

# DryShips Inc.

2nd Quarter Ended June 30, 2009

## Earnings Presentation



NASDAQ: "DRYS"

July 31<sup>st</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        Second Quarter 2009 Highlights**
- II       Financial Overview**
- III      Industry Overview**
- IV      Conclusion**
- V       Q & A**



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# Second Quarter 2009 Highlights



## Q2 2009 Results

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**Reported Net Profit: \$ 52.8 million or \$ 0.24 per share**

### Unusual Events Affecting Q2 Results:

Plus	Contract termination fees and forfeiture of vessel deposits	\$ 44.8 m
Less	Gain associated with the valuation of the Company's interest rate swaps	\$ 51.6 m
Plus	Amortization of stock based compensation	\$ 9.5 m

**Adjusted Net Profit : \$ 55.5 million or \$ 0.25 per share**



## Q2 2009 Highlights

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- Completed ATM equity offering raising gross proceeds of \$475 million
- Secured waivers for an additional \$1.9 billion in debt
- Cancelled contract for Capesize vessel hull no H2089
- Signed 3-year contract with Petrobras for Leiv Eiriksson
- Completed acquisition of newbuilding drillships hull no 1837 & 1838



## Acquired 25% of Primelead

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- Company acquired remaining 25% minority interest in Primelead Shareholders Inc. from certain related and third party sellers
- Consideration for the acquisition:
  - Cash consideration of \$50 million payable upon closing
  - Mandatory Convertible Preferred Stock of face value \$280 million to be issued to the Sellers
- Transaction provides DryShips the full benefit of the cash flows from the attractive ultra deepwater drilling market
- Structure limits cash outflow and implies issuance of DryShips stock at a 27.5% premium
- Cash preserved for distressed acquisitions
- Attractive transaction multiple of EBITDA compared to peers
- Accretive to earnings and improves debt / cap ratio
- Aligns the interest of all shareholders
- Chairman and CEO, George Economou, continues his long-term commitment to DryShips



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# Financial Overview





## Fixed Revenue: Dry Bulk

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Summary of Long Term Time Charters			
	H2 2009	2010	2011
Average Number of Vessels on Long Term Time Charters	33.7	34.6	29.9
Average Number of Vessels Owned For The Period	38.5	39.5	41.0
% of Fleet on Long Term Time Charter	87%	87%	73%
Spot Days	880	1,809	4,052
Days Fixed Under Time Charter	6,144	12,611	10,735
Gross Revenue From Long Term Time Charters	\$ 216.5 m	\$ 437.5 m	\$ 405.1 m
Average Gross Rate of Long Term Time Charters	\$35,250 p/d	\$34,700 p/d	\$37,750 p/d

**Total revenues from time charters for the next 2.5 years: \$ 1.1 billion**



## Fixed Revenue: Ultra Deep Water

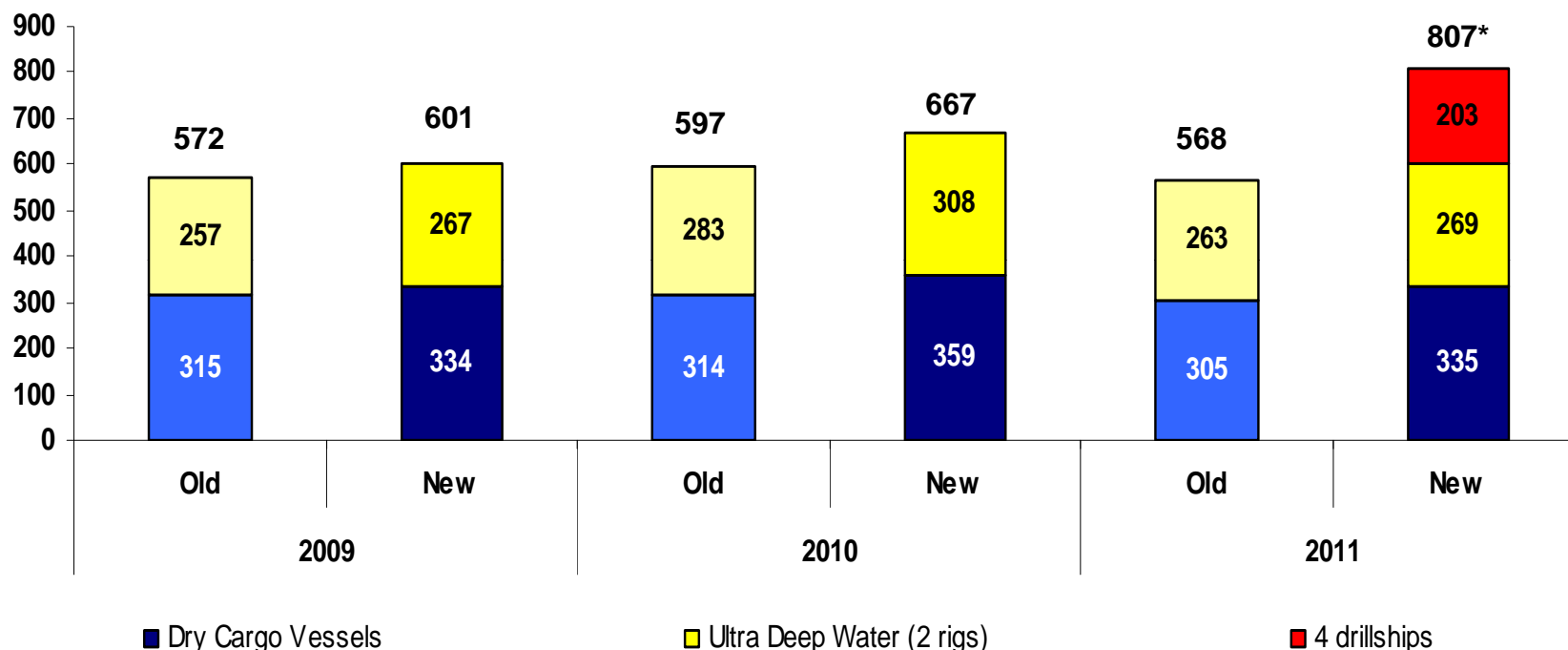
Contracts in Place	2008E	2009E	2010E	2011E	2012E	2013E
Leiv Eiriksson	Shell 2 years		Petrobras - 3 years			
Eirik Raude	Exxon	Tullow - 3 years (Commenced October 2008)				
Private Drillship (Hull 1837)					Newbuilding Delivery	
Private Drillship (Hull 1838)					Newbuilding Delivery	
Drillship Hull 1865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

Semi-Submersible Rigs	Year	Current	Redelivery		Customer	Operating Area	Backlog (\$mm)
	Built	Employment	Earliest	Latest			
Leiv Eiriksson	2001	T/C	Sep – 09	Dec – 09	Shell	North Sea	\$ 70
		T/C	Sep – 12	Dec – 12	Petrobras	Black Sea	\$ 630
Eirik Raude	2002	T/C	Sep – 11	Oct – 11	Tullow	Off-shore Ghana	\$ 576
<b>Total</b>							<b>\$1,276</b>



# Securing The Future

## Fixed EBITDA Estimates



**Notes:**

- The two bars represent our old estimates versus updated numbers following the fixing of the 12 vessels
- 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 (2 rigs) estimates only include the two fixed rigs Leiv Eiriksson and Eirik Raude
- \* For 2011 the 4 UDW drillships are assumed fixed upon delivery at \$500,000 per day (with 1 month mobilization period)



# Actual and Post-Primelead Capital Structure

	<b>ACTUAL</b> <b>June 30, 2009</b>	<b>PROFORMA(1)</b> <b>June 30, 2009</b>
	(USD thousands - Unaudited)	
Cash and cash equivalents (2)	475,904	425,904
Restricted cash	334,783	334,783
Total cash and liquidity	810,687	760,687
Total debt	2,600,688	2,600,688
Total stockholders equity (3)	2,283,727	2,679,147
Total capitalization	4,884,415	5,279,835
<b>Debt/Capitalization</b>	<b>53.24%</b>	<b>49.26%</b>
<b>Net debt/Capitalization</b>	<b>43.94%</b>	<b>40.72%</b>

- (1) Proforma for the Acquisition of noncontrolling interests in Primelead which transaction closed on July 15, 2009  
 (2) Proforma cash adjusted by \$50 million for the cash consideration paid to former owners of Primelead  
 (3) Proforma stockholders' equity adjusted for the \$395 million noncontrolling interest as of June 30, 2009



# CAPEX Schedule (as of June 30<sup>th</sup>, 2009)

(USD thousands)

	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>Total</u>
<b><u>Drybulk vessels:</u></b>				
Hull 1519A	16,880	-	-	16,880
Kambara Hull SS058	5,425	37,975	-	43,400
Kambara Hull SS059	5,425	37,975	-	43,400
	<u>27,730</u>	<u>75,950</u>	<u>-</u>	<u>103,680</u>
<b><u>Drillships:</u></b>				
Hull 1865	-	208,082	300,675	508,757
Hull 1866	-	208,082	300,675	508,757
Hull 1837	47,837	435,448	-	483,285
Hull 1838	47,837	153,159	282,039	483,035
	<u>95,674</u>	<u>1,004,771</u>	<u>883,389</u>	<u>1,983,834</u>
<b>Grand total</b>	<b><u>123,404</u></b>	<b><u>1,080,721</u></b>	<b><u>883,389</u></b>	<b><u>2,087,514</u></b>

Note:

- Maintenance CAPEX (Drydock) is estimated at about \$ 10 million per year



# Proforma Debt Repayment Schedule\*

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(USD thousands)

	Long-term Debt		
	<u>Drybulk Segment</u>	<u>Drilling Rig Segment</u>	<u>Total</u>
Remaining 2009	90,526	116,266	206,792
FY 2010	150,976	254,886	405,862
FY 2011	132,151	260,329	392,480
FY 2012	130,701	89,912	220,613

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

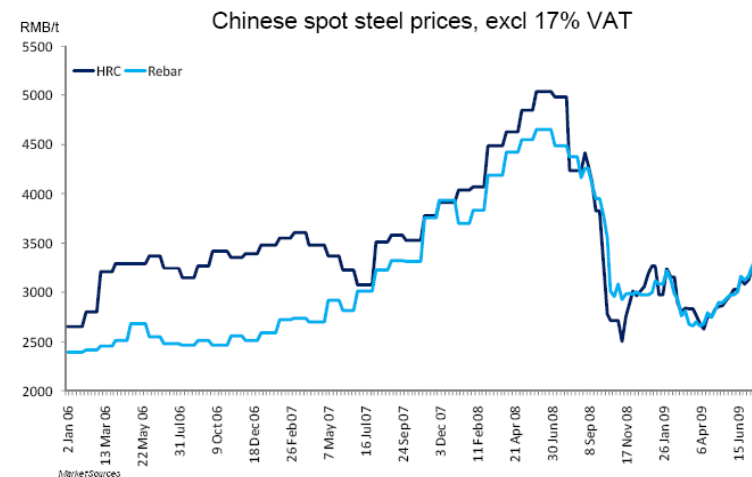
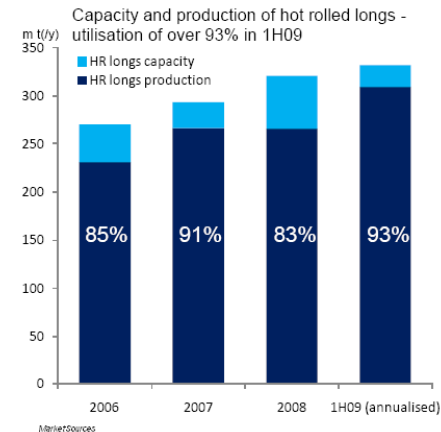


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# Industry Overview



# China in Overdrive – Strong End-User Demand





# Deliveries Significantly Below Estimates

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Total Dry Bulk Fleet	Dwt	No of ships
Orderbook	295	3420
Orderbook beginning of 2009 for delivery 09	71.3	964
Delivered Jan-Jun	14.5	186
Scheduled for delivery during same period	22.3	334
'Slippage' to date	35%	44%
% of '09 Orderbook delivered in 1H 2009	20%	19%



# Ultra Deep Water Drillships – Limited Availability

## Ultra deepwater rigs available before 4Q11

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
Cajun Express	2001	8,500	Shell/Chevron	USGoM	Feb-10	463												
Sedco Express	2001	7,500	BP	Angola	May-10	188												
West Gemini	2010	10,000	Available	S. Korea	Jul-10	NA												
ENSCO 7500	2000	8,000	Chevron	Australia	Aug-10	550												
Pacific Bora	2010	10,000	Available	S. Korea	Sep-10	NA												
Deepwater Horizon	2001	8,000	BP	USGoM	Oct-10	278												
Maersk Semi TBN III	2010	10,000	Available	Singapore	Dec-10	NA												
Cardiff Marine DS TBN1	2010	10,000	Available	S. Korea	Dec-10	NA												
Sedco Energy	2001	7,500	Chevron	Nigeria	Dec-10	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												
Cardiff Marine DS TBN2	2011	10,000	Available	S. Korea	Mar-11	NA												
Pacific Scirocco	2011	10,000	Available	S. Korea	Mar-11	NA												
Petrorig 4	2011	10,000	Available	Singapore	Apr-11	NA												
Seadragon 2	2010	10,000	Available	Singapore	Apr-11	NA												
DeepSea Metro 1*	2011	10,000	Available	S. Korea	May-11	NA												
Pacific Mistral	2011	10,000	Available	S. Korea	May-11	NA												
Pacific Santa Ana	2011	10,000	Available	S. Korea	Jul-11	NA												
Dryships TBN 1	2011	10,000	Available	S. Korea	Jul-11	NA												
Dryships TBN 2	2011	10,000	Available	S. Korea	Jul-11	NA												
West Venture	2000	5,905	Statoil	Norway	Aug-11	248												
Deepwater Frontier	1999	10,000	Reliance	India	Sep-11	476												
ENSCO 8504	2011	8,500	Available	Singapore	Sep-11	NA												

Construction Contract Opt.

Source: Pareto, ODS-Petrodata

Pareto Securities - Equity Research

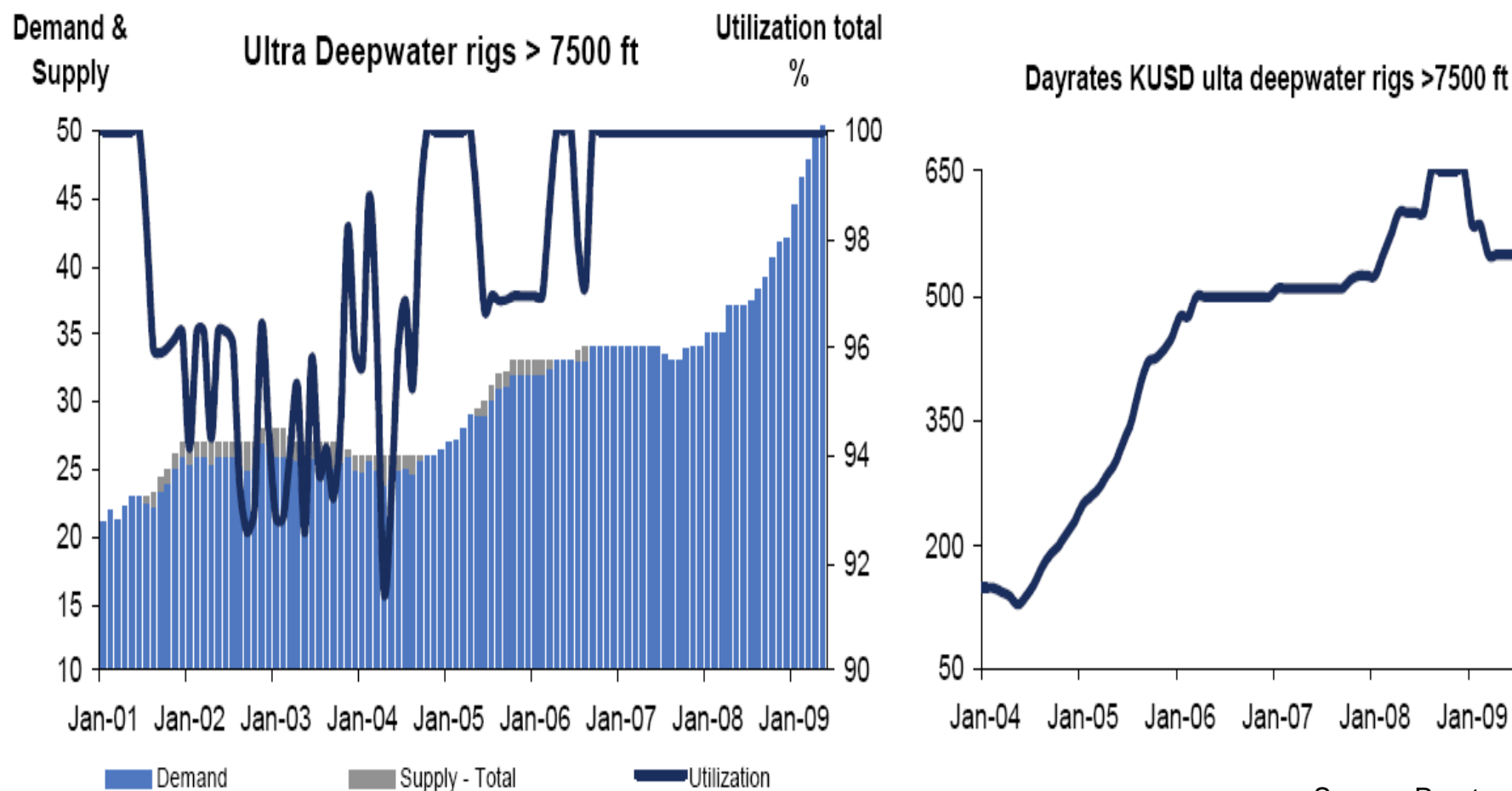


DryShips Inc.

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## UDW Industry – Rising Enquiry → Stabilized Day Rates



Source: Pareto



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# Conclusion



# DRYS Investment Thesis

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**Low entry point in the commodity cycle – ride the rebound**

- **Resilient growth trend in China & India**
- **Dry bulk commodity demand rebounding**
- **Oil prices rebounding – Capex will rise to quench energy thirst**
- **Solid cashflow from fixed dry bulk and drilling segments**
- **EPS Impact of drillship opportunities**
- **DRYS oversold**
- **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 June 30,		Six Months Ended June 30,	
	2008	2009	2008	2009
<b>REVENUES:</b>				
Voyage revenues	\$ 258,921	\$ 106,866	\$ 490,984	\$ 204,468
Revenues from drilling contracts	43,795	103,618	43,795	202,632
	<u>302,716</u>	<u>210,484</u>	<u>534,779</u>	<u>407,100</u>
<b>EXPENSES:</b>				
Voyage expenses	13,942	6,959	28,092	15,705
Vessel operating expenses	19,877	17,873	37,650	36,078
Drilling rigs operating expenses	13,388	35,299	13,388	69,326
Depreciation and amortization	33,517	48,736	57,935	97,153
Loss (gain) on sale of vessels	(135,815)	6	(160,258)	(2,432)
Loss on contract cancellations, net	-	44,764	-	215,532
General and administrative expenses	19,642	21,929	25,347	43,420
	<u>338,165</u>	<u>34,918</u>	<u>532,625</u>	<u>(67,682)</u>
<b>Operating income / (loss)</b>				
<b>OTHER INCOME / (EXPENSES):</b>				
Interest and finance costs, net of interest income	(25,652)	(22,097)	(38,544)	(48,654)
Gain on interest rate swaps	12,153	51,576	6,079	60,294
Other, net	518	(2,074)	499	(535)
Equity in income of investee	(7,750)	-	(6,893)	-
Income taxes	(867)	(3,453)	(867)	(6,354)
<b>Total other income / (expenses), net</b>	<u>(21,598)</u>	<u>23,952</u>	<u>(39,726)</u>	<u>4,751</u>
<b>Net income / (loss)</b>	<u>316,567</u>	<u>58,870</u>	<u>492,899</u>	<u>(62,931)</u>
Net income attributable to Noncontrolling interests	(16,813)	(6,115)	(16,813)	(6,115)
<b>Net income / (loss) attributable to Dryships Inc. common stockholders</b>	<u>\$ 299,754</u>	<u>\$ 52,755</u>	<u>\$ 476,086</u>	<u>\$ (69,046)</u>
Earnings per common share, basic	\$ 6.95	\$ 0.24	\$ 11.67	\$ -0.42
Weighted average number of shares, basic	42,150,753	216,344,623	40,173,941	163,011,168
Earnings per common share, diluted	\$ 6.95	\$ 0.24	\$ 11.67	\$ -0.42
Weighted average number of shares, diluted	42,208,141	216,344,623	40,177,016	163,011,168



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

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

	December 31, 2008	June 30, 2009
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 303,114	\$ 475,904
Restricted cash	320,560	334,783
Trade accounts receivable, net	52,441	28,777
Other current assets	44,312	52,855
<b>Total current assets</b>	<b>720,427</b>	<b>892,319</b>
<b>FIXED ASSETS, NET:</b>		
Advances for vessels under construction and acquisitions	535,616	1,100,502
Vessels, net	2,134,650	2,084,220
Drilling rigs, machinery and equipment, net	1,393,158	1,360,127
<b>Total fixed assets, net</b>	<b>4,063,424</b>	<b>4,544,849</b>
<b>OTHER NON CURRENT ASSETS:</b>		
Other non-current assets	58,829	64,918
<b>Total non current assets, net</b>	<b>58,829</b>	<b>64,918</b>
<b>Total assets</b>	<b>\$ 4,842,680</b>	<b>\$ 5,502,086</b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt	\$ 2,370,556	\$ 1,839,846
Other current liabilities	154,492	135,237
<b>Total current liabilities</b>	<b>2,525,048</b>	<b>1,975,083</b>
<b>NON CURRENT LIABILITIES</b>		
Long term debt, net of current portion	788,314	728,069
Other non-current liabilities	237,746	119,787
<b>Total non current liabilities</b>	<b>1,026,060</b>	<b>847,856</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
	-	-
<b>STOCKHOLDERS' EQUITY:</b>		
Total Dryships Inc. stockholders' equity	1,291,572	2,283,727
Noncontrolling interests	-	395,420
<b>Total equity</b>	<b>1,291,572</b>	<b>2,679,147</b>
<b>Total liabilities and equity</b>	<b>\$ 4,842,680</b>	<b>\$ 5,502,086</b>





## Appendix 3 – Summary Operating Data

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2009	2008	2009
Average number of vessels <sup>(1)</sup>	38.5	37.3	38.4	37.5
Total voyage days for vessels <sup>(2)</sup>	3,465	3,358	6,917	6,633
Total calendar days for vessels <sup>(3)</sup>	3,504	3,394	6,989	6,785
Fleet utilization <sup>(4)</sup>	98.9%	99.0%	99.0%	97.8%
Time charter equivalent <sup>(5)</sup>	\$70,701	\$29,752	\$66,921	\$28,458
Vessel operating expenses (daily) <sup>(6)</sup>	\$5,673	\$5,266	\$5,387	\$5,317

- (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						
	Year Built	DWT	Type	Gross Rate Per Day	Redelivery Estimate	Latest
<b>Fixed rate employment</b>						
<b>Capesize:</b>						
Alameda	2001	170,269	Capesize	\$21,000	Feb-11	May-11
Brisbane	1995	151,066	Capesize	\$25,000	Dec-11	Apr-12
Capri	2001	172,579	Capesize	\$61,000	Apr-18	Jun-18
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	Sep-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	Aug-11	Oct-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
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	Jun-13	Aug-13
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
<b>New Buildings</b>						
Oliva	2009	75,000	Panamax	\$17,850	Oct-11	Dec-11

\* The Iguana is based on a synthetic Time Charter

Spot rate employment			
	Year Built	DWT	Type
<b>Spot rate employment</b>			
<b>Panamax:</b>			
Delray	1994	71,862	Panamax
Primera	1998	72,495	Panamax
Sonoma	2001	74,786	Panamax
Sorrento	2004	76,633	Panamax
<b>New Buildings</b>			
N/B Hull No: SS58	2010	82,000	Kamsarmax
N/B Hull No: SS59	2010	82,000	Kamsarmax

Note:

- Fleet List as of July 30<sup>th</sup>, 2009



## Contacts

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**Visit our website at [www.dryships.com](http://www.dryships.com)**

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