

DryShips Inc.

Jefferies 6th Annual Shipping & Offshore
Services Conference



NASDAQ: "DRYS"

September 9th, 2009

Forward Looking Statements

Matters discussed in this presentation may constitute forward-looking statements. Forward-looking statements reflect the Company's 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 the Company's 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.



Agenda

- I Company Overview**
- II Industry Overview**
- III Recent Developments**
- IV Strategy**
- V Q & A**



Company Overview



DRYS – Growth & Diversification

DRYS at the IPO – 2005

- Market Cap: \$613 million
- Fleet Size:
 - 6 Drybulk vessels (0.5 Mdwat)
- Fleet Age: 19 years

DRYS today – 2009

- Market Cap: \$1.5 billion
- Fleet Size:
 - 41 Drybulk vessels (3.7 Mdwat)
 - 6 Drilling Rigs/Ships
- Fleet Age: 8 years

Solid cashflow from drybulk fleet and semi-submersibles

DRYS stock – Average volume (3 months): 24.5 million



Fixed Revenue Dry Bulk – at profitable levels!

Summary of Long Term Time Charters			
	H2 2009	2010	2011
Average Number of Vessels on Long Term Time Charters	33.7	34.6	29.9
Average Number of Vessels Owned For The Period	38.5	39.5	41.0
% of Fleet on Long Term Time Charter	87%	87%	73%
Spot Days	880	1,809	4,052
Days Fixed Under Time Charter	6,144	12,611	10,735
Gross Revenue From Long Term Time Charters	\$ 216.5 m	\$ 437.5 m	\$ 405.1 m
Average Gross Rate of Long Term Time Charters	\$35,250 p/d	\$34,700 p/d	\$37,750 p/d

Total revenues from time charters for the next 2.5 years: \$ 1.1 billion



Ultra Deepwater Drilling Unit

❖ Two semi-submersible drilling rigs

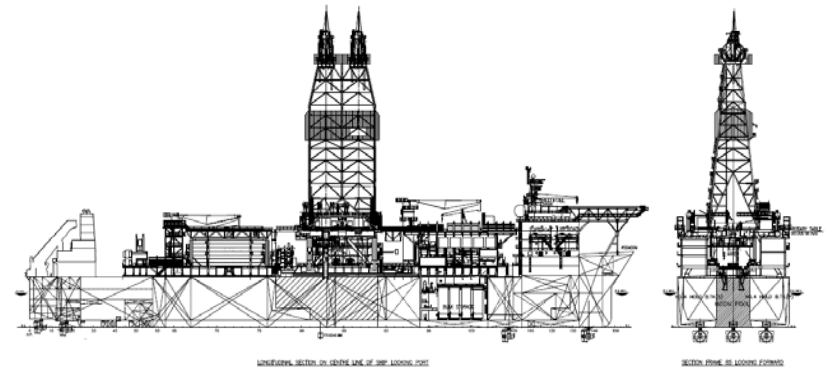
- ❖ Both on time charter to high quality counterparties (Shell, Petrobras, Tullow)
- ❖ \$1.3 billion revenue backlog

❖ Operating Platform

- ❖ Outstanding reputation with a diverse customer base
- ❖ Technically challenging environments
- ❖ Diverse geographic spread
- ❖ Led by seasoned industry executives

❖ Four newbuilding drillships on order with delivery from end-2010 to late 2011

- ❖ High specifications
- ❖ Best in class shipyard with proven track record for on time delivery
- ❖ High degree of standardization



Fixed Revenue: Ultra Deep Water

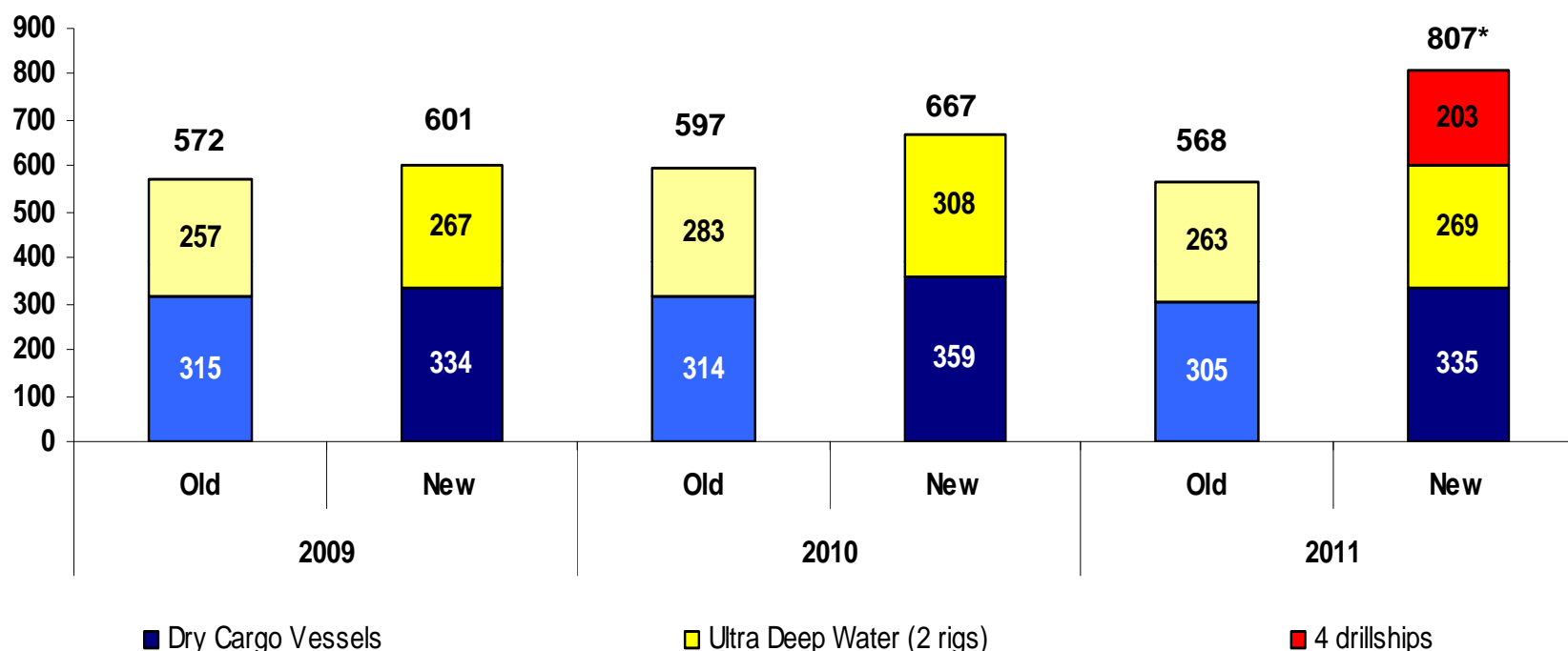
Contracts in Place	2008E	2009E	2010E	2011E	2012E	2013E
Leiv Eiriksson	Shell 2 years		Petrobras - 3 years			
Eirik Raude	Exxon	Tullow - 3 years (Commenced October 2008)				
Private Drillship (Hull 1837)					Newbuilding Delivery	
Private Drillship (Hull 1838)					Newbuilding Delivery	
Drillship Hull 1865					Newbuilding Delivery	
Drillship Hull 1866					Newbuilding Delivery	

Semi-Submersible Rigs	Year	Current	Redelivery		Customer	Operating Area	Backlog (\$mm)
	Built	Employment	Earliest	Latest			
Leiv Eiriksson	2001	T/C	Sep – 09	Dec – 09	Shell	North Sea	\$ 70
		T/C	Sep – 12	Dec – 12	Petrobras	Black Sea	\$ 630
Eirik Raude	2002	T/C	Sep – 11	Oct – 11	Tullow	Off-shore Ghana	\$ 576
Total							\$1,276



Securing The Future

Fixed EBITDA Estimates



Notes:

- The two bars represent our old estimates versus updated numbers following the fixing of the 12 vessels
- EBITDA has been estimated on the basis of Gross Revenues, excluding G&A's and drydock expenses
- Assumed utilization rate of 95% for the rigs
- UDW (2 rigs) estimates only include the two fixed rigs Leiv Eiriksson and Eirik Raude
- * For 2011 the 4 UDW drillships are assumed fixed upon delivery at \$500,000 per day (with 1 month mobilization period)

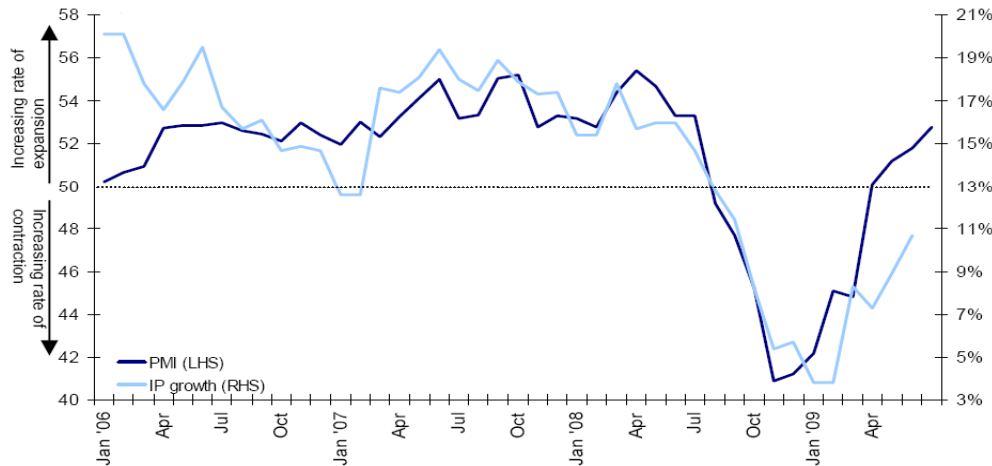


Industry Overview



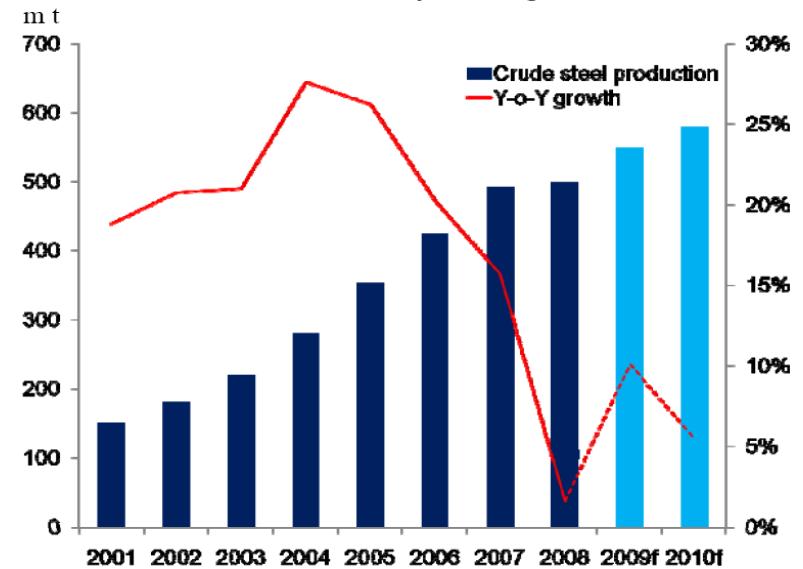
China in Overdrive – Effect of stimulus filtering through

China's PMI and Industrial production growth



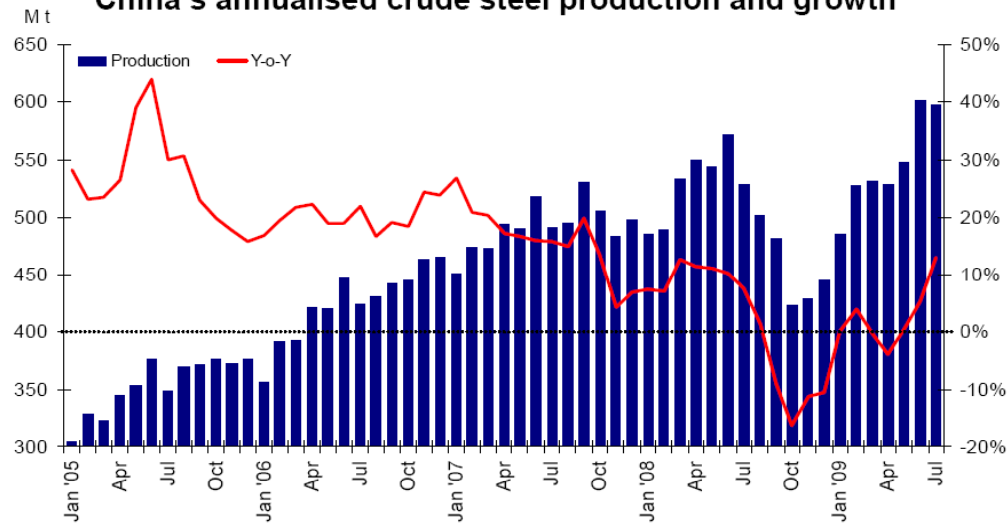
Source: CLSA, NBS

China's crude steel output and growth



Source: CISA, SBB Research

China's annualised crude steel production and growth



Source: CISA, SBB Research



DryShips Inc.



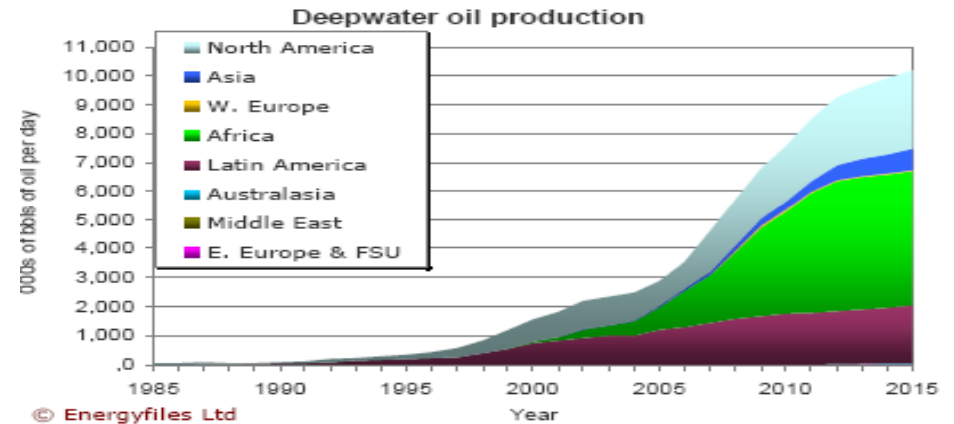
Deliveries Significantly Below Estimates

Total Dry Bulk Fleet	Dwt	No of ships
Orderbook	290	3324
Orderbook beginning of 2009 for delivery 09	71.3	964
Delivered Jan-Aug	22.2	278
Scheduled for delivery during same period	34.3	479
'Slippage' to date	35%	42%
% of '09 Orderbook delivered in 1H 2009	31%	29%

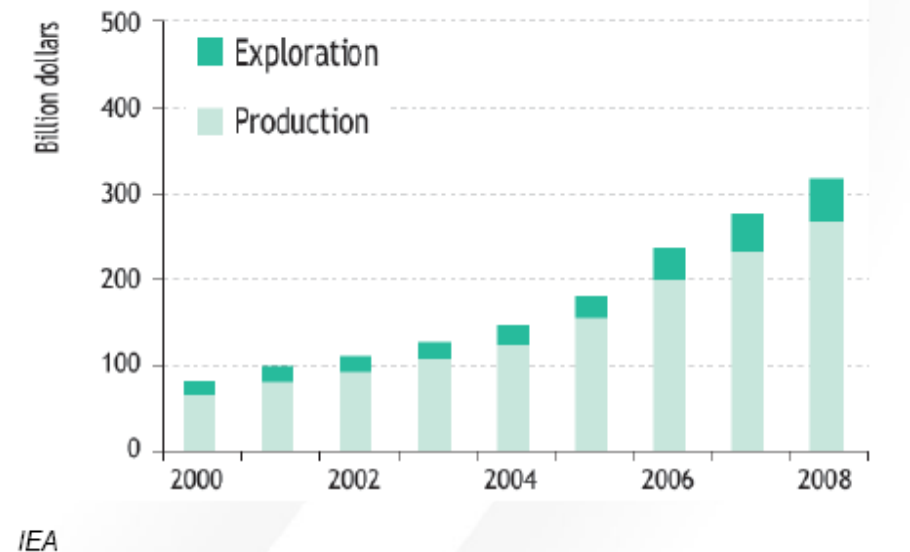


Prospects for Ultra Deepwater Drilling – Bright

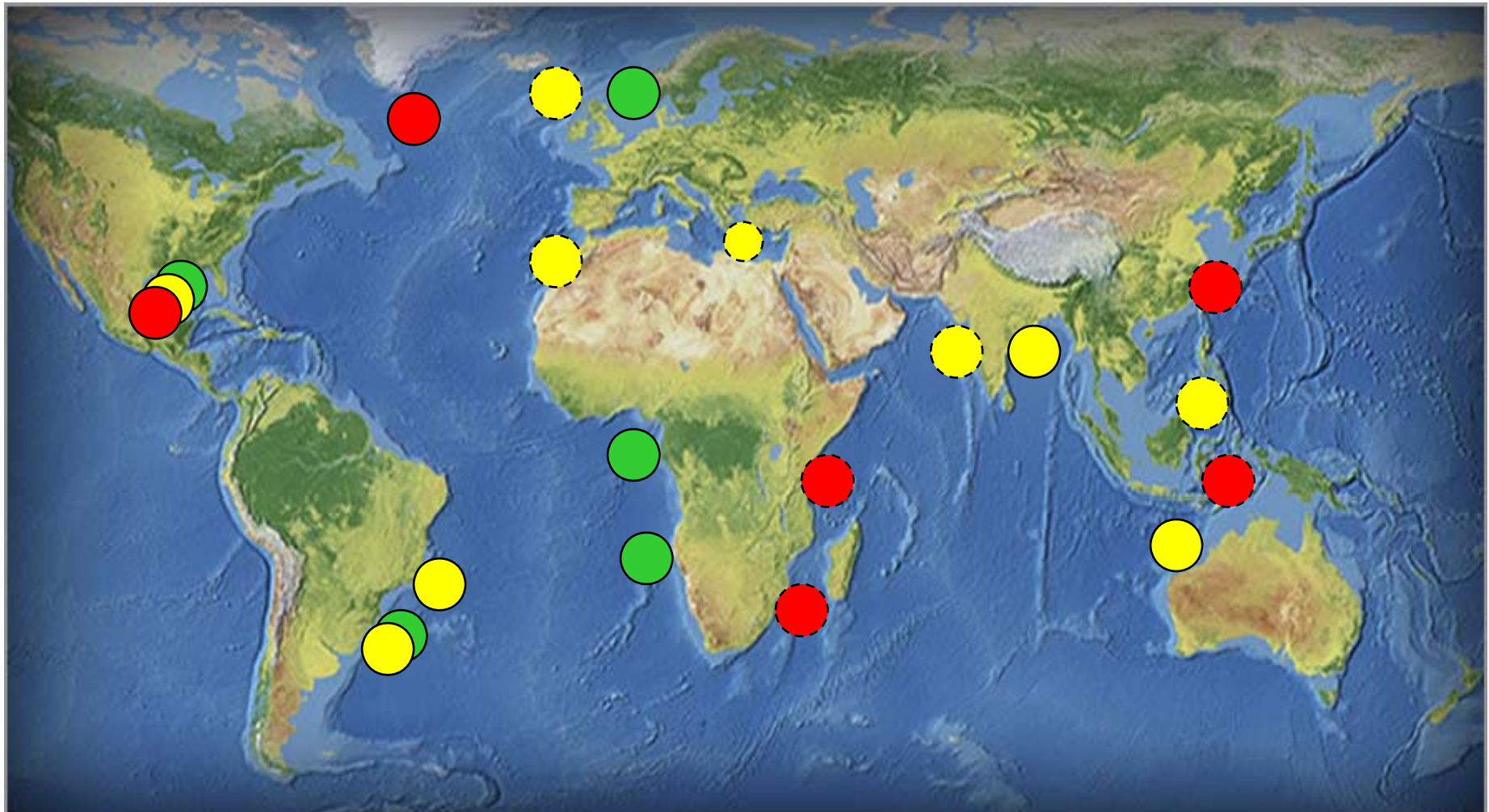
❖ UDW is the primary source of incremental supply of oil



❖ Rising trend in E&P spending
❖ Slowdown in 2009 but expected to pick up again
❖ New E&P projects based on \$55 per barrel



Growing Demand From New Frontiers



 Established  Developing  Frontier

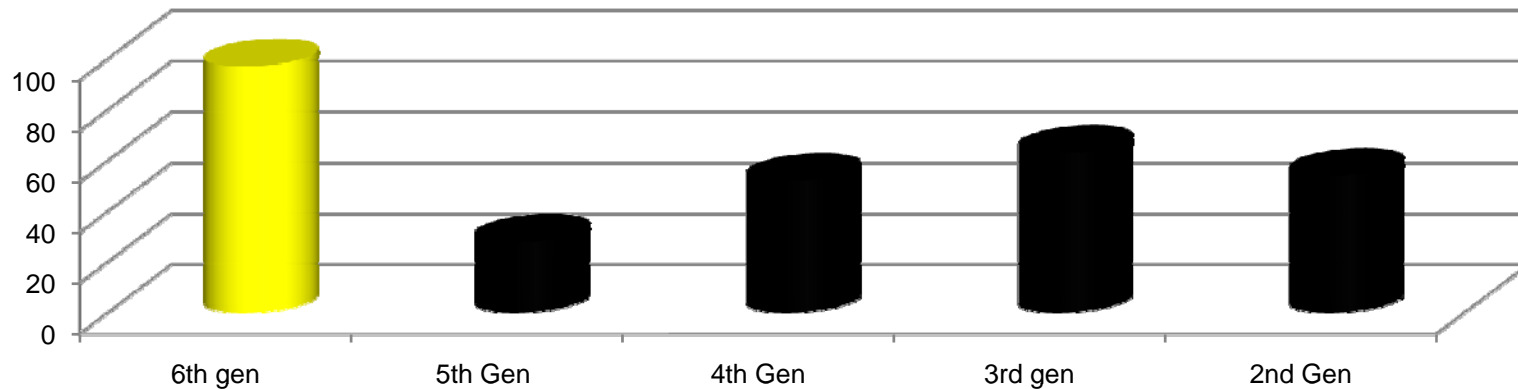


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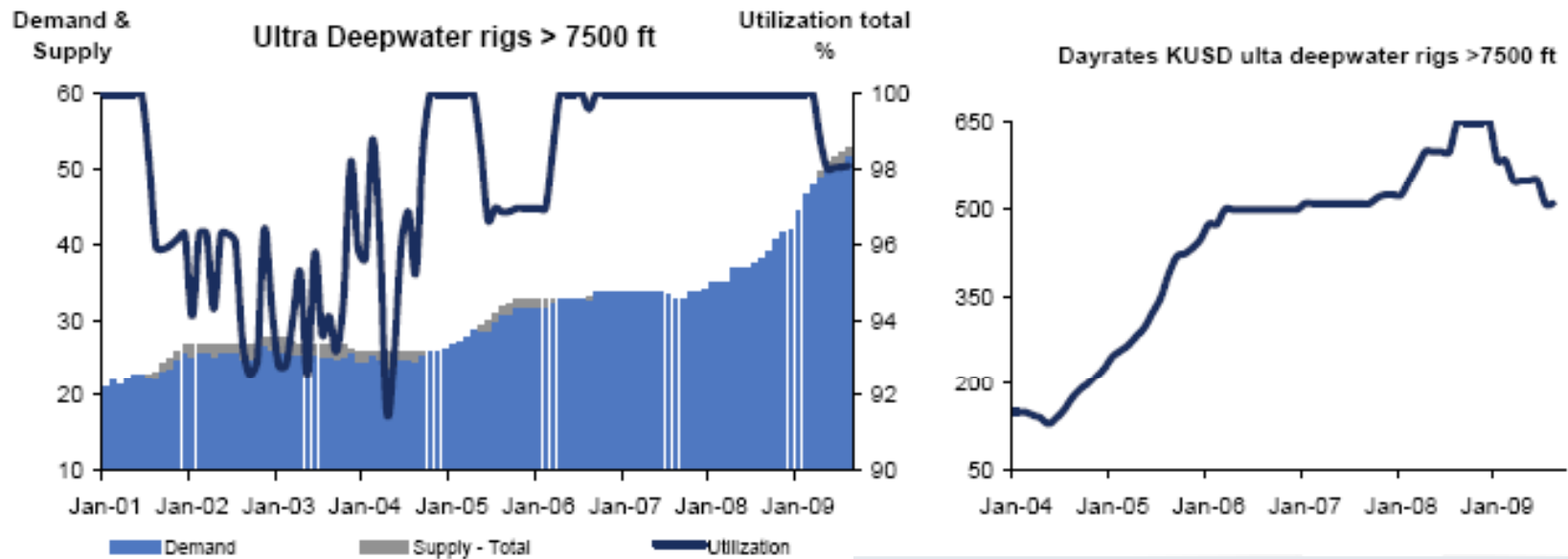
Classification of floaters – DRYS fleet sophisticated



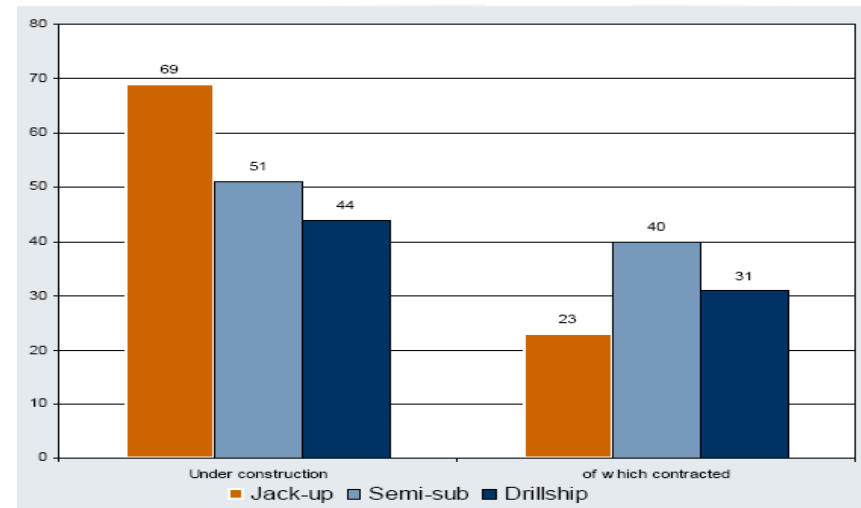
<u>6th Gen</u> <ol style="list-style-type: none"> 1. Ultra deep well drilling capability 2. Standardized Dual-Activity/ Offline Capable 3. Optimize design for completion 	<u>5th Gen</u> <ol style="list-style-type: none"> 1. 1997-2004 2. UDW 3. Large Deck Load 4. DP 5. Off-line characteristics 	<u>4th Gen</u> <ol style="list-style-type: none"> 1. 1984-89 2. HE – motion characteristics 3. VDL 4-6Kst 4. Deeper water 5. 15K BOP 	<u>3rd Gen</u> <ol style="list-style-type: none"> 1. 1980-84 2. VDL>3Kst 3. Improved drilling package 	<u>2nd Gen</u> <ol style="list-style-type: none"> 1. 1972-79 2. 6-8 leg SS design 3. Moored 600-2000ft 4. VDL 2-3Kst 5. 10KBOP
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UDW Industry – Rising Enquiry → Stabilized Day Rates



- ❖ 70% of new drillships contracted
- ❖ 80% of semi-subs contracted
- ❖ No newbuilding contracts for 1-year



Ultra Deep Water Drillships – Limited Availability

Rig Name	Year built	Water depth ft.	Customer/s	Country	Contract Expires	Dayrate \$/day	2009				2010				2011			
							1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Sedco Express	2001	7,500	BP	Angola	May-10	188												
West Gemini	2010	10,000	Available	S. Korea	Jul-10	NA	Samsung											
ENSCO 7500	2000	8,000	Chevron	Australia	Aug-10	550												
Pacific Bora	2010	10,000	Available	S. Korea	Sep-10	NA	Samsung											
Deepwater Horizon	2001	8,000	BP	USGoM	Oct-10	278												
Maersk Semi TBN III	2010	10,000	Available	Singapore	Dec-10	NA	Keppel											
Cardiff Marine DS TBN1	2010	10,000	Available	S. Korea	Dec-10	NA	Samsung											
Sedco Energy	2001	7,500	Chevron	Nigeria	Dec-10	476												
Discoverer Enterprise	1999	8,450	BP	USGoM	Feb-11	520												
Discoverer Deep Seas	2001	10,000	Chevron	USGoM	Feb-11	499												
Stena Tay	1999	8,100	Total	Nigeria	Feb-11	430												
Cardiff Marine DS TBN2	2011	10,000	Available	S. Korea	Mar-11	NA	Samsung											
Pacific Scirocco	2011	10,000	Available	S. Korea	Mar-11	NA	Samsung											
Petrorig 4	2011	10,000	Available	Singapore	Apr-11	NA	Jurong											
Seadragon 2	2010	10,000	Available	Singapore	Apr-11	NA	Jurong											
DeepSea Metro 1*	2011	10,000	Available	S. Korea	May-11	NA	Hyundai											
Pacific Mistral	2011	10,000	Available	S. Korea	May-11	NA	Samsung											
Pacific Santa Ana	2011	10,000	Available	S. Korea	Jul-11	NA	Samsung											
Dryships TBN 1	2011	10,000	Available	S. Korea	Jul-11	NA	Samsung											
Dryships TBN 2	2011	10,000	Available	S. Korea	Jul-11	NA	Samsung											

Construction
 Contract
 Opt.



Recent Developments



Recent Developments

- **Acquired remaining 25% of Primelead**
- **Fixed out Panamax spot vessels for medium term charters**
- **First half of the year, raised close to \$ 1 billion through ATM equity offerings**
- **Secured waivers for \$2.1 billion in debt**
- **Reduced Capex commitments by over \$2.2 billion**
- **Repaid \$800 million Primelead acquisition facility**
- **Signed 3-year contract with Petrobras for Leiv Eiriksson**



Strategy

- **Secure employment for drillships**
- **Secure finance for drillships**
- **Prepare OceanRig for IPO when valuation is right**
- **Standby to acquire distressed dry bulk or offshore assets**
- **Leverage the commodity rebound**



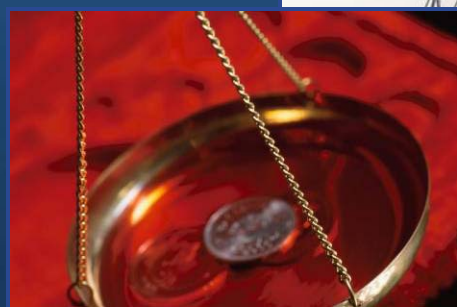
DRYS Investment Thesis

Low entry point in the commodity cycle – ride the rebound

- **Resilient growth trend in China & India**
- **Rest of the world demand rebounding**
- **Oil prices rebounding – Capex will rise to quench energy thirst**
- **Solid cashflow from fixed dry bulk and existing semi submersible rigs**
- **EPS Impact of drillship opportunities**
- **Leading consolidator – distressed opportunities**
- **DRYS oversold**



APPENDICES



Appendix 1 – Fleet Profile Bulk Carriers

Fixed rate employment						
	Year Built	DWT	Type	Gross Rate Per Day	Redelivery Estimate	Latest
Fixed rate employment						
Capesize:						
Alameda	2001	170,269	Capesize	\$21,000	Feb-11	May-11
Brisbane	1995	151,066	Capesize	\$25,000	Dec-11	Apr-12
Capri	2001	172,579	Capesize	\$61,000	Apr-18	Jun-18
Flecha	2004	170,012	Capesize	\$55,000	Jul-18	Nov-18
Manasota	2004	171,061	Capesize	\$67,000	Feb-13	Apr-13
Mystic	2008	170,500	Capesize	\$52,310	Aug-18	Dec-18
Samsara	1996	150,393	Capesize	\$57,000	Dec-11	Apr-12
Panamax:						
Avoca	2004	76,500	Panamax	\$45,500	Sep-13	Dec-13
Bargara	2002	74,832	Panamax	\$43,750	May-12	Jul-12
Capitola	2001	74,832	Panamax	\$39,500	Jun-13	Aug-13
Catalina	2005	74,432	Panamax	\$40,000	Jun-13	Aug-13
Conquistador	2000	75,607	Panamax	\$17,750	Aug-11	Nov-11
Coronado	2000	75,706	Panamax	\$18,250	Aug-11	Oct-11
Ecola	2001	73,931	Panamax	\$43,500	Jun-12	Aug-12
Iguana *	1996	70,349	Panamax	\$13,456	Sep-11	Sep-11
La Jolla	1997	72,126	Panamax	\$14,750	Aug-11	Nov-11
Levanto	2001	73,931	Panamax	\$16,800	Sep-11	Nov-11
Ligari	2004	75,583	Panamax	\$55,500	Jun-12	Aug-12
Maganari	2001	75,941	Panamax	\$14,500	Jul-11	Sep-11
Majorca	2005	74,364	Panamax	\$43,750	Jun-12	Aug-12
Marbella	2000	72,561	Panamax	\$14,750	Aug-11	Nov-11
Mendocino	2002	76,623	Panamax	\$56,500	Jun-12	Sep-12
Ocean Crystal	1999	73,688	Panamax	\$15,000	Aug-11	Nov-11
Oliva	2009	75,000	Panamax	\$17,850	Oct-11	Dec-11
Oregon	2002	74,204	Panamax	\$16,350	Aug-11	Oct-11
Padre	2004	73,601	Panamax	\$46,500	Sep-12	Dec-12
Positano	2000	73,288	Panamax	\$42,500	Sep-13	Dec-13
Rapallo	2009	75,000	Panamax	\$15,400	Aug-11	Oct-11
Redondo	2000	74,716	Panamax	\$34,500	Apr-13	Jun-13
Saldanha	2004	75,500	Panamax	\$52,500	Jun-12	Sep-12
Samatan	2001	74,823	Panamax	\$39,500	Jun-13	Aug-13
Toro	1995	73,034	Panamax	\$16,750	May-11	Jul-11
Xanadu	1999	72,270	Panamax	\$39,750	Jul-13	Sep-13
Supramax:						
Pachino (ex VOC Galaxy)	2002	51,201	Supramax	\$20,250	Sep-10	Feb-11
Paros I (ex Clipper Gemini)	2003	51,201	Supramax	\$27,135	Oct-11	May-12

* The Iguana is based on a synthetic Time Charter

Spot rate employment			
	Year Built	DWT	Type
Spot rate employment			
Panamax:			
Delray	1994	71,862	Panamax
Primera	1998	72,495	Panamax
Sonoma	2001	74,786	Panamax
Sorrento	2004	76,633	Panamax
New Buildings			
N/B Hull No: SS58	2010	82,000	Kamsarmax
N/B Hull No: SS59	2010	82,000	Kamsarmax

Note:

- Fleet List as of August 26th, 2009



Appendix 2 – Actual and Post-Primelead Capital Structure

	ACTUAL June 30, 2009	PROFORMA(1) June 30, 2009
	(USD thousands - Unaudited)	
Cash and cash equivalents (2)	475,904	425,904
Restricted cash	334,783	334,783
Total cash and liquidity	810,687	760,687
Total debt	2,600,688	2,600,688
Total stockholders equity (3)	2,283,727	2,679,147
Total capitalization	4,884,415	5,279,835
Debt/Capitalization	53.24%	49.26%
Net debt/Capitalization	43.94%	40.72%

- (1) Proforma for the Acquisition of noncontrolling interests in Primelead which transaction closed on July 15, 2009
(2) Proforma cash adjusted by \$50 million for the cash consideration paid to former owners of Primelead
(3) Proforma stockholders' equity adjusted for the \$395 million noncontrolling interest as of June 30, 2009



Appendix 3 – CAPEX Schedule (as of June 30th, 2009)

(USD thousands)

	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>Total</u>
<u>Drybulk vessels:</u>				
Hull 1519A	16,880	-	-	16,880
Kambara Hull SS058	5,425	37,975	-	43,400
Kambara Hull SS059	5,425	37,975	-	43,400
	<u>27,730</u>	<u>75,950</u>	<u>-</u>	<u>103,680</u>
<u>Drillships:</u>				
Hull 1865	-	208,082	300,675	508,757
Hull 1866	-	208,082	300,675	508,757
Hull 1837	47,837	435,448	-	483,285
Hull 1838	47,837	153,159	282,039	483,035
	<u>95,674</u>	<u>1,004,771</u>	<u>883,389</u>	<u>1,983,834</u>
Grand total	<u>123,404</u>	<u>1,080,721</u>	<u>883,389</u>	<u>2,087,514</u>

Note:

- Maintenance CAPEX (Drydock) is estimated at about \$ 10 million per year



Appendix 4 – Proforma Debt Repayment Schedule*

(USD thousands)

	Long-term Debt		
	<u>Drybulk Segment</u>	<u>Drilling Rig Segment</u>	<u>Total</u>
Remaining 2009	90,526	116,266	206,792
FY 2010	150,976	254,886	405,862
FY 2011	132,151	260,329	392,480
FY 2012	130,701	89,912	220,613

* As of June 30th, 2009



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