



Fellow Shareholders,

In 2013, Pacific Drilling showed what's possible with a fully engaged, four-rig fleet of high-specification, ultra-deepwater drillships. We had a terrific year and demonstrated the potential of our passionate, dedicated team. We worked hard, exceeded our operational targets, and outperformed expectations. By focusing on performance excellence, we demonstrated that we can deliver industry-leading results.

Financial Results

Pacific Drilling finished strong in 2013, reporting total revenue of \$745.6 million, an increase of 17 percent over 2012.

Adjusted EBITDA for the full-year 2013 was \$358.1 million and adjusted EBITDA margin was 48 percent. Adjusted net income was \$92.1 million. Excellent operational performance, disciplined cost management, and the post-shakedown revenue of all four rigs contributed to these outstanding results. Since late 2012, when the shakedown of our first rigs was complete, our EBITDA margins have consistently been above the average for our industry. Pacific Drilling shares also delivered outstanding results in 2013, closing the year up 21.4 percent. In November, we reached our all-time-high share price of \$12.25.



Safety

Even more important than our financial successes, in 2013 we continued to demonstrate that we can execute our business safely by incurring no lost-time recordable incidents (LTI). This industry-leading performance is highlighted further by *Pacific Bora's* reporting of three years without an LTI, *Pacific Scirocco* and *Pacific Mistral's* two incident-free years, and *Pacific Santa Ana's* year without an LTI. Perhaps even more significantly, both *Pacific Bora* and *Pacific Santa Ana* recently achieved one year without a single recordable incident.

We are proud to lead by example – and to share our successes with our drilling partners. Impressed by our safe and reliable operations, Petrobras sent an audit team to *Pacific Mistral* offshore Brazil to learn firsthand how we work so safely. We also proactively joined the Center for Offshore Safety Board of Directors and

voluntarily underwent an external safety and environmental management system audit on *Pacific Santa Ana*. We were the first offshore drilling contractor to complete the audit. Early participation in the program provided many benefits to our company, but also to the broader U.S. Gulf of Mexico offshore community as we helped educate the program managers on the practicalities of auditing a contractor against regulatory requirements.

By focusing on the prevention of all incidents, including “minor” ones, we believe we will instill a culture of caring for the safety and welfare of our employees, while simultaneously developing a culture of focus and attention – and ownership and pride – resulting in superior operational performance.

Industry-Leading Operational Performance

In 2013, we completed our first full year of operations with a four-rig fleet, post shakedown. Our fleet average revenue efficiency was 93.5 percent, a level we certainly are proud of and that exceeds typical industry performance, but one we hope to improve upon as our fleet matures. Clients have applauded us for our drilling efficiency and our receptiveness to their operational needs.

- *Pacific Bora* was the highest-performing rig in Chevron’s global fleet, and *Pacific Scirocco* earned the same distinction in Total’s fleet.



- Providing unsurpassed customer service, *Pacific Bora* crew assembled a blowout preventer (BOP) onboard – an industry first.
- Consistent with our strategy to be an industry leader in technology, we completed upgrades to *Pacific Santa Ana* as required for dual-gradient drilling (DGD) in partnership with Chevron. Our current expectation is to drill the first commercial well with DGD during 2014.
- In December 2013, *Pacific Khamsin*, our fifth drillship, commenced operations in Nigeria for Chevron at a record contract rate of \$660,000 per day.

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Continued Growth

In January 2013, we placed an order for our eighth drillship, the *Pacific Zonda*. With the commencement of *Pacific Khamsin's* contract in December 2013, we began the next phase of our company's revenue growth, which will continue during the next two years as we begin operations with *Pacific Sharav*, *Pacific Meltem* and *Pacific Zonda*. At this time, we have elected to pause before placing an order for a ninth rig; however, we are committed to further growth and a target fleet size of 10 to 12 rigs. Consistent with guidelines we have established, we will continue to be disciplined when determining the timing of additional rig orders. The availability of financing, shipyard prices, market conditions, and the ability of our management team to support the construction and start-up of newbuild drillships are all factors we consider.

Strengthened Capital Structure

Throughout 2013, we closed financing transactions totaling \$3 billion. These transactions mark an important milestone in our company's development. The financings considerably strengthened our capital structure and provided us with increased financial flexibility, in addition to providing incremental liquidity to address pre-delivery payments for *Pacific Zonda's* construction. We were also able to release restricted cash balances and improve future liquidity by cutting our annual debt amortization payments by over \$200 million.

Further, we extended and laddered our debt maturity profile and locked in attractive interest rates. We have now expanded our access to the capital markets and further diversified our sources of capital while also meeting all of our expected financing requirements until early 2015.

Returns to Shareholders

Our Board of Directors announced that it will propose at the upcoming 2014 Annual General Meeting the initiation of distributions to shareholders in 2015 of up to \$152 million in the aggregate. The Board's recommendation is a positive indication of the company's confidence in our future.

Looking Forward

2013 was an outstanding year for our company, and we look forward to building on that success in 2014 and beyond. There remains more to do for the company to reach its full potential. We remain focused on the completion of our three newbuilds and minimizing the time from shipyard delivery to drilling operations start-up. We continue to believe in the strength of the long-term fundamentals of the market for high-specification, ultra-deepwater drillships and are actively focused on marketing our available rigs. In recent months, analysts have predicted a more difficult offshore drilling market in 2014. However, our contracting successes have positioned us well for such moments in



the industry cycle. Of available days to drill in 2014, our fleet is 99 percent contracted.

Since our foundation in 2008, the Pacific Drilling team has grown to over 1,400 employees located in six countries. While the culture of our company is evolving as we grow, we continue to set high standards at both individual and corporate levels. We continue to be focused on performance excellence and maximizing revenue capture, not on being the low-cost drilling contractor. We strive to be recognized by our clients not just as a service provider, but as a partner. That's what will allow us to continue to differentiate ourselves from the competition and to continue developing successful relationships with clients throughout the industry.

On behalf of our employees, whose hard work, dedication and commitment are the foundations of Pacific Drilling's success, we thank you for your continued support and confidence in our company.

Sincerely,

Ron Moskowitz, *Chairman*

Chris Beckett, *Chief Executive Officer*

April 25, 2014

About Pacific Drilling

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 offices in Brazil, Luxembourg, Nigeria, Singapore and South Korea.

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