



OCEAN RIG UDW INC. REPORTS FINANCIAL AND OPERATING RESULTS FOR THE SECOND QUARTER 2016

August 11, 2016, Nicosia, Cyprus. Ocean Rig UDW Inc. (NASDAQ:ORIG), or Ocean Rig or the Company, an international contractor of offshore deepwater drilling services, today announced its unaudited financial and operating results for the quarter ended June 30, 2016.

Second Quarter 2016 Financial Highlights

- For the second quarter of 2016, the Company reported a net income of \$156.1 million, or \$1.83 basic and diluted earnings per share.
- The Company reported Adjusted EBITDA⁽¹⁾ of \$326.5 million for the second quarter of 2016.

Recent Highlights

- On August 11, 2016 we reached an agreement with Samsung Heavy Industries (“SHI”) related to the construction of our three drillships which provides for the re-scheduling of certain installments, the postponement of the delivery of the first two of these drillships currently under construction and the amendment of certain other terms (including the contract price).
- The *Leiv Eiriksson* completed, as planned, its 15-year class survey and scheduled equipment and winterization upgrades related to its next contract, and on July 18, 2016 mobilized on location in Norway to commence its previously announced contract with Lundin Norway AS.
- On June 16, 2016, we reached an agreement with Repsol Sinopec to terminate the contract of the *Ocean Rig Mylos* operating offshore Brazil against full payment of the remaining backlog.
- On April 27, 2016, we reached agreement with ENI to settle the dispute related to the termination of the contract of the *Ocean Rig Olympia* against a total payment of \$54 million and the extension by 81 days for the contract of the *Ocean Rig Poseidon* at a daily gross operating rate of \$115,000.

George Economou, Chairman and Chief Executive Officer of the Company, commented:

“Despite the continued positive operational performance of the Company (fleet utilization for the second quarter of 96.3%) the market conditions remain extremely negative. Oil companies continue to reduce their offshore budgets and as more floaters come off contract in the next six months, an already grossly oversupplied market is expected to worsen. In this current and anticipated poor market environment which we expect to persist for an extended period of time, we believe it is prudent to focus on maintaining liquidity and de-levering the Company.

Given the ongoing distressed market environment as well as the consensus view that a recovery may not occur for several years, we have engaged financial and legal advisors to assess the viability of our capital structure and alternatives that may be available to pursue. In the recent period, we have been approached by several of our debt holders who have in certain cases also retained legal counsel and financial advisors.

⁽¹⁾ Adjusted EBITDA is a non-GAAP measure; please see later in this press release for reconciliation to net income

While we have not made any specific decisions, it is evident to the Company and a number of its creditors that its debt obligations will need to be amended or exchanged for new debt and/or equity securities, and some debt holders may have little or no recovery on their investment. We continue to explore and consider alternatives, which may include a possible reorganization under US bankruptcy laws or another jurisdiction, so that we can ride out this very difficult cycle with feasible prospects for strong, long-term success.”

Financial Review: 2016 Second Quarter

The Company recorded net income of \$156.1 million, or \$1.83 basic and diluted earnings per share, for the three-month period ended June 30, 2016, as compared to a net income of \$74.9 million, or \$0.54 basic and diluted earnings per share, for the three-month period ended June 30, 2015.

Revenues increased by \$19.4 million to \$452.6 million for the three-month period ended June 30, 2016, as compared to \$433.2 million for the same period in 2015.

Drilling units' operating expenses decreased to \$111.4 million and total depreciation and amortization decreased to \$82.8 million for the three-month period ended June 30, 2016, from \$142.8 million and \$88.8 million, respectively, for the three-month period ended June 30, 2015. Total general and administrative expenses increased to \$27.0 million in the second quarter of 2016 from \$25.4 million during the same period in 2015.

Interest and finance costs, net of interest income, decreased to \$55.0 million for the three-month period ended June 30, 2016, compared to \$73.5 million for the three-month period ended June 30, 2015.

Operating Fleet

The table below describes our operating fleet profile as of August 10, 2016:

Total backlog as of August 10, 2016 amounted to \$2.2 billion.

Unit	Year built/ or Scheduled Delivery	Redelivery
Leiv Eiriksson	2001	Q4 – 16
Ocean Rig Corcovado	2011	Q2 – 18
Ocean Rig Poseidon	2011	Q3 - 17
Ocean Rig Mykonos	2011	Q1 – 18
Ocean Rig Skyros	2013	Q3 – 21
Ocean Rig Athena	2014	Q2 – 17

Note: Units *Eirik Raude*, *Ocean Rig Olympia*, *Ocean Rig Apollo* and *Ocean Rig Paros*, have completed their preservation works and are currently cold stacked in Greece, remaining available for further employment. The unit *Ocean Rig Mylos* is presently undergoing preservation works in Las Palmas before going to its final stacking location in Greece.

Ocean Rig UDW Inc.

Financial Statements **Unaudited Interim Condensed Consolidated Statements of Operations**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2016	2015	2016
REVENUES:				
Revenues	\$ 433,216	\$ 452,556	\$ 835,299	\$ 960,563
EXPENSES:				
Drilling units operating expenses	142,784	111,439	295,711	256,998
Depreciation and amortization	88,790	82,847	177,150	168,766
General and administrative expenses	25,410	26,993	53,411	45,805
Legal settlements and other, net	(2,630)	(6,709)	(2,630)	(6,677)
Operating income	178,862	237,986	311,657	495,671
OTHER INCOME/(EXPENSES):				
Interest and finance costs, net of interest income	(73,470)	(54,991)	(135,160)	(114,692)
Gain from repurchase of senior notes	-	-	-	125,001
Loss on interest rate swaps	(1,870)	(1,480)	(10,061)	(6,547)
Other, net	(5,443)	1,129	(7,626)	(10)
Income taxes	(23,207)	(26,580)	(42,797)	(55,335)
Total other expenses, net	(103,990)	(81,922)	(195,644)	(51,583)
Net income attributable to Ocean Rig UDW Inc.	\$ 74,872	\$ 156,064	\$ 116,013	\$ 444,088
Net income attributable to Ocean Rig UDW Inc. common stockholders	\$ 74,525	\$ 155,602	\$ 115,536	\$ 442,791
Earnings per common share, attributable to common stockholders, basic and diluted	\$ 0.54	\$ 1.83	\$ 0.86	\$ 3.96
Weighted average number of common shares, basic and diluted	137,830,742	84,800,384	134,927,763	111,726,952

Ocean Rig UDW Inc.
Unaudited Condensed Consolidated Balance Sheets

(Expressed in Thousands of U.S. Dollars)

	<u>December 31, 2015</u>	<u>June 30, 2016</u>
<u>ASSETS</u>		
Cash, cash equivalents and restricted cash (current and non-current)	\$ 747,485	\$ 883,635
Other current assets	500,637	419,218
Advances for drilling units under construction and related costs	394,852	420,912
Drilling units, machinery and equipment, net	6,336,892	6,248,584
Other non-current assets	40,354	17,461
Total assets	<u><u>8,020,220</u></u>	<u><u>7,989,810</u></u>
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Total debt, net of deferred financing costs	4,328,468	4,057,592
Total other liabilities	416,987	262,123
Total stockholders' equity	3,274,765	3,670,095
Total liabilities and stockholders' equity	<u><u>\$ 8,020,220</u></u>	<u><u>\$ 7,989,810</u></u>
 <u>SHARE COUNT DATA</u>		
Common stock issued	160,888,606	160,888,606
Less: Treasury stock	(22,222,222)	(78,301,755)
Common stock issued and outstanding	<u><u>138,666,384</u></u>	<u><u>82,586,851</u></u>

Adjusted EBITDA Reconciliation

Adjusted EBITDA represents earnings before interest, taxes, depreciation and amortization, class survey costs, impairment loss, loss on sale of assets, gain from repurchase of senior notes and gains or losses on interest rate swaps. Adjusted EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations, as determined by United States generally accepted accounting principles, or U.S. GAAP, and our calculation of adjusted EBITDA may not be comparable to that reported by other companies. Adjusted EBITDA is included herein because it is a basis upon which the Company measures its operations. Adjusted EBITDA is also used by our lenders as a measure of our compliance with certain covenants contained in our loan agreements and because the Company believes that it presents useful information to investors regarding a company's ability to service and/or incur indebtedness.

The following table reconciles net income to Adjusted-EBITDA:

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2016	2015	2016
Net income	\$ 74,872	\$ 156,064	\$ 116,013	\$ 444,088
Add: Net interest expense	73,470	54,991	135,160	114,692
Add: Depreciation and amortization	88,790	82,847	177,150	168,766
Add: Income taxes	23,207	26,580	42,797	55,335
Add: Loss on interest rate swaps	1,870	1,480	10,061	6,547
Add: Class survey costs	-	4,512	-	5,033
Less: Gain from repurchase of senior notes	-	-	-	(125,001)
Adjusted EBITDA	\$ 262,209	\$ 326,474	\$ 481,181	\$ 669,460

Drill Rigs Holdings Inc - Supplemental Information

Leiv Eiriksson

The *Leiv Eiriksson* completed, as planned, its 15-year class survey and scheduled equipment and winterization upgrades related to its next contract, and on July 18, 2016 mobilized on location in Norway to commence its previously announced contract with Lundin Norway AS.

Eirik Raude

The *Eirik Raude* is currently in its stacking location in Greece and is available for alternative employment.

Summary Financials of Drill Rig Holdings Inc.:

	Year ended December 31, 2015	Six months ended June 30, 2016
<i>(Dollars in thousands)</i>		
Total assets.....	\$ 742,778	\$ 660,062
Total debt, net of financing fees.....	794,103	796,752
Shareholders equity.....	(95,897)	(176,133)
Total cash and cash equivalents.....	\$ 43,339	\$ 1,443

	Six months ended June 30, 2015	Six months ended June 30, 2016
<i>(Dollars in thousands)</i>		
Total revenue.....	\$ 193,295	\$ 74,401
EBITDA.....	\$ 116,577	\$ 35,662

EBITDA reconciliation of Drill Rig Holdings Inc.:

	Six months ended June 30,	
(Dollars in thousands)	2015	2016
Net Income/ (loss)	\$ 40,710	\$ (15,976)
Add: Net interest expense	27,871	28,215
Add: Depreciation and amortization	41,739	26,847
Add: Income taxes	6,257	(3,424)
EBITDA	\$ 116,577	\$ 35,662

Conference Call and Webcast: August 12, 2016

As announced, the Company's management team will host a conference call, on Friday, August 12, 2016 at 8:00 a.m. Eastern Daylight Time to discuss the Company's financial results.

Conference Call Details

Participants should dial into the call 10 minutes before the scheduled time using the following numbers: 1(866) 819-7111 (from the US), 0(800) 953-0329 (from the UK) or +(44) (0) 1452 542 301 (from outside the US). Please quote "Ocean Rig."

A replay of the conference call will be available until Friday, August 19, 2016. The United States replay number is 1(866) 247-4222; from the UK 0(800) 953-1533; the standard international replay number is (+44) (0) 1452 550 000 and the access code required for the replay is: 55592075#.

A replay of the conference call will also be available on the Company's website at www.ocean-rig.com under the Investor Relations section.

Slides and audio webcast:

There will also be a simultaneous live webcast over the Internet, through the Ocean Rig UDW Inc. website www.ocean-rig.com. Participants to the live webcast should register on the website approximately 10 minutes prior to the start of the webcast.

About Ocean Rig UDW Inc.

Ocean Rig is 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.

Ocean Rig's common stock is listed on the NASDAQ Global Select Market where it trades under the symbol "ORIG."

Visit the Company's website at www.ocean-rig.com

Forward-Looking Statement

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

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

The forward-looking statements in this release are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in Ocean Rig's records and other data available from third parties. Although Ocean Rig believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond Ocean Rig's control, Ocean Rig cannot assure you that it will achieve or accomplish these expectations, beliefs or projections described in the forward-looking statements contained herein. Actual and future results and trends could differ materially from those set forth in such statements.

Important factors that, in Ocean Rig's view, could cause actual results to differ materially from those discussed in the forward-looking statements include factors related to (i) the offshore drilling market, including supply and demand, utilization, day rates and customer drilling programs, commodity prices, effects of new rigs and drillships on the market and effects of declines in commodity process and downturns in the global economy on the market outlook for our various geographical operating sectors and classes of rigs and drillships; (ii) hazards inherent in the drilling industry and marine operations causing personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties or customers and suspension of operations; (iii) newbuildings, upgrades, and shipyard and other capital projects; (iv) changes in laws and governmental regulations, particularly with respect to environmental matters; (v) the availability of competing offshore drilling vessels; (vi) political and other uncertainties, including risks of terrorist acts, war and civil disturbances; piracy; significant governmental influence over many aspects of local economies, seizure; nationalization or expropriation of property or equipment; repudiation, nullification, modification or renegotiation of contracts; limitations on insurance coverage, such as war risk coverage, in certain areas; political unrest; foreign and U.S. monetary policy and foreign currency fluctuations and devaluations; the inability to repatriate income or capital; complications associated with repairing and replacing equipment in remote locations; import-export quotas, wage and price controls imposition of trade barriers; regulatory or financial requirements to comply with foreign bureaucratic actions; changing taxation policies; and other forms of government regulation and economic conditions that are beyond our control; (vii) the performance of our rigs; (viii) our ability to procure or have access to financing and our ability comply with our loan covenants; (ix) our substantial leverage, including our ability to generate sufficient cash flow to service our existing debt and the incurrence of substantial indebtedness in

the future (x) our ability to successfully employ our drilling units; (xi) our capital expenditures, including the timing and cost of completion of capital projects; (xii) our revenues and expenses; (xiii) complications associated with repairing and replacing equipment in remote locations; and (xiv) regulatory or financial requirements to comply with foreign bureaucratic actions, including potential limitations on drilling activities. Due to such uncertainties and risks, investors are cautioned not to place undue reliance upon such forward-looking statements.

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

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