

DryShips Inc.

4th Quarter and Year Ended December 31, 2009
Earnings Presentation



NASDAQ: "DRYS"

February 26th, 2010

Forward Looking Statements

Matters discussed in this presentation may constitute forward-looking statements. Forward-looking statements reflect the Company's current views with respect to future events and financial performance and may include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

The forward-looking statements in this release are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although DryShips Inc. believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, DryShips Inc. cannot assure you that it will achieve or accomplish these expectations, beliefs or projections. Important factors that, in the Company's view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies and currencies, general market conditions, including changes in charterhire rates and vessel values, changes in demand that may affect attitudes of time charterers to scheduled and unscheduled drydocking, changes in DryShips Inc.'s operating expenses, including bunker prices, dry-docking and insurance costs, or actions taken by regulatory authorities, potential liability from pending or future litigation, domestic and international political conditions, potential disruption of shipping routes due to accidents and political events or acts by terrorists.

Risks and uncertainties are further described in reports filed by DryShips Inc. with the US Securities and Exchange Commission.



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DryShips Inc.



Q4 2009 Results

Reported Net Profit: \$ 1.4 million or \$ 0.01 loss per share

Unusual Events Affecting Q4 Results:

Plus	Forfeited deposits, cancellation fees and other capitalized assets written-off relating to cancellation of Hulls SS058 and SS059	\$ 30.8 m
Plus	Net revenues and direct operating expenses, relating to the mobilization of the Leiv Eiriksson, which have been deferred to future periods	\$ 11.4 m
Plus	Non-cash amortization of debt issuance costs	\$ 3.6 m
Plus	Net aggregate mark-to-market losses incurred on our interest rate swaps and forward freight agreements	\$ 5.4 m
Plus	Impairment loss and various expenses relating to the contracts for sale of the Iguana and Delray	\$ 3.6 m
Plus	Amortization of stock based compensation	\$ 9.6 m

Adjusted Net Profit : \$ 65.8 million or \$ 0.23 per share



Q4 2009 Highlights

- \$460 million in aggregate principal amount raised through the issuance of Convertible Notes
- Sold the Panamax Iguana (built 1996) for a price of \$23.4 million. Vessel delivered in January 2010
- Sold the Panamax Delray (built 1994) for a price of \$20.1 million. Vessel delivered in February 2010

Recent Highlights

- Placed an order for two 76,000 dwt Panamax vessels, with a top quality Chinese shipyard. Delivery of the two vessels is expected to take place in Q4 of 2011 and Q1 of 2012



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Fixed Revenue: Dry Bulk – Fully fixed for 2010

Summary of Long Term Time Charters				
	2010	2011	2012	
Average Number of Vessels on Long Term Time Charters	37.0	30.5	15.5	
Average Number of Vessels Owned For The Period	37.2	37.1	39.0	
% of Fleet on Long Term Time Charter	100%	82%	40%	
Spot Days	67	2,389	8,592	
Days Fixed Under Time Charter	13,493	11,147	5,667	
Gross Revenue From Long Term Time Charters	\$ 453.6 m	\$ 412.4 m	\$ 267.8 m	
Average Gross Rate of Long Term Time Charters	\$33,600 p/d	\$37,000 p/d	\$47,260 p/d	

Total revenue from time charters for the next 3 years: \$1.1 billion



Fixed Revenue: Ultra Deep Water

Contracts in Place	2009E	2010E	2011E	2012E	2013E
Leiv Eiriksson	Shell – 2 years	Petrobras – 3 years			
Eirik Raude	Tullow – 3 years (Commenced October 2008)				
Drillship (Hull 1837)				Newbuilding Delivery	
Drillship (Hull 1838)				Newbuilding Delivery	
Drillship Hull 1865				Newbuilding Delivery	
Drillship Hull 1866				Newbuilding Delivery	

Semi-Submersible Rigs	Year Built	Current Employment	Redelivery		Customer	Operating Area	Backlog (\$mm)
			Earliest	Latest			
Leiv Eiriksson	2001	T/C	Oct – 12	Dec – 12	Petrobras	Black Sea	\$ 600
Eirik Raude	2002	T/C	Oct – 11	Oct – 11	Tullow	Off-shore Ghana	\$ 436
Total							\$1,037

Note: Backlog as of 31/12/2009



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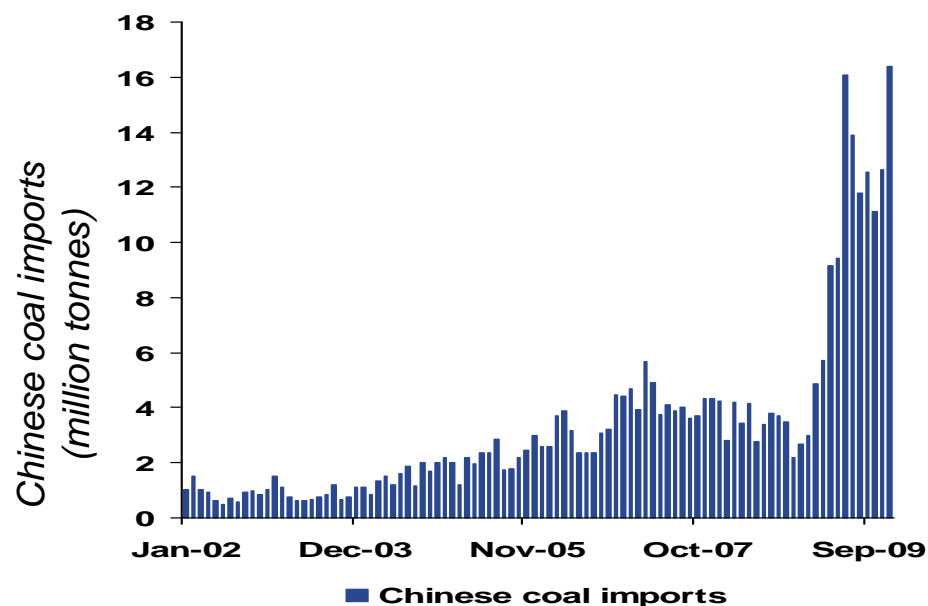
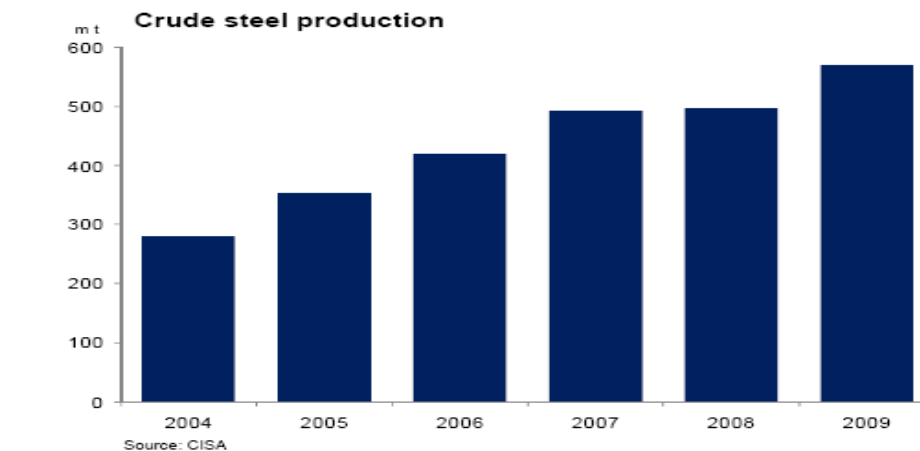
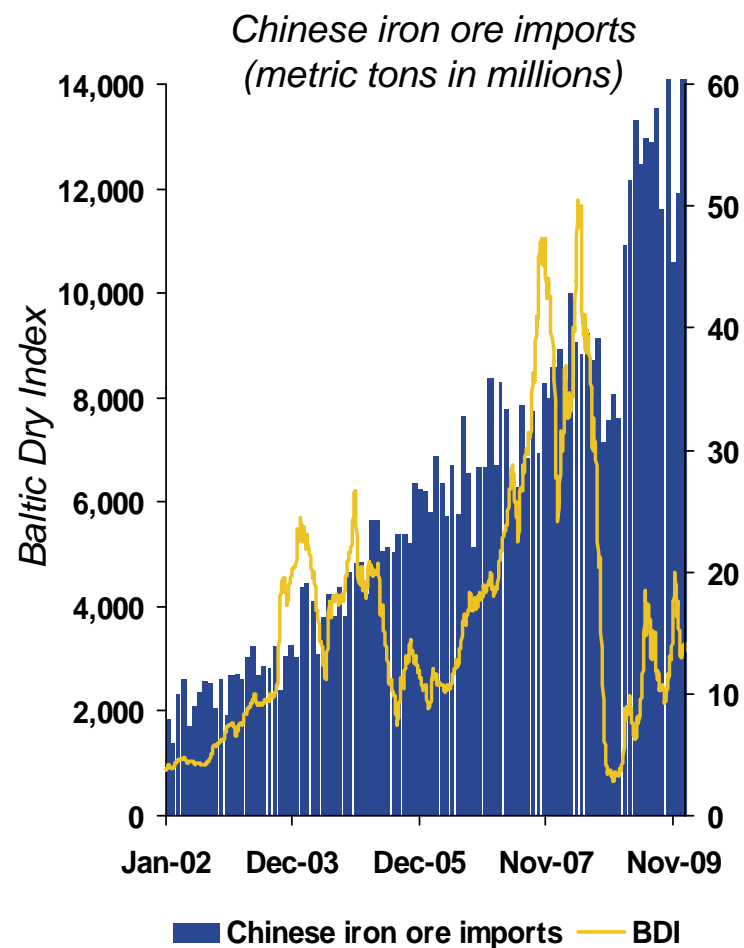
Q&A



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Record Pace of Chinese Commodity Imports



Source: The TEX Report, Baltic Exchange, CISA



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Deliveries Significantly Below Estimates

Total Dry Bulk Fleet	Dwt	No of ships
Current Orderbook	277.8	3,165
Orderbook beginning of 2009 for delivery 2009	71.3	964
Delivered in 2009	42.5	531
'Slippage' for 2009	40%	45%
% of '09 Orderbook actually delivered	60%	55%
Current Orderbook for 2010	122.4	1,487
Expected deliveries January 2010 (as at 01/01/10)	12.7	148
Actual deliveries January 2010	4.1	42
'Slippage' for January 2010	68%	72%

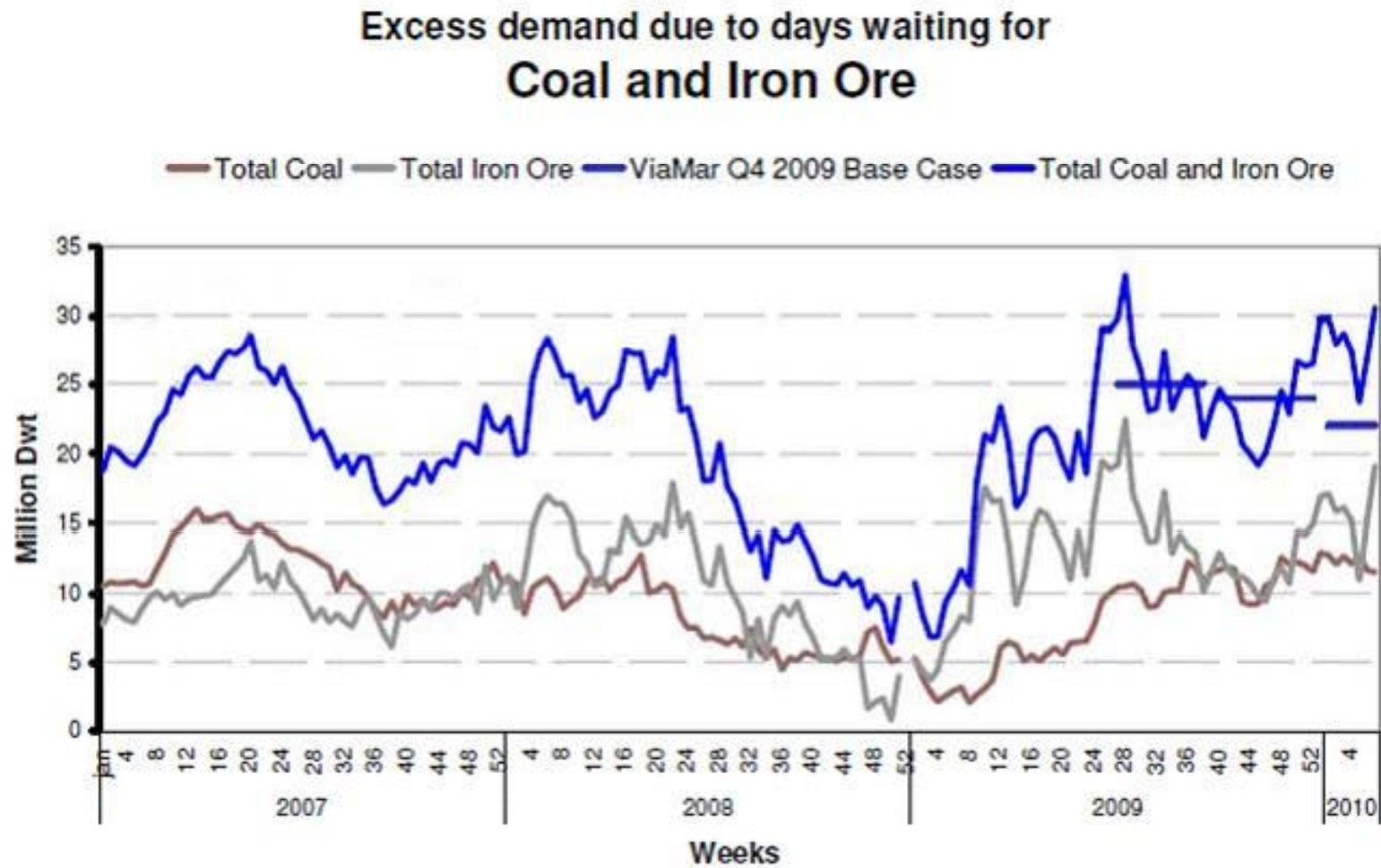
Source: Clarkson



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Congestion Squeezing Supply



Source: ViaMar



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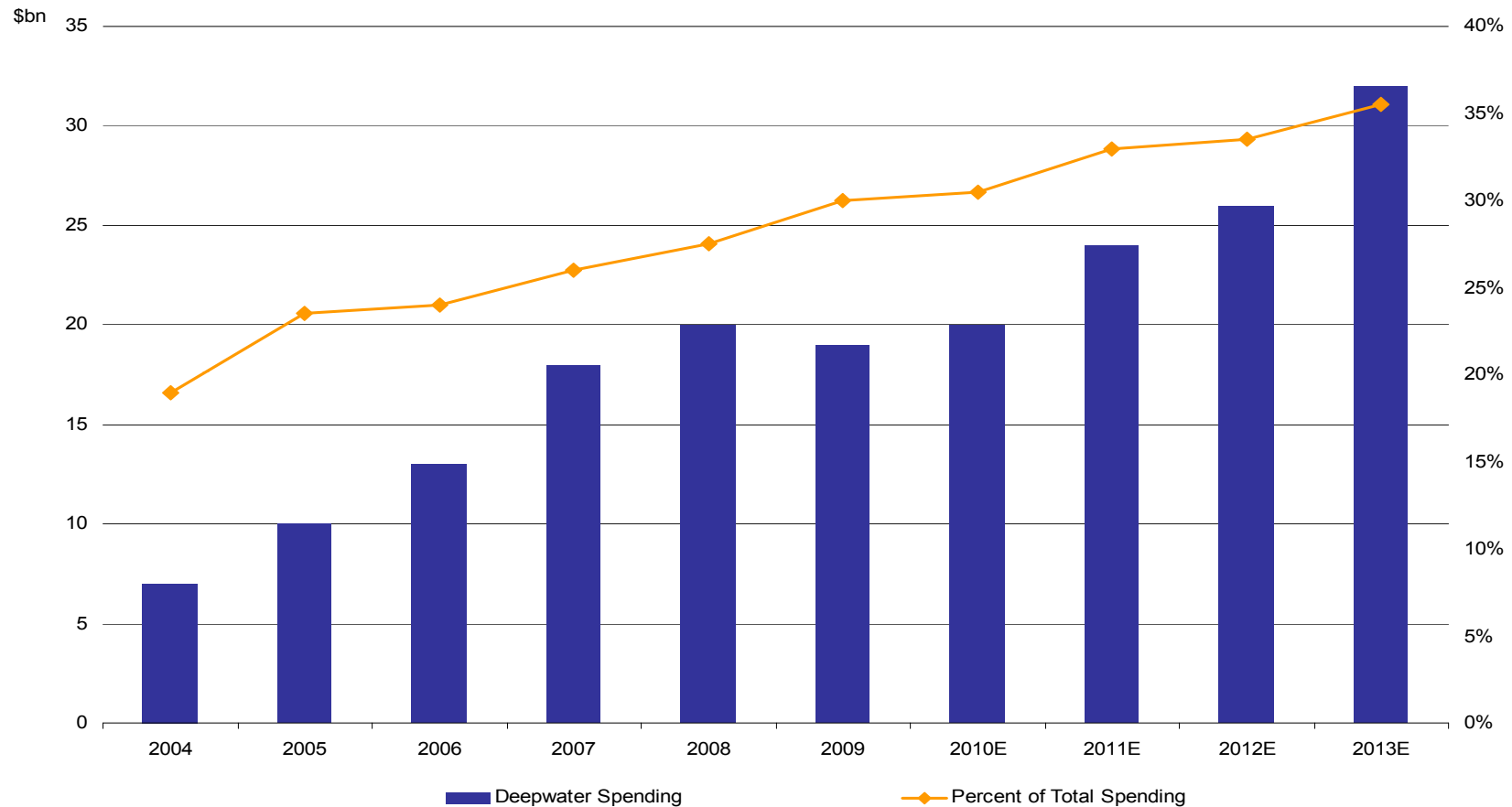


Summary of Ultra Deep Water Fixtures

Award	Contractor	Rig name	Rig Type	Operator	Day rate	Duration	Start-up
Aug-08	Transocean	DW Exp.	5GDS	Petronas	640'	3 years	Aug-10
Aug-08	Ensco	Ensco 7500	5GSS	Chevron	550'	2 years	Oct-08
Oct-08	Transocean	TBA	6GDS	Exxon	645'	5 years	Q4-10
Dec-08	Vantage	Platinum Explorer	6GDS	ONGC	585'	5 years	Q4-10
Jan-09	Noble	Clyde Bordeaux	3GSS	Shell	605'	4 months	Q2-09
Feb-09	Vantage	Titanium Explorer	6GDS	Petrobras	490'	8 years	Q3-11
Mar-09	Ocean Rig	L.Eiriksson	5GSS	Petrobras	583'	3 years	Oct-09
Jul-09	Transocean	Cajun Express	5GSS	Petrobras	509'	3 years	Mar-10
Aug-09	Transocean	Sedco Express	5GSS	Noble Energy	530'	455 days	Sep-10
Sep-09	Transocean	DW Horizon	5GSS	BP	497'	3 years	Nov-10
Feb-10	Seadrill	West Gemini	6GDS	Total Angola	445'	2 years	Oct-10



Deepwater Spending Accelerating



Deepwater spending accelerating given developments in US GoM, West Africa, Brazil India and Black Sea

Source: Douglas-Westwood



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UDW Drillships – Supply Tight for 1H2011

Rig Name	Operator	Area	Contractor	Type	WD1	UDW	M	2010												2011												2012																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
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Source: Pareto, ODS

Construction/yard Firm Contract Option Available sublet



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Summary Financials

(USD in millions, except number of vessels and rigs)

	2008	2009
Average number of dry bulk vessels	38.6	38.1
Average number of drilling rigs	2.0	2.0
Total revenue	\$1,080.7	\$819.8
Adjusted EBITDA^(a)	\$735.9	484.0
Net interest expense	100.1	87.2
Total cash	\$623.7	\$1,044.0
Total debt	3,158.9	2,684.7
Net debt	\$2,535.2	\$1,640.7
Shareholders' equity	1,291.6	2,804.6
Total capitalization	4,450.5	5,489.3
Working capital deficit ^(b)	(1,804.6)	(715.4)

Credit statistics

Adj. EBITDA / Net interest expense	7.4x	5.6x
Debt to capitalization	71%	49%
Net debt to capitalization	57%	30%

(a) Excludes any goodwill impairment charge, contract termination fees and forfeiture of vessels deposits, gain/loss on contract cancellation, gain/loss on sale of vessels, and valuations of IRS

(b) Working capital is defined as current assets minus current liabilities.



CAPEX & DEBT

Yard Commitments

(USD thousands)

	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>
<u>Drillships:</u>			
Hull 1865	208,081	302,660	
Hull 1866	208,081	302,305	
Hull 1837	437,380	-	-
Hull 1838	153,159	283,827	
Total	1,006,701	888,792	-
<u>Drybulk Vessels:</u>			
Panamax 1	6,450	25,800	
Panamax 2	6,450	9,675	16,125
	12,900	35,475	16,125

Proforma Debt Repayment Schedule

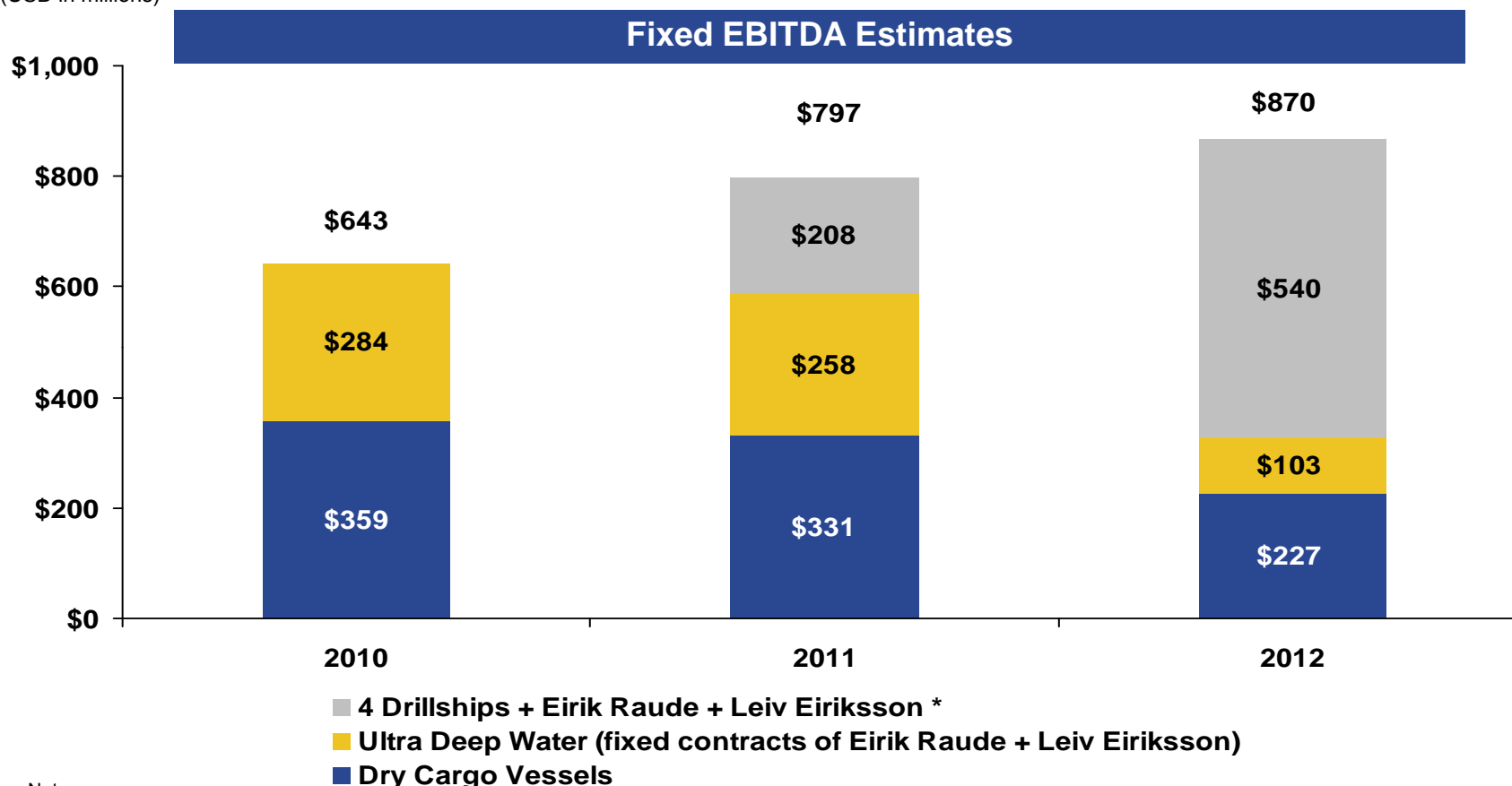
(USD thousands)

	<u>Long-term Debt</u>		
	<u>Drybulk Segment</u>	<u>Drilling Rig Segment</u>	<u>Total</u>
FY 2010	159,476	252,633	412,109
FY 2011	132,151	263,417	395,568
FY 2012	130,337	90,697	221,034



Strong Fixed Cashflow - Upside from Drillships

(USD in millions)



Notes:

- EBITDA has been estimated on the basis of Gross Revenues; Drydock expenses are not included in calculation of EBITDA. Cash G&A related to the fixed business is taken into account in calculation of EBITDA
- Assumed utilization rate of 95% for the rigs.
- UDW estimates only include the two fixed rigs Leiv Eiriksson and Eirik Raude, for the duration of their current contracts. * Thereafter, these two vessels are assumed fixed at \$475,000 with minimum mobilization (ie., fixed within the same geographical territory) and OPEX of \$160,000 per day
- * For 2011 and 2012, the 4 UDW drillships, are assumed fixed upon delivery at \$475,000 per day (with 1 month mobilization period, and assumed OPEX of \$160,000 per day)



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Strategy

- ✓ **Secure employment for drillships**
- ✓ **Secure finance for two remaining drillships**
- ✓ **Prepare Ocean Rig for IPO when valuation is right**
- ✓ **Standby to acquire distressed dry bulk or offshore assets**
- ✓ **Leverage the commodity rebound**



APPENDIX



DryShips Inc.



Appendix 1 – Condensed Consolidated Statements of Operations (unaudited)

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

	Three Months Ended December 31,		Year Ended December 31,	
	2008	2009	2008	2009
REVENUES:				
Voyage revenues	\$ 130,342	\$ 119,332	\$ 861,296	\$ 444,385
Revenues from drilling contracts	87,547	74,126	219,406	375,449
	<u>217,889</u>	<u>193,458</u>	<u>1,080,702</u>	<u>819,834</u>
EXPENSES:				
Voyage expenses	13,273	7,332	53,172	28,779
Vessel operating expenses	22,375	19,924	79,662	75,605
Drilling rigs operating expenses	34,150	25,589	86,229	126,282
Depreciation and amortization	49,666	50,127	157,979	196,696
Loss/(gain) on sale of vessels	3,002	-	(223,022)	(2,432)
Loss on contract cancellations, net	150,902	32,773	150,902	244,189
Vessel impairment charge	-	1,578	-	1,578
Goodwill impairment charge	700,457	-	700,457	-
General and administrative expenses	36,216	24,510	89,358	90,823
	<u>(792,152)</u>	<u>31,625</u>	<u>(14,035)</u>	<u>58,314</u>
Operating income / (loss)				
OTHER INCOME/(EXPENSE):				
Interest and finance costs, net of interest income	(34,121)	(21,464)	(100,109)	(87,185)
Gain/(loss) on interest rate swaps	(177,018)	2,171	(207,936)	23,160
Other, net	(12,743)	(8,006)	(12,640)	(6,692)
Equity in loss of investee	-	-	(6,893)	-
Income taxes	(1,336)	(2,938)	(2,844)	(12,797)
Total other income/(expenses), net	<u>(225,218)</u>	<u>(30,237)</u>	<u>(330,422)</u>	<u>(83,514)</u>
Net income / (loss)	<u>(1,017,370)</u>	<u>1,388</u>	<u>(344,457)</u>	<u>(25,200)</u>
Net income attributable to Noncontrolling interests	-	-	(16,825)	(7,178)
Net income/(loss) attributable to DryShips Inc. common stockholders	<u>\$ (1,017,370)</u>	<u>\$ 1,388</u>	<u>\$ (361,282)</u>	<u>\$ (32,378)</u>
Loss per common share attributable to Dryships Inc. common stockholders, basic and diluted	\$ (18.42)	\$ (0.01)	\$ (8.11)	\$ (0.19)
Weighted average number of shares, basic and diluted	55,230,433	253,951,696	44,598,585	209,331,737



Appendix 2 – Condensed Consolidated Balance Sheets (unaudited)

(Expressed in Thousands of U.S. Dollars)

ASSETS

CURRENT ASSETS:

Cash and cash equivalents

Restricted cash

Trade accounts receivable, net

Other current assets

Total current assets

	December 31, 2008	December 31, 2009
\$	303,114	\$ 693,169
	320,560	350,833
	52,441	66,681
	44,312	69,967
	<u>720,427</u>	<u>1,180,650</u>

FIXED ASSETS, NET:

Advances for assets under construction and acquisitions

Vessels, net

Drilling rigs, machinery and equipment, net

Total fixed assets, net

	535,616	1,174,693
	2,134,650	2,058,329
	1,393,158	1,329,641
	<u>4,063,424</u>	<u>4,562,663</u>

OTHER NON CURRENT ASSETS:

Other non-current assets

Total non current assets

Total assets

	58,829	55,775
	<u>58,829</u>	<u>55,775</u>
	<u>4,842,680</u>	<u>5,799,088</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Current portion of long-term debt

Other current liabilities

Total current liabilities

	2,370,556	1,698,692
	154,492	197,331
	<u>2,525,048</u>	<u>1,896,023</u>

NON CURRENT LIABILITIES

Long-term debt, net of current portion

Other non-current liabilities

Total non current liabilities

	788,314	985,992
	237,746	112,438
	<u>1,026,060</u>	<u>1,098,430</u>

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY:

Total DryShips Inc. stockholders' equity

Total liabilities and stockholders equity

	1,291,572	2,804,635
\$	<u>4,842,680</u>	\$ <u>5,799,088</u>



Appendix 3 – Summary Operating Data

(Dollars in thousands, except average daily results)

	Three Months Ended December 31,		Year Ended December 31,	
	2008	2009	2008	2009
Average number of vessels ⁽¹⁾	38.6	39.0	38.6	38.1
Total voyage days for vessels ⁽²⁾	3,411	3,535	13,896	13,660
Total calendar days for vessels ⁽³⁾	3,547	3,588	14,114	13,914
Fleet utilization ⁽⁴⁾	96.2%	98.5%	98.5%	98.2%
Time charter equivalent ⁽⁵⁾	34,321	31,683	58,155	30,425
Vessel operating expenses (daily) ⁽⁶⁾	6,308	5,553	5,644	5,434

- (1) Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of days each vessel was a part of our fleet during the period divided by the number of calendar days in that period.
- (2) Total voyage days for fleet are the total days the vessels were in our possession for the relevant period net of off hire days.
- (3) Calendar days are the total number of days the vessels were in our possession for the relevant period including off hire days.
- (4) Fleet utilization is the percentage of time that our vessels were available for revenue generating voyage days, and is determined by dividing voyage days by fleet calendar days for the relevant period.
- (5) Time charter equivalent, or TCE, is a measure of the average daily revenue performance of a vessel on a per voyage basis. Our method of calculating TCE is consistent with industry standards and is determined by dividing voyage revenues (net of voyage expenses) by voyage days for the relevant time period. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage, which would otherwise be paid by the charterer under a time charter contract, as well as commissions. TCE is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance despite changes in the mix of charter types (i.e., spot charters, time charters and bareboat charters) under which the vessels may be employed between the periods.



Appendix 4 – Fleet Profile Bulk Carriers

	Year Built	DWT	Type	Gross rate Per day	Redelivery Earliest	Latest
<u>Fixed rate employment</u>						
Capesize:						
Alameda	2001	170,269	Capesize	\$21,000	Feb-11	May-11
Brisbane	1995	151,066	Capesize	\$25,000	Dec-11	Apr-12
Capri	2001	172,579	Capesize	\$61,000	Apr-18	Jun-18
Flecha	2004	170,012	Capesize	\$55,000	Jul-18	Nov-18
Manasota	2004	171,061	Capesize	\$67,000	Feb-13	Apr-13
Mystic	2008	170,500	Capesize	\$52,310	Aug-18	Dec-18
Samsara	1996	150,393	Capesize	\$57,000	Dec-11	Apr-12
Panamax:						
Avoca	2004	76,500	Panamax	\$45,500	Aug-13	Dec-13
Bargara	2002	74,832	Panamax	\$43,750	May-12	Jul-12
Capitola	2001	74,832	Panamax	\$39,500	Jun-13	Aug-13
Catalina	2005	74,432	Panamax	\$40,000	Jun-13	Aug-13
Conquistador	2000	75,607	Panamax	\$17,750	Aug-11	Nov-11
Coronado	2000	75,706	Panamax	\$18,250	Sep-11	Nov-11
Ecola	2001	73,931	Panamax	\$43,500	Jun-12	Aug-12
La Jolla	1997	72,126	Panamax	\$14,750	Aug-11	Nov-11
Levanto	2001	73,931	Panamax	\$16,800	Sep-11	Nov-11
Ligari	2004	75,583	Panamax	\$55,500	Jun-12	Aug-12
Maganari	2001	75,941	Panamax	\$14,500	Jul-11	Sep-11
Majorca	2005	74,364	Panamax	\$43,750	Jun-12	Aug-12
Marbella	2000	72,561	Panamax	\$14,750	Aug-11	Nov-11
Mendocino	2002	76,623	Panamax	\$56,500	Jun-12	Sep-12
Ocean Crystal	1999	73,688	Panamax	\$15,000	Aug-11	Nov-11
Oliva	2009	75,000	Panamax	\$17,850	Oct-11	Dec-11
Oregon	2002	74,204	Panamax	\$16,350	Aug-11	Oct-11
Padre	2004	73,601	Panamax	\$46,500	Sep-12	Dec-12
Positano	2000	73,288	Panamax	\$42,500	Sep-13	Dec-13
Primera	1998	72,495	Panamax	\$18,250*	Dec-10	Dec-10
Rapallo	2009	75,000	Panamax	\$15,400	Aug-11	Oct-11
Redondo	2000	74,716	Panamax	\$34,500	Apr-13	Jun-13
Saldanha	2004	75,500	Panamax	\$52,500	Jun-12	Sep-12
Samatan	2001	74,823	Panamax	\$39,500	May-13	Jul-13
Sonoma	2001	74,786	Panamax	\$19,300	Sept- 11	Nov- 11
Sorrento	2004	76,633	Panamax	\$17,300	Sep-11	Dec-11
Toro	1995	73,034	Panamax	\$16,750	May-11	Jul-11
Xanadu	1999	72,270	Panamax	\$39,750	Jul-13	Sep-13
Supramax:						
Pachino	2002	51,201	Supramax	\$20,250	Sep-10	Feb-11
Paros I	2003	51,201	Supramax	\$27,135	Oct-11	May-12
<u>Newbuildings</u>						
Panamax 1 **	2011	76,000	Panamax			
Panamax 2 **	2012	76,000	Panamax			

Notes:

- Fleet List as of February 25th, 2010
- * Based on a synthetic time charter
- ** Shipbuilding contracts in process of execution

