

DryShips Inc.

4th Quarter and Year Ended December 31, 2008

Earnings Presentation



NASDAQ: "DRYS"

March 25th, 2009

Forward Looking Statements

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.



Q4 2008 Results

Reported Loss: \$ 1,017 million

Unusual Events Affecting Q4 Results:

Less	Impairment of goodwill associated with the acquisition of Ocean Rig	\$ 700.5 m	(non-cash)
Less	Loss related to contract termination fees	\$ 160.0 m	(part cash / part stock)
Less	Loss related to the valuation of the Company's interest rate swaps	\$ 177.0 m	(unrealized)
Less	Loss on sale of one vessel	\$ 3.0 m	(non operating)
Plus	Gain on the contract cancellation of one vessel	\$ 9.1 m	(non-operating)
Less	Stock-based compensation	\$ 9.5 m	(non-cash)

Adjusted Income : \$ 23.5 million or \$ 0.43 per share



Recent Developments

- **Negotiated the cancellation of a total 17 contracts associated with vessel acquisitions previously announced worth about \$ 2.0 billion**
- **Raised approximately \$ 380.0 million in gross proceeds through the ATM with Merrill Lynch**
- **Reached a definitive agreement with Nordea Bank, DnB NOR Bank and HSH Nordbank regarding a covenant waiver in connection with the \$ 800 million Primelead facility. These three lenders acting as agents or direct lenders represent 75% of the total loans outstanding of the Company**
- **The Company's wholly-owned subsidiary Ocean Rig has received a Letter of Award from Petrobras for a a 3-year period employment contract for exploration drilling in the Black Sea. The contract value is approximately \$ 630 million**



Fixed Revenue: Dry Bulk

Summary of Long Term Time Charters			
	2009	2010	2011
Average Number of Vessels on Long Term Time Charters	22.7	22.5	21.0
Average Number of Vessels Owned For The Period	38.0	40.1	41.2
% of Fleet on Long Term Time Charter	60%	56%	51%
Spot Days	5,578	6,413	7,357
Days Fixed Under Time Charter	8,296	8,218	7,679
Gross Revenue From Long Term Time Charters	\$ 366.7 m	\$ 365.0 m	\$ 354.6 m
Average Gross Rate of Long Term Time Charters	\$44,205 p/d	\$44,409 p/d	\$46,182 p/d

Total Contracted Revenues From Long Term Time Charters (2009-11): \$ 1.1 billion

Dryships has currently fixed 70% of its operating days for 2009

Average 4.1 year time chartered vessels are earning on average \$45,000 per day over the period



Fixed Revenue: Ultra Deep Water

Semi-Submersible Rigs	Year Built	Current Employment	Backlog	Operation Area
Leiv Eiriksson	2001	T/C	\$ 104 m	North Sea
		T/C	\$ 630 m	Black Sea
Eirik Raude	2002	T/C	\$ 620 m	Off-shore Ghana
		T/C	\$ 445 m	Off-shore Ghana
Total			\$ 1,799 m*	

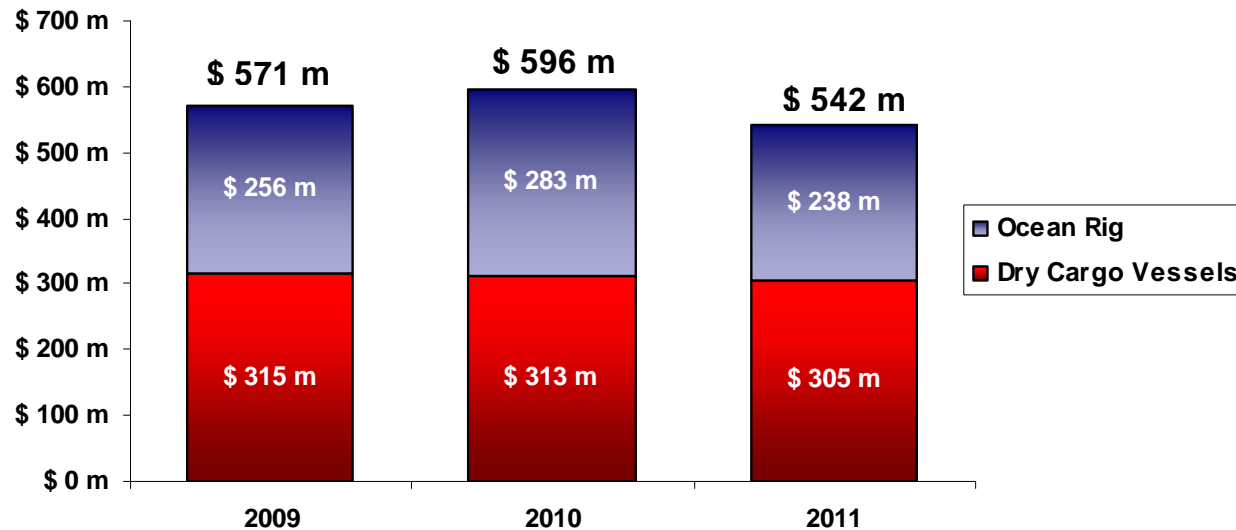
* Includes \$445 m of Tullow if option is agreed

Contracts in Place	2008 E	2009 E	2010 E	2011 E	2012 E	2013 E
Leiv Eiriksson	Shell - Two Years		Petrobras - Three Years			
Eirik Raude	Exxon	Tullow - Three years (Commenced October 2008)		Tullow - One Yr Option	Tullow - One Yr	



Securing The Future

Fixed EBITDA Estimates



Notes:

- Assumed average OPEX of \$6,750 per day for the dry bulk vessels and \$185,000 for the rigs
- EBITDA has been estimated on the basis of Gross Revenues, excluding G&A's and drydock expenses
- Assumed utilization rate of 95% for the rigs
- Assumes no exercise of the 1yr+1yr option for the Tullow contract

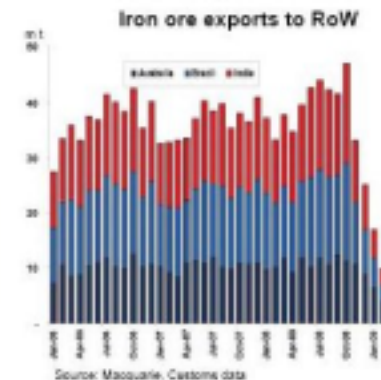
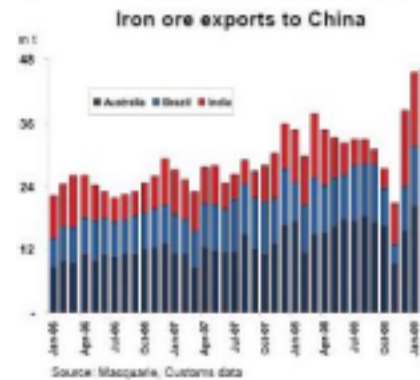
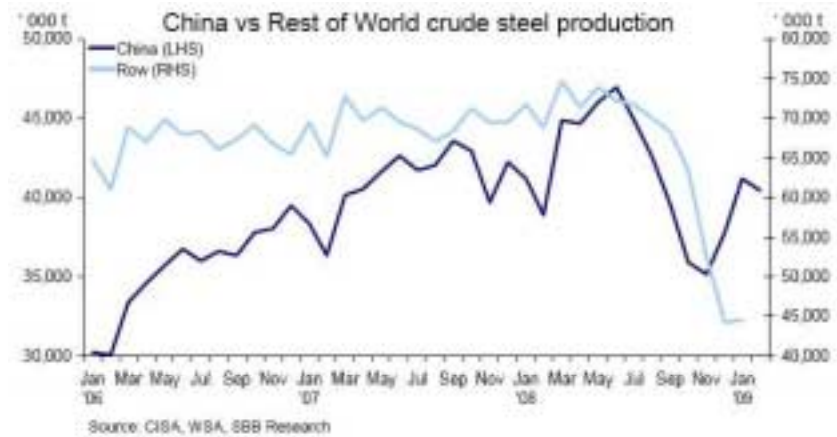
DryShips continues to add fixed rate revenues through its UDW segment



Dry Bulk Industry – Demand side

Demand growth driven by China

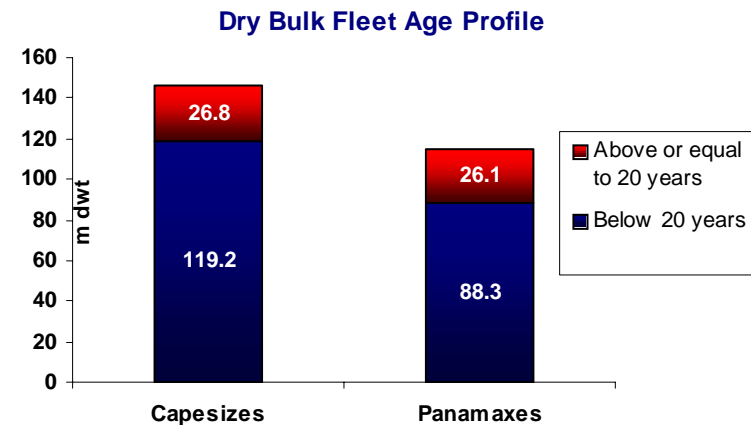
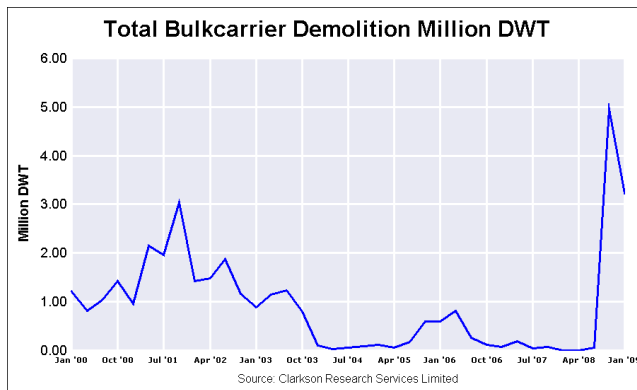
- GDP growth in China is estimated at 8% for 2009, while GDP growth for the rest of world is estimated to be flat or negative
- 50% of steel consumption in China is used for construction (domestic usage) thus will be supported by the \$586 billion stimulus package
- China's stake in global iron ore consumption is estimated to increase from 40% to 50% or even 70%



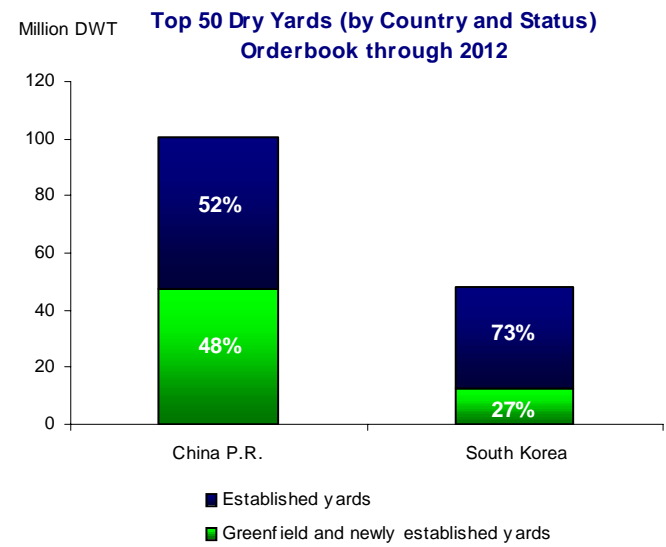
Dry Bulk Industry – Supply side

Supply growth is expected to be slowed due to scrapping and order cancellation

- About 25% of the capesize and panamax fleet is over 20 years
- Recent surge in scrapping volume is expected to continue
- Cancellation of orders from greenfield and expansion stage yards due to lack of financing



Source: Clarksons



Ultra Deep Water Drilling – Ocean Rig

Objective: Create a credible and competitive pure play in the UDW drilling market.

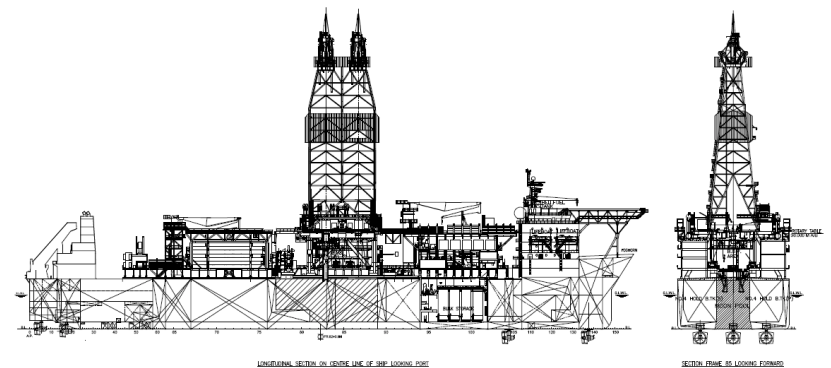
❖ Ocean Rig experience

- ❖ Technically challenging environments
- ❖ Diverse geographic spread
- ❖ Outstanding reputation from a diverse customer base



❖ Four newbuilding drillships on order with delivery from late 2010 to late 2011

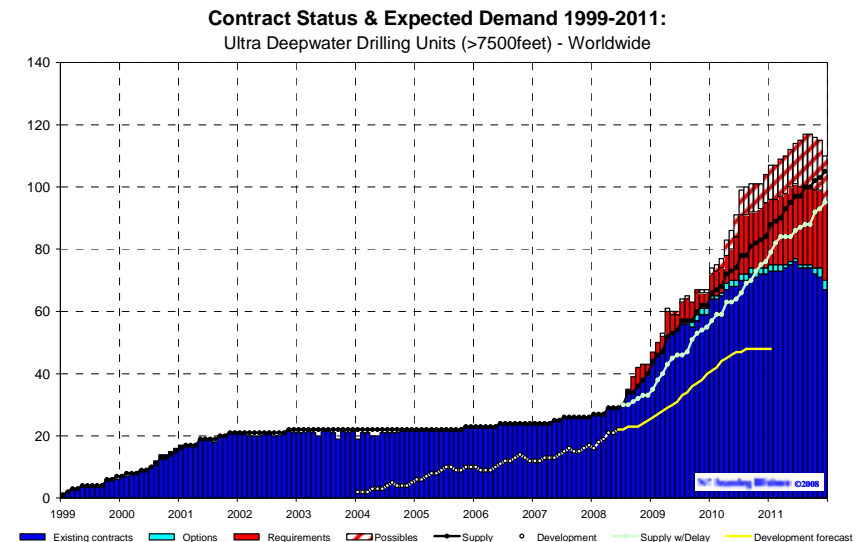
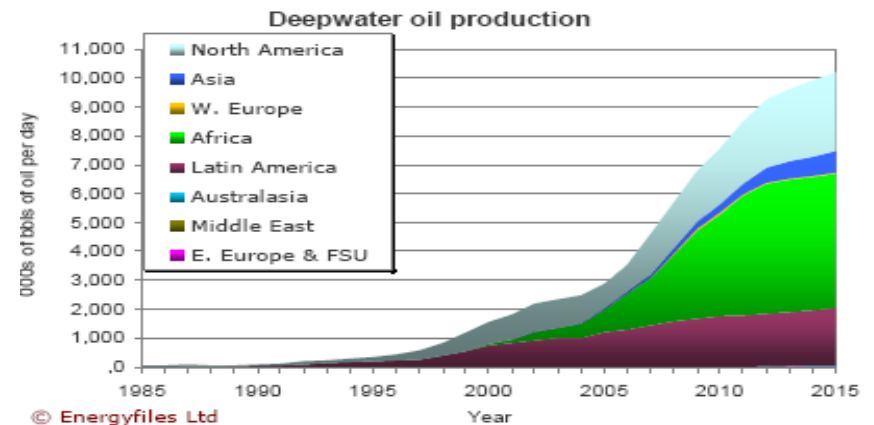
- ❖ Highly specified
- ❖ Best in class shipyard with proven track record for on time delivery
- ❖ High degree of standardization



Ultra Deep Water Drilling – Industry

UDW SEGMENT REMAINS STRONG!

- ❖ UDW is the primary source of incremental supply of oil
- ❖ Demand for UDW rigs continues to outstrip supply
 - ❖ Near term supply fully contracted
 - ❖ Shipyard and oilfield equipment suppliers capacity constrains further additions
 - ❖ Credit crunch to limit supply expansion
- ❖ Day rate environment remains very strong
 - ❖ Recent announced fixture
 - ❖ US580K/day for a term of 5 years
 - ❖ US550K/day for a term of 8 years
 - ❖ US583K/day for a term of 3 years



Investment Thesis

Low entry point in the commodity cycle – ride the rebound

- Oil prices will rebound – Capex will rise to quench energy thirst
- Resilient growth trend in China & India
- Dry bulk commodity demand set to grow once recession abates
- Significant exposure to China
- Shipping stocks oversold
- Strong Management with long track record in Shipping, Ultra Deep Water Drilling & Capital markets



Ahead of the curve

CAPEX Reduction

- Cancelled 9 Capesizes – cancellation fee only in shares
- Cancelled 3 Capesize newbuilding vessels – cancellation fee of \$ 30 million in cash and \$ 50 million in new shares
- Cancelled acquisition of M/V Maple Valley – cancellation fee of \$ 8 million paid in January 2009

Strong Liquidity Position

- Liquidity position, as of 31/12/2008:
 - Undrawn Debt: \$ 952 m
 - Cash: \$ 624 m
 - ➔ Liquidity of \$ 1,576 m
- Raised equity of \$ 380 million in Q1 2009

Secured Fixed Revenues

- Shift towards period employment on drybulk vessels
- Fixed Leiv Eiriksson (offshore rig) for 36 months at \$ 575,000 per day including bonus scheme
- Total contracted revenue backlog of \$ 2.9 billion



APPENDICES



Appendix 1 – Q4 and Full-Year 2007 and 2008 Income Statements

(Dollars in thousands, except for share and per share data- unaudited)	Three months ended December 31, 2007	Three months ended December 31, 2008	Year ended December 31, 2007	Year ended December 31, 2008
INCOME STATEMENT DATA				
REVENUES:				
Voyage revenues	\$ 233,379	\$ 130,342	\$ 582,561	\$ 861,296
Revenues from drilling contracts	-	87,548	-	219,406
	<u>233,379</u>	<u>217,890</u>	<u>582,561</u>	<u>1,080,702</u>
EXPENSES:				
Voyage expenses	9,868	13,274	31,647	53,172
Vessel operating expenses	17,701	22,375	63,225	79,662
Drilling rigs operating expenses	-	34,150	-	86,229
Depreciation	22,292	49,665	76,511	157,979
(Gain)/Loss on sale of vessels	-31,453	3,001	-137,694	-223,022
Gain on contract cancellation	-	-9,098	-	-9,098
Contract termination deposits and forfeiture of vessels deposits	-	160,000	-	160,000
Goodwill impairment charge	-	700,457	-	700,457
Management fee charged by a related party	2,522	9,624	9,579	21,129
General & administrative expenses	582	28,771	7,493	68,229
	<u>211,867</u>	<u>-794,329</u>	<u>531,800</u>	<u>-14,035</u>
Operating income / (loss)				
OTHER INCOME / (EXPENSES):				
Interest and finance costs	-11,271	-34,121	-46,158	-100,109
Loss on interest rate swaps	-1,761	-177,019	-3,981	-207,936
Other, net	-4,102	-10,562	-3,037	-12,640
	<u>-17,134</u>	<u>-221,702</u>	<u>-53,176</u>	<u>-320,685</u>
Total other income (expenses), net				
Net income / (loss) before taxes	194,733	-1,016,031	478,624	-334,720
Income taxes	-	-1,337	-	-2,844
	<u>194,733</u>	<u>-1,017,368</u>	<u>478,624</u>	<u>-337,564</u>
Net income / (loss) after taxes and before equity in income of investee and minority interest				
Minority interest	-	-	-	-16,825
Equity in income of investee	-299	-	-299	-6,893
	<u>194,434</u>	<u>-1,017,368</u>	<u>478,325</u>	<u>-361,282</u>
Net (loss) / income				
Basic and fully diluted earnings / (loss) per share	\$ 5.35	\$ (18.42)	\$ 13.40	\$ (8.11)
Weighted average number of shares, basic and diluted	36,323,586	55,230,433	35,700,182	44,598,585



Appendix 2 – December 31, 2007 and 2008 Balance Sheets

(Expressed in Thousands of U.S. Dollars except for share and per share data)	2007 (as adjusted)	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 111,068	\$ 303,114
Restricted cash	6,791	320,560
Trade accounts receivable, net of allowance for doubtful receivables		
of \$0 and \$957 as of December 31, 2007 and 2008, respectively	9,185	52,441
Other current assets	25,591	44,312
Total current assets	153,035	720,427
FIXED ASSETS, NET:		
Advances for vessels under construction and acquisitions	118,652	535,616
Vessels, net	1,643,867	2,134,650
Drilling rigs, machinery and equipment ,net	-	1,393,158
Total fixed assets, net	1,762,519	4,063,424
OTHER NON CURRENT ASSETS:		
Long term investment	405,725	-
Restricted cash	20,000	-
Other non-current assets	3,153	58,829
Total non current assets, net	428,878	58,829
Total assets	\$ 2,344,432	\$ 4,842,680
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 194,999	\$ 2,370,556
Other current liabilities	44,305	154,492
Total current liabilities	239,304	2,525,048
NON CURRENT LIABILITIES		
Long term debt, net of current portion	1,048,779	788,314
Other non-current liabilities	34,620	237,746
Total non current liabilities	1,083,399	1,026,060
COMMITMENTS AND CONTINGENCIES		
	-	-
STOCKHOLDERS' EQUITY:		
Total stockholders' equity	1,021,729	1,291,572
Total liabilities and stockholders' equity	\$ 2,344,432	\$ 4,842,680



Appendix 3 – Q4 2008 & Q4 2007 Fleet Highlights

(Dollars in thousands, except Average Daily Results - unaudited)

	Three Months Ended 31-Dec-07	Three Months Ended 31-Dec-08
Average number of vessels ⁽¹⁾	36.1	38.6
Total voyage days for vessels ⁽²⁾	3,307	3,410
Total calendar days for vessels ⁽³⁾	3,323	3,547
Vessel utilization ⁽⁴⁾	99.5%	96.1%
Time charter equivalent ⁽⁵⁾	67,587	34,331
Vessel operating expenses (daily) ⁽⁶⁾	5,327	6,307

(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 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.

(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.



Appendix 4 – Full-Year 2008 & 2007 Fleet Highlights

<i>(Dollars in thousands, except Average Daily Results unaudited)</i>	-	Year Ended 31-Dec-07	Year Ended 31 Dec -08
Average number of vessels ⁽¹⁾		33.6	38.6
Total voyage days for vessels ⁽²⁾		12,130	13,896
Total calendar days for vessels ⁽³⁾		12,288	14,114
Vessels utilization ⁽⁴⁾		98.7%	98.5%
Time charter equivalent ⁽⁵⁾		45,417	58,155
Vessel operating expenses (daily) ⁽⁶⁾		5,145	5,644

(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.

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(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.



Appendix 5 – Fleet Profile Bulk Carriers

Fixed rate employment						
Year				Gross rate	Redelivery	
Built	DWT	Type		per day	Earliest	Latest

Fixed rate employment

Capesize:

Alameda	2001	170,269	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	170,500	Capesize	\$52,310	Aug-18	Dec-18
Samsara	1996	150,393	Capesize	\$57,000	Dec-11	Apr-12

Panamax:

Avoca	2004	76,500	Panamax	\$45,500	Aug-13	Dec-13
Bargara	2002	74,832	Panamax	\$43,750	May-12	Jul-12
Capitola	2001	74,832	Panamax	\$39,500	Jun-13	Aug-13
Catalina	2005	74,432	Panamax	\$40,000	Jun-13	Aug-13
Ecola	2001	73,931	Panamax	\$43,500	Jun-12	Aug-12
Ligari	2004	75,583	Panamax	\$55,500	Jun-12	Aug-12
Majorca	2005	74,364	Panamax	\$43,750	Jun-12	Aug-12
Mendocino	2002	76,623	Panamax	\$56,500	Jun-12	Sep-12
Padre	2004	73,601	Panamax	\$46,500	Sep-12	Dec-12
Positano	2000	73,288	Panamax	\$42,500	Sep-13	Dec-13
Redondo	2000	74,716	Panamax	\$34,500	Apr-13	Jun-13
Saldanha	2004	75,500	Panamax	\$52,500	Jun-12	Sep-12
Samatan	2001	74,823	Panamax	\$39,500	May-13	Jul-13
Xanadu	1999	72,270	Panamax	\$39,750	Jul-13	Sep-13

Supramax:

Paros I (ex Clipper Gemini)	2003	51,201	Supramax	\$27,135	Oct-11	May-12
Pachino (ex.VOC Galaxy)	2002	51,201	Supramax	\$20,250	Sep-10	Feb-11

Spot rate employment				
Year				Gross rate
Built	DWT	Type		per day

Spot rate employment

Panamax:

Conquistador	2001	75,607	Panamax	
Coronado	2000	75,706	Panamax	
Delray	1994	71,862	Panamax	
Heinrich Oldendorff	2001	73,931	Panamax	
Iguana	1996	70,349	Panamax	
La Jolla	1997	72,126	Panamax	
Maganari	2001	75,941	Panamax	
Marbella	2000	72,561	Panamax	
Ocean Crystal	1999	73,688	Panamax	
Oregon	2002	74,204	Panamax	
Primera	1998	72,495	Panamax	
Sonoma	2001	74,786	Panamax	
Sorrento	2004	76,633	Panamax	
Toro	1995	73,034	Panamax	

New Buildings

N/B-Hull No: 1518A	2009	75,000	Panamax	N/A
N/B-Hull No: 1519A	2009	75,000	Panamax	N/A
N/B-Hull No. 2089	2009	180,000	Capesize	N/A
N/B-Hull No. SS 58	2010	82,000	Kamsarmax	N/A
N/B-Hull No: SS 59	2010	82,000	Kamsarmax	N/A



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