

# DryShips Inc. Informational Roadshow



NASDAQ: "DRYS"

June 2006

# Disclaimer

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## 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.



# Business Profile and Strategy

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## Capitalize on Fundamental Industry Change

### Modern and Diversified Fleet



- 29 vessels – 2.4 mil dwt – 11.3 years average age versus industry average of 15 years
- 4 Capesize - 22 Panamax – 3 Handysize

### Sector Leadership



- Largest US listed drybulk company in terms of fleet and revenues
- Among largest panamax owner in the world
- Strategic objective of industry consolidator through accretive acquisitions

### Diversified Chartering Strategy



- Unique combination of spot, period and pool employment only possible because of large fleet.
- Aimed to maximize revenues and profitability
- Fixed revenue comparable to public peers

### Financial Return Focus



- 2005 ROCE 28.6%
- 2005 ROE 63.2%

### Regular Dividends



- Quarterly dividend of \$0.20 per share
- Paid / announced 5 consecutive dividends since IPO



## Financial Highlights

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	Q1 2006	Full Year 2005
Net Revenue	\$50.8 million	\$219.3 million
Net Income	\$18.1 million	\$111 million
EPS	\$0.60 per share	\$3.83 per share
EBITDA	\$37 million	\$173.3 million
Dividend	\$0.20 per share	\$0.60 per share 3 quarterly dividends
Debt to Capitalization	57.9%	59.5 %
Net Debt to Capitalization	56.5%	59.3 %



## Operating Highlights

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	Q1 2006	Full Year 2005
Fleet Development	Agreed to acquire 2 vessels Fleet of 29 vessels	Acquired 21 vessels Fleet of 27 vessels
Average Daily Fleet TCE Rate	\$21,325	\$28,446
Daily Vessel Operating Expenses	\$5,326	\$5,831
Fleet Utilization	98%	98%



# Recent Developments and Strategy

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## Completion of New Credit Facility



- ❑ New \$624.5 million credit facility with HSH Nordbank and Bank of Scotland.
- ❑ \$553.3 million term loan for the refinancing of existing debt including the Hille Oldendorff
- ❑ \$71.25 million revolving credit facility for the acquisition of additional vessels
- ❑ 10 year repayment schedule optimizing cash flow utilization

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**Maximum flexibility to take advantage of market conditions**

**For the balance of 2006, reduced fixed debt repayments by more than half**

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## Fleet expansion through accretive acquisitions



- ❑ Took delivery of Hille Oldendorff and Maganari on April 19, and May 15, 2006 respectively.
- ❑ Both vessels were purchased with period employment.

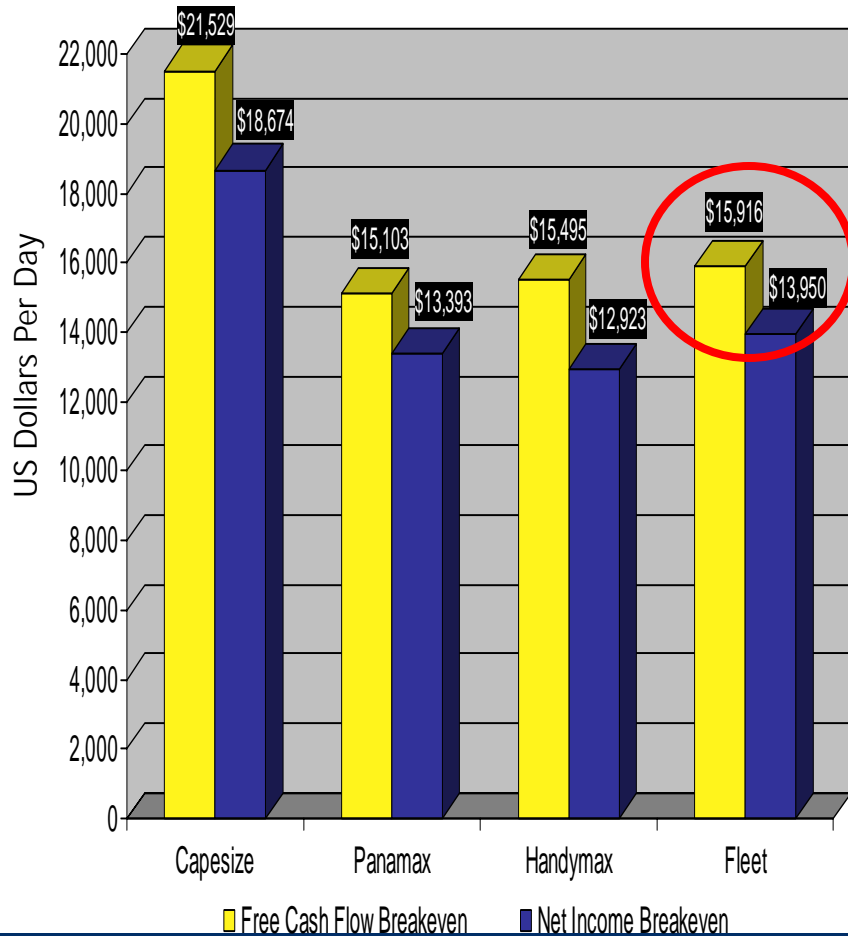
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**Continued growth with emphasis on secure revenue**

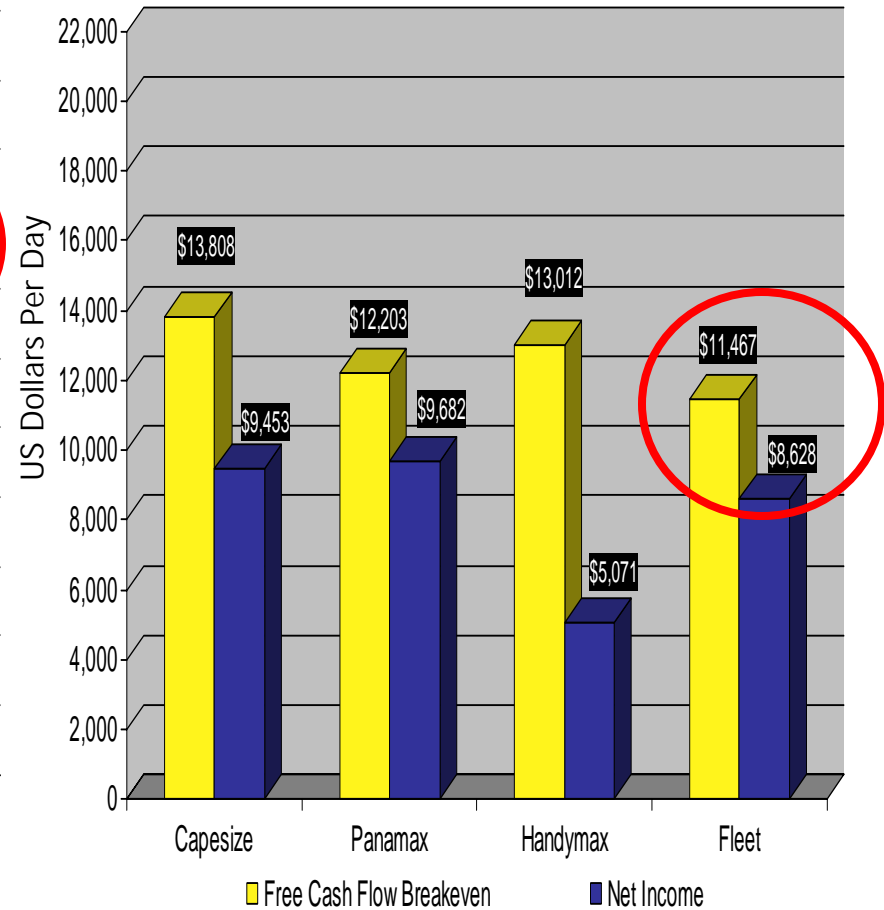


# Low Breakeven (includes dividend)

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



Spot Fleet Breakeven Daily Rates  
(Apr.-Dec. 2006)



# Accretive Growth Strategy

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## Hille Oldendorff – Purchase price \$40.76 million

- Modern 2005 built 55,566 dwt handymax bulkcarrier
- \$5.4 million in fixed net revenue under current charter (redelivery Jan 07 – May 07)
- \$2.4 million in estimated net income for 2006.

## Maganari – Purchase price \$35.4 million

- Modern 2001 built 75,941 dwt panamax bulkcarrier
- \$15.1 million in fixed net revenue under current charter (redelivery Feb 08 – Jul 08)
- \$3.0 million in estimated net income for 2006.

Note: EPS measured on the basis of 30.35 million shares outstanding





# Increased Financial Flexibility

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## Controlled Equity Offering

### Mechanics

- Small size maybe up to 5 million shares
- Shares may be sold from time to time in open market operations
- Prevailing “at the market” price and low transaction costs
- DryShips has total control over manner, timing and size of transactions.
- DryShips can commence and stop the process at any time

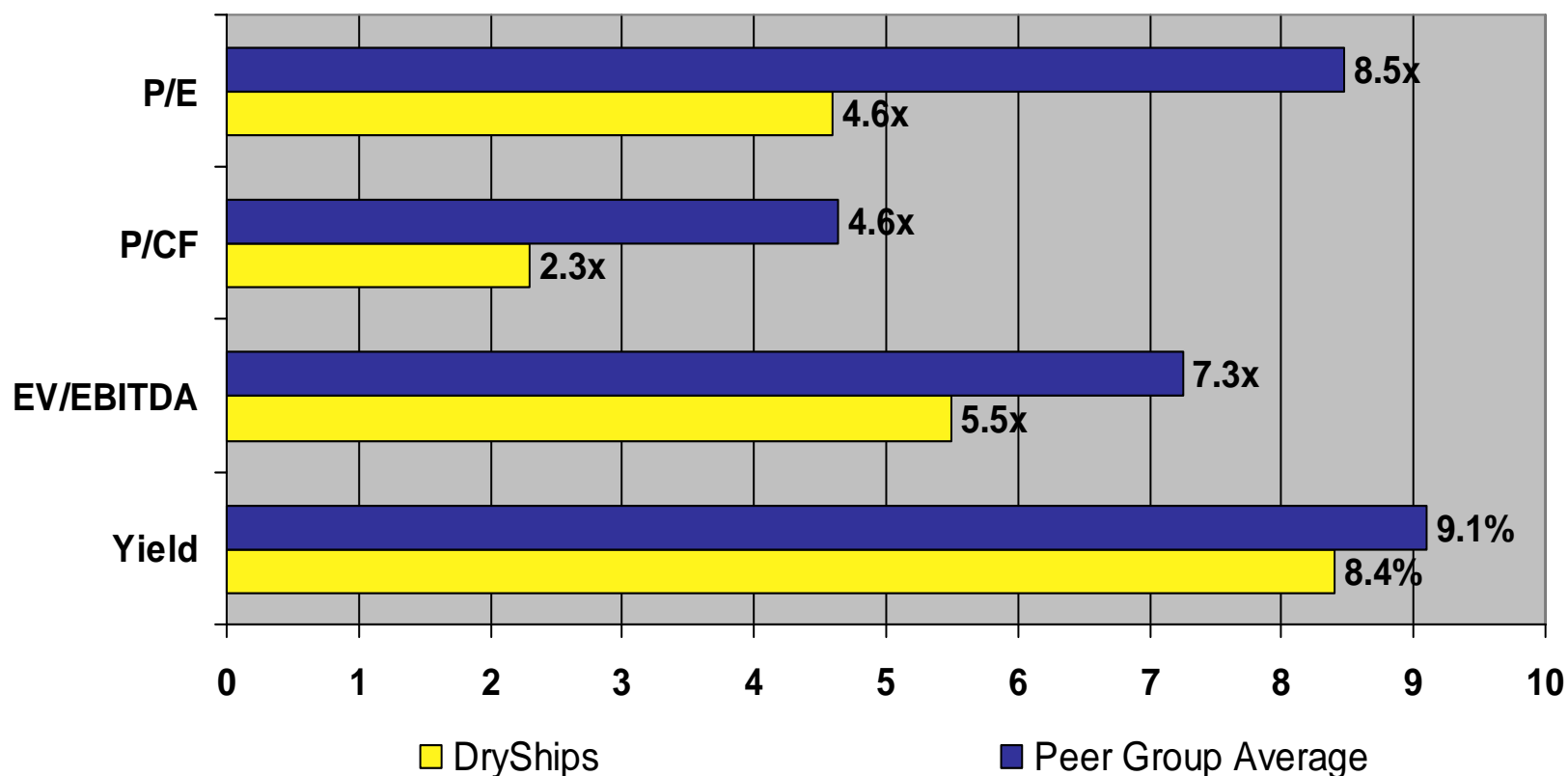
### Objective

- Increase DryShips’ ability to take advantage of market conditions to acquire additional vessels as and when opportunities arise.



# Compelling Valuation

- DryShips has the lowest combination of valuation multiples and comparable yield in its Peer Group

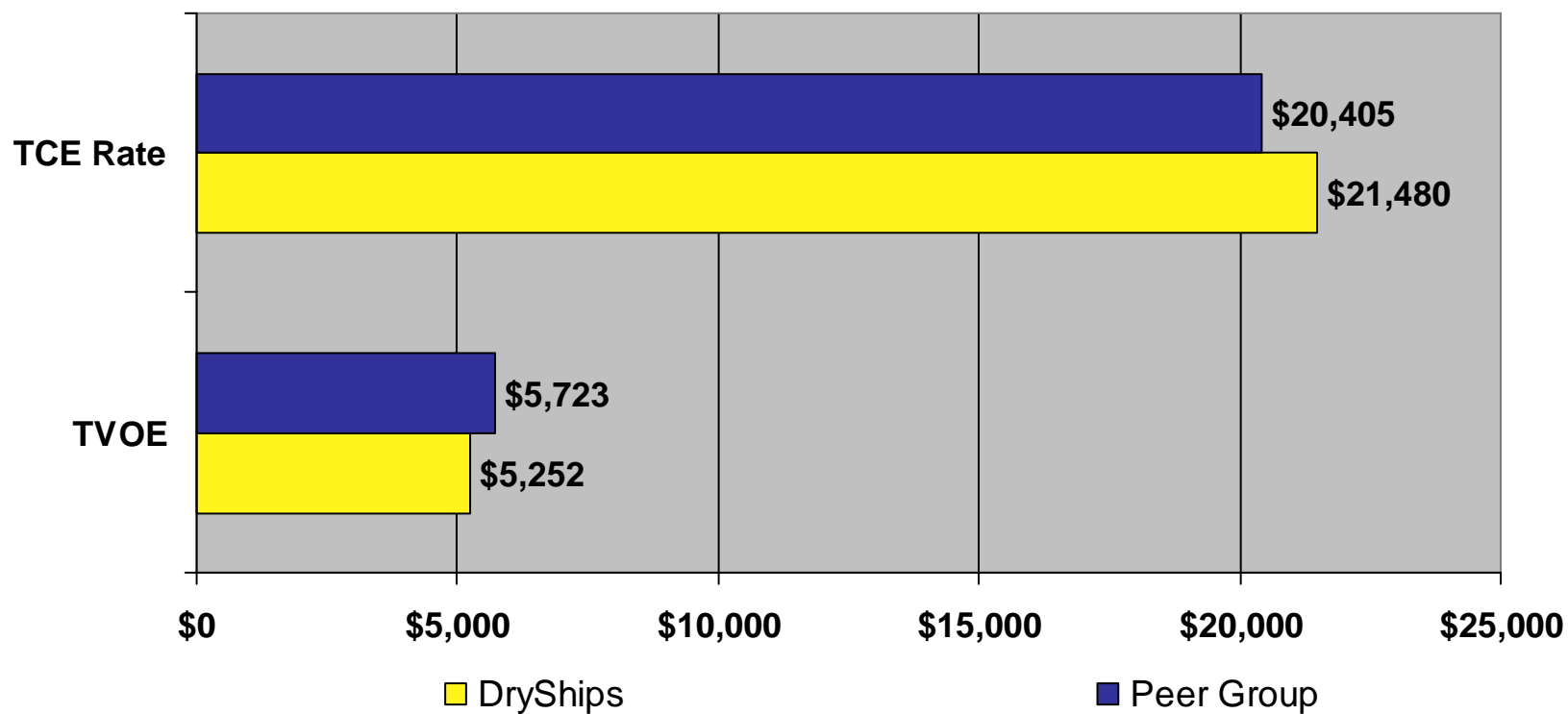


Note: 2006 Valuations as per Analysts' Consensus estimates. Peer group includes Diana, Excel, Genco and Quintana



## Strong Operating Performance

- Highest fleet average TCE rate in 1Q06 compared to peers
- Lowest total operating cost in 1Q06 compared to peers

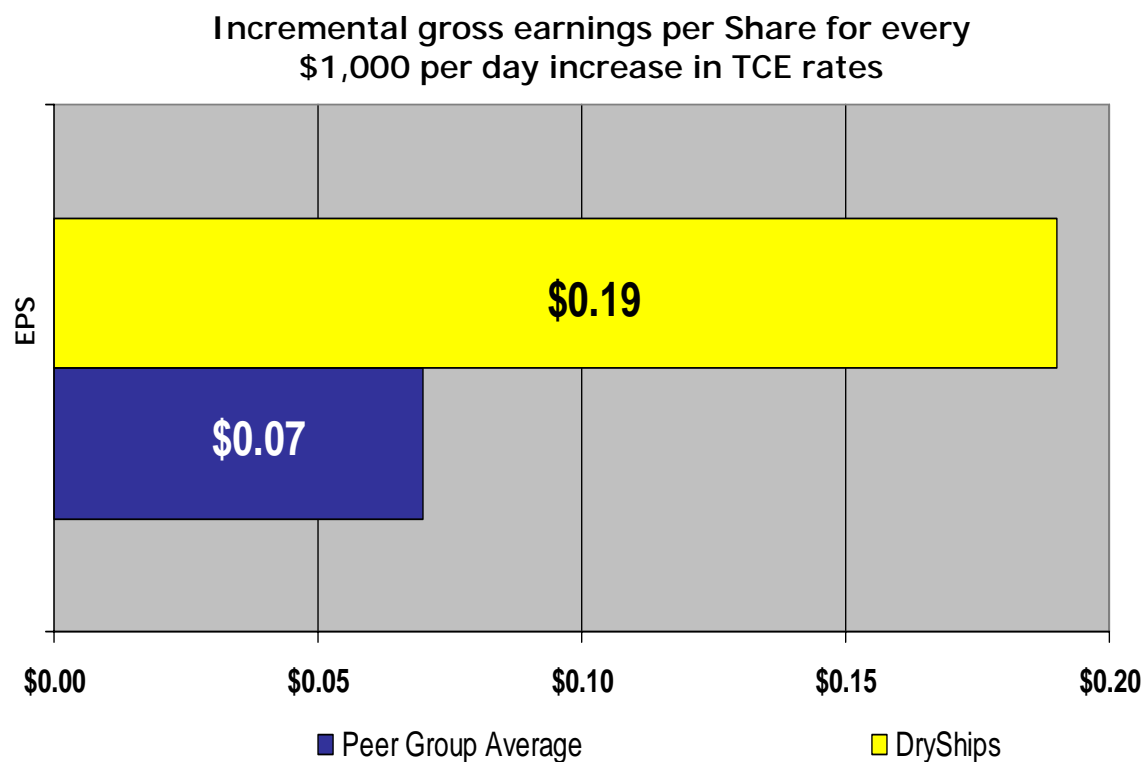


Source: Various companies publications



# Significant Upside Potential

- Highest earnings leverage within its Peer Group



Note: A \$1,000 per day increase in spot charter rates will increase DRYSHIPS gross revenue by an additional \$5.8 million during the period April 1, 2006 to December 31, 2006, or \$0.19 per share = 10% basis \$1.97 consensus estimates

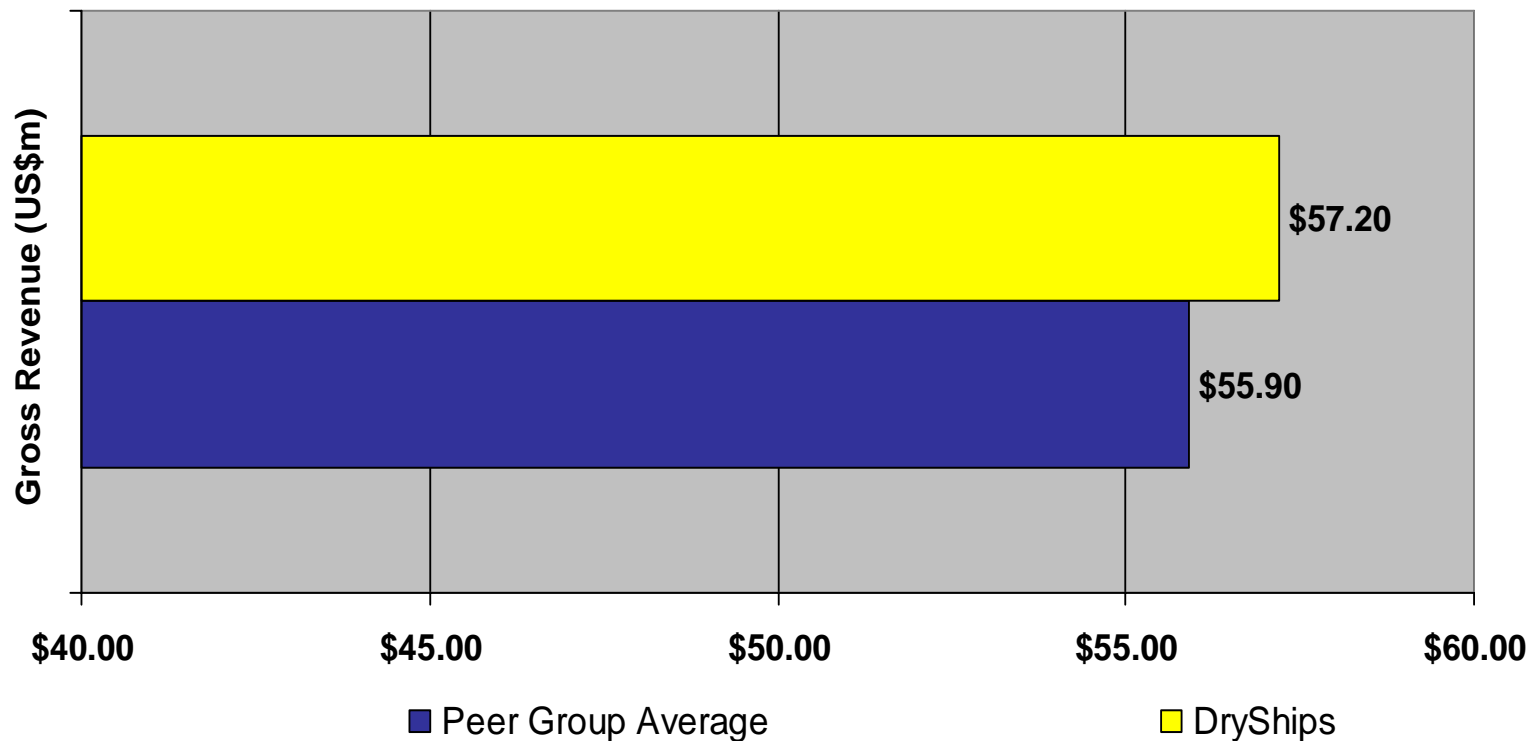
Spot timecharter rates assumed as: Capesize 31,750, Panamax 16,875, Handymax 16,750 (estimated 1yr TC levels from industry sources)



# Comparable Fixed Revenue

- DryShips revenue from period employment for the balance of 2006 is in line with its peer group.

Fixed Revenue April 1, to December 31, 2006

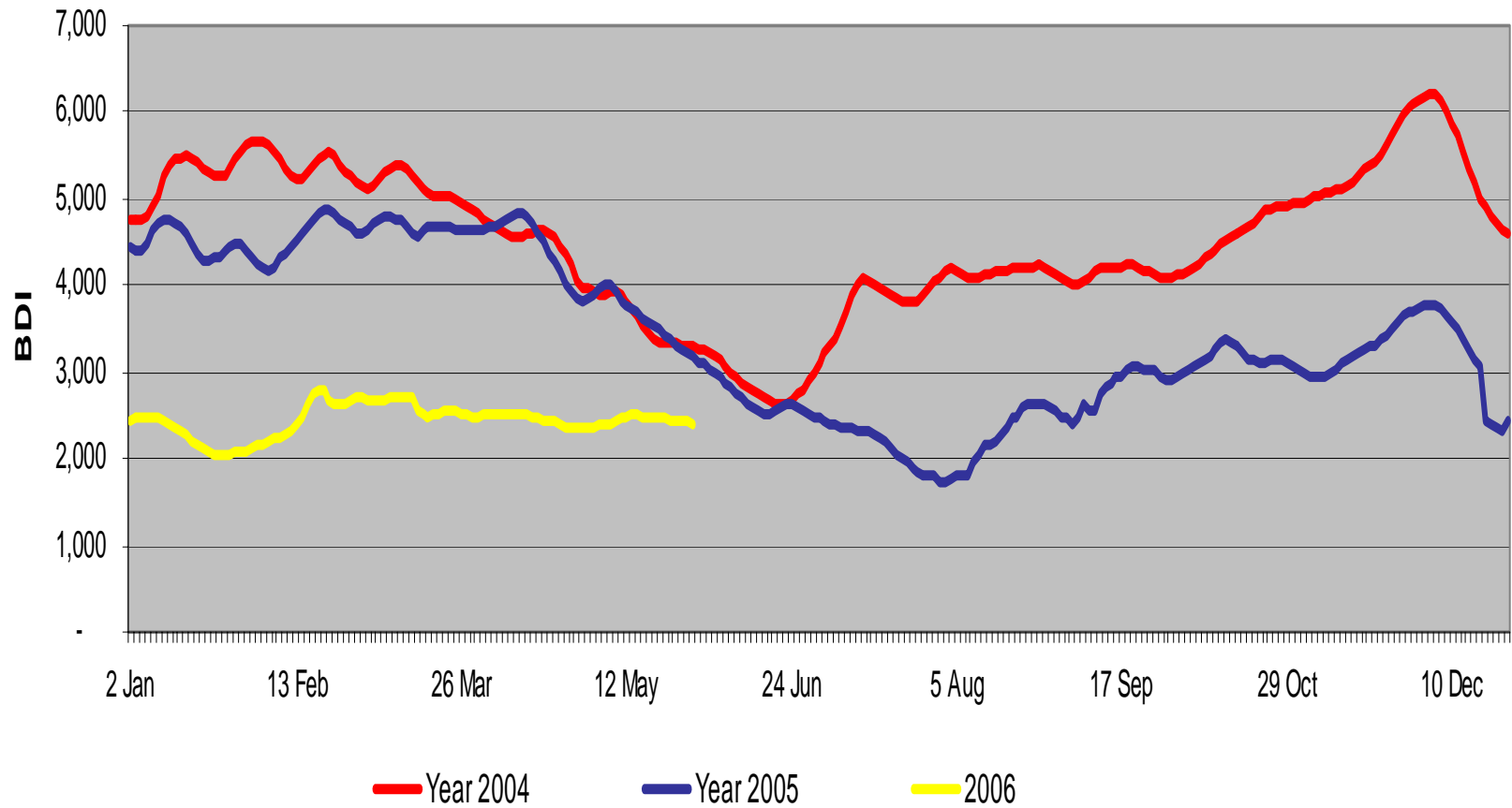


Source: Companies press releases and presentations



# Baltic Dry Index

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

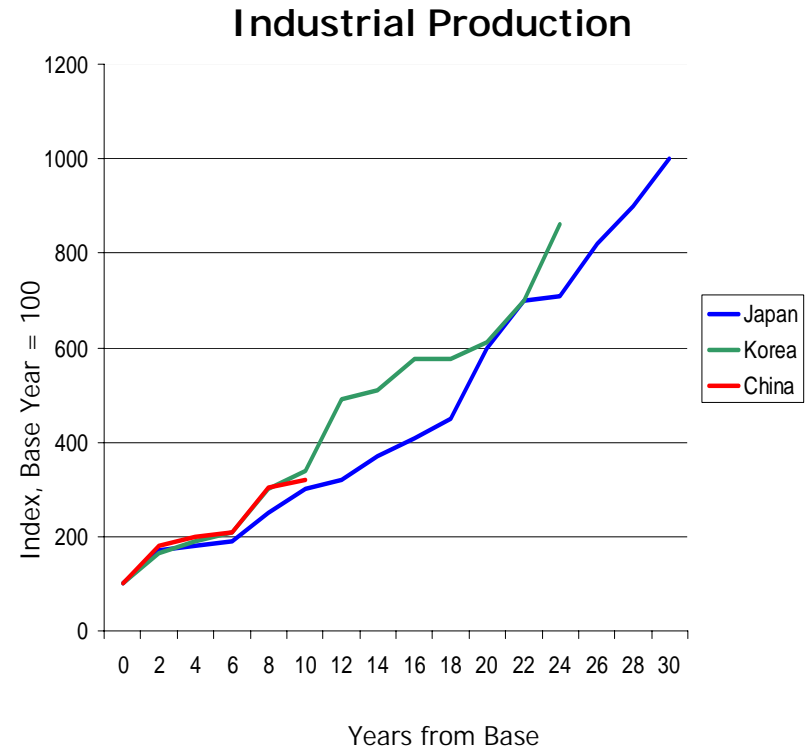
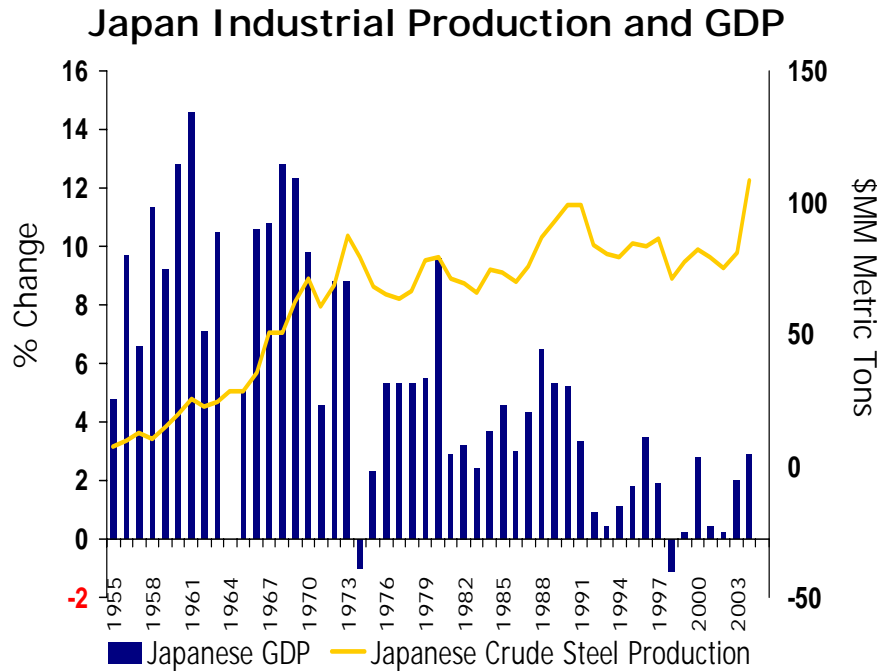


Source: The Baltic Exchange



# Is China a Bubble? Absolutely Not!

➤ “Soft” or “Hard” landing? “No” landing at all



Japan Base Year = 1959

Korea Base Year = 1980

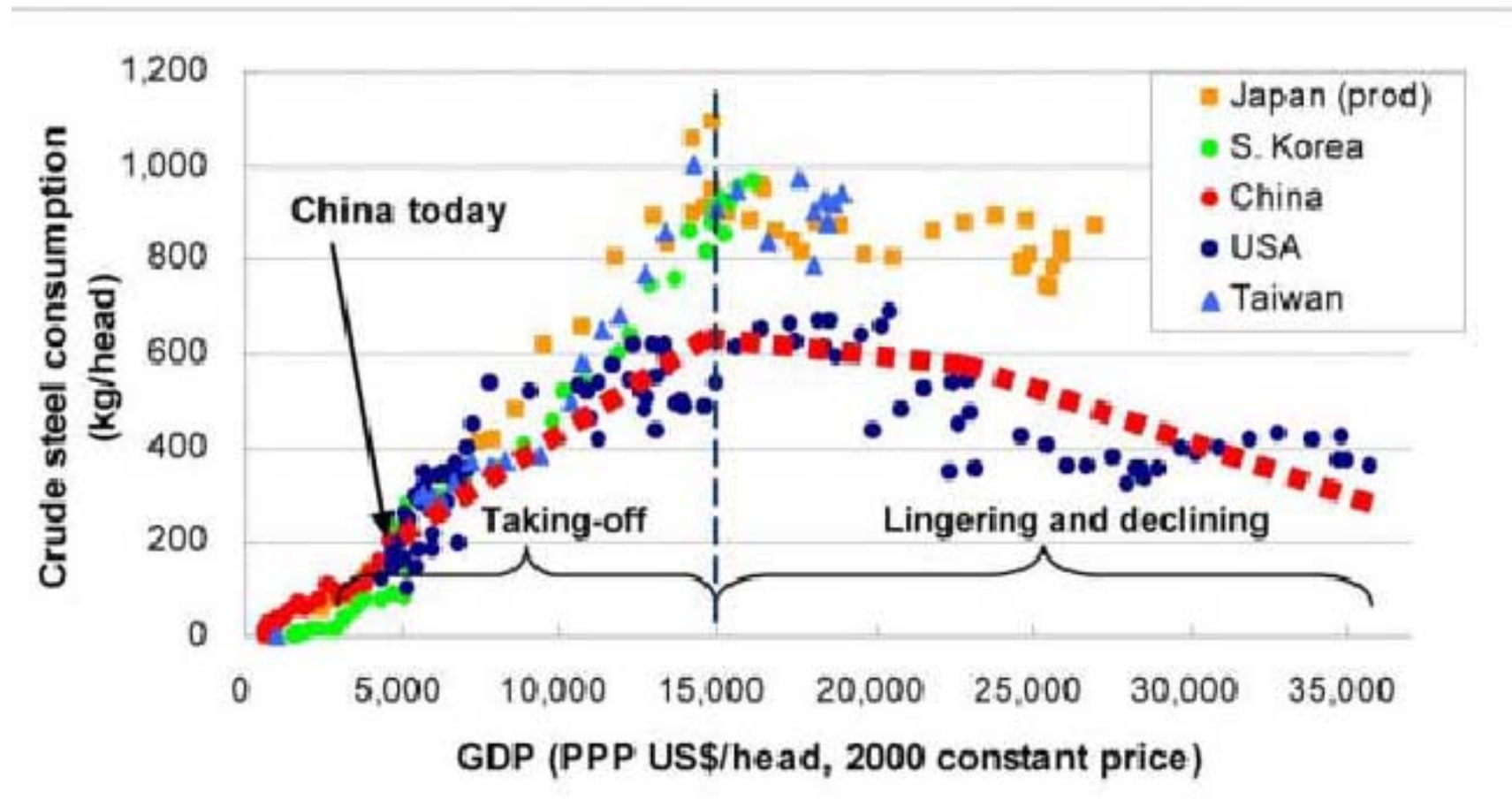
China Base Year = 1995

(\$ in billions)	2003	2004	2005
GDP China	1,319	1,444	1,587
% Change	9.1%	9.5%	9.9%
Net Change	110	125	143

Source: Clarksons Research Studies and International Monetary Fund



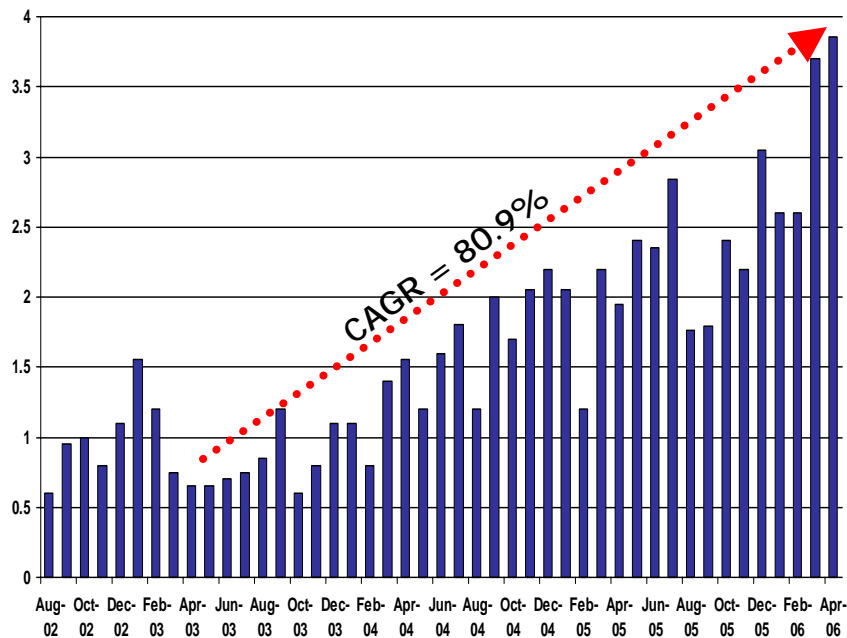
# Chinese Steel Production





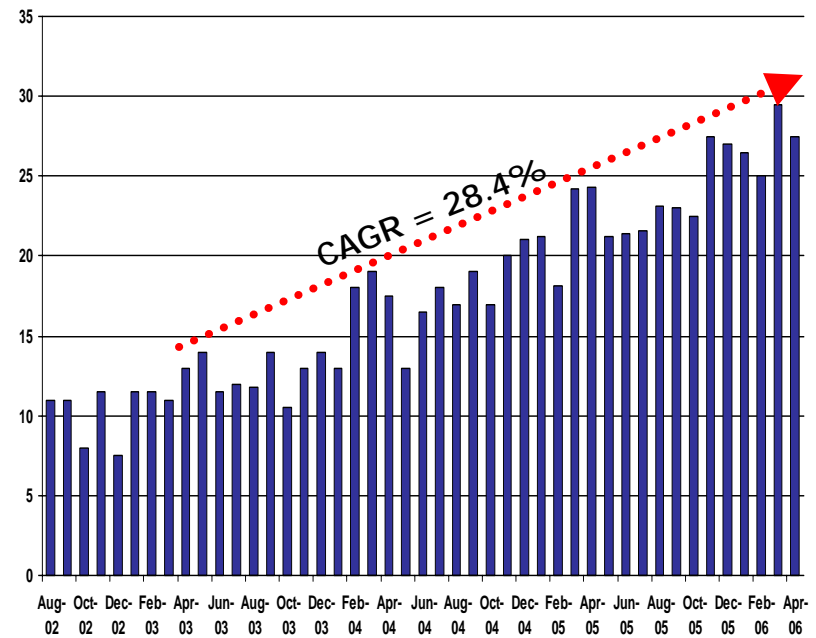
# Sustained Chinese Demand

## Chinese Coal Imports



➤ Coal imports of 8.9m tons for 1Q06 up 81.6% from 4.9m tons for 1Q05!

## Chinese Iron Ore Imports



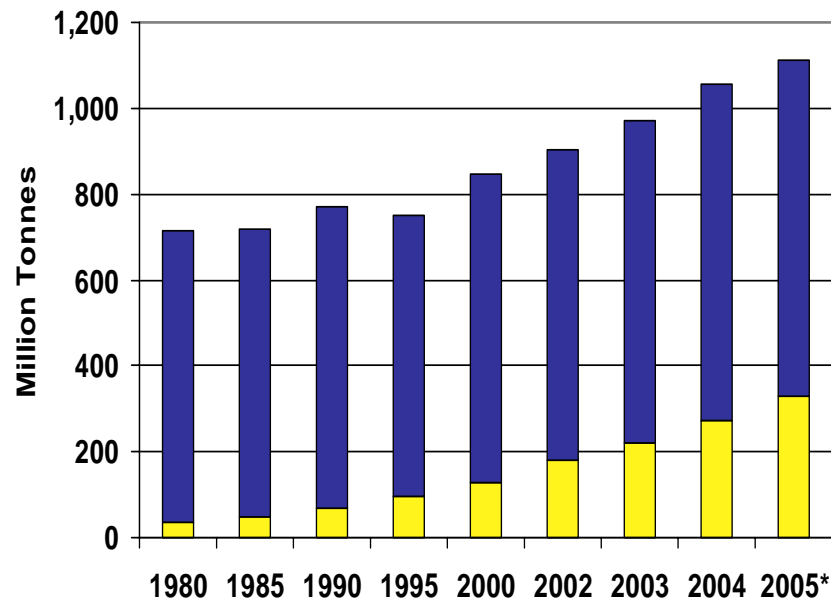
➤ Iron ore imports of 81.0m tons for the 1Q06 up 27.3% from 63.6m tons for 1Q05!



# Growth in Worldwide Steel Production

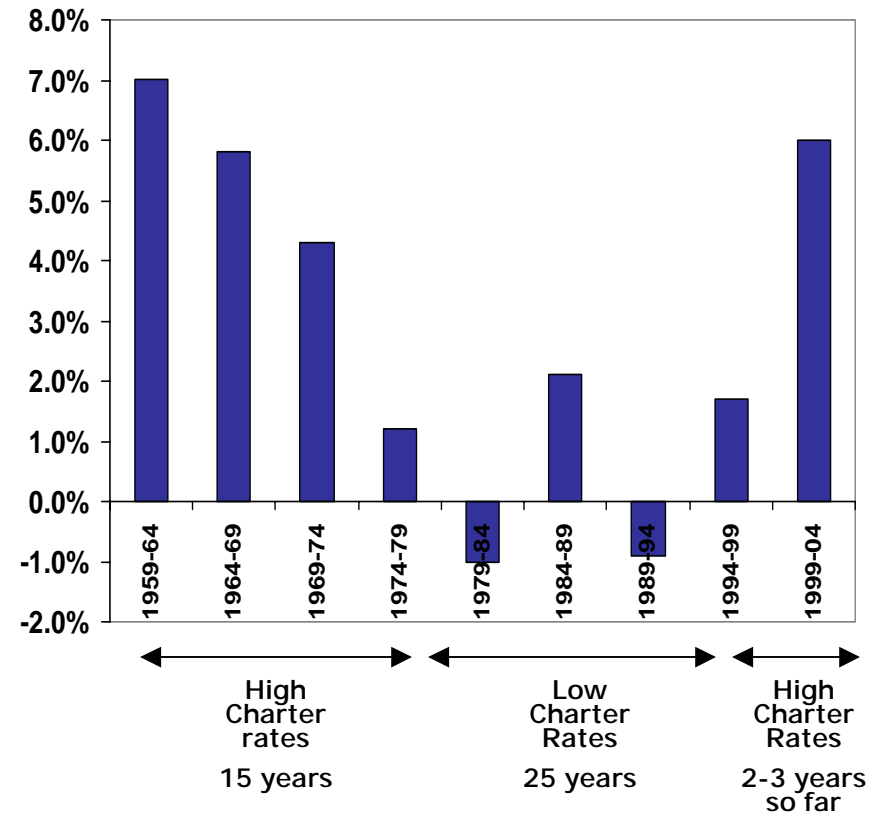
- Steel and its raw materials account for 44% of drybulk demand

World Steel Production

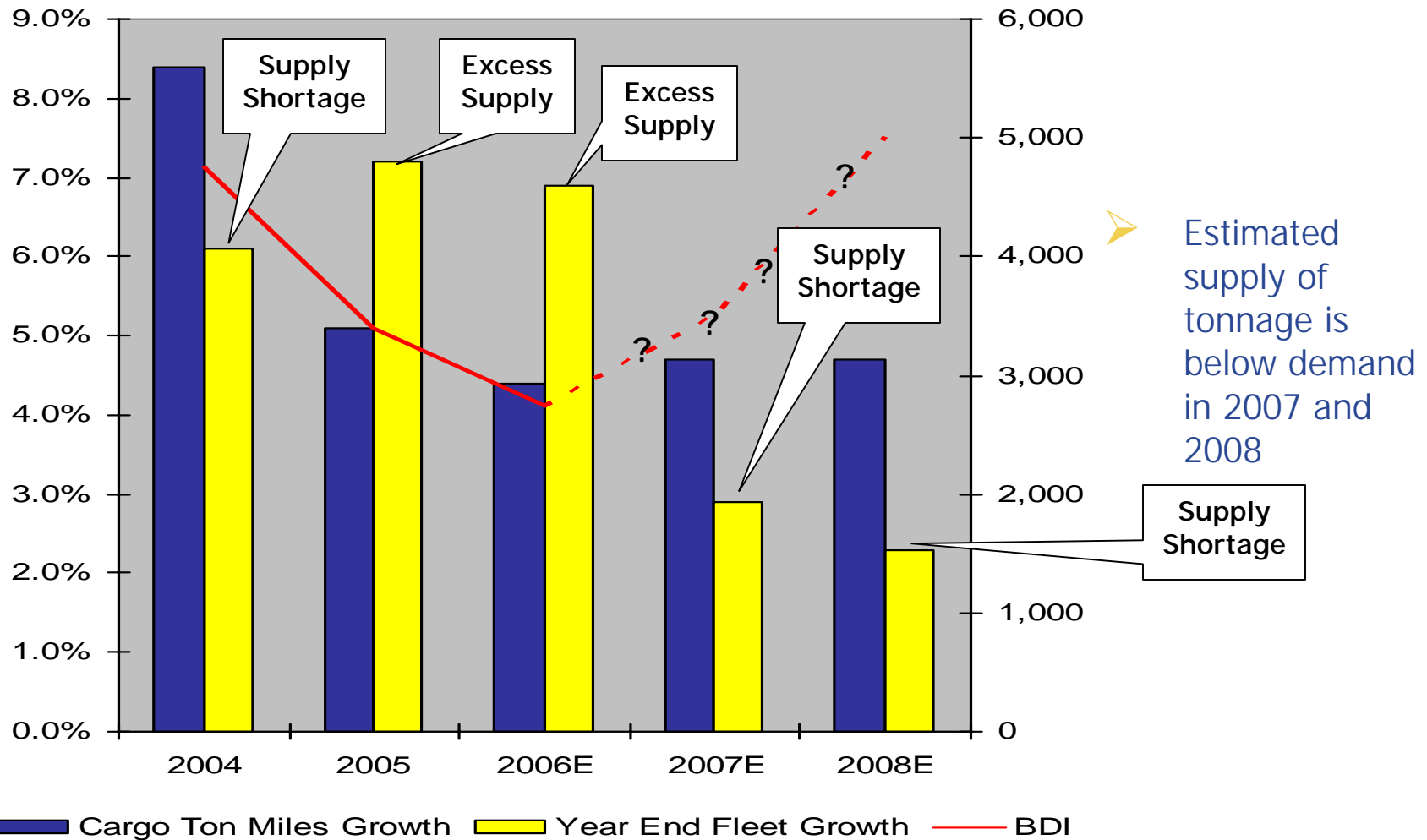


■ China      ■ World  
 CAGR 1980 - 2000 = 6.4%  
 CAGR 2000 - 2005 = 20.8%

World Steel Production Growth



# Positive Fundamental Outlook



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



# Industry Summary

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## No Change in Positive Long Term Fundamentals

### SUPPLY

- Newbuilding deliveries to decline in 2007 and beyond
- Pool of scrapping candidate vessel (25+ years old) to increase steadily

### DEMAND

- Chinese urbanization and industrialization will continue to support steel demand
- Indian acute coal shortage, country emerging as important demand source
- Huge iron ore and coal mining capacity expansion mainly in 2006 and 2007
- Economic growth forecasts imply increased demand for steel & energy in 2006
- Iron ore and coal ton mile expected demand growth at 6.7% p.a. versus 1% during 1990-99

### FLEET CAPACITY

- Shortage expected to continue supporting above historical average charter rates



## DryShips: Compelling Investment Case

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



## Appendix I – 1Q06 AND 1Q05 Income Statements

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

	3 Months Ended March 31, 2006 <i>Unaudited</i>	3 Months Ended March 31, 2005 <i>Unaudited</i>
<b>INCOME STATEMENT DATA</b>		
Voyage revenues	\$54,809	\$29,449
Voyage expenses	4,033	2,008
Vessels operating expenses	10,522	3,963
Depreciation and amortization	13,766	2,536
Management fees	1,444	549
Foreign currency losses	0	32
General and administrative	979	726
Operating Income	24,065	19,635
Interest and finance costs, net	(6,104)	(522)
Other, net	102	(3)
NET INCOME	\$18,063	\$19,110
Basic and fully diluted earnings per share	\$0.60	\$0.80
Weighted average basic and diluted shares outstanding	30,350,000	23,871,667



## Appendix II – December 31, 2005 and March 31, 2006 Balance Sheet

(Dollars in thousands)

	As at March 31, 2006 <i>Unaudited</i>	As at Dec. 31, 2005 <i>Audited</i>	
<b>BALANCE SHEET DATA</b>			
Cash and cash equivalents	7,891	5,184	
Other current assets	16,993	13,593	
Vessels, net	851,687	864,733	
Other non current assets	26,161	27,049	
<b>TOTAL ASSETS</b>	<b>902,732</b>	<b>910,559</b>	➤ Debt to Capitalization = 57.88%
Current portion of long-term debt	107,726	107,738	
Other current liabilities	27,097	28,007	
Long-term debt, net of current portion	398,684	417,615	➤ Net Debt to Capitalization = 56.48%
Other non-current liabilities	726	698	
<b>Total Liabilities</b>	<b>534,233</b>	<b>554,058</b>	
Total Stockholders' Equity	368,499	356,501	
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>902,732</b>	<b>910,559</b>	



## Appendix III - 1Q06 Fleet Highlights

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

	3 Months Ended March 31, 2006	3 Months Ended March 31, 2005
Average number of vessels <sup>(1)</sup>	27.00	8.60
Total voyage days for fleet <sup>(2)</sup>	2,381	774
Total calendar days for fleet <sup>(3)</sup>	2,430	774
Fleet Utilization <sup>(4)</sup>	98.0%	100.0%
Time Charter equivalent <sup>(5)</sup>	21,325	35,453
Capesize	33,768	74,244
Panamax	19,698	30,927
Handymax	15,063	15,288
Vessel operating expenses <sup>(6)</sup>	4,330	5,120
Management fees	594	709
General and administrative expenses <sup>(7)</sup>	402	938
Total vessel operating expenses <sup>(8)</sup>	5,326	6,767

(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.

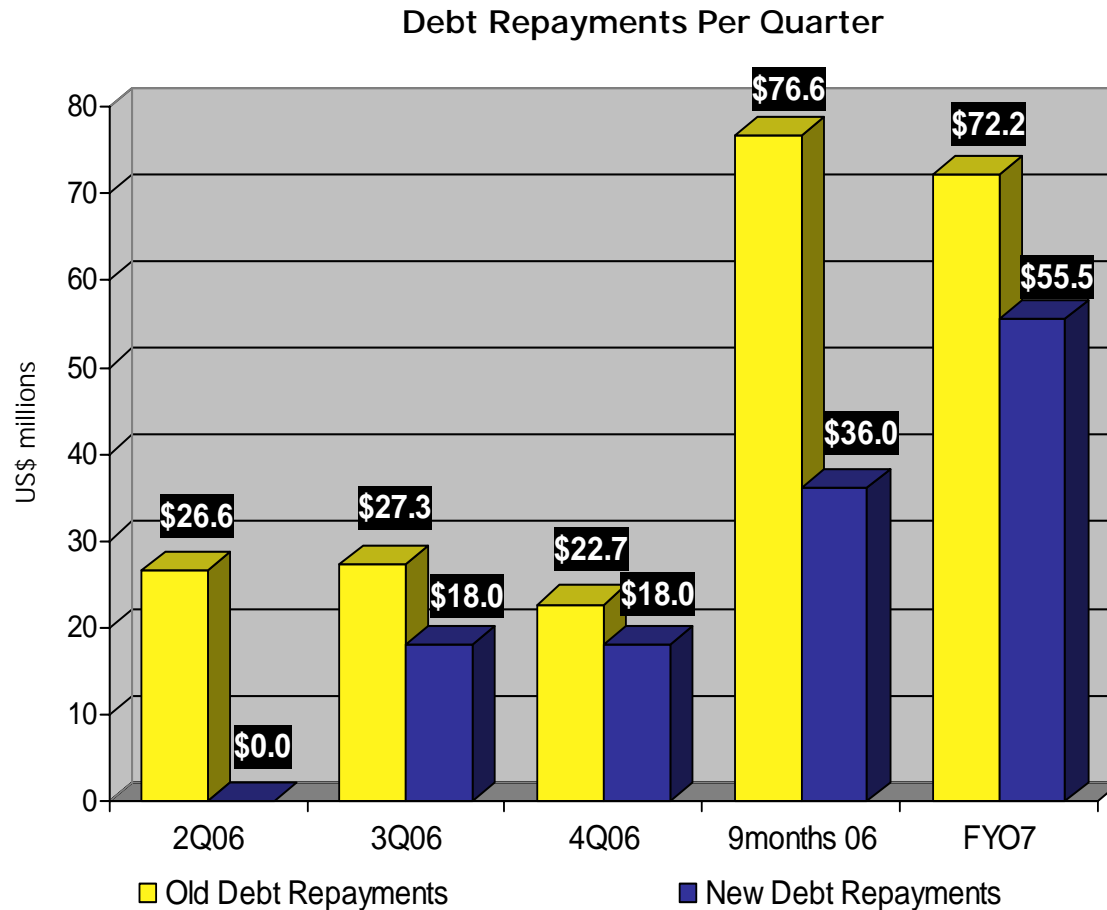
(8) Total vessel operating expenses, or TVOE is a measurement of our total expenses associated with operating our vessels. TVOE is the sum of vessel operating expenses, management fees and general and administrative expenses. Daily TVOE is calculated by dividing TVOE by fleet calendar days for the relevant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





## Appendix IV - Improved Liquidity

For the balance of 2006, reduced fixed debt repayments by more than half.



### New Credit Facility

- \$553.3 million term loan for the refinancing of existing vessels including the Hille Oldendorff.
- \$71.25 million revolving credit facility for the acquisition of additional vessels



## Appendix V - Fleet Charter Details

	<u>Year</u>	<u>Deadweight</u>	<u>Type</u>	<u>Current</u>	<u>Redelivery</u>	
	<u>Built</u>			<u>Employment</u>	<u>Earliest</u>	<u>Latest</u>
<b>Capesize</b>						
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	Spot - \$20,000		
Netadola	1993	149,475	Capesize	Spot - \$29,250		
<b>Panamax</b>						
Conrad Oldendorff	2002	76,623	Panamax ✓	\$42,000	Nov-06	Feb-07
Coronado	2000	75,706	Panamax	Spot - \$16,750		
Waikiki	1995	75,473	Panamax	Spot - \$15,500		
Mostoles	1981	75,395	Panamax	Baumarine \$11,576		
Linda Oldendorff	1995	75,100	Panamax ✓	\$43,250	Jul-06	Oct-06
Sonoma	2001	74,786	Panamax	Baumarine \$15,905		
Catalina	2005	74,432	Panamax ✓	\$18,100	Sep-06	Oct-06
Ocean Crystal	1999	73,688	Panamax ✓	\$17,900	Jul-06	Jul-06
Padre	2004	73,601	Panamax ✓	\$17,800	Jul-06	Jul-06
Toro **	1995	73,034	Panamax	Baumarine \$15,739		
Xanadu	1999	72,270	Panamax ✓	\$35,000	Jun-06	Sep-06
La Jolla	1997	72,126	Panamax	Spot - \$17,500		
Lacerta **	1994	71,862	Panamax	Baumarine \$15,646		
Panormos **	1995	71,747	Panamax	Baumarine \$16,237		
Paragon	1995	71,259	Panamax ✓	\$30,000	Aug-06	Oct-06
Iguana	1996	70,349	Panamax ✓	\$16,500	Jul-06	Jul-06
Daytona **	1989	69,703	Panamax	Baumarine \$13,683		
Lanikai **	1988	68,676	Panamax	Baumarine \$13,881		
Tonga **	1984	66,798	Panamax	Baumarine \$11,016		
Flecha	1982	65,081	Panamax	Baumarine \$11,571		
Strigglä **	1982	64,747	Panamax	Baumarine \$12,037		
Maganari***	2001	75,941	Panamax ✓	\$29,000	Feb-07	May-07
				\$18,400	Feb-08	Jul-08
<b>Handymax</b>						
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
<b>DRYSHIPS FLEET</b>		<b>2,395,722</b>				

\* 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 - EBITDA Calculator

	1Q06A	2Q06E	3Q06E	4Q06E
<b>Capesize</b>				
Spot Voyage Days	270	231	194	276
Daily Spot Charter Rate (net of commissions)	\$30,619	-	-	-
Fixed T/C Revenue (net of commissions)	\$3.9 m	\$4.5 m	\$5.9 m	\$2.0 m
<b>Panamax</b>				
Spot Voyage Days	1,440	1,353	1,642	1,894
Daily Spot Charter Rate (net of commissions)	\$13,576	-	-	-
Fixed T/C Revenue (net of commissions)	\$16.3 m	\$16.1 m	\$9.8 m	\$4.0 m
<b>Handymax</b>				
Spot Voyage Days	140	57	15	184
Daily Spot Charter Rate (net of commissions)	\$13,870	-	-	-
Fixed T/C Revenue (net of commissions)	\$0.8 m	\$3.6 m	\$4.7 m	\$1.8 m
Total Spot TCE Revenue	\$29.8 m	- m	- m	- m
Total Fixed TCE Revenue	\$21.0 m	\$24.2 m	\$20.4 m	\$7.8 m
<b>Combined TCE Revenue</b>	\$50.8 m	- m	- m	- m
Total Calendar Days	2,430	2,580	2,668	2,668
TVOE per day	\$5,108	\$5,108	\$5,108	\$5,108
Fleet Quarterly TVOE	\$12.4 m	\$13.2 m	\$13.6 m	\$13.6 m
<b>EBITDA</b>	\$37.0 m	- m	- m	- m
Depreciation & amortization	\$13.7 m	\$13.7 m	\$13.7 m	\$13.7 m
Interest, net	\$5.5 m	\$5.5 m	\$5.0 m	\$4.5 m

Note: Estimates may differ materially from actual results.



## Appendix VII - Possible Demand and Supply Developments

	2003	2004	2005	2006E	2007E	2008E
<b><u>Demand (million tons)</u></b>						
Iron Ore	524	589	650	690	730	
Coal	619	664	690	715	740	
Grain	240	236	242	255	265	
Major Bulks	1383	1,489	1,582	1,660	1,735	
Minor Bulks	957	1,025	1,049	1,078	1,106	
Total <sup>(1)</sup>	2340	2,514 (2,507)	2,631 (2,636)	2,738	2,841	2,957
Annual Increase <sup>(1)</sup>		174 (167)	117 (129)	107	103	116
% Growth Rate <sup>(1)</sup>	5.5%	7.4% (7.1%)	4.7% (5.1%)	4.1% (3.9%)	3.8% (4.1%)	4.1% (4.1%)
Cargo Ton Miles (In billions)	11,144	12,079	12,699	13,256	13,878	14,530
% Growth Rate	6.7%	8.4% (7.5%)	5.1% (5.6%)	4.4% (4.4%)	4.7% (4.4%)	4.7% (4.4%)
<b><u>Supply (million dwt)</u></b>						
Year End Fleet			321.2	343.9	367.6	378.1
Deliveries			24.3	25.6	16.4	14.5
Deletions			-1.6	-1.9	-5.9	-5.7
Year End Fleet		321.2	343.9	367.6	378.1	386.9
% Growth Rate		6.1%	7.2% (4.9%)	6.9% (4.7%)	2.9% (2.7%)	2.3% (2.5%)
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



# Contacts

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