

# DryShips Inc.

2<sup>nd</sup> Quarter Ended June 30, 2014  
Earnings Presentation



NASDAQ: "DRYS"

August 06, 2014

# 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.



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**Financial Highlights**

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



# Consolidated<sup>1</sup> Q2 2014 Results

<i>(in \$ million, except EPS)</i>	Q2 2013	Q2 2014
Total Revenues	336.0	527.7
Adjusted EBITDA <sup>2</sup>	112.3	220.5
Interest and Finance Cost, net	56.0	86.0
U.S. GAAP Net Loss <sup>3</sup>	(18.2)	(5.6)
EPS	(0.05)	(0.01)

1) Consolidated results include operations of DryShips Inc. shipping segment and Ocean Rig UDW Inc.

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

3) The net result is adjusted for the minority interests of 40.6% not owned by DryShips Inc. common stockholders



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

<i>(in \$ million)</i>	Q2 2013	Q2 2014
Total Revenues	76.2	86.2
Adjusted EBITDA <sup>(2)</sup>	12.4	17.1
Loan Principal Payments	35.9	24.2
Drybulk Segment Utilization	99.9%	97.9%
Tanker Segment Utilization	100.0%	100.0%
Drybulk Segment Daily TCE	\$12,756	\$12,064
Tanker Segment Daily TCE	\$10,004	\$15,650

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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# Recent Developments

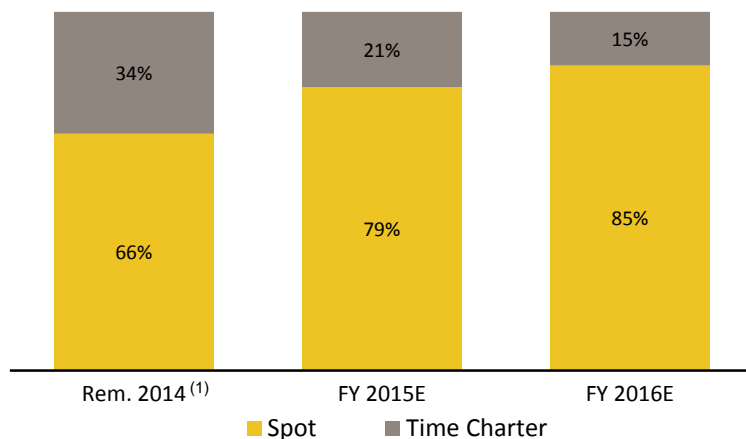
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- On July 25, 2014, Ocean Rig entered into a \$1.3 billion Senior Secured Term Loan B facility to refinance the \$1.35 billion Senior Secured Credit Facility
- On July 21, 2014, Ocean Rig announced that its Board of Directors declared a quarterly cash dividend with respect to the quarter ended June 30, 2014 of \$0.19 per common share, to shareholders of record as of August 1, 2014 and payable on or about August 11, 2014
- On July 18, 2014, the Company signed a firm commitment letter from Nordea Bank for an up to \$170 million senior secured credit facility to finance nine Drybulk vessels
- On July 16, 2014, the Company received a firm commitment letter for an up to \$350 million secured bridge loan facility, to partially refinance its 5.00% convertible bond maturing December 1, 2014
- On June 7, 2014, the Ocean Rig Athena commenced drilling operations under the three year contract for drilling offshore Angola with ConocoPhillips
- On June 3, 2014, Ocean Rig signed definitive documentation, following the previously announced contract award, for the 6 year contract for drilling operations offshore Angola for its ultra deepwater drillship, the Ocean Rig Skyros
- On June 3, 2014, Ocean Rig signed a drilling contract for one of its semi-submersible drilling rigs, the Eirik Raude for drilling offshore the Falkland Islands

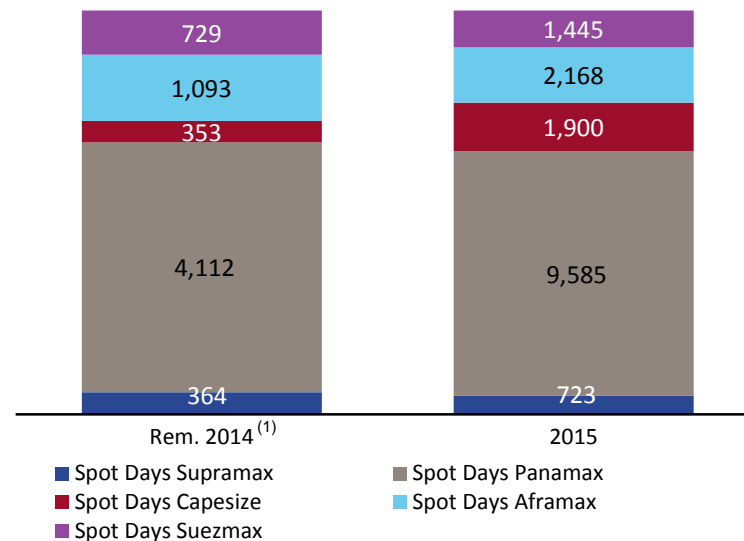


# Well-positioned to Benefit From Shipping Recovery

## Drybulk % Employment Profile



## Shipping Segment Projected Spot Days<sup>(2)</sup>



## Average daily fixed rate

\$34,173

\$30,692

\$33,813

## Drybulk gross fixed revenue (\$m)

\$88

\$99

\$77

## ➤ Potential additional EBITDA generation:

(in million)	Rem. 2014	FY2015
+\$5,000 to market spot rates	\$33.3	\$79.1
+\$10,000 to market spot rates	\$66.5	\$158.2
+\$15,000 to market spot rates	\$99.8	\$237.3
+\$20,000 to market spot rates	\$133.0	\$316.4

(1) As of 6/30/2014

(2) Projected spot days for the remaining 2014 post scheduled dry-dock days and net of utilization





# Newbuilding Program Still Severely Delayed

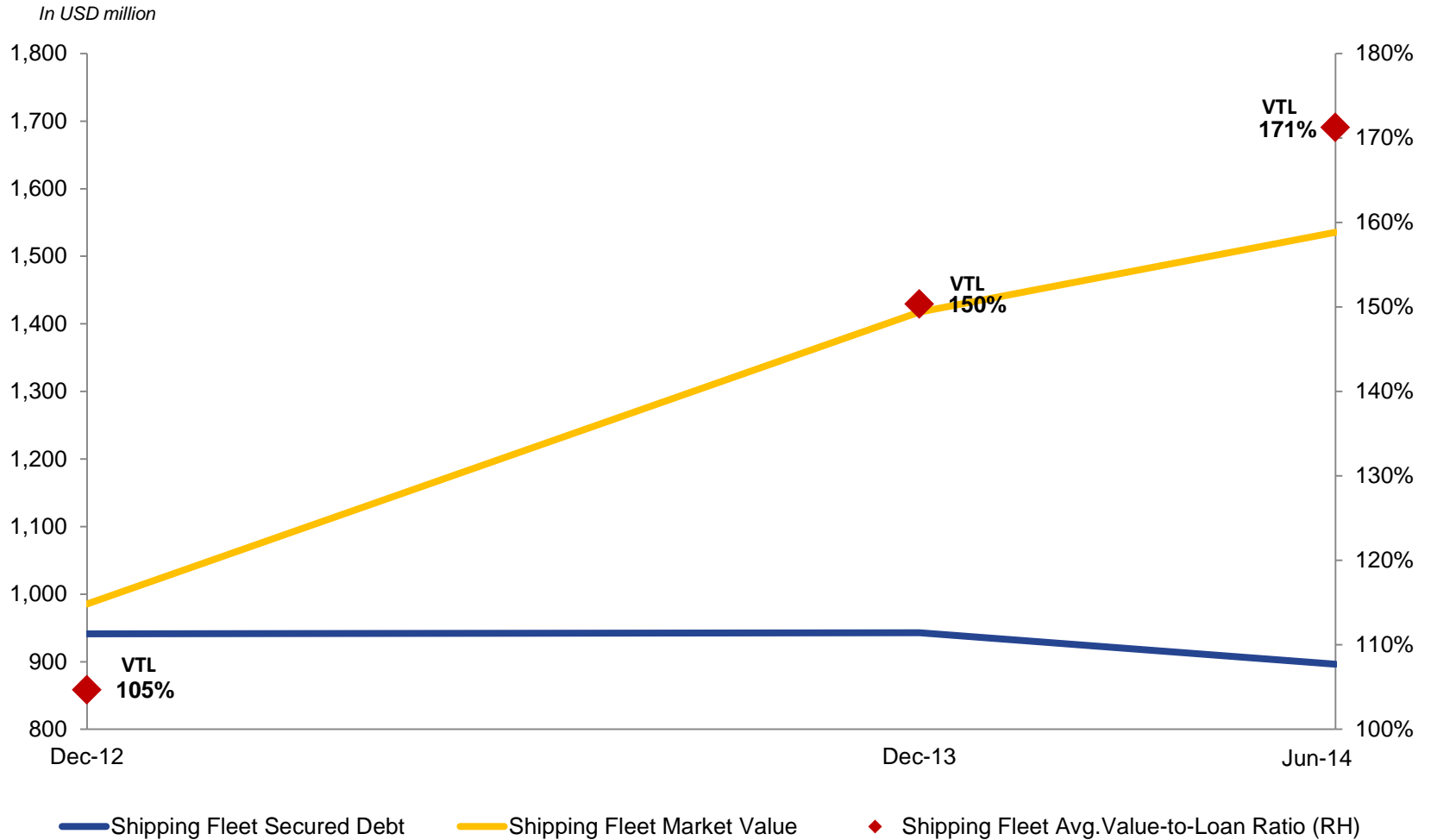
<i>(in \$ thousands)</i>	<u>Contracted Delivery</u>	<u>CIP</u> <sup>1</sup>	<u>Scheduled CAPEX</u> <sup>1</sup>	
			<u>Rem. 2014</u>	<u>Cancellation Date</u>
Ice Class Panamax #1	June-14	2,890	31,100	March-15
Ice Class Panamax #2	August-14	2,890	31,100	May-15
Ice Class Panamax #3	August-14	2,890	31,100	May-15
Ice Class Panamax #4	October-14	2,890	31,100	July-15
<b>Total</b>		<b>11,560</b>	<b>124,400</b>	

- **Vessel delivery schedule still non-existent**
- **We have not made any further payments to the yard**

1) CIP and Capex as of 06/30/2014

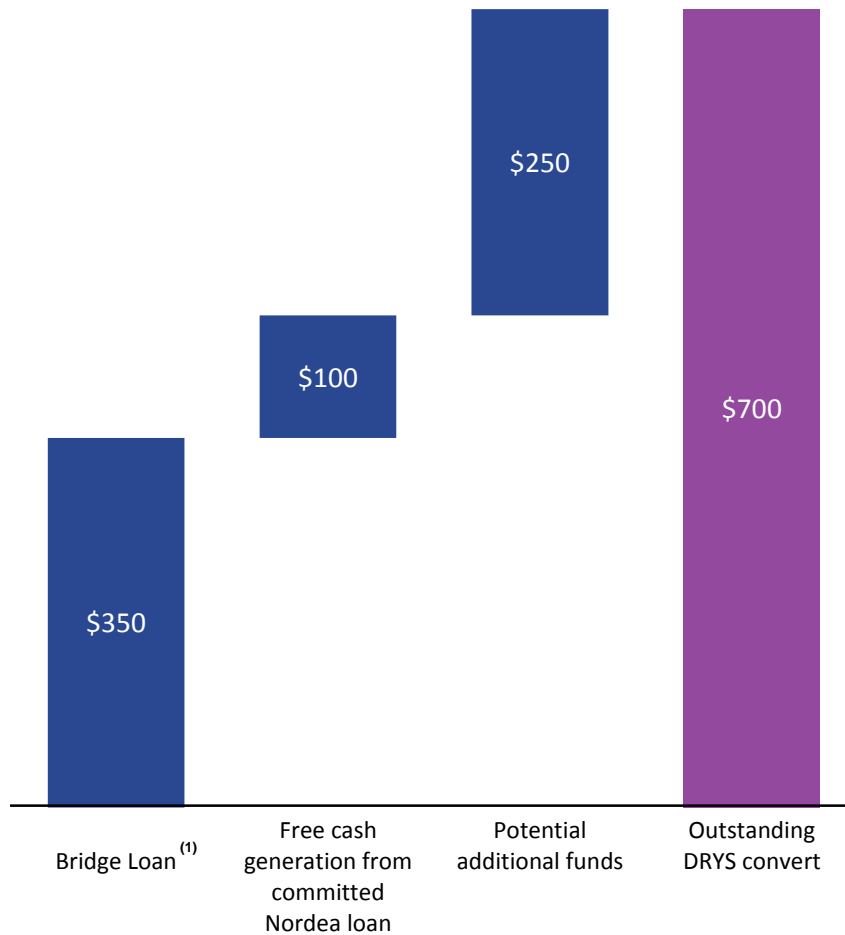


# Improved Loan Compliance and Supportive Lenders



# Convertible Bond Refinancing: The Plan

(\$ in millions)



(1) \$200m fully underwritten by ABN AMRO

➤ DryShips plans to partially address the \$700 million Convertible Senior Notes Dec-14 maturity through the following transactions:

- \$350 million from ABN AMRO Bank N.V. bridge loan <sup>(1)</sup>
- ~\$100 million free cash generation from Nordea Bank \$170 million Senior Secured Credit Facility commitment



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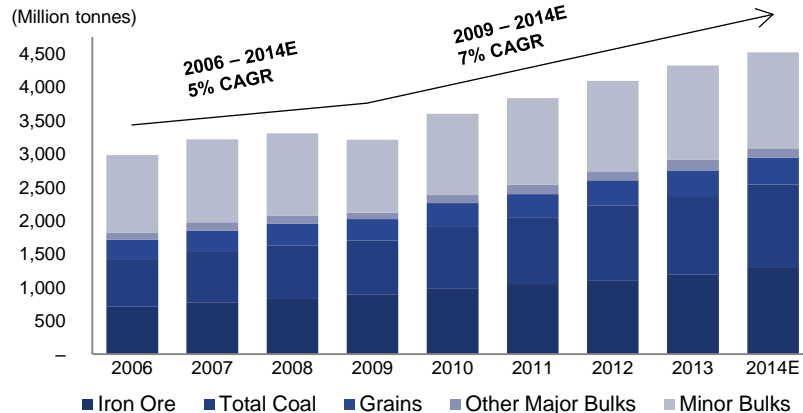


# Drybulk Industry Overview

## Key Themes

- BDI and vessel values rose quickly in 2H 2013 showing signs of rate recovery for first time since 2011
- 1H 2014 BDI performance was not able to hold 2H 2013 levels, but is still significantly higher than 1H 2013
- Drybulk fleet expected to grow by only ~5% in 2014 with Cape and Panamax fleets increasing by 4% and 6%, respectively
- Drybulk trade growth has grown at CAGR of 7% since 2009
- Continued trade growth and slowing trend in newbuilding deliveries is expected to tighten supply/demand balance into and through 2016
- Expected key drybulk trade drivers are strength of Chinese steel production, continuation of low cost iron ore supply and increase in Brazilian iron ore exports

## Global Seaborne Trade

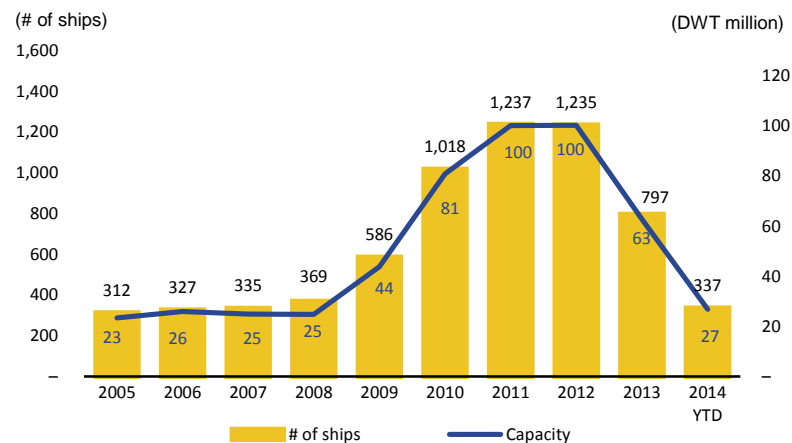


## Baltic Dry Index



Source: Clarksons

## Drybulk Deliveries

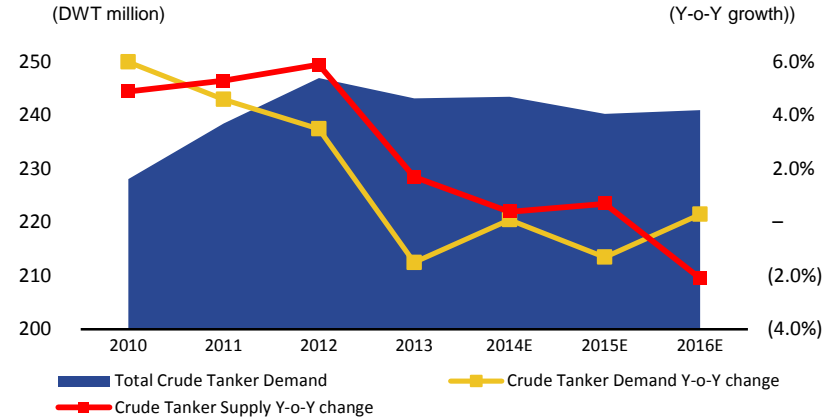


# Crude Tanker Industry Overview

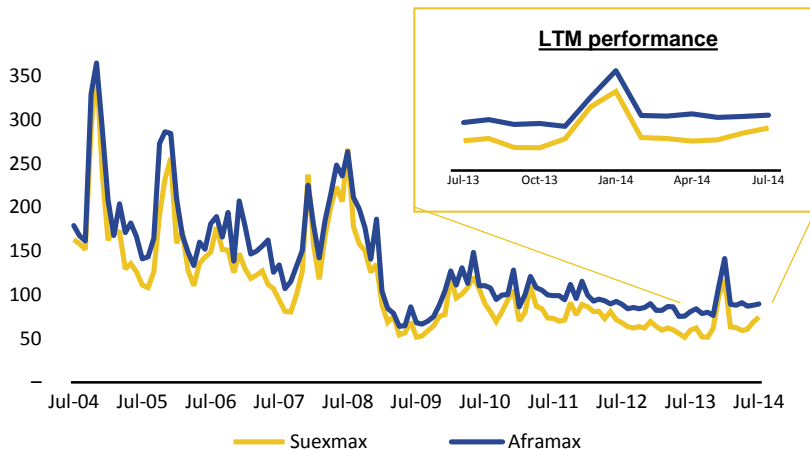
## Key Themes

- Crude tanker rates have been volatile throughout 1H 2014, but on average for the full year are likely to end up at levels above 2013
- Expectations for further rate improvement in 2015-2016 period as demand growth is expected to exceed supply growth
- Newbuilding deliveries have declined steadily since 2009, helping to improve supply/demand dynamics in the sector
- Expected key drivers in the crude tanker sector are total oil demand growth and the potential for ton-mile expansion from the development of new, longer-haul trade routes

## Crude Tanker Supply / Demand

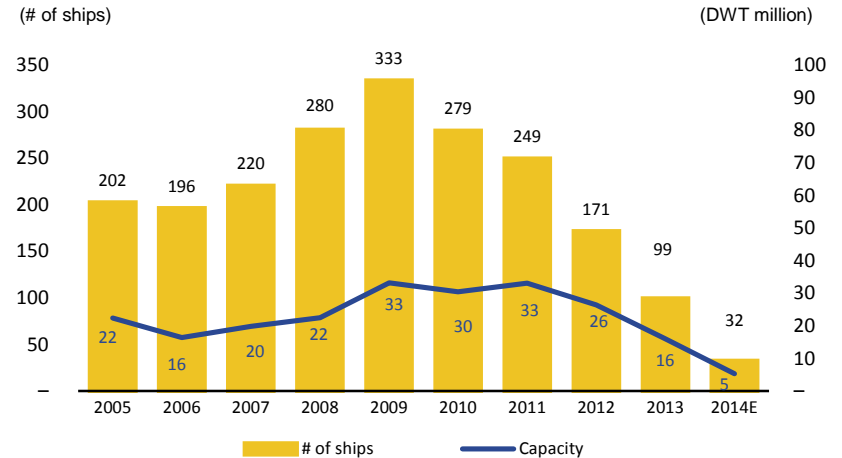


## Crude Tanker Spot Rates



Source: Clarksons

## Crude Tanker Deliveries



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# Closing Remarks

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- **Dryships is a pure shipping company with primarily spot market exposure and a shareholding in Ocean Rig.**
  
- **Drybulk segment**
  - **Modern fleet – average age 8.2 years**
  - **Charter coverage – 34% in 2014, upside spot exposure going forward**
  
- **Tanker segment**
  - **Brand new fleet – average age 2.1 years**
  - **Employment – spot employment, upside spot exposure in 2014**
  
- **Proactive liability management**
  - **Financing for more than 50% of the upcoming \$700m 5.00% convertible notes maturity already in place**
  - **Actively pursuing various options for the balance**
  
- **Shareholding in ORIG**
  - **Ocean Rig undervalued – stock trading at a significant discount to its peers**
  - **Value unlocking initiatives**
    - **\$25 million quarterly dividend declared for Q2-14 operations and payable on August 11, 2014 (approx. \$14.8m to DRYS)**
    - **Continuing Master Limited Partnership (MLP) IPO process**





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# APPENDIX



# Fleet Profile (Shipping Segment)

	Year	DWT	Type	Gross rate	Redelivery		Year Built/or	DWT	Type	Gross rate	Redelivery	
	Built			Per day	Earliest	Latest	Scheduled Delivery			Per day	Earliest	Latest
<b>Drybulk fleet</b>												
<b>Capesize:</b>												
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						
Raiatea (ex. Conches)	2011	179,078	Capesize	\$26,000	Aug-14	Jan-15						
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	Aug-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	Aug-14	Oct-14						
Alameda	2001	170,662	Capesize	\$27,500	Nov-15	Jan-16						
Capri	2001	172,579	Capesize	\$20,000	Jan-16	May-16						
<b>Panamax:</b>												
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	Spot	N/A	N/A						
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						
<b>Newbuildings</b>												
<b>Panamax:</b>												
Newbuilding Ice --class Panamax 1	TBD	75,900	Panamax	N/A	N/A	N/A						
Newbuilding Ice --class Panamax 2	TBD	75,900	Panamax	N/A	N/A	N/A						
Newbuilding Ice --class Panamax 3	TBD	75,900	Panamax	N/A	N/A	N/A						
Newbuilding Ice --class Panamax 4	TBD	75,900	Panamax	N/A	N/A	N/A						
<b>Tanker fleet</b>												
<b>Suezmax:</b>												
Bordeira	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						
Vilamoura	2011	158,300	Suezmax	Spot	N/A	N/A						
<b>Aframax:</b>												
Alicante	2013	115,200	Aframax	Spot	N/A	N/A						
Mareta	2013	115,200	Aframax	Spot	N/A	N/A						
Calida	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						
Belmar	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 June 30,		Six Months Ended June 30,	
	2013	2014	2013	2014
<b>REVENUES:</b>				
Voyage revenues	\$ 76,173	\$ 86,240	\$ 149,442	\$ 182,962
Revenues from drilling contracts	259,835	441,433	506,279	802,197
	<u>336,008</u>	<u>527,673</u>	<u>655,721</u>	<u>985,159</u>
<b>EXPENSES:</b>				
Voyage expenses	24,645	30,343	50,142	59,486
Vessel operating expenses	25,533	29,907	49,643	57,970
Drilling rigs operating expenses	116,981	183,089	237,740	334,604
Depreciation and amortization	85,758	112,658	168,418	219,935
Vessel impairments and other, net	1,443	-	76,783	-
General and administrative expenses	37,187	41,544	73,434	90,635
Legal settlements and other, net	5,405	(734)	5,390	870
	<u>39,056</u>	<u>130,866</u>	<u>(5,829)</u>	<u>221,659</u>
<b>Operating income / (loss)</b>				
<b>OTHER INCOME / (EXPENSES):</b>				
Interest and finance costs, net of interest income	(56,008)	(86,042)	(112,870)	(200,293)
Gain/ (Loss) on interest rate swaps	23,082	(9,628)	23,478	(12,403)
Other, net	2,011	2,642	2,689	2,538
Income taxes	(10,411)	(15,142)	(24,575)	(23,933)
	<u>(41,326)</u>	<u>(108,170)</u>	<u>(111,278)</u>	<u>(234,091)</u>
<b>Total other expenses, net</b>				
<b>Net income/(loss)</b>	<u>(2,270)</u>	<u>22,696</u>	<u>(117,107)</u>	<u>(12,432)</u>
Net income attributable to Non controlling interests	(15,940)	(28,330)	(17,738)	(27,753)
	<u>(18,210)</u>	<u>(5,634)</u>	<u>(134,845)</u>	<u>(40,185)</u>
<b>Net loss attributable to Dryships Inc.</b>				
Loss per common share, basic and diluted	\$ (0.05)	\$ (0.01)	\$ (0.35)	\$ (0.10)
Weighted average number of shares, basic and diluted	382,657,244	413,097,655	382,657,244	411,363,240



# Unaudited Condensed Consolidated Balance Sheets

(Expressed in Thousands of U.S. Dollars)

	<u>December 31, 2013</u>	<u>June 30, 2014</u>
<b><u>ASSETS</u></b>		
Cash, cash equivalents and restricted cash (current and non-current)	\$ 739,312	\$ 626,765
Other current assets	494,887	611,391
Advances for vessels and drillships under construction and related costs	679,008	577,069
Vessels, net	2,249,087	2,242,604
Drilling rigs, drillships, machinery and equipment, net	5,828,231	6,419,463
Other non-current assets	133,167	143,723
<b>Total assets</b>	<b><u>10,123,692</u></b>	<b><u>10,621,015</u></b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Total debt	5,568,003	5,954,644
Total other liabilities	723,991	762,622
Total stockholders' equity	3,831,698	3,903,749
<b>Total liabilities and stockholders' equity</b>	<b><u>\$ 10,123,692</u></b>	<b><u>\$ 10,621,015</u></b>



## Summary Operating Data

(Dollars in thousands, except average daily results)

<b>Drybulk</b>	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2014	2013	2014
Average number of vessels <sup>(1)</sup>	36.6	38.7	36.3	38.4
Total voyage days for vessels <sup>(2)</sup>	3,326	3,453	6,566	6,791
Total calendar days for vessels <sup>(3)</sup>	3,328	3,526	6,568	6,946
Fleet utilization <sup>(4)</sup>	99.9%	97.9%	100%	97.8%
Time charter equivalent <sup>(5)</sup>	\$12,756	\$12,064	\$12,085	\$12,801
Vessel operating expenses (daily) <sup>(6)</sup>	\$5,930	\$6,602	\$5,496	\$6,466

<b>Tanker</b>	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2014	2013	2014
Average number of vessels <sup>(1)</sup>	10	10	9.7	10
Total voyage days for vessels <sup>(2)</sup>	910	910	1,758	1,810
Total calendar days for vessels <sup>(3)</sup>	910	910	1,758	1,810
Fleet utilization <sup>(4)</sup>	100%	100%	100%	100%
Time charter equivalent <sup>(5)</sup>	\$10,004	\$15,650	\$11,348	\$20,190
Vessel operating expenses (daily) <sup>(6)</sup>	\$6,371	\$7,286	\$7,704	\$7,215

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

<b>Drybulk</b>	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2014	2013	2014
Voyage revenues	\$ 48,315	\$ 49,616	\$ 93,798	\$ 103,024
Voyage expenses	(5,890)	(7,960)	(14,448)	(16,092)
Time charter equivalent revenues	\$ 42,425	\$ 41,656	\$ 79,350	\$ 86,932
Total voyage days for fleet	3,326	3,453	6,566	6,791
Time charter equivalent TCE	\$ 12,756	\$ 12,064	\$ 12,085	\$ 12,801

<b>Tanker</b>	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2014	2013	2014
Voyage revenues	\$ 27,858	\$ 36,624	\$ 55,644	\$ 79,938
Voyage expenses	(18,754)	(22,383)	(35,694)	(43,394)
Time charter equivalent revenues	\$ 9,104	\$ 14,241	\$ 19,950	\$ 36,544
Total voyage days for fleet	910	910	1,758	1,810
Time charter equivalent TCE	\$ 10,004	\$ 15,650	\$ 11,348	\$ 20,190

(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 and are 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.



# Secured Bank Debt Profile (Shipping Segment)

## Drybulk Debt Outstanding as of 06/30/14

Facility	Amortizing	Balloon	Total	Maturity
\$628.8m facility	62.4	112.0	174.4	Q2 2016
\$35m facility	5.0	11.0	16.0	Q4 2016
\$125m facility	11.8	6.9	18.7	Q2 2016
\$90m facility	6.8	48.5	55.3	Q4 2015
\$130m facility	2.7	27.6	30.3	Q1 2015
\$126.4m facility	45.1	2.9	48.0	Q3 2018
\$47m facility	3.0	12.0	15.0	Q4 2015
\$90m facility	9.0	24.0	33.0	Q4 2015
\$103.2m facility	6.8	16.0	22.8	Q3 2016
\$325m facility	39.8	23.5	63.3	Q4 2015
\$87.7m facility	6.9	9.5	16.4	Q1 2020
\$122.6m facility	112.7	0.0	112.7	Q2 2025
<b>Total Drybulk bank debt</b>	<b>312.0</b>	<b>293.9</b>	<b>605.9</b>	

## Tankers Debt Outstanding as of 06/30/14

Facility	Amortizing	Balloon	Total	Maturity
\$70m facility	8.2	46.7	54.9	Q1 2016
\$32.3m facility	6.5	19.4	25.9	Q2 2017
\$141.35m facility	52.3	65.5	117.8	Q2 2019
\$107.67m facility	42.0	50.4	92.4	Q1 2019
<b>Total Tankers bank debt</b>	<b>109.0</b>	<b>182.0</b>	<b>291.0</b>	
<b>Total Debt</b>	<b>421.0</b>	<b>475.9</b>	<b>897.0</b>	

## Scheduled Debt Amortization (excluding balloons)

