

# DryShips Inc.

3<sup>rd</sup> Quarter Ended September 30, 2010  
Earnings Presentation



NASDAQ: "DRYS"

November 18<sup>th</sup>, 2010

# 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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## Third Quarter 2010 Highlights

Company Overview

Industry Overview

Financial Overview & Conclusion

Q&A



DryShips Inc.



## Q3 2010 Results

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**Reported Net Profit: \$ 49.3 million or \$ 0.18 per share**

### Unusual Events Affecting Q4 Results:

Plus	Non-cash amortization of debt issuance costs, including those relating to our convertible senior notes	\$ 9.4 m
Minus	Various one-off gains in connection with various settlements	(\$ 8.7 m)
Plus	Losses incurred on interest rate swaps	\$ 49.0 m

**Adjusted Net Profit : \$ 99.0 million or \$ 0.38 per share**



## Recent Events

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- Signed contracts with Vanco as operator and LUKOIL as majority co-venturer, for a 5-well contract offshore Ghana and Cote d'Ivoire for about 1 year, commencing in Q2 2011. The value of the contracts is approximately \$160 million, and there is an additional one year option. The Company has the option to use either of the OceanRig Corcovado or the OceanRig Olympia
  
- LOI for the Eirik Raude with Borders & Southern, for a two well contract offshore the Falkland Islands for about 90 days, commencing in Q4 2011. The contract value is approximately USD 77 million and there are 3 optional wells of about 135 days
  
- Entered into a sales agreement, dated September 7, 2010, Deutsche Bank Securities, for the offer and sale of up to \$350 million of our common shares
  - Issued and sold about 52.4 million common shares resulting in net proceeds of about \$226.4 million
  
- Took delivery of 2009 built Panamax, which was renamed M/V Amalfi
  
- Delivered the M/V Xanadu to its new owners for a sale price of \$33.7 million



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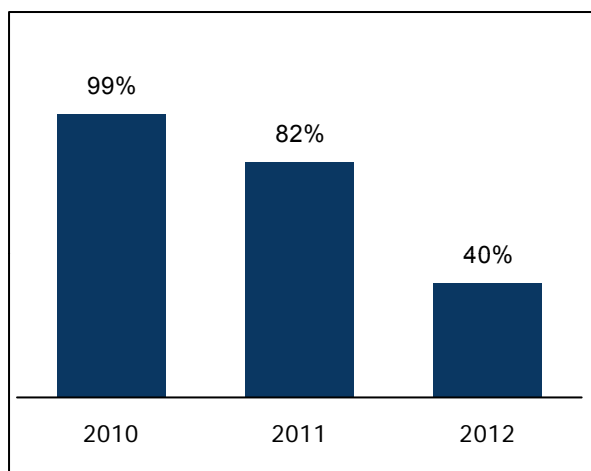


DryShips Inc.

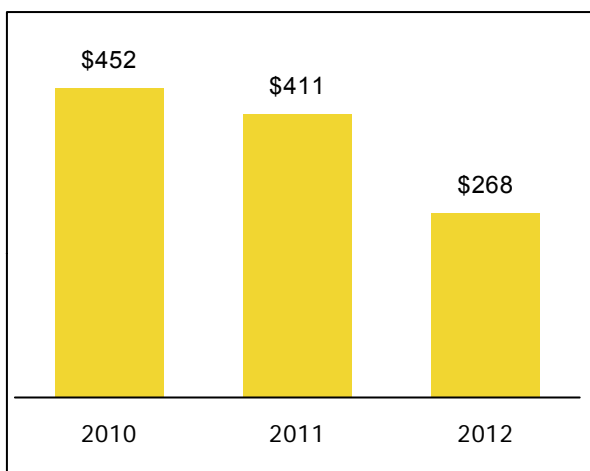


# Insulated from vagaries of the spot market

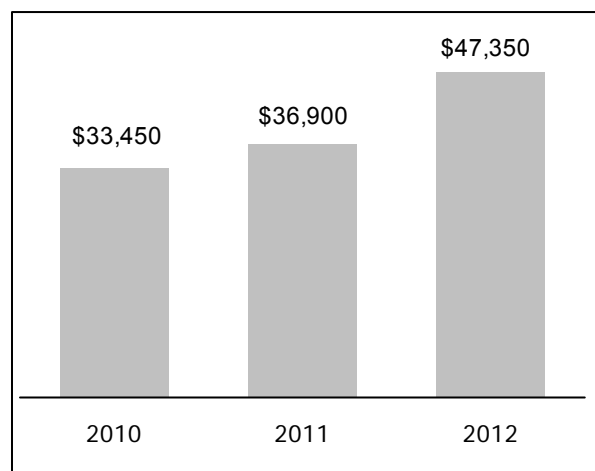
**% Charter coverage**



**Annual Dry Bulk fixed revenue (\$mm)**



**Average fixed rate<sup>1</sup> (\$k/d)**

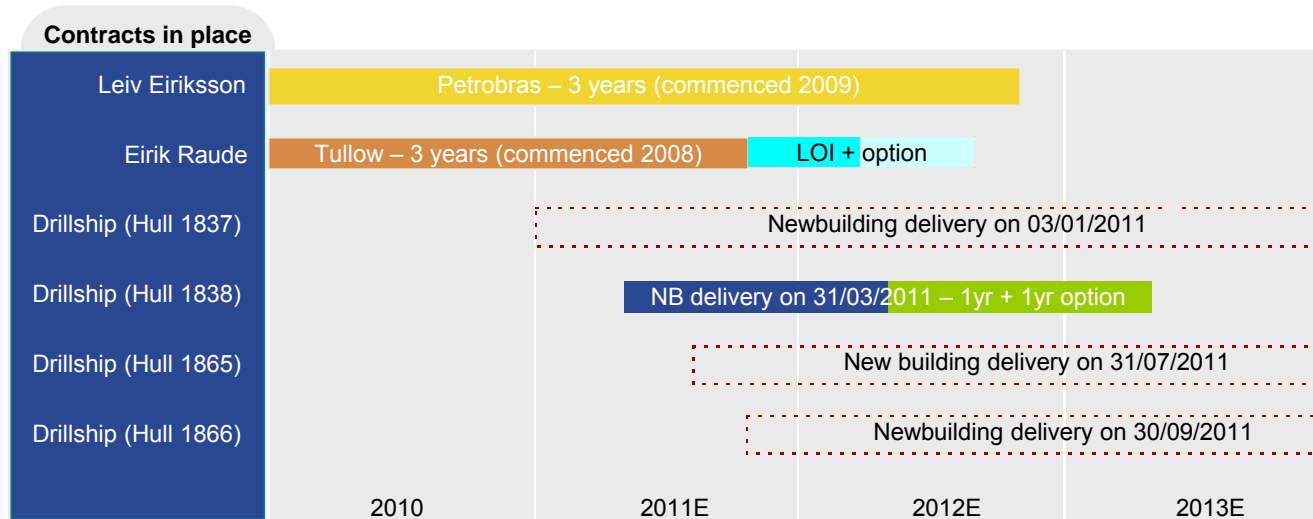


**Total revenue from time charters for the next 2.25 years: \$800 million**

<sup>1</sup> Represents rates before commission



# Recent Fixture Adds to Strong Contract Backlog



Unit	Year Built	Redelivery	Customer	Operating Area	Contracted dayrate(\$k)	Backlog (\$mm)
Leiv Eiriksson	2001	Oct – 12	Petrobras	Black Sea	\$ 583	\$ 439
Eirik Raude	2002	Oct – 11	Tullow	Off-shore Ghana	\$ 647	\$ 246
H 1838*	2011	Q2 – 12	Vanco / Lukoil	W. Africa		\$ 160**
Eirik Raude (LOI)	2002	Q1 – 12	Borders & Southern	Falklands		\$ 77**
<b>Total</b>						<b>\$ 922</b>

Note: Backlog as of 30/09/2010

\* Have the option to use either H1837 or H1838 on recent fixture

\*\* Vanco/Lukoil and Borders & Southern backlogs does not assume extension of 1-yr and 135 days options respectively





# Ocean Rig – Operator with proven record

## Ocean Rig – Proven track record of high efficiency, despite operating under severely harsh weather conditions

- Employs 443 people and has been operating drilling rigs for approximately 10 years
- Strong history with 85 wells drilled in 11 locations for 16 clients
  - The Leiv Eiriksson has operated in the most extreme harsh environment areas of the North and Norwegian Seas in 2008 and 2009, and in the last 12 months yielded a 94% earnings efficiency despite severe weather conditions
  - The Eirik Raude has been operating offshore of Ghana, maintaining a 96% YTD
- Comply with Norwegian safety regulations – substantially higher than GoM

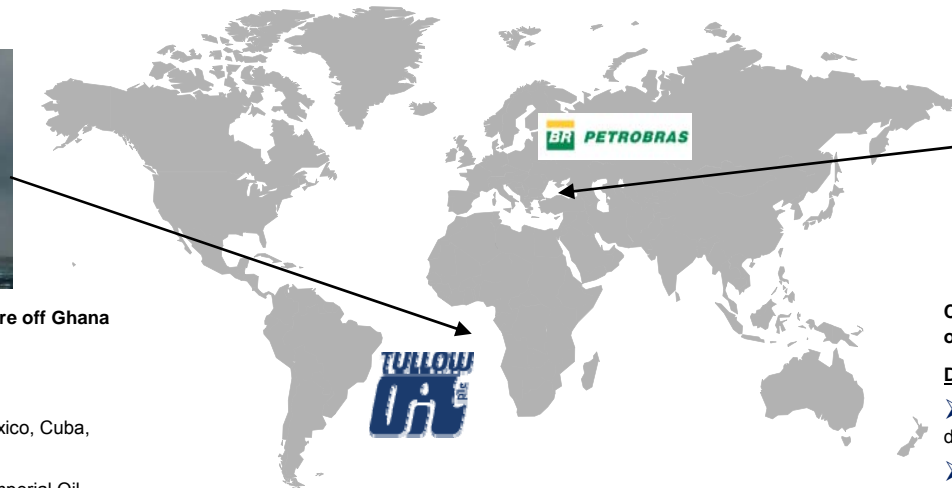


Eirik Raude

Currently operating for Tullow Oil offshore off Ghana

### Drilling history:

- The Eirik Raude has drilled 45 wells
- Has operated in: Canada, the Gulf of Mexico, Cuba, Ghana and Norway
- Clients include: Encana, PetroCanada, Imperial Oil, Repsol, Statoil, ENI, Chevron, Exxon Mobil and Tullow Oil



Leiv Eiriksson

Currently operating for Petrobras in the Black Sea, offshore off Turkey

### Drilling history:

- The Leiv Eiriksson has drilled 40 deepwater and ultra-deepwater wells
- Has operated in: Angola, Congo, Norway, UK and Ireland
- Clients include: Exxon Mobil, BP, Chevron, Total and Shell



## Construction Update – On Schedule

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- Construction for all four drillships proceeding on schedule
- Ocean Rig Corcovado (Hull 1837) sea trials underway since early November. Delivery on 3 January 2011
- Ocean Rig Olympia (Hull 1838) launched on July 29 – on schedule
- Ocean Rig Poseidon (Hull 1865) launched on October 23 – on schedule
- Blocks for Ocean Rig Mykonos (Hull 1865) proceeding on schedule



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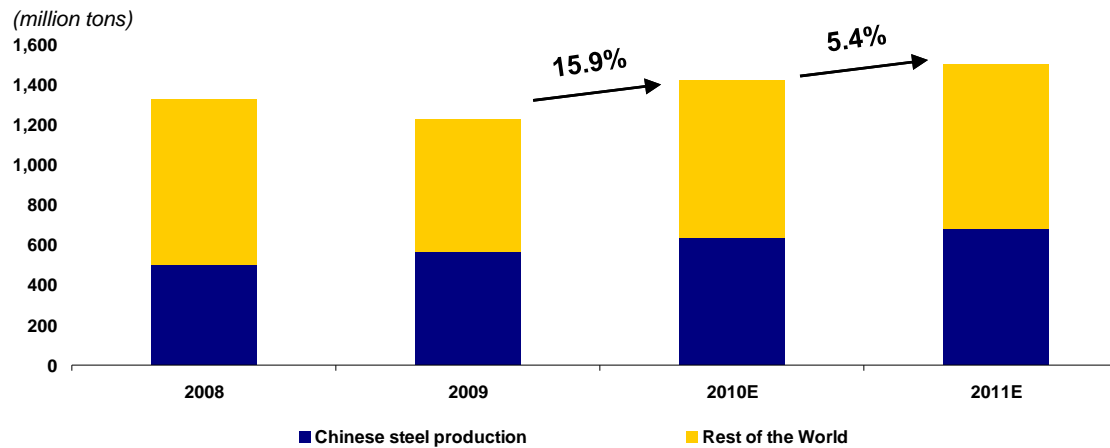


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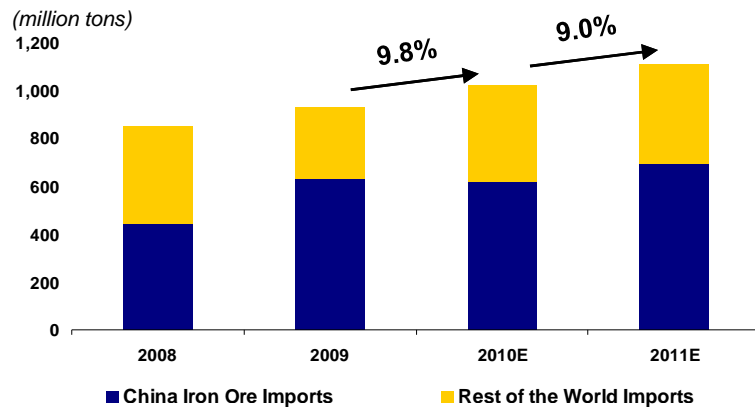


# Drybulk Demand Growth – not only China

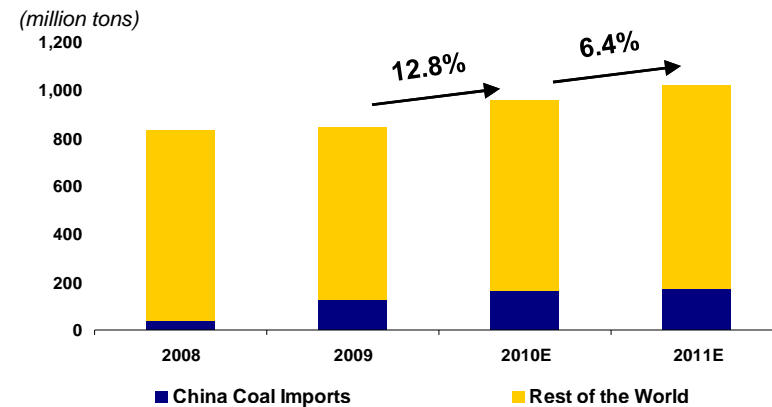
## World Crude Steel Production



## Seaborne Iron Ore Trade



## Seaborne Coal Trade (Coking + Steam)

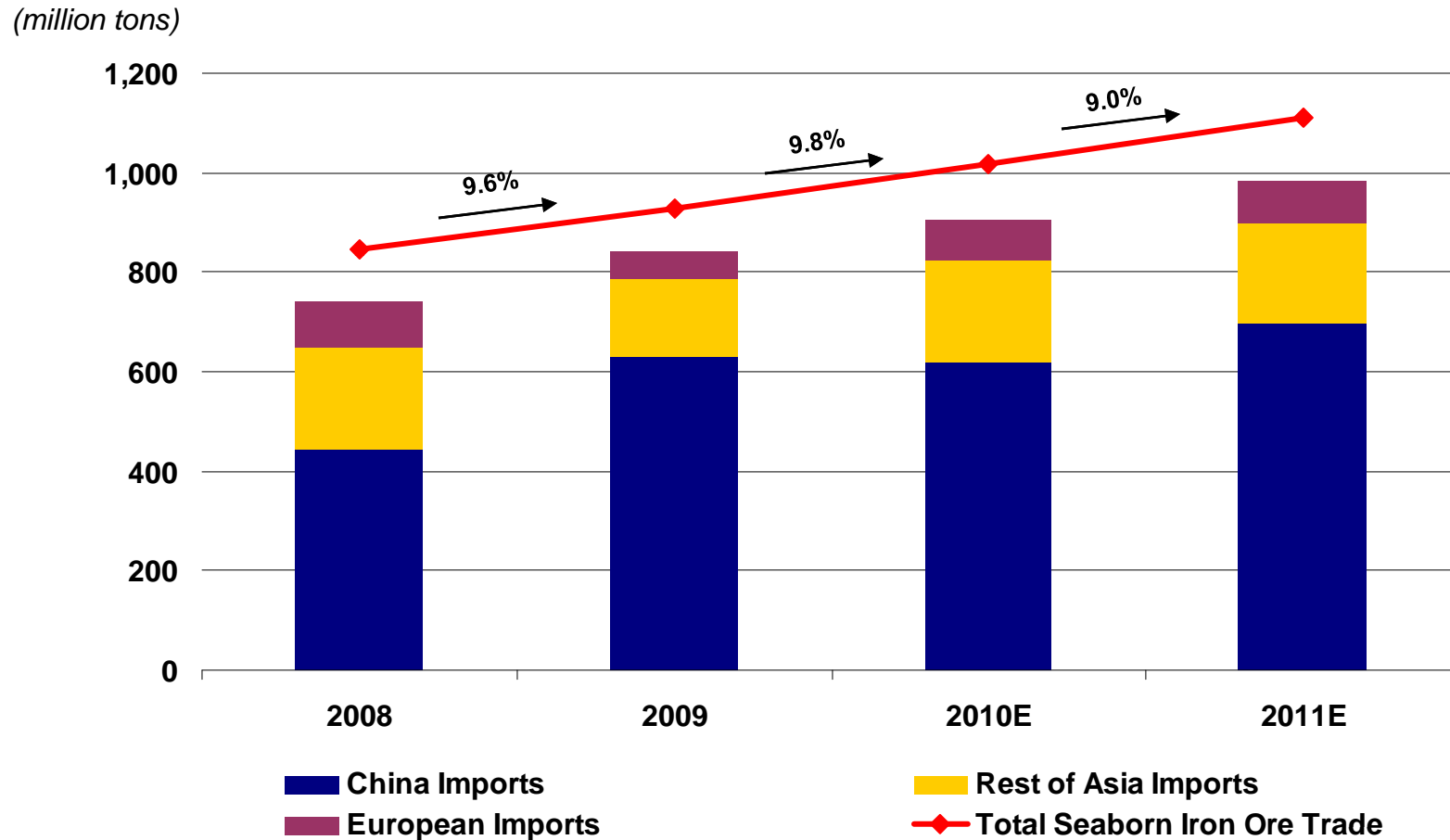


Source: SSY



# Iron Ore – China imports expected to pick up

## Seaborne Iron Ore Trade

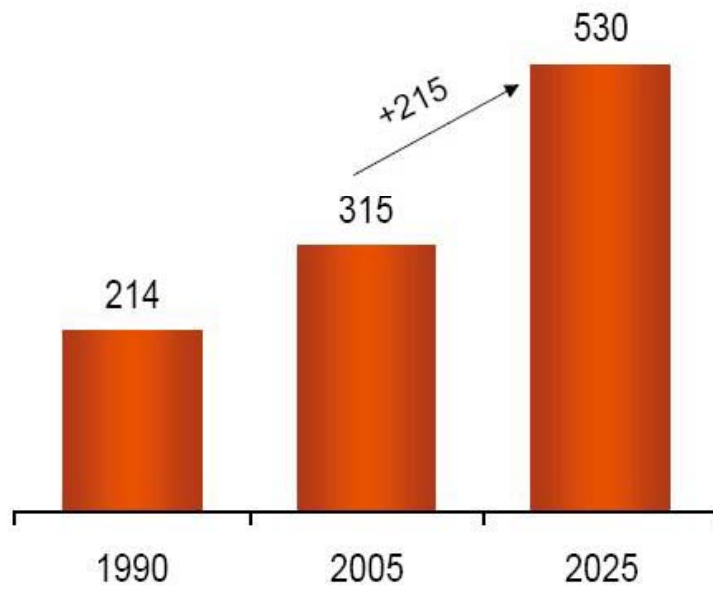


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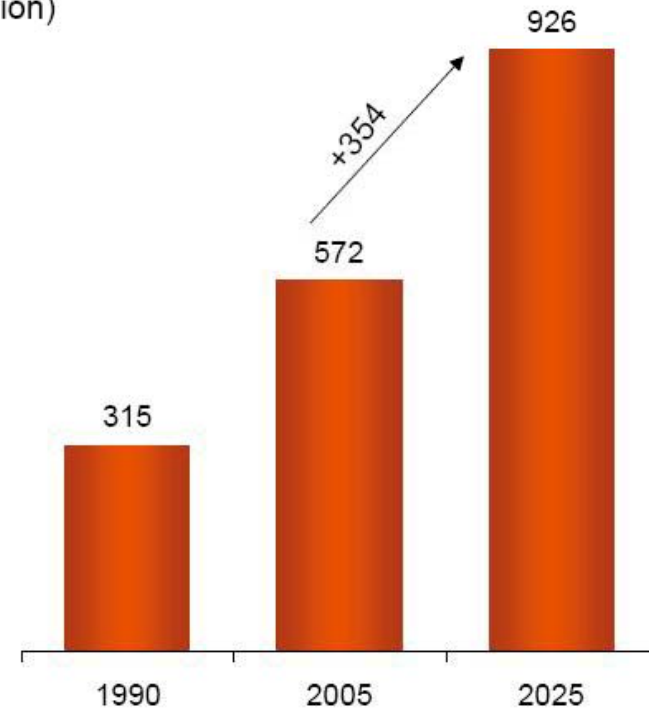


# Urbanization and Industrialization Driving Asian Commodity Demand in Longer-Term

**Projected Urbanisation of India (Million)**



**Projected Urbanisation of China (Million)**



Tot Population Million

839

1106

1401

1149

1307

1435

Urbanisation %

25

29

38

27

41

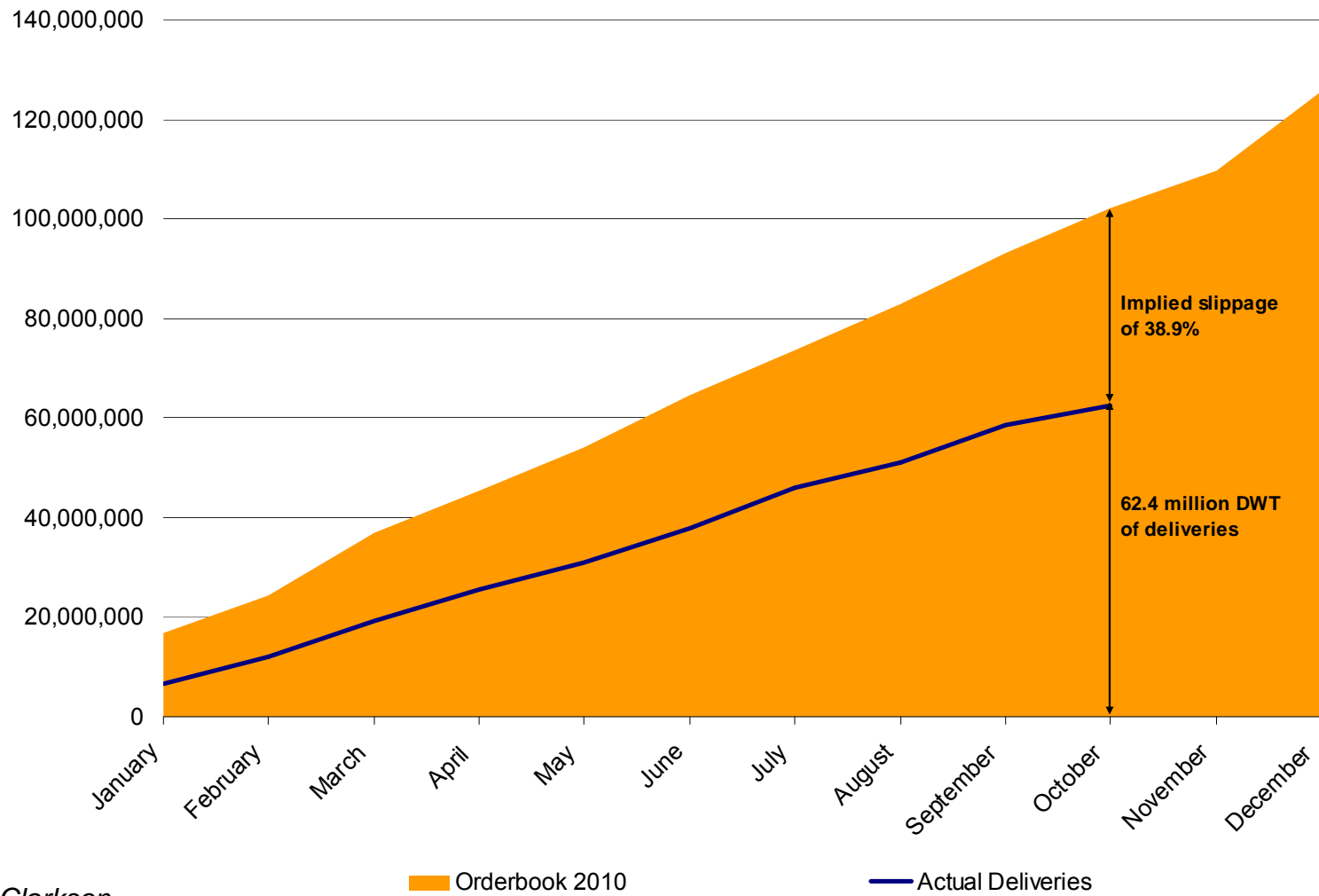
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Source: McKinsey, BHP Billiton



# Drybulk Deliveries Significantly Below Estimates

Drybulk actual vs. scheduled deliveries in terms of DWT



Source: Clarkson

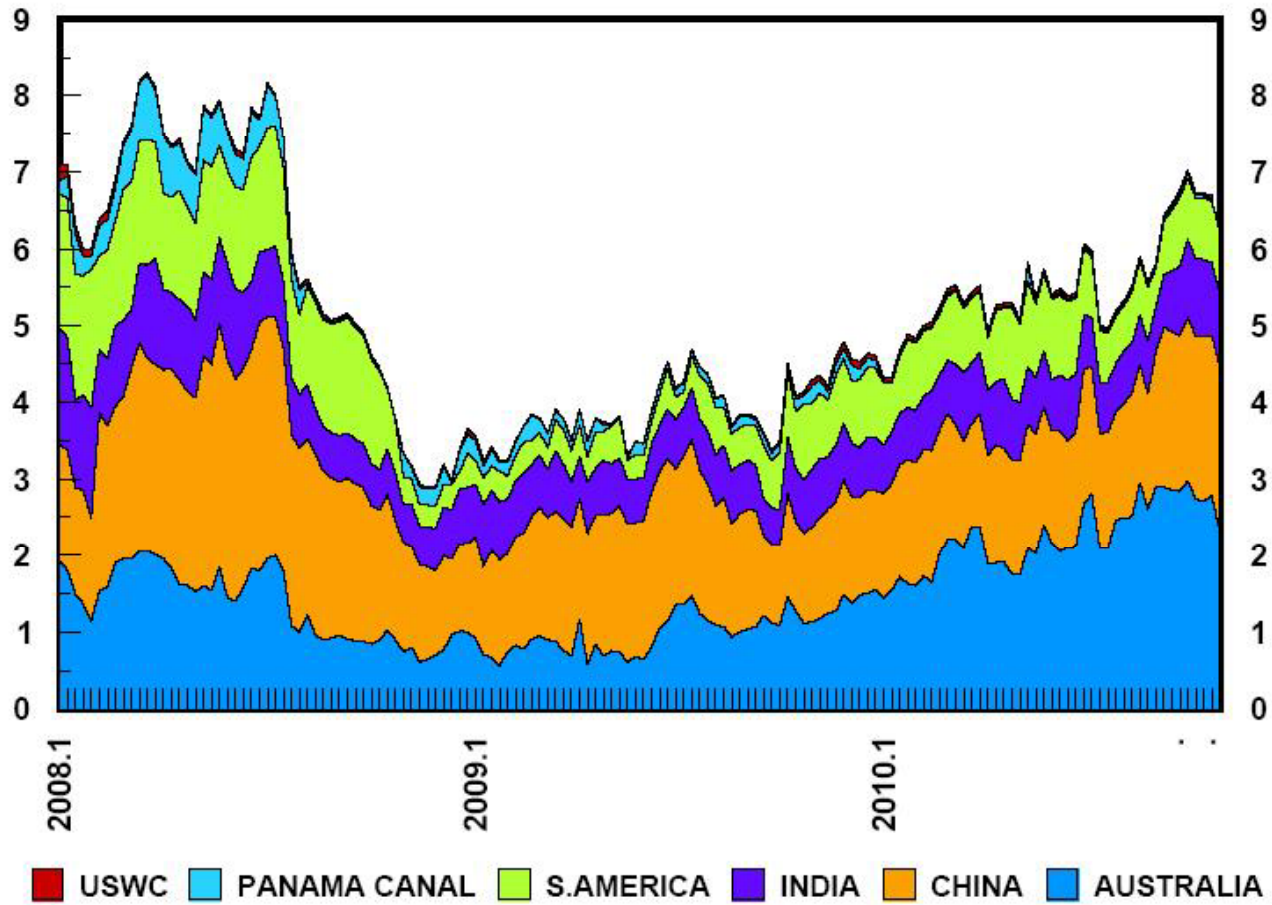


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# Port congestion

PERCENT OF TOTAL FLEET



Source: Platou



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# Summary of Med to Long-Term Ultra Deep Water Fixtures

Award	Contractor	Rig name	Rig Type	Operator	Day rate	Duration	Start-up
Jan-09	Noble	Clyde Bordeaux	3GSS	Shell	605'	4 months	Q2-09
Feb-09	Vantage	Titanium Explorer	6GDS	Petrobras	490'	8 years	Q3-11
Mar-09	Ocean Rig	L.Eiriksson	5GSS	Petrobras	583'	3 years	Oct-09
Jul-09	Transocean	Cajun Express	5GSS	Petrobras	509'	3 years	Mar-10
Aug-09	Transocean	Sedco Express	5GSS	Noble Energy	530'	455 days	Sep-10
Sep-09	Transocean	DW Horizon	5GSS	BP	497'	3 years	Nov-10
Feb-10	Seadrill	West Gemini	6GDS	Total Angola	440'	2 years	Oct-10
Mar-10	Diamond	Ocean Valour	6GSS	Petrobras	450'	3 years	Jun-10
Mar-10	Pacific Drilling	Santa Ana	6GDS	Chevron	450'	3-5 years	Oct-11
Apr-10	Seadrill	West Phoenix	6GSS	Total	445'	3 years	Jan-12
May-10	Transocean	Discoverer Enterprise	5GDS	BP	435'	18 months	Feb-11
May-10	Transocean	Deepwater Frontier	5GDS	Exxon	475'	2 years	Jul-11
Jun-10	Noble	Globetrotter	6GDS	Shell	472' <sup>1</sup>	10 years <sup>1</sup>	Q3-11
Jun-10	Noble	TBA	6GDS	Shell	472' <sup>1</sup>	10 years <sup>1</sup>	H2-13
Aug-10	Transocean	Discoverer Deep Seas	5GDS	Chevron	450'	2 years	Feb-11
Sep-10	Aker Drilling	Aker Barents	6GSS	Det Norske	450'-550'	2 years	Aug-12
Oct-10	Odfjell	Deepseas Stavanger	6GSS	BP	430'	2 years	Q1-11
Oct-10	Ocean Rig	OCR Corcovado / OCR Olympia	6GDS	Vanco / Lukoil		1 year	Q2-11

<sup>1</sup> Assumes first five years dayrate of \$410k plus 15% performance bonus. Last five years dayrate based on a market index





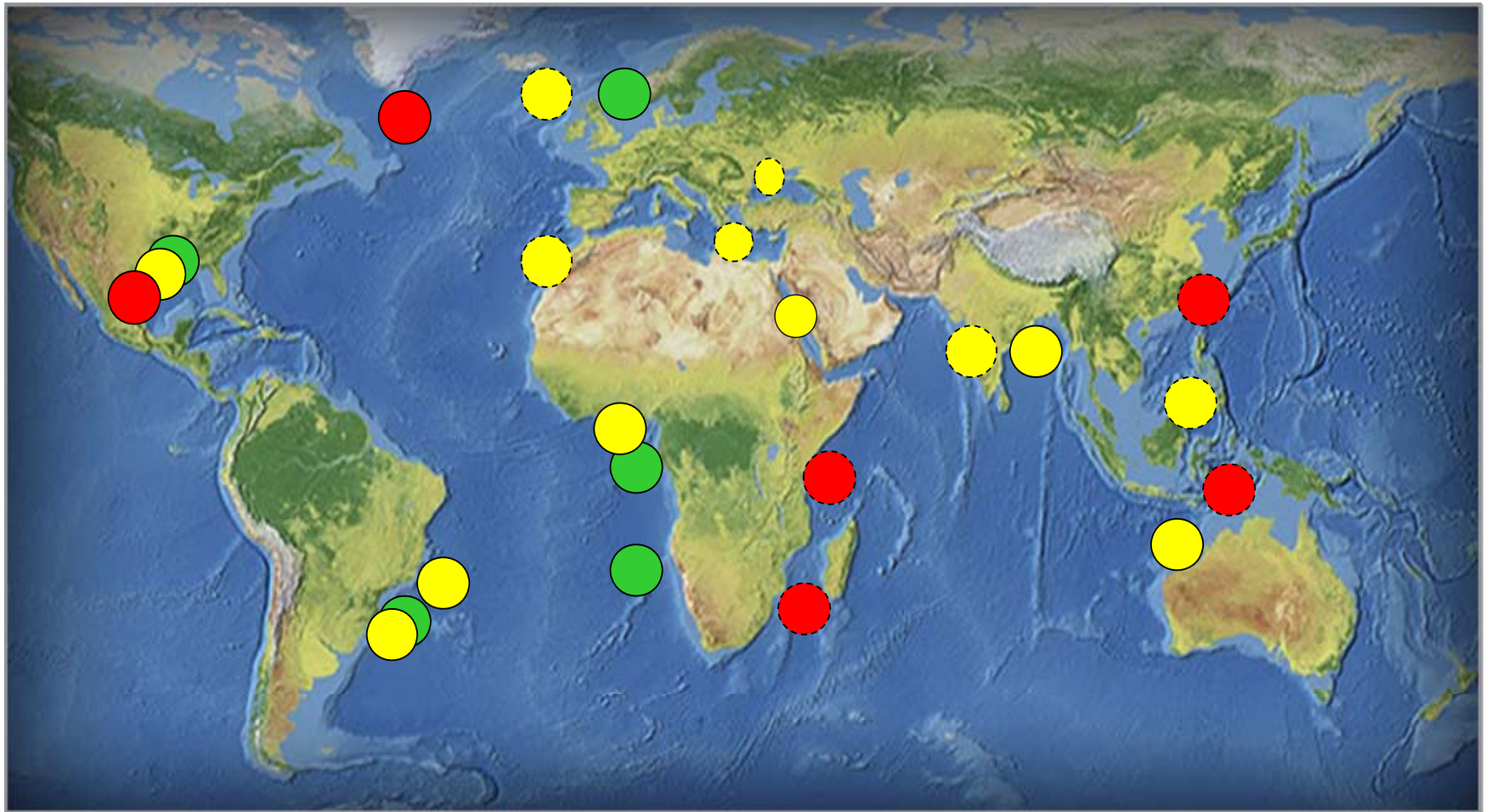
# Impact of Gulf of Mexico incident

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- Increased focus on safety, inspections, training and equipment – new regulations
- Focus on new equipment will make it more difficult for older rigs to find employment
- Delay in issuance of permits
- Increased liability for the operator
- Higher barriers to entry – death of the speculator; consolidation expected
- However, drilling in the Gulf of Mexico will continue
  - Only area of growth for U.S. production, otherwise increased energy dependence on imports



# Significant development of new deepwater wells

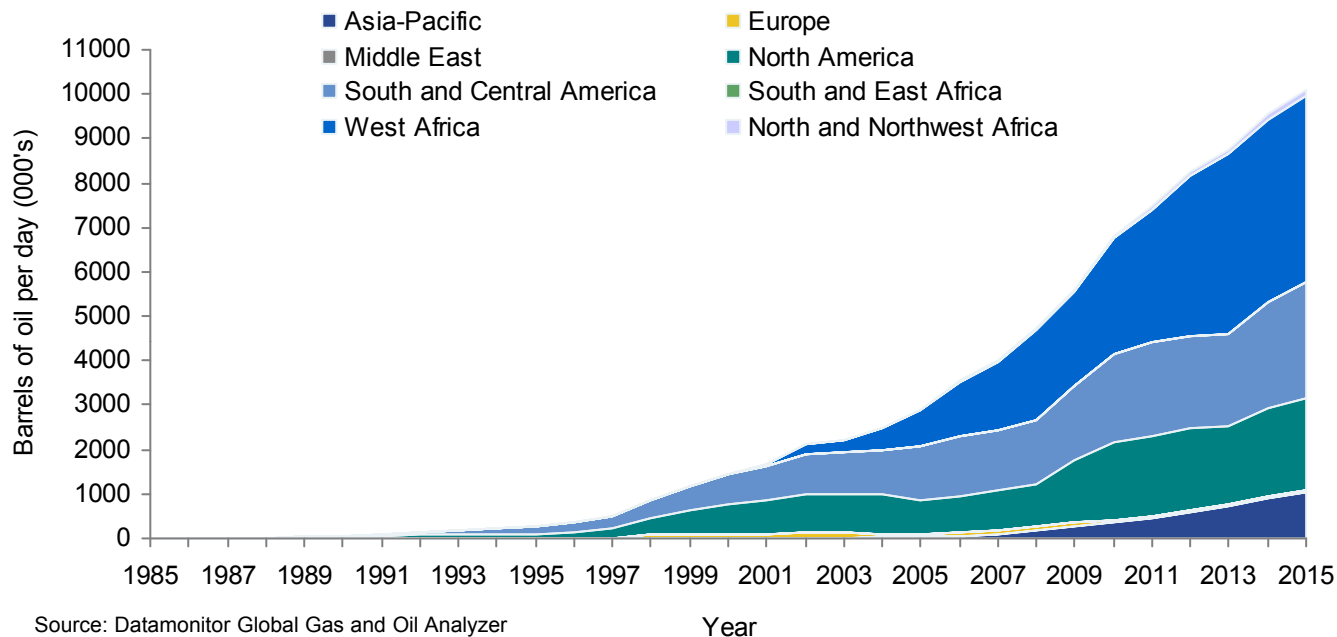


● Established    ● Developing    ● Frontier



# UDW Drilling Market has turned a corner

## Deepwater oil production



- Rates bottomed in 3Q2010 in the low-\$400,000 per day range and now trending up.
- Currently more than 15 open enquiries for projects in Angola, Nigeria, Brazil, India, the U.S., the Gulf of Mexico and others
- There are over 50 projects in the deepwater and ultra-deepwater sector planned to start up before the end of 2011 for which no rigs have been contracted as of yet
- Almost 50% of the demand is concentrated in West Africa and approximately 20% in the Asia-Pacific region
- Brazil expected to play a critical role in balancing ultra-deepwater demand and supply
  - Petrobras' potential need to backfill their enquiries for 28 newbuilds



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DryShips Inc.



# Summary Financials

	Three months ended September 30,	
	2009	2010
<i>(USD in millions, except number of vessels and rigs)</i>		
Average number of dry bulk vessels	38.5	37.3
Average number of drilling rigs	2.0	2.0
Total revenue	\$222.3	\$225.5
Adjusted EBITDA <sup>(a)</sup>	\$139.9	\$168.2
Net interest expense	\$16.3	\$18.4
	December 31, 2009	September 30, 2010
Total cash	\$1,044.0	\$864.4
Total debt	\$2,684.7	\$2,629.4
Net debt	\$1,640.7	\$1,765.0
Shareholders' equity	\$2,804.6	\$2,991.6
Total capitalization	\$5,489.3	\$5,621.0
Credit statistics		
Adj. EBITDA / Net interest expense	8.6	9.1
Debt to capitalization	49%	47%
Net debt to capitalization	30%	31%

(a) Excludes any goodwill impairment charge, contract termination fees and forfeiture of vessels deposits, gain/loss on contract cancellation, gain/loss on sale of vessels, and valuations of IRS



# CAPEX & DEBT

## Yard Commitments

(USD thousands)

	<u>Q4 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>Total</u>
<b><u>Drillships:</u></b>				
Hull 1837	-	287,598	-	287,598
Hull 1838	47,837	286,808	-	334,645
Hull 1865	52,020	357,105	-	409,125
Hull 1866	-	408,751	-	408,751
<b>Total</b>	<b>99,857</b>	<b>1,340,262</b>	<b>-</b>	<b>1,440,119</b>
<b><u>Drybulk Vessels</u></b>				
Panamax 1	3,305	23,135	-	26,440
Panamax 2	-	9,915	16,525	26,440
<b>Total</b>	<b>3,305</b>	<b>33,050</b>	<b>16,525</b>	<b>52,880</b>

## Proforma Debt Repayment Schedule

(USD thousands)

	<u>Long-term Debt</u>		
	<u>Drybulk Segment</u>	<u>Drilling Rig Segment</u>	<u>Total</u>
Q4 2010	48,191	35,282	83,473
FY 2011	129,093	404,713*	533,806
FY 2012	126,509	91,379	217,888

\* Includes \$ 230 million of pre-delivery financing for H1837 & H1838

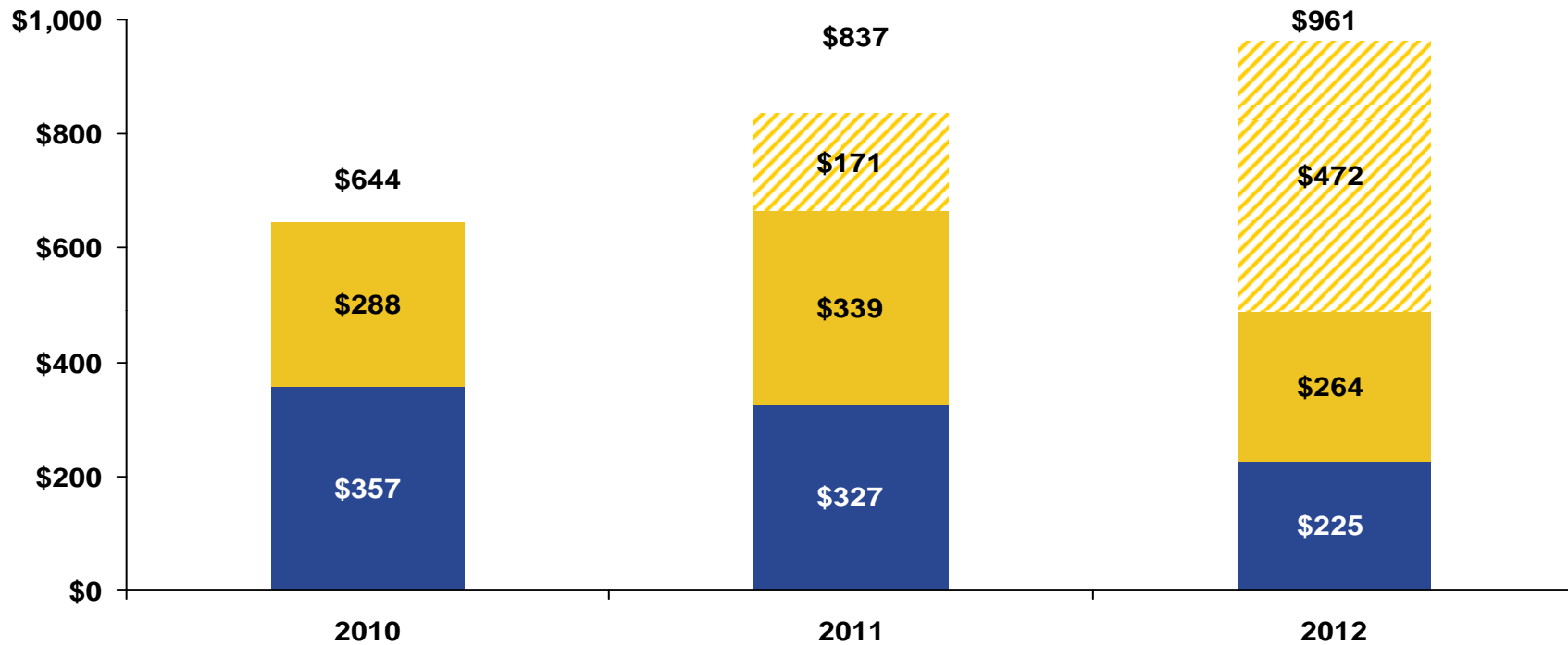




# Strong Fixed Cashflow - Upside from Drillships & Spot Drybulk

(\$ in millions)

## Fixed EBITDA Estimates



▨ 4 Drillships + Eirik Raude + Leiv Eiriksson \*\*

■ Ultra Deep Water (fixed contracts of Eirik Raude + Leiv Eiriksson + 1 Drillship) \*

■ Dry Cargo Vessels

Notes:

- EBITDA has been estimated on the basis of Gross Revenues; Drydock expenses are not included in calculation of EBITDA. Cash G&A related to the fixed business is taken into account in calculation of EBITDA
- Assumed utilization rate of 95% for the rigs.
- \* UDW estimates only include fixed contracts (including LOI for ER)
- \*\* For 2011 and 2012, all units as they become available, are assumed fixed upon delivery at \$475,000 per day (with 1 month mobilization period, and assumed OPEX of \$150,000 per day)



# Strategy

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Secure employment  
for drillships

Secure financing for  
drillships



DryShips Inc.

Positioned for growth  
in UDW drilling and  
shipping market

Prepare Ocean Rig  
for IPO when  
valuation is right





# APPENDIX



DryShips Inc.



## 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,	
	2009	2010	2009	2010
<b>REVENUES:</b>				
Voyage revenues	\$ 120,584	115,114	325,052	\$ 344,283
Revenues from drilling contracts	101,668	110,412	298,348	299,640
	<u>222,252</u>	<u>225,526</u>	<u>623,400</u>	<u>643,923</u>
<b>EXPENSES:</b>				
Voyage expenses	5,742	7,051	21,447	20,588
Vessel operating expenses	19,602	16,675	55,680	52,261
Drilling rigs operating expenses	34,855	26,846	100,694	86,354
Depreciation and amortization	49,416	48,547	146,569	144,028
Loss/ (gain) on sale of vessels	-	112	(2,432)	(10,142)
Loss on contract cancellations, net	-	-	211,416	-
General and administrative expenses	22,893	18,049	66,313	62,061
	<u>89,744</u>	<u>108,246</u>	<u>23,713</u>	<u>288,773</u>
<b>Operating income</b>				
<b>OTHER INCOME / (EXPENSES):</b>				
Interest and finance costs, net of interest income	(16,277)	(18,418)	(64,930)	(66,198)
Gain/(loss) on interest rate swaps	(39,305)	(48,962)	20,988	(147,390)
Other, net	1,843	11,270	1,304	4,061
Income taxes	(3,505)	(2,858)	(9,859)	(14,796)
	<u>(57,244)</u>	<u>(58,968)</u>	<u>(52,497)</u>	<u>(224,323)</u>
<b>Total other income/(expenses), net</b>				
<b>Net income/(loss)</b>	32,500	49,278	(28,784)	64,450
Net income attributable to non-controlling interests	(1,063)	-	(7,178)	-
	<u>31,437</u>	<u>49,278</u>	<u>(35,962)</u>	<u>64,450</u>
<b>Net income/(loss) attributable to Dryships Inc.</b>				
Earnings/(loss) per common share, basic and diluted	\$ 0.11	0.18	(0.21)	\$ 0.21
Weighted average number of shares, basic and diluted	253,824,880	257,034,024	193,621,270	255,693,215



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

(Expressed in Thousands of U.S. Dollars)

	<u>December 31, 2009</u>	<u>September 30, 2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 693,169	\$ 367,141
Restricted cash	350,833	497,210
Trade accounts receivable, net	66,681	42,414
Other current assets	69,967	69,910
<b>Total current assets</b>	<u>1,180,650</u>	<u>976,675</u>
<b>FIXED ASSETS, NET:</b>		
Advances for assets under construction and acquisitions	1,174,693	1,753,961
Vessels, net	2,058,329	1,952,586
Drilling rigs, machinery and equipment, net	1,329,641	1,263,794
<b>Total fixed assets, net</b>	<u>4,562,663</u>	<u>4,970,341</u>
<b>OTHER NON CURRENT ASSETS:</b>		
Other non-current assets	55,775	90,741
<b>Total non current assets</b>	<u>55,775</u>	<u>90,741</u>
<b>Total assets</b>	<u><u>5,799,088</u></u>	<u><u>6,037,757</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt	1,698,692	1,582,314
Other current liabilities	197,331	198,827
<b>Total current liabilities</b>	<u>1,896,023</u>	<u>1,781,141</u>
<b>NON CURRENT LIABILITIES</b>		
Long-term debt, net of current portion	985,992	1,047,105
Other non-current liabilities	112,438	217,956
<b>Total non current liabilities</b>	<u>1,098,430</u>	<u>1,265,061</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
	-	-
<b>STOCKHOLDERS' EQUITY:</b>		
Total stockholders' equity	2,804,635	2,991,555
<b>Total liabilities and stockholders equity</b>	<u>\$ 5,799,088</u>	<u>\$ 6,037,757</u>



## Appendix 3 – Summary Operating Data

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2010	2009	2010
Average number of vessels <sup>(1)</sup>	38.5	37.3	37.8	37.3
Total voyage days for vessels <sup>(2)</sup>	3,492	3,389	10,125	10,032
Total calendar days for vessels <sup>(3)</sup>	3,541	3,428	10,326	10,179
Fleet utilization <sup>(4)</sup>	98.6%	98.9%	98.1%	98.6%
Time charter equivalent <sup>(5)</sup>	32,887	31,886	29,986	32,266
Vessel operating expenses (daily) <sup>(6)</sup>	5,536	4,864	5,392	5,134

- (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 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

	Year Built	DWT	Type	Gross rate Per day	Redelivery Earliest	Latest
<b><u>Fixed rate employment</u></b>						
<b>Capesize:</b>						
Alameda	2001	170,662	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	170,040	Capesize	\$52,310	Aug-18	Dec-18
Samsara	1996	150,393	Capesize	\$57,000	Dec-11	Apr-12
<b>Panamax:</b>						
Amalfi ex. Gemini S	2009	75,000	Panamax	\$39,750	Jul-13	Sept-13
Avoca	2004	76,629	Panamax	\$45,500	Sep-13	Dec-13
Bargara	2002	74,832	Panamax	\$43,750	May-12	Jul-12
Capitola	2001	74,816	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	73,925	Panamax	\$43,500	Jun-12	Aug-12
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	74,747	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	75,208	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
Primera	1998	72,495	Panamax	\$18,250*	Dec-10	Dec-10
Rapallo	2009	75,123	Panamax	\$15,400	Aug-11	Oct-11
Redondo	2000	74,716	Panamax	\$34,500	Apr-13	Jun-13
Saldanha	2004	75,707	Panamax	\$52,500	Jun-12	Sep-12
Samatan	2001	74,823	Panamax	\$39,500	May-13	Jul-13
Sonoma	2001	74,786	Panamax	\$19,300	Sept-11	Nov-11
Sorrento	2004	76,633	Panamax	\$17,300	Sep-11	Dec-11
Toro	1995	73,035	Panamax	\$16,750	May-11	Jul-11
<b>Supramax:</b>						
Pachino	2002	51,201	Supramax	\$20,250	Dec-10	Mar-11
Paros I	2003	51,201	Supramax	\$27,135	Oct-11	May-12
<b><u>Newbuildings</u></b>						
Panamax 1	2011	76,000	Panamax			
Panamax 2	2012	76,000	Panamax			

Notes:

- Fleet List as of November 17, 2010
- \* Based on a synthetic time charter

