

DryShips Inc.



3q06 Earnings Update Conference Call



NASDAQ: "DRYS"

October 13, 2006

Disclaimer

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.



Freight Forward Agreements (FFAs)

Basic characteristics of FFA contracts:

- Plain vanilla swaps
- Purely paper contracts
- Based on the freight market rate assessments for Capesize (BCI index), Panamax (BPI index) and Supramax (BSI index) routes published by the Baltic Exchange
- FFA market is an alternative to time charters
- Used to hedge a physical ship in a future period



FFAs – An Example (I)

Objective: Hedge one Panamax vessel for 3q06

FFA Contract

- Position: Seller (DRYSHIPS)
- Route: BPI index (Baltic Panamax Index)
- Period: 3q06
- Quantity: 92 days (1 ship equivalent during 3q06)
- Price: \$14,500/d



FFAs – An Example (II)

FFAs when used for hedging purposes are equivalent to physical Time Charters.

SCENARIO A: Market goes down, as expected

Physical Vessel Earnings = \$10,000 per day

FFA Profit = $\$ 4,500$ per day [FFA Price (14,500) - BPI Index (10,000)]

Total Vessel Earnings = $\$ 14,500$ per day

SCENARIO B: Market moves up, against expectations

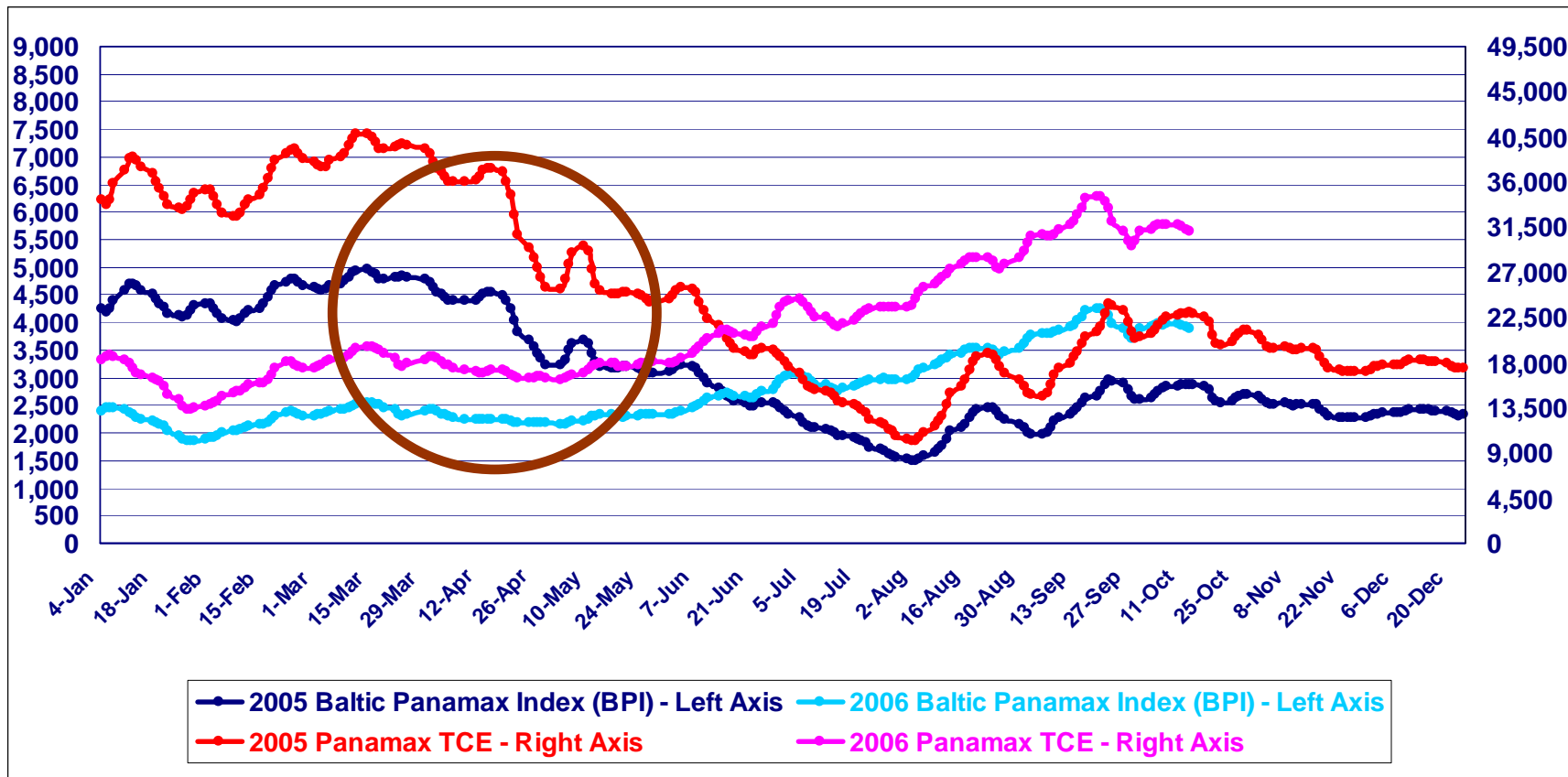
Physical Vessel Earnings = \$19,000 per day

FFA Loss = $-\$ 4,500$ per day [FFA Price (14,500) – BPI Index (19,000)]

Total Vessel Earnings = $\$ 14,500$ per day



The Drybulk Market Seasonality



Summary of DryShips FFA Contracts

	3q06	4q06	1q07	2q07
Route	BPI Index			
Days Hedged	1104	368	90	91
Ship Equivalents	12	4	1	1
FFA Price (\$/d)	14,642	15,325	13,500	13,500
Closing Price (\$/d)	27,287	31,063	28,000	28,000
Loss (\$)	(13,960,080)	(5,791,584)	(1,305,000)	(1,319,500)
Shares Outstanding	33,025,513	35,000,000	35,000,000	35,000,000
Loss (\$ per share)	(0.42)	(0.17)	(0.04)	(0.04)



Impact on 3q06 Earnings

SFAS 133 requires all hedges that are no longer effective to be recognized in the P&L, whether realized or not.

	3q06	4q06	1q07	2q07
P&L Impact (\$/share)	(0.68)	-	-	-
Cash Payout (\$/share)	(0.42)	(0.17)	(0.04)	(0.04)

Realized Losses

Unrealized Losses

Currently the company has settled or closed all of its FFA positions.



Significant Upside Potential

	4q06	2007
Capesize Unfixed Days	41	1,178
Capesize Spot TCE	??	??
Capesize Spot Revenue	??	??
Panamax Unfixed Days	1,350	8,124
Panamax Spot TCE	??	??
Panamax Spot Revenue	??	??
Handymax Unfixed Days	75	914
Handymax Spot TCE	??	??
Handymax Spot Revenue	??	??
Fleet Spot Revenue	??	??
Capesize Fixed Revenue	9,330,938	6,734,297
Panamax Fixed Revenue	22,131,753	32,437,351
Handymax Fixed Revenue	3,629,411	2,985,233
Fleet Fixed Revenue	35,092,102	42,156,881
Total Revenue	??	??
Fleet OPEX	15,591,064	57,798,087
Drydocks	2,607,500	7,897,500
G&A	1,750,000	5,441,000
Total Costs	19,948,564	71,136,587
EBITDA	??	??

Q4 2006:

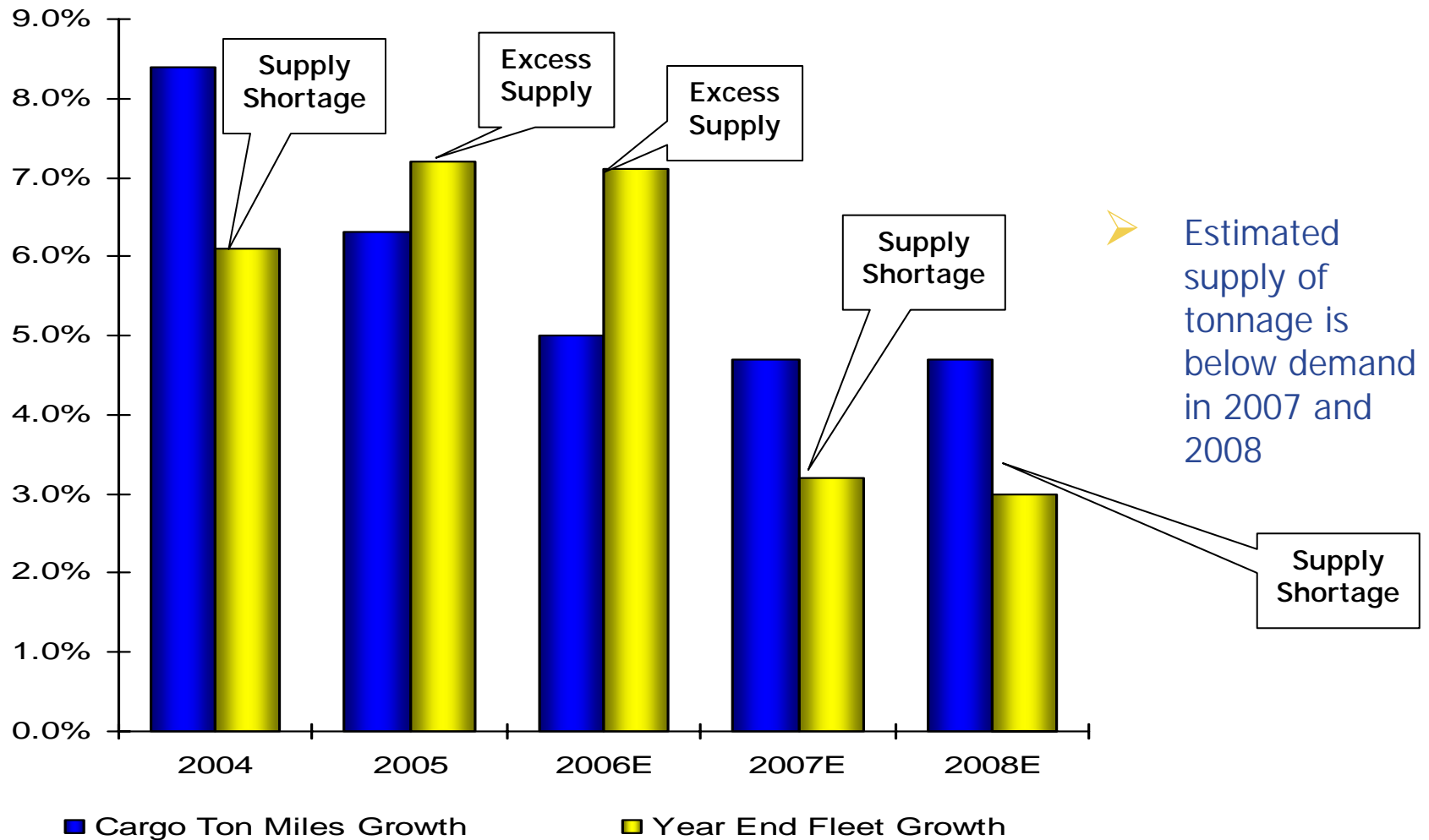
46% of operating days UNFIXED

Full Year 2007:

82% of operating days UNFIXED



Fundamental Outlook Unchanged

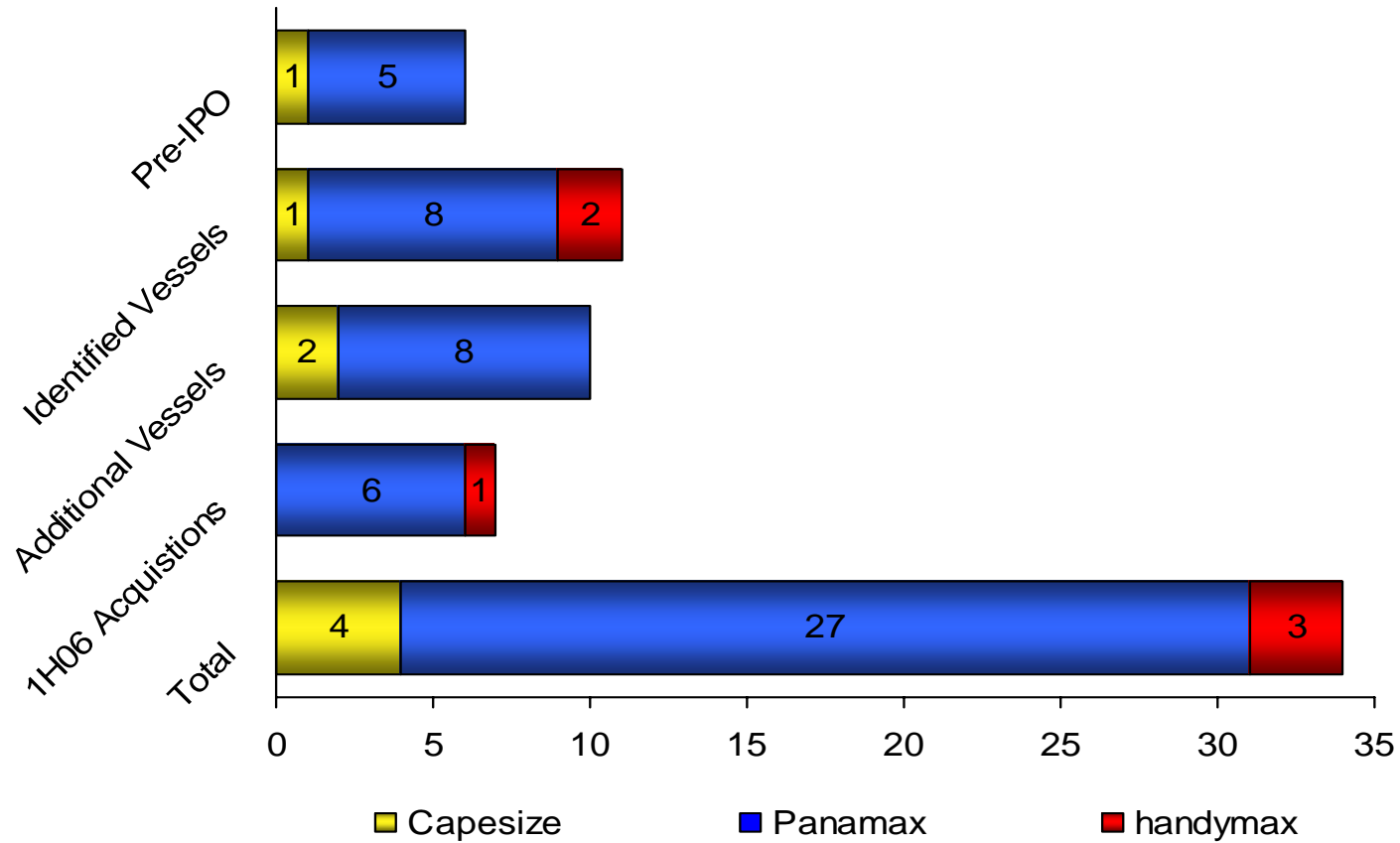


Note: Actual figures for 2004, 2005 and YTD 2006 figures only.



DryShips Story Intact

From 6 to 34 vessels in 18 months



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