

DryShips Inc.

Strategic Expansion

9 Capesize Drybulk Carriers

Two Ultra Deep Water Drillships

Update Spin-off Ultra Deep Water Business Unit



NASDAQ: "DRYS"
Monday, October 6, 2008

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.



Where We Were ➔ Where We Are

DURING DRYSHIPS IPO WE COMMUNICATED A BUSINESS STRATEGY BASED ON A 3-5 YEAR HORIZON

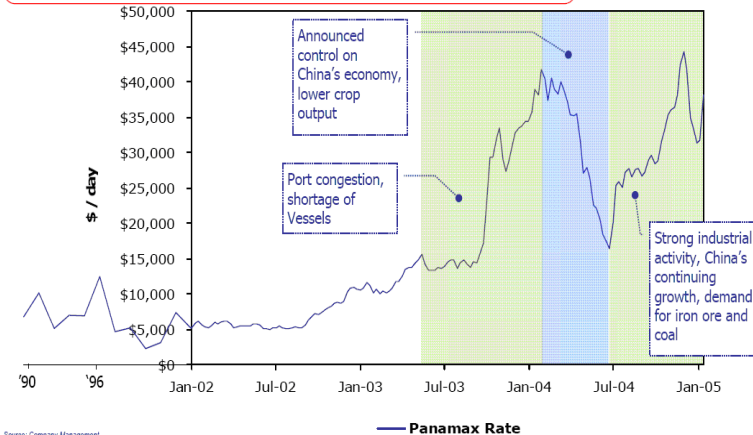
DRYSHIPS: 2004-2009 ACHIEVEMENTS

1. We foresaw the acute shortage of tonnage and China's effect on shipping
2. We grew our fleet from 6 ships (19 years old) in 2004 to 49 ships (7.5 years old) in 2008
3. We took full advantage of our prediction of above historical spot rates for our investment horizon of 3 to 5 years
4. We saw the market maturing in 2008 and shifted our chartering strategy to long term period coverage. Result:
 - ❖ About 61% of vessels on water on period contracts
 - ❖ Average remaining contract term of 5 years
 - ❖ Secured \$ 1.4 billion fixed revenues between 2009-2012

SLIDE FROM IPO ROADSHOW JANUARY 2005

Panamax Drybulk Charter Rates

➤ The drybulk carrier market may have entered a new range of charter rates.



WE DELIVERED ON WHAT WE PROMISED: Secured the future of our core drybulk shipping business while enhancing our earnings visibility



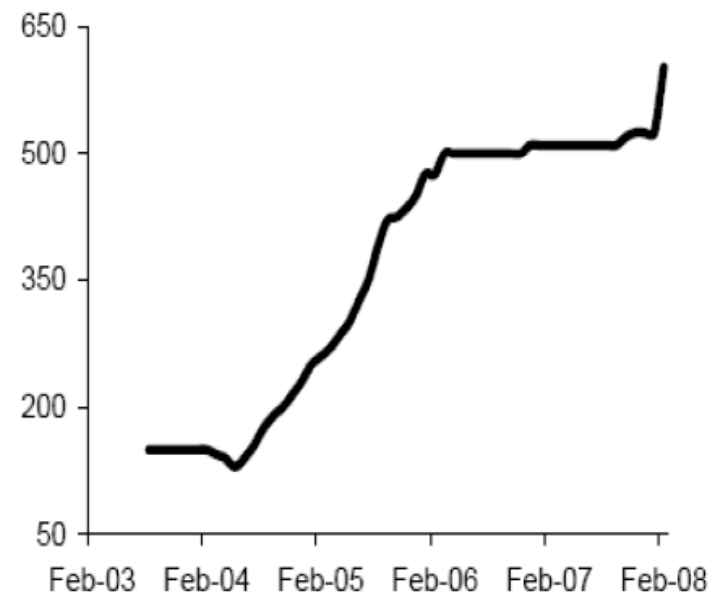
Where We Are ➡ Where We Are Going

UDW DRILLING: SAME HORIZON (3-5 YEARS), DIFFERENT STRATEGY

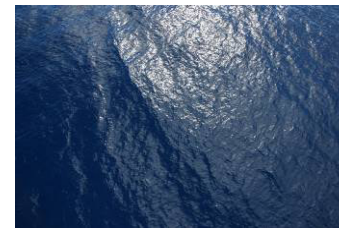
1. We observed the acute shortage of UDW assets and insatiable demand for oil that will be sustainable with oil prices above \$50 per barrel
2. In less than 12 months acquired management company (Ocean Rig ASA) and grew our fleet to six UDW drilling units (two of which can operate in harsh environments)
3. As a result we will have the 4th largest UDW fleet in the world
4. Take full advantage of current record day rates in order to employ all assets on long term contracts with a duration of 3-5 years
5. Primelead spin off will lead to the only listed pure play in the UDW drilling sector

The Ultra Deepwater market may have entered new range of day rates

(Dayrates 1,000 USD per day ultra deepwater rigs > 7,500 feet)



Strategic Expansion



9 Capesize Drybulk Carriers



9 Capesize Drybulk Carriers - Transaction Details

- ❖ Total consideration \$ 1,168 million
- ❖ Assumption of \$ 216 million of existing debt
- ❖ \$ 262 million in remaining shipyard installments funded with debt except for \$ 16 million
- ❖ Equity value \$ 690 million representing 19.4 million DryShips shares

FLEET DESCRIPTION

Name	Built/Delivery	DWT	Employment	Gross rate per day	Redelivery Earliest	Redelivery Latest
MV Ventura	2006	174,315	TC	50,000*	Apr. -14	14-Jun
MV Pompano	2006	174,219	TC	50,000*	Mar. -14	14-May
MV Fernandina	2006	174,315	TC	50,000*	Apr.-14	14-Jun
MV Morgiana	1988	186,001	TC	67,500**	Oct. -12	12-Dec
Newbuilding H1106	Nov-09	177,926	TC	56,000	Oct.- 14	14-Dec
Newbuilding H1119	Sep-10	177,926	N/A	N/A	N/A	N/A
Newbuilding H1154	May-09	177,926	N/A	N/A	N/A	N/A
Newbuilding H1155	Jun-09	177,926	N/A	N/A	N/A	N/A
Newbuilding H1129	Jun-09	177,926	N/A	N/A	N/A	N/A

* Index linked until June 30, 2009, thereafter the vessel will be chartered-out at a gross daily rate of \$50,000.

** Staggered at a gross daily rate of \$122,500, \$95,000, \$55,000 \$35,000 and \$30,000 for years one through five respectively.



9 Capesize Drybulk Carriers: Strategy and Vision

OBJECTIVE: ENHANCE MARKET LEADERSHIP POSITION WITH PREMIUM ASSETS AND LONG TERM CASH FLOWS

- ❖ **Growth and fleet renewal**
 - ❖ 38% fleet growth by dwt
- ❖ **Existing contract coverage**
 - ❖ 5 out of 9 with contracts extending to 2014
- ❖ **Further alignment of private and public interests**
 - ❖ No cashing out, all equity consideration in shares of common stock
- ❖ **Transaction at attractive terms**
 - ❖ Discount to asset value while stock issued at premium to current trading price
- ❖ **Cash outlay limited to \$16 million**
 - ❖ All debt in place, stock issuance underpinning confidence in drybulk sector
- ❖ **Reduces financial leverage**
 - ❖ Debt to total capitalization improves from approximately 60% to 54%



2009 Financial Performance Estimator

ANYONE WITH A CALCULATOR CAN ESTIMATE DRYSHIPS' POSSIBLE FINANCIAL PERFORMANCE IN 2009

EBITDA Estimator ⁽¹⁾	
Capesize Spot Days	1,703
Capesize Spot Rate	
Capesize Revenues	
Panamax Spot Days	4,948
Panamax Spot Rate	
Panamax Revenues	
Handymax Spot Days	361
Handymax Spot Rate	
Handymax Revenues	
Total Spot Revenue	
Total Fixed Revenue	453
Total Revenue	
Operating Expenses	(104)
G&A	(10)
DD/SS	(12)
Total Expenses	(126)
EBITDA	

Net Income Estimator ⁽¹⁾	
EBITDA	
Depreciation & Amortization	(180)
Net Interest Expense	(101)
Net Income	
Shares Outstanding	62,981,840

⁽¹⁾ Includes acquisition of 9 Capesize drybulk carriers

THE TABLES ARE PROVIDED FOR ILLUSTRATION PURPOSES ONLY. DRYSHIPS ACTUAL RESULTS MAY AND WILL DIFFER MATERIALLY FROM THOSE CONTAINED HEREIN AND DERIVED USING THE TABLES ABOVE



2009 EBITDA & EPS Sensitivity Indication

The table below provides an indicative estimate of DryShips earnings under a hypothetical range of average spot charter rates that may prevail.

Note the spot rate relationship: Capesize = 2 x Panamax.

Handymax = 80% Panamax

2009 EBITDA & EPS		Panamax			
		September High \$54,750	5-Yr Average \$41,009	10-Yr Average \$25,789	September Low \$23,250
C H a n d y m a x	September High \$115,000 / \$45,000	\$810 million \$8.4 per share			
	5-Yr Average \$81,723 / \$31,843		\$681 million \$6.3 per share		
	10-Yr Average \$51,521 / \$20,571			\$550 million \$4.3 per share	
	September Low \$40,250 / \$21,500				\$518 million \$3.8 per share

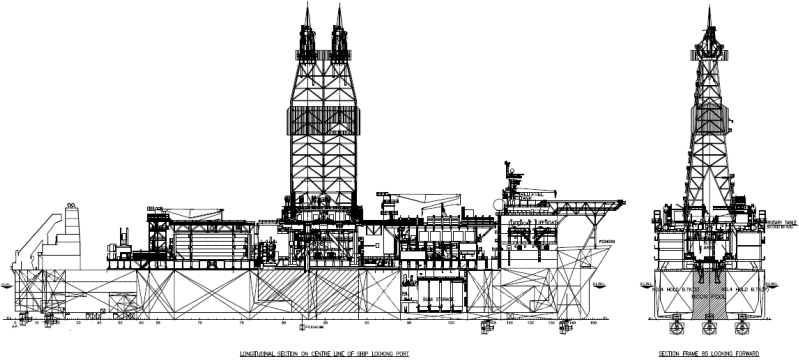
THE EARNINGS ESTIMATES CONTAINED IN THIS TABLE ARE FOR ILLUSTRATIVE PURPOSES ONLY. THE READER IS FOREWARNED THAT ACTUAL RESULTS MAY AND WILL BE DIFFERENT COMPARED TO THOSE PROVIDED HEREIN



Strategic Expansion

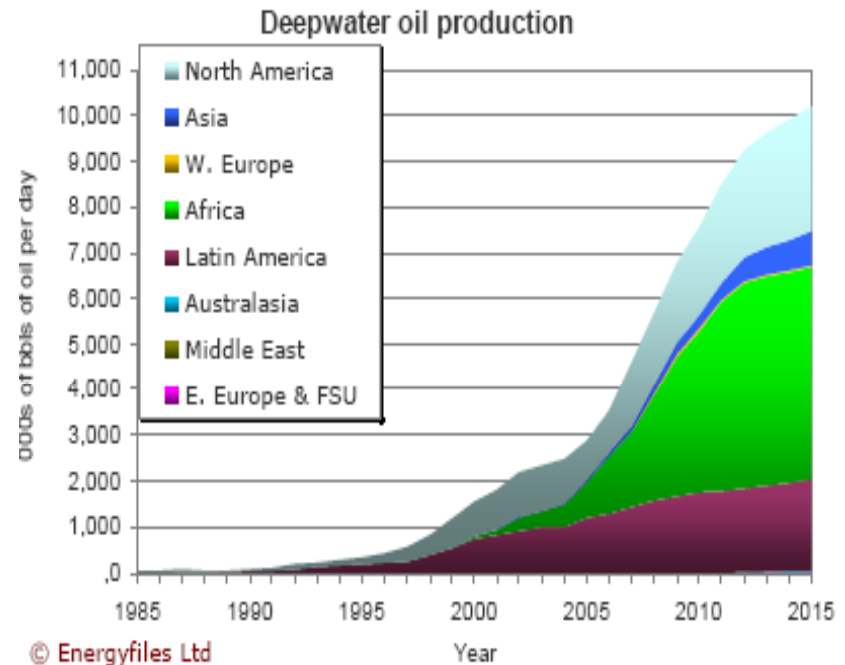


Two Ultra Deepwater Drillships



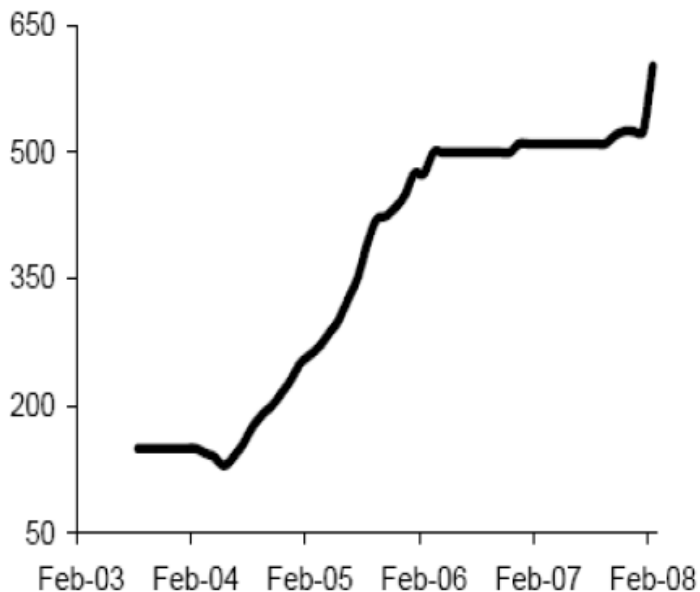
Ultra Deep Water

- ❖ Demand for Oil and Gas is projected to continue to grow (EIA, IEA)
- ❖ Supply is undermined by the natural decline in mature near shore and onshore fields
- ❖ Incremental production will come from deepwater, ultra deep water and the unexplored arctic areas offshore
- ❖ Sustainable growth in demand for deepwater rigs
 - ❖ Development project in the established DW plays combined with exploration success in the subsalt, namely Brazil, GoM, Angola
 - ❖ Exploration success in the developing regions, India, West Africa
 - ❖ Emerging demand in Mexico, S.E. Asia, Mediterranean and East Africa



Day-rate Development

Dayrates 1,000 USD per day ultra deepwater rigs > 7,500 feet

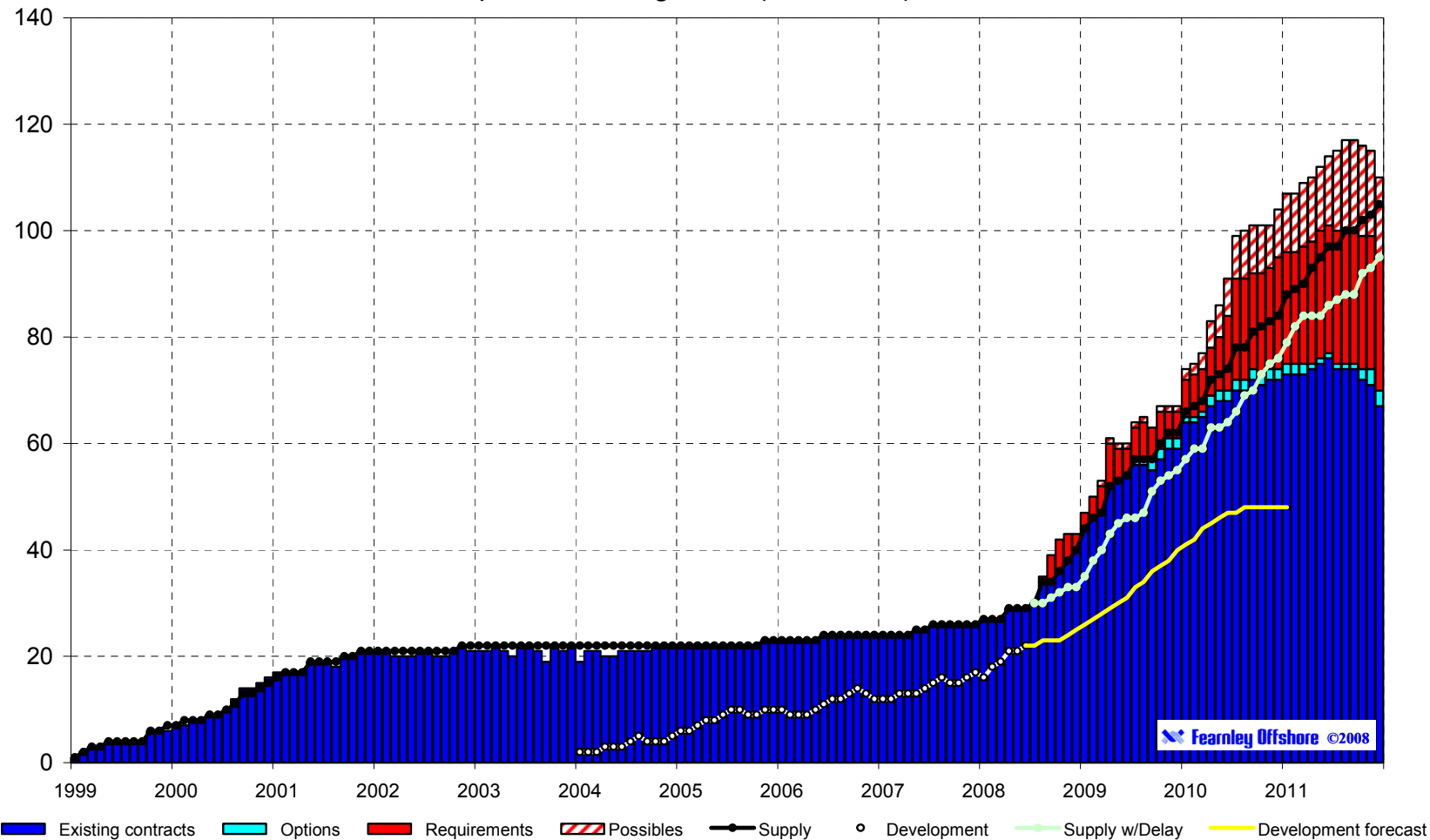


- ❖ Demand continues to outstrip supply
 - ❖ Near term supply fully contracted
 - ❖ Shipyard and oilfield equipment suppliers capacity constrains further additions
- ❖ Significant increase in day rates
- ❖ Record high day rates continue to be signed
 - ❖ Premium for prompt delivery
 - ❖ Technical differentiation will come into play



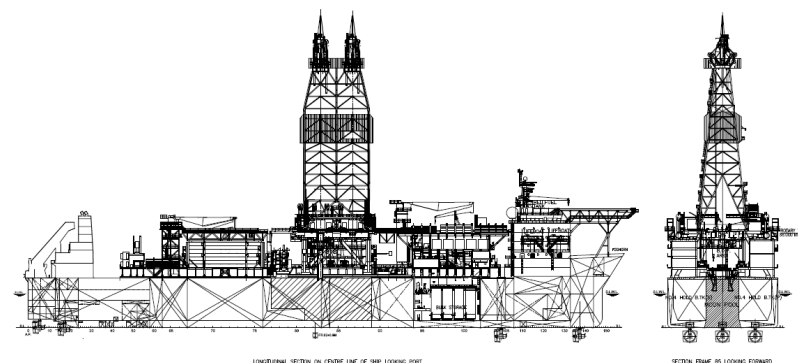
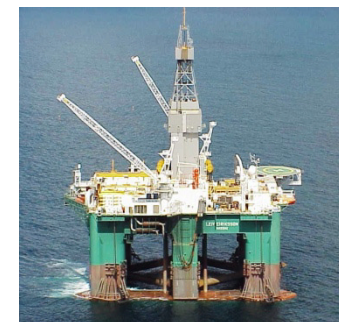
Ultra Deep Water Supply and Demand

Contract Status & Expected Demand 1999-2011:
Ultra Deepwater Drilling Units (>7500feet) - Worldwide



Uniquely positioned to benefit from the very strong UDW & HE market

- ❖ **Two Harsh environment UDW**
 - ❖ ER term contract at US\$637,000 average day rate
 - ❖ LE contracted to Shell with first availability Q4-09
 - ❖ AoC (Norway) and ER CoF(Canada)
 - ❖ Can operate in any environment
- ❖ **4 UDW drillships highly capable**
 - ❖ Full Dual activity
 - ❖ UDW drilling capability
 - ❖ 10,000ft WD
- ❖ **Uniquely positioned**
 - ❖ Excellent term contract on ER
 - ❖ Excellent opportunities on LE being the only rig with availability in 2009
 - ❖ Excellent opportunities with new build drillships
 - ❖ Very favourable deliverability
 - ❖ Highly specified
 - ❖ Very competent shipyard, with proven on time delivery and quality asset.



DryShips Activity in UDW Drilling Sector

TRANSACTIONS TO DATE

- ❖ December 2007: Acquired 30.4% of Ocean Rig ASA
- ❖ April 2008: Ordered two newbuilding UDW drillships from Samsung. Delivery Q3 2011
- ❖ July 2008 Completed acquisition of Ocean Rig ASA

NEW TRANSACTION

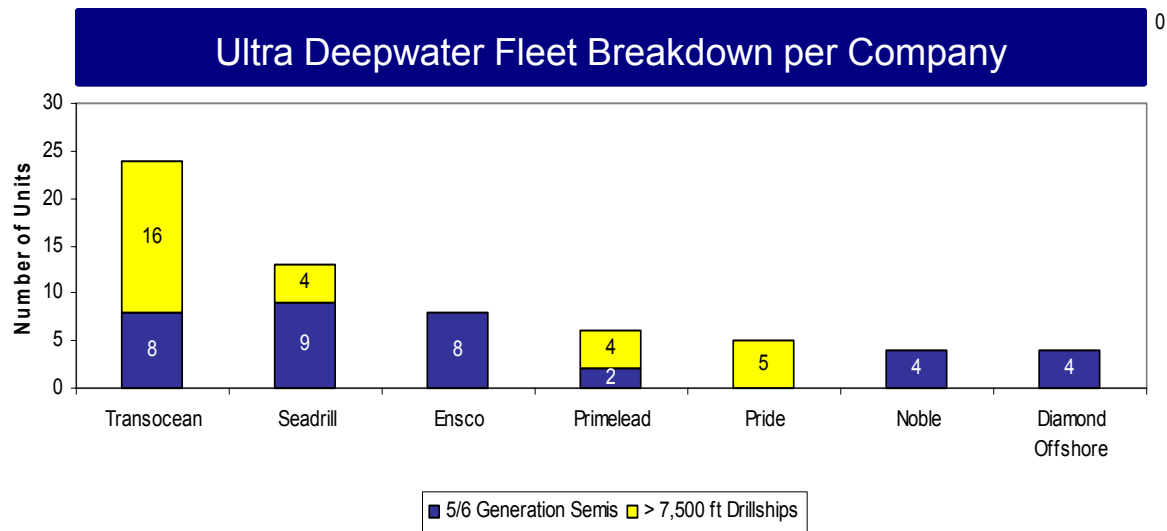
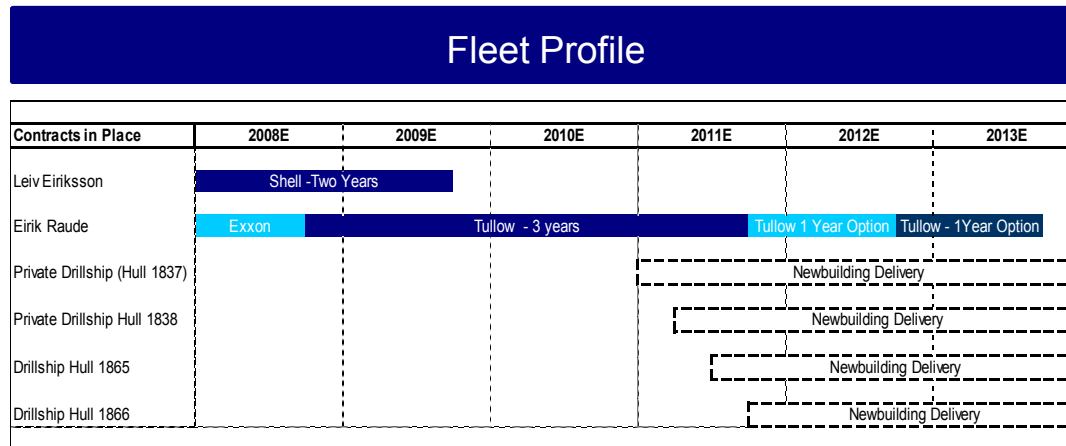
- ❖ October 2008: Will acquire two newbuilding UDW drillships to be delivered by Samsung in Q4 2010 and Q1 2011.

UPCOMING TRANSACTION

- ❖ End 2008-Early 2009: Spin-off Primelead in the form of share dividend to DryShips shareholders. NASDAQ Global Market listed.



Fleet Profile and Comparison



Transaction Overview

- ❖ Primelead acquires the shares in the two privately owned drillships (Seller)
- ❖ Method of Payment: 100% newly issued shares of Primelead stock
- ❖ Seller obtains 25% minority ownership in Primelead post closing
- ❖ No immediate cash outlay for Primelead until Q3 2009
- ❖ No DryShips shares issued as a result of transaction
- ❖ Consideration based on proforma relative valuation metrics



Strategic Rationale for Acquisition

- ❖ Penetration in the UDW drilling segment with strong fundamental outlook
- ❖ Earlier delivery of two drillships enhances strategic position
- ❖ Achieve economies of scale and consolidation
- ❖ Capitalize on the current shortage of premium UDW drilling assets
- ❖ Leverage Ocean Rig management to execute technical and commercial operations
- ❖ Spin off UDW drilling business unit into only listed company pure play
- ❖ Public company CEO David Mullen and CFO Jan Rune Steinsland

**CREATE THE LARGEST PURE PLAY IN THE UDW SEGMENT
WITH THE MOST MODERN UDW FLEET IN THE WORLD**



Ultra Deepwater Drilling Economics

Prevailing 3 to 5 year dayrates offer superior financial returns and a significant value proposition

Valuation For One 5/6th Generation Rig or Drillship

Day Rate	EBITDA	Enterprise Value	
		\$ millions	\$millions
\$ actual	\$ millions	5.0x	6.0x
600,000	144	721	865
675,000	170	851	1,021
750,000	196	981	1,177



Value of UDW Unit for DryShips

We estimate the equity value of Primelead based on different valuation methodologies ranges:

From \$ 2.55 to \$ 2.80 billion

Which, if correct, and divided by the 75% share owned by DryShips shareholders should result in a Primelead common stock price⁽¹⁾:

From \$30 to \$31 per share

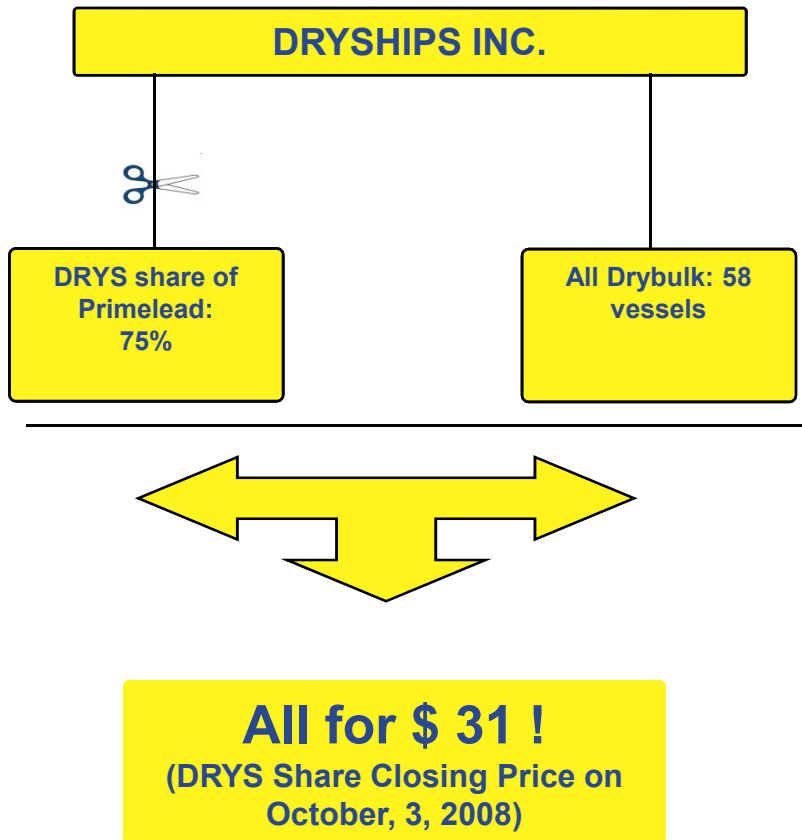
DRYS Share Closing Price on October, 3, 2008: \$31.50

⁽¹⁾ Using 62,981,840 DryShips shares outstanding following the acquisition of the 9 Capesize drybulk carriers



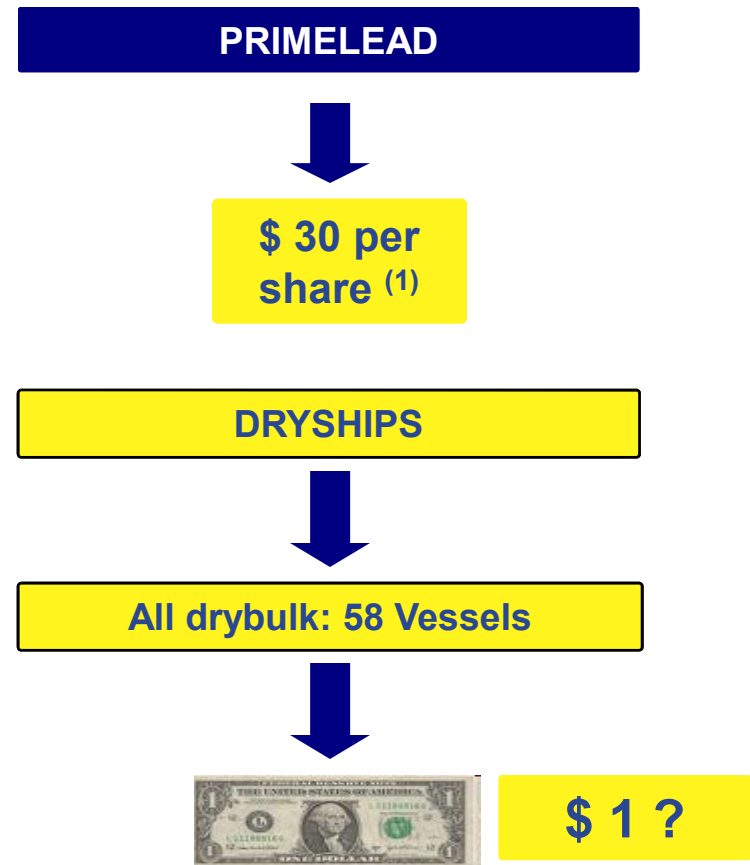
Value of UDW Unit for DryShips

TODAY



AFTER SPIN OFF

(Assuming it could be done tomorrow)



⁽¹⁾ Using 62,981,840 DryShips shares outstanding following the acquisition of the 9 Capesize drybulk carriers





APPENDICES



Contacts

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