not believe that we are currently a PFIC, although we may have been a PFIC for certain prior taxable years. Based on our current operations and future projections, we do not believe that we have been, are, or will be a PFIC with respect to any taxable year beginning with the 2009 taxable year. Although we intend to conduct our affairs in the future in a manner to avoid being classified as a PFIC, we cannot assure you that the nature of our operations will not change in the future.

Special U.S. federal income tax elections have been made or will be made in respect of certain of our subsidiaries. The effect of these special U.S. tax elections is to ignore or disregard the subsidiaries for which elections have been made as separate taxable entities and to treat them as part of their sole shareholder. Therefore, for purposes of the following discussion, for each subsidiary for which such an election has been made, the shareholder of such subsidiary, and not the subsidiary itself, will be treated as the owner of the subsidiary's assets and as receiving the subsidiary's income.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year, a U.S. Holder would be subject to different taxation rules depending on whether the U.S. Holder makes an election to treat us as a "Qualified Electing Fund," which election we refer to as a "QEF election" or makes a "mark-to market" election with respect to our stock. In addition, if we were to be treated as a PFIC for any taxable year, a U.S. Holder that owns our common shares in that year would generally be required to file a Form 8621 with its U.S. federal income tax return for that year.

Taxation of U.S. Holders Making a Timely QEF Election

If a U.S. Holder makes a timely QEF election, which U.S. Holder we refer to as an "Electing Holder," the Electing Holder must report each year for U.S. federal income tax purposes his pro rata share of our ordinary earnings and our net capital gain, if any, for our taxable year that ends with or within the taxable year of the Electing Holder, regardless of whether or not distributions were received from us by the Electing Holder. The Electing Holder's adjusted tax basis in the common shares will be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that had been previously taxed will result in a corresponding reduction in the adjusted tax basis in the common shares and will not be taxed again once distributed. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of the common shares. A U.S. Holder would make a QEF election with respect to any year that our company is a PFIC by filing Internal Revenue Service Form 8621 with his U.S. federal income tax return. If we were aware that we were to be treated as a PFIC for any taxable year, we would, if possible, provide each U.S. Holder with all necessary information in order to make the QEF election described above. It should be noted that we may not be able to provide such information if we did not become aware of our status as a PFIC in a timely manner.

Taxation of U.S. Holders Making a "Mark-to-Market" Election

Alternatively, if we were to be treated as a PFIC for any taxable year and our stock is treated as "marketable stock," a U.S. Holder would be allowed to make a "mark-to-market" election with respect to our common shares, provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. Since our stock is traded on the NASDAQ Global Select Market, we believe that our stock is "marketable stock" for this purpose. If the "mark-to-market" election is made, the U.S. Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the common shares at the end of the taxable year over such holder's adjusted tax basis in the common shares. The U.S. Holder would also be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder's adjusted tax basis in the common shares over its fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's tax basis in his common shares would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of the common shares would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the common shares would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the U.S. Holder.

Taxation of U.S. Holders Not Making a Timely QEF Election or Mark-to-Market Election

Finally, if we were to be treated as a PFIC for any taxable year, a U.S. Holder who does not make a QEF election (or a mark-to-market election, if such election is available) for that year, whom we refer to as a "Non-Electing Holder," would be subject to special rules with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on the common shares in a taxable year in excess of 125 % of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common shares), and (2) any gain realized on the sale, exchange or other disposition of the common shares. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holders' aggregate holding period for the common shares;
- the amount allocated to the current taxable year and any taxable year before we became a PFIC would be taxed as ordinary income; and
- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

These penalties would not apply to a pension or profit sharing trust or other tax-exempt organization that did not borrow funds or otherwise utilize leverage in connection with its acquisition of the common shares. If a Non-Electing Holder who is an individual dies while owning the common shares, such holder's successor generally would not receive a step-up in tax basis with respect to such stock.

Taxation of "Non-U.S. Holders"

A beneficial owner of common shares that is not a U.S. Holder (other than a partnership) is referred to herein as a "Non-U.S. Holder."

Dividends on Common Shares

Non-U.S. Holders generally will not be subject to U.S. federal income tax or withholding tax on dividends received from us with respect to our common shares, unless that income is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States. If the Non-U.S. Holder is entitled to the benefits of a U.S. income tax treaty with respect to those dividends, that income is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States.

Sale, Exchange or Other Disposition of Common Shares

Non-U.S. Holders generally will not be subject to U.S. federal income tax or withholding tax on any gain realized upon the sale, exchange or other disposition of our common shares, unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States. If the Non-U.S. Holder is entitled to the benefits of an income tax treaty with respect to that gain, that gain is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States; or
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

If the Non-U.S. Holder is engaged in a U.S. trade or business for U.S. federal income tax purposes, the income from the common shares, including dividends and the gain from the sale, exchange or other disposition of the shares that is effectively connected with the conduct of that trade or business will generally be subject to regular U.S. federal income tax in the same manner as discussed in the previous section relating to the taxation of U.S. Holders. In addition, if you are a corporate Non-U.S. Holder, your earnings and profits that are attributable to the effectively connected income, which are subject to certain adjustments, may be subject to an additional branch profits tax at a rate of 30%, or at a lower rate as may be specified by an applicable income tax treaty.

Backup Withholding and Information Reporting

In general, dividend payments, or other taxable distributions, made within the United States to a holder will be subject to information reporting requirements. Such payments will also be subject to "backup withholding" if paid to a non-corporate U.S. Holder who:

- fails to provide an accurate taxpayer identification number;
- is notified by the Internal Revenue Service that he has failed to report all interest or dividends required to be shown on his federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

If a holder sells his common shares to or through a U.S. office or broker, the payment of the proceeds is subject to both U.S. backup withholding and information reporting unless the holder establishes an exemption. If a holder sells his common shares through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid to the holder outside the United States then information reporting and backup withholding generally will not apply to that payment. However, U.S. information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, including a payment made to a holder outside the United States, if the holder sells his common shares through a non-U.S. office of a broker that is a U.S. person or has some other contacts with the United States.

Backup withholding is not an additional tax. Rather, a taxpayer generally may obtain a refund of any amounts withheld under backup withholding rules that exceed the taxpayer's income tax liability by filing a refund claim with the IRS.

Individuals who are U.S. Holders (and to the extent specified in applicable Treasury regulations, certain individuals who are Non-U.S. Holders and certain U.S. entities) who hold "specified foreign financial assets" (as defined in Section 6038D of the Code) are required to file IRS Form 8938 with information relating to the asset for each taxable year in which the aggregate value of all such assets exceeds $75,000 at any time during the taxable year or $50,000 on the last day of the taxable year (or such higher dollar amount as prescribed by applicable Treasury regulations). Specified foreign financial assets would include, among other assets, the common shares, unless the shares held through an account maintained with a U.S. financial institution. Substantial penalties apply to any failure to timely file IRS Form 8938, unless the failure is shown to be due to reasonable cause and not due to willful neglect. Additionally, in the event an individual U.S. Holder (and to the extent specified in applicable Treasury regulations, an individual Non-U.S. Holder or a U.S. entity) that is required to file IRS Form 8938 does not file such form, the statute of limitations on the assessment and collection of U.S. federal income taxes of such holder for the related tax year may not close until three years after the date that the required information is filed. U.S. Holders (including U.S. entities) and Non-U.S. Holders are encouraged consult their own tax advisors regarding their reporting obligations under this legislation.

Cyprus Tax Considerations

On March 9, 2017, we received a letter from the Republic of Cyprus Ministry of Finance stating that we have ceased to be considered as tax residents in the Republic of Cyprus as of December 31, 2016.

Other Tax Considerations

In addition to the tax consequences discussed above, we may be subject to tax in one or more other jurisdictions where we conduct activities. The amount of any such tax imposed upon our operations may be material.

We provide offshore drilling services to third parties through our fully owned subsidiaries. Such services may be provided in countries where the tax legislation subjects drilling revenue to withholding tax or other corporate taxes, and where the operating cost may also be increased due to tax requirements. The amount of such taxable income and liability will vary depending upon the level of our operations in such jurisdiction in any given taxable year. Distributions from our subsidiaries may be subject to withholding tax.

We do not benefit from income tax positions that we believe are more likely than not to be disallowed upon challenge by a tax authority. If any tax authority successfully challenges our operational structure, inter-company pricing policies or the taxable presence of our key subsidiaries in certain countries; or if the terms of certain income tax treaties are interpreted in a manner that is adverse to our structure; or if we lose a material tax dispute in any country, particularly in Brazil, Norway, Angola, Netherlands, Congo, Senegal, Cyprus, Jersey, South Africa, the United States, the U.K., Falkland Islands, Ivory Coast, Tanzania or Ghana our effective tax rate on our world-wide earnings could increase substantially and our earnings and cash flows from operations could be materially adversely affected.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We file reports and other information with the SEC. These materials, including this annual report and the accompanying exhibits, may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, or from the SEC's website http://www.sec.gov. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-0330 and you may obtain copies at prescribed rates. Our filings are also available on our website at http://www.ocean-rig.com. This web address is provided as an inactive textual reference only. Information on our website does not constitute a part of this annual report.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Overview

We are exposed to a number of different financial market risks arising from our normal business activities. Financial market risk is the possibility that fluctuations in currency exchange rates and interest rates will affect the value of our assets, liabilities or future cash flows.

To reduce and manage these risks, management periodically reviews and assesses its primary financial market risks. Once risks are identified, appropriate action is taken to mitigate the specific risks. The primary strategy used to reduce our financial market risks is the use of derivative financial instruments where appropriate. Derivatives are used periodically in order to hedge our ongoing operational exposures as well as transaction-specific exposures. When the use of derivatives is deemed appropriate, only conventional derivative instruments are used. These may include interest rate swaps, forward contracts and options.

It is our policy to enter into derivative financial instruments only with highly rated financial institutions. We use derivatives only for the purposes of managing risks associated with interest rate and currency exposure.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our long-term and short-term debt. The international drilling industry is capital intensive, requiring significant amounts of investment. Much of this investment is provided in the form of long-term debt. Our debt usually contains interest rates that fluctuate with LIBOR. Increasing interest rates could adversely impact future earnings.

Historically, we have been subject to market risks relating to changes in interest rates, because we have had significant amounts of floating rate debt outstanding. We manage this risk by entering into interest rate swap agreements in which we exchange fixed and variable interest rates based on agreed upon notional amounts. We use such derivative financial instruments as risk management tools and not for speculative or trading purposes. In addition, the counterparty to the derivative financial instrument is a major financial institution in order to manage exposure to nonperformance counterparties.

Our interest expense is mainly affected by changes in the general level of interest rates. However, as of December 31, 2016, we had no interest rate swap, cap and floor agreements due to the fact that they were terminated. As an indication of the extent of our sensitivity to interest rate changes, an increase in LIBOR of 1%, with all other variables held constant, would have increased our net loss and our cash flows for the year ended December 31, 2016 by approximately $0.1 million, based on our total outstanding debt level at December 31, 2016. A 1% increase in LIBOR, with all other variables held constant, would have increased our interest expense for the year ended December 31, 2016 from $227.0 million to $227.1 million.

Foreign Currency Exchange Risk

We generate a substantial portion of our revenues in U.S. dollars; however, a portion of our revenue under our contracts with Petroleo Brasileiro S.A., or Petrobras Brazil, for the *Ocean Rig Corcovado* and *the Ocean Rig Mykonos* is receivable in Brazilian Real. In addition, for the year ended December 31, 2016, we incurred approximately 47% of our operating expenses and the majority of our management expenses in currencies other than the U.S. dollar. For accounting purposes, expenses incurred in currencies other than the U.S. dollar are converted into U.S. dollars at the exchange rate prevailing on the date of each transaction. Because a significant portion of our expenses are incurred in currencies other than the U.S. dollar, our expenses may from time to time increase relative to our revenues as a result of fluctuations in exchange rates, which could affect the amount of net income that we report in future periods. As of December 31, 2016, the net effect of a 1% adverse movement in U.S. dollar/Euro exchange rates would not have a material effect on our net income, while the net effect of a 1% adverse movement in U.S. dollar/currencies other than the U.S. dollar exchange rates would have resulted in an increase of $2.6 million in our losses before taxes for the year ended December 31, 2016.

Our international operations expose us to foreign exchange risk. We use a variety of techniques to minimize exposure to foreign exchange risk, such as the use of foreign exchange derivative instruments. Fluctuations in foreign currencies typically have not had a material impact on our overall results. In situations where payments of local currency do not equal local currency requirements, foreign exchange derivative instruments, specifically foreign exchange forward contracts, or spot purchases, may be used to mitigate foreign currency risk. A foreign exchange forward contract obligates us to exchange predetermined amounts of specified foreign currencies at specified exchange rates on specified dates or to make an equivalent U.S. dollar payment equal to the value of such exchange. We do not enter into derivative transactions for speculative purposes. On December 31, 2015, we did not have any open foreign currency forward exchange contracts. See "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Currency Forward Sale Exchange Contracts."

Item 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depository Shares

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Material Modifications to the Rights of Security Holders

We have adopted an Amended and Restated Stockholder Rights Agreement, pursuant to which each of our common shares includes one preferred stock purchase right that entitles the holder to purchase from us a unit consisting of one-thousandth of a share of our Series A Participating Preferred Stock or additional common shares if any third party seeks to acquire control of a substantial block of our common shares without the approval of our board of directors.

Item 15. Controls and Procedures

(a) Disclosure Controls and Procedures

The Company's Management, including the Chief Executive Officer and the Chief Financial Officer, has conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) as of December 31, 2016. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports the Company files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and our Chief Financial Officer, to allow for timely decisions regarding required disclosures.

Based on this evaluation, the Company's Chief Executive Officer and the Chief Financial Officer concluded that, as of December 31, 2016, the Company's disclosure controls and procedures are effective to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

(b) Management's Annual Report on Internal Control Over Financial Reporting

Internal control over financial reporting refers to the process designed by, or under the supervision of our Chief Executive Officer and the Chief Financial Officer and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

1. Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and the Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "*Internal Control—Integrated Framework*" issued by the Committee of Sponsoring Organizations of the Treadway Commission, or the COSO 2013 framework, as of December 31, 2016.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process and it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management has assessed the effectiveness of the Company's internal control over financial reporting at December 31, 2016, based on the framework established in "*Internal Control — Integrated Framework*" issued by the COSO 2013 framework. Based on the aforementioned assessment, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2016.

The independent registered public accounting firm, Ernst Young (Hellas) Certified Auditors Accountants S.A., that audited the consolidated financial statements of the Company for the year ended December 31, 2016, included in this annual report, has issued an attestation report on the Company's internal control over financial reporting.

(c) Attestation Report of the Registered Public Accounting Firm

The report of Ernst Young (Hellas) Certified Auditors Accountants S.A. included in "Item 18. Financial Statements" of this annual report is incorporated herein by reference.

(d) Changes in Internal Control over Financial Reporting

There have been no significant changes in our internal control over financial reporting that have occurred during the year ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Mr. John Liveris, whose biographical details are included in "Item. 6 Directors, Senior Management and Employees—A. Directors and Senior Management," a member of our audit committee, qualifies as an "audit committee financial expert," as such term is defined in Item 407 of Regulation S-K promulgated by the SEC and Form 20-F. Our board of directors has also determined that Mr. Liveris is independent under SEC Rule 10A-3 of the Exchange Act and the independence rules of the NASDAQ Stock Market.

Item 16B. Code of Ethics

We have adopted a code of ethics that applies to our directors, officers, employees and agents. We will provide a hard copy of our code of ethics free of charge upon written request of a shareholder. Shareholders may direct their requests to the attention of Corporate Secretary, c/o Ocean Rig Cayman Management Services SEZC Limited, P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104, Cayman Islands. No substantive amendments were made to our code of ethics during the fiscal year ended December 31, 2016, and no waivers of our code of ethics were granted to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions during the fiscal year ended December 31, 2016.

Item 16C. Principal Accountant Fees and Services

Our principal accountant has billed us for audit, audit-related and non-audit services for the years ended December 31, 2015 and 2016. The fees billed are set forth as follows:

	2015	2016
	(U.S. Dollars in thousands)	
Audit and audit-related fees	$ 799	$ 645
Tax fees	31	27
Total fees	$ 830	$ 672

There were no audit-related or other fees billed in 2016 or 2015. Audit fees represent professional services rendered for the audit of our annual financial statements and services provided by the principal accountant in connection with statutory and regulatory filings or engagements. Taxation fees represent fees for professional services rendered by the principal accountant for tax compliance, tax advice and tax planning.

All audit and non-audit services, including services described above were pre-approved by the audit committee. Our audit committee is responsible for the appointment, retention, compensation, evaluation and oversight of the work of the independent auditors. As part of this responsibility, our audit committee pre-approves the audit and non-audit services performed by the independent auditors in order to assure that they do not impair the auditors' independence from the Company. The audit committee has adopted a policy which sets forth the procedures and the conditions pursuant to which services proposed to be performed by the independent auditors may be pre-approved.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On April 5, 2016, we purchased, through our restricted subsidiary, Ocean Rig Investments Inc., all 56,079,533 common shares held in our Company by DryShips Inc. for $0.89 per share.

Item 16F. Change in Registrant's Certifying Accountant

None.

Item 16G. Corporate Governance

As a foreign private issuer, we are subject to less stringent corporate governance requirements than U.S.-domiciled companies. Subject to certain exceptions, NASDAQ permits foreign private issuers to follow home country practice in lieu of the NASDAQ corporate governance requirements. The practices we intend to follow in lieu of NASDAQ's corporate governance rules are:

- In lieu of obtaining shareholder approval prior to the issuance of designated securities or the adoption of equity compensation plans or material amendments to such equity compensation plans, we will comply with provisions of Caymans law, providing that the board of directors approves share issuances and adoptions of and material amendments to equity compensation plans.

- Our board of directors will not hold regularly scheduled meetings at which only independent directors are present.

- As a foreign private issuer, we are not required to solicit proxies or provide proxy statements to NASDAQ pursuant to NASDAQ corporate governance rules or Cayman Islands law. Consistent with Cayman Islands law and as provided in our amended and restated memorandum and articles of association, we will notify our shareholders of meetings between 15 and 60 days before the meeting. This notification will contain, among other things, information regarding business to be transacted at the meeting. In addition, our bylaws provide that shareholders must give us between 150 and 180 days advance notice to properly introduce any business at a meeting of shareholders.

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

See "Item 18. Financial Statements"

Item 18. Financial Statements

The financial statements beginning on page F-1 together with the respective reports of the Independent Registered Public Accounting firm therefore, are filed as a part of this annual report.

Item 18.1 Schedule I - Condensed Financial Information of Ocean Rig UDW Inc. (Parent Company Only)

The Schedule I, beginning after page F-39, is filed as part of this report.

Item 19. Exhibits

Exhibit Number	Description
1.1	Second Amended and Restated Articles of Incorporation of Ocean Rig UDW Inc., incorporated by reference to exhibit 3.1 to the Registration Statement on Form F-4 of Ocean Rig UDW Inc. (Registration No. 333-175940), filed with the SEC on August 1, 2011.
1.2	Second Amended and Restated Bylaws of Ocean Rig UDW Inc., incorporated by reference to exhibit 3.2 to the Registration Statement on Form F-4 of Ocean Rig UDW Inc. (Registration No. 333-175940), filed with the SEC on August 1, 2011.
1.3	Certificate of Designations of Rights, Preferences and Privileges of Series A Participating Preferred Stock of Ocean Rig UDW Inc., incorporated by reference to exhibit 4.3 to the Registration Statement on Form F-4 of Ocean Rig UDW Inc. (Registration No. 333-175940), filed with the SEC on August 1, 2011.
1.4	Cayman Islands Amended and Restated Memorandum and Articles of Association, incorporated by reference to Exhibit 3.4 to the Post-Effective Amendment to Registration Statement on Form F-4 of Ocean Rig UDW Inc. (Registration No. 333-210118), filed with the SEC on July 7, 2016.
2.1	Form of Stock Certificate, incorporated by reference to exhibit 4.1 to the Registration Statement on Form F-4 of Ocean Rig UDW Inc. (Registration No. 333-175940), filed with the SEC on August 17, 2011.

2.2	Amended and Restated Stockholder Rights Agreement, dated June 3, 2011, incorporated by reference to exhibit 4.2 to the Registration Statement on Form F-4/A of Ocean Rig UDW Inc. (Registration No. 333-175940), filed with the SEC on August 1, 2011.
2.3	Indenture, dated as of September 20, 2012, by and among Drill Rigs Holdings Inc., Ocean Rig UDW Inc., and each of the Guarantors party thereto, U.S. Bank National Association, as Trustee, and Deutsche Bank Trust Company Americas, as Noteholder Collateral Agent, Registrar and Paying Agent, relating to 6.50% Senior Secured Notes Due 2017 incorporated by reference to exhibit 2.4 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2012, filed with the SEC on March 22, 2013.
2.4	Supplemental Indenture, dated as of January 23, 2013, by and among Drill Rigs Holdings Inc., Ocean Rig UDW Inc., as Guarantor, the other Guarantors, and U.S. Bank National Association, as Trustee, amending and supplementing the Indenture, dated as of September 20, 2012, by and among Drill Rigs Holdings Inc., Ocean Rig UDW Inc., and each of the Guarantors party thereto, U.S. Bank National Association, as Trustee, and Deutsche Bank Trust Company Americas, as Noteholder Collateral Agent, Registrar and Paying Agent, relating to 6.50% Senior Secured Notes Due 2017 incorporated by reference to exhibit 2.5 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2012, filed with the SEC on March 22, 2013.
2.5	Second Supplemental Indenture, dated as of January 30, 2013, amending and supplementing the Indenture, dated as of September 20, 2012, as amended by a supplemental indenture, dated as of January 23, 2013, by and among Drill Rigs Holdings Inc., Ocean Rig UDW Inc., and each of the Guarantors party thereto, U.S. Bank National Association, as Trustee, and Deutsche Bank Trust Company Americas, as Noteholder Collateral Agent, Registrar and Paying Agent, relating to 6.50% Senior Secured Notes Due 2017 incorporated by reference to exhibit 2.6 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2012, filed with the SEC on March 22, 2013.
2.6	Third Supplemental Indenture, dated as of March 15, 2013, amending and supplementing the Indenture, dated as of September 20, 2012, as amended by a supplemental indenture, dated as of January 23, 2013, and a second supplemental indenture, dated as of January 30, 2013, by and among Drill Rigs Holdings Inc., Ocean Rig UDW Inc., and each of the Guarantors party thereto, U.S. Bank National Association, as Trustee, and Deutsche Bank Trust Company Americas, as Noteholder Collateral Agent, Registrar and Paying Agent, relating to 6.50% Senior Secured Notes Due 2017 incorporated by reference to exhibit 2.7 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2012, filed with the SEC on March 22, 2013.
4.1	Drillship Master Agreement between DryShips Inc. and a major shipyard in Korea incorporated by reference to exhibit 10.1 to the Registration Statement on Form F-4 of Ocean Rig UDW Inc. (Registration No. 333-175940), filed with the SEC on August 1, 2011.
4.2	Novation Agreement between a major shipyard in Korea , DryShips Inc. and Ocean Rig UDW Inc., incorporated by reference to exhibit 10.2 to the Registration Statement on Form F-4 of Ocean Rig UDW Inc. (Registration No. 333-175940), filed with the SEC on August 1, 2011.
4.3	Addendum No. 1 dated May 16, 2011 to a Drillship Master Agreement, dated November 22, 2010, between DryShips Inc. and a major shipyard in Korea , as novated by a Novation Agreement, dated December 30, 2010, a major shipyard in Korea , DryShips Inc. and Ocean Rig UDW Inc., incorporated by reference to exhibit 10.3 to the Registration Statement on Form F-4 of Ocean Rig UDW Inc. (Registration No. 333-175940), filed with the SEC on August 1, 2011.
4.4	Addendum No. 2 dated January 27, 2012 to a Drillship Master Agreement, dated November 22, 2010, between DryShips Inc. and a major shipyard in Korea , as novated by a Novation Agreement, dated December 30, 2010 and as amended, incorporated by reference to exhibit 4.4 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2011, filed with the SEC on March 14, 2012.
4.5	Addendum No. 3 dated April 2, 2012, to a Drillship Master Agreement, dated November 22, 2010, between DryShips Inc. and a major shipyard in Korea , as novated by a Novation Agreement, dated December 30, 2010, and as amended incorporated by reference to exhibit 4.5 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2012, filed with the SEC on March 22, 2013.
4.6	Addendum No. 4, dated September 3, 2012, to a Drillship Master Agreement, dated November 22, 2010, between DryShips Inc. and a major shipyard in Korea , as novated by a Novation Agreement, dated December 30, 2010, and as amended incorporated by reference to exhibit 4.6 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2012, filed with the SEC on March 22, 2013.
4.7	Services Agreement, effective January 1, 2013, by and between Ocean Rig Management Inc. and Cardiff Drilling Inc incorporated by reference to exhibit 4.39 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2012, filed with the SEC on March 22, 2013.
4.8	Consultancy Agreement, dated September 1, 2010, by and between DryShips Inc. and Vivid Finance Limited, incorporated by reference to exhibit 10.39 of the Registration Statement on Form F-4 of Ocean Rig UDW Inc. (Registration No. 333-175940) filed with the SEC on August 1, 2011.
4.9	Addendum No. 1, effective January 1, 2013, to the Consultancy Agreement, dated September 1, 2010, by and between Ocean Rig UDW Inc. and Vivid Finance Inc incorporated by reference to exhibit 4.41 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2012, filed with the SEC on March 22, 2013.
4.10	Consultancy Agreement, effective January 1, 2013, by and between Ocean Rig Management Inc. and Vivid Finance Limited incorporated by reference to exhibit 4.42 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2012, filed with the SEC on March 22, 2013.

4.11	Registration Rights Agreement, dated as of March 20, 2012, by and between DryShips Inc. and Ocean Rig UDW Inc., incorporated by reference to exhibit 4.4 to the Registration Statement on Form F-1 of Ocean Rig UDW Inc. (Registration No. 333-180241), filed with the SEC on March 20, 2012 incorporated by reference to exhibit 4.43 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2012, filed with the SEC on March 22, 2013.
4.12	Credit Agreement, dated July 12, 2013, by and among Drillships Finance Holding Inc., as Borrower, Ocean Rig UDW Inc., as Parent, Deutsche Bank AG New York Branch, as Administrative Agent and the companies listed therein, and the banks and financial institutions named therein, as Joint Global Coordinators, Joint Lead Arrangers and Joint Bookrunners and the banks and financial institutions named therein, as Joint Lead Arrangers and Joint Bookrunners, relating to a combined $1.8 billion of Tranche B-1 and Tranche B-2 Term Loans, incorporated by reference to exhibit 4.47 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2013, filed with the SEC on February 21, 2014.
4.13	Incremental Amendment, dated July 26, 2013, by and among Drillships Finance Holding Inc., as Borrower, Ocean Rig UDW Inc., as Parent, Deutsche Bank AG New York Branch, as Administrative Agent under the Credit Agreement, dated July 12, 2013 (the "July 12, 2013, Credit Agreement"), and the Incremental Lenders, as defined therein, relating to an increase of $100,000,000 under the July 12, 2013 Credit Agreement, incorporated by reference to exhibit 4.48 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2013, filed with the SEC on February 21, 2014.
4.14	Consultancy Agreement, dated September 9, 2013, by and between Eastern Med Consultants Inc., an indirect wholly owned subsidiary of Ocean Rig UDW Inc., and Azara Services S.A, incorporated by reference to exhibit 4.52 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2013, filed with the SEC on February 21, 2014.
4.15	Amendment and Restatement Agreement dated as of February 7, 2014 relating to the Credit Agreement, dated July 12, 2013, as amended by the Incremental Agreement dated July 26, 2013, by and among Drillships Finance Holding Inc., as Borrower, Ocean Rig UDW Inc., as Parent, Deutsche Bank AG New York Branch, as Administrative Agent and the companies listed therein, and the banks and financial institutions named therein, relating to a re-financing of the combined $1.9 billion of Tranche B-1 and Tranche B-2 Term Loans, incorporated by reference to exhibit 4.54 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2013, filed with the SEC on February 21, 2014.
4.16	Indenture, dated as of March 26, 2014, by and between Ocean Rig UDW Inc., as the Issuer, and Deutsche Bank Trust Company Americas, as Trustee, relating to 7.25% Senior Notes Due 2019, incorporated by reference to exhibit 4.55 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2014, filed with the SEC on March 9, 2015.
4.17	Credit Agreement, dated July 25, 2014, by and among Drillships Ventures Projects Inc., as Finco, Drillships Ocean Ventures Inc., as Borrower, Ocean Rig UDW, as Parent, various lenders, Deutsche Bank AG New York Branch, as Administrative Agent and Pari Passu Collateral Agent and the other entities listed therein, relating to a Term Loan in an aggregate principal amount equal to $1.3 billion, incorporated by reference to exhibit 4.56 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2014, filed with the SEC on March 9, 2015.
4.18	Pledge and Security Agreement, dated July 25, 2014, relating to the Credit Agreement dated July 25, 2014, by and among Ocean Rig UDW Inc., Drillships Ocean Ventures, Inc., Drillships Ventures Projects Inc., the subsidiaries identified therein, and Deutsche Bank AG New York Branch, as Pari Passu Collateral Agent, incorporated by reference to exhibit 4.57 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2014, filed with the SEC on March 9, 2015.
4.19	Facilities Agreement, dated February 13, 2015, by and among Drillship Alonissos Shareholders Inc., as Borrower, Ocean Rig UDW Inc., as Parent and Guarantor, Drillship Alonissos Owners Inc., as Drillship Owner and Guarantor, and the other entities named therein, relating to $475 million Term Loan Facilities, incorporated by reference to exhibit 4.58 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2014, filed with the SEC on March 9, 2015.
4.20	Management Agreement, dated December 13, 2013, by and between Drillship Skyros Owners Inc., as the Owner, and Ocean Rig Management Inc., as the Manager, incorporated by reference to exhibit 4.59 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2014, filed with the SEC on March 9, 2015.
4.21	Management Agreement, dated February 25, 2014, by and between Drillship Kythnos Owners Inc., as the Owner, and Ocean Rig Management Inc., as the Manager, incorporated by reference to exhibit 4.60 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2014, filed with the SEC on March 9, 2015.
4.22	Management Agreement, dated April 17, 2014, by and between Drillship Hydra Owners Inc., as the Owner, and Ocean Rig Management Inc., as the Manager, incorporated by reference to exhibit 4.61 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2014, filed with the SEC on March 9, 2015.
4.23	Management Agreement, dated April 17, 2014, by and between Drillship Kithira Owners Inc., as the Owner, and Ocean Rig Management Inc., as the Manager, incorporated by reference to exhibit 4.62 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2014, filed with the SEC on March 9, 2015.

4.24	Management Agreement, dated April 17, 2014, by and between Drillship Paros Owners Inc., as the Owner, and Ocean Rig Management Inc., as the Manager, incorporated by reference to exhibit 4.63 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2014, filed with the SEC on March 9, 2015.
4.25	Management Agreement, dated April 17, 2014, by and between Ocean Rig 1 Inc., as the Owner, and Ocean Rig Management Inc., as the Manager, incorporated by reference to exhibit 4.64 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2014, filed with the SEC on March 9, 2015.
4.26	Management Agreement, dated April 17, 2014, by and between Ocean Rig 2 Inc., as the Owner, and Ocean Rig Management Inc., as the Manager, incorporated by reference to exhibit 4.65 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2014, filed with the SEC on March 9, 2015.
4.27	Management Agreement, dated April 17, 2014, by and between Drillship Skiathos Owners Inc., as the Owner, and Ocean Rig Management Inc., as the Manager, incorporated by reference to exhibit 4.66 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2014, filed with the SEC on March 9, 2015.
4.28	Management Agreement, dated April 17, 2014, by and between Drillship Skopelos Owners Inc., as the Owner, and Ocean Rig Management Inc., as the Manager, incorporated by reference to exhibit 4.67 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2014, filed with the SEC on March 9, 2015.
4.29	Management Agreement, dated February 17, 2015, by and between Drillship Alonissos Owners Inc., as the Owner, and Ocean Rig Management Inc., as the Manager, incorporated by reference to exhibit 4.68 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2014, filed with the SEC on March 9, 2015.
4.30	Exchangeable Promissory Note, dated November 18, 2014, by and between DryShips, Inc., as Borrower, and Alley Finance Co., or its permitted assigns, as Noteholder, relating to a $120,000,000 loan, incorporated by reference to Exhibit 4.69 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2014, filed with the SEC on March 9, 2015.
4.31	Amended and Restated Secured Exchangeable Promissory Note, dated June 4, 2015, by and between DryShips Inc. and Ocean Rig UDW, Inc, incorporated by reference to exhibit 10.31 to the Registration Statement on Form F-4 of Ocean Rig UDW Inc. filed with the SEC on March 11, 2016.
4.32	Addendum No.1 to the Consultancy agreement, dated January 1, 2013, by and between Ocean Rig Management, Inc. and Vivid Finance Limited, dated July 29, 2015 incorporated by reference to exhibit 10.32 to the Registration Statement on Form F-4 of Ocean Rig UDW Inc. filed with the SEC on March 11, 2016.
4.33	Termination, Release and Share Transfer Agreement, dated August 13, 2015, by and among, DryShips Inc., Alley Finance Co and Ocean Rig UDW Inc. incorporated by reference to exhibit 10.33 to the Registration Statement on Form F-4 of Ocean Rig UDW Inc. filed with the SEC on March 11, 2016.
4.34	Time charter party for offshore service vessels by and between Dianthus Maritime Ltd. and Ocean Rig Global Chartering Inc. dated March 29, 2016, incorporated by reference to exhibit 4.54 to the Annual Report on Form 20-F of DryShips Inc. for the fiscal year ended December 31, 2016, filed with the SEC on March 13, 2017.
4.35	Time charter party for offshore service vessels between Fiore Shipping Inc. and Ocean Rig Global Chartering Inc. dated March 29, 2016, incorporated by reference to exhibit 4.55 to the Annual Report on Form 20-F of DryShips Inc. for the fiscal year ended December 31, 2016, filed with the SEC on March 13, 2017.
4.36	Management Services Agreement by and between Ocean Rig UDW Inc. and TMS Offshore Services Inc. dated March 31, 2016, incorporated by reference to Exhibit 4.34 to the Annual Report on Form 20-F of Ocean Rig UDW Inc. for the fiscal year ended December 31, 2015, filed with the SEC on March 31, 2016.
4.37	Termination Agreement by and between Ocean Rig Management and Cardiff Drilling Inc., dated March 31, 2016.
4.38	Termination Agreement by between Ocean Rig Management and Vivid Finance Limited dated March 31, 2016.
4.39	Stock Purchase Agreement by and between Dryships Inc. as Seller and Ocean Rig Investments Inc. as Buyer, dated April 5, 2016, incorporated by reference to Exhibit 4.112 to the Annual Report on Form 20-F of DryShips Inc. for the fiscal year ended December 31, 2015, filed with the SEC on April 27, 2016.
4.40	Amendment No.1 to Facilities Agreement, dated February 13, 2015, by and among Drillship Alonissos Shareholders Inc., as Borrower, Ocean Rig UDW Inc., as Parent and Guarantor, Drillship Alonissos Owners Inc., as Drillship Owner and Guarantor, and the other entities named therein, relating to $475 million Term Loan Facilities, dated August 31, 2016.
4.41	Put and Call Option Agreement between Drillship Alonissos Shareholders Inc. as Borrower, Ocean Rig UDW Inc. as Purchaser and Drillship Alonissos Owners Inc. as Drillship Owner, dated August 31, 2016.
4.42	Trust Agreement of Drillship Alonissos Stock Trust, dated August 31, 2016.

4.43	Addendum to First Preferred Marshall Islands Mortgage by and between Drillships Alonissos Owners Inc. and DNB Bank ASA relating to the *Ocean Rig Apollo* dated August 31, 2016.
4.44	Share Security Deed by and between DrillshipAlonissos Stock Trust as Shareholder and DNB Bank ASA as Security Agent relating to the shares of Drillship Alonissos Shareholders Inc., dated August 31, 2016.
4.45	Termination Agreement by between Eastern Med Consultants Inc. and Azara Services S.A., dated as of December 30, 2016.
4.46	Termination Agreement by between Eastern Med Consultants Inc. and Basset Holdings Inc., dated as of December 30, 2016.
4.47	Addendum to Management Services Agreement by and between Ocean Rig UDW Inc. and TMS Offshore Services Inc. dated March 31, 2016, dated as of January 16, 2017.
8.1	Subsidiaries of Ocean Rig UDW Inc.
12.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.
12.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.
13.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.1	Consent of Independent Registered Public Accounting Firm.
101	The following financial information from Ocean Rig UDW Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2016, formatted in Extensible Business Reporting Language (XBRL): (1) Consolidated Balance Sheets as of December 31, 2015 and 2016; (2) Consolidated Statements of Operations for the years ended December 31, 2014, 2015 and 2016; (3) Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2015 and 2016; (4) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2014, 2015 and 2016; (5) Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2015 and 2016; and (6) Notes to Consolidated Financial Statements.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

OCEAN RIG UDW INC.

By: /s/ Anthony Kandylidis
Name: Anthony Kandylidis
Title: President and Chief Financial Officer

Dated: March 22, 2017

OCEAN RIG UDW INC.
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Ocean Rig UDW Inc.

We have audited the accompanying consolidated balance sheets of Ocean Rig UDW Inc. (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income/ (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in Item 18.1. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ocean Rig UDW Inc. at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 3 to the consolidated financial statements, the Company expects that during the fourth quarter of 2017 it will be in breach of the maximum leverage ratio requirement of its Secured Term Loan B facilities and does not believe that its then available funds will be sufficient to cure such non-compliance. Furthermore, the Company is considering and evaluating various alternatives including a restructuring plan to address liquidity and the deleveraging of its consolidated balance sheet. These conditions raise substantial doubt about Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in note 3. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, the amounts and classification of liabilities, or any other adjustments that might result in the event the Company is unable to continue as a going concern.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Ocean Rig UDW Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 22, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young (Hellas) Certified Auditors Accountants S.A.
Athens, Greece
March 22, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Ocean Rig UDW Inc.

We have audited Ocean Rig UDW Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Ocean Rig UDW Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Ocean Rig UDW Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Ocean Rig UDW Inc. as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income/ (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2016 of Ocean Rig UDW Inc. and our report dated March 22, 2017 expressed an unqualified opinion thereon that included an explanatory paragraph regarding Ocean Rig UDW Inc.'s ability to continue as a going concern.

/s/ Ernst & Young (Hellas) Certified Auditors Accountants S.A.
Athens, Greece
March 22, 2017

OCEAN RIG UDW INC.
Consolidated Balance Sheets
As of December 31, 2015 and 2016
(Expressed in thousands of U.S. Dollars - except for share and per share data)

	December 31, 2015	December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 734,747	$ 718,684
Restricted cash	2,718	34,274
Trade accounts receivable, net of allowance for doubtful receivables (Note 2)	416,104	297,059
Other current assets (Note 5)	84,533	29,924
Total current assets	1,238,102	1,079,941
FIXED ASSETS, NET:		
Advances for drilling units under construction and related costs (Note 6)	394,852	545,469
Drilling units, machinery and equipment, net (Note 7)	6,336,892	2,438,292
Total fixed assets, net	6,731,744	2,983,761
OTHER NON-CURRENT ASSETS:		
Restricted cash (Note 2)	10,020	20,008
Financial instruments (Note 10)	3,494	-
Other non-current assets (Note 8)	36,860	7,834
Total non-current assets, net	50,374	27,842
Total assets	$ 8,020,220	$ 4,091,544
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt, net of deferred financing costs (Note 9)	$ 56,725	$ 640,557
Due to related parties (Note 4)	-	7,231
Accounts payable and other current liabilities	104,029	53,891
Accrued liabilities	118,231	86,750
Deferred revenue	113,548	23,582
Financial instruments (Note 10)	8,931	-
Total current liabilities	401,464	812,011
NON-CURRENT LIABILITIES		
Long term debt, net of current portion and deferred financing costs (Note 9)	4,271,743	3,247,216
Financial instruments (Note 10)	2,743	-
Deferred revenue	66,643	19,615
Other non-current liabilities	2,862	1,952
Total non-current liabilities	4,343,991	3,268,783
COMMITMENTS AND CONTINGENCIES (Note 17)	-	-
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.01 par value; 500,000,000 shares authorized at December 31, 2015 and 2016, nil issued and outstanding at December 31, 2015 and 2016, respectively	-	-
Common stock, $0.01 par value; 1,000,000,000 shares authorized, at December 31, 2015 and 2016, 160,888,606 shares issued and outstanding at December 31, 2015 and 2016 (Note 11)	1,609	1,609
Treasury stock; 22,222,222 shares at $0.01 par value as at December 31, 2015 and 78,301,755 shares at $0.01 par value at December 31, 2016 (Note 4 and Note 11)	(222)	(783)
Additional paid-in capital	3,572,549	3,524,426
Accumulated other comprehensive income/ (loss) (Note 12)	(22,841)	3,346
Accumulated deficit	(276,330)	(3,517,848)
Total stockholders' equity	3,274,765	10,750
Total liabilities and stockholders' equity	$ 8,020,220	$ 4,091,544

The accompanying notes are an integral part of these consolidated financial statements.

OCEAN RIG UDW INC.
Consolidated Statement of Operations
For the years ended December 31, 2014, 2015 and 2016
(Expressed in thousands of U.S. Dollars - except for share and per share data)

	Year Ended December 31,		
	2014	**2015**	**2016**
REVENUES:			
Revenues	$ 1,817,077	$ 1,748,200	$ 1,653,667
EXPENSES:			
Drilling units operating expenses	727,832	582,122	454,329
Depreciation and amortization	324,302	362,587	334,155
Impairment loss (Note 6 and Note 7)	-	414,986	3,776,338
General and administrative expenses	131,745	100,314	103,961
Loss on sale of fixed assets	-	5,177	25,274
Legal settlements and other, net (Note 17)	(721)	(2,591)	(8,720)
Operating income / (expenses)	633,919	285,605	(3,031,670)
OTHER INCOME / (EXPENSES):			
Interest and finance costs (Note 13)	(300,131)	(280,348)	(226,981)
Interest income	12,227	9,811	3,449
Loss on interest rate swaps (Note 10)	(12,671)	(11,513)	(4,388)
Gain from repurchase of senior notes (Note 9)	-	189,174	125,001
Other, net	4,282	(12,899)	(614)
Total other expenses, net	(296,293)	(105,775)	(103,533)
INCOME / (LOSS) BEFORE INCOME TAXES	337,626	179,830	(3,135,203)
Income taxes (Note 14)	(77,823)	(99,816)	(106,315)
NET INCOME / (LOSS) ATTRIBUTABLE TO OCEAN RIG UDW INC.	$ 259,803	$ 80,014	$ (3,241,518)
NET INCOME / (LOSS) ATTRIBUTABLE TO OCEAN RIG UDW INC. COMMON STOCKHOLDERS (Note 15)	$ 259,031	$ 78,839	$ (3,241,518)
EARNINGS / (LOSS) PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS, BASIC AND DILUTED (Note 15)	$ 1.96	$ 0.57	$ (33.43)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES, BASIC AND DILUTED (Note 15)	131,837,227	138,757,176	96,950,847
Dividend declared per share	0.57	0.38	-

The accompanying notes are an integral part of these consolidated financial statements.

OCEAN RIG UDW INC.
Consolidated Statements of Comprehensive Income / (Loss)
For the years ended December 31, 2014, 2015 and 2016
(Expressed in thousands of U.S. Dollars)

	Year Ended December 31,		
	2014	**2015**	**2016**
Net income / (loss)	**$ 259,803**	**$ 80,014**	**$ (3,241,518)**
Other Comprehensive income :			
Reclassification of realized losses associated with capitalized interest to the Consolidated Statement of Operations (Note 10)	1,034	1,035	26,187
Actuarial gains/ (losses)	(1,518)	62	-
Total Other Comprehensive income / (loss)	**(484)**	**1,097**	**26,187**
Total Comprehensive income / (loss)	**$ 259,319**	**$ 81,111**	**$ (3,215,331)**

The accompanying notes are an integral part of these consolidated financial statements.

OCEAN RIG UDW INC.
Consolidated Statements of Stockholders' Equity
For the years ended December 31, 2014, 2015 and 2016
(Expressed in thousands of U.S. Dollars - except for share data)

	Common Stock		Treasury Stock					
	Shares	Par Value	Shares	Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Income/Loss	Accumulated Deficit	Total Stockholders' Equity
BALANCE, January 1, 2014	**131,875,128**	**$ 1,319**	-	$ -	**$ 3,492,650**	**$ (23,454)**	**$ (490,672)**	**$ 2,979,843**
Net income	-	-		-	-	-	259,803	**259,803**
Issuance of non-vested shares	157,500	1	-	-	(1)	-	-	-
Cancellation of previously issued vested shares	(15,450)	-	-	-	-	-	-	-
Amortization of stock based compensation	-	-	-	-	3,576	-	-	**3,576**
Establishment costs for issuance of subsidiaries shares	-	-	-	-	(1,268)	-	-	**(1,268)**
Dividends declared and paid	-	-	-	-	-	-	**(75,194)**	**(75,194)**
Other comprehensive loss	-	-	-	-	-	(484)	-	**(484)**
BALANCE, December 31, 2014	**132,017,178**	**$ 1,320**	**-**	**$ -**	**$ 3,494,957**	**$ (23,938)**	**$ (306,063)**	**$ 3,166,276**
Net income	-	-	-	-	-	-	80,014	**80,014**
Issuance of non-vested shares	300,000	3	-	-	(3)	-	-	-
Issuance of common stock	28,571,428	286	-	-	193,697	-	-	**193,983**
Treasury stock	-	-	(22,222,222)	$ (222)	(119,778)	-	-	**(120,000)**
Amortization of stock based compensation	-	-	-	-	3,676	-	-	**3,676**
Dividends declared and paid	-	-	-	-	-	-	(50,281)	**(50,281)**
Other comprehensive income	-	-	-	-	-	1,097	-	**1,097**
BALANCE, December 31, 2015	**160,888,606**	**$ 1,609**	**(22,222,222)**	**$ (222)**	**$ 3,572,549**	**$ (22,841)**	**$ (276,330)**	**$ 3,274,765**
Net loss	-	-	-	-	-	-	(3,241,518)	(3,241,518)
Treasury stock	-	-	(56,079,533)	(561)	(49,350)	-	-	(49,911)
Amortization of stock based compensation	-	-	-	-	1,227	-	-	1,227
Other comprehensive income	-	-	-	-	-	26,187	-	26,187
BALANCE, December 31, 2016	**160,888,606**	**$ 1,609**	**(78,301,755)**	**$ (783)**	**$ 3,524,426**	**$ 3,346**	**$ (3,517,848)**	**$ 10,750**

The accompanying notes are an integral part of these consolidated financial statements.

OCEAN RIG UDW INC.
Consolidated Statements of Cash Flows
For the years ended December 31, 2014, 2015 and 2016
(Expressed in thousands of U.S. Dollars)

	Years Ended December 31,		
	2014	**2015**	**2016**
Cash Flows from Operating Activities:			
Net income/(loss)	$ 259,803	$ 80,014	$ (3,241,518)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	324,302	362,587	334,155
Amortization and write-off of financing fees	42,995	24,033	21,040
Amortization income of deferred financing fees	(219)	(2,781)	-
Change in fair value of derivatives	(15,909)	(8,217)	(8,180)
Loss on sale of fixed assets	-	5,177	25,274
Allowance for doubtful receivables	-	114,613	-
Gain from repurchase of senior notes	-	(189,174)	(125,001)
Effect of exchange rate changes on cash	-	6,748	-
Impairment loss	-	414,986	3,776,338
Amortization of stock based compensation	3,576	3,676	1,227
Changes in operating assets and liabilities:			
Trade accounts receivable	(55,469)	(188,330)	119,045
Other current and non-current assets	38,460	36,027	73,038
Due to/(from) related parties	11,287	(11,287)	7,231
Accounts payable and other current and non-current liabilities	(25,728)	19,837	(51,048)
Accrued liabilities	(40,131)	(56,502)	(31,478)
Deferred revenue	(73,150)	(18,395)	(136,994)
Net Cash Provided by Operating Activities	469,817	593,012	763,129
Cash Flows from Investing Activities:			
Loan to former parent	(120,000)	-	-
Proceeds from arrangement fees	3,000	-	-
Advances for drilling units under construction and related costs	(292,984)	(89,867)	(242,990)
Drilling units, machinery, equipment and other improvements/ upgrades	(455,997)	(543,976)	(97,163)
Proceeds/(loss) from sale of fixed assets	-	300	(10,850)
(Increase)/decrease in restricted cash	50,997	(10,174)	(41,544)
Net Cash Used in Investing Activities	(814,984)	(643,717)	(392,547)
Cash Flows from Financing Activities:			
Proceeds from short/long-term credit facilities, terms loans and senior notes	2,250,000	462,000	-
Principal payments and repayments of long-term debt and senior notes	(1,862,250)	(61,179)	(215,279)
Senior notes repurchase	-	(273,673)	(121,455)
Net proceeds from common stock issuance	-	192,714	-
Repurchase of common stock	-	-	(49,911)
Dividends paid	(75,194)	(50,281)	-
Payments for issuance of subsidiaries shares	(466)	-	-
Payment of financing costs, net	(43,457)	(6,314)	-
Net Cash Provided by/(Used in) Financing Activities	268,633	263,267	(386,645)
Effect of exchange rate changes on cash	-	(6,748)	-
Net increase/(decrease) in cash and cash equivalents	(76,534)	205,814	(16,063)
Cash and cash equivalents at beginning of year	605,467	528,933	734,747
Cash and cash equivalents at end of year	$ 528,933	$ 734,747	$ 718,684
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the years for:			
Interest, net of amount capitalized	212,014	256,056	254,207
Income taxes	60,374	60,687	70,983
Non cash financing and investing activities:			
Issuance of non-vested shares	1	3	-

The accompanying notes are an integral part of these consolidated financial statements.

1. Basis of Presentation and General Information:

The accompanying consolidated financial statements include the accounts of Ocean Rig UDW Inc., its subsidiaries and consolidated Variable Interest Entities ("VIEs") (collectively, the "Company," "Ocean Rig" or the "Group"). Ocean Rig was formed on December 10, 2007, under the laws of the Republic of the Marshall Islands under the name Primelead Shareholders Inc. as an international contractor of offshore deepwater drilling services. The Company was established by DryShips Inc. ("DryShips" or formerly the "Parent") for the purpose of being the holding company of its drilling segment. DryShips is a publicly listed company on the NASDAQ Capital Market (NASDAQGS: DRYS). On November 24, 2010 and up to December 31, 2016, Ocean Rig UDW had an established office and was registered with the Cypriot Registrar of Companies as an overseas company. On October 6, 2011, the Company's common shares commenced "regular way" trading on the NASDAQ Global Select Market under the ticker symbol "ORIG." As of April 14, 2016, the corporate domicile of the Company moved from the Republic of the Marshall Islands to the Cayman Islands.

On April 5, 2016, the Company purchased all of its shares held by DryShips, through its unrestricted subsidiary, Ocean Rig Investments Inc. (Note 11). After this transaction, DryShips no longer holds any equity interest in the Company.

On September 11, 2015, the Company entered into an agreement to provide third party technical management services for the offshore drilling unit *Cerrado*. On April 28, 2016, the Company acquired the drilling unit *Cerrado* which was renamed to *Ocean Rig Paros* (Note 7).

The Company's customers are mainly oil and gas exploration and production companies, including major integrated oil companies, independent oil and gas producers and government-owned oil and gas companies. Customers individually accounting for more than 10% of the Company's revenues during the years ended December 31, 2014, 2015 and 2016, were as follows:

	Year ended December 31,		
	2014	**2015**	**2016**
Customer A	14%	14%	11%
Customer B	18%	19%	20%
Customer C	12%	13%	-
Customer D	30%	15%	31%
Customer E	14%	13%	14%
Customer F	-	15%	18%

The loss of any of these significant customers could have a material adverse effect on the Company's results of operations if they were not replaced by other customers.

2. Significant Accounting Policies:

(a) Principles of consolidation: The accompanying consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("US GAAP") and include the accounts and operating results of Ocean Rig UDW, its wholly-owned subsidiaries and its VIEs. A VIE is an entity that in general does not have equity investors with substantive voting rights or that has equity investors that do not provide sufficient financial resources for the entity to support its activities. A controlling financial interest in a VIE is present when a company has the power to direct the activities of a VIE that most significantly impact the entity's economic performance and absorbs a majority of an entity's expected losses, receives a majority of an entity's expected residual returns, or both. All intercompany balances and transactions have been eliminated on consolidation. As of December 31, 2016 and 2015, the Company consolidated one VIE which supports our drilling operation in specific locations, for which it is deemed to be the primary beneficiary, i.e. it has a controlling financial interest in this entity.

2. Significant Accounting Policies:

The VIE's total assets and liabilities, as of December 31, 2015, were $35,362 and $77,647, respectively, while total liabilities exceeded total assets by $42,285. The VIE's total assets and liabilities, as of December 31, 2016, were $23,227 and $86,119, respectively, while total liabilities exceeded total assets by $62,892.

As of December 31, 2016, the Company also consolidated one additional VIE due to the Trust (as defined) formed for the purpose of the amendment of the $462,000 Senior Secured Credit Facility (Note 9). Since the assets of the Trust can be used only to settle obligations of the Trust itself and at the same time creditors of the Trust do not have recourse to the general credit of the primary beneficiary, such assets and liabilities are analyzed as follows:

	December 31, 2016
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 167
Restricted cash	31,956
Trade accounts receivable, net	3,341
Other current assets	1,884
Total current assets	**37,348**
FIXED ASSETS, NET:	
Drilling units, machinery and equipment, net	675,420
Total fixed assets, net	**675,420**
OTHER NON-CURRENT ASSETS:	
Restricted cash	20,008
Total non-current assets, net	**20,008**
Total assets	**$ 732,776**
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Current portion of long-term debt, net of deferred financing costs	$ 164,218
Accounts payable and other current liabilities	5,218
Accrued liabilities	1,791
Total current liabilities	**171,227**
NON-CURRENT LIABILITIES	
Long term debt, net of current portion and deferred financing costs	82,947
Total non-current liabilities	**82,947**
COMMITMENTS AND CONTINGENCIES	-
SHAREHOLDERS' EQUITY:	
Common stock, $20 par value; 1,000 shares authorized and issued at December 31, 2016	20
Additional paid-in capital	960
Retained earnings	477,622
Total shareholders' equity	**478,602**
Total liabilities and shareholders' equity	**$ 732,776**

2. Significant Accounting Policies-(continued):

(b) Use of estimates: The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Comprehensive income/(loss): The Company's comprehensive income/(loss) is comprised of net income/(loss), actuarial gains/losses related to the adoption and implementation of Accounting Standard Codification ("ASC") 715, "Compensation-Retirement Benefits", as well as losses in the fair value of the derivatives that qualify for hedge accounting in accordance with ASC 815 "Derivatives and Hedging" and realized gains/losses on cash flow hedges associated with capitalized interest in accordance with ASC 815-30-35-38 "Derivatives and Hedging".

During 2013, the Company adopted the requirements of Accounting Standard Update ("ASU") 2013-02, "Comprehensive Income (Topic 220) - Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income". The objective of this amendment is to improve the reporting of reclassifications out of accumulated other comprehensive income. The amendments do not change the current requirements for reporting net income or other comprehensive income in financial statements. However, the amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under US GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under US GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under US GAAP that provide additional detail about those amounts.

(d) Cash and cash equivalents: The Company considers highly liquid investments such as time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents.

(e) Restricted cash: Restricted cash may include (i) minimum liquidity collateral requirements or minimum required cash deposits, as defined in the Company's loan agreements; (ii) taxes withheld from employees and deposited in designated bank accounts; (iii) amounts pledged as collateral for bank guarantees to suppliers and, (iv) amounts pledged as collateral for credit facilities and swap agreements.

(f) Trade accounts receivable net: The amount shown as accounts receivable, trade, at each balance sheet date, includes receivables from customers, net of an allowance for doubtful receivables. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate allowance for doubtful receivables. As of December 31, 2015 and 2016, the provision for doubtful receivables was $117,438 and $22,368, respectively.

(g) Concentration of credit risk: Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash and cash equivalents; trade accounts receivable and derivative contracts (interest rate swaps and foreign currency contracts). The maximum exposure to loss due to credit risk is the book value at the balance sheet date. The Company places its cash and cash equivalents, consisting mostly of bank deposits, with qualified financial institutions. The Company performs periodic evaluations of the relative credit standing of those financial institutions. The Company is exposed to credit risk in the event of non-performance by counter parties to derivative instruments; however, the Company limits its exposure by diversifying among counter parties. When considered necessary, additional arrangements are put in place to minimize credit risk, such as letters of credit or other forms of payment guarantees. The Company limits its credit risk with trade accounts receivable by performing ongoing credit evaluations of its customers' financial condition and generally does not require collateral for its trade accounts receivable.

2. Significant Accounting Policies-(continued):

(g) Concentration of credit risk (continued): The Company has made advances for the construction of drilling units in a major shipyard in Korea. The ownership of the drilling units is transferred from the yard to the Company at delivery. As of December 31, 2016, cumulative installment payments made to the yard amounted to approximately $466,258 for the two drilling units under construction (Note 6). These installment payments are secured with irrevocable letters of guarantee, or "refund guarantees", issued by financial institutions.

(h) Advances for drilling units under construction and related costs: This represents amounts expended by the Company in accordance with the terms of the construction contracts for drilling units as well as other expenses incurred directly or under a management agreement with a related party in connection with on site supervision. In addition, interest costs incurred during the construction (until the asset is substantially complete and ready for its intended use) are capitalized. The carrying value of drilling units under construction represents the accumulated costs at the balance sheet date. Cost components include payments for yard installments and variation orders, commissions to a related party, construction supervision, equipment, spare parts and capitalized interest.

(i) Capitalized interest: Interest expense is capitalized during the construction period of drilling units based on accumulated expenditures for the applicable project at the Company's current rate of borrowing. The amount of interest expense capitalized in an accounting period is determined by applying an interest rate (the "capitalization rate") to the average amount of accumulated expenditures for the asset during the period. The capitalization rates used in an accounting period are based on the rates applicable to borrowings outstanding during the period. The Company does not capitalize amounts in excess of actual interest expense incurred in the period. If the Company's financing plans associate a specific new borrowing with a qualifying asset, the Company uses the rate on that borrowing as the capitalization rate to be applied to that portion of the average accumulated expenditures for the asset that does not exceed the amount of that borrowing. If average accumulated expenditures for the asset exceed the amounts of specific new borrowings associated with the asset, the capitalization rate applied to such excess is a weighted average of the rates applicable to other borrowings of the Company. Capitalized interest expense for the years ended December 31 2014, 2015 and 2016, amounted to $37,342, $26,055 and $28,265, respectively (Note 13).

(j) Insurance claims: The Company records insurance claim recoveries for insured losses incurred on damages to fixed assets, loss of hire and for insured crew medical expenses under "Other current assets". Insurance claims are recorded, net of any deductible amounts, at the time the Company's fixed assets suffer insured damages or loss due to the drilling unit being wholly or partially deprived of income as a consequence of damage to the unit or when crew medical expenses are incurred, recovery is probable under the related insurance policies and the Company can make an estimate of the amount to be reimbursed following the insurance claim.

(k) Foreign currency translation: The functional currency of the Company is the U.S. Dollar since the Company operates in international drilling markets and therefore, primarily transacts business in U.S. Dollars. The Company's accounting records are maintained in U.S. Dollars. Transactions involving other currencies during the year are converted into U.S. Dollars using the exchange rates in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities, which are denominated in other currencies, are translated into U.S. Dollars at the year-end exchange rates. Resulting gains or losses are included in "Other, net" in the accompanying consolidated statements of operations.

2. Significant Accounting Policies-(continued):

(l) Drilling units, machinery and equipment, net: Drilling units are stated at historical cost less accumulated depreciation. Such costs include the cost of adding or replacing parts of drilling unit machinery and equipment when the cost is incurred, if the recognition criteria are met. The recognition criteria require that the cost incurred extends the useful life of a drilling unit. The carrying amounts of those parts that are replaced are written off and the cost of the new parts is capitalized. Depreciation is calculated on a straight- line basis over the useful life of the assets after considering the estimated residual value as follows: bare deck 30 years and other asset parts from five to 30 years for the drilling units.

(m) Impairment of long-lived assets: The Company reviews for impairment long-lived assets whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. To the extent impairment indicators are present; the Company assesses recoverability of the carrying value of the asset by estimating the undiscounted future net cash flows expected to result from the asset.

In developing estimates of future undiscounted cash flows, the Company makes assumptions and estimates about the drilling units future performance, with the significant assumptions being related to drilling rates, fleet utilization, operating expenses, capital expenditures, class survey costs, residual value and the estimated remaining useful life of each drilling unit.

The projected net operating cash flows are determined by considering the drilling revenues from existing drilling contracts for the fixed days, while for the unfixed days the Company uses an estimated daily rate equivalent by utilizing available market data. The salvage value used in the impairment test is estimated using the Light Weight Tons (LWT) and the market scrap rate. The remaining significant assumptions used to develop estimates of future undiscounted cash flows are based on historical trends as well as future expectations. Although the Company believes that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are highly subjective. If the Company's estimate of undiscounted future cash flows for any drilling unit is lower than the carrying value, the carrying value is written down, by recording a charge to operations, to the drilling units' fair market value if the fair market value is lower than the vessel's carrying value. The fair market value for the drilling unit is obtained by independent appraisals.

As a result of the impairment review, the Company determined that the carrying amounts of its assets held for use were recoverable and therefore, concluded that no impairment loss was necessary for the year ended December 31, 2014. For the year ended December 31, 2015 and 2016, as a result of the impairment review, the Company determined that the carrying amount of two and eight drilling units were not recoverable and, therefore, a charge of $414,986 and $3,658,815, respectively, was recognized and is included in "Impairment loss", in the accompanying consolidated statement of operations (Note 7), the impairment of $92,371 for the drilling unit under construction *Ocean Rig Amorgos* (Note 6) and the impairment of $25,152 relating to the cashflow hedges for interest capitalized on vessels impaired (Note 12).

2. Significant Accounting Policies-(continued):

(n) Class costs: The Company follows the direct expense method of accounting for periodic class costs incurred during special surveys of drilling units, normally every five years. Class costs and other maintenance costs are expensed in the period incurred and included in "Drilling units operating expenses."

(o) Deferred financing costs: Deferred financing costs include fees, commissions and legal expenses associated with the Company's long- term debt. These costs are amortized over the life of the related debt using the effective interest method and are included in interest expense. Unamortized fees relating to loans repaid or refinanced as debt extinguishments are expensed as interest and finance costs in the period the repayment or extinguishment is made. Arrangement fees paid to lenders for loans which the Company has not drawn down are capitalized and included in other current and non-current assets. Amortization and write offs for each of the years ended December 31 2014, 2015 and 2016, amounted to $42,995, $24,033 and $21,040, respectively (Note 13).

(p) Revenue and related expenses:

Revenues: The Company's services and deliverables are generally sold based upon contracts with customers that include fixed or determinable prices. The Company recognizes revenue when delivery occurs, as directed by its customer, and collectability is reasonably assured. The Company evaluates if there are multiple deliverables within its contracts and whether the agreement conveys the right to use the drilling units for a stated period of time and meets the criteria for lease accounting, in addition to providing a drilling services element, which is generally compensated for by day rates. In connection with drilling contracts, the Company may also receive revenues for preparation and mobilization of equipment and personnel or for capital improvements to the drilling units and day rate or fixed price mobilization and demobilization fees. Revenues are recorded net of agents' commissions. There are two types of drilling contracts: well contracts and term contracts.

(i) Well contracts: Well contracts are contracts under which the assignment is to drill a certain number of wells. Revenue from day-rate based compensation for drilling operations is recognized in the period during which the services are rendered at the rates established in the contracts. All mobilization revenues, direct incremental expenses of mobilization and contributions from customers for capital improvements are initially deferred and recognized as revenues and expenses, as applicable, over the estimated duration of the drilling period. To the extent that expenses exceed revenue to be recognized, they are expensed as incurred. Demobilization revenues and expenses are recognized over the demobilization period. All revenues for well contracts are recognized as "Service revenues" in the consolidated statement of operations.

(ii) Term contracts: Term contracts are contracts under which the assignment is to operate the unit for a specified period of time. For these types of contracts the Company determines whether the arrangement is a multiple element arrangement containing both a lease element and drilling services element. For revenues derived from contracts that contain a lease, the lease elements are recognized as "Leasing revenues" in the consolidated statement of operations on a basis approximating straight line over the lease period. The drilling services element is recognized as "Service revenues" in the period in which the services are rendered at estimated fair value. Revenues related to the drilling element of mobilization and direct incremental expenses of drilling services are deferred and recognized over the estimated duration of the drilling period. To the extent that expenses exceed revenue to be recognized, they are expensed as incurred. Demobilization fees and expenses are recognized over the demobilization period. Contributions from customers for capital improvements are initially deferred and recognized as revenues over the estimated duration of the drilling contract.

Other revenues: Other revenues represent the revenues derived from customer contract terminations. The Company recognizes revenues from contract terminations as it has fulfilled obligations for such terminations and when all contingencies have expired.

2. Significant Accounting Policies-(continued):

(q) Earnings / (loss) per common share: Basic earnings / (loss) per common share are computed by dividing net income/ (loss) available to common stockholders by the weighted average number of common shares outstanding during the year. Diluted earnings per common share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised. Dilution has been computed by the treasury stock method whereby all of the Company's dilutive securities are assumed to be exercised or converted and the proceeds used to repurchase common shares at the weighted average market price of the Company's common stock during the relevant periods. The incremental shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) are included in the denominator of the diluted earnings / (loss) per share computation.

(r) Segment reporting: The Company has determined that it operates in one reportable segment, the offshore drilling operations.

***(s) Financial instruments*:** The Company designates its derivatives based upon guidance of ASC 815, "Derivatives and Hedging" which establishes accounting and reporting requirements for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. The guidance on accounting for certain derivative instruments and certain hedging activities requires all derivative instruments to be recorded on the balance sheet as either an asset or liability measured at its fair value, with changes in fair value recognized in earnings unless specific hedge accounting criteria are met.

(i) **Hedge accounting:** At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy undertaken for the hedge. The documentation includes identification of the hedging instrument, hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine whether they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Company is party to interest swap agreements where it receives a floating interest rate and pays a fixed interest rate for a certain period. Contracts which meet the strict criteria for hedge accounting are accounted for as cash flow hedges. A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecasted transaction that could affect profit or loss.

The effective portion of the gain or loss on the hedging instrument is recognized directly as a component of "Accumulated other comprehensive income/ (loss)" in equity, while any ineffective portion, if any, is recognized immediately in current period earnings.

The Company discontinues cash flow hedge accounting if the hedging instrument expires and it no longer meets the criteria for hedge accounting or designation is revoked by the Company. At that time, any cumulative gain or loss on the hedging instrument recognized in equity is kept in equity until the forecasted transaction occurs. When the forecasted transaction occurs, any cumulative gain or loss on the hedging instrument is recognized in the consolidated statement of operations. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to net profit or loss for the year as financial income or expense.

(ii) **Other derivatives:** Changes in the fair value of derivative instruments that have not been designated as hedging instruments are reported in current period earnings.

2. Significant Accounting Policies-(continued):

(t) Fair value measurements: The Company follows the provisions of ASC 820, "Fair Value Measurements and Disclosures" which defines and provides guidance as to the measurement of fair value. ASC 820 creates a hierarchy of measurement and indicates that, when possible, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy gives the highest priority (Level 1) to quoted prices in active markets and the lowest priority (Level 3) to unobservable data, for example, the reporting entities own data. Under the standard, fair value measurements are separately disclosed by level within the fair value hierarchy (Note 10).

(u) Income taxes: Income taxes have been provided for based upon the tax laws and rates in effect in the countries in which the Company's operations are conducted and income is earned. There is no expected relationship between the provision for/or benefit from income taxes and income or loss before income taxes because the countries in which the Company operates have taxation regimes that vary not only with respect to the nominal rate, but also in terms of the availability of deductions, credits and other benefits. Variations also arise because income earned and taxed in any particular country or countries may fluctuate from year to year. Deferred tax assets and liabilities are recognized for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of the Company's assets and liabilities using the applicable jurisdictional tax rates in effect at the year in which the asset is realized or the liability settled. A valuation allowance for deferred tax assets is recorded when it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized. The Company accrues interest and penalties related to its liabilities for unrecognized tax benefits as a component of income tax expense.

(v) Commitments and contingencies: Provisions are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date.

(w) Stock-based compensation: Stock-based compensation represents vested and non-vested common stock granted to certain employees for their services. The Company calculates total compensation expense for the award based on its fair value on the grant date and amortizes the total compensation on an accelerated basis over the vesting period of the award or service period (Note 11).

(x) Inventories: Inventories consist of short term operating supplies held in warehouses which are stated at their historical cost, and consumable bunkers (if any), whose cost is determined by the first in - first out method. Inventories are recorded under "Other Current Assets".

(y) Consolidation: In February 2015, the FASB issued Accounting Standards Update No. 2015-02 (ASU 2015-02): Consolidation - Amendments to the Consolidation Analysis, which changes the guidance as to whether an entity is a variable interest entity (VIE) or a voting interest entity and how related parties are considered in the VIE model. As of December 31, 2016, the Company has adopted the provisions of ASU 2015-02, which did not impact the consolidated financial statements.

(z) Going Concern: In August 2014, the FASB issued ASU No. 2014-15–Presentation of Financial Statements - Going Concern. ASU 2014-15 provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 requires an entity's management to evaluate at each reporting period based on the relevant conditions and events that are known at the date of financial statements are issued, whether there are conditions or events, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued and to disclose the necessary information. ASU 2014-15 is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. The Company has adopted the provisions of ASU 2014-15 and provided the required note disclosure (Note 3).

2. Significant Accounting Policies-(continued):

(aa) Recent accounting pronouncements:

Leases: In February 2016, the FASB issued ASU No. 2016-02, Leases (ASC 842), which requires lessees to recognize most leases on the balance sheet. This is expected to increase both reported assets and liabilities. The new lease standard does not substantially change lessor accounting. For public companies, the standard will be effective for the first interim reporting period within annual periods beginning after December 15, 2018, although early adoption is permitted. Lessees and lessors will be required to apply the new standard at the beginning of the earliest period presented in the financial statements in which they first apply the new guidance, using a modified retrospective transition method. Under the updated accounting standards, the Company's drilling contracts may contain a lease component and the adoption, therefore, may require that the Company separately recognizes revenues associated with the lease and services components. Given the interaction with the accounting standard update related to revenue from contracts with customers, the Company expects to adopt the updates concurrently, effective January 1, 2018 expecting to apply the modified retrospective approach. The adoption and ultimate effect on the consolidated financial statements will be based on an evaluation of the Company's contracts. The Company is currently evaluating the related requirements to determine the effects such requirements may have on the consolidated financial statements.

Revenue from Contracts with Customers: In March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) ("ASU 2016-08"), which clarifies the implementation guidance on principal versus agent considerations. In May and April 2016, the FASB issued two Updates with respect to Topic 606: ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" and ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients." The amendments in these Updates do not change the core principle of the guidance in Topic 606, which is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by applying the following steps: (1) Identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The amendments in Update 2016-10 simply clarify the following two aspects of Topic 606: (1) identifying performance obligations and (2) licensing implementation guidance. The amendments in Update 2016-12 similarly affect only certain narrow aspects of Topic 606; namely, (1) "Assessing the Collectibility Criterion in Paragraph 606-10-25-1(e) and Accounting for Contracts That Do Not Meet the Criteria for Step 1 (Applying Paragraph 606-10-25-7)," (2) "Presentation of Sales Taxes and Other Similar Taxes Collected from Customers," (3) "Noncash Consideration," (4) "Contract Modifications at Transition," (5) "Completed Contracts at Transition," and (6) "Technical Correction." The amendments in these Updates also affect the guidance in Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments in these Updates are the same as the effective date and transition requirements in Topic 606 (and any other Topic amended by Update 2014-09). Accounting Standards Update 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," has deferred the effective date of Update 2014-09 for public business entities to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted.

The new revenue standard may be applied using either of the following transition methods: (1) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (2) a modified retrospective approach with the cumulative effect of initially adopting the standard recognized at the date of adoption (which includes additional footnote disclosures). Due to the significant interaction between Update 2014-09 and Accounting Standards Update 2016-02 Leases (ASC 842), the Company expects to adopt Update 2014-09 and Update 2016-02 concurrently with an effective date of January 1, 2018. The Company expects to apply the modified retrospective approach to the adoption. The Company is evaluating the effect Update 2014-09 and Update 2016-02 will have on the consolidated financial statements and related disclosures.

2. Significant Accounting Policies-(continued):

(aa) Recent accounting pronouncements:

Share-based Payments: On March 30, 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which requires recognition of the income tax effects of equity awards in the income statement when the awards vest or are settled. The standard also allows employers to withhold shares upon settlement of an award for an amount up to the employees' maximum individual tax rate in the relevant jurisdiction without resulting in liability classification of the award. The standard permits entities to make an accounting policy election for the impact of forfeitures on the recognition of expense for share-based payment awards. We will adopt the standard for our annual and interim periods beginning January 1, 2017. The Company does not expect the adoption of the standard to have a material effect on its consolidated financial statements and related disclosures.

Statement of Cash Flows: In August 2016, the FASB issued ASU No. 2016-15- Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments which addresses certain cash flow issues with the objective of reducing the existing diversity in practice: ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period, however, early adoption is permitted. The Company is currently evaluating the provisions of this guidance and assessing its impact on its consolidated financial statements and notes disclosures. In November 2016, the FASB issued ASU No. 2016-18—Statement of Cash Flows (Topic 230) - Restricted Cash which addresses the requirement that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period, however early adoption is permitted. The Company is currently evaluating the provisions of this guidance and assessing its impact on its consolidated financial statements and notes disclosures.

Measurement of Credit Losses on Financial Instruments: On June 16, 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), which introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. The new model will apply to: (1) loans, accounts receivable, trade receivables, and other financial assets measured at amortized cost, (2) loan commitments and certain other off-balance sheet credit exposures, (3) debt securities and other financial assets measured at fair value through other comprehensive income, and (4) beneficial interests in securitized financial assets. This update is effective for annual and interim periods beginning after January 1, 2020. The Company is currently evaluating the provisions of this guidance and assessing its impact on its consolidated financial statements and notes disclosures.

Deferred Taxes: On November 20, 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, which requires all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. The new guidance, however, does not change the existing requirement that only permits offsetting within a tax jurisdiction. The Company is currently evaluating the provisions of this guidance and assessing its impact on its consolidated financial statements and notes disclosures.

Tax Accounting for Intra-Entity Asset Transfers: On October 24, 2016, the FASB issued ASU 2016-16, Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory, which requires entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transaction occurs as opposed to deferring tax consequences and amortizing them into future periods. This update is effective for annual and interim periods, beginning after January 1, 2018, with early adoption permitted and requires a modified retrospective approach with a cumulative-effect adjustment directly to retained earnings at the beginning of the period of adoption. The Company is currently evaluating the provisions of this guidance and assessing its impact on its consolidated financial statements and notes disclosures.

2. Significant Accounting Policies-(continued):

(aa) Recent accounting pronouncements:

Definition of business: In January 2017, the FASB issued ASU 2017-01 Business Combinations to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisition (or disposals) of assets of business. Under current implementation guidance, the existence of an integrated set of acquired activities (inputs and processes that generate outputs) constitutes an acquisition of business. This ASU provides a screen to determine when a set of assets and activities does not constitute a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set in not a business. This update is effective for public entities with reporting periods beginning after December 15, 2017, including interim periods within those years. The amendments of this ASU should be applied prospectively on or after the effective date. Early adoption is permitted, including adoption in an interim period 1) for transactions for which the acquisition date occurs before the issuance date or effective date of the ASU, only when the transaction has not been reported in financial statements that have been issued or made available for issuance and 2) for transactions in which a subsidiary is deconsolidated or a group of assets is derecognized that occurs before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance. This FASB standard Update is not expected to have a material effect on the Company's future or historical statements of cash flows; however, Management will assess such impact, if circumstances arise.

3. Liquidity and Going Concern considerations

As of December 31, 2016, the Company was in compliance with covenants contained in the $1.9 billion Secured Term Loan B Facility and $1.3 billion Senior Secured Term Loan B Facility (the "Secured Term Loan B Facilities"), with an aggregate outstanding balance of $3.1 billion. In addition, at December 31, 2016, the Company had cash and cash equivalents of $718,684, current and non-current restricted cash of $54,282 and a working capital surplus of $267,930 (working capital is defined as current assets minus current liabilities, including the current portion of long-term debt). The Company's liquidity fluctuates depending on a number of factors, including, among others, revenue efficiency, collection of accounts receivable, debt and interest repayments, as well as payments for operating and general administrative expenses.

During October 2017 and as discussed in Note 9, the 6.50% Senior Secured Notes (the "Drill Rigs Senior Notes") are due and payable, with an outstanding balance, net of the notes repurchased in the open market amounting to $459,723, as of December 31, 2016.

In addition, the Company expects that during the fourth quarter of 2017, it will be in breach of the maximum leverage ratio covenant requirement for the Secured Term Loan B Facilities and will require additional cash liquidity in order to cure the covenant and remain in compliance, otherwise the Secured Term Loan B Facilities will be callable and payable in full.

The prolonged market downturn in the offshore drilling industry and the continued depressed outlook, have led to materially lower levels of investing in for offshore exploration and development by the current and potential customers on a global basis, while at the same time supply of available high specification drilling units has increased, which in turn has affected the Company with the early termination of five drilling contracts during the year ended December 31, 2016 and also led to the stacking of six drilling units of the Company's fleet as of the date of this report.

Considering all the above, the Company does not believe that cash on hand, following the repayment of $459,723 in relation to Drill Rigs Senior Notes and cash generated from operations, will be sufficient to meet the maximum leverage ratio covenant requirement for the Secured Term Loan B Facilities. In addition, the current market conditions will not allow the Company to improve its liquidity position through the sale of any of its drilling units, access to equity offerings, debt refinancing or a combination thereof, over the next year following the date of the issuance of these financial statements.

3. Liquidity and Going Concern considerations (continued):

The Company, together with its financial and legal advisors and key stakeholders, is currently considering and evaluating various alternatives, including a restructuring plan to address liquidity and a comprehensive balance sheet deleveraging to be sustainable in the longer term.

If such strategic alternatives do not result in completion of the restructuring with a consensual solution among all stakeholders, the Company may be forced to seek reorganization under schemes of arrangement in the Cayman Islands, the U.S. Bankruptcy Code or pursue other restructuring options. As there can be no assurance that a successful restructuring plan will be concluded, there exists substantial doubt about the Company's ability to continue as a going concern over the twelve months following the date of the issuance of these consolidated financial statements.

The consolidated financial statements have been prepared assuming that the Company will continue as a going concern. Accordingly, the consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, the amounts and classification of liabilities, or any other adjustments that might result in the event the Company is unable to continue as a going concern.

4. Transactions with Related Parties:
The amounts included in the accompanying consolidated balance sheets and consolidated statements of operations are as follows:

	Year ended December 31,	
	2015	**2016**
Balance Sheet		
Due to related parties	**$ -**	**$ 7,231**
Advances for drilling units under construction and related costs	$ 394	$ 1,569
Drilling units, machinery and equipment, net	2,961	488
Accrued liabilities	$ 6,432	$ 3,100

	Year ended December 31,		
Statement of Operations	**2014**	**2015**	**2016**
Revenues – commission fees	$ 16,826	$ 16,524	$ 14,925
Drilling units operating expenses	-	-	4,209
Amortization and write-off of financing fees - DryShips	-	2,781	-
General and administrative expenses	32,660	7,409	24,924
Interest income	$ 1,164	$ 6,024	$ -

4. Transactions with Related Parties-(continued):

Cardiff Drilling Inc.: Effective January 1, 2013, Ocean Rig Management Inc. ("Ocean Rig Management"), a wholly-owned subsidiary of Ocean Rig entered into a Global Services Agreement with Cardiff Drilling Inc. ("Cardiff Drilling") a company controlled by the Chairman and Chief Executive Officer of the Company, Mr. George Economou, pursuant to which Ocean Rig Management engaged Cardiff Drilling to act as consultant on matters of chartering and sale and purchase transactions for the offshore drilling units operated by the Company. Under the Global Services Agreement, Cardiff Drilling, or its subcontractor, (i) provided consulting services related to the identification, sourcing, negotiation and arrangement of new employment for offshore assets of the Company and its subsidiaries; and (ii) identified, sourced, negotiated and arranged the sale or purchase of the offshore assets of the Company and its subsidiaries. In consideration of such services, the Company paid Cardiff Drilling a fee of 1.0% in connection with employment arrangements and 0.75% in connection with sale and purchase activities. Costs from the Global Services Agreement were expensed in the consolidated statement of operations or capitalized as a component of "Advances for drilling units under construction and related costs" being a directly attributable cost to the construction, as applicable. The consultancy agreement had a term of five years and could be terminated (i) at the end of its term unless extended by mutual agreement of the parties; and, (ii) at any time by the mutual agreement of the parties. As of March 31, 2016, the Company terminated the agreement with Cardiff Drilling, at no cost.

Vivid Finance Limited: Under the consultancy agreement effective from January 1, 2013, between Ocean Rig Management and Vivid Finance Limited ("Vivid"), a company controlled by the Chairman and Chief Executive Officer of the Company, Mr. George Economou, pursuant to which Vivid acted as a consultant on financing matters for Ocean Rig and its subsidiaries, Vivid provided the Company with financing-related services such as (i) negotiating and arranging new loan and credit facilities, interest rate swap agreements, foreign currency contracts and forward exchange contracts, (ii) renegotiating existing loan facilities and other debt instruments and, (iii) the raising of equity or debt in the capital markets. In exchange for its services in respect of the Company, Vivid was entitled to a fee equal to 0.20% on the total transaction amount. The consultancy agreement had a term of five years and could be terminated (i) at the end of its term unless extended by mutual agreement of the parties; and, (ii) at any time by the mutual agreement of the parties. On July 29, 2015, the Company amended its agreement with Vivid to expand the scope of the services provided under the agreement to the Company and its subsidiaries or affiliates, to cover certain cash management and cash investment services. In exchange for its services in respect of the Company, Vivid was entitled to a fee equal to 30% of any profits provided the profits are at least 10% of the invested amount. As of March 31, 2016, the Company terminated the agreement with Vivid, at no cost.

Basset Holdings Inc.: Effective June 1, 2012, the Company entered through one of its' wholly owned subsidiaries into a consultancy agreement with Basset Holdings Inc. ("Basset"), a Marshall Islands entity beneficially owned by the Company's President and Chief Financial Officer Mr. Anthony Kandylidis, for the provision of his services to the Company. The agreement had an initial term of five years and could be renewed or extended for one-year successive terms with the consent of both parties. Under the terms of the agreement, the Company was obligated to pay an annual remuneration to Basset. Basset was also entitled to cash or equity-based bonuses to be awarded at the Company's sole discretion. The Company could terminate the agreement for cause, as defined in the agreement, in which case Basset would not be entitled to further payments of any kind. Upon termination of the agreement without cause, or in the event the agreement was terminated within three months of a change of control, as defined in the agreement, the Company would be obligated to pay a lump sum amount. Basset could terminate the agreement without cause upon three months written notice. In addition, Basset may terminate the agreement for good reason and in such event, the Company would be obligated to pay a lump sum amount. With effect as of December 31, 2016, the Company terminated the agreement with Basset at no cost.
Basset is also the owner of 114,286 shares of the Company's common stock, as of December 31, 2016.

Steel Wheel Investments Limited: Steel Wheel Investments Limited ("Steel Wheel"), a company controlled by the Company's President and Chief Financial Officer, Mr. Anthony Kandylidis, is the owner of 1,570,226 shares of the Company's common stock, as of December 31, 2016.

4. Transactions with Related Parties-(continued):

George Economou: As of June 8, 2015, Mr. George Economou, the Company's Chairman and Chief Executive Officer, purchased $10,000, or 1,428,571 shares, of common stock in the offering of 28,571,428 shares of the Company's common stock at the public offering price (Note 11). As of December 31, 2016, Mr. George Economou has a 9.0% shareholding of the Company.

Azara Services S.A.: Effective January 1, 2013, the Company entered through one of its' wholly owned subsidiaries into a consultancy agreement with Azara Services S.A. ("Azara"), a Marshall Islands entity beneficially owned by the Company's Chairman and Chief Executive Officer, Mr. George Economou, for the provision of the services of the Company's Chief Executive Officer. The agreement had an initial term of five years and could be renewed or extended with the consent of both parties. Under the terms of the agreement, the Company was obligated to pay an annual remuneration to Azara. Azara was also entitled to cash or equity-based bonuses to be awarded at the Company's sole discretion. The Company could terminate the agreement for cause, as defined in the agreement, in which case Azara would not be entitled to further payments of any kind. Upon termination of the agreement without cause, or in the event the agreement was terminated within three months of a change of control, as defined in the agreement, the Company would be obligated to pay a lump sum amount. Azara could terminate the agreement without cause upon three months written notice. In addition, Azara could terminate the agreement for good reason and in such event the Company would be obligated to pay a lump sum amount. With effect as of December 31, 2016, the Company terminated the agreement with Azara at no cost.

DryShips Inc.: On November 18, 2014, the Company entered into a $120,000 Exchangeable Promissory Note with its former parent company, DryShips. The loan from the Company to DryShips bore interest at a LIBOR plus margin rate and was due in May 2016. On June 4, 2015, the Company and DryShips signed an amendment under the $120,000 Exchangeable Promissory Note to, among other things, partially exchange $40,000 of the loan for 4,444,444 of the Company's shares owned by DryShips, amend the interest of the loan and pledged to the Company 20,555,556 shares of the Company's stock owned by DryShips. On August 13, 2015, the Company reached an agreement with DryShips and exchanged the remaining outstanding balance of $80,000 owed to the Company under the $120,000 Exchangeable Promissory Note, for 17,777,778 shares of the Company's shares owned by DryShips. During the year ended December 31, 2015, the Company earned interest income amounting to $8,805 from DryShips under this loan agreement. During the year ended December 31, 2015, the Company paid dividends of $50,281 of which, $29,755 were paid to DryShips.

On March 29, 2016, the Company entered into 60 day time charter agreements for the offshore support vessels *Crescendo* and *Jubilee* with two subsidiaries of DryShips to assist with the stacking of the Company's drilling units in Las Palmas.

On April 5, 2016, the Company's unrestricted subsidiary, Ocean Rig Investments Inc., purchased 56,079,533 shares of the Company's common stock previously held by DryShips. After this transaction, DryShips no longer holds any equity interest in the Company (Note 11).

TMS Tankers Ltd. /TMS Offshore Services Ltd.: During 2016 TMS Tankers Ltd., and TMS Offshore Services Ltd., entities beneficially owned by the Company's Chairman and Chief Executive Officer, Mr. George Economou, charged the Company for various ad-hoc ancillary services.

4. Transactions with Related Parties-(continued):

TMS Offshore Services Ltd.: On March 31, 2016, the Company signed a management services agreement with TMS Offshore Services Ltd. ("TMS"), a company affiliated with the Company's Chairman and Chief Executive Officer, Mr. George Economou, to provide certain management services related to the Company's drilling units including but not limited to commercial, financing, legal and insurance services, which is effective from January 1, 2016. Under the terms of this agreement, TMS will be compensated with a one-time set up fee of $2,000, a fixed monthly fee of $835 as well as certain variable fees including 1.00% on monies earned under drilling contracts, 0.75% on sale and purchase or M&A transactions and 0.20% on all financing transactions. Furthermore, the Company will reimburse TMS for all out-of-pocket expenses and travel expenses. The Company may terminate the agreement for convenience for a fee of $150,000. This agreement supersedes the previous agreements with Vivid and Cardiff Drilling, which were cancelled at no cost to the Company. On March 31, 2016 and effective from January 1, 2017, the Company and TMS agreed to alter, among some other terms of the agreement, the existing monthly fee from $835 to $1,291.7, provision of services by the Company's Chairman and Chief Executive Officer and President and Chief Financial Officer and the annual reduction of the termination fee by $15,000 per annum starting from 2018 which at any given time may not be lower than $30,000, a performance fee of up to $10 million per annum to be provided in stock or cash and the increase in the variable fee to 0.50% on all financing transactions.

5. Other Current Assets

The amount of other current assets shown in the accompanying consolidated balance sheets is analyzed as follows:

	December 31,	
	2015	**2016**
Inventories	$ 18,088	$ 12,988
Deferred mobilization expenses	43,825	6,351
Prepayments and advances	20,607	10,500
Other	2,013	85
Total	**$ 84,533**	**$ 29,924**

6. Advances for drilling units under construction and related costs:

The amounts shown in the accompanying consolidated balance sheets include milestone payments under the drilling unit building contracts with the shipyards, supervision costs and any material related expenses incurred during the construction periods, all of which are capitalized in accordance with the accounting policy discussed in Note 2. For the years ended December 31, 2015 and 2016, the movement of the advances for drilling units under construction and related costs was as follows:

	December 31,	
	2015	**2016**
Balance at beginning of year	**$ 622,507**	**$ 394,852**
Advances for drilling units under construction and related costs	500,031	242,988
Drilling units delivered	(727,686)	-
Impairment loss (advances and related costs for drilling unit under construction)	-	(92,371)
Balance at end of year	**$ 394,852**	**$ 545,469**

As of December 31, 2016, the Company has advanced $309,358, $156,900 and $76,600 to the yard for the construction of the *Ocean Rig Santorini,* the *Ocean Rig Crete* and the *Ocean Rig Amorgos respectively.* On August 11, 2016, the Company entered into agreements with the yard to amend certain terms relating to contracts for the construction of its three seventh generation drilling units (the *Ocean Rig Santorini*, the *Ocean Rig Crete* and the *Ocean Rig Amorgos*) which were previously scheduled for delivery in 2017, 2018 and 2019, respectively. As part of the agreements, the deliveries of the *Ocean Rig Santorini* and the *Ocean Rig Crete* were postponed to June 2018 and January 2019, respectively, certain installments were rescheduled and the total construction costs were increased to $694,790 and $709,565, respectively. With respect to the *Ocean Rig Amorgos,* the Company agreed to suspend its construction with an option, subject to the Company's option, to bring it back into force within a period of 18 months after the date of the addendum. Further to that, as of December 31, 2016, the Company impaired the total advances and related costs provided to the yard for the *Ocean Rig Amorgos*.

7. Drilling units, machinery and equipment, net:

The amounts in the accompanying consolidated balance sheets are analyzed as follows:

	Cost	Accumulated Depreciation	Net Book Value
Balance December 31, 2014	**$ 7,331,372**	**$ (1,123,739)**	**$ 6,207,633**
Additions/ Transfer from drilling units under construction	909,830	-	909,830
Disposal of assets	(5,477)	-	(5,477)
Impairment loss	(976,730)	561,744	(414,986)
Depreciation	-	(360,108)	(360,108)
Balance December 31, 2015	**$ 7,258,995**	**(922,103)**	**6,336,892**
Additions	99,515	-	99,515
Disposal of assets	(7,756)	133	(7,623)
Impairment loss	(3,658,815)	-	(3,658,815)
Depreciation	-	(331,677)	(331,677)
Balance December 31, 2016	**$ 3,691,939**	**(1, 253,647)**	**2,438,292**

For the years ended December 31, 2015 and 2016, as a result of the impairment review, the Company determined that the carrying amount of two and eight drilling units, respectively, were not recoverable and, therefore, a charge of $414,986 and $3,658,815, respectively was recognized and included in the "Impairment loss", in the accompanying consolidated statements of operations in order to write down those drilling units to their fair value.

7. Drilling units, machinery and equipment, net (continued):

On April 28, 2016, the Company acquired the sixth generation ultra-deepwater drilling unit *Cerrado*, which was sold through an auction, for a purchase price of $65,000. The drilling unit was built in 2011 to similar design specifications to the Company's existing sixth generation drilling units and was renamed as *Ocean Rig Paros*.

As of December 31, 2016, all of the Company's operating drilling units, apart from the *Ocean Rig Paros* have been pledged as collateral to secure the Company's 6.50% Senior Secured Notes due 2017, the $462,000 Senior Secured Credit Facility and the Term Loan B facilities discussed in Note 9.

8. Other non-current assets

The amount of other non-current assets shown in the accompanying consolidated balance sheets is analyzed as follows:

	December 31, 2015	December 31, 2016
Deferred mobilization expenses	$ 23,992	$ 5,564
Intangible assets, net	3,289	1,845
Prepaid investments	9,579	425
Total	**$ 36,860**	**$ 7,834**

9. Long-term Debt:

	December 31, 2015	December 31, 2016
$1.3 billion Senior Secured Term Loan B Facility	$ 1,283,750	$ 1,270,750
$1.9 billion Secured Term Loan B Facility	1,857,250	1,838,250
$462 million Senior Secured Credit Facility	432,821	249,542
$500 million Senior Unsecured Notes	229,411	130,974
$800 million Senior Secured Notes	607,742	459,723
Less: Deferred financing costs	(82,506)	(61,466)
Total debt	4,328,468	3,887,773
Less: Current portion	(56,725)	(640,557)
Long-term portion	**$ 4,271,743**	**$ 3,247,216**

7.25% Senior Unsecured Notes due 2019

On March 26, 2014 the Company issued $500,000 aggregate principal amount of 7.25% Senior Unsecured Notes due 2019 (the "$500 million Senior Unsecured Notes"), offered in a private placement, resulting in net proceeds of approximately $493,625. The Senior Notes are unsecured obligations and rank senior in right of payment to any future subordinated indebtedness and equally in right of payment to all of its existing and future unsecured senior indebtedness. The Company used the net proceeds from the offering of the 7.25% Senior Unsecured Notes, together with cash on hand, and repurchased $462,300 of its 9.5% Senior Unsecured Notes, of which $500,000 in aggregate principal amount was outstanding prior to closing of the 7.25% Senior Unsecured Notes Offering, at a tender premium of 105.375%, while the remaining $37,700 was redeemed at a redemption price of 104.5% on May 13, 2014.

The 7.25% Senior Unsecured Notes are not guaranteed by any of the Company's subsidiaries. Upon a change of control, which would occur if 50% or more of the Company's shares are acquired by any person or group other than DryShips or its affiliates, the noteholders will have an option to require the Company to purchase all outstanding notes at a redemption price of 101% of the principal amount thereof plus accrued and unpaid interest to the date of purchase. The contractual semi-annual coupon interest rate is 7.25% per year.

During the years ended December 31, 2015 and 2016, one of the Company's wholly owned subsidiary, has purchased in the open market an aggregate principal amount of $270,589 and $98,437 of these notes, respectively, and the outstanding balance reported above, of $229,411 and $130,974 respectively, is net of the notes repurchased. Effective March 21, 2017, the Notes held by the Company's wholly owned subsidiaries have been cancelled.

9. Long-term Debt (continued):

During the years ended December 31, 2015 and 2016, the purchase of the notes, resulted in a gain of $130,454 and $57,160, respectively, and is included in "Gain from repurchase of senior notes" in the accompanying consolidated statement of operations.

6.50% Senior Secured Notes due 2017

On September 20, 2012, the Company's wholly owned subsidiary Drill Rigs Holdings Inc. (the "Issuer"), issued $800,000 aggregate principal amount of 6.50% Senior Secured Notes due 2017 (the "$800 million Senior Secured Notes") offered in a private offering. The Drill Rigs Senior Notes are secured obligations and rank senior in right of payment to any future subordinated indebtedness and equally in right of payment to all of its existing and future unsecured senior indebtedness.

The Drill Rigs Senior Notes are fully and unconditionally guaranteed by the Company and certain of its existing and future subsidiaries of the Issuer and are secured by certain assets of, and by a pledge of the stock of, the Issuer and the subsidiaries of the Issuer. The contractual semi-annual coupon interest rate is 6.5% on the Drill Rigs Senior Notes. On or after October 1, 2015, the Issuer may, at its option, redeem all or a portion of the Drill Rigs Senior Notes at the time or from time to time at 103.25% (from October 1, 2015 to September 30,2016) or 100% (October 1, 2016 and thereafter) of the principal amount thereof, plus any accrued and unpaid interest thereof to the date of the redemption.

Upon a change of control, which occurs if 50% or more of the Company's shares are acquired by any person or group other than DryShips or its affiliates, the Issuer will be required to make an offer to repurchase the Drill Rigs Senior Notes at a price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest thereon to the date of repurchase.

During the years ended December 31, 2015 and 2016, two of the Company's wholly owned subsidiaries purchased in the open market an aggregate principal amount of $192,258 and $148,019 of these notes, respectively and the outstanding balance reported above, of $607,742 and $459,723 respectively, is net of the notes repurchased. Effective March 21, 2017, the Notes held by the Company's wholly owned subsidiaries have been cancelled.

During the years ended December 31, 2015 and 2016, the purchase of the notes resulted in a gain of $58,720 and $67,841, respectively, and is included in "Gain from repurchase of senior notes" in the accompanying consolidated statements of operations.

$1.3 billion Senior Secured Term Loan B Facility

On July 25, 2014, the Company's wholly owned subsidiary, Drillships Ocean Ventures Inc., entered into a $1.3 billion Senior Secured Term Loan B facility to repay the $1.35 billion Senior Secured Credit Facility, which had an outstanding loan balance of approximately $1.3 billion on that date. The New Term Loan B facility which is secured primarily by first priority mortgages on the vessels, the *Ocean Rig Mylos*, the *Ocean Rig Skyros* and the *Ocean Rig Athena*, bears interest at a fixed rate, and matures on July 25, 2021.

$1.9 billion Term Loan B Facility

On July 12, 2013, the Company, through its wholly-owned subsidiaries, Drillships Financing Holding Inc. ("DFHI") and Drillships Projects Inc., entered into a $1,800,000 senior secured term loan facility, comprised of tranche B-1 term loans in an aggregate principal amount equal to $975,000 ("Tranche B-1 Term Loans") and tranche B-2 term loans in an aggregate principal amount equal to $825,000 ("Tranche B-2 Term Loans" and, together with the "Tranche B-1 Term Loans", the "$1.9 billion Term Loan B Facility"), with respective maturity dates in the first quarter of 2021, subject to adjustment to the third quarter of 2020 in certain circumstances, and the third quarter of 2016. The Term Loans are initially guaranteed by the Company and certain existing and future subsidiaries of DFHI and are secured by certain assets of, and by a pledge of the stock of, DFHI and the subsidiary guarantors. On July 26, 2013, the Company through its wholly-owned subsidiaries DFHI and Drillships Projects Inc. entered into an incremental amendment to the $1,800,000 senior term loan for additional tranche B-1 term loans in an aggregate principal amount of $100,000.

9. Long-term Debt (continued):

On February 7, 2014, the Company refinanced its then existing short-term Tranche B-2 Term Loans with a fungible add-on to its existing long-term Tranche B-1 Term Loans. As a result of this refinancing, the total $1.9 billion of Tranche B-1 Term Loans will mature no earlier than the third quarter of 2020.

$462 million Senior Secured Credit Facility

On February 13, 2015, the Company's wholly owned subsidiary, Drillship Alonissos Shareholders Inc., entered into a secured term loan facility agreement with a syndicate of lenders and DNB Bank ASA, as facility agent and security agent, for up to $475,000 to partially finance the construction costs of the *Ocean Rig Apollo*. This facility has a 5 year term and bears interest at LIBOR plus a margin. On March 3, 2015, the Company drew down an amount of $462,000 under this facility and pledged restricted cash of $15,000, as of June 30, 2016, associated with the respective loan. On February 11, 2016, the client of the *Ocean Rig Apollo* sent to the Company a notice of termination. Under the $462,000 Senior Secured Credit Facility, the Company was required to find a new Satisfactory Drilling Contract (as defined in the loan agreement) by May 21, 2016. The Company did not secure a new drilling contract for the *Ocean Rig Apollo* and, therefore, was required to make a mandatory prepayment of approximately $145,894 on August 22, 2016.

On August 31, 2016, the Company's wholly owned subsidiary, Drillship Alonissos Shareholders Inc., entered into an amendment to the term loan facility agreement in consideration for the lenders agreeing: (i) to reduce the amount of the mandatory prepayment from $145,894 to $125,000;(ii) to release the Company as Guarantor and from all obligations, actual or contingent, joint or several, now or at any time outstanding; (iii) to waive any existing breaches and, (iv) the cold-stacking of the drilling unit. Furthermore, a trust was formed, namely "Drillship Alonissos Stock Trust" (the "Trust"), in which the Company has transferred the shares of Drillship Alonissos Shareholders Inc. together with the shares of Drillship Alonissos Owners Inc., previously held by Drillship Alonissos Shareholders Inc. Additionally, the repayment schedule of the loan was altered to include a cash sweep term authorizing the lenders to transfer any excess cash flow on a monthly basis, as a prepayment pro rata across the loan, therefore, leading to the full repayment of the loan by June 2018, whereas according to the initial repayment schedule it would have been fully repaid by June 2020. Following the repayment, the Trust, will be dissolved and shares will be returned to their initial holders.

The Company's outstanding debt is secured by, among other things, first priority mortgages over the Company's operating drilling units, corporate guarantees, first priority assignments of all freights, earnings, insurances and requisition compensation relating to such drilling units and a pledge of the shares of capital stock of certain of the Company's subsidiaries.

Certain of our debt instruments contain financial covenants, minimum coverage ratio requirements and minimum liquidity and restrict, without the lender's prior consent, the Company's and its subsidiaries ability to, among other things, pay dividends, change the management and ownership of its drilling units, incur additional indebtedness, incur and create liens on its assets, change in the general nature of the Company's business and require that the Company maintain an established place of business in the United States or the United Kingdom.

9. Long-term Debt (continued):

Total interest and debt amortization cost incurred on long-term debt for the years ended December 31, 2014, 2015 and 2016, amounted to $304,132, $300,543 and $256,222, respectively, of which $37,342, $26,055 and $28,265, respectively, were capitalized as part of the cost of the drilling units under construction. Total interest incurred and amortization of debt issuance cost on long-term debt, net of capitalized interest, are included in "Interest and finance costs" in the accompanying consolidated statement of operations.

The Company's weighted average interest rates on the above bank loans and notes were 6.4%, 6.3% and 6.2%, as of December 31, 2014, 2015, and 2016, respectively.

The bank loans are payable in U.S. Dollars in quarterly and monthly instalments with balloon payments due at maturity between June 2018 to July 2021.

Loan movements for the Company's Senior Unsecured Notes and secured credit facilities throughout 2017, is as follows:

Loan	Loan Agreement Date	Original Amount	December 31, 2015	Repayments/ Repurchase of senior notes	December 31, 2016
$800 million Senior Notes	September 20, 2012	$ 800,000	607,742	(148,019)	$ 459,723
$1.9 billion Secured Term Loan B Facility	July 12, 2013	1,900,000	1,857,250	(19,000)	1,838,250
$500 million Senior Unsecured Notes	March 26, 2014	500,000	229,411	(98,437)	130,974
$1.3 billion Senior Secured Term Loan B	July 25, 2014	1,300,000	1,283,750	(13,000)	1,270,750
$462 million Senior Secured Credit Facility	February 13, 2015	$ 462,000	$ 432,821	$ (183,279)	$ 249,542
			$ 4,410,974	**$ (461,735)**	**$ 3,949,239**

The annual principal payments required to be made after December 31, 2016, including balloon payments, totaling $3,949,239 due through July 2021, are as follows:

2017	658,063
2018	115,202
2019	162,974
2020	1,794,250
2021	1,218,750
Total principal payments	**3,949,239**
Less: Financing fees	(61,466)
Total debt	**$ 3,887,773**

10. Financial Instruments and Fair Value Measurements:

ASC 815, "Derivatives and Hedging" requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the statement of financial position. The Company recognizes all derivative instruments as either assets or liabilities at fair value on its consolidated balance sheets.

Changes in the fair value of derivative instruments that have not been designated as hedging instruments are reported in the accompanying consolidated statement of operations.

The Company enters into interest rate swap transactions to manage interest costs and risk associated with changing interest rates with respect to its variable interest rate loans and credit facilities. The Company also enters from time to time into foreign currency forward contracts in order to manage risks associated with fluctuations in foreign currencies. All of the Company's derivative transactions are entered into for risk management purposes.

As of December 31, 2014, the Company had seven interest rate swaps outstanding, with a notional amount of $1.8 billion, maturing from April 2016 through November 2017. As of December 31, 2015, the Company had seven interest rate swaps outstanding, with a notional amount of $1.6 billion, maturing from April 2016 through November 2017. During the year ended December 31. 2016, the Company terminated the interest rate swaps and there were no interest rate swaps outstanding as of December 31, 2016.

Effective January 1, 2011, the Company removed the designation of interest rate swaps previously designated as cash flow hedges and discontinued hedge accounting for the associated interest rate swaps. As a result, as of December 31, 2015, these agreements did not qualify for hedge accounting and, as such, changes in their fair values are included in the accompanying consolidated statements of operations.

Accumulated Other Comprehensive Loss also included realized losses on cash flow hedges associated with interest capitalized during prior years under "Advances for drilling units under construction" amounting to $27,776, which according to ASC 815-30-35 is being reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. As a result, during the years ended December 31, 2014, 2015 and 2016, amounts of $1,034, $1,035 and $26,184, respectively, were reclassified into the consolidated statements of operations.

The estimated amount in other comprehensive income/ (loss) of cash flow hedge losses at December 31, 2016, that will be reclassified into earnings within the next twelve months, is zero.

Tabular disclosure of financial instruments is as follows:

Fair Values of Derivative Instruments in the Balance Sheets:

Derivatives not designated as Hedging Instruments	**Balance Sheet Location**	**December 31, 2015 Fair value**	**December 31, 2016 Fair value**
Interest rate swaps	Financial Instruments non-current assets	$ 3,494	$ -
Interest rate swaps	Financial Instruments current liabilities	(8,931)	-
Interest rate swaps	Financial Instruments non-current liabilities	(2,743)	-
Total derivatives		**$ (8,180)**	**$ -**

The effect of Derivative Instruments on the Consolidated Statement of Operations:

10. Financial Instruments and Fair Value Measurements – (continued):

Derivatives not designated as hedging instruments	Location of Gain or (Loss) Recognized	Amount of Gain/(Loss) Year ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2016
Interest rate swaps	Gain/ (Loss) on interest rate swaps	$ (12,671)	$ (11,513)	$ (4,388)

The carrying amounts of cash and cash equivalents, restricted cash, trade accounts receivable, and accounts payable and other current liabilities reported in the consolidated balance sheets approximate their respective fair values because of the short-term nature of these accounts. The fair value of credit facilities is estimated based on current rates offered to the Company for similar debt of the same remaining maturities. Additionally, the Company considers its creditworthiness in determining the fair value of the credit facilities. The carrying value approximates the fair market value for floating rate loans. The fair value of the interest rate swaps was determined using a discounted cash flow method based on market-based LIBOR swap yield curves, taking into account current interest rates and the creditworthiness of both the financial instrument counterparty and the Company. The 7.25% Senior Unsecured Notes, the Drill Rigs Senior Notes and the Term Loan B Facilities have a fixed rate and their estimated fair values are determined through Level 2 inputs of the fair value hierarchy (quoted price in the over-the counter market). While the $462 million Senior Secured Credit Facility, has a floating rate on LIBOR and its' carrying value is approximately the same as its' fair market value.

The estimated fair value of the above 7.25% Senior Unsecured Notes, Drill Rigs Senior Notes, $1.9 billion Secured Term Loan B Facility and $1.3 billion Senior Secured Term Loan B Facility at December 31, 2015, was approximately $100,367, $357,431, $427,168 and $628,242 respectively. For the aforementioned senior notes and term loans their carrying value net of finance fees as at December 31, 2015, was $226,655, $601,845, $1,814,746 and $1,257,484, respectively.

The estimated fair value of the above 7.25% Senior Unsecured Notes, Drill Rigs Senior Notes, $1.9 billion Secured Term Loan B Facility and $1.3 billion Senior Secured Term Loan B Facility at December 31, 2016, was approximately $51,080, $201,129, $1,156,958 and $1,002,304, respectively. For the aforementioned senior notes and term loans their carrying value net of finance fees as at December 31, 2016, was $129,844, $457,745, $1,804,272 and $1,248,747, respectively.

The guidance for fair value measurement applies to all assets and liabilities that are being measured and reported on a fair value basis. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories.

Fair value measurements are classified based upon inputs used to develop the measurement under the following hierarchy:

Level 1--Quoted market prices in active markets for identical assets or liabilities.

Level 2--Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3--Unobservable inputs that are not corroborated by market data.

10. Financial Instruments and Fair Value Measurements-(continued):

The following table summarizes the valuation of assets and liabilities measured at fair value on a recurring basis as of the valuation date.

	December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Interest rate swaps-asset position	$ 3,494	-	3,494	$ -
Interest rate swaps-liability position	(11,674)	-	(11,674)	-
Total	**$ (8,180)**	**-**	**(8,180)**	**$ -**

The following table summarizes the valuation of assets measured at fair value on a non-recurring basis as of December 31, 2015.

	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Impairment loss
Non-Recurring measurements:				
Long-lived assets	$ -	$ 610,000	$ -	$ (414,986)

As a result of the impairment analysis performed for the year ended December 31, 2015, the Company's two drilling units, with a carrying amount of $1,024,986 were written down to their fair value as determined based on the valuations of the independent valuators, resulting in an impairment charge of $414,986 which was included in the accompanying consolidated statement of operations for the year ended December 31, 2015 (Note 7).

The following table summarizes the valuation of assets measured at fair value on a non-recurring basis as of December 31, 2016.

	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Impairment loss
Non-Recurring measurements:				
Long-lived assets	$ -	$ 1,035,499	$ -	$ (3,658,815)

As a result of the impairment analysis performed for the year ended December 31, 2016, the Company's eight drilling units, with a carrying amount of $4,694,314 were written down to their fair value as determined based on the valuations of the independent valuators, resulting in an impairment charge of $3,658,815 which was included in the accompanying consolidated statement of operations for the year ended December 31, 2016 (Note 7), the impairment of $92,371 for the drilling unit under construction *Ocean Rig Amorgos* (Note 6) and the impairment of $25,152 relating to the cashflow hedges for interest capitalized on vessels impaired (Note 12).

11. Common Stock and Additional Paid-in Capital:

General

The Company's authorized capital stock consisted of 1,000,000,000 common shares and 500,000,000 preferred shares par value $0.01 per share.

All Company's common stock has equal voting rights and participates equally in dividend distributions.

Dividends

In March 2015 and in May 2015, the Company paid dividends of $0.19 per common share to its shareholders, with respect to the quarters ended December 31, 2014 and March 31, 2015, respectively.

Issuance of common shares

On June 8, 2015, the Company successfully completed the offering of 28,571,428 shares of its common stock, par value $0.01 per share, at a price of $7.00 per share, resulting in proceeds of $194,134, after deducting placement fees. As part of the offering, Mr. George Economou, the Company's Chairman and Chief Executive Officer, purchased $10,000, or 1,428,571 shares, of common stock in the offering at the public offering price.

Treasury stock

During the year ended December 31, 2015, the Company exchanged the $120,000 Exchangeable Promissory Note for an aggregate amount of 22,222,222 of the Company's shares owned by DryShips (Note 4). These shares were not retired and are held as treasury stock.

On April 5, 2016, the Company's unrestricted subsidiary, Ocean Rig Investments Inc., purchased 56,079,533 shares of the Company's common stock previously held by DryShips (Note 4). These shares were not retired and are treated as treasury stock for accounting purposes since under U.S. GAAP the parent's shares purchased by a subsidiary are treated as treasury shares. The Company is incorporated in the Cayman Islands. Under Cayman Islands law, shares of a parent company held by a subsidiary company are not characterized as treasury shares, are entitled to vote and be counted in determining the total number of outstanding shares in the Company.

Restricted stock awards

On March 21, 2012, the Company's Board of Directors approved the 2012 Equity Incentive Plan (the "Plan") and reserved a total of 2,000,000 common shares. Under the Plan, officers, key employees and directors are eligible to receive awards of stock options, stock appreciation rights, restricted stock, restricted stock units, phantom stock units and unrestricted stock.

On March 31, 2014, the Company's Compensation Committee approved the grant of 161,200 shares of non-vested common stock to employees of Ocean Rig. The shares vest over a period of three years. The stock-based compensation is being recognized to expenses over the vesting period and based on the fair value of the Ocean Rig shares on the grant date of $17.79 per share.

On August 19, 2014, the Compensation Committee approved a bonus in the form of 150,000 shares to be granted to Azara for the contribution of Mr. George Economou for Chief Executive Officer's services rendered during 2013. The shares vest over a period of three years. The stock-based compensation is being recognized to expenses over the vesting period and based on the fair value of the Ocean Rig shares on the grant date of $18.37 per share.

11. Common Stock and Additional Paid-in Capital (continued):

Restricted stock awards

On November 4, 2014, the Company's Compensation Committee approved the grant of 45,450 shares of non-vested common stock to employees of Ocean Rig. The shares vest over a period of three years. The stock-based compensation is being recognized to expenses over the vesting period and based on the fair value of the Ocean Rig shares on the grant date of $12.60 per share.

On December 30, 2014, the Compensation Committee approved a bonus in the form of 300,000 shares to be granted to Azara for the contribution of Mr. George Economou for Chief Executive Officer's services rendered during 2014. The shares vest over a period of three years. The stock-based compensation is being recognized to expenses over the vesting period and based on the fair value of the Ocean Rig shares on the grant date of $9.46 per share.

On April 29, 2015, the Company's Compensation Committee approved the grant of 173,200 shares of non-vested common stock to employees of Ocean Rig. The shares vest over a period of three years. The stock-based compensation is being recognized to expenses over the vesting period and based on the fair value of the Ocean Rig shares on the grant date of $7.24 per share.

On August 5, 2015, the Company's Compensation Committee approved the grant of 13,502 shares of non-vested common stock to employees of Ocean Rig. The shares vest over a period of three years. The stock-based compensation is being recognized to expenses over the vesting period and based on the fair value of the Ocean Rig shares on the grant date of $3.19 per share.

As of December 31, 2015, 609,887 shares have vested, while 235,576 shares were forfeited due to employees' resignations.

On May 17, 2016, the Company's Compensation Committee approved the discontinuance of the granting of stock awards to the employees of the Company. Following the approval, all the Company's restricted stock awards, apart from those awarded to Azara, were cancelled.

As of December 31, 2016, 343,885 shares have vested.

A summary of the status of Ocean Rig's non vested shares as of December 31, 2015 and 2016 and movement during the years then ended, is presented below.

	Number of non vested shares	Weighted average grant date fair value per non vested shares
Balance December 31, 2014	**612,798**	**$ 13.49**
Granted	186,702	6.95
Forfeited	(63,950)	12.29
Vested	(330,252)	13.33
Balance December 31, 2015	**405,298**	**$ 10.80**
Forfeited	(155,298)	10.08
Vested	(150,000)	12.43
Balance December 31, 2016	**100,000**	**$ 9.46**

11. Common Stock and Additional Paid-in Capital-(continued):

	Number of vested shares	Weighted average grant date fair value per vested shares
As at December 31, 2014	**309,452**	**$ 17.22**
Granted and vested	52,802	6.89
Non vested shares granted in prior years and vested 2015	277,450	14.56
Granted and vested shares in prior years, but cancelled during 2015	(29,817)	16.59
As at December 31, 2015	**609,887**	**$ 15.15**
Vested shares granted in prior years	150,000	12,43
Granted and vested shares in prior years, but cancelled during 2016	(416,002)	13.52
As at December 31, 2016	**343,885**	**$ 15.94**

As of December 31, 2015 and 2016, there was $2,299 and $314 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted by the Company, respectively. That cost is expected to be recognized over a period of two years. The amounts of $3,576, $3,676 and $1,506 represent the stock based compensation expense which are recorded in "General and administrative expenses", in the accompanying consolidated statements of operations for the years ended December 31, 2014, 2015 and 2016, respectively.

12. Accumulated Other Comprehensive Income / (Loss):

The amounts in the accompanying balance sheets are analyzed as follows:

	December 31, 2015	December 31, 2016
Cash flows hedges realized loss	$ (26,187)	$ -
Actuarial pension gain	3,346	3,346
Total	**$ (22,841)**	**$ 3,346**

13. Interest and Finance Costs:

The amounts in the accompanying consolidated statements of operations are analyzed as follows:

	December 31,		
	2014	2015	2016
Interest costs on long term debt	$ 261,137	$ 276,510	$ 235,182
Amortization and write off of financing fees (Note 2)	42,995	24,033	21,040
Discount on receivable from drilling contract	-	3,018	(2,821)
Capitalized borrowing costs (Note 2)	(37,342)	(26,055)	(28,265)
Commissions, commitment fees and other financial expenses	33,341	2,842	1,845
Total	**$ 300,131**	**$ 280,348**	**$ 226,981**

14. Income Taxes:

Ocean Rig UDW is subject to Cayman Islands tax which is zero and operates through its various subsidiaries in a number of countries throughout the world. Therefore the Company may pay tax within some jurisdictions even though it might have losses in others. Income taxes have been provided based upon the laws and rates in effect in the countries in which our operations are conducted or in which our subsidiaries are considered residents for income tax purposes. Our income tax expense or benefit arises from our mix of pre-tax earnings or losses, respectively, in the international tax jurisdictions in which we operate. Since the countries in which operates in have different statutory tax rates and tax regimes with respect to one another there is no expected relationship between the provision for income taxes and income or loss before income taxes. A loss in one jurisdiction may not be offset against taxable income in another jurisdiction.

The components of the Company's income/(losses) before taxes, after adjusting for impairment losses and gains from repurchases of senior notes, are as follows:

	Year ended December 31		
	2014	2015	2016
Domestic income/ (loss) (Marshall Islands/ Cayman Islands)	$ (161,913)	$ 219,900	$ 126,244
Foreign income (January 1, 2016 to April 14, 2016)	499,539	185,742	93,633
(Domestic loss) Cayman Islands	-	-	(97,939)
Foreign income (April 15, 2016 to December 31, 2016)	-	-	394,196
Total income before taxes, excluding impairment loss and gain from repurchases of senior notes	**$ 337,626**	**$ 405,642**	**$ 516,134**

14. Income Taxes-(continued):

The components of the Company's tax expense were as follows:

	Year Ended December 31,		
	2014	**2015**	**2016**
Current Tax expense	$ 77,823	$ 99,816	$ 106,315
Deferred Tax expense	-	-	-
Income taxes	**$ 77,823**	**$ 99,816**	**$ 106,315**
Effective tax rate on income / (loss) excluding impairment loss and gain from repurchase of the senior secured notes	**23.1%**	**24.6%**	**20.6%**

In 2016, approximately 93% of the current tax expense related to taxes in Angola, Brazil, Norway, Congo and Senegal. In 2015, approximately 90% of the current tax expense related to taxes in Angola, Brazil, Norway and Congo and in 2014, approximately 64% of the current tax expense related to taxes in Angola.

Taxes have not been reflected in other comprehensive income/(loss) since the valuation allowances would not result in the recognition of deferred tax.

A reconciliation between the statutory tax rate to the effective tax rate is as follows:

	Year Ended December 31,		
Reconciliation of total tax expense:	**2014**	**2015**	**2016**
Income tax	70,441	94,331	106,315
Taxes on litigation matters subject to statutory rates, including interest and penalties	7,382	5,485	-
Total	**$ 77,823**	**$ 99,816**	**$ 106,315**

Ocean Rig has elected to use the statutory tax rate for each year based upon the location where the largest parts of its operations were domiciled. During 2014, 2015 and 2016, most of its activities were in the Republic of the Marshall Islands, and Cayman Island (from April 2016) with a tax rate of zero. On April 14, 2016, the corporate domicile of the Company moved from Republic of the Marshall Islands to the Cayman Islands.

Ocean Rig is subject to changes in tax laws, treaties, regulations and interpretations in and between the countries in which its subsidiaries operate. A material change in these tax laws, treaties, regulations and interpretations could result in a higher or lower effective tax rate on worldwide earnings.

Deferred tax assets and liabilities are recognized for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of the Company's assets and liabilities using the applicable jurisdictional tax rates in effect the year the asset is realized or the liability is settled. The Company has not recognized any deferred tax liability, while the significant components of deferred tax assets are as follow:

	Year ended December 31,	
	2015	**2016**
Deferred tax assets		
Losses carried forward	13,197	10,110
Total deferred tax assets	$ 13,197	$ 10,110
Less: valuation allowance	(13,197)	(10,110)
Total deferred tax assets, net	$ -	$ -

14. Income Taxes-(continued):

A valuation allowance for deferred tax assets is recorded when it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized. The Company provides a valuation allowance to offset deferred tax assets for carry forward of operating losses incurred during the year in certain jurisdictions and for other deferred tax assets where, in the Company's opinion, it is more likely than not that the financial statement benefit of these losses will not be realized. The Company provides a valuation allowance for foreign tax loss carry forward to reflect the possible expiration of these benefits prior to their utilization. As of December 31, 2016, the valuation allowance for deferred tax assets amounted to $13,326.

The earnings of certain of our subsidiaries are considered to be indefinitely reinvested. Should the Company make a distribution from these subsidiaries in the form of dividends or otherwise, the Company would be subject to additional income taxes. The unrecognized deferred tax liabilities related to these undistributed earnings was not practicable to be estimated as of December 31, 2016. Accordingly, the Company has not provided for taxes on these unremitted earnings.

The Company is subject to taxation in various jurisdiction in which it conducts business. Tax years as early as 2010 remain subject to examination. As of December 31, 2016, the Company has various ongoing tax audits.

15. Earnings / (loss) per share

	2014			2015			2016		
	Income (numerator)	**Weighted-average number of outstanding shares (denominator)**	**Amount per share**	**Income (numerator)**	**Weighted-average number of outstanding share (denominator)**	**Amount per share**	**Loss (numerator)**	**Weighted-average number of outstanding shares (denominator)**	**Amount per share**
Net income/ loss	$ 259,803	-	-	$ 80,014	-	-	$ (3,241,518)	-	-
Less: Allocation of undistributed earnings to non-vested stock	(772)	-	-	(1,175)	-	-	-	-	-
Basic and diluted Earnings/ (loss) per share attributable to common stockholders	**$ 259,031**	**$ 131,837,227**	**1.96**	**$ 78,839**	**$ 138,757,176**	**0.57**	**$ (3,241,518)**	**96,950,847**	**(33.43)**

Non-vested share-based payment awards that contain rights to receive non forfeitable dividends or dividend equivalents (whether paid or unpaid) and participate equally in undistributed earnings/ loss are participating securities and, thus, are included in the two-class method of computing earnings per share for the year ended December 31, 2014, 2015 and 2016. For the years ended December 31, 2014 and 2015, non-vested participating restricted common stock were not included in the computation of diluted earnings/ loss per share because the effect is anti-dilutive.

16. Geographic information for offshore drilling operations

The revenue shown in the table below is based upon the location where the drilling takes place:

Country	2014	2015	2016
Angola	807,742	527,098	500,413
Brazil	581,635	581,438	517,885
Congo	-	157,235	241,953
Norway	220,044	231,189	74,925
Falklands	-	154,606	21,106
Senegal	-	52,214	289,162
Ivory Coast	97,232	33,723	1,164
South Africa	110,424	-	-
Other service revenues	-	10,697	7,059
Total service revenues	**$ 1,817,077**	**1,748,200**	**1,653,667**

The drilling units the *Leiv Eiriksson,* the *Eirik Raude*, the *Ocean Rig Corcovado*, the *Ocean Rig Olympia*, the *Ocean Rig Poseidon*, the *Ocean Rig Mykonos,* the *Ocean Rig Mylos,* the *Ocean Rig Skyros*, the *Ocean Rig Athena*, the *Ocean Rig Apollo* and the *Ocean Rig Paros* constitute the Company's long lived assets. For the year ended, December 31, 2016 and 2015, other service revenues relate to management fees from the services provided by the Company to the offshore drilling unit *Cerrado*.

17. Commitments and Contingencies

17.1 Legal proceedings

Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the offshore drilling business.

As part of the Company's normal course of operations, the Company's customer may disagree on amounts due to the Company under the provision of the contracts which are normally settled through negotiations with the customer. Disputed amounts are normally reflected in revenues at such time as the Company reaches agreement with the customer on the amounts due.

OCR Falklands Drilling Inc., a subsidiary of the Company, commenced arbitration proceedings against Premier Oil Plc. and Noble Energy Falklands Ltd. for terminating the contract on February 12, 2016, for the drilling unit Eirik Raude. Subsequently, the parties reached a commercial agreement to amicably settle this matter and a Settlement Agreement dated February 6, 2017, was entered into among the parties.

HPOR Servicos De Consultaria Ltda ("HPOR") on September 1, 2016, commenced arbitration proceedings against, amongst others, the Company seeking payment of certain commissions that HPOR is alleging were due by, amongst others, the Company for certain agency and marketing services provided for the *Ocean Rig Mykonos* and the *Ocean Rig Corcovado* drilling units. The Company is disputing such allegations and has counterclaimed repayment of the commission already paid to HPOR.

On March 7, 2016, two of the Company's subsidiaries commenced arbitration proceedings against Total E&P Angola for the termination of the contract with the drilling unit *Ocean Rig Olympia* and we expect to have our hearing on the matter in June 2017.

On December 22, 2016, Mayze Services Limited ("Mayze") issued a claim before the English High Court of Justice against the Company and others seeking payment of GBP 5,230,074.13 in respect of fees allegedly owed in connection with marketing services provided by Mayze to the Company. We are in the process of defending these proceedings.

Except for the matters discussed above, the Company is not a party to any material litigation where claims or counterclaims have been filed against the Company other than routine legal proceedings incidental to its business.

17.2 Purchase Obligations:

The following table sets forth the Company's contractual purchase obligations for the *Ocean Rig Santorini* and the *Ocean Rig Crete*, as of December 31, 2016.

	2018	2019	Total
Drilling units building contracts	$ 417,931	520,165	$ 938,096
Total obligations	**$ 417,931**	**520,165**	**$ 938,096**

18. Subsequent Events:

18.1 On February 10, 2017, the Company reached an agreement with ConocoPhillips to terminate the contract of the *Ocean Rig Athena*. As part of the agreement, ConocoPhillips will pay a termination fee.

18.2 Effective March 21, 2017, the Company cancelled the $369.0 million of the 7.25% Senior Unsecured Notes due in 2019 and $340.3 million of the 6.5% Senior Secured Notes due in 2017 held by wholly owned subsidiaries of the Company.

Schedule I- Condensed Financial Information of Ocean Rig UDW Inc. (Parent Company Only)
Balance Sheets
December 31, 2015 and 2016
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	December 31, 2015	December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 35	$ 26
Other current assets	182	194
Total current assets	**217**	**220**
NON-CURRENT ASSETS:		
Investments in subsidiaries*	3,781,705	143,381
Total non-current assets	**3,781,705**	**143,381**
Total assets	$ 3,781,922	$ 143,601
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Other current liabilities	$ 9,913	$ 3,007
Total current liabilities	**9,913**	**3,007**
NON-CURRENT LIABILITIES		
Long term debt, net of current portion	497,244	129,844
Total non-current liabilities	**497,244**	**129,844**
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.01 par value; 500,000,000 shares authorized at December 31, 2015 and 2016, nil issued and outstanding at December 31, 2015 and 2016, respectively	-	-
Common stock, $0.01par value; 1,000,000,000 shares authorized, at December 31, 2015 and 2016, 160,888,606 issued and outstanding at December 31, 2015 and 2016, respectively	1,609	1,609
Treasury stock ; 22,222,222 shares at December 31, 2015 and $0.01 par value; 78,301,755 shares at December 31, 2016	(222)	(783)
Additional paid-in capital	3,572,549	3,524,426
Accumulated other comprehensive loss	(22,841)	3,346
Accumulated deficit	(276,330)	(3,517,848)
Total stockholders' equity	3,274,765	10,750
Total liabilities and stockholders' equity	$ 3,781,922	$ 143,601

* Eliminated in consolidation

Schedule I- Condensed Financial Information of Ocean Rig UDW Inc. (Parent Company Only)
Statements of Operations
For the years ended December 31, 2014, 2015 and 2016
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	For the year ended December 31,		
	2014	**2015**	**2016**
EXPENSES:			
General and administrative expenses	$ 7,983	$ 6,924	17,995
Operating loss	(7,983)	(6,924)	(17,995)
OTHER INCOME / (EXPENSES):			
Interest and finance costs	(82,109)	(65,988)	(37,905)
Interest income	1,383	-	-
Other, net	6,224	5,041	177
Total other (expenses), net	(74,502)	(60,947)	(37,728)
Equity/(loss) in earnings of subsidiaries*	342,288	147,885	(3,185,795)
Net income/(loss)	$ 259,803	$ 80,014	$ (3,241,518)
Net Income/(loss) To Common Stockholders	$ 259,031	$ 78,839	$ (3,241,518)
Earnings/(loss) per common share, basic and diluted	$ 1.96	$ 0.57	$ (33.43)
Weighted average number of shares, basic and diluted	131,837,227	138,757,176	96,950,847

* Eliminated in consolidation

Schedule I- Condensed Financial Information of Ocean Rig UDW Inc. (Parent Company Only)
Statements of Comprehensive Income / (loss)
For the years ended December 31, 2014, 2015 and 2016
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	For the year ended December 31,		
	2014	**2015**	**2016**
Net income/(loss)	**$ 259,803**	**$ 80,014**	**(3,241,518)**
Other Comprehensive income / (loss):			
Reclassification of realized losses associated with capitalized interest to Consolidated Statement of Operations	1,034	1,035	26,187
Actuarial gains/(losses)	(1,518)	62	-
Other Comprehensive income / (loss)	**(484)**	**1,097**	**26,187**
Total Comprehensive income /(loss)	**$ 259,319**	**$ 81,111**	**(3,215,331)**

Schedule I- Condensed Financial Information of Ocean Rig UDW Inc. (Parent Company Only)
Statements of Cash Flows
For the years ended December 31, 2014, 2015 and 2016
(Expressed in thousands of U.S. Dollars)

	For the year ended December 31,		
	2014	**2015**	**2016**
Net Cash Used in Operating Activities	**$ (88,302)**	**237,535**	**$ (54,326)**
Cash Flows from Investing Activities:			
Investments in subsidiaries	289,654	(379,993)	54,317
Loan to parent	(120,000)	-	-
Proceeds from arrangement fees	3,000	-	-
Net Cash Provided by / (used in) Investing Activities	**172,654**	**(379,993)**	**54,317**
Cash Flows from Financing Activities:			
Proceeds from senior notes	500,000	-	-
Payment of senior notes	(500,000)	-	-
Dividends paid	(75,194)	(50,281)	-
Payments for issuance of subsidiaries shares	(466)	-	-
Payment of financing fee	(8,690)	-	-
Net proceeds from common stock issuance	-	192,714	-
Net Cash (used in)/provided by Financing Activities	**(84,350)**	**142,433**	**-**
Net increase/(decrease) in cash and cash equivalents	2	(25)	(9)
Cash and cash equivalents at beginning of year	58	60	35
Cash and cash equivalents at end of year	**$ 60**	**35**	**$ 26**

Schedule I- Condensed Financial Information of Ocean Rig UDW Inc. (Parent Company Only)

In the condensed financial information of the Parent Company, the Parent Company's investment in subsidiaries is stated at cost plus equity in undistributed earnings/(loss) of subsidiaries.

There are no legal or regulatory restrictions on the Parent Company's ability to obtain funds from its subsidiaries through dividends, loans or advances sufficient to satisfy the obligations discussed below that are due on or before December 31, 2016.

On April 27, 2011, the Parent Company issued $500,000 aggregate principal amount of 9.5% Senior Unsecured Notes due 2016. The notes were unsecured obligations and ranked senior in right of payment to any future subordinated indebtedness and equally in right of payment to all of its existing and future unsecured senior indebtedness. The 9.5% Senior Unsecured Notes were repurchased or redeemed in connection with the 7.25% Senior Unsecured Notes offering discussed below.

On March 26, 2014, the Parent Company issued $500,000 aggregate principal amount of 7.25% senior unsecured notes due 2019. The notes are unsecured obligations and rank senior in right of payment to any future subordinated indebtedness and equally in right of payment to all of its existing and future unsecured senior indebtedness.

On November 18, 2014, the Parent Company entered into a $120,000 unsecured facility with its former parent company, DryShips. The loan from the Parent Company to DryShips bore interest at a LIBOR plus margin rate and was due in May 2016. During the year ended December 31, 2015, the Parent Company exchanged the $120,000 unsecured facility for an aggregate amount of 22,222,222 of the Company's shares owned by Dryships. These shares were not retired and are held as treasury stock.

The Parent Company is guarantor on the $1,300,000 facilities, the $1,900,000 facilities, the $462,000 facility and the 6.5% Senior Secured Notes due 2017 described in Note 9 "Long-term Debt" to the consolidated financial statements. As of December 31, 2016, the amount outstanding relating to these three facilities amounted to $3,358,542 in aggregate and the amount outstanding relating to the 6.5% Senior Secured Notes amounted to $459,723.

During the year ended December 31, 2015, the Parent Company paid dividends of $50,281 and no dividends were paid during 2016.

The condensed financial information of the Parent Company should be read in conjunction with the Company's consolidated financial statements.