



# DryShips, Inc. Investor Day Presentation New York City



NASDAQ: "DRYS"

June 16<sup>th</sup>, 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

*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

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

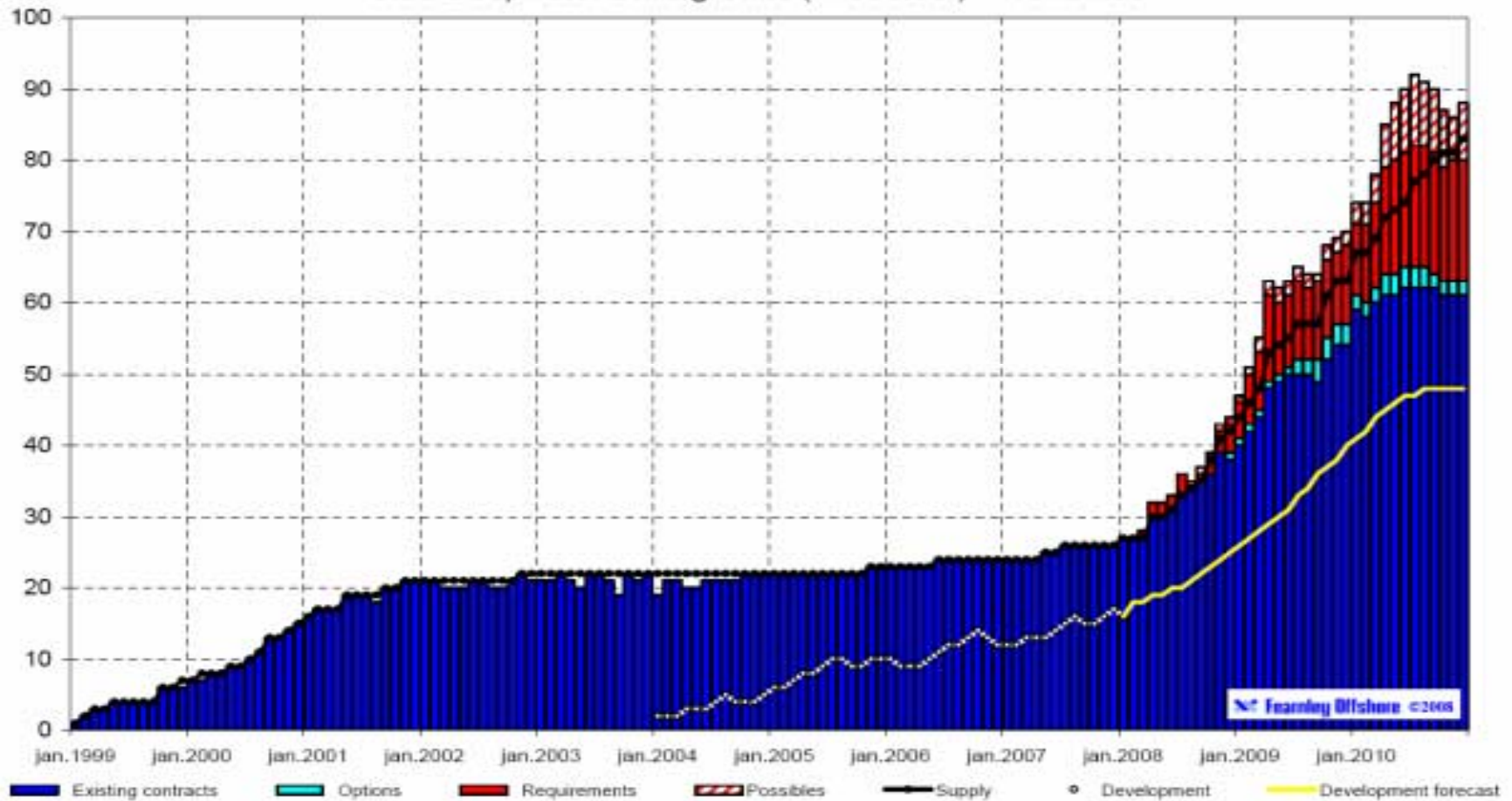
Recent Long Term Fixtures	
2xCapesize	4 years
3xCapesize	10 years
1xCapesize	5 years
3xPanamaxes	4 years
5xPanamaxes	5 years

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.*

# Ultra Deep Water Demand and Supply

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



# 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.

# Assets and Contracts

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- ❖ Operates two UDW 5th generation semisubmersible rigs, built in 2001 and 2002
- ❖ Leiv Eiriksson: Shell at \$477,000 – 512,000 per day through September, 2009; Leiv Eiriksson is one of very few ultra deep water rigs available in 2009 worldwide
- ❖ Eirik Raude: ExxonMobil at \$395,000 - \$445,000 per day through July, 2008; thereafter Tullow at average \$637,000 per day for 3 years plus two 1 year options

Contracts	H1'08	H2'08	H1'09	H2'09	H1'10	H2'10	H1'11	H2'11	H1'12	H2'12	H1'13	H2'13	
Leiv Eiriksson	Shell - North Sea - 2 years												
Eirik Raude	Exxon	Tullow - Ghana - 3 years						Tullow - 1y option		Tullow - 1y option			

# Accretion/Dilution Table

Even if it remains a subsidiary of DryShips, the OCR acquisition would be accretive to both earnings and cash flow

## 2009 Consensus Estimates

	<i>DryShips</i>		<i>Ocean Rig</i>	<i>Acquisition Adjustment</i> <sup>(1)</sup>	<i>DryShips (pro-forma)</i>		<i>Accretion / (Dilution)</i>	
	<i>\$Mn</i>	<i>\$/share</i>	<i>\$Mn</i>	<i>\$Mn</i>	<i>\$Mn</i>	<i>\$/share</i>	<i>\$/share</i>	<i>%/share</i>
<i>EBITDA</i>	607.5	14.66	273.0	NA	880.5	21.27	6.61	45.1%
<i>Cash Flow</i>	486.1	11.73	224.7	19.0	710.8	17.17	5.44	46.4%
<i>Net Income</i>	429.0	10.35	162.6	70.2	591.6	14.29	3.94	38.0%

(1) The acquisition adjustments represent additional depreciation expense due to the writeup of OCR's assets, and furthermore, additional interest expense as a result of the acquisition being financed from cash on hand and the incurrence of a new debt facility.

## Preliminary Draft Estimates for Spun-Off Entity

6 rig UDW listed entity including the two Cardiff Marine drillships

<i>Year</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
<i>NB Capex</i>	875	263	1,002	930	0
<i>Net Debt</i> <sup>(1)</sup>	1,314	1,385	2,167	2,636	1,967
<i>EBITDA</i> <sup>(2)</sup>	212	277	294	591	852
<i>EBITDA Growth Rate</i>	NA	30.3%	6.4%	100.9%	44.1%

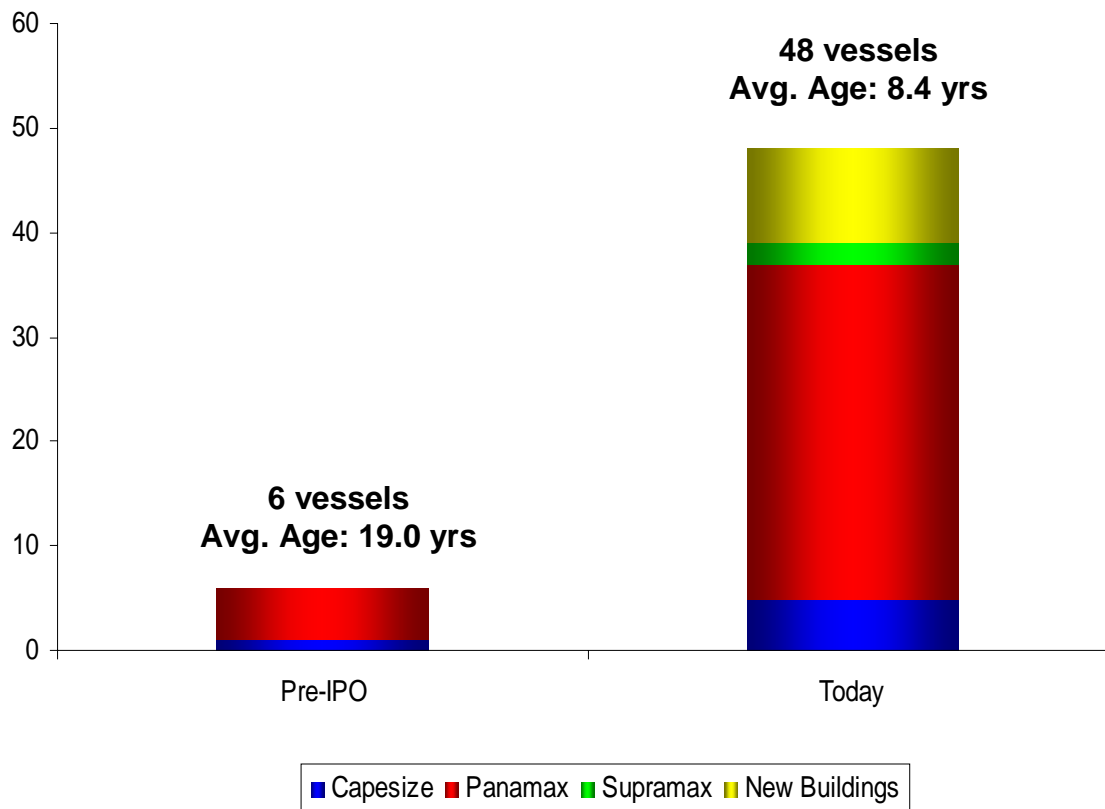
❖ **2012 EV/EBITDA public company peer group multiples of 5.3**

# Comparing Alternative Investments

	<b>Panamax</b>	<b>UDW Rig</b>
Vessel Value	\$95 Mn	\$1.0 Bn
5-Yr Charter Dayrates	\$40,000	\$625,000
OPEX per Day	\$6,000	\$150,000
Utilization Rate	99%	95%
EBITDA (\$Mn)	\$12	\$162
EBIT (\$Mn)	\$9	\$130
<b>EV/EBITDA</b>	<b>7.7x</b>	<b>6.2x</b>
<b>ROIC</b>	<b>10%</b>	<b>13%</b>

# Strong Track Record

Largest US listed Dry Bulk Shipping Company



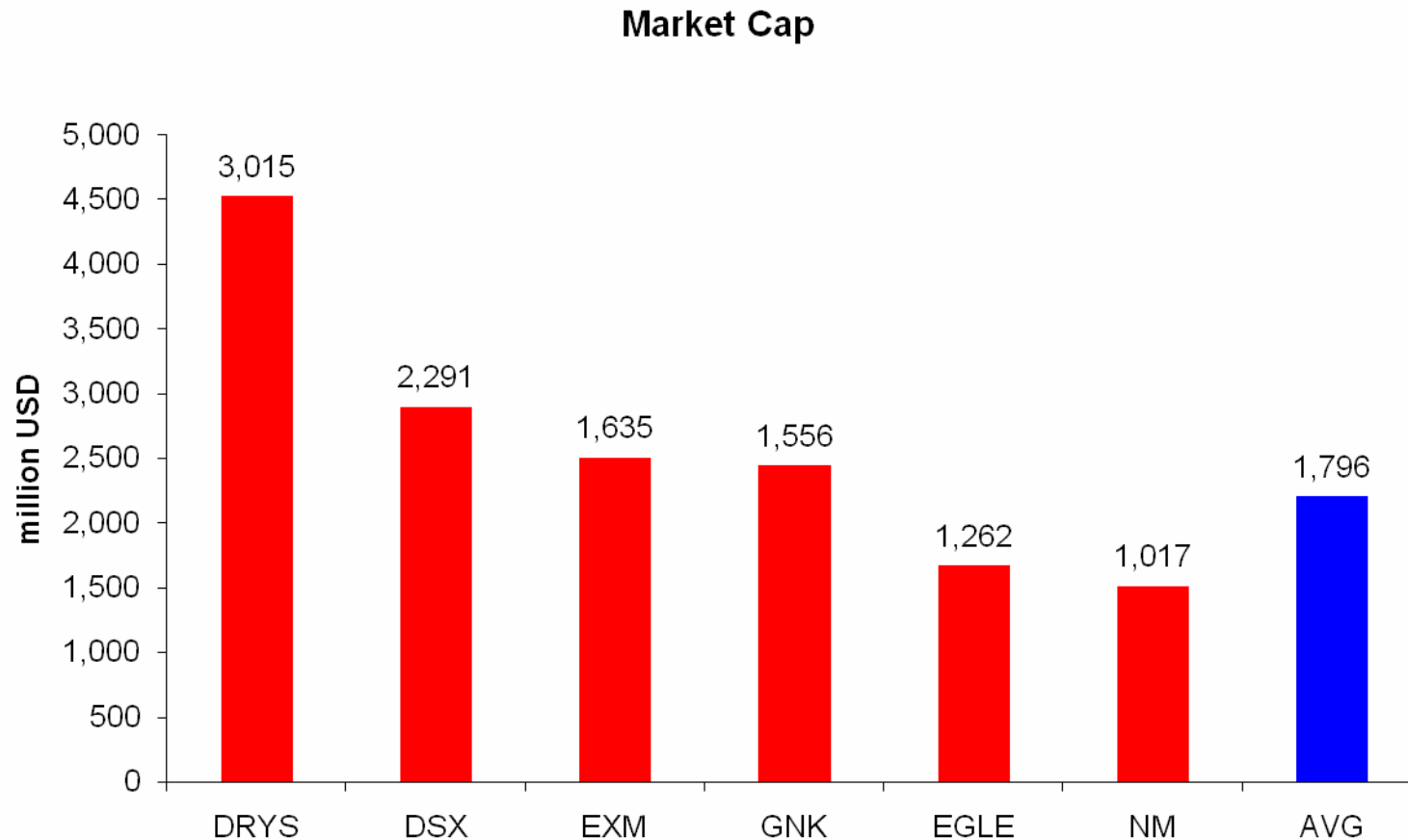
Since inception:

**113% ROE**

**55% ROCE**

# Peer Group Comparison – North of 1 billion Club

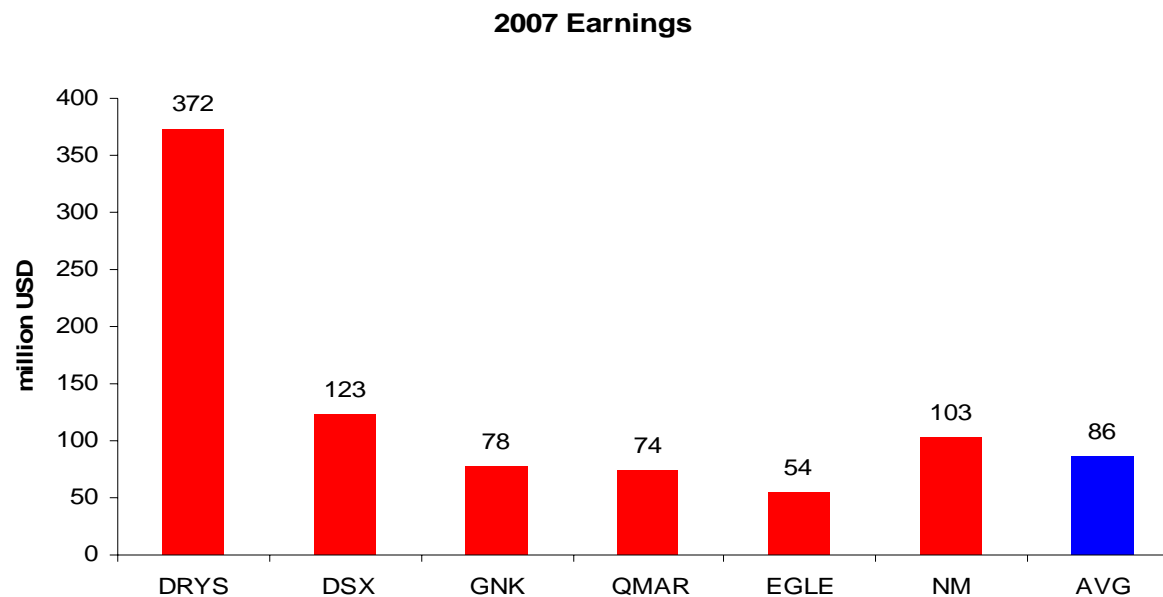
DryShips equity is worth 105% more than the average of the other club members



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



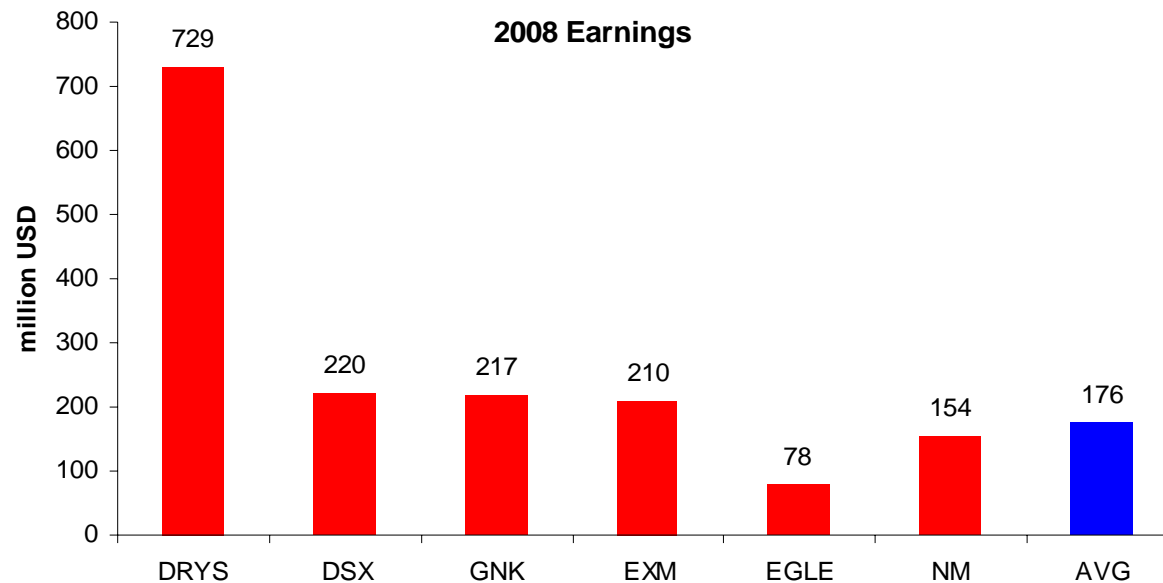
In fact we earned almost as much as all of our peers combined!

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

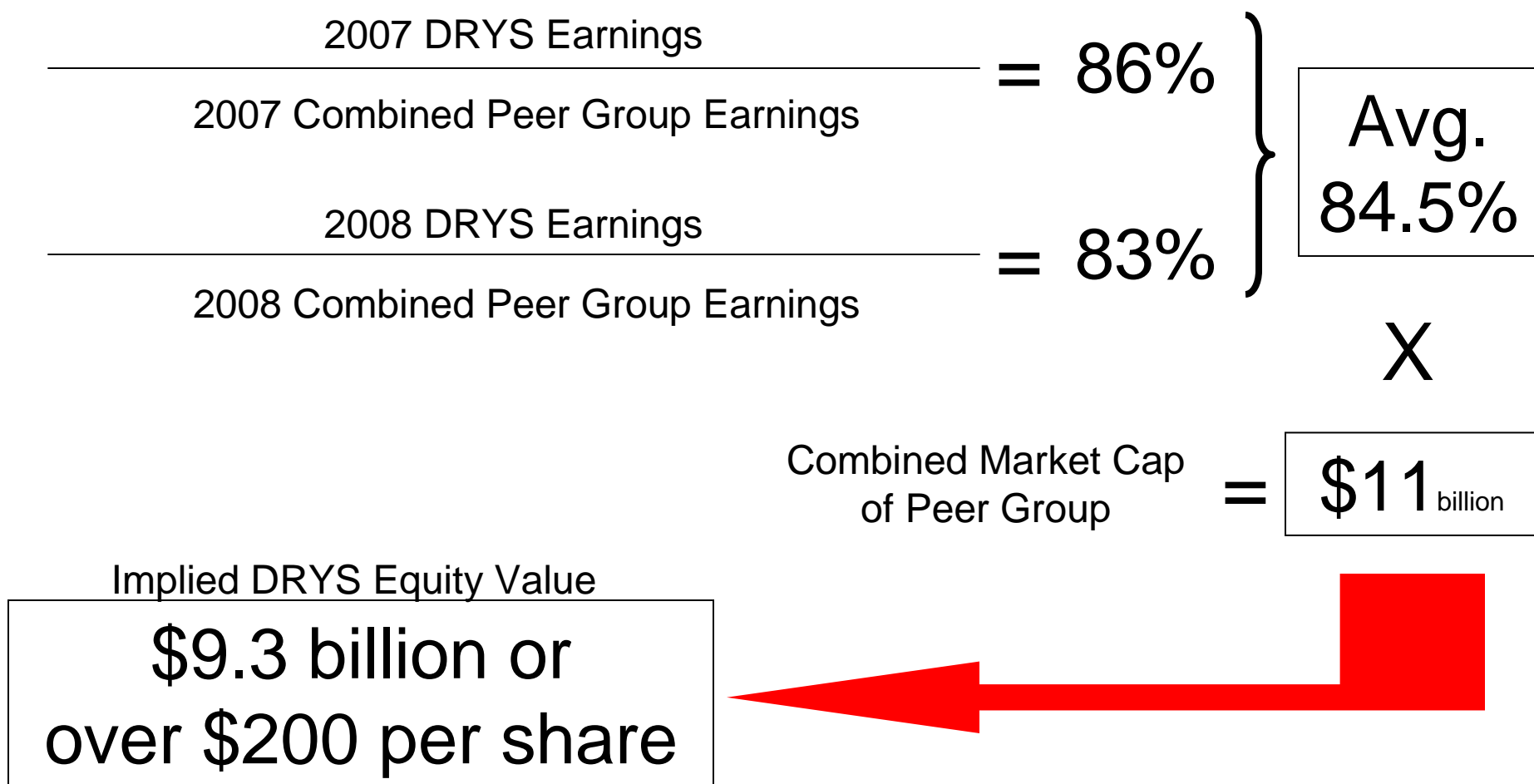


Even in 2009 DryShips is estimated to earn \$554 million i.e. 186% more earnings than the average of the other club members

Source: Bloomberg May 08, AVG excludes DRYS

# Peer Group Comparison – DRYS Clearly Undervalued

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

# Contacts

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