

Dear Shareholders,

A measured and deliberate process of transforming Pride International into a unique investment alternative in the offshore contract drilling business was completed in 2009 following the spin-off of our 20-rig mat jackup fleet.

This transaction stands as the foremost achievement during the year while serving as further evidence of our strategic positioning in the contract drilling industry. Our transformation, which was

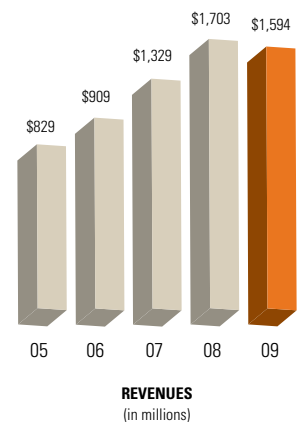


four years in the making, included the sale of an estimated \$1.7 billion in non-core assets prior to 2009. The spin-off of the mat jackup fleet, which formed Seahawk Drilling, Inc., was concluded by way of a pro-rata stock dividend to holders of Pride's shares and represented a tax-efficient transfer of value of approximately \$1.76 per share. With the transformation of our company complete, Pride now has an industry-leading concentration in the floating rig sector of our business, representing 78% of total revenues in 2009, including 52% from the deepwater sector, and we stand to benefit from what we see as a promising long-term outlook in the floating rig drilling sector, especially deepwater drilling.

The financial community demonstrated strong support in 2009 for our strategy and efficient and consistent execution of the transformation. During the year, Pride's shares achieved a total shareholder return of over 114%, compared to 61% for the Oil Services Index. Pride's annual share price performance was third-best among eight offshore contract drilling companies and ranks among the top two performing stocks in this group when considering total shareholder return over the past two years.

ANOTHER SIGNIFICANT

ACHIEVEMENT IN 2009 was the continued progress toward construction of our four ultra-deepwater drillships. The construction program, which serves as the cornerstone of our strategy to focus and expand our presence in the deepwater sector, while offering our customers a high-specification drilling solution for offshore well construction, has continued with excellent execution at the Samsung Heavy Industries shipyard in Korea. A program milestone was reached in February 2010 when the company accepted delivery of the first ultra-deepwater drillship, the *Deep Ocean Ascension*. The rig exited the shipyard on time and on budget and with zero lost-time incidents during the estimated 1.6 million man hours of construction. The *Deep Ocean Ascension* is now in transit to the U.S. Gulf of Mexico where it is expected to commence a five-year contract with BP during the third quarter of 2010 following field testing and client acceptance. The company's second ultra-deepwater drillship, the *Deep Ocean Clarion*, is expected to complete construction, and system integration and testing during August 2010 and commence a five-year contract with BP in the U.S. Gulf of Mexico in January 2011. The arrival of the two rigs will mark the company's entry into the strategically important deepwater Gulf of Mexico region. The final two drillships in the construction program, the *Deep Ocean Mendocino* and the *Deep Ocean Molokai*, are in the early stages of construction, with expected deliveries from the Samsung shipyard in January and December 2011, respectively. Once construction, field testing and client acceptance are complete, the *Deep Ocean Mendocino* will commence a five-year contract with Petroleo Brasileiro (Petrobras) with a probable location offshore Africa.



THE SUCCESSFUL CHANGE IN OUR BUSINESS MODEL, increased strategic focus and near-term expansion of our deepwater presence are expected to have significant positive implications for the company's future financial performance. These developments will certainly play a major role in allowing us to reestablish sequential annual revenue growth that was broken in 2009 following a period, from 2005 through 2008, that produced a compound annual growth rate in revenues of 27%. During 2009, financial results were negatively impacted, in part, by a reduction in industry activity caused by customers electing to reduce exploration and production spending in response to an environment of unprecedented uncertainty relating to global economic health, financial market accessibility and oil market fundamentals. Also, we incurred over 400 days of planned out-of-service time during the year, primarily in the second half of 2009, to complete various upgrade and maintenance programs on our rigs, including over 360 days associated with rigs in our deepwater fleet. Some of these projects were done in advance of the commencement of recently awarded contracts and served to enhance the capabilities of the units, which should deliver benefits over future periods. Impacted by these projects, revenues in 2009 declined 6% to \$1,594 million compared to \$1,703 million in 2008. Income from continuing operations, net of tax, totaled \$340 million in 2009, or \$1.92 per diluted share, representing a 33% decline when compared to income from continuing operations, net of tax, of \$509 million, or \$2.89 per diluted share, in 2008.

Results in 2009 included the impact of a \$56 million accrual relating to the possible resolution with the Department of Justice (DOJ) and U.S. Securities and Exchange Commission (SEC) of potential liability under the U.S. Foreign Corrupt Practices Act. The accrual represents our best estimate of an amount that could be necessary to settle financial obligations to the DOJ and SEC. As our extensive past disclosures on this topic have indicated, the company voluntarily disclosed the matter to both agencies in 2006 and has cooperated with their investigation ever since. The accrual is a strong indication of progress made toward this long-awaited outcome, but we cannot predict the timing or the ultimate terms of a final settlement.



It appears the worst of the economic and financial crisis could be behind us, and a period of global economic recovery has resumed. Crude oil markets have shown surprising stability in recent months, with oil prices above \$80 per barrel in early 2010 and, more important for the health of our business, prices have maintained a stable trading range of \$65 to \$80 per barrel over the past seven months, including an average of \$75 per barrel since August 2009. Should these favorable developments continue, we would expect a gradual return of improving exploration and production spending by our customers over the coming months, leading potentially to increasing contract opportunities for all segments of our fleet.

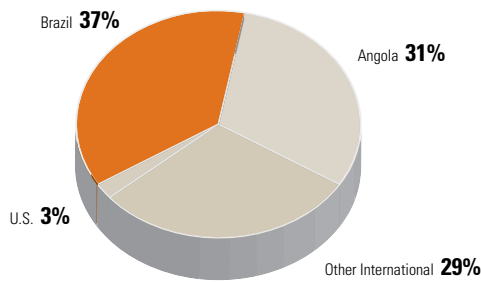
WE BELIEVE OUR STRATEGIC POSITIONING in the deepwater segment is supported by excellent long-term sector fundamentals that begin with strong geologic results in a growing number of basins around the world. During 2009, customers announced a record 25 deepwater discoveries, defined as water depths of 4,500 feet and greater. Approximately 70% of these discoveries occurred in the traditional areas of deepwater exploration and development drilling in the U.S. Gulf of Mexico, Angola, and in Brazil, where the country's massive pre-salt formation in the Santos Basin has yielded world-class hydrocarbon deposits that have led to numerous

field development projects and a significant need for incremental deepwater rig capacity. Equally important, 30% of the discoveries in 2009 were made in promising new deepwater basins, including offshore Sierra Leone, Ghana and most recently in Mozambique, where the first deepwater well drilled offshore the east coast of Africa resulted in a major discovery – a strong indication of the hydrocarbon potential in the region. Also, customers are gaining access to emerging areas of deepwater interest, such as offshore Malaysia, India, Australia and the Black Sea. As activity and geologic success of the established deepwater areas continues to grow, the new and emerging basins support the expanding nature and long-term visibility of the sector.

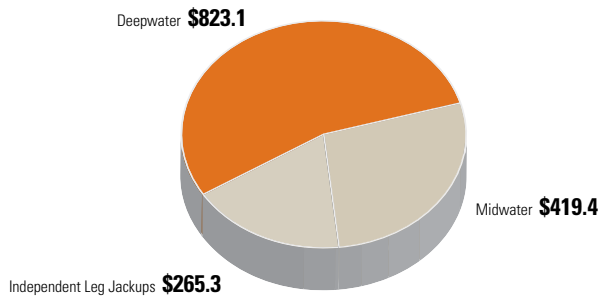
A construction program milestone was reached in February 2010 when the company accepted delivery of the first ultra-deepwater drillship, the *Deep Ocean Ascension*.



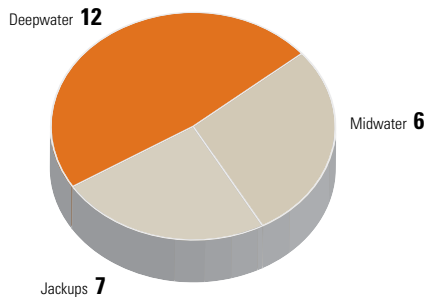
In addition, our customers are drilling increasingly complex wells that involve high temperatures, significant pressures and extreme weight conditions as total well depths increase. This increasing degree of drilling difficulty, which emphasizes the importance of highly trained and experienced crews, is best represented by several projects in the Lower Tertiary zone of the U.S. Gulf of Mexico, where in 2009 one well was drilled to a record total vertical depth of 35,050 feet, or over six miles in depth. Highly specialized rigs, such as the four drillships we are adding to our fleet, are required to meet the technical challenges of this type of well, while at the same time offering other sophisticated features for drilling, completion and total field development in deepwater environments.



2009 REVENUES BY GEOGRAPHIC AREA



2009 REVENUES BY SEGMENT
(in millions)



NUMBER OF ASSETS
(including under construction)

Finally, the strength of the deepwater sector is further supported by the sustainability of crude oil prices demonstrated since the lows witnessed in early 2009, and this sustainability should continue to support greater confidence among our customers as they evaluate long-term planning horizons and greater deepwater exploration and development spending budgets.

Clearly these factors provide a compelling backdrop for deepwater drilling activity for many years to come. However, we remain cautious toward the entire floating rig sector in the near-term, as new, uncommitted capacity is expected to enter the industry in 2010 and 2011, along with a number of rigs which will become available after completing their current contracts, while the current level of customer demand remains guarded. A heightened attention by customers to cash outflows could lead to a temporary oversupply of deepwater rigs in the 2010-2011 timeframe.

WE ARE FORTUNATE TO ENTER THIS YEAR with excellent contract coverage for our floating rig fleet, including 100% of available days in 2010 under contract for our eight deepwater rigs. Also, our revenue backlog totals \$6.9 billion at December 31, 2009, or 115% of the company's enterprise value, and is expected to contribute \$1.0 billion to \$1.5 billion in revenues over each of the next four years. With the addition of four ultra-deepwater drillships over the period 2010-2012, the mix of revenues will become significantly more weighted to our floating rigs with as much as 90% of revenues expected from our floating rig fleet, and better than 60% of revenues are expected from our deepwater rigs in 2010. Finally, our balance sheet, with debt to total capital at December 31, 2009 of 22%, offers flexibility to support future fleet expansion opportunities.

Now that the transition of Pride International is complete, a next logical step for our company is to build an even greater presence in the deepwater sector, in a manner that provides investors with the prospects for excellent returns. In the mean time, we will continue to emphasize performance excellence worldwide in all operating and support functions, including the highest attention to safety, the continued training and development of our employees, disciplined leadership throughout the company and superior assets for our customers. These attributes, in combination with our enhanced focus in the floating rig sector, represents a company with dynamic positioning.

Louis A. Raspino
President and Chief Executive Officer
March 2010