

DryShips Inc.

2nd Quarter and First Half 2006 Earnings Presentation



NASDAQ: "DRYS"

31 August, 2006

Disclaimer

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of applicable federal securities laws. Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, words such as "may," "will," "should," "estimates," "predicts," "potential," "continue," "strategy," "believes," "anticipates," "plans," "expects," "intends" and similar expressions are intended to identify forward-looking statements. Actual results and the timing of certain events may differ significantly from the results discussed or implied in the forward-looking statements. Among the factors that might cause or contribute to such a discrepancy include, but are not limited to, the risk factors described in the Company's Registration Statement filed with the Securities and Exchange Commission, particularly those describing variations on charter rates and their effect on the Company's revenues, net income and profitability as well as the value of the Company's fleet.



Financial Highlights

2nd Quarter 2006

- Net Revenue of \$54.5 million
- Net Income of \$15.9 million before non recurring items relating to the loan refinancing
- EPS \$0.53 of per share before non recurring items
- EBITDA \$37.8 million
- Fleet utilization 97.1%
- Fleet average daily timecharter rate \$20,603

1st Half 2006

- Net Revenue of \$102.3 million
- Net Income of \$34.0 million before non recurring items relating to the loan refinancing
- EPS \$1.12 of per share
- EBITDA \$75.9 million
- Fleet utilization 97.5%
- Fleet average daily timecharter rate \$20,995



Continuing Growth Strategy - I

- Agreed to acquire 5 modern panamax vessels in the 3rd quarter 2006

Vessel	Built	Dwt	Charterer	Earliest Redelivery	Latest Redelivery	Daily Timecharter Rate
Estepona	1994	70,003	BHP Billiton	May-07	Sep-07	\$18,500
Delray	1994	70,029	Sinochart	Oct-06	Dec-06	\$16,100
Formentera	1996	70,002	BHP Billiton	May-07	Jul-07	\$18,000
Lanzarote	1996	73,008	Cargill	Sep-06	Oct-06	\$17,500
Ligari	2004	75,583	Sinotrans	Nov-06	Feb-07	\$17,500



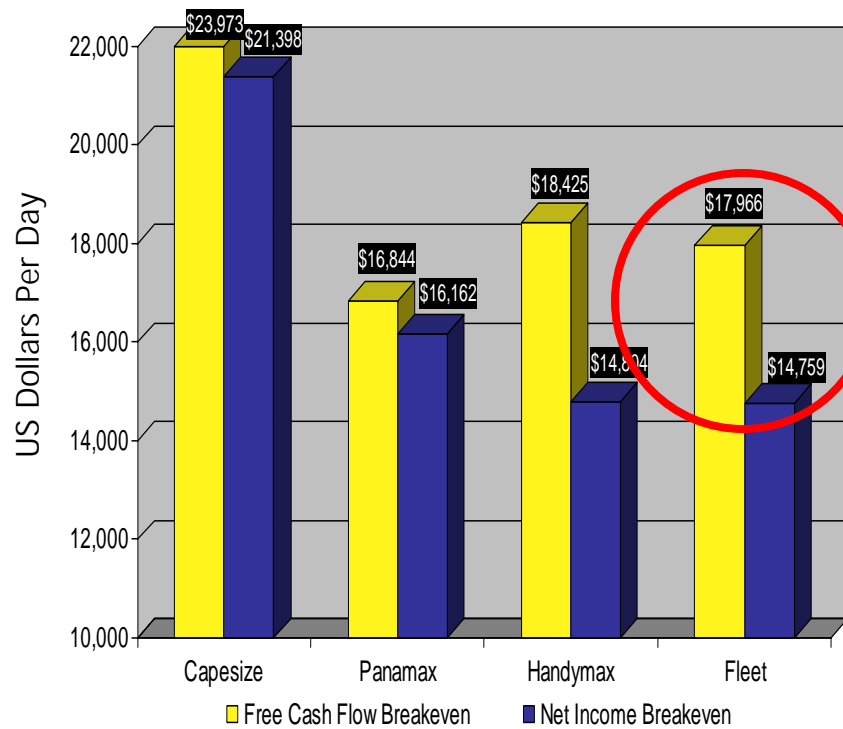
Continuing Growth Strategy - II

- Acquired vessels have an aggregate deadweight of 358,625
- Modern vessels with an average age of 9 years
- All 5 vessels are purchased with fixed period timecharters to first class charterers
- Vessels to be delivered between September and October 2006
- Aggregate acquisition price of \$154 million.

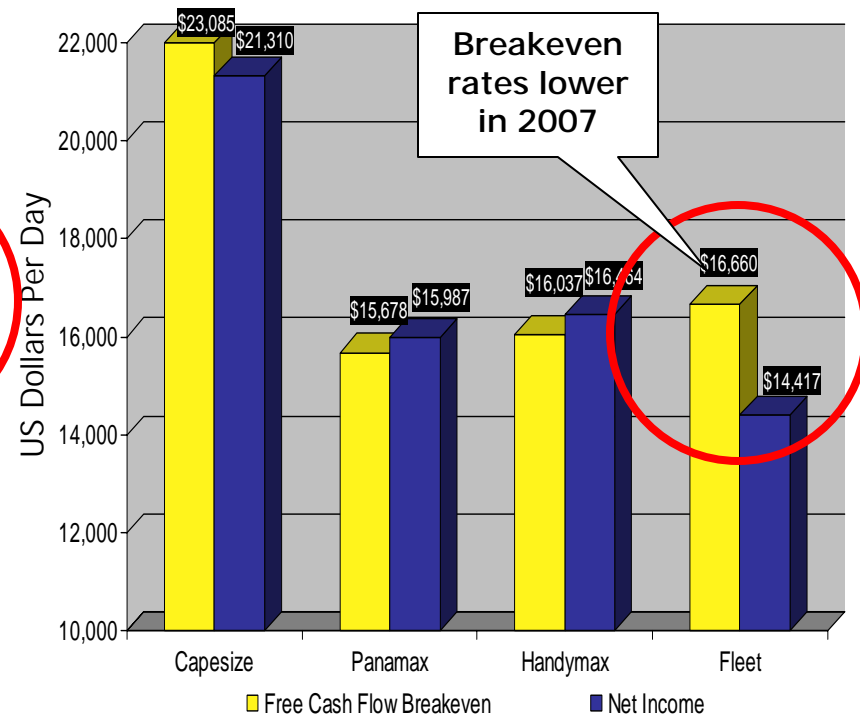


Low Breakeven

Fleet Wide Breakeven Daily Rates
(Jul.-Dec. 2006)



Fleet Wide Breakeven Daily Rates
(2007)

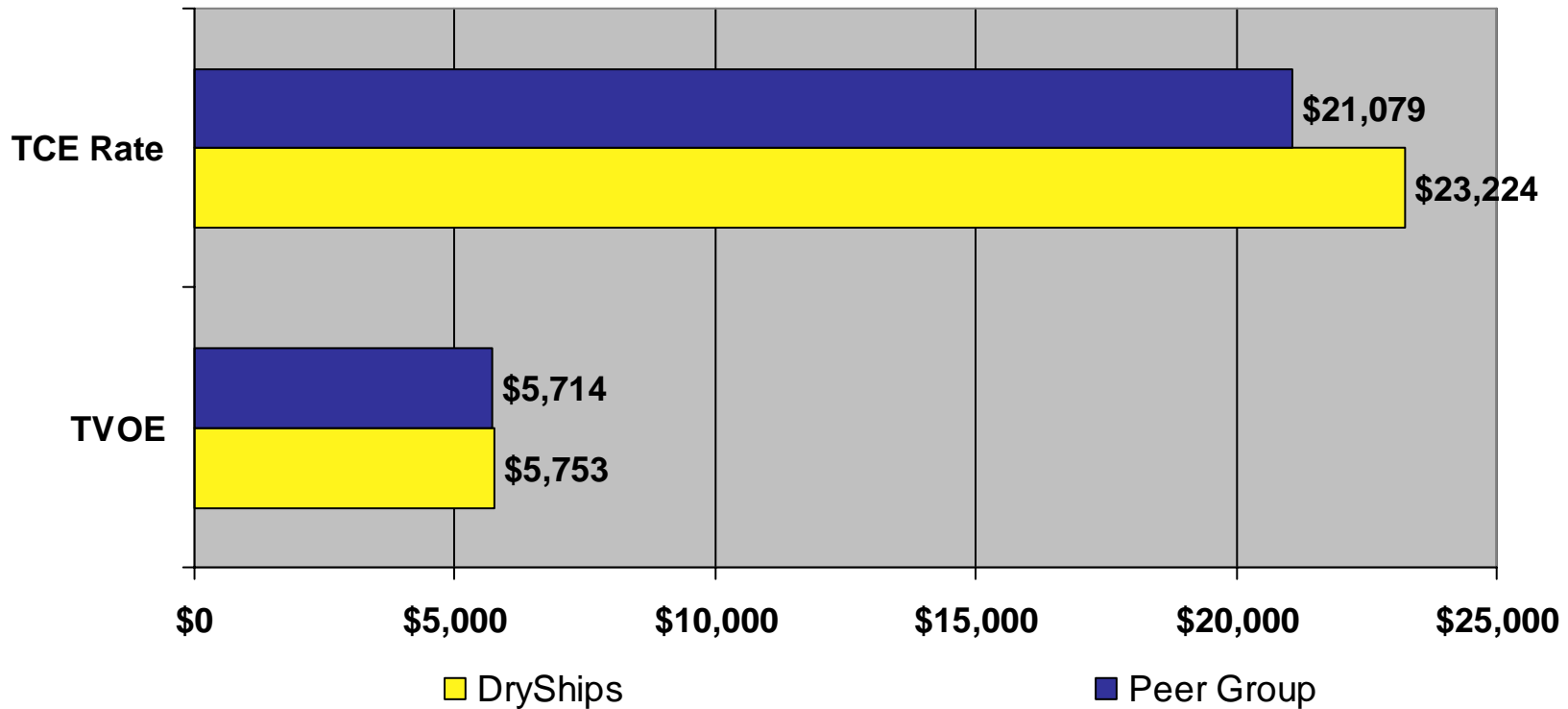


➤ Includes the 5 new panamax vessels



Strong Operating Performance

- Highest fleet average TCE rate for past 12 months (June 05 to June 06) compared to peers
- Total Vessel Operating Cost for past 12 months (June 05 to June 06) similar to peers

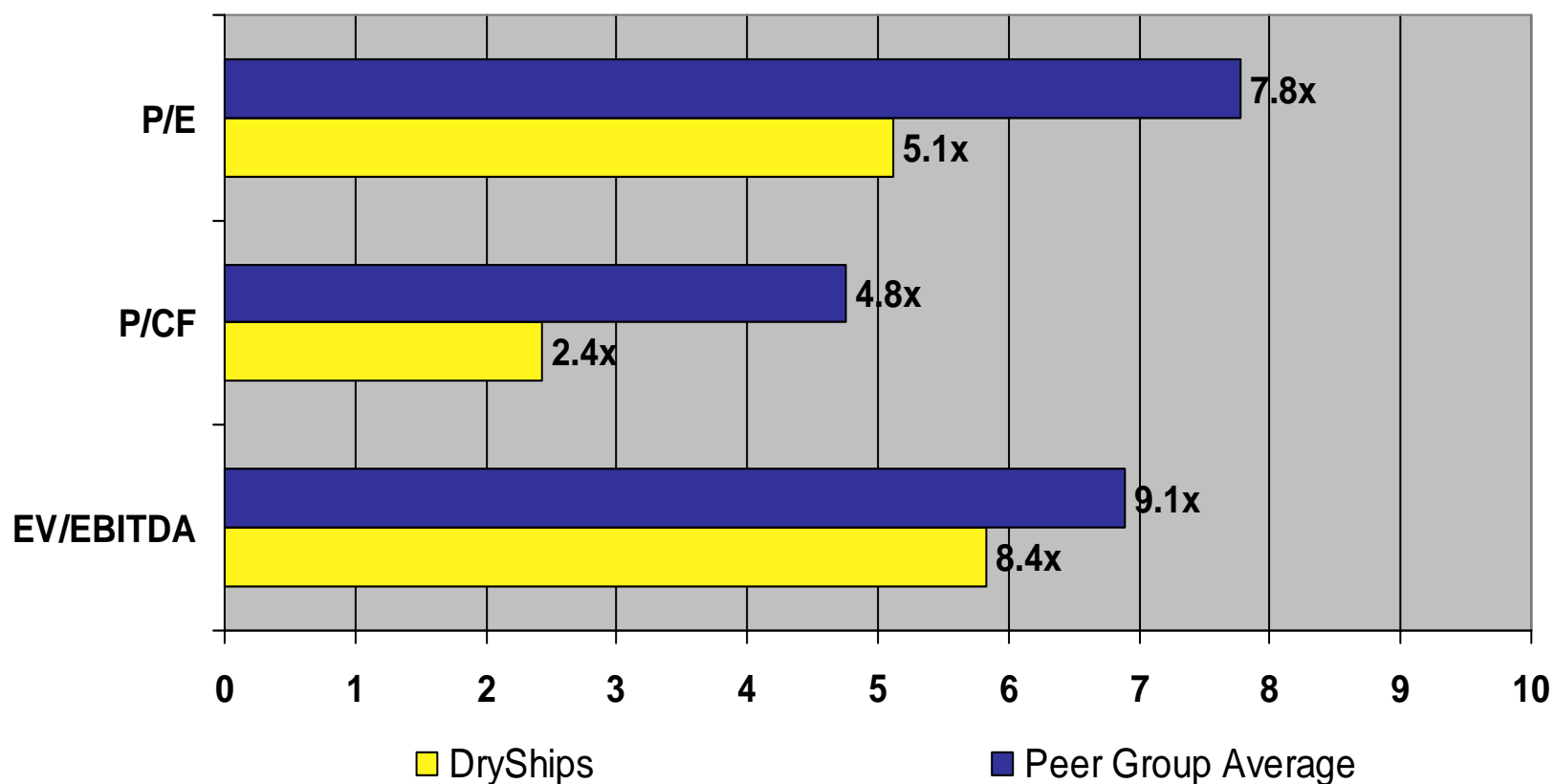


Source: Various companies publications



Compelling Valuation

- During the past 12 months DryShips had the lowest combination of valuation multiples in its Peer Group



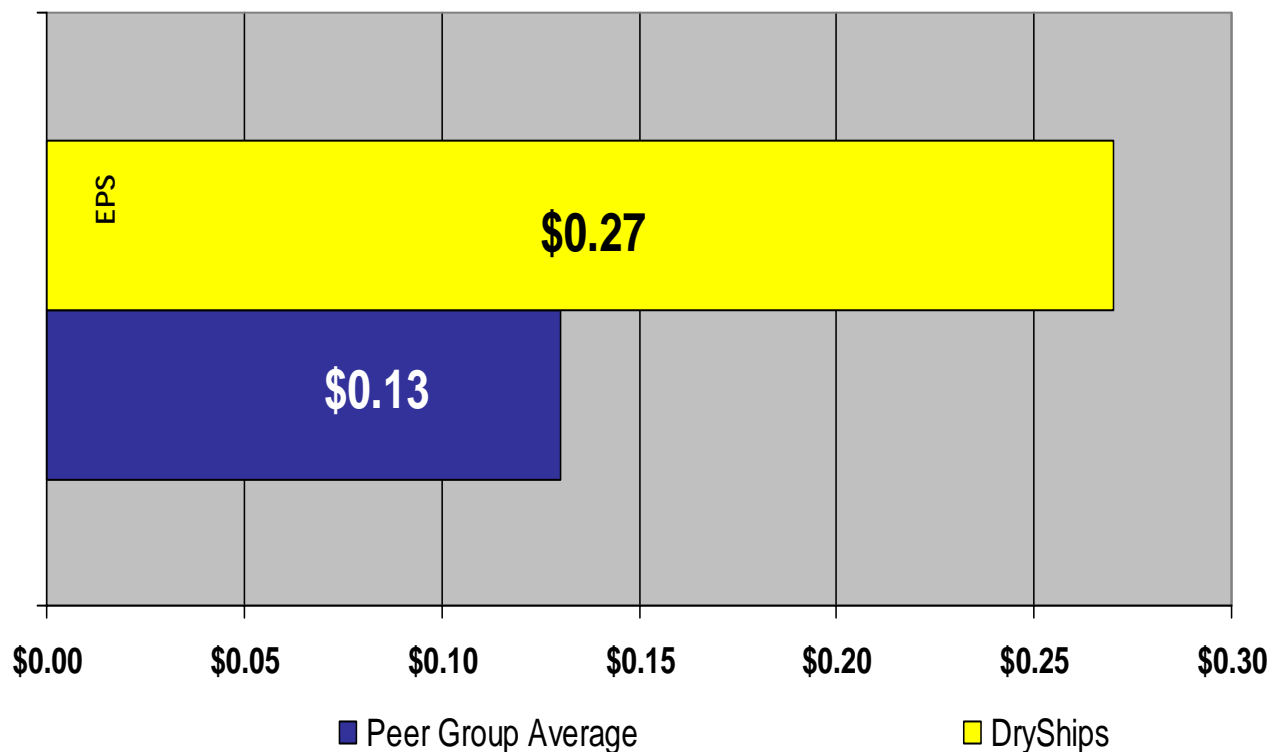
Note: Peer group includes Diana, Excel, Genco and Quintana



Significant Upside Potential in 2007

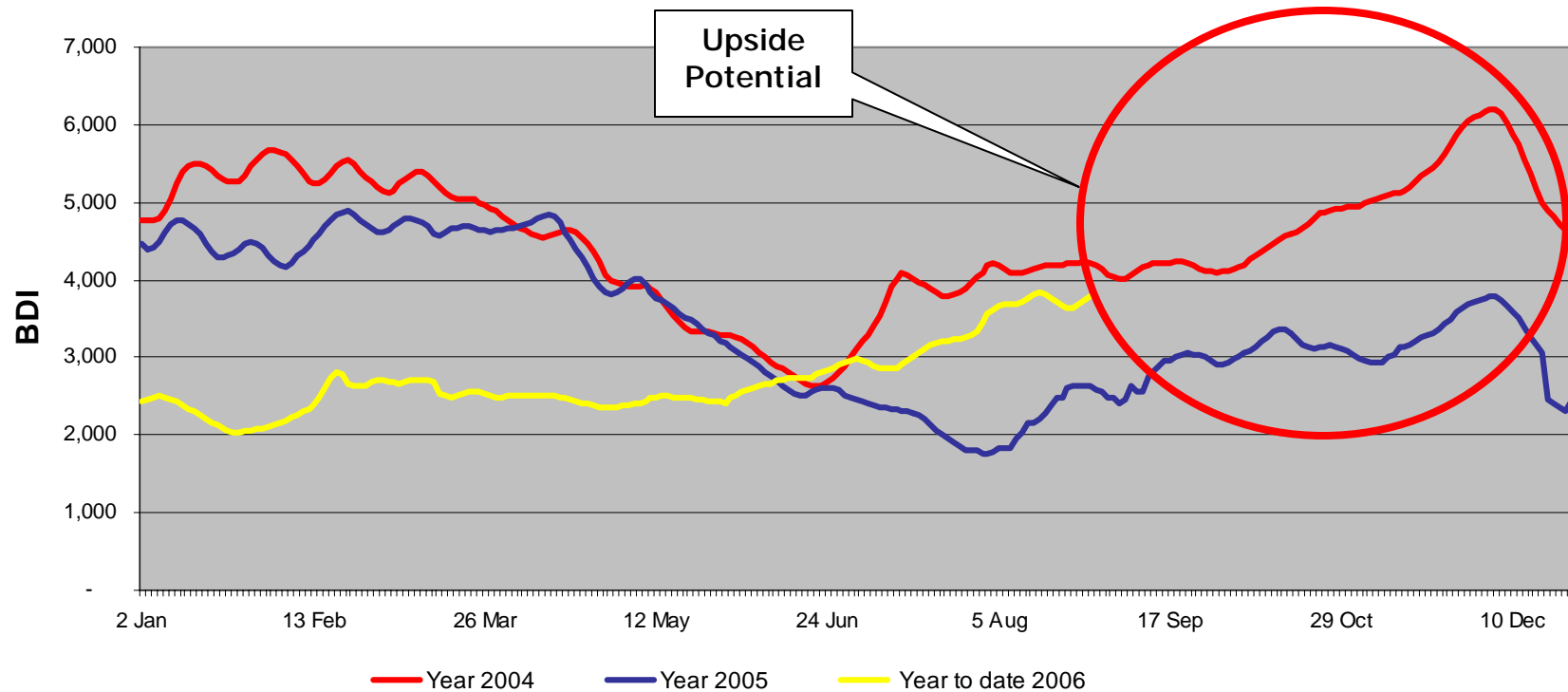
- Highest earnings leverage within its Peer Group

Incremental gross earnings per share for every
\$1,000 per day increase in TCE rates



Baltic Dry Index (to be updated)

Baltic Dry Index – 2004, 2005 and 2006 year to date

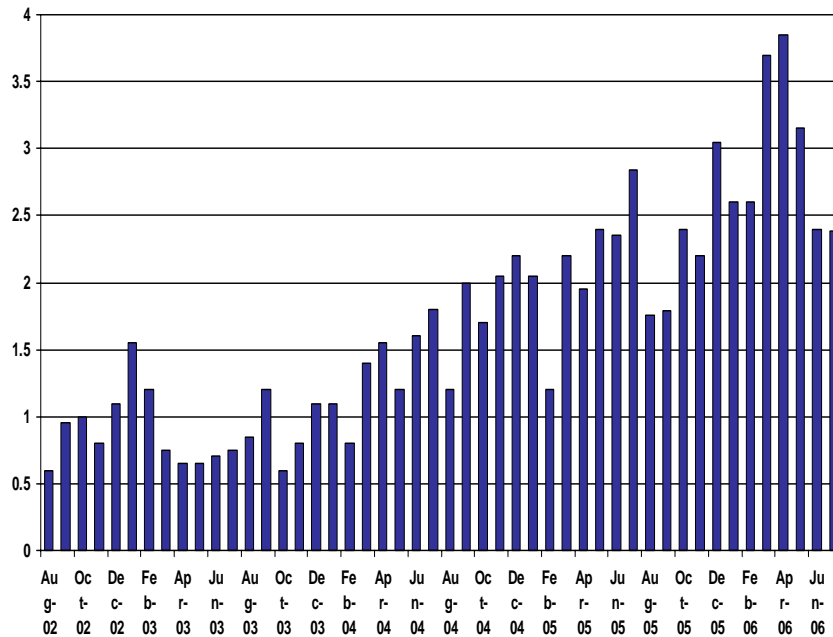


Source: The Baltic Exchange



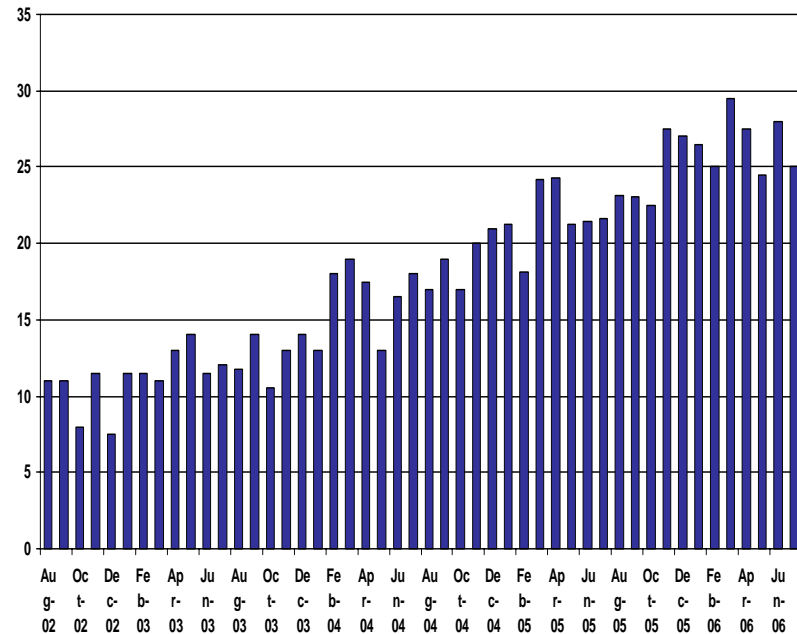
Sustained Chinese Demand

Chinese Coal Imports



➤ Coal imports of 9.4m tons for 2Q06 up 40.3% from 6.7m tons for 2Q05!

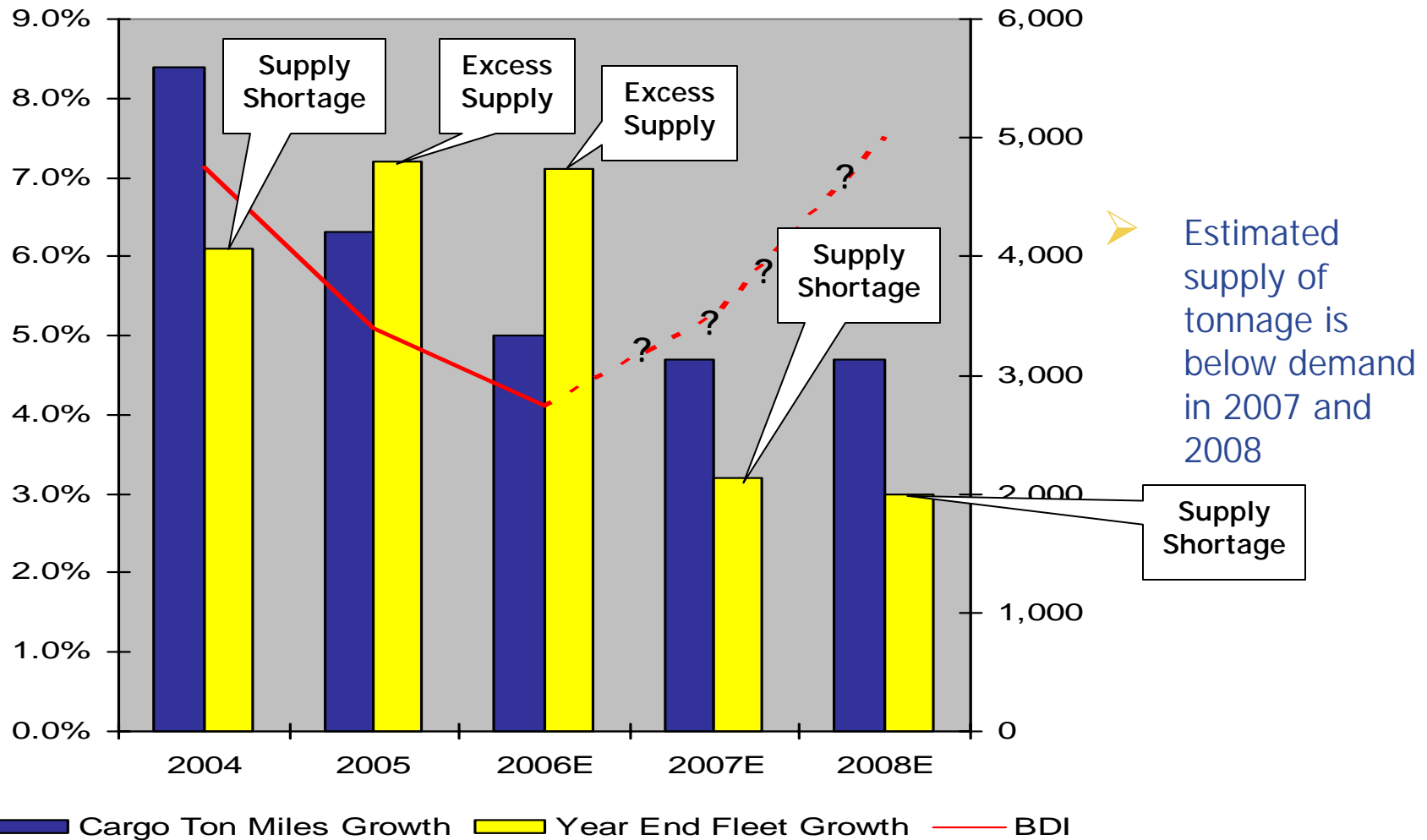
Chinese Iron Ore Imports



➤ Iron ore imports of 80.0m tons for 2Q06 up 19.6% from 66.9m tons for 2Q05!



Positive Fundamental Outlook



Note: Actual BDI figures for 2004, 2005 and YTD 2006 figures only.



Compelling Investment Case

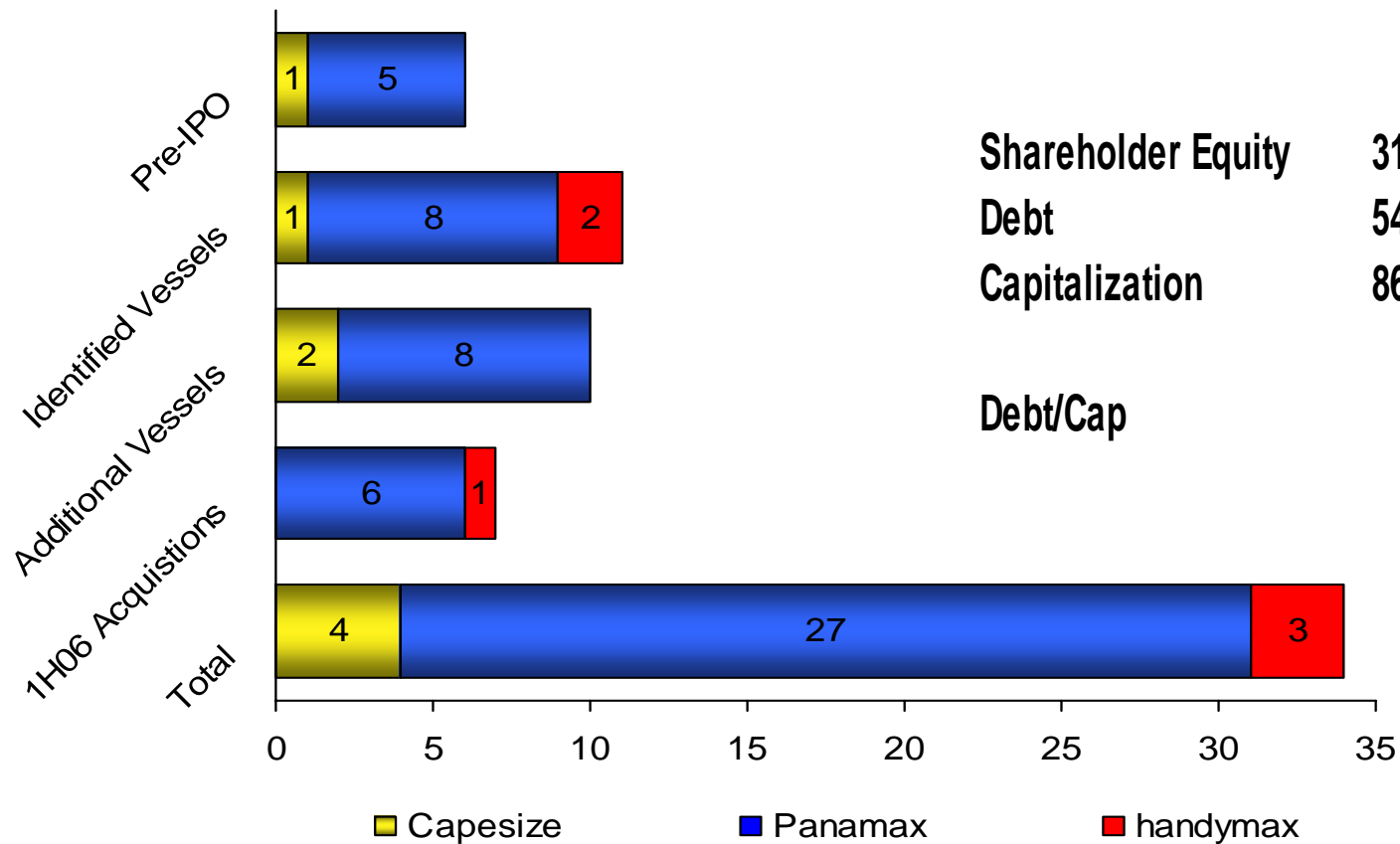
- Large, modern and diversified fleet
- Low breakeven Levels
- Increased financial flexibility
- Strong operating performance
- Significant earnings leverage
- Regular dividend
- Low valuation versus peers
- Positive fundamental outlook



Commitment to Growth

➤ From 6 to 34 vessels in 18 months!

➤ While maintaining a consistent Debt to Cap ratio



	<u>2Q05</u>	<u>2Q06</u>
Shareholder Equity	313,915	353,648
Debt	547,633	577,195
Capitalization	861,548	930,843
Debt/Cap	64%	62%



APPENDICES



Appendix I – 2nd Quarter & 1st Half 2005 and 2006 Income Statements

<i>(Dollars in thousands, except per share data and Average Daily Results - unaudited)</i>	3 Months Ended June 30, 2006	3 Months Ended June 30, 2005	6 Months Ended June 30, 2006	6 Months Ended June 30, 2005
INCOME STATEMENT DATA				
Voyage revenues	\$54,548	\$78,001	\$109,357	\$108,166
Voyage expenses	3,019	3,659	7,057	5,628
Vessels operating expenses	11,102	9,702	21,596	13,635
Depreciation and amortization	14,509	11,891	28,274	14,980
Management fees	1,510	1,460	2,954	2,009
Foreign currency losses	0	0	0	0
General and administrative	1,035	1,464	2,004	2,240
Operating Income	23,373	49,825	47,472	69,674
Interest and finance costs, net	(11,195)	(6,945)	(17,304)	(7,347)
Other, net	(121)	(353)	1	(206)
NET INCOME	\$12,057	\$42,527	\$30,169	\$62,121
Basic and fully diluted earnings per share	\$0.40	\$1.40	\$0.99	\$2.26
Weighted average basic and diluted shares outstanding	30,412,245	30,350,000	30,381,294	27,541,713



Appendix II – December 31, 2005 and June 30, 2006 Balance Sheets

(Dollars in thousands)

	As at June 30, 2006 <i>Unaudited</i>	As at Dec. 31, 2005 <i>Audited</i>	
BALANCE SHEET DATA			
Cash and cash equivalents	16,663	5,184	
Other current assets	38,331	13,593	
Vessels, net	905,792	864,733	
Restricted cash	20,000	21,011	➤ Debt to Capitalization = 62%
Other non current assets	7,535	6,038	
TOTAL ASSETS	988,321	910,559	
Current portion of long-term debt	68,862	107,738	➤ Net Debt to Capitalization = 57%
Other current liabilities	56,863	28,007	
Long-term debt, net of current portion	508,333	417,615	
Total Liabilities	634,058	553,360	
Other non-current liabilities	615	698	
Total Stockholders' equity	353,648	356,501	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	988,321	910,559	



Appendix III - 1Q06 & 1Q05 Fleet Highlights

(Dollars in thousands, except per share data and Average Daily Results - unaudited)

	3 Months Ended June 30, 2006	3 Months Ended June 30, 2005
Average number of vessels ⁽¹⁾	28.3	23.9
Total voyage days for fleet ⁽²⁾	2,501	2,143
Total calendar days for fleet ⁽³⁾	2,575	2,177
Fleet Utilization ⁽⁴⁾	97.1%	98.4%
Time charter equivalent ⁽⁵⁾	20,603	34,691
Capesize	29,823	53,953
Panamax	19,897	30,449
Handymax	16,805	25,571
Vessel operating expenses ⁽⁶⁾	4,311	4,457
Management fees	586	671
General and administrative expenses ⁽⁷⁾	402	672
Total vessel operating expenses ⁽⁸⁾	5,299	5,800

(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 associated with major repairs, drydockings or special or intermediate surveys.

(3) Calendar days are the total days the vessels were in our possession 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, pre-delivery and drydocking costs 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 – 1H06 & 1H05 Fleet Highlights

(Dollars in thousands, except per share data and Average Daily Results - unaudited)

	6 Months Ended June 30, 2006	6 Months Ended June 30, 2005
Average number of vessels ⁽¹⁾	27.7	16.3
Total voyage days for fleet ⁽²⁾	4,882	2,920
Total calendar days for fleet ⁽³⁾	5,005	2,954
Fleet Utilization ⁽⁴⁾	97.5%	98.8%
Time charter equivalent ⁽⁵⁾	20,955	35,116
Capesize	31,829	59,052
Panamax	19,799	30,619
Handymax	16,083	22,570
Vessel operating expenses ⁽⁶⁾	4,314	4,616
Management fees	590	680
General and administrative expenses ⁽⁷⁾	400	758
Total vessel operating expenses ⁽⁸⁾	5,304	6,054

(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 associated with major repairs, drydockings or special or intermediate surveys.

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

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(6) Daily vessel operating expenses, which includes crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs, pre-delivery and drydocking costs is calculated by dividing vessel operating expenses by fleet calendar days for the relevant time period.

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(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 V - Fleet Charter Details

	Year Built	Deadweight	Type	Current Employment	Redelivery Earliest Latest	
Capesize						
Manasota	2004	171,061	Capesize	\$46,000	Sep-06	Nov-06
Alameda	2001	170,662	Capesize	\$28,000	Feb-07	Apr-07
Shibumi	1984	166,058	Capesize	\$22,000	Sep-06	Nov-06
Netadola	1993	149,475	Capesize	\$30,750	Jan-07	Mar-07
Panamax						
Conrad Oldendorff	2002	76,623	Panamax	\$42,000	Nov-06	Feb-07
Coronado	2000	75,706	Panamax	\$18,500	Apr-07	Jun-07
Waikiki	1995	75,473	Panamax	\$17,500	Feb-07	Apr-07
Mostoles	1981	75,395	Panamax	Baumarine \$15,586		
Solana	1995	75,100	Panamax	Spot - \$20,000		
Sonoma	2001	74,786	Panamax	Baumarine \$21,416		
Catalina	2005	74,432	Panamax	\$18,150	Sep-06	Oct-06
Ocean Crystal	1999	73,688	Panamax	\$24,500	Nov-06	Feb-07
Padre	2004	73,601	Panamax	\$23,000	Oct-06	Nov-06
Toro **	1995	73,034	Panamax	Baumarine \$21,192		
Xanadu	1999	72,270	Panamax	\$18,500	Apr-07	Jun-07
La Jolla	1997	72,126	Panamax	\$18,500	Sep-06	Oct-06
Lacerta **	1994	71,862	Panamax	Baumarine \$21,067		
Panormos **	1995	71,747	Panamax	Baumarine \$21,862		
Paragon	1995	71,259	Panamax	Spot - \$22,500		
Iguana	1996	70,349	Panamax	\$28,000	Sep-07	Nov-07
Daytona **	1989	69,703	Panamax	Baumarine \$18,424		
Lanikai **	1988	68,676	Panamax	Baumarine \$18,690		
Tonga **	1984	66,798	Panamax	Baumarine \$14,832		
Flecha	1982	65,081	Panamax	Baumarine \$15,580		
Strigla **	1982	64,747	Panamax	Baumarine \$16,208		
Maganari ***	2001	75,941	Panamax	\$29,000	Feb-07	May-07
				\$18,400	Feb-08	Jul-08
Handymax						
Alona	2002	48,640	Handymax	\$19,900	Sep-06	Nov-06
Matira	1994	45,863	Handymax	\$15,800	Sep-06	Nov-06
Hille Oldendorff ****	2005	55,566	Handymax	\$20,020	Jan-07	May-07
DRYSHIPS FLEET		2,395,722				

* Where the Redelivery column is left blank it signifies that the vessel is trading in the spot market. For those vessels employed in the spot market and where rates are quoted, the Company has calculated the estimated rates under current specific contracted voyages. The Company gives no guarantee that these rates are correct, or that the rates are sustainable beyond the duration of the current voyage. The quoted rates are not indications of future earnings and the Company gives no assurance or guarantee of future rates after the current voyage.

** Indicates vessels that are trading in the Baumarine Pool. Rates quoted refer to the vessels earnings as last reported, usually the previous month's earnings.

***Maganari has been fixed on a direct continuation at \$18,400 per day for 12 months. Earliest and latest redelivery dates are March 2007 and May 2007 respectively.

**** Hille Oldendorff is employed under a bareboat charter.



Appendix VI - Fleet Wide Breakeven Levels (2nd Half 2006 and 2007)

Fleet Wide Breakeven Daily Rates (Jul.-Dec. 2006)

(US\$ Dollars per vessel per day)

Expenses	Free Cashflow	Net Income
Operating	\$4,671	\$4,671
General & Administrative	320	320
Maintenance	288	
Interest	3,718	3,718
Debt Repayment	6,731	
Depreciation		5,546
Amortization		504
Dividend	2,238	
Total	\$17,966	\$14,759

Fleet Wide Breakeven Daily Rates (2007)

(US\$ Dollars per vessel per day)

Expenses	Free Cashflow	Net Income
Operating	\$4,750	\$4,750
General & Administrative	322	322
Maintenance	383	
Interest	3,566	3,566
Debt Repayment	5,401	
Depreciation		5,604
Amortization		254
Dividend	2,238	
Total	\$16,660	\$14,496

Note: Cardiff management fees included in operating expenses

Forecast only, actual numbers may change



Appendix VII - EBITDA Calculator

	<u>FY06E</u>	<u>FY07E</u>
<u>Capesize</u>		
Spot Voyage Days	663	1,366
Daily Spot Charter Rate (net of commissions)	?	?
Fixed T/C Revenue (net of commissions)	\$24 m	\$1.2 m
<u>Panamax</u>		
Spot Voyage Days	3,944	8,244
Daily Spot Charter Rate (net of commissions)	?	?
Fixed T/C Revenue (net of commissions)	\$96 m	\$33.0 m
<u>Handymax</u>		
Spot Voyage Days	430	1,034
Daily Spot Charter Rate (net of commissions)	?	?
Fixed T/C Revenue (net of commissions)	\$10 m	\$0.6 m
Total Spot TCE Revenue	?	?
Total Fixed TCE Revenue	131 m	\$34.8 m
Combined TCE Revenue	?	?
Total Calendar Days	10,691	12,410
TVOE per day	\$5,304	\$5,304
EBITDA	<u>? m</u>	<u>? m</u>

Note: Estimates may differ materially from actual results.



Appendix VIII - Possible Demand and Supply Developments

	2003	2004	2005	2006E	2007E	2008E
Demand (million tons)						
Iron Ore	524	589	670 (650)	720 (690)	760 (730)	
Coal	619	664	705 (690)	735 (720)	765 (760)	
Grain	240	236	242 (242)	250 (255)	260 (265)	
Major Bulks	1383	1,489	1,617	1,705	1,785	
Minor Bulks	957	1,025	1,049	1,079	1,107	
Total ⁽¹⁾	2340	2,514	2,666 (2,636)	2,784 (2,738)	2,892 (2,841)	3,000 (2,957)
Annual Increase ⁽¹⁾		174	152 (117)	118 (107)	108 (103)	107 (116)
% Growth Rate ⁽¹⁾	5.5%	7.4%	6.0% (4.7%)	4.4% (4.1%)	3.9% (3.8%)	3.7% (4.1%)
Cargo Ton Miles (In billions)	11,144	12,079	12,838 (12,699)	13,485 (13,256)	14,119 (13,878)	14,782 (14,350)
% Growth Rate	6.7%	8.4%	6.3% (5.1%)	5.0% (4.4%)	4.7% (4.7%)	4.7% (4.7%)
Supply (million dwt)						
Year End Fleet			321.2	343.9 (343.9)	368.3 (367.6)	380.1 (378.1)
Deliveries			24.3	27.7 (25.6)	17.7 (16.4)	17.0 (14.5)
Deletions			-1.6	-3.3 (-1.9)	-5.9 (-5.9)	-5.6 (-5.7)
Year End Fleet		321.2	343.9	368.3 (367.6)	380.1 (378.1)	391.5 (386.9)
% Growth Rate		6.1%	7.2% (7.2%)	7.1% (6.9%)	3.2% (2.9%)	3.0% (2.3%)
25+ Year Fleet			30.0	41.0	55.0	65.2
% of Fleet			9.6%	12.0%	15.4%	17.8%

Supply of tonnage is below demand in 2007 and 2008

Notes: 1. Numbers in parenthesis relate to data in our last report



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