

# DryShips Inc.

1<sup>st</sup> Quarter Ended March 31, 2013  
Earnings Presentation



NASDAQ: "DRYS"

May 23, 2013

# 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 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.



# Agenda

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**Financial Highlights and Company Update**

Financing Plan

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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. 1<sup>st</sup> quarter presentation, available on [www.ocean-rig.com](http://www.ocean-rig.com)**



# Consolidated<sup>1</sup> Q1 2013 Results

<i>(in \$ million, except EPS)</i>	Q1 2013	Q1 2013 EPS
GAAP Loss / EPS	(116.6)	(0.30)
Plus: Loss on the sale of four newbuilding drybulk carriers	75.3	0.20
Adjusted Net Loss / EPS <sup>2</sup>	(41.3)	(0.10)

<i>(in \$ million)</i>	Q1 2013
Total Revenues	319.7
Adjusted EBITDA <sup>3</sup>	112.0
Net Cash Provided by Operating Activities	106.3
Repayment of Debt	74.1

1) Consolidated includes operation of DryShips Inc. shipping segment and Ocean Rig UDW Inc.

2) The net result is adjusted for the minority interests of 41% not owned by DryShips Inc. common stockholders

3) Represents net income before interest, taxes, depreciation, vessel impairment, contract cancellations and amortization and gains or losses on interest rate swaps



# Shipping Segment<sup>1</sup> Financial Summary

<i>Shipping Segment</i> (in \$ million)	Q1 2013
Total Revenues	73.3
Adjusted EBITDA <sup>(2)</sup>	9.1
Net Cash used in Operating Activities	(3.8)

<i>Shipping Segment</i>	Q1 2013
Drybulk Segment Utilization	100%
Tanker Segment Utilization	100%
Drybulk Segment Time Charter Equivalent	\$11,396
Tanker Segment Time Charter Equivalent	\$12,792

1) Showcases financial performance of shipping segment (drybulk and tanker segments) only

2) Represents net income before interest, taxes, depreciation and amortization, vessel impairment, contract cancellation fees and gains or losses on interest rate swaps



# Recent Highlights

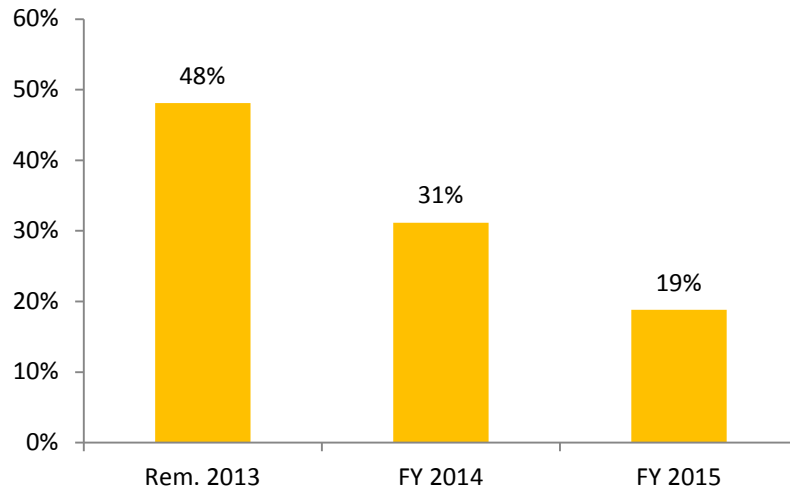
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- In March 2013 and April 2013, the Company sold its newbuilding Capesize bulk carriers Hull 1241 and 1242, to an unaffiliated third party and its newbuilding Very Large Ore Carriers Hulls 1239 and 1240, to an entity related to Mr. George Economou. These four vessels had remaining yard installments of approximately \$178 million against which the Company had no committed debt. Under the terms of the sale agreements, the Company will make payments of only \$29 million, thus eliminating approximately \$149 million in capital expenditures.
- On February 28, 2013, Ocean Rig signed definitive documentation for a \$1.35 billion syndicated secured term loan facility to partially finance the construction costs of the newbuilding drillships Ocean Rig Mylos, Ocean Rig Skyros and Ocean Rig Athena, scheduled for delivery in August 2013, October 2013 and November 2013, respectively. The facility has a five-year term and a repayment profile of approximately 11 years and bears interest at LIBOR plus a margin.
- On February 14, 2013, the Company completed a public offering of an aggregate of 7,500,000 common shares of Ocean Rig owned by DryShips. The Company received approximately \$123.1 million of net proceeds from the public offering.

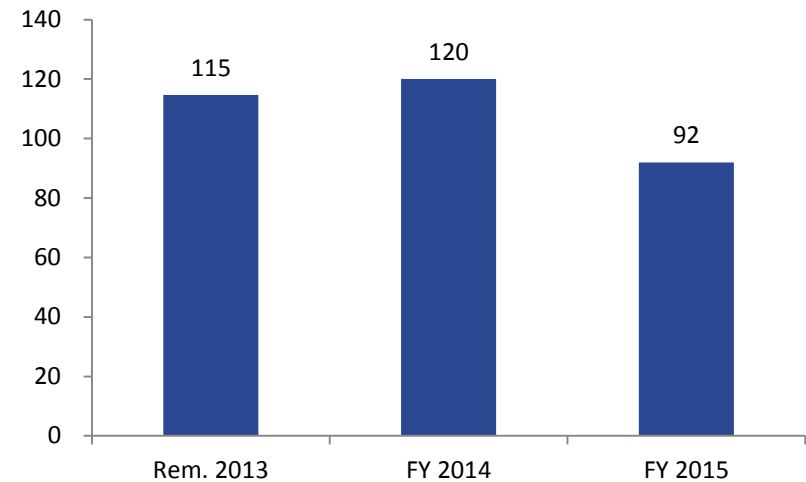


# Drybulk Employment Status<sup>1</sup>

**% Charter coverage**



**Drybulk gross fixed revenue (\$m)**



**Average daily fixed rate**

**23,095**

**26,435**

**31,888**

- **Total contracted backlog through 2015 is approximately \$327 million**

<sup>1</sup> As of March 31<sup>st</sup> 2013



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# Tanker Newbuilding Program Complete

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- Completed with last newbuilding tankers delivered in January 2013
- Yard delivery payments financed with \$10.9 million of equity and \$100.9 million of debt

<i>(in \$ thousands)</i>	<u>Delivered</u>	<u>CIP</u>	<u>Q1 2013</u>	<u>Total Capex</u>
Alicante	Jan-13	27,850	30,900	58,750
Mareta	Jan-13	22,850	35,900	58,750
Bordeira	Jan-13	24,750	45,000	69,750
<b>Total</b>		<b>75,450</b>	<b>111,800</b>	<b>187,250</b>



# Drybulk Newbuilding Program Optimized

## ➤ Remaining cash outflow of only \$44m in 2013

<i>(in \$ thousands)</i>	<u>Expected Delivery</u>	<u>CIP</u> <sup>1</sup>	<u>Remaining Capex</u>		<u>Bank</u>	<u>Committed Debt</u>	<u>Employment</u>	<u>Daily Rate</u>	<u>Expiry</u>
			<u>Rem. 2013</u>	<u>FY2014</u>					
VLOC #2	2013	21,810	46,290	-	CDB	40,860	T/C	\$23,000	Q2-18
VLOC #3	2013	15,000	53,100	-	CDB	40,860	T/C	\$21,500	Q2-20
<b>VLOC #4</b>	<b>2013</b>	<b>11,880</b>	<b>47,520</b>						
<b>VLOC #5</b>	<b>2014</b>	<b>11,880</b>		<b>47,520</b>					
<b>Capesize #1</b>	<b>2013</b>	<b>13,541</b>	<b>40,623</b>						
<b>Capesize #2</b>	<b>2013</b>	<b>13,541</b>	<b>40,623</b>						
Ice Class Panamax #1	2014	2,890	7,310	23,800					
Ice Class Panamax #2	2014	2,890	7,310	23,800					
Ice Class Panamax #3	2014	2,890	7,310	23,800					
Ice Class Panamax #4	2014	2,890	3,910	27,200					
<b>Total Before Sales</b>		<b>99,212</b>	<b>253,996</b>	<b>146,120</b>					
<b>Total After Sales</b>		<b>48,370</b>	<b>125,230</b>	<b>98,600</b>					

Latest Vessel Sales

FMV today \$32m per vessel

1) CIP and Capex as of 03/31/2013



# Secured Bank Debt Profile

## Drybulk Debt Outstanding as of 31/03/13

Facility	Amortizing	Balloon	Total	Maturity
\$628.8m facility	146.6	112.0	258.6	Q2 2016
\$35m facility	6.5	11.0	17.5	Q4 2016
\$125m facility	19.1	6.9	26.0	Q2 2016
\$90m facility	8.5	48.5	57.0	Q4 2015
\$130m facility	4.0	27.6	31.6	Q1 2015
\$126.4m facility	58.3	2.9	61.2	Q3 2018
\$47m facility	5.5	12.0	17.5	Q4 2015
\$90m facility	18.0	24.0	42.0	Q4 2015
\$103.2m facility	10.5	16.0	26.5	Q3 2016
\$325m facility	74.4	23.5	97.9	Q4 2015
\$87.7m facility	8.4	9.5	17.9	Q1 2020
\$122.6m facility	37.2	0.0	37.2	Q3 2024
<b>Total Drybulk bank debt</b>	<b>397.0</b>	<b>293.9</b>	<b>690.9</b>	

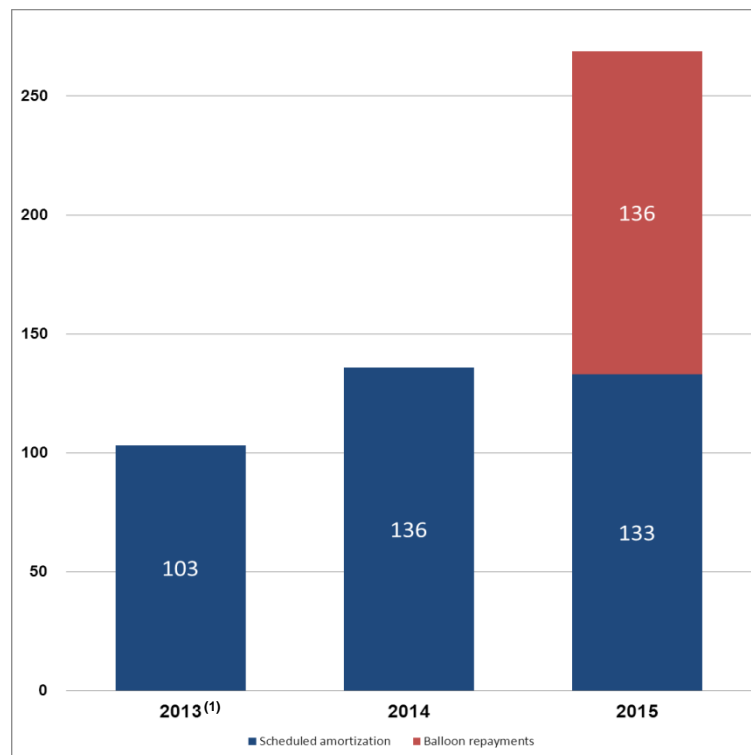
## Tankers Debt Outstanding as of 31/03/13

Facility	Amortizing	Balloon	Total	Maturity
\$70m facility	14.0	46.7	60.7	Q1 2016
\$32.3m facility	9.2	19.4	28.6	Q2 2017
\$141.35m facility	65.9	65.5	131.4	Q2 2019
\$107.67m facility	50.4	50.4	100.8	Q1 2019
<b>Total Tankers bank debt</b>	<b>139.5</b>	<b>182.0</b>	<b>321.5</b>	
<b>Total Debt</b>	<b>536.5</b>	<b>475.9</b>	<b>1,012.4</b>	

1) Remainder of 2013, as of 03/31/2013

## Scheduled Debt Amortization

in USD million



## Daily Debt Amortization (per vessel)

	2013	2014
Total Fleet	\$8,142	\$8,100



# Shipping Segment Surplus Value (3/31/13)

FMV of Assets (in \$ million)		Liabilities (in \$ million)	
Cash	192.1	Shipping Bank Debt	1,012.4
Restricted Cash	88.2	Convertible Bond	700.0
Ocean Rig Shares <sup>(1)</sup>	1,370.3	MtM Liability on IRS	57.5
Fleet Market Value	1,180.1		
<b>Total</b>	<b>2,830.7</b>	<b>Total</b>	<b>1,769.9</b>

ORIG Shares Held by DRYS (in million)		
(1) Pledged to lending syndicate	7.8	10.0%
(2) To be pledged to lender	6.2	7.9%
(3) Pledged under seller's credit	1.6	2.0%
(4) Other unpledged	62.7	80.1%
<b>Total ORIG shares</b>	<b>78.3</b>	<b>100.0%</b>

**Surplus of  
\$1,061 million or  
\$2.7 per share <sup>(2)</sup>**

(1) ORIG common shares held by DRYS at share price of \$17.50

(2) Using 400 million share count



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# Drybulk: Robust Demand but low freight rates

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## Q1 2013 Demand:

- Brazilian & Australian exports of iron ore up 11% y-o-y
- Chinese, Japanese and S. Korean iron ore imports up 4% y-o-y
- Chinese and Japanese coal imports up 12% y-o-y

## Q1 2013 Supply :

- Capesize fleet grew by 9% y-o-y
- Panamax fleet grew by 13% y-o-y

## Q1 2013 Freight rates:

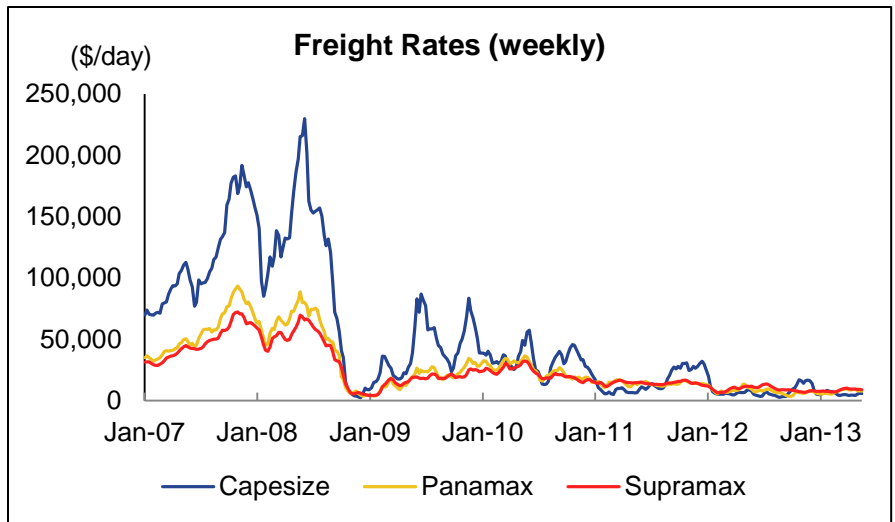
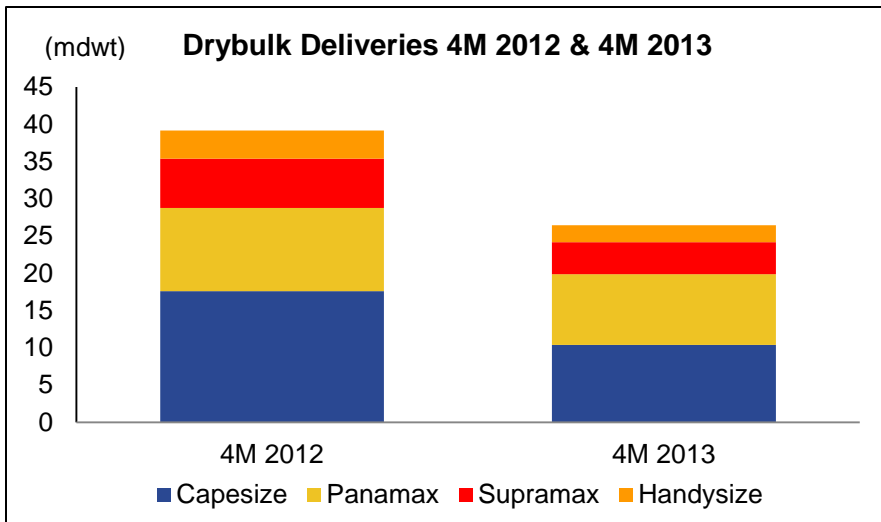
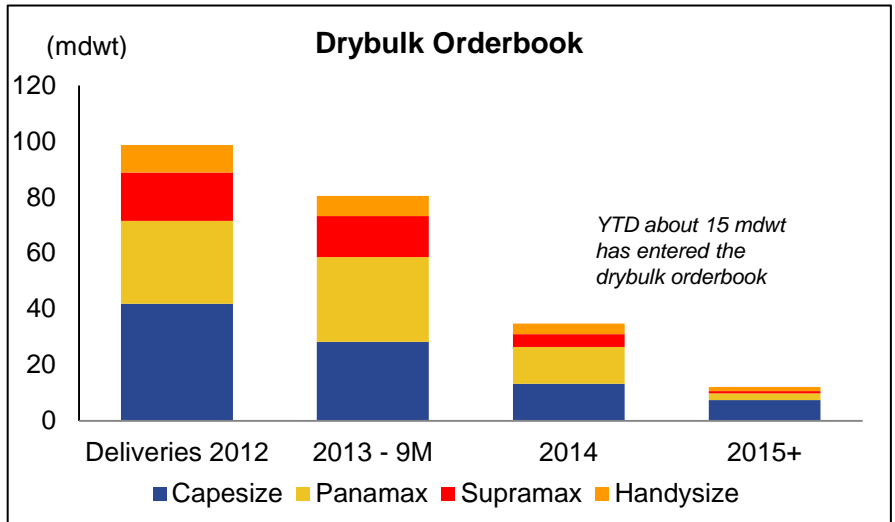
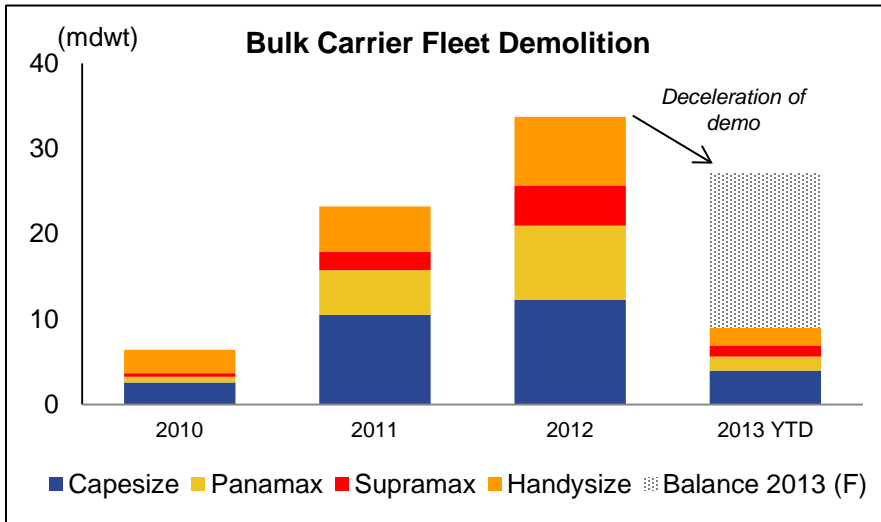
- C4TC averaged \$6,056 per day down 13% y-o-y
- P4TC averaged \$7,055 per day down 12% y-o-y

## Going Forward Concerns

- Expected decline in iron ore prices due to new production capacity entering the market in 2H 2013
- Chinese officials committed to cool down domestic real estate market
- Chinese PMI for April shows a slower expansion rate than March (50.6 vs. 50.9)
- Chinese steel prices and margins under pressure (12% lower than 2013 peak and 5% lower YTD)



# Drybulk Fleet is still a supply concern

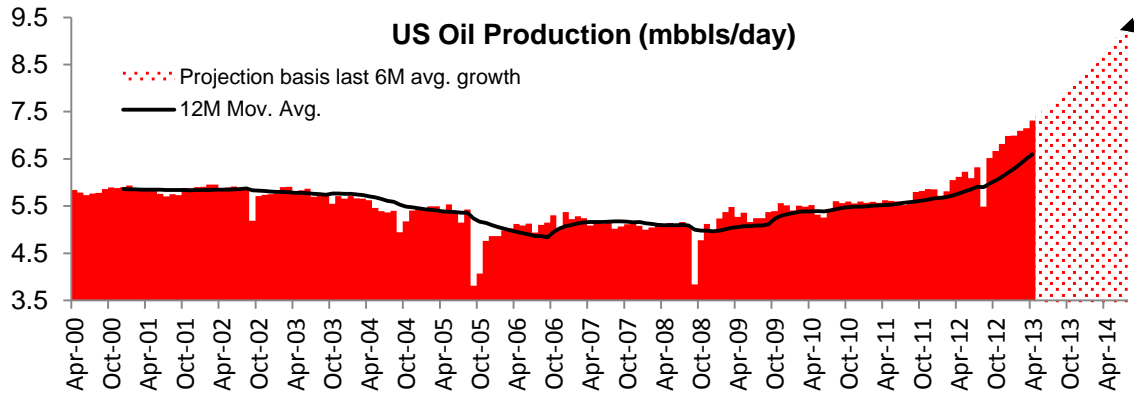


Source: Clarksons

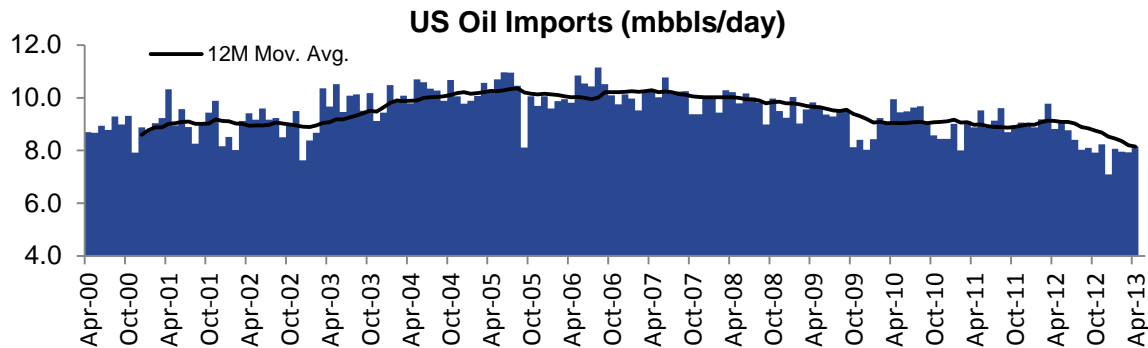


# USA Becoming a Major Oil Producer

- In April 2013 U.S crude oil production reached about 7.3 mbbls/day
- April's 2013 production increased 19% y-o-y
- Highest production rate in 20 years
- In April 2013 U.S crude oil imports declined 7% y-o-y



The U.S will match Saudi Arabia's current crude oil production of 9.18 mbbls/day by July 2014. (assuming existing production growth stays same)

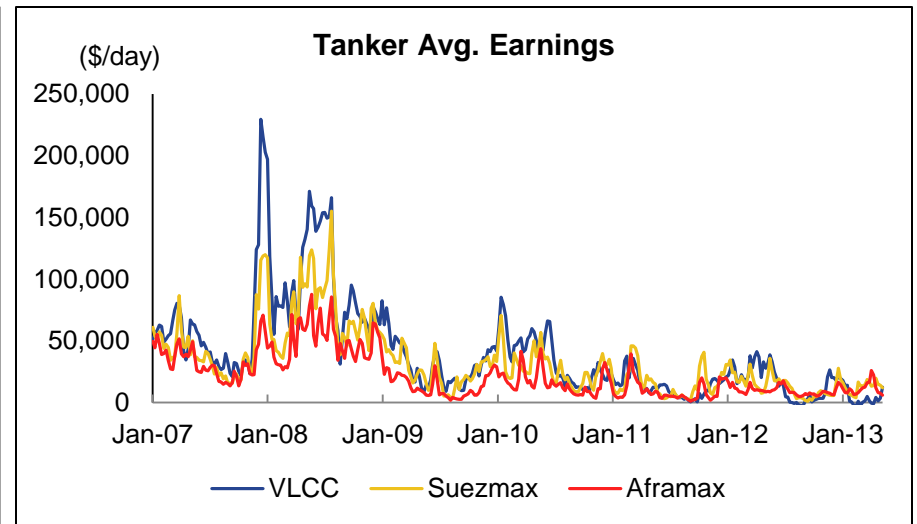
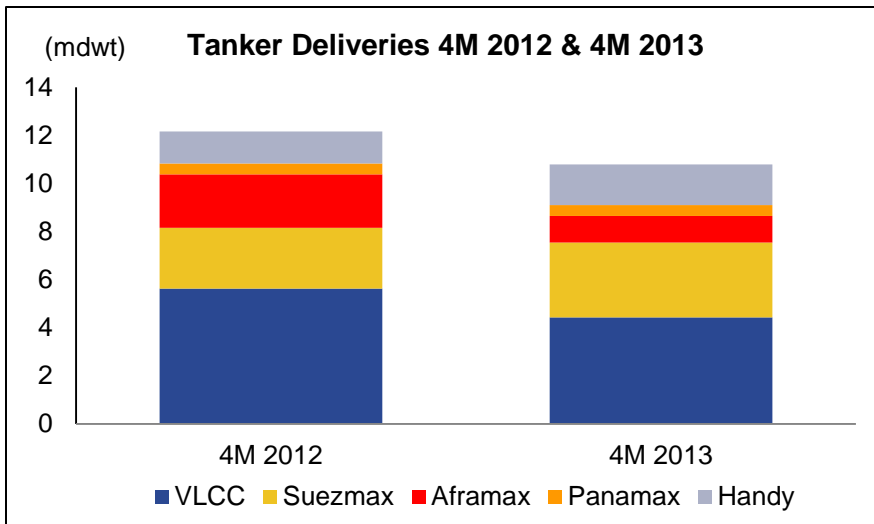
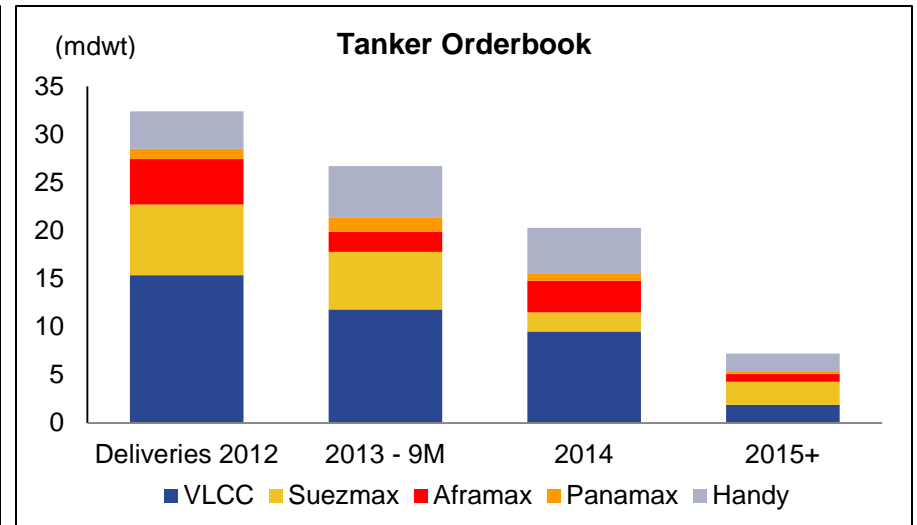
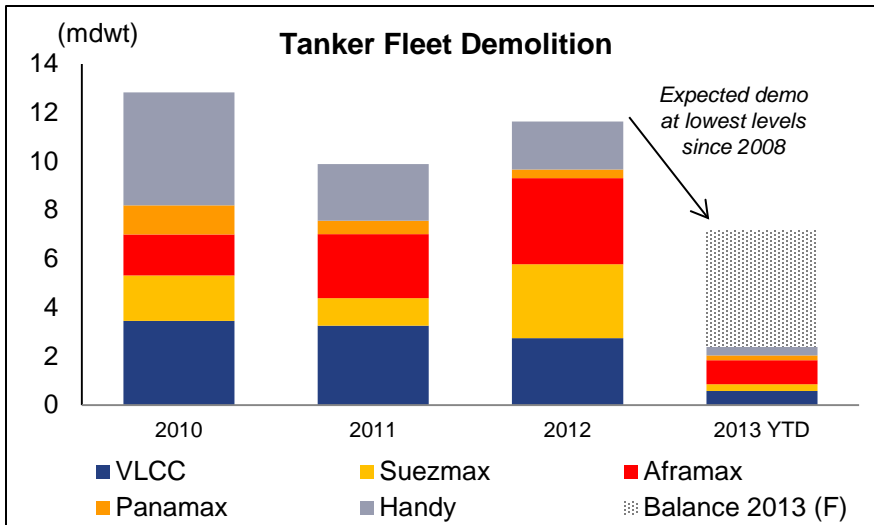


Source: Bloomberg





# Tanker Fleet growth still a supply concern



Source: Clarksons



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# Closing Remarks

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- **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 and resources. The latter is completely ring fenced from Dryships**
- **Drybulk segment**
  - **Modern fleet – average age 7.43 years, but vessel values at historic lows**
  - **Charter coverage – 48% in 2013, charter rates expected to remain weak**
  - **Newbuild program – only 4 ice-class panamaxs remaining**
- **Tanker segment**
  - **Brand new fleet**
  - **Employment – spot employment, charter rates expected to remain weak**
  - **Newbuild program – completed in January 2013**
- **Shareholding**
  - **Ocean Rig undervalued – stock trading at a significant discount to its peers**



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# 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		
<b>Drvbulk fleet</b>								<b>Newbuildings</b>							
<b>Capesize:</b>								<b>Capesize:</b>							
Fakarava	2012	206,000	Capesize	\$25,000	Sept-15	Sept-20		Newbuilding VLOC #2	2013	206,000	Capesize	23,000	Apr-18	Nov-23	
Mystic	2008	170,040	Capesize	\$52,310	Aug-18	Dec-18		Newbuilding VLOC #3	2013	206,000	Capesize	21,500	Apr-20	Mar-28	
Robusto	2006	173,949	Capesize	\$26,000	Aug-14	Apr-18		<b>Panamax:</b>							
Cohiba	2006	174,234	Capesize	\$26,250	Oct-14	Jun-19		Newbuilding Ice -class Panamax 1	2014	75,900	Panamax	Spot	N/A	N/A	
Montecristo	2005	180,263	Capesize	\$23,500	May-14	Feb-19		Newbuilding Ice -class Panamax 2	2014	75,900	Panamax	Spot	N/A	N/A	
Flecha	2004	170,012	Capesize	\$55,000	Jul-18	Nov-18		Newbuilding Ice -class Panamax 3	2014	75,900	Panamax	Spot	N/A	N/A	
Manasota	2004	171,061	Capesize	\$30,000	Jan-18	Aug-18		Newbuilding Ice -class Panamax 4	2014	75,900	Panamax	Spot	N/A	N/A	
Partagas	2004	173,880	Capesize	\$10,000	Jun-13	Aug-13		<b>Tanker fleet</b>							
Alameda	2001	170,662	Capesize	\$27,500	Nov-15	Jan-16		<b>Suezmax:</b>							
Capri	2001	172,579	Capesize	\$10,000	Nov-13	Mar-14		Bordeira	2013	158,300	Suezmax	Spot	N/A	N/A	
<b>Panamax:</b>								Petalidi	2012	158,300	Suezmax	Spot	N/A	N/A	
Raraka	2012	76,037	Panamax	\$7,500	Jan-15	Mar-15		Lipari	2012	158,300	Suezmax	Spot	N/A	N/A	
Woolloomooloo	2012	76,064	Panamax	\$7,500	Dec-14	Feb-15		Vilamoura	2011	158,300	Suezmax	Spot	N/A	N/A	
Amalfi	2009	75,206	Panamax	\$39,750	Jul-13	Sep-13		<b>Aframax:</b>							
Rapallo	2009	75,123	Panamax	Spot	N/A	N/A		Alicante	2013	115,200	Aframax	Spot	N/A	N/A	
Catalina	2005	74,432	Panamax	\$40,000	Jun-13	Aug-13		Mareta	2013	115,200	Aframax	Spot	N/A	N/A	
Majorca	2005	74,477	Panamax	Spot	N/A	N/A		Calida	2012	115,200	Aframax	Spot	N/A	N/A	
Ligari	2004	75,583	Panamax	\$9,250	Sep-13	Nov-13		Saga	2011	115,200	Aframax	Spot	N/A	N/A	
Saldanha	2004	75,707	Panamax	Spot	N/A	N/A		Daytona	2011	115,200	Aframax	Spot	N/A	N/A	
Sorrento	2004	76,633	Panamax	\$24,500	Aug-21	Dec-21		Belmar	2011	115,200	Aframax	Spot	N/A	N/A	
Mendocino	2002	76,623	Panamax	Spot	N/A	N/A									
Bargara	2002	74,832	Panamax	Spot	N/A	N/A									
Oregon	2002	74,204	Panamax	\$9,650	Sept-13	Nov-13									
Ecola	2001	73,931	Panamax	Spot	N/A	N/A									
Samatan	2001	74,823	Panamax	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	73,925	Panamax	Spot	N/A	N/A									
Maganiari	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									
Redondo	2000	74,716	Panamax	\$9,250	Sept-13	Nov-13									
Topeka	2000	74,716	Panamax	\$8,450	Sept-13	Nov-13									
Ocean Crystal	1999	73,688	Panamax	Spot	N/A	N/A									
Helena	1999	73,744	Panamax	Spot	N/A	N/A									
<b>Supramax:</b>															
Byron	2003	51,118	Supramax	Spot	N/A	N/A									
Galveston	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	
	March 31,	
	2012	2013
<b>REVENUES:</b>		
Voyage revenues	\$ 84,497	\$ 73,269
Revenues from drilling contracts	162,999	246,444
	<u>247,496</u>	<u>319,713</u>
<b>EXPENSES:</b>		
Voyage expenses	4,908	25,497
Vessel operating expenses	21,545	24,110
Drilling rigs operating expenses	85,340	120,759
Depreciation and amortization	81,955	82,660
Vessel impairments and other, net	1,488	75,340
General and administrative expenses	33,974	36,247
Legal settlements and other	5,820	(15)
	<u>153,920</u>	<u>344,618</u>
<b>Operating income/(loss)</b>	12,466	(44,885)
<b>OTHER INCOME / (EXPENSES):</b>		
Interest and finance costs, net of interest income	(50,778)	(56,862)
Gain/(loss) on interest rate swaps	(8,750)	396
Other, net	(2,248)	678
Income taxes	(10,032)	(14,164)
<b>Total other expenses</b>	<u>(71,808)</u>	<u>(69,952)</u>
<b>Net loss</b>	(59,342)	(114,837)
Net income/(loss) attributable to Non controlling interests	11,886	(1,798)
<b>Net loss attributable to Dryships Inc.</b>	<u>\$ (47,456)</u>	<u>\$ (116,635)</u>
Loss per common share, basic and diluted	\$ (0.12)	\$ (0.30)
Weighted average number of shares, basic and diluted	380,152,244	382,657,244



# Unaudited Condensed Consolidated Balance Sheets

*(Expressed in Thousands of U.S. Dollars)*

	<u>December 31, 2012</u>	<u>March 31, 2013</u>
<b><u>ASSETS</u></b>		
Cash and restricted cash (current and non-current)	\$ 720,458	\$ 744,256
Other current assets	338,446	372,894
Advances for vessels and rigs under construction and acquisitions	1,201,807	1,094,037
Vessels, net	2,059,570	2,231,432
Drilling rigs, drillships, machinery and equipment, net	4,446,730	4,451,920
Other non-current assets	<u>111,480</u>	<u>146,772</u>
<b>Total assets</b>	<b><u><u>8,878,491</u></u></b>	<b><u><u>9,041,311</u></u></b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Total debt	4,386,715	4,424,227
Total other liabilities	623,757	735,126
Total stockholders' equity	<u>3,868,019</u>	<u>3,881,958</u>
<b>Total liabilities and stockholders' equity</b>	<b><u><u>8,878,491</u></u></b>	<b><u><u>9,041,311</u></u></b>





## Summary Operating Data

### Drybulk

	Three Months Ended March 31,	
	2012	2013
Average number of vessels <sup>(1)</sup>	36.1	36.0
Total voyage days for vessels <sup>(2)</sup>	3,281	3,240
Total calendar days for vessels <sup>(3)</sup>	3,285	3,240
Fleet utilization <sup>(4)</sup>	99.9%	100.0%
Time charter equivalent <sup>(5)</sup>	\$22,060	\$11,396
Vessel operating expenses (daily) <sup>(6)</sup>	\$5,542	\$5,051

### Tanker

	Three Months Ended March 31,	
	2012	2013
Average number of vessels <sup>(1)</sup>	5.0	9.4
Total voyage days for vessels <sup>(2)</sup>	453	848
Total calendar days for vessels <sup>(3)</sup>	453	848
Fleet utilization <sup>(4)</sup>	100.0%	100.0%
Time charter equivalent <sup>(5)</sup>	\$15,916	\$12,792
Vessel operating expenses (daily) <sup>(6)</sup>	\$7,372	\$9,134

(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 dry-docking days.

(3) Calendar days are the total number of days the vessels were in our possession for the relevant period including dry-docking 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 March 31,	
	2012	2013
Voyage revenues	\$ 77,021	\$ 45,482
Voyage expenses	(4,642)	(8,558)
Time charter equivalent revenues	\$ 72,379	\$ 36,924
Total voyage days for fleet	3,281	3,240
Time charter equivalent (TCE) rate	\$ 22,060	\$ 11,396

### Tanker

	Three Months Ended March 31,	
	2012	2013
Voyage revenues	\$ 7,476	\$ 27,787
Voyage expenses	(266)	(16,939)
Time charter equivalent revenues	\$ 7,210	\$ 10,848
Total voyage days for fleet	453	848
Time charter equivalent (TCE) rate	\$ 15,916	\$ 12,792

