

# DryShips Inc.

1<sup>st</sup> Quarter Ended March 31, 2010  
Earnings Presentation



NASDAQ: "DRYS"

May 13<sup>th</sup>, 2010

# Forward Looking Statements

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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.



# Agenda

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## First Quarter 2010 Highlights

Company Overview

Industry Overview

Financial Overview & Conclusion

Q&A



# Q1 2010 Results

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**Reported Net Profit: \$ 5.7 million or \$ 0.01 per share**

## Unusual Events Affecting Q4 Results:

Less	Net gains from the sales of the vessels Iguana and Delray	(\$ 10.7 m)
Plus	Net effect of deferring revenues and direct incremental expenses to future periods, relating to the mobilization of the Leiv Eiriksson	\$ 16.6 m
Plus	Non-cash amortization of debt issuance costs	\$ 6.9 m
Plus	Losses incurred on our interest rate swaps	\$ 34.6 m
Plus	Amortization of stock based compensation	\$ 14.5 m

**Adjusted Net Profit : \$ 67.6 million or \$ 0.27 per share**



# Q1 2010 Highlights

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- **Concluded the order for two 76,000 dwt Panamax vessels, with a top quality Chinese shipyard. Delivery in Q4 of 2011 and Q1 of 2012**

## Recent Highlights

- **Raised \$240 million in aggregate principal amount through the issuance of convertible senior notes**
- **Sold the Panamax MV Xanadu (built 1999). Vessel to be delivered in Q2-Q3 2010**
  - **Charter at \$39,750 pd until min July 2013 retained**
- **Bought 2009 built Panamax. Vessel to be delivered in Q2-Q3 2010**
  - **MV Xanadu charter will be transferred to new vessel**
  - **Financing from previously sold vessel will be transferred to this one**



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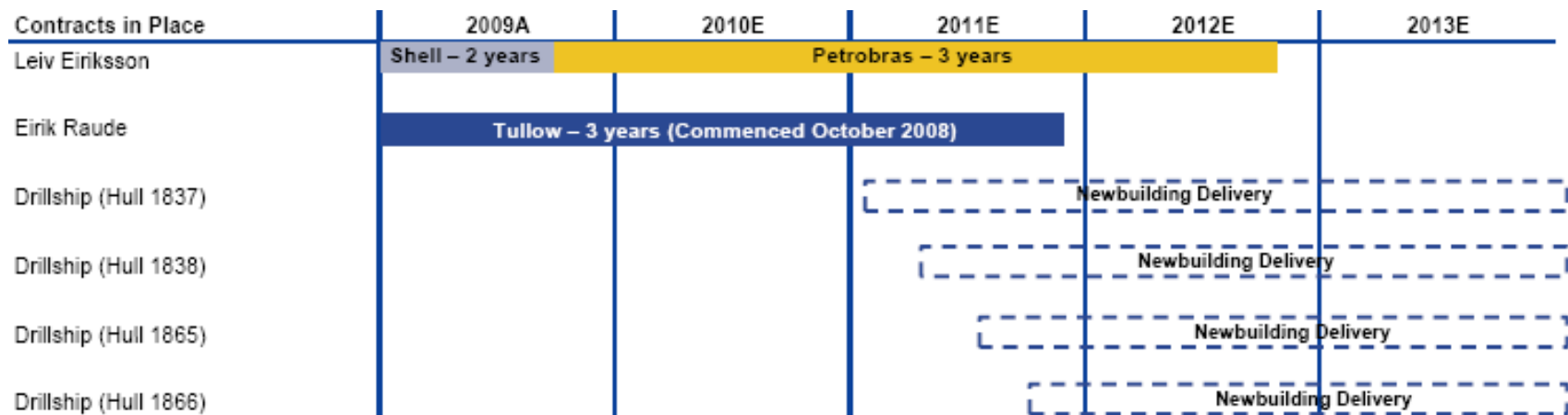
# Fixed Revenue: Dry Bulk – Fully fixed for 2010

Summary of Long Term Time Charters			
	Q2-Q4 2010	2011	2012
Average Number of Vessels on Long Term Time Charters	36.9	30.5	15.5
Average Number of Vessels Owned For The Period	37.0	37.1	39.0
<b>% of Fleet on Long Term Time Charter</b>	<b>100%</b>	<b>82%</b>	<b>40%</b>
Spot Days	31	2,389	8,592
Days Fixed Under Time Charter	10,144	11,147	5,667
Gross Revenue From Long Term Time Charters	\$ 340.8 m	\$ 412.4 m	\$ 267.8 m
<b>Average Gross Rate of Long Term Time Charters</b>	<b>\$33,600 p/d</b>	<b>\$37,000 p/d</b>	<b>\$47,260 p/d</b>

**Total revenue from time charters for the next 2.75 years: \$1 billion**



# Fixed Revenue: Ultra Deep Water



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	\$ 548
Eirik Raude	2002	T/C	Oct – 11	Oct – 11	Tullow	Off-shore Ghana	\$ 364
<b>Total</b>							<b>\$912</b>

Note: Backlog as of 31/03/2010





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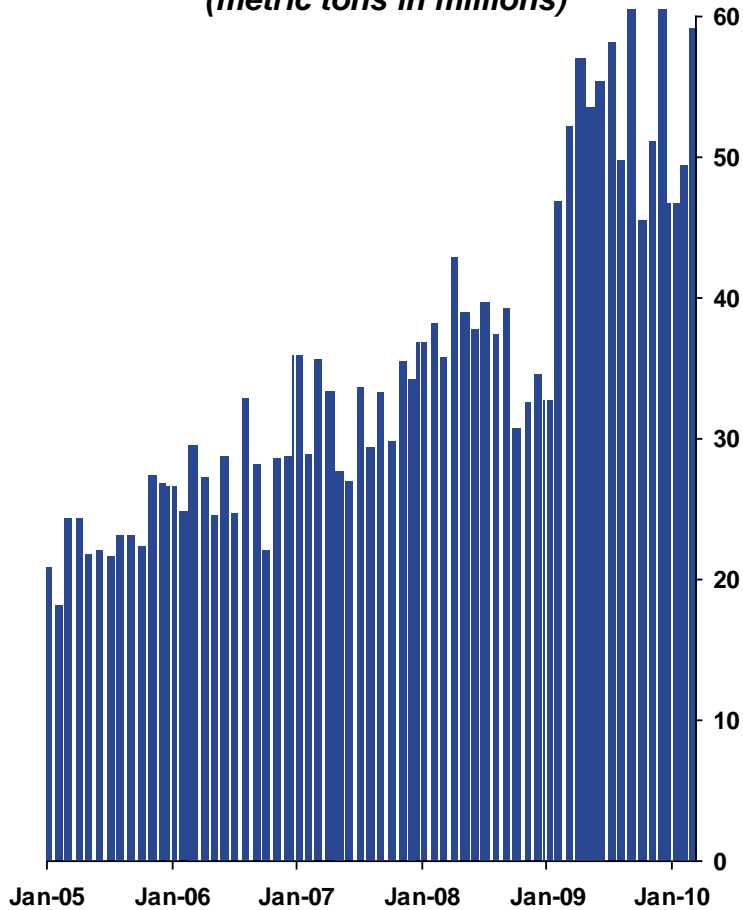
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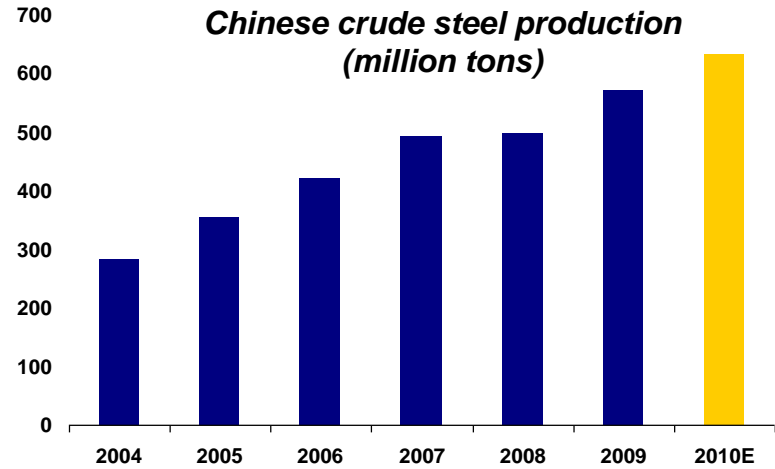


# Sustained Pace of Chinese Commodity Imports

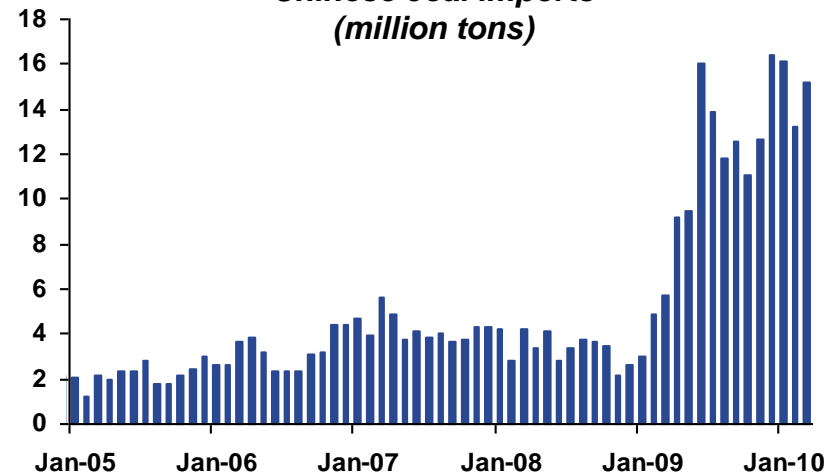
**Chinese iron ore imports  
(metric tons in millions)**



**Chinese crude steel production  
(million tons)**



**Chinese coal imports  
(million tons)**

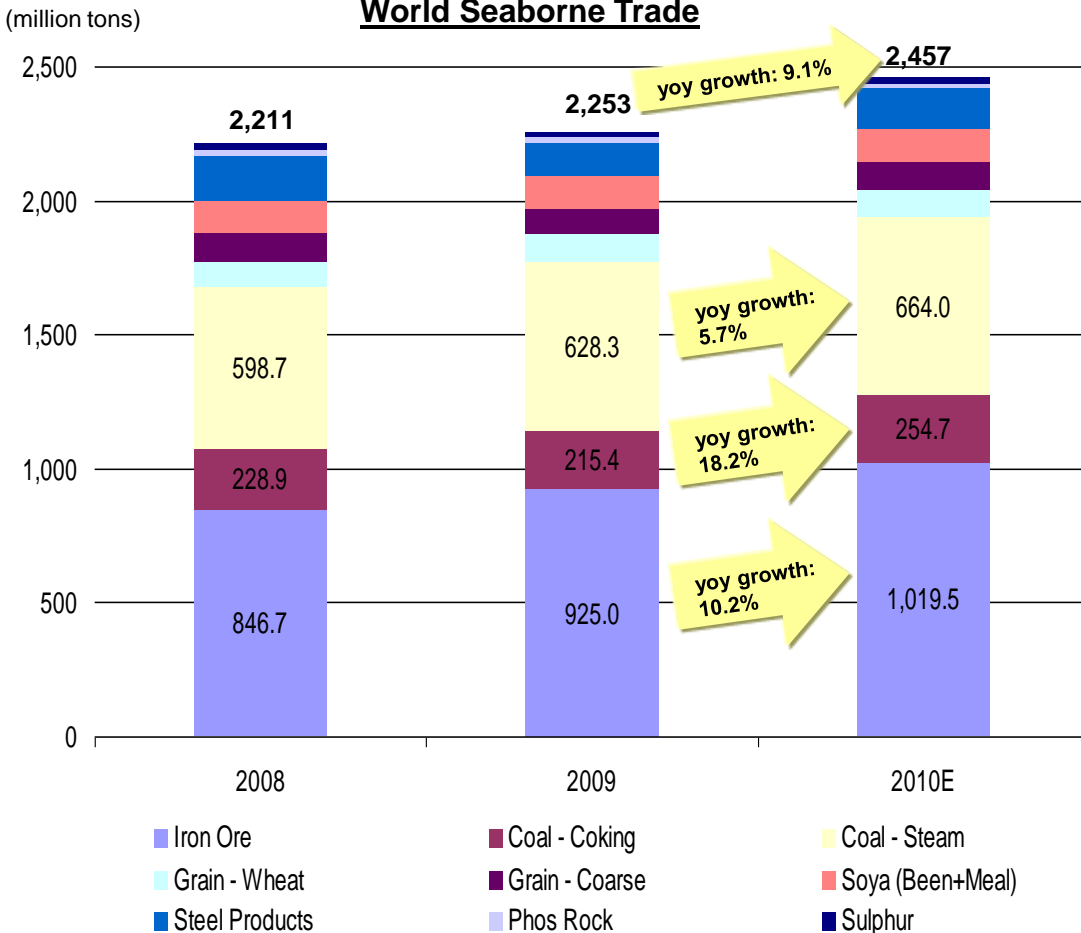


Source: The TEX Report, Baltic Exchange, CISA, ISSB



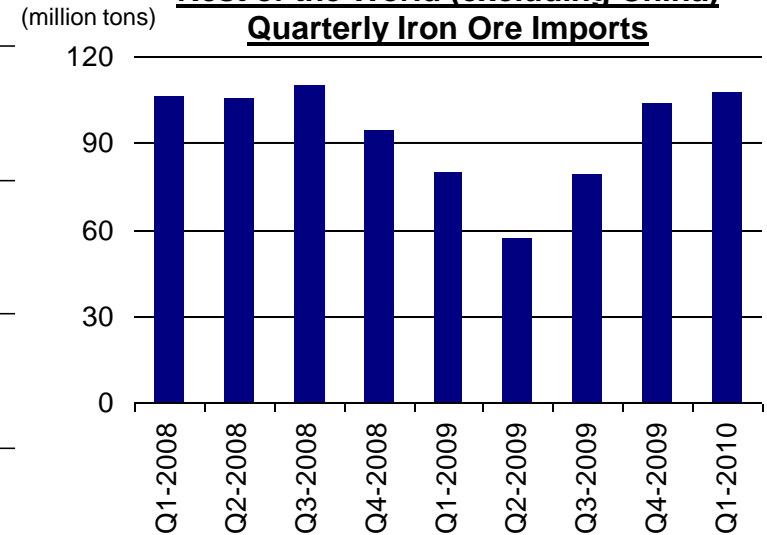
# World Economy is Recovering

## World Seaborne Trade



## Rest of the World (excluding China)

### Quarterly Iron Ore Imports



### Indian Coal Imports

- Indian coal imports expected to grow 17% y/y
- The country would have to import 82 million tons coal to fire its blast furnaces and power turbines in the fiscal year ending March 2011.
- About 50 million tons of coal is imported for power generation every year and this figure is expected to double by 2012

Source: SSY Dry Bulk Forecaster (May 2010), Macquarie



# Deliveries Significantly Below Estimates

Total Dry Bulk Fleet	Million Dwt	Vessels
Current Orderbook	287.1	3,286
Current Orderbook for 2010	100.5	1,242
Expected deliveries Jan - Apr (as at 01/01/10)	34.1	405
Actual deliveries Jan - Apr 2010	22.9	269
'Slippage' for Jan - Apr 2010	33%	34%

	Million DWT				
	Total	Capesize	Panamax	Handymax	Handysize
Total Expected for 2010 (in Jan 2010) [A]	<b>125.6</b>	62.8	23.8	26.0	13.0
Actual delivered (Jan - Apr 2010) [B]	<b>22.9</b>	11.7	4.2	5.1	2.0
Deliveries (Jan - Apr 2010) as a percentage of total 2010 [C = B / A]	<b>18%</b>	19%	18%	20%	15%
Implied delivery rate for 2010* [D = C x 3]	<b>55%</b>	56%	53%	59%	46%
Implied total deliveries for 2010 [E = D x A]	<b>68.8</b>	35.0	12.6	15.3	5.9

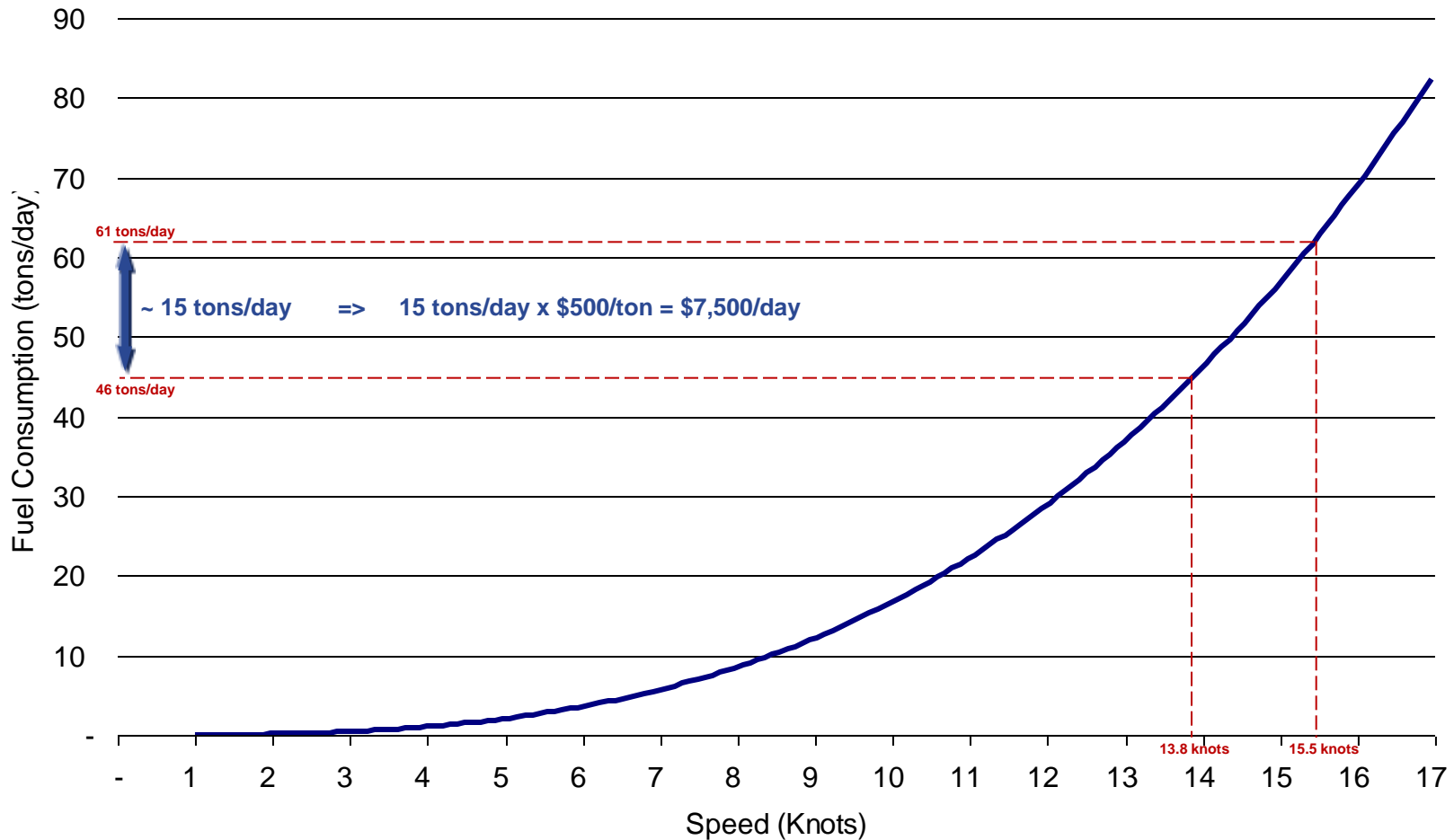
\* Assumes same delivery rate for the whole year

Source: Clarkson



# High Bunker Prices Squeeze Supply

## Speed – Consumption Curve for a modern 178k Capesize vessel



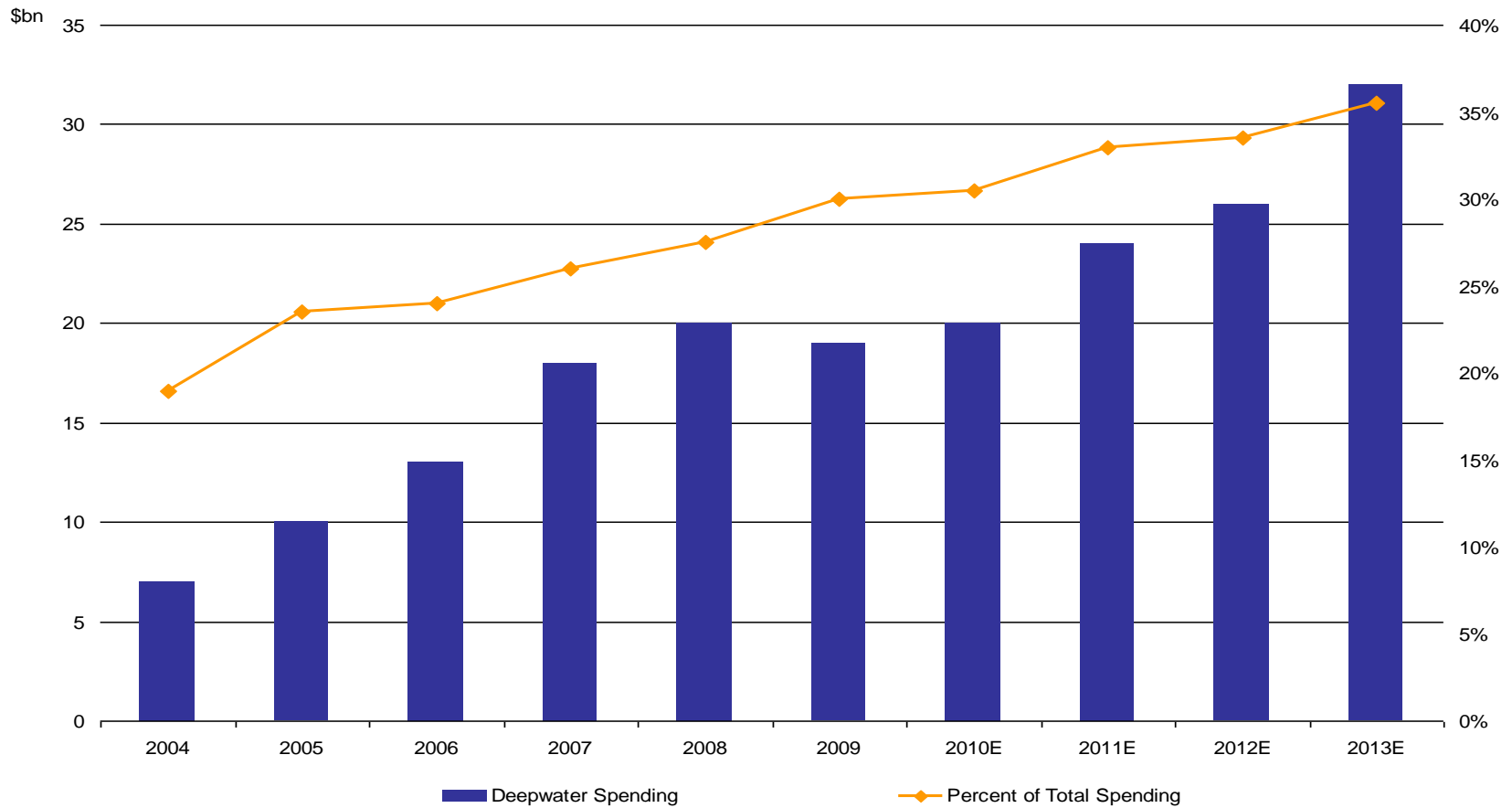
# Summary of Ultra Deep Water Fixtures

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	440'	2 years	Oct-10
Mar-10	Diamond	Ocean Valour	6GSS	Petrobras	450'	3 years	Jun-10
Mar-10	Pacific Drilling	Santa Ana	6GDS	Chevron	450'	3-5 years	Oct-11
Apr-10	Seadrill	West Phoenix	6GSS	Total	445'	3 years	Jan-12
May-10	Transocean	Discoverer Enterprise	5GDS	BP	435'	18 months	Feb-11
May-10	Transocean	Deepwater Frontier	5GDS	Exxon	475'	2 years	Jul-11





# Deepwater Spending Accelerating



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

Source: Douglas-Westwood





# Recent News – E&P spending....

## BP taps deep water to grow

*“BP’s \$7 billion deal with Devon Energy Corp should help dispel some of the misgivings that have weighted on the British oil major’s stock in recent years – particularly doubts about its ability to keep pumping more and more oil.*

*The deal gives BP a foothold in the deep waters off the shores of Brazil, one of the world’s most prospective oil regions, and one that could turn into a major source of growth for the company in the coming years.”*

Source: The Wall Street Journal (11/03/2010)

## Petrobras spending

*“Petrobras CEO said Petrobras’ current spending plans call for more than \$150 billion through 2013 to assess and develop offshore Brazil deepwater fields and prospects and help build five refineries.*

*He said Petrobras aims to double its output in a dozen years and the company’s capital spending through 2014 will likely surpass the current 2009-2013 plan to spend nearly \$32 billion a year.”*

Source: Reuters (08/03/2010)

*“Petrobras plans to drill at least 15 wells at the Tupi field by the end of 2010, the company’s exploration and production director”*

Source: Dow Jones Newswires (12/04/2010)

## Upside for oil-services players

*“A DnB survey of oil companies shows a 9% rise in exploration and production in 2010.*

*Total E&P spending among the oil companies last year was \$389 billion, which was \$11 billion more than estimates, but this is now expected to reach \$424 billion for 2010, putting the amount in line with 2008.”*

Source: Tradewinds.no (05/02/2010)

## ONGC bumps up exploration spend

*“India’s Oil and Natural Gas Corporation plans to invest \$5.8 billion in the 2010/2011 financial year in exploration activities, a rise of 7.3% from the current year.”*

Source: News wires (09/03/2010)

## Exxon Mobil announces 2010 CAPEX plans

*“The oil giant said it will spend about \$27 billion in 2010 on capital projects, \$1 billion more than it spent in 2009.”*

Source: Forbes (11/03/2010)



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# Summary Financials

	<u>Three months ended March 31,</u>	
	<u>2009</u>	<u>2010</u>
<i>(USD in millions, except number of vessels and rigs)</i>		
Average number of dry bulk vessels	37.7	37.6
Average number of drilling rigs	2.0	2.0
Total revenue	\$193.6	\$194.2
Adjusted EBITDA <sup>(a)</sup>	\$114.6	\$105.8
Net interest expense	\$26.6	\$24.5
	<u>December 31, 2009</u>	<u>March 31, 2010</u>
Total cash	\$1,044.0	\$791.6
Total debt	\$2,684.7	\$2,618.9
Net debt	\$1,640.7	\$1,827.3
Shareholders' equity	\$2,804.6	\$2,821.2
Total capitalization	\$5,489.3	\$5,440.1
Credit statistics		
Adj. EBITDA / Net interest expense	4.3	4.3
Debt to capitalization	49%	48%
Net debt to capitalization	30%	34%

(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



# CAPEX & DEBT

## Yard Commitments

(USD thousands)

	<u>FY2010*</u>	<u>FY2011</u>	<u>FY2012</u>	<u>Total</u>
<b><u>Drillships:</u></b>				
Hull 1865	104,041	302,660	-	406,701
Hull 1866	104,041	302,305	-	406,346
Hull 1837	332,058	-	-	332,058
Hull 1838	153,159	283,827	-	436,986
<b>Total</b>	<b>693,299</b>	<b>888,792</b>	<b>-</b>	<b>1,582,091</b>
<b><u>Drybulk Vessels:</u></b>				
Panamax 1	6,610	23,135	-	29,745
Panamax 2	3,305	9,915	16,525	29,745
	<b>9,915</b>	<b>33,050</b>	<b>16,525</b>	<b>59,490</b>

## Proforma Debt Repayment Schedule

(USD thousands)

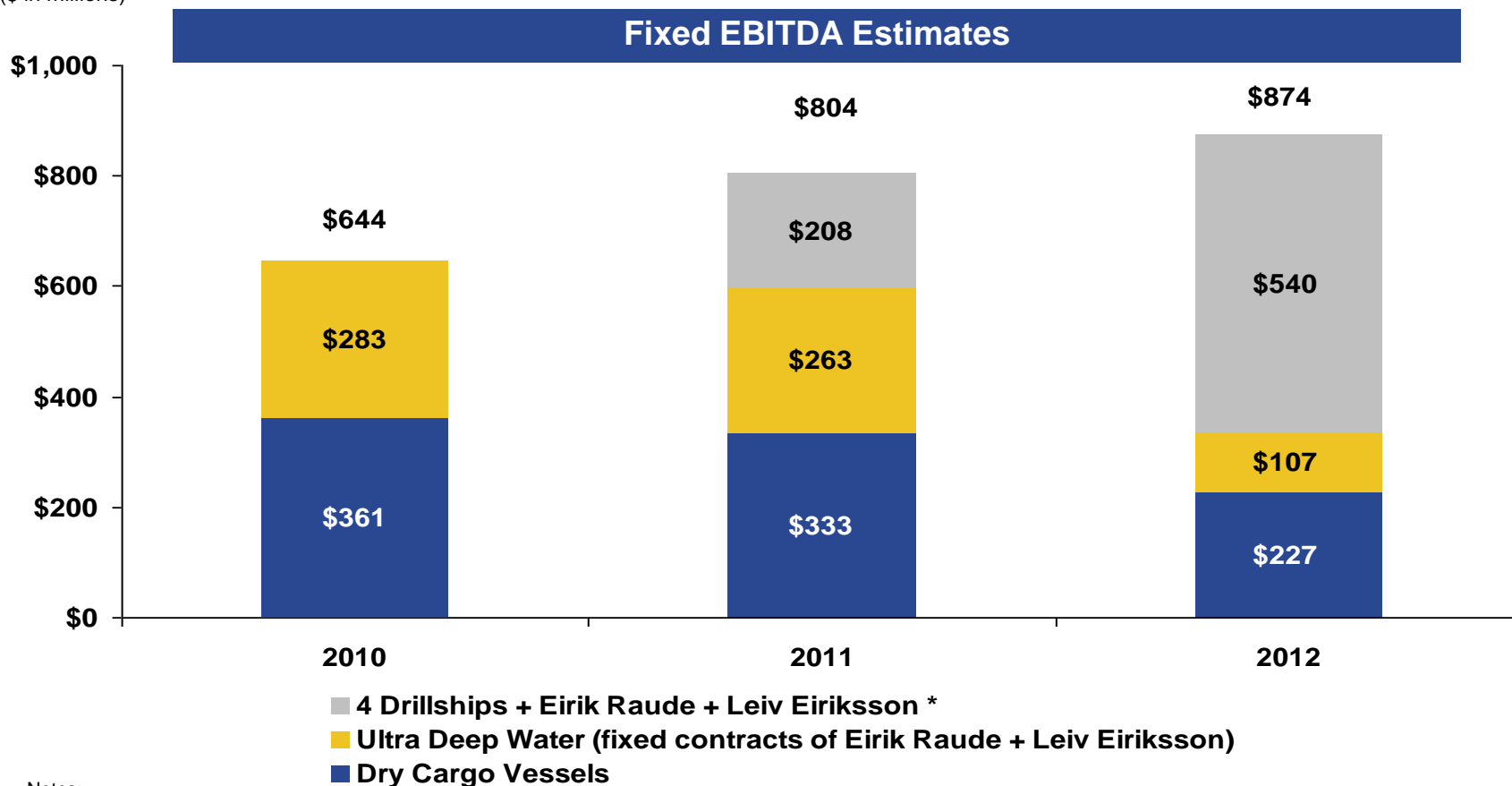
	<u>Long-term Debt</u>		
	<u>Drybulk Segment</u>	<u>Drilling Rig Segment</u>	<u>Total</u>
FY 2010*	119,964	222,192	342,156
FY 2011	132,151	263,417	395,568
FY 2012	130,211	90,924	221,135

\* Represent remaining amounts for the period 01/04/10 – 31/12/10



# Strong Fixed Cashflow - Upside from Drillships & Spot Drybulk

(\$ 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 (i.e., 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)



# Strategy

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Secure employment  
and financing for  
drillships

Acquire distressed  
assets



DryShips Inc.

Prepare Ocean  
Rig for IPO when  
valuation is right

Leverage the  
commodity rebound

Provide investors with  
long-term fixed rate  
charter coverage with  
upside from drillships





# APPENDIX



## Appendix 1 – Condensed Consolidated Income Statements (unaudited)

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

	Three Months Ended March 31,	
	2009 <u>(as restated)</u>	2010 <u></u>
<b>REVENUES:</b>		
Voyage revenues	\$ 97,602	\$ 113,903
Revenues from drilling contracts	<u>96,038</u>	<u>80,256</u>
	193,640	194,159
<b>EXPENSES:</b>		
Voyage expenses	8,746	7,026
Vessel operating expenses	18,205	19,259
Drilling rigs operating expenses	32,283	29,100
Depreciation and amortization	48,417	47,158
Gain on sale of vessels	(2,438)	(10,684)
Loss on contract cancellations, net	166,652	-
General and administrative expenses	<u>21,491</u>	<u>27,187</u>
<b>Operating income / (loss)</b>	(99,716)	75,113
<b>OTHER INCOME/(EXPENSE):</b>		
Interest and finance costs, net of interest income	(26,557)	(24,461)
Gain/(loss) on interest rate swaps	8,718	(34,638)
Other, net	1,539	(5,728)
Income taxes	<u>(2,901)</u>	<u>(4,577)</u>
<b>Total other expenses, net</b>	<u>(19,201)</u>	<u>(69,404)</u>
<b>Net income / (loss)</b>	\$ <u>(118,917)</u>	\$ <u>5,709</u>
Earnings/(loss) per common share, basic and diluted	\$ (1.09)	\$ 0.01
Weighted average number of shares, basic and diluted	109,085,118	254,823,623





## Appendix 2 – Condensed Consolidated Balance Sheets (unaudited)

(Expressed in Thousands of U.S. Dollars)

	December 31, 2009	March 31, 2010
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 693,169	\$ 362,637
Restricted cash	350,833	428,955
Trade accounts receivable, net	66,681	46,043
Other current assets	69,967	80,703
<b>Total current assets</b>	<b>1,180,650</b>	<b>918,338</b>
<b>FIXED ASSETS, NET:</b>		
Advances for assets under construction and acquisitions	1,174,693	1,512,667
Vessels, net	2,058,329	1,998,133
Drilling rigs, machinery and equipment, net	1,329,641	1,312,698
<b>Total fixed assets, net</b>	<b>4,562,663</b>	<b>4,823,498</b>
<b>OTHER NON CURRENT ASSETS:</b>		
Other non-current assets	55,775	57,522
<b>Total non current assets</b>	<b>55,775</b>	<b>57,522</b>
<b>Total assets</b>	<b>5,799,088</b>	<b>5,799,358</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt	1,698,692	1,660,886
Other current liabilities	197,331	230,342
<b>Total current liabilities</b>	<b>1,896,023</b>	<b>1,891,228</b>
<b>NON CURRENT LIABILITIES</b>		
Long-term debt, net of current portion	985,992	958,052
Other non-current liabilities	112,438	128,885
<b>Total non current liabilities</b>	<b>1,098,430</b>	<b>1,086,937</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
	-	-
<b>STOCKHOLDERS' EQUITY:</b>		
Total stockholders' equity	2,804,635	2,821,193
<b>Total liabilities and stockholders equity</b>	<b>\$ 5,799,088</b>	<b>\$ 5,799,358</b>



## Appendix 3 – Summary Operating Data

*(Dollars in thousands, except average daily results)*

	Three Months Ended March 31,	
	2009	2010
Average number of vessels <sup>(1)</sup>	37.7	37.6
Total voyage days for vessels <sup>(2)</sup>	3,277	3,314
Total calendar days for vessels <sup>(3)</sup>	3,391	3,384
Fleet utilization <sup>(4)</sup>	97%	98%
Time charter equivalent <sup>(5)</sup>	27,115	32,250
Vessel operating expenses (daily) <sup>(6)</sup>	5,369	5,691

- (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
<b><u>Fixed rate employment</u></b>						
<b>Capesize:</b>						
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
<b>Panamax:</b>						
Avoca	2004	76,500	Panamax	\$45,500	Sep-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
<b>Supramax:</b>						
Pachino	2002	51,201	Supramax	\$20,250	Sep-10	Feb-11
Paros I	2003	51,201	Supramax	\$27,135	Oct-11	May-12
<b><u>Newbuildings</u></b>						
Panamax 1	2011	76,000	Panamax			
Panamax 2	2012	76,000	Panamax			

Notes:

- Fleet List as of May 10<sup>th</sup>, 2010
- \* Based on a synthetic time charter

