

DryShips Inc.

3rd Quarter Ended September 30, 2012
Earnings Presentation



NASDAQ: "DRYS"

November 15, 2012

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 not statements of historical facts.

The forward-looking statements in this presentation 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, which have not been independently verified by the Company. 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 charter hire 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 that may affect our actual results are further described in reports filed by DryShips Inc. with the US Securities and Exchange Commission.

Information contained in this presentation (not limited to forward looking statements) speaks only as of the date of such information and the Company expressly disclaims any obligation to update or revise the information herein, except as required by law.



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This presentation is primarily focused on our shipping segment's operations.

For additional information on our drilling segment, please refer to the Ocean Rig UDW Inc. 3rd quarter presentation, available on www.ocean-rig.com



Q3 2012 Results

<i>(in \$ million, except EPS)</i>	Q3 2012	Q3 2012 EPS
GAAP Loss / EPS	(51.3)	(\$0.13)
Plus: 10-year class special survey (Eirik Raude) costs	16.8	\$0.04
Plus: Write-off of certain non-cash items due to early repayment of \$1.04 facility	18.3	\$0.05
Less: Non-cash MtM gains on interest rate swaps	(3.7)	(\$0.01)
Adjusted Net Loss / EPS⁽¹⁾	33.3	\$0.09

<i>(in \$ million, except EPS)</i>	Q3 2011	Q3 2012
Total Revenues	318.0	343.6
Adjusted EBITDA ⁽²⁾	172.9	141.0
Net Cash Provided by Operating Activities	159.6	91.5

(1) The net result is adjusted for the minority interests of 35% not owned by DryShips Inc. common stockholders

(2) Represents net income before interest, taxes, depreciation and amortization and gains or losses on interest rate swaps



Capitalization

<i>(in \$ million)</i>	September 30, 2012
Cash	617.9
Restricted cash	368.9
Secured debt (including secured bond)	3,372.9
Convertible notes & Ocean Rig unsecured notes	1,080.6
Total debt	4,453.5
Total shareholders' equity	4,019.5
Total capitalization	8,473.0
Net Debt	3,466.7
Debt to capitalization	53%
Net Debt to capitalization	41%

Free Cash is actually \$132m because \$486m is ring fenced at Ocean Rig UDW



Drybulk Growth Capex¹: Slow Progress with Chinese Banks

<i>(in \$ thousands)</i>	<u>Expected Delivery</u>	<u>CIP</u>	<u>FY2013</u>	<u>FY2014</u>	<u>Total Capex</u>
VLOC #2	2013	21,810	46,290	-	68,100
VLOC #3	2013	15,000	53,100	-	68,100
VLOC #4	2013	11,880	47,520	-	59,400
VLOC #5	2014	11,880	-	47,520	59,400
Capesize #1	2013	13,542	40,622	-	54,164
Capesize #2	2013	13,541	40,623	-	54,164
Ice Class Panamax #1	2014	2,890	7,310	23,800	34,000
Ice Class Panamax #2	2014	2,890	7,310	23,800	34,000
Ice Class Panamax #3	2014	2,890	7,310	23,800	34,000
Ice Class Panamax #4	2014	2,890	3,910	27,200	34,000
Total		99,213	253,995	146,120	499,328

} Loan agreement with China Development Bank (CDB)

* Despite certain delivery extensions total capital expenditures pose a significant cash burden

¹ Remaining Capex as of 9/30/2012



Tanker Capex¹: Better Korean Picture, but still 2 Unfunded Suezmaxes

<i>(in \$ thousands)</i>	<u>Expected Delivery</u>	<u>CIP</u>	<u>Remaining 2012</u>	<u>FY2013</u>	<u>Total Capex</u>
Alicante	2013	18,850	39,900	-	58,750
Mareta	2013	18,850	39,900	-	58,750
Bordeira	2013	18,750	3,400	47,600	69,750
Esperona	2013	8,550	6,800	54,400	69,750
Blanca	2013	8,550	6,800	54,400	69,750
Total		73,550	96,800	156,400	326,750

Loan agreement with
ABN AMRO, Korea
Development Bank and
KSure

¹ Remaining Capex as of 9/30/2012



Secured Debt Profile

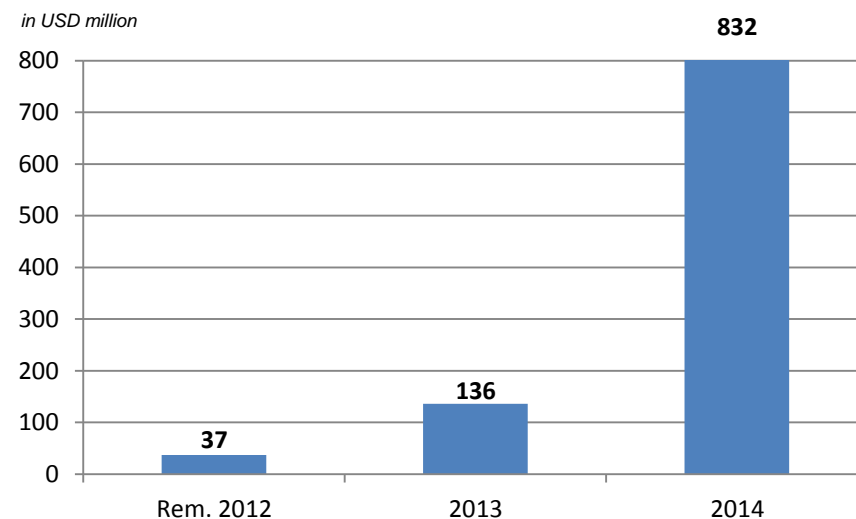
Drybulk Debt Outstanding as of 30/9/2012

Facility	Amortizing	Balloon	Total	Maturity
\$628.8m facility	172.5	112.0	284.5	Q2 2016
\$35m facility	6.5	11.0	17.5	Q4 2016
\$125m facility	22.1	6.9	29.0	Q2 2016
\$90m facility	14.6	43.5	58.1	Q4 2015
\$130m facility	13.4	20.9	34.3	Q1 2015
\$126.4m facility	63.6	2.9	66.5	Q3 2018
\$47m facility	6.5	12.0	18.5	Q4 2015
\$90m facility	21.0	24.0	45.0	Q4 2015
\$103.2m facility	12.0	16.0	28.0	Q3 2016
\$325m facility	87.7	23.5	111.2	Q4 2015
\$87.7m facility	8.6	9.8	18.4	Q1 2020
\$122.6m facility	38.0	0.0	38.0	Q3 2024
Total Drybulk bank debt	466.6	282.4	749.0	

Tankers Debt Outstanding as of 30/9/2012

Facility	Amortizing	Balloon	Total	Maturity
\$70m facility	16.3	46.7	63.0	Q1 2016
\$32.3m facility	10.2	19.4	29.6	Q2 2017
\$141.35m facility	71.3	65.5	136.8	Q2 2019
Total Tankers bank debt	97.9	131.5	229.4	
\$700m Convertible Bond	0.0	700.0	700.0	Q4 2014
Total Debt	564.4	1113.9	1678.4	

Scheduled Debt Repayments



Total Shipping Debt:	\$1.7bn
Est. FMV of assets	\$1.1bn

as of 09/30/12



Very Tight Banking Market

- We continue to perform under all our loan agreements (ie., payment of principal and interest) and have no issues with lenders.
- However we are in technical breach of VMC clauses in certain loan facilities. As of September 30, 2012, the total of such 'VMC shortfalls' amounted to approx. \$96 million.
- We are in discussions with the affected lenders to remedy such breaches by way of waivers, cash prepayments/collateral OR pledging Ocean Rig shares.

(1) As of September 30th, 2012



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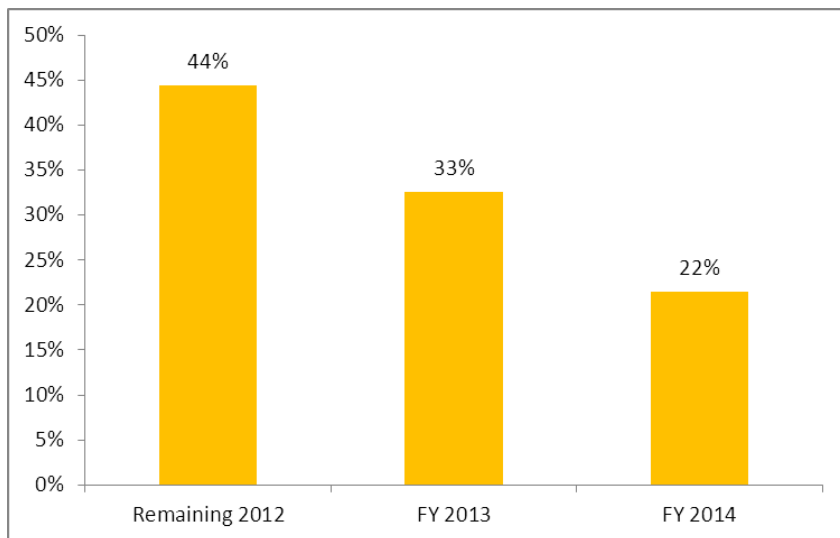
Recent Highlights

- Ocean Rig Poseidon was awarded a three year contract by a major European integrated oil company for drilling in Angola. We expect the contract to start in the second quarter 2013.
- Ocean Rig Athena, scheduled to be delivered in November 2013, was awarded a three year contract by a major U.S. integrated oil company for drilling in Angola. We expect the contract to start in the first quarter of 2014.
- Commenced syndication of a \$1.35 billion senior secured term loan facility to partially finance our 2013 newbuilds. The Company has received conditional commitments for the commercial and one of the ECA tranches, and is expecting to finalize this transaction during the first quarter of 2013.

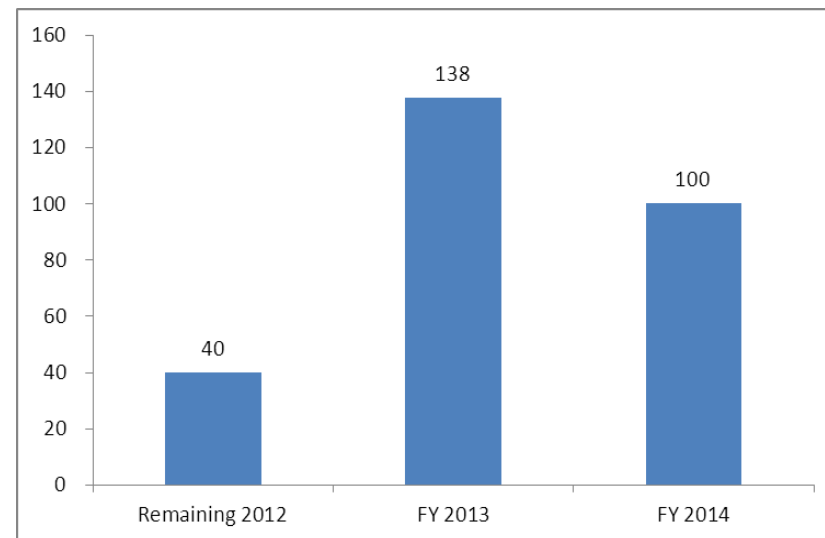


Drybulk Employment Status¹

% Charter coverage



Drybulk gross fixed revenue (\$m)



Average daily fixed rate

\$27,128

\$29,338

\$29,142

➤ **Total contracted backlog through 2014 is approximately \$278 million**

¹ As of September 30th 2012



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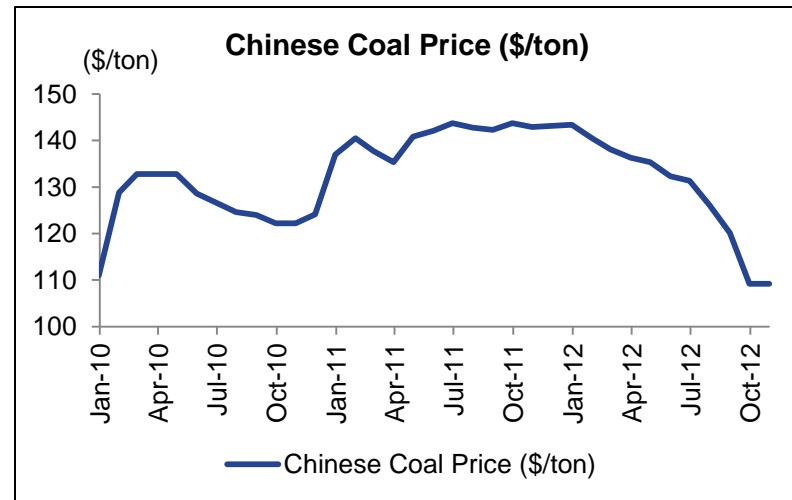
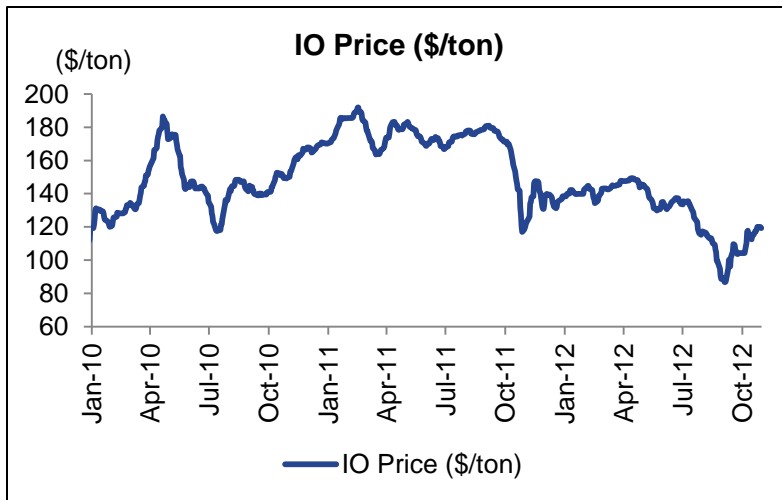
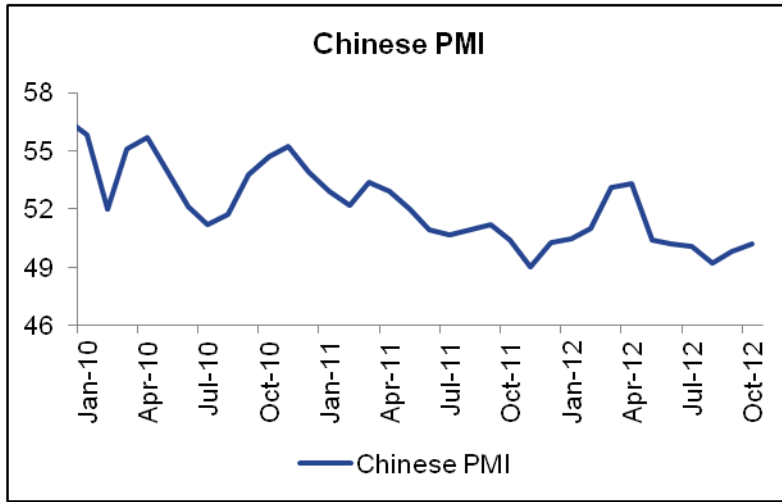
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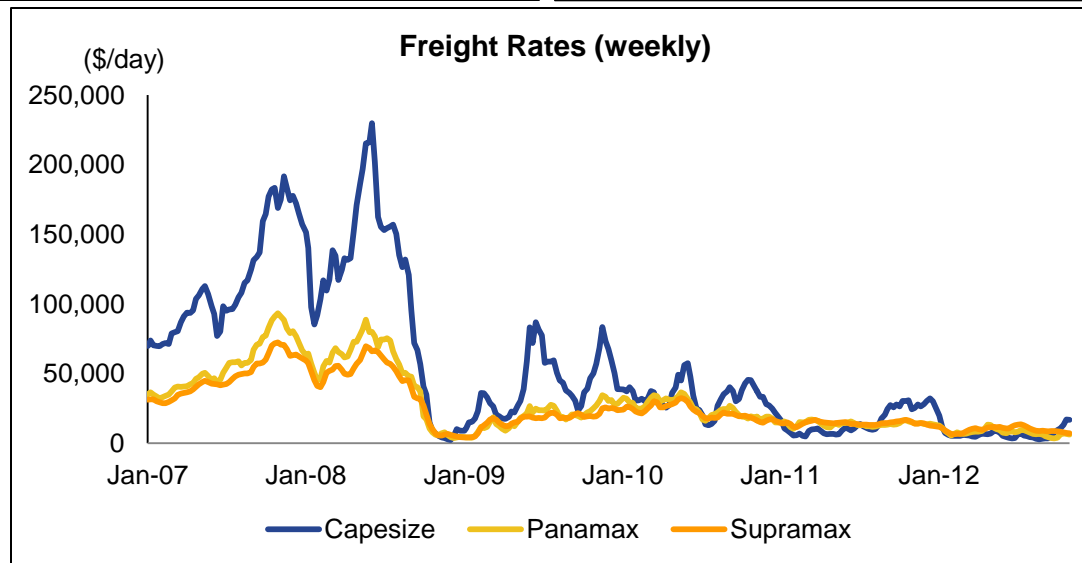
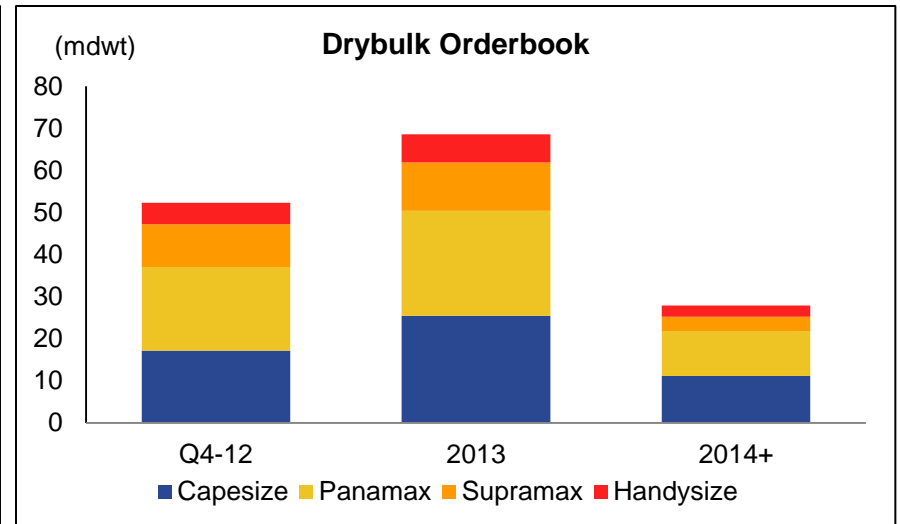
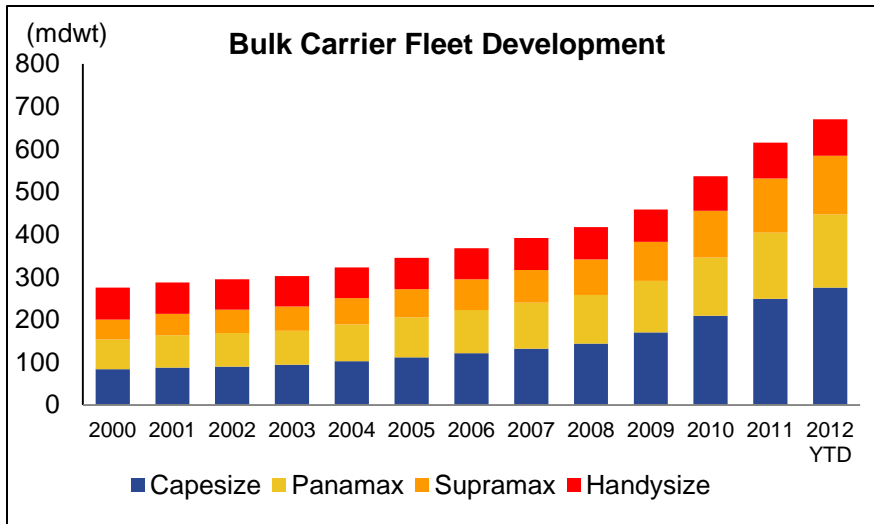
Chinese Slowdown in the Spotlight



Source: Bloomberg



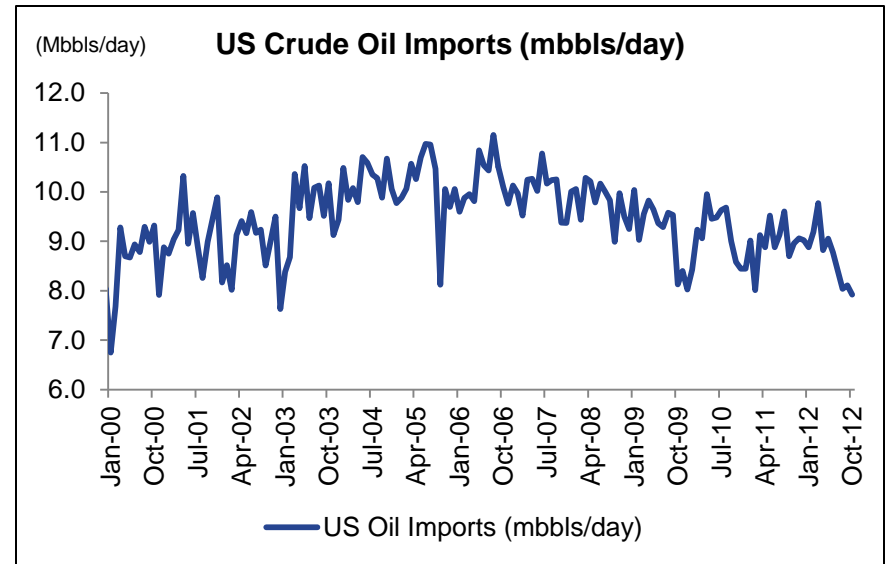
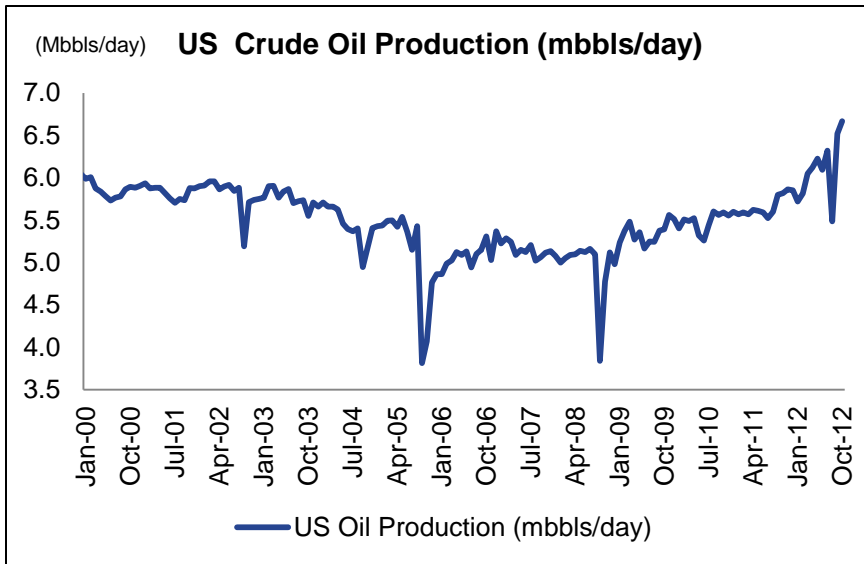
Increasing Drybulk Fleet still a Supply Concern



Source: Clarksons



Crude Oil Market Undergoing a Transformation



CNBC.com

US to Become World's Biggest Oil Producer by 2017: IEA

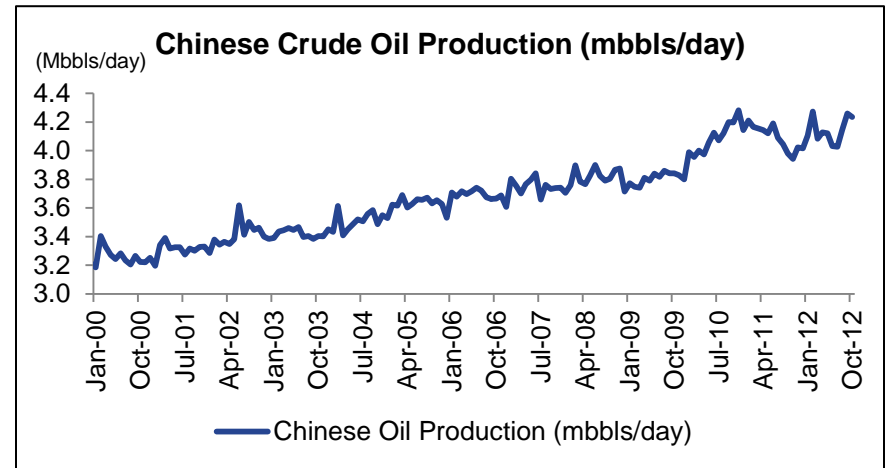
CNBC, YAHOO!, OIL, NATGAS, IEA, ENERGY
Yahoo! Finance | 12 Nov 2012 | 12:59 PM ET

REUTERS

UPDATE 1-OPEC admits significant impact of shale oil on supply

Thu, Nov 8 2012

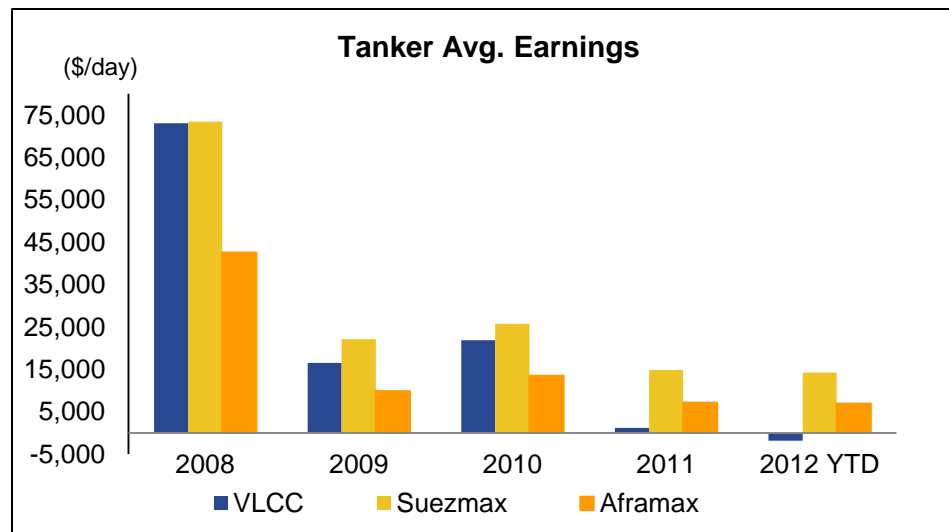
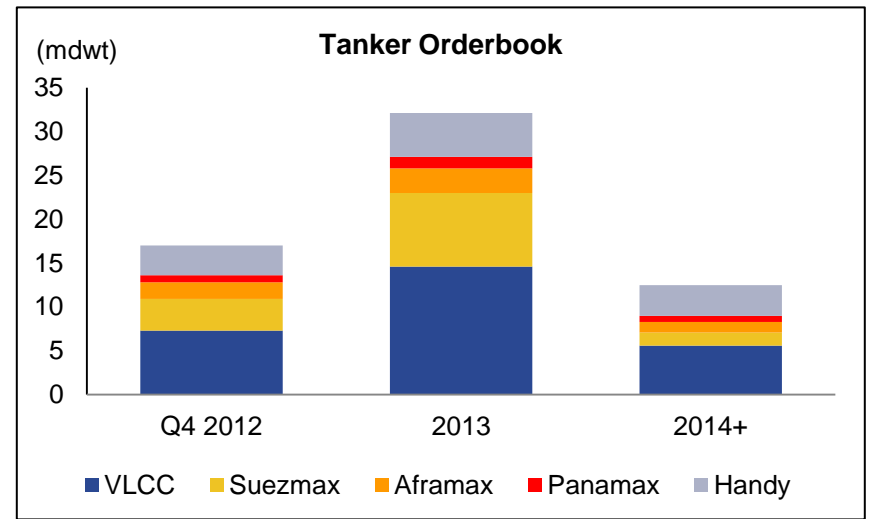
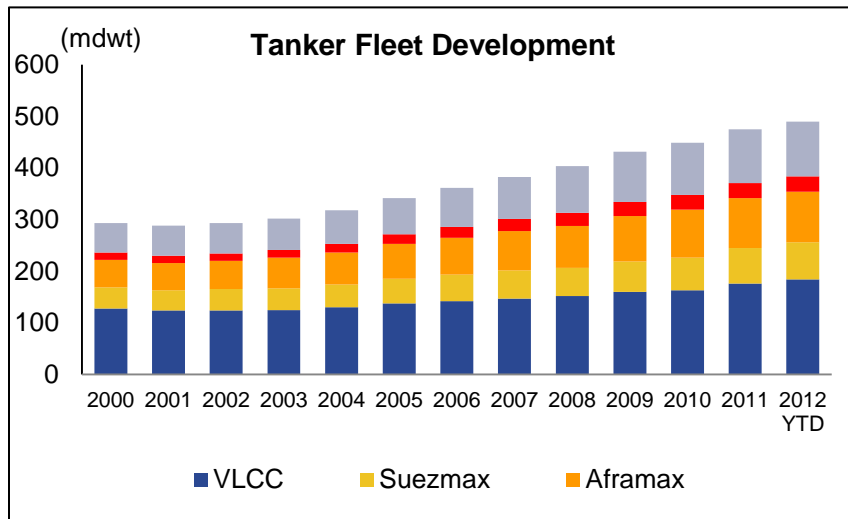
- * Shale oil will contribute to lower demand for OPEC crude
- * OPEC cuts medium, long-term global oil demand estimates
- * Assumes oil price will average \$100/bbl in medium term (Adds OPEC secretary general comments, para 9)



Source: Bloomberg, Reuters, CNBC



Tanker fleet Expected to Keep Rising



Source: Clarksons



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Closing Remarks

- **Dryships is a pure shipping company with spot market exposure and a shareholding in Ocean Rig. Dryships has no access to Ocean Rig's capital. The latter is completely ring fenced from Dryships**
- **Drybulk segment**
 - **Modern fleet – average age 5.6 years, but vessel values at historic lows**
 - **Charter coverage – only 33% in 2013, charter rates expected to remain weak**
 - **Newbuild program – significant capex requirements, challenging bank financing**
- **Tanker segment**
 - **Brand new fleet**
 - **Employment – spot employment, charter rates expected to remain weak**
 - **Newbuild program – significant capex requirements, challenging bank financing**
- **Drilling segment**
 - **Ocean Rig undervalued – stock trading at a significant discount to its peers**

Preserve cash & hold the fort





APPENDIX



Fleet Profile (Shipping Segment)

	Year		Type	Gross rate	Redelivery			Year		Type	Gross rate	Redelivery	
	Built	DWT		Per day	Earliest	Latest		Built	DWT		Per day	Earliest	Latest
Drbulk fleet													
Capesize:													
Mystic	2008	170,040	Capesize	\$52,310	Aug-18	Dec-18	Newbuilding VLOC #2	2013	206,000	Capesize	Spot	N/A	N/A
Robusto	2006	173,949	Capesize	\$26,000	Aug-14	Dec-14	Newbuilding VLOC #3	2013	206,000	Capesize	\$21,500	Jan-20	Jan-27
Cobiba	2006	174,234	Capesize	\$26,250	Oct-14	Feb-15	Newbuilding VLOC #4	2013	206,000	Capesize	Spot	N/A	N/A
Montecristo	2005	180,263	Capesize	\$23,500	May-14	Oct-14	Newbuilding VLOC #5	2014	206,000	Capesize	Spot	N/A	N/A
Flecha	2004	170,012	Capesize	\$55,000	Jul-18	Nov-18	Newbuilding Capesize 1	2013	176,000	Capesize	Spot	N/A	N/A
Mansota	2004	171,061	Capesize	\$30,000	Jan-18	Aug-18	Newbuilding Capesize 2	2013	176,000	Capesize	Spot	N/A	N/A
Partagas	2004	173,880	Capesize	\$10,000	Jun-13	Aug-13	Newbuilding Ice -class Panamax 1	2014	75,900	Panamax	Spot	N/A	N/A
Alameda	2001	170,662	Capesize	\$27,500	Nov-15	Jan-16	Newbuilding Ice -class Panamax 2	2014	75,900	Panamax	Spot	N/A	N/A
Capri	2001	172,579	Capesize	\$10,000	Nov-13	Mar-14	Newbuilding Ice -class Panamax 3	2014	75,900	Panamax	Spot	N/A	N/A
Fakarava	2012	206,000	Capesize	\$25,000	Sept-15	Sept-15	Newbuilding Ice -class Panamax 4	2014	75,900	Panamax	Spot	N/A	N/A
Panamax:													
Karaka	2012	76,037	Panamax	\$13,150	Feb-13	Apr-13	Tanker fleet						
Woolloomooloo	2012	76,064	Panamax	\$13,150	Jan-13	Mar-13	Patalidi	2012	158,300	Suezmax	Spot	N/A	N/A
Annali	2009	75,206	Panamax	\$39,750	Jul-13	Sep-13	Lipari	2012	158,300	Suezmax	Spot	N/A	N/A
Expallo	2009	75,123	Panamax	Spot	N/A	N/A	Vilamoura	2011	158,300	Suezmax	Spot	N/A	N/A
Catalina	2005	74,432	Panamax	\$40,000	Jun-13	Aug-13	Calida	2012	115,200	Aframax	Spot	N/A	N/A
Majorca	2005	74,477	Panamax	Spot	N/A	N/A	Saga	2011	115,200	Aframax	Spot	N/A	N/A
Ligari	2004	75,583	Panamax	Spot	N/A	N/A	Daytona	2011	115,200	Aframax	Spot	N/A	N/A
Saldanha	2004	75,707	Panamax	Spot	N/A	N/A	Belmar	2011	115,200	Aframax	Spot	N/A	N/A
Sorvento	2004	76,633	Panamax	\$24,500	Aug-21	Dec-21	Newbuildings:						
Meudocino	2002	76,623	Panamax	Spot	N/A	N/A	Blanca	2013	158,300	Suezmax	Spot	N/A	N/A
Bargaza	2002	74,832	Panamax	Spot	N/A	N/A	Bordeira	2013	158,300	Suezmax	Spot	N/A	N/A
Oregon	2002	74,204	Panamax	Spot	N/A	N/A	Euprona	2013	158,300	Suezmax	Spot	N/A	N/A
Ecola	2001	73,931	Panamax	Spot	N/A	N/A	Alicante	2013	115,200	Aframax	Spot	N/A	N/A
Samatan	2001	74,823	Panamax	Spot	N/A	N/A	Marata	2013	115,200	Aframax	Spot	N/A	N/A
Sonoma	2001	74,786	Panamax	Spot	N/A	N/A							
Capitola	2001	74,816	Panamax	Spot	N/A	N/A							
Levanto	2001	73,923	Panamax	Spot	N/A	N/A							
Magamari	2001	75,941	Panamax	Spot	N/A	N/A							
Coronado	2000	75,706	Panamax	Spot	N/A	N/A							
Marbella	2000	72,561	Panamax	Spot	N/A	N/A							
Rodondo	2000	74,716	Panamax	Spot	N/A	N/A							
Topaka	2000	74,716	Panamax	\$12,250	Dec-12	Feb-13							
Ocean Crystal	1999	73,688	Panamax	Spot	N/A	N/A							
Helena	1999	73,744	Panamax	Spot	N/A	N/A							
Supramax:													
Byron	2003	51,118	Supramax	Spot	N/A	N/A							
Gelveston	2002	51,201	Supramax	Spot	N/A	N/A							



Unaudited Condensed Consolidated Statements of Operations

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
REVENUES:				
Voyage revenues	\$ 92,013	\$ 57,977	\$ 287,489	\$ 215,121
Revenues from drilling contracts	226,036	285,662	461,991	712,152
	<u>318,049</u>	<u>343,639</u>	<u>749,480</u>	<u>927,273</u>
EXPENSES:				
Voyage expenses	3,271	7,827	15,333	18,310
Vessel operating expenses	21,066	21,006	64,772	64,802
Drilling rigs operating expenses	84,639	160,098	188,777	390,490
Depreciation and amortization	70,980	84,580	192,001	250,615
Vessel impairments and other, net	1,893	38	89,637	1,001
General and administrative expenses	28,422	35,331	86,592	106,475
Legal settlements and other	-	(1,842)	-	(3,448)
	<u>107,778</u>	<u>36,601</u>	<u>112,368</u>	<u>99,028</u>
Operating income				
OTHER INCOME / (EXPENSES):				
Interest and finance costs, net of interest income	(35,985)	(51,923)	(80,646)	(152,468)
Loss on interest rate swaps	(31,466)	(27,777)	(71,242)	(49,491)
Other, net	3,777	(1,177)	7,588	1,399
Income taxes	(7,778)	(10,975)	(17,556)	(32,603)
	<u>(71,452)</u>	<u>(91,852)</u>	<u>(161,856)</u>	<u>(233,163)</u>
	<u>36,326</u>	<u>(55,251)</u>	<u>(49,488)</u>	<u>(134,135)</u>
Net income/(loss)				
Net income/ (loss) attributable to Non controlling interests	(11,300)	3,980	(13,811)	17,207
	<u>25,026</u>	<u>(51,271)</u>	<u>(63,299)</u>	<u>(116,928)</u>
Net income/(loss) attributable to Dryships Inc.				
Earnings/(Loss) per common share, basic and diluted	\$ 0.07	\$ (0.13)	\$ (0.19)	\$ (0.31)
Weighted average number of shares, basic and diluted	355,764,523	380,152,244	348,286,721	380,152,244



Unaudited Condensed Consolidated Balance Sheets

(Expressed in Thousands of U.S. Dollars)

	<u>December 31, 2011</u>	<u>September 30, 2012</u>
<u>ASSETS</u>		
Cash and restricted cash (current and non-current)	\$ 656,709	\$ 986,794
Other current assets	246,169	303,520
Advances for vessels and rigs under construction and acquisitions	1,027,889	1,025,520
Vessels, net	1,956,270	2,087,628
Drilling rigs, drillships, machinery and equipment, net	4,587,916	4,486,096
Other non-current assets	146,736	119,421
Total assets	<u>8,621,689</u>	<u>9,008,979</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Total debt	4,241,835	4,453,519
Total other liabilities	441,192	535,938
Total stockholders' equity	3,938,662	4,019,522
Total liabilities and stockholders' equity	<u>\$ 8,621,689</u>	<u>\$ 9,008,979</u>



Summary Operating Data

(Dollars in thousands, except average daily results)

Tanker	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
Drybulk				
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
Average number of vessels ⁽¹⁾	35.2	35.2	35.7	35.6
Total voyage days for vessels ⁽²⁾	3,197	3,233	9,619	9,715
Total calendar days for vessels ⁽³⁾	3,240	3,241	9,743	9,744
Fleet utilization ⁽⁴⁾	98.7%	99.8%	98.7%	99.7%
Time charter equivalent ⁽⁵⁾	\$26,732	\$12,727	\$27,412	\$17,719
Vessel operating expenses (daily) ⁽⁶⁾	\$5,844	\$5,248	\$6,020	\$5,405
Average number of vessels ⁽¹⁾	3.0	7.0	2.21	6.0
Total voyage days for vessels ⁽²⁾	276	644	602	1,649
Total calendar days for vessels ⁽³⁾	276	644	602	1,649
Fleet utilization ⁽⁴⁾	100%	100%	100%	100%
Time charter equivalent ⁽⁵⁾	\$11,880	\$13,978	\$14,081	\$14,959
Vessel operating expenses (daily) ⁽⁶⁾	\$7,725	\$6,205	\$10,169	\$7,357

(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 revenues, a non-U.S. GAAP measure, provides additional meaningful information in conjunction with revenues from our vessels, the most directly comparable U.S. GAAP measure, because it assists our management in making decisions regarding the deployment and use of its vessels and in evaluating their financial performance. TCE is also 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. Please see below for a reconciliation of TCE rates to voyage revenues.

(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.

(In thousands of U.S. dollars, except for TCE rate, which is expressed in Dollars, and voyage days)

Drybulk	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
Voyage revenues	\$88,613	\$ 46,881	\$ 278,741	\$ 186,388
Voyage expenses	(3,150)	(5,733)	(15,062)	(14,244)
Time charter equivalent revenues	\$85,463	\$ 41,148	\$ 263,679	\$ 172,144
Total voyage days for fleet	3,197	3,233	9,619	9,715
Time charter equivalent (TCE) rate	\$26,732	\$ 12,727	\$ 27,412	\$ 17,719

Tanker	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
Voyage revenues	\$ 3,400	\$ 11,096	\$ 8,748	\$ 28,733
Voyage expenses	(121)	(2,094)	(271)	(4,066)
Time charter equivalent revenues	\$ 3,279	\$ 9,002	\$ 8,477	\$ 24,667
Total voyage days for fleet	276	644	602	1,649
Time charter equivalent (TCE) rate	\$11,880	\$ 13,978	\$ 14,081	\$ 14,959

