

# DryShips Inc.

## 2nd Quarter and First Half 2007 Earnings Presentation



NASDAQ: "DRYS"

August 22, 2007

# 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.



## 2q07 Financial Highlights

<i>Figures in millions except TCE and TVOE in \$/d</i>	<b>2q07</b>	<b>2q06</b>
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.***



# Recent Fleet Acquisitions and Disposals

Second Hand Purchases					
Name	Dwt	Size	Built	Expected Delivery	Price (million \$)
Avoca	76,500	Panamax	2004	1q08	69.5
Saldahna	75,500	Panamax	2004	4q07	75.0
Oregon	74,204	Panamax	2002	4q07	67.2
Samatan	74,823	Panamax	2001	4q07	71.0
Clipper Gemini	51,201	Supramax	2003	4q07	50.2
VOC Galaxy	51,201	Supramax	2002	4q07	55.5
<b>6 vessels</b>	<b>403,429 dwt</b>	<b>4.3 years old</b>		<b>Total Price</b>	<b>332.8</b>
Newbuildings					
Name	Dwt	Size	Built	Expected Delivery	Price (million \$)
TBN	180,000	Capesize	2009	2q09	114.0
TBN	180,000	Capesize	2009	4q09	105.5
TBN	180,000	Capesize	2010	1q10	105.5
TBN	82,000	Kamsarmax	2010	2q10	54.3
TBN	82,000	Kamsarmax	2010	2q10	54.3
<b>5 vessels</b>	<b>704,000 dwt</b>			<b>Total Price</b>	<b>433.5</b>
Disposals					
Name	Dwt	Size	Built	Expected Delivery	Price (million \$)
Formentera	70,002	Panamax	1996	4q07	63.0
<b>1 vessel</b>	<b>70,002 dwt</b>			<b>Total Price</b>	<b>63.0</b>

*All of the newbuilding vessels are being acquired as re-sales from the sellers and delivery to DryShips shall be “back to back” with the delivery of the vessels to the sellers by the respective builder.*

*When all of the above mentioned acquisitions and disposals have taken place, DryShips’ fleet will include 46 drybulk carriers comprising 5 Capesize, 31 Panamax, 2 Supramax, 1 Handymax and 7 newbuilding drybulk vessels, with a combined capacity of approximately 4.0 million deadweight tons, and an average age of 8.9 years well below the drybulk industry average.*



# Capitalization

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*No permanent financing has yet been arranged for the majority of the acquisitions recently announced. The Company intends to finance these acquisitions mainly through operating cash and additional borrowings.*

*As of August 21, 2007, the Company had a total of \$796.5 million in debt outstanding under its credit facility with HSH Nordbank.*

*Net Debt  
to  
Book Capitalization  
**33%**  
(adj. for asset values)*



# EBITDA Calculator

	3q07	4q07	2008
Capesize Unfixed Days	25	313	1,767
Capesize Spot TCE	??	??	??
Capesize Spot Revenue	??	??	??
 Panamax Unfixed Days	 582	 2,248	 11,013
Panamax Spot TCE	??	??	??
Panamax Spot Revenue	??	??	??
 Handymax Unfixed Days	 0	 82	 793
Handymax Spot TCE	??	??	??
Handymax Spot Revenue	??	??	??
 Total Unfixed Days	 607	 2,643	 13,573
 Fleet Spot Revenue	 ??	 ??	 ??
 Capesize Fixed Revenue	 \$26,858,582	 \$9,666,543	 \$1,368,760
Panamax Fixed Revenue	\$79,565,789	\$10,826,909	\$6,891,555
Handymax Fixed Revenue	\$2,737,060	\$2,790,850	\$8,235,000
 Fleet Fixed Revenue	 \$109,161,431	 \$23,284,302	 \$16,495,315
 Total Revenue	 ??	 ??	 ??
 Vessel OPEX (w/ Mng. Fees)	 \$16,000,000	 \$16,000,000	 \$67,200,000
G&A	\$2,000,000	\$2,000,000	\$8,400,000
 Total Costs	 \$18,000,000	 \$18,000,000	 \$75,600,000
 EBITDA	 ??	 ??	 ??

*As of today, for  
the remaining two  
quarters in 2007:*

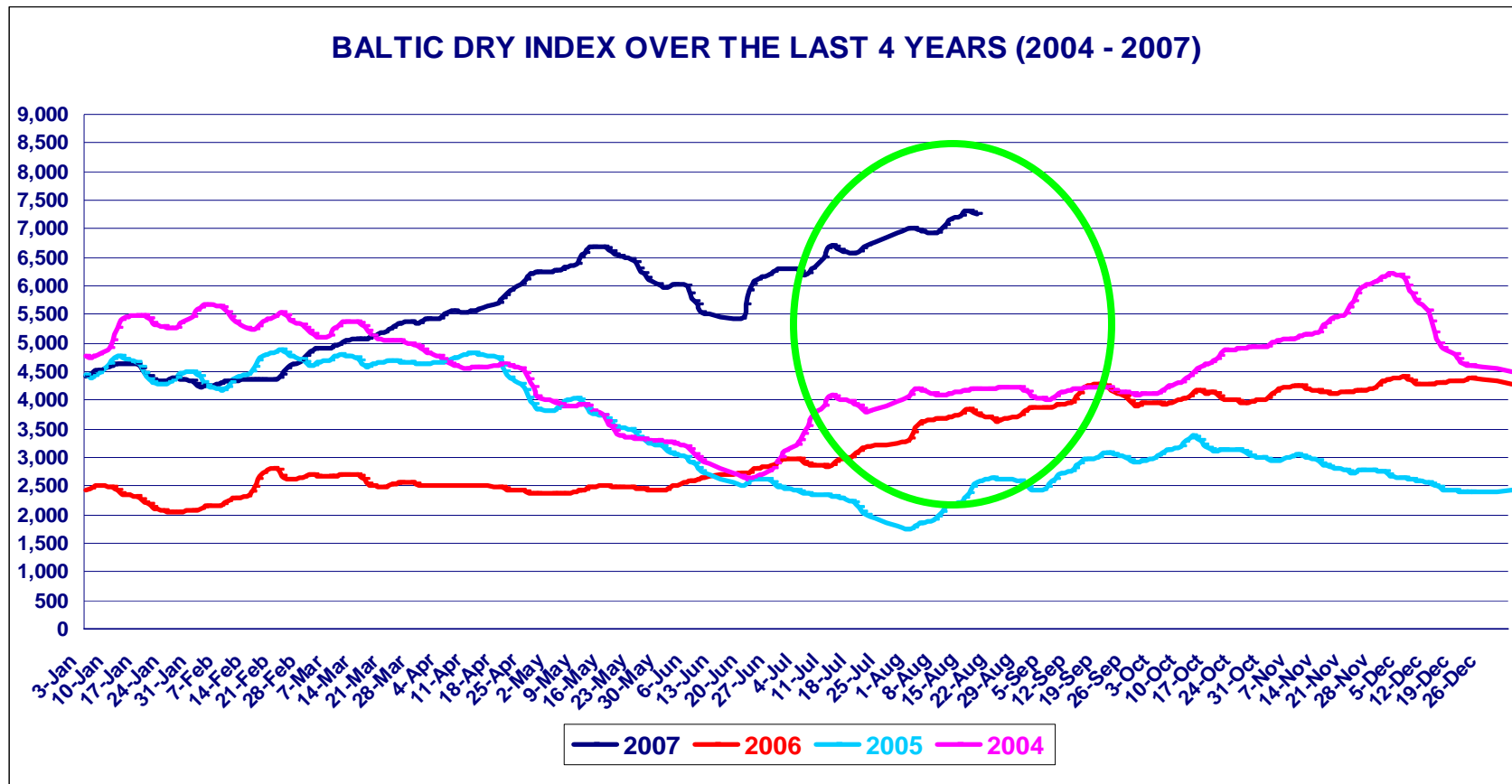
**52%**  
*of vessel  
operating days  
UNFIXED*

*For 2008:*

**97%**  
*of vessel  
operating days  
UNFIXED*



# Baltic Dry Index



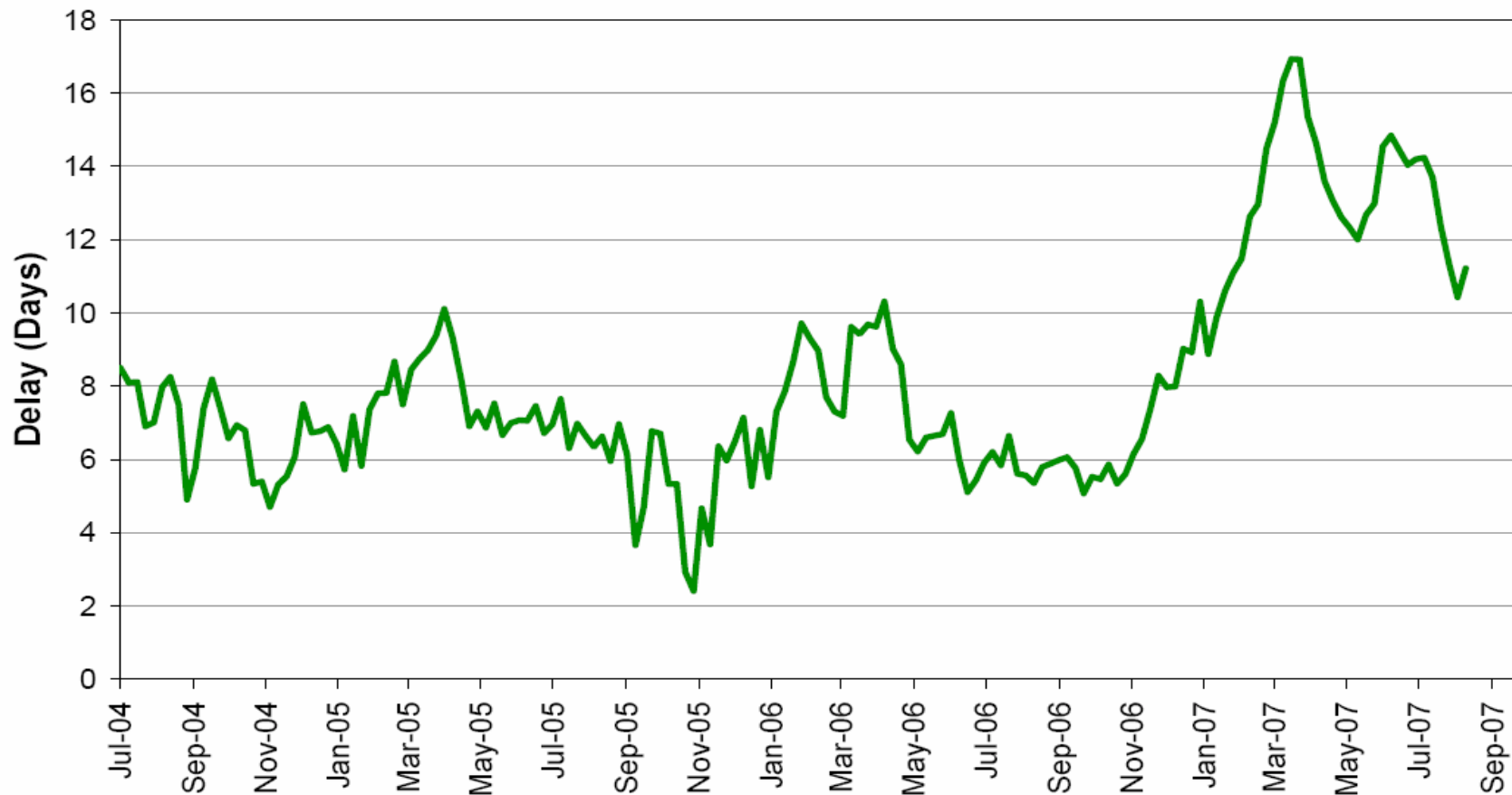
Source: The Baltic Exchange



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# Port Congestion Remains High

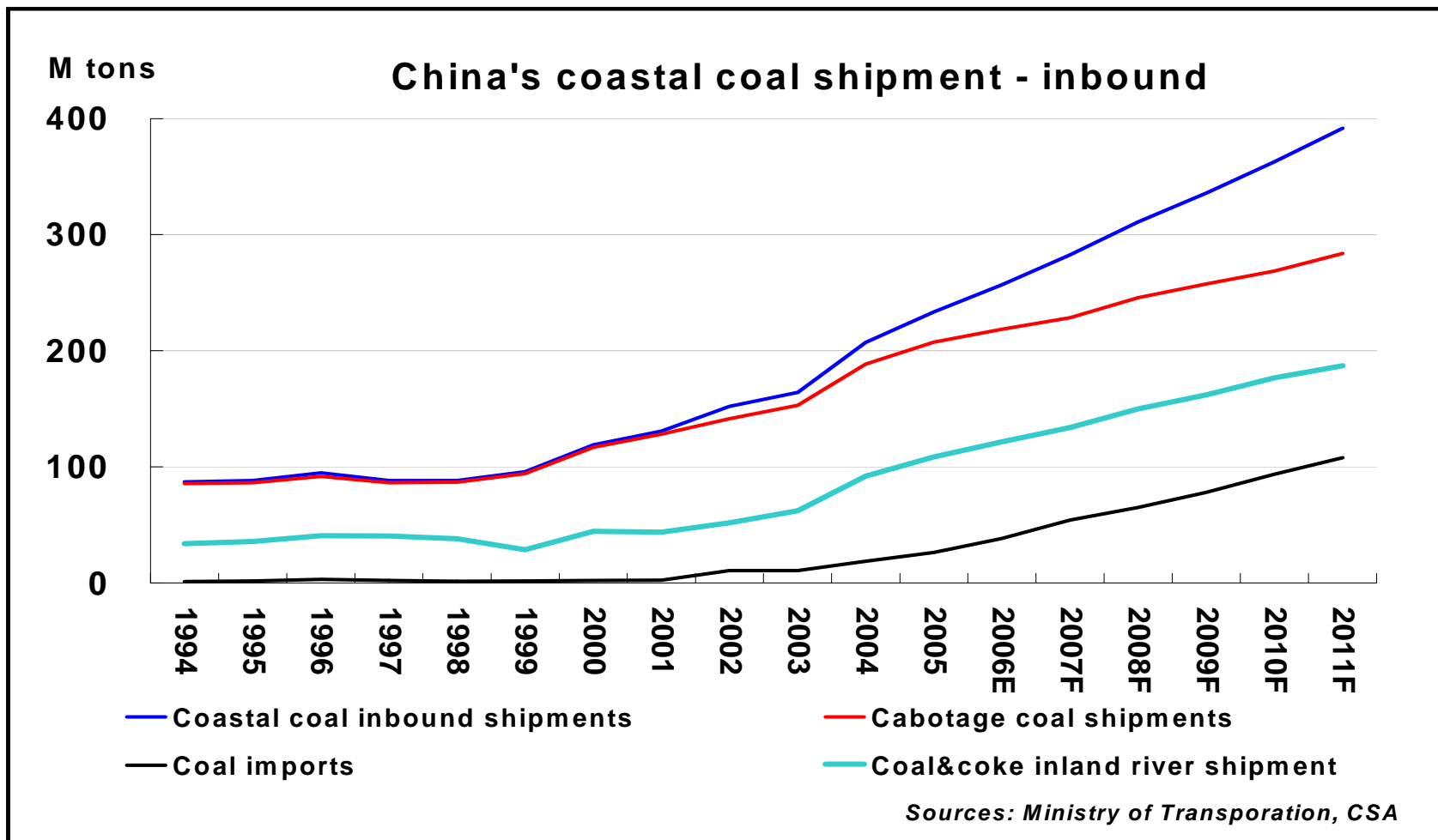
Currently the combined Australian port delays are about 11 days.



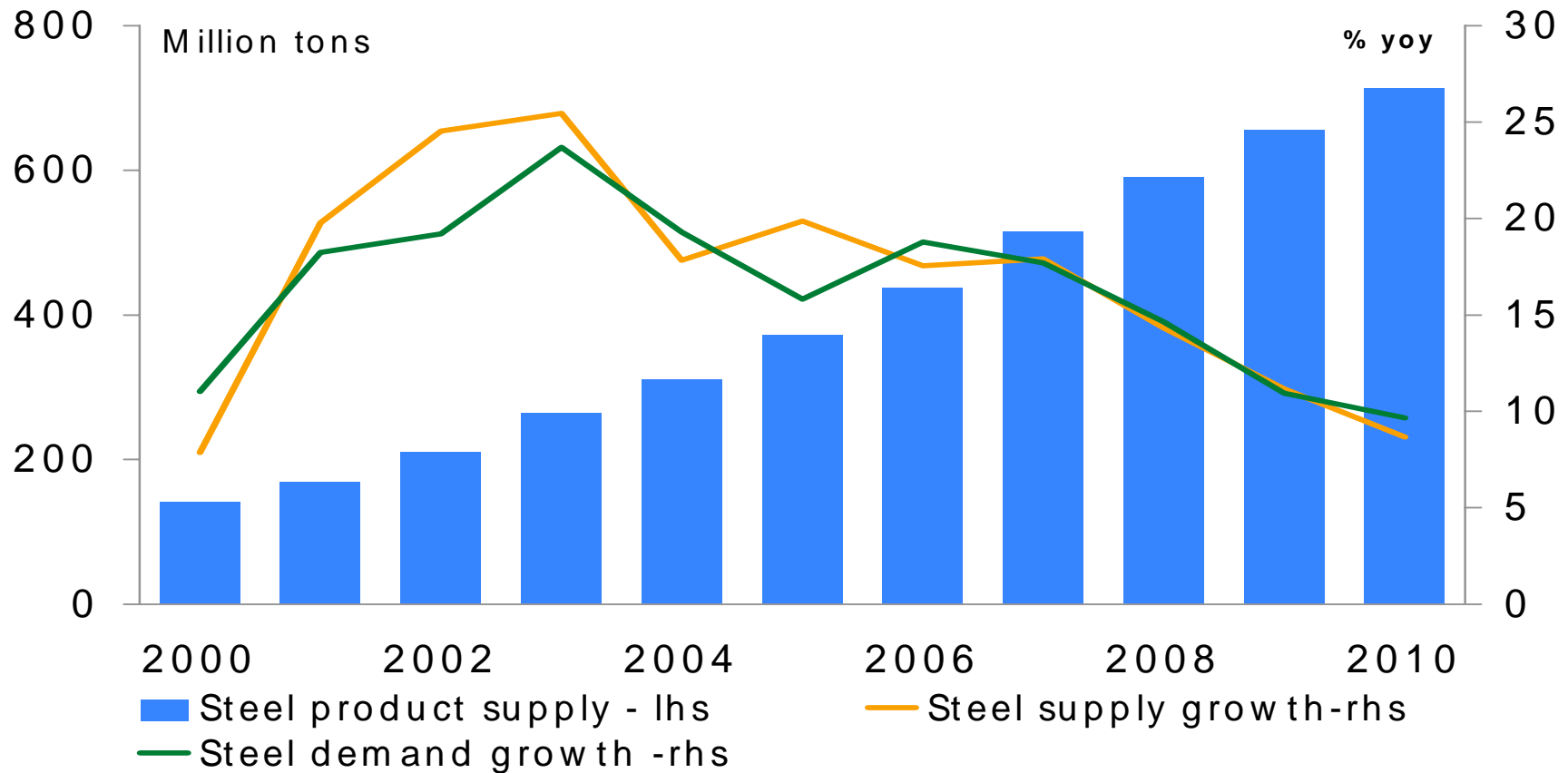
Source: Industry sources. Figures based on mid-month situation.



## Chinese Coastal Trade to Increase



## Sustained Chinese Demand



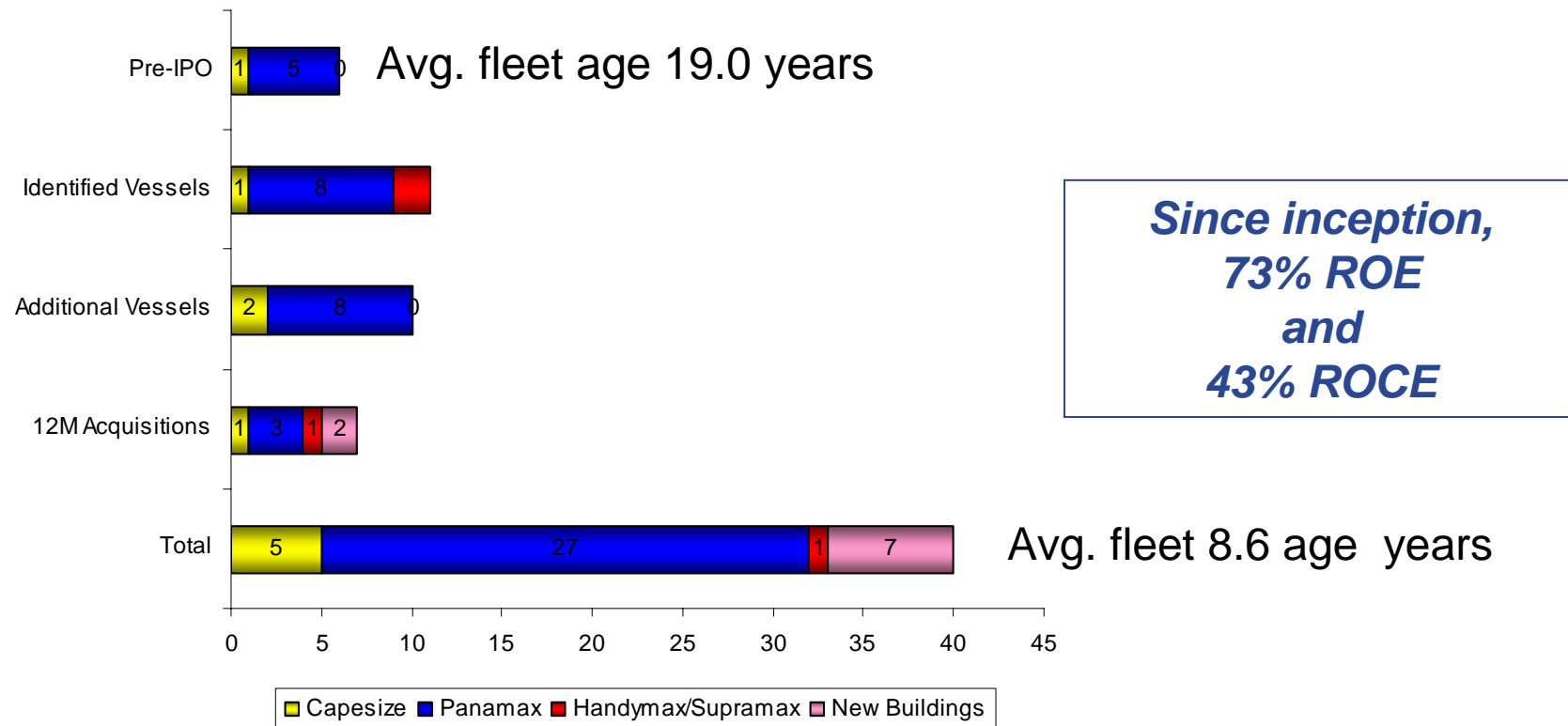
Source: Industry sources.



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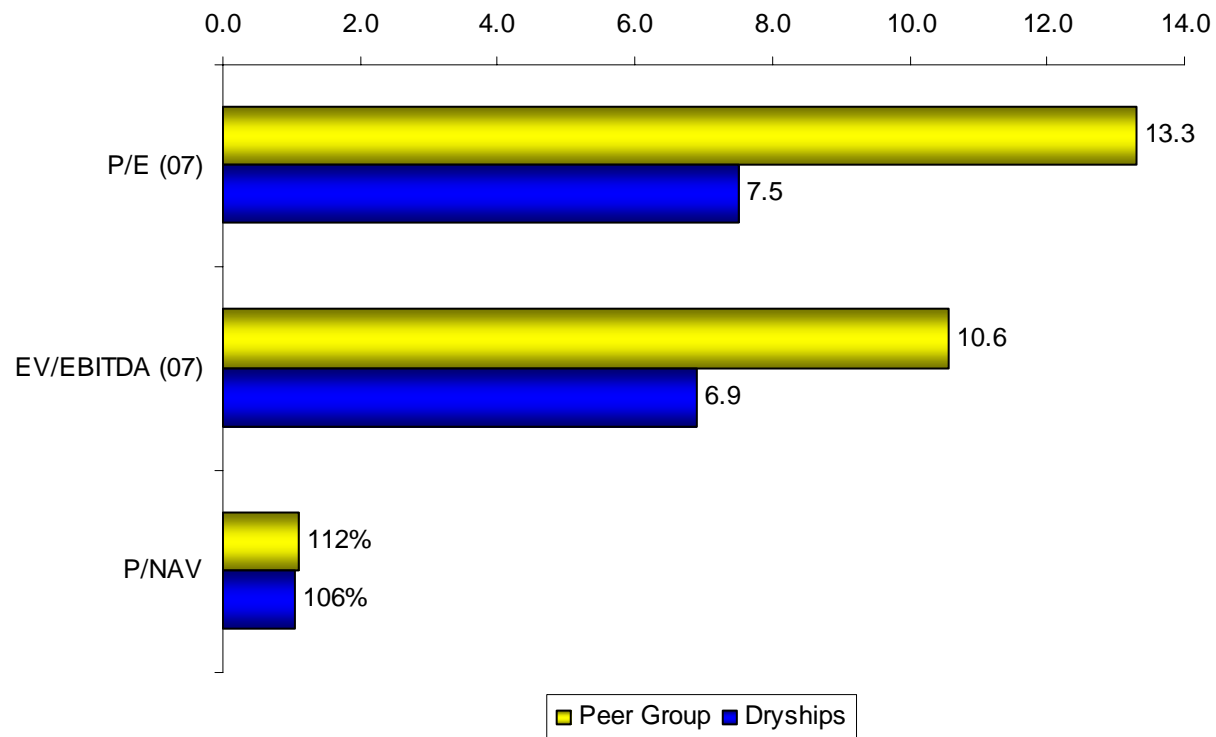
## Largest US listed Dry Bulk Shipping Company

*Since we went public in February 2005 we have managed to grow the fleet in the space of only 30 months to 40 vessels with an average age of 8.6 year, while the Company's net debt to total capitalization ratio adjusted for the asset value of the fleet is now only 33%.*



# Compelling Valuation

## Peer Group Comparison



Peer Group consists of Diana, Eagle, Excel, Genco, Quintana

Source: Company Filings and Equity Research



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Page 12



## Significant Upside Potential

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 estimates:***

***3q07: \$126 million***

***4q07: \$ 163 million***

***2008: \$ 615 million***

***Based on the assumptions above the 2008 EBITDA estimate for DryShips implies an EV/EBITDA ratio of 4.1x***



# APPENDICES



## Appendix I – 2nd Quarter and 6 months 2007 and 2006 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 II – June 30, 2007 and June 30, 2006 Balance Sheets

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

	December 31, 2006	June 30, 2007
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
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	-
<b>Total current assets</b>	<b>25,875</b>	<b>67,289</b>
<b>FIXED ASSETS, NET:</b>		
Advances for vessels under construction and acquisitions	27,380	22,847
Vessels, net	1,084,924	1,338,256
<b>Total fixed assets, net</b>	<b>1,112,304</b>	<b>1,361,103</b>
<b>OTHER NON CURRENT ASSETS:</b>		
Deferred charges, net	6,200	4,227
Restricted cash	20,000	20,000
Financial instruments	946	2,123
Other	2,848	1,768
<b>Total assets</b>	<b>1,168,173</b>	<b>1,456,510</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
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
<b>Total current liabilities</b>	<b>129,344</b>	<b>111,779</b>
<b>NON CURRENT LIABILITIES:</b>		
Fair value of below market acquired time charter	-	3,454
Long term debt, net of current portion	587,330	727,534
Other	607	409
<b>Total non current liabilities</b>	<b>587,937</b>	<b>731,397</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	-	-
<b>STOCKHOLDERS' EQUITY:</b>		
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
<b>Total stockholders' equity</b>	<b>450,892</b>	<b>613,334</b>
<b>Total liabilities and stockholders' equity</b>	<b>1,168,173</b>	<b>1,456,510</b>



## Appendix III - 2Q07 & 2Q06 Fleet Highlights

<i>(Dollars in thousands, except</i>			
<i>Average Daily Results - unaudited)</i>			
		Three Months Ended	Three Months Ended
		June 30, 2007	June 30, 2006
Average number of vessels <sup>(1)</sup>		32.7	28.3
Total voyage days for fleet <sup>(2)</sup>		2,924	2,501
Total calendar days for fleet <sup>(3)</sup>		2,980	2,575
Fleet Utilization <sup>(4)</sup>		98.1%	97.1%
Time charter equivalent <sup>(5)</sup>		36,092	20,603
Capesize		55,618	29,823
Panamax		33,628	19,897
Handymax		24,625	16,805
Vessel operating expenses (daily) <sup>(6)</sup>		5,110	4,311
Management fees (daily)		820	586
General and administrative expenses (daily) <sup>(7)</sup>		673	402

(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 owned by us 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 owned by us 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 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 – 6M07 & 6M06 Fleet Highlights

<i>(Dollars in thousands, except</i>			
<i>Average Daily Results - unaudited)</i>			
		Six Months Ended	Six Months Ended
		June 30, 2007	June 30, 2006
Average number of vessels <sup>(1)</sup>		32.4	27.7
Total voyage days for fleet <sup>(2)</sup>		5,737	4,882
Total calendar days for fleet <sup>(3)</sup>		5,867	5,005
Fleet Utilization <sup>(4)</sup>		97.8%	97.5%
Time charter equivalent <sup>(5)</sup>		32,580	20,955
Capesize		47,696	31,829
Panamax		30,831	19,799
Handymax		22,931	16,083
Vessel operating expenses (daily) <sup>(6)</sup>		4,945	4,314
Management fees (daily)		791	590
General and administrative expenses (daily) <sup>(7)</sup>		663	400

(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 owned by us for the relevant period net of off hire days associated with major repairs, drydockings or special or intermediate surveys.

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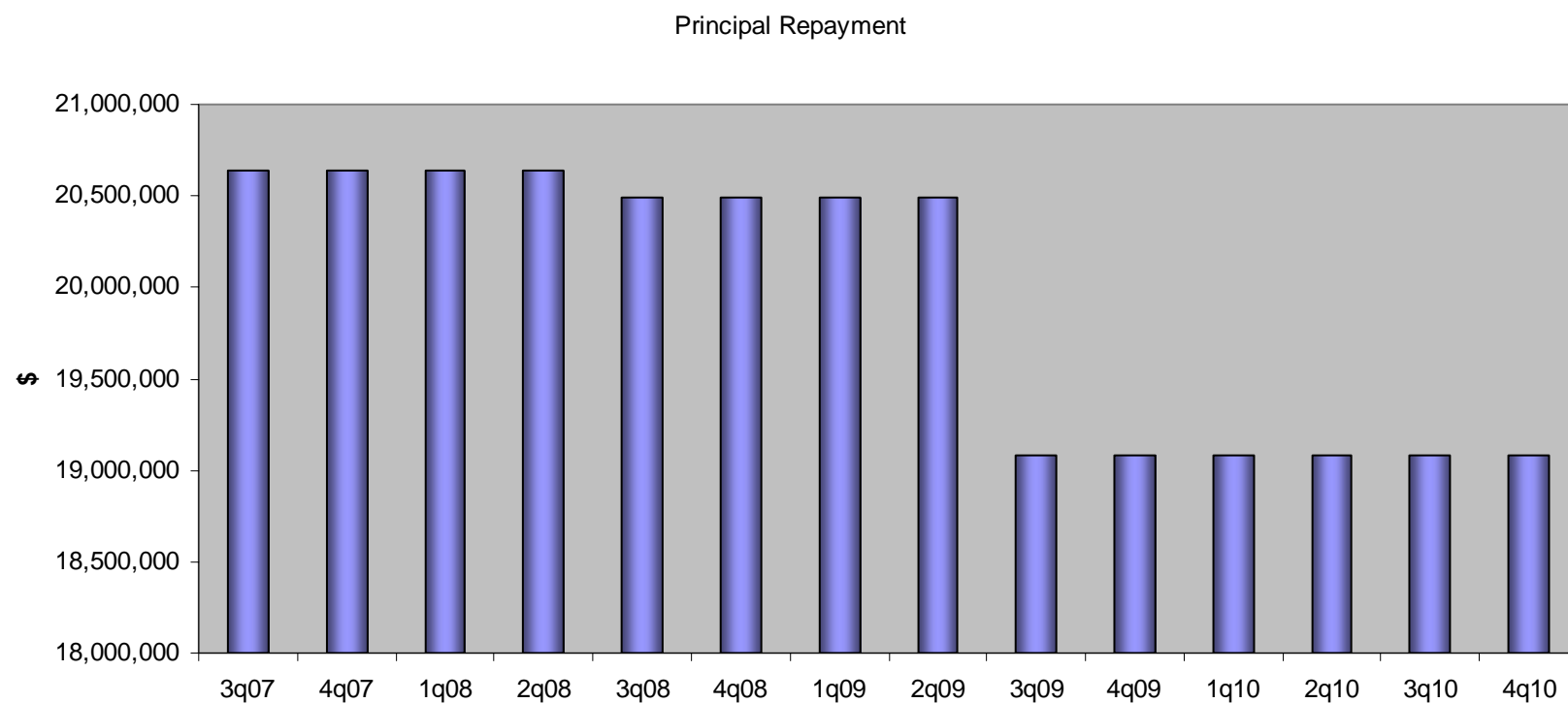
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(8) Total vessel operating expenses, or TVOE, is a measurement of our total expenses associated with operating our vessels. TVOE is the sum of vessel operating expenses, management fees and general and administrative expenses. Daily TVOE is calculated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



## Appendix V – Debt Profile\*



\* Repayment schedule does not include the recently announced vessel acquisitions.



## Appendix V - Fleet Profile as of August 20, 2007

	Year Built	DWT	Type	Current Employment	Gross Rate per Day	Redelivery	
						Earliest	Latest
<b>Capesize:</b>							
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
	<b>9.0</b>	<b>792,264</b>	<b>5</b>				
<b>Panamax:</b>							
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
	<b>8.3</b>	<b>1,981,034</b>	<b>27</b>				
<b>Handymax:</b>							
Matira	1994	45,863	Handymax	TC	✓ \$32,300	Oct-07	Dec-07
	<b>13.0</b>	<b>45,863</b>	<b>1</b>				
<b>Newbuildings:</b>							
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				
		<b>854,000</b>	<b>7</b>				
<b>Total Fleet</b>	<b>8.6</b>	<b>3,673,161</b>	<b>40</b>				

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.



## Contacts

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***Visit our website at [www.dryships.com](http://www.dryships.com)***

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