

Ocean Rig UDW Inc.  
Form 6-K  
May 13, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13A-16 OR 15D-16  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the month of May 2015

Commission File Number 001-35298

OCEAN RIG UDW INC.

10 Skopa Street, Tribune House  
2nd Floor, Office 202, CY 1075  
Nicosia, Cyprus  
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): .

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): .

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Attached hereto as Exhibit 99.1 to this Report on Form 6-K are the Management's Discussion and Analysis of Financial Condition and Results of Operations and the unaudited interim condensed consolidated financial statements and related information and data of Ocean Rig UDW Inc., or the Company, as of and for the three-month period ended March 31, 2015.

This Report on Form 6-K and the exhibits hereto are hereby incorporated by reference into the Company's Registration Statement on Form F-3 (Registration No. 333-202829) filed with the Securities and Exchange Commission on April 22, 2015.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OCEAN RIG UDW  
INC.

Dated: May 13, 2015 By: /s/George  
Economou  
George Economou  
Chief Executive Officer

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## Exhibit 99.1

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise specified herein, references to "Ocean Rig" or the "Company" or "we" shall include Ocean Rig UDW Inc. and its applicable subsidiaries. The following management's discussion and analysis should be read in conjunction with our unaudited interim condensed consolidated financial statements and related notes included herein. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth in the section entitled "Risk Factors" included in Company's Annual Report on Form 20-F (File No. 001-35298) for the fiscal year ended December 31, 2014 filed with the Securities and Exchange Commission (the "Commission") on March 9, 2015 and our Registration Statement on Form F-3, declared effective by the Commission on May 7, 2015. See also the discussion in the section entitled "Forward Looking Statements" below.

## Unaudited Results of Operations

Three-months ended March 31, 2015 compared to the three-months ended March 31, 2014.

## Selected Financial Data

(Expressed in thousands of U.S. Dollars)

	Three-months ended		Change		
	March 31,	March 31,	Amount	%	
	2014	2015			
<b>REVENUES:</b>					
Service revenue, net	\$360,764	\$402,083	\$41,319	11.5	%
	360,764	402,083	41,319	11.5	%
<b>EXPENSES:</b>					
Drilling rigs and drillships operating expenses	151,515	152,927	1,412	0.9	%
Depreciation and amortization	76,696	88,360	11,664	15.2	%
General and administrative expenses	35,425	28,001	(7,424 )	(21.0 )	%
Other	1,605	-	(1,605 )	(100.0 )	%
Operating income	95,523	132,795	37,272	39.0	%
<b>OTHER INCOME/(EXPENSES):</b>					
Interest and finance costs	(90,203 )	(65,059 )	25,144	(27.9 )	%
Interest income	4,108	3,369	(739 )	(18.0 )	%
Loss on interest rate swaps	(2,195 )	(8,191 )	(5,996 )	273.2	%
Other, net	18	(2,183 )	(2,201 )	(12,227.8)	%
Total other expenses, net	(88,272 )	(72,064 )	16,208	(18.4 )	%
<b>INCOME BEFORE INCOME TAXES</b>	<b>7,251</b>	<b>60,731</b>	<b>53,480</b>	<b>737.6</b>	<b>%</b>
Income taxes	(8,791 )	(19,590 )	(10,799)	122.8	%
<b>NET INCOME/(LOSS)</b>	<b>\$(1,540 )</b>	<b>\$41,141</b>	<b>\$42,681</b>	<b>2,771.5</b>	<b>%</b>

#### Revenues

Revenues from drilling contracts increased by \$41.3 million, or 11.5%, to \$402.1 million for the three-month period ended March 31, 2015, as compared to \$360.8 million for the three-month period ended March 31, 2014. The increase is primarily attributable to the operations of the Ocean Rig Apollo and the Ocean Rig Athena, that were added to the fleet during the first quarter of 2015 and 2014, respectively, resulting in additional revenues of \$63.8 million and the operations of the Ocean Rig Mylos, which contributed \$67.9 million revenues during the three-month period ended March 31, 2015 as compared to \$29.2 million during the same period in 2014. Moreover, the Ocean Rig Olympia and the Ocean Rig Skyros contributed decreased revenue amounting to \$36.4 million, during the three-month period ended March 31, 2015, as compared to the same period in 2014 and the operations of the Eirik Raude and Leiv Eiriksson, contributed \$82.5 million during the three-month period ended March 31, 2015 as compared to \$107.2 million during the same period in 2014. The maximum day rates for the contracts on which our drilling units were employed during the three-month period ended March 31, 2015, ranged between approximately \$434,150 and \$699,376 per day. The maximum day rates for the contracts on which our drilling units were employed during the three-month period ended March 31, 2014, ranged between approximately \$440,000 and \$670,000 per day.

#### Operating expenses

Drilling rigs and drillships operating expenses increased by \$1.4 million, or 0.9%, to \$152.9 million for the three-month period ended March 31, 2015, compared to \$151.5 million for the three-month period ended March 31, 2014. The increase is primarily attributable to the operations of the Ocean Rig Apollo and the Ocean Rig Athena, that were added to the fleet during the first quarter of 2015 and 2014, respectively, resulting in higher operating expenses in the three-month period ended March 31, 2015, amounting to \$18.3 million. These increases were partly offset by a decrease of \$16.9 million in operating expenses of the Leiv Eiriksson, the Eirik Raude, the Ocean Rig Olympia, the Ocean Rig Poseidon and the Ocean Rig Mykonos.

#### Depreciation and amortization

Depreciation and amortization expense increased by \$11.7 million, or 15.2%, to \$88.4 million for the three-month period ended March 31, 2015, as compared to \$76.7 million for the three-month period ended March 31, 2014. The increase in depreciation and amortization expense was mainly attributable to the operation of the Ocean Rig Apollo, amounting to \$2.2 million, which was added to the fleet during the first quarter of 2015, the increase in depreciation expense of Ocean Rig Athena, by \$7.1 million since it was delivered in the end of the first quarter of 2014. Additionally, the depreciation of the Ocean Rig Mykonos, the Leiv Eiriksson, the Ocean Rig Mylos and the Ocean Rig Skyros increased by \$4.5 million in aggregate. These increases were partly offset by a decrease of \$2.3 million in depreciation expense charged for the Ocean Rig Corcovado and the Eirik Raude. The depreciation expense charged for the Ocean Rig Olympia and the Ocean Rig Poseidon remained approximately the same for the three-month period ended March 31, 2015 as compared to the relevant period in 2014.

#### General and administrative expenses

General and administrative expenses decreased by \$7.4 million, or 20.9%, to \$28.0 million for the three-month period ended March 31, 2015, as compared to \$35.4 million for the three-month period ended March 31, 2014, due to the decreased cost for the operation of the offices in Angola and Athens and decreased consultancy fees.

#### Other, net

Other, net amounted to \$1.6 million, for the three-month period ended March 31, 2014. This amount concerns cancellation fees from a blow-out preventer order for the Leiv Eiriksson. No such costs existed for the relative period in 2015.

#### Interest and finance costs

Interest and finance costs decreased by \$25.1 million, or 27.8%, to \$65.1 million for the three-month period ended March 31, 2015, as compared to \$90.2 million for the three-month period ended March 31, 2014. The decrease is mainly associated with the non-cash write-offs and redemption costs associated with the full refinancing of the Company's \$500.0 million 9.5% senior unsecured notes due 2016, totaling \$32.6 million, which were partly offset by the higher level of debt during the three-month period ended March 31, 2015.

#### Interest income

Interest income decreased by \$0.7 million, or 17.1%, to \$3.4 million for the three-month period ended March 31, 2015, compared to \$4.1 million for the three-month period ended March 31, 2014. The decrease was mainly due to an increased average cash balance and higher interest rates on our deposits during the three month period ended March 31, 2014, as compared to the relevant period in 2015. The decrease was partially set off by the interest received from our parent company, Dryships Inc.

#### Loss on interest rate swaps

For the three-month period ended March 31, 2015 we incurred losses on interest rate swaps of \$8.2 million, as compared to losses of \$2.2 million for the three-month period ended March 31, 2014, an increase of 272.7%. The loss for the three-month period ended March 31, 2015, was mainly due to mark to market losses of outstanding swap positions.

#### Other, net

Other, net amounted to a loss of \$2.2 million for the three-month period ended March 31, 2015, compared to a nil balance for the three-month period ended March 31, 2014. The loss recognized is due to foreign currency exchange rate differences mainly between USD and Euro(EUR) or Norwegian Krone (NOK).

#### Income taxes

Income taxes increased by \$10.8 million, or 122.7%, to \$19.6 million for the three-month period ended March 31, 2015, compared to \$8.8 million for the three-month period ended March 31, 2014, mainly due to the increased operating days of the fleet which resulted in increased revenues. As our drilling units operate around the world, they may become subject to taxation in many different jurisdictions. The basis for such taxation depends on the relevant regulation in the countries in which we operate. Consequently, there is no expected relationship between the income tax expense or benefit for the period and the income or loss before taxes.

#### Liquidity

As of March 31, 2015, we had \$509.3 million of cash and cash equivalents and \$11.3 million restricted cash. Our cash and cash equivalents decreased by \$19.6 million, or 3.7%, to \$509.3 million as of March 31, 2015, compared to \$528.9 million as of December 31, 2014, and our restricted cash increased by \$8.7 million, or 334.6%, to \$11.3 million as of March 31, 2015, compared to \$2.6 million as of December 31, 2014. The decrease in our cash and cash equivalents was mainly due to loan repayments and payment of financing costs amounting to \$14.2 million, the payment of dividends amounting to \$25.1 million, the payment for the delivery of the Ocean Rig Apollo amounting to \$394.8 million and the payment of \$39.8 million for our drillships under construction, which were partly offset with loan proceeds amounting to \$462.0 million and cash provided from operating activities amounting to \$58.7 million. Working capital is defined as current assets minus current liabilities (including the current portion of long-term debt). Our working capital surplus amounted to \$590.3 million as of March 31, 2015, compared to a working capital surplus of \$560.5 million as of December 31, 2014. We believe that we will be able to satisfy our liquidity needs for the next 12 months with the cash we generate from our operations and, if required, proceeds from future debt or equity issuances.

As of March 31, 2015, we had total indebtedness of \$4.9 billion under our senior secured credit facilities and secured notes, excluding unamortized deferred financing costs. As of March 31, 2015, we were in compliance with all covenants related to our credit facilities.

As of March 31, 2015, we had \$1.5 billion of remaining installment payments under our drillship newbuilding contracts relating to our three newbuilding drillships. The drillships under construction, the Ocean Rig Santorini and the two 7th generation, new integrated design drillships under construction, will be financed with cash on hand, operating cash flow, equity financing and additional bank debt.

#### Cash flow

Net cash provided by operating activities was \$58.7 million for the three-month period ended March 31, 2015. For the three-month period ended March 31, 2015, net income was adjusted for the effects of certain non-cash items including \$92.8 million of depreciation and amortization of deferred financing costs. Moreover for the three-month period ended March 31, 2015, net income was also adjusted for the effects of non-cash items, such as the loss in the change in fair value of derivatives of \$2.8 million and the loss in the movement in operating assets and liabilities of \$80.0 million, which was partly offset by net income of \$41.1 million. Net cash provided by operating activities was \$23.2 million for the three-month period ended March 31, 2014.

Net cash used in investing activities was \$501.0 million for the three-month period ended March 31, 2015, compared to \$436.5 million used in investing activities for the three-month period ended March 31, 2014. We made shipyard payments and expenditures related to drilling rigs, drillships machinery, equipment and other improvements of approximately \$97.5 million and the payment for the delivery of the Ocean Rig Apollo amounting to \$394.8 million for the three-month period ended March 31, 2015, compared to \$413.4 million in the corresponding period of 2014. The increase in restricted cash was \$8.7 million during the three-month period ended March 31, 2015, compared to an increase of \$23.1 million in the corresponding period of 2014.

Net cash provided by financing activities was \$422.7 million for the three-month period ended March 31, 2015, consisting of loan proceeds amounting to \$462.0 million which were offset with loan repayments and payment of financing costs amounting to \$14.2 million and dividend payments of \$25.1 million. This compares to net cash provided by financing activities of \$459.4 million for the three-month period ended March 31, 2014.

#### Financing activities

##### Long-term debt

As of March 31, 2015, the Company was in compliance with the covenants in its credit facilities.

The annual principal payments required to be made after March 31, 2015, including balloon payments, totaling \$4.9 billion due through July 2021, are as follows:

	Total (in thousands)
Twelve months ending:	
March 31, 2016	\$70,905
March 31, 2017	70,905
March 31, 2018	870,905
March 31, 2019	70,905
March 31, 2020	838,380
March 31, 2021 and thereafter	3,005,000
Total principal payments	4,927,000
Less: Deferred financing costs	(103,827 )
 Total debt	 \$4,823,173

Off-balance sheet arrangements

We do not have any off-balance sheet arrangements.

Recent developments

On April 27, 2015, we reached an agreement to postpone the delivery of the Ocean Rig Crete and Ocean Rig Amorgos to the first quarter of 2018 and 2019, respectively. As part of the agreement, certain portion of the pre-delivery payments were also deferred and the total project costs for the construction of each drillship have increased by \$15 million

On May 6, 2015, our Board of Directors declared the fifth consecutive quarterly cash dividend with respect to the quarter ended March 31, 2015, of \$0.19 per common share, to its shareholders of record as of May 22, 2015 and payable on or about June 2, 2015.

Supplemental Information

Ocean Rig UDW Inc. and its Operating Subsidiaries

Adjustments to the calculation of Consolidated Net Income under the Company's 7.25% Senior Unsecured Notes due 2019.

During the three-months ended March 31, 2015, we estimate that we will not exceed \$3.4 million of adjustments to the calculation of consolidated net income in connection with drydock, shipyard stay and special survey expenses for the drilling rigs and drillships of Ocean Rig.

Drill Rigs Holdings Inc. and its Operating Subsidiaries

Selected historical consolidated financial information and other data:

The following table sets forth certain financial and other data of Drill Rigs Holdings Inc., our wholly-owned subsidiary and the issuer of \$800.0 million aggregate principal amount of 6.50% senior secured notes due 2017 (the "6.5% Senior Secured Notes") and each of its subsidiaries that is a guarantor of the Senior Secured Notes (collectively "Drill Rigs Holdings"), at the dates and for the periods indicated, which are derived from the unaudited financial statements of Drill Rigs Holdings on a consolidated basis and were prepared by us for use in connection with certain reporting requirements set forth in the indenture governing the 6.5% Senior Secured Notes.

	Year ended December 31, 2014	Three Months ended March 31, 2015
(Dollars in thousands)		
Total assets	\$1,254,454	\$1,234,719
Total debt, net of financing fees	(788,224 )	(789,187 )
Shareholders equity	(384,938 )	(344,445 )
Total cash and cash equivalents	23,635	23,442



Three Months ended  
March 31,  
2014 2015

(Dollars in thousands)

Total revenue	\$ 107,226	\$ 82,546
EBITDA	\$ 65,953	\$ 46,225

EBITDA reconciliation:

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

(Dollars in thousands)	Three Months Ended March 31,	
	2014	2015
Net income	\$35,662	\$4,651
Add: Net interest expense	8,860	14,058
Add: Depreciation and amortization	21,142	23,721
Add: Income taxes	289	3,795
EBITDA	\$65,953	\$46,225

Drillships Financing Holdings Inc. and its Operating Subsidiaries

Adjustments to the calculation of Consolidated Net Income under the Drillships Financing Holdings Inc. \$1.9 billion Term Loan B Facility.

During the three-months ended March 31, 2015, we estimate that we will not exceed \$3.4 million of adjustments to the calculation of consolidated net income in connection with drydock, shipyard stay and special survey expenses for the drilling rigs and drillships of Drillships Financing Holdings Inc.

Selected historical consolidated financial information and other data:

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

(Dollars in thousands)	Year ended	Three Months ended
	December 31, 2014	March 31, 2015
Total assets	\$3,162,233	\$3,214,712
Total debt, net of financing fees	(1,825,671)	(1,822,874)
Shareholders equity	(1,233,765)	(1,279,641)
Total cash and cash equivalents	24,554	8,115



Three Months ended  
March 31,  
2014 2015

(Dollars in thousands)

Total revenue	\$ 165,347	\$ 154,025
EBITDA	\$ 89,522	\$ 97,295

EBITDA reconciliation:

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

(Dollars in thousands)	Three Months Ended March 31,	
	2014	2015
Net income	\$30,765	\$23,518
Add: Net interest expense	14,368	30,041
Add: Depreciation and amortization	39,419	37,646
Add: Income taxes	4,970	6,090
EBITDA	\$89,522	\$97,295

Drillships Ocean Ventures Inc. and its Operating Subsidiaries

Adjustments to the calculation of Consolidated Net Income under the Drillships Ocean Ventures Inc. \$1.3 billion Senior Secured Term Loan B Facility.

During the three-months ended March 31, 2015, we estimate that we will not exceed \$3.4 million of adjustments to the calculation of consolidated net income in connection with drydock, shipyard stay and special survey expenses for the drilling rigs and drillships of Drillships Ocean Ventures Inc.

Selected historical consolidated financial information and other data:

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

(Dollars in thousands)	Year ended	Three Months ended
	December 31, 2014	March 31, 2015
Total assets	\$2,335,554	\$2,295,624
Total debt, net of financing fees	(1,266,342)	(1,264,117)
Shareholders equity	(896,357 )	(878,504 )
Total cash and cash equivalents	21,950	5,279

Three Months ended

March 31,  
2014 2015

(Dollars in thousands)

Total revenue	\$54,503	\$115,831
EBITDA	\$28,637	\$66,773

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EBITDA reconciliation:

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

(Dollars in thousands)	Three Months	
	Ended	
	March 31,	
	2014	2015
Net income/(loss)	\$(11,919)	\$19,218
Add: Net interest expense	24,596	18,836
Add: Depreciation and amortization	15,838	24,469
Add: Income taxes	122	4,250
EBITDA	\$28,637	\$66,773

Significant Accounting Policies

Other than those disclosed in the interim condensed consolidated financial statements, there have been no material changes to these policies in the three-month period ended March 31, 2015.

## FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical or present facts or conditions.

We desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are including this cautionary statement in connection therewith. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. The words "believe," "anticipate," "intend," "estimate," "forecast," "project," "plan," "potential," "may," "should," and "expect" and similar expressions identify forward-looking statements.

The forward-looking statements in this document are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that it will achieve or accomplish these expectations, beliefs or projections.

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

the offshore drilling market, including supply and demand, utilization rates, dayrates, customer drilling programs, commodity prices, effects of new rigs and drillships on the market and effects of declines in commodity prices and downturns in the global economy on the market outlook for our various geographical operating sectors and classes of rigs and drillships;

hazards inherent in the offshore drilling industry and marine operations causing personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties or customers and suspension of operations;

customer contracts, including contract backlog, contract commencements, contract terminations, contract option exercises, contract revenues, contract awards and drilling rig and drillship mobilizations, performance provisions, newbuildings, upgrades, shipyard and other capital projects, including completion, delivery and commencement of operations dates, expected downtime and lost revenue;

political and other uncertainties, including political unrest, risks of terrorist acts, war and civil disturbances, piracy, significant governmental influence over many aspects of local economies, seizure, nationalization or expropriation of property or equipment;

repudiation, nullification, termination, modification or renegotiation of contracts;

limitations on insurance coverage, such as war risk coverage, in certain areas;

foreign and U.S. monetary policy and foreign currency fluctuations and devaluations;



the inability to repatriate income or capital;

complications associated with repairing and replacing equipment in remote locations;

import-export quotas, wage and price controls or imposition of trade barriers;

regulatory or financial requirements to comply with foreign bureaucratic actions, including potential limitations on drilling activity;

changing taxation policies and other forms of government regulation and economic conditions that are beyond our control;

the level of expected capital expenditures and the timing and cost of completion of capital projects;

our ability to successfully employ both our existing and newbuilding drilling units, procure or have access to financing, ability to comply with loan covenants, liquidity and adequacy of cash flow for our obligations;

Continued borrowing ability under our debt agreements and compliance with the covenants contained therein;

Our substantial leverage, including our ability to generate sufficient cash flow to service our existing debt and the incurrence of substantial indebtedness in the future;

factors affecting our results of operations and cash flow from operations, including revenues and expenses, uses of excess cash, including debt retirement, dividends, timing and proceeds of asset sales, tax matters, changes in tax laws, treaties and regulations, tax assessments and liabilities for tax issues, legal and regulatory matters, including results and effects of legal proceedings, customs and environmental matters, insurance matters, debt levels, including impacts of the financial and credit crisis;

the effects of accounting changes and adoption of accounting policies;

recruitment and retention of personnel; and

other factors listed from time to time in reports, registration statements and other materials that we file with the U.S. Securities and Exchange Commission, including the Company's most recently filed Annual Report on Form 20-F.

We caution readers of this document not to place undue reliance on these forward-looking statements, which speak only as of their dates. Except as required by law, we expressly disclaim any obligation to update and revise any forward looking statements to reflect changes in assumptions, the occurrence of unanticipated events, changes in future operating results over time or otherwise.



OCEAN RIG UDW INC.  
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## OCEAN RIG UDW INC.

## Consolidated Balance Sheets

As of December 31, 2014 and March 31, 2015 (unaudited)

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

	December 31, 2014	March 31, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$528,933	\$509,343
Restricted cash	2,564	1,254
Trade accounts receivable, net of allowance for doubtful receivables of \$2,825 and \$2,825 at December 31, 2014 and March 31, 2015, respectively	345,187	485,561
Due from a related party, current (Note 3)	-	33
Other current assets (Note 4)	101,508	107,160
Total current assets	978,192	1,103,351
<b>FIXED ASSETS, NET:</b>		
Advances for drillships under construction and related costs (Note 5)	622,507	344,776
Drilling rigs, drillships, machinery and equipment, net (Note 6)	6,207,633	6,893,835
Total fixed assets, net	6,830,140	7,238,611
<b>OTHER NON-CURRENT ASSETS:</b>		
Restricted cash (Note 8)	-	10,000
Financial instruments (Note 9)	10,101	5,058
Due from a related party, non-current (Note 3)	117,219	117,685
Other non-current assets (Note 7)	105,969	94,696
Total non-current assets, net	233,289	227,439
Total assets	\$8,041,621	\$8,569,401
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt, net of deferred financing costs (Note 8)	\$19,858	\$56,780
Due to a related party (Note 3)	11,287	82
Accounts payable and other current liabilities	72,030	97,917
Accrued liabilities	175,058	177,497
Deferred revenue	121,579	163,520
Financial instruments (Note 9)	17,881	17,212
Total current liabilities	417,693	513,008
<b>NON-CURRENT LIABILITIES</b>		
Long term debt, net of current portion and deferred financing costs (Note 8)	4,352,592	4,766,393
Financial instruments (Note 9)	8,617	7,070
Deferred revenue	81,359	86,038
Other non-current liabilities	15,084	11,945
Total non-current liabilities	4,457,652	4,871,446
COMMITMENTS AND CONTINGENCIES (Note 16)	-	-
<b>STOCKHOLDERS' EQUITY:</b>		

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Preferred stock, \$0.01 par value; 500,000,000 shares authorized at December 31, 2014 and March 31, 2015, nil issued and outstanding at December 31, 2014 and March 31, 2015, respectively	-	-
Common stock, \$0.01 par value; 1,000,000,000 shares authorized, at December 31, 2014 and March 31, 2015 132,017,178 and 132,317,178 issued and outstanding at December 31, 2014 and March 31, 2015, respectively (Note 10)	1,320	1,323
Additional paid-in capital	3,494,957	3,497,325
Accumulated other comprehensive loss	(23,938 )	(23,639 )
Accumulated deficit	(306,063 )	(290,062 )
Total stockholders' equity	3,166,276	3,184,947
Total liabilities and stockholders' equity	\$8,041,621	\$8,569,401

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

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## OCEAN RIG UDW INC.

## Unaudited Interim Condensed Consolidated Statements of Operations

For the three-month periods ended March 31, 2014 and 2015

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

	Three-month period ended March 31,	
	2014	2015
<b>REVENUES:</b>		
Service revenue , net	\$ 360,764	\$ 402,083
Total Revenues	360,764	402,083
<b>EXPENSES:</b>		
Drilling rigs and drillships operating expenses	151,515	152,927
Depreciation and amortization	76,696	88,360
General and administrative expenses	35,425	28,001
Other	1,605	-
Operating income	95,523	132,795
<b>OTHER INCOME / (EXPENSES):</b>		
Interest and finance costs (Note 12)	(90,203 )	(65,059 )
Interest income	4,108	3,369
Loss on interest rate swaps (Note 9)	(2,195 )	(8,191 )
Other, net	18	(2,183 )
Total other expenses, net	(88,272 )	(72,064 )
<b>INCOME BEFORE INCOME TAXES</b>	<b>7,251</b>	<b>60,731</b>
Income taxes (Note 11)	(8,791 )	(19,590 )
<b>NET INCOME/ (LOSS) ATTRIBUTABLE TO OCEAN RIG UDW INC.</b>	<b>\$(1,540 )</b>	<b>\$41,141</b>
<b>NET INCOME/ (LOSS) ATTRIBUTABLE TO OCEAN RIG UDW INC COMMON STOCKHOLDERS (Note 13)</b>	<b>\$(1,540 )</b>	<b>\$41,011</b>
<b>EARNINGS/ (LOSS) PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS, BASIC AND DILUTED (Note 13)</b>	<b>\$(0.01 )</b>	<b>\$0.31</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES, BASIC AND DILUTED (Note 13)</b>	<b>131,844,886</b>	<b>131,992,529</b>

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

OCEAN RIG UDW INC.

Unaudited Interim Condensed Consolidated Statements of Comprehensive Income/ (Loss)

For the three-month periods ended March 31, 2014 and 2015

(Expressed in thousands of U.S. Dollars)

	Three-month period ended March 31,	
	2014	2015
Net income/ (loss)	\$(1,540)	\$41,141
Other Comprehensive income :		
Reclassification of realized losses associated with capitalized interest to the Unaudited Interim Condensed Consolidated Statement of Operations, net	260	258
Actuarial gains	411	41
Total Other Comprehensive income	671	299
Total Comprehensive income/ (loss)	\$(869 )	\$41,440

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

OCEAN RIG UDW INC.

Unaudited Interim Condensed Consolidated Statements of Cash Flows  
 For the three-month periods ended March 31, 2014 and 2015  
 (Expressed in thousands of U.S. Dollars)

	Three-month period ended March 31,	
	2014	2015
Net Cash Provided by Operating Activities	\$23,175	\$58,713
Cash Flows Provided by/(Used in) Investing Activities:		
Advances for drillships under construction and related costs	(8,822 )	(452,505 )
Drilling rigs, drillships machinery, equipment and other improvements	(404,590 )	(39,793 )
Increase in restricted cash	(23,092 )	(8,690 )
Net Cash Used in Investing Activities	(436,504 )	(500,988 )
Cash Flows Provided by/(Used in) Financing Activities:		
Proceeds from long term debt and senior notes	950,000	462,000
Principal payments and repayments of long-term debt and senior notes	(487,577 )	(8,000 )
Dividends paid	-	(25,140 )
Payment of financing costs, net	(3,069 )	(6,175 )
Net Cash Provided by Financing Activities	459,354	422,685
Net increase/(decrease) in cash and cash equivalents	46,025	(19,590 )
Cash and cash equivalents at beginning of period	605,467	528,933
Cash and cash equivalents at end of period	\$651,492	\$509,343

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

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OCEAN RIG UDW INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2014 and 2015

(Expressed in thousands of U.S. Dollars)

1. Basis of Presentation and General Information:

The accompanying unaudited interim condensed consolidated financial statements include the accounts of Ocean Rig UDW Inc., its subsidiaries and consolidated Variable Interest Entities ("VIEs") (collectively, the "Company," "Ocean Rig UDW" or "Group". Ocean Rig was formed on December 10, 2007, under the laws of the Republic of the Marshall Islands under the name Primelead Shareholders Inc. The Company was established by DryShips Inc. ("DryShips" or the "Parent") for the purpose of being the holding company of its drilling segment. DryShips is currently impacted by the prolonged downturn in the drybulk charter market. The Company, in the preparation of its consolidated financial statements, has considered its relationship to its Parent and any impact its Parent's financial condition might have on its own consolidated financial statements. Based on its assessment, the Company has concluded that there is no impact on the basis of preparation of its consolidated financial statements.

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial information. Accordingly, they do not include all the information and notes required by U.S. GAAP for complete financial statements. These statements and the accompanying notes should be read in conjunction with the Company's Annual Report on Form 20-F (File No. 001-35298) for the fiscal year ended December 31, 2014, filed with the SEC on March 9, 2015.

These unaudited interim condensed consolidated financial statements have been prepared on the same basis as the Company's annual consolidated financial statements and include the accounts and operating results of Ocean Rig UDW, its wholly-owned subsidiaries and its VIEs. As of December 31, 2014 and March 31, 2015, the Company consolidated one VIE for which it is deemed to be the primary beneficiary, i.e. it has a controlling financial interest in this entity. The VIE's total assets and liabilities, as of December 31, 2014, were \$64,314 and \$65,358, respectively, while total liabilities exceeded total assets by \$1,044. The VIE's total assets and liabilities, as of March 31, 2015, were \$65,404 and \$63,017, respectively, while total assets exceeded total liabilities by \$2,387.

In the opinion of the management, these unaudited interim condensed consolidated financial statements reflect all adjustments, which include only normal recurring adjustments considered necessary for a fair presentation of the Company's financial position, results of operations and cash flows for the periods presented. Operating results for the three-month period ended March 31, 2015, are not necessarily indicative of the results that might be expected for the fiscal year ending December 31, 2015.

2. Significant Accounting Policies:

A discussion of the Company's significant accounting policies can be found in the Company's consolidated financial statements included in the Annual Report on Form 20-F for the fiscal year ended December 31, 2014, filed with the SEC on March 9, 2015 (the "Consolidated Financial Statements for the year ended December 31, 2014"). There have been no material changes to these policies in the three-month period ended March 31, 2015.

## OCEAN RIG UDW INC.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2014 and 2015

(Expressed in thousands of U.S. Dollars)

## 3. Transactions with Related Parties:

	December 31, 2014	March 31, 2015
Balance Sheet		
Due from a related party, current (accrued interest) – Dryships Inc.	-	33
Due from related party, current - Total	-	33
Due from a related party, non-current – Dryships Inc.	117,219	117,685
Due from related party, non-current - Total	117,219	117,685
Due to related parties – Cardiff Drilling Inc.	4,287	82
Due to related parties – Azara Services S.A.	4,000	-
Due to related parties – Basset Holding Inc.	3,000	-
Due to related parties - Total	11,287	82
Advances for drillships under construction and related costs – Cardiff Drilling Inc.	\$ 1,546	\$ 239
Drilling rigs, drillships, machinery and equipment, net – Cardiff Drilling Inc.	\$ 2,885	\$ 2,961

	Three-month period ended March 31,	
	2014	2015
Statement of Operations		
Service revenue, net - Cardiff Drilling Inc.	\$(3,622)	\$(4,192)
General and administrative expenses:		
-Vivid Finance Limited	5,706	950
-Azara Services S.A.	625	625
-Basset Holding Inc.	308	125
-Amortization of CEO's stock based compensation	325	795
Interest income – Dryships Inc.	\$-	\$2,647

Cardiff Drilling Inc.: Effective January 1, 2013, Ocean Rig Management Inc. ("Ocean Rig Management"), a wholly-owned subsidiary of Ocean Rig UDW entered into a Global Services Agreement with Cardiff Drilling Inc. ("Cardiff Drilling") a company controlled by the Chairman, President and Chief Executive Officer of the Company and Dryships, Mr. George Economou, pursuant to which Ocean Rig Management engaged Cardiff Drilling to act as consultant on matters of chartering and sale and purchase transactions for the offshore drilling units operated by the Company. Under the Global Services Agreement, Cardiff Drilling, or its subcontractor, (i) provides consulting services related to the identification, sourcing, negotiation and arrangement of new employment for offshore assets of the Company and its subsidiaries; and (ii) identifies, sources, negotiates and arranges the sale or purchase of the offshore assets of the Company and its subsidiaries. In consideration of such services, the Company will pay Cardiff



Drilling a fee of 1.0% in connection with employment arrangements and 0.75% in connection with sale and purchase activities. Costs from the Global Services Agreement are expensed in the consolidated statement of operations or capitalized as a component of "Advances for drillships under construction and related costs" being a directly attributable cost to the construction, as applicable.

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OCEAN RIG UDW INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2014 and 2015

(Expressed in thousands of U.S. Dollars)

3. Transactions with Related Parties (continued):

Vivid Finance Limited: Under the consultancy agreement effective from January 1, 2013, between Ocean Rig Management and Vivid Finance Limited ("Vivid"), a company controlled by Mr. George Economou, pursuant to which Vivid acts as a consultant on financing matters for Ocean Rig and its subsidiaries, Vivid provides the Company with financing-related services such as (i) negotiating and arranging new loan and credit facilities, interest rate swap agreements, foreign currency contracts and forward exchange contracts, (ii) renegotiating existing loan facilities and other debt instruments and, (iii) the raising of equity or debt in the capital markets. In exchange for its services in respect of the Company, Vivid is entitled to a fee equal to 0.20% on the total transaction amount. The consultancy agreement has a term of five years and may be terminated (i) at the end of its term unless extended by mutual agreement of the parties; and, (ii) at any time by the mutual agreement of the parties.

Basset Holdings Inc.: Under the consultancy agreement effective from June 1, 2012, between a wholly owned subsidiary of the Company and Basset Holdings Inc. ("Basset"), a related party entity incorporated in the Republic of Marshall Islands, Basset provides consultancy services relating to the services of Mr. Anthony Kandylidis in his capacity as Executive Vice-President of Ocean Rig. The annual remuneration to be awarded to Basset under the consultancy agreement is Euro 0.9 million (\$1.0 million based on the Euro/U.S. Dollar exchange rate as of March 31, 2015). Effective January 1, 2015, the annual remuneration was reduced to Euro 0.45 million (\$0.49 million based on the Euro/U.S. Dollar exchange rate as of March 31, 2015).

On August 20, 2013, August 19, 2014 and December 30, 2014 the Compensation Committee of Ocean Rig approved that a cash bonus of \$3,000, \$4,000 and \$3,000, respectively be paid to Basset for the contribution of Mr. Antony Kandylidis services as Executive Vice President. Basset is also the owner of 114,286 shares of the Company's common stock, as of March 31, 2015.

Steel Wheel Investments Limited: Steel Wheel Investments Limited ("Steel Wheel"), a company controlled by Mr. Antony Kandylidis, is the owner of 1,570,226 shares of the Company's common stock, as of March 31, 2015.

Azara Services S.A.: Under the consultancy agreement entered on September 9, 2013 and effective from January 1, 2013, between one of the Company's wholly owned subsidiaries and Azara Services S.A. ("Azara"), a related party entity incorporated in the Republic of Marshall Islands, Azara provides consultancy services relating to the services of Mr. George Economou in his capacity as Chief Executive Officer of the Company. The annual remuneration to be awarded to Azara under the consultancy agreement is \$2,500.

In addition, on August 20, 2013, the Company's Compensation Committee approved a sign-on bonus of \$2,500 cash and 150,000 shares of the Company's common stock to Azara, relating to the services of Mr. George Economou as Chief Executive Officer of the Company. The shares vest over a period of two years with 50,000 shares vesting on the grant date, 50,000 shares vesting on August 20, 2014 and 50,000 vesting on August 20, 2015, respectively. The stock based compensation is being recognized to expenses over the vesting period and based on the fair value of the Ocean Rig's shares on the grant date of \$17.56 per share.

OCEAN RIG UDW INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2014 and 2015

(Expressed in thousands of U.S. Dollars)

3. Transactions with Related Parties (continued):

On August 19, 2014, Company's Compensation Committee approved a bonus in the form of \$2,500 cash and 150,000 shares of Company's common stock to Azara, relating to the services of Mr. George Economou as Chief Executive Officer of the Company, rendered during 2013. The shares vest over a period of three years with 50,000 shares vesting on December 31, 2014, 50,000 shares vesting on December 31, 2015, and 50,000 vesting on December 31, 2016. The stock-based compensation is being recognized to expenses over the vesting period and based on the fair value of Ocean Rig shares on the grant date of \$18.37 per share.

On December 30, 2014, Company's Compensation Committee approved a bonus in the form of \$4,000 cash and 300,000 shares of Company's common stock to Azara, relating to the services of Mr. George Economou as Chief Executive Officer, during 2014. The shares vest over a period of three years with 100,000 shares vesting on December 31, 2015, 100,000 shares vesting on December 31, 2016, and 100,000 vesting on December 31, 2017. The stock-based compensation is being recognized to expenses over the vesting period and based on the fair value of Ocean Rig shares on the grant date of \$9.46 per share. The shares were issued during the first quarter of 2015.

DryShips Inc.

On November 18, 2014, the Company entered into a \$120,000 unsecured facility with its parent company, DryShips. The loan from the Company to DryShips bears interest at a LIBOR plus margin rate and is due in May 2016. The Company has the option to exchange this loan for its common shares owned by DryShips at a fixed price per share, provided the DryShips \$200,000 Secured Bridge Credit facility has been repaid in full. If such exchange occurs, the margin of the loan will be reduced from inception. During the three-month period ended March 31, 2015, the Company earned interest income amounting to \$2,647 from DryShips under this loan agreement.

During the three-month period ended March 31, 2015, the Company paid dividends of \$25,140 out of which \$14,878 were paid to DryShips.

4. Other Current Assets:

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

	December 31, 2014	March 31, 2015
Inventories	\$6,609	\$7,768
Deferred mobilization expenses	66,169	70,412
Prepayments and advances	22,880	22,082
Other	5,850	6,898
	\$101,508	\$107,160



OCEAN RIG UDW INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2014 and 2015

(Expressed in thousands of U.S. Dollars)

5. Advances for drillships under construction and related costs:

The amounts shown in the accompanying consolidated balance sheets include milestone payments under the shipbuilding contracts with the shipyards, supervision costs and any material related expenses incurred during the construction periods, all of which are capitalized in accordance with the accounting policy discussed in Note 2 of the Consolidated Financial Statements for the year ended December 31, 2014.

The movement of the account during the three month period ended March 31, 2015, was as follows:

Balance, December 31, 2014	\$622,507
Advances for drillships under construction and related costs	449,957
Drillships delivered	(727,688)
Balance, March 31, 2015	\$344,776

On March 24, 2014 the drillship Ocean Rig Athena was delivered to the Company. On March 5, 2015, the Company took delivery of the drillship Ocean Rig Apollo.

The Ocean Rig Santorini, which is equipped with two blow-out preventers and the Company has advanced \$127,000 to the yard, is scheduled to be delivered to the Company in June 2016. The total project cost is estimated to be approximately \$644,000.

On April 8, 2014, two contracts between Drillship Crete Owners Inc. and Drillship Amorgos Owners Inc., two wholly owned subsidiaries of the Company, and Samsung Heavy Industries Co., Ltd ("Samsung") became effective for the construction of two seventh generation new integrated design drillships at Samsung (Ocean Rig Crete and Ocean Rig Amorgos respectively) . The Company has advanced \$108,400 and \$76,600, respectively to the yard for each of the new drillships, which are equipped with two blow-out preventers. The total project cost is approximately \$743,000, per drillship. On April 27, 2015, the Company has reached an agreement to postpone the delivery of the Ocean Rig Crete and Ocean Rig Amorgos to the first quarter of 2018 and 2019, respectively. As part of the agreement, certain portion of the pre-delivery payments were also deferred and the total project costs for the construction of each drillship have increased by \$15,000.

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## OCEAN RIG UDW INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2014 and 2015

(Expressed in thousands of U.S. Dollars)

## 6. Drilling rigs, drillships, machinery and equipment, net:

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

	Cost	Accumulated Depreciation	Net Book Value
Balance December 31, 2014	\$7,331,372	\$(1,123,739 )	\$6,207,633
Additions/ Transfer from drillships under construction	773,944	-	773,944
Depreciation	-	(87,742 )	(87,742 )
Balance March 31, 2015	\$8,105,316	(1,211,481 )	6,893,835

As of March 31, 2015, all of the Company's operating drilling rigs and drillships have been pledged as collateral to secure bank loans, the Company's 6.50% senior secured notes due 2017 and term loan B facilities (Note 8).

## 7. Other non-current assets:

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

	December 31, 2014	March 31, 2015
Deferred mobilization expenses	\$43,327	\$36,333
Intangible assets, net	4,732	4,371
Prepaid investments	57,910	53,992
Total	\$105,969	\$94,696

## OCEAN RIG UDW INC.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2014 and 2015

(Expressed in thousands of U.S. Dollars)

## 8. Long-term Debt:

	December	
	31, 2014	March 31, 2015
\$1.3 billion Senior Secured Term Loan B Facility	\$1,296,750	\$1,293,500
\$1.9 billion Secured Term Loan B Facility	1,876,250	1,871,500
\$462 million Senior Secured Credit Facility	-	462,000
7.25% Senior Unsecured Notes	500,000	500,000
6.5% Senior Secured Notes	800,000	800,000
Less: Deferred financing costs	(100,550 )	(103,827 )
Total debt	4,372,450	4,823,173
Less: Current portion	(19,858 )	(56,780 )
Long-term portion	\$4,352,592	\$4,766,393

6.5% Senior Secured Notes due 2017

On September 20, 2012, the Company's wholly owned subsidiary Drill Rigs Holdings Inc. (the "Issuer"), issued \$800,000 aggregate principal amount of 6.50% Senior Secured Notes due 2017 (the "Drill Rigs Senior Notes") offered in a private offering, resulting in net proceeds of approximately \$781,965. The Company used a portion of the net proceeds of the notes to repay the full amount outstanding under its \$1,040,000 senior secured credit facility as at September 20, 2012. The Drill Rigs Senior Notes are secured obligations and rank senior in right of payment to any future subordinated indebtedness and equally in right of payment to all of its existing and future unsecured senior indebtedness.

The Drill Rigs Senior Notes are fully and unconditionally guaranteed by the Company and certain of its existing and future subsidiaries (collectively, the "Issuer Subsidiary Guarantors" and, together with the Company, the "Guarantors").

Upon a change of control, which occurs if 50% or more of the Company's shares are acquired by any person or group other than DryShips or its affiliates, the Issuer will be required to make an offer to repurchase the Drill Rigs Senior Notes at a price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest thereon to the date of repurchase. On or after October 1, 2015, the Issuer may, at its option, redeem all or a portion of the Drill Rigs Senior Notes, at one time or from time to time at 103.25% (from October 1, 2015 to September 30, 2016) or 100% (October 1, 2016 and thereafter) of the principal amount thereof, plus any accrued and unpaid interest thereon to the date of redemption.

The Drill Rigs Senior Notes and the Drill Rigs Senior Notes guarantees are secured, on a first priority basis, by a security interest on the Issuer's two semi-submersible offshore drilling rigs, the Leiv Eiriksson and the Eirik Raude and certain other assets of the Issuer and the Issuer Subsidiary Guarantors and by a pledge of the stock of the Issuer and the Issuer Subsidiary Guarantors, subject to certain exceptions. The contractual semi-annual coupon interest rate is 6.5% on the Drill Rigs Senior Notes.

7.25% Senior Unsecured Notes due 2019

On March 26, 2014, the Company issued \$500,000 aggregate principal amount of 7.25% senior unsecured notes due 2019 (the "7.25% Senior Unsecured Notes") offered in a private placement, resulting in net proceeds of approximately \$493,625. The Senior Notes are unsecured obligations and rank senior in right of payment to any future subordinated indebtedness and equally in right of payment to all of its existing and future unsecured senior indebtedness. The Company used the net proceeds from the offering of the 7.25% Senior Unsecured Notes, together with cash on hand and repurchased \$462,300 of its 9.5% Senior Unsecured Notes, of which \$500,000 million in aggregate principal amount was outstanding prior to closing of the 7.25% Notes Offering, at a tender premium of 105.375%, while the remaining \$37,700, was redeemed at a redemption price of 104.5% on May 13, 2014.

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

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OCEAN RIG UDW INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2014 and 2015

(Expressed in thousands of U.S. Dollars)

8. Long-term Debt (continued):

\$1.35 billion Senior Secured Credit Facility

On March 20, 2014, the Company drew down the remaining undrawn amount of \$450,000 under the \$1.35 billion term loan facility signed on February 28, 2013, in connection with the delivery of the Ocean Rig Athena. On July 25, 2014, this facility was repaid in full and replaced by the \$1.3 billion Senior Secured Term Loan B Facility (see below).

\$1.3 billion Senior Secured Term Loan B Facility

On July 25, 2014, the Company's wholly owned subsidiary, Drillships Ocean Ventures Inc., entered into a \$1.3 billion Senior Secured Term Loan B ("New Term Loan B") facility to repay the \$1.35 billion Senior Secured Credit Facility, which had an outstanding loan balance of approximately \$1.3 billion on that date. The unamortized balance of deferred finance fees associated with the repaid loans, amounting to approximately \$19,797, were written off in the consolidated statement of operations upon the extinguishment of the related debt in July 2014. In addition, restricted cash of \$75,000 associated with the respective debt was released upon the repayment. The New Term Loan B facility which is secured primarily by first priority mortgages on the vessels, the Ocean Rig Mylos, the Ocean Rig Skyros and the Ocean Rig Athena, bears interest at a fixed rate and matures on July 25, 2021.

\$1.9 billion Secured Term Loan B Facility

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

\$462 million Senior Secured Credit Facility

On February 13, 2015, the Company's wholly owned subsidiary, Drillship Alonissos Owners Inc., entered into a secured term loan facility agreement with a syndicate of lenders and DNB Bank ASA, as facility agent and security agent, for up to \$475,000 to partially finance the construction costs of the Ocean Rig Apollo. This facility has a 5 year term and bears interest at LIBOR plus a margin. On March 3, 2015, the Company drew down an amount of \$462,000 under this facility and pledged restricted cash of \$10.0 million associated with the respective loan.

The Company's outstanding debt is secured by, among other things, first priority mortgages over the Company's operating and newbuilding drilling units, corporate guarantees, first priority assignments of all freights, earnings, insurances and requisition compensation relating to such drilling units and a pledge of the shares of capital stock of certain of the Company's subsidiaries.

Certain of our debt instruments contain financial covenants, minimum coverage ratio requirements and minimum liquidity and working capital requirements and restrict, without the bank's prior consent, the Company's and its subsidiaries ability to, among other things, pay dividends, change the management and ownership of its drillships, incur additional indebtedness, incur and create liens on its assets, and change in the general nature of the Company's business and require that the Company maintain an established place of business in the United States or the United Kingdom.

Total interest and debt amortization cost incurred on long-term debt for the three month periods ended March 31, 2014 and 2015, amounted to \$71,294 and \$73,362, respectively, of which \$10,262 and \$8,850, respectively, were capitalized as part of the cost of the drillships 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 unaudited interim condensed consolidated statements of operations.

The aggregate available undrawn amounts under the Company's facilities at March 31, 2015, were \$0. The Company's weighted average interest rates on the above bank loans and notes were 6.44% and 6.50%, as of March 31, 2014 and 2015, respectively.

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## OCEAN RIG UDW INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2014 and 2015

(Expressed in thousands of U.S. Dollars)

## 8. Long-term Debt (continued):

The annual principal payments required to be made after March 31, 2015, including balloon payments, totaling \$4,927,000 due through July 2021, are as follows:

March 31, 2016	\$70,905
March 31, 2017	70,905
March 31, 2018	870,905
March 31, 2019	70,905
March 31, 2020	838,380
March 31, 2021 and thereafter	3,005,000
Total principal payments	4,927,000
Less: Deferred financing costs	(103,827 )
Total debt	\$4,823,173

## 9. Financial Instruments and Fair Value Measurements:

ASC 815, "Derivatives and Hedging" requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the statement of financial position. Effective January 1, 2011, the Company removed the designation of the cash flow hedges and discontinued hedge accounting for the associated interest rate swaps.

The Company recognizes all derivative instruments as either assets or liabilities at fair value on its consolidated balance sheets.

Changes in the fair value of derivative instruments that have not been designated as hedging instruments are reported in the accompanying unaudited interim condensed consolidated statement of operations.

The Company enters into interest rate swap transactions to manage interest costs and risk associated with changing interest rates with respect to its variable interest rate loans and credit facilities. The Company also enters from time to time into foreign currency forward contracts in order to manage risks associated with fluctuations in foreign currencies. All of the Company's derivative transactions are entered into for risk management purposes.

As of March 31, 2015, the Company had outstanding seven interest rate swap agreements, of \$1.8 billion notional amount, maturing from April 2016 through November 2017.

Tabular disclosure of financial instruments is as follows:

## Fair Values of Derivative Instruments in the Balance Sheet:

Derivatives not designated as Hedging Instruments	Balance Sheet Location	December 31, 2014 Fair value	March 31, 2015 Fair value
Interest rate swaps	Financial Instruments non-current	\$ 10,101	\$ 5,058

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	assets		
	Financial		
	Instruments		
	current		
Interest rate swaps	liabilities	(17,881 )	(17,212 )
	Financial		
	Instruments		
	non-current		
Interest rate swaps	liabilities	(8,617 )	(7,070 )
Total derivatives		\$ (16,397 )	\$ (19,224 )

During the three-month periods ended March 31, 2014 and 2015, the losses transferred from accumulated other comprehensive loss in the accompanying unaudited interim condensed consolidated statements of operations were \$260 and \$258, respectively. The estimated net amount of existing losses at March 31, 2015, that will be reclassified into earnings within the next twelve months relating to previously designated cash flow hedges is \$1,035.

## OCEAN RIG UDW INC.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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(Expressed in thousands of U.S. Dollars)

## 9. Financial Instruments and Fair Value Measurements (continued):

The effects of derivative instruments not designated or qualifying as hedging instruments on the unaudited interim condensed consolidated statements of operations is as follows:

		Amount of Loss	
		Three-month period ended March 31, 2014	Three-month period ended March 31, 2015
Derivatives not designated as hedging instruments	Location of Loss Recognized		
Interest rate swaps	Loss on interest rate swaps, net	(2,195)	(8,191 )
Total		\$(2,195)	\$ (8,191 )

The carrying amounts of cash and cash equivalents, restricted cash, trade accounts receivable, accounts payable, other current liabilities, due from related parties and due to related parties reported in the consolidated balance sheets approximate their respective fair values because of the short-term nature of these accounts. The carrying value approximates the fair market value for floating rate loans and intercompany loan. The carrying value of non-current restricted cash receiving floating interest rate approximates the fair value. The fair value of the interest rate swaps was determined using a discounted cash flow method based on market-based LIBOR swap yield curves, taking into account current interest rates and the creditworthiness of both the financial instrument counterparty and the Company.

The 7.25% Senior Unsecured Notes and the 6.5% Senior Secured Notes have a fixed rate and their estimated fair values are determined through Level 2 inputs of the fair value hierarchy (quoted price in the over-the-counter market). The fair value of the outstanding balance of the \$1.9 billion Secured Term Loan B Facility and \$1.3 billion Senior Secured Term Loan B Facility which have a fixed rate is estimated through Level 2 inputs of the fair value hierarchy by discounting future cash flows using rates currently available for debt with similar terms, credit risk and remaining maturities.

The estimated fair value of the above 7.25% Senior Unsecured Notes and 6.5% Senior Secured Notes, as at December 31, 2014, was approximately \$380,000 and \$666,000, respectively. The estimated fair value of the above \$1.9 billion Secured Term Loan B Facility and \$1.3 billion Senior Secured Term Loan B Facility was approximately the same as their carrying value net of finance fees. For the aforementioned senior notes and term loans their carrying value net of finance fees as at December 31, 2014 was \$492,214, \$788,224, \$1,825,671 and \$1,266,341, respectively.

The estimated fair value of the above 7.25% Senior Unsecured Notes and 6.5% Senior Secured as at March 31, 2015, is approximately \$288,250, \$640,000 respectively. The estimated fair value of the above \$1.9 billion Secured Term Loan B Facility and \$ 1.3 billion Senior Secured Term Loan B Facility is \$2,054,936 and \$1,393,527, respectively. For the aforementioned senior notes and term loans their carrying value net of finance fees as at March 31, 2015 is \$492,598, \$789,187, \$ 1,822,874 and \$ 1,264,117, respectively.

The guidance for fair value measurement applies to all assets and liabilities that are being measured and reported on a fair value basis. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories.

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## OCEAN RIG UDW INC.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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(Expressed in thousands of U.S. Dollars)

## 9. Financial Instruments and Fair Value Measurements (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.

	March 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Interest rate swaps-asset position	\$5,058	-	5,058	\$ -
Interest rate swaps-liability position	(24,282)	-	(24,282 )	-
Total	\$(19,224)	-	(19,224 )	\$ -

## 10. Common Stock and Additional Paid-in Capital:

## Restricted stock awards:

On February 14, 2012, the Company's Compensation Committee approved the grant of 112,950 shares of non-vested common stock to officers and key employees of the Company's subsidiary, Ocean Rig AS, as a bonus for their services rendered during 2011. The shares vested over a period of three years. The stock-based compensation was being recognized to expenses over the vesting period and based on the fair value of the shares on the grant date of \$16.50 per share.

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

On May 15, 2012, Ocean Rig's Compensation Committee approved the grant of: a) 4,500 shares of non-vested common stock to an officer as an additional bonus for his services rendered during 2011 and, b) 28,200 shares to new recruited employees as a sign-up stock bonus. The shares vested over a period of three years. The stock-based compensation was being recognized to expenses over the vesting period and based on the fair value of the Ocean Rig shares on the grant date of \$15.92 per share.

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

On August 20, 2013, the Company's Compensation Committee approved a sign-on bonus of 150,000 shares of the Company's common stock to Azara, pursuant to a consultancy agreement with Azara effective January 1, 2013, relating to the services of Mr. George Economou as Chief Executive Officer of the Company. The shares vest over a period of two years with 50,000 shares vesting on the grant date, 50,000 shares vesting on August 20, 2014 and 50,000 vesting on August 20, 2015, respectively. The stock based compensation is being recognized to expenses over the vesting period and based on the fair value of the Ocean Rig Shares on the grant date of \$17.56 per share.



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10. Common Stock and Additional Paid-in Capital (continued):

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

On August 19, 2014, the Compensation Committee approved a bonus in the form of 150,000 shares to be granted to Azara for the contribution of Mr. George Economou for Chief Executive Officer's services rendered during 2013. The shares vest over a period of three years with 50,000 shares vesting on December 31, 2014, 50,000 shares vesting on December 31, 2015, and 50,000 vesting on December 31, 2016. The stock-based compensation is being recognized to expenses over the vesting period and based on the fair value of the Ocean Rig shares on the grant date of \$18.37 per share.

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

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

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

As of March 31, 2015, 297,102 shares have vested, while 175,226 shares were forfeited due to employees' resignations.

The movement during the three-month period ended March 31, 2015, is presented below:

	Weighted average grant date fair value per
Number of non-vested shares	non-vested shares

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Balance December 31, 2014	612,798	13.49
Forfeited	(3,600 )	12.60
Balance March 31, 2015	609,198	13.50

As of December 31, 2014 and March 31, 2015, there was \$6,235 and \$5,092 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted by the Company, respectively. That cost is expected to be recognized over a period of 2 years. The amounts of \$568 and \$1,103 represent the stock based compensation expense for each period accordingly and are recorded in "General and administrative expenses", in the accompanying unaudited interim condensed consolidated statements of operations for the periods ended March 31, 2014 and 2015, respectively.

11. 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 the Company 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.

## OCEAN RIG UDW INC.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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## 12. Interest and Finance Costs:

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

	Three-month period ended March 31,	
	2014	2015
Interest on long-term debt, including amortization of financing costs	\$71,294	\$73,362
Capitalized borrowing costs	(10,262)	(8,850)
Premium on 9.5% Senior Unsecured Notes (Note 8)	26,546	-
Commissions, commitment fees and other financial expenses	2,625	547
Total	\$90,203	\$65,059

## 13. Earnings per share:

	Three-month period ended March 31,					
	2014	2015	2014	2015	2014	2015
	Income (numerator)	Weighted- average number of outstanding shares (denominator)	Amount per share	Loss (numerator)	Weighted- average number of outstanding shares (denominator)	Amount per share
Net income/ (loss)	\$(1,540)	-	-	\$41,141	-	-
Less: Non-vested common stock dividends declared and undistributed earnings	-	-	-	(130)	-	-
Basic and diluted EPS Income/ (loss) attributable to common stockholders	\$(1,540)	131,844,886	\$(0.01)	\$41,011	131,992,529	0.31

Non-vested share-based payment awards that contain rights to receive non forfeitable dividends or dividend equivalents (whether paid or unpaid) and participate equally in undistributed earnings are participating securities and, thus, are included in the two-class method of computing earnings per share for the three-month period ended March 31, 2015. For the three-month period ended March 31, 2015, non-vested participating restricted common stock were not included in the computation of diluted earnings per share because the effect is anti-dilutive.

Non-vested, participating restricted common stock does not have a contractual obligation to share in the losses and was therefore, excluded from the basic loss per share calculation for the three-month period ended March 31, 2014.



OCEAN RIG UDW INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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14. Commitments and Contingencies:

14.1 Legal proceedings:

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

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

During March 2015, one of Ocean Rig's drillships was redelivered approximately 6 months ahead of the contractual redelivery date of August 2015. The Company is presently in discussions with its customer and intends to legally defend its rights if an amicable solution fails.

The Company is not a party to any material litigation where claims or counterclaims have been filed against the Company other than routine legal proceedings incidental to its business.

14.2 Purchase Obligations:

The following table sets forth the Company's contractual purchase obligations as of March 31, 2015, and giving effect to the agreement dated April 27, 2015 (Note 5).

	2016	2017	2018	2019	Total
Drillships building contracts	\$52,000	498,200	494,000	495,800	\$1,540,000
Total obligations	\$52,000	498,200	494,000	495,800	\$1,540,000

15. Subsequent Events:

15.1 On May 6, 2015, the Company's Board of Directors declared the fifth consecutive quarterly cash dividend with respect to the quarter ended March 31, 2015, of \$0.19 per common share, to its shareholders of record as of May 22, 2015 and payable on or about June 2, 2015.