



DRYSHIPS INC. REPORTS FINANCIAL AND OPERATING RESULTS FOR THE SECOND QUARTER 2016

August 8, 2016, Athens, Greece. DryShips Inc. (NASDAQ:DRYS), or DryShips or the Company, an international owner of drybulk carriers and offshore support vessels, today announced its unaudited financial and operating results for the quarter ended June 30, 2016.

Second Quarter 2016 Financial Highlights

- For the second quarter of 2016, the Company reported a net loss of \$9.1 million, or \$0.34 basic and diluted loss per share.
- The Company reported a negative Adjusted EBITDA of \$10.1 million for the second quarter of 2016. ⁽¹⁾

Recent Highlights

- Mr. Anthony Kandylidis, Executive Vice President has assumed the duties of interim Chief Financial Officer as of August 8, 2016.
- As of August 7, 2016, 4,635 of the Company's 5,000 Series C Convertible Preferred stock, were converted to 12,719,431 common shares, including the respective dividends.
- On July 27, 2016, the Company's \$103.2 million secured term loan facility dated June 20, 2008, with a total outstanding balance of \$18.3 million, became due and payable in full.
- On July 27, 2016, the Company received written notification from The Nasdaq Stock Market ("Nasdaq"), indicating that as the closing bid price of the Company's common stock for the last 30 consecutive business days, was below \$1.00 per share, the Company no longer meets the minimum bid price requirement for continued listing on the Nasdaq Capital Market, set forth in Nasdaq Listing Rule 5550(a)(2). Pursuant to Nasdaq Listing Rules, the applicable grace period to regain compliance is 180 days, or until January 23, 2017. The Company has determined to effect a 1-for-4 reverse stock split, in order to regain compliance with the Nasdaq Capital Market minimum bid price requirement, effective on or about August 15, 2016.

Bank Update / Liquidity

The Company is presently engaged in discussions with its lenders for the restructuring of its debt facilities. Six of these bank facilities have matured and the Company has not made the final balloon installment. For the remaining bank facilities, the Company has elected to suspend principal and interest payments to preserve cash liquidity.

(1)Adjusted EBITDA is a non-GAAP measure; please see later in this press release for reconciliation to net loss.

(2)Shares and per share data does not give effect to the 1-for-4 reverse stock split, approved on July 29, 2016, which will become effective on or about August 15, 2016.

Fleet List

The table below describes our fleet profile as of August 8, 2016:

	Year			Gross rate	Redelivery	
	<u>Built</u>	<u>DWT</u>	<u>Type</u>	<u>Per day</u>	<u>Earliest</u>	<u>Latest</u>
<u>Drybulk fleet</u>						
Panamax:						
Raraka	2012	76,037	Panamax	Spot	N/A	N/A
Amalfi	2009	75,206	Panamax	Spot	N/A	N/A
Rapallo	2009	75,123	Panamax	T/C Index linked	Aug-16	Oct-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
Sorrento	2004	76,633	Panamax	Spot	N/A	N/A
Mendocino	2002	76,623	Panamax	T/C Index linked	Oct-16	Dec-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	Laid up	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	Laid up	N/A	N/A
Coronado	2000	75,706	Panamax	Spot	N/A	N/A
Marbella	2000	72,561	Panamax	Laid up	N/A	N/A
Redondo	2000	74,716	Panamax	Laid up	N/A	N/A
Ocean Crystal	1999	73,688	Panamax	Laid up	N/A	N/A
<u>Offshore Supply fleet</u>						
Platform Supply Vessels:						
Crescendo	2012	1,457	PSV	Laid up	N/A	N/A
Vega Corona	2012	1,430	PSV	T/C	Dec.-16	Dec.-20
Oil Spill Recovery Vessels:						
Indigo	2013	1,393	OSRV	Laid up	N/A	N/A
Vega Jaanca	2012	1,393	OSRV	T/C	Jul.-17	Jul.-21
Vega Emtoli	2012	1,363	OSRV	T/C	May.-17	May.-21
Jubilee	2012	1,317	OSRV	Laid up	N/A	N/A

Drybulk Carrier Segment Summary Operating Data(unaudited)

(Dollars in thousands, except average daily results)

<u>Drybulk</u>	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2016	2015	2016
Average number of vessels ⁽¹⁾	39.0	20.0	39.0	21.5
Total voyage days for vessels ⁽²⁾	3,458	1,737	6,864	3,830
Total calendar days for vessels ⁽³⁾	3,549	1,820	7,059	3,913
Fleet utilization ⁽⁴⁾	97.4%	95.4%	97.2%	97.9%
Time charter equivalent ⁽⁵⁾	\$10,813	\$3,392	\$10,675	\$3,166
Vessel operating expenses (daily) ⁽⁶⁾	\$6,543	\$4,798	\$6,450	\$4,808

(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 and laid-up days.

(3) Calendar days are the total number of days the vessels were in our possession for the relevant period including dry-docking days and laid-up 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 net of laid-up days for the relevant time period.

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

<u>Drybulk</u>	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2016	2015	2016
Voyage revenues	\$ 42,239	\$ 6,772	\$ 87,839	\$ 15,223
Voyage expenses	(4,847)	(880)	(14,567)	(3,099)
Time charter equivalent revenues	\$ 37,392	\$ 5,892	\$ 73,272	\$ 12,124
Total voyage days for fleet	3,458	1,737	6,864	3,830
Time charter equivalent TCE	\$ 10,813	\$ 3,392	\$ 10,675	\$ 3,166

DryShips Inc.

Financial Statements Unaudited Condensed Consolidated Statements of Operations

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
REVENUES:				
Voyage revenues	\$ 79,460	\$ 13,177	\$ 169,488	\$ 25,037
Revenues from drilling contracts	<u>323,722</u>	<u>-</u>	<u>725,805</u>	<u>-</u>
	403,182	13,177	895,293	25,037
EXPENSES:				
Voyage expenses	20,503	1,077	48,605	3,998
Vessel operating expenses	29,550	12,725	57,750	27,513
Drilling units operating expenses	106,696	-	259,623	-
Depreciation and amortization	90,840	861	209,536	1,723
Vessels impairment, loss on sales and other	112,178	-	168,809	40,784
General and administrative expenses	31,519	8,133	74,807	18,023
Other, net	<u>(2,173)</u>	<u>756</u>	<u>(2,803)</u>	<u>(761)</u>
Operating income/(loss)	14,069	(10,375)	78,966	(66,243)
OTHER INCOME / (EXPENSES):				
Interest and finance costs, net of interest income	(69,860)	(2,051)	(146,348)	(5,346)
Loss on interest rate swaps	(1,768)	(152)	(11,448)	(709)
Other, net	(4,506)	(771)	(6,435)	(2,152)
Income taxes	<u>(17,341)</u>	<u>(19)</u>	<u>(36,931)</u>	<u>(19)</u>
Total other expenses, net	(93,475)	(2,993)	(201,162)	(8,226)
Net loss	(79,406)	(13,368)	(122,196)	(74,469)
Loss due to deconsolidation of Ocean Rig	(1,347,106)	-	(1,347,106)	-
Equity in earnings/(losses) of Ocean Rig	8,851	4,260	8,851	(41,454)
Net income attributable to Non controlling interests	<u>(22,662)</u>	<u>-</u>	<u>(39,029)</u>	<u>-</u>
Net loss attributable to DryShips Inc.	\$ <u>(1,440,323)</u>	\$ <u>(9,108)</u>	\$ <u>(1,449,480)</u>	\$ <u>(115,923)</u>
Net loss attributable to DryShips Inc. common stockholders	<u>(1,440,515)</u>	<u>(9,164)</u>	<u>(1,499,745)</u>	<u>(115,979)</u>
Loss per common share, basic and diluted (1)(2)	\$ (54.17)	\$ (0.34)	\$ (56.40)	\$ (4.33)
Weighted average number of shares, basic and diluted (1) (2)	26,593,240	26,827,839	26,593,240	26,758,843

(1) Shares and per share data for Q2 2015 give effect to the 1-for-25 reverse stock split, approved on February 19, 2016.

(2) Shares and per share data does not give effect to the 1-for-4 reverse stock split, approved on July 29, 2016, which will become effective on or about August 15, 2016.

DryShips Inc.

Unaudited Condensed Consolidated Balance Sheets

(Expressed in Thousands of U.S. Dollars)

December 31, 2015 June 30, 2016

ASSETS

Cash, cash equivalents, including restricted cash (current and non-current)	\$ 15,026	\$ 6,173
Assets held for sale	216,026	97,515
Other current assets	38,015	28,950
Vessels, net	96,428	94,705
Investment in affiliate	91,410	-
Other non-current assets	19,147	10,214
Total assets	<u>476,052</u>	<u>237,557</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Total debt	236,942	224,766
Liabilities held for sale	104,366	-
Total other liabilities	13,332	9,384
Total stockholders' equity	121,412	3,407
Total liabilities and stockholders' equity	<u>\$ 476,052</u>	<u>\$ 237,557</u>

Adjusted EBITDA Reconciliation

Adjusted EBITDA represents earnings before interest, taxes, depreciation and amortization, goodwill, vessel and investment impairments and certain other non-cash items as described below, dry-dockings, class survey costs and gains or losses on interest rate swaps. Adjusted EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations, as determined by United States generally accepted accounting principles, or U.S. GAAP, and our calculation of adjusted EBITDA may not be comparable to that reported by other companies. Adjusted EBITDA is included herein because it is a basis upon which the Company measures its operations. Adjusted EBITDA is also used by our lenders as a measure of our compliance with certain covenants contained in our loan agreements and because the Company believes that it presents useful information to investors regarding a company's ability to service and/or incur indebtedness.

The following table reconciles net loss to Adjusted EBITDA:

<i>(Dollars in thousands)</i>	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016	Six Months Ended June 30, 2015	Six Months Ended June 30, 2016
Net loss attributable to Dryships Inc	\$ (1,440,323)	\$ (9,108)	\$ (1,499,480)	\$ (115,923)
Add: Net interest expense	69,860	2,051	146,348	5,346
Add: Depreciation and amortization	90,840	861	209,536	1,723
Add: Dry-dockings and class survey costs	4,412	150	8,249	167
Add: Impairments losses on sales and other	129,771	-	192,039	40,784
Add: Loss due to deconsolidation of Ocean Rig	1,347,106	-	1,347,106	-
Add: Income taxes	17,341	19	36,931	19
Add: Loss on interest rate swaps	1,768	152	11,448	709
Add: Equity in (earnings)/losses of affiliate	(8,851)	(4,260)	(8,851)	41,454
Add: Net income attributable to Non controlling interests	22,662	-	39,029	-
Adjusted EBITDA	<u>\$ 234,586</u>	<u>\$ (10,135)</u>	<u>\$ 482,355</u>	<u>\$ (25,721)</u>

About DryShips Inc.

DryShips Inc. is an owner of drybulk carriers and offshore support vessels that operate worldwide. DryShips owns a fleet of 20 Panamax drybulk carriers with a combined deadweight tonnage of approximately 1.5 million tons, and 6 offshore supply vessels, comprising 2 platform supply and 4 oil spill recovery vessels.

DryShips' common stock is listed on the NASDAQ Capital Market where it trades under the symbol "DRYS."

Visit the Company's website at www.dryships.com

Forward-Looking Statement

Matters discussed in this release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with such safe harbor legislation.

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 and other statements.

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 we believe 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, we 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 rates and vessel values, failure of a seller to deliver one or more vessels, failure of a buyer to accept delivery of a vessel, inability to procure acquisition financing, default by one or more charterers of our ships, changes in demand for drybulk commodities, changes in demand that may affect attitudes of time charterers, scheduled and unscheduled drydocking, changes in our voyage and operating expenses, including bunker prices, dry-docking and insurance costs, changes in governmental rules and regulations, changes in our relationships with the lenders under our debt agreements, potential liability from pending or future litigation, domestic and international political conditions, potential disruption of shipping routes due to accidents, international hostilities and political events or acts by terrorists.

Risks and uncertainties are further described in reports filed by DryShips Inc. with the U.S. Securities and Exchange Commission, including the Company's most recently filed Annual Report on Form 20-F.

Investor Relations / Media:

Nicolas Bornozis
Capital Link, Inc. (New York)
Tel. 212-661-7566
E-mail: dryships@capitallink.com