



DRYSHIPS ANNOUNCES PARTIAL SPIN OFF OF OCEAN RIG UDW INC.

ATHENS, GREECE – August 4, 2011 - DryShips Inc. (NASDAQ: DRYS) (the “Company” or “DryShips”), a global provider of marine transportation services for drybulk and petroleum cargoes and off-shore contract drilling oil services, announced today that its Board of Directors has approved the partial spin-off of its interest in the Company’s majority-owned subsidiary Ocean Rig UDW Inc., of which DryShips currently owns approximately 78% of the issued and outstanding common stock. DryShips will distribute approximately 2,967,359 shares of common stock of Ocean Rig UDW Inc., which will reduce DryShips’ ownership interest in Ocean Rig UDW by approximately 2%. The number of shares of common stock of Ocean Rig UDW to be distributed for each share of common stock of DryShips will be determined by dividing 2,967,359 by the aggregate number of issued and outstanding shares of common stock of DryShips on September 21, 2011, the record date for the distribution. As of August 4, 2011, DryShips had outstanding 399,151,783 common shares, which would have resulted in the distribution of 0.007434 shares of common stock of Ocean Rig UDW for every one (1) share of common stock of DryShips.

Fractional shares of Ocean Rig UDW common stock will not be distributed to DryShips’ shareholders. Instead, fractional shares of Ocean Rig UDW will be aggregated and sold in the open market, with the net proceeds distributed pro rata in the form of cash payments to DryShips’ shareholders who would otherwise be entitled to receive a fractional share of Ocean Rig UDW common stock.

No action or payment is required by DryShips’ shareholders to receive shares of Ocean Rig UDW common stock. An Information Statement containing details regarding the distribution of the Ocean Rig UDW common stock will be mailed to DryShips’ shareholders prior to the distribution date. Investors are encouraged to consult with their financial advisers regarding the specific implications of buying or selling DryShips common stock on or after the ex-dividend date.

The distribution of shares of Ocean Rig UDW common stock or cash in lieu thereof in the partial spin-off will be characterized as a taxable dividend for United States federal income tax purposes. The amount of the dividend for such tax purposes will be equal to the sum of (x) the fair market value of Ocean Rig UDW Shares received by a U.S. Holder; and (y) any cash payment in lieu of fractional shares paid to a U.S. Holder. You should treat the effective date of the partial spin-off as the date of the dividend. DryShips shareholders are urged to consult with their tax advisors with respect to the U.S. federal, state, local and foreign tax consequences of the partial spin-off.

Pursuant to the indenture governing the Company’s \$700.0 million aggregate principal amount of 5% Convertible Senior Notes due December 1, 2014 (the “Convertible Senior Notes”), the distribution of shares of Ocean Rig UDW common stock will result in a downward adjustment of the conversion price at which each \$1,000 aggregate principal amount of Convertible Senior Notes may be converted into shares of common stock of the Company. The new conversion price will be effective as of the ex-dividend date of the distribution of shares of Ocean Rig UDW common stock and will be provided to noteholders as soon as it can be determined under the provisions of the indenture. The distribution of shares of Ocean Rig UDW common stock does not provide noteholders the right to convert the Convertible Senior Notes.

Ocean Rig UDW has applied to list its common stock on the Nasdaq Global Select Market. Ocean Rig UDW common stock is expected to begin trading on a “when-issued” basis on the Nasdaq Global Select Market beginning in mid September 2011. Ocean Rig UDW common stock is expected to begin “regular-way” trading in October 2011 under the symbol “ORIG”.

George Economou, Chairman and Chief Executive Officer of the Company commented: We are pleased to announce the partial spin off of Ocean Rig UDW to our shareholders. The investment decision that was taken in 2007 to diversify into the ultra deepwater drilling sector is set to be a profitable venture that we believe will deliver substantial value to DryShips shareholders. We believe that the intrinsic value of Ocean Rig is substantially higher than what has been used to determine the number of shares that will be distributed, thereby implying a much higher dollar value to the shareholders than the \$50 million headline number. This dividend is the first step in delivering value to our shareholders from the Ocean Rig investment and we are considering further alternatives including regular dividends and stock buybacks.

About DryShips

DryShips Inc., based in Greece, is an owner of drybulk carriers and tankers that operate worldwide. Through its majority owned subsidiary, Ocean Rig UDW Inc., DryShips owns and operates 9 offshore ultra deepwater drilling units, comprising of 2 ultra deepwater semisubmersible drilling rigs and 7 ultra deepwater drillships, 4 of which remain to be delivered to Ocean Rig UDW Inc. during 2011 and 2013. DryShips owns a fleet of 37 drybulk carriers (including newbuildings), comprising 9 Capesize, 26 Panamax and 2 Supramax, with a combined deadweight tonnage of over 3.4 million tons, and 12 tankers (including newbuildings), comprising 6 Suezmax and 6 Aframax, with a combined deadweight tonnage of over 1.6 million tons.

DryShips’ common stock is listed on the NASDAQ Global Select Market where it trades under the symbol “DRYS.”

Visit the Company’s website at www.dryships.com.

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Forward-Looking Statements

Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation.

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 words “believe,” “intend,” “anticipate,” “estimate,” “project,” “forecast,” “plan,” “potential,” “may,” “should,” “expect” and similar expressions identify forward-looking statements.

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 we believe 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, we 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 and drilling dayrates and drybulk vessel, drilling rig and drillship values, failure of a seller to deliver one or more drilling rigs, drillships or drybulk vessels, failure of a buyer to accept delivery of a drilling rig, drillship, or vessel, inability to procure acquisition financing, default by one or more charterers of our ships, changes in demand for drybulk commodities or oil, changes in demand that may affect attitudes of time charterers and customer drilling programs, scheduled and unscheduled drydockings and upgrades, changes in our operating expenses, including bunker prices, drydocking and insurance costs, changes in governmental rules and regulations 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 with the U.S. Securities and Exchange Commission.