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"The China Effect"



Marine Capital Conference
September 6 2007

Forward Looking Statements



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.



Overview

China's effect in the drybulk carrier sector and DryShips

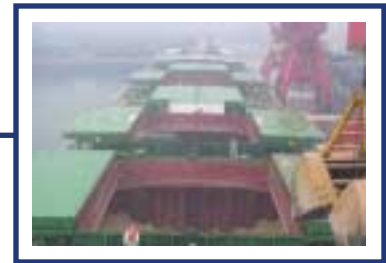


- Record earnings in the drybulk carrier industry since 2004 expected to continue driven by unprecedented Chinese growth
- Drybulk carriers mainly transport goods related to the metals (steel) and construction industries and electric utilities. Asia accounts for 59% of all imports
- Chinese economy has significant further growth potential underpinned by fixed asset investment, exports and domestic consumption
- China is the #1 steel producer and growing rapidly consuming vast quantities of iron ore, coking coal and producing steel products for export
- Thermal coal remains the dominant energy source for China accounting for 70% of energy consumption, coal is a cheaper more abundant alternative to crude oil
- DryShips is positioned with large and modern fleet positioned in spot market to take advantage of prevailing high charter rates



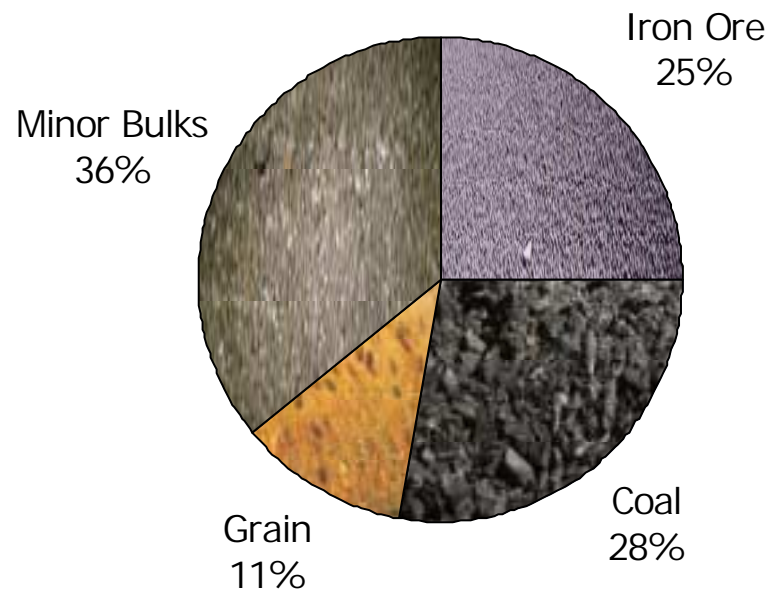
Seaborne Drybulk Trade

Major Bulks account for 64% of drybulk trade

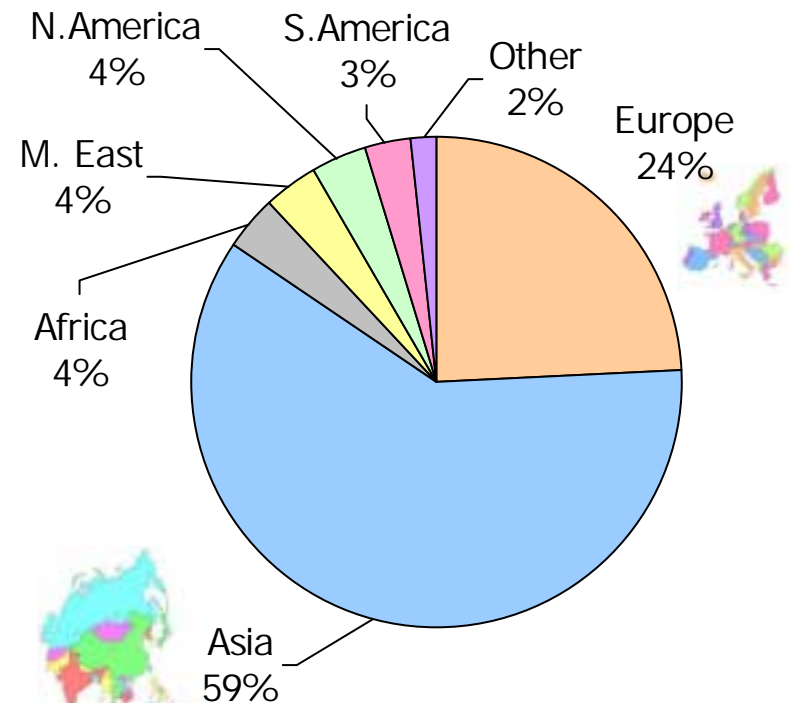


Asia accounts for 59% of drybulk imports

Commodity Breakdown Trade



Regional Breakdown Imports

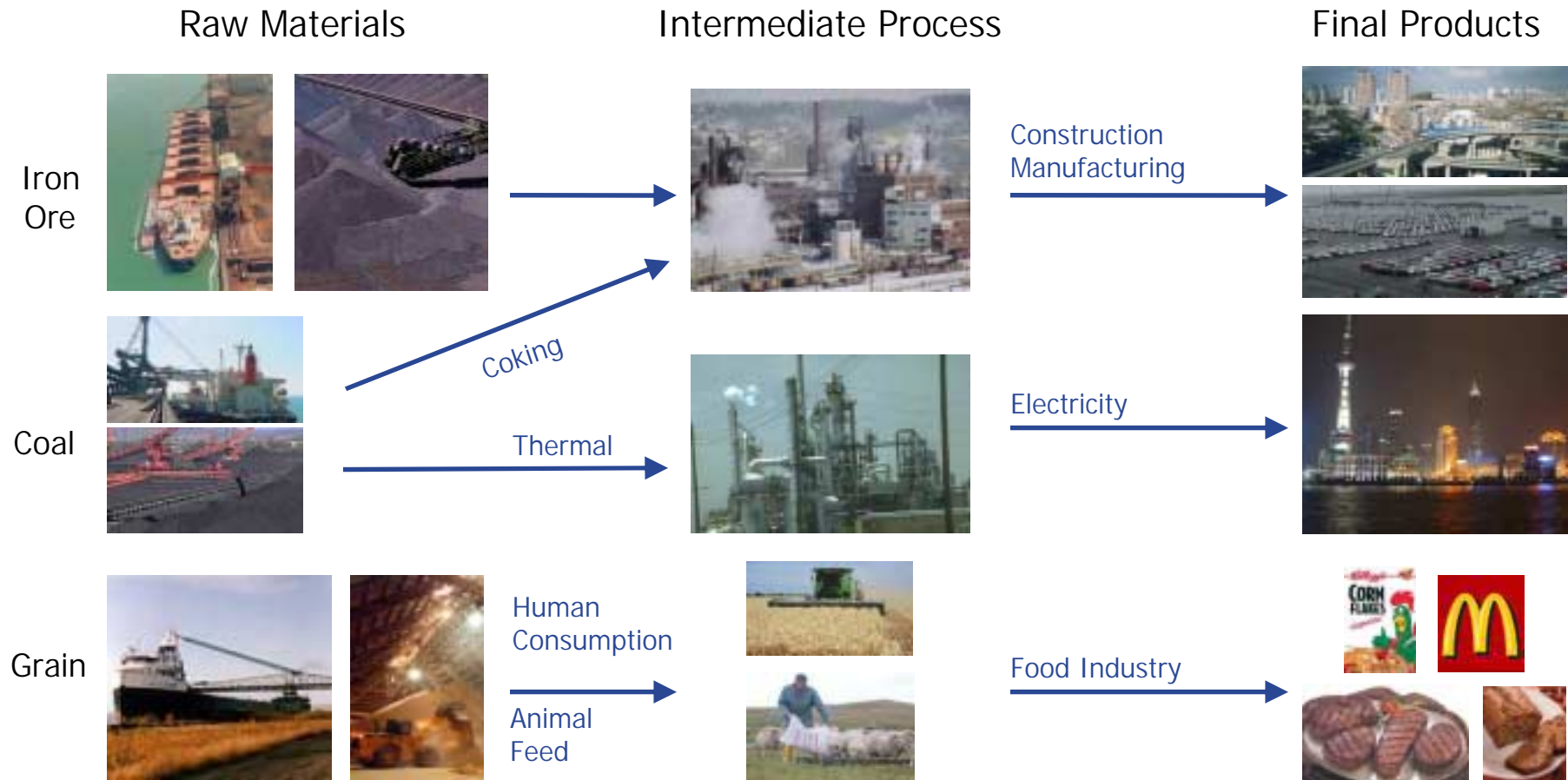


Minor Bulks include: Steel Products, Ferrous Metals, Scrap, Fertilizer, Metallic ores ,Bauxite/Alumina, Non Metallic Minerals (salt), Cement / pet coke, Agricultural goods, forest products.



Shipping Key Commodities

Drybulk accounts for 1/3rd of 8 billion ton total seaborne trade



Chinese GDP Development



\$2.625 bln 2010 projection made in 04 was surpassed in 2006

From 6th largest global economy in 2004 poised to become 3rd in 2008 !!!

Country	2003	2004	2005	2006	2007F	2008F
United States	10,960	11,712	12,455	13,245	13,770	14,418
Japan	4,235	4,608	4,557	4,367	4,302	4,453
Germany	2,444	2,744	2,792	2,897	3,081	3,184
China	1,641 (6)	1,932 (6)	2,244 (4)	2,630 (4)	3,051 (4)	3,417 (3)
United Kingdom	1,815	2,155	2,231	2,374	2,661	2,823
France	1,805	2,060	2,127	2,232	2,401	2,513
Italy	1,510	1,729	1,773	1,853	1,994	2,076
Canada	868	994	1,132	1,269	1,266	1,334
Korea	608	681	792	888	943	1,001
India	543	618	712	797	871	942
Russia	431	592	764	979	1,167	1,345

Source: IMF, April 2007



Top Import /Export Partners

Exports to U.S. dropped from 31% in 2000 to 21% in 2006



World growth is expected to offset a US slowdown. Brazil, Russia, India and China along with GCC will increasingly contribute to global growth.

Chinese Imports			
Country	Feb. 2007	2006	2005
Japan	179.6	1,157.2	1,004.5
EU	148.7	903.2	736.0
ROK (Korea)	149.6	897.8	768.2
ASEAN	151.5	895.3	750.0
Taiwan	133.8	871.1	746.8
US	93.3	592.1	487.3
Australia	37.8	193.2	161.9
Total for top 7 countries	894.3 (69%)	5,509.9 (70%)	4,654.7 (71%)
Grand Total	1,291.0	7,916.1	6,601.2

Chinese Export			
Country	Feb. 2007	2006	2005
US	345.3	2,034.7	1,629.0
EU	362.1	1,819.8	1,437.1
HK	227.1	1,553.9	1,244.8
Japan	155.3	916.4	839.9
ASEAN	125.3	713.1	553.7
Korea	77.8	445.3	351.1
Taiwan	32.2	207.4	165.5
Total for top 7 countries	1,325.1 (79%)	7,690.6 (79%)	6,221.1 (82%)
Grand Total	1,687.1	9,690.7	7,620.0

Source: Ministry of commerce of the People's Republic of China, April 2007

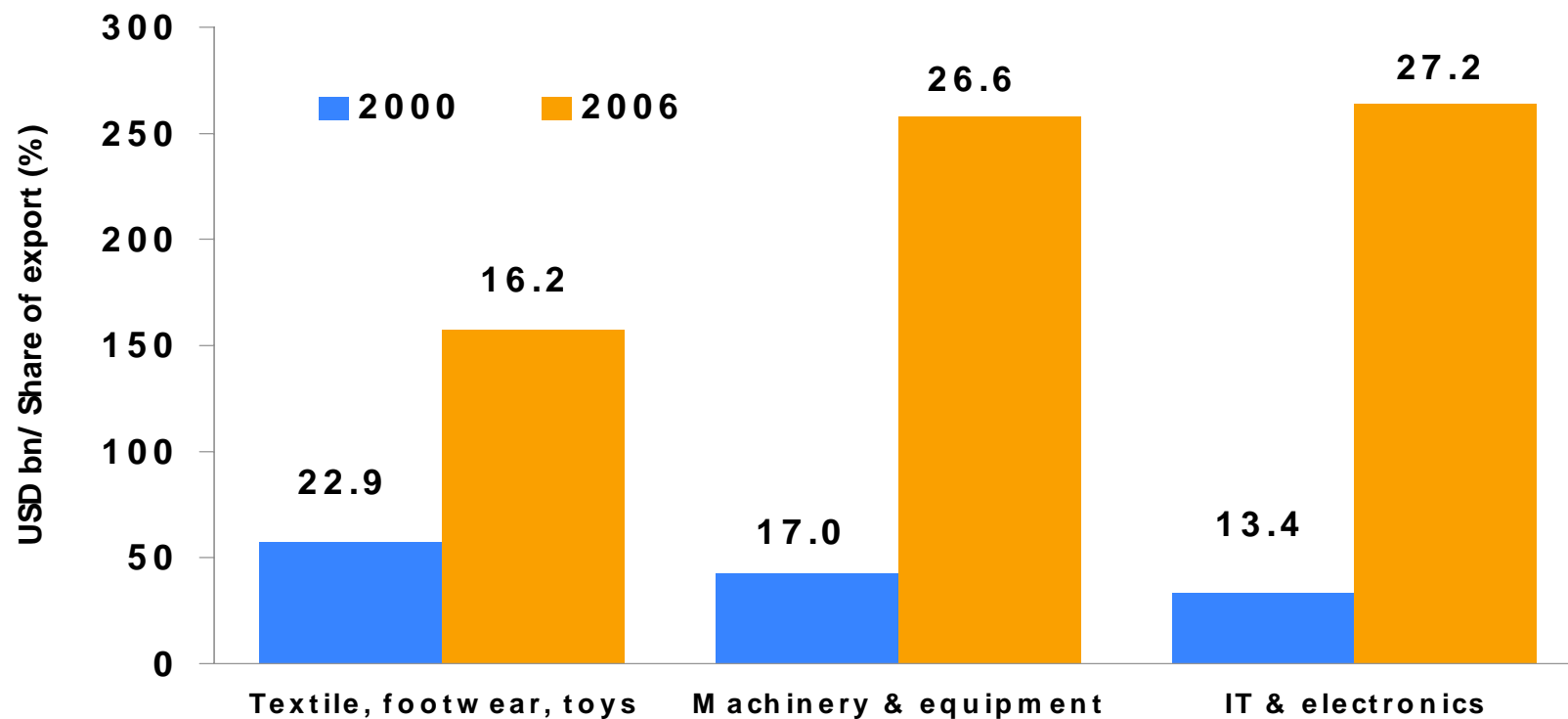


Higher Value added Products

Increasing production and share of exports from 2000 to 06



China's production and exports shifting from basic consumer goods to modern machinery and technology products. Exports account for 40% of Chinese GDP compared with 47% for Germany

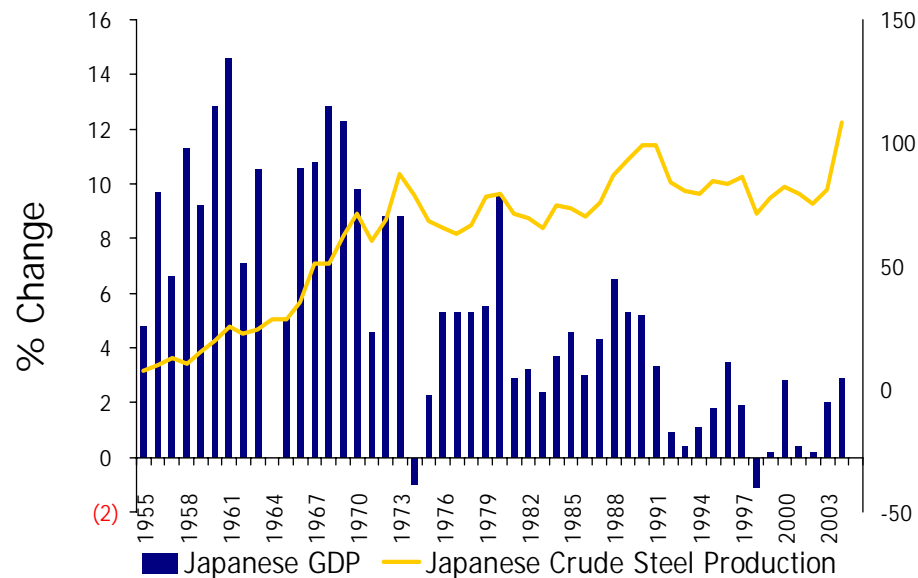


Industrial Production Prospects

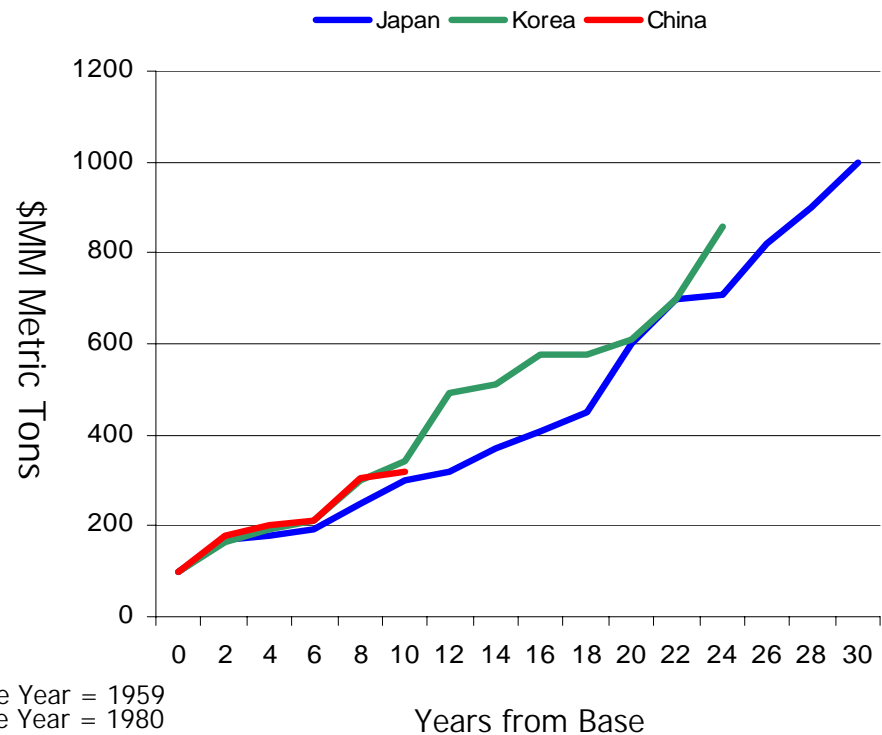
First phase of growth – sustained steel production after peak



Japan GDP, Steel Production



Industrial Production



Japan Base Year = 1959
Korea Base Year = 1980
China Base Year = 1995

Source: Clarksons Research Studies and International Monetary Fund



DryShips Inc. © 2005

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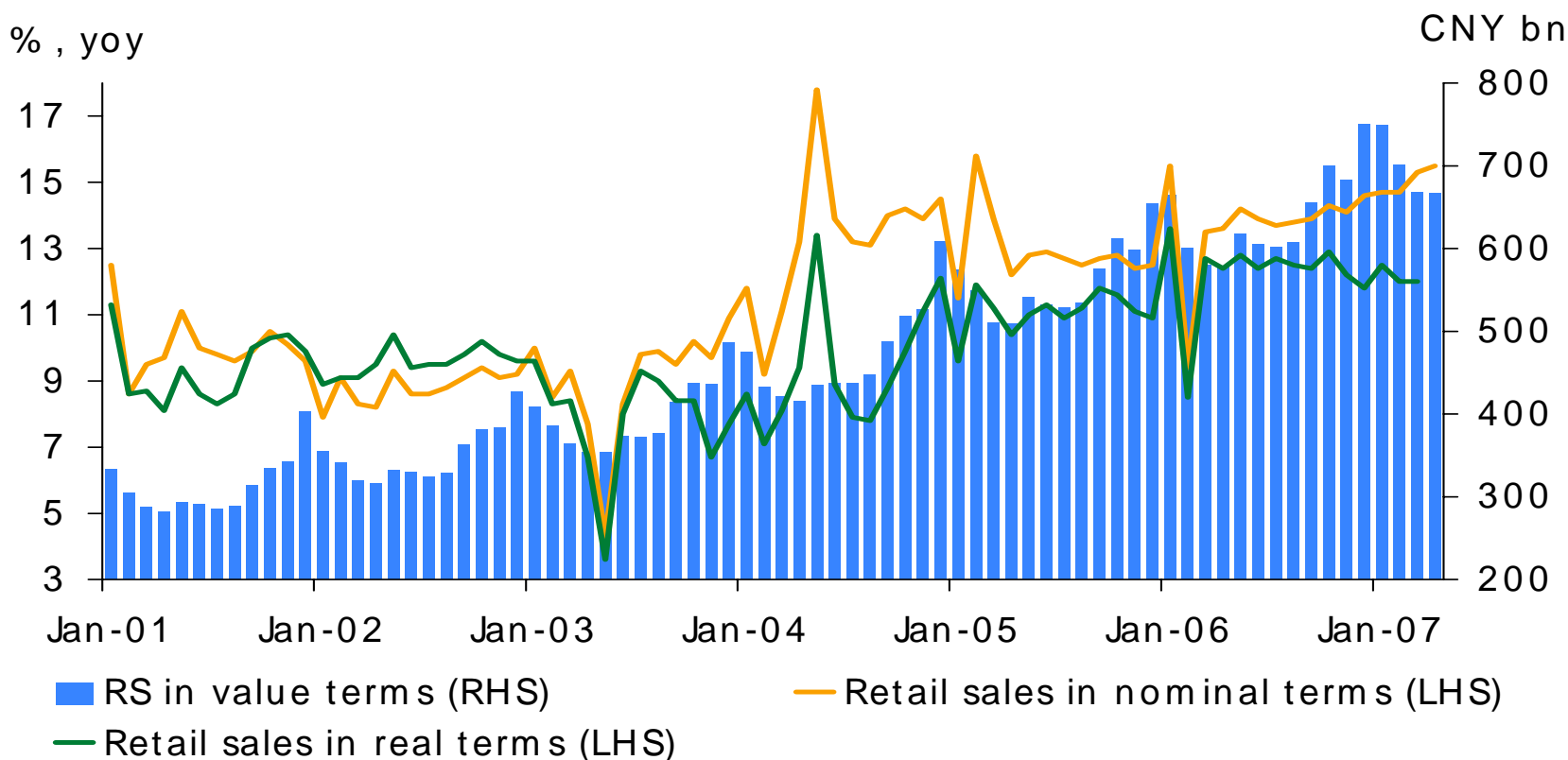


Domestic Consumption

Consumption has doubled since 2004, growth at 15+% p.a.



In 2006 real per capital income grew 7.4% in rural and 10.2% in urban areas, the highest growth rate in the world

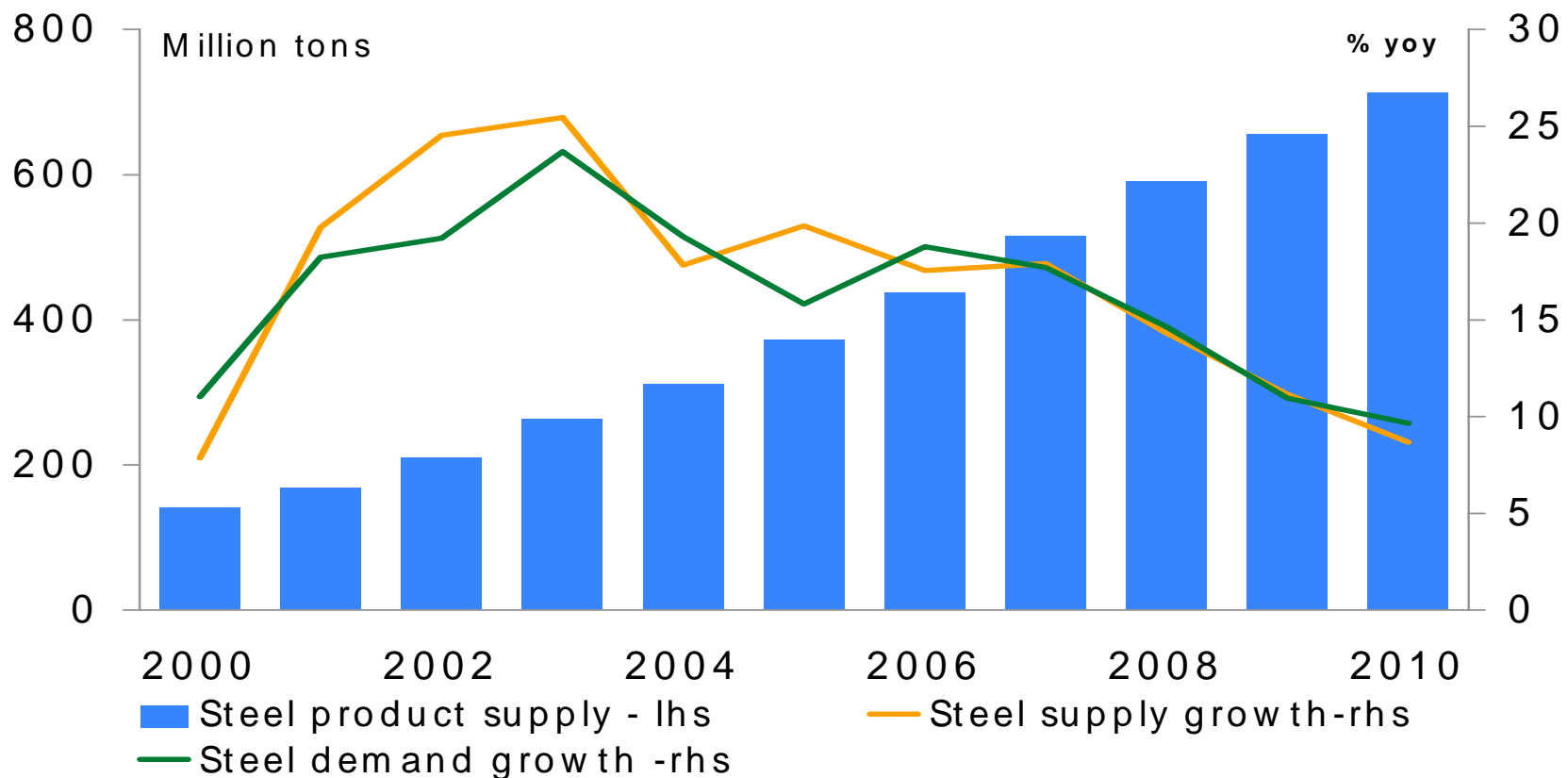


Domestic Steel Production

Continuing growth— from 20+% at “slower” 12+% rates



China accounts for 37% of 2007E world steel production of 1,301 m tons and 70% of 2007E growth in global production also 50% of world pig iron production of 922 m tons

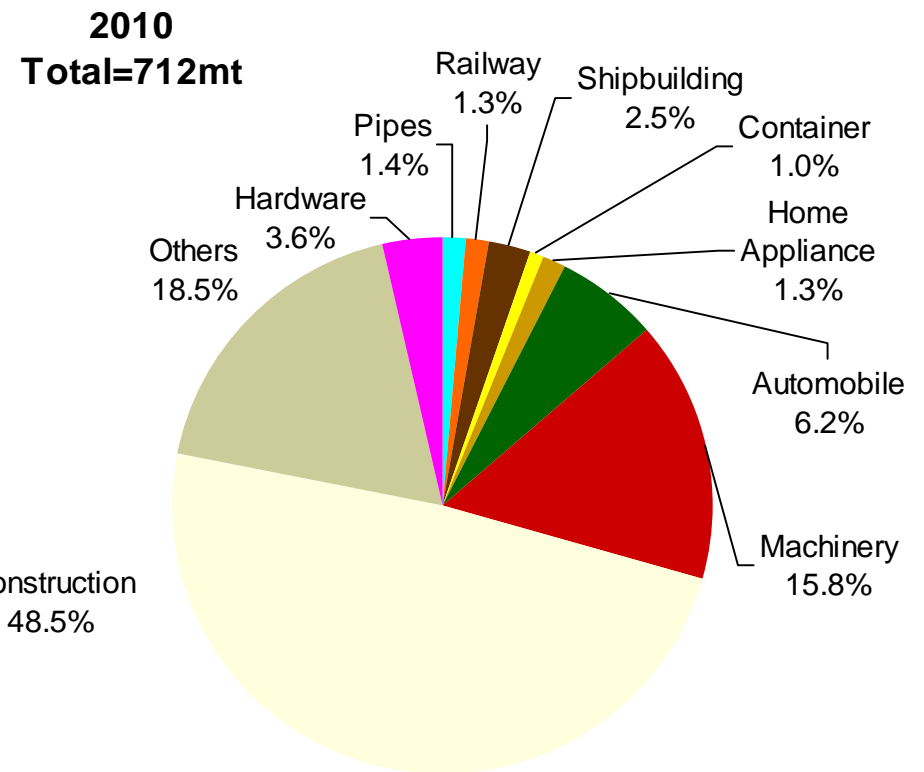
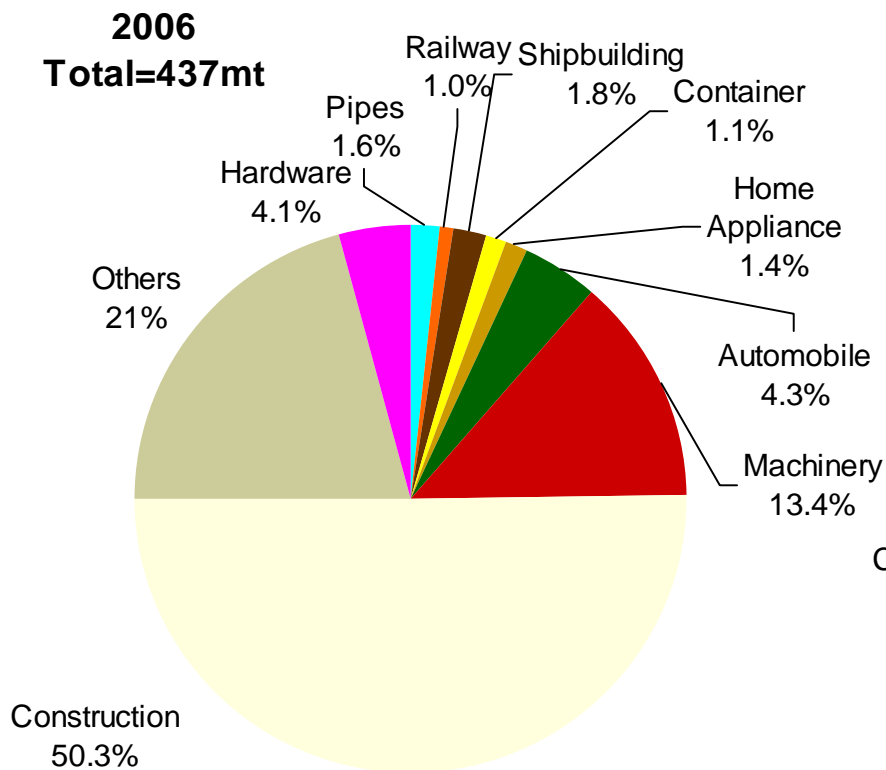


Domestic Steel Demand

13% p.a. growth



In 2006 China produced 422 mln tons of steel



Steel Exports & Imports

China has become a steel exporting country



Steel product exports may grow at 8.5% in 2008-11

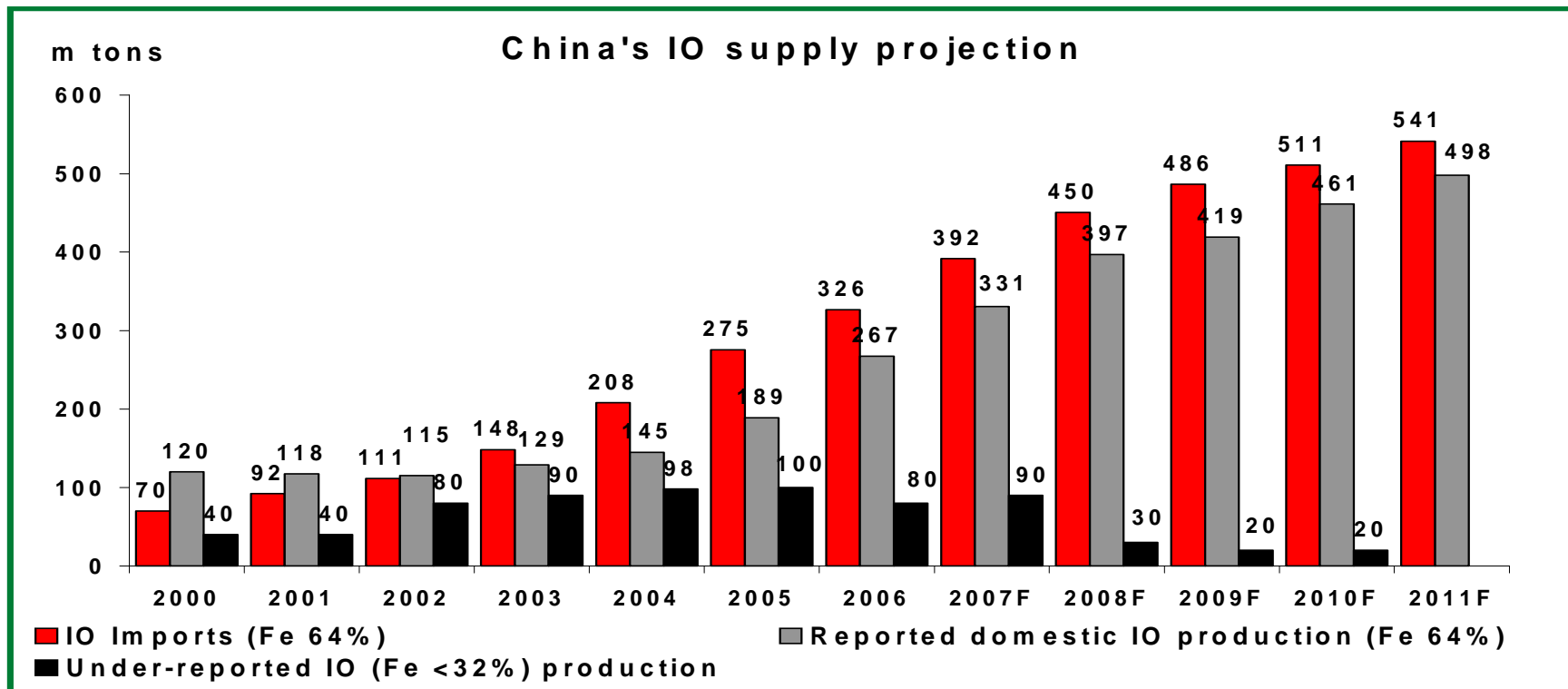


Domestic Iron Ore Demand

Iron Ore imports to grow from 392 in 07 to 511 m tons in 10



China's iron ore imports of 326 m tons in 2006 dwarfed Japan's 134 m tons. In 2007 alone China will import an additional 66 m tons over 2006 - 50% of global production



Source: CEIC, CSA

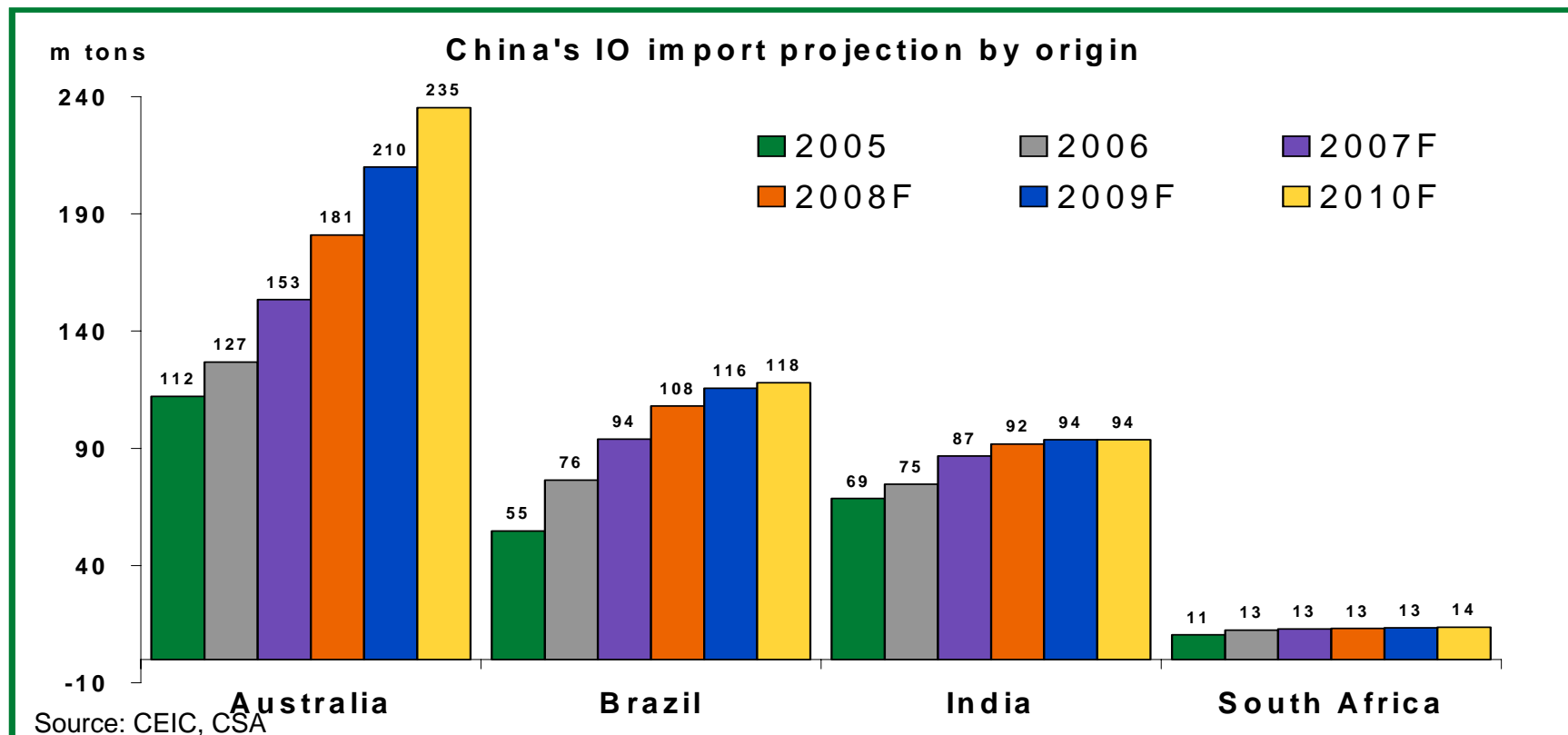


Iron Ore Imports

Australia to provide majority of Chinese iron ore imports



Australia retains price advantage (appx \$70 vs \$80+ ton for Brazil and India) while new licensing scheme aims to prevent speculative trading (above \$100 ton)

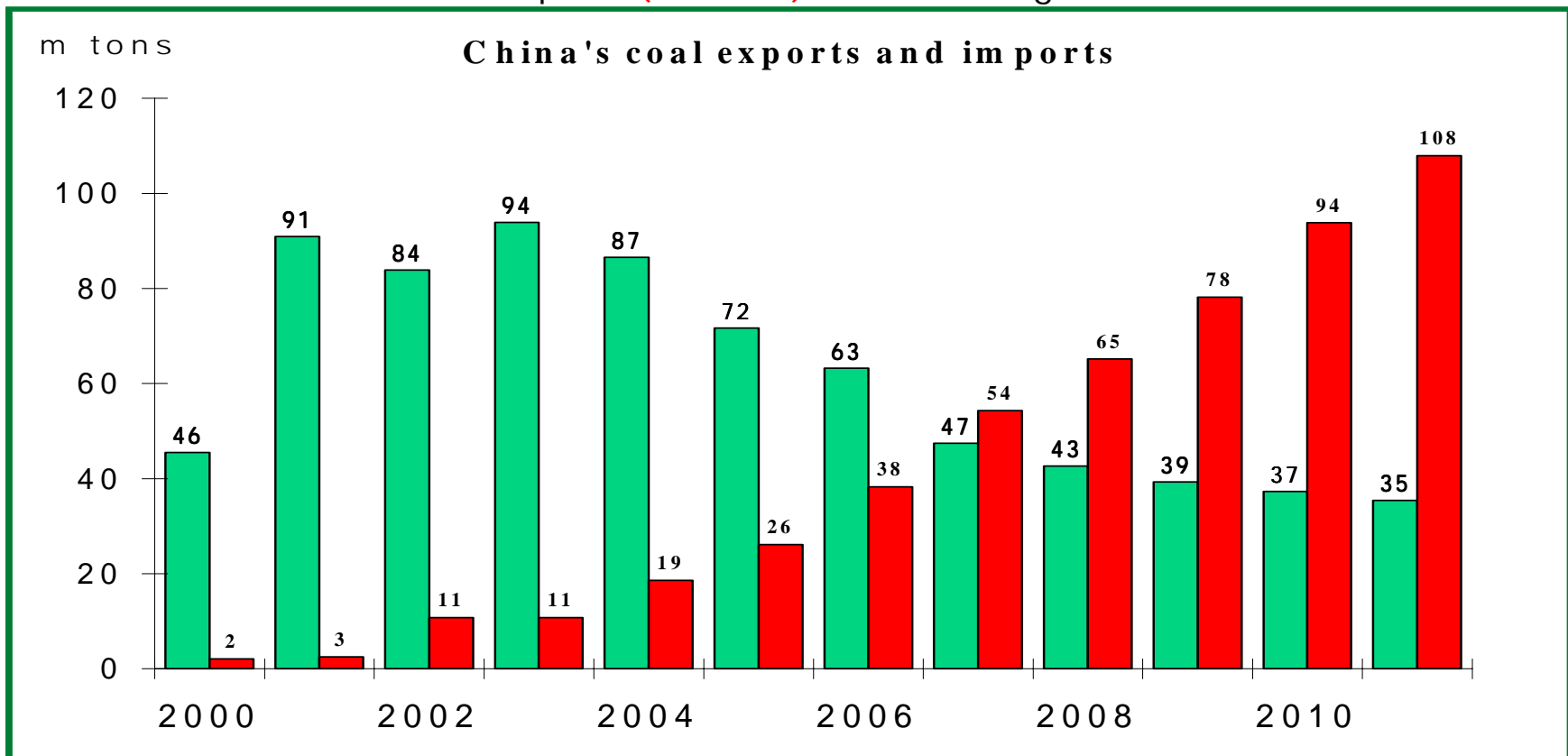


Coal Exports & Imports

Net imports started in 2007 could reach 73 m tons by 2011

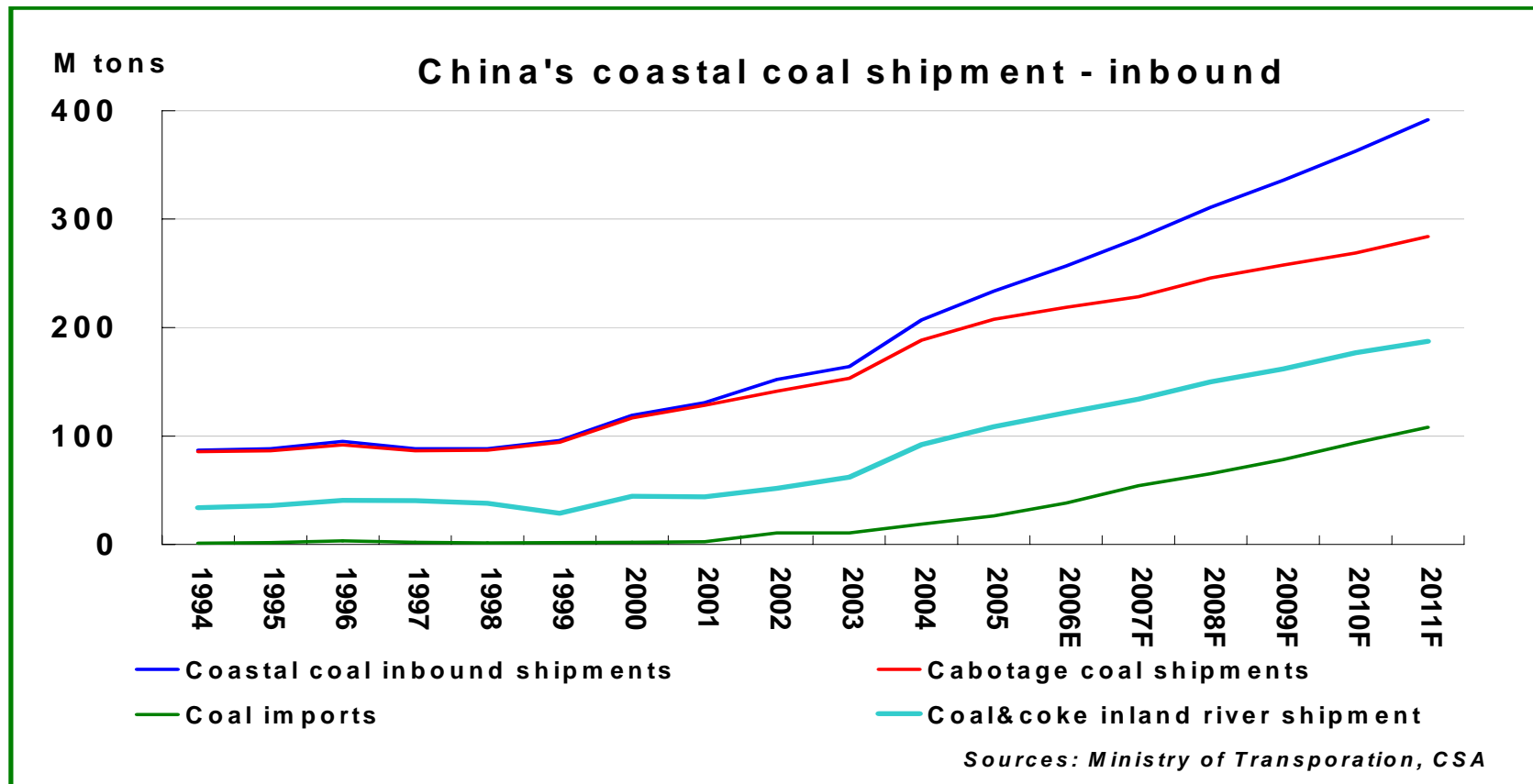


China's exports of thermal coal (green bars) are declining while thermal and coking coal imports (red bars) are increasing



Coastal Coal Shipments

Cabotage coal shipments are expected to rise steadily



Source: CEIC, CSA

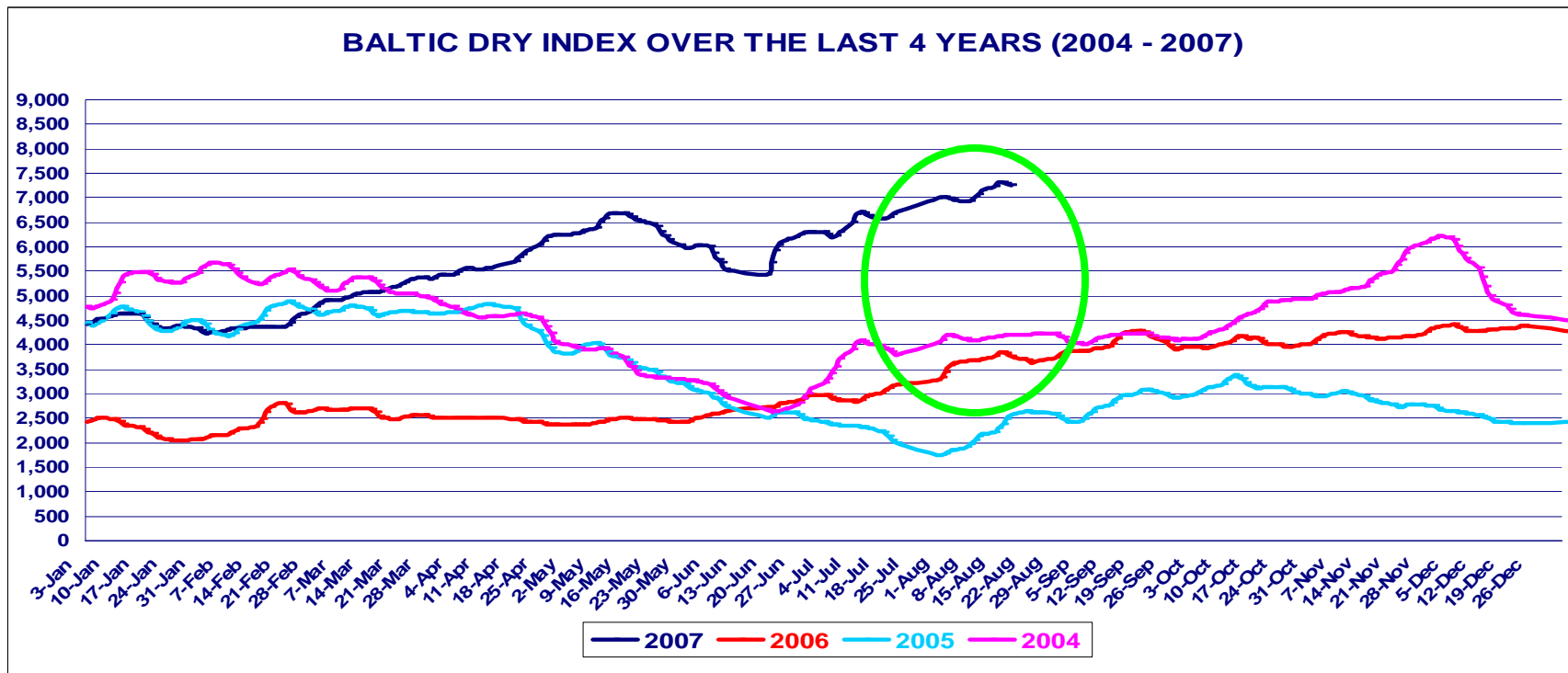


Baltic Dry Index

So far in 07 the index has surpassed all previous record levels



Growth in China specifically steel and construction industries and coal consumption coupled with (lower) growth elsewhere has resulted in record high charter rates



Source: The Baltic Exchange



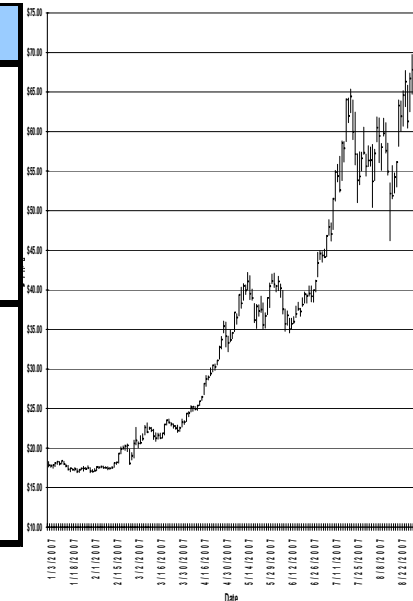
DryShips Inc. © 2005

Company Highlights

Dryships' shares up 297% this year from \$18 to \$71 per share

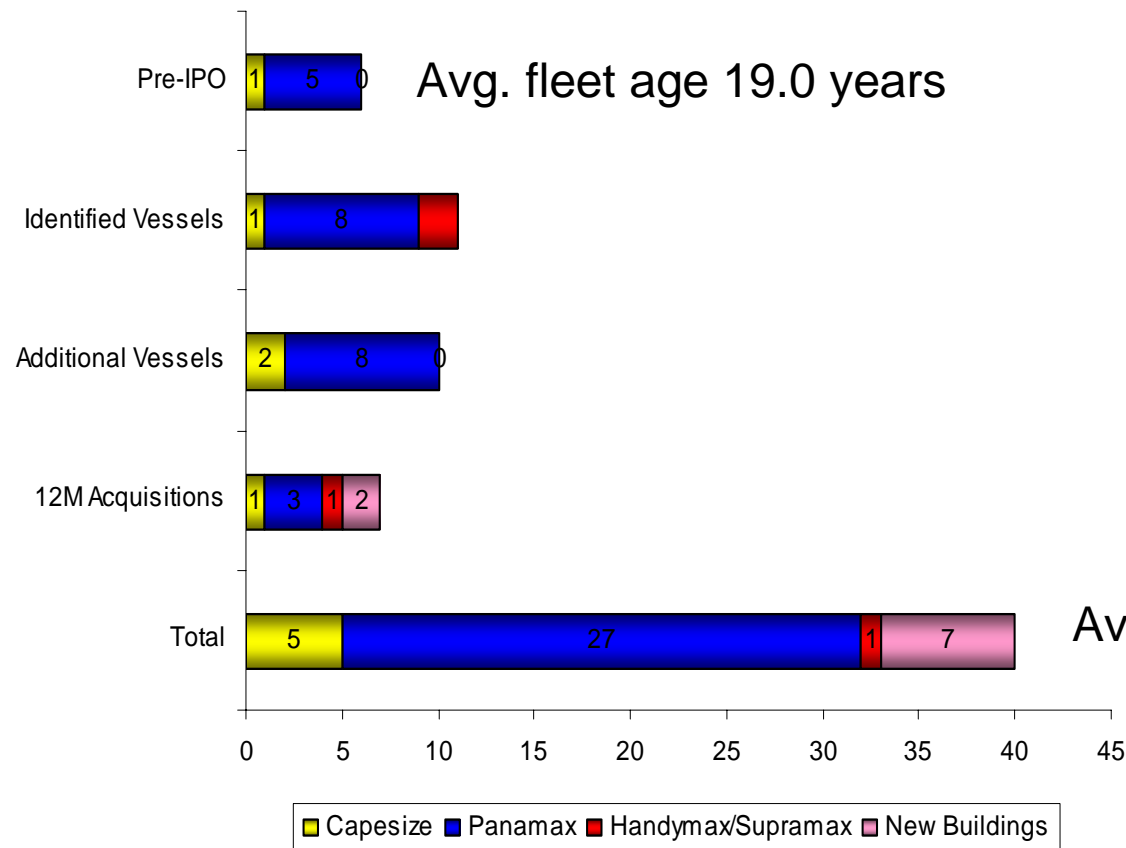


<i>\$s in millions except share price and eps</i>	2007	2008
Share Price	\$71.4	
Shares Outstanding	35.49	
Market Capitalization	\$2,532.6	
Enterprise Value	\$3,307.8	
EBITDA (excl. vessel gains)*	\$398.8	\$484.6
EPS (excl. vessel gains)*	\$6.7	\$8.4
EV/EBITDA multiple	8.3x	6.8x
P/E multiple *source I/B/E/S estimates	10.7x	8.5x



DryShips Fleet Development

Since IPO from 6 to 40 vessels in 30 months !!!



**Since inception,
73% ROE
and
43% ROCE**



Significant Upside Potential

May beat 2008 estimates by 27% based on rates below FFAs



FFA Forward Curve (\$ per day)			
	3q07	4q07	Cal 08
Capesize	114,500	114,500	94,500
Panamax	58,750	58,750	48,500
Handymax	36,150	36,150	28,000

DryShips Spot Fleet Earnings Assumptions (\$ per day)			
	3q07	4q07	Cal 08
Capesize	100,000	100,000	90,000
Panamax	55,000	55,000	45,000
Handymax	33,000	33,000	25,000



EBITDA estimate:

2008: \$ 615 million

Based on DryShips' current Enterprise Value, the above 2008 EBITDA estimate implies an EV/EBITDA ratio of 4.1x



2q07 Financial Highlights

Following 2q07 earnings results, stock hit a new all time high



<i>Figures in millions except TCE and TVOE in \$/d</i>	2q07	2q06
Net Income	\$110.2	(\$0.8)
EPS	\$3.11	(\$0.03)
Operating Income	\$120.9	\$10.5
EBITDA (excl. vessel gains)	\$87.3	\$25.2
Fleet TCE	36,092	20,603
Utilization	98.1%	97.1%

Included in the second quarter results is a capital gain on the sale of five vessels of \$53.8 million or \$1.52 per share. Excluding this gain Net Income would amount to \$56.4 million or \$1.59 per share.



Supplemental Slides



Appendix – q2 2007, 3 & 6 month Income Statements



<i>(Dollars in thousands, except per share data and Average Daily Results - unaudited)</i>	Six	Six	Three	Three
	Months Ended	Months Ended	Months Ended	Months Ended
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
		(Restated)		(Restated)
INCOME STATEMENT DATA				
Voyage revenues	\$199,171	\$109,356	\$112,521	\$54,547
Loss on Forward Freight Agreements		\$12,863		\$12,863
Voyage expenses	12,257	7,056	6,987	3,020
Vessel operating expenses	29,017	21,596	15,228	11,102
Depreciation and amortization	35,597	28,274	18,743	14,509
Gain on sale of vessels	(84,283)		(53,786)	
Management fees	4,641	2,954	2,445	1,510
General and administrative	3,895	2,004	2,007	1,036
Operating Income	198,047	34,609	120,897	10,507
Interest and finance costs, net	(22,762)	(15,756)	(12,174)	(11,465)
Other, net	1,353	(1,544)	1,514	150
NET INCOME	\$176,638	\$17,309	\$110,237	(\$808)
Basic and fully diluted earnings per share	\$4.98	\$0.57	\$3.11	(\$0.03)
Weighted average basic and diluted shares outstanding	35,490,097	30,381,294	35,490,097	30,412,245



Appendix – June 30, 2007 & 2006 Balance Sheets

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

	December 31, 2006	June 30, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	2,537	33,466
Restricted cash	6,614	6,738
Accounts receivable trade	3,187	8,169
Insurance claims	671	6,237
Due from related parties	3,353	3,625
Inventories	2,571	2,754
Prepayments and advances	5,568	6,300
Fair value of above market acquired time charter	1,335	-
Financial instruments	39	-
Total current assets	25,875	67,289
FIXED ASSETS, NET:		
Advances for vessels under construction and acquisitions	27,380	22,847
Vessels, net	1,084,924	1,338,256
Total fixed assets, net	1,112,304	1,361,103
OTHER NON CURRENT ASSETS:		
Deferred charges, net	6,200	4,227
Restricted cash	20,000	20,000
Financial instruments	946	2,123
Other	2,848	1,768
Total assets	1,168,173	1,456,510
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	71,412	81,118
Accounts payable	11,423	8,409
Due to related parties	25,086	-
Accrued liabilities	6,326	10,501
Deferred revenue	12,270	11,521
Financial Instruments	2,625	-
Other current liabilities	202	230
Total current liabilities	129,344	111,779
NON CURRENT LIABILITIES:		
Fair value of below market acquired time charter	-	3,454
Long term debt, net of current portion	587,330	727,534
Other	607	409
Total non current liabilities	587,937	731,397
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY:		
Preferred stock, \$ 0.01 par value; 30,000,000 shares authorized, none issued.	-	-
Common stock, \$0.01 par value; 75,000,000 shares authorized; 35,490,097 shares issued and outstanding.	355	355
Additional paid-in capital	327,446	327,446
Retained earnings	123,091	285,533
Total stockholders' equity	450,892	613,334
Total liabilities and stockholders' equity	1,168,173	1,456,510



Appendix – Fleet Profile as of August 20, 2007



	Year Built	DWT	Type	Current Employment	Gross Rate per Day	Redelivery Earliest	Latest
Capesize:							
Manasota	2004	171,061	Capesize	TC	✓ \$55,000	Prompt	Nov-07
Alameda	2001	170,269	Capesize	TC	✓ \$73,000	Jan-08	Mar-08
Samsara	1996	150,393	Capesize	TC	✓ \$55,500	Sep-07	Nov-07
Netadola	1993	149,475	Capesize	TC	✓ \$52,500	Oct-07	Nov-07
Brisbane	1995	151,066	Capesize	Spot	\$93,000	Prompt	Prompt
	9.0	792,264	5				
Panamax:							
Heinrich Oldendorff	2001	73,931	Panamax	BB	\$28,000	Apr-08	Jun-09
Ligari	2004	75,583	Panamax	TC	✓ \$31,550	Sep-07	Nov-07
Padre	2004	73,601	Panamax	TC	✓ \$30,000	Sep-07	Nov-07
Mendocino	2002	76,623	Panamax	TC	✓ \$37,500	Oct-07	Dec-07
Maganari	2001	75,941	Panamax	TC	✓ \$18,400	Apr-08	Jul-08
Ocean Crystal	1999	73,688	Panamax	TC	✓ \$40,000	Sep-07	Nov-07
La Jolla	1997	72,126	Panamax	TC	✓ \$46,000	Oct-07	Dec-07
Lanzarote	1996	73,008	Panamax	TC	✓ \$43,750	Sep-07	Nov-07
Iguana	1996	70,349	Panamax	TC	✓ \$28,000	Sep-07	Nov-07
Waikiki	1995	75,473	Panamax	TC	✓ \$36,750	Jan-08	Mar-08
Sonoma	2001	74,786	Panamax	Baumarine	\$53,585		
Toro	1995	73,034	Panamax	Baumarine	\$51,652		
Lacerta	1994	71,862	Panamax	Baumarine	\$52,033		
Catalina	2005	74,432	Panamax	Spot	\$54,000	Prompt	Prompt
Majorca	2005	74,364	Panamax	Spot	\$49,000	Prompt	Prompt
Bargara	2002	74,832	Panamax	Spot	\$64,500	Prompt	Prompt
Capitola	2001	74,832	Panamax	Spot	\$50,000	Prompt	Prompt
Coronado	2000	75,706	Panamax	Spot	\$51,000	Prompt	Prompt
Redondo	2000	74,716	Panamax	Spot	\$60,000	Prompt	Prompt
Marbella	2000	72,561	Panamax	Spot	\$65,500	Prompt	Prompt
Xanadu	1999	72,270	Panamax	Spot	\$69,000	Prompt	Prompt
Primera	1998	72,495	Panamax	Spot	\$55,000	Prompt	Prompt
Menorca	1997	71,662	Panamax	Spot	\$50,000	Prompt	Prompt
Formentera	1996	70,002	Panamax	Spot	\$42,000	Prompt	Prompt
Solana	1995	75,100	Panamax	Spot	\$64,250	Prompt	Prompt
Paragon	1995	71,259	Panamax	Spot	\$58,500	Prompt	Prompt
Tonga	1984	66,798	Panamax	Spot	\$43,000	Prompt	Prompt
	8.3	1,981,034	27				
Handymax:							
Matira	1994	45,863	Handy max	TC	✓ \$32,300	Oct-07	Dec-07
	13.0	45,863	1				
Newbuildings:							
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				
		854,000	7				
Total Fleet	8.6	3,673,161	40				

1. For spot vessels the TCE rate is for the current voyage.
2. For vessels trading in the Baumarine pool the TCE rate is the Pool's estimate for earnings in the month of August.
3. The MV HeinrichOldendorff is employed under a bareboat charter.
4. The quoted rates are not indications of future earnings and the Company gives no assurance or guarantee of future rates.



Steel Industry – Structural Developments

Continued Growth & Consolidation



- The steel industry will continue to grow and consolidate, led by larger mills
- Government to establish minimum requirements for blast furnace size and annual crude steel output levels, suspend illegal or unqualified steel projects, freeze new steel mill applications
- New capacity investments for high-end products by big steel companies (Baosteel) are supported by the government, while small and inefficient plants continue to be shut down/suppressed



Coal Industry Structural Developments



Shift to net importer of coal

- The government is tightening safety requirements, and closure of small coal mines to 10,000 by 2010 as a result domestic coal supply growth cannot meet demand.
- By 2010, China's coal demand and output are both expected to reach 2.6 billion tons
- China is the world's biggest coal producer, coal remains the dominant energy source accounting for 78% of electricity generation up from 69% two years ago
- Heavy investments have been made to build big coal mines and new coal transportation rail lines and port facilities to meet rising domestic demand
- Rising domestic prices and the new tax regime will discourage exports and encourage imports China is well on it's way to become the third largest importer (after Japan and Korea)
- We expects China to switch from being a net coal exporter of 25mt in 2006, to a net importer of 6.9mt in 2007 and net importer of 75mt by 2011

