

# DryShips Inc.

3rd Quarter Ended September 30, 2009

## Earnings Presentation



NASDAQ: "DRYS"

October 27<sup>th</sup>, 2009

# Forward Looking Statements

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Matters discussed in this presentation may constitute forward-looking statements. Forward-looking statements reflect the Company's current views with respect to future events and financial performance and may include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

The forward-looking statements in this release are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although DryShips Inc. believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, DryShips Inc. cannot assure you that it will achieve or accomplish these expectations, beliefs or projections. Important factors that, in the Company's view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies and currencies, general market conditions, including changes in charterhire rates and vessel values, changes in demand that may affect attitudes of time charterers to scheduled and unscheduled drydocking, changes in DryShips Inc.'s operating expenses, including bunker prices, dry-docking and insurance costs, or actions taken by regulatory authorities, potential liability from pending or future litigation, domestic and international political conditions, potential disruption of shipping routes due to accidents and political events or acts by terrorists.

Risks and uncertainties are further described in reports filed by DryShips Inc. with the US Securities and Exchange Commission.



# Agenda

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- I      Third Quarter 2009 Highlights**
- II     Financial Overview**
- III    Industry Overview**
- IV    Conclusion**
- V     Q & A**



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# Third Quarter 2009 Highlights



## Q3 2009 Results

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**Reported Net Profit: \$ 35.6 million or \$ 0.12 per share**

### Unusual Events Affecting Q3 Results:

Plus	Non-cash loss associated with the valuation of the Company's interest rate swaps	\$ 39.3 m
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**Adjusted Net Profit : \$ 74.9 million or \$ 0.27 per share**



## Q3 2009 Highlights

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- **M/V Oliva was delivered and commenced time charter**
- **Completed acquisition of the remainder 25% of Primelead**
- **Signed agreement with Nord LB and West LB on waiver terms for a total of \$183m of debt**



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# Financial Overview



# Fixed Revenue: Dry Bulk

Summary of Long Term Time Charters				
	Q4 2009	2010	2011	2012
Average Number of Vessels on Long Term Time Charters	36.0	35.9	30.2	15.5
Average Number of Vessels Owned For The Period	39.0	39.0	39.0	39.0
% of Fleet on Long Term Time Charter	92%	92%	77%	40%
Spot Days	276	1,126	3,213	8,607
Days Fixed Under Time Charter	3,312	13,109	11,022	5,667
Gross Revenue From Long Term Time Charters	\$ 111.4 m	\$ 443.9 m	\$ 409.0 m	\$ 267.8 m
Average Gross Rate of Long Term Time Charters	\$33,630 p/d	\$33,860 p/d	\$37,110 p/d	\$47,260 p/d

**Total revenues from time charters for the next 3.25 years: \$ 1.2 billion**





# Fixed Revenue: Ultra Deep Water

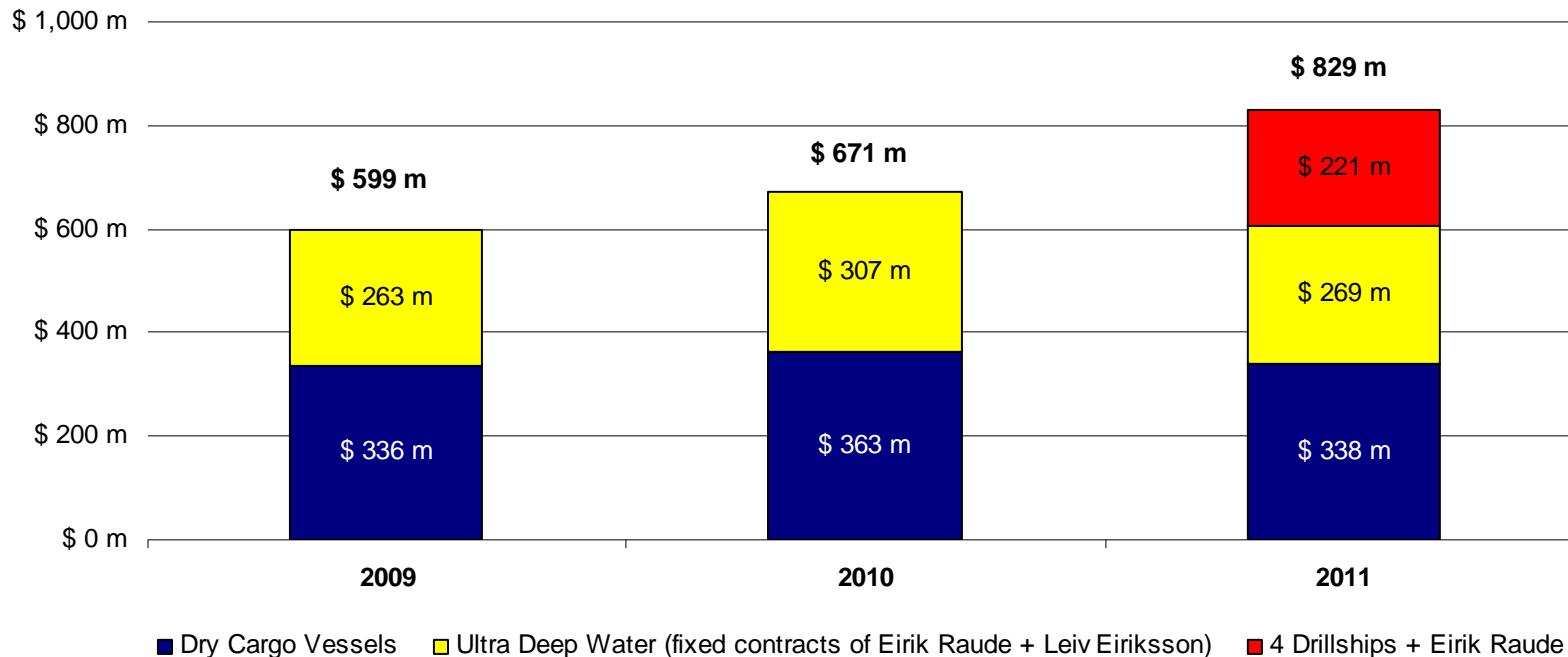
Contracts in Place	2009E	2010E	2011E	2012E	2013E
Leiv Eiriksson	Shell – 2 years	Petrobras – 3 years			
Eirik Raude	Tullow – 3 years (Commenced October 2008)				
Drillship (Hull 1837)				Newbuilding Delivery	
Drillship (Hull 1838)				Newbuilding Delivery	
Drillship Hull 1865				Newbuilding Delivery	
Drillship Hull 1866				Newbuilding Delivery	

Semi-Submersible	Year	Current	Redelivery			Operating	Backlog
Rigs	Built	Employment	Earliest	Latest	Customer	Area	(\$mm)
Leiv Eiriksson	2001	T/C	Oct – 09	Oct – 09	Shell	North Sea	\$ 16
		T/C	Oct – 12	Dec – 12	Petrobras	Black Sea	\$ 639
Eirik Raude	2002	T/C	Oct – 11	Oct – 11	Tullow	Off-shore Ghana	\$ 495
Total							\$1,149



# Securing The Future

## Fixed EBITDA Estimates



### Notes:

- EBITDA has been estimated on the basis of Gross Revenues, excluding G&A's and drydock expenses
- Assumed utilization rate of 95% for the rigs
- UDW estimates only include the two fixed rigs Leiv Eiriksson and Eirik Raude, for the duration of their current contracts
- \* For 2011 the 4 UDW drillships and the Eirik Raude are assumed fixed upon delivery at \$500,000 per day (with 1 month mobilization period)



# Yard Commitments (as of September 30<sup>th</sup>, 2009)

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*(USD thousands)*

	<u>Q4 2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>Total</u>
<b><u>Drillships:</u></b>				
Hull 1865	-	208,082	301,501	509,583
Hull 1866	-	208,082	301,501	509,583
Hull 1837	-	436,642	-	436,642
Hull 1838	47,837	153,159	283,233	484,229
<b>Total</b>	<b>47,837</b>	<b>1,005,965</b>	<b>886,235</b>	<b>1,940,037</b>



# Proforma Debt Repayment Schedule\*

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(USD thousands)

	Long-term Debt		<u>Total</u>
	<u>Drybulk Segment</u>	<u>Drilling Rig Segment</u>	
Remaining 2009	57,934	40,919	98,853
FY 2010	150,976	254,801	405,777
FY 2011	132,151	261,249	393,400
FY 2012	130,338	90,367	220,705

\* As of September 30<sup>th</sup>, 2009



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# Industry Overview

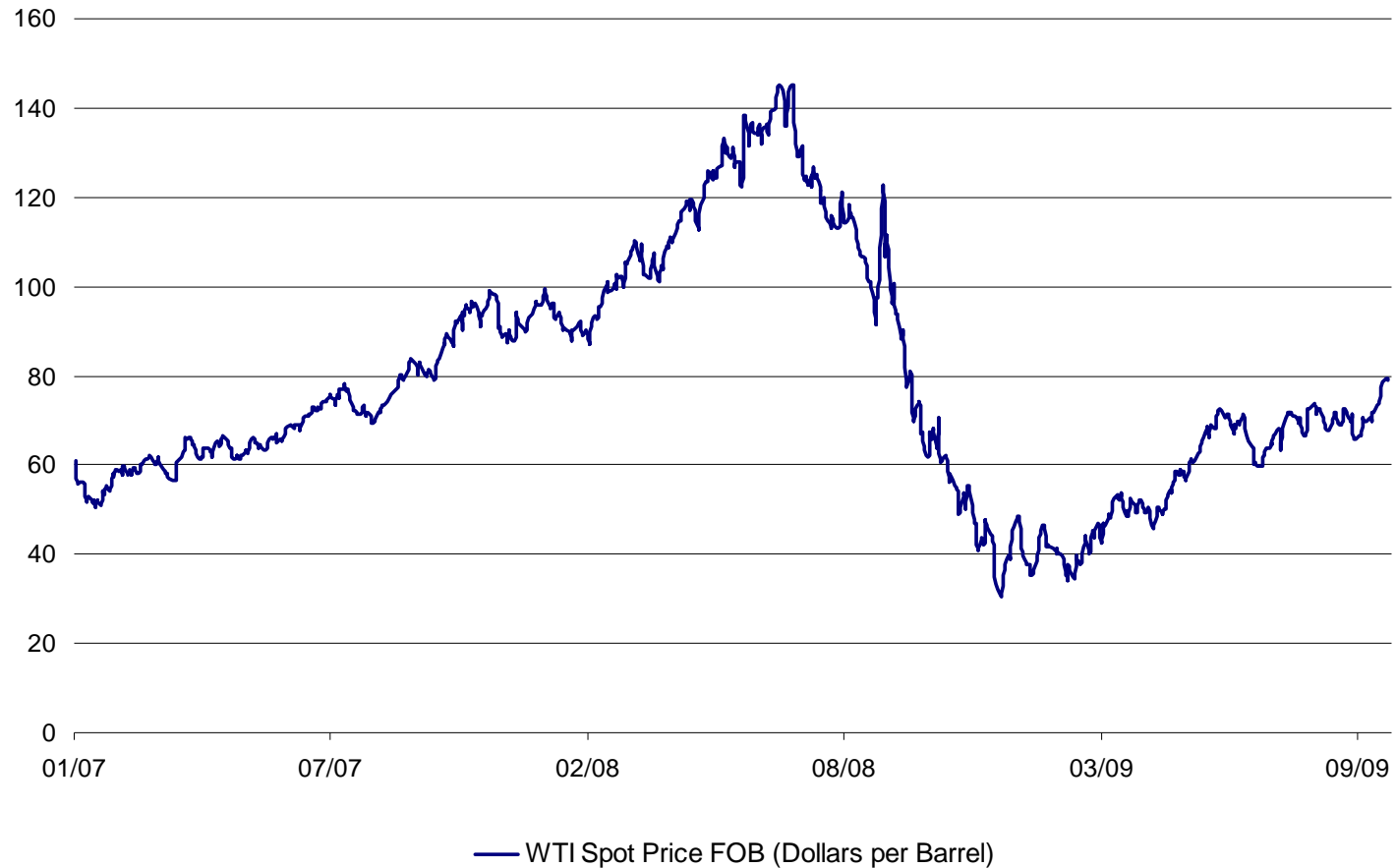


# UDW Industry – Summary of Fixtures Since Aug 2008

Award	Contractor	Rig name	Rig Type	Operator	Day rate	Duration	Start-up
August	Transocean	DW Exp.	5GDS	Petronas	640'	3 year	Aug-10
August	Ensco	Ensco 7500	5GSS	Chevron	550'	2 year	Oct-08
October	Transocean	TBA	6GDS	Exxon	645'	5 year	Q4-10
December	Vantage	Platinum Explorer	6GDS	ONGC	585'	5 year	Q4-10
January 2009	Noble	Clyde Bordeaux	3GSS	Shell	605'	4 months	Q2-09
February	Vantage	Titanium Explorer	6GDS	Petrobras	490'	8 years	Q3-11
March	Ocean Rig	L.Eiriksson	5GSS	Petrobras	583'	3 years	Oct.-09
July	Transocean	Cajun Express	5GSS	Petrobras	509'	3 years	March -10
August	Transocean	Sedco Express	5GSS	Noble Energy	530'	455 days	Sept.-10
September	Transocean	DW Horizon	5GSS	BP	497'	3 year	Nov.- 10



# UDW Industry – Crude Oil Price Rebound



Source: Energy Information Administration



# Ultra Deep Water Drillships – Limited Availability

Rig Name	Year built	Water depth ft.	Customer/s	Country	Contract Expires	Dayrate \$/day	2009				2010				2011			
							1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
West Gemini	2010	10,000	Available	S. Korea	Jul-10	NA	Samsung											
Deepsea Stavanger	2010	10,000	Available	S. Korea	Jul-10	NA	Daewoo											
ENSCO 7500	2000	8,000	Chevron	Australia	Aug-10	550												
Pacific Bora	2010	10,000	Available	S. Korea	Oct-10	NA	Samsung											
Maersk Semi TBN III	2011	10,000	Available	Singapore	Jan-11	NA	Keppel											
Dryships TBN 3	2011	10,000	Available	S. Korea	Jan-11	NA	Samsung											
Sedco Energy	2001	7,500	Chevron	Nigeria	Jan-11	476												
Discoverer Enterprise	1999	8,450	BP	USGoM	Feb-11	520												
Discoverer Deep Seas	2001	10,000	Chevron	USGoM	Feb-11	499												
Stena Tay	1999	8,100	Total	Nigeria	Feb-11	430												
Dryships TBN 4	2011	10,000	Available	S. Korea	Apr-11	NA	Samsung											
Pacific Scirocco	2011	10,000	Available	S. Korea	Apr-11	NA	Samsung											
Petronig 4	2011	10,000	Available	Singapore	Apr-11	NA	Jurong											
Seadragon 2	2011	10,000	Available	Singapore	Apr-11	NA	Jurong											
DeepSea Metro 1	2011	10,000	Available	S. Korea	May-11	NA	Hyundai											
Pacific Mistral	2011	10,000	Available	S. Korea	May-11	NA	Samsung											
Ocean Endeavour	1975	8,000	Devon	USGoM	Jun-11	295												
Pacific Santa Ana	2011	10,000	Available	S. Korea	Jul-11	NA	Samsung											
Dryships TBN 1	2011	10,000	Available	S. Korea	Jul-11	NA	Samsung											
Dryships TBN 2	2011	10,000	Available	S. Korea	Jul-11	NA	Samsung											
West Venture	2000	5,905	Statoff	Norway	Aug-11	248												
Deepwater Frontier	1999	10,000	Reliance	India	Sep-11	476												
ENSCO 8504	2011	8,500	Available	Singapore	Sep-11	NA	Keppel											

Construction Contract Opt.

Source: Pareto, ODS

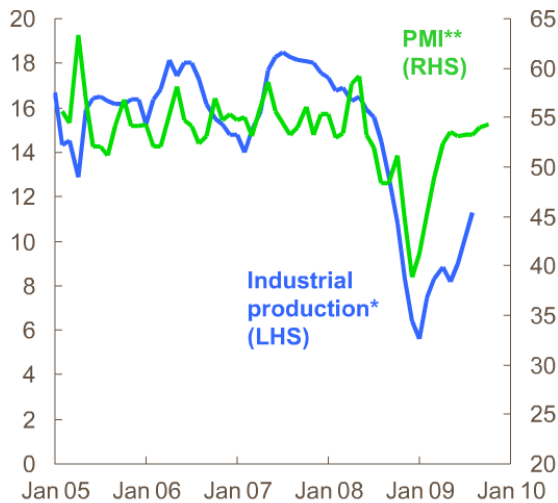




# Recession is Over?

Chinese industrial production and Purchasing Managers Index

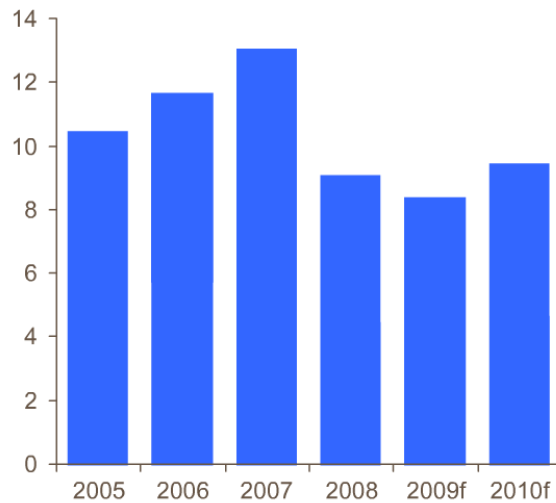
percent yoy, index



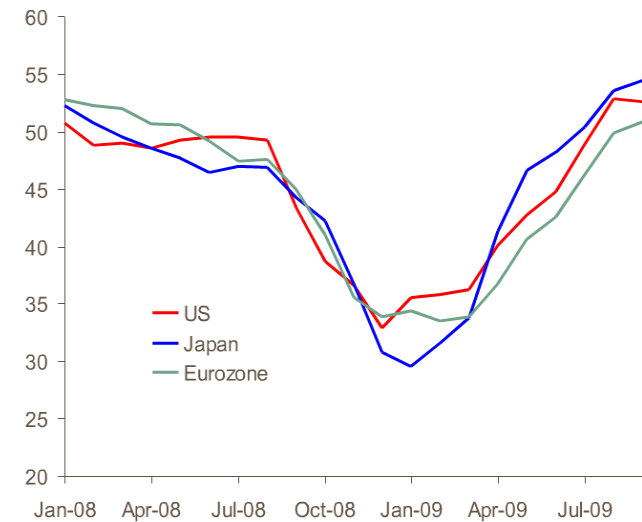
\* 3 month moving average  
\*\* NBS series. Forward 1 month

Chinese GDP growth

percent yoy



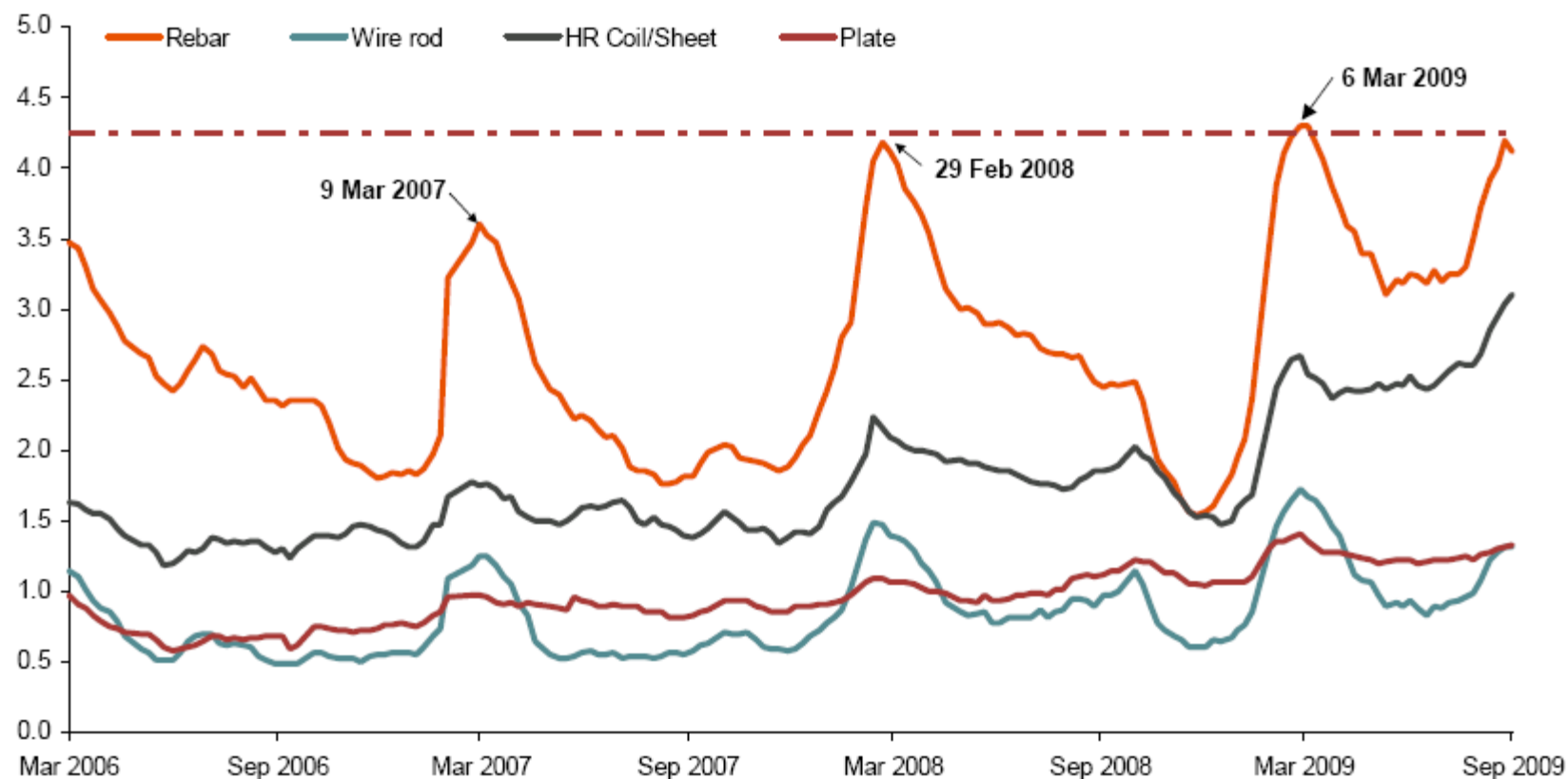
Purchase Managers Index improving in rest of the world



# Higher Steel Stocks Cause Hiatus

Chinese Steel Distributor Stock Levels (11 Sep 2009)

(Mt)



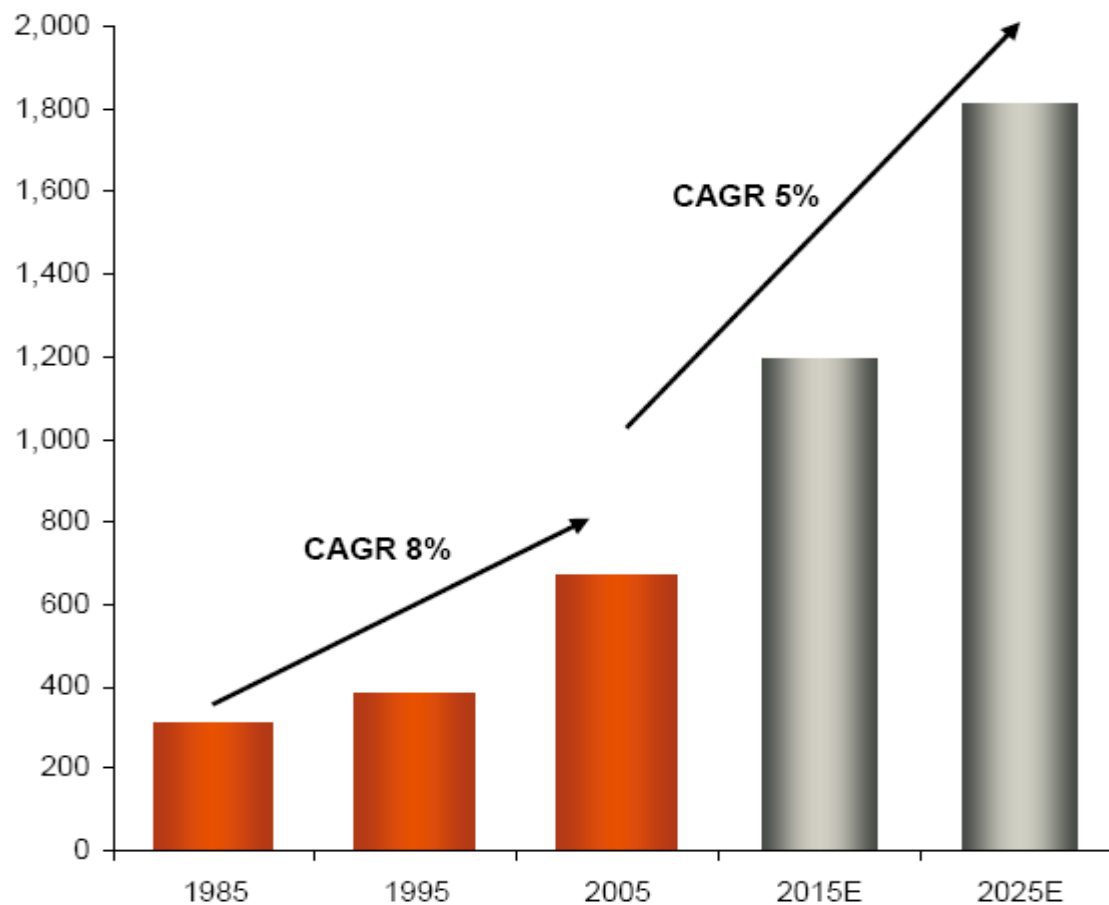
Note: 23 major steel warehousing centres: Shanghai, Fuzhou, Hangzhou, Hefei, Nanjing, Jinan, Wuxi, Changshu, Taiyuan, Changzhou, Changsha, Zhenzhou, Wuhan, Guangzhou, Chengdu, Chongqing, Beijing, Tianjin, Lanzhou, Harbin, Changchun, Shenyang.

Sources: Mysteel, BHP Billiton.



# Long-Term Demand Intact

**Seaborne Iron Ore Demand  
(Mt)**



Source: BHP Billiton



# Deliveries Significantly Below Estimates

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Total Dry Bulk Fleet	Dwt	No of ships
Orderbook	283.3	3264
Orderbook beginning of 2009 for delivery 09	71.3	964
Delivered Jan-Sep	26.6	321
Scheduled for delivery during same period	41.6	563
'Slippage' to date	36%	43%
% of '09 Orderbook delivered Jan-Sep	37%	33%
Orderbook for 2010	109.0	1246



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# Conclusion



# DRYS Investment Thesis

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## DRYS – an option on ultra deepwater drilling

- Resilient growth trend in China & India
- Oil prices rebounding – E&P spending will rise to quench energy thirst
- EPS Impact of drillship contracts
- Dry bulk commodity demand rebounding
- Solid cashflow from fixed dry bulk and drilling segments
- DRYS – an option on ultra deepwater drilling
- Leading consolidator – distressed opportunities



# APPENDICES



## Appendix 1 – Condensed Consolidated Income Statements (unaudited)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2009	2008	2009
<b>REVENUES:</b>				
Voyage revenues	\$ 239,970	\$ 120,584	\$ 730,954	\$ 325,052
Revenues from drilling contracts	88,064	107,619	131,859	310,251
	<u>328,034</u>	<u>228,203</u>	<u>862,813</u>	<u>635,303</u>
<b>EXPENSES:</b>				
Voyage expenses	11,807	5,742	39,899	21,447
Vessel operating expenses	19,637	19,602	57,287	55,680
Drilling rigs operating expenses	38,691	36,598	52,079	105,924
Depreciation and amortization	50,378	49,416	108,313	146,569
Gain on sale of vessels	(65,766)	-	(226,024)	(2,432)
Loss on contract cancellations, net	-	-	-	215,532
General and administrative expenses	27,795	22,893	53,142	66,313
	<u>245,492</u>	<u>93,952</u>	<u>778,117</u>	<u>26,270</u>
<b>Operating income</b>				
	245,492	93,952	778,117	26,270
<b>OTHER INCOME:</b>				
Interest and finance costs, net of interest income	(27,444)	(16,276)	(65,988)	(64,930)
Gain (loss) on interest rate swaps	(36,997)	(39,306)	(30,918)	20,988
Other, net	(396)	1,839	103	1,304
Equity in loss of investee	-	-	(6,893)	-
Income taxes	(641)	(3,505)	(1,508)	(9,859)
	<u>(65,478)</u>	<u>(57,248)</u>	<u>(105,204)</u>	<u>(52,497)</u>
<b>Total other income (expenses), net</b>				
	(65,478)	(57,248)	(105,204)	(52,497)
<b>Net income (loss)</b>	180,014	36,704	672,913	(26,227)
Net income attributable to Noncontrolling interests	(12)	(1,063)	(16,825)	(7,178)
	<u>(12)</u>	<u>(1,063)</u>	<u>(16,825)</u>	<u>(7,178)</u>
<b>Net income (loss) attributable to Dryships Inc. common stockholders</b>	\$ 180,002	\$ 35,641	\$ 656,088	\$ (33,405)
Earnings per common share, basic	\$ 4.13	\$ 0.12	\$ 15.73	\$ (0.19)
Weighted average number of shares, basic	42,721,141	253,824,880	41,029,206	193,621,270
Earnings per common share, diluted	\$ 4.13	\$ 0.12	\$ 15.73	\$ (0.19)
Weighted average number of shares, diluted	42,721,141	253,824,880	41,029,206	193,621,270





## Appendix 2 – Condensed Consolidated Balance Sheets (unaudited)

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

	December 31, 2008	September 30, 2009
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 303,114	\$ 291,583
Restricted cash	320,560	377,713
Trade accounts receivable, net	52,441	44,819
Other current assets	44,312	59,250
<b>Total current assets</b>	<b>720,427</b>	<b>773,365</b>
<b>FIXED ASSETS, NET:</b>		
Advances for vessels under construction and acquisitions	535,616	1,138,087
Vessels, net	2,134,650	2,089,781
Drilling rigs, machinery and equipment ,net	1,393,158	1,340,364
<b>Total fixed assets, net</b>	<b>4,063,424</b>	<b>4,568,232</b>
<b>OTHER NON CURRENT ASSETS:</b>		
Other non-current assets	58,829	63,246
<b>Total non current assets, net</b>	<b>58,829</b>	<b>63,246</b>
<b>Total assets</b>	<b>\$ 4,842,680</b>	<b>\$ 5,404,843</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt	\$ 2,370,556	\$ 1,762,777
Other current liabilities	154,492	137,667
<b>Total current liabilities</b>	<b>2,525,048</b>	<b>1,900,444</b>
<b>NON CURRENT LIABILITIES</b>		
Long term debt, net of current portion	788,314	694,896
Other non-current liabilities	237,746	141,864
<b>Total non current liabilities</b>	<b>1,026,060</b>	<b>836,760</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
	-	
<b>STOCKHOLDERS' EQUITY:</b>		
Total Dryships Inc. stockholders' equity	1,291,572	2,667,639
<b>Total liabilities and stockholders equity</b>	<b>\$ 4,842,680</b>	<b>\$ 5,404,843</b>



## Appendix 3 – Summary Operating Data

*(Dollars in thousands, except average daily results)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2009	2008	2009
Average number of vessels <sup>(1)</sup>	38.9	38.5	38.6	37.8
Total voyage days for vessels <sup>(2)</sup>	3,568	3,492	10,485	10,125
Total calendar days for vessels <sup>(3)</sup>	3,578	3,541	10,567	10,326
Fleet utilization <sup>(4)</sup>	99.7%	98.6%	99.2%	98.1%
Time charter equivalent <sup>(5)</sup>	\$63,947	\$32,887	\$65,909	\$29,986
Vessel operating expenses (daily) <sup>(6)</sup>	\$5,488	\$5,536	\$5,421	\$5,392

- (1) Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of days each vessel was a part of our fleet during the period divided by the number of calendar days in that period.
- (2) Total voyage days for fleet are the total days the vessels were in our possession for the relevant period net of off hire days.
- (3) Calendar days are the total number of days the vessels were in our possession for the relevant period including off hire days.
- (4) Fleet utilization is the percentage of time that our vessels were available for revenue generating voyage days, and is determined by dividing voyage days by fleet calendar days for the relevant period.
- (5) Time charter equivalent, or TCE, is a measure of the average daily revenue performance of a vessel on a per voyage basis. Our method of calculating TCE is consistent with industry standards and is determined by dividing voyage revenues (net of voyage expenses) by voyage days for the relevant time period. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage, which would otherwise be paid by the charterer under a time charter contract, as well as commissions. TCE is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance despite changes in the mix of charter types (i.e., spot charters, time charters and bareboat charters) under which the vessels may be employed between the periods.



## Appendix 4 – Fleet Profile Bulk Carriers

Fixed rate employment							Spot rate employment			
	Year Built	DWT	Type	Gross Rate Per Day	Redelivery Estimate	Latest		Year Built	DWT	Type
<b>Fixed rate employment</b>							<b>Spot rate employment</b>			
<b>Capesize:</b>							<b>Panamax:</b>			
Alameda	2001	170,269	Capesize	\$21,000	Feb-11	May-11	Delray	1994	71,862	Panamax
Brisbane	1995	151,066	Capesize	\$25,000	Dec-11	Apr-12	Primera	1998	72,495	Panamax
Capri	2001	172,579	Capesize	\$61,000	Apr-18	Jun-18	Sonoma	2001	74,786	Panamax
Flecha	2004	170,012	Capesize	\$55,000	Jul-18	Nov-18				
Manasota	2004	171,061	Capesize	\$67,000	Feb-13	Apr-13				
Mystic	2008	170,500	Capesize	\$52,310	Aug-18	Dec-18				
Samsara	1996	150,393	Capesize	\$57,000	Dec-11	Apr-12				
<b>Panamax:</b>										
Avoca	2004	76,500	Panamax	\$45,500	Aug-13	Dec-13				
Bargara	2002	74,832	Panamax	\$43,750	May-12	Jul-12				
Capitola	2001	74,832	Panamax	\$39,500	Jun-13	Aug-13				
Catalina	2005	74,432	Panamax	\$40,000	Jun-13	Aug-13				
Conquistador	2000	75,607	Panamax	\$17,750	Aug-11	Nov-11				
Coronado	2000	75,706	Panamax	\$18,250	Sep-11	Nov-11				
Ecola	2001	73,931	Panamax	\$43,500	Jun-12	Aug-12				
Iguana *	1996	70,349	Panamax	\$13,456	Sep-11	Sep-11				
La Jolla	1997	72,126	Panamax	\$14,750	Aug-11	Nov-11				
Levanto	2001	73,931	Panamax	\$16,800	Sep-11	Nov-11				
Ligari	2004	75,583	Panamax	\$55,500	Jun-12	Aug-12				
Maganari	2001	75,941	Panamax	\$14,500	Jul-11	Sep-11				
Majorca	2005	74,364	Panamax	\$43,750	Jun-12	Aug-12				
Marbella	2000	72,561	Panamax	\$14,750	Aug-11	Nov-11				
Mendocino	2002	76,623	Panamax	\$56,500	Jun-12	Sep-12				
Ocean Crystal	1999	73,688	Panamax	\$15,000	Aug-11	Nov-11				
Oliva	2009	75,000	Panamax	\$17,850	Oct-11	Dec-11				
Oregon	2002	74,204	Panamax	\$16,350	Aug-11	Oct-11				
Padre	2004	73,601	Panamax	\$46,500	Sep-12	Dec-12				
Positano	2000	73,288	Panamax	\$42,500	Sep-13	Dec-13				
Rapallo	2009	75,000	Panamax	\$15,400	Aug-11	Oct-11				
Redondo	2000	74,716	Panamax	\$34,500	Apr-13	Jun-13				
Saldanha	2004	75,500	Panamax	\$52,500	Jun-12	Sep-12				
Samatan	2001	74,823	Panamax	\$39,500	May-13	Jul-13				
Sorrento	2004	76,633	Panamax	\$17,300	Sep-11	Dec-11				
Toro	1995	73,034	Panamax	\$16,750	May-11	Jul-11				
Xanadu	1999	72,270	Panamax	\$39,750	Jul-13	Sep-13				
<b>Supramax:</b>										
Pachino (ex VOC Galaxy)	2002	51,201	Supramax	\$20,250	Sep-10	Feb-11				
Paros I (ex Clipper Gemini)	2003	51,201	Supramax	\$27,135	Oct-11	May-12				

Note:

- Fleet List as of October 20<sup>th</sup>, 2009

\* The Iguana is based on a synthetic Time Charter



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