

# DryShips Inc.

1st Quarter Ended March 31, 2008

## Earnings Presentation



NASDAQ: "DRYS"

May 20, 2008

# Forward Looking Statements

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Matters discussed in this presentation may constitute forward-looking statements. Forward-looking statements reflect our 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 our 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.



# 1q08 Financial Highlights

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| <i>Figures in millions except TCE in \$/d</i> | <b>1q08</b> | <b>1q07</b> |
|-----------------------------------------------|-------------|-------------|
| Net Income                                    | \$176.3     | \$67.8      |
| EPS                                           | \$4.61      | \$1.91      |
| Operating Income                              | \$194.5     | \$78.6      |
| EBITDA                                        | \$219.7     | \$94.6      |
| Fleet TCE                                     | \$63,127/d  | \$28,930/d  |
| Utilization                                   | 99.1%       | 97.4%       |

***Included in the first quarter results is a capital gain on the sale of one vessel of \$24.4 million and a non-cash loss of \$6.1 million associated with the valuation of interest rate swaps. Excluding these items Net Income would amount to \$158.0 million or \$4.13 per share.***



## Sale and Purchase (S&P) Activity

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*Analysts typically exclude gains from vessel sales from their EPS estimates as non-recurring items. We have successfully and consistently managed to generate vessel gains since our first full year of operations.*

| Year | Vessel Gains (\$ million) | % of Total Earnings |
|------|---------------------------|---------------------|
| 2006 | 8.6                       | 15%                 |
| 2007 | 135.0                     | 28%                 |
| 2008 | 237.9*                    | 28%**               |

*We plan to continue to actively and aggressively manage the age and quality of our fleet by going after arbitrage opportunities in the second-hand market and continue to generate returns for our shareholders by our S&P activity.*

\* Based on announced vessel sales so far

\*\* Based on consensus EPS for 2008



## Position of Strength

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*With its strong balance sheet DryShips is uniquely positioned to take advantage of business opportunities as they arise.*

*Available liquidity as of  
May 16, 2008*

**\$317 million**

*Net Debt  
to  
Capitalization  
as of May 16, 2008*

**27%**  
*(adj. for asset values)*



# Employment Update

*We have recently fixed 14 vessels (6 Capesize and 8 Panamax) on long-term time charters taking advantage of the strong rate environment.*

| Recent Long Term Fixtures |          |
|---------------------------|----------|
| 2xCapesize                | 4 years  |
| 3xCapesize                | 10 years |
| 1xCapesize                | 5 years  |
| 3xPanamaxes               | 4 years  |
| 5xPanamaxes               | 5 years  |

| Year | Avg. # of Vessels | Fixed Days | % of Total Voyage Days | Avg. Rate | Gross Revenue |
|------|-------------------|------------|------------------------|-----------|---------------|
| 2008 | 6.53              | 2,384      | 17%                    | 48,384    | 115,347,000   |
| 2009 | 14.00             | 5,110      | 34%                    | 48,286    | 246,740,000   |
| 2010 | 14.00             | 5,110      | 31%                    | 48,286    | 246,740,000   |
| 2011 | 14.00             | 5,110      | 30%                    | 48,286    | 246,740,000   |
| 2012 | 10.96             | 4,000      | 24%                    | 47,635    | 190,514,750   |

*As of May 16, 2008, 42% of the total operating days for the last three quarters of 2008 remain unfixed.*



# OCR Acquisition

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## OBJECTIVE: CREATE A CREDIBLE AND COMPETITIVE PURE PLAY IN THE UDW DRILLING MARKET

- ❖ Capitalize on the shortage of premium ultra deep water (UDW) drilling assets.
- ❖ Acquisition of Ocean Rig
  - Operational expertise
  - Contracted cash flow
- ❖ Agreement to construct two drillships
  - State of the art drillships
  - Delivery July/Sept. 2011.
- ❖ DryShips UDW business unit (Value Proposition)
  - Four UDW drillships to be employed in strong market
  - Economies of scale



# Spin Off to DryShips Shareholders

## ❖ Spin Off to DryShips shareholders

- Targeting to spin off within a year from now
- Shares of the subsidiary to be listed in the U.S.
- Possible acquisition/combination of two additional drillships from clients of Cardiff Marine Inc.
- Only listed pure UDW drilling company in the U.S.



# Mandatory Tender Offer

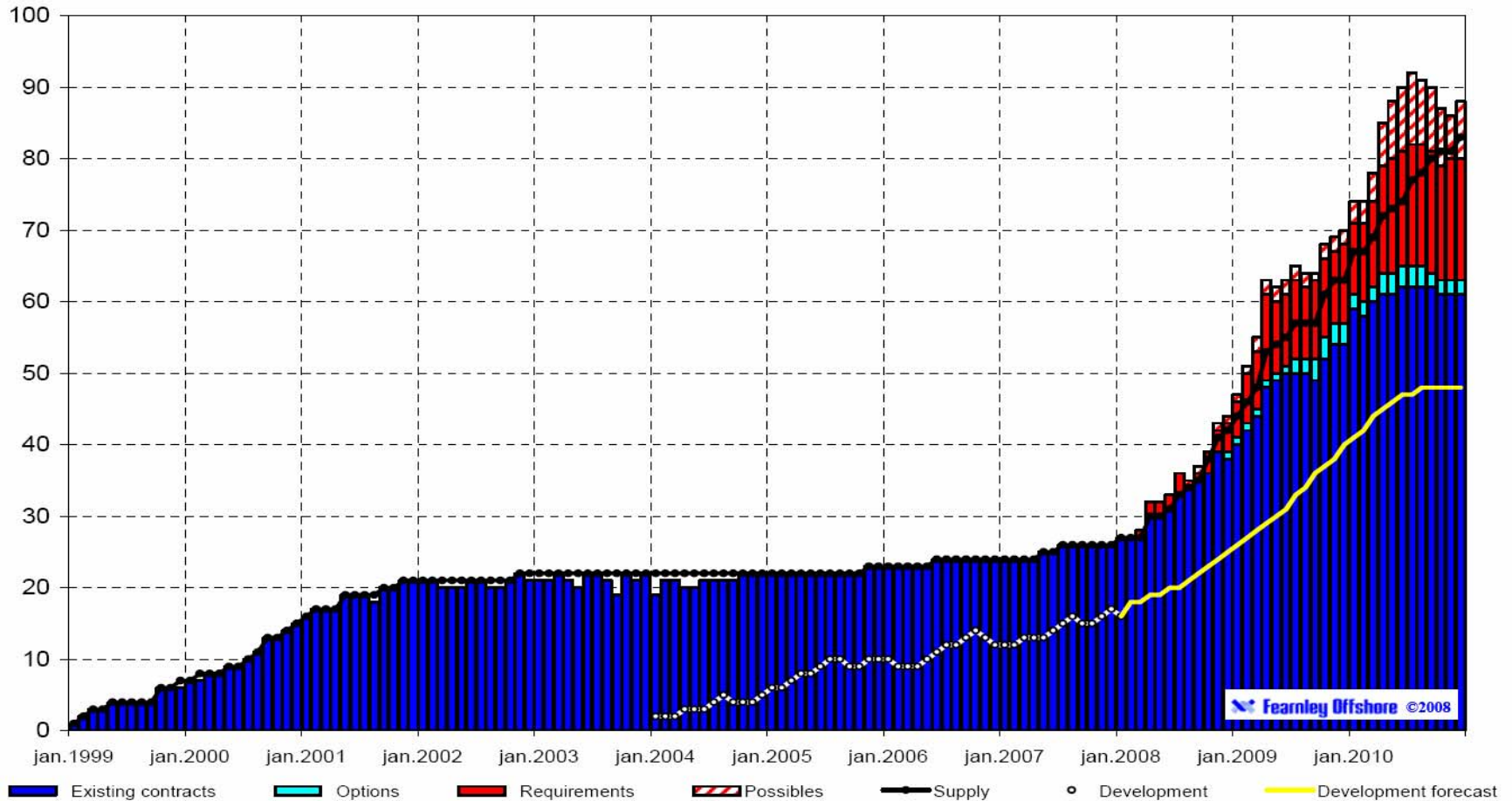
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- ❖ Dryships current stake in Ocean Rig at 75.1 %
- ❖ Mandatory tender offer for remaining stake at NOK 45 per share
- ❖ Official document filed with OSX May 14, 2008
- ❖ **TIMETABLE**
  - ❖ Week of June 11: Expected closing date for Offer
  - ❖ Settlement of share acquisition is expected within June 2008



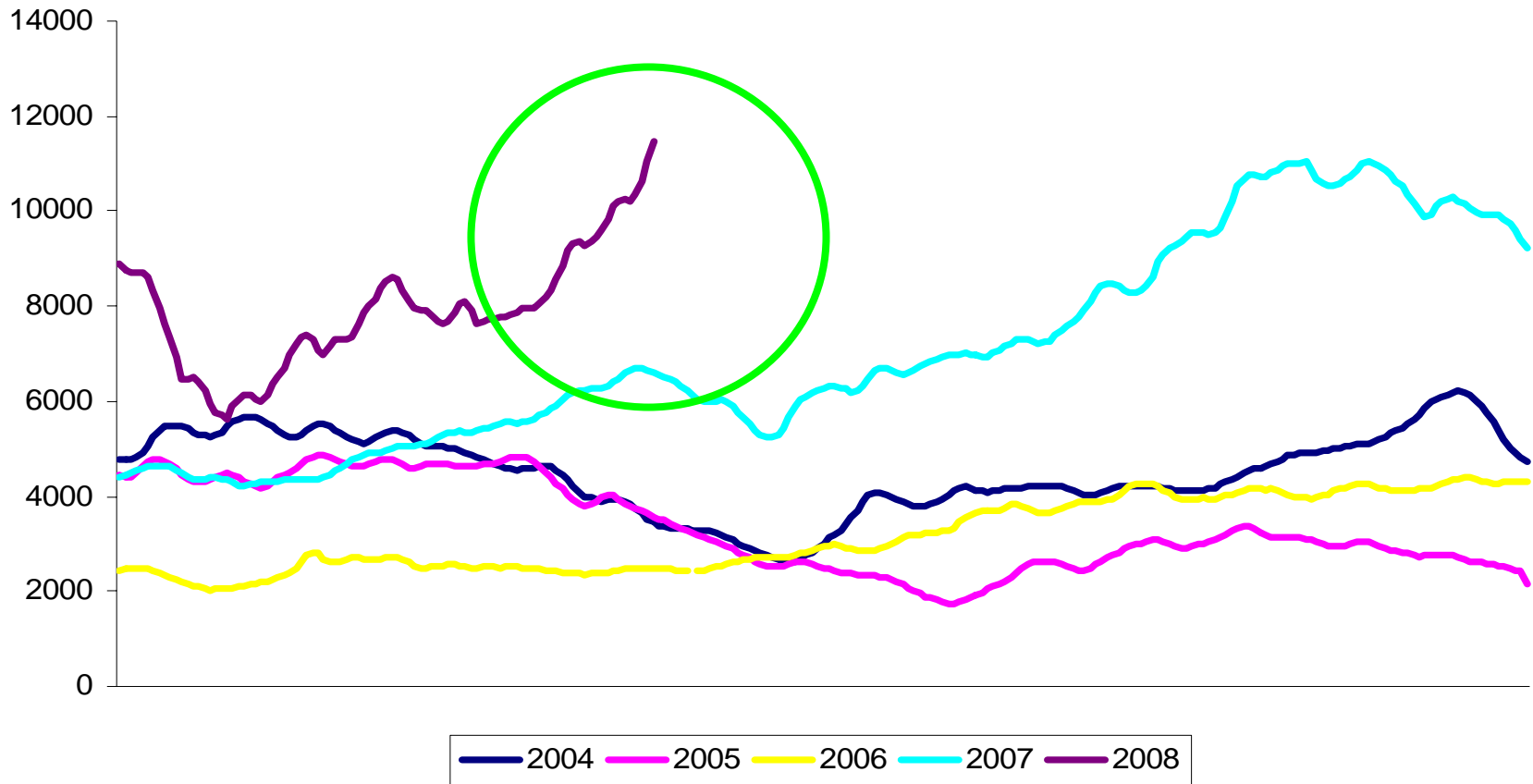
# Ultra Deep Water Demand and Supply

**Contract Status & Expected Demand 1999-2010:**  
Ultra Deepwater Drilling Units (>7500feet) - Worldwide



# Baltic Dry Index

## Baltic Dry Index (BDI)

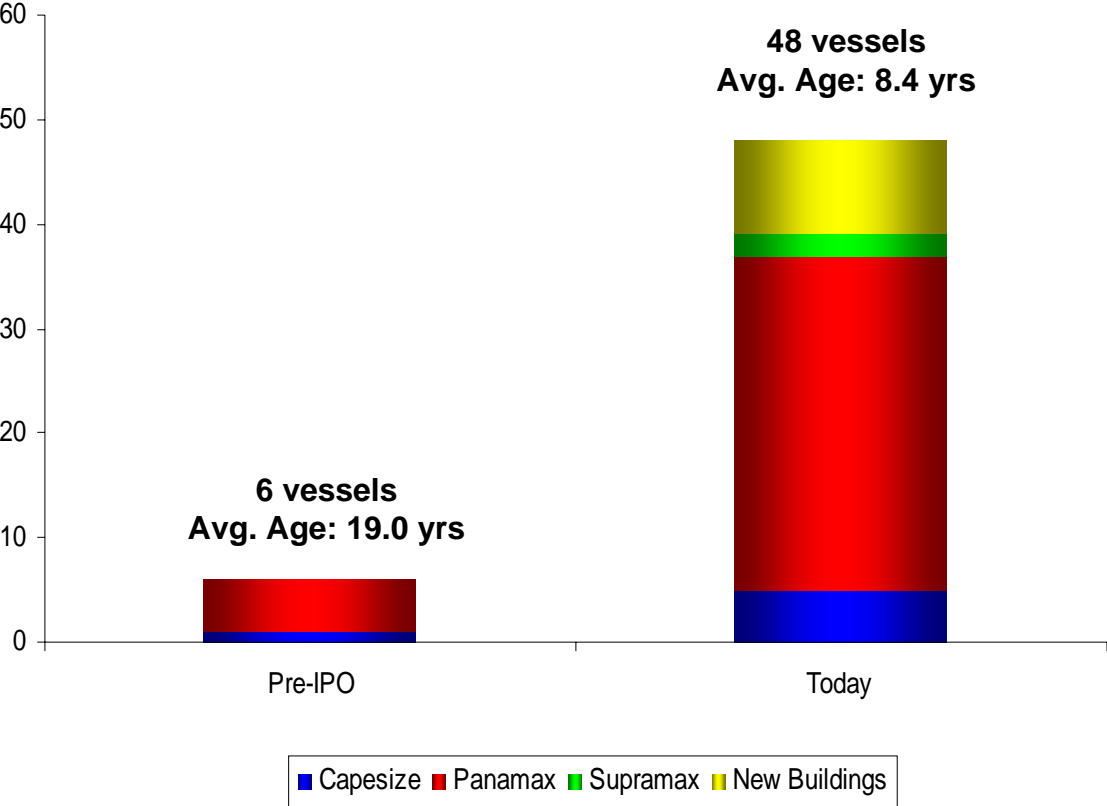


Source: The Baltic Exchange



# Strong Track Record

Largest US listed Dry Bulk Shipping Company



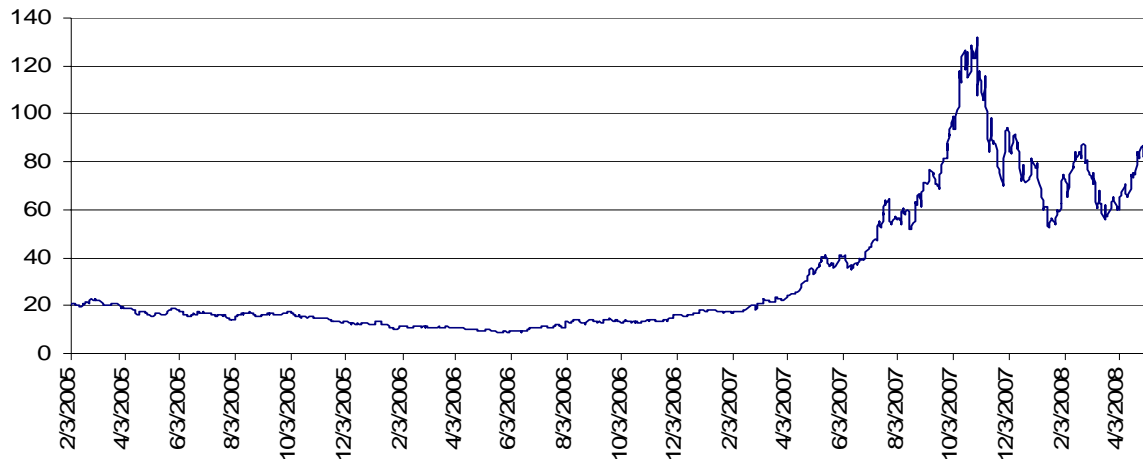
Since inception:  
**113% ROE**  
**55% ROCE**



# Share Price Performance

DRYS shares are **up 515%** since the IPO i.e. from \$18 to \$110.74 per share (close on May 16, 2008)

NASDAQ: DRYS - Stock Performance



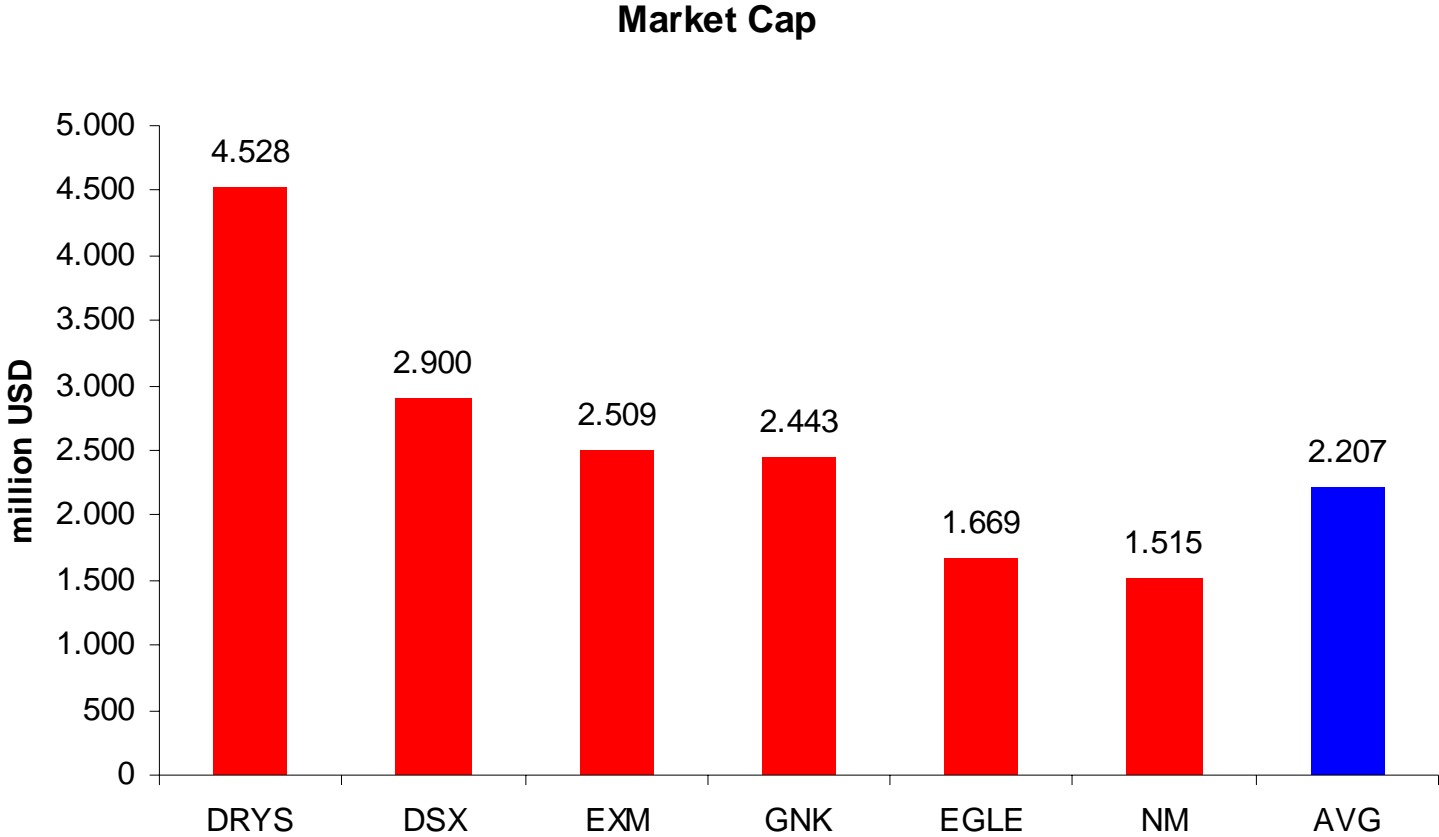
DRYS shares average daily volume during the last 3 months has been 4,093,150 shares which represents about 10% of the total shares outstanding!

Source: Yahoo



# Peer Group Comparison – North of 1 billion Club

DryShips equity is worth 105% more than the average of the other club members

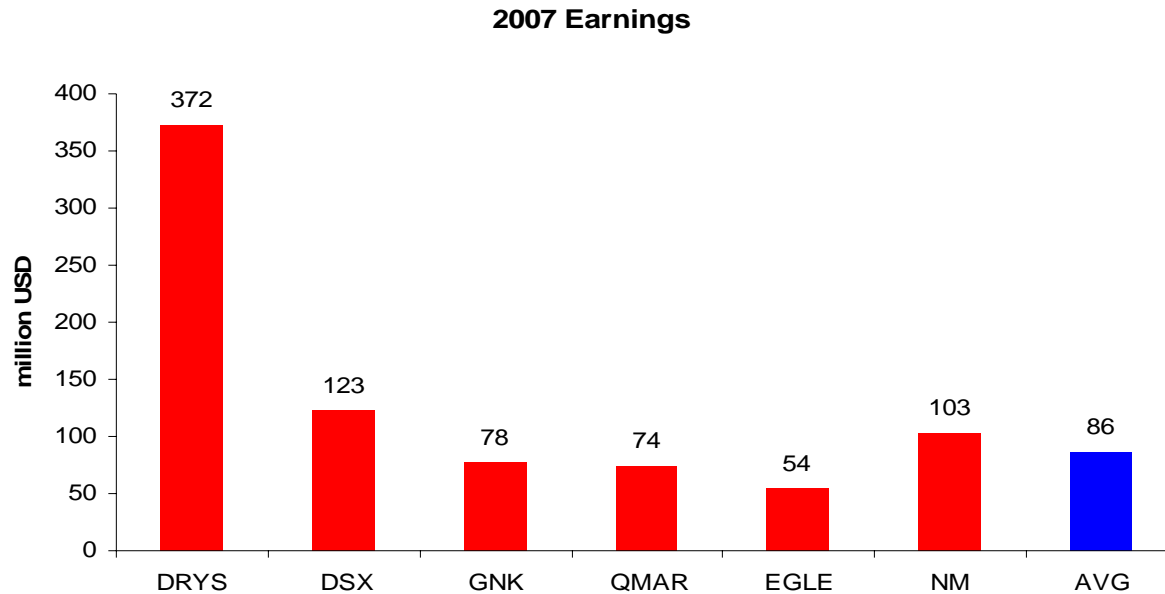


Source: Bloomberg May 08, AVG excludes DRYS



# Peer Group Comparison – 2007 Earnings Review

Yet DryShips reported 333% more earnings in 2007 than the average of the other club members



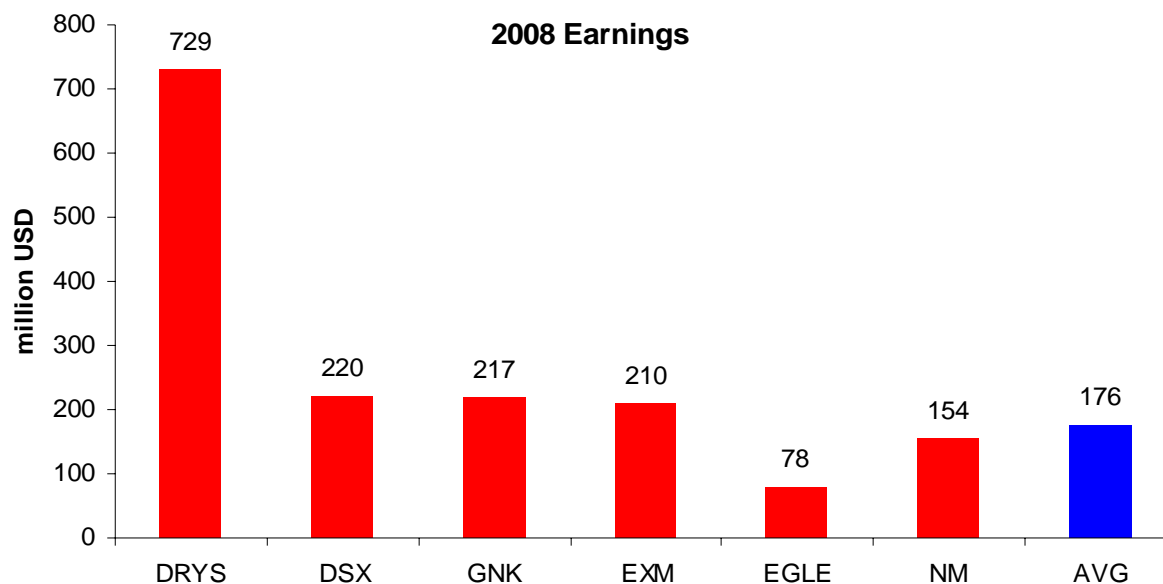
In fact we earned almost as much as all of our peers combined!

Source: Bloomberg May 08, AVG excludes DRYS



## Peer Group Comparison – 2008 Earnings Expectations

In 2008 DryShips is poised to generate ANOTHER 315% more earnings than the average of the other club members



Even in 2009 DryShips is estimated to earn \$554 million i.e. 186% more earnings than the average of the other club members

Source: Bloomberg May 08, AVG excludes DRYS



# Peer Group Comparison – DRYS Clearly Undervalued

|                                   |       |                 |
|-----------------------------------|-------|-----------------|
| 2007 DRYS Earnings                | = 86% | } Avg.<br>84.5% |
| 2007 Combined Peer Group Earnings |       |                 |
| 2008 DRYS Earnings                | = 83% | } X             |
| 2008 Combined Peer Group Earnings |       |                 |

Combined Market Cap of Peer Group = \$11 billion

Implied DRYS Equity Value

**\$9.3 billion or  
over \$200 per share**



Note: Peer group as defined in previous slides i.e. DSX, EXM, GNK, EGLE and NM





# APPENDICES



## Appendix I – 1st Quarter 2007 and 2008 Income Statements

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

|                                                                    | <b>Three Months Ended March 31,</b> |                         |
|--------------------------------------------------------------------|-------------------------------------|-------------------------|
|                                                                    | <u>2007</u>                         | <u>2008</u>             |
| <b>REVENUES:</b>                                                   |                                     |                         |
| Voyage revenues                                                    | \$ ..... 86,650                     | \$ ..... 232,063        |
| <b>EXPENSES:</b>                                                   |                                     |                         |
| Voyage expenses                                                    | 5,270                               | 14,150                  |
| Vessels' operating expenses                                        | 14,309                              | 17,773                  |
| Depreciation                                                       | 16,045                              | 24,418                  |
| Gain on sale of vessels                                            | (31,609)                            | (24,443)                |
| General and administrative expenses                                | 4,084                               | 5,705                   |
| <b>Operating income</b>                                            | <u>78,551</u>                       | <u>194,460</u>          |
| <b>OTHER INCOME (EXPENSES):</b>                                    |                                     |                         |
| Interest and finance costs, net                                    | (10,588)                            | (12,892)                |
| Loss on interest rate swap valuation                               | (160)                               | (6,074)                 |
| Other, net                                                         | (1)                                 | (19)                    |
| <b>Total other income (expenses), net</b>                          | <u>(10,749)</u>                     | <u>(18,985)</u>         |
| <b>Net Income before equity in income of investee</b>              | <u>67,802</u>                       | <u>175,475</u>          |
| Equity in income of investee                                       | -                                   | 857                     |
| <b>Net Income</b>                                                  | \$ ..... <u>67,802</u>              | \$ ..... <u>176,332</u> |
| <b>Earnings per common share, basic and diluted</b>                | \$ ..... <u>1.91</u>                | \$ ..... <u>4.61</u>    |
| <b>Weighted average number of common shares, basic and diluted</b> | <u>35,490,097</u>                   | <u>38,213,975</u>       |



## Appendix II – December 31, 2007 and March 31, 2008 Balance Sheets

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

|                                                          | <u>December 31, 2007</u> | <u>March 31, 2008</u> |
|----------------------------------------------------------|--------------------------|-----------------------|
| <b><u>ASSETS</u></b>                                     |                          |                       |
| <b>CURRENT ASSETS:</b>                                   |                          |                       |
| Cash and cash equivalents                                | \$ 111,068               | \$ 624,515            |
| Restricted cash                                          | 6,791                    | 6,453                 |
| Other current assets                                     | 35,176                   | 35,413                |
| <b>Total current assets</b>                              | <u>153,035</u>           | <u>666,381</u>        |
| <b>FIXED ASSETS, NET:</b>                                |                          |                       |
| Advances for vessels under construction and acquisitions | 118,652                  | 162,423               |
| Vessels, net                                             | 1,643,867                | 1,668,578             |
| <b>Total fixed assets, net</b>                           | <u>1,762,519</u>         | <u>1,831,001</u>      |
| <b>OTHER NON CURRENT ASSETS:</b>                         |                          |                       |
| Long term investments                                    | 405,725                  | 406,582               |
| Restricted cash                                          | 20,000                   | 40,000                |
| Other                                                    | 3,153                    | 2,155                 |
| <b>Total non current assets</b>                          | <u>428,878</u>           | <u>448,737</u>        |
| <b>Total assets</b>                                      | <u>\$ 2,344,432</u>      | <u>\$ 2,946,119</u>   |
| <b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>       |                          |                       |
| <b>CURRENT LIABILITIES:</b>                              |                          |                       |
| Current portion of long-term debt                        | \$ 194,999               | \$ 191,830            |
| Other current liabilities                                | 44,305                   | 33,266                |
| <b>Total current liabilities</b>                         | <u>239,304</u>           | <u>225,096</u>        |
| <b>NON CURRENT LIABILITIES</b>                           |                          |                       |
| Long term debt, net of current portion                   | 1,048,779                | 1,144,283             |
| Other non-current liabilities                            | 34,620                   | 33,421                |
| <b>Total non current liabilities</b>                     | <u>1,083,399</u>         | <u>1,177,704</u>      |
| COMMITMENTS AND CONTIGENCIES                             | -                        | -                     |
| <b>STOCKHOLDERS' EQUITY</b>                              | 1,021,729                | 1,543,319             |
| <b>Total liabilities and stockholders' equity</b>        | <u>\$ 2,344,432</u>      | <u>\$ 2,946,119</u>   |



## Appendix III - 1Q08 & 1Q07 Fleet Highlights

| <i>(Dollars in thousands, except</i>                       |  |                    |                    |
|------------------------------------------------------------|--|--------------------|--------------------|
| <i>Average Daily Results - unaudited)</i>                  |  | Three Months Ended | Three Months Ended |
|                                                            |  | March 31, 2008     | March 31, 2007     |
| Average number of vessels <sup>(1)</sup>                   |  | 38.3               | 32.1               |
| Total voyage days for fleet <sup>(2)</sup>                 |  | 3,452              | 2,813              |
| Total calendar days for fleet <sup>(3)</sup>               |  | 3,485              | 2,887              |
| Fleet Utilization <sup>(4)</sup>                           |  | 99.1%              | 97.4%              |
| Time charter equivalent <sup>(5)</sup>                     |  | 63,127             | 28,930             |
| Capesize                                                   |  | 112,151            | 39,605             |
| Panamax                                                    |  | 57,383             | 27,825             |
| Handymax                                                   |  | 40,462             | 21,605             |
| Vessel operating expenses (daily) <sup>(6)</sup>           |  | 5,100              | 4,956              |
| Management fees (daily)                                    |  | 800                | 760                |
| General and administrative expenses (daily) <sup>(7)</sup> |  | 837                | 654                |
| Total vessel operating expenses (daily) <sup>(8)</sup>     |  | 6,737              | 6,370              |

(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 owned by us for the relevant period net of off hire days associated with major repairs, drydockings or special or intermediate surveys.

(3) Calendar days are the total days the vessels were owned by us for the relevant period including off hire days associated with major repairs, drydockings or special or intermediate surveys.

(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.

(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 for the relevant time period.

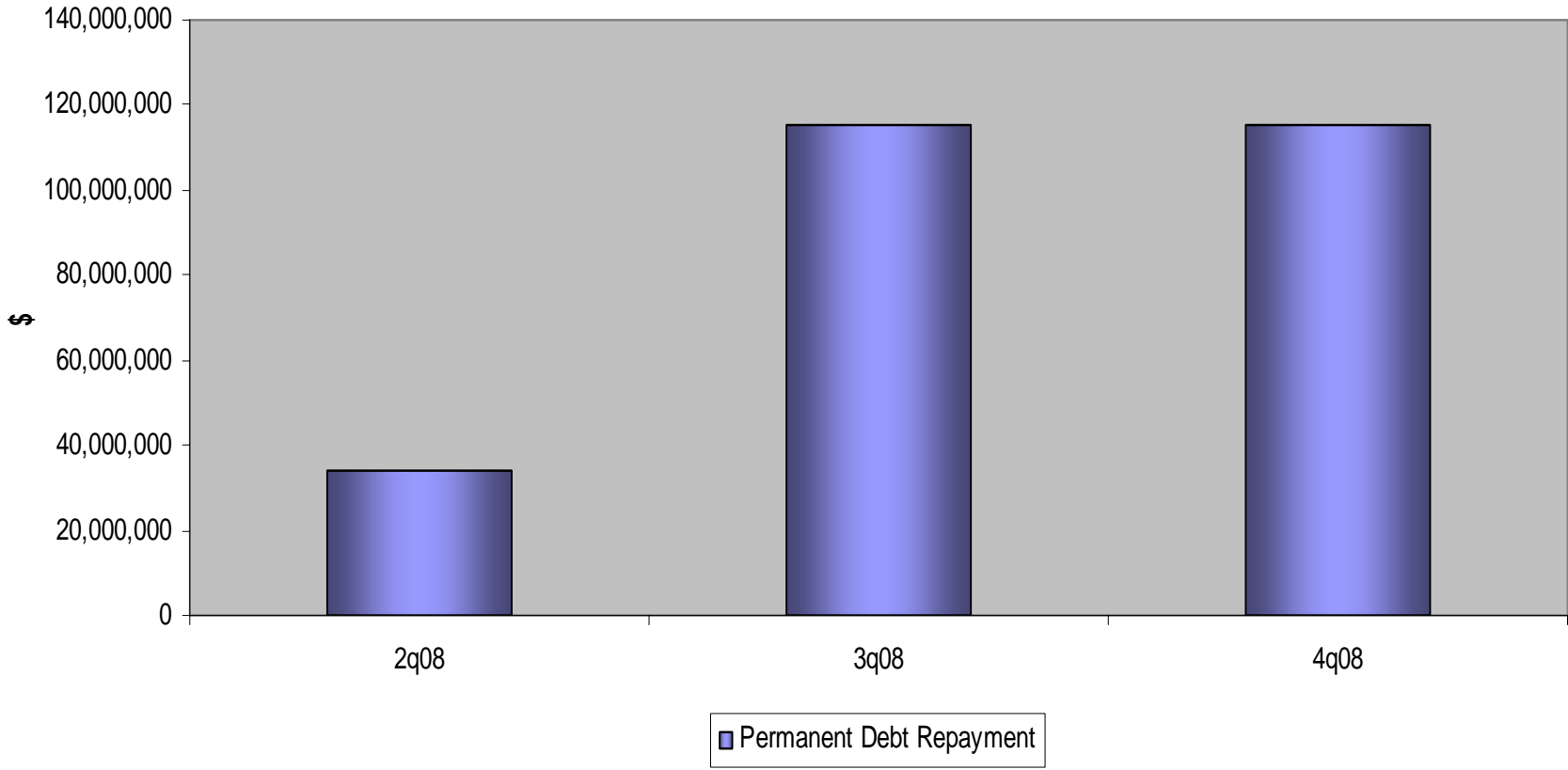
(7) Daily general and administrative expense is calculated by dividing general and administrative expense by fleet calendar days for the relevant time period

(8) Total vessel operating expenses, or TVOE, is a measurement of our total expenses associated with operating our vessels. TVOE is the sum of vessel operating expenses, management fees and general and administrative expenses. Daily TVOE is calculated by dividing TVOE by fleet calendar days for the relevant time period.



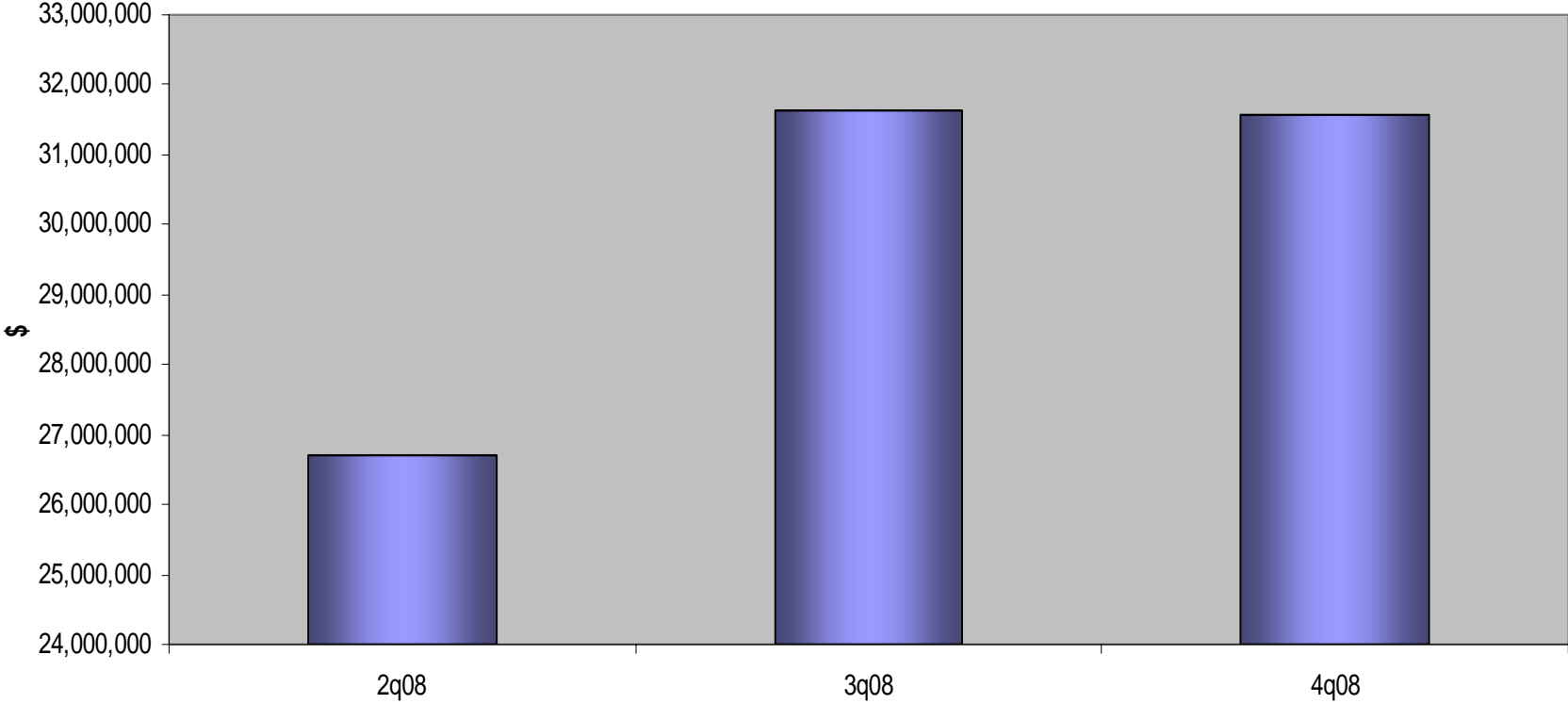
# Appendix IV – Debt Profile

Permanent Debt Repayment



# Appendix V – Depreciation

Depreciation



# Appendix VI - Fleet Profile as of May 16, 2008

|                      | <b>Year<br/>Built</b> | <b>DWT</b>       | <b>Type</b> |
|----------------------|-----------------------|------------------|-------------|
| <b>Capesize:</b>     |                       |                  |             |
| Manasota             | 2004                  | 171,061          | Capesize    |
| Alameda              | 2001                  | 170,269          | Capesize    |
| Capri                | 2001                  | 172,579          | Capesize    |
| Samsara              | 1996                  | 150,393          | Capesize    |
| Brisbane             | 1995                  | 151,066          | Capesize    |
|                      | <b>8.4</b>            | <b>815,368</b>   | <b>5</b>    |
| <b>Panamax:</b>      |                       |                  |             |
| Catalina             | 2005                  | 74,432           | Panamax     |
| Majorca              | 2005                  | 74,364           | Panamax     |
| Padre                | 2004                  | 73,601           | Panamax     |
| Saldahna             | 2004                  | 75,500           | Panamax     |
| Avoca                | 2004                  | 76,500           | Panamax     |
| Ligari               | 2004                  | 75,583           | Panamax     |
| Oregon               | 2002                  | 74,204           | Panamax     |
| Mendocino            | 2002                  | 76,623           | Panamax     |
| Bargara              | 2002                  | 74,832           | Panamax     |
| Heinrich Oldendorff  | 2001                  | 73,931           | Panamax     |
| Maganari             | 2001                  | 75,941           | Panamax     |
| Sonoma               | 2001                  | 74,786           | Panamax     |
| Capitola             | 2001                  | 74,832           | Panamax     |
| Samatan              | 2001                  | 74,823           | Panamax     |
| Ecola                | 2001                  | 73,931           | Panamax     |
| Coronado             | 2000                  | 75,706           | Panamax     |
| Marbella             | 2000                  | 72,561           | Panamax     |
| Redondo              | 2000                  | 74,716           | Panamax     |
| Conquistador         | 2001                  | 75,607           | Panamax     |
| Ocean Crystal        | 1999                  | 73,688           | Panamax     |
| Xanadu               | 1999                  | 72,270           | Panamax     |
| Primera              | 1998                  | 72,495           | Panamax     |
| La Jolla             | 1997                  | 72,126           | Panamax     |
| Menorca              | 1997                  | 71,662           | Panamax     |
| Iguana               | 1996                  | 70,349           | Panamax     |
| Lanzarote            | 1996                  | 73,008           | Panamax     |
| Waikiki              | 1995                  | 75,473           | Panamax     |
| Toro                 | 1995                  | 73,034           | Panamax     |
| Solana               | 1995                  | 75,100           | Panamax     |
| Paragon              | 1995                  | 71,259           | Panamax     |
| Lacerta              | 1994                  | 71,862           | Panamax     |
| Tonga                | 1984                  | 66,798           | Panamax     |
|                      | <b>8.6</b>            | <b>2,361,597</b> | <b>32</b>   |
| <b>Supramax</b>      |                       |                  |             |
| Clipper Gemini       | 2003                  | 51,201           | Supramax    |
| VOC Galaxy           | 2002                  | 51,201           | Supramax    |
|                      | <b>5.5</b>            | <b>102,402</b>   | <b>2</b>    |
| <b>Newbuildings:</b> |                       |                  |             |
| TBN                  | 2008                  | 170,000          | Capesize    |
| TBN                  | 2008                  | 177,000          | Capesize    |
| TBN                  | 2009                  | 180,000          | Capesize    |
| TBN                  | 2009                  | 180,000          | Capesize    |
| TBN                  | 2010                  | 180,000          | Capesize    |
| TBN                  | 2010                  | 82,000           | Kamsrmax    |
| TBN                  | 2010                  | 82,000           | Kamsrmax    |
| TBN                  | 2009                  | 75,000           | Panamax     |
| TBN                  | 2010                  | 75,000           | Panamax     |
|                      |                       | <b>1,201,000</b> | <b>9</b>    |
| <b>Total Fleet</b>   | <b>8.4</b>            | <b>4,480,367</b> | <b>48</b>   |



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

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