

DryShips Inc.

3rd Quarter Ended September 30, 2013
Earnings Presentation



NASDAQ: "DRYS"

November 5, 2013

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



Consolidated¹ Q3 2013 Results

<i>(in \$ million, except EPS)</i>	Q3 2013	Q3 2013 EPS
GAAP Loss / EPS	(63.9)	(0.17)
Plus: One-time items associated with prepayment of debt	61.1	0.16
Adjusted Net Loss / EPS²	(27.6)	(0.07)

<i>(in \$ million)</i>	Q2 2013	Q3 2013
Total Revenues	336.0	404.9
Adjusted EBITDA ³	112.3	183.6
Net Cash Provided by/(Used in) Operating Activities	(102.0)	48.9

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 40.6% not owned by DryShips Inc. common stockholders

3) Represents net income before interest, taxes, depreciation, drydocking and class survey costs, vessel impairments and amortization and gains or losses on interest rate swaps



Shipping Segment¹ Financial Summary

<i>(in \$ millions)</i>	Q2 2013	Q3 2013
Total Revenues	76.2	76.4
Adjusted EBITDA ⁽²⁾	12.7	13.4
Payments for Capital Expenditure	65.5	0.2
Loan Principal Payments	35.9	33.8
Proceeds from New Loans	81.7	-

	Q2 2013	Q3 2013
Drybulk Segment Utilization	99.9%	99.1%
Tanker Segment Utilization	100%	100%
Drybulk Segment Time Charter Equivalent	\$12,756	\$10,796
Tanker Segment Time Charter Equivalent	\$10,004	\$15,802

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

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



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DryShips Inc.



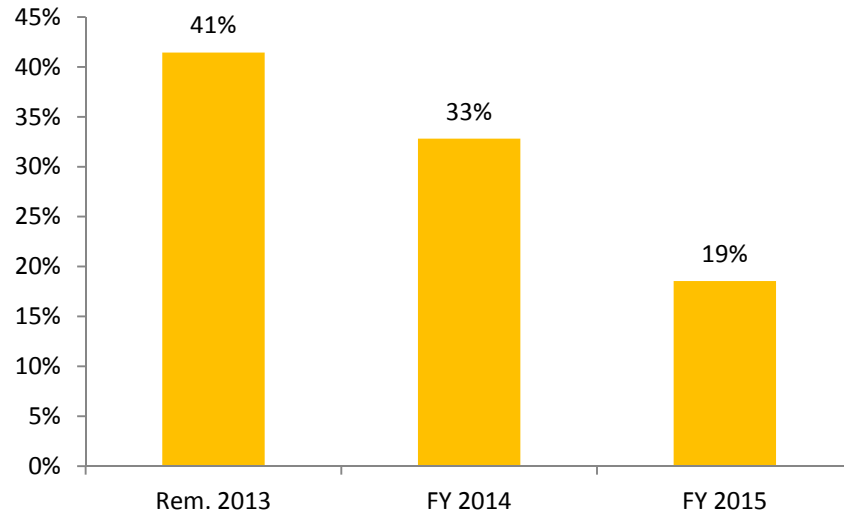
Recent Developments

- On October 30, 2013, the Company signed a Firm Summary of Terms and Conditions with HSH Nordbank, as Agent, for an amendment of certain terms under the Company's \$628.8 million Senior and Junior loan agreements dated March 31, 2006, as amended. Under the terms of this agreement, the lending syndicate led by HSH has agreed to apply the currently-pledged restricted cash of \$55 million against the next five quarterly installments.
- Ocean Rig, achieved 98.4% average fleet wide operating performance for the third quarter of 2013.
- On November 4, 2013, the Ocean Rig Mylos commenced drilling operations under the three year contract with Repsol Sinopec Brazil S.A.
- The deliveries of the newbuildings Ocean Rig Skyros and Ocean Rig Athena are rescheduled to January 2014 and February 2014 respectively, due to late delivery of third party and sub-supplier equipment
- On October 29, 2013, Ocean Rig agreed with a major oil company to extend for 60 days the expiration of the previously announced LoA for our ultra deepwater drillship Ocean Rig Skyros.
- On October 4, 2013, we filed for an at-the-market offering for up to \$200 million of the Company's common shares. During October 2013, 5,891,234 common shares were issued and sold at an average share price of \$3.51 per share, resulting in net proceeds of \$20.2 million.

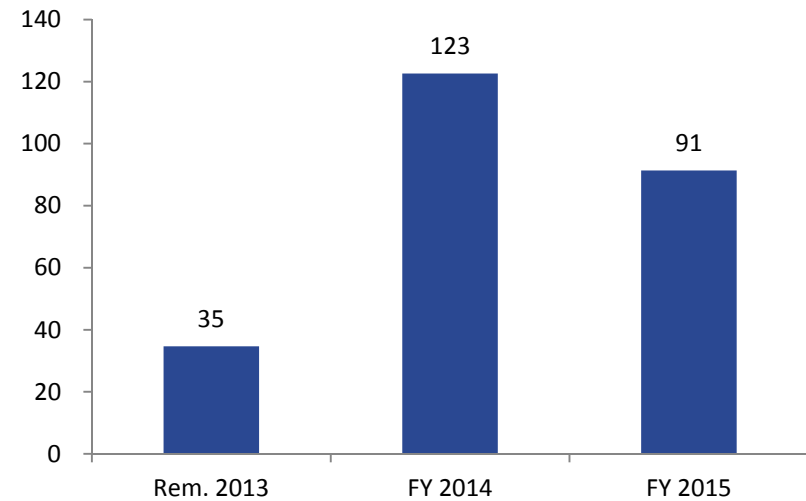


Drybulk Employment Status¹

% Charter coverage



Drybulk gross fixed revenue (\$m)



Average daily fixed rate

23,932	25,638	32,115
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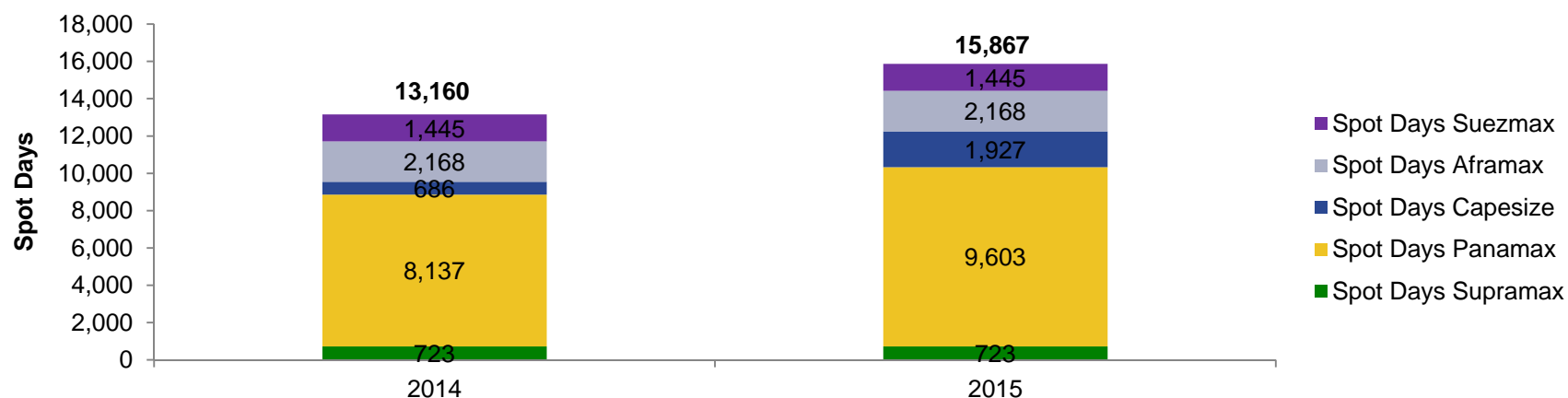
➤ **Total contracted backlog through 2015 is approximately \$249 million**

¹ As of September 30th 2013



Earnings Power of Our Shipping Fleet

Shipping Segment Projected Spot Days¹



➤ **Potential additional EBITDA/ free cashflow generation:**

(in million)	FY2014	FY2015
+\$5,000 to market spot rates	\$65.8	\$79.3
+\$10,000 to market spot rates	\$131.6	\$158.7
+\$15,000 to market spot rates	\$197.4	\$238.0
+\$20,000 to market spot rates	\$263.2	\$317.3

¹ Projected spot days for 2014 post scheduled dry-dock days and net of utilization



Newbuilding Program Delayed

<i>(in \$ thousands)</i>	<u>Contracted Delivery</u>	<u>CIP</u> ¹	<u>Scheduled CAPEX</u>		<u>Cancellation Date</u>
			<u>Rem. 2013</u>	<u>FY2014</u>	
Ice Class Panamax #1	2014	2,890	7,310	23,800	March-15
Ice Class Panamax #2	2014	2,890	7,310	23,800	May-15
Ice Class Panamax #3	2014	2,890	7,310	23,800	May-15
Ice Class Panamax #4	2014	2,890	3,910	27,200	July-15
Total		11,560	25,840	98,600	

- Rongsheng is experiencing severe delays
- We are considering all our options

1) CIP and Capex as of 9/30/2013



Progress on Supplemental Agreements with Banks

- **Agreement with HSH syndicate (\$628.8m facility) reached!**
 - **Application of \$55m Minimum Liquidity against the next five quarterly installments**
 - **Financial covenant relaxation up to 31/12/2014**
 - **Other terms and conditions**
 - **Subject to definitive documentation**



Secured Bank Debt Profile (Shipping Segment)

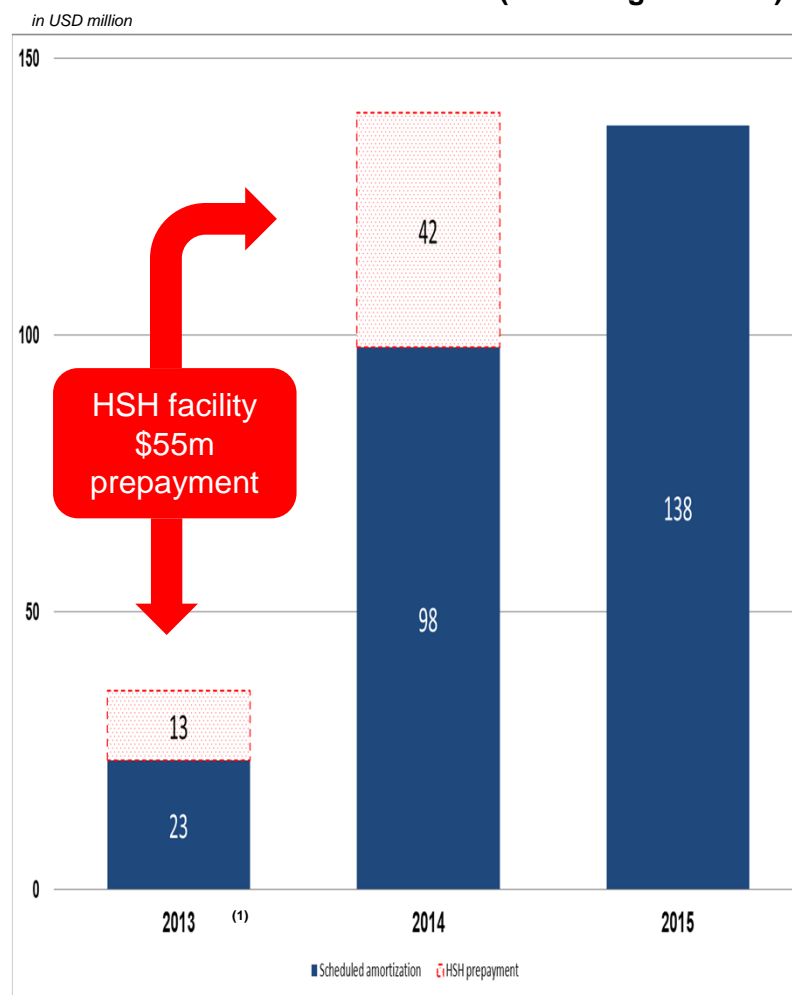
Drybulk Debt Outstanding as of 9/30/13

Facility	Amortizing	Balloon	Total	Maturity
\$628.8m facility	120.7	112.0	232.7	Q2 2016
\$35m facility	6.5	11.0	17.5	Q4 2016
\$125m facility	16.2	6.9	23.1	Q2 2016
\$90m facility	8.5	48.5	57.0	Q4 2015
\$130m facility	2.7	27.5	30.2	Q1 2015
\$126.4m facility	53.0	2.9	55.9	Q3 2018
\$47m facility	4.5	12.0	16.5	Q4 2015
\$90m facility	15.0	24.0	39.0	Q4 2015
\$103.2m facility	9.0	16.0	25.0	Q3 2016
\$325m facility	61.2	23.5	84.7	Q4 2015
\$87.7m facility	7.7	9.5	17.2	Q1 2020
\$122.6m facility	117.1	0.0	117.1	Q2 2025
Total Drybulk bank debt	422.1	293.8	715.9	

Tankers Debt Outstanding as of 9/30/13

Facility	Amortizing	Balloon	Total	Maturity
\$70m facility	11.6	46.7	58.3	Q1 2016
\$32.3m facility	8.1	19.4	27.5	Q2 2017
\$141.35m facility	60.5	65.5	126.0	Q2 2019
\$107.67m facility	46.2	50.4	96.6	Q1 2019
Total Tankers bank debt	126.4	182.0	308.4	
Total Debt	548.5	475.8	1,024.3	

Scheduled Debt Amortization (excluding balloons)



1) Remainder of 2013, as of 9/30/2013



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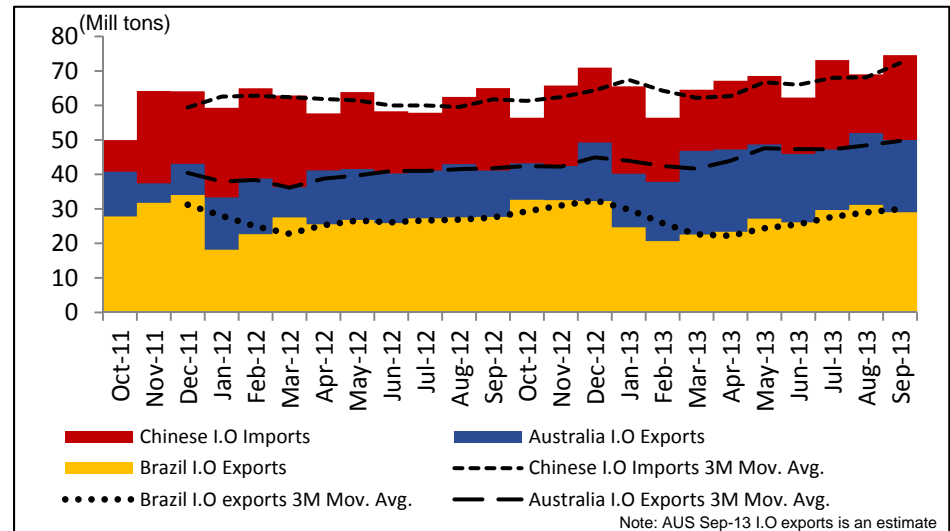
Drybulk: Is this year's spike a sign of things to come?

Q3 2013 Demand:

- Brazilian & Australian exports of iron ore up 15.8% y-o-y
- Chinese iron ore imports up 16.9% y-o-y
- Chinese coal imports up 21.4% y-o-y

Q3 2013 Freight rates:

- C4TC averaged \$18,968 per day up 293% y-o-y
- P4TC averaged \$8,926 per day up 34.3% y-o-y



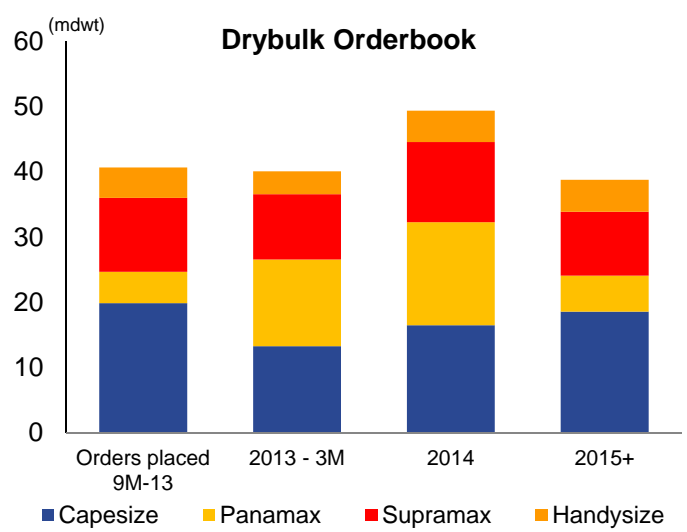
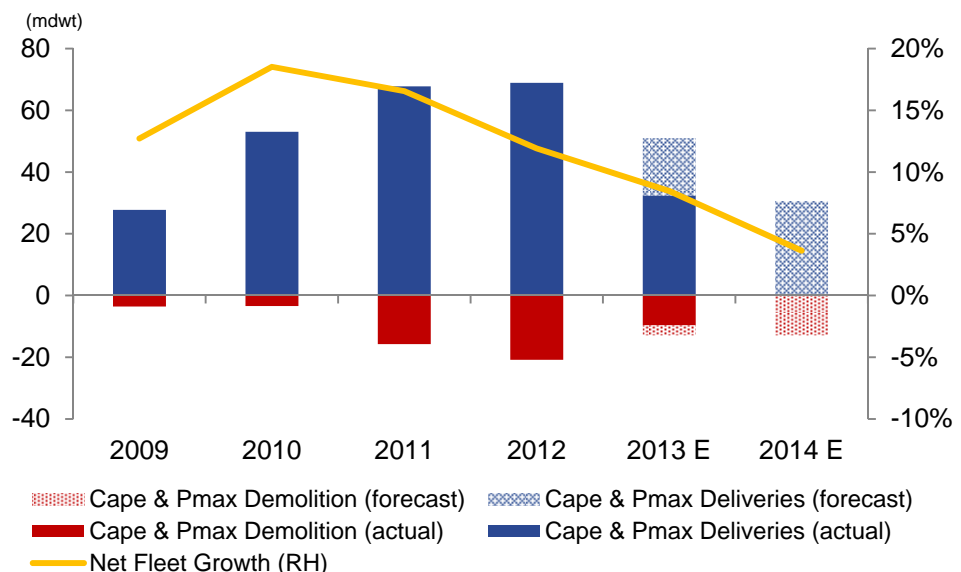
Factors to watch going forward

- Newbuilding deliveries slowing down and demolition activity at satisfactory levels
- New iron ore capacity coming on-line within the next 3 years
- Chinese economy, iron ore stockpiles and steel margins
- Global steel demand

Source: Clarksons, Bloomberg



Drybulk fleet growth normalizing



Assumptions: 2014 demolition same as 2013
 Slippage on o/s orderbook of 30.4% and 29.5% for Cape and Pmax respectively (same as 2012)

Key Items:

- Combined Capesize and Panamax fleet is expected to grow by 8.5% and 3.6% y-o-y in 2013 and 2014 respectively
- Demolition activity has slowed during Q3-13, also on the back of the recent freight rally with about 3.6mdwt being removed, compared to 8.1mdwt and 5.2mdwt in Q1-13 and Q2-13 respectively

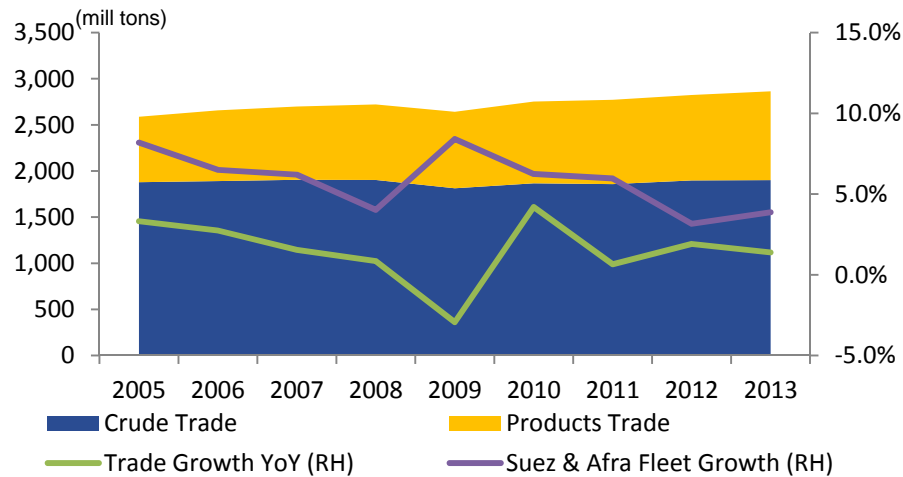
Source: Clarksons



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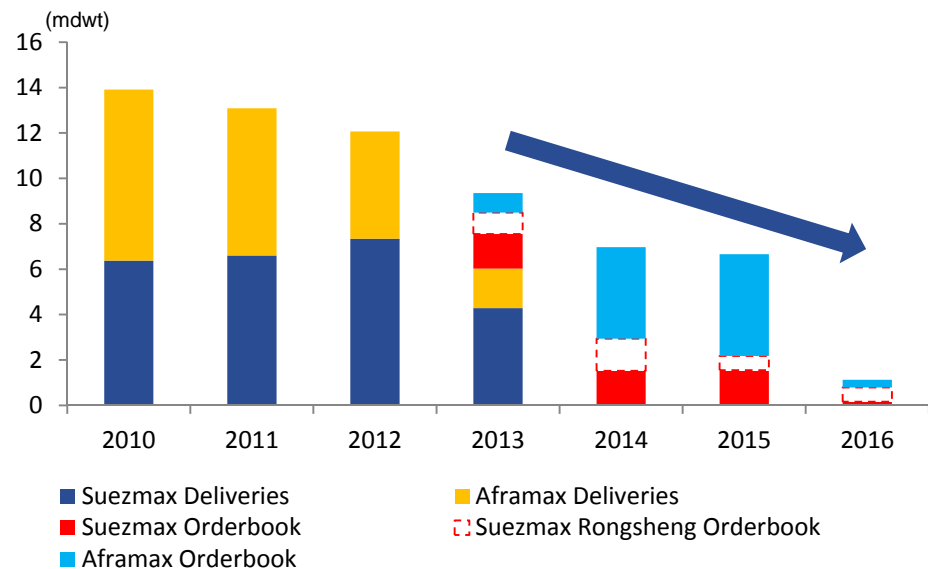


Tanker Market Fundamentals Set to Improve



Tanker market expected to improve gradually from 2014. Long haul trade patterns are supported with new Eastern refinery start-ups and increasing demand from developing countries

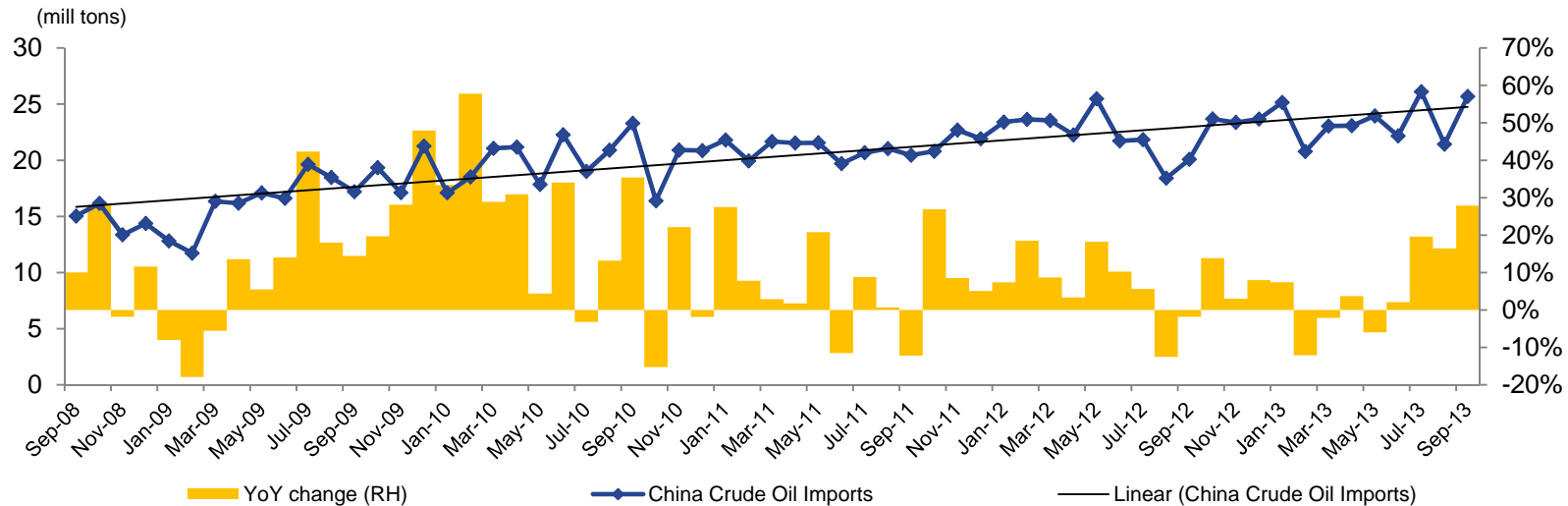
Suezmax and Aframax supply growth slowing. 43% of the Suezmax orderbook (Rongsheng) unlikely to be delivered.



Source: Clarksons



Crude Demand – A China Story ?



China

- In September 2013, Chinese crude oil imports reached about 25.7m tons, an increase of 27.9% y-o-y
- The increasing Chinese crude imports are partially offsetting the loss in demand that the U.S shale boom has caused
- China will also be looking to import crude from a mix of sources in order to avoid being too reliant on just a few suppliers, something which will support ton-miles

FINANCIAL TIMES

October 12, 2013 12:01 pm

Record imports make China world's top importer of crude oil

By Lucy Hornby in Beijing

Source: Bloomberg, IEA



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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 and resources.**

- **Drybulk segment**
 - **Modern fleet – average age 7.4 years**
 - **Charter coverage – 41% in 2013, upside spot exposure in 2014**
 - **Newbuild program – only 4 ice-class panamaxs remaining**

- **Tanker segment**
 - **Brand new fleet – average age 1.1 years**
 - **Employment – spot employment, upside spot exposure in 2014**
 - **Newbuild program – completed in January 2013**

- **Shareholding**
 - **Ocean Rig undervalued – stock trading at a significant discount to its peers**



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APPENDIX



DryShips Inc.



Fleet Profile (Shipping Segment)

	Year	DWT	Type	Gross rate	Redelivery		Year Built/ Scheduled	DWT	Type	Gross rate	Redelivery	
	Built			Per day	Earliest	Latest				Per day	Earliest	Latest
Drvbulk fleet												
Capesize:												
Rangiroa	2013	206,000	Capesize	\$23,000	Apr-18	Nov-23						
Negonego	2013	206,000	Capesize	\$21,500	Mar-20	Feb-28						
Fakarava	2012	206,000	Capesize	\$25,000	Sept-15	Sept-20						
Mystic	2008	170,040	Capesize	\$52,310	Aug-18	Dec-18						
Robusto	2006	173,949	Capesize	\$26,000	Aug-14	Apr-18						
Cohiba	2006	174,234	Capesize	\$26,250	Oct-14	Jun-19						
Montecristo	2005	180,263	Capesize	\$23,500	May-14	Feb-19						
Flecha	2004	170,012	Capesize	\$55,000	Jul-18	Nov-18						
Manasota	2004	171,061	Capesize	\$30,000	Jan-18	Aug-18						
Partagas	2004	173,880	Capesize	\$11,500	Jun-14	Oct-14						
Alameda	2001	170,662	Capesize	\$27,500	Nov-15	Jan-16						
Capri	2001	172,579	Capesize	\$10,000	Nov-13	Mar-14						
Panamax:												
Raraka	2012	76,037	Panamax	\$7,500	Jan-15	Mar-15						
Woolloomooloo	2012	76,064	Panamax	\$7,500	Dec-14	Feb-15						
Amalfi	2009	75,206	Panamax	Spot	N/A	N/A						
Rapallo	2009	75,123	Panamax	T/C Index linked	Jul-16	Sep-16						
Catalina	2005	74,432	Panamax	Spot	N/A	N/A						
Majorca	2005	74,477	Panamax	Spot	N/A	N/A						
Ligari	2004	75,583	Panamax	Spot	N/A	N/A						
Saldanha	2004	75,707	Panamax	Spot	N/A	N/A						
Sorrento	2004	76,633	Panamax	\$24,500	Aug-21	Dec-21						
Mendocino	2002	76,623	Panamax	T/C Index linked	Sep-16	Nov-16						
Bargara	2002	74,832	Panamax	T/C Index linked	Sep-16	Nov-16						
Oregon	2002	74,204	Panamax	Spot	N/A	N/A						
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	T/C Index linked	Aug-16	Oct-16						
Maganari	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	Spot	N/A	N/A						
Topeka	2000	74,716	Panamax	\$8,450	Oct-13	Dec-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						
Galveston	2002	51,201	Supramax	Spot	N/A	N/A						
Newbuildings												
Panamax:												
Newbuilding Ice -class Panamax 1	2014	75,900	Panamax	Spot	N/A	N/A						
Newbuilding Ice -class Panamax 2	2014	75,900	Panamax	Spot	N/A	N/A						
Newbuilding Ice -class Panamax 3	2014	75,900	Panamax	Spot	N/A	N/A						
Newbuilding Ice -class Panamax 4	2014	75,900	Panamax	Spot	N/A	N/A						
Tanker fleet												
Suezmax:												
Esordeira	2013	158,300	Suezmax	Spot	N/A	N/A						
Petalidi	2012	158,300	Suezmax	Spot	N/A	N/A						
Lipari	2012	158,300	Suezmax	Spot	N/A	N/A						
Vikmoura	2011	158,300	Suezmax	Spot	N/A	N/A						
Aframax:												
Alicante	2013	115,200	Aframax	Spot	N/A	N/A						
Mareta	2013	115,200	Aframax	Spot	N/A	N/A						
Cahda	2012	115,200	Aframax	Spot	N/A	N/A						
Saga	2011	115,200	Aframax	Spot	N/A	N/A						
Daytona	2011	115,200	Aframax	Spot	N/A	N/A						
Beimar	2011	115,200	Aframax	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,	
	2012	2013	2012	2013
REVENUES:				
Voyage revenues	\$ 57,977	\$ 76,428	\$ 215,121	\$ 225,870
Service revenues, net	285,662	328,513	712,152	834,792
	<u>343,639</u>	<u>404,941</u>	<u>927,273</u>	<u>1,060,662</u>
EXPENSES:				
Voyage expenses	7,827	24,492	18,310	74,634
Vessel operating expenses	21,006	26,735	64,802	76,378
Drilling rigs operating expenses	160,098	128,906	390,490	366,646
Depreciation and amortization	84,580	92,448	250,615	260,866
Vessel impairments and other, net	38	-	1,001	76,783
General and administrative expenses	35,331	54,144	106,475	127,578
Legal settlements and other, net	(1,842)	(224)	(3,448)	5,166
	<u>36,601</u>	<u>78,440</u>	<u>99,028</u>	<u>72,611</u>
Operating income				
OTHER INCOME / (EXPENSES):				
Interest and finance costs, net of interest income	(51,923)	(130,976)	(152,468)	(243,846)
Gain/ (Loss) on interest rate swaps	(27,777)	(11,638)	(49,491)	11,840
Other, net	(1,177)	2,039	1,399	4,728
Income taxes	(10,975)	(10,524)	(32,603)	(35,099)
Total other expenses, net	<u>(91,852)</u>	<u>(151,099)</u>	<u>(233,163)</u>	<u>(262,377)</u>
Net loss	<u>(55,251)</u>	<u>(72,659)</u>	<u>(134,135)</u>	<u>(189,766)</u>
Net income/ (loss) attributable to Non controlling interests	3,980	8,780	17,207	(8,958)
Net loss attributable to Dryships Inc.	<u>\$ (51,271)</u>	<u>\$ (63,879)</u>	<u>\$ (116,928)</u>	<u>\$ (198,724)</u>
Loss per common share, basic and diluted	\$ (0.13)	\$ (0.17)	\$ (0.31)	\$ (0.52)
Weighted average number of shares, basic and diluted	380,152,244	382,809,418	380,152,244	382,708,526



Unaudited Condensed Consolidated Balance Sheets

(Expressed in Thousands of U.S. Dollars)

	<u>December 31, 2012</u>	<u>September 30, 2013</u>
<u>ASSETS</u>		
Cash, cash equivalents and restricted cash (current and non-current)	\$ 720,458	\$ 678,564
Other current assets	338,446	415,516
Advances for vessels and drillships under construction and related costs	1,201,807	979,113
Vessels, net	2,059,570	2,279,960
Drilling rigs, drillships, machinery and equipment, net	4,446,730	5,093,044
Other non-current assets	111,480	131,152
Total assets	<u><u>8,878,491</u></u>	<u><u>9,577,349</u></u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Total debt	4,386,715	5,205,511
Total other liabilities	623,757	558,600
Total stockholders' equity	3,868,019	3,813,238
Total liabilities and stockholders' equity	<u><u>\$ 8,878,491</u></u>	<u><u>\$ 9,577,349</u></u>



Summary Operating Data

(Dollars in thousands, except average daily results)

Drybulk	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Average number of vessels ⁽¹⁾	35.2	38.0	35.6	36.9
Total voyage days for vessels ⁽²⁾	3,233	3,464	9,715	10,030
Total calendar days for vessels ⁽³⁾	3,241	3,496	9,744	10,064
Fleet utilization ⁽⁴⁾	99.8%	99.1%	99.7%	99.7%
Time charter equivalent ⁽⁵⁾	\$12,727	\$10,796	\$17,719	\$11,640
Vessel operating expenses (daily) ⁽⁶⁾	\$5,248	\$5,904	\$5,405	\$5,638

Tanker	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Average number of vessels ⁽¹⁾	7.0	10.0	6.0	9.8
Total voyage days for vessels ⁽²⁾	644	920	1,649	2,678
Total calendar days for vessels ⁽³⁾	644	920	1,649	2,678
Fleet utilization ⁽⁴⁾	100%	100%	100%	100%
Time charter equivalent ⁽⁵⁾	\$13,978	\$15,802	\$14,959	\$12,879
Vessel operating expenses (daily) ⁽⁶⁾	\$6,205	\$6,624	\$7,357	\$7,333

(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,	
	2012	2013	2012	2013
Voyage revenues	\$ 46,881	\$ 44,206	\$ 186,388	\$ 138,003
Voyage expenses	(5,733)	(6,808)	(14,244)	(21,256)
Time charter equivalent revenues	\$ 41,148	\$ 37,398	\$ 172,144	\$ 116,747
Total voyage days for fleet	3,233	3,464	9,715	10,030
Time charter equivalent TCE	\$ 12,727	\$ 10,796	\$ 17,719	\$ 11,640
Tanker	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Voyage revenues	\$ 11,096	\$ 32,222	\$ 28,733	\$ 87,867
Voyage expenses	(2,094)	(17,684)	(4,066)	(53,378)
Time charter equivalent revenues	\$ 9,002	\$ 14,538	\$ 24,667	\$ 34,489
Total voyage days for fleet	644	920	1,649	2,678
Time charter equivalent TCE	\$ 13,978	\$ 15,802	\$ 14,959	\$ 12,879

(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.

