

# DryShips Inc.

2<sup>nd</sup> Quarter Ended June 30, 2011  
Earnings Presentation



NASDAQ: "DRYS"

August 31, 2011

# 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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**Recent Highlights**

Industry Overview

Conclusion

Q&A



# Q2 2011 Results

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**Reported Net Loss: \$ 114.1 million or \$ 0.33 per share**

Plus	Impairment losses from the sale of La Jolla, Conquistador, Samsara, Brisbane and Toro, net of gains related to insurance proceeds from total loss of Oliva	\$ 87.0 m
Plus	Losses incurred on our interest rate swaps	\$ 35.9 m
Plus	Incremental costs associated with class survey of Leiv Eiriksson	\$ 8.6 m

**Adjusted Net Income : \$ 17.4 million or \$ 0.04 per share**

**Earnings impacted by actual commencement of operations and particularities regarding revenue recognition at Ocean Rig UDW**



# Impact from New Drilling Operations

- Three out of four drilling units on new contracts, required mobilization before we were in position to earn the full contractual daily operating rate
- Earnings from drilling operations this quarter do not reflect the full earnings capacity of our drilling segment
- Effectively all three drilling units commenced drilling operations in the middle of the quarter

Drilling Unit	Shipyard Delivery Date	Commenced New Contract Operations	Revenue Recognition Days <sup>1</sup>	% of Calendar Days
Leiv Eiriksson	N/A	May 25	45 <sup>2</sup>	49%
OCR Corcovado	January 3	May 20	41	45%
OCR Olympia	March 30	May 12	49	54%

**If all drilling units were operating during the entire quarter, at a 95% utilization rate, we estimate would have resulted in additional operating income of approximately \$35 million<sup>2</sup> or \$0.10 per share**

<sup>1</sup> Revenue recognition days represent the days between the end of the quarter and the date each unit commenced operations

<sup>2</sup> The Leiv Eiriksson also operated under the Petrobras contract through its redelivery date on April 10th

<sup>3</sup> Assuming daily operating expenses of \$150,000 per unit



# Continuing to Deliver on Strategy

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## **Drybulk Segment – Fleet Modernization**

- **Sold the vessels La Jolla, Conquistador, Brisbane, Samsara and Toro for \$90.1 million**
  - La Jolla and Conquistador delivered in July, Samsara delivered in August, while Brisbane and Samsara in September and October, respectively
- **Agreed to acquire 100% of the shares of OceanFreight Inc.**

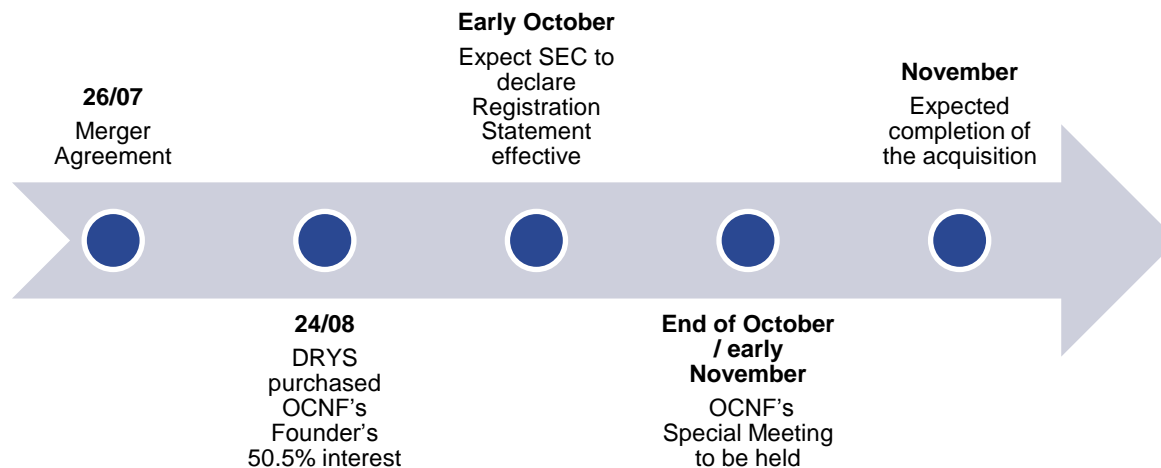
## **Drilling Segment – Deliveries Financed & Listing Underway**

- **Ocean Rig Poseidon delivered on July 28<sup>th</sup>, drew balance of \$495 million credit facility**
- **Ocean Rig Mykonos expected delivery on September 30<sup>th</sup>, drawdown of \$495 million credit facility**
- **Announced a partial spin-off by way of dividend of our interest in Ocean Rig UDW**
- **Exchange Offer registration statement (F-4) declared effective and commenced on August 26<sup>th</sup>**



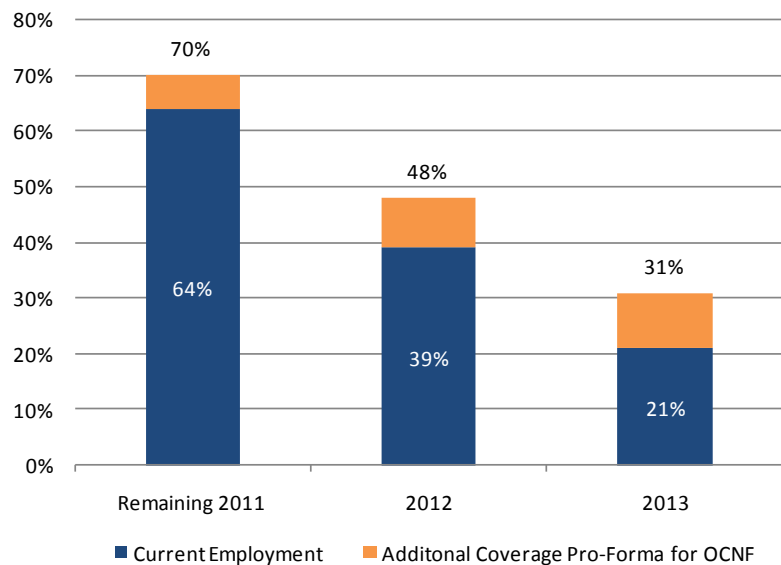
# OceanFreight Acquisition

- **Funded with 50% cash and 50% Ocean Rig shares of common stock**
  - Same consideration paid to all shareholders
  - Minimal use of DryShips' cash resources
  - No additional issuance of shares
  - Consistent with our fleet modernization strategy
  - Creates the largest public owner of capesize drybulk vessels
  - Increases charter coverage through long term contracts

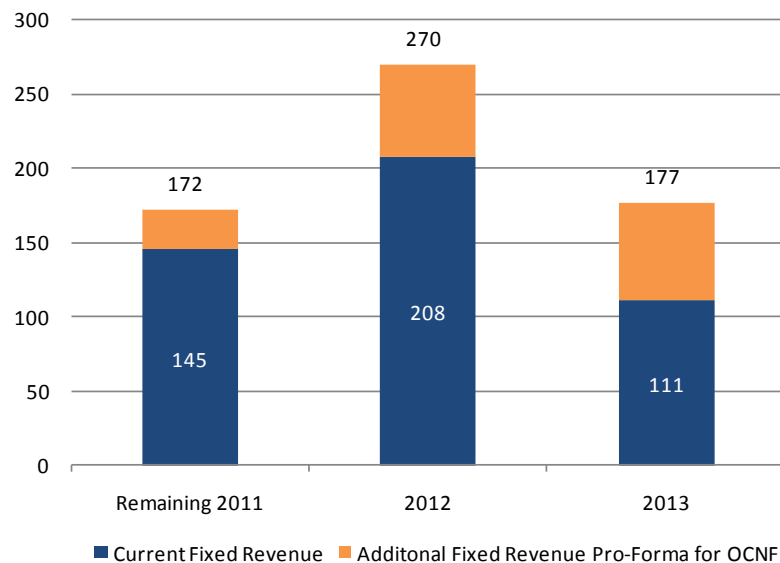


# DryBulk Employment Status

% Charter coverage



Dry Bulk gross fixed revenue (\$m)



- Total revenue\* from time charters for the next 2.5 years is about \$620 million
- OCNF transaction significantly improves charter coverage

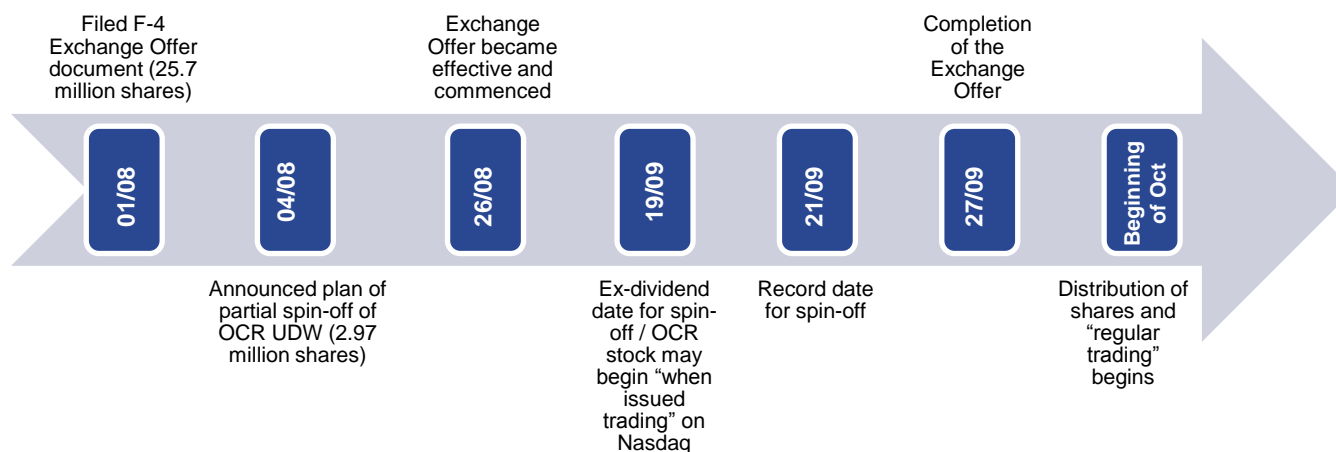
\* Pro-forma to the OceanFreight transaction





# Ocean Rig UDW (ORIG) – Listing as planned

- **Exchange Offer commenced**
  - 28.6 million shares issued in December 2010 private placement
  - Offer to exchange with new common shares open for 30 days
- **Partial spin-off of 3 million shares**
  - Ocean Rig free float of 34.7 million shares, 26.3%\*
  - Ration of ORIG to DRYS shares determined on record date September 21<sup>st</sup>
- **Application to list shares on Nasdaq Global Select Market**
  - Expect “when-issued” trading around mid September
  - Expect “regular-way” trading in October, symbol: “ORIG”

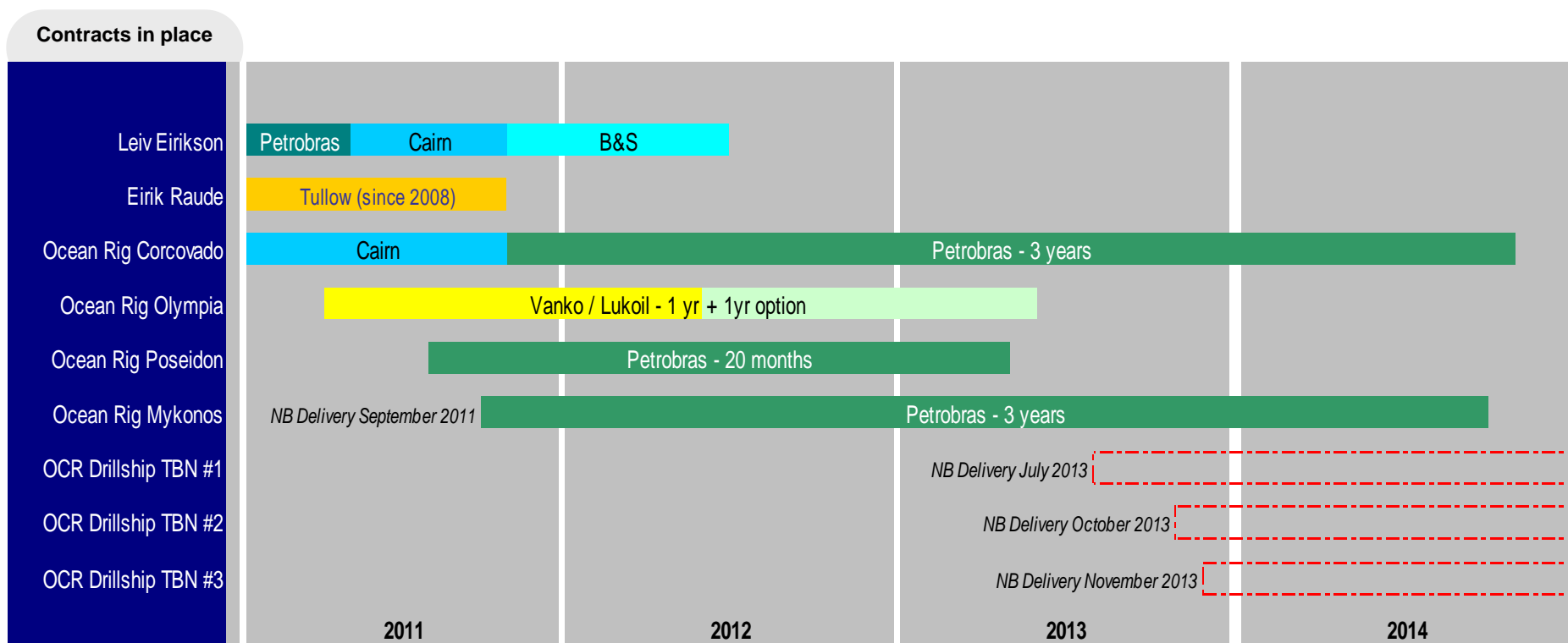


\* Includes OceanFreight transaction



# ORIG Contract Backlog – Solid \$1.9 billion

- Drilling segment working on all 6 cylinders for the first time



# ORIG Contract Backlog – Solid \$1.9 billion

- Three drillships delivered, crewed, mobilized and commenced drilling operations
- Management is actively seeking to extend the successful partnerships with existing clients and forge new relationships

Unit	Year Built	Redelivery	Customer	Operating Area	Maximum dayrate (\$k)	Backlog (\$m)
Leiv Eiriksson	2001	Q4 – 11	Cairn	Greenland	\$ 550	\$ 68
Leiv Eiriksson	2001	Q2 – 12	Borders & Southern	Falklands	\$ 530	\$ 126
Eirik Raude	2002	Q4 – 11	Tullow	Off-shore Ghana	\$ 665	\$ 67
OCR Corcovado	2011	Q4 – 11	Cairn	Greenland	\$ 560	\$ 69
OCR Corcovado	2011	Q4 – 14	Petrobras	Brazil	\$ 460	\$ 534
OCR Olympia	2011	Q2 – 12	Vanco / Lukoil	W. Africa	\$ 415	\$ 127
OCR Poseidon	2011	Q2 – 13	Petrobras	Tanzania	\$ 632	\$ 378
OCR Mykonos	2011	Q4 – 14	Petrobras	Brazil	\$ 455	\$ 528
<b>Total</b>						<b>\$ 1,897</b>

Notes: Backlog as of 30/06/2011

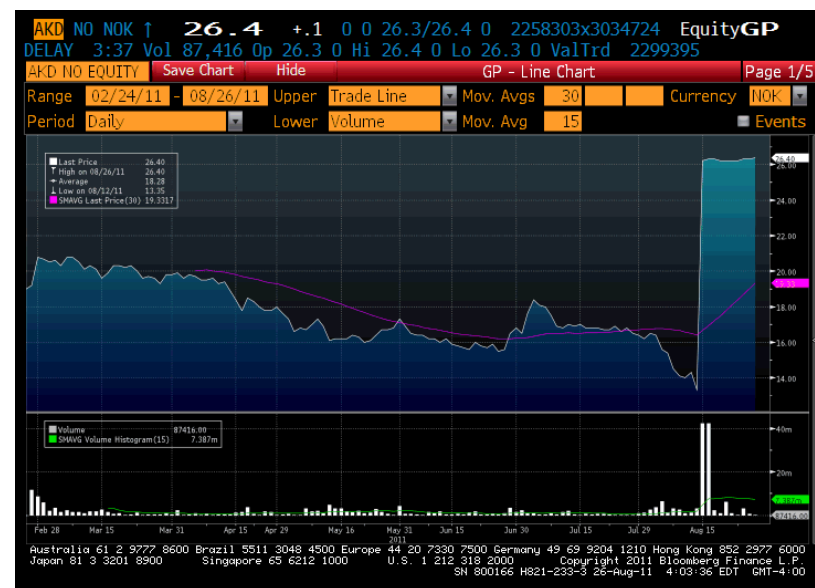
Vanco/Lukoil backlog does not assume extension of 1-yr



# Aker Drilling Acquisition by Transocean

- August 15<sup>th</sup>, Transocean announced an all cash NOK 26.5 offer for 100% of Aker Drilling
- Offer price represents premium of 99% over Aker Drilling's closing price the day prior to the announcement
- According to research analysts<sup>1</sup> the value per “on-the-water” 6<sup>th</sup> generation drilling unit ranges between \$950 - \$1,050 million (\$600 - \$650 million per newbuilding drillship)

Name	Type	Year Built	Employment
Aker Barents	Semi submersible	2009	Employed through July 2014
Aker Spitsbergen	Semi submersible	2010	Employed through July 2013
Aker TBN 1	Drillship	2013E	-
Aker TBN 2	Drillship	2013E	-



<sup>1</sup> Source: Pareto, RS Platou

# Valuation Implications for Ocean Rig UDW

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- Acquisition consideration paid for Aker Drilling reveals significant potential value of Ocean Rig UDW
- We applied the Aker Drilling acquisition metrics to estimate the Ocean Rig UDW value as follows:
  - \$6.0 billion total enterprise value for all six ORIG units, (\$1.9 billion for newbuildings)
  - Implied ORIG equity value estimated approximately at \$4.5 billion<sup>1</sup> or \$33.81 per share<sup>2</sup>
- DryShips' 73.7% stake in ORIG estimated approximately at \$3.3 billion or \$8.22 per share<sup>3</sup>

**DryShips shares trading at a steep discount to drilling segment implied value and with negative value on the drybulk and tanker segments**

<sup>1</sup> Based on 6/30/2011 net debt and remaining capex

<sup>2</sup> Based on 131,696,928 shares

<sup>3</sup> Based on 399,151,783 shares



# Agenda

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Recent Highlights

**Industry Overview**

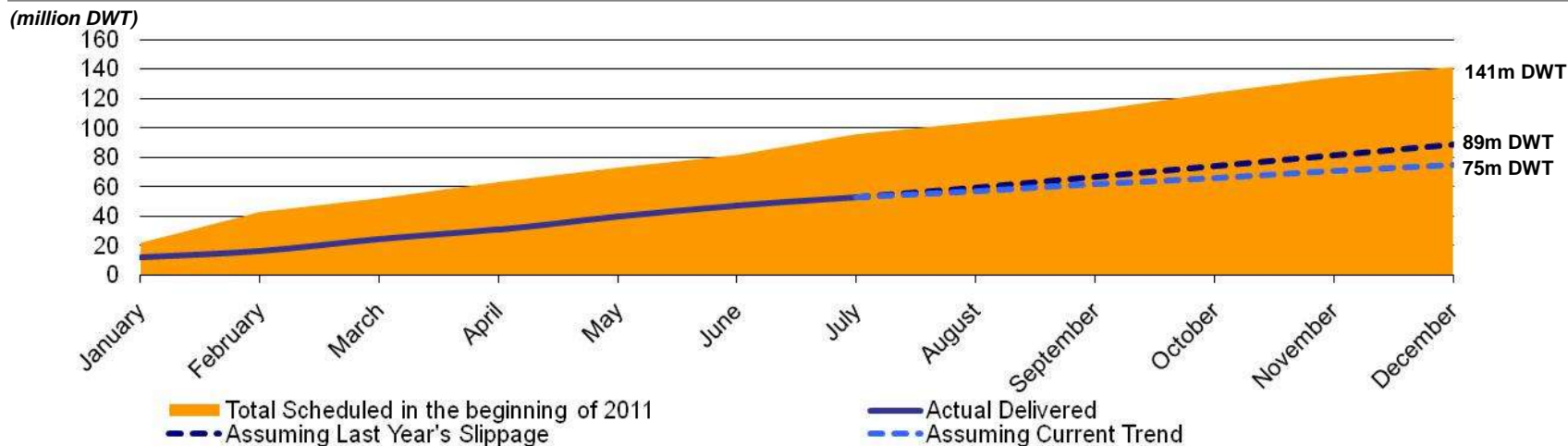
Conclusion

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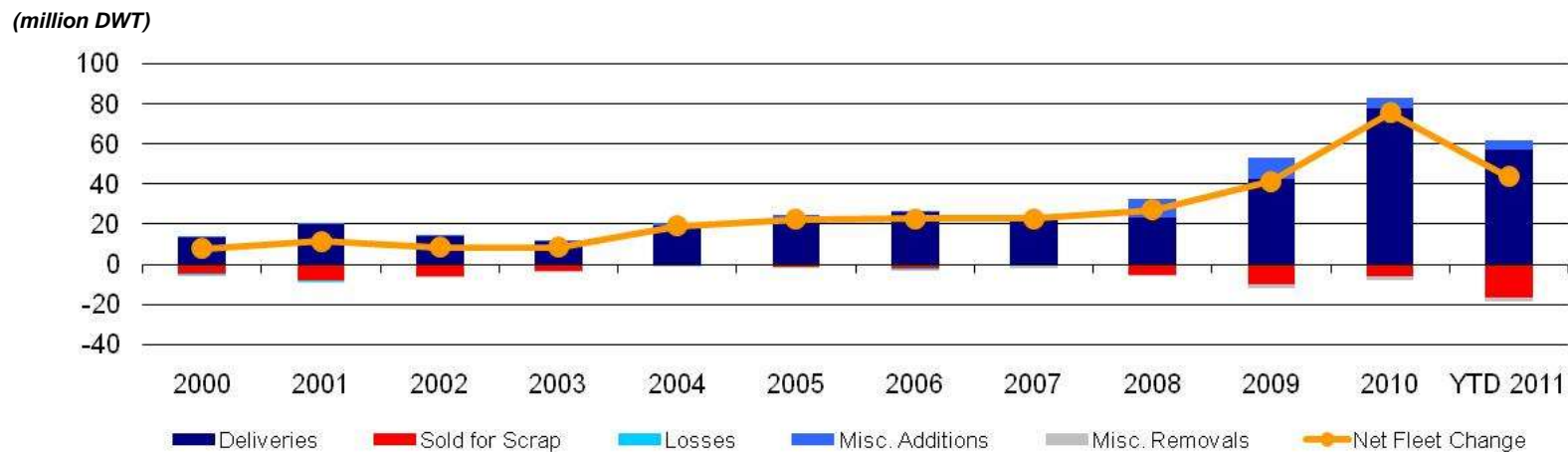


# Drybulk Deliveries – Slippage and scraping

## Actual vs. scheduled deliveries in terms of DWT in 2011



## Annual net fleet change



Source: Clarkson

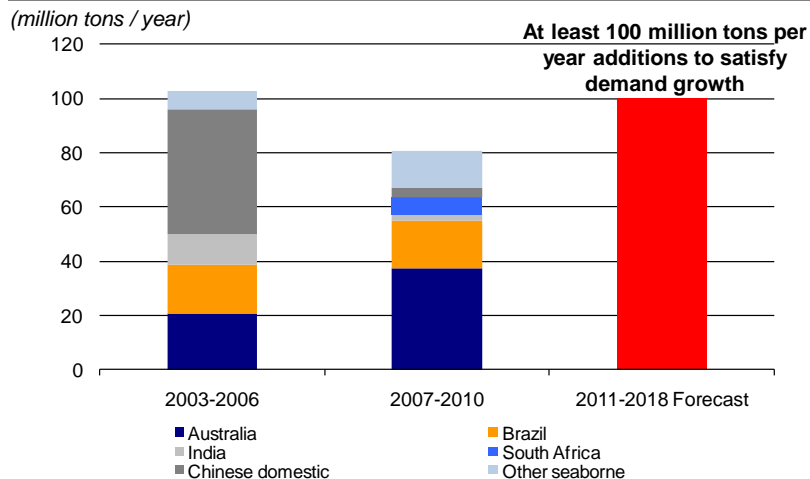


DryShips Inc.

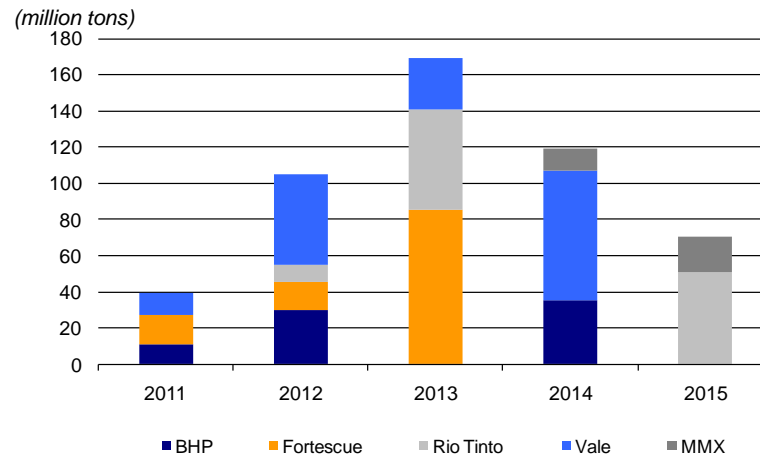


# Drybulk Demand Growth – Solid Fundamentals

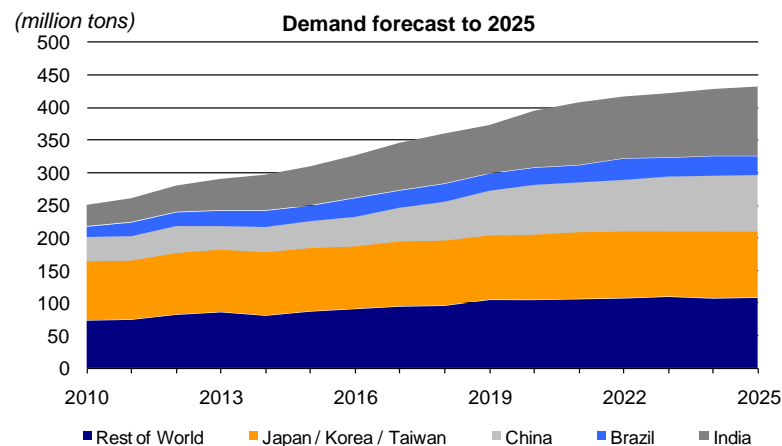
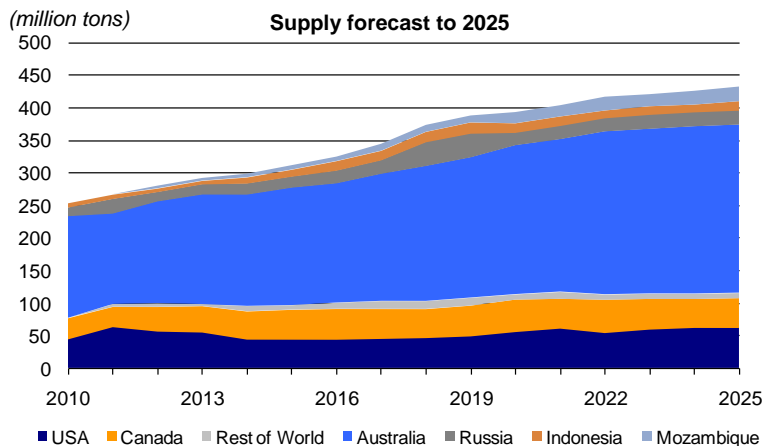
## Global Iron Ore supply/export additions per year



## Iron Ore and Coal production – Expansion plans



## Coking Coal – Supply and Demand



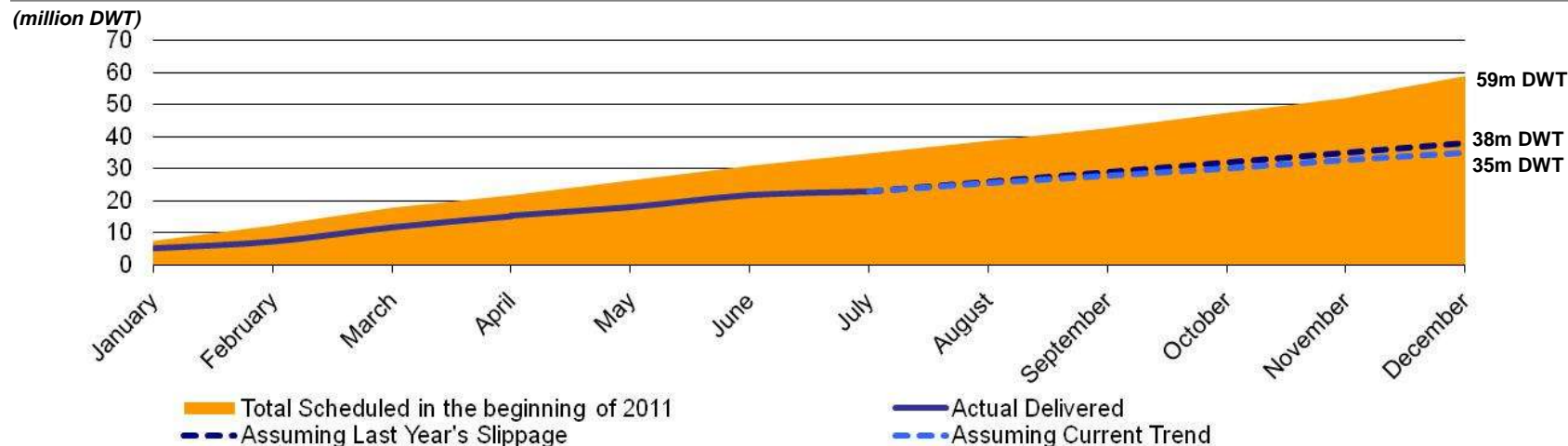
Source: Clarksons, Rio Tinto, Wood Mackenzie



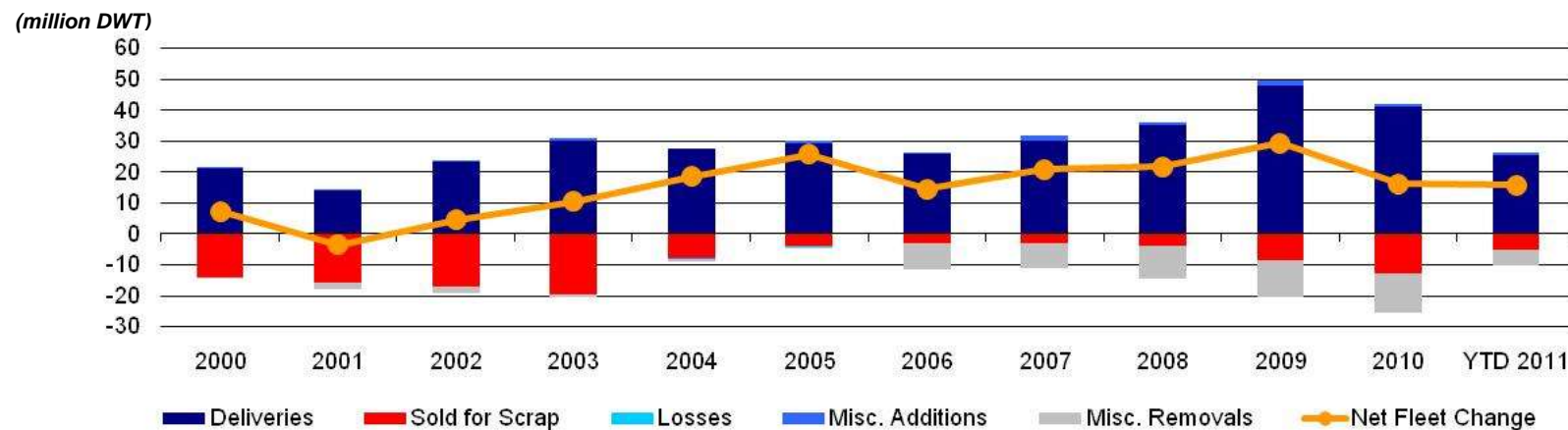


# Tanker Deliveries – Slippage and scraping

## Actual vs. scheduled deliveries in terms of DWT in 2011



## Annual net fleet change



Source: Clarkson



DryShips Inc.

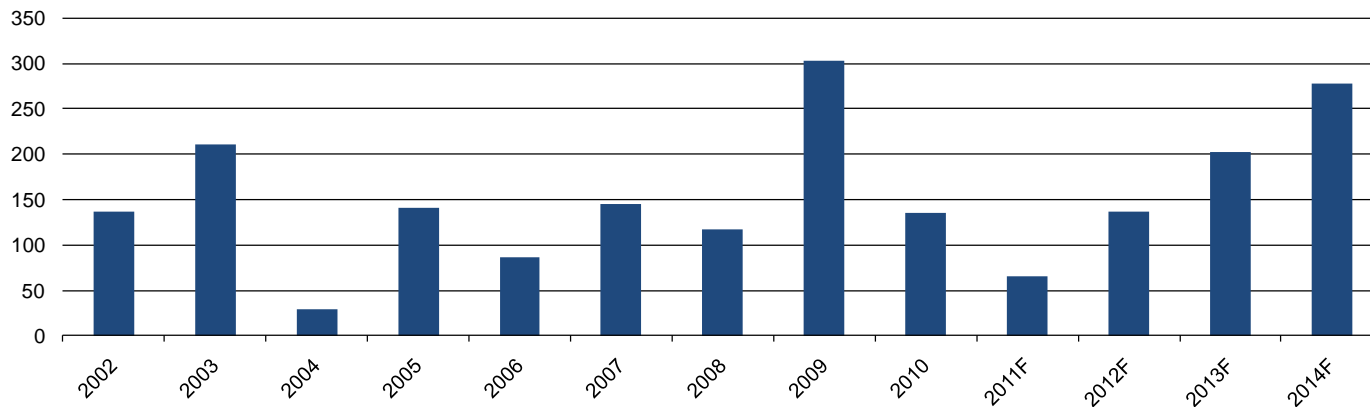


# Oil – Other Factors

## Chinese crude ton-miles

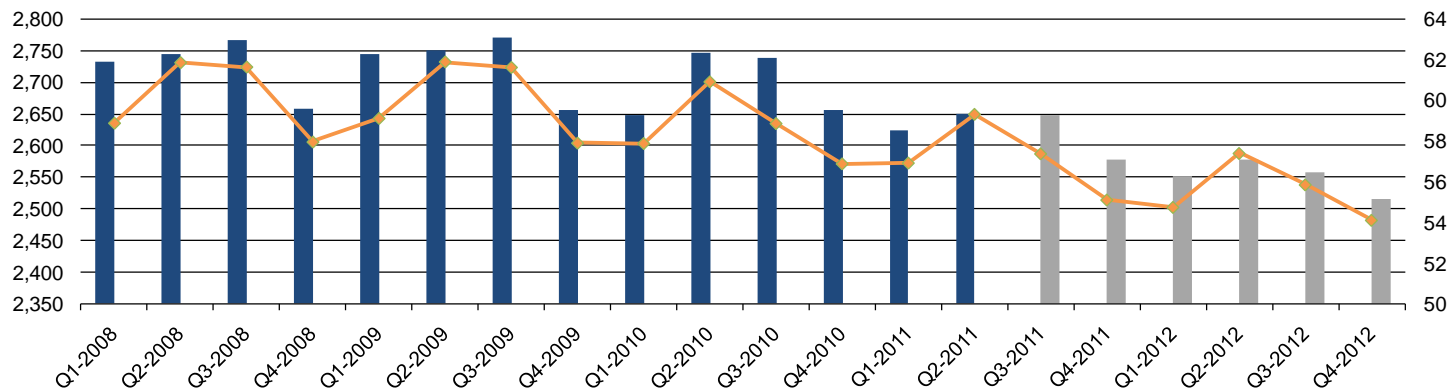
(ton-miles in billions)

Year-on-year change



## OECD inventories – decline expected to accelerate

(mmb)



Source: IEA, EIA, SSY

■ OECD Inventories MMB

■ OECD Inventories projection

— Days Forward Cover

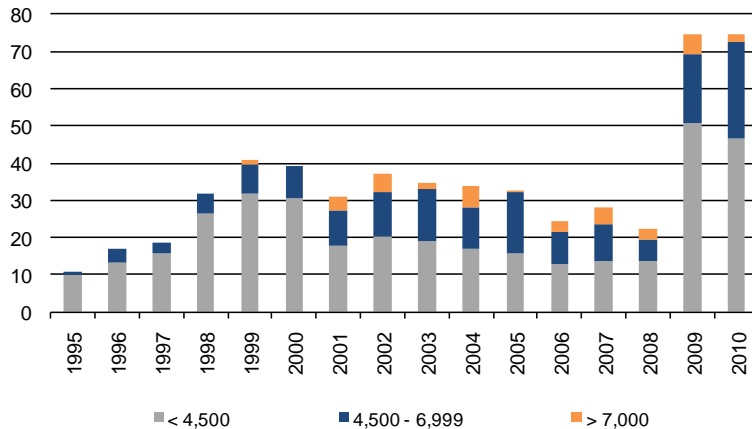


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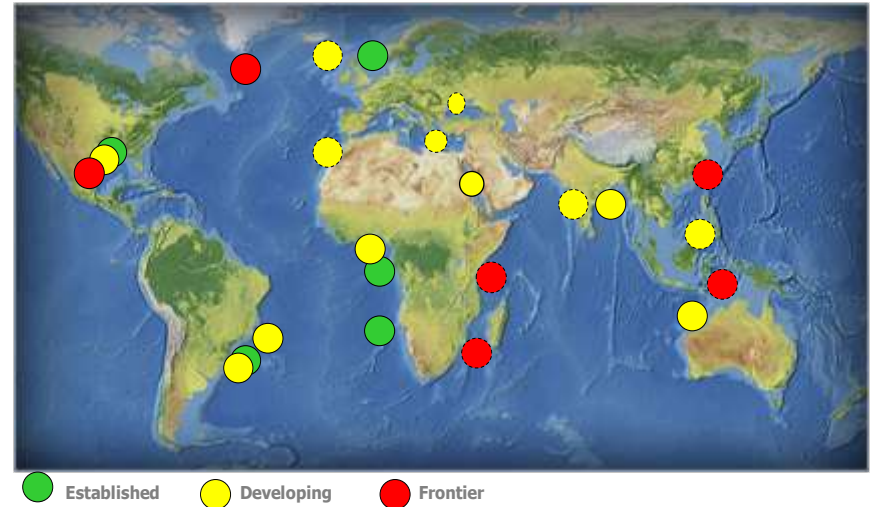
# Ultra-deepwater exploration: a proven growth market

## Discoveries by water depth – Strong deepwater growth



- Deepwater production has doubled in last 5 years
- Deepwater discoveries accounted for ~50% of world discoveries from 2006-2009
- Deepwater discoveries 6x larger in size than new onshore discoveries

## Significant development of deep water wells



- Rising oil prices improve economics for UDW operators
- Depleting reserves make UDW exploration critical
- UDW is still a young segment focused mostly on exploration
- Development in infancy and gathering pace

Source: Pareto Research, HIS CERA, Wood Mackenzie, First Securities

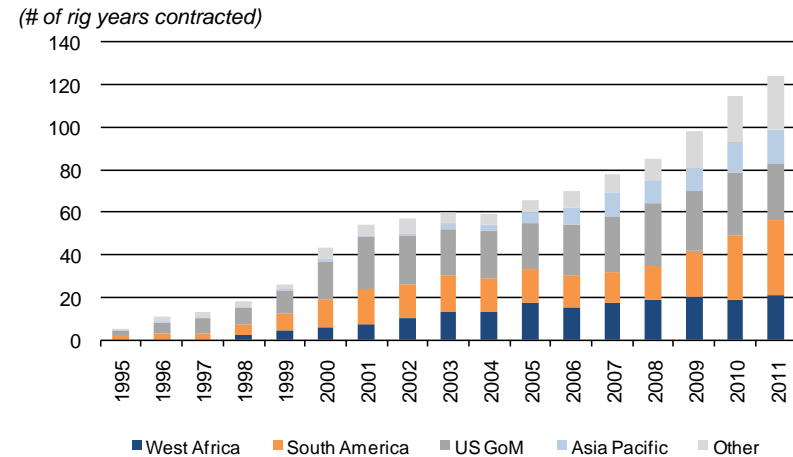


# UDW Drilling – A Rising Market

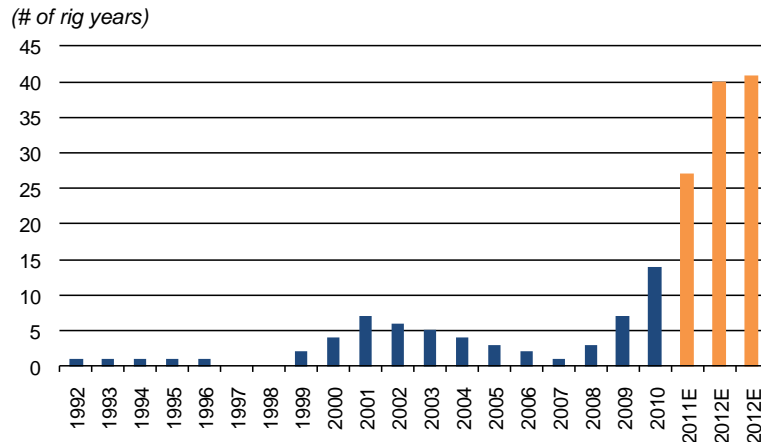
## Market has significantly picked-up

- Management estimate of current market rate: over \$500,000 per day
- Currently more than 15 open enquiries for projects in Brazil, West Africa, North Sea, Mediterranean, Malaysia, etc
- Brazil expected to play a critical role in balancing ultra-deepwater demand and supply
- Latent demand from GoM could be game changer for the UDW market

## World demand (> 5,000 ft) by region

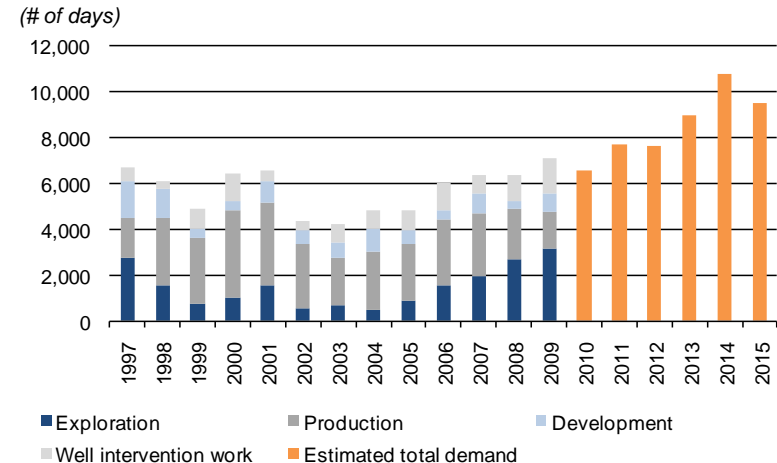


## Brazil rig market (> 7,500 ft)



Source: Pareto, First Securities

## Norway floater rig demand



# Agenda

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# Conclusion

**DryShips continues to execute its business plan**

- **Drybulk segment defensively positioned**
  - **Modern fleet – average age 5.5 years**
  - **Charter coverage – 50% in 2012**
- **Tanker segment**
  - **Debt financing underway**
- **Drilling segment working on all 6 cylinders**
  - **Major 2012 contribution to DryShips earnings**
  - **Listing of OCR UDW – trading liquidity**
  - **Aker drilling transaction – implied equity value for OCR at \$34 per share**
  - **No CAPEX until mid-2013**

**Significant upside potential**



# APPENDIX



# Fleet Profile

	Year Built	DWT	Type	Gross rate Per day	Redelivery Earliest	Latest		Year Built	DWT	Type	Gross rate Per day	
<b>Dry fleet</b>							<b>Newbuildings</b>					
							Panamax 1	2011	76,000	Panamax		
							Panamax 2	2012	76,000	Panamax		
							Capesize 1	2012	176,000	Capesize		
							Capesize 2	2012	176,000	Capesize		
<b>Capesize:</b>							<b>Tanker fleet</b>					
Alameda	2001	170,662	Capesize	\$27,500	Nov-15	Jan-16	Vilamoura	2011	158,300	Suezmax	Blue Fin Pool	
Brisbane	1995	151,066	Capesize	\$25,000	Sep-11	Sep-11	Saga	2011	115,200	Aframax	Sigma Pool	
Capri	2001	172,579	Capesize	Spot			Daytona	2011	115,200	Aframax	Sigma Pool	
Flecha	2004	170,012	Capesize	\$55,000	Jul-18	Nov-18						
Manasota	2004	171,061	Capesize	\$30,000	Jan-18	Aug-18						
Mystic	2008	170,040	Capesize	\$52,310	Aug-18	Dec-18						
<b>Panamax:</b>							<b>Newbuildings</b>					
Amalfi	2009	75,206	Panamax	\$39,750	Aug-13	Oct-13	Alicante	2012	115,200	Aframax		
Avoca	2004	76,629	Panamax	\$45,500	Sep-13	Dec-13	Belmar	2011	115,200	Aframax		
Bargara	2002	74,832	Panamax	\$43,750	May-12	Jul-12	Calida	2011	115,200	Aframax		
Capitola	2001	74,816	Panamax	Spot			Mareta	2012	115,200	Aframax		
Catalina	2005	74,432	Panamax	\$40,000	Jun-13	Aug-13	Blanca	2013	158,300	Suezmax		
Coronado	2000	75,706	Panamax	\$18,250	Sep-11	Nov-11	Bordeira	2013	158,300	Suezmax		
Ecola	2001	73,931	Panamax	\$43,500	Jun-12	Aug-12	Esperona	2013	158,300	Suezmax		
Levanto	2001	73,925	Panamax	\$16,800	Sep-11	Nov-11	Lipari	2012	158,300	Suezmax		
Ligari	2004	75,583	Panamax	\$55,500	Jun-12	Aug-12	Petalidi	2012	158,300	Suezmax		
Maganari	2001	75,941	Panamax	\$14,500	Sept-11	Sep-11						
Majorca	2005	74,477	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						
Oregon	2002	74,204	Panamax	\$16,350	Aug-11	Oct-11						
Padre	2004	73,601	Panamax	\$46,500	Sep-12	Dec-12	<b>Existing Drilling Rigs</b>					
Positano	2000	73,288	Panamax	\$42,500	Sep-13	Dec-13	<i>Leiv Eiriksson</i>	2001 / 5th		Q2 2011 – Q4 2011	\$68	
Rapallo	2009	75,123	Panamax	\$15,400	Aug-11	Oct-11	<i>Eirik Raude</i>	2002 / 5th		Q4 2008 – Q4 2011	\$67	
Redondo	2000	74,716	Panamax	\$34,500	Apr-13	Jun-13						
Saldanha	2004	75,707	Panamax	\$52,500	Jun-12	Sep-12	<b>Existing Drillships</b>					
Samatan	2001	74,823	Panamax	Spot			<i>Ocean Rig Corcovado</i>	2011 / 6th		Q1 2011 – Q4 2011	\$69	
Sonoma	2001	74,786	Panamax	\$19,300	Sept-11	Nov-11	<i>Ocean Rig Olympia</i>	2011 / 6th		Q4 2011 – Q4 2014	\$534	
Sorrento	2004	76,633	Panamax	\$17,300	Sep-11	Dec-11	<i>Ocean Rig Poseidon</i>	Q3 2011 / 6th		Q2 2011 – Q2 2012	\$127	
Toro	1995	73,035	Panamax	Spot			<b>Newbuilding Drillships</b>			Q3 2011 – Q2 2013	\$378	
							<i>Ocean Rig Mykonos</i>	Q3 2011 / 6th		Q4 2011 – Q4 2014	\$528	
							<i>OCR Drillship TBN #1</i>	Q3 2013 / 7th				
							<i>OCR Drillship TBN #2</i>	Q4 2013 / 7th				
							<i>OCR Drillship TBN #3</i>	Q4 2013 / 7th				
<b>Supramax:</b>												
Galveston	2002	51,201	Supramax	Spot								
Byron	2003	51,201	Supramax	Spot								
										Total		\$1,897

\* Fleet List as of August 30, 2011

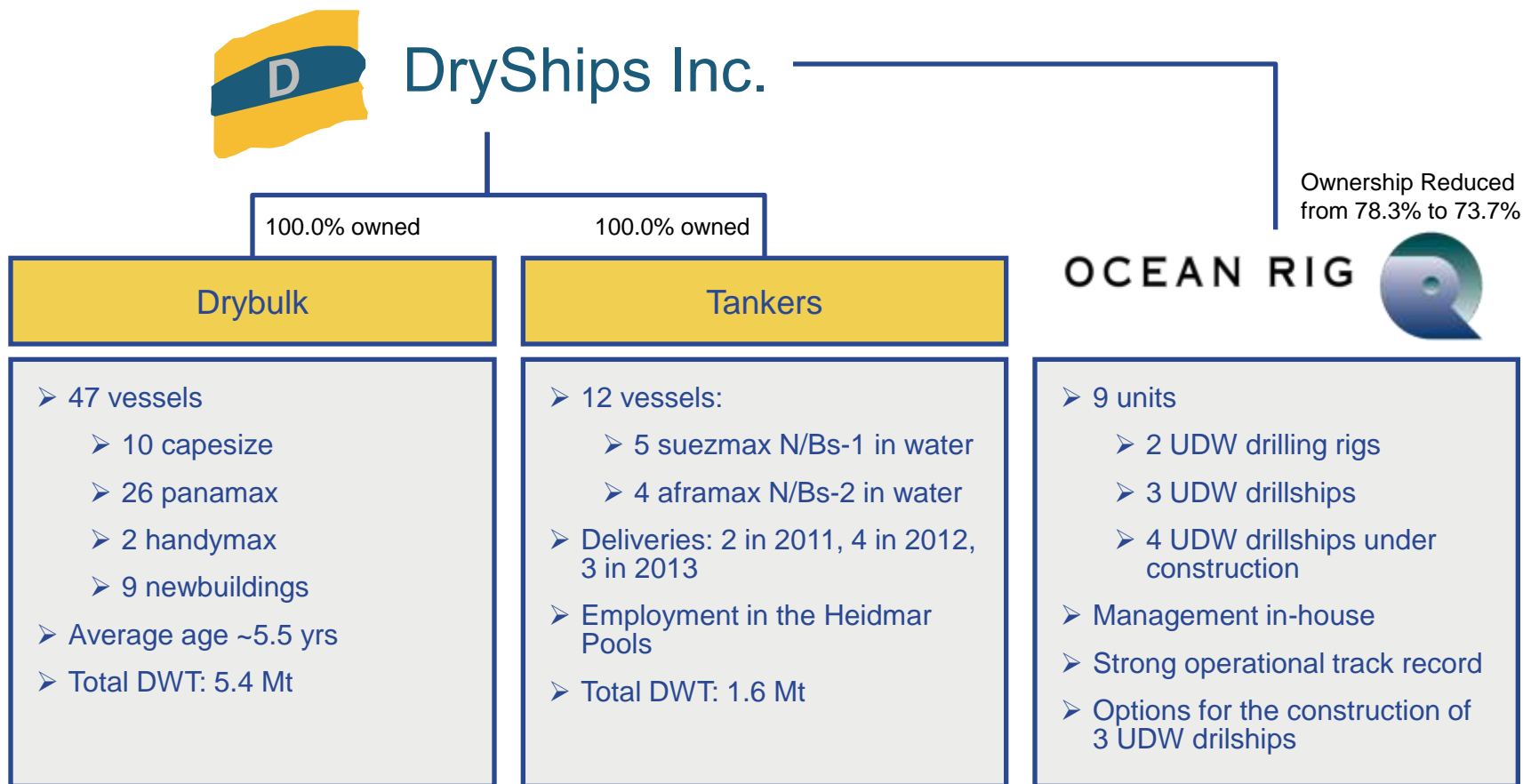


DryShips Inc.





# Pro Forma\* DryShips – Young Fleet Positioned for Upturn



\* Pro-forma to the OceanFreight transaction and partial spin off of Ocean Rig UDW



## Unaudited Condensed Consolidated Statements of Operations

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2011	2010	2011
	(as restated)		(as restated)	
<b>REVENUES:</b>				
Voyage revenues	\$ 115,266	\$ 97,389	\$ 229,169	\$ 195,476
Revenues from drilling contracts	108,972	126,629	189,228	235,955
	<u>224,238</u>	<u>224,018</u>	<u>418,397</u>	<u>431,431</u>
<b>EXPENSES:</b>				
Voyage expenses	6,510	5,546	13,537	12,062
Vessel operating expenses	16,327	22,622	35,586	43,706
Drilling rigs operating expenses	30,408	62,288	59,508	104,137
Depreciation and amortization	48,324	65,106	95,482	121,021
Vessel impairments and other, net	430	87,747	(10,254)	87,745
General and administrative expenses	16,823	26,720	44,011	52,397
	<u>105,416</u>	<u>(46,011)</u>	<u>180,527</u>	<u>10,363</u>
<b>Operating income / (loss)</b>				
<b>OTHER INCOME / (EXPENSES):</b>				
Interest and finance costs, net of interest income	(13,318)	(33,293)	(30,213)	(48,902)
Loss on interest rate swaps	(63,790)	(35,920)	(98,427)	(39,775)
Other, net	(1,481)	1,223	(7,209)	2,279
Income taxes	(7,361)	(3,817)	(11,938)	(9,778)
<b>Total other expenses</b>	<u>(85,950)</u>	<u>(71,807)</u>	<u>(147,787)</u>	<u>(96,176)</u>
<b>Net income / (loss)</b>	19,466	(117,818)	32,740	(85,813)
Net income/ (loss) attributable to Non controlling interests	-	3,729	-	(2,511)
<b>Net income / (loss) attributable to Dryships Inc.</b>	<u>\$ 19,466</u>	<u>\$ (114,089)</u>	<u>\$ 32,740</u>	<u>\$ (88,324)</u>
Earnings/(loss) per common share, basic and diluted	\$ 0.07	\$ (0.33)	\$ 0.10	\$ (0.27)
Weighted average number of shares, basic and diluted	255,199,773	351,297,180	255,012,737	344,259,487



# Unaudited Condensed Consolidated Balance Sheets

(Expressed in Thousands of U.S. Dollars)

	December 31, 2010	June 30, 2011
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 391,530	\$ 367,674
Restricted cash	578,311	112,504
Trade accounts receivable, net	25,204	84,897
Other current assets	70,065	146,610
<b>Total current assets</b>	<b>1,065,110</b>	<b>711,685</b>
<b>FIXED ASSETS, NET:</b>		
Advances for assets under construction and acquisitions	2,072,699	1,889,230
Vessels, net	1,917,966	1,863,092
Drilling rigs, machinery and equipment, net	1,249,333	2,969,074
<b>Total fixed assets, net</b>	<b>5,239,998</b>	<b>6,721,396</b>
<b>OTHER NON CURRENT ASSETS:</b>		
Restricted cash	195,517	328,209
Other non-current assets	483,869	106,186
<b>Total non current assets</b>	<b>679,386</b>	<b>434,395</b>
<b>Total assets</b>	<b>6,984,494</b>	<b>7,867,476</b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt	731,232	429,957
Other current liabilities	204,203	297,946
<b>Total current liabilities</b>	<b>935,435</b>	<b>727,903</b>
<b>NON CURRENT LIABILITIES</b>		
Long-term debt, net of current portion	1,988,460	3,158,115
Other non-current liabilities	161,070	145,281
<b>Total non current liabilities</b>	<b>2,149,530</b>	<b>3,303,396</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
	-	-
<b>STOCKHOLDERS' EQUITY:</b>		
Total Dryships Inc. stockholders' equity	3,363,253	3,295,891
Non controlling interests	536,276	540,286
<b>Total equity</b>	<b>3,899,529</b>	<b>3,836,177</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 6,984,494</b>	<b>\$ 7,867,476</b>



## Summary Operating Data

(Dollars in thousands, except average daily results)

<b>Drybulk</b>	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2011	2010	2011
Average number of vessels <sup>(1)</sup>	37.0	35.0	37.3	35.9
Total voyage days for vessels <sup>(2)</sup>	3,330	3,123	6,644	6,342
Total calendar days for vessels <sup>(3)</sup>	3,367	3,188	6,751	6,503
Fleet utilization <sup>(4)</sup>	98.9%	97.9%	98.4%	97.5%
Time charter equivalent <sup>(5)</sup>	\$32,659	\$28,080	\$32,455	\$28,101
Vessel operating expenses (daily) <sup>(6)</sup>	\$4,849	\$6,435	\$5,271	\$6,107

<b>Tanker</b>	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Average number of vessels <sup>(1)</sup>	2.6	1.8
Total voyage days for vessels <sup>(2)</sup>	245	326
Total calendar days for vessels <sup>(3)</sup>	245	326
Fleet utilization <sup>(4)</sup>	100%	100%
Time charter equivalent <sup>(5)</sup>	\$16,935	\$15,945
Vessel operating expenses (daily) <sup>(6)</sup>	\$8,600	\$12,239

(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.

(6) Daily vessel operating expenses, which includes crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs is calculated by dividing vessel operating expenses by fleet calendar days for the relevant time period.

