Confidential
Information Memorandum

USD 500,000,000 Ocean Rig UDW Inc

[8.25-8.75]% Senior Unsecured Bonds, due 2016

Issue Price: 100.00%

You are not eligible to receive or review this Information Memorandum unless: (A) you either (1) are a “qualified institutional buyer” (a “QIB”), as that term is defined in Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), (2) are not in the United States (as contemplated in Rule 903(a)(1) of Regulation S under the Securities Act) and are not a “U.S. person” (as defined in Rule 902(k) of Regulation S under the Securities Act), or (3) are a dealer or other professional fiduciary organized, incorporated or (if an individual) resident in the United States holding a discretionary account or similar account (other than an estate or trust) for the benefit or account of a non-U.S. person (as contemplated in Rule 903(a)(1) of Regulation S under the Securities Act); and (B) you are able to truthfully make all of the representations set forth in the Investor Letter delivered to you concurrently with this Information Memorandum. Please see “Information as to Placement in the United States”. Nordea Bank Norge ASA, Nordea Markets are not registered with the U.S Securities and Exchange Commission as a U.S. registered broker-dealer and will not participate in the offer or sale of the Bonds within the United States.

Lead Manager and Global Coordinator

Pareto Securities

Joint Lead Managers

Fearnley Fonds

Nordea Markets

April 4 2010

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Important information

This confidential information memorandum (the "**Information Memorandum**") has been prepared by Ocean Rig UDW Inc (hereinafter referred to as the "**Issuer**" or "**Ocean Rig UDW**" or the "**Company"**)." The Information Memorandum is being furnished for limited distribution through Pareto Securities AS, Fearnley Fonds ASA, and Nordea Bank Norge ASA, Nordea Markets (the "**Managers**"), as the exclusive authorized representative for the Issuer, for informational purposes only and solely for use by prospective investors who have expressed an interest in an investment in the bonds (the "**Bonds**") to be issued by the Issuer in the "Ocean Rig UDW Senior Unsecured Bond Issue 2011/2016" (the "**Bond Issue**"). Only the Issuer and the Managers are entitled to provide information in respect of matters described in this Information Memorandum. Information that might be provided by any other person or persons is of no relevance to the contents of this Information Memorandum and must not be relied upon.

The information contained herein has been prepared to assist interested parties in making their own evaluation of the Issuer and its creditworthiness and does not purport to be all-inclusive or to contain all information that prospective investors may desire or that may be required in order to properly evaluate the business, prospects or value of the Issuer. In all cases, interested parties should conduct their own investigation and analysis of the Issuer and the data set forth in this Information Memorandum. The Manager has not independently verified any of the information contained herein, and none of the Managers, any of their advisors nor any of their affiliates makes any representation or warranty (whether expressed or implied) as to the accuracy or completeness of this Information Memorandum or any information, statements, estimates or projections contained herein, or the legality of any prospective investor's investment in the Bonds issued by the Issuer. None of the Managers, any of neither their advisors, nor any of their affiliates has any liability for the recipient's use of this Information Memorandum or any other oral, written or other communications transmitted to the recipient in the course of its evaluation of the Bonds or the Issuer.

This Information Memorandum contains certain tables and other statistical analyses (the "**Statistical Information**"). Numerous assumptions were used in preparing the Statistical Information, which may or may not be reflected herein. As such, no assurance can be given as to the accuracy, appropriateness or completeness of the Statistical Information as used in any particular context; nor as to whether the Statistical Information and/or the assumptions upon which they are based reflect present market conditions or future market performance. The contents of this Information Memorandum including the Statistical Information are not to be construed as legal, credit, business or tax advice. Each prospective investor should therefore consult with its own legal, credit, business or tax adviser as to legal, credit, business and tax advice. By receiving this Information Memorandum you acknowledge that you will be solely responsible for your own assessment of the market and the market position of the Issuer and that you will conduct your own analysis and are solely responsible for forming your own opinion of the potential future performance of the Issuer's business. The Managers have not conducted any due diligence investigation on the Issuer. In making an investment decision, investors must rely on their own examination of the Issuer, including the merits and risks involved.

No action has been or will be taken in any jurisdiction by the Managers or the Issuer that would permit an offering of the Bonds, or the possession or distribution of any documents relating thereto, or any amendment or supplement thereto, in any country or jurisdiction where specific action for such purpose is required. Accordingly, this Information Memorandum may not be used for the purpose of, and does not constitute, an offer to sell or issue, or a solicitation of an offer to buy or apply for, any securities in any jurisdiction in any circumstances in which such offer or solicitation is not lawful or authorised. In particular, this Information Memorandum may not be distributed in, or to any person resident in,

Canada, Australia, Japan, Bermuda or the United States (or to any U.S. person), except as set forth herein and pursuant to appropriate exemptions under the laws of any such jurisdiction. Failure to comply with these restrictions may constitute a violation of applicable securities legislation. Persons into whose possession this Information Memorandum may come are required by the Issuer and the Manager to inform themselves about, and to observe, such restrictions. Neither the Issuer nor the Manager shall be responsible or liable for any violation of such restrictions by prospective investors. Specifically, the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any securities laws of any state in the United States. Accordingly, the Bonds may not be offered or sold within the United States, except in transactions exempt from registration under the U.S. Securities Act. The Bonds are being offered and sold (i) outside the United States persons other than U.S. persons ("non-U.S. purchasers", which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust)) in reliance on Regulation S under the U.S. Securities Act ("Regulation S") and to "qualified institutional buyers" (as defined in Rule 144A promulgated under the U.S. Securities Act ("Rule 144A")) ("QIBs") in the United States in reliance on Rule 144A under the U.S. Securities Act. As used herein, the terms "United States" and "U.S. person" have the meanings given to them in Regulation S. Please see "Information as to Placement in the United States" below. This Information Memorandum does not constitute a prospectus as defined in the Prospectus Directive (Directive 2003/71/EC), and has not been prepared to comply with the Prospectus Directive or the EC Commission Regulation nr. 809/2004, nor with any national rules and regulations relating to prospectuses, including but not limited to Chapter 7 of the Norwegian Securities Trading Act of 29 June 2007 no. 75. This Information Memorandum has not been reviewed by or approved by the Norwegian Financial Supervisory Authority (*Finanstilsynet*) or any other public authority, and is intended to be read by the addressee only.

This Information Memorandum was prepared solely for the recipient and other selected potential investors interested. This Information Memorandum is personal to the recipient to whom it has been delivered by the Managers and does not constitute an offer to any other person or a solicitation of the public in general to subscribe for, or otherwise acquire, the Bonds. This Information Memorandum may not be distributed by the recipient to anyone other than (i) the recipient's financial advisor or legal counsel, nor may the recipient make copies of this Information Memorandum or any other document which the recipient may receive in connection with the Bond Issue, except to the extent necessary to consult with his, her or its financial advisor or legal counsel (and only so long as such financial advisor or legal counsel agrees to hold all information contained in this Information Memorandum confidential and not use it for purposes other than for providing advice in connection herewith); or (ii) persons approved in writing by the Managers and the Issuer. By accepting receipt of this Information Memorandum, each recipient acknowledges that it has received the information set out herein and that they accept the terms of the Bond Issue as set out herein, as well as in the Term Sheet (as defined below), the Application Form and/or the Loan Agreement. This Information Memorandum is subject to Norwegian law, unless otherwise explicitly stated. Any dispute arising in respect of this Information Memorandum is subject to the exclusive jurisdiction of the Norwegian courts. Certain statements in this Information Memorandum are forward-looking. Such forward-looking statements and information are based on the beliefs of the Issuer's management or assumptions based on information available to the Issuer. When used in this document, the words "**anticipate**", "**believe**", "**estimate**" and "**expect**" and similar expressions, as they relate to the Issuer or its management, are intended to identify forward-looking statements. Such forward-looking statements reflect the current views of the Issuer or its management with respect to future events and are subject to certain risks, uncertainties and assumptions. The Issuer can give no assurance as to the correctness of such forward-looking statements. Many factors could cause the actual results, performance and achievements of the Issuer to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including among others, risks or uncertainties associated with the Issuer's products, technological development, growth management, relations with customers and, more generally economic and business conditions, changes in domestic and foreign laws and regulations (including those of the European Union), taxes, changes in competition and pricing environments, and other factors referenced in this document. Some of these factors are discussed in more detail under section 8 ("Risk factors and other considerations"). Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document as anticipated, believed, estimated or expected. Except as required by applicable law and as provided for in section 1 ("The Bond Issue and the Bonds") related to the period up to the completion of the Bond Issue, the Issuer does not intend, and does not assume any obligation, to update the forward-looking statements included in this Information Memorandum as at the date hereof. Neither the content of the Company's website nor the content of any website accessed from hyperlinks on the Company's website (or any other website) is incorporated into, or form part of, this Information Memorandum nor, unless previously published by means of a recognised information service, should any such content be relied upon in reaching a decision on whether or not to acquire, continue to hold, or disperse Bonds or other securities in the Company.

Information as to Placement in the United States

For the Bond Issue, the Company is relying upon certain exemptions from the registration requirements of the U.S. Securities Act. In making an investment decision with respect to the Bonds, investors must rely on their own examination of the Company and the terms of the Bond Issue, including the merits and risks involved. The Bonds to be issued have not been recommended by any U.S. federal or state authorities or by any foreign authorities and such authorities have not determined that this Information Memorandum is accurate or complete. Any representation to the contrary is a criminal offence in the United States.

The Bonds are being offered and sold only to QIBs and outside the United States to persons other than U.S. persons or non-U.S. purchasers in reliance upon Regulation S.

Each purchaser of the Bonds, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Company and with the Managers that such purchaser (A) is not a U.S. person and is acquiring such Bonds for its own account or for the account of a non-U.S. person in an offshore transaction (as defined in Regulation S) pursuant to an exemption from registration provided by Regulation S or (B) is a QIB, is acquiring such Bonds for its own account or for the account of one or more other QIBs and is aware (and each beneficial owner of such Bonds has been advised) that the sale of such Bonds to it is being made in reliance on the exemption provided by Section 4(2) of the U.S. Securities Act and/or Rule 506 of Regulation D promulgated thereunder.

Any recipient of this document in the United States is hereby notified that this document has been furnished to it on a confidential basis and may not be reproduced, retransmitted or otherwise redistributed, nor may the contents of this document be disclosed, in whole or in part, without the Company's prior written consent. Furthermore, recipients are authorized to use it solely for the purpose of considering a purchase of the Bonds in the Bond Issue and may not use any information herein for any other purpose. This document is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Bonds. Any recipient of this document agrees to the foregoing by accepting delivery of this document.

Prior to the purchase of any Bonds, prospective investors that are U.S. persons or have a registered U.S. address (each a "**U.S. Investor**") will be required, prior to the purchase of Bonds, to execute a U.S. Investor Representation Letter in the form appended to the Application Form and make representations, acknowledgements and agreements, including the following:

(i) The U.S. Investor is a QIB and acquiring the Bonds for its own account or for the account of a QIB and not with a view to any resale or distribution in violation of the U.S. Securities Act;

(ii) The U.S. Investor is aware that the Bonds are being offered in reliance on Rule 144A;

(iii) The U.S. Investor understands that the Bonds will not be registered under the U.S. Securities Act and will be "restricted securities" (as defined in Rule 144 under the U.S. Securities Act) and that the Bonds may not be reoffered, resold, pledged or otherwise transferred, except (A) outside the United States in an offshore transaction pursuant to Regulation S, (B) to a person who the U.S. Investor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (C) pursuant to an exemption from registration under the U.S. Securities Act provided by Rule 144 thereunder (if available), or (D) pursuant to an effective registration statement under the U.S. Securities Act, in each case in accordance with any applicable securities laws of any state of the United States or other jurisdiction;

(iv) The U.S. Investor has had access to and has received such financial and other information regarding the Company and the Bonds as the U.S. Investor deems necessary in order to make an informed investment decision to subscribe for the Bonds. If the U.S. Investor has had any questions regarding the Company or the Bonds, the U.S. Investor has asked these questions and has received satisfactory answers from representatives of the Company. The

U.S. Investor has not relied on representations, warranties, opinions, projections, financial or other information or analysis, if any, supplied to it by any person other than the Company or any of its affiliates;

(v) the U.S. Investor is a sophisticated institutional investor and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of international investments, including an investment in the Bonds. In the normal course of its business, the U.S. Investor invests in or purchases securities similar to the Bonds. The U.S. Investor is aware that it may be required to bear the economic risk of an investment in the Bonds for an indefinite period of time, and it is able to bear such risk for an indefinite period. The U.S. Investor is able to bear the economic risks of such an investment, including the loss of its entire investment. The U.S. Investor understands that it may not necessarily be able to liquidate its investment in the Bonds;

(vi) The U.S. Investor has relied upon its own tax, legal and financial advisers in connection with its decision to subscribe for the Bonds and believes that an investment in the Bonds is suitable for the U.S. Investor based upon the U.S. Investor's investment objectives, financial needs and personal contingencies. The U.S. Investor has no need for liquidity of investment with respect to the payment for the Bonds;

(vii) The U.S. Investor is not acquiring the Bonds with a view to or for the purposes of resale, distribution or fractionalization, in whole or in part thereof. The U.S. Investor has made no agreement with others regarding any of the Bonds. The U.S. Investor is aware that, in the view of the U.S. Securities and Exchange Commission, a subscription of the Bonds with an intent to distribute them in connection with any foreseeable, specific contingency or anticipated change in market values, or any change in the condition of the Company, or a contemplated liquidation or settlement of any loan obtained for the acquisition of the Bonds and for which the Bonds are to be pledged, would, in each case, represent an intent inconsistent with the representations set forth herein. The U.S. Investor acknowledges that the Company, the Managers and their respective directors, employees, agents, representatives and affiliates will rely on the truth and accuracy of the statements made herein in making any transfer of the Bonds to the U.S. Investor, and that such statements will survive the execution and delivery of this document and the U.S. Investor's subscription of the Bonds, and the U.S. Investor agrees to notify the Company and the Managers promptly in writing if any such statements cease to be accurate and complete;

(viii) The U.S. Investor agrees that so long as the Bonds are "restricted securities" as defined in Rule 144 under the U.S. Securities Act, it shall notify each transferee of the Bonds from it that (a) such Bonds have not been registered under the U.S. Securities Act; (b) such Bonds are subject to the restrictions on the resale or other transfer thereof described above; (c) such transferee shall be deemed to have represented that (A) it is a non-US person acquiring the Bonds in an offshore transaction pursuant to Regulation S, (B) it is a QIB acquiring the Bonds in a transaction that complies with the requirements of the exemption from registration provided for in Rule 144A and any applicable laws of the states of the United States, or (iii) that it an institutional investor acquiring the Bonds in a transaction exempt from registration under the U.S. Securities Act and that such transferee is not an "underwriter" within the meaning of Section 2(11) of the U.S. Securities Act; and (d) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing.

(ix) The U.S. Investor has not subscribed to the Bonds as a result of any "general solicitation" or "general advertising" in the United States (within the meaning of Rule 502(c) under the U.S. Securities Act.

Transfer restrictions

The Bonds to be issued in the Bond Issue have not been and will not be registered under the U.S. Securities Act, or under the securities laws of any state of the United States. Accordingly, the Bonds may not be offered, pledged, sold, resold, granted, delivered, allotted or otherwise transferred, as applicable, in the United States, except only in transactions that are exempt from, or in transactions not subject to, registration under the U.S. Securities Act and in compliance with any applicable state securities laws.

Because of the following restrictions, prospective investors are advised to consult legal counsel prior to making any resale, pledge or transfer of the Bonds.

Each U.S. Investor, by participating in the offering described herein and as a condition to such participation, hereby acknowledges that the offer and sale of the Bonds are being made in a transaction exempt from the registration requirements of the U.S. Securities Act pursuant to Section 4(2) of the U.S. Securities Act and each U.S. Investor agrees that it will not re-offer, resell, pledge or otherwise transfer any of such Bonds except (a) outside the United States in accordance with Rule 903 or 904 of Regulation S, (b) to a person who the U.S. Investor reasonably believes is a QIB within the meaning of Rule 144A under the U.S. Securities Act and who is purchasing for its own account, or the account of another QIB, to whom notice is given that the resale, pledge or other transfer is being made pursuant to Rule 144A, (c) in a transaction that is registered under the U.S. Securities Act or (d) pursuant to another exemption from registration under the U.S. Securities Act (if available). No representation can be made as to the availability of the exemption from registration provided by Rule 144 for re-sales of the Bonds.

Each non-U.S. purchaser of Bonds, by participating in the offering described herein and as a condition to such participation, hereby agrees that it will not re-offer, resell, pledge or otherwise transfer any of such Bonds to a U.S. person for a period of forty (40) days following the settlement of the Bonds.

Available Information

The Company agrees that for so long as any of the Bonds being offered and sold in the Offering remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, if at any time the Company is neither subject to Section 13 or 15(d) under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") nor the reporting requirements under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, the Company will furnish to any bondholder or to a prospective purchaser of the Bonds designated by such bondholder the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act, upon the written request by such bondholder.

Service of Process; Enforcement of Liability

The Company is a corporation organized under the laws of the Republic of the Marshall Islands. The directors of the Company and executives reside in various jurisdictions. As a result, it may not be possible for investors (i) to effect service of process in other jurisdictions upon such persons or the Company, (ii) to enforce judgments on such persons or the Company in other jurisdictions, or (iii) enforce against any such persons or the Company a judgment obtained in a United States court predicated upon the civil liability provisions of the securities laws of the United States or territory within the United States.

Notice to New Hampshire Residents

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES, ANNOTATED, 1955, AS AMENDED, WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Tax

PURSUANT TO U.S. TREASURY DEPARTMENT CIRCULAR 230, THE COMPANY IS INFORMING YOU THAT (A) THE DISCUSSION OF U.S. FEDERAL INCOME TAX CONSIDERATIONS CONTAINED IN THIS MEMORANDUM IS NOT INTENDED AND WAS NOT WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES UNDER THE U.S. FEDERAL TAX LAWS THAT MAY BE IMPOSED ON THE TAXPAYER, (B) SUCH DISCUSSION WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE COMPANY AND THE INITIAL PURCHASERS OF THE NOTES, AND (C) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Statements of responsibility

The Board of Directors

This Information Memorandum has been prepared in order to provide a description of Ocean Rig UDW's business in connection with the Bond Issue.

The Board of Directors acknowledges responsibility for the information contained in this Information Memorandum and confirms that, to the best of its knowledge, the information presented herein is correct and contains no omissions likely to affect the information contained in this Information Memorandum.

Statements in the Information Memorandum about current and future market conditions and prospects for the Company have been made on a best judgement basis.

Saint Barthelemy, April 4, 2011
For and on behalf of the Board of Directors of Ocean Rig UDW Inc.

George Economou
Chief Executive Officer

Definitions, terms and abbreviations

Company definitions

Company, Ocean Rig	Ocean Rig UDW Inc., a Marshall Islands corporation, and, unless the context requires otherwise, its consolidated subsidiaries.
Cardiff	Cardiff Marine Inc., Group of Companies, companies controlled by Mr. George Economou, the Chairman of the Company's board of directors and the Chairman and Chief Executive Officer of DryShips.
DryShips..............................	DryShips Inc., a Marshall Islands corporation, and, unless the context requires otherwise, its consolidated subsidiaries. DryShips holds approximately 78% of the Company's shares. DryShips is a publicly traded company whose shares are listed on the NASDAQ Global Select Market under the symbol "DRYS".
Samsung	Samsung Heavy Industries Co., Ltd, a corporation incorporated under the laws of the Republic of Korea.

Other definitions and abbreviations

Bonds	The bonds issued under the Bond Issue with a denomination of USD 100,000 per bond.
Bond Issue	[8.25-8.75]% Ocean Rig UDW Inc. Senior Unsecured Callable Bond Issue 2011/2016
Information Memorandum ...	This information memorandum, including all appendices hereto
Managers..............................	Pareto Securities AS, Nordea Bank Norge ASA and Nordea Markets, Fearnley Fonds ASA
NOK	Norwegian Kroner, the lawful currency of the Kingdom of Norway
Private Placement.................	The private placement of 28,571,428 new shares in the Company completed in December 2010.
USD, $.................................	United States Dollars, the lawful currency of the United States of America
VPS	Verdipapirsentralen, the Norwegian Central Securities Depositary

1. The bond issue and the bonds

1.1 The Issuer

Ocean Rig UDW is a corporation incorporated in the Republic of the Marshall Islands on December 10, 2007 and registered in the Republic of the Marshall Islands Registrar of Corporations with registration number 27330. The Issuer's registered office is Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, MH96960. The Issuer's principal executive office is located in Cyprus.

1.2 Managers

The following three Managers have been appointed as Joint Lead Managers for the Bond Issue:

- Pareto Securities AS, a Norwegian private limited company having its business address at Dronning Mauds gate 3, 0115 Oslo, Norway with organization number 956 632 374 in the Norwegian Register of Business Enterprises; also being the Global Coordinator for the Bond Issue;

- Fearnley Fonds ASA, a Norwegian public limited company having its business address at Grev Wedels Plass 9, 0107 Oslo, Norway with organization number 945 757 647 in the Norwegian Register of Business Enterprises, and;

- Nordea Bank Norge ASA, Nordea Markets, a Norwegian public limited company having its business address at Middlethuns gate 17, 0107 Oslo, Norway with organization number 911 044 110 in the Norwegian Register of Business Enterprises

Nordea Bank Norge ASA, Nordea Markets is not registered with the U.S Securities and Exchange Commission as a U.S. registered broker-dealer and will not participate in the offer or sale of the Bonds within the United States.

1.3 Use of proceeds

The net proceeds from the Bonds shall be employed to fund the Group's new-build program and for general corporate purposes.

1.4 Eligible Subscribers and minimum subscription

The Bond Issue is directed to professional investors in Norway and internationally, in reliance on exemptions from registration obligations under local laws. Further details on the limitations on eligibility to subscribe appear under the section "Important Information" above and in the Application Form. The minimum subscription amount per investor is $100,000.

1.5 Subscription period

The Subscription Period will commence on April 4, 2011 and end on April 8, 2011 at 22.00 CET. The Issuer may (in cooperation with the Managers) at its sole discretion decide to close the subscription period at an earlier time, or extend the subscription period. For details about the subscription, see the Application Form.

1.6 Allocation

Following the end of the Subscription Period, the Managers will allocate the Bonds within the limits of each subscriber's subscription. Following the allocation, the Managers will send out allocation letters and/or a trade note to subscribers following the allocation, including payment instructions.

1.7 Issuance of the Bonds

The Bonds will be registered and issued in the VPS. In order to receive the Bonds, the investor must open a VPS account or have an agreement with a nominee in the VPS that can hold the Bonds on behalf of the investor.

The Bonds will be transferred to the investors' VPS account upon the later of the date of the completion of the Bond Issue and the receipt of full payment for allocated Bonds.

An application may be made for the Bonds to be listed.

1.8 Regulation of the Bonds

The registration of the Bonds will be subject to the provisions of the Security Register Act of 5 July 2002 no. 64.

1.9 Summary of the Bond Issue

The following provides a brief summary of the expected key terms and conditions of the Bond Issue. For further information about the Bonds Issue and the description of terms and conditions, please see the Term Sheet and Application Form.

The Issuer for the Bonds will be Ocean Rig UDW Inc., a Marshall Islands corporation. The trustee for the Bonds will be Norsk Tillitsmann ASA, a Norwegian public limited liability company having its business address at Haakon VII gate 1, 0161 Oslo, Norway, registered with organization number 963 342 624 in the Norwegian Register of Business Enterprises.

The Bonds will be senior unsecured with a coupon of [8.25-8.75] % p.a., payable semi-annually. Unless previously redeemed the Bonds shall be redeemed in full 5 years after Settlement Date. Additionally the Bonds will not be callable the first three (3) years. Thereafter the Issuer may call the Bonds (in parts or in full) at a price equal to 103.5% and 102.0% of par value, plus accrued interest at any time during the fourth and fifth year after settlement date, respectively.

The net proceeds from the Bonds shall be employed to fund the Group's new-build program and for general corporate purposes.

There will be several financial covenants which will restrict the Issuer and the Group's ability to incur leverage and for the Issuer to pay dividends, as well as maintaining a certain amount of free cash within the Group. The Issuer shall also ensure that the Group maintains an interest coverage ratio (EBITDA to net interest costs) of minimum 2.5x, calculated on a 12 months rolling basis. The Bond Issue will also include several other covenants restricting the Issuer, some of them mentioned under "Special Issues" in the Term Sheet, including restrictions on financial indebtedness and encumbrances.

The terms also include a change of control put option at par (100%) with exception of current majority owner and related parties.

The Bond Agreement shall include standard event of default provisions, as well as cross acceleration provisions for the whole Group on any financial indebtedness of $10 million or more on Financial Indebtedness and guarantees not paid when due or declared to be due and payable either at maturity or upon acceleration as a result of any event of default, however described, after any and all applicable cure periods passed.

Please refer to the Term Sheet and the Application Form for a further description of the terms and conditions of the Bonds Issue and the Bonds.

2. Company and business overview

2.1 Company overview

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. The Company seeks to utilize its high-specification drilling units to the maximum extent of their technical capability and believes it has earned a reputation for operating performance excellence. The Company, through its wholly-owned subsidiaries, currently operates two modern, fifth generation ultra-deepwater semi-submersible offshore drilling rigs, the *Leiv Eiriksson* and the *Eirik Raude*, and two sixth generation, advanced capability ultra-deepwater drillship, the *Ocean Rig Corcovado*, that was delivered from Samsung on 3 January 2011 and the *Ocean Rig Olympia*, that was delivered from Samsung on 30 March 2011. Furthermore, the Company will operate two additional state-of-the-art ultra deepwater drillships, identified as Hull 1865 (to be named *Ocean Rig Poseidon*) and Hull 1866 (to be named *Ocean Rig Mykonos*). These two newbuilding drillships are currently scheduled for delivery in July 2011 and September 2011, respectively. These two newbuildings are “sister-ships” to the *Ocean Rig Corcovado* and the *Ocean Rig Olympia* and are being constructed by the same shipyard to the same high-quality vessel design and specifications. In addition, the Company has options with Samsung for the construction of up to four additional new ultra-deepwater drillships, which would be “sister-ships” to the newbuilding drillships, the *Ocean Rig Corcovado* and the *Ocean Rig Olympia*, at an estimated total project price, excluding financing costs, of $600 million per drillship, exercisable on or prior to November 22, 2011.

The Company’s two newbuilding drillships, as well as the *Ocean Rig Corcovado* and the *Ocean Rig Olympia* delivered in January and March 2011 respectively, which are all S10000E designed, will be among the most technologically advanced drillships in the world. The S10000E design was originally introduced in 1998 and, including these four drillships, a total of more than 30 drillships have been ordered using this base design, which has been widely accepted by customers, of which nearly 20 have been delivered, including the *Ocean Rig Olympia*. Among other technological enhancements, the Company’s drillships are equipped with full dual activity drilling technology, which involves two drilling systems using a single derrick that permits two drilling-related operations to take place simultaneously. The Company estimates that this technology saves between 15% and 40% in drilling time, depending on the well parameters. Each of these drillships will be capable of drilling 40,000 feet at water depths of up to 10,000 feet. The Company currently has a team overseeing the construction of the two newbuilding drillships at Samsung to help ensure that those drillships are built on time, to its exact vessel specifications and on budget and prepared for operations.

2.2 History of the Company

Ocean Rig UDW Inc. is a corporation formed under the laws of the Republic of the Marshall Islands on December 10, 2007 under the name Primelead Shareholders Inc. as a wholly-owned subsidiary of DryShips. DryShips is a global provider of marine transportation services for drybulk cargoes and offshore drilling services. DryShips owned approximately 78% of the Company’s outstanding common stock as of March 31, 2011.

The Company’s predecessor, Ocean Rig ASA, was incorporated on September 26, 1996 under the laws of Norway and contracted for the construction of the Company’s two existing drilling rigs, the *Leiv Eiriksson* and the *Eirik Raude*, as well as two other newbuilding drilling rigs (hulls) that were subsequently sold. The *Leiv Eiriksson* and the *Eirik Raude* commenced operations in 2001 and 2002, respectively, under contracts with leading oil and gas companies. The shares of Ocean Rig ASA traded on Oslo Børs from January 1997 to July 2008.

Primelead Limited, a corporation organized under the laws of the Republic of Cyprus, was incorporated as a wholly owned subsidiary of the Company on November 16, 2007 for the purpose of acquiring shares of Ocean Rig ASA. On December 20, 2007, Primelead Limited acquired 51,778,647 shares, or approximately 30.4% of the outstanding capital stock of Ocean Rig ASA, following its nomination as buyer by Cardiff Marine Inc., ("Cardiff") a company controlled by Mr. George Economou. After acquiring an additional 33% of Ocean Rig ASA's outstanding shares on April 22, 2008, the Company launched a mandatory offer for the remaining shares of Ocean Rig ASA at a price of NOK 45 per share ($8.89 per shares) as required by Norwegian law. As of July 10, 2008, the Company had acquired 100% of the shares of Ocean Rig ASA (163.6 million shares) at a total cost of $1.4 billion.

On March 5, 2009, DryShips contributed all of its equity interests in the newbuilding vessel-owning companies of the *Ocean Rig Poseidon* and *Ocean Rig Mykonos* to the Company. On May 15, 2009, the Company closed a transaction to acquire the equity interests of the newbuilding vessel-owning companies of the *Ocean Rig Corcovado* and *Ocean Rig Olympia*, which were owned by clients of Cardiff, including certain entities affiliated with Mr. Economou. As consideration for the acquisition of the newbuilding vessel-owning companies of the *Ocean Rig Corcovado* and the *Ocean Rig Olympia*, the Company issued to the sellers, including entities related to Mr. Economou, a number of common shares equal to 25% of the Company's total issued and outstanding common shares as of May 15, 2009.

On July 15, 2009, DryShips acquired the remaining 25% of the Company's total issued and outstanding capital stock from the minority interests held by certain unrelated entities and certain parties related to Mr. George Economou. The consideration paid for the 25% interest consisted of a one-time $50.0 million cash payment and the issuance of DryShips Series A Convertible Preferred Stock with an aggregate face value of $280.0 million. Following such acquisition, the Company became a wholly-owned subsidiary of DryShips.

On December 21, 2010, the Company completed a Private Placement of an aggregate of 28,571,428 new shares, representing 22% of the Company's total outstanding shares after completion of the Private Placement. The Company received approximately $489.6 million of net proceeds from the Private Placement, of which the Company used $99.0 million to purchase an option contract from DryShips for the construction of up to four additional ultra-deepwater drillships as described below. The Company intends to use the remaining proceeds to partially fund remaining installment payments for its newbuilding drillships and for general corporate purposes.

2.3 Fleet information

Set forth below is summary information concerning the Company's offshore drilling units as of March 31, 2011.

Unit	Year Built or Scheduled Delivery / Generation	Design / Type	Water Depth to the Wellhead (ft)	Drilling Depth to the Oil Field (ft)	Customer	Contract Term	Maximum Dayrate	Drilling Location
Drilling Rigs								
Leiv Eiriksson	2001 / 5th	Trosvik Bingo 9000	7,500	35,000	Petrobras Oil & Gas B.V.	Q4 2009 – Q2 2011	$583,000	Black Sea
					Cairn Energy plc	Q2 2011 – Q4 2011	$550,000	Greenland
Eirik Raude	2002 / 5th	Trosvik Bingo 9000	10,000	40,000	Tullow Oil plc	Q4 2008 – Q4 2011	$665,000	Ghana
					Borders & Southern plc	Q42011 – Q1 2012	$540,000	Falkland Islands
Drillships								
Ocean Rig Corcovado	January 2011 / 6th	S10000E / D8	10,000	40,000	Cairn Energy plc	Q1 2011 – Q4 2011	$560,000	Greenland
Ocean Rig Olympia	March / 6th	S10000E / D8	10,000	40,000	Vanco Cote d'Ivoire Ltd. and Vanco Ghana Ltd.	Q2 2011 – Q2 2012	$415,000	West Africa
*Ocean Rig Poseidon**	Q3 2011 / 6th	S10000E / D8	10,000	40,000	Petrobras Tanzania Limited	Q3 2011 – Q1 2013	$632,000	Tanzania and West Africa
*Ocean Rig Mykonos**	Q3 2011 / 6th	S10000E / D8	10,000	40,000				

*Under construction.

The total cost of construction and construction-related expenses for the *Ocean Rig Corcovado* and the *Ocean Rig Olympia* amounted to approximately $755.4 million and $755.4 million respectively. As of March 31, 2010, the Company had made an aggregate of $784.8 million of construction and construction-related payments for the *Ocean Rig Poseidon* and the *Ocean Rig Mykonos*. Construction-related expenses include equipment purchases, commissioning and supervision, excluding financing costs.

As of March 31, 2011, the remaining total construction and construction-related payments for the *Ocean Rig Poseidon* and the *Ocean Rig Mykonos* was approximately $791.4 million in the aggregate, consisting of the following:

	(in millions)
Ocean Rig Poseidon	
Construction payments	$360.2
Other construction-related expenses (excluding financing costs)	$34.2
Ocean Rig Mykonos	
Construction payments	$357.5
Other construction-related expenses (excluding financing costs)	$39.5

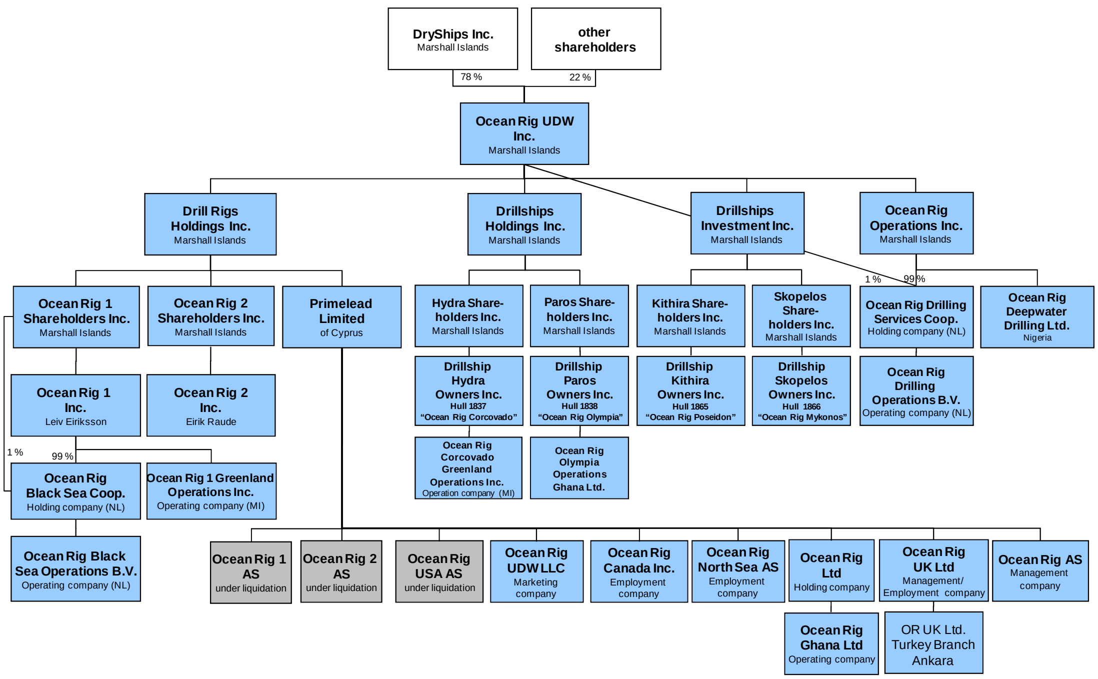
Financial summary

Ocean Rigs revenue, EBITDA and net income for the period ended December 31, 2010 was $405.7 million, $266.5 million and $134.8 million, respectively. The Company believes EBITDA provides useful information to investors because it is a basis upon which it measures its operations and efficiency.

2.4 Structure overview

The Company has its principal executive offices at 10 Skopa Street, Tribune House, 2nd Floor, Office 202, CY 1075, Nicosia, Cyprus and the Company's telephone number at that address is 011 357 22767517. The Company's website is located at www.ocean-rig.com. The information on the Company's website is not a part of this Information Memorandum.

An illustration of the Company's organizational structure is provided by the chart below.



The key companies are the following:

- Ocean Rig UDW Inc: Holding company
- Drill Rigs Holdings Inc: Holding company and borrower of the $1.04 billion credit facility described in 5.3
- Ocean Rig 1 Inc: Owner of the drilling rig *Leiv Eiriksson* and operating company for the Petrobras contract
- Ocean Rig 2 Inc: Owner of the drilling rig *Eirik Raude*
- Ocean Rig AS: Management company employing majority of the onshore administrative, commercial and technical staff of the group
- Ocean Rig Ghana Ltd: Operating company for the *Eirik Raude* contract with Tullow Oil
- Drillships Holdings Inc: Holding company and borrower of the New $800 million secured term loan facility
- Drillship Hydra Owners Inc: Owner of the drillship *Ocean Rig Corcovado* and borrower of the $325 million term loan facility described in 5.3
- Drillship Paros Owners Inc: Owner of the drillship *Ocean Rig Olympia*

- Drillship Kithira Owners Inc: Owner of the construction contract for drillship *Ocean Rig Poseidon* and borrower for one of the $562.5 million (to be amended to $495 million) facilities described in 5.3
- Drillship Skopelos Owners Inc: Owner of the construction contract for drillship *Ocean Rig Mykonos* and borrower for one of the $562.5 million (to be amended to $495 million) facilities described in 5.3

2.5 Business strategy

The Company's business strategy is predicated on becoming a world leading company in the offshore ultra-deepwater drilling industry and providing customers with high quality service and state-of-the-art drilling equipment. The following outlines the primary elements of this strategy:

Create a "pure play" model in the ultra-deepwater and harsh environment markets. The Company's mission is to become the preferred offshore drilling contractor in the ultra-deepwater and harsh environment regions of the world and to deliver excellent performance to its clients by exceeding their expectations for operational efficiency and safety standards. The Company believes that the *Ocean Rig Corcovado*, the *Ocean Rig Olympia* and the two newbuilding drillships will be among the most technologically advanced in the world. The Company currently has an option to purchase four additional newbuilding drillships and intends to grow its fleet over time in order to continue to meet its customers' demands while optimizing its fleet size from an operational and logistical perspective.

Capitalize on the operating capabilities of the Company's drilling units. The Company intends to capitalize on the operating capabilities of the Company's drilling units by entering into attractive employment contracts. The focus of the Company's marketing effort is to maximize the benefits of the drilling units' ability to operate in ultra-deepwater drilling locations. The *Leiv Eiriksson* and *Eirik Raude* are two of about 15 drilling units worldwide that are technologically equipped to operate in both ultra-deepwater and harsh environments, and the Company's four drillships will have the capacity to drill 40,000 feet at water depths of up to 10,000 feet with dual activity drilling capabilities. The Company aims to secure firm employment contracts for the drilling units at or near the highest dayrates available in the industry while balancing appropriate contract lengths. As the Company works towards its goal of securing firm contracts for all its drilling units at attractive dayrates, the Company believes it will be able to differentiate itself based on its prior experience operating drilling rigs and its safety record.

Maintain high drilling units utilization and profitability. The Company has a proven track record of optimizing equipment utilization. The *Leiv Eiriksson* has been operating in the Black Sea, and has maintained a 90% earnings efficiency from February 2010, when it commenced operations under the Petrobras contract, through December 31, 2010. The *Eirik Raude* has been operating offshore of Ghana, and has maintained a 98% earnings efficiency from October 2008, when it commenced operations under the Tullow Oil contract, through December 31, 2010. The Company aims to maximize the revenue generation of its drilling units by maintaining its track record of high drilling unit utilization.

Capitalize on favourable industry dynamics. The Company believes the demand for offshore deepwater drilling units will be positively affected by increasing global demand for oil and gas and increased exploration and development activity in deepwater markets. The IEA has projected that oil demand for 2010 increased by 3.4% compared to 2009 levels, and that oil demand will further increase to 89.4 million barrels per day in 2011, an increase of 1.7% compared to 2010 levels. As the OECD countries resume their growth and the major non-OECD countries continue to develop, led by China and India, oil demand is expected to grow. The Company believes it will become increasingly difficult to find the incremental barrels of oil needed, due to depleting existing oil reserves. This is expected to force oil companies to continue to explore for oil further offshore for growing their proven reserves.

Continue to prioritize safety as a key focus of operations. The Company believes safety is of paramount importance. This is also a key differentiator when securing drilling contracts from customers. The Company has a zero incident philosophy embedded in its corporate culture “Care philosophy”, which is reflected in its policies and procedures. Despite operating under severely harsh weather conditions, the Company has a proven track record of high efficiency deepwater and ultra-deepwater drilling operations. The Company, through its subsidiaries, employs at March 25, 2011 approximately 732 people and has been operating ultra-deepwater drilling rigs since 2001. The Company has extensive experience working in varying environments and regulatory regimes across the globe, including Eastern Canada, Angola, Congo, Ireland, the Gulf of Mexico, the U.K., West of Shetlands, Norway, including the Barents Sea, Ghana and Turkey.

Both of the Company’s drilling rigs have a valid and updated safety case under U.K. HSE regulations, and both hold a Norwegian sector certificate of compliance (called an Acknowledgement of Compliance), which evidences that the rigs and the Company’s management system meet the requirements set by the Norwegian authorities. The Company expects to receive the U.K. safety case for the *Ocean Rig Corcovado* in May 2011 at the latest. The Company will also seek to receive the U.K. safety case for *Ocean Rig Olympia*. Since January 2007, the Company has operated the *Eirik Raude* with only a single “lost time incident” that took place in 2010. The *Leiv Eiriksson* operated in that same period without a lost-time incident during 2007, 2008 and 2010 but experienced three such incidents in 2009.

The Company believes that this safety record has enabled it to hire and retain highly-skilled employees, thereby improving its overall operating and financial performance. The Company expects to continue its strong commitment to safety across all of its operations by investing in the latest technologies, performing regular planned preventive maintenance on its drilling units and investing in the training and development of new safety programs for its employees, and improving the competency level of the company.

Implement and sustain a competitive cost structure. The Company believes it has a competitive cost structure due to its operating experience and successful employee retention policies and that its retention of highly-skilled personnel leads to significant transferable experience and knowledge of drilling rig operation through deployment of seasoned crews across its fleet. By focusing on the ultra-deepwater segment, the Company believes it is able to design and implement best-in-class processes to streamline its operations and improve efficiency. As the Company continues to grow, it intends to benefit from significant economies of scale due to an increased fleet size and a fleet of “sister-ships” to its drillships, where the Company expects to benefit from the standardization of these drilling units, resulting in lower training and operating costs. In addition, the Company’s drillships have high-end specifications, including advanced technology and safety features, and therefore, the Company expects that the need for upgrades will be limited in the near term. The Company expects the increase from four to six drilling units to enable it to bring more than one unit into a drilling region in which it operates. To the extent the Company operates more than one drilling unit in a drilling region, it expects to benefit from economies of scale and improved logistic coordination managing more units from the same onshore bases.

2.6 Share capital and shareholder structure

The aggregate number of shares of stock that the Company is authorized to issue is 250,000,000 common shares, with a par value of $0.01 per share.

As of the date of this Information Memorandum, the Company has 131,696,928 common shares, par value $0.01 per share, issued and outstanding.

There are currently no outstanding convertible loans, warrants, options or other instruments which give the holder a right to require Ocean Rig or any of its subsidiaries any further shares.

As per March 25, 2011, the 20 largest shareholders of the Company are set forth in the table below:

Name	Shares owned of total	Shares owned
DryShips Inc.	78.3 %	103,125,500
Sphinx Investment co C/O Omega Building	2.2 %	2,869,428
CLEARSTREAM BANKING	1.7 %	2,235,480
TAPIOLA MUTUAL PENSI COMPANY	1.5 %	2,000,000
MORGAN STANLEY & CO S/A MSCO EQUITY FIRM	1.5 %	1,952,679
GOLDMAN SACHS INT. - SECURITY CLIENT SEGR	1.5 %	1,946,319
VARMA MUTUAL PENSION COMPANY	1.1 %	1,487,700
SKANDINAVISKA ENSKIL A/C CLIENTS ACCOUNT	1.1 %	1,428,500
JP MORGAN CLEARING C A/C CUSTOMER SAFE KE	0.7 %	950,000
BANK OF AMERICA MERR C/O MLI GEF NON TREA	0.6 %	781,982
ODIN NORDEN	0.6 %	728,278
BROWN BROTHERS HARRI S/A FSP - ENERGY	0.5 %	695,700
CREDIT SUISSE SECURI (EUROPE) PRIME BROKE	0.5 %	690,000
MORGAN STANLEY & CO S/A MSCO CLIENT EQUI	0.5 %	664,305
CACEIS BANK S/A NON TREATY ACCOU	0.4 %	587,000
BANK MORGAN STANLEY BROWN BROTHERS HARRI	0.4 %	577,000
BROWN BROTHERS HARRI S/A FIDELITY SMALL C	0.4 %	504,620
ODIN NORGE	0.4 %	494,262
CITIGROUP GLOBAL MAR S/A CGMI CLIENT SAFE	0.4 %	484,500
MORGAN STANLEY & CO S/A MSIL IPB CLIENT	0.4 %	477,904
Topp 20	**94.7 %**	**124,681,157**
Total outstanding		**131,696,928**

2.7 Contemplated listing of the Company's shares

The Company's shares are currently traded in the Norwegian OTC market. The Company is preparing for a primary listing of its shares on NASDAQ in the United States and a subsequent secondary listing on Oslo Børs. The Company intends to have completed a listing on NASDAQ by the end of the second quarter of 2011.

2.8 Contract drilling services

The Company's contracts to provide offshore drilling services and drilling units are individually negotiated and vary in their terms and provisions. The Company generally obtains its contracts through competitive bidding against other contractors. The contracts for the Company's drilling units typically provide for compensation on a "dayrate" basis under which the Company is 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 the Company's control. Under most dayrate contracts, the Company pays the operating expenses of the rig or drillship, including planned rig 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 for the Company's drilling rigs. 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 seven years. 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, 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 non-performance, 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 the Company's control. 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. The Company's contracts also typically include a provision that allows the client to extend the contract to finish drilling a well-in-progress.

The Company expects that provisions of future contracts will be similar to those in its current contracts for its drilling units.

Customers

The Company's prospective customers generally fall within three categories: national oil companies, large integrated major oil companies and medium to smaller independent exploration and production companies. The Company, together with its predecessor, Ocean Rig ASA, has an established history with 91 wells drilled in 12 countries for 19 different customers. During 2010, the Company's drilling contracts with Petrobras and Tullow Oil accounted for 44% and 56% of the total consolidated annual revenues, respectively. During 2009, the Company's drilling contracts with Shell and Tullow Oil accounted for 38% and 62% of the total consolidated annual revenues, respectively. During May 14, through December 31, 2008, the Company's drilling contracts with Shell, accounted for 54%, Exxon for 26% and Tullow Oil for 20% of the total consolidated annual revenues.

Competition

The deepwater contract drilling industry is competitive with several 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 the Company's competitors have significantly greater financial and other resources, including more drilling units, than the Company. The Company competes with offshore drilling contractors that together have approximately 156 deepwater and ultra-deepwater drilling units worldwide, defined as units with water depth capacity of 3,000 feet or more.

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 rigs. 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.

2.9 Contract overview

Semi-submersible drilling rig Leiv Eiriksson

The *Leiv Eiriksson* is employed under the Petrobras contract for exploration drilling in the Black Sea at a maximum dayrate rate of $583,000. Under the Petrobras contract, the rig has had an earnings efficiency of 90% from the commencement of drilling operations on February 24, 2010 through December 31, 2010. Earning efficiency measures the effective earnings ratio, expressed as a percentage of the full earnings rate, after reducing for certain operations paid at reduced rate, non-productive time at zero rate, or off hire without dayrates. The Petrobras contract was scheduled to expire in October 2012; however, the Company has entered into an agreement whereby the Petrobras contract will terminate and the rig will be released on or about May 1, 2011, following which the rig is scheduled to commence a contract of approximately six months with Cairn for drilling operations in Greenland at a maximum operating dayrate of $550,000 and a mobilization fee of $7.0 million plus fuel costs. The contract period is scheduled to expire on October 31, 2011, subject to the customer's option to extend the contract period through November 30, 2011 pending authority approval.

Semi-submersible drilling rig Eirik Raude

The *Eirik Raude* is employed under the Tullow Oil contract for development drilling offshore Ghana at an average day-rate for the term of the contract of $637,000. On February 15, 2011, the dayrate increased to a maximum of $665,000, which rate will be effective until expiration of the contract in October 2011, following which the rig is scheduled to commence a two-well contract with Borders & Southern for drilling operations offshore the Falkland Islands at a maximum operating dayrate of $540,000 and a mobilization/demobilization fee of $28.0 million, including fuel costs. The customer has an option to extend this contract to drill up to an additional three wells, in which case the dayrate would be reduced to between $540,000 and $530,000, depending on whether the option is exercised for one to three wells and the timing of such exercise. The estimated duration for the two-well program, including mobilization/demobilization periods, is approximately 150 days, and the Company estimates that the optional period to drill an additional three wells would extend the contract term by approximately 135 days.

Drillship Ocean Rig Corcovado

The *Ocean Rig Corcovado* is employed under a contract with Cairn for a period of approximately ten months under which the drillship is scheduled to commence drilling and related operations in Greenland in May 2011 at a maximum operating dayrate of $560,000. In addition, the Company is entitled to a mobilization fee of $17.0 million, plus fuel costs and winterization upgrading costs of $12.0 million, plus coverage of yard stay costs at $200,000 per day during the winterization upgrade that took place in January 2011. The contract period is scheduled to expire on October 31, 2011, subject to the customer's option to extend the contract period through November 30, 2011 pending authority approval.

Drillship Ocean Rig Olympia

The *Ocean Rig Olympia* commenced directly upon its delivery on March 30, 2011 the contract to drill a total of five wells with Vanco for exploration drilling offshore Ghana and Cote d'Ivoire at a maximum operating dayrate of $415,000 and a daily mobilization rate of $180,000 plus fuel costs. The aggregate contract term is for approximately one year, subject to the customer's option to extend the term for (i) one additional well, (ii) one additional year, or (iii) one additional well plus one additional year. Vanco is required to exercise the option no later than the date on which the second well in the five well program reaches its target depth.

Samsung Hull 1865, to be named Ocean Rig Poseidon

The *Ocean Rig Poseidon* is scheduled to commence a contract with Petrobras Tanzania in the third quarter of 2011 for a period of 544 days, plus a mobilization period, at a maximum dayrate of $632,000, including a bonus of up to $46,000. In addition, the Company is entitled to receive a separate dayrate of $422,500 for up to 60 days during relocation and a mobilization dayrate from the shipyard to Tanzania of $317,000, plus the cost of fuel.

Samsung Hull 1866, to be named Ocean Rig Mykonos

The *Ocean Rig Mykonos* has no employment contract commitments in place as per the date of this Information Memorandum, and is available from yard September 30, 2011. The Company is in discussions with several operators on employment.

2.10 Drillship options

On November 22, 2010, DryShips, the Company's parent company at the time, entered into a contract with Samsung that granted DryShips options for the construction of up to four additional ultra-deepwater drillships, which would be "sister-ships" to the *Ocean Rig Corcovado* and the *Ocean Rig Olympia* and the two drillships currently under construction. Each of the four options may be exercised at any time on or prior to November 22, 2011, with vessel deliveries ranging from 2013 to 2014 depending on when the options are exercised. The Company estimates the total construction cost, excluding financing costs, to be $600 million per drillship. The option agreement required DryShips to pay a non-refundable slot reservation fee of $24.8 million per drillship. The option agreement was novated by DryShips to the Company on December 30, 2010, at a cost of $99.0 million, which the Company paid from the net proceeds of the Private Placement completed in December 2010. As part of the novation, the benefit of the slot reservation fees passed to the Company. The amount of the slot reservation fee will be applied towards the drillship contract price if the options are exercised.

2.11 Construction budgets as per March 31, 2011

OCEAN RIG POSEIDON

All amounts in mill USD. Construction cost excl. Finance costs.	Total cost to date	Remaining cost	**Estimated total construction cost**
Yard installments	374.8	360.2	**735.0**
Equipment purchases	11.4	19.2	**30.6**
Commissioning and supervision	9.7	15.0	**24.7**
TOTAL, USD MILL	**396.0**	**394.4**	**790.3**

OCEAN RIG MYKONOS

All amounts in mill USD. Construction cost excl. Finance costs.	Total cost to date	Remaining cost	**Estimated total construction cost**
Yard installments	374.8	357.5	**732.3**
Equipment purchases	8.6	22.2	**30.8**
Commissioning and supervision	5.4	17.3	**22.7**
TOTAL, USD MILL	**388.8**	**397.0**	**785.9**

3. Board, management and employees

3.1 Directors, executive officers and key employees

Set forth below are the names, ages and positions of the Company's directors and executive officer and the principal officers of certain of its operating subsidiaries. Members of the board of directors are elected annually. Each director elected holds office 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 the board of directors of the Company or the relevant subsidiary, as applicable, and hold office until a successor is appointed.

Directors and executive officers		
Name	*Age*	*Position*
George Economou	57	Chairman of the Board
Pankaj Khanna	40	Director
Michael Gregos	39	Director
Trygve Arnesen	53	Director
Savvas D. Georghiades	60	Director
Principal officers of operating subsidiaries		
Name	*Age*	*Position*
Paul Carsten Pedersen	56	Acting Chief Executive Officer
Frank Tollefsen	48	Chief Operating Officer and Deputy CEO
Jan Rune Steinsland	51	Chief Financial Officer
John Rune Hellevik	51	Senior Vice President, Marketing & Procurement
Ronald Coull	50	Senior Vice President, Human Resources
Rolf Håkon Holmboe	44	Vice President, Health, Safety, Environment & Quality

The directors Messrs. Gregos and Arnesen have no direct or indirect material relationship with the Company or its affiliates that could reasonably be expected to interfere with the exercise of such director's independent judgment. The Board of Directors has appointed Messrs. Gregos and Arnesen as members of the Company's audit committee.

Biographical information with respect to the above individuals is set forth below.

George Economou was appointed President and Chief Executive Officer of the Company 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, President and Chief Executive Officer of DryShips Inc. Inc since January 2005. He successfully took the Company public in February 2005, on the NASDAQ Global Market under the trading symbol "DRYS". Mr. Economou has overseen the Company's growth 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 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 and in 1991 he founded Cardiff Marine Inc., Group of Companies. Mr. Economou is a member of the ABS Council, Intertanko Hellenic Shipping Forum, and Lloyds Register Hellenic Advisory Committee.

Mr. Economou is a graduate of Athens College, and completed his higher education in the United States at the Massachusetts Institute of Technology in Boston, in 1976; he earned 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 Shipyard Management.

Pankaj Khanna was appointed to the Company's board of directors in December 2010. Mr. Khanna also serves as the Chief Operating Officer of DryShips since March 2009. Mr. Khanna has 22 years of experience in the shipping industry. Prior to joining DryShips, Mr. Khanna was the Chief Strategy Officer for Excel Maritime Carriers Ltd. Mr. Khanna also previously served as Chief Operating Officer of Alba Maritime Services S.A. Prior to joining Alba Maritime Services S.A., Mr. Khanna was Vice President of Strategic Development at Teekay Corporation where he headed vessel sales & purchase activities, newbuilding ordering activities, and other strategic development projects from 2001 through 2007. Prior to this, Mr. Khanna was a Senior Analyst at SSY, a large multinational shipbroker. Mr. Khanna also sailed as a deck officer on merchant vessels for seven years. Mr. Khanna graduated from Blackpool and the Fylde College, Fleetwood Nautical Campus and also received a post-graduate diploma in international trade and transport from London Metropolitan University.

Michael Gregos was appointed to the Company's board of directors in December 2010. Mr. Gregos is Project Manager for Dynacom Tankers Management Ltd. which he joined in 2001. For a period two years (2007-2008) he was employed as Chief Operating Officer by Oceanfreight Inc. Prior to that period, he worked for a shipping concern based in Athens and New York for five years and the Corporate Finance arm of a Greek bank for one year. He is a graduate of Queen Mary University in London and holds an MSc in Shipping, Trade and Finance from City University.

Trygve Arnesen was appointed to the Company's board of directors in December 2010. Mr. Arnesen is a Director for Aftermarket Eastern Region with FMC Technologies, a position he has held since August 2010. Mr. Arnesen holds an M.Sc. in petroleum engineering and applied geophysics from the Norwegian University of Science and Technology from 1980. He has worked in the drilling and oil service industry since 1982, and has held a broad range of positions in various companies including Wilhelmsen (1982-1984), Morco&Ross (1984-1985), Norcem / Aker Drilling (1985-1989), Saga (1989), Transocean / Procon / Prosafe (1990-1992 and 1994-2005), Shell (1992-1994), and Odfjell (2005-2006). He was the CEO of Ocean Rig ASA, the Company's predecessor, in 2006-2008 and worked as CEO for Norwind in the period 2008-2010 until his current position.

Savvas Georghiades was appointed to the Company's board of directors in December 2010. Mr. Georghiades, is a practicing lawyer in Cyprus since 1976. He is a graduate of the Aristotle University in Thessaloniki. Mr. Georghiades is a member of the Shipping Committee of the Cyprus Bar Association.

Paul Carsten Pedersen is the Acting Chief Executive Officer of Ocean Rig AS since February 2011. Mr. Pedersen has 29 years of experience from Maersk, primarily in management positions in the drilling and FPSO business units but also from M&A activities for the Maersk Group at large. Mr. Pedersen holds a masters degree in Mechanical Engineering and business education from Columbia and Wharton Business schools in the United States.

Frank Tollefsen has been with Ocean Rig since January 2004 and served as the Senior Vice President Operations of Ocean Rig AS since March 2007. Mr. Tollefsen was promoted Chief Operating Officer (COO) and Deputy CEO as of February 1, 2011. Mr. Tollefsen has 26 years of experience from various positions in the drilling contracting business. From 1990 Mr. Tollefsen has had leading positions in the North Sea, Nigeria, Houston, Brazil, Canada, and the Middle East region as well as India and the Mediterranean. He spent the last 13 years with Transocean Ltd. Prior to that Mr. Tollefsen served six years with Dolphin Drilling. Mr. Tollefsen is a Mechanical Engineer.

Jan Rune Steinsland is the Chief Financial Officer of Ocean Rig AS and joined the Ocean Rig group of companies in 2006. Mr. Steinsland has 16 years experience from various positions in the energy and drilling industry and six years of experience in the finance industry. Mr. Steinsland has a Master of Business Administration from the University of St. Gallen Switzerland and is a Certified European Financial Analyst (AFA) from The Norwegian Society of Financial Analysts/Norwegian School of Economics and Business Administration. From 2000 to 2006 Mr. Steinsland was Chief Financial Officer of Oslo Børs listed Acta Holding ASA. From 1988 to 2000, Mr. Steinsland held several management positions in Esso Norge / Exxon, including Financial Analyst, Financial Reporting Manager, Vice President Accounting, Project Controller and Audit Advisor.

John Rune Hellevik has served as the Senior Vice President Marketing Procurement of Ocean Rig AS since 2007. Mr. Hellevik has 30 years experience in the offshore business, both from oil companies and contractors. From 1986 – 1995 he worked in various management positions within procurement and marketing in Smedvig Offshore ASA and Scana Offshore Technology. During the period from 1995 to 2006 he had management positions within procurement, marketing and contracts in Transocean ASA and Prosafe ASA. Mr. Hellevik is educated in Business Administration from Bedriftsøkonomisk Institutt (BI), Norway.

Ronald Coull has served as the Senior Vice President Human Resources of Ocean Rig Ltd. since June 2009. He has worked in the oil and gas sector for over 20 years with extensive experience in both Generalist HR and Recruitment. His previous roles included Operational Director of Atlantic Resourcing Ltd which is a part of the Petrofac group of companies, where he was responsible for delivery of the business both operationally and financially. This included working with a number of external companies delivering innovative recruitment solutions to the drilling, marine and operations business. Prior to this he was Human Resources Director & Head of Human Resources for Petrofac Facilities Management in Aberdeen, with responsibility for providing full human resource support to the business in the North Sea, and international contracts in Europe, Middle East and Africa and Asia-Pacific.

Rolf Håkon Holmboe has served as the Vice President Health, Safety, Environment & Quality (HSE&Q) of Ocean Rig AS since January 2010, and has worked in the area of health, safety, environment and quality in the oil & gas sector for 20 years. From 1991 to 1997 Mr. Holmboe worked for Det norske Veritas, before joining Statoil where he spent 12 years, from 1997 to 2009. Areas of experience include emergency preparedness, risk analyses, HSE management, operational safety and incident investigations. Mr. Holmboe is a Chemical Engineer, graduated from Heriot-Watt University, Edinburgh, in 1990.

3.2 Compensation of directors and senior management

The aggregate annual compensation paid by to the members of the senior management of the Company's subsidiaries (six individuals) was $2.9 million for the year ended December 31, 2010, consisting of $2.7 million in salary and bonus, pension contribution of $0.2 million and other benefits. The Company pays its nonexecutive directors annual director fees. In addition, each director is reimbursed for out-of-pocket expenses incurred attending any meeting of the board of directors or any committee of the board of directors. The Company does not maintain a medical, dental, or retirement plan for its directors. Members of the Company's senior management who also serve as directors will not receive additional compensation for their services as directors.

3.3 Employees

As of December 31, 2010, the Company's management subsidiaries had approximately 564 employees, of which approximately 445 were employed by the Company's management subsidiaries and 119 were permanent crew engaged through third party crewing agencies. Of the total number of employees, approximately 160 were assigned to the *Eirik Raude*, approximately 143 were assigned to the *Leiv Eiriksson* and approximately 139 were assigned to the *Ocean Rig Corcovado* and 50 were assigned to the *Ocean Rig Olympia.* These numbers include shore-based support teams in Turkey and Ghana. The newbuild drillship project team, located in Korea and Norway, employed 50 employees, while the management and staff positions at the Stavanger office consisted of 59 employees. In addition, there were four employees based at the London office and two employees based in other locations.

As of March 25, 2011 the total number of employees has increased to 749, of which 552 are Ocean Rig employees and 197 are provided by third party companies. The change is primarily due to the increase in manning levels on all four drillships; 135 to *Ocean Rig Corcovado*, 118 to *Ocean Rig Olympia*, 46 to *Ocean Rig Poseidon* and 19 to *Ocean Rig Mykonos*.

Recruitment for drillship operations

The Company will have 90 employees per drillship as base crew and the remainder will be recruited according to contract, location and the availability of quality personnel in that area. As of March 24, 2011, the *Ocean Rig Corcovado* and the *Ocean Rig Olympia* are fully crewed and the Company is engaged in hiring crew for the other drillships, which the Company expects to complete prior to the delivery of the applicable drillship.

3.4 Management services purchased from outside parties

Ocean Rig UDW is a fully integrated drilling contractor and does not rely on any management services from outside parties.

4. Financial information

4.1 Selected consolidated financial information

The following section should be read in conjunction with the Company's financial statements for the years ended December 31, 2008, 2009 and 2010 as attached hereto in appendix 1. The Company expects audited figures for years ended December 31, 2009 and 2010 to be finalized by April 8, 2011. The Company does not expect any changes to the figures presented in this Information Memorandum.

A summary of the accounting principles is given in the relevant appendices.

Summary of consolidated income statements

Year ended December 31 (USD '000)	Audited 2008	Unaudited 2009	Unaudited 2010
Revenues			
Revenue	218,663	388,122	405,712
Expenses			
Drilling and operating expenses	86,229	133,256	119,369
Depreciation and amortization	45,432	75,348	75,092
Loss on disposal of assets			-1,458
Goodwill impairment	761,729		
General and administrative expenses	14,462	17,955	19,443
Operating income	-689,189	161,563	190,350
Other operating expenses			
Interest and finance costs, net	-68,659	-39,861	4,046
Gain/(loss) in interest rate swaps		4,826	-40,303
Other, net)	-2,300	2,023	1,104
Total other income/(expenses), net	-70,959	-33,012	-35,153
Income tax	-2,844	-12,797	-20,436
Equity in income/(loss) of investee	-1,055		
Net income attributable to non controlling interest	-1,800		
Net income/(loss)	-765,847	115,754	134,761

Summary of consolidated balance sheets

Year ended December 31 (USD '000)	Audited 2008	Unaudited 2009	Unaudited 2010
ASSETS			
Current Assets			
Cash and cash equivalents	272,940	234,195	95,707
Restricted cash	31,287	220,690	562,793
Other current assets	62,092	103,673	63,506
Total current assets	366,319	558,558	722,006
Fixed assets net	1,377,359	2,495,999	3,137,823
Other non current assets	17,003	55,428	483,869
Total assets	1,760,681	3,109,985	4,343,698
LIABILITIES AND STOCKHOLDER EQUITY			
Current portion of long term debt	826,027	537,668	560,561
Other current liabilities	59,012	144,619	107,357
Total current liabilities	885,039	682,287	667,918
Long term debt	788,314	662,362	696,986
Financial instruments	47,168	64,219	96,901
Other current liabilities	16,529	0	811
Total non current liabilities	852,011	726,581	794,698
Stockholders equity	23,631	1,701,117	2,881,082
Total liabilities and stockholder equity	1,760,681	3,109,985	4,343,698

Summary of consolidated statements of cash flows

Year ended December 31 (USD '000)	Audited 2008	Unaudited 2009	Unaudited 2010
Net cash provided by operating activities	21,119	214,912	228,003
Net cash used in investing activities	-1,020,673	-150,617	-1,447,552
Net cash provided by financing activities	1,257,390	-103,041	1,081,061
Net increase/(decrease) in cash and cash equivalents	257,836	-38,745	-138,488
Cash and cash equivalents at beginning of period	15,104	272,940	234,195
Cash and cash equivalents at end of period	272,940	234,195	95,707

Overview of events subsequent to December 31, 2010

The following is an overview of the subsequent events through March, 2011, the date the financial statements were issued.

On January 3, 2011 the Company took delivery of its newbuilding drillship, the *Ocean Rig Corcovado*, the first to be delivered of the four sister drillship vessels that are being constructed at Samsung Heavy Industries. In connection with the delivery of *Ocean Rig Corcovado*, the final yard installment of $289.0 million was paid and the pre-delivery loan from DVB Bank of $115.0 million was repaid in full.

On January 4, 2011 the Company announced that it had entered into firm contracts with Cairn Energy PLC for the *Leiv Eiriksson* and the *Ocean Rig Corcovado* for a period of approximately 6 months each. The total contract value including mobilization for the *Leiv Eiriksson* is approximately $95 million. The mobilization period will start in direct continuation from the agreed release date from Petrobras. The total contract value including mobilization and winterization of the *Ocean Rig Corcovado* is approximately $142 million.

On January 4, 2011 the Company announced that it had entered into a firm contract with Petrobras Tanzania for its 3rd drillship newbuilding the *Ocean Rig Poseidon*. As part of this agreement the Leiv Eiriksson will be released early from the existing contract and will be made available in second quarter 2011. The firm contract period is for about 600 days plus a mobilization period. The total contract value including mobilization is $353.0 million.

On January 4, 2011 the Company repaid the $300 million short term overdraft facility with EFG Eurobank from restricted cash, which was drawn down in full on December 28, 2010.

On January 5, 2011 the Company drew down the full amount of the $325.0 million Deutsche Bank term loan facility, with its subsidiary Drillships Hydra Owners Inc. as borrower, for the purpose of (i) meeting the ongoing working capital needs of Drillships Hydra Owners Inc, (ii) financing the partial repayment of existing debt in relation to the purchase of the drillship *Ocean Rig Corcovado*, and (iii) financing the payment of the final installment associated with the purchase of said drillship. DryShips Inc., Drillships Holdings Inc and Ocean Rig UDW Inc. are joint guarantors and guarantee all obligations and liabilities of Drillships Hydra Owners Inc.

On March 18, 2011, the Company repaid the second and final $115 million tranche of the predelivery financing for *Ocean Rig Corcovado* and *Ocean Rig Olympia*.

On March 25, 2011, the company received signed commitments from all lenders participating in an $800 million Syndicated Secured Term Loan Facility to partially refinance the *Ocean Rig Corcovado* and *Ocean Rig Olympia*. This facility has a five year term and a twelve year profile, and bears interest at LIBOR plus a margin. The facility is guaranteed by DryShips Inc and Ocean Rig UDW Inc. and certain financial covenants on both entities. This new facility is subject to acceptable documentation. Upon drawdown, the Company expects to prepay its $325 million Bridge Loan Facility.

On March 28, 2011, the Company received a confirmation from the Agent of its two $562.5 million loan agreements to finance *Ocean Rig Poseidon* and *Ocean Rig Mykonos* that it received signed consent for the restructuring of these facilities. The material terms of this restructuring are as follows: Maximum amount per facility is reduced from $562.5 million to $495 million, Ocean Rig guarantee will be provided, financial covenants on Ocean Rig guarantee, full drawdowns will be allowed for *Ocean Rig Poseidon* against the Petrobras charter, and cash collateral will be released. For *Ocean Rig Mykonos* the Company has up to one month prior to delivery to execute a charter acceptable to the lenders.

On March 30, 2011 the Company took delivery of its newbuilding drillship, the *Ocean Rig Olympia*, the second to be delivered of the four sister drillship vessels that are being constructed at Samsung Heavy Industries. The final installment was financed partially through a shareholder loan from DryShips of approximately $127.5 million, which will be repaid when the funds from the $800 million Syndicated Secured Term Loan Facility are made available.

4.2 Auditors

The Company's auditors are Ernst & Young AS, Vassbotnen 11, N-4313 Sandnes, Norway. Ernst & Young AS has been auditor for the Company since 2009 and has been auditor for the Company's predecessor Ocean Rig ASA since 2003.

5. Investments, capital resources and indebtedness

5.1 Investments

As of March 31, 2011, the remaining yard installments for *Ocean Rig Poseidon* and *Ocean Rig Mykonos* are analyzed as follows:

($ in millions)	Samsung Hulls 1865 and 1866
Remaining yard installments for fiscal year 2011	717.7
Paid to yard to date	749.6
Total yard installments	1,467.3
Commitments not covered by loans	-

As with any major shipyard project that takes place over an extended period of time, the actual costs, the timing of expenditures and the project completion date may vary from estimates based on numerous factors, including actual contract terms, weather, exchange rates, shipyard labour conditions, and the market demand for components and resources required for drilling unit construction.

5.2 Liquidity and capital resources

As of December 31, 2010, the Company had cash and cash equivalents of $95.7 million. Short-term restricted cash was $562.8 million, mainly related to collateral requirements for debt.

As of December 31, 2010, the Company had aggregate financial debt outstanding of $1.3 billion, inclusive of deferred financing costs amounting to $27.8 million, of which $560.6 million was classified as current in its balance sheet. Repayments of scheduled debt is $568.3 million in 2011. As of December 31, 2010, the Company had $930.5 million of unutilized credit facilities for the construction of *Ocean Rig Poseidon* and *Ocean Rig Mykonos*, subject to conditions for drawdown as further described in 5.3.

The Company has substantial purchase commitments mainly representing the remaining installment payments for the delivery of its drillships under construction. The Company took delivery of two drillships in first quarter of 2011, and will take delivery of two drillships in the third quarter of 2011. As of March 31, 2011, adjusted for two payments in the first quarter of 2011, these commitments amount to $717.7 million for 2011.

The Company does not expect that internally generated cash flow will be sufficient to meet its financing requirements. In order to finance its scheduled debt repayments and remaining installment payments, the Company has subsequent to December 31, 2010 made agreements to secure additional debt funding, as summarized below and as further described in section 5.3.

- On March 25, 2011, the Company received signed commitments from all lenders participating in an $800 million Syndicated Secured Term Loan Facility to partially refinance the *Ocean Rig Corcovado* and *Ocean Rig Olympia*. This facility is subject only to acceptable documentation.

- On March 28, 2011, the Company received a confirmation from the agent of its two $562.5 million loan agreements to finance *Ocean Rig Poseidon* and *Ocean Rig Mykonos* that it received signed consent for the restructuring of these facilities. As part of this restructuring, the conditions for the credit facility on *Ocean Rig Poseidon* were amended to allow for immediate drawdown up to a maximum of $495 million. This restructuring is subject only to acceptable documentation.

The Company believes that its existing cash balances, internally generated cash flows and drawdown under existing credit facilities including the new $800 million facility and the restructuring of the $562.5 (to be amended to $495 million) facilities are sufficient to finance the remaining aggregate shipyard commitments for the drillships *Ocean Rig Poseidon* and *Ocean Rig Mykonos*, as well as to meet scheduled debt repayments in 2011.

5.3 Indebtedness

An overview of the debt facilities as of December 31, 2010, is provided in the table below, with each facility described in more detail following the table.

Facility	Original amount ($ mill.)	Amount drawn ($ mill.) (1)	Margin	Maturity	Amortization (USD mill.) 2011	2012	2013	2014
$230 million credit facility	$230	$115	1.25%	Two payments due on the earlier of (i) the delivery date of each of Samsung Hull 1837 and 1838 and (ii) March 30, 2011 and June 30, 2011, respectively	$115	-	-	-
$300 million short term facility	$300	$300	Fixed rate	Fully repaid January 2011	$300			
$325 million term loan facility	$325	0		Drawn in January 2011, matures in July 2011	325			
$1.04 billion credit facility	$1,040	$676	1.50% to 1.75 %	Q3 2013	$153	$70	$453	-
$562 million loan agreement with Drillship Kithira Owners Inc.	$562	$97	1.75% to 2.00%	Q3 2020	-	$11	$11	$11
$562 million loan agreement with Drillship Skopelos Owners Inc.	$562	$97	1.75% to 2.00%	Q4 2020	-	$11	$11	$11

(1) Amounts drawn in above table represent gross loan amounts and do not include deferred financing costs which, as of December 31, 2010, were as follows: (a) $0.2 million for the $230.0 million credit facility; (b) $0.0 million for the $300 million short term facility; (c) $7.3 million for the $325 million term loan facility; (d) $5.8 million for the $1.04 billion credit facility; (e) $7.6 million for the $562.5 million loan agreement with Drillship Kithira Owners; and (f) $7.7 million for the $562.5 million loan agreement with Drillship Skopelos Owners Inc.

An overview of the debt facilities as of March 31, 2011, is provided in the table below, with each facility described in more detail following the table, reflecting the changes since December 31, 2010.

Facility	Original amount ($ mill.)	Amount drawn ($ mill.) (1)	Margin	Maturity	Amortization (USD mill.) 2011	2012	2013	2014
$325 million term loan facility	$325	$325		July 2011	325			
$1.04 billion credit facility	$1,040	$638	1.50% to 1.75 %	Q3 2013	$115	$70	$453	-
$800 million credit facility	$800	0	To be announced	Q2 2016	-	-	-	-
$495 million loan agreement with Drillship Kithira Owners Inc.	$495	$99	1.75% to 2.00%	Q3 2020	-	$11	$11	$11
$495 million loan agreement with Drillship Skopelos Owners Inc.	$495	$99	1.75% to 2.00%	Q3 2020	-	$11	$11	$11

(1) Amounts drawn in above table represent gross loan amounts and do not include deferred financing costs which, as of March 31, 2010, were as follows: (a) $1.9 million for the $325 million term loan facility; (d) $4.4 million for the $1.04 billion credit facility; (e) $7.6 million for the $495 million loan agreement with Drillship Kithira Owners; and (f) $7.7 million for the $495 million loan agreement with Drillship Skopelos Owners Inc.

$230 million credit facility

In connection with the acquisition of Drillships Holdings on May 15, 2009, the Company assumed two $115.0 million loan facilities that were entered into in September 2007, in order to finance the construction of *Ocean Rig Corcovado* and *Ocean Rig Olympia*. The $230.0 million Credit Facility was repaid upon the delivery of *Ocean Rig Corcovado* in January 2010 and *Ocean Rig Olympia* in March 2011.

$300 million short term facility

On December 28, 2010 the Company entered into a $300 million short term overdraft facility with a lender, which was drawn down in full on December 28, 2010, and repaid on January 3, 2011. The short-term overdraft facility cannot be re-drawn.

$325 million term loan facility

On December 21, 2010, Drillship Hydra Owners Inc. entered into a $325.0 million short-term loan facility with an international lender - for the purpose of (i) meeting the ongoing working capital needs of Drillships Hydra Owners Inc.; (ii) financing the partial repayment of existing debt in relation to the purchase of the *Ocean Rig Corcovado*; and (iii) financing the payment of the final installment associated with the purchase of said drillship. This loan facility is repayable in full in July 2011 and bears interest at a rate of LIBOR plus a margin. The Company drew down the full amount of this loan on January 5, 2011. The Company expects to refinance the $325 million term loan facility with the New $800 million Syndicated Secured Term Loan Facility

This loan agreement is secured by, among other things, a first priority mortgage on the *Ocean Rig Corcovado*. This loan agreement is guaranteed by DryShips and by the Company and contains certain financial covenants measured on the DryShips financial accounts requiring the maintenance of (i) minimum market adjusted equity ratio; (ii) minimum market value adjusted net worth of DryShips and its subsidiaries; and (iii) minimum amount of free cash and cash equivalents.

The loan agreement contains customary restrictive covenants and events of default, including non-payment of principal or interest, breach of covenants or material misrepresentations, bankruptcy, change of control and imposes restrictions on the payments of dividends and employment of the vessels.

This loan agreement contains a cross-default provision that applies to the Company and DryShips. This means that if the Company or DryShips default, by way of non-payment of principal and interest or by way of acceleration or cancellation of debt, the Company will be in default of under this loan agreement.

$1.04 billion credit facility.

On September 17, 2008, the Company entered into a new five-year secured credit facility for the amount of up to $1,040 million in order to refinance the Company’s existing loan indebtedness in relation to the drilling units *Leiv Eiriksson* and *Eirik Raude* and for general corporate purposes. The 1,040 million Credit Facility consists of a guarantee facility, three revolving credit facilities (“A”, “B” and “C”) and a term loan. The aggregate amount of the term loan is up to $400.0 million and the aggregate amount under the revolving credit facility is up to $350 million. The aggregate amount under the revolving credit facility “B” is up to $250.0 million and under the revolving credit facility “C” is up to $20.0 million. The guarantee facility provides the Company with a credit facility of up to $20.0 million.

In September and October, 2008, the Company drew down $1,020 million of the new credit facility. The drawdown proceeds were used to repay all other Ocean Rig outstanding debt at the date of the drawdown amounting to $776.0 million.

The commitment under the $1,040 million Credit Facility's Revolving Credit Facility "A" was reduced by $17.5 million on December 17, 2008 and will continue to be reduced by $17.5 million quarterly thereafter until September 17, 2013, which is 60 months after the date of the agreement. Further, the commitment under 1,040 million Credit Facility's Revolving Credit Facility "B" is reduced quarterly by 12 unequal quarterly installments with a final maturity date of not later than the earlier of "A" the expiry of the time charter of the drilling rig the *Eirik Raude*, which is scheduled to expire in October 2011 or "B" September 17, 2011.This loan bears interest at LIBOR plus a margin ranging from 1.5% to 1.75% and is repayable in twenty quarterly installments. The term loan will be repaid by one balloon payment of $400 million on September 17, 2013.

As of December 31, 2009 and 2010, the outstanding balances under the $1,040 million Credit Facility were $808.6 million and $675.8 million, respectively.

Under the $1.04 billion credit facility, Drill Rigs Holdings Inc. and its subsidiaries are subject to certain covenants requiring, among other things:

- free cash of at least $30.0 million;
- a leverage ratio (the ratio of net interest bearing debt to EBITDA) not more than (i) 5.0 at the end of each quarter for the year ending December 31, 2010, and (ii) 4.5 thereafter;
- a minimum interest coverage ratio (the ratio of EBITDA to net interest costs) of 2.5;
- a minimum current ratio (the ratio of current assets to current liabilities) of 1.0;
- a minimum equity ratio (the ratio of value adjusted equity to value adjusted total assets) of 0.25;
- capital expenditures not exceed $50.0 million in any fiscal year;
- the aggregate market value of the *Eirik Raude* and the *Leiv Eiriksson* be at least equal to 135% of the principal amount of the borrowings outstanding under the term loan facility and of the $350.0 million and $20.0 million revolving credit facilities;
- the insured value for the *Eirik Raude* and the *Leiv Eiriksson* be at least equal to each drilling rig's market value;
- the aggregate insured value for the *Eirik Raude* and the *Leiv Eiriksson* be at least equal to 120% of the aggregate value of the loans and the maximum amount payable under the letter of credit; and
- the mortgagee interest insurance be in an amount equal to 120% of the aggregate value of the loans and the maximum amount payable under the letter of credit.

Furthermore, pursuant to the terms of the $1.04 billion credit facility, if any person or persons acting in concert (other than DryShips or other companies controlled by Mr. George Economou) obtains either direct or indirect control of one-third or more of the shares in Drill Rigs Holdings Inc., notice must be provided to DnB NOR Bank ASA, who may, upon the instruction of any lender, cancel all commitments and declare outstanding loans and accrued interest due and payable.

The $1.04 billion credit facility is secured by, among other things, (i) first and second priority mortgages over the *Leiv Eiriksson* and the *Eirik Raude*; (ii) first and second priority assignment of all insurances and earnings of the *Leiv Eiriksson* and the *Eirik Raude*; (iii) pledges of shares in each of Primelead Ltd., Ocean Rig Ghana Limited, Ocean Rig Limited, Ocean Rig 1 Inc., Ocean Rig 2 Inc., Ocean Rig 1 Shareholders Inc., Ocean Rig 2 Shareholders Inc. and (iv) first and second mortgages over the machinery and plant of Ocean Rig 1 Inc. and Ocean Rig 2 Inc.

The $1.04 billion credit facility contains restrictions on the ability of Drill Rigs Holdings Inc. to pay dividends, make distributions to its stockholders, and reduce share capital without the prior written consent of the lenders if fewer than six months (excluding options) remain on the term of the Tullow Oil contract unless such contract has been replaced with a comparable drilling services contract for the *Eirik Raude* with a counterparty that has a financial standing equal to that of Tullow Oil at the time the Tullow Oil contract was entered into.

This credit facility contains a cross-default provision that applies to the Company and DryShips. This means that if the Company or DryShips default, by way of non-payment of principal and interest or by way of acceleration or cancellation of debt, under any of their respective other loan or guarantee obligations, the Company will be in default of this loan. For a discussion of the financial condition of DryShips (NASDAQ: DRYS), the Company's current sole shareholder, reference is made to its annual report for the year ended December 31, 2009 and its other public filings that may be accessed free of charge on the U.S. Securities and Exchange Commission's website at www.sec.gov.

The Company's wholly-owned subsidiary Drill Rigs Holdings Inc. has entered into three interest rate swap agreements to fix LIBOR on the principal amounts outstanding under this loan agreement.

Two $562.5 million loan agreements, to be amended to the $495 million loan agreements

On July 18, 2008, Drillship Kithira and Drillship Skopelos, the Company's wholly-owned subsidiaries and the owners of the newbuilding drillships under construction identified as *Ocean Rig Poseidon* and *Ocean Rig Mykonos*, respectively, each entered into a loan agreement with a syndicate of lenders, including Deutsche Bank AG, in the amount of $562.5 million to partially finance (70%) the construction cost of *Ocean Rig Poseidon* and *Ocean Rig Mykonos* , including payment of the loan financing fees, incidental drillship costs, commitment fees, loan interest, and a portion of the second yard installments. Both of the loans bear interest in part at a fixed rate and in part at LIBOR plus applicable margin. The loans are repayable in 18 semi-annual installments of $31.25 million through September 2020 and November 2020, respectively.

Under the original terms of the facilities the lenders under the Company's two $562.5 million loan agreements were not required to fund certain drawdowns by the Company under such loan agreements, and the Company would be required to repay all outstanding amounts, in the event the Company does not obtain, by the earlier of April 30, 2011 and the delivery of the applicable drillship, employment contracts for *Ocean Rig Poseidon* and *Ocean Rig Mykonos* , respectively, at minimum dayrates of $545,000 for a two year contract, $550,000 for a three year contract and $510,000 for a five year contract and with charterers that are satisfactory to such lenders.

On March 28, 2011, the Company received a confirmation from the Agent of its two $562.5 million loan agreements to finance *Ocean Rig Poseidon* and *Ocean Rig Mykonos* that it received signed consent for the restructuring of these facilities. The same terms will apply except for the terms highlighted below.
The material terms of this restructuring are as follows:

- Maximum amount per facility is reduced from $562.5 million to $495 million
- Ocean Rig guarantee will be provided
- Financial covenants on Ocean Rig guarantee
- Full draw downs will be allowed for *Ocean Rig Poseidon* against the Petrobras charter, and cash collateral will be released
- For *Ocean Rig Mykonos*, the Company has up to one month prior to delivery to execute a charter acceptable to the lenders

The two $562.5 million loan agreements (to be amended to $495 million) are secured by, among other things, a first priority mortgage on *Ocean Rig Poseidon* and *Ocean Rig Mykonos*. These loan agreements contain certain financial covenants requiring that Drillship Kithira and Drillship Skopelos each:

- maintain a post-delivery minimum leverage ratio of 125%;
- maintain vessel insurance not less than the greater of 125% of the aggregate of the outstanding loans or the fair market value of the respective drillship;
- maintain protection and indemnity insurance for the respective drillships during sea trials in an amount not less than $300.0 million and general third party liability insurance,

effective from the commencement of the sea trials, in an amount not less than $25.0 million; and
- pay $25.0 million into the debt service reserve account prior to the drilling charter cutoff date, which is the earlier of April 30, 2011 and the delivery date of the drillship identified as *Ocean Rig Poseidon*.

These loan agreements are guaranteed by DryShips. The guarantee covers the initial equity contribution and each other equity contribution, the equity collateral, amounts to be paid into the debt service reserve account and each payment of the loan balance. The guarantee by DryShips contains certain financial covenants measured on the DryShips financial accounts to:
- maintain a minimum market adjusted equity ratio of 30%;
- maintain a minimum interest coverage ratio of 3 to 1;
- maintain a minimum market value adjusted net worth of the DryShips Group of $500.0 million;
- maintain minimum free cash and cash equivalents of $40.0 million.

Under both loan agreements, Drillship Kithira and Drillship Skopelos may not assign or transfer any of their rights and obligations under the loan agreements without the prior consent of Deutsche Bank Luxembourg S.A., acting on the instructions of all of the lenders.

Both loan agreements also contain covenants that include:
- restrictions on selling, transferring, or otherwise disposing of the assets of Drillship Kithira and Drillship Skopelos, as applicable;
- restrictions on giving possession of the drillships for repairs in an amount greater than $15.0 million;
- restrictions on the application of the proceeds from the sale or total loss of the drillships, including losses during the pre-delivery period;
- restrictions on the chartering of the drillships for any period;
- minimum collateral requirements;
- restrictions on the creation of any security interest other than those permitted under the terms of the loan agreements; and
- restrictions on the payment by Drillship Kithira and Drillship Skopelos of any dividend or other distribution to any of their stockholders.

On June 5, 2009, the Company entered into agreements with Deutsche Bank Luxembourg S.A., as facility agent, and certain other lenders on waiver and amendment terms with respect to each of these credit facilities providing for a waiver of certain financial covenants through January 31, 2010. These agreements and the waivers and consents contained therein were terminated pursuant to the terms of the Supplemental Agreement No. 3, dated January 29, 2010, to each of these credit facilities because the Company, including DryShips, were in compliance with all of the covenants contained in this loan agreement. However, additional draw downs must be fully cash collateralized until the Company finds suitable employment, as described above, for both vessels.

This credit facility contains a cross-default provision that applies to the Company and DryShips . This means that if the Company or DryShips default under any of their other loan or guarantee obligations, the Company will be in default of this loan. For a discussion of the financial condition of DryShips (NASDAQ: DRYS), the Company's current sole shareholder, reference is made to its annual report for the year ended December 31, 2009 and its other public filings that may be accessed free of charge on the U.S. Securities and Exchange Commission's website at www.sec.gov.

New $800 million Syndicated Secured Term Loan Facility

On March 25, 2011, the company received signed commitments from all lenders participating in an $800 million Syndicated Secured Term Loan Facility to partially refinance the *Ocean Rig Corcovado* and the *Ocean Rig Olympia*. This facility has a five year term and a twelve year profile, and bears interest at LIBOR plus a margin. The facility is guaranteed by DryShips Inc and Ocean Rig UDW Inc. and certain financial covenants on both entities.

This new facility is subject to acceptable documentation.

Upon drawdown, the Company expects to prepay its $325 million term loan facility and the shareholder loan from DryShips of approximately $127.5 million.

Interest Rate Swap (IRS) agreements

As of December 31, 2010, the Company had outstanding eleven interest rate swap and cap and floor agreements, with a notional amount of $908.5 million maturing from September 2011 through November 2017. These agreements are entered into in order to economically hedge its exposure to interest rate fluctuations with respect to the Company's borrowings. As of December 31, 2010, eight of these agreements do not qualify for hedge accounting and, as such, changes in their fair values are included in the accompanying consolidated statement of operations. As of December 31, 2010, three agreements qualify for and are designated for hedge accounting and, as such, changes in their fair values are included in other comprehensive income or loss. As of December 31, 2010, the fair value of these agreements was a liability of $109.4 million. This fair value equates to the amount that would be paid by the Company if the agreements were cancelled at the reporting date, taking into account current interest rates and creditworthiness of the Company.

As of December 31, 2010, security deposits (margin calls) of $78.6 million were paid and were recorded as "Other non current assets" in the consolidated balance sheet. These deposits are required by the counterparty due to the market loss in the swap agreements.

6. Certain relationships and related party transactions

6.1 Agreements involving the Company

Management agreements with Cardiff

From October 19, 2007 to December 21, 2010, the Company, through its wholly-owned subsidiaries Drillship Hydra Owners Inc. and Drillship Paros Owners Inc., was party to, with respect to the *Ocean Rig Corc*ovado and the *Ocean Rig Olympia*, separate management agreements with Cardiff, a party affiliated with the Company's Chairman, Mr. George Economou, pursuant to which Cardiff provided additional supervisory services in connection with said drillships including, among other things: (i) assisting in securing the required equity for the construction; (ii) negotiating, reviewing and proposing finance terms; (iii) assisting in marketing towards potential contractors; (iv) assisting in arranging, reviewing and supervising all aspects of building, equipment, financing, accounting, record keeping, compliance with laws and regulations; (v) assisting in procuring consultancy services from specialists; and (vi) assisting in finding prospective joint-venture partners and negotiating any such agreements. Pursuant to the management agreements, the Company paid Cardiff a management fee of $40,000 per month per drillship plus (i) a chartering commission of 1.25% on revenue earned; (ii) a commission of 1.0% on the shipyard payments or purchase price paid for drillships; (iii) a commission of 1.0% on loan financing; and (iv) a commission of 2.0% on insurance premiums. During the years ended December 31, 2008 and 2009 and 2010, total charges from Cardiff under the management agreements amounted to $0.0 million, $1.9 million and $4.0 million, respectively. This was capitalized as drillship under construction cost, being a cost directly attributable to the construction of the two drillships, the *Ocean Rig Corcovado* and the *Ocean Rig Olympia*.

In accordance with the Addenda No. 1 to the above management agreement, dated as of December 1, 2010, by and between Cardiff and the Company's drillship-owning subsidiaries, the management agreements were terminated effective December 21, 2010. From the same time, the Global Services Agreement between Cardiff and DryShips provides for the delivery of certain management services related to the Company's drillships as further described under section 6.2 below.

Acquisition of Ocean Rig ASA

The Company's wholly-owned subsidiary, Primelead Limited, a corporation organized under the laws of the Republic of Cyprus, was formed on November 16, 2007 for the purpose of acquiring shares of Ocean Rig ASA. On December 20, 2007, Primelead Limited acquired 51,778,647 shares, or approximately 30.4% of the outstanding capital stock of Ocean Rig ASA following its nomination as a buyer from Cardiff, for which Cardiff received a commission of $4.1 million on February 1, 2008. Ocean Rig UDW Inc. was formed under the laws of the Republic of the Marshall Islands on December 10, 2007, under the name Primelead Shareholders Inc. Ocean Rig UDW Inc. acquired all of the outstanding shares of Primelead Limited in December 2007 in a transaction under common control, which was accounted for as a pooling of interests. In April 2008, 7,546,668 shares, representing 4.4% of the share capital of Ocean Rig ASA, were purchased from companies controlled by the Company's Chairman, Mr. George Economou, for consideration of $66.8 million, which is the U.S. dollar equivalent of NOK45 per share, which is the price that was offered to all shareholders in the mandatory offering. After acquiring 33% of Ocean Rig ASA's outstanding shares on April 22, 2008, the Company launched a mandatory bid for the remaining shares of Ocean Rig ASA at a price of NOK45 per share ($8.89 per share) as required by Norwegian law. The Company acquired additional shares and gained control over Ocean Rig on May 14, 2008. The results of operations related to the acquisition are included in the consolidated financial statements as of May 15, 2008. The Company held 100% of the shares of Ocean Rig ASA (163.6 million shares) as of July 10, 2008. A commission of $9.9 million was paid to Cardiff on December 5, 2008 for services rendered in relation to the Company's acquisition of the remaining shares in Ocean Rig ASA.

Acquisition of the owning companies Ocean Rig Corcovado and Ocean Rig Olympia

On October 3, 2008, the Company entered into a share purchase agreement to acquire the equity interests of the companies owning the *Ocean Rig Corcovado* and the *Ocean Rig Olympia*, which were controlled by clients of Cardiff, including certain entities affiliated with Mr. Economou. As part of this transaction, the Company assumed the liabilities for a $230 million loan facility which, in addition to the customary security and guarantees issued to the borrower, were collateralized by certain vessels owned by certain parties affiliated with Mr. Economou, corporate guarantees of certain entities affiliated with Mr. Economou and a personal guarantee from Mr. Economou. The Company repaid $115.0 million of the loan facility on December 22, 2010 in connection with the delivery of the *Ocean Rig Corcovado* and the remaining $115.0 million of the loan facility on March 18, 2011 in connection with the delivery of the *Ocean Rig Olympia.*

On May 15, 2009, the acquisition described above closed. As consideration for this acquisition, the Company issued to the sellers the number of common shares equal to 25% of its total issued and outstanding common shares as of May 15, 2009.

On July 15, 2009, DryShips acquired the remaining 25% of the Company's total issued and outstanding capital stock from the minority interests held by certain unrelated entities and certain parties related to Mr. George Economou. The consideration paid for the 25% interest consisted of a one-time $50.0 million cash payment and the issuance of DryShips Series A Convertible Preferred Stock with an aggregate face value of $280.0 million. Following such acquisition, the Company became a wholly-owned subsidiary of DryShips until December 2010 when the Company offered and sold an aggregate of 28,571,428 common shares in the Private Placement.

Purchase of drillship options from DryShips

On November 22, 2010, DryShips entered into an option contract with Samsung for the construction of up to four ultra-deepwater drillships. The new orders would be "sister-ships" to the *Ocean Rig Corcovado,* the *Ocean Rig Olympia* and the two drillships under construction and would have the same specifications as the *Ocean Rig Poseidon*. Each of the four options to build a drillship may be exercised by November 2011 with vessel deliveries ranging from 2013 until 2014 depending on when the options are exercised. The total construction cost, excluding financing costs, is estimated to be about $600 million per drillship. The agreement includes a non-refundable slot reservation fee of $24.8 million per drillship, which was paid by DryShips, which will be applied towards the drillship contract price if the options are exercised. This agreement was novated to the Company by DryShips on December 30, 2010 at a cost of $99.0 million, which the Company paid from the net proceeds of the Private Placement.

6.2 Agreements relating to, but not involving the Company

Global Services Agreement between Cardiff and DryShips relating to the Company

On December 1, 2010, DryShips, the parent company of Ocean Rig, entered into a Global Services Agreement with Cardiff, a company controlled by the Company's Chairman, Mr. George Economou, effective December 21, 2010, pursuant to which DryShips has engaged Cardiff 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, or its subcontractor, will (i) provide consulting services related to identifying, sourcing, negotiating and arranging new employment for offshore assets of DryShips and its subsidiaries, including the drilling units; and (ii) identify, source, negotiate and arrange the sale or purchase of the offshore assets of DryShips and its subsidiaries, including the drilling units. In consideration of such services, DryShips will pay Cardiff a fee of 1.0% in connection with employment arrangements and 0.75% in connection with sale and purchase activities. The Company does not pay for services provided in accordance with the Global Services Agreement. The Company will, however, record expenses incurred under the Global Services Agreement in its income statement and as a shareholder's contribution to capital when they are incurred.

The Global Services Agreement does not apply to the contract with Petrobras Oil & Gas regarding a "rig swap" from the *Leiv Eiriksson* to the *Ocean Rig Poseidon*, the contract with Borders & Southern for the *Eirik Raude* and the contract with Cairn for the *Leiv Eiriksson*. Except as otherwise described, the Global Services Agreement applies to all contracts entered into after December 21, 2010 as well as the contract with Cairn for the *Ocean Rig Corcovado* and the contract with Vanco for the *Ocean Rig Olympia*. The Company has no obligation to receive services in accordance the Global Services Agreement.

Consultancy Agreement between Vivid Finance Limited and DryShips relating to the Company

As of September 1, 2010, DryShips, the parent company of Ocean Rig, entered into an agreement with Vivid Finance, a company controlled by the Company's Chairman,, Mr. George Economou, whereby Vivid Finance has been engaged by DryShips to act as a consultant on financing matters for DryShips and its affiliates, subsidiaries or holding companies, including the Company, as directed by DryShips. Under this agreement, Vivid Finance provides consulting services relating to (i) the identification, sourcing, negotiation and arrangement of new loan and credit facilities, interest swap agreements, foreign currency contracts and forward exchange contracts; (ii) the raising of equity or debt in the public capital markets; and (iii) the renegotiation of existing loan facilities and other debt instruments. In consideration for these services, Vivid Finance is entitled to a fee of twenty basis points, or 0.20%, on the total transaction amount. The Company does not pay for services provided in accordance with this agreement. The Company will, however, record expenses incurred under this agreement in its income statement and as a shareholder's contribution to capital when they are incurred.

Legal services

Mr. Savvas D. Georghiades, a member of the Company's board of directors, provides legal services to the Company and to its predecessor, Primelead Limited through his law firm, Savvas D. Georghiades, Law Office. In the year ended December 31, 2010, the Company and Primelead Limited paid a fee of Euro 56,129 for the legal services provided by Mr. Georghiades.

6.3 Employment agreements

The Company's wholly-owned subsidiary, Ocean Rig ASA, entered into an employment agreement, dated as of May 15, 2006, with Mr. Jan Rune Steinsland for his services as Chief Financial Officer, pursuant to which Mr. Steinsland receives a fixed annual salary and may receive a bonus through the management bonus plan. The agreement continues until terminated by either party on six-months' notice. In addition, Mr. Steinsland is entitled to participation in the Company's pension scheme. In the case of his termination, except for reasons of gross breach of contract, Mr. Steinsland is entitled to twelve months' salary, payable in monthly installments following termination. As of December 1, 2008, Mr. Steinsland's employment contract was amended to transfer Mr. Steinsland's employment from Ocean Rig ASA to Ocean Rig AS pursuant to the same terms and conditions described above.

The Company's wholly-owned subsidiary, Ocean Rig AS, entered into an employment agreement, dated January 8, 2004, with Mr. Frank Tollefsen for his services as Senior Vice President Operations from January 19, 2004. The agreement continues until terminated by either party on three months' notice. Pursuant to the agreement, Mr. Tollefsen receives a fixed annual salary and may receive a bonus through the management bonus plan as well as a "stay on" bonus of six-months salary paid every three years. In addition Mr. Tollefsen is entitled to participation in the Company's pension scheme.

Ocean Rig AS entered into an employment agreement, dated September 15, 2007, with Mr. John Rune Hellevik for his services as Senior Vice President Contracts and Procurement from January 1, 2007. The agreement continues until terminated by either party on three-months' notice. Pursuant to the agreement, Mr. Hellevik receives a fixed annual salary and may receive a bonus through the management bonus plan. In addition Mr. Hellevik is entitled to participation in the Company's pension scheme.

Ocean Rig Ltd entered into an employment agreement, dated February 8, 2010, with Mr. Ronald Coull for his services as Senior Vice President Human Resources from June 15, 2009. The agreement continues until terminated by either party on six-months' notice. Pursuant to the agreement, Mr. Coull receives a fixed annual salary and may receive a bonus through the management bonus plan. In addition Mr. Coull is entitled to participation in the Company's pension scheme. In the case of his termination, Mr. Coull is entitled to six months notice and six months salary, which will increase by one month per year of service up to a maximum of 12 months' salary.

Ocean Rig AS entered into an employment agreement, dated September 28, 2009, with Mr. Rolf Håkon Holmboe for his services as Vice President Health, Safety, Environment & Quality from January 1, 2010. The agreement continues until terminated by either party on three-months' notice. Pursuant to the agreement, Mr. Holmboe receives a fixed annual salary and may receive a bonus through the management bonus program. In addition Mr. Holmboe is entitled to participation in the Company's pension scheme.

7. Legal and regulatory matters

7.1 Environmental and other regulations in the offshore drilling industry

The Company's offshore drilling operations include activities that are subject to numerous international, federal, state and local laws and regulations, including the International Convention for the Prevention of Pollution from Ships, or MARPOL, the International Convention on Civil Liability for Oil Pollution Damage of 1969, generally referred to as CLC, the International Convention on Civil Liability for Bunker Oil Pollution Damage, or Bunker Convention, the U.S. Oil Pollution Act of 1990, or OPA, the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, the U.S. Outer Continental Shelf Lands Act, 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 the Company liable for environmental and natural resource damages without regard to negligence or fault on its part.

For example, the United Nations' International Maritime Organization, or IMO, adopted MARPOL and Annex VI to MARPOL to regulate the discharge of harmful air emissions from ships, which include rigs and drillships. Rigs and drillships must comply with MARPOL limits on sulfur oxide and nitrogen oxide emissions, chlorofluorocarbons, and the discharge of other air pollutants, except that the MARPOL limits do not apply to emissions that are directly related to drilling, production, or processing activities.

The Company's 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 ratifying states. The Company believes that all of its drilling units are currently compliant in all material respects with these regulations. In October 2008, IMO's Maritime Environment Protection Committee, or MEPC, adopted amendments to the Annex VI regulations which entered into force on July 1, 2010, that will 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. The Company may incur costs to comply with these revised standards.

Furthermore, any drillships that the Company may operate in the waters of the U.S., including the U.S. territorial sea and the 200 nautical mile exclusive economic zone around the U.S., would have to comply with OPA and CERCLA regulations, as described above, 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, other than discharges related to drilling.

The U.S. Bureau of Ocean Energy Management, Regulation and Enforcement, or BOEMRE, periodically issues guidelines for rig 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 the Company's units, thus reducing their marketability. Implementation of BOEMRE guidelines or regulations may subject the Company to increased costs or limit the operational capabilities of its units and could materially and adversely affect the Company's operations and financial condition.

Numerous governmental agencies issue such 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 administrative, civil and criminal penalties or may result in injunctive relief for failure to comply. Some of these laws contain criminal sanctions in addition to civil penalties. 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, could adversely affect the Company’s financial results. While the Company believes that it is 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, the Company’s international operations in the offshore drilling segment are subject to various laws and regulations in countries in which it operates, 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 the Company’s 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 the Company to increased costs or limit the operational capabilities of its drilling units and could materially and adversely affect the Company’s operations and financial condition.

7.2 Contingencies, legal proceedings, etc.

Import/export duties in Angola

Ocean Rig’s *Leiv Eiriksson* operated in Angola in the period 2002 to 2007. Ocean Rig understands that the Angolan government has retroactively levied import/export duties for two importation events in the period 2002 to 2007. As Ocean Rig has formally disputed all claims in relation to the potential duties, no provision has been made. The maximum amount is estimated to be between $5-10 million.

Other legal proceedings, etc.

With the exception of the matters discussed above, the Company is not involved in any legal proceedings or disputes that it believes will have a significant effect on its business, financial position, and results of operations or liquidity. From time to time, the Company may be subject to legal proceedings and claims in the ordinary course of business. It is expected that these claims would be covered by insurance if they involved liabilities such as arise from a collision, other marine casualty, damage to cargoes, oil pollution, death or personal injuries to crew, subject to customary deductibles. Those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

8. Risk factors

A number of risk factors may adversely affect the Company. These risk factors include financial risks, technical risks, risks related to the business operations of the Company, environmental and regulatory risks. If any of these risks or uncertainties actually occurs, the business, operating results and financial condition of the Company could be materially and adversely affected. The risks presented in this Information Memorandum are not exhaustive, and other risks not discussed herein may also adversely affect the Company. Prospective investors should consider carefully the information contained in this Information Memorandum and make an independent evaluation before making an investment decision.

Included in this Information Memorandum are various "forward-looking statements", including statements regarding the intent, opinion, belief or current expectations of the Company or its management with respect to, among other things, (i) the Company's target market, (ii) evaluation of the Company's markets, competition and competitive position, (iii) trends which may be expressed or implied by financial or other information or statements contained herein. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and outcomes to be materially different from any future results, performance or outcomes expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the risk factors described below and elsewhere in this Information Memorandum.

Construction risks: The Company has entered into contracts for the fabrication, installation and commissioning of four ultra deep water drillships; including hull, marine equipment and supply and installation of drilling equipment. The contracts stipulate dates of delivery and specified prices. In the case of late delivery, the Company may be in a position to impose penalties. However, delays may still represent serious negative consequences for the Company, as may also any increase in cost for items not covered by fixed prices. Delays may, among other things, result in the termination of charter contracts. As with any delivery of new units from yards, there is a risk that final testing will reveal defects or inefficiencies which may take time or additional costs to remedy.

The contractual rights of the relevant owner to take title to, and possession of, either rig under construction will not be enforceable in the event of a bankruptcy or receivership of the relevant yard.

Charters: The Company cannot be assured that it will obtain charter contracts for one or more of its drillships when completed, or that such contracts, if and when obtained, will be obtained on profitable terms to the Company. Furthermore, there is often considerable uncertainty as to the duration of offshore charters because most charter contracts give the operator both extension and early cancellation options. There can also be off-hire periods between charters. The cancellation or postponement of one or more charters can have a major impact on the earnings of drilling and service companies.

Oil prices: Historically, demand for offshore exploration, development and production has been volatile and closely linked to the price of hydrocarbons. Low oil prices typically lead to a reduction in exploration drilling as the oil companies' scale down their investment budgets. The sharp reduction in production costs on new oil fields will probably somewhat reduce the strong historical correlation between rig rates and oil prices

The offshore drilling industry is highly cyclical and an over-supply of drilling units may lead to a reduction in dayrates which would negatively impact the Company's revenues, profitability and cash flows: The Company's industry has historically been highly cyclical. 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.

The worldwide fleet of deepwater and ultra-deepwater drilling units (defined as units with water depth capacity of 3,000 feet or more) currently consists of approximately 156 units. In addition, approximately 49 units are under construction or on order, which would bring the total worldwide fleet to approximately 205 drilling units within the next few years. The entry into service of these new, upgraded or reactivated drilling units will increase supply and could curtail a further strengthening, or trigger a reduction, in dayrates as drilling units are absorbed into the active fleet. The construction of new drilling units could have a negative impact on utilization and dayrates. In addition, the new construction of high-specification rigs, as well as changes in the Company's competitors' drilling units, could require the Company to make material additional capital investments to keep its fleet competitive. Lower utilization and dayrates could materially adversely affect the Company's revenues, profitability and cash flows available to meet scheduled debt repayments. Prolonged periods of low utilization and dayrates could also result in the recognition of impairment charges on the Company's 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.

Market risks: Demand for drilling services in connection with exploration, development and production in the offshore oil and gas sector is particularly sensitive to price falls, reductions in production levels and disappointing exploration results. On the supply side, there is also uncertainty when it comes to the construction of new rigs, the upgrading and maintenance of existing rigs, the conversion of other types of rigs into drilling units and alternative uses for equipment as market conditions change.

The Company may assume substantial liabilities: Contracts in the offshore sector require high standards of safety, and it is important to note that all offshore contracts are associated with considerable risks and responsibilities. These include technical, operational, commercial and political risks, and it is impossible to insure against all the types of risk and liabilities mentioned. For instance, under some contracts the Company may have unlimited liability for losses caused by its own gross negligence.

Political risks: Changes in the legislative and fiscal framework governing the activities of the oil companies could have an impact on exploration and development activity or affect the company's operations directly. Changes in political regimes may constitute a risk factor for operations in foreign countries.

Interest rate risks: The Company's bank financing agreements are subject to floating interest rates. Hence, the Company will be financially exposed to fluctuations in interest rates.

Service life and technical risks: The service life of drilling rigs is generally assumed to be more than 30 years but will depend ultimately on their efficiency. There will always be some exposure to technical risks, with unforeseen operational problems leading to unexpectedly high operating costs and/or lost earnings.

Environmental risk: The Company's operations may involve the use and/or disposal of materials that may be classified as hazardous substances. The environmental laws and regulations of the countries in which the Company may operate expose the Company to liability for the conduct of, or for conditions caused by, others, or for acts of the Company that were in compliance with all applicable laws at the time such actions were taken. In the past several years, protection of the environment has become a higher and more visible priority of many governments throughout the world, particularly following the April 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico. Offshore drilling in certain areas has been opposed by environmental groups and, in some areas, has been legally restricted. The Company's operations could be restricted and its rigs could become more expensive to operate if new laws are enacted or other governmental actions are taken that prohibit or restrict offshore drilling or impose additional environmental protection requirements. Moreover, the Company may have no right to compensation from its customers if its costs are increased through such governmental actions, and its operating margins may fall as a result.

Control by major shareholder: DryShips currently holds approximately 78% of the shares of the Company. This means that DryShips will have the ability to significantly influence the outcome of matters submitted for the vote of shareholders, including the election of members of the board of directors. The commercial goals of DryShips as a shareholder, and those of the Company, may not always remain aligned. The substantial equity interest by DryShips may make it more difficult for the Company to maintain its business independence from other companies within the DryShips group of companies and its affiliates.

If DryShips were to sell a large number of shares in the Company, or there is a perception in the market that such sales could occur, the trading price of the shares in the Company could decline. Such sales could also make it more difficult for the Company to offer equity securities in the future at a time and at a price that are deemed appropriate.

Need for additional funding: At December 31, 2010, the Company's short-term contractual obligations to fund the construction installments under the drillship shipbuilding contracts in 2011 amounted to $1,355.7 million. Cash expected to be generated from operations is not anticipated to be sufficient to cover the Company's capital commitments, current loan obligations and maintain compliance with minimum cash balance covenants. In March 2011, the company or Drysips Inc. received commitments from financial institutions for additional financing amounting to $800 million and consents from existing lenders to daw down an additional amount of $495 million to cover obligations falling due within 2011. Additional, Dryships has committed to provide cash to meet the Company's liquidity needs over the next twelve months. The Company believes that the above financing and support from Dryships will be sufficient to meet its working capital needs, capital commitments, loan obligations and maintain compliance with its minimum cash balance and other loan covenants throughout 2011. However, should such financing and support from Dryships not be available when required due to unexpected events, this could severely impact the Company's ability to satisfy future liquidity requirements and its ability to finance future operations.

Furthermore, in the event that the Company's current financial resources should turn out to be insufficient to fund the Company's business activities in the future, the Company may need to raise additional funds through public offerings or private placements of debt or equity securities. The Company cannot guarantee that it will be able to obtain additional financing at all or on terms acceptable to the Company. Failure to do so could have a material adverse effect on the Company's business, operations and financial condition.

Ability to comply with covenants in credit facilities or any future financial obligations that impose operating and financial restrictions: The Company's credit facilities require (i) the Company to maintain specified financial ratios and satisfy financial covenants, including covenants related to the market value of its drilling units and (ii) DryShips, because it is a guarantor of certain of the Company's facilities, to maintain certain financial covenants to maintain minimum liquidity, equity ratio, interest coverage, net worth and debt service coverage ratio. Events beyond the Company's control, including changes in the economic and business conditions in the deepwater offshore drilling market in which the Company operates, may affect the Company's ability to comply with these ratios and covenants. The Company cannot assure that it will meet these ratios or satisfy these covenants. A breach of any of the covenants in, or the Company's inability to maintain the required financial ratios under, the credit facilities would prevent the Company from borrowing additional amounts under the credit facilities and could result in a default under the credit facilities. In addition, each of the Company's loan agreements also contains a cross-default provision which can be triggered by either a default under one of the Company's other loan agreements or a default by DryShips, under one of its loan agreements. A violation of these covenants constitutes an event of default under the Company's credit facilities, which, unless waived by the Company's lenders, would provide the Company's lenders with the right to accelerate the outstanding debt, together with accrued interest and other fees, to be immediately due and payable and proceed against the collateral securing that debt, which could constitute all or substantially all of the Company's assets.

Ability to service debt: The Company has a substantial amount of debt, and the Company's debt and other obligations could have significant adverse consequences on the Company's business and future prospects. The Company's ability to service its debt will depend upon, among other things, the Company's 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 the Company's control. If the Company's operating income is not sufficient to service its current or future indebtedness, the Company will be forced to take actions such as reducing or delaying its business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing its debt or seeking additional equity capital. The Company may not be able to effect any of these remedies on satisfactory terms, or at all.

A change in tax laws, treaties or regulations, or their interpretation, of any country in which the Company operates its drilling rigs could result in a high tax rate on its worldwide earnings, which could result in a significant negative impact on its earnings and cash flows from operations: The Company conducts its worldwide drilling operations through various subsidiaries. Tax laws and regulations are highly complex and subject to interpretation. Consequently, the Company is subject to changing tax laws, treaties and regulations in and between countries in which it operates. The Company's income tax expense is based upon its 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 the Company's deferred tax assets, could result in a materially higher tax expense or a higher effective tax rate on the Company's worldwide earnings, and such change could be significant to its financial results. If any tax authority successfully challenges the Company's operational structure, inter-company pricing policies or the taxable presence of its key subsidiaries in certain countries; or if the terms of certain income tax treaties are interpreted in a manner that is adverse to the Company's structure; or if the Company loses a material tax dispute in any country, particularly in the U.S., Canada, the U.K., Turkey, Angola, Cyprus, Korea, Ghana or Norway, the Company's effective tax rate on its worldwide earnings could increase substantially and its earnings and cash flows from these operations could be materially adversely affected.

The Company's subsidiaries may be subject to taxation in the jurisdictions in which their offshore drilling activities are conducted. Such taxation would result in decreased earnings available to the Company's shareholders. Ocean Rig ASA initiated in the fourth quarter of 2008 the process of transferring the domicile of its Norwegian entities that owned, directly or indirectly, the *Leiv Eiriksson* and the *Eirik Raude* to the Republic of the Marshall Islands and to liquidate the four companies of the Norwegian rig owning structure. The *Leiv Eiriksson* and the *Eirik Raude* were transferred to Marshall Islands corporations in December 2008. The present status of the four companies of the former Norwegian rig owning structure is that Ocean Rig ASA and Ocean Rig Norway AS were formally liquidated in December 2010 and that Ocean Rig 1 AS and Ocean Rig 2 AS are expected to be formally liquidated in April 2011.
Investors are encouraged to consult their own tax advisors concerning the overall tax consequences of the ownership of the Offer Shares arising in an investor's particular situation under U.S. federal, state, local or foreign law.

9. Tax considerations

MARSHALL ISLANDS TAX CONSIDERATIONS

The following are the material Marshall Islands tax consequences of the Compnay's activities to us and holders of the Bonds. The Company is incorporated in the Marshall Islands. Under current Marshall Islands law, the Company is not subject to tax on income or capital gains, and no Marshall Islands withholding tax will be imposed upon payments of interest by the Company to the holders of the Bonds.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

General

The following is a summary of the principal United States federal income tax consequences of the purchase, beneficial ownership and disposition of the Bonds to a U.S. Holder (as defined below). For purposes of this summary, (1) the United States Internal Revenue Code of 1986, as amended, is referred to as "the Code," and (2) the Internal Revenue Service is referred to as "the IRS."

This summary:

- does not purport to be a comprehensive description of all of the United States federal income tax considerations that may be relevant to a decision to purchase Bonds;
- is based on the tax laws of the United States, including the Code, Treasury regulations (final, temporary and proposed), administrative rulings and practice, and judicial decisions in effect as of the date of this Offering Memorandum, all of which are subject to change, possibly with retroactive effect;
- deals only with holders who hold the Bonds as "capital assets" within the meaning of Section 1221 of the Code;
- discusses only the tax considerations applicable to holders who purchased the Bonds at initial issuance for an amount equal to their "issue price" within the meaning of Section 1273 of the Code; and
- does not address tax considerations applicable to investors that are subject to special tax rules, such as banks, insurance companies, tax-exempt organizations, regulated investment companies, real estate investment trusts, grantor trusts, dealers in securities or currencies, traders in securities that elect the mark-to-market method of accounting for their securities holdings, persons that will hold the Bonds as part of a hedging transaction, "straddle" or "conversion transaction" for tax purposes, and investors in pass-through entities, persons deemed to sell Bonds under the constructive sale provisions of the Code, persons liable for alternative minimum tax or U.S. Holders (as that term is defined below) of the Bonds whose "functional currency" is not the U.S. dollar.

This summary applies only to holders that are (1) citizens or residents, as defined in Section 7701(b) of the Code, of the United States, (2) corporations, or other entities that are taxable as corporations, created or organized under the laws of the United States or any state or political subdivision thereof (including the District of Columbia), (3) estates, the income of which is subject to United States federal income taxation regardless of its source, and (4) trusts, if a United States court can exercise primary supervision over the administration of such trust and one or more United States persons has the authority to control all substantial decisions of the trust (each, a "U.S. Holder").

The Company has not sought any ruling from the IRS with respect to the statements made or the conclusions reached in the following summary, and the IRS may not agree with such statements and conclusions. In addition, the IRS is not precluded from adopting a contrary position. This summary does not consider the effect of any applicable foreign, state, local or other tax laws.

PURSUANT TO IRS REGULATIONS, THE COMPANY AND ITS TAX ADVISORS HEREBY INFORM YOU THAT: (I) ANY TAX ADVICE CONTAINED HEREIN IS NOT INTENDED AND WAS NOT WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSES OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (II) ANY SUCH ADVICE WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE BONDS DESCRIBED HEREIN; AND (III) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE UNITED STATES FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS.

Tax Treatment of U.S. Holders

Contingent Payments. In certain circumstances, the Company may be obligated to pay the U.S. Holder of a Bond amounts in excess of the stated interest and principal payable on the Bonds. Unless the likelihood of such payments is "remote or incidental," the obligation to make such payments would implicate the provisions of Treasury regulations relating to "contingent payment debt instruments" ("CPDI"). If the Bonds were deemed to be CPDI, U.S. Holders would, among other requirements, be required to treat any gain recognized on the sale, exchange, or other disposition of a Bond as ordinary income, and to accrue interest on the Bonds at a rate in excess of the stated coupon rate. The Company intends to take the position that because the likelihood that such payments will be made is remote the Bonds are not CPDI. This determination will be binding on a U.S. Holder unless such U.S. Holder explicitly discloses on a statement attached to the U.S. Holder's timely filed United States federal income tax return for the taxable year that includes the acquisition date of the Bond that such holder's determination is different. The Treasury Regulations applicable to CPDI have not been the subject of authoritative interpretation and the scope of these regulations therefore is not certain. Purchasers of Bonds are urged to consult their own tax advisors regarding the possible application of the CPDI rules to the Bonds. This summary assumes that the CPDI provisions of the Treasury Regulations will not apply to the Bonds.

Stated Interest. Interest on a Bond generally will be includable in the income of a U.S. Holder as ordinary income at the time such interest is received or accrued, in accordance with such holder's regular method of accounting for United States federal income tax purposes.

Sale, Exchange and Retirement of the Bonds. In general, a U.S. Holder of the Bonds will have a tax basis in such Bonds equal to the cost of such Bonds reduced by payments of principal on such Bonds. Upon a sale, exchange, or retirement of the Bonds, a U.S. Holder will generally recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued and unpaid interest, which will be taxable as ordinary income) and the U.S. Holder's tax basis in such Bonds. Such gain or loss will be long-term capital gain or loss if the U.S. Holder held the Bonds for more than one year at the time of disposition. In certain circumstances, the net long-term capital gains derived by U.S. Holders that are individuals may be entitled to a preferential tax rate; however, the ability of U.S. Holders to offset capital losses against ordinary income is limited.

Gain or loss recognized by a U.S. Holder on the sale, exchange or retirement of the Bonds generally will be treated as U.S.-source gain or loss for foreign tax credit purposes.

Information Reporting and Backup Withholding

Under certain circumstances, the Code requires "information reporting" annually to the IRS and to each U.S. Holder, and "backup withholding" with respect to certain payments made on or with respect to the Bonds. Certain U.S. Holders are exempt from backup withholding, including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts that provide a properly completed IRS Form W-9. Backup withholding will apply to a non-exempt U.S. Holder if such U.S. Holder (1) fails to furnish its Taxpayer Identification Number, or TIN, which, for an individual would be his or her Social Security Number, (2) furnishes an incorrect TIN, (3) is notified by the IRS that it has failed to properly report payments of interest and dividends, or (4) under certain circumstances, fails to certify, under penalties of perjury, that it has furnished a correct TIN and has not been notified by the IRS that it is subject to backup withholding for failure to report interest and dividend payments.

Backup withholding is not an additional tax. Rather, the federal income tax liability of persons subject to backup withholding will be offset by the amount of tax withheld. If backup withholding results in an overpayment of United States federal income tax, a refund or credit may be obtained from the IRS, provided that certain required information is furnished.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN TAX CONSEQUENCES OF AN INVESTMENT IN THE BONDS. PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS PRIOR TO INVESTING TO DETERMINE THE TAX CONSEQUENCES OF SUCH INVESTMENT IN LIGHT OF EACH SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

10. Industry and Market conditions

The Industry and Market condition chapter is prepared by Pareto Securities Equity Research and should be read as a third party opinion.

Overview

The offshore contract drilling industry provides drilling, workover and well construction services to oil and natural gas E&P companies through the use of mobile offshore drilling rigs. Historically, the offshore drilling industry has been highly cyclical with periods of high demand, limited rig supply and high dayrates alternating with periods of low demand, excess rig supply and low dayrates. Periods of low demand and excess rig supply tend to intensify the competition in the industry and could often result in lower specification rigs becoming idle and higher specification rigs earning reduced day rates for extended periods of time.

Key demand drivers for ultra-deepwater drilling rigs include:

- ***Global Economic Recovery:*** The volatility in the financial markets in recent years led to a global decline in economic activity and increased the uncertainty of the future economic outlook. The decline in economic activity resulted in a worldwide decrease in demand for oil and natural gas and a steep decline in commodity prices, which caused many oil and gas companies to curtail or delay planned capital spending. A global economic recovery would be expected to increase the demand for energy generally and oil and gas especially, thus driving up the price of these commodities. Historically, sustained high commodity prices have led to an increase in expenditures for offshore drilling activities and, as a result, greater demand for the Company's services.

- ***Favorable Commodity Price Environment Relative to Historical Levels:*** In the oilfield services industry, actual or anticipated changes in the price of oil and natural gas will normally influence the capital investment decisions of E&P companies, which in turn may drive the demand for offshore drilling rigs. In the ultra-deepwater drilling segment, due to the typical scale of ultra-deepwater projects, demand is primarily driven by longer term outlook for commodity prices rather than short term fluctuations.

- ***Increasing Global Consumption of Oil and Natural Gas:*** The stabilization of oil prices at supportive levels and recovering economic demand have encouraged increased consumption. Global oil consumption grew in 2010 and is expected to continue to grow in 2011. According to the EIA, continued upward revisions in global oil consumption, particularly for Europe and China, have led to an expected global consumption growth of 2.0 million Bbl/d for 2010. In 2011, the EIA expects a global oil consumption growth of 1.4 million Bbl/d.

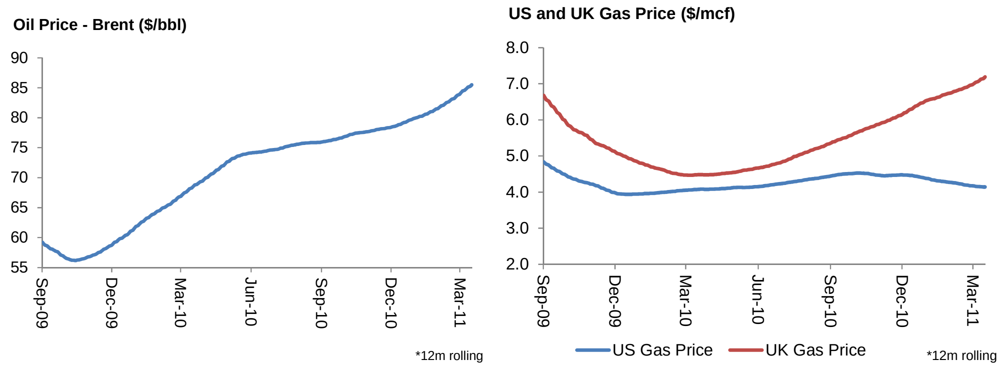
- ***Increased Emphasis by Major International Oil Companies to Explore and Produce in Ultra-Deepwater***: E&P expenditures may be expected to increase in the deepwater sector given the relative lack of new onshore opportunities offering equivalent access or scale to major oil companies. In addition, the high observed depletion rates of existing fields will require significant investments to maintain output and to offset decline from existing reservoirs.

- ***New Discoveries in Ultra-Deepwater:*** In recent years, numerous large field discoveries have been made in ultra-deepwater, increasing the demand for development drilling. The discoveries include also new areas of operation, such as Ghana and the Ivory Coast, as well as a new geological productive zones in existing oil and gas provinces such as Brazil.

- ***Advances in Drilling Technology:*** The majority of the oil and natural gas provinces onshore and in shallow water have are mature. Potential future reserves are increasingly likely to be discovered in technologically challenging deepwater locations, which require more capable assets and longer time to explore and develop. This development has led to an increase in demand for ultra-deepwater drillships over the past years, which is expected to continue going forward.

Currently, oil prices are high relative to historical levels. As illustrated in the charts below, the rolling twelve-month average price of oil, or Brent, increased from $67.60 per barrel as of March 3, 2010 to $84.60 per barrel as of March 3, 2011. Over the same period, the rolling twelve-month average price of natural gas increased from $4.60 per MMBtu to $6.90 per MMBtu in United Kingdom and been relatively flat in the United States. The EIA forecasts the WTI spot prices to $95 per barrel in the fourth quarter of 2011 and WTI prices to average at $93 per barrel in 2011. The high oil price is supported by an increasing global oil demand since the fourth quarter of 2009, which followed five quarters of decline.

Increasing Oil and Gas Prices



Source: Datastream

High oil and natural gas prices, if sustained, could result in increased exploration and development drilling activity and higher demand and dayrates for drilling companies.

The US Energy Information Administration (“EIA”) and International Energy Agency (“IEA”) provide both historical date and forecasts of anticipated oil and gas production and consumption. The latest forecasts and reports are summarized below:

- From 2005 to 2010, U.S. demand for natural gas grew by 5.8 Bcf/d, equal to an annual rate of 1.9%, while U.S. domestic production grew by 9.6 Bcf/d, equal to an annual rate of 3.6% (EIA).

- From 2005 to 2009, the global demand for natural gas grew by 13.5 Bcf/d, equal to an annual rate of 1.3%, while the global supply grew by 18.3 Bcf/d, equal to an annual rate of 1.6% (EIA).

- From 2005 to 2010, U.S. demand for oil fell by 1.7 million Bbl/d, equal to an annual rate of -1.6%, while U.S. domestic production grew by 0.3 million Bbl/d, equal to an annual rate of 1.3% (EIA).

- From 2005 to 2010, the global demand for oil grew by 3.4 million Bbl/d, equal to an annual rate of 0.8%, while the global supply grew by 2.5 million Bbl/d, equal to an annual rate of 0.6% (IEA).

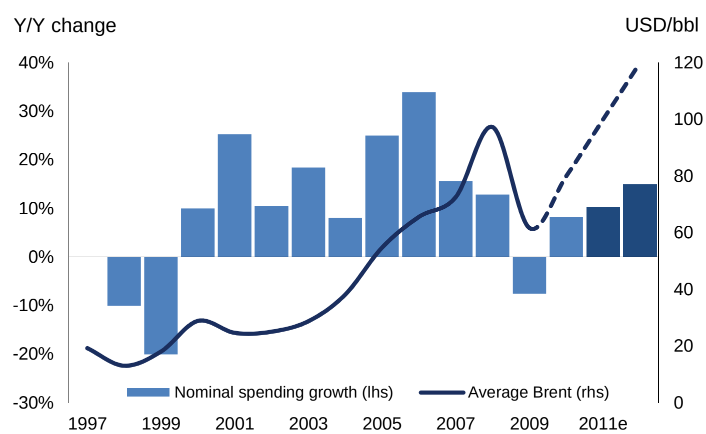
- Over the next two decades, the EIA projects a need for (i) a 0.8% annual growth in U.S. domestic natural gas production (from approximately 21.3 trillion cubic feet to 24.7 trillion cubic feet per year) and (ii) a 0.3% annual growth in U.S. domestic oil production (from approximately 5.4 million Bbl/d to 5.8 million Bbl/d).

- From 2009 to 2035, the IEA forecasts (i) a 0.7% annual growth in global oil production (from approximately 85 million Bbl/d to 102 million Bbl/d) and (ii) a 1.3% annual growth in global natural gas production (from approximately 289 Bcf/d to 405 Bcf/d) in order to meet growing global demand for oil and natural gas.

Capital Expenditures of Oil and Natural Gas Producers on the Rise

With relatively high commodity prices, many oil and natural gas exploration and production companies are generating cash flow that exceeds their recent levels of cost of capital investment. Many of these companies have been using a portion of their excess cash flow to increase capital expenditure budgets in an attempt to meet rising demand for oil and natural gas and to mitigate production and reserve declines. The Company believes that a portion of the increased capital expenditures by such companies is likely to be used to drill new wells and work over existing wells, which could increase the demand for the Company's services.
According to communicated capex budgets and annual reports, Oil companies have indicated an oil-price range of $40-75/Bbl as a base line for profitable E&P investment A projected oil price in the $80-120/Bbl range is therefore expected to encourage investment in new projects and drive E&P spending.

Capital Expenditures of Oil and Natural Gas Producers on the Rise



Source: Pareto Securities Equity Research "2010 E&P Spending Survey"

In particular, exploration and production expenditures may be expected to increase in the deepwater sector given the lack of new onshore opportunities offering access or scale to major oil companies. This is strengthened by the need to replace reserves and to offset decline from existing reservoirs.

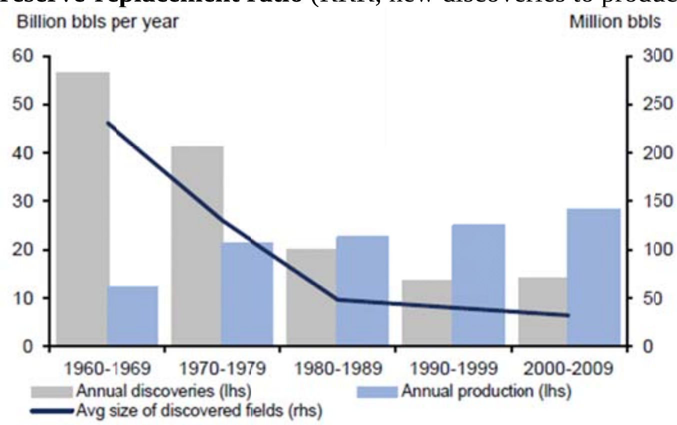
In addition, technological innovations have improved the economic viability of deepwater developments. Pareto's 2010 E&P Spending Survey estimates that total E&P expenditures in the deepwater sector will exceed $150 billion between 2010 and 2014.

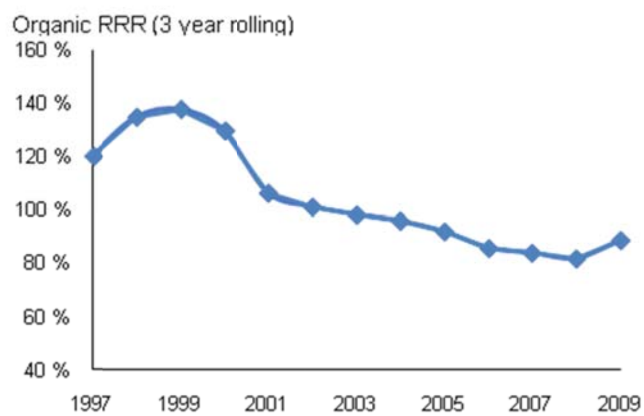
Continued Effort to Replace Reserves

The major oil companies worldwide reported declining reserve replacement ratios (“RRR”) (the ratio of new discoveries to oil produced), and an overall decline in reserves. According to the IEA, annual new discoveries have been lower than the annual oil production for the two last decades. Pareto Securities’ E&P survey of 2010, based on data from 15 major oil companies, estimates that the RRR has been below 100% every year since 2000. The easiest extractable oil and gas reserves have already been found and developed. As a result, oil and gas companies are forced to explore new frontiers, and oil and gas field prospecting activity is moving from shallow to deeper waters, as well as towards harsher environments.

Global oil production vs. discoveries (10-year periods)

Organic reserve-replacement ratio (RRR; new discoveries to production ratio)





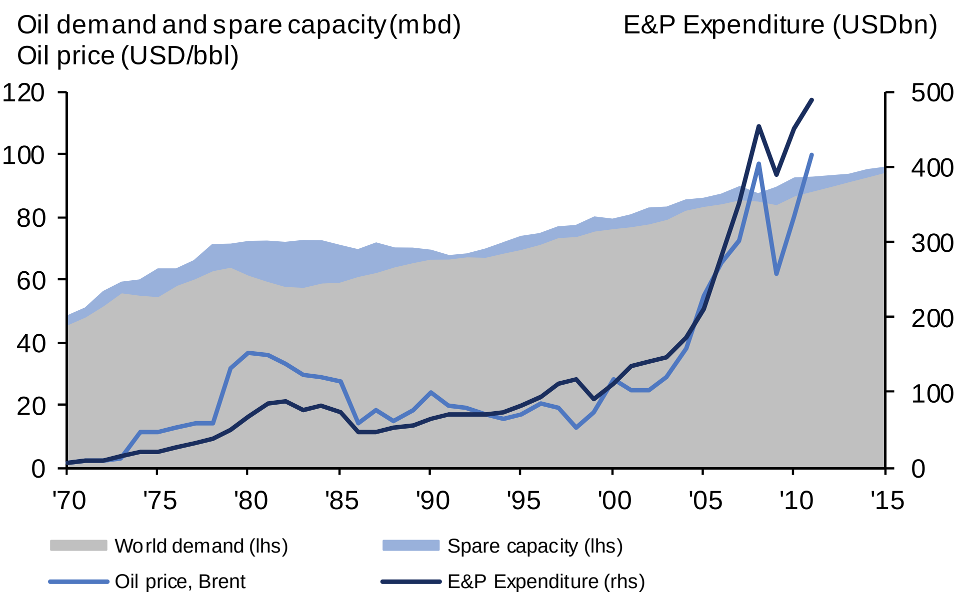
Source: IEA, Pareto Securities Equity Research “2010 E&P Spending Survey”

The fastest growing segment in the offshore drilling industry is the ultra-deepwater segment, where drilling operations are performed at water depths beyond 7,500 feet. The industry, as depicted by ODS-Petrodata, commonly classifies offshore drilling into four main water depth categories: shallow water (0 feet to 500 feet water depth), midwater (500 feet to 3,000 feet), deepwater (3,000 feet to 7,500 feet) and ultra-deepwater (beyond 7,500 feet). The company’s rigs are capable of working in the midwater, deepwater and ultra-deepwater segments.

According to the EIA, global oil and gas production is expected to grow by an average of 1% per annum over the next 20 years. Of the nearly 140 MMBoe (figures include approximately 55 MMBoe of gas) of current global petroleum production, approximately 45 MMBoe (35%) comes from offshore (source: BP Statistical Review 2010, EIA Energy Review 2009). By 2020, offshore production is expected to increase to 75 MMBoe, an increase of approximately 67%. In order to achieve this, global E&P spending is expected to increase further. In 2010, global offshore E&P expenditure is estimated to be around $500 billion, up from approximately $100 billion in 2000. This will, according to Pareto Research, involve increased exploration in deeper waters, new geographical regions and in harsh environments.

Global Oil Demand and Spare Capacity Compared to Global E&P Expenditure

Demand and capacity in MMBoe /day; Expenditure in billion USD$



Source: Schlumberger Investor Day 2011, Pareto Securities, February 2011

Market Conditions in the Ultra-Deepwater Space

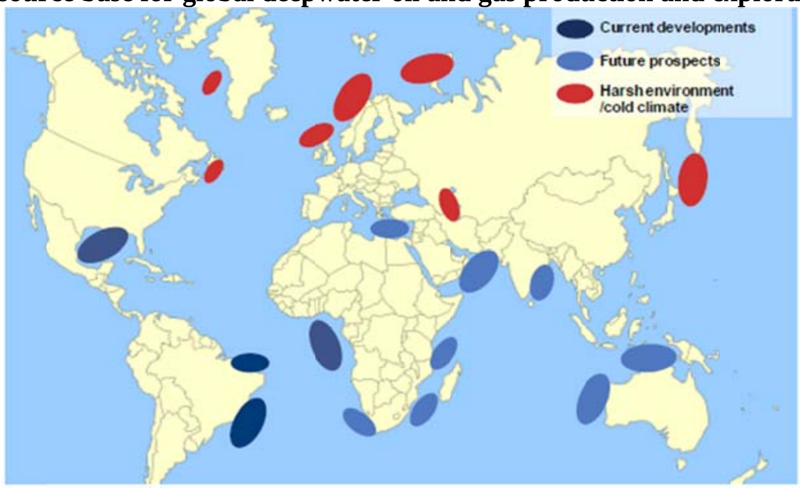
The ultra-deepwater drilling segment is typically characterized by greater demand visibility due to the scale of ultra-deepwater projects. The segment has so far been relatively resilient compared with other sub-sectors in the offshore drilling sector due to the longer term contracts and strong fundamentals.

The long-term secular trend for rig demand in the ultra-deepwater market is expected to remain in place as ultra-deepwater is one of the last frontiers and one of the few places left where the larger oil companies have access to drill for sufficiently significant exploration plays and potential large discoveries to be material to their balance sheets.

The increasing deepwater E&P spending is expected to largely remain within the “golden triangle” of West Africa, the Gulf of Mexico and Brazil, representing over 75% of the predicted global deepwater oil and gas capital expenditure. A large portion of the investment is expected to take place in Latin America, driven largely by capital-intensive development plans laid out by Petrobras over the next decade. The Asian deepwater market is also expected to continue to grow towards 2014, receiving around 10% of the total predicted global capital investments.

The most important region within this "golden triangle" is believed to be Brazil, which has seen tremendous activity growth in the offshore sector in recent years. Pareto Securities Equity Research estimates that the Brazilian sector holds 15 billion barrels of proven oil and gas reserves, and this figure is expected to more than double over the next three-years. Petrobras has announced plans to invest more than $224 billion over the next years in order to achieve their 2020 target, with $119 billion earmarked for exploration and production.

Resource base for global deepwater oil and gas production and exploration



Source: Pareto Research

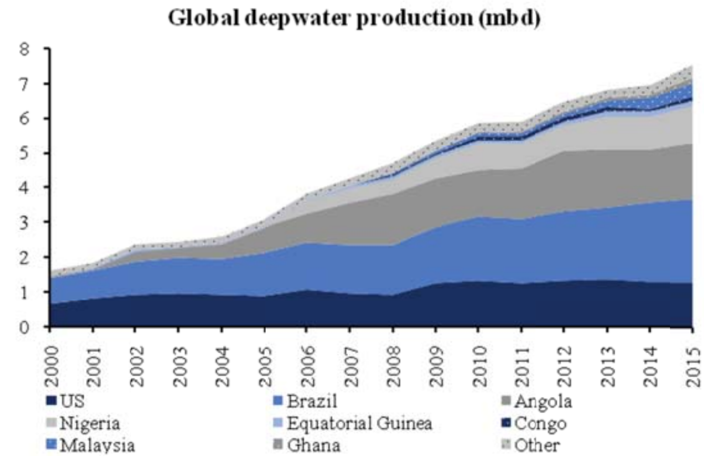
Oil companies are struggling with diminishing reserves, and ultra-deepwater exploration is essential to maintain reserves and production rates. Ultra-deepwater exploration and production is still a relatively young segment and has so far been focused mostly on exploration. However, the development drilling in these areas is contributing to further demand for ultra-deepwater drilling units.

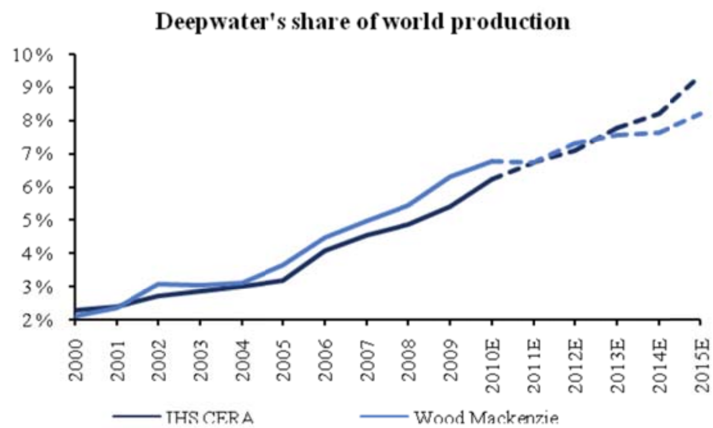
Deepwater – a Proven Growth Market

According to PFC Energy, the number of shallow water wells grew 4% annually in the period from 1992 to 2008, while the number of deepwater wells grew 20% in the same period. Deepwater drilling generally requires more sophisticated equipment to extract the oil and gas, and it also drives increased drilling intensity (when measured in terms of rig days per development). The preference for using FPSOs, which have no drilling capabilities, in most deepwater and ultra-deepwater fields implies that mobile offshore drilling units will not only do the exploration drilling, but also the majority of the development drilling work. More development work is also expected to be needed for the increasing number of subsea satellite field tie-backs.

As shown in the graph below, deepwater production has doubled over the past five years. In addition, the number of areas explored and developed has increased.

Growing Deepwater Production



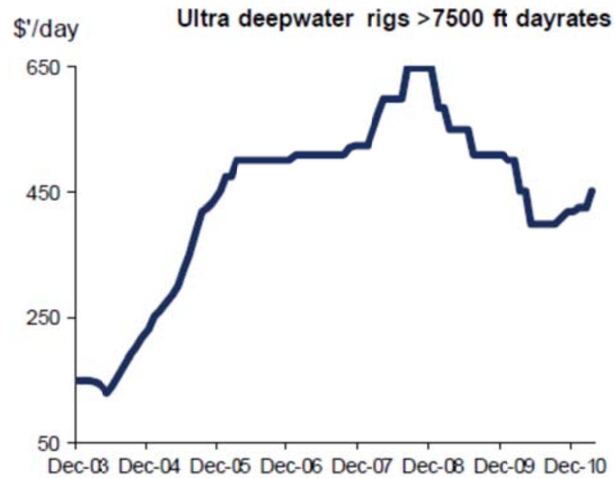


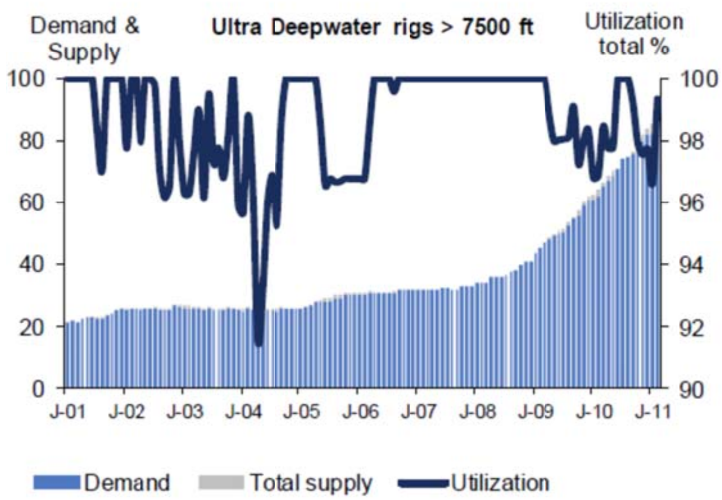
Source: HIS, CERA, Wood Mackenzie, Pareto Securities Research, March 2011

Deepwater represents the main area for offshore production growth, and deepwater discoveries accounted for approximately 50% of world discoveries from 2006 to 2009. During 2009 alone, deepwater discoveries added 13,700 MMBoe to global reserves. Deepwater discoveries are significantly larger in size than new onshore discoveries, with 2009 shallow water discoveries averaging 120 MMBoe compared to deepwater discoveries averaging 270 MMBoe. Brazil is expected to see the highest growth going forward and is expected to constitute 32% of the worldwide deepwater production in 2015, compared to 30% in 2009 (source: IHS, CERA, Wood Mackenzie, June 2010). The expected total annual deepwater growth is 41% from 2009 to 2015.

Dayrate Recovery

Despite the recent weakening in dayrates for drilling units, the utilization of such units has remained at close to 100% from 2007 until now, and dayrates are expected to increase from current rates.





Source: Pareto Securities equity research drilling presentation, March, 21 2011

As shown in the graph above, the utilization rate for ultra-deepwater drilling units has remained close to 100% through the last decade with volatile markets and times of high uncertainty, indicating a strong underlying demand growth. The number of deepwater and ultra-deepwater contracts increased slightly during the fourth quarter of 2010, with a total of 16 contracts being awarded (up from 14 in the third quarter of 2010). The number of awards is assumed to be negatively affected by the U.S. Gulf of Mexico drilling moratorium and a general absence of Petrobras at the tendering table. However, with the recent fixtures it is becoming evident that dayrates are increasingly reflecting the drilling capabilities of the rigs – where modern units with higher efficiency are achieving higher rates than older and less efficient rigs.

Bifurcation between the deepwater and ultra-deepwater segments (separation of dayrates between old and new rigs) may be illustrated by looking at the fleet utilization rate where the ultra-deepwater fleet (all new rigs) runs at 98/99% utilization compared to the deepwater fleet (typically older units) that is running at levels around 91/92% utilization. The bifurcation, where E&P companies show a clear preference for modern units, combined with the close to 100% utilization rate in ultra-deepwater and visible demand exceeding supply should shift the ultra-deepwater water segment from supply to demand driven.

Recent fixtures of ultra-deepwater rigs

Fixture Date	Company	Rig	Rig type	Operator	Region	Rate $'/day	Old $'/day	Duration	Start-up	Comments
17-Mar	Transocean	Sedco Express	5GSS	Israel Oil C	Israel	490	530	60D	Apr-12	New mutual
01-Mar	Transocean	GSF Explorer	5GSS	Marathon	Indonesia	510	510	108D	Mar-12	Priced option
23-Feb	Noble	Noble Jim Day	5GSS	Shell	USA	485	156	350D	Feb-11	New mutual
02-Feb	Ensco	ENSCO 7500	5GSS	Petrobras	Brazil	320	550	950D	Jul-11	950D + 950D
28-Jan	Diamond	Ocean Confidence	5GSS	Cobalt	Congo	360	390	60D	Jul-11	Option
27-Jan	Noble	Noble Clyde Boudreaux	5GSS	Shell	Brazil	290	245	1Y	Apr-10	New mutual
17-Jan	Noble	Noble Drsh Tbn5	6GDS	Shell	TBA	410	N/A	6.5Y	Jul-13	New mutual
04-Jan	Ocean Rig	Leiv Eiriksson	5GSS	Cairn Ener	Greenland	480	540	180D	Jun-11	New mutual
04-Jan	Ocean Rig	Corcovado	6GDS	Cairn Ener	Greenland	560	N/A	180D	Jun-11	New mutual

Source: Pareto Securities Equity Research drilling presentation, March 21, 2011

Dayrates for ultra-deepwater rigs have increased since a trough in 2010, with rates at up to $470,000 per day on multi-year contracts. For shorter contracts, with duration around 120 days, rates have been reported at $560,000 per day. Average dayrate for the ultra-deepwater contracts awarded in the fourth quarter of 2010 was $471,000 per day, including three short term harsh environment contracts for Ocean Rig (source: Pareto Research).

During this period, the world has been through a deep financial crisis and the drilling industry has experienced the *Deepwater Horizon* accident. Accordingly, it may be expected that there is room for the current orderbook of 18 rigs on average to be delivered annually in 2011 to 2013. A significant pipeline of contracts to be awarded during the next 12 months, and the increase in oil prices is believed to be positive for the market.

Limited Availability of High-Specification, Ultra-Deepwater Drillships

Drillships are self-propelled, dynamically positioned and suited for drilling in remote locations because of their mobility and large carrying capacity. Deepwater drillships typically compete in many of the same markets as high-specification semisubmersible rigs. Drillships typically have greater load capacity than early generation semi-submersible rigs, which makes them better suited for drilling in remote locations where re-supply is more difficult. They are also mobile and can generally be moved more easily to new locations in response to customer demand.

Offshore drilling rigs are generally marketed on a worldwide basis as rigs can be moved from one region to another. The cost of moving a rig and the availability of rig-moving vessels may cause the supply and demand balance to vary between regions. However, significant variations between regions do not tend to exist longer-term.

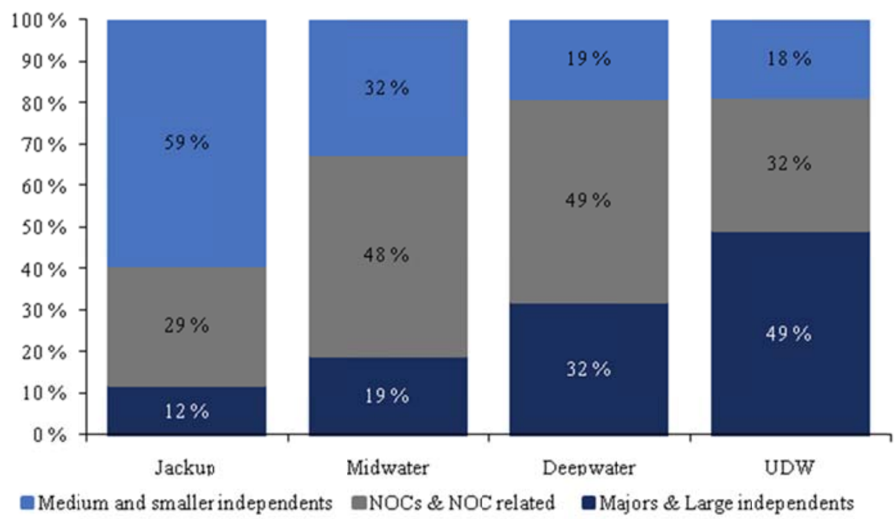
The New Ultra-Deepwater Rigs are Expected to be Absorbed by Demand Growth

Floater Fleet	Midwater	Deepwater	Ultra deepwater	Total
Current				
Contracted free 2011	18	12	6	36
Contracted free 2012	36	8	18	62
Contracted free later	41	29	64	134
Hot/ Warm stacked	2	5	0	7
Cold stacked	9	2	0	11
Total current:	**106**	**56**	**88**	**250**
Newbuilds				
Contracted newbuilds	3	2	34	39
Uncontracted newbuilds 2011	1	0	11	12
Uncontracted newbuilds later	0	0	18	18
Total newbuilds:	**4**	**2**	**63**	**69**
Total fleet:	**110**	**58**	**151**	**319**

Source: Pareto Securities research drilling report, March 2011

The ultra-deepwater rig fleet, being a relatively new segment, has experienced significant growth in recent years. There is currently a fleet of 88 ultra-deepwater rigs, with 63 newbuilds due for delivery. A majority of these newbuilds already have announced contracts in place. The fleet growth rate is, as mentioned above, estimated to be 18 new rigs per year over the next three-years, below the average of 22 rigs since 2007. For 2012 and 2013, the growth rate is expected at average 11 rigs per year.

The Large Players are the Main Demand Drivers for Ultra-Deepwater Rigs



Source: Pareto Securities Research March 2011, based on input from ODS Petrodata

Major international oil companies and the largest independent oil companies make up approximately half of the demand for ultra-deepwater rigs, whereas national oil companies constitute approximately one third. Demand from major international oil companies and national oil companies are believed to be less volatile and less vulnerable to market disruptions.

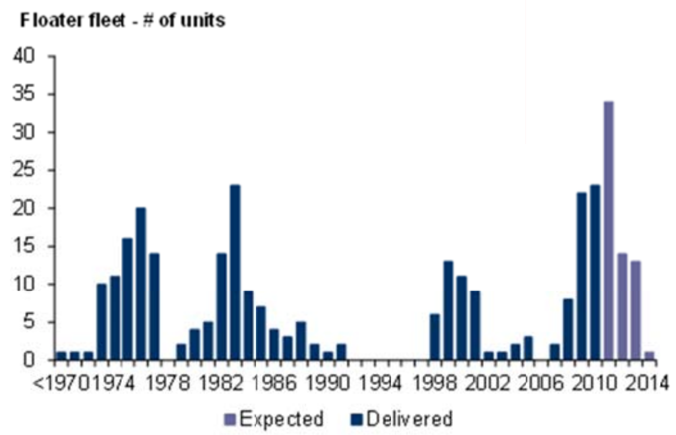
Of the 50 rigs (ultra-deepwater drillships and semi-submersibles) delivered or to be delivered in

2010 and 2011, many of which were ordered without contracts, all the rigs delivered so far are contracted and fewer than 10 rigs able to start service before the end 2011 are not yet contracted. (Source: ODS Petrodata and Pareto Securities Equity Research)

The table below shows the age profile of floating drilling rigs in the market ("Floaters"). Second to fourth generation units are in general viewed as mid-water units, while upgraded fourth generation and fifth/sixth generation are so called deepwater or ultra-deepwater units.

Rigs have an initial design life of 20-25 years and can typically have their life extended through incremental investment up to 30-35 years. Of the current global fleet, approximately half the fleet is approaching obsolescence.

Age Profile of the Drilling Rig Fleet



Source: Pareto Securities, ODS-Petrodata Rig Base, March 2011

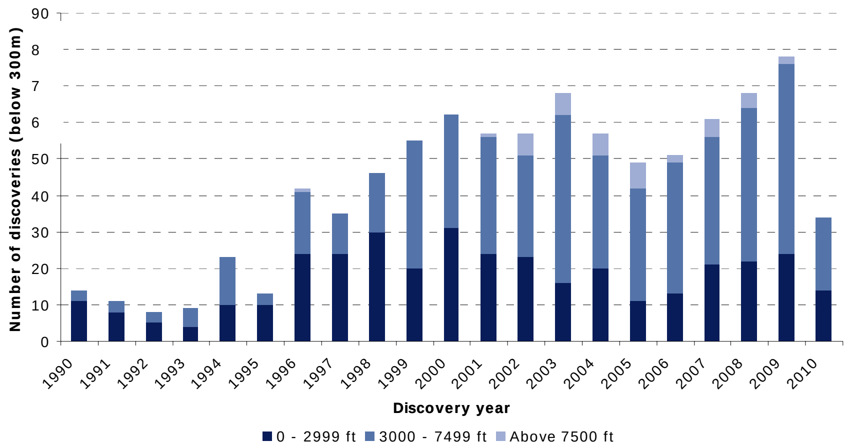
Fleet growth may be mitigated by cold or hot stacking of the rigs or conversion into other modes. Stacking gives the rig owner the option to reactivate the rig if the market recovers. At the moment there are some units, especially some second and third generation units that have been stacked for more than a year. Returning these units to the active market will require significant time and investment ($10-100 million, and 1-6+ months)

Demand

With the advances in subsea production equipment and techniques, offshore drilling units are undertaking increasingly more development drilling than before. The increase in exploration activity over the past few years is expected to lead to increased demand for development drilling.

As can be seen from the graph below, most successful exploration activities have recently taken place in deeper waters, in excess of 3,000 feet. Based on the same level of exploration activity, a significant need for deepwater rigs is expected.

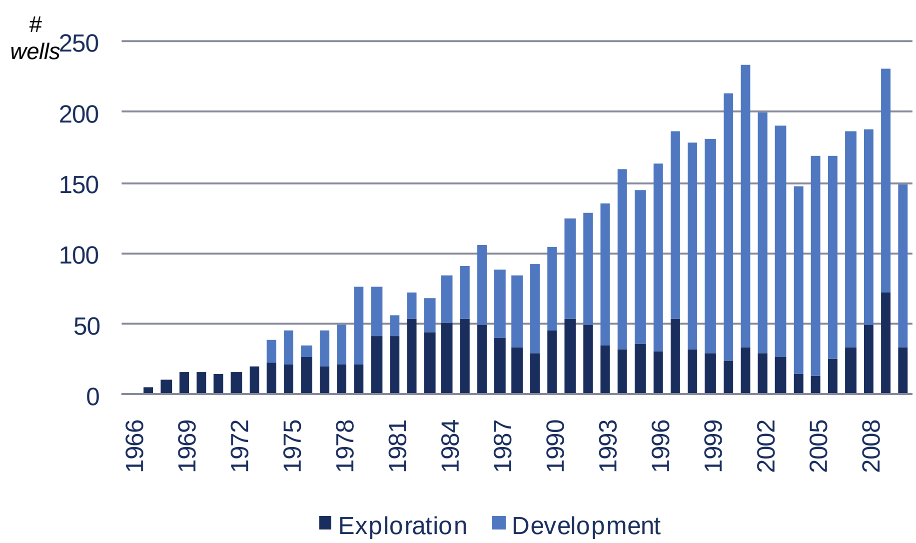
Successful Exploration



Source: Extracted from Infield Systems Ltd. (www.infieldlive.com), January 2011

Development of new fields is time consuming, and it normally takes more than six years from discovery to the first producing well. Drilling often commences one to two years before “first oil.” Fast-track tie-in development could in the best case occur with approximately two year lead-time for fields close to existing infrastructure.

After Exploration Comes Development Drilling



Source: Norwegian Petroleum Directorate, Pareto Securities equity research drilling presentation, March 2011

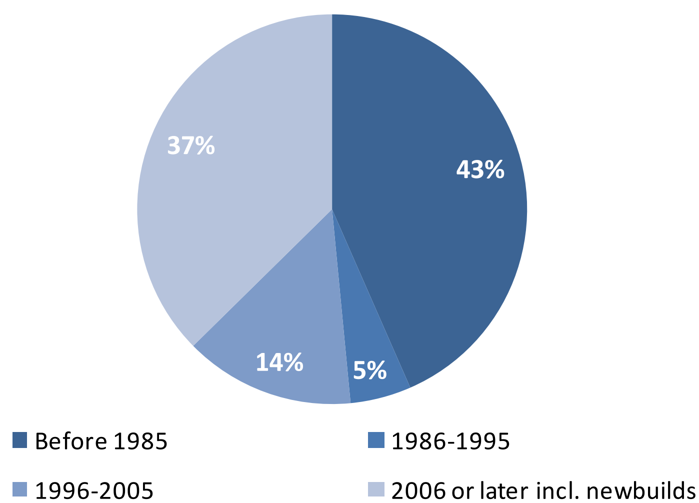
In an early phase of E&P, exploration drilling is dominant. Successful exploration drilling subsequently leads to development drilling, with a time lag. The above graph shows the total number of wells drilled since the beginning of E&P in Norway (including fixed installations). The Company believes the Norwegian example is representative of the way drilling progresses, with a gradual shift towards more development. The number of development wells soon exceeds the number of exploration wells, and the ratio currently stands at 2.4 development wells per exploration well on the Norwegian Continental Shelf. While exploration drilling has remained stable, the development drilling activity increases. Deepwater drilling has so far focused mostly on exploration. The level of ultra-deepwater exploration drilling is expected to continue, with the added need for development drilling.

The credit crisis in 2008 resulted in lower capital budgets for most oil companies as oil and gas prices decreased sharply and funding became more expensive. As a consequence, oil companies postponed exploration campaigns and field developments, and a limited number of new activities were planned in 2009 and early part of 2010. This impacted the short-term demand for development and exploration drilling. These budget cuts created a large backlog of exploration and development activities that are expected to be executed eventually. This could lead to a cyclical effect where the market may experience another lasting upturn where the demand for rigs could exceed available supply.

Long-Term Perspective

Based on data from ODS Petrodata, Pareto has calculated that by 2020, there will be approximately 320 floating rigs worldwide (semi-submersibles and drillships), whereof 175 or 66% will be older than 20 years of age. As much as 48% of the floating rig fleet will be older than 30 years of age.

The Floater Fleet is Ageing – Status at the Start of 2011



Source: Pareto Securities extract from ODS-Petrodata database, March 2011

It is expected that a significant number of the floating rigs built before 1990 will be retired, and that a substantial number of newbuild floaters will be required.

Within the ultra-deepwater segment, it is expected that new units will capture market share, squeezing the older deepwater rigs down into the midwater segment. In addition, the oldest units with lowest specifications will be stacked and subsequently retired.

APPENDIX

APPENDIX 1: Consolidated Financial Statements
APPENDIX 2: Articles of Incorporation
APPENDIX 3: Company Bylaws
APPENDIX 4: Proxy Statement of March 11, 2011

OCEAN RIG UDW INC.
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REPORT OF INDEPENDENT AUDITOR

Audit report to be provided by E&Y

OCEAN RIG UDW INC.
Consolidated Balance Sheets
As of December 31, 2009 and 2010
(Expressed in thousands of U.S. Dollars - except for share and per share data)

		December 31, 2009 (as restated)		December 31, 2010
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$	234,195	$	95,707
Restricted cash (Note 6)		220,690		562,793
Trade accounts receivable, net		65,486		24,286
Due from related parties (Note 4)		4,934		-
Financial instruments (Note 11)		434		1,538
Other current assets		32,819		37,682
Total current assets		558,558		722,006
FIXED ASSETS, NET:				
Rigs under construction (Note 7)		1,178,392		1,888,490
Drilling rigs, machinery and equipment, net (Note 8)		1,317,607		1,249,333
Total fixed assets, net		2,495,999		3,137,823
OTHER NON CURRENT ASSETS:				
Intangible assets, net (Note 9)		11,948		10,506
Above market acquired time charter (Note 9)		2,392		1,170
Pensions (Note 12)		388		-
Other non-current assets (Note 13)		40,700		472,193
Total non current assets, net		55,428		483,869
Total assets	$	3,109,985	$	4,343,698
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Current portion of long-term debt (Note 10)	$	537,668	$	560,561
Accounts payable		13,591		6,189
Due to related parties (Note 4)		48,110		-
Accrued liabilities		34,235		45,631
Deferred revenue		38,400		40,205
Financial instruments (Note 11)		5,467		12,503
Other current liabilities		4,816		2,829
Total current liabilities		682,287		667,918
NON CURRENT LIABILITIES				
Long term debt, net of current portion (Note 10)		662,362		696,986
Financial instruments (Note 11)		64,219		96,901
Deferred tax liability (Note 20)		-		209
Pensions (Note 12)		-		602
Total non current liabilities		726,581		794,698
COMMITMENTS AND CONTINGENCIES (Note 22)		-		-
STOCKHOLDERS' EQUITY:				
Common stock, $0,01par value; 131,696,928 shares authorized, issued and outstanding at December 31, 2010 (Note 14)		10		1,317
Additional paid in capital		2,386,953		3,457,444
Accumulated other comprehensive loss		(34,128)		(60,722)
Retained earnings		(651,718)		(516,957)
Total stockholders' equity		1,701,117		2,881,082
Total liabilities and stockholders' equity	$	3,109,985	$	4,343,698

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

OCEAN RIG UDW INC.
Consolidated Statements of Operations
For the periods ended December 31, 2008, 2009 and 2010
(Expressed in thousands of U.S. Dollars - except for share and per share data)

	Year Ended		
	2008	**2009 (as restated)**	**2010**
REVENUES:			
Leasing revenues	$ 116,859	$ 223,774	$ 141,211
Service revenue	85,251	149,751	261,951
Other revenues	16,553	14,597	2,550
Total Revenues	218,663	388,122	405,712
EXPENSES:			
Drilling rigs operating expenses (Note 16)	86,229	133,256	119,369
Depreciation and amortization (Note 8 and 9)	45,432	75,348	75,092
Gain / (loss) of sale assets	-	-	(1,458)
Goodwill Impairment (Note 17)	761,729	-	-
General and administrative expenses	14,462	17,955	19,443
Operating income / (loss)	(689,189)	161,563	190,350
OTHER INCOME / (EXPENSES):			
Interest and finance costs (Note 18)	(71,692)	(46,120)	(8,418)
Interest income (Note 19)	3,033	6,259	12,464
Gain/(loss) on interest rate swaps (Note 11)	-	4,826	(40,303)
Other, net (Note 11)	(2,300)	2,023	1,104
Total expenses/ income, net	(70,959)	(33,012)	(35,153)
INCOME /(LOSS) BEFORE INCOME TAXES AND EQUITY IN LOSS OF INVESTEE	(760,148)	128,551	155,197
Income taxes (Note 20)	(2,844)	(12,797)	(20,436)
Equity in loss of investee (Note 5.1)	(1,055)	-	
NET INCOME/(LOSS)	(764,047)	115,754	134,761
Less: Net income attributable to non controlling interest	(1,800)	-	-
NET INCOME/(LOSS) ATTRIBUTABLE TO OCEAN RIG UDW INC.	$ (765,847)	$ 115,754	$ 134,761
Earnings/(loss) per common share attributable to Ocean Rig UDW inc., basic and diluted (Note 15)	(7.43)	1.12	1.30
Weighted average number of common shares, basic and diluted	103,125,500	103,125,500	103,908,279

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

OCEAN RIG UDW INC.

Consolidated Statements of Stockholders' Equity
For the periods ended December 31, 2008, 2009 and 2010
(Expressed in thousands of U.S. Dollars - except for share and per share data)

	Comprehensive Income/(Loss)	# of Shares	Par value	Additional Paid-in Capital	Cash Flow Hedge	Actuarial pension gain/(loss)	Option Cost	Accumulated Other Comprehensive Income / (Loss)	Retained Earnings	Total Stockholders Equity
BALANCE, December 31, 2007		**103,125,500**	**10**	**162,057**				**-**	**(3,425)**	**158,642**
-Net income	(765,847)								(765,847)	(765,847)
-Unrealized gain on cash flows hedges, net of tax of $0 (Note 20)	(46,637)				(46,637)			(46,637)		(46,637)
-Increase in defined benefit plan adjustments, net of tax of $0 (Note 20)	1,240					1,240		1,240		1,240
- Option costs	812						812	812		812
-Capital contribution from Dryships Inc				650,164						650,164
-Capital contribution due to retirement of treasury shares				16,582						16,582
-Capital contribution due to stock option program employees				7,087						7,087
Retained earnings acquired									1,800	1,800
-Redemption adjustment				(212)						(212)
-Comprehensive income	(810,432)				(46,637)	1,240	812			
BALANCE, December 31, 2008		**103,125,500**	**10**	**835,678**				**(44,585)**	**(767,472)**	**23,631**
-Net income- As restated (Note 3)	115,754								115,754	115,754
-Realized expense on Cash flow hedges, net of tax $0 (Note 20) - As restated (Note 3)	(6,253)				(6,253)			(6,253)		(6,253)
-Unrealized gain on cash flows hedges, net of tax of $0 (Note 20)	16,140				16,140			16,140		16,140
-Increase in defined benefit plan adjustments, net of tax of $0 (Note 20)	570					570		570		570
-Contribution of net assets in Drillships Investments Inc.(Note 4)				439,900						439,900
-Cancellation of shares in relation to acquisition of Drillship Holding (Note 4)		(25,781,375)	(3)							(3)
-Acquisition of Drillships Holdings Inc. (Note 4)		25,781,375	3	358,000						358,003
-Capital contribution from Dryships Inc				753,375						753,375
-Comprehensive income	126,211				(36,750)	1,810	812			
BALANCE, December 31, 2009 As restated – (Note 3)		**103,125,500**	**10**	**2,386,953**				**(34,128)**	**(651,718)**	**1,701,117**
-Net income	134,761								134,761	134,761
-Realized expense on Cash flow hedges, net of tax $0 (Note 20)	(21,522)				(21,523)			(21,523)		(21,523)
-Unrealized gain on cash flows hedges, net of tax of $0 (Note 20)	(5,495)				(5,495)			(5,495)		(5,495)
-Increase in defined benefit plan adjustments, net of tax of $0 (Note 20)	424					424		424		424
-Share dividend (Note 14)			1,021	(1,021)						
-Private Placement (Note 14)		28,571,428	286	488,015						488,301
-Capital contribution from Dryships Inc				583,497						583,497
-Comprehensive income	108,168				(63,768)	2,234	812			
BALANCE, December 31, 2010		**131,696,928**	**1,317**	**3,457,444**				**(60,722)**	**(516,957)**	**2,881,082**

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

OCEAN RIG UDW INC.

Consolidated Statement of Cash Flows
As of and for periods ended December 31, 2008, 2009 and 2010
(Expressed in thousands of United States Dollars)

	January 1 to December 31, 2008	January 1 to December 31, 2009 (as restated)	January 1 to December 31, 2010
Cash Flows from Operating Activities:			
Net income	$ (765,847)	115,754	$ 134,761
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	45,432	75,348	75,092
Loss from disposal of assets	-	-	1,458
Commitments fees on undrawn line of credit	6,188	4,300	6,375
Amortization and premium paid over withdrawn loans	14,062	10,973	-
Net amortization of fair value of acquired drilling contracts	(16,553)	(14,597)	1,222
Payments for Cash flow hedge not included in expense	-	(6,253)	(21,523)
Goodwill impairment charge	761,729	-	-
Income from associated companies	1,055	-	-
Change in fair value of derivatives	2,512	31,654	33,119
Changes in operating assets and liabilities:			
Trade accounts receivable	(1,569)	(23,626)	41,200
Other current assets	(1,012)	(17,521)	(4,863)
Deferred taxes	-	-	209
Accounts payable	(1,955)	6,147	(7,402)
Due to related parties	(26,797)	48,110	-
Other current liabilities	1,759	(3,207)	(1,988)
Pension liability	(2,015)	(142)	1,416
Accrued liabilities	(869)	1,940	5,022
Deferred revenue	4,999	26,732	1,805
Payment of margin call for derivatives	-	(40,700)	(37,900)
Net Cash Provided by Operating Activities	21,119	214,912	228,003
Cash Flows from Investing Activities:			
Investments in Ocean Rig ASA, net of cash acquired	(972,802)	-	-
Advances for vessels under construction	-	(130,832)	(705,022)
Downpayment for vessels under construction and other improvements	-	-	(294,569)
Drillship options	-	-	(99,024)
Drilling rigs, equipment and other improvements	(16,584)	(14,152)	(6,834)
Increase in restricted cash	(31,287)	(189,403)	(342,103)
Cash from acquisition of drillships	-	183,770	-
Net Cash Used in Investing Activities	(1,020,673)	(150,617)	(1,447,552)
Cash Flows from Financing Activities:			
Capital contribution by Dryships Inc	650,161	753,375	540,321
Net proceeds from the issuance of common shares	11,306	-	488,301
Proceeds from long-term credit facility	2,050,000	150,000	8,250
Proceeds from short term credit facility	-	-	300,000
Principal payments and repayments of long-term debt	(1,438,941)	(650,000)	(132,717)
Principal payments and repayments of short-term debt	-	(355,052)	(115,000)
Payment of financing costs	(15,136)	(1,364)	(8,094)
Net Cash Provided by (used in) Financing Activities	1,257,390	(103,041)	1,081,061
Net (decrease) / increase in cash and cash equivalents	257,836	(38,745)	(138,488)
Cash and cash equivalents at beginning of period	15,104	272,940	234,195
Cash and cash equivalents at end of period	$ 272,940	234,195	$ 95,707
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the year/period for:			
Interest, net of amount capitalized	23,103	51,093	43,203
Income taxes	2,566	13,233	19,803

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

1a. Basis of Presentation and General Information:

The accompanying consolidated financial statements include the accounts of Ocean Rig UDW Inc. and its subsidiaries (collectively, the "Company," "Ocean Rig UDW" or "Group"). Ocean Rig UDW Inc was formed under the laws of the Republic of the Marshall Islands on December 10, 2007under the name Primelead Shareholders Inc. The Company was established by DryShips Inc. for the purpose of being the holding company of its drilling rig segment. Ocean Rig UDW Inc. acquired all of the outstanding shares of Primelead Limited in December 2007 in a reverse acquisition transaction under common control, which was accounted for as a pooling of interests. As a result, the consolidated financial statements include the results of operations of Primelead Limited since the date of its inception on November 16, 2007. In 2007, DryShips Inc. through its subsidiary, Primelead Limited of Cyprus, purchased approximately 30% of the shares in Ocean Rig ASA which was accounted for as an equity method investment. In 2008, the remainder of the shares in Ocean Rig ASA were acquired and Ocean Rig ASA was delisted from Oslo Stock Exchange. The transactions were accounted for as a step acquisition under the purchase method of accounting and the results of operations were consolidated subsequent to the date control was achieved on May 14, 2008. Ocean On November 24, 2010, Ocean Rig UDW Inc. established an office and was registered with the Cyprus Registrar of Companies as an overseas company.

The Company is controlled by DryShips Inc., a publicly listed company on NASDAQ exchange listed under the symbol "DRYS".

Through Ocean Rig ASA, the predecessor of the Group, the Company was organized in 1996, when Ocean Rig ASA ordered four Hulls. The 5th generation drilling rigs *Leiv Eiriksson* and *Eirik Raude* were delivered in 2001 and 2002, while two remaining Hulls were sold. Ocean Rig UDW owned and operated as of December 31, 2010 the two semi-submersible rigs that are among the world's largest drilling rigs, built for ultra deep-waters and extreme weather conditions.

Further, the Group has acquired companies holding contracts for four drillships which are currently under construction, two of which were originally ordered in 2007 and the other two in 2008 (Note 5). Two drillships (Hulls 1837 and 1838) were ordered by certain entities including entities affiliated with the CEO of DryShips Inc, George Economou. Hulls 1865 and 1866, were ordered by DryShips Inc. which subsequently contributed all its equity interests in the companies holding these contracts to Ocean Rig UDW on 5 March 2009. The Company acquired all of the shares in Drillships Holding Inc., being the holding company of the companies holding contracts for Hull Nos. 1837 and 1838, on 15 May 2009. The two other drillships, Hull 1837, which was named Ocean Rig Corcovado, was delivered on January 3, 2011. Hull 1838 which was named Ocean Rig Olympia was delivered on March 30, 2011. The other Hulls are scheduled to be delivered in 2011.

1b. Liquidity and Management Plans:

At December 31, 2010, the Company's short-term contractual obligations to fund the construction installments under the drillship shipbuilding contracts in 2011 amount to $1,374 million. Cash expected to be generated from operations is not anticipated to be sufficient to cover the Company's capital commitments, current loan obligations and maintain compliance with minimum cash balance covenants. In March 2011, the Company or Dryships Inc. received commitments from financial institutions for additional financing amounting to $800 million and consents from existing lenders to draw down an additional amount of $495 million to cover obligations falling due within 2011. Additionally, Dryships Inc. has committed to provide cash to meet the Company's liquidity needs over the next twelve months. The Company believes that the above financing and support from Dryships Inc. will be sufficient to meet its working capital needs, capital commitments, loan obligations and maintain compliance with its minimum cash balance and other loan covenants throughout 2011. In addition, should the Company exercise all its options to construct four new drillships, the Company would be required to pay cash payments of $ 698.8 million in 2011, for which would be dependent upon it would need to obtain obtaining additional financing.

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 Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

(b) Equity method investments*:* Investments in entities that the Company does not control, but has the ability to exercise significant influence over the operating and financial policies, are accounted for using the equity method.

(c) Business Combinations: In accordance with Financial Accounting Standards Board guidance ("guidance") related to business combinations, the purchase price of acquired businesses is allocated to tangible and identified intangible assets acquired and liabilities assumed based on their respective fair values. The excess of the purchase price over the respective fair value of net assets acquired is recorded as goodwill. Incremental costs incurred in relation to a business combination were capitalized until the adoption of the new guidance for business combinations on January 1, 2009 that requires all costs related to business combinations to be expensed. However, associated costs to obtain related debt financing are an element of the effective interest cost of the debt. Therefore they are capitalized and amortized over the term of the related debt an included as interest expense using the effective interest method.

(d) 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.

Significant Accounting policies-(continued):

(e) Current and non-current classification*:* Assets and liabilities are classified as current assets and current liabilities, respectively, if their maturity is within one year of the balance sheet date. Otherwise, they are classified as non-current assets and non-current liabilities.

(f) 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.

(g) Restricted Cash: Restricted cash may include (i) retention accounts which can only be used to fund the loan installments coming due; (ii) minimum liquidity collateral requirements under the loan facilities; (iii) taxes withheld from employees and deposited in designated bank accounts; and (iv) amounts pledged as collateral for bank guarantees to suppliers and (v) amounts pledged as collateral for credit facilities.

In terms of certain loan agreements, the Company is required to hold bank deposits which are used to fund the loan installments coming due. These funds can only be used for the purposes of loan repayments and are shown as “Restricted cash” under current and non-current assets. Restricted cash also includes additional minimum cash deposits required to be maintained with certain banks under the Company’s borrowing arrangements.

Restricted cash balances include minimum required cash deposits, as defined in the loan agreements, and are classified as of December 31, 2008, 2009 and 2010 as either current or non-current depending on the individual deposit (note 6).

(h) Trade Accounts Receivable: The amount shown as trade accounts receivable at each balance sheet date includes receivables from charterers for hire of drilling rigs and related billings, net of a provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts. There were no provisions for doubtful accounts at December 31, 2009 or 2010.

(i) Related parties: Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence. Related parties also include members of the Company’s or its parent company’s management or owners and their immediate families (Note 4).

(j) Derivatives: The Company’s derivatives include interest rate swaps and foreign currency forward contracts. 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 in exchange. Certain contracts which meet the 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 fair value of the hedging instrument is recognized directly as a component of Other comprehensive income in equity, while any ineffective portion 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

2. Significant Accounting policies-(continued):

(j) Derivatives- (continued):

is recognized in profit or loss. 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 under "Gain/(loss) on interest rate swaps" and "Other net".

(k) Guidance "Fair Value Measurements"*:* Effective January 1, 2008, the Company adopted the guidance "Fair Value Measurements and Disclosures". In addition, on January 1, 2008, the Company made no election to account for its monetary assets and liabilities at fair values as allowed by FASB guidance for financial instruments (Note 11).

(l) 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 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. The Company's customers are mainly major oil companies. The credit risk has therefore determined by the Company to be low. 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 customer's financial condition and generally does not require collateral for its trade accounts receivable. The Company has made drill ships prepayments to Samsung Heavy Industries. The ownership of the drill ships is transferred from the yard to the Company at delivery. The credit risk of the prepayments is to a large extent reduced through refund guarantees by highly rated banks.

As of December 31, 2010, cumulative instalment payments made to Samsung Heavy Industries amounts to approximately $1,512,655 for the four units contracted. These instalment payments are, to a large extent, secured with irrevocable letters of guarantee, covering pre-delivery instalments if the contract is rescinded in accordance with the terms of the contract. The irrevocable letters of guarantee are issued by high quality banks.

The coverage ratios (letter of credit to total Samsung payments) as per December 31, 2010, are 95%, 94% and 94% for Hulls 1838, 1865 and 1866, respectively. As a result, the open risk is $19,000 for Hull 1838 and $30,000 for the Hulls 1865 and 1866. The open risk (prepayments less letters of guarantee) is considered to be within acceptable levels given Samsung Heavy Industries' financial position and position as key company for South Korea. The drillships, while under construction, will be insured by Samsung Heavy Industries from the time of the keel-laying until delivery.

(m) Rigs under construction: This represents amounts expended by the Company in accordance with the terms of the construction contracts for drillships as well as expenses incurred directly or under a management agreement with a related party in connection with on sight 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 rigs under construction ("Newbuildings") represents the accumulated costs at the balance sheet date. Cost components include payments for yard installments and variation orders, commissions to related party, construction supervision, equipment, spare parts, capitalized interest, costs related to first time mobilization and commissioning costs. No charge for depreciation is made until commissioning of the newbuilding has been completed and it is ready for its intended use.

(n) Capitalized interest: Interest expenses are capitalized during construction of rigs under construction based on accumulated expenditures for the applicable project at the Company's current rate of borrowing. The amount of interest expense capitalized in an

2. Significant Accounting policies - (continued):

(n) Capitalized interest-(continued):

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 beyond the 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.

(o) Drilling Rigs machinery and equipment, Net:
(i) Drilling rigs are stated at historical cost less accumulated depreciation. Such costs include the cost of adding or replacing parts of drilling rig 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 of a drilling rig. 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 5 to 15 years.
(ii) Drilling rig machinery and equipment, IT and office equipment, are recorded at cost and are depreciated on a straight-line basis over the estimated useful lives, for Drilling rig machinery and equipment over 5-15 years and for IT and office equipment over 5 years.

(p) Goodwill and Intangible assets: Goodwill represents the excess of the purchase price over the estimated fair value of net assets acquired in a business combination. Goodwill is reviewed for impairment whenever events or circumstances indicate possible impairment. The Company tests goodwill for impairment annually. Goodwill is not amortized. The Company has no other intangible assets with an indefinite life. The Company tests for impairment each year on December 31.

The Company tests goodwill for impairment by first comparing the carrying value of the reporting unit, which is defined as an operating segment or a component of an operating segment that constitutes a business for which financial information is available and is regularly reviewed by management, to its fair value. The Company estimates the fair value of the reporting unit by weighting the combination of generally accepted valuation methodologies, including both income and market approaches.

For the income approach, the Company applies undiscounted projected cash flows. To develop the projected net cash flows from the Company’s reporting unit, which are based on estimated future utilization, day rates, projected demand for its services, and rig availability, the Company considers key factors that include assumptions regarding future commodity prices, credit market uncertainties and the effect these factors may have on the Company’s contract drilling operations and the capital expenditure budgets of its customers.

For the market approach, the Company derives publicly traded company multiples from companies with operations similar to the Company’s reporting unit by using information publicly disclosed by other publicly traded companies and, when available, analyses of recent acquisitions in the marketplace.

If the fair value of a reporting unit exceeds its carrying value, no further testing is required. This is referred to as Step 1. If the fair value is determined to be less than the carrying value, a second step, Step 2, is performed to compute the amount of the impairment, if any. In this process, an implied fair value for goodwill is estimated, based in part on the fair value of the operations, and is compared to its carrying value. The shortfall of the implied fair value of goodwill below its carrying value represents the amount of goodwill impairment.

All of the Company’s goodwill was impaired for the year ended December 31, 2008 (Note 17).

2. Significant Accounting policies - (continued):

(p) Goodwill and Intangible assets – (continued):

The Company's finite-lived acquired intangible assets are recorded at historical cost less accumulated amortization. Amortization is recorded on a straight-line basis over their estimated useful lives of the intangibles as follows:

Intangible assets/liabilities	Years
Tradenames	10
Software	10
Fair value of above/below market acquired time charters	Over remaining contract term

Tradenames and software constitute the item "Intangible assets" in the Consolidated Balance Sheets. The amortization of these items are included in the line "Depreciation and amortization" in the Consolidated Statement of Operations.

(q) Impairment of Long-lived assets: The Company reviews for impairment long-lived assets and intangible long-lived assets held and used whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In this respect, the Company reviews its assets for impairment on a rig by rig and asset by asset basis. When the estimate of undiscounted cash flows, excluding interest charges, expected to be generated by the use of the asset is less than its carrying amount, the Company evaluates the asset for impairment loss. The impairment loss is determined by the difference between the carrying amount of the asset and the fair value of the asset.

As at December 31, 2009 and 2010, the Company performed an impairment review of the Company's long-lived assets due to the global economic downturn, the significant decline in drilling rates in the rig industry and the outlook of the oil services industry. The Company compared undiscounted cash flows with the carrying values of the Company's long-lived assets to determine if the assets were impaired. In developing estimates of future cash flows, the Company relied upon assumptions made by management with regard to the Company's rigs, including future drilling rates, utilization rates, operating expenses, future dry docking costs and the estimated remaining useful lives of the rigs. These assumptions are based on historical trends as well as future expectations in line with the Company's historical performance and the Company's expectations for future fleet utilization under its current fleet deployment strategy, and are consistent with the plans and forecasts used by management to conduct its business. The variability of these factors depends on a number of conditions, including uncertainty about future events and general economic conditions; therefore, the Company's accounting estimates might change from period to period. 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 2009 and 2010.

(r) Fair value of above/below market acquired time charter: In a business combination, the Company identifies assets acquired or liabilities assumed and records all such identified assets or liabilities at fair value. Favorable or unfavorable drilling contracts exist when there is a difference between the contracted dayrate and the dayrates prevailing at the acquisition date. The amount to be recorded as an asset or liability at the acquisition date is based on the difference between the then-current fair values of a charter with similar characteristics as the time charter assumed and the net present value of future contractual cash flows from the time charter contract assumed. When the present value of the time charter assumed is greater than the then-current fair value of such charter, the difference is recorded as "Fair value of above market acquired time charter." When the opposite situation occurs, the difference is recorded as "Fair value of below-market acquired time charter." Such assets and liabilities are amortized as a reduction of or an increase in "Other revenue," over the period of the time charter assumed.

(s) Deferred financing costs: Deferred financing costs include fees, commissions and legal expenses associated with the Company's long- term debt and are capitalized and recorded net with the underlying 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.

2. Significant Accounting policies - (continued):

(t) Pension and retirement benefit obligation: For employees, the Company has five retirement benefit plans, which are managed and funded through Norwegian life insurance companies. The projected benefit obligations are calculated based on projected unit credit method and compared with the fair value of pension assets.

Because a significant portion of the pension liability will not be paid until well into the future, numerous assumptions have to be made when estimating the pension liability at the balance sheet date. The assumption may be split into two categories; actuarial assumptions and financial assumptions. The actuarial assumptions are unbiased, mutually compatible and represent the Company's best estimates of the variables. The financial assumptions are based on market expectations at the balance sheet date, for the period over which the obligations are to be settled. Due to the long-term nature of the pension obligations, they are discounted to present value.

The funded status or net amount of the projected benefit obligation and pension asset (net pension liability or net pension asset) of each of its defined benefit plans, is recorded in the balance sheet under the captions "Non-current liabilities" and "Non-current assets" with an offsetting amount in "Accumulated other comprehensive income" for any amounts of actuary gains of losses or prior service cost that has not been amortized to income.

Net pension costs (benefit earned during the period including interest on the projected benefit obligation, less estimated return on pension assets and amortization of accumulated changes in estimates) are included in "General and administrative expenses" (administration employees) and "Rig operating expenses" (rig employees).

Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plans.

(u) Provisions: A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

(v) Revenue and Related Expenses:

Revenues: 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 drill rigs 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 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 rigs and day rate or fixed price mobilization and demobilization fees. Revenues are recorded net of agents' commissions which may range from one to three percent of gross revenues. 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 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 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 statement of operations.

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 statement of operations on a basis approximating straight line over the lease period. The drilling services

2. Significant Accounting policies - (continued):

(v) Revenue and Related Expenses-(continued):

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.

See *(r) Fair value of above/ below market acquired time charter***,** for an explanation of "Other revenues."

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

(x) 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 "General and administrative expenses" in the accompanying consolidated statements of operations.

(y) 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 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. The Company accrues interest and penalties related to its liabilities for unrecognized tax benefits as a component of income tax expense.

(z) Earnings/(loss) per common share: Basic earnings per common share ("EPS") is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the year. Diluted EPS reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised. Dilution has been computed using the treasury stock method.

(aa) Other comprehensive income/(loss): The Company records certain transactions directly as "Comprehensive income/(loss)" which is shown as a separate component of "Stockholders' equity."

(ab) Business segment*:* Offshore drilling operations represent the Company's only segment.

2. Significant Accounting policies - (continued):

(ac) Recent accounting pronouncements:

In January 2010, the FASB issued ASU 2010-01, Accounting for Distributions to Shareholders with Components of Stock and Cash which amends FASB ASC 505, Equity in order to clarify that the stock portion of a distribution to shareholders that allows the shareholder to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in earnings per share prospectively and is not a stock dividend for purposes of applying FASB ASC 505, Equity and FASB ASC 260, The Company has not been involved in any such distributions and thus, the impact to the Company cannot be determined until any such distribution occurs.

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820)-Improving Disclosures about Fair Value Measurements. ASU 2010-06 amends ASC 820 to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The ASU also amends guidance on employers' disclosures about postretirement benefit plan assets under ASC 715 to require that disclosures be provided by classes of assets instead of by major categories of assets. The guidance in the ASU was effective for the first reporting period (including interim periods) beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this guidance did not have any impact on its financial position and results of operation, but the required note disclosures have been included in the financials.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

3. Restatement of Previously Issued Financial Statements:

The Company adjusted its previously reported consolidated financial statements for the year ended December 31, 2009 to reflect the correction of an error in computing capitalized interest expense for rigs under construction. Management concluded that the amortization of and the deferred financing cost should have been included in the capitalized rate affecting the capitalization of interest.

Additionally, the Company considered ASC 835-20, *Capitalization of Interest*, and ASC 815-30, *Cash Flow Hedges*, and adjusted its previously reported financial statements for 2009 to reflect the correction of an error to reverse the reclassification into earnings of that portion of interest that should have remained in accumulated other comprehensive loss since it related to cash flow hedges of the variability of interest on borrowings that was capitalized as part of rigs under construction. Such accumulated other comprehensive loss should be reclassified into earnings in the same periods during which the hedged transactions affect earnings.

The Company's management determined that the Interest and finance costs were overstated by $11,189, rigs under construction were understated by $6,253, accumulated other comprehensive loss was understated by $4,936 and retained earnings was understated by $11,189.

The following tables reflect the impacts on the financial statement line items of the accounting adjustments:

Consolidated Statement of Operations	**For the Year Ended December 31, 2009**		
	As previously reported	**Errors**	**As restated**
Interest and finance costs	$ (57,309)	11,189	$ (46,120)
Net profit attributable to Ocean Rig UDW Inc.	104,565	11,189	115,754
Loss per common share, basic and diluted	$ 1.01	0.1	$ 1.12

Consolidated Balance Sheet	**December 31, 2009**		
	As previously reported	**Errors**	**As restated**
Rigs under construction	$ 1,173,456	4,936	$ 1,178,392
Total Fixed Assets, net	2,491,063	4,936	2,495,999
Total assets	3,105,049	4,936	3,109,985
Accumulated other comprehensive loss	(27,875)	(6,253)	(34,128)
Retained earnings	(662,907)	11,189	(651,718)
Total equity	1,696,181	4,936	1,701,117
Total liabilities and stockholders' equity	3,105,049	4,936	3,109,985

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

Consolidated Cash Flow		For the Year ended December 31, 2009		
		As previously reported	**Errors**	**As restated**
Net income	$	104,565	11,189	$ 115,754
Payments for Cash flow hedge not included in expense		-	(6,253)	(6,253)
Net Cash provided by Operating Activities		209,976	4,936	214,912
Advances for vessels under construction		(125,896)	(4,936)	(130,832)
Net Cash Used in Investing Activites		(145,681)	(4,936)	(150,617)
Net (decrease)/increase in cash and cash		(38,745)	-	(38,745

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

4. Transactions with Related Parties:

Purchase of Ocean Rig ASA shares from a Related Party in 2007 and 2008

On December 20, 2007, for consideration of $406,024, the Company acquired 51,778,647 shares in Ocean Rig ASA from Cardiff Marine Inc. (5). This represented 30.4% of the issued shares in Ocean Rig ASA. A commission was paid to Cardiff amounting to $4,050. The above commission was paid on February 1, 2008. The commission was expensed and presented as part of "Interest and finance costs" in 2007.

In April 2008, 7,546,668 shares, representing 4.4% of the share capital of Ocean Rig ASA were purchased from companies controlled by the Chairman and Chief Executive Officer of Dryships Inc for a consideration of $66,800, which is the U.S. dollar equivalent NOK 45 per share, which is the price that was offered to all shareholders in a mandatory offering.

In addition, a commission was paid to Cardiff amounting to $9,900 for services rendered in relation to the acquisition of the remaining shares in 2008 of Ocean Rig ASA. This commission was paid on December 5, 2008 and was expensed and presented as part of "Interest and finance costs" in 2008.

Acquisition of Drillship Hulls 1837 and 1838

On October 3, 2008, the Company entered into a share purchase agreement with certain unrelated parties and certain entities affiliated with the Chairman and Chief Executive Officer of DryShips Inc. to acquire the new build contracts for the drillship Hulls 1837 and 1838, which were under construction, and the associated debt, included in Drillships Holdings Inc. ("Drillships Holdings") (Note 1). On May 15, 2009, the transaction closed. Since the investment did not meet the definition of a business, it was accounted for as a net asset acquisition on the closing date. As consideration for this asset acquisition, Ocean Rig UDW cancelled 25% of the shares held by Dryships Inc. as of May 15, 2009 and simultaneously reissued the same number of shares to the sellers. Consequently, following this transaction the sellers held shares equal to 25% of the Company's total issued and outstanding common shares. The value of the shares issued was determined based on the fair value of the net assets acquired of $358,000 and was recorded as an increase in the paid in capital in stockholder's equity. The fair values of individual assets and liabilities acquired by the Company were as follows:

		Amount
Contracts for construction of drillship Hulls 1837 and 1838	$	625,400
Cash deposits		200
Debt assumed		(259,900)
Other liabilities		(7,700)
Net assets acquired	$	358,000

Acquisition of Drillships Hulls 1865 and 1866

On March 5, 2009, DryShips Inc. contributed to the Company the new build contracts for the drillship Hulls 1865 and 1866 under construction and other associated assets and debt included in Drillships Investments Inc. Since the transfer did not meet the definition of a business, it was not an exchange of a business under common control. Therefore, it was accounted for prospectively as a net asset acquisition under common control and the assets acquired and liabilities assumed were recorded at the historical cost of DryShips Inc. in the period in which the transfer occurred. The contribution of shares is recorded as an increase in paid in capital in stockholder's equity at the historical cost of net assets of $439,900.

The carryover basis of individual assets and liabilities received by the Company were the construction contracts for Hulls 1865 and 1866 at an aggregate of $ 422,100, cash deposits of $183,500, other receivables of $40,700, intercompany receivables of $1,300, bank borrowings of $161,900, other liabilities of $100 and financial instruments with a negative fair value of $45,700.

4. Transactions with Related Parties-(continued):

Management Agreements with Cardiff Marine Inc. (Cardiff) and Vivid Finance Ltd.
Cardiff engages primarily in the management of ocean-going vessels, including but not limited to vessels owned by DryShips Inc. Cardiff is beneficially majority-owned by the Chairman and Chief Executive Officer of DryShips, Mr. George Economou. In addition, Cardiff has management agreements in place with the Company relating to Hulls 1837 and 1838 for a management fee of $40 per month per hull.

The management agreements also provide for: (i) chartering commission of 1.25% on the revenue earned; (ii) a commission of 1.00% on all gross shipyards payments or sale proceeds for drillships; (iii) a commission of 1% on loan financing or refinancing; and (iv) a commission of 2% on insurance premiums. The management agreements were terminated effective December 21, 2010 and replaced by Vivid finance and Global service agreements.

Under this agreement Vivid Finance Ltd, a company controlled by the Chairman, President and Chief Executive Officer, Mr. George Economou, provides consultancy services on financing matters for Dryships and its affiliates, subsidiaries or holding companies, including the Company, as directed by DryShips. In consideration for these services, Vivid Finance is entitled to a fee of twenty basis points, or 0.20%, on the total transaction amount. The Company does not pay for services provided in accordance with this agreement. Dryships Inc. pays for the services. Accordingly, these expenses are recorded in the consolidated statement of operations (or as otherwise required by US GAAP) and as a shareholders contribution to capital.

Under the Global Services Agreement with Dryships, Cardiff, a company controlled by Mr. George Economou, or its subcontractor, will (i) provide consulting services related to identifying, sourcing, negotiating and arranging new employment for offshore assets of DryShips and its subsidiaries, including our drilling units; and (ii) identify, source, negotiate and arrange the sale or purchase of the offshore assets of DryShips and its subsidiaries, including our drilling units. In consideration of such services, DryShips will pay Cardiff a fee of 1.0% in connection with employment arrangements and 0.75% in connection with sale and purchase activities. The Company does not pay for services provided in accordance with this agreement, these expenses will however be recorded in the consolidated statement of operations and as a shareholders contribution to capital.

In the period from acquisition of Hulls 1837 and 1838 on May 15, 2009 to December 31, 2009, and January 1 to December 31, 2010 total charges from Cardiff under the management agreements amounted to $1,868 and $3,983 respectively. Costs from management service agreements are capitalized as a component of “Rigs under construction,” being directly attributable cost to the construction.
As of December 31, 2009 and 2010, no balances were outstanding to Cardiff.

In the period from September 1, 2010 to December 31, 2010, total charges from Vivid Finance was $ 1,000 and charged to equity in relation to the private placement as cost directly attributable to the offering and reflected as an increase in shareholder contribution to capital, see note 14.

Private offering
A company controlled by our Chairman, President and Chief Executive Officer, Mr. George Economou, purchased 2,869,428 common shares, or 2.38% of our outstanding common shares, in the private offering that was completed on December 21, 2010. The offering price was $17.50 per share. The price per share paid was the same as that paid by other investors taking part in the private offering. See note 14.

Related party transactions on the balance sheet
Dryships, makes a number of payments towards yard installments, loan installments, loan interest and interest rate swap payments on behalf of Ocean Rig UDW. The receivable from or payable to Dryships Inc. included in the accompanying consolidated balance sheets amounted to receivables of $4,934 and payables of $48,110 as of December 31, 2009. There were no receivables or payables as of December 31, 2010.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

5. Acquisition of Ocean Rig:

5.1 Initial investment in 2007 using the equity method:

On December 20, 2007, the Company acquired 51,778,647 shares or 30.4% of the issued shares in Ocean Rig ASA from a related party (Note 4). Ocean Rig ASA, incorporated on September 26, 1996 and at that time domiciled in Norway, was a public limited company whose shares previously traded on the Oslo Stock Exchange.

The Company accounted for its investment in Ocean Rig for the year ended December 31, 2007, and for the period from January 1, 2008 to May 14, 2008 using the equity method of accounting. The Company's proportionate share in the loss of Ocean Rig ASA and related amortization of purchase price allocation adjustments is shown in the accompanying consolidated statements of operations for the year ended December 31, 2008 as "Equity in loss of investee" and amounted to a loss of $1,055.

Summarized financial information of the Company's equity method investees that represent 100% of the investees' financial information, is as follows:

Result of Operations

	January 1 to May 14, 2008
Revenues	$ 99,172
Operating income/ (loss)	$ 19,521
Net Loss	$ (23,396)

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

5. Acquisition of Ocean Rig–(continued):

5.2 Subsequent step transactions in 2008 to acquire 100%

After acquiring more than 33% of Ocean Rig ASA's outstanding shares on April 22, 2008, the Company, as required by Norwegian Law, launched a mandatory bid for the remaining shares of Ocean Rig at a price of NOK 45 per share ($8.89 per share). The Company acquired additional shares of Ocean Rig ASA, resulting in the Company gaining control over Ocean Rig ASA on May 14, 2008. The results of operations related to the acquisition are included in the consolidated financial statements since May 15, 2008. The mandatory bid expired on June 11, 2008. As of July 10, 2008, the total shares held by the Company in Ocean Rig amounted to 100% (163.6 million shares). Out of the total shares acquired as discussed above, 5.4% of the share capital of Ocean Rig was purchased from companies controlled by George Economou (Note 4).

During the second quarter of 2008, the Company recorded a non-controlling minority interest on its balance sheet in accordance with guidance related to classification and measurement of redeemable equity securities. The resulting non-controlling interest was recorded at its fair value based upon the bid price in NOK which exceeded it carrying value with a reduction in paid in capital. When the non-controlling interest was purchased the adjustment to the carrying amount was eliminated in the manner it was initially recorded by increasing paid in capital with a resulting exchange rate difference of $212.

As a result of the change of control provisions in Ocean Rig ASA's employee stock option program, employee options became immediately vested and Ocean Rig ASA sold shares for cash to certain employees. The resulting gain of $7,087 for Ocean Rig UDW was recorded as equity transaction in consolidation and increased consolidated paid in capital. These shares were subsequently acquired by the Company through the public mandatory bid discussed in the paragraph above. Subsequent to the Company obtaining control of Ocean Rig ASA, Ocean Rig ASA retired treasury shares increasing the relative book value owned by the Company which was recorded as an increase in consolidated paid in capital of $16,852.

5.3 Purchase price allocation

The purchase price of Ocean Rig for each step of the acquisition comprised of the following:

		December 20, 2007	May 14, 2008	June 30, 2008	July 10, 2008		Total
Cash consideration	$	405,168	682,427	288,978	21,283	$	1,397,856
Transaction costs		855	6,154	3,510	240		10,761
Total purchase price	$	406,024	688,581	292,488	21,523	$	1,408,618

The following table summarizes the aggregate fair values of the assets acquired and liabilities assumed by the Company as of the dates of the step acquisitions:

		December 20, 2007	May 14, 2008	June 30, 2008	July 10, 2008		Total
Total current assets	$	28,469	43,179	25,029	1,895	$	98,572
Drilling rigs, machinery and equipment		386,080	664,659	288,981	21,976		1,361,696
Intangible assets		4,366	6,829	3,007	232		14,434
Above market acquired time charter			2,473	1,104	86		3,663
Goodwill		252,070	358,146	141,515	9,998		761,729
Total assets acquired	$	670,985	1,075,286	459,636	34,187	$	2,240,094
Total current liabilities		(45,439)	(238,944)	(108,629)	(8,223)		(401,235)
Total non current liabilities		(207,632)	(130,127)	(52,506)	(3,975)		(394,241)
Below market acquired time charter		(11,890)	(17,633)	(6,013)	(464)		(36,000)
Total Liabilities assumed	$	(264,961)	(386,705)	(167,148)	(12,663)	$	(831,476)
Total purchase price	$	406,024	688,581	292,488	21,525	$	1,408,618

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

5. Acquisition of Ocean Rig–(continued):

5.3 Purchase price allocation–(continued):

A contingent liability that was settled during the allocation period of $3,143 was recognized, based on a claim from an investment bank in relation to DryShips acquisition of Ocean Rig ASA.

Goodwill included in the Company's single segment constitutes a premium paid by the Company over the fair value of the net assets of Ocean Rig ASA, which was attributable to the anticipated benefits from Ocean Rig ASA's unique position to take advantage of the fundamentals of the ultra deep water drilling market at the acquisition date. Goodwill is not deductible for income tax purposes. Goodwill was subsequently impaired as of December 31, 2008 (Note 17).

In connection with the acquisition, the Company acquired drilling contracts for the future contract drilling services of Ocean Rig ASA, some of which extend through 2011. These contracts include fixed day rates that were above or below day rates available as of the acquisition date. After determining the aggregate fair values of these drilling contracts as of the acquisition, the Company recorded the respective contract fair values on the consolidated balance sheet as non-current liabilities and non-current assets under "Fair value of below/above market acquired time charters." These are being amortized into revenues using the straight-line method over the respective contract periods (1 and 3 years for the respective contracts). The amount amortized for the period from May 15, 2008 to December 31, 2008 amounted to $16,553. For 2009 the amount amortized was $14,597. For 2010 the amount amortized was $(1,221).

Additionally, the Company identified finite-lived intangible assets associated with the trade names and software that will be amortized over their useful life which is determined to be 10 years. The fair value of the intangible assets acquired related to Trade names and Software were $8,774 and $5,659, respectively and are included in "Intangible assets, net" in the accompanying consolidated balance sheets.

	Amount Acquired	**Amortized to December 31, 2010**	**Amount to be Amortized as of December 31**				
				2011	**2012**	**2013**	**2014-18**
Trade names	$ 8,774	2,384		877	877	877	$ 3,759
Software	5,659	1,544		566	566	566	2,417
	$ 14,434	3,928		1,443	1,443	1,443	$ 6,177

Included in the amount amortized to December 31, 2008 was $97 and $67 related to Trade names and Software, respectively, that was recorded in the "Equity in (loss)/income of investee".

Pro forma results of operations (unaudited) – The following unaudited pro forma financial data for the periods ended December 31, 2008, give effect to the acquisition of Ocean Rig ASA, as though the business combination had been completed at the beginning of the period:

	December 31, 2008
Pro forma:	
Revenues	$ 317,835
Net Operating Income/(loss)	(669,675)
Net Income/(loss)	(789,250)
Earnings per Shares, basic and diluted	$ (7.65)

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

5. Acquisition of Ocean Rig–(continued):

5.3 Purchase price allocation–(continued):

The unaudited pro forma financial information includes adjustments for additional depreciation based on the fair market value of the drilling rigs, amortization of intangibles arising from the step acquisitions and amortization of the fair value above and below market with respect to the time charters acquired and increased interest expense and financing fees related to debt incurred to finance the acquisition of Ocean Rig ASA. The unaudited pro forma financial information is not necessarily indicative of the result of operations for any future periods. The pro forma information does not give effect to any potential revenue enhancement cost synergies or other operational efficiencies that could result from the acquisitions. The actual results of the operations of Ocean Rig ASA are consolidated since May 15, 2008, the date when control was obtained.

6. Restricted cash:

Restricted cash balances include minimum required cash deposits, as defined in the loan agreements, are classified as current assets in the accompanying consolidated balance sheets.

Restricted cash as of December 31, 2009 and 2010 amounted to:

	December 31, 2009	December 31, 2010
Amount pledged as collateral for bank loans (Note 10 b and e) ...	$ 187,389	$ 529,815
Amounts pledged as collateral to customer	1,000	1,000
Amounts representing minimum liquidity requirements under the loan facilities (Note 10)	30,000	30,000
Taxes withheld from employees..	2,301	1,978
Total current restricted cash	$ 220,690	$ 562,793

All restricted cash has been classified as current as of December 31, 2010 and December 31, 2009 .

7. Rigs under Construction:

The amounts shown in the accompanying consolidated balance sheets include the fair value at acquisition, milestone payments relating to the shipbuilding contracts with the shipyards, supervision costs and any material related expenses incurred during the construction periods including 1% commissions to related parties for Hulls 1837 and 1838, all of which are capitalized in accordance with the accounting policy discussed in Note 2. As of December 31, 2009 and 2010 the advances for rigs under construction and acquisitions are set forth below:

			December 31, 2009 (as restated)			
Vessel Name	Expected delivery	Contract amount	Contract payments	Capitalized expenses	Rig fair value adjustments at acquisition date	Total
H1837	January 2011	$ 691,008	254,346	27,178	89,000	$ 370,524
H1838	March 2011	690,758	254,346	26,041	89,000	369,387
H1865	July 2011	715,541	205,940	13,827	-	219,767
H1866	September 2011	715,541	205,940	12,774	-	218,714
		$ **2,812,848**	**920,572**	**79,820**	**178,000**	$ **1,178,392**

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

7. Rigs under Construction-(continued):

Vessel Name	Expected delivery	Contract amount	December 31, 2010 Contract payments	Capitalized expenses	Rig fair value adjustments at acquisition date	Total
H1837	January 2011	$ 696,524	407,505	78,031	89,000	$ 574,536
H1838	March 2011	695,000	407,505	55,670	89,000	552,175
H1865	July 2011	731,987	374,833	33,033	-	407,866
H1866	September 2011	731,614	322,812	31,101	-	353,913
		$ **2,855,125**	**1,512,655**	**197,835**	**178,000**	$ **1,888,490**

During the year ended December 31, 2009 and 2010 the Contract amount increased from $ 2,812,848 to $ 2,855,125 from scope changes.

During the year ended December 31, 2009 and 2010 the movement of the advances for drillships under construction and acquisitions was as follows:

Balance at December 31, 2008	$ -
Acquisitions of Hulls 1837/ 1838 (May 15, 2009)	625,445
Acquisitions of Hulls 1865/ 1866 (March 5, 2009)	422,114
Advances for drillships under construction	95,673
Capitalized interest (as restated)	24,457
Capitalized expenses	8,834
Related Parties	1,869
Balance at, December 31, 2009 (as restated)	$ 1,178,392

Balance at January 1, 2010	$ 1,178,392
Advances for drillships under construction	592,085
Capitalized interest	35,781
Capitalized expenses	78,249
Related Parties	3,983
Balance at, December 31, 2010	$ 1,888,490

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

8. Drilling Rigs:

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

Drilling Rigs, machinery and equipment:

	Cost	Accumulated Depreciation	Net Book Value
Balance on acquisition May 14, 2008	$ 1,405,346	-	$ 1,405,346
Additions	16,584	-	16,584
Depreciation	-	(44,571)	(44,571)
Balance, December 31, 2008	1,421,930	(44,571)	1,377,359
Additions	14,152	-	14,152
Depreciation	-	(73,905)	(73,905)
Balance December 31, 2009	1,436,082	(118,476)	1,317,607
Additions	6,835	-	6,835
Disposals	(2,800)	1,342	(1,458)
Depreciation		(73,651)	(73,651)
Balance December 31, 2010	$ 1,440,117	(190,785)	$ 1,249,333

As of December 31, 2009 and 2010, all of the Company's drilling rigs and drillships under construction have been pledged as collateral to secure the bank loans (Note 10).

9. Intangible Assets and Liabilities:

The Company identified, in connection with the acquisition of Ocean Rig, finite-lived intangible assets associated with the trade names, software, and above market acquired time charters that are being amortized over their useful lives. In the case of the trade names and software, the useful lives are estimated to be ten years. The useful lives of above market acquired time charters depend on the contract term remaining at the date of acquisition. Trade names and software are included in "Intangible assets, net" in the accompanying consolidated balance sheets net of accumulated amortization. Above-market acquired time charters are presented separately in the accompanying consolidated balance sheets, net of accumulated amortization.

				Amortization Schedule					
	Amount Acquired	Accumulated amortization as of December 31, 2009	Amortization for the year ended December 31, 2010	2011	2012	2013	2014	2015	thereafter
Trade names	$ 8,774	(1,507)	(877)	(877)	(877)	(877)	(877)	(877)	$ (2,005)
Software	5,659	(978)	(565)	(565)	(565)	(565)	(565)	(565)	(1291)
Total Intangible Assets, net	$ 14,433	(2,485)	(1,442)	(1,442)	(1,442)	(1,442)	(1,442)	(1,442)	$ (3,296)
Above market time charters	$ 3,663	(1,271)	(1,222)	(1,170)					

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

10. Long-term Debt:

The amount of long-term debt shown in the accompanying consolidated balance sheets is analyzed as follows:

	December 31, 2009	December 31, 2010
Two 562,500 Loan Agreements	$ 186,274	$ 194,524
1,040,000 Credit Facility	808,550	675,833
230,000 Credit Facility	230,000	115,000
300,000 Credit Facility	-	300,000
Total loan Facilities outstanding	1,224,824	1,285,357
Less: Deferred financing costs	(24,794)	(27,810)
Total debt reflected in balance sheet	1,200,030	1,257,547
Less: Current portion	(537,668)	(560,561)
Long-term portion	$ 662,362	$ 696,986

The principal payments, excluding deferred financing costs, to be made during each of the twelve-month periods subsequent to December 31, 2010 for the loan payments as classified in the balance sheet in, are as follows:

December 31, 2011	$ 568,333
December 31, 2012	195,000
December 31, 2013	522,024
Total principal payments	1,285,357
Less: Financing fees	(27,810)
Total debt reflected in balance sheet	$ 1,257,547

Total interest and debt amortization cost incurred on long-term debt for the years ended December 31, 2009 and 2010 amounted to $63,407 and $57,350, respectively, of which $24,457 and $35,780 respectively, were capitalized as part of the cost of the rigs 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.

a) Acquisition Facility: On May 9, 2008, the Company concluded a guarantee facility of NOK 5.0 billion (approximately $974,500) and a term loan of $800,000 in order to guarantee the purchase price of the Ocean Rig shares to be acquired through the mandatory offering, to finance the acquisition cost of the Ocean Rig shares and to refinance existing debt. The term loan was repayable in four quarterly installments of $75,000 followed by four quarterly installments of $50,000 plus a balloon payment payable together with the last installment on May 12, 2010. As of December 31, 2008 the Company drew down the total amount of $ 800,000 and repaid $150,000. As of December 31, 2009, the Company had fully repaid it. The facility contained various covenants measured on a consolidated DryShips Inc. level, including a market-adjusted equity ratio greater than or equal to 30%.

During the first quarter of 2009 and in April 2009, the Company repaid $190,000 and $160,000, respectively, of its existing $800,000 facility. The remaining outstanding balance of $300,000 was fully repaid in May 2009, of which $150,000 was paid with the Company's new credit facility discussed in the following paragraph below.

On May 13, 2009, the Company entered into a new one-year credit facility with the same lender as above for an amount of up to $300,000 in order to refinance the Company's existing loan indebtedness discussed in the above paragraph. In May 2009, the Company drew down $150,000 of the loan in order to refinance the $150,000 outstanding debt at the date of the drawdown of the above facility. The loan bore interest at LIBOR plus a margin ranging from 2.1% to 3.1%. This new credit facility was fully repaid in May 2009 using proceeds from an increase in paid in capital from DryShips. DryShips' financed the capital contribution to the Company from its at-the-market offerings. The undrawn amount of the facility was fully cancelled.

10. Long-term Debt- (continued):

b) Two 562,500 Loan Agreements: On March 5, 2009, in connection with the acquisition of Drillships Investment Inc. including the two companies owning drillship Hulls 1865 and 1866, as further described in Note 5, the Company assumed two facility agreements for an aggregate amount of $ 1,125,000 in order to partly finance the construction cost of Drillship Hulls 1865 and 1866. The Two 562,500 Loan Agreements bear interest at LIBOR plus a margin ranging from 1.61% to 2.00%, depending on the period (pre-completion or post-completion) and depending on the lender (commercial lender or export agency) and are repayable in eighteen semi-annual installments through November 2020. The first installment is payable six months after the delivery of the vessels, which is expected to be in the third quarter of 2011. The Two 562,500 Loan Agreements contains various covenants measured on a consolidated DryShips Inc. level, including: (i) market-adjusted equity ratio greater than or equal to 25%; and (ii) market value adjusted net worth greater than or equal to $500,000.

On June 5, 2009, the Company entered into agreements with a bank, as facility agent, and certain other lenders on waiver and amendment terms with respect to the Two 562,500 Loan Agreements providing for a waiver of certain financial covenants through January 31, 2010. These agreements provide for, among other things; (i) a waiver of the required market adjusted equity ratio; (ii) a waiver of the required market value adjusted net worth; and (iii) a required payment from us to each lender and the facility agent.

On January 28, 2010, the Company signed two supplemental agreements that provided for certain non-financial covenant amendments to the Two 562,500 Loan Agreements. In addition these agreements revoked all waivers previously obtained related to the Two 562,500 Loan Agreements.

A basic principle of the two credit facilities is that any drawdown on the credit facility, prior to securing certain drilling contracts at acceptable terms is subject to cash deposit collateral of an equivalent amount to any drawdown.

As of December 31, 2010, the amount outstanding under the Two 562,500 Loan Agreements was $194,524. Cash deposits equivalent to the drawdowns on the Two 562,500 Loan Agreements are included as restricted cash (note 6).

As of December 31, 2010 the Company had an unutilized line of credit totaling $930,476. Drawdowns under this line of credit must be matched with corresponding cash collateral until the drillships enter into employment contracts for both vessels at minimum dayrates of $545,000 for a two year contract, $550,000 for a three year contract and $510,000 for a five year contract and with charterers that are satisfactory to such lenders by the earlier of (i) April 30, 2011 or (ii) the delivery of the *Ocean Rig Poseidon*, at which point no cash collateral is needed. The Company is required to pay a quarterly commitment fee of 0.60% per annum of the unutilized portion of the unutilized line of credit.

On March 28, 2011 the company restructured these facilities, see note 23.8.

10. Long-term Debt- (continued):

c) 1,040,000 Credit Facility: On September 17, 2008, the Company entered into a new five-year secured credit facility for the amount of up to $1,040,000 in order to refinance the Company's existing loan indebtedness in relation to the drilling units Leiv Eiriksson and Eirik Raude and for general corporate purposes. The 1,040,000 Credit Facility consists of a guarantee facility, three revolving credit facilities (a, b and c) and a term loan. The aggregate amount of the term loan is up to $400,000 and the aggregate amount under the revolving credit facility A is up to $350,000. The aggregate amount under the revolving credit facility b is up to $250,000 and under the revolving credit facility c is up to $20,000. The guarantee facility provides the Company with a credit facility of up to $20,000.

In September and October, 2008, the Company drew down $1, 020,000 of the new credit facility. The drawdown proceeds were used to repay all other Ocean Rig outstanding debt at the date of the drawdown amounting to $776,000.

The commitment under 1,040,000 Credit Facility's Revolving Credit Facility A was reduced by $17,500 on December 17, 2008 and will continue to be reduced by $17,500 quarterly thereafter until September 17, 2013, which is 60 months after the date of the agreement. Further, the commitment under 1,040,000 Credit Facility's Revolving Credit Facility B is reduced quarterly by 12 unequal quarterly installments with a final maturity date of not later than the earlier of a) the expiry of the time charter of the drilling rig the Eirik Raude, which is scheduled to expire in October 2011 or b) September, 2011.This loan bears interest at LIBOR plus a margin ranging from 1.5% to 1.75% and is repayable in twenty quarterly installments. The term loan will be repaid by one balloon payment of $400,000 on September 17, 2013.

As of December 31, 2009 and 2010, the outstanding balances under the 1,040,000 Credit Facility were $808,550 and $675,833, respectively.

d) 230,000 Credit Facility: In connection with the acquisition of Drillships Holdings on May 15, 2009, the Company assumed the $230,000 loan facility that was entered into in September 2007, in order to finance the construction of Hulls 1837 and 1838. The 230,000 Credit Facility bear interest at the lender's funding cost plus 1.25%, and are repayable upon the delivery of Hull 1837 in January 2011, and Hull 1838 in March 2011, i.e. the first $115,000 was repaid during December 2010 reducing the outstanding amount as per December 31, 2010 to $115,000. Borrowings under the 230,000 Credit Facility are subject to certain financial covenants and restrictions on dividend payments, assignment of the relevant shipbuilding contracts, refund guarantees and other related items. In addition to the customary security and guarantees issued to the borrower, the 230,000 Credit Facility was collateralized by certain vessels owned by certain related parties, corporate guarantees of certain related parties and a personal guarantee from George Economou. The Company repaid $115.0 million of the loan facility on December 22, 2010 in connection with the delivery of the *Ocean Rig Corcovado* and the remaining $115.0 million of the loan facility on March 18, 2011 in connection with the delivery of the *Ocean Rig Olympia.*

In connection with the acquisition of Drillships Holdings on May 15, 2009, the Company also assumed two $15,551 fixed-rate term notes that were entered into in January 2009, in order to finance the construction of Hulls 1837 and 1838. The term notes were fully repaid in July 20010.

e) 300,000 Credit Facility: On December 28, 2010 the Company concluded a $300,000 loan facility to be repaid during 2011. The loan was fully drawn on December 28, 2010 and fully repaid on January 3, 2011. The loan cannot be redrawn. A corresponding amount was deposited on a required escrow account as required by the loan agreement as security for the loan, which is classified as restricted cash. Interest on the facility is LIBOR plus 1.5% while the borrowed funds are held with the bank earning LIBOR plus 3.85%. On January 4, 2011, the Company repaid the facility, see note 23.3.

10. Long-term Debt- (continued):

f) 325,000 Credit Facility: On December 21, 2010 the Company concluded a $325,000 bridge term loan facility, with its subsidiary Drillships Hydra Owners Inc. as intended borrower, for the purpose of (i) meeting the ongoing working capital needs of Drillships Hydra Owners Inc, (ii) financing the partial repayment of existing debt in relation to the purchase of the drillship identified as Samsung Hull 1837, or Ocean Rig Corcovado, and (iii) financing the payment of the final installment associated with the purchase of said drillship. Dry Ships Inc., Drillships Holdings Inc. and Ocean Rig UDW Inc. will act as joint guarantors and guarantee all obligations and liabilities of Drillships Hydra Owners Inc. The loan was drawn in full on January 5, 2011 and matures July 5, 2011.

The loans above (a-f) are secured by a first priority mortgage over the drillships/drill rigs or assignment of shipbuilding contracts, corporate guarantee, and a first assignment of all freights, earnings, insurances and requisition compensation. The loans contain covenants including restrictions, without the bank’s prior consent, as to changes in management and ownership of the vessels, additional indebtedness and mortgaging of vessels, change in the general nature of the Company’s business, and maintaining an established place of business in the United States or the United Kingdom. The loan described under the 1,040,000 Credit Facility also contains certain financial covenants relating to the Company’s financial position, operating performance and liquidity. The loans described under the Two 562,500 Loan Agreements, the 230,000 Credit Facility and the 325,000 Credit Facility above also contain certain financial covenants relating to the consolidated financial position of DryShips Inc., operating performance and liquidity.

Under the terms of the loan agreements, the Company is required to maintain (i) bank deposits which are used to fund the loan installments coming due (or 'retention accounts'), (ii) bank deposits permanently blocked as cash collateral, and (iii) minimum cash and cash equivalents on the face of its balance sheet at each reporting period end (or 'minimum liquidity'). All these amounts are included in current "Restricted cash" in the accompanying consolidated balance sheets, and amounted to $220,690 as of December 31, 2009 and $562,793 as of December 31, 2010.

A default situation in DryShips could have a substantial effect on the Company. Should DryShips fail to pay loan installments as they fall due, this would result in a cross-default on the Company’s facilities. As of December 31, 2008 and 2009, Dryships was deemed to be in theoretical default of all its bank facilities. Due to the cross-default situation and breach of certain financial covenants both for the Company and for DryShips, the loan balances under the Company’s affected facilities was fully classified as current. The cross default provisions of the Company’s credit facility 1,040,000 is only triggered by the actual default on other indebtedness and was therefore classified as non-current except for repayments due in the next twelve months. In accordance with guidance related to classification of obligation that are callable by the creditor, the Company has as per December 31, 2009 classified all of its affected long-term debt in breach due to cross-default clauses of the credit facility agreements amounting to $400,036 as current at December 31, 2009. As per December 31, 2010 there was no default situation in DryShips and therefore no cross-default for the Company’s loans.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

11. Financial Instruments and Fair Value Measurements:

All derivatives are carried at fair value on the consolidated balance sheets at each period end. Balances as of December 31, 2009 and December 31, 2010 are as follows:

	December 31, 2009			December 31, 2010		
	Interest rate swaps	Foreign currency forward contracts	Total	Interest rate swaps	Foreign currency forward contracts	Total
Current Assets	$ -	434	434	-	1,538	$ 1,538
Current Liabilities	(5,467)	-	(5,467)	(12,503)	-	(12,503)
Non-current liabilities	(64,219)	-	(64,219)	(96,901)	-	(96,901)
Total	$ (69,686)	434	(69,252)	(109,404)	1,538	$ (107,866)

11.1 Interest rate swaps and cap and floor agreements: As of December 31, 2009 and 2010, the Company had outstanding eleven interest rate swap and cap and floor agreements, with a notional amount of $1,285,000 and $908,468 respectively, maturing from September 2011 through November 2017. These agreements are entered into in order to economically hedge its exposure to interest rate fluctuations with respect to the Company's borrowings. As of December 31, 2009 and 2010, eight of these agreements do not qualify for hedge accounting and, as such, changes in their fair values are included in the accompanying consolidated statement of operations. As of December 31, 2009 and 2010, three agreements qualify for and are designated for hedge accounting and, as such, changes in their fair values are included in other comprehensive loss. The fair value of these agreements equates to the amount that would be paid by the Company if the agreements were cancelled at the reporting date, taking into account current interest rates and creditworthiness of the Company.

As of December 31, 2010, security deposits (margin calls) of $78,600 were paid by the Company and were recorded as "Other non-current assets" in the accompanying consolidated balance sheet. These deposits are required by the counterparty due to the market loss in the swap agreements.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

11. Financial Instruments and Fair Value Measurements- (continued):

11.2 Foreign currency forward contracts: As of December 31, 2009 and 2010, the Company had outstanding ten forward contracts to sell $20 million for NOK 119 million and twelve forward contracts to sell $28 million for NOK 174 million. These agreements are entered into in order to hedge its exposure to foreign currency fluctuations. The fair value of these contracts at December 31, 2009 and December 31, 2010 was an asset of $434 and an asset of $1,538 respectively.

The change in the fair value of such agreements for the years ended December 31, 2009 and 2010 amounted to a gain of $2,023 and a gain of $1,104 respectively and is reflected under "Other, net" in the accompanying consolidated statement of operations.

		Asset Derivatives			Liability Derivatives	
Derivatives designated as hedging instruments	**Balance Sheet Location**	**December 31, 2009 Fair value**	**December 31, 2010 Fair value**	**Balance Sheet Location**	**December 31, 2009 Fair value**	**December 31, 2010 Fair value**
Interest rate swaps........	Financial instruments	$ -	-	Financial instruments non-current liabilities	(31,028)	$ (36,523)
		-	-	Financial instruments current liabilities	-	-
Total derivatives designated as hedging instruments		-	-		(31,028)	(36,523)
Derivatives not designated as hedging instruments						
Interest rate swaps	Financial Instruments current assets	-	-	Financial Instruments current liabilities	(5,467)	(12,503)
Interest rate swaps	Financial Instruments non-current assets	-	-	Financial instruments-non current liabilities	(33,191)	(60,378)
Foreign currency forward contracts	Financial instruments current assets	434	1,538	Financial instruments current liabilities	-	-
Total derivatives not designated as hedging instruments		434	1,538		(38,658)	(72,781)
Total derivatives		$ 434	1,538	Total derivatives	(69,686)	$ (109,404)

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

11. Financial Instruments and Fair Value Measurements-(continued):

11.2 Foreign currency forward contracts-(continued):

The effect of Derivative Instruments on Accumulated other comprehensive income:

	Amount of Gain/(Loss) Recognized in OCI on Derivative (Effective Portion)		
Derivatives designated for cash flow hedging relationships	**Year ended December 31, 2009**		**Year ended December 31, 2010**
Interest rate swaps	9,887	$	(27,018)
Total	9,887	$	(27,018)

No portion of the cash flow hedges shown above was ineffective during the year. In addition, the Company did not transfer any gains/losses on the hedges from accumulated OCI into the consolidated statement of operations.

The effect of Derivative Instruments on the Consolidated Statement of Operations:

		Amount of Gain/(Loss)		
Derivatives not designated as hedging instruments	**Location of Gain or (Loss) Recognized**	**Year ended December 31, 2009**		**Year ended December 31, 2010**
Foreign currency forward contracts	Other, net	2,023	$	1,104
Interest rate swaps	Gain/(loss) interest rate swaps	4,826		(40,303)
Total		6,849	$	(39,199)

The Company recognizes all derivative instruments as either assets or liabilities at fair value on its consolidated balance sheet. The Company has designated all qualifying interest rate swap contracts as cash flow hedges, with the last qualifying contract expiring in September 2013.

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in the accompanying consolidated statement of operations. 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 enters into foreign currency forward contracts in order to manage risks associated with future hire rates and fluctuations in foreign currencies, respectively. All of the Company's derivative transactions are entered into for risk management purposes.

The carrying amounts of cash and cash equivalents, restricted cash and trade accounts receivable reported in the consolidated balance sheets approximate their respective fair values because of the short term nature of these accounts. 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 fair value of foreign currency forward contracts was based on the forward exchange rates.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

11. Financial Instruments and Fair Value Measurements-(continued):

11.2 Foreign currency forward contracts-(continued):

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.

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, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Recurring measurements:				
Interest rate swaps-liability position	$ (69,686)	-	(69,686)	$ -
Foreign currency forward contracts – asset position	434	-	434	-
Total	$ (69,252)	-	(69,252)	$ -

	December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Recurring measurements:				
Interest rate swaps-liability position	$ (109,404)	-	(109,404)	$ -
Foreign currency forward contracts – asset position	1,538	1,538	-	-
Total	$ (107,886)	1,538	(109,404)	$ -

11.3 Amortization plan deferred OCI Cash flow hedge financing cost:

In 2011 the drillships will be delivered and put into operation. As the depreciation of the drillships will start in 2011, a portion of the net amount of the existing gains or losses on cash flow hedges reported in accumulated other comprehensive income will need to be reclassified into earnings. The estimated net amount of such existing gains or losses at December 31, 2010 that will be reclassified into earnings within the next 12 months is $694.

The following table summarizes the accumulated cash flow hedge interest expense in Other Comprehensive Income.

	December 31, 2008	December 31, 2009	December 31, 2010
Accumulated Cash flow interest expense	$ -	(6,253)	$ (27,776)
Amortized	-	-	-
Other Comprehensive Income	$ -	(6,253)	$ (27,776)

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

12. Pensions:

Pensions in the accompanying consolidated balance sheets are analyzed as follows:

	December 31, 2009	December 31, 2010
Pension benefit obligation/ (asset)	$ (388)	$ 602

The Company has three pension benefit plans for employees managed and funded through Norwegian life insurance companies. As of December 31, 2010 the pension plans cover 55 employees. The pension scheme is in compliance with the Norwegian law on required occupational pension.

The Company uses a January 1 measurement date for net periodic pension cost and a December 31 measurement date for benefit obligations and plan assets.

For defined benefit pension plans, the benefit obligation is the projected benefit obligation, the actuarial present value, as of our December 31 measurement data, of all benefits attributed by the pension benefit formula to employee service rendered to that date. The amount for benefit to be paid depends on a number of future events incorporated into the pension benefit formula, including estimates of the average life of employees/survivors and average years of service rendered. It is measured based on assumptions concerning future interest rates and future employee compensation levels.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

12. Pensions- (continued):

The following table presents this reconsolidation and shows the change in the projected benefit obligation for the years ended December 31:

	2009	2010
Benefit obligation at January 1	$ 7,032	$ 8,897
Service cost for benefits earned	4,121	2,021
Interest cost	280	334
Settlement	(1,983)	(2,985)
Actuarial gains/(losses)	(1,587)	149
Benefits paid	(42)	(72)
Payroll tax of employer contribution	(442)	(104)
Foreign currency exchange rate changes	1,518	(143)
Benefit obligation at end of year	$ 8,897	$ 8,097

The following table presents the change in the value of plan assets for the years ended December 31, 2009 and 2010 and the plans' funded status at December 31:

	2009	2010
Fair value of plan assets at January 1,	$ 6,320	$ 9,284
Expected return on plan assets	378	395
Actual return on plan assets	(1,395)	(760)
Employer contributions	3,138	741
Settlement	(624)	(1,986)
Foreign currency exchange rate changes	1,467	(178)
Fair value of plan assets at end of year	$ 9,284	$ 7,496
Funded/ (unfunded) status at end of year	$ 388	$ 602

Amounts included in accumulated other comprehensive incomes that have not yet been recognized in net periodic benefit cost at December 31 are listed below:

	2008	2009	2010
Net actuarial loss	$ 3,337	$ 2,766	$ 2,342
Prior service cost	187	964	424
Defined benefit plan adjustment, before tax effect	$ 3,524	$ 3,730	$ 2,766

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

12. Pensions- (continued):

The accumulated benefit obligation for the pension plans represents the actuarial present value of benefit based on employee service and compensation as of a certain date and does not include an assumption about future compensation levels. The accumulated benefit obligation for the pension plans was $2,995 at December 31, 2010 and $6,265 at December 31, 2009.

The net periodic pension cost recognized in consolidated statements of income was $2,981, 3,652 and 2,008 for the years ended December 31, 2008, 2009 and 2010.

The following table presents the components of net periodic pension cost:

	2008	2009	2010
Expected return on plan assets	$ (410)	$ (378)	$ (395)
Service cost	2,870	4,121	2,021
Interest cost	275	280	334
Amortization of prior service cost	190	-	-
Amortization of actuarial loss	146	168	47
Settlement	(91)	(539)	1
Net periodic pension cost	$ 2,981	$ 3,652	$ 2,008

The table below presents the components of changes in Plan Assets and Benefit Obligations recognized in Other Comprehensive Income:

	2008	2009	2010
Net actuarial loss (gain)	$ 225	$ (1,091)	$ 1,101
Prior service cost (credit)	(1,511)	777	(1,020)
Amortization of actuarial loss	236	(256)	(505)
Amortization of prior service cost	(190)	-	-
Total recognized in net pension cost and other comprehensive income, before tax effects	$ (1,240)	$ (570)	$ (424)

The estimated net loss for pension benefits that will be amortized from accumulated other comprehensive income into the periodic benefit cost for the next fiscal year is $112.

Pension obligations are actuarially determined and are affected by assumptions including expected return on plan assets. As of December 31, 2010 contributions amounting to $741 in total, have been made to the defined benefit pension plan.

The Company evaluates assumptions regarding the estimated long-term rate of return on plan assets based on historical experience and future expectations on investment returns, which are calculated by an unaffiliated investment advisor utilizing the asset allocation classes held by the plan's portfolios. Changes in these and other assumptions used in the actuarial computations could impact the Company's projected benefit obligations, pension liabilities, pension cost and other comprehensive income.

The Company bases its determination of pension cost on a market-related valuation of assets that reduces year-to-year volatility. This market-related valuation recognizes investment gains or losses over a five-year period from the year in which they occur. Investment gains or losses for this purpose are the difference between the expected return calculated using the market-related value of assets and the actual return based on the market-related value of assets.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

12. Pensions- (continued):

The following are the weighted–average assumptions used to determine net periodic pension cost:

	December 31, 2008	December 31, 2009	December 31, 2010
Weighted average assumptions			
Expected return on plan assets	5.80%	5.70%	5.40%
Discount rate	3.80%	4.50%	4.00%
Compensation increases	4.25%	4.50%	4.00%

The Company's investments are managed by the insurance company Storebrand by using models presenting many different asset allocation scenarios to assess the most appropriate target allocation to produce long-term gains without taking on undue risk. US GAAP standards require disclosures for financial assets and liabilities that are re-measured at fair value at least annually. The following table set forth the pension assets at fair value as of December 31, 2009 and 2010:

	2009	2010
Share and other equity investments	$ 1,086	$ 1,214
Bonds and other security – fixed yield	2,618	1,289
Bonds held to maturity	2,497	1,889
Properties and real estate	1,504	1,207
Money market	947	668
Other	631	1,229
Total plan net assets at fair value	$ 9,284	$ 7,496

The law requires a low risk profile; hence the majority of the funds are invested in government bonds and high-rated corporate bonds.

Investments are stated at fair value. 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 at the measurement date. Investments in securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the year. If no sale was reported on that date, they are valued at the last reported bid price. Investments in securities not traded on a national securities exchange are valued using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

Alternative investments, binding investment in private equity, private bonds, hedge funds, and real assets, do not have readily available marked values. These estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed, and such differences could be material. Private equity, private bonds, hedge funds and other investments not having an established market are valued at net assets values as determined by the investment managers, which management had determined approximates fair value. Investments in real assets funds are stated at the aggregate net asset value of the units of these funds, which management has determined approximate fair value. Real assets are valued either at amounts based upon appraisal reports prepared by appraisal performed by the investment manager, which management has determined approximates.

Purchases and sales of securities are recorded as of the trade date. Realized gains and losses on sales of securities are determined on the basis of average cost. Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

12. Pensions- (continued):

The major categories of plan assets as a percentage of the fair value of plan assets are as follows:

	As of December 31,	
	2009	2010
Shares and other equity instruments	12%	16%
Bonds	55%	42%
Properties and real estate	16%	16%
Other	17%	26%
Total	100%	100%

The US GAAP standards require disclosures for financial assets and liabilities that are re-measured at fair value at least annually. The US GAAP standards establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. Tiers include three levels which are explained below:

Level 1:
Financial instruments valued on the basis of quoted priced for identical assets in active markets. This category encompasses listed equities that over the previous six months have experienced a daily average turnover equivalent to approximately $ 3,462 or more. Based on this, the equities are regarded as sufficiently liquid to be encompassed by this level. Bonds, certificates or equivalent instruments issued by national governments are generally classified as level 1. In the case of derivatives, standardized equity-linked and interest rate futures will be encompassed by this level.

Level 2:
Financial instruments valued on the basis of observable market information not covered by level 1. This category encompasses financial instruments that are valued on the basis of market information that can be directly observable or indirectly observable. Market information that is indirectly observable means that prices can be derived from observable, related markets. Level 2 encompasses equities or equivalent equity instruments for which market prices are available, but where the turnover volume is too limited to meet the criteria in level 1. Equities on this level will normally have been traded during the last month. Bonds and equivalent instruments are generally classified as level 2. Interest rate and currency swaps, non-standardized interest rate and currency derivatives, and credit default swaps are also classified as level 2. Funds are generally classified as level 2, and encompass equity, interest rate, and hedge funds.

Level 3:
Financial instruments valued on the basis of information that is not observable pursuant to by level 2. Equities classified as level 3 encompass investments in primarily unlisted/private companies. These include investments in forestry, real estate and infrastructure. Private equity is generally classified as level 3 through direct investments or investments in funds. Asset backed securities (ABS), residential mortgage backed securities (RMBS) and commercial mortgage backed securities (CMBS) are classified as level 3 due to their generally limited liquidity and transparency in the market.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

12. Pensions- (continued):

The following table sets forth by level, within the fair value hierarchy, the pension asset at fair value as of December 31, 2010:

	Level 1	Level 2	Level 3	Total
Equity securities:				
US Equities	$ 531	-	133	$ 663
Non-US Equities	551	-	-	551
Fixed Income:				
Government Bonds	2,336	842	-	3,178
Corporate Bonds	982	-	-	982
Alternative Investments:				
Hedge funds and limited partnerships	-	225	-	225
Other	22	-	-	22
Cash and cash equivalents	667	-	-	667
Real Estate	-	-	1,207	1,207
Net Plan Net Assets	$ 5,089	$ 1,067	$ 1,340	$ 7,496

The following table sets forth by level, within the fair value hierarchy, the pension asset at fair value as of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Equity securities:				
US Equities	$ 516	-	57	$ 573
Non-US Equities	512	-	-	512
Fixed Income:				
Government Bonds	3,344	1,206	-	4,550
Corporate Bonds	789	-	-	789
Alternative Investments:				
Hedge funds and limited partnerships	-	214	-	214
Other	167	-	-	167
Cash and cash equivalents	975	-	-	975
Real Estate	-	-	1,504	1,504
Net Plan Net Assets	$ 6,304	$ 1,419	$ 1,561	$ 9,284

The tables below set forth a summary of changes in the fair value of the pension assets level 3 investment assets for the years ended December 31.

	Year ended December 31,	
	2009	2010
Balance, beginning of year	$ 1,161	$ 1,561
Actual return on plan assets:		
Assets sold during the period	-	-
Assets still held at reporting date	310	75
Purchases, sales, issuances and settlements (net)	91	(296)
Net Plan Net Assets	$ 1,561	$ 1,340

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

12. Pensions- (continued):

The following pension benefits contributions are expected to be paid by the Company during the years ending:

December 31, 2011	$ 83
December 31, 2012	84
December 31, 2013	66
December 31, 2014	106
December 31, 2015	107
December 31, 2016 – 2021	1,279
Total pension payments	$ 1,726

The Company's estimated employer contribution to the define benefit pension plan for the fiscal year 2011 is $678.

The Company has a defined contribution pension plan that include 354 employees. The contribution to the defined contribution pension plan for the year 2010 was $1,775. The contribution to the defined contribution pension plan for the years 2009 and 2008 was $104 and $54 respectively.

13. Other non-current assets

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

	2009	2010
Margin calls	40,700	78,600
Advance payments drillships	-	294,569
Drillship options	-	99,024
Total	40,700	472,193

On November 22, 2010, the Company, entered into a contract with Samsung that granted DryShips options for the construction of up to four additional ultra-deepwater drillships, which would be "sister-ships" to the Ocean Rig Corcovado and the three drillships currently under construction and would have the same specifications as the Ocean Rig Poseidon. Each of the four options may be exercised at any time on or prior to November 22, 2011, with vessel deliveries ranging from 2013 to 2014 depending on when the options are exercised. The total construction cost is estimated to be $600.0 million per drillship. The option agreement required the Company to pay a non-refundable slot reservation fee of $24,756 per drillship, which fee will be applied towards the drillship contract price if the options are exercised. The cost of the option agreements of $99,024 was paid on December 30, 2010 and is recorded in the accompanying consolidated balance sheets as 'Other non-current assets'. On December 30, 2010 DryShips entered into a novation agreement with Ocean Rig UDW and transferred these options to its subsidiary. As of December 31, 2010, none of these options have been exercised.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

14. Shareholders' equity

There is one class of common shares, and each common share is entitled to one vote at the General Meeting.

Prior to December 8, 2010, the Company's authorized capital stock consisted of 500 common shares, par value $20.00 per shares. During December 2010, the Company adopted, amended and restated articles of incorporation pursuant to which its authorized capital stock will consist of 250,000,000 common shares, par value $0.01 per share; and (ii) declared and paid a stock dividend of 103,125,000 shares of its common stock to its sole shareholder, DryShips. On December 21, 2010 the Company completed through a private placement the sale of an aggregated of 28,571,428 common shares at $17.50 per share. Net proceeds from the private placement was $ 488,301 including $ 11,699 in attributable costs. The stock dividend has been accounted for as a stock split. As a result, we reclassified approximately $1,021 from APIC to common stock, which represents the par value per share of the shares issued. All previously reported share and per share amounts have been restated to reflect the stock dividend.

At December 31, 2010 the Company's authorized capital stock consist of 131,696,928 common shares, par value $0.01 per shares.

15. Earnings / (loss) per share

Basic earnings per share is calculated by dividing net profit/ (loss) for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit/(loss) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would have been issued on the conversion of options into ordinary shares.

The Company increased the number of authorized shares to 250,000,000 with par value of $0.01 on December 7, 2010. On December 8, 2010, the Company declared a stock dividend of 103,125,000 shares to its sole shareholder, DryShips On December 21, 2010, the company completed the sale of an aggregate of 28,571,428 of the Company's common shares (representing a 22% ownership interest) in an offering made to both non-United States persons in Norway 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. We refer to this offering as the "private offering." A company controlled by our Chairman, President and Chief Executive Officer, Mr. George Economou, purchased 2,869,428 common shares, or 2.38% of our outstanding common shares, in the private offering at the offering price of $17.50 per share. After the completion of the private offering the Company's common stock issued is 131,696,928 shares with par value $0.01.

The following reflects the income and the share data used in the basic and diluted earnings per share computations under ASC 260-10-55-12, which states that if the number of common shares outstanding increases as a result of a stock dividend prior to the private offering, the computations of basic and diluted EPS shall be adjusted retroactively for all periods presented to reflect that change in capital structure:

	Earnings/ (loss) applicable to common shares (numerator)	**Weighted average shares outstanding (denominator)**	**Basic earnings / (loss) per share amount**	**Earnings/ (loss) applicable to diluted shares (numerator)**	**Weighted average shares outstanding diluted (denominator)**	**Diluted earnings / (loss) per share amount**
For the year ended December 31, 2010:	134,761	103,908,279	1.30	134,761	103,908,279	1.30
For the year ended December 31, 2009:	115,754	103,125,500	1.12	115,754	103,125,500	1.12
For the year ended December 31, 2008:	(765,847)	103,125,500	(7.43)	(765,847)	103,125,500	(7.43)

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

16. Drilling rig operating expenses:

The amounts of drilling rig operating expenses in the accompanying consolidated statements of operations are analyzed as follows:

	Year ended December 31, 2008	Year ended December 31, 2009	Year ended December 31, 2010
Crew wages and related costs	$ 46,951	76,628	$ 69,994
Insurance	12,686	7,869	7,918
Deferred rig operating cost	-	4,361	3,787
Repairs and maintenance	26,592	44,398	37,670
Total	$ 86,229	133,256	$ 119,369

17. Impairment Charge

From the date the Company acquired Ocean Rig ASA in May 2008 through the annual goodwill impairment test performed on December 31, 2008, the market declined significantly and various factors negatively affected industry trends and conditions, which resulted in the revision of certain key assumptions used in determining the fair value of the Company's single reporting unit (see Note 21) and therefore the implied fair value of goodwill. During the second half of 2008, the credit markets tightened, driving up the cost of capital and therefore the Company increased the rate of a long-term weighted average cost of capital. In addition, the economic downturn and volatile oil prices resulted in a downward revision of projected cash flows from the Company's reporting unit in the Company's forecasted discounted cash flows analysis for its 2008 impairment testing. Furthermore, the decline in the global economy negatively impacted publicly traded company multiples used when estimating fair value under the market approach. Based on results of the Company's annual goodwill impairment analysis, the Company determined that the carrying value of the Company's goodwill was impaired.

The Company recognized an impairment charge in the amount of $761,729 for the full carrying amount of Goodwill which had no tax effect.

The Goodwill balance and changes in the Goodwill is as follows:

Balance at January 1, 2008	$ -
Goodwill from acquisition of Ocean Rig ASA	761,729
Goodwill impairment charge	(761,729)
Balance December 31, 2008	$ -

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

18. Interest and Finance Cost:

The amounts in the accompanying consolidated statements of operations are analyzed as follows:

	Year ended December 31,		
	2008	**2009 (as restated)**	**2010**
Interest costs on long-term debt (*)	$ 55,165	57,154	$ 35,827
Capitalized interest (see note 7)	-	(24,457)	(35,780)
Bank charges	6,024	6,269	1,997
Commissions and commitment fees	10,503	7,154	6,374
Total	$ 71,692	46,120	$ 8,418

(*)In addition, a portion of interest was recorded in accumulated other comprehensive loss related to cash flow hedges of the variability of interest on borrowings that was capitalized as part of rigs under construction. The amounts recorded were $21,523 and $6,253 for 2010 and 2009, respectively.

19. Interest Income:

The amounts in the accompanying consolidated statements of operations are analyzed as follows:

	Year ended December 31,		
	2008	**2009**	**2010**
Bank Interest Income………..	$ 3,033	6,254	$ 12,464
Other Financial Income……..	-	5	-
Total ………………………….	$ 3,033	6,259	$ 12,464

20. Income Taxes

Ocean Rig UDW operates through its various subsidiaries in a number of countries throughout the world. Income taxes have been provided based upon the tax laws and rates in the countries in which operations are conducted and income is earned. The countries in which Ocean Rig UDW operates have taxation regimes with varying nominal rates, deductions, credits and other tax attributes. Consequently, there is not an expected relationship between the provision for/or benefit from income taxes and income or loss before income taxes.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

20. Income Taxes – (continued):

The components of Ocean Rig's income/(losses) before taxes by country are as follows:

	Year Ended		
	December 31, 2008	December 31, 2009 (as restated)	December 31, 2010
Cyprus	$ (40,599)	$ (24,617)	$ (32,438)
Norway	(747,018)	499,879	14,811
Marshall Islands	12,883	(370,007)	174,794
Korea	-	499	-
UK	62	1,915	763
Canada	-	(485)	(683)
USA	13,820	(262)	-
Ghana	704	21,628	(2,050)
Total income/(loss) before taxes and equity in loss of investee	$ (760,148)	$ 128,551	$ 155,197

The table below shows for each entity's total income tax expense for the period and statutory tax rate:

	Year Ended		
	December 31, 2008	December 31, 2009	December 31, 2010
Cyprus (10.0%)	$ -	$ -	$ 52
Norway (28.0%)	-	-	13
Marshall Islands (0.0%)	-	-	-
Turkey (*)	-	-	7,950
Korea (24.2%)	-	110	-
UK (28.0%)	366	727	765
Ireland (25.0%)	423	-	-
Canada (10% - 19%)	-	45	82
USA (15.0%-35.0%)	1,399	470	-
Ghana (**)	656	11,445	11,365
Current Tax expense	$ 2,844	$ 12,797	$ 20,227
Deferred Tax expense / (benefit)	-	-	209
Income taxes	2,844	$ 12,797	$ 20,436
Effective tax rate	0%	10%	13%

(*) Ocean Rig 1 Inc. paid in 2010 withholding tax to Turkey authorities, based upon 5% of total contract revenues.

(**) Tax in Ghana is a withholding tax, based upon 5% of total contract revenues.

Taxes have not been reflected in Other Comprehensive income since the valuation allowances would result in no recognition of deferred tax.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

20. Income Taxes- (continued):

Up to December 15, 2009, when a corporate reorganization occurred, Ocean Rig's drilling operations were consolidated in Ocean Rig ASA, a company incorporated and domiciled in Norway. Subsequently, many of the activities and assets have moved to jurisdictions that do not have corporate taxation. As a result, net deferred tax assets were reversed in 2009. The net deferred tax assets of $91.6 million consisted of gross deferred tax assets of $105.1 million net of gross deferred tax liabilities of $13.5 million. However, a corresponding amount ($91.6 million) of valuation allowance was also reversed. As a result, there was no impact on deferred tax expense for the change of tax status of these entities in 2009.

Reconciliation of total tax expense:

	Year Ended		
	December 31, 2008	December 31, 2009	December 31, 2010
Statutory tax rate multiplied by profit/(loss) before tax*.............	$ (212,816)	$ -	$ -
Change in valuation allowance	115 407	(93,358)	(14,922)
Differences in tax rates..	135,908	138,865	14,177
Effect of permanent differences..	(74,929)	21,317	40
Adjustments in respect to current income tax of previous years..	-	-	281
Effect of exchange rate differences	39,274	(65,472)	1,465
Withholding tax...	-	11,445	19,395
Total..	$ 2,844	$ 12,797	$ 20,436

* Ocean Rig has for 2008 and 2009 elected to use the statutory tax rate for each year based upon the location where the largest parts of its operations were domiciled. During 2008 most of its activities were domiciled in Norway with tax rate 28%. During 2009 and 2010, most of its activities were re-domiciled to Marshall Islands with tax rate of zero.

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.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

20. Income Taxes- (continued):

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 at the applicable tax rates in effect. The significant components of deferred tax assets and liabilities are as follow:

	Year Ended	
	December 31, 2009	December 31, 2010
Deferred tax assets		
Net operations loss carry forward	$ 65,045	$ 49,707
Accrued expenses	728	944
Accelerated depreciation of assets	9	8
Pension	-	157
Total deferred tax assets	$ 65,782	$ 50,659
Less: deferred tax assets	(65,552)	(50,630)
Total deferred tax assets, net	230	186
Deferred tax liabilities		
Depreciation and amortization	$ (122)	$ (394)
Pension	(108)	-
Total deferred tax liabilities	$ (230)	$ (394)

The amounts above are reflected in the Consolidated Balance Sheet as follows:

Net deferred tax assets /(liability)	$ -	$ (209)
Short-term net deferred tax assets	-	-
Long-term net deferred tax assets(liabilities)	$ -	$ (209)

Ocean Rig ASA filed for liquidation in 2008 and on December 15, 2009 it distributed all significant assets to Primelead Ltd., a subsidiary of Dryships, as a liquidation dividend, including the shares in all its subsidiaries. The statute of limitation under Norwegian tax law is two years after the fiscal year, if correct and complete information is disclosed in the tax return. The tax treatment of the liquidation is therefore subject to audit by the tax authorities until the end of 2011. The company does not expect any adverse tax effects from this transaction.

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 net operating losses ("NOL") 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, 2010, the valuation allowance for deferred tax assets is reduced from $65,552 in 2009 to $50,630 in 2010 reflecting a reduction in net deferred tax assets during the period. The decrease is primarily a result of the reduction of deferred tax asset due to utilization of tax loss carry forwards in Norway and in Cyprus in 2010.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

20. Income Taxes- (continued):

The table below explains the "Net operations loss carry forward" in 2010 and 2009 for the countries the Company is operating in.

	Year Ended	
	December 31, 2009	December 31, 2010
Norway		
Net operations loss carry forward	$ 183,998	$ 144,189
Tax rate	28%	28%
Net operations loss carry forward, tax effect	51,520	40,373
Cyprus		
Net operations loss carry forward	$ 57,112	$ 89,832
Tax rate	10%	10%
Net operations loss carry forward, tax effect	5,711	8,983
Canada		
Net operations loss carry forward	$ 24,419	$ 879
Tax rate	32%	32%
Net operations loss carry forward, tax effect	7,814	281
UK		
Net operations loss carry forward	$ -	$ 249
Tax rate	28%	28%
Net operations loss carry forward, tax effect	-	70
Accumulated		
Net operations loss carry forward	$ 265,529	$ 235,106
Net operations loss carry forward, tax effect	65,045	49,707

The Company has tax losses, which arose in Norway of $183,998 and $144,146 at December 31, 2009 and 2010, respectively, that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. However, all of these amounts are related to Ocean Rig ASA, Ocean Rig Norway AS, Ocean Rig 1 AS and Ocean Rig 2 AS that are under liquidation. Upon liquidation the tax losses will not be available.

The Company had tax losses, which arose in Cyprus of $57,112 and $89,832 at December 31, 2009 and 2010, respectively that are available indefinitely for offset against future taxable profits of the company in which the losses arose. A 100% valuation allowance in the assets resulting from the loss carry forward has been provided for as the Company is not profitable.

The Company had tax losses, which arose in Canada of $24,419 and $879 at December 31, 2009 and 2010, respectively, that are available indefinitely for offset against future taxable profits of the company in which the losses arose. The tax loss in Canada may be deducted in the future only against income and proceeds of disposition derived from resource properties owned at the time of the acquisition of control, or the Weymouth well. The possibility for utilization of this tax position for the period after the change of control in Ocean Rig on May 14, 2008, is in practice expired with an amount of $23,540. The tax loss carry forward per December 31, 2010 therefore only reflects tax losses after May 14, 2008.

The Company had tax losses, which arose in UK of $249 at December 31, 2010 that are available indefinitely for offset against future taxable profits of the company in which the losses arose. A 100% valuation allowance in the assets resulting from the loss carry forward has been provided for as the Company is not profitable.

20. Income Taxes- (continued):

The Company's income tax returns are subject to review and examination in the various jurisdictions in which the Company operates. Currently one tax audit is open. The Company may contest any tax assessment that deviates from its tax filing. However, this review is not expected to incur any tax payables.

The Company accrues for income tax contingencies that it believes are more likely than not exposures in accordance with the provisions of guidance related to accounting for uncertainty in income taxes.

The Company accrues interest and penalties related to its liabilities for unrecognized tax benefits as a component of income tax expense. During the year ended December 31, 2010, 2009 and 2008, the Company did not incur any interest or penalties.

Ocean Rig UDW, and/or one of its subsidiaries, filed federal and local tax returns in several jurisdictions throughout the world. The amount of current tax benefit recognized during the years ended December 31, 2010, 2009 and 2008 from the settlement of disputes with tax authorities and the expiration of statute of limitations was insignificant.

Ocean Rig UDW, is incorporated in Marshall Island and headquarted in Cyprus. Some of its subsidiaries are incorporated and domiciled in Norway, and as such, are in general subject to Norwegian income tax of 28%. Participation exemption normally applies to equity investments in the EEA (European Economic Area) except investments in low-tax countries. The model may also apply to investments outside of the EEA (except low-tax countries) to the extent the investment for the last two years have constituted at least 10% of the capital and votes in the entity in question. The Norwegian entities are subject to the Norwegian participation exemption model which provides that only 3% of dividend income and capital gains that are received by Norwegian companies are subject to tax. In effect this gives an effective tax of total income under the participation exemption for Norwegian companies of 0.84% (3% x 28%). After a restructuring of the Norwegian entities late in 2009, all Norwegian companies are owned directly by Primelead Ltd in Cyprus and the participation exemption model is therefore not relevant for 2010.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

21. Segment information:

The Company has one operating segment which is offshore drilling operations and this is consistent with management reporting and decision making. The operating segment is the Company's primary segment as the Group has only one segment. Therefore, the company only reports the entity wide information on products and services, geographical information and major customers.

For the years ended December 31, 2008, 2009 and 2010, all of the consolidated revenues related to the operations of the Company's two drilling rigs.

21.1 Products and services

In October 2009, *Leiv Eiriksson* commenced the three year Petrobras contract to drill in the Black Sea. The Petrobras contract is accounted for as a Well Contract based on the terms of the contract as described in Note 2 (v). Revenues are recognized as the wells are drilled and recorded as Service revenues in the consolidated statement of operations. *Leiv Eiriksson* has operated under drilling contracts with Shell in the North Sea commencing on January 8, 2008 until October 2009. The Shell contract was accounted for as Term Contract as described in Note 2 (v). Revenues derived from the contract are partly accounted for as a lease, where the lease of the rig is recognized to the statement of operation as Leasing revenue on a straight line basis over the lease period, while the drilling services element is recognized in the period when drilling services are rendered as Service revenue. During 2007, the rig completed the Total contract on September 11, 2007 and underwent its five year class work prior to beginning the Shell contract. The Total contract was accounted for as a Term Contract as described for the Shell contract above.

During 2010 and 2009, *Eirik Raude* worked under the three-year Tullow Oil contract which commenced in October 2008. *Eirik Raude* operated in the US Gulf of Mexico under a contract with Exxon Mobil from 2007 until October 9, 2008. Both, the ExxonMobil and the Tullow contracts qualify as Term Contracts, as described in Note 2 (v). Accounting for the contract follows the same principles as described for the Shell contract as outlined above.

As of December 31, 2010, the estimated future minimum revenue is $1,091 million based on 100% earning efficiency and maximum bonuses. The estimated minimum revenue is distributed over 2011, 2012 and 2013 with $696 million, $335 million and $60 million, respectively. As of December 31, 2010, a total of $40,205 of revenue are deferred and will be recognized as revenue over the remaining contracts terms. As of December 31, 2009, a total of $38,400 of revenue was deferred.

See Note 2 (v) for a discussion of Other revenues.

21.2 Geographic segment information for offshore drilling operations

The revenue shown in the table below is revenue per country based upon the location that the drilling takes place related to the Offshore Drilling Operation segment:

		2008	2009		2010
Ghana	$	40,120	230,815	$	227,649
Turkey		-	-		176,228
Norway		74,725	123,306		(715)
UK		-	19,404		-
USA		53,394	-		-
Ireland		33,749	-		-
Other		122	-		-
Total leasing and service revenues	$	202,110	373,525	$	403,162

The drilling rigs *Leiv Eiriksson* and *Eirik Raude* constitute the Company's long lived assets. Until December 22, 2008, the rigs were owned by Norwegian entities when ownership was transferred to Marshall Island entities.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

21. Segment information-(continued):

21.3 Information about Major customers

Our customers are oil and gas exploration and production companies, including major integrated oil companies, independent oil and gas producers and government-owned oil and gas companies. In the year ended December 31, 2008, 2009 and 2010 our customers have been:

	2008	2009	2010
Customer A	20%	62%	57%
Customer B	-	-	43%
Customer C	54%	38%	-
Customer D	26%	-	-

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

22. Commitments and Contingencies

22.1 Legal proceedings

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

The Company has obtained insurance for the assessed market value of the rigs. 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 Company's loss of hire insurance coverage does not protect against loss of income from day one, but will be effective after 45 days' off-hire. 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. The insurance covers approximately one year with loss of hire.

As part of our normal course of operations, our customer may disagree on amounts due to us under the provision of the contracts which are normally settled though negotiations with the customer. Disputed amounts are normally reflected in revenues at such time as we reach agreement with the customer on the amounts due. Except for the matter discussed below in 22.2, 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 our business.

22.2 Potential Angolan Import-/Export duties

Ocean Rig's Leiv Eiriksson operated in Angola in the period 2002 to 2007. Ocean Rig understands that the Angolan government has retroactively levied import/export duties for two importation events in the period 2002 to 2007. As Ocean Rig has formally disputed all claims in relation to the potential duties and does not believe it is probable that the duties will be upheld, no provision has been made. The maximum amount is estimated to be between $5-10 million.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

22. Commitments and Contingencies – (continued):

22.3 Purchase obligations:

The following table sets forth the Company's contractual purchase obligations as of December 31, 2010.

	2011
Drillships shipbuilding contracts and owner furnished equipment	1,374,000
Total obligations	1,374,000

All contractual obligations are due during 2011.

22.4 Rental payments

Ocean Rig entered into a five year office lease agreement with Vestre Svanholmen 6 AS which commenced on July 1, 2007. This lease includes an option for an additional five years term which must be exercised at least six months prior to the end of the term of the contract which expires in June 2012. As of December 31, 2010, the future obligations amount to $646 for 2011 and $323 for 2012.

23. Subsequent Events:

We have evaluated all subsequent events through April 1, 2011, the date the financial statements were available to be issued.

23.1 On January 3, 2011 the Company took delivery of its newbuilding drillship, the Ocean Rig Corcovado, the first to be delivered of the four sister drillship vessels that are being constructed at Samsung Heavy Industries. In connection with the delivery of "*Ocean Rig Corcovado"*, the final yard installment of $289.0 million was paid and the pre-delivery loan from DVB Bank of $115.0 million was repaid in full.

23.2 On January 4, 2011 the Company announced that it had entered into firm contracts with Cairn Energy PLC for the "*Leiv Eiriksson*" and the "*Ocean Rig Corcovado*" for a period of approximately 6 months each. The total contract value including mobilization for the "*Leiv Eiriksson*" is approximately $95 million. The mobilization period will start in direct continuation from the agreed release date from Petrobras. The total contract value including mobilization and winterization of the "*Ocean Rig Corcovado*" is approximately $142 million.

23.3 On January 4, 2011 the Company repaid the $300 million short term overdraft facility with EFG Eurobank from restricted cash, which was drawn down in full on December 28, 2010.

23.4 On January 4, 2011 the Company announced that it had entered into a firm contract with Petrobras Tanzania for its 3rd drillship newbuilding the "*Ocean Rig Poseidon*". As part of this agreement the *Leiv Eiriksson* will be released early from the existing contract and will be made available in second quarter 2011. The firm contract period is for about 600 days plus a mobilization period. The total contract value including mobilization is $353 million.

23.5 On January 5, 2011 the Company drew down the full amount of the $325 million Deutsche Bank term loan facility, with its subsidiary Drillships Hydra Owners Inc. as borrower, for the purpose of (i) meeting the ongoing working capital needs of Drillships Hydra Owners Inc, (ii) financing the partial repayment of existing debt in relation to the purchase of the drillship identified as Samsung Hull 1837, or "*Ocean Rig Corcovado"*, and (iii) financing the payment of the final installment associated with the purchase of said drillship. Dry Ships Inc., Drillships Holdings Inc and Ocean Rig UDW Inc. are joint guarantors and guarantee all obligations and liabilities of Drillships Hydra Owners Inc.

23.6 On March 18, 2011, the Company repaid the second and final $115 million tranche of the predelivery financing for hulls 1837 and 1838.

23.7 On March 25, 2011, the company received signed commitments from all lenders participating in a $800 million Syndicated Secured Term Loan Facility to partially finance the construction costs of the *Ocean Rig Corcovado* and the *Ocean Rig Olympia*. This facility has a five year term and a twelve year profile, and bears interest at LIBOR plus a margin. The facility is guaranteed by Dryships Inc and Ocean Rig UDW Inc. and certain financial covenants on both entities. This new facility is subject to acceptable documentation customary in such loans. Upon drawdown, the Company expects to prepay its $325 million Bridge Loan Facility.

23.8 On March 28, 2011, the Company received a confirmation from the Agent of its Two $562,000 Loan Agreements to finance Hulls 1865 and 1866 that it received signed consent for the restructuring of these facilities.
The material terms of this restructuring are as follows: Maximum amount per facility is reduced from $562.5 million to $495 million, Ocean Rig guarantee will be provided, financial covenants on Ocean Rig guarantee, full drawdowns will be allowed for Hull 1865 against the Petrobras charter, and cash collateral will be released, for Hull 1866 and the Company has up to one month prior to delivery of hull 1866 to execute a charter acceptable to the lenders.

23.9 On March 30, 2011 the Company took delivery of its newbuilding drillship, the *"Ocean Rig Olympia"*, the second to be delivered of the four sister drillship vessels that are being constructed at Samsung Heavy Industries.

AMENDED AND RESTATED
ARTICLES OF INCORPORATION

OF

OCEAN RIG UDW INC.

REPUBLIC OF THE MARSHALL ISLANDS

REGISTRAR OF CORPORATIONS

DUPLICATE COPY

The original of this Document was filed in accordance with Section 5 of the Business Corporations Act on

NON RESIDENT

December 7, 2010

Deputy Registrar

Reg. No. 27330

AMENDED AND RESTATED ARTICLES OF INCORPORATION

OF

OCEAN RIG UDW INC.

UNDER SECTION 93 OF THE

THE MARSHALL ISLANDS BUSINESS CORPORATIONS ACT

The undersigned, George Economou, as the Chief Executive Officer of Ocean Rig UDW Inc., a corporation incorporated under the laws of the Republic of the Marshall Islands (the "Corporation"), for the purpose of amending and restating the Articles of Incorporation of said Corporation pursuant to section 93 of the Business Corporations Act, as amended, hereby certifies that:

1. The name of the Corporation is: Ocean Rig UDW Inc.

2. The Articles of Incorporation of Primelead Shareholders Inc. were filed with the Registrar of Corporations on the 10th day of December 2007.

3. Articles of Amendment were filed with the Registrar of Corporations on the 16th day of September 2009 to change the Corporation's name to Ocean Rig UDW Inc.

4. The Articles of Incorporation are amended and restated in their entirety and are replaced by the Amended and Restated Articles of Incorporation attached hereto.

5. These Amended and Restated Articles of Incorporation were authorized by actions of the Board of Directors and Shareholders of the Corporation.

IN WITNESS WHEREOF, the undersigned has executed these Amended and Restated Articles of Incorporation this 7th day of December, 2010.

Authorized Person
Name: George Economou
Title: Chief Executive Officer

AMENDED AND RESTATED ARTICLES OF INCORPORATION

OF

OCEAN RIG UDW INC.

PURSUANT TO THE MARSHALL ISLANDS BUSINESS CORPORATION ACT

A. The name of the Corporation shall be:

OCEAN RIG UDW INC.

B. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the Marshall Islands Business Corporations Act (the "BCA").

C. The registered address of the Corporation in the Marshall Islands is Trust Corporation Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. The name of the Corporation's registered agent at such address is The Trust Corporation of the Marshall Islands, Inc.

D. The aggregate number of shares of stock that the Corporation is authorized to issue is Two Hundred Fifty Million (250,000,000) registered shares designated common shares with a par value of one United States cent (US$0.01) per share.

E. The Corporation shall have every power which a corporation now or hereafter organized under the BCA may have.

F. The name and address of the incorporator is:

Name	Post Office Address
Majuro Nominees Ltd.	P.O. Box 1405 Majuro Marshall Islands

G. No holder of shares of the Corporation of any class, now or hereafter authorized, shall have any preferential or preemptive rights to subscribe for, purchase or receive any shares of the Corporation of any class, now or hereafter authorized or any options or warrants for such shares, or any rights to subscribe to or purchase such shares, or any securities convertible into or exchangeable for such shares, which may at any time be issued, sold or offered for sale by the Corporation.

H. Corporate existence commenced on December 10, 2007 and shall continue upon filing these Amended and Restated Articles of Incorporation with the Registrar of Corporations as of the filing date stated herein.

I. (a) The number of directors constituting the entire Board of Directors shall be not less than one, as fixed from time to time by the vote of not less than two-thirds of the entire Board of Directors; provided, however, that the number of directors shall not be reduced so as to shorten the term of any director at the time in office. The phrase "two-thirds of the entire Board of Directors" as used in these Amended and Restated Articles of Incorporation shall be deemed to refer to two-thirds of the number of directors constituting the Board of Directors as provided in or pursuant to this Section (a) of this Article I, without regard to any vacancies then existing.

(b) Any vacancies in the Board of Directors for any reason, and any created directorships resulting from any increase in the number of directors, may be filled by the vote of not less than a majority of the members of the Board of Directors then in office, although less than a quorum, and any directors so chosen shall hold office until their successors shall be elected and qualified.

(c) Notwithstanding any other provisions of these Amended and Restated Articles of Incorporation or the bylaws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law, these Amended and Restated Articles of Incorporation or the bylaws of the Corporation), any director or the entire Board of Directors of the Corporation may be removed at any time, but only for cause and only by the affirmative vote of the holders of two-thirds or more of the issued and outstanding shares of common stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) cast at a meeting of the shareholders called for that purpose.

(d) Directors shall be elected by a plurality of the votes cast at a meeting of shareholders by the holders of shares entitled to vote in the election. Cumulative voting, as defined in Division 7, Section 71(2) of the BCA, shall not be used to elect directors.

(e) Notwithstanding any other provisions of these Amended and Restated Articles of Incorporation or the bylaws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law, these Amended and Restated Articles of Incorporation or the bylaws of the Corporation), the affirmative vote of the holders of two-thirds or more of the outstanding shares of common stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) shall be required to amend, alter, change or repeal this Article I.

J. The bylaws of the Corporation may not be amended by shareholders and may be amended only in accordance with the amendment provisions of the bylaws. Notwithstanding any other provisions of these Amended and Restated Articles of Incorporation or the bylaws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law, these Amended and Restated Articles of Incorporation or the bylaws of the Corporation), the affirmative vote of the holders of two-thirds or more of the outstanding shares of common stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) shall be required to amend, alter, change or repeal this Article J.

K. At all meetings of shareholders of the Corporation, except as otherwise expressly provided by law, there must be present either in person or by proxy shareholders of record holding at least one-third of the shares issued and outstanding and entitled to vote at such meetings in order to constitute a quorum, but if less than a quorum is present, a majority of those shares present either in person or by proxy shall have power to adjourn any meeting until a quorum shall be present.

L. This Article L does not apply to the Corporation's registrar in Verdipapirsentralen (VPS) or DryShips Inc., provided that DryShips Inc. holds at least one-third (1/3) of the total capital interest or voting rights in the Corporation.

(a) For the purposes of this Article L "shares" shall mean both the shares of the Corporation as registered in the Corporation's register of shareholders and the beneficial interest in the shares as registered in Verdipapirsentralen (VPS). The beneficial interest in the shares shall be considered to represent voting rights and capital rights in the Corporation on equal basis as the shares registered in the Corporation's register of shareholders.

(b) A person or entity that directly or indirectly acquires shares and as a result of such acquisition the share of the capital interest or voting rights held by such person or entity exceeds a threshold of one-third (1/3) ("Threshold 1") of the total capital interest or voting rights in the Corporation, such person or entity (the "Offeror"), is required to make an unconditional public offer (the "Offer") at a fair price for the purpose of acquiring all issued and outstanding shares in the share capital of the Corporation, as well as all issued and outstanding instruments giving rights to shares in the share capital of the Corporation or voting rights.

In case a shareholder has exceeded Threshold 1 and not Threshold 2 (as defined below) prior to the date that these Amended and Restated Articles of Incorporation come into effect, the obligation to make the Offer will apply to that particular shareholder when that shareholder increases the number of shares held by that shareholder.

This Article L including the obligation to make the Offer shall also apply accordingly in case a shareholder who owns shares representing more than one-third (1/3) of the total capital interest or voting rights in the Corporation directly or indirectly acquires shares and as a result of such acquisition the share of the capital interest or voting rights held by such shareholder exceeds a threshold of forty (40%) percent ("Threshold 2") or fifty (50%) percent ("Threshold 3") of the total capital interest or voting rights in the Corporation. This paragraph does not apply in case the share acquisition takes place in connection with the Offer. Under this Article L, shares owned or acquired by the following persons and entities shall be considered equal to a shareholder's own shares:

(i) the spouse or a person with whom the shareholder cohabits in a relationship akin to marriage;

(ii) the shareholder's children under 18 years of age, and children under 18 years of a person as mentioned in (i) above with whom the shareholder cohabits;

(iii) an entity within the same group as the shareholder;

(iv) a person or an entity with whom the shareholder must be assumed to be acting in concert in the exercise of rights accruing to the owner of a share in the Corporation; and

(v) an entity in which a person or an entity mentioned in (i) to (iv) above has a controlling interest as a result of an agreement or through the ownership of shares or units in that entity.

The requirement to make an Offer is not triggered off by acquisition in the form of:

(i) inheritance of gift;

(ii) allotment on division of estate;

(iii) consideration in demerger or merger of a limited liability company.

A shareholder who at a time subsequent to the date that these Amended and Restated Articles of Incorporation come into effect has passed Threshold 1, 2 or 3 in a manner that did not trigger off the requirement to make an Offer and therefore has not made an Offer, is obliged to make an Offer in connection with any subsequent share acquisition that increases the shareholder's voting rights in the Corporation.

The requirement to make an Offer does not apply if the Offeror within four weeks after the requirement arouse, dispose of such number of shares exceeding the threshold which triggered off the requirement.

Share lending and redelivery of shares lent shall, respectively, for the purpose of this Article L not be considered a sale or purchase of shares for the lender.

(c) The Offer shall ensure the equality of treatment of shareholders and of holders of instruments giving right to shares in the share capital of the Corporation or voting rights. The Offeror may not, in making the Offer, differentiate the Offer between groups of or individual shareholders.

(d) The Offer price shall be at least as high as the highest price paid by the Offeror for shares in the Corporation in the period six (6) months prior to the date when the offer obligation was activated. If it is clear that the fair price when the

Offer obligation was activated is higher than the price referred to above, the Offer price shall be at least as high as the fair price.

(e) The Offer for the purchase of the remaining shares in the Corporation shall be made without undue delay and no later than four (4) weeks after the offer obligation was activated.

(f) If the Offeror, after the Offer obligation has arisen and before expiry of the period of the Offer, has or agreed to pay a higher price than the price reflected in the Offer, a new Offer shall be deemed to have been made with an Offer price equivalent to the higher price.

(g) Settlement under the terms of the Offer shall be made in cash. Any Offer may nonetheless give the shareholders the right to accept any other form of settlement. The Offeror's settlement obligation shall be guaranteed by a bank or insurance institution which has been authorised to conduct business in Norway in accordance with the terms established by the Oslo Stock Exchange.

(h) The Offer shall include a time limit for the shareholders to accept the Offer. The time limit shall not be shorter than four (4) weeks and not longer than six (6) weeks. Settlement shall take place as soon as possible and no later than fourteen (14) days after the expiry of the Offer period. The Offeror may make a new Offer prior to the expiry of the original Offer period. The shareholders are, in such event, entitled to choose between the two Offers so made. If a new Offer is made, the period of acceptance of such Offer shall be extended so that at least two weeks remain until its expiry when made.

(i) The Offeror shall issue an Offer document which shall reproduce the Offer and give correct and complete information about matters of significance for evaluating the Offer. The following information shall be specifically included in the Offer document:

(i) The Offeror's name and address, type of organisation and organization number if the Offeror is a legal entity, to the extent available.

(ii) Information about parties with whom the Offeror is acting in concert including the basis for the consolidation thereof and any shareholder agreements relevant thereto.

(iii) Which shares and convertible loans in the Corporation which, at the time the Offer is made, are owned by the Offeror or a close associate thereto or any person or entity action in concert with the Offeror.

(iv) The Offer price, the deadline for settlement, the form of settlement and what guarantees are furnished for performance of the Offeror's settlement obligations.

(v) The principles applying to the valuation of any asset offered in settlement for the shares purchased under the Offer other than cash.

(vi) The time limit for accepting the Offer and how acceptance notice should be made.

(vii) Information as to how the Offeror's purchase of the shares is to be financed.

(viii) Any special advantages or rights which are accorded by agreements with members of the management and governing bodies of the Corporation by the Offeror.

(ix) The content of any contact the Offeror has had with the management or governing bodies of the Corporation prior to the date the Offer was made.

(x) The Offeror's purpose of taking over control of the Corporation and any plans for further operations and reorganisation of the Corporation.

(xi) The significance the implementation of the Offer will have in relation to the Corporation's employees, including legal, financial and work related effects; and

(xii) Legal and tax consequences of the Offer.

(j) The Offer document shall be signed by the Offeror.

(k) When an Offer is made in accordance with the above, the Board of Directors shall issue a statement on the Offer which shall include information on the employee's views and other factors of significance for assessing whether the Offer should be accepted by the shareholders or not. Information shall also be given about the views, if any, of the Board of Directors in their capacity as shareholders.

(l) An Offeror who fails to make an Offer in accordance with this Article L may not, for the duration of the Offer obligation, exercise rights in the Corporation other than the right to dividend.

(m) If an Offer is not made in accordance with this Article L and the Offeror does not sell sufficient number of shares in the Corporation to reduce the Offeror's shareholding in the Corporation to the level before the Offer obligation was activated, the Corporation may, subject to fourteen (14) days prior notice to the Offeror, sell sufficient number to the Offeror's shares in the Corporation to reduce the Offeror's shareholding in the Corporation to the level before the Offer obligation was activated.

(n) (1) If the Offeror following an Offer holds more than ninety (90%) percent of the shares in the Corporation and an equivalent of the votes which may be cast at the Corporation's shareholders' meeting, the Offeror may by a resolution of its board decide to take over the remaining shares of the Corporation. In this situation remaining shareholders are also entitled to demand that the Offeror takes over the shares.

(2) If compulsory transfer of shares takes place within three (3) months after expiration of the time limit stipulated pursuant to Section (h) above, the price in the Offer shall be the basis for the redemption price unless there are special reasons for another price.

(3) In the Absence of an amicable agreement or acceptance of an offer in accordance with the third sentence of subsection (4) below, the redemption price shall be fixed by an appraisement for the account of the Offeror. If special reasons favor this, it may be decided that the cost are to be covered by the other party in full or in part. The appraisement case shall be resolved in accordance with Oslo District Court as legal venue.

(4) The Offeror must offer the shareholders a redemption price. If the offer is made in writing to all shareholders with a known address, a deadline may be fixed within which the individual shareholder may make objections to or reject the offer. If no such objection is received by the Corporation before the expiry of the deadline, the shareholder shall be regarded as having accepted the offer. The deadline cannot be fixed for a period of less than two (2) months from the notice. In the written communication and in the notices, the shareholders must be informed of the deadline and of the consequences of any failure to meet it.

If the Offeror has decided to take over shares pursuant to subsection (1) above, the Offeror must be registered as the owner of the shares in the register of shareholders. At the same time, the Offeror must pay the total offer price into a separate account in a bank which is authorized to carry on banking activities in Norway to the extent the amount is not secured by the bank guarantee provided pursuant to Section (g).

(5) If a person or entity following a voluntary offer to acquire the remaining shares of the Corporation in compliance with Section (e), (f), (i) and (j) holds more than ninety (90%) percent of the shares in the Corporation and an equivalent of the votes which may be cast at the Corporation's shareholders' meeting, a compulsory transfer of shares pursuant to this Section (n) can take place without a prior mandatory Offer provided the following conditions are met:

(i) Compulsory transfer is initiated within four (4) weeks after the acquisition pursuant to the voluntary offer is effected;

(ii) The redemption price is equal to or higher than the minimum price which could have been offered if the voluntary offer had been a mandatory Offer; and

(iii) A bank guarantee similar to that provided for in Section (g) of this Article L is provided.

M. The 500 registered common shares, par value twenty United States dollars (US$20.00) per share of the Corporation issued and outstanding shall be converted into five hundred (500) registered common shares, par value one United States cent (US$0.01) per share, on a share-for-share basis.

N. The stated capital of the Corporation is reduced from ten thousand United States dollars (US$10,000.00) to five United States dollars (US$5.00) and the amount of nine thousand nine hundred and ninety five United States dollars (US$9,995.00) is transferred to surplus.

OCEAN RIG UDW INC.

By____________________
Authorized Person
Name: George Economou
Title: Chief Executive Officer

SK 23113 0002 1151097

OCEAN RIG UDW INC.
(the "Corporation")

SECOND AMENDED AND RESTATED BYLAWS

As Adopted March 9th, 2011

ARTICLE I

OFFICES

The principal place of business of the Corporation shall be at such place or places as the Directors shall from time to time determine. The Corporation may also have an office or offices at such other places within or without the Marshall Islands as the Board of Directors (the "Board") may from time to time appoint or the business of the Corporation may require.

ARTICLE II

SHAREHOLDERS

Section 1. Annual Meeting: The annual meeting of shareholders of the Corporation shall be held on such day and at such time and place within or without the Marshall Islands as the Board of Directors may determine for the purpose of electing Directors and of transacting such other business as may properly be brought before the meeting. The Chairman of the Board (the "Chairman") or, in the Chairman's absence, another person designated by the Board shall act as the Chairman of all annual meetings of shareholders.

Section 2. Nature of Business at Annual Meetings of Shareholders: No business may be transacted at an annual meeting of shareholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board (or any duly authorized committee thereof); (b) otherwise properly brought before the annual meeting by or at the direction of the Board (or any duly authorized committee thereof); or (c) otherwise properly brought before the annual meeting by any shareholder of the Corporation (i) who is a shareholder of record on the date of the giving of the notice provided for in Section 2 of this Article II and has remained a shareholder of record through the record date for the determination of shareholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in Section 2 of this Article II.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation (the "Secretary").

To be timely a shareholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than one-hundred fifty (150) days nor more than one-hundred eighty (180) days prior to the one-year anniversary of the immediately preceding annual meeting of shareholders. In no event shall the public disclosure of any adjournment of an annual meeting of the shareholders commence a new time period for the giving of the shareholder's notice described herein.

To be in proper written form, a shareholder's notice to the Secretary must set forth as to each matter such shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such shareholder along with such shareholder's tax identification number, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such shareholder, (iv) a description of all arrangements or understandings between such shareholder and any other person or persons (including their names) in connection with the proposal of such business by such shareholder and any material interest of such shareholder in such business and (v) a representation that such shareholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting. In addition, notwithstanding anything in Section 2 of this Article II to the contrary, a shareholder intending to nominate one or more persons for election as a Director at an annual meeting must comply with Article III Section 3 of these Bylaws for such nomination or nominations to be properly brought before such meeting.

No business shall be conducted at the annual meeting of shareholders except business brought before the annual meeting in accordance with the procedures set forth in Section 2 of this Article II; provided, however, that, once business has been properly brought before the annual meeting in accordance with such procedures, nothing in Section 2 of this Article II shall be deemed to preclude discussion by any shareholder of any such business. If the Chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the Chairman of the meeting shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

Section 3. Special Meeting: Special meetings of shareholders, unless otherwise prescribed by law, may be called for any purpose or purposes at any time by the Chairman, a majority of the Board, or any officer of the Corporation who is also a Director. No other person or persons are permitted to call a special meeting, unless otherwise prescribed by law. No business may be conducted at the special meeting other than business brought before the meeting by the Board. Such meetings shall be held at such place and on a date and at such time as may be designated in the notice thereof by the officer of the Corporation designated by the Board of Directors to deliver the notice of such meeting. The business transacted at any special meeting shall be limited to the purposes stated in the notice.

Section 4. Notice of Meetings: Notice of every annual and special meeting of shareholders, other than any meeting the giving of notice of which is otherwise prescribed by law, stating the date, time, place and purpose thereof, and in the case of special meetings, the name of the person or persons at whose direction the notice is being issued, shall be given personally or sent by mail, telefax, telegraph, cablegram, telex, or teleprinter at least fifteen (15) but not more than sixty (60) days before such meeting, to each shareholder of record entitled to vote thereat and to each shareholder of record who, by reason of any action proposed at such meeting would be entitled to have his shares appraised if such action were taken, and the notice shall include a statement of that purpose and to that effect. If mailed, notice shall be deemed to have been given when deposited in the mail, directed to the shareholder at his address as the same appears on the record of shareholders of the Corporation or at such address as to which the shareholder has given notice to the Secretary. Notice of a meeting need not be given to any shareholder who submits a signed waiver of notice, whether before or after the meeting, or who attends the meeting without protesting prior to the conclusion thereof the lack of notice to him.

Section 5. Adjournments: Any meeting of shareholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting. If the meeting is adjourned for lack of quorum, notice of the new meeting shall be given to each shareholder of record entitled to vote at the meeting. If after an adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record on the new record date entitled to notice in Section 4 of this Article II.

Section 6. Quorum: At all meetings of shareholders for the transaction of business, except as otherwise expressly provided by law, there must be present either in person or by proxy shareholders of record holding at least one-third of the shares issued and outstanding and entitled to vote at such meetings in order to constitute a quorum. If less than a quorum is present, a majority of those shares present either in person or by proxy shall have power to adjourn any meeting until a quorum shall be present.

Section 7. Voting: If a quorum is present, and except as otherwise expressly provided by law, the Corporation's Articles of Incorporation then in effect or these bylaws, the affirmative vote of a majority of the votes cast by holders of shares of stock represented at the meeting shall be the act of the shareholders. At any meeting of shareholders each shareholder entitled to vote any shares on any matter to be voted upon as such meeting shall be entitled to one vote on such matter for each such share, and may exercise such voting right either in person or by proxy. Any action required to be permitted to be taken at a meeting, may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the shareholders entitled to vote with respect to the subject matter thereof.

Section 8. Fixing of Record Date: The Board of Directors may fix a time not more than sixty (60) nor less than fifteen (15) days prior to the date of any meeting of shareholders, or more than sixty (60) days prior to the last day on which the consent or dissent of shareholders may be expressed for any purpose without a meeting, as the time as of which shareholders entitled to notice of and to vote at such a meeting or whose consent or dissent is required or may be expressed for any purpose, as the case may be, shall be determined, and all persons who were holders of record of voting shares at such time and no others shall be entitled to notice of and to vote at such meeting or to express their consent or dissent, as the case may be. The Board of Directors may fix a time not exceeding sixty days preceding the date fixed for the payment of any dividend, the making of any distribution, the allotment of any rights or the taking of any other action, as a record time for the determination of the shareholders entitled to receive any such dividend, distribution, or allotment or for the purpose of such other action.

ARTICLE III

DIRECTORS

Section 1. Number: The affairs, business and property of the Corporation shall be managed by its Board of Directors. The number of Directors is determined according to the Articles of Incorporation. The Directors need not be residents of the Marshall Islands nor shareholders of the Corporation. Corporations may, to the extent permitted by law, be elected Directors.

Section 2. How Elected: The Board of Directors shall be elected as specified in the Articles of Incorporation.

Section 3. Nomination of Directors: Only persons who are nominated in accordance with the following procedures shall be eligible for election as Directors of the Corporation, except as may be otherwise provided in the Articles of Incorporation with respect to the right of holders of preferred stock of the Corporation to nominate and elect a specified number of directors in certain circumstances. Nominations of persons for election to the Board may be made at any annual meeting of shareholders (a) by or at the direction of the Board (or any duly authorized committee thereof) or (b) by any shareholders of the Corporation (i) who is a shareholder of record on the date of the giving of the notice provided for in Section 3 of this Article III and on the record date for the determination of shareholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in Section 3 of this Article III.

In addition to any other applicable requirements, for a nomination to be made by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary.

To be timely, a shareholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than one-hundred fifty (150) days nor more than one-hundred eighty (180) days prior to the one-year anniversary date of the immediately preceding annual meeting of shareholders.

To be in proper written form, a shareholder's notice to the Secretary must set forth; (a) as to each person whom the shareholder proposes to nominate for election as a Director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of Directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder applicable to issuers that are not foreign private issuers and (b) as to the shareholder giving the notice (i) the name and record address of such shareholder along with such shareholder's tax identification number, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially and of record by such shareholder, (iii) a description of all arrangements or understandings between such shareholder and each proposed nominee and any other person and persons (including their names) pursuant to which the nomination(s) are to be made by such shareholder, (iv) a representation that such shareholder intends to appear in person or by proxy at the meeting to nominate the person or persons named in its notice and (v) any other information relating to such shareholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of Directors of companies other than foreign private issuers pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a Director if elected.

No person shall be eligible for election as a Director of the Corporation unless nominated in accordance with the procedures set forth in Section 3 of this Article III. If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Notwithstanding any other provisions of the Articles of Incorporation or these bylaws (and notwithstanding the fact that some lesser percentage may be specified by law, the Articles of Incorporation or these bylaws), the vote of not less than two-thirds of the entire Board of Directors shall be required to amend, alter, change or repeal this Article III Section 3.

Section 4. Removal: Removal of Directors is governed by Articles of Incorporation Section I.

No proposal by a shareholder to remove a Director shall be voted upon at a meeting of the shareholders unless such shareholder has given timely notice thereof in proper written form to the Secretary. To be timely, a shareholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than one hundred and fifty (150) days nor more than one hundred eighty (180) days prior to the one-year anniversary date of the immediately preceding annual meeting of the shareholders. To be in proper written form, a shareholder's notice must set forth: (a) a statement of the grounds, if any, on which such Director is proposed to be removed, (b) evidence reasonably satisfactory to the Secretary of such shareholder's status as such and of the number of shares of each class of capital stock of the Corporation beneficially owned by such shareholder, and (c) a list of the names and addresses of other shareholders of the Corporation, if any, with whom such shareholder is acting in concert, and the number of shares of each class of capital stock of the Corporation beneficially owned by each such shareholder.

No shareholder proposal to remove a Director shall be voted upon at an annual meeting of the shareholders unless proposed in accordance with the procedures set forth in Section 4 of this Article III. If the Chairman of the meeting determines, based on the facts, that a shareholder proposal to remove a Director was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that a proposal to remove a Director of the Corporation was not made in accordance with the procedures prescribed by these Bylaws, and such defective proposal shall be disregarded.

Section 5. Vacancies: Any vacancies in the Board of Directors shall be governed by the Articles of Incorporation.

Section 6. Regular Meetings: Regular meetings of the Board of Directors may be held at such time and place as may be determined by resolution of the Board of Directors and no notice shall be required for any regular meeting. Except as otherwise provided by law, any business may be transacted at any regular meeting.

Section 7. Special Meetings: Special meetings of the Board of Directors may, unless otherwise prescribed by law, be called from time to time by the Chairman, a majority of the Board, or any officer of the Corporation who is also a Director. The President or the Secretary shall call a special meeting of the Board upon written request directed to either of them by any two Directors stating the time, place, and purpose of such special meeting. Special meetings of the Board shall be held on a date and at such time and at such place as may be designated in the notice thereof by the officer calling the meeting.

Section 8. Notice of Special Meetings: Notice of the date, time and place of each special meeting of the Board of Directors shall be given to each Director at least forty-eight (48) hours prior to such meeting, unless the notice is given orally or delivered in person, in which case it shall be given at least twenty-four (24) hours prior to such meeting. For the purpose of this section, notice shall be deemed to be duly given to a Director if given to him personally (including by telephone) or if such notice be delivered to such Director by mail, telegraph, telefax, cablegram, telex, or teleprinter to his last known address. Notice of a meeting need not be given to any Director who submits a signed waiver of notice, whether before or after the meeting or who attends the meeting without protesting, prior to the conclusion thereof, the lack of notice to him.

Section 9. Quorum: A majority of the Directors at the time in office, present in person or by proxy or by conference telephone, shall constitute a quorum for the transaction of business.

Section 10. Interested Directors. No contract or transaction between the Corporation and one or more of its Directors or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of its Directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the Director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or her or their votes are counted for such purpose, if: (i) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested Directors, or, if the votes of the disinterested Directors are insufficient to constitute an act of the Board of Directors as defined in Section 55 of the BCA, by unanimous vote of the disinterested Directors; or (ii) the material facts as to his relationship or interest and as to the shareholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the shareholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the shareholders. Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

Section 11. Voting: The vote of the majority of the Directors, present in person, by proxy, or by conference telephone, at a meeting at which a quorum is present shall be the act of the Directors. Any action required or permitted to be taken at a meeting may be taken without a meeting if all members of the Board consent thereto in writing.

Section 12. Compensation of Directors and Members of Committees: The Board may from time to time, in its discretion, fix the amounts which shall be payable to members of the Board of Directors and to members of any committee, for attendance at the meetings of the Board or of such committee and for services rendered to the Corporation.

ARTICLE IV

COMMITTEES

The Board of Directors may, by resolution or resolutions passed by a majority of the entire Board, designate from among its members an executive committee to consist of one or more of the Directors of the Corporation, which, to the extent provided in said resolution or resolutions, or in these Bylaws, shall have and may exercise, to the extent permitted by law, the powers of the Board of Directors in the management of the business and affairs of the Corporation, and may have power to authorize the seal of the Corporation to be affixed to all papers which may require it, provided, however, that no committee shall have the power or authority to (i) fill a vacancy in the Board or in a committee thereof, (ii) amend or repeal any Bylaw or adopt any new Bylaw, (iii) amend or repeal any resolution of the entire Board, (iv) or increase the number of Directors on the Board, or (v) remove any Director. In addition, the Board of Directors may, by resolution or resolutions passed by a majority of the entire Board designate from among its members other committees to consist of one or more of the Directors of the Corporation, each of which shall perform such function and have such authority and powers as shall be delegated to it by said resolutions or as provided for in these Bylaws, except that only the executive committee may have and exercise the powers of the Board of Directors. Members of the executive committee and any other committee shall hold office for such period as may be prescribed by the vote of a majority of the entire Board of Directors. Vacancies in membership of such committees shall be filled by vote of the board of Directors. Committees may adopt their own rules of procedure and may meet at stated times or on such notice as they may determine. Each committee shall keep a record of its proceedings and report the same to the Board when requested.

ARTICLE V

OFFICERS

Section 1. Number of Designation: The Board of Directors shall appoint a President, Secretary and Treasurer and such other officers with such duties as it may deem necessary. Officers may be of any nationality, need not be residents of the Marshall Islands and may be, but are not required to be, Directors. Officers of the Corporation shall be natural persons except the secretary may be a corporate entity. Any two or more offices may be held by the same natural person.

The salaries of the officers and any other compensation paid to them shall be fixed from time to time by the Board of Directors or any authorized committee thereof. The Board of Directors may at any meeting appoint additional officers. Each officer shall hold office until his successor shall have been duly appointed and qualified, except in the event of the earlier termination of his term of office, through death, resignation, removal or otherwise. Any officer may be removed by the Board at any time with or without cause. Any vacancy in an office may be filled for the unexpired portion of the term of such office by the Board of Directors at any regular or special meeting.

Section 2. President: The President shall have general management of the affairs of the Corporation together with the powers and duties usually incident to the office of President, except as specifically limited by appropriate written resolution of the Board of Directors and shall have such other powers and perform such other duties as may be assigned to him by the Board of Directors. The President shall preside at all meetings of shareholders at which he is present and, if he is a Director, at all meetings of the Directors.

Section 3. Treasurer: The Treasurer shall be the chief financial officer of the Corporation and shall have general supervision over the care and custody of the funds, securities, and other valuable effects of the Corporation and shall deposit the same or cause the same to be deposited in the name of the Corporation in such depositories as the Board of Directors may designate, shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall have supervision over the accounts of all receipts and disbursements of the Corporation, shall, whenever required by the Board, render or cause to be rendered financial statements of the Corporation, shall have the power and perform the duties usually incident to the office of Treasurer, and shall have such powers and perform such other duties as may be assigned to him by the Board of Directors or the President.

Section 4. Secretary: The Secretary shall act as Secretary of all meetings of the shareholders and of the Board of Directors at which he is present, shall have supervision over the giving and serving of notices of the Corporation, shall be the custodian of the corporate records and of the corporate seal of the Corporation, shall be empowered to affix the corporate seal to those documents, the execution of which, on behalf of the Corporation under its seal, is duly authorized and when so affixed may attest the same, and shall exercise the powers and perform such other duties as may be assigned to him by the Board of Directors or the President. If the Secretary is a corporation, the duties of the Secretary may be carried out by any authorized representative of such corporation.

Section 5. Other Officers: Officers other than those treated in Sections 2 through 4 of this Article shall exercise such powers and perform such duties as may be assigned to them by the Board of Directors or the President.

Section 6. Bond: The Board of Directors shall have power to the extent permitted by law, to require any officer, agent or employee of the Corporation to give bond for the faithful discharge of his duties in such form and with such surety or sureties as the Board of Directors may deem advisable.

ARTICLE VI

CERTIFICATES FOR SHARES

Section 1. Form and Issuance: The shares of the Corporation shall be represented by certificates in a form meeting the requirements of law and approved by the Board of Directors. Certificates shall be signed by (i) the President or a Vice President and by (ii) the Secretary or any Assistant Secretary or the Treasurer or any Assistant Treasurer. These signatures may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation itself or its employees. Shares may also be represented in uncertificated form, and, specifically, the Corporation may issue shares to be represented in any manner permitted or required by the rules of the stock exchange or a trading market on which the Corporation may be listed or quoted.

Section 2. Transfer: The Board of Directors shall have power and authority to make such rules and regulations as they may deem expedient concerning the issuance, registration and transfer of shares of the Corporation's stock, and may appoint transfer agents and registrars thereof.

Section 3. Loss of Stock Certificates: The Board of Directors may direct a new certificate or certificates of stock to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost or destroyed.

ARTICLE VII

DIVIDENDS

Dividends may be declared in conformity with law by, and at the discretion of, the Board of Directors at any regular or special meeting. Dividends may be declared and paid in cash, stock, or other property of the Corporation.

ARTICLE VIII

INDEMNIFICATION

Section 1. Indemnification. Any person who is or was a Director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another, partnership, joint venture, trust or other enterprise shall be entitled to be indemnified by the Corporation upon the same terms, under the same conditions, and to the same extent as authorized by Section 60 of the BCA, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The Corporation shall have the power to pay in advance expenses a director or officer incurred while defending a civil or criminal proceeding, provided that the director or officer will repay the amount if it shall ultimately be determined that he or she is not entitled to indemnification under this section.

Section 2. Insurance. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a Director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer against any liability asserted against such person and incurred by such person in such capacity whether or not the Corporation would have the power to indemnify such person against such liability by law or under the provisions of these Bylaws.

ARTICLE IX

CORPORATE SEAL

The seal of the Corporation, if any, shall be circular in form, with the name of the Corporation in the circumference and such other appropriate legend as the Board of Directors may from time to time determine.

ARTICLE X

FISCAL YEAR

The fiscal year of the Corporation shall be such period of twelve consecutive months as the Board of Directors may by resolution designate.

ARTICLE XI

AMENDMENTS

The Board of Directors of the Corporation are expressly authorized to make, alter or repeal these bylaws of the Corporation by a vote of not less than a majority of the entire Board of Directors, unless otherwise provided in these bylaws.

OCEAN RIG

March 11, 2011

TO THE SHAREHOLDERS OF
OCEAN RIG UDW INC.

Enclosed is a Notice of the Special Meeting of the Company which will be held at the offices of the Company at 10 Skopa Street, Tribune House, 2nd Floor, Office 202, CY 1075, Nicosia, Cyprus, on April 15, 2011 at 16:00 local time and related materials. The Special Meeting is being called by the board of directors in accordance with Article II Section 4 of the Company's by-laws.

At the Meeting, shareholders of the Company will consider and vote upon proposals:

1. To adopt Second Amended and Restated Articles of Incorporation ("Proposal One");
2. If Proposal One is adopted and approved, to designate the class of each member of the board of directors and related expiration of the term of office following the filing of the proposed Second and Amended Restated Articles of Incorporation ("Proposal Two"); and
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

Adoption of Proposal One requires the affirmative vote of a majority of all outstanding shares of common stock entitled to vote at the Meeting. Adoption of Proposal Two requires the affirmative vote of a majority of the votes cast by holders of shares of stock represented at the Meeting.

You are cordially invited to attend the Meeting in person. If you attend the Meeting, you may revoke your proxy and vote your shares in person.

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE ENCLOSED ENVELOPE. THE VOTE OF EVERY SHAREHOLDER IS IMPORTANT AND YOUR COOPERATION IN RETURNING YOUR EXECUTED PROXY PROMPTLY WILL BE APPRECIATED. ANY SIGNED PROXY RETURNED AND NOT COMPLETED WILL BE VOTED BY MANAGEMENT IN FAVOR OF THE PROPOSALS PRESENTED IN THE PROXY STATEMENT.

Very truly yours,

George Economou
Chairman, Chief Executive Officer and President

OCEAN RIG UDW INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON APRIL 15, 2011

NOTICE IS HEREBY given that the Special Meeting of Shareholders of Ocean Rig UDW Inc. (the "Company") will be held at the offices of the Company at 10 Skopa Street, Tribune House, 2nd Floor, Office 202, CY 1075, Nicosia, Cyprus, on April 15, 2011 at 16:00 local time, for the following purposes, of which items 1 and 2 are more completely set forth in the accompanying Proxy Statement:

1. To adopt Second Amended and Restated Articles of Incorporation ("Proposal One");

2. If Proposal One is adopted and approved, to designate the class of each member of the board of directors and related expiration of the term of office following the filing of the proposed Second and Amended Restated Articles of Incorporation ("Proposal Two"); and

3. To transact such other business as may properly come before the meeting or any adjournment thereof.

The board of directors has fixed the close of business on March 10, 2011 as the record date for the determination of the shareholders entitled to receive notice and to vote at the Special Meeting or any adjournment thereof.

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE ENCLOSED ENVELOPE. THE VOTE OF EVERY SHAREHOLDER IS IMPORTANT AND YOUR COOPERATION IN RETURNING YOUR EXECUTED PROXY PROMPTLY WILL BE APPRECIATED. ANY SIGNED PROXY RETURNED AND NOT COMPLETED WILL BE VOTED BY MANAGEMENT IN FAVOR OF THE PROPOSALS PRESENTED IN THE PROXY STATEMENT.

IF YOU ATTEND THE SPECIAL MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE IN PERSON.

By Order of the Board of Directors

Ioannis Cleanthous
Secretary

March 11, 2011
Nicosia, Cyprus

PROXY STATEMENT
FOR
SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON APRIL 15, 2011

INFORMATION CONCERNING SOLICITATION AND VOTING

GENERAL

The enclosed proxy is solicited on behalf of the board of directors of Ocean Rig UDW Inc., a Marshall Islands corporation (the "Company"), for use at the Special l Meeting of Shareholders to be held at the offices of the Company at 10 Skopa Street, Tribune House, 2nd Floor, Office 202, CY 1075, Nicosia, Cyprus, on April 15, 2011 at 16:00 local time or at any adjournment or postponement thereof (the "Meeting"), for the purposes set forth herein and in the accompanying Notice of Special Meeting of Shareholders. This Proxy Statement and the accompanying form of proxy are expected to be mailed to shareholders of the Company entitled to vote at the Meeting on or about March 11, 2011.

VOTING RIGHTS AND OUTSTANDING SHARES

On March 10, 2011 (the "Record Date"), the Company had outstanding 131,696,928 shares of common stock, par value $0.01 per share (the "Common Shares"). Each shareholder of record at the close of business on the Record Date is entitled to one vote for each Common Share then held. One or more shareholders representing at least one-third of the shares issued and outstanding shall be a quorum for the purposes of the Meeting. The Common Shares represented by any proxy in the enclosed form will be voted in accordance with the instructions given on the proxy if the proxy is properly executed and is received by the Company prior to the close of voting at the Meeting or any adjournment or postponement thereof. Any proxies returned without instructions will be voted FOR the proposals set forth on the Notice of Special Meeting of Shareholders.

The Common Shares are eligible to trade in the Norwegian OTC market.

REVOCABILITY OF PROXIES

A shareholder giving a proxy may revoke it at any time before it is exercised. A proxy may be revoked by filing with the Secretary of the Company at the Company's principal executive office, 10 Skopa Street, Tribune House, 2nd Floor, Office 202, CY 1075, Nicosia, Cyprus, a written notice of revocation by a duly executed proxy bearing a later date, or by attending the Meeting and voting in person.

PROPOSAL ONE

SECOND AMENDED AND RESTATED

ARTICLES OF INCORPORATION

The board of directors has approved Second Amended and Restated Articles of Incorporation in the form attached hereto as Annex 1. This section contains a summary only of certain provisions and you are urged to read Annex 1 in its entirety. Set forth as Annex 2 is a marked version of the Second Amended and Restated Articles of Incorporation that is marked to show changes from the Company's current Amended and Restated Articles of Incorporation.

The board of directors is submitting for approval at the Meeting Second Amended and Restated Articles of Incorporation that would, among other things:

(1) Increase the Company's authorized share capital to 1,000,000,000 common shares, par value $0.01 per share, and 500,000,000 preferred shares, par value $0.01 per share, which such preferred shares may contain such terms as determined by our board of directors without any action by our shareholders.

(2) Provide for a classified board of directors whereby our directors will serve staggered, three-year terms. Approximately one-third of our board of directors will be elected each year.

(3) Provide that a director of the Company shall be protected from personal liability to the Company and its shareholders for monetary damages for breach of fiduciary duty to the extent such exemption from liability or limitation thereof is permitted under the Marshall Islands Business Corporations Act, as the same exists or may hereafter be amended.

The above provisions may have anti-takeover effects. These provisions are intended to avoid costly takeover battles, lessen our vulnerability to a hostile change of control and enhance the ability of our board of directors to maximize shareholder value in connection with an unsolicited offer to acquire us. However, these anti-takeover provisions could also discourage, delay or prevent (1) the merger or acquisition of us by means of a tender offer, a proxy contest or otherwise that a shareholder may consider in its best interest; and (2) the removal of the incumbent officers and directors.

Under the Second Amended and Restated Articles of Incorporation, our shareholders will no longer be subject to the mandatory offer obligations contained in our current Amended and Restated Articles of Incorporation which are based on the mandatory offer obligations set forth in the Norwegian Securities Trading Act. This means that no shareholder will be required to make a mandatory offer for our outstanding common shares regardless of such shareholder's ownership percentage of our common shares.

Required Vote. Approval of Proposal One will require the affirmative vote of a majority of all outstanding shares of common stock entitled to vote at the Meeting.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF THE SECOND AMENDED AND RESTATED ARTICLES OF INCORPORATION. UNLESS REVOKED AS PROVIDED ABOVE, PROXIES RECEIVED BY MANAGEMENT WILL BE VOTED IN FAVOR OF SUCH APPROVAL UNLESS A CONTRARY VOTE IS SPECIFIED.

PROPOSAL TWO

CLASSIFICATION OF DIRECTORS

The Company currently has five directors. Under the Company's current Amended and Restated Articles of Incorporation, members of the board of directors are elected annually and each director elected holds office until his successor shall have been duly elected and qualified, except in the event of his death, resignation, removal, or earlier termination of his term of office. If Proposal One is adopted, each director will be elected to serve for a three-year term and until such his successor shall have been duly elected and qualified, except in the event of his death, resignation, removal or earlier termination of his term of office.

If Proposal One is adopted, the board of directors is submitting for approval at the Meeting the designation of class of director and related expiration of the term of office for each member of the board of directors as set forth below, in accordance with Article I of the Second Amended and Restated Articles of Incorporation. If Proposals One and Two are adopted, the classification of the board of directors shall take effect immediately upon filing of the Second Amended and Restated Articles of Incorporation with the Registrar of Corporations of the Republic of the Marshall Islands.

Name	Age	Proposed Class	Expiration of Term of Office
George Economou	57	Class A	2011
Pankaj Khanna	40	Class B	2012
Michael Gregos	39	Class B	2012
Trygve Arnesen	53	Class C	2013
Savvas D. Georghiades	60	Class C	2013

Certain biographical information about each member of the board of directors is set forth below.

George Economou was appointed as our President and 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, President and Chief Executive Officer of DryShips Inc. since January 2005. He successfully took DryShips public in February 2005, on the NASDAQ Global Market 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 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 and in 1991 he founded Cardiff Marine Inc. Group of 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.

Pankaj Khanna was appointed to our board of directors in December 2010. Mr. Khanna also serves as the Chief Operating Officer of Dryships since March 2009. Mr. Khanna has 22 years of experience in the shipping industry. Prior to joining the Company, Mr. Khanna was the

Chief Strategy Officer for Excel Maritime Carriers Ltd. Mr. Khanna also previously served as Chief Operating Officer of Alba Maritime Services S.A. Prior to joining Alba Maritime Services S.A., Mr. Khanna was Vice President of Strategic Development at Teekay Corporation where he headed vessel sales and purchase activities, newbuilding ordering activities, and other strategic development projects from 2001 through 2007. Prior to this, Mr. Khanna was a Senior Analyst at SSY, a multinational shipbroker. Mr. Khanna also sailed as a deck officer on merchant vessels for seven years. Mr. Khanna graduated from Blackpool and the Fylde College, Fleetwood Nautical Campus and also received a post-graduate diploma in international trade and transport from London Metropolitan University.

Michael Gregos was appointed to our board of directors in December 2010. Mr. Gregos is Project Manager for Dynacom Tankers Management Ltd. which he joined in 2001. From 2007 to 2008, Mr. Gregos served as Chief Operating Officer at OceanFreight Inc. Prior to that period, he worked for a shipping concern based in Athens and New York for five years and the Corporate Finance arm of a Greek bank for one year. He is a graduate of Queen Mary University in London and holds an M.Sc. in Shipping, Trade and Finance from City University.

Trygve Arnesen was appointed to our board of directors in December 2010. Mr. Arnesen is a director for Aftermarket Eastern Region with FMC Kongsberg Subsea AS, a position he has held since August 2010. Mr. Arnesen serves as a director of GC Rieber Shipping ASA, a position he has held since 2003. From 2006 to 2008, Mr. Arnesen was the Chief Executive Officer of Ocean Rig ASA, the Company's predecessor, and he worked as Chief Executive Officer for Norwind AS from 2008 until 2010. He has worked in the drilling and oil service industry since 1982, and has held a broad range of positions with various companies including Odfjell SE (2005-2006), Prosafe Offshore Ltd, (2001-2005), Prosafe Drilling Services AS (1997 - 2001) (both de-merged from Transocean), Transocean Petroleum Technology AS (1991-2001) Aker Drilling AS (1989-2001), Norcem Drilling AS (1985-1989), Morco&Ross Drilling AS (1984-1985) and Wilh. Wilhelmsen Shipping AS (1982-1984). Mr. Arnesen holds an M.Sc. in petroleum engineering and applied geophysics from the Norwegian University of Science and Technology.

Savvas Georghiades was appointed to our board of directors in December 2010. Mr. Georghiades has been a practicing lawyer in Cyprus since 1976. He is a graduate of the Aristotle University in Thessaloniki. Mr. Georghiades is a member of the Shipping Committee of the Cyprus Bar Association.

Required Vote. Approval of Proposal Two will require the affirmative vote of a majority of the votes cast by holders of shares of stock represented at the Meeting.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF THE CLASSIFICATION OF DIRECTORS AS SET FORTH ABOVE. UNLESS REVOKED AS PROVIDED ABOVE, PROXIES RECEIVED BY MANAGEMENT WILL BE VOTED IN FAVOR OF SUCH APPROVAL UNLESS A CONTRARY VOTE IS SPECIFIED.

SOLICITATION

The cost of preparing and soliciting proxies will be borne by the Company. Solicitation will be made primarily by mail, but shareholders may be solicited by telephone, e-mail, or personal contact.

EFFECT OF ABSTENTIONS

An "abstention" occurs when a shareholder sends in a proxy with explicit instructions to decline to vote regarding a particular matter. Abstentions are counted as present for purposes of determining a quorum. Abstentions will have the effect of voting against Proposal One. Abstentions will not be counted and will have no effect in determining whether Proposal Two has been approved.

OTHER MATTERS

No other matters are expected to be presented for action at the Meeting. Should any additional matter come before the Meeting, it is intended that proxies in the accompanying form will be voted in accordance with the judgment of the person or persons named in the proxy.

By Order of the Board of Directors

Ioannis Cleanthous
Secretary

March 11, 2011
Nicosia, Cyprus

Annex 1

SECOND AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF
OCEAN RIG UDW INC.
UNDER SECTION 93 OF THE
THE MARSHALL ISLANDS BUSINESS CORPORATIONS ACT

The undersigned, Mr. George Economou, as the Chief Executive Officer of OCEAN RIG UDW INC., a corporation incorporated under the laws of the Republic of the Marshall Islands (the "Corporation"), for the purpose of amending and restating the Amended and Restated Articles of Incorporation of said Corporation pursuant to section 93 of the Business Corporations Act, as amended, hereby certifies that:

1. The name of the Corporation is: Ocean Rig UDW Inc.

2. The Articles of Incorporation of Primelead Shareholders Inc. were filed with the Registrar of Corporations on the 10th day of December 2007.

3. Articles of Amendment were filed with the Registrar of Corporations on the 16th day of September 2009 to change the Corporation's name to Ocean Rig UDW Inc.

4. The Articles of Incorporation were amended and restated in their entirety on the 7th day of December 2010.

5. The Amended and Restated Articles of Incorporation are amended and restated in their entirety and are replaced by the Second Amended and Restated Articles of Incorporation attached hereto.

6. These Second Amended and Restated Articles of Incorporation were authorized by actions of the Board of Directors and Shareholders of the Corporation.

IN WITNESS WHEREOF, the undersigned has executed these Second Amended and Restated Articles of Incorporation this day of , 2011.

____
Authorized Person
Name: George Economou
Title: Chief Executive Officer

SECOND AMENDED AND RESTATED ARTICLES OF INCORPORATION

OF

OCEAN RIG UDW INC.

PURSUANT TO THE MARSHALL ISLANDS BUSINESS CORPORATION ACT

A. The name of the Corporation shall be:

OCEAN RIG UDW INC.

1. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the Marshall Islands Business Corporations Act (the "BCA").

B. The registered address of the Corporation in the Marshall Islands is Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. The name of the Corporation's registered agent at such address is The Trust Company of the Marshall Islands, Inc.

C. The aggregate number of shares of stock that the Corporation is authorized to issue is One Billion Five Hundred Million (1,500,000,000) registered shares, of which One Billion (1,000,000,000) shall be designated common shares with a par value of one United States cent ($0.01) per share, and Five Hundred Million (500,000,000) shall be designated preferred shares with a par value of one United States cent ($0.01) per share. The Board of Directors shall have the authority to authorize the issuance from time to time of one or more classes of preferred shares with one or more series within any class thereof, with such voting powers, full or limited, or without voting powers and with such designations, preferences and relative, participating, optional or special rights and qualifications, limitations or restrictions thereon as shall be set forth in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such preferred shares.

D. The Corporation shall have every power which a corporation now or hereafter organized under the BCA may have.

E. The name and address of the incorporator is:

Name	Post Office Address
Majuro Nominees Ltd.	P.O. Box 1405 Majuro Marshall Islands

G. No holder of shares of the Corporation of any class, now or hereafter authorized, shall have any preferential or preemptive rights to subscribe for, purchase or receive any shares of the Corporation of any class, now or hereafter authorized or any options or warrants for such shares, or any rights to subscribe to or purchase such shares, or any securities convertible into or exchangeable for such shares, which may at any time be issued, sold or offered for sale by the Corporation.

H. Corporate existence commenced on December 10, 2007 and shall continue upon filing these Amended and Restated Articles of Incorporation with the Registrar of Corporations as of the filing date stated herein.

I. (a) The number of directors constituting the entire Board of Directors shall be not less than one, as fixed from time to time by the vote of not less than two-thirds of the entire Board of Directors; provided, however, that the number of directors shall not be reduced so as to shorten the term of any director at the time in office. The phrase "two-thirds of the entire Board of Directors" as used in these Articles of Incorporation shall be deemed to refer to two-thirds of the number of directors constituting the Board of Directors as provided in or pursuant to this Section (a) of this Article I, without regard to any vacancies then existing.

(b) The Board of Directors shall be divided into three classes, as nearly equal in number as the then total number of directors constituting the entire Board of Directors permits, with the term of office of one or another of the three classes expiring each year. The shareholders of the Corporation shall divide the Board of Directors into three classes, with the term of office of the first class to expire at the 2011 Annual Meeting of Shareholders, the term of office of the second class to expire at the 2012 Annual Meeting of Shareholders and the term of office of the third class to expire at the 2013 Annual Meeting of Shareholders. Commencing with the 2011 Annual Meeting of Shareholders, the directors elected at an annual meeting of shareholders to succeed those whose terms then expire shall be identified as being directors of the same class as the directors whom they succeed, and each of them shall hold office until the third succeeding annual meeting of shareholders and until such director's successor is elected and has qualified. Any vacancies in the Board of Directors for any reason, and any created directorships resulting from any increase in the number of directors, may be filled by the vote of not less than a majority of the members of the Board of Directors then in office, although less than a quorum, and any directors so chosen shall hold office until the next election of the class for which such directors shall have been chosen and until their successors shall be elected and qualified. No decrease in the number of directors shall shorten the term of any incumbent director. Notwithstanding the foregoing, and except as otherwise required by law, whenever the holders of any one or more series of preferred stock shall have the right, voting separately as a class, to elect one or more directors of the Corporation, the then authorized number of directors shall be increased by the number of directors so to be elected, and the terms of the director or directors elected by such holders shall expire at the next succeeding annual meeting of shareholders.

(c) Notwithstanding any other provisions of these Articles of Incorporation or the bylaws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law, these Articles of Incorporation or the bylaws of the Corporation), any director or the entire Board of Directors of the Corporation may be removed at any time, but only for cause and only by the affirmative vote of the holders of two-thirds or more of the issued and outstanding shares of common stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) cast at a meeting of the shareholders called for that purpose. Notwithstanding the foregoing, and except as otherwise required by law, whenever the holders of any one or more series of preferred stock shall have the right, voting separately as a class, to elect one or more directors of the Corporation, the provisions of this Section (c) of this Article I shall not apply with respect to the director or directors elected by such holders of preferred stock.

(d) Directors shall be elected by a plurality of the votes cast at a meeting of shareholders by the holders of shares entitled to vote in the election. Cumulative voting, as defined in Division 7, Section 71(2) of the BCA, shall not be used to elect directors.

(e) Notwithstanding any other provisions of these Articles of Incorporation or the bylaws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law, these Articles of Incorporation or the bylaws of the Corporation), the affirmative vote of the holders of two-thirds or more of the outstanding shares of common stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) shall be required to amend, alter, change or repeal this Article I.

J. Making, altering or repealing the bylaws of the Corporation shall be governed by the provisions of the Corporation's bylaws as in effect at such time. Notwithstanding any other provisions of these Articles of Incorporation or the Corporation's bylaws (and notwithstanding the fact that some lesser percentage may be specified by law, the Articles of Incorporation of the Corporation or the Corporation's bylaws), the affirmative vote of the holders of two-thirds or more of the outstanding shares of common stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) shall be required to amend, alter, change or repeal this Article J.

K. (a) The Corporation may not engage in any Business Combination with any Interested Shareholder for a period of three years following the time of the transaction in which the person became an Interested Shareholder, unless:

(1) prior to such time, the Board of Directors of the Corporation approved either the Business Combination or the transaction which resulted in the shareholder becoming an Interested Shareholder;

(2) upon consummation of the transaction which resulted in the shareholder becoming an Interested Shareholder, the Interested Shareholder owned at least 85% of the voting stock of the Corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

(3) at or subsequent to such time, the Business Combination is approved by the Board

of Directors of the Corporation and authorized at an annual or special meeting of shareholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the Interested Shareholder; or

(4) the shareholder became an Interested Shareholder prior to the consummation of the initial public offering of the Corporation's common stock under the United States Securities Act of 1933, as amended.

(b) The restrictions contained in this section shall not apply if:

1. A shareholder becomes an Interested Shareholder inadvertently and (i) as soon as practicable divests itself of ownership of sufficient shares so that the shareholder ceases to be an Interested Shareholder; and (ii) would not, at any time within the three-year period immediately prior to a Business Combination between the Corporation and such shareholder, have been an Interested Shareholder but for the inadvertent acquisition of ownership; or

2. The Business Combination is proposed prior to the consummation or abandonment of and subsequent to the earlier of the public announcement or the notice required hereunder of a proposed transaction which (i) constitutes one of the transactions described in the following sentence; (ii) is with or by a person who either was not an Interested Shareholder during the previous three years or who became an Interested Shareholder with the approval of the Board; and (iii) is approved or not opposed by a majority of the members of the Board then in office (but not less than one) who were Directors prior to any person becoming an Interested Shareholder during the previous three years or were recommended for election or elected to succeed such Directors by a majority of such Directors. The proposed transactions referred to in the preceding sentence are limited to:

(i) a merger or consolidation of the Corporation (except for a merger in respect of which, pursuant to the BCA, no vote of the shareholders of the Corporation is required);

(ii) a sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), whether as part of a dissolution or otherwise, of assets of the Corporation or of any direct or indirect majority-owned subsidiary of the Corporation (other than to any direct or indirect wholly-owned subsidiary or to the Corporation) having an aggregate market value equal to 50% or more of either that aggregate market value of all of the assets of the Corporation determined on a consolidated basis or the aggregate market value of all the outstanding shares; or

(iii) a proposed tender or exchange offer for 50% or more of the outstanding voting shares of the Corporation.

The Corporation shall give not less than 20 days' notice to all Interested Shareholders prior to the consummation of any of the transactions described in clause (i) or (ii) of the second sentence of this paragraph.

(c) For the purpose of this Article K only, the term:

1. "Affiliate" means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another person.

2. "Associate," when used to indicate a relationship with any person, means: (i) Any corporation, partnership, unincorporated association or other entity of which such person is a director, officer or partner or is, directly or indirectly, the owner of 15% or more of any class of voting shares; (ii) any trust or other estate in which such person has at least a 20% beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity; and (iii) any relative or spouse of such person, or any relative of such spouse, who has the same residence as such person.

3. "Business Combination," when used in reference to the Corporation and any Interested Shareholder of the Corporation, means:

(i) Any merger or consolidation of the Corporation or any direct or indirect majority-owned subsidiary of the Corporation with (A) the Interested Shareholder or any of its affiliates, or (B) with any other corporation, partnership, unincorporated association or other entity if the merger or consolidation is caused by the Interested Shareholder.

(ii) Any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), except proportionately as a shareholder of the Corporation, to or with the Interested Shareholder, whether as part of a dissolution or otherwise, of assets of the Corporation or of any direct or indirect majority-owned subsidiary of the Corporation which assets have an aggregate market value equal to 10% or more of either the aggregate market value of all the assets of the Corporation determined on a consolidated basis or the aggregate market value of all the outstanding shares;

(iii) Any transaction which results in the issuance or transfer by the Corporation or by any direct or indirect majority-owned subsidiary of the Corporation of any shares, or any share of such subsidiary, to the Interested Shareholder, except: (A) pursuant to the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into shares, or shares of any such subsidiary, which securities were outstanding prior to the time that the Interested Shareholder became such; (B) pursuant to a merger with a direct or indirect wholly-owned subsidiary of the Corporation solely for purposes of forming a holding company; (C) pursuant to a dividend or distribution paid or made, or the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into shares, or shares of any such subsidiary, which security is distributed, pro rata to all holders of a class or series of shares subsequent to the time the Interested Shareholder became such; (D) pursuant to an exchange offer by the Corporation to purchase shares made on the same terms to all holders of said shares; or (E) any issuance or transfer of shares by the Corporation; provided however, that in no case under items (C)-(E) of this subparagraph shall there be an increase in the Interested Shareholder's proportionate share of the any class or series of shares;

(iv) Any transaction involving the Corporation or any direct or indirect majority-owned subsidiary of the Corporation which has the effect, directly or indirectly, of increasing the proportionate share of any class or series of shares, or securities convertible into any class or series of shares, or shares of any such subsidiary, or securities convertible into such shares, which is owned by the Interested Shareholder, except as a result of immaterial changes due to fractional share adjustments or as a result of any purchase or redemption of any shares not caused, directly or indirectly, by the Interested Shareholder; or

(v) Any receipt by the Interested Shareholder of the benefit, directly or indirectly (except proportionately as a shareholder of the Corporation), of any loans, advances, guarantees, pledges or other financial benefits (other than those expressly permitted in subparagraphs (i)-(iv) of this paragraph) provided by or through the Corporation or any direct or indirect majority-owned subsidiary.

4. "Control," including the terms "controlling," "controlled by" and "under common control with," means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting shares, by contract or otherwise. A person who is the owner of 20% or more of the outstanding voting shares of any corporation, partnership, unincorporated association or other entity shall be presumed to have control of such entity, in the absence of proof by a preponderance of the evidence to the contrary. Notwithstanding the foregoing, a presumption of control shall not apply where such person holds voting shares, in good faith and not for the purpose of circumventing this provision, as an agent, bank, broker, nominee, custodian or trustee for one or more owners who do not individually or as a group have control of such entity.

5. "Interested Shareholder" means any person (other than the Corporation and any direct or indirect majority-owned subsidiary of the Corporation) that (i) is the owner of 15% or more of the outstanding voting shares of the Corporation, or (ii) is an affiliate or associate of the Corporation and was the owner of 15% or more of the outstanding voting shares of the Corporation at any time within the three-year period immediately prior to the date on which it is sought to be determined whether such person is an Interested Shareholder; and the affiliates and associates of such person; provided, however, that the term "Interested Shareholder" shall not include (i) any person whose ownership of shares in excess of the 15% limitation set forth herein is the result of action taken solely by the Corporation; provided that such person shall be an Interested Shareholder if thereafter such person acquires additional shares of voting shares of the Corporation, except as a result of further Company action not caused, directly or indirectly, by such person and (ii) DryShips Inc. For the purpose of determining whether a person is an Interested Shareholder, the voting shares of the Corporation deemed to be outstanding shall include voting shares deemed to be owned by the person through application of paragraph (8) below, but shall not include any other unissued shares which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

6. "Person" means any individual, corporation, partnership, unincorporated association or other entity.

7. "Voting stock" means, with respect to any corporation, shares of any class or series entitled to vote generally in the election of directors and, with respect to any entity that is not a corporation, any equity interest entitled to vote generally in the election of the governing body of such entity.

8. "Owner," including the terms "own" and "owned," when used with respect to any

shares, means a person that individually or with or through any of its affiliates or associates:

(i) Beneficially owns such shares, directly or indirectly; or

(ii) Has (A) the right to acquire such shares (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise; provided, however, that a person shall not be deemed the owner of shares tendered pursuant to a tender or exchange offer made by such person or any of such person's affiliates or associates until such tendered shares are accepted for purchase or exchange; or (B) the right to vote such shares pursuant to any agreement, arrangement or understanding; provided, however, that a person shall not be deemed the owner of any shares because of such person's right to vote such shares if the agreement, arrangement or understanding to vote such shares arises solely from a revocable proxy or consent given in response to a proxy or consent solicitation made to 10 or more persons; or

(iii) Has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent as described in item (B) of subparagraph (ii) of this paragraph), or disposing of such shares with any other person that beneficially owns, or whose affiliates or associates beneficially own, directly or indirectly, such shares.

(d) Any amendment of this Article K shall not be effective until 12 months after the approval of such amendment at a meeting of the shareholders of the Corporation and shall not apply to any Business Combination between the Corporation and any person who became an Interested Shareholder of the Corporation at or prior to the time of such approval.

(e) Notwithstanding any other provisions of these Articles of Incorporation or the bylaws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law, these Articles of Incorporation or the bylaws of the Corporation), the affirmative vote of the holders of two-thirds or more of the outstanding shares of common stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) shall be required to amend, alter, change or repeal this Article K.

L. At all meetings of shareholders of the Corporation, except as otherwise expressly provided by law, there must be present either in person or by proxy shareholders of record holding at least one-third of the shares issued and outstanding and entitled to vote at such meetings in order to constitute a quorum, but if less than a quorum is present, a majority of those shares present either in person or by proxy shall have power to adjourn any meeting until a quorum shall be present.

M. No director shall be personally liable to the Corporation or any of its shareholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the BCA as the same exists or may hereafter be amended. If the BCA is amended hereafter to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent authorized by the BCA, as so amended. Any repeal or modification of this Section M shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

Annex 2

SECOND AMENDED AND RESTATED ARTICLES OF INCORPORATION

OF

OCEAN RIG UDW INC.

UNDER SECTION 93 OF THE

THE MARSHALL ISLANDS BUSINESS CORPORATIONS ACT

The undersigned, Mr. George Economou, as the Chief Executive Officer of ~~Ocean Rig~~OCEAN RIG UDW ~~Inc~~INC., a corporation incorporated under the laws of the Republic of the Marshall Islands (the "Corporation"), for the purpose of amending and restating the Amended and Restated Articles of Incorporation of said Corporation pursuant to section 93 of the Business Corporations Act, as amended, hereby certifies that:

1. The name of the Corporation is: Ocean Rig UDW Inc.

2. The Articles of Incorporation of Primelead Shareholders Inc. were filed with the Registrar of Corporations on the 10th day of December 2007.

3. Articles of Amendment were filed with the Registrar of Corporations on the 16th day of September 2009 to change the Corporation's name to Ocean Rig UDW Inc.

4. The Articles of Incorporation were amended and restated in their entirety on the 7th day of December 2010.

~~4.~~5. The Amended and Restated Articles of Incorporation are amended and restated in their entirety and are replaced by the Second Amended and Restated Articles of Incorporation attached hereto.

~~5.~~6. These Second Amended and Restated Articles of Incorporation were authorized by actions of the Board of Directors and Shareholders of the Corporation.

IN WITNESS WHEREOF, the undersigned has executed these Second Amended and Restated Articles of Incorporation this ~~7th~~ __day of ~~December, 2010~~ __, 2011.

Authorized Person
Name: George Economou
Title: Chief Executive Officer

SECOND AMENDED AND RESTATED ARTICLES OF INCORPORATION

OF

OCEAN RIG UDW INC.

PURSUANT TO THE MARSHALL ISLANDS BUSINESS CORPORATION ACT

A. The name of the Corporation shall be:

OCEAN RIG UDW INC.

(1) The purpose of the Corporation is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the Marshall Islands Business Corporations Act (the "BCA").

B. The registered address of the Corporation in the Marshall Islands is Trust ~~Corporation~~Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. The name of the Corporation's registered agent at such address is The Trust ~~Corporation~~Company of the Marshall Islands, Inc.

C. The aggregate number of shares of stock that the Corporation is authorized to issue is ~~Two~~One Billion Five Hundred ~~Fifty~~ Million (~~250~~1,500,000,000) registered shares, of which One Billion (1,000,000,000) shall be designated common shares with a par value of one United States cent (~~US~~$0.01) per share~~.~~, and Five Hundred Million (500,000,000) shall be designated preferred shares with a par value of one United States cent ($0.01) per share. The Board of Directors shall have the authority to authorize the issuance from time to time of one or more classes of preferred shares with one or more series within any class thereof, with such voting powers, full or limited, or without voting powers and with such designations, preferences and relative, participating, optional or special rights and qualifications, limitations or restrictions thereon as shall be set forth in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such preferred shares.

D. The Corporation shall have every power which a corporation now or hereafter organized under the BCA may have.

E. The name and address of the incorporator is:

Name	Post Office Address
Majuro Nominees Ltd.	P.O. Box 1405 Majuro Marshall Islands

G. No holder of shares of the Corporation of any class, now or hereafter authorized, shall have any preferential or preemptive rights to subscribe for, purchase or receive any shares of the Corporation of any class, now or hereafter authorized or any options or warrants for such shares, or any rights to subscribe to or purchase such shares, or any securities convertible into or exchangeable for such shares, which may at any time be issued, sold or offered for sale by the Corporation. _

H. Corporate existence commenced on December 10, 2007 and shall continue upon filing these Amended and Restated Articles of Incorporation with the Registrar of Corporations as of the filing date stated herein.

—I. (a) The number of directors constituting the entire Board of Directors shall be not less than one, as fixed from time to time by the vote of not less than two-thirds of the entire Board of Directors; provided, however, that the number of directors shall not be reduced so as to shorten the term of any director at the time in office. The phrase "two-thirds of the entire Board of Directors" as used in these ~~Amended and Restated~~ Articles of Incorporation shall be deemed to refer to two-thirds of the number of directors constituting the Board of Directors as provided in or pursuant to this Section (a) of this Article I, without regard to any vacancies then existing.

(b) The Board of Directors shall be divided into three classes, as nearly equal in number as the then total number of directors constituting the entire Board of Directors permits, with the term of office of one or another of the three classes expiring each year. The shareholders of the Corporation shall divide the Board of Directors into three classes, with the term of office of the first class to expire at the 2011 Annual Meeting of Shareholders, the term of office of the second class to expire at the 2012 Annual Meeting of Shareholders and the term of office of the third class to expire at the 2013 Annual Meeting of Shareholders. Commencing with the 2011 Annual Meeting of Shareholders, the directors elected at an annual meeting of shareholders to succeed those whose terms then expire shall be identified as being directors of the same class as the directors whom they succeed, and each of them shall hold office until the third succeeding annual meeting of shareholders and until such director's successor is elected and has qualified. Any vacancies in the Board of Directors for any reason, and any created directorships resulting from any increase in the number of directors, may be filled by the vote of not less than a majority of the members of the Board of Directors then in office, although less than a quorum, and any directors so chosen shall hold office until the next election of the class for which such directors shall have been chosen and until their successors shall be elected and qualified. No decrease in the number of directors shall shorten the term of any incumbent director. Notwithstanding the foregoing, and except as otherwise required by law, whenever the holders of any one or more series of preferred stock shall have the right, voting separately as a class, to elect one or more directors of the Corporation, the then authorized number of directors shall be increased by the number of directors so to be elected, and the terms of the director or directors elected by such holders shall expire at the next succeeding annual meeting of shareholders.

(c) Notwithstanding any other provisions of these ~~Amended and Restated~~ Articles of Incorporation or the bylaws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law, these ~~Amended and Restated~~ Articles of Incorporation or the bylaws of the Corporation), any director or the entire Board of Directors of the Corporation may be removed at any time, but only for cause and only by the affirmative vote of the holders of two-thirds or more of the issued and outstanding shares of common stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) cast at a meeting of the shareholders called for that purpose. Notwithstanding the foregoing, and except as otherwise required by law, whenever the holders of any one or more series of preferred stock shall have the right, voting separately as a class, to elect one or more directors of the Corporation, the provisions of this Section (c) of this Article I shall not apply with respect to the director or directors elected by such holders of preferred stock.

(d) Directors shall be elected by a plurality of the votes cast at a meeting of shareholders by the holders of shares entitled to vote in the election. Cumulative voting, as defined in Division 7, Section 71(2) of the BCA, shall not be used to elect directors.

(e) Notwithstanding any other provisions of these ~~Amended and Restated~~ Articles of Incorporation or the bylaws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law, these ~~Amended and Restated~~ Articles of Incorporation or the bylaws of the Corporation), the affirmative vote of the holders of two-thirds or more of the outstanding shares of common stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) shall be required to amend, alter, change or repeal this Article I.

J. Making, altering or repealing the bylaws of the Corporation ~~may not~~shall be ~~amended~~governed by ~~shareholders and may be amended only in accordance with~~ the ~~amendment~~ provisions of the Corporation's bylaws as in effect at such time. Notwithstanding any other provisions of these ~~Amended and Restated~~ Articles of Incorporation or the Corporation's bylaws ~~of the Corporation~~ (and notwithstanding the fact that some lesser percentage may be specified by law, ~~these Amended and Restated~~ the Articles of Incorporation ~~or the bylaws~~ of the Corporation or the Corporation's bylaws), the affirmative vote of the holders of two-thirds or more of the outstanding shares of common stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) shall be required to amend, alter, change or repeal this Article J.

K. (a) The Corporation may not engage in any Business Combination with any Interested Shareholder for a period of three years following the time of the transaction in which the person became an Interested Shareholder, unless:

(1) prior to such time, the Board of Directors of the Corporation approved either the Business Combination or the transaction which resulted in the shareholder becoming an Interested Shareholder;

(2) upon consummation of the transaction which resulted in the shareholder becoming an Interested Shareholder, the Interested Shareholder owned at least 85% of the voting stock of the Corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

(3) at or subsequent to such time, the Business Combination is approved by the Board of Directors of the Corporation and authorized at an annual or special meeting of shareholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the Interested Shareholder; or

(4) the shareholder became an Interested Shareholder prior to the consummation of the initial public offering of the Corporation's common stock under the United States Securities Act of 1933, as amended.

(b) The restrictions contained in this section shall not apply if:

(1) A shareholder becomes an Interested Shareholder inadvertently and (i) as soon as practicable divests itself of ownership of sufficient shares so that the shareholder ceases to be an Interested Shareholder; and (ii) would not, at any time within the three-year period immediately prior to a Business Combination between the Corporation and such shareholder, have been an Interested Shareholder but for the inadvertent acquisition of ownership; or

(2) The Business Combination is proposed prior to the consummation or abandonment of and subsequent to the earlier of the public announcement or the notice required hereunder of a proposed transaction which (i) constitutes one of the transactions described in the following sentence; (ii) is with or by a person who either was not an Interested Shareholder during the previous three years or who became an Interested Shareholder with the approval of the Board; and (iii) is approved or not opposed by a majority of the members of the Board then in office (but not less than one) who were Directors prior to any person becoming an Interested Shareholder during the previous three years or were recommended for election or elected to succeed such Directors by a majority of such Directors. The proposed transactions referred to in the preceding sentence are limited to:

(i) a merger or consolidation of the Corporation (except for a merger in respect of which, pursuant to the BCA, no vote of the shareholders of the Corporation is required);

(ii) a sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), whether as part of a dissolution or otherwise, of assets of the Corporation or of any direct or indirect majority-owned subsidiary of the Corporation (other than to any direct or indirect wholly-owned subsidiary or to the Corporation) having an aggregate market value equal to 50% or more of either that aggregate market value of all of the assets of the Corporation determined on a consolidated basis or the aggregate market value of all the outstanding shares; or

(iii) a proposed tender or exchange offer for 50% or more of the outstanding voting shares of the Corporation.

The Corporation shall give not less than 20 days' notice to all Interested Shareholders prior to the consummation of any of the transactions described in clause (i) or (ii) of the second sentence of this paragraph.

(c) For the purpose of this Article K only, the term:

(1) "Affiliate" means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another person.

(2) "Associate," when used to indicate a relationship with any person, means: (i) Any corporation, partnership, unincorporated association or other entity of which such person is a director, officer or partner or is, directly or indirectly, the owner of 15% or more of any class of voting shares; (ii) any trust or other estate in which such person has at least a 20% beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity; and (iii) any relative or spouse of such person, or any relative of such spouse, who has the same residence as such person.

(3) "Business Combination," when used in reference to the Corporation and any Interested Shareholder of the Corporation, means:

(i) Any merger or consolidation of the Corporation or any direct or indirect majority-owned subsidiary of the Corporation with (A) the Interested Shareholder or any of its affiliates, or (B) with any other corporation, partnership, unincorporated association or other entity if the merger or consolidation is caused by the Interested Shareholder.

(ii) Any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), except proportionately as a shareholder of the Corporation, to or with the Interested Shareholder, whether as part of a dissolution or otherwise, of assets of the Corporation or of any direct or indirect majority-owned subsidiary of the Corporation which assets have an aggregate market value equal to 10% or more of either the aggregate market value of all the assets of the Corporation determined on a consolidated basis or the aggregate market value of all the outstanding shares;

(iii) Any transaction which results in the issuance or transfer by the Corporation or by any direct or indirect majority-owned subsidiary of the Corporation of any shares, or any share of such subsidiary, to the Interested Shareholder, except: (A) pursuant to the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into shares, or shares of any such subsidiary, which securities were outstanding prior to the time that the Interested Shareholder became such; (B) pursuant to a merger with a direct or indirect wholly-owned subsidiary of the Corporation solely for purposes of forming a holding company; (C) pursuant to a dividend or distribution paid or made, or the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into shares, or shares of any such subsidiary, which security is distributed, pro rata to all holders of a class or series of shares subsequent to the time the Interested Shareholder became such; (D) pursuant to an exchange offer by the Corporation to purchase shares made on the same terms to all holders of said shares; or (E) any issuance or transfer of shares by the Corporation; provided however, that in no case under items (C)-(E) of this subparagraph shall there be an increase in the Interested Shareholder's proportionate share of the any class or series of shares;

(iv) Any transaction involving the Corporation or any direct or indirect majority-owned subsidiary of the Corporation which has the effect, directly or indirectly, of increasing the proportionate share of any class or series of shares, or securities convertible into any class or series of shares, or shares of any such subsidiary, or securities convertible into such shares, which is owned by the Interested Shareholder, except as a result of immaterial changes due to fractional share adjustments or as a result of any purchase or redemption of any shares not caused, directly or indirectly, by the Interested Shareholder; or

(v) Any receipt by the Interested Shareholder of the benefit, directly or indirectly (except proportionately as a shareholder of the Corporation), of any loans, advances, guarantees, pledges or other financial benefits (other than those expressly permitted in subparagraphs (i)-(iv) of this paragraph) provided by or through the Corporation or any direct or indirect majority-owned subsidiary.

(4) "Control," including the terms "controlling," "controlled by" and "under common control with," means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting shares, by contract or otherwise. A person who is the owner of 20% or more of the outstanding voting shares of any corporation, partnership, unincorporated association or other entity shall be presumed to have control of such entity, in the absence of proof by a preponderance of the evidence to the contrary. Notwithstanding the foregoing, a presumption of control shall not apply where such person holds voting shares, in good faith and not for the purpose of circumventing this provision, as an agent, bank, broker, nominee, custodian or trustee for one or more owners who do not individually or as a group have control of such entity.

(5) "Interested Shareholder" means any person (other than the Corporation and any direct or indirect majority-owned subsidiary of the Corporation) that (i) is the owner of 15% or more of the outstanding voting shares of the Corporation, or (ii) is an affiliate or associate of the Corporation and was the owner of 15% or more of the outstanding voting shares of the Corporation at any time within the three-year period immediately prior to the date on which it is sought to be determined whether such person is an Interested Shareholder; and the affiliates and associates of such person; provided, however, that the term "Interested Shareholder" shall not include (i) any person whose ownership of shares in excess of the 15% limitation set forth herein is the result of action taken solely by the Corporation; provided that such person shall be an Interested Shareholder if thereafter such person acquires additional shares of voting shares of the Corporation, except as a result of further Company action not caused, directly or indirectly, by such person and (ii) DryShips Inc. For the purpose of determining whether a person is an Interested Shareholder, the voting shares of the Corporation deemed to be outstanding shall include voting shares deemed to be owned by the person through application of paragraph (8) below, but shall not include any other unissued shares which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(6) "Person" means any individual, corporation, partnership, unincorporated association or other entity.

(7) "Voting stock" means, with respect to any corporation, shares of any class or series entitled to vote generally in the election of directors and, with respect to any entity that is not a corporation, any equity interest entitled to vote generally in the election of the governing body of such entity.

(8) "Owner," including the terms "own" and "owned," when used with respect to any shares, means a person that individually or with or through any of its affiliates or associates:

(i) Beneficially owns such shares, directly or indirectly; or

(ii) Has (A) the right to acquire such shares (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise; provided, however, that a person shall not be deemed the owner of shares tendered pursuant to a tender or exchange offer made by such person or any of such person's affiliates or associates until such tendered shares are accepted for purchase or exchange; or (B) the right to vote such shares pursuant to any agreement, arrangement or understanding; provided, however, that a person shall not be deemed the owner of any shares because of such person's right to vote such shares if the agreement, arrangement or understanding to vote such shares arises solely from a revocable proxy or consent given in response to a proxy or consent solicitation made to 10 or more persons; or

(iii) Has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent as described in item (B) of subparagraph (ii) of this paragraph), or disposing of such shares with any other person that beneficially owns, or whose affiliates or associates beneficially own, directly or indirectly, such shares.

(d) Any amendment of this Article K shall not be effective until 12 months after the approval of such amendment at a meeting of the shareholders of the Corporation and shall not apply to any Business Combination between the Corporation and any person who became an Interested Shareholder of the Corporation at or prior to the time of such approval.

~~J. The bylaws of the Corporation may not be amended by shareholders and may be amended only in accordance wit the amendment provisions of the bylaws. Notwithstanding any other provisions of these Amended and Restated Articles of Incorporation or the bylaws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law, these Amended and Restated~~ (e) Notwithstanding any other provisions of these Articles of Incorporation or the bylaws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law, these Articles of Incorporation or the bylaws of the Corporation), the affirmative vote of the holders of two-thirds or more of the outstanding shares of common stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) shall be required to amend, alter, change or repeal this Article K.

L. At all meetings of shareholders of the Corporation, except as otherwise expressly provided by law, there must be present either in person or by proxy shareholders of record holding at least one-third of the shares issued and outstanding and entitled to vote at such meetings in order to constitute a quorum, but if less than a quorum is present, a majority of those shares present either in person or by proxy shall have power to adjourn any meeting until a quorum shall be present.

~~A. This Article L does not apply to the Corporation's registrar in Verdipapirsentralen (VPS) or DryShips Inc., provided that DryShips Inc. holds at least one-third (1/3) of the total capital interest or voting rights in the Corporation.~~

~~(a) For the purposes of this Article L "shares" shall mean both the shares of the Corporation as registered in the Corporation's register of shareholders and the beneficial interest in the shares as registered in Verdipapirsentralen (VPS). The beneficial interest in the shares shall be considered to represent voting rights and capital rights in the Corporation on equal basis as the shares registered in the Corporation's register of shareholders.~~

~~(a) A person or entity that directly or indirectly acquires shares and as a result of such acquisition the share of the capital interest or voting rights held by such person or entity exceeds a threshold of one-third (1/3) ("Threshold 1") of the total capital interest or voting rights in the Corporation, such person or entity (the "Offeror"), is required to make an unconditional public offer (the "Offer") at a fair price for the purpose of acquiring all issued and outstanding shares in the share capital of the Corporation, as well as all issued and outstanding instruments giving rights to shares in the share capital of the Corporation or voting rights.~~

~~In case a shareholder has exceeded Threshold 1 and not Threshold 2 (as defined below) prior to the date that these Amended and Restated Articles of Incorporation come into effect, the obligation to make the Offer will apply to that particular shareholder when that shareholder increases the number of shares held by that shareholder.~~

~~This Article L including the obligation to make the Offer shall also apply accordingly in case a shareholder who owns shares representing more than one-third (1/3) of the total capital interest or voting rights in the Corporation directly or indirectly acquires shares and as a result of such acquisition the share of the capital interest or voting rights held by such shareholder exceeds a threshold of forty (40%) percent ("Threshold 2") or fifty (50%) percent ("Threshold 3") of the total capital interest or voting rights in the Corporation. This paragraph does not apply in case the share acquisition takes place in connection with the Offer. Under this Article L, shares owned or acquired by the following persons and entities shall be considered equal to a shareholder's own shares:~~

~~(i) the spouse or a person with whom the shareholder cohabits in a relationship akin to marriage;~~

~~(i) the shareholder's children under 18 years of age, and children under 18 years of a person as mentioned in (i) above with whom the shareholder cohabits;~~

~~(i) an entity within the same group as the shareholder;~~

~~(i) a person or an entity with whom the shareholder must be assumed to be acting in concert in the exercise of rights accruing to the owner of a share in the Corporation; and~~

~~(i) an entity in which a person or an entity mentioned in (i) to (iv) above has a controlling interest as a result of an agreement or through the ownership of shares or units in that entity.~~

~~The requirement to make an Offer is not triggered off by acquisition in the form of:~~

~~(i) inheritance of gift;~~

~~(i) allotment on division of estate;~~

~~(i) consideration in demerger or merger of a limited liability company.~~

~~A shareholder who at a time subsequent to the date that these Amended and Restated Articles of Incorporation come into effect has passed Threshold 1, 2 or 3 in a manner that did not trigger off the requirement to make an Offer and therefore has not made an Offer, is obliged to make an Offer in connection with any subsequent share acquisition that increases the shareholder's voting rights in the Corporation.~~

~~The requirement to make an Offer does not apply if the Offeror within four weeks after the requirement arouse, dispose of such number of shares exceeding the threshold which triggered off the requirement.~~

~~Share lending and redelivery of shares lent shall, respectively, for the purpose of this Article L not be considered a sale or purchase of shares for the lender.~~

~~(a) The Offer shall ensure the equality of treatment of shareholders and of holders of instruments giving right to shares in the share capital of the Corporation or voting rights. The Offeror may not, in making the Offer, differentiate the Offer between groups of or individual shareholders.~~

~~(a) The Offer price shall be at least as high as the highest price paid by the Offeror for shares in the Corporation in the period six (6) months prior to the date when the offer obligation was activated. If it is clear that the fair price when the Offer obligation was activated is higher than the price referred to above, the Offer price shall be at least as high as the fair price.~~

~~(a) The Offer for the purchase of the remaining shares in the Corporation shall be made without undue delay and no later than four (4) weeks after the offer obligation was activated.~~

~~(a) If the Offeror, after the Offer obligation has arisen and before expiry of the period of the Offer, has or agreed to pay a higher price than the price reflected in the Offer, a new Offer shall be deemed to have been made with an Offer price equivalent to the higher price.~~

~~(a) Settlement under the terms of the Offer shall be made in cash. Any Offer may nonetheless give the shareholders the right to accept any other form of settlement. The Offeror's settlement obligation shall be guaranteed by a bank or insurance institution~~

~~which has been authorised to conduct business in Norway in accordance with the terms established by the Oslo Stock Exchange.~~

~~(a) The Offer shall include a time limit for the shareholders to accept the Offer. The time limit shall not be shorter than four (4) weeks and not longer than six (6) weeks. Settlement shall take place as soon as possible and no later than fourteen (14) days after the expiry of the Offer period. The Offeror may make a new Offer prior to the expiry of the original Offer period. The shareholders are, in such event, entitled to choose between the two Offers so made. If a new Offer is made, the period of acceptance of such Offer shall be extended so that at least two weeks remain until its expiry when made.~~

~~(a) The Offeror shall issue an Offer document which shall reproduce the Offer and give correct and complete information about matters of significance for evaluating the Offer. The following information shall be specifically included in the Offer document:~~

~~(i) The Offeror's name and address, type of organisation and organization number if the Offeror is a legal entity, to the extent available.~~

~~(i) Information about parties with whom the Offeror is acting in concert including the basis for the consolidation thereof and any shareholder agreements relevant thereto.~~

~~(i) Which shares and convertible loans in the Corporation which, at the time the Offer is made, are owned by the Offeror or a close associate thereto or any person or entity action in concert with the Offeror.~~

~~(i) The Offer price, the deadline for settlement, the form of settlement and what guarantees are furnished for performance of the Offeror's settlement obligations.~~

~~(i) The principles applying to the valuation of any asset offered in settlement for the shares purchased under the Offer other than cash.~~

~~(i) The time limit for accepting the Offer and how acceptance notice should be made.~~

~~(i) Information as to how the Offeror's purchase of the shares is to be financed.~~

~~(i) Any special advantages or rights which are accorded by agreements with members of the management and governing bodies of the Corporation by the Offeror.~~

~~(i) The content of any contact the Offeror has had with the management or governing bodies of the Corporation prior to the date the Offer was made.~~

~~(i) The Offeror's purpose of taking over control of the Corporation and any plans for further operations and reorganisation of the Corporation.~~

~~(i) The significance the implementation of the Offer will have in relation to the Corporation's employees, including legal, financial and work related effects; and~~

~~(i) Legal and tax consequences of the Offer.~~

~~(a) The Offer document shall be signed by the Offeror.~~

~~(a) When an Offer is made in accordance with the above, the Board of Directors shall issue a statement on the Offer which shall include information on the employee's views and other factors of significance for assessing whether the Offer should be accepted by the shareholders or not. Information shall also be given about the views, if any, of the Board of Directors in their capacity as shareholders.~~

~~(a) An Offeror who fails to make an Offer in accordance with this Article L may not, for the duration of the Offer obligation, exercise rights in the Corporation other than the right to dividend.~~

~~(a) If an Offer is not made in accordance with this Article L and the Offeror does not sell sufficient number of shares in the Corporation to reduce the Offeror's shareholding in the Corporation to the level before the Offer obligation was activated, the Corporation may, subject to fourteen (14) days prior notice to the Offeror, sell sufficient number to the Offeror's shares in the Corporation to reduce the Offeror's shareholding in the Corporation to the level before the Offer obligation was activated.~~

~~(a) (1) If the Offeror following an Offer holds more than ninety (90%) percent of the shares in the Corporation and an equivalent of the votes which may be cast at the Corporation's shareholders' meeting, the Offeror may by a resolution of its board decide to take over the remaining shares of the Corporation. In this situation remaining shareholders are also entitled to demand that the Offeror takes over the shares.~~

~~(1) If compulsory transfer of shares takes place within three (3) months after expiration of the time limit stipulated pursuant to Section (h) above, the price in the Offer shall be the basis for the redemption price unless there are special reasons for another price.~~

~~(1) In the Absence of an amicable agreement or acceptance of an offer in accordance with the third sentence of subsection (4) below, the redemption price shall be fixed by an appraisement for the account of the Offeror. If special reasons favor this, it may be decided that the cost are to be covered by the other party in full or in part. The appraisement case shall be resolved in accordance with Oslo District Court as legal venue.~~

~~(1) The Offeror must offer the shareholders a redemption price. If the offer is made in writing to all shareholders with a known address, a deadline may be fixed within which the individual shareholder may make objections to or reject the offer. If no such objection is received by the Corporation before the expiry of the deadline, the shareholder shall be regarded as having accepted the offer. The deadline cannot be fixed for a period~~

~~of less than two (2) months from the notice. In the written communication and in the notices, the shareholders must be informed of the deadline and of the consequences of any failure to meet it.~~

~~If the Offeror has decided to take over shares pursuant to subsection (1) above, the Offeror must be registered as the owner of the shares in the register of shareholders. At the same time, the Offeror must pay the total offer price into a separate account in a bank which is authorized to carry on banking activities in Norway to the extent the amount is not secured by the bank guarantee provided pursuant to Section (g).~~

~~(1) If a person or entity following a voluntary offer to acquire the remaining shares of the Corporation in compliance with Section (e), (f), (i) and (j) holds more than ninety (90%) percent of the shares in the Corporation and an equivalent of the votes which may be cast at the Corporation's shareholders' meeting, a compulsory transfer of shares pursuant to this Section (n) can take place without a prior mandatory Offer provided the following conditions are met:~~

~~(i) Compulsory transfer is initiated within four (4) weeks after the acquisition pursuant to the voluntary offer is effected;~~

~~(i) The redemption price is equal to or higher than the minimum price which could have been offered if the voluntary offer had been a mandatory Offer; and~~

~~(i) A bank guarantee similar to that provided for in Section (g) of this Article L is provided.~~

~~A. The 500 registered common shares, par value twenty United States dollars (US$20.00) per share of the Corporation issued and outstanding shall be converted into five hundred (500) registered common shares, par value one United States cent (US$0.01) per share, on a share-for-share basis.~~

~~. The stated capital of the Corporation is reduced from ten thousand United States dollars (US$10,000.00) to five United States dollars (US$5.00) and the amount of nine thousand nine hundred and ninety-five United States dollars (US$9,995.00) is transferred to surplus.~~

~~**OCEAN RIG UDW INC.**~~

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~~Authorized Person~~
~~Name: George Economou~~
~~Title: Chief Executive Officer~~

M. No director shall be personally liable to the Corporation or any of its shareholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the BCA as the same exists or may hereafter be amended. If the BCA is amended hereafter to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent authorized by the BCA, as so amended. Any repeal or modification of this Section M shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

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