

# DryShips Inc.

## Analyst and Investor Day



NASDAQ: "DRYS"

New York - December 10, 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.



# Agenda

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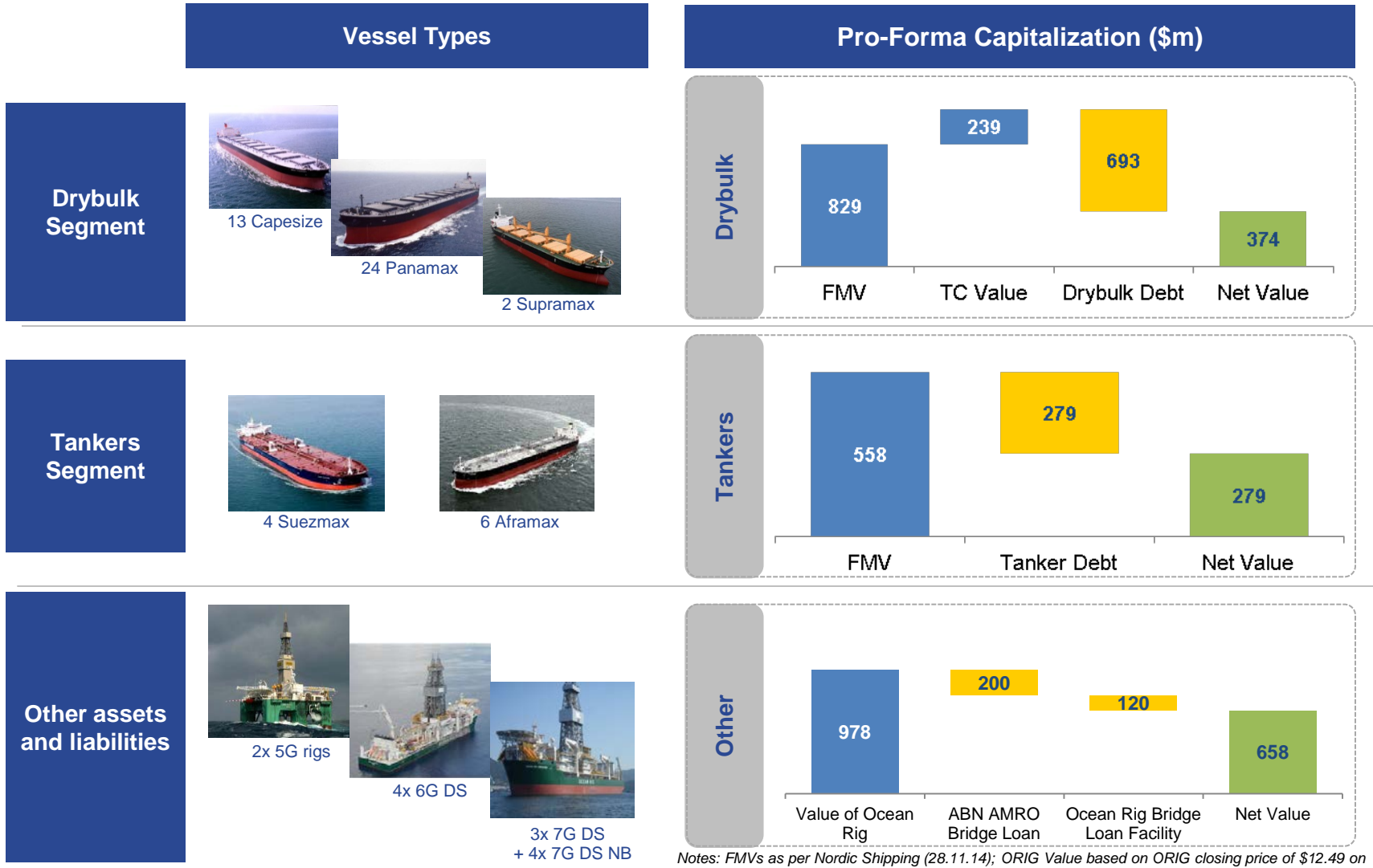
**Latest Developments**

Analysis and Guidance

Strategy to Unlock Value



# Dryships: Recapitalized and Ready to Sail!



Notes: FMVs as per Nordic Shipping (28.11.14); ORIG Value based on ORIG closing price of \$12.49 on 28.11.14



# Only Positive Developments Lately

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- On November 26, the Company repaid the remaining outstanding balance of its 5% convertible notes of \$521.6 million, consisting of \$508.9 million of principal and \$12.7 million of interest. The Company had previously purchased on the open market and then cancelled \$191.1 million principal amount of 5% convertible notes.
- On November 24, the Company drew down an amount of \$167.1 million under its \$170 million Nordea senior secured credit facility and repaid the balance on the existing facility of \$50 million.
- On November 24, the Company drew down \$200 million under its secured bridge loan facility with ABN AMRO, after posting the required collateral of 45.1 million shares of Ocean Rig.
- On November 18, the Company signed definitive documentation and drew down under its \$120 million short term facility with Ocean Rig.
- On November 11, the Company received \$14.9 million from Ocean Rig, representing dividends paid on Q3 2014 operations of \$0.19 per share on its 78.3 million shares in Ocean Rig.
- On October 29, Company completed a \$350 million equity offering, in which George Economou participated with \$80 million. Pro-forma for this offering, George Economou's ownership increased to 16.9%.



# 5% Convertible Notes are Now History

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## Sources of Funds

Gross proceeds from Equity Offering	\$350.0
Gross proceeds from ABN AMRO facility	\$200.0
Gross proceeds from Nordea Facility	\$167.1
Gross proceeds from ORIG Loan	\$120.0

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<b>Total Sources of Funds</b>	<b>\$837.1</b>
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## Uses of Funds

5% Convertible Notes - Principal	\$700.0
5% Convertible Notes – Interest	\$16.8
Repayment of Nordea-OCNF facility	\$50.2
Fees and Expenses	\$23.6
Working Capital	\$46.5

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<b>Total Uses of Funds</b>	<b>\$837.1</b>
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DB has now returned to the Company the 36,100,000 shares of common stock it initially borrowed in conjunction with this facility



# Agenda

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Latest Developments

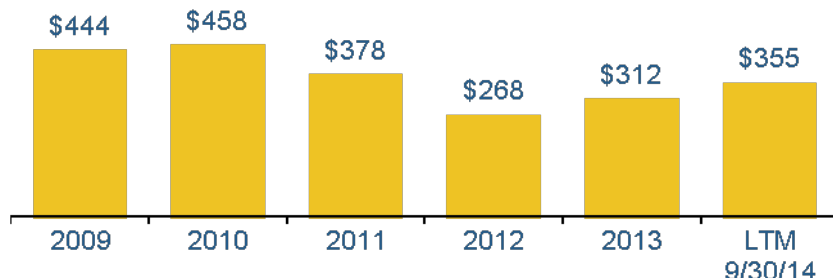
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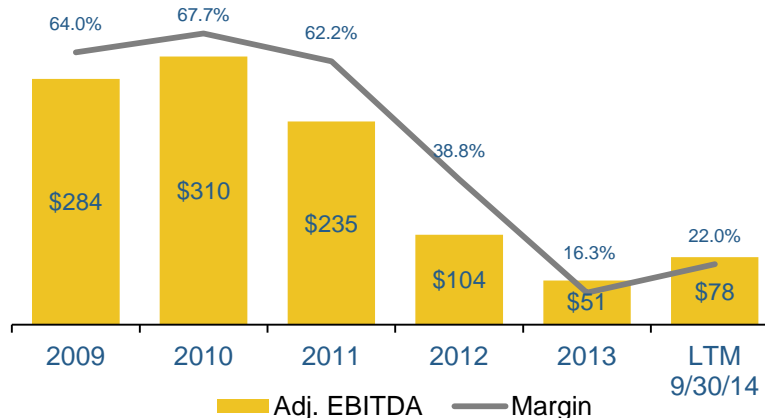


# DryShips Shipping Segment: Turning a Corner?

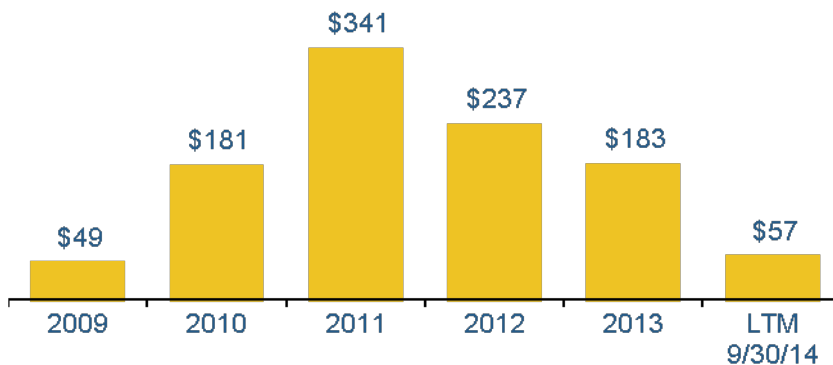
## Revenue (\$ million)



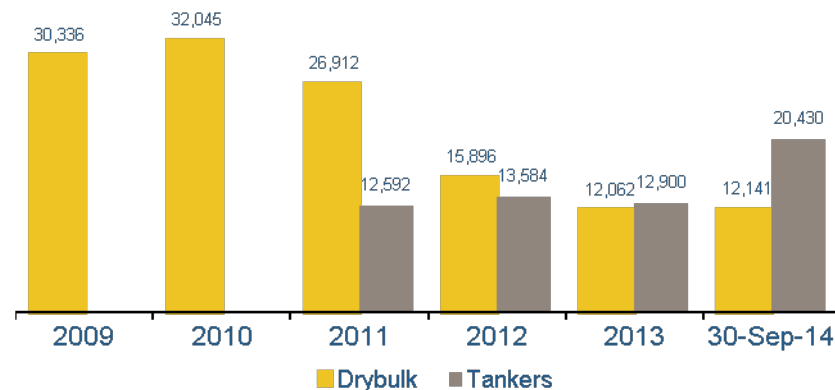
## Adjusted EBITDA (\$ million) <sup>(1)</sup>



## Capital Expenditures (\$ million)



## Average TCE (\$/day)



(1) Adjusted EBITDA represents earnings before interest, taxes, depreciation and amortization, vessel impairments, dry-dockings and class survey costs and gains or losses on interest rate swaps.





# Time Charters Provide Valuable Support

Drybulk Fleet	Built	DWT	Gross Rate Per Day	Redelivery		Backlog	
				Earliest	Latest	Earliest	Latest
<b>Capesize:</b>							
Alameda	2001	170,662	27,500	Nov-15	Jan-16	\$10.1	\$11.7
Capri	2001	172,579	20,000	Jan-16	May-16	8.5	11.0
Cohiba	2006	174,234	23,500	Sep-19	Nov-19	41.5	42.9
Fakarava	2012	206,152	25,000	Sep-15	Sep-20	7.6	53.3
Flecha	2004	170,012	55,000	Jul-18	Nov-18	73.6	80.4
Manasota	2004	171,061	30,000	Jan-18	Aug-18	34.7	41.1
Montecristo	2005	180,263	23,500	Jul-19	Sep-19	40.0	41.5
Mystic	2008	170,040	52,310	Aug-18	Dec-18	71.7	78.0
Negonego	2013	206,097	21,500	Mar-20	Feb-28	41.9	104.1
Partagas	2004	173,880	23,500	Sep-19	Nov-19	41.5	42.9
Raiatea	2011	179,078	23,500	Oct-19	Dec-19	42.2	43.6
Rangiroa	2013	206,026	23,000	May-18	Dec-23	29.4	76.3
Robusto	2006	173,949	23,500	Jul-19	Sep-19	40.0	41.5
<b>Panamax:</b>							
Bargara	2002	74,832	T/C Index linked	Sep-16	Nov-16	NA	NA
Levanto	2001	73,925	T/C Index linked	Aug-16	Oct-16	NA	NA
Mendocino	2002	76,623	T/C Index linked	Sep-16	Nov-16	NA	NA
Rapallo	2009	75,123	T/C Index linked	Jul-16	Sep-16	NA	NA
Raraka	2012	76,037	7,500	Jan-15	Mar-15	0.5	0.9
Sorrento	2004	76,633	24,500	Aug-21	Dec-21	60.4	63.4
Woolloomooloo	2012	76,064	7,500	Dec-14	Feb-15	0.2	0.7
<b>Total</b>						<b>\$544.0</b>	<b>\$733.5</b>

## Average Daily Fixed Rate Drybulk Segment

Rem. 2014	FY2015	FY2016
\$25,597	\$28,054	\$29,023

## Drybulk Gross Fixed Revenue (\$m)

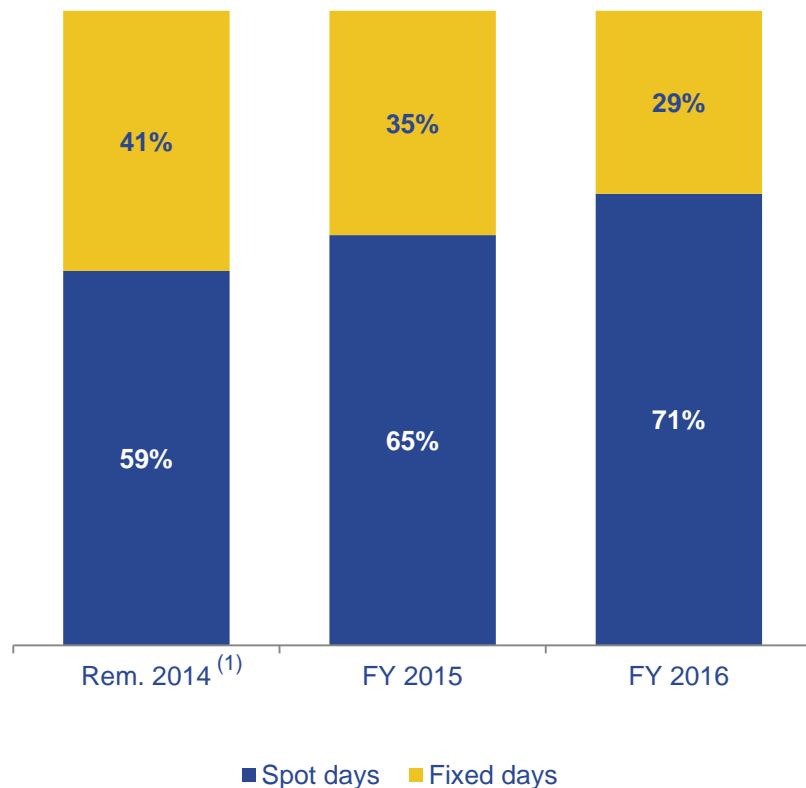
Rem. 2014	FY2015	FY2016
\$38	\$141	\$119

(1) Backlog as of October 31<sup>st</sup>, 2014

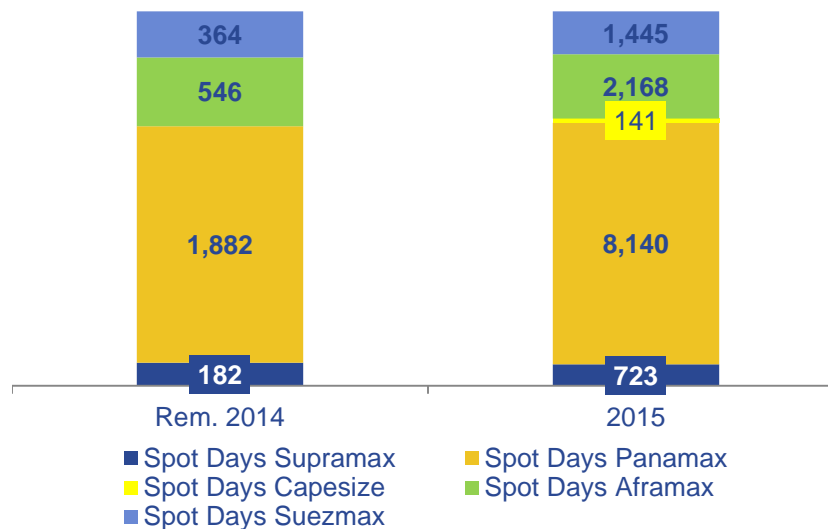


# Fleet Positioned to Benefit From Shipping Recovery

## Drybulk Fleet Employment Profile



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



## EBITDA Sensitivities Tanker and Drybulk Fleets:

Figures in \$ million	Rem. 2014	FY2015
+/- \$5,000 to market spot rates	+/- \$14.9	+/- \$63.1
+/- \$10,000 to market spot rates	+/- \$29.7	+/- \$126.2
+/- \$15,000 to market spot rates	+/- \$44.6	+/- \$189.2
+/- \$20,000 to market spot rates	+/- \$59.5	+/- \$252.3

(1) As of Sep 30, 2014, including the latest T/C contracts

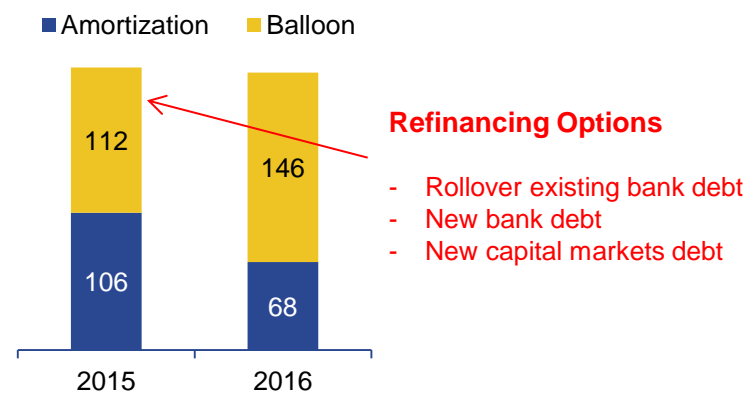
(2) Projected spot days for the remaining 2014 post scheduled dry-dock days and net of utilization



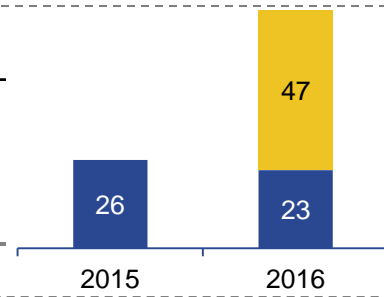
# Manageable Debt Obligations

Drybulk	Facility	Balloon	Maturity	Secured Assets
	Piraeus \$130m facility	27.6	Q1 2015	1 Panamax
	Piraeus \$90m facility	48.5	Q4 2015	1 Panamax, 1 Supramax
	EFG \$47m facility	12.0	Q4 2015	1 Panamax
	Commerzbank \$90m facility	24.0	Q4 2015	1 Capesize
	HSH \$628.8m facility	112.0	Q2 2016	2 Capesize, 14 Panamax
	Commerzbank \$125m facility	6.9	Q2 2016	1 Capesize
	Commerzbank \$35m facility	11.0	Q4 2016	1 Supramax
	Portigon \$103.2m facility	16.0	Q3 2016	1 Panamax
	Nord LB \$126.4m facility	2.9	Q3 2018	1 Capesize, 1 Panamax
	HSH \$87.7m facility	9.5	Q1 2020	1 Panamax
	CDB \$122.6m facility	0.0	Q2 2025	3 Newcastlemax
	Nordea \$170m facility	61.3	Q4 2019	5 Capesize, 4 Panamax

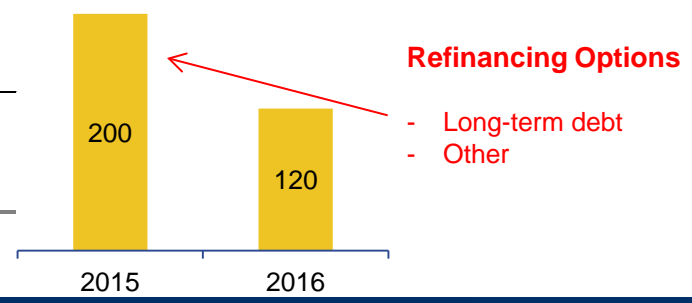
## Debt Repayments



Tankers	Facility	Balloon	Maturity	Secured Assets
	Nordea \$70m facility	46.7	Q1 2016	1 Suezmax, 1 Aframax
	DVB \$32.3m facility	19.4	Q2 2017	1 Aframax
	ABN / KSURE \$107.67m facility	50.4	Q1 2019	1 Suezmax, 2 Aframax
ABN / KEXIM \$141.35m facility	65.5	Q2 2019	2 Suezmax, 2 Aframax	



Other	Facility	Balloon	Maturity	Secured Assets
	ABN \$200m bridge loan	200.0	Q4 2015	ORIG shares owned by DRYS
ORIG unsecured facility	120.0	Q2 2016	Unsecured	



# Summary of New Loan Facilities

	ABN AMRO Bridge Loan	Nordea \$170m Facility	ORIG \$120m Facility
<b>Lender</b>	ABN AMRO Bank N.V.	Nordea Bank Finland Plc	SPV of Ocean Rig UDW Inc.
<b>Borrower</b>	Dryships Inc.	Subsidiaries of Dryships Inc.	Dryships Inc.
<b>Guarantor</b>	N/A	Dryships Inc.	N/A
<b>Amount</b>	\$200,000,000	\$167,100,000	\$120,000,000
<b>Maturity:</b>	12 months from Drawdown plus 6 months in Lender's option	5 years after Initial Borrowing Date	18 months from Closing Date
<b>Collateral Assets</b>	45,129,069 ORIG Shares	MV Raiatea, MV Cohiba, MV Robusto, MV Montecristo, MV Partagas, MV Woolloomooloo, MV Saldanha, MV Topeka MV Helena	None
<b>Collateral top-ups / release</b>	If Asset Cover <2.05x based on 30d VWAP, top up of Collateral to restore Asset Cover to to 2.50x If Asset Cover >3.25x based on 30d VWAP, release of Collateral so that Asset Cover = 3.25x	N/A	N/A
<b>Interest Rate</b>	Margin 1 <sup>st</sup> 3 Month Period: 5.00% Margin 2 <sup>nd</sup> 3 Month Period: 6.75% Margin 3 <sup>rd</sup> 3 Month Period: 7.75% Margin 4 <sup>th</sup> 3 Month Period: 8.75%	2.75% + LIBOR	In general, ABN AMRO margin plus 300bps
<b>Financial Covenants</b>	N/A	Minimum Liquidity: \$50,000,000 Minimum Book Net Worth: \$500,000,000 Minimum Book Equity Ratio: 30%	Minimum Market Adjusted Equity Ratio: 20% Minimum Interest Coverage Ratio: 2.05 : 1.0 Minimum Market Adjusted Net Worth: \$1,000,000,000
<b>Conversion Option</b>	N/A	N/A	Lender may convert into ORIG shares at \$13.50 per share. If option is exercised, Borrower claws back interest



# DRYS Share Capital and Ownership

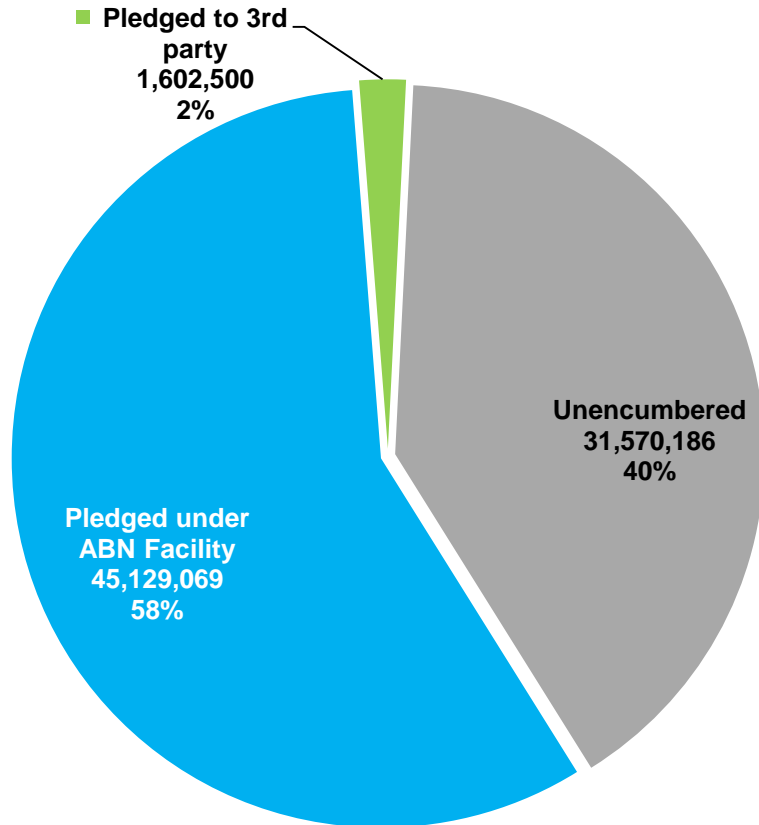
## Dryships, Inc. (Nasdaq: DRYS)

	Shares
George Economou	115,712,665
Blue Mountain	71,428,000
DB Borrow Facility	15,100,000
Treasury Stock (Previously borrowed shares)	21,000,000
Other	482,823,656
<b>Issued share capital 1/11</b>	<b>706,064,321</b>
Less Treasury Stock	21,000,000
Less DB Borrow Facility	15,100,000
<b>Pro-forma issued and outstanding share capital 1/12</b>	<b>669,964,321</b>
<b>Pro-forma GE ownership %</b>	<b>17.3%</b>



# Investment in Ocean Rig

## DRYS Holdings in ORIG



## ORIG Share Ownership

	Shares	%
DRYS	78,301,755	59.3%
Other	53,715,423	40.7%
<b>Total</b>	<b>132,017,178</b>	<b>100.0%</b>



Value of Unencumbered shares basis ORIG at \$12.00:  
**approx. \$379m**

1) ORIG shares outstanding as of 11.01.2014 of 132,017,178



# Agenda

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Latest Developments

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**Strategy to Unlock Value**



# Steering DRYS Towards Success

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- **Ocean Rig is Dryships most valuable investment and we firmly believe Ocean Rig is undervalued.**
  - **Backlog of \$5.5 billion**
  - **Operational efficiency of 98.6% for Q3 2014**
  - **Net Income of \$104.2m for Q3 2014**
  - **Annual dividend payout of \$100 million today**
  - **Other value creation initiative (e.g. MLP)**
  
- **Continue to work with our commercial lenders to create a strong balance sheet**
  - **Continue to cure covenant breaches**
  - **Refinance balloons at attractive terms with shipping lenders**
  - **Diversify funding sources (ECAs, capital markets.etc)**
  - **Relax amortization profiles**
  
- **Evaluate various options to realize the hidden value in DRYS**
  - **Monetization of the tanker segment**

