Our commitment to operational excellence runs deep...Ultra-deep.
ABOUT THE COVER: Crew members work on the drill floor of the Pacific Santa Ana, Pacific Drilling’s latest newbuild drillship, as it prepares to mobilize to the United States Gulf of Mexico where it will conduct drilling operations for Chevron.

CORPORATE PROFILE: Pacific Drilling S.A. is a growing offshore drilling company that provides global ultra-deepwater drilling services to the oil and natural gas industry through the use of high-specification drillships. Our corporate offices are located in Houston, Texas, with operations offices in Brazil, Nigeria, Singapore and South Korea.

Since we were founded in 2006, Pacific Drilling has grown into a successful, premium drilling contractor with over 900 employees and contracts with the highest quality clients in the industry. We have one of the newest and most technologically advanced fleets in the world. Our vessels are all state-of-the-art, high specification units, which benefit from a proven design and highly developed construction techniques.

Our shares are traded on the New York Stock Exchange (NYSE) under the symbol PACD and on the Norwegian Over the Counter List (NOTC) under the symbol PDSA.
TO OUR SHAREHOLDERS

2011 was a defining year for Pacific Drilling as we became a public company listed on the New York Stock Exchange. As the graphic on the following page illustrates, we have spent the past four years successfully laying the foundation of our company and, in 2011, we began operating as a fully-fledged drilling contractor. We have built a contract drilling company from the ground up – an accomplishment that no other drilling contractor can claim. We are proud to cite a long list of accomplishments during the past year which have established Pacific Drilling in our commitment to become the preferred ultra-deepwater drilling contractor.

Delivering Our Rigs On Time and On Budget

Following the successful delivery in 2010 of our first ultra-deepwater drillship, the Pacific Bora, we took delivery of three additional drillships from Samsung Heavy Industries (SHI) in 2011: the Pacific Scirocco, the Pacific Mistral and the Pacific Santa Ana. We have dedicated almost 700,000 manhours to managing our construction projects and have done so with an excellent safety record, experiencing no lost time incidents. The on time and on budget delivery of these rigs reflects the substantial construction management experience we have gained and the strong relationship we have developed with SHI.

Contracting Success

In 2010, we secured drilling contracts for Pacific Bora and Pacific Santa Ana. Pacific Bora was awarded the first ultra-deepwater contract after the introduction of a new regulatory regime in Nigeria and stands as proof of our acceptance by the industry as a professional drilling services provider. In the case of Pacific Santa Ana, following a competitive evaluation process, Chevron selected us to partner in the commercialization of dual gradient drilling (DGD), an innovation in deepwater drilling which we believe could be a game-changer for the industry. We are extremely proud to have been selected to work with Chevron on this project and believe it validates our focus on the ultra-deepwater and supports our goals to be the preferred drilling contractor in this segment. We have been working closely together on the optimization of the rig and operating procedures to ensure a successful introduction of the technology in the U.S. Gulf of Mexico in 2012.

We continued our success in securing attractive contracts in 2011. We signed two additional term drilling contracts for Pacific Scirocco and Pacific Mistral, thereby expanding our client base to include Total and Petrobras. As of March 20, 2012, our contract backlog was approximately $2.1 billion, with an average of 3 years of backlog per contracted rig. Our backlog is derived exclusively from drilling contracts with some of the most respected oil and gas companies in the industry. Our ability to secure contracts exclusively with customers of this caliber is unmatched by any other start-up drilling contractor.

We have actively worked with our clients to optimize and upgrade our drillships to meet their specific drilling requirements, and all of our vessels are currently working on significant development projects. This approach to partnering with our clients has contributed to the strong relationships we have built and the reputation we have earned in the industry in a short period of time.

Growing Our Fleet

In March 2011, we entered into contracts with SHI for the construction of two additional ultra-deepwater drillships, the Pacific Kham sin and the Pacific Sharav. Reflecting our belief in the fundamentals of the ultra-deepwater drilling market, on March 16, 2012, we exercised an option for a seventh drillship which will be similar in specification to Pacific Kham sin and Pacific Sharav. These rigs exemplify the technological advances in the offshore drilling industry today. Each rig will be capable of operating in up to 12,000 feet of water and equipped to drill to 40,000 feet. They will also have dual mud systems, upgraded mud storage and mixing capabilities, and industry leading equipment to enable management of the heaviest completion strings currently requested by our clients. The rigs will also be able to support the use of a subsea mud lift pump required to perform DGD. We continue to believe that these equipment enhancements will be a competitive advantage as we seek contract opportunities for our rigs.

Expanding Our Shareholder Base

We determined in early 2011 to build on the equity strength provided by our sponsor, Quantum Pacific, in order to support our continued growth. In April, we successfully completed a private placement of 60 million common shares to institutional and retail investors. Proceeds from the offer provided the equity financing for Pacific Kham sin and Pacific
Sharav. At that time, we committed to providing a more liquid listing for our shares on an internationally recognized exchange. On November 11, 2011, we fulfilled that commitment when we completed an initial public offering and common shares of Pacific Drilling began trading on the New York Stock Exchange (NYSE) under the symbol PACD. As of March 20, 2012, approximately 62 million of our common shares, or 93% of our total float of 66.9 million shares, are traded on the NYSE while the remainder trade on the Norwegian Over the Counter List (NOTC).

**Demonstrating Our Commitment to Operational Excellence**

At Pacific Drilling, working safely every day is imperative. Each of our employees has a Stop Work Obligation, meaning that each individual has the responsibility and duty to stop any work that the individual feels is unacceptably risky or that causes him or her concern. We believe that empowering our employees to take action to prevent incidents will not only result in safer operations, it will result in a culture of ownership and pride that will translate into positive results in other aspects of our operations.

We also believe that we have the right people and processes in place to optimize efficiency while operating safely. We demonstrated this focus on safe and reliable operations in 2011 with the start-up of Pacific Bora. Through December 31, 2011, Pacific Bora experienced no lost time incidents while achieving a revenue efficiency of 93.2%, in excess of industry expectations for the start-up of a drillship. As of the date of this letter, across our fleet, Pacific Drilling has experienced no lost time incidents while on contract.

**Looking Forward**

We continue to see the market for ultra-deepwater rigs strengthen. Since the beginning of 2012, Brent crude averaged a closing price of over $118 per barrel and ranged from approximately $108 to $128 dollars per barrel. The current range of crude prices is resulting in increased confidence for our customers, and we believe that this will continue to translate into increased levels of exploration and development drilling in deepwater basins.

We continue to see numerous opportunities with high-quality customers for our available rigs, which are among the very few with the advanced capabilities required to drill the deepest wells that many customers are targeting. Our industry is experiencing a rising dayrate environment, and we have exposure to what we believe will be a robust market in 2013.

We will continue to focus on revenue capture, not on being the low cost drilling provider. We believe that spending a little extra on maintenance and operational performance improvements in the short term will result in better financial performance in the long term. This is a key part of our commitment to earning a reputation as the preferred ultra-deepwater drilling contractor with both our customers and our shareholders.

We look forward to further growth of our fleet. We believe that a fleet size of 10 to 12 rigs will allow us to achieve efficiencies of scale while also providing our customers with a superior level of service. We believe that this will continue to differentiate us from our peers in the eyes of our customers and employees. As we grow, we will continue to balance our exposure to uncommitted rigs and the opportunities we see in the market against our financing needs when making the decision whether to order additional rigs. Given current market conditions, we are comfortable with continuing to grow our fleet at a measured pace that takes into account the availability of capital and operational constraints.

The future of our company depends on the dedication and performance of the men and women who are part of the Pacific Drilling team. In 2011, we tripled the size of that team to almost 900 employees and contractors. I would like to thank each member of the Pacific Drilling team for his or her commitment to excellence as this company is poised for even greater things to come.

Sincerely,

Ron Moskovitz
Chairman

Chris Beckett
Chief Executive Officer

April 10, 2012
# Becoming The Preferred Ultra-Deep Water Drilling Contractor

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<thead>
<tr>
<th>Stage</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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<tbody>
<tr>
<td><strong>Startup</strong></td>
<td>Established management team</td>
<td>Initiated construction of 4 drillships</td>
<td>Built operations support team, over 900 staff to date</td>
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<td><strong>Development</strong></td>
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<td><strong>Operations &amp; Growth</strong></td>
<td>Fully-fledged UDW contractor</td>
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<td><strong>Key Events</strong></td>
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<td>First rig delivered</td>
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<td>2 drilling contracts signed</td>
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<td>$1.8 Bn financing secured</td>
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<td>2 drilling contracts signed</td>
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<td>NYSE listing</td>
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<td>Orderd one additional drillship</td>
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<td>Bora and Scirocco began drilling operations</td>
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<td>Closed $300 MM bond financing</td>
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<td>3 rigs delivered</td>
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<td>Mistral began drilling operations</td>
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<td>Santa Ana on contract</td>
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<tr>
<td>Ordered one additional drillship</td>
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</table>

**Operations & Growth:**
- Fully-fledged Ultra-Deep Water (UDW) contractor

**Developed the platform:**
- Established management team
- Built operations support team, over 900 staff to date

**Key Events:**
- First rig delivered
- 2 drilling contracts signed
- $1.8 Bn financing secured
- 2 drilling contracts signed
- NYSE listing
- Ordered one additional drillship
- Bora and Scirocco began drilling operations
- Closed $300 MM bond financing
- 3 rigs delivered
- Mistral began drilling operations
- Santa Ana on contract
SENIOR MANAGEMENT

Christian J. Beckett
Chief Executive Officer

Kinga E. Doris
Vice President, General Counsel and Secretary

William J. Restrepo
Chief Financial Officer

Paul T. Reese
Vice President, Controller

Robert F. MacChesney
Chief Operating Officer

Cees Van Diemen
Senior Vice President of Operations

BOARD OF DIRECTORS

Ron Moskovitz
Chairman

Jeremy Asher
Director

Christian J. Beckett
Managing Director & CEO

Paul Wolff
Director

Laurence N. Charney
Director

Cyril Ducau
Director

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Norwegian Over the Counter List: NOTC

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Independent Auditors
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Copies of the 2011 Annual Report on Form 20-F and other reports filed with the U.S. Securities and Exchange Commission (SEC) are also available, free of charge, from the Investor Relations section of Pacific Drilling’s website at www.pacificdrilling.com.
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