Willbros Group, Inc.\NEW\
Form 10-Q
August 02, 2011

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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D. C. 20549**

**FORM 10-Q**

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2011**

**OR**

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from __________ to __________**

**Commission file number 1-11953**

**Willbros Group, Inc.**

(Exact name of registrant as specified in its charter)

| **Delaware** | **30-0513080** |
|---|---|
| (Jurisdiction of incorporation) | (I.R.S. Employer Identification Number) |

**4400 Post Oak Parkway**
**Suite 1000**
**Houston, TX 77027**
**Telephone No.: 713-403-8000**

(Address, including zip code, and telephone number, including area code, of principal executive offices of registrant)

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer o Accelerated Filer þ Non-Accelerated Filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

The number of shares of the registrant s Common Stock, $.05 par value, outstanding as of July 28, 2011 was 48,591,657.

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**WILLBROS GROUP, INC.**
**FORM 10-Q**
**FOR QUARTER ENDED JUNE 30, 2011**


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**WILLBROS GROUP, INC.**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(In thousands, except share and per share amounts)**
**(Unaudited)**

**PART I FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

| | June 30, 2011 | December 31, 2010 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 93,638 | $ 134,150 |
| Accounts receivable, net | 304,533 | 305,293 |
| Contract cost and recognized income not yet billed | 36,127 | 23,757 |
| Prepaid expenses and other assets | 52,470 | 54,753 |
| Parts and supplies inventories | 9,694 | 10,108 |
| Deferred income taxes | 16,331 | 11,004 |
| Assets held for sale | 53,618 | 66,196 |
| Total current assets | 566,411 | 605,261 |
| Property, plant and equipment, net | 193,882 | 215,002 |
| Goodwill | 202,714 | 211,753 |
| Other intangible assets, net | 187,720 | 195,457 |
| Deferred income taxes | | 16,570 |
| Other assets | 44,416 | 41,759 |
| Total assets | $ 1,195,143 | $ 1,285,802 |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 260,052 | $ 188,386 |
| Contract billings in excess of cost and recognized income | 18,870 | 14,927 |
| Short-term borrowings under revolving credit facility | 59,357 | |
| Current portion of capital lease obligations | 2,756 | 5,366 |
| Notes payable and current portion of long-term debt | 16,461 | 71,594 |
| Current portion of government obligations | | 6,575 |
| Accrued income taxes | 3,378 | 2,356 |
| Liabilities held for sale | 29,644 | 27,548 |
| Other current liabilities | 750 | 4,832 |
| Total current liabilities | 391,268 | 321,584 |
| Long-term debt | 236,907 | 305,227 |
| Capital lease obligations | 2,402 | 5,741 |
| Contingent earnout | 4,000 | 10,000 |
| Long term liabilities for unrecognized tax benefits | 4,796 | 4,866 |
| Deferred income taxes | 45,089 | 76,020 |
| Other long-term liabilities | 32,557 | 38,824 |

| | | |
|---|---|---|
| Total liabilities | 717,019 | 762,262 |
| Contingencies and commitments (Note 14) | | |
| Stockholders equity: | | |
| Preferred stock, par value $.01 per share, 1,000,000 shares authorized, none issued | | |
| Common stock, par value $.05 per share, 70,000,000 shares authorized and 49,323,665 shares issued at June 30, 2011 (48,546,817 at December 31, 2010) | 2,466 | 2,427 |
| Capital in excess of par value | 675,832 | 674,173 |
| Accumulated deficit | (210,326) | (161,824) |
| Treasury stock at cost, 696,930 shares at June 30, 2011 (629,320 at December 31, 2010) | (10,634) | (10,045) |
| Accumulated other comprehensive income | 19,928 | 17,938 |
| Total Willbros Group, Inc. stockholders equity | 477,266 | 522,669 |
| Noncontrolling interest | 858 | 871 |
| Total stockholders equity | 478,124 | 523,540 |
| Total liabilities and stockholders equity | $ 1,195,143 | $ 1,285,802 |

See accompanying notes to condensed consolidated financial statements.

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**WILLBROS GROUP, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(In thousands, except share and per share amounts)**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| Contract revenue | $ 458,336 | $ 247,271 | $ 787,222 | $ 385,296 |
| Operating expenses: | | | | |
| Contract | 407,559 | 203,924 | 723,615 | 334,996 |
| Amortization of intangibles | 3,917 | 953 | 7,834 | 1,905 |
| General and administrative | 33,733 | 22,720 | 73,376 | 46,313 |
| Settlement of project dispute | 8,236 | | 8,236 | |
| Changes in fair value of contingent earnout | | | (6,000) | |
| Other charges | 28 | 794 | 173 | 613 |
| | 453,473 | 228,391 | 807,234 | 383,827 |
| Operating income (loss) | 4,863 | 18,880 | (20,012) | 1,469 |
| Other income (expense): | | | | |
| Interest expense, net | (10,446) | (2,100) | (25,246) | (4,209) |
| Loss on early extinguishment of debt | (4,124) | | (4,124) | |
| Other, net | 3,931 | 445 | 4,031 | 1,356 |
| | (10,639) | (1,655) | (25,339) | (2,853) |
| Income (loss) from continuing operations before income taxes | (5,776) | 17,225 | (45,351) | (1,384) |
| Provision (benefit) for income taxes | (13,841) | 6,060 | (13,439) | (1,675) |
| Income (loss) from continuing operations | 8,065 | 11,165 | (31,912) | 291 |
| Loss from discontinued operations net of provision (benefit) for income taxes | (11,087) | (2,183) | (16,008) | (4,357) |
| Net income (loss) | (3,022) | 8,982 | (47,920) | (4,066) |
| Less: Income attributable to noncontrolling interest | (311) | (353) | (582) | (609) |
| Net income (loss) attributable to Willbros Group, Inc. | $ (3,333) | $ 8,629 | $ (48,502) | $ (4,675) |
| Reconciliation of net income attributable to Willbros Group, Inc. | | | | |

| | | | | |
|---|---|---|---|---|
| Income (loss) from continuing operations | $ 7,754 | $ 10,812 | $ (32,494) | $ (318) |
| Loss from discontinued operations | (11,087) | (2,183) | (16,008) | (4,357) |
| Net income (loss) attributable to Willbros Group, Inc. | $ (3,333) | $ 8,629 | $ (48,502) | $ (4,675) |
| Basic income (loss) per share attributable to Company shareholders: | | | | |
| Income (loss) from continuing operations | $ 0.16 | $ 0.28 | $ (0.69) | $ (0.01) |
| Loss from discontinued operations | (0.23) | (0.06) | (0.34) | (0.11) |
| Net income (loss) | $ (0.07) | $ 0.22 | $ (1.03) | $ (0.12) |
| Diluted income (loss) per share attributable to Company shareholders: | | | | |
| Income (loss) from continuing operations | $ 0.16 | $ 0.27 | $ (0.69) | $ (0.01) |
| Loss from discontinued operations | (0.23) | (0.05) | (0.34) | (0.11) |
| Net income (loss) | $ (0.07) | $ 0.22 | $ (1.03) | $ (0.12) |
| Weighted average number of common shares outstanding: | | | | |
| Basic | 47,437,024 | 39,018,105 | 47,376,507 | 38,979,275 |
| Diluted | 47,776,439 | 42,352,485 | 47,376,507 | 38,979,275 |

See accompanying notes to condensed consolidated financial statements.

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**WILLBROS GROUP, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands, except share and per share amounts)**
**(Unaudited)**

| | Six Months Ended June 30, 2011 | Six Months Ended June 30, 2010 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss | $ (47,920) | $ (4,066) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Loss from discontinued operations | 16,008 | 4,358 |
| Depreciation and amortization | 35,708 | 14,260 |
| Loss on early extinguishment of debt | 4,124 | |
| Changes in fair value of contingent earnout liability | (6,000) | |
| Stock-based compensation | 3,468 | 4,578 |
| Deferred income tax benefit | (22,842) | (3,426) |
| Settlement of project dispute | 8,236 | |
| Provision for bad debts | 664 | 450 |
| Other non-cash | 4,318 | 3,216 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | (7,210) | (79,565) |
| Payments on government fines | (6,575) | (6,575) |
| Contract cost and recognized income not yet billed | (16,377) | 31,335 |
| Prepaid expenses and other assets | 10,196 | 4,227 |
| Accounts payable and accrued liabilities | 68,445 | 23,429 |
| Accrued income taxes | 864 | (2,882) |
| Contract billings in excess of cost and recognized income | 3,941 | 31,921 |
| Other liabilities | (8,314) | (2,864) |
| Cash provided by operating activities of continuing operations | 40,734 | 18,396 |
| Cash provided by (used in) operating activities of discontinued operations | (9,688) | 19,264 |
| Cash provided by operating activities | 31,046 | 37,660 |
| Cash flows from investing activities: | | |
| Acquisition of subsidiaries, net of cash acquired and earnout | 9,402 | |
| Proceeds from sales of property, plant and equipment | 15,341 | 198 |
| Purchase of property, plant and equipment | (6,343) | (8,550) |
| Maturities of short-term investments | | 11,455 |
| Purchase of short-term investments | | (255) |
| Cash provided by investing activities of continuing operations | 18,400 | 2,848 |
| Cash provided by investing activities of discontinued operations | 1,072 | 1,378 |
| Cash provided by investing activities | 19,472 | 4,226 |
| Cash flows from financing activities: | | |
| Proceeds from revolving credit facility | 59,357 | |
| Payments on capital leases | (7,199) | (3,458) |

| | | | | |
|---|---|---|---|---|
| Repayment of notes payable | | (63,841) | | (4,936) |
| Payments on term loan | | (72,500) | | |
| Payments to reacquire common stock | | (589) | | (668) |
| Costs of debt issues | | (4,935) | | (1,960) |
| Stock-based compensation tax deficiency | | | | (1,423) |
| Dividend distribution to noncontrolling interest | | (595) | | (525) |
| Cash used in financing activities of continuing operations | | (90,302) | | (12,970) |
| Cash used in financing activities of discontinued operations | | (5) | | (68) |
| Cash used in financing activities | | (90,307) | | (13,038) |
| Effect of exchange rate changes on cash and cash equivalents | | 1,691 | | (805) |
| Net increase (decrease) in cash and cash equivalents | | (38,098) | | 28,043 |
| Cash and cash equivalents of continuing operations, beginning of period | | 134,150 | | 196,903 |
| Cash and cash equivalents of discontinued operations, beginning of period | | 6,951 | | 1,781 |
| Cash and cash equivalents, beginning of period | | 141,101 | | 198,684 |
| Cash and cash equivalents, end of period | | 103,003 | | 226,727 |
| Less: cash and cash equivalents of discontinued operations, end of period | | (9,365) | | (23,404) |
| Cash and cash equivalents, end of period | $ | 93,638 | $ | 203,323 |
| Supplemental disclosures of cash flow information: | | | | |
| Cash paid for interest (including discontinued operations) | $ | 15,927 | $ | 1,216 |
| Cash paid for income taxes (including discontinued operations) | $ | 3,926 | $ | 3,125 |
| Supplemental non-cash investing and financing transactions: | | | | |
| Prepaid insurance obtained by note payable | $ | 6,829 | $ | 11,687 |
| Equipment received through like-kind exchange | $ | | $ | 3,355 |
| Equipment surrendered through like-kind exchange | $ | | $ | 2,550 |

See accompanying notes to condensed consolidated financial statements.

**WILLBROS GROUP, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands, except share and per share amounts)**
**(Unaudited)**

## 1. The Company and Basis of Presentation

Willbros Group, Inc., a Delaware corporation, and its subsidiaries (the Company, Willbros or WGI ), is a globa contractor specializing in energy infrastructure, serving the oil, gas, petrochemical and power industries. The Company s offerings include engineering procurement and construction (either individually or as an integrated EPC service offering), ongoing maintenance and other specialty services. The Company s principal markets for continuing operations are the United States, Canada, and Oman. The Company obtains its work through competitive bidding and through negotiations with prospective clients. Contract values range from several thousand dollars to several hundred million dollars and contract durations range from a few weeks to more than two years.

The accompanying Condensed Consolidated Balance Sheet as of December 31, 2010, which has been derived from audited consolidated financial statements, and the unaudited interim Condensed Consolidated Financial Statements as of June 30, 2010 and 2011, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ). Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations. However, the Company believes the presentations and disclosures herein are adequate to make the information not misleading. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Company s December 31, 2010 audited Consolidated Financial Statements and notes thereto contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

In the opinion of management, the unaudited Condensed Consolidated Financial Statements reflect all adjustments necessary to fairly state the financial position as of June 30, 2011, and the results of operations and cash flows of the Company for all interim periods presented. The results of operations and cash flows for the six months ended June 30, 2011 are not necessarily indicative of the operating results and cash flows to be achieved for the full year.

The Condensed Consolidated Financial Statements include certain estimates and assumptions made by management. These estimates and assumptions relate to the reported amounts of assets and liabilities at the dates of the Condensed Consolidated Financial Statements and the reported amounts of revenue and expense during those periods. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, goodwill and parts and supplies inventories; quantification of amounts recorded for contingencies, tax accruals and certain other accrued liabilities; valuation allowances for accounts receivable and deferred income tax assets; and revenue recognition under the percentage-of-completion method of accounting, including estimates of progress toward completion and estimates of gross profit or loss accrual on contracts in progress. The Company bases its estimates on historical experience and other assumptions that it believes to be relevant under the circumstances. Actual results could differ from those estimates.

As discussed in Note 17 Discontinuance of Operations, Asset Disposals, and Transition Services Agreement, the Company has disposed of certain assets and operations and intends to dispose of others that are together classified as discontinued operations (collectively the Discontinued Operations ). Accordingly, these Condensed Consolidated Financial Statements reflect these operations as Discontinued Operations in all periods presented. The disclosures in the Notes to the Condensed Consolidated Financial Statements relate to continuing operations except as otherwise indicated.

The carrying value of financial instruments does not materially differ from fair value.

*Reclassifications* Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation. These reclassifications relate primarily to the classification of the Company s Libya operations and the Company s Canadian cross-country pipeline construction operations as discontinued operations as determined during the fourth quarter of 2010, and the second quarter of 2011, respectively. These reclassifications have no impact on our previously reported results of operations, consolidated financial position or cash flows.

Historically, the Company classified cash flows associated with government obligations, specifically the United States Department of Justice ( DOJ ) and the SEC, as cash flows from financing activities based on the presence of financing

elements in the final settlement agreements with these entities. However, as these obligations also possess elements of operating activities, the Company has determined that it will classify the related cash flows as cash flows from operating activities. Accordingly, prior period amounts were reclassified in the Consolidated Statements of Cash Flows to conform to the current year presentation. See Note 7 Government Obligations for additional information pertaining to these obligations.

**WILLBROS GROUP, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands, except share and per share amounts)**
**(Unaudited)**

**1. The Company and Basis of Presentation (continued)**

*Out-of-Period Adjustments* The Company recorded out-of-period adjustments to correct errors primarily related to income taxes and revenue. The tax adjustments related to an error in calculation of the income tax provision and over-accrual of interest associated with estimated tax contingencies. Revenue was overstated as a result of the use of incorrect data for two contracts in the Company s *Downstream Oil & Gas* segment. The net impact of these adjustments was a decrease to its pre-tax loss and net loss in the amount of $1,176 and $381, respectively, for the three months ended June 30, 2011 and a decrease to its pre-tax loss and net loss in the amount of $1,208 and $685, respectively, for the six months ended June 30, 2011. The Company does not believe these adjustments are material to its Unaudited Condensed Consolidated Financial Statements for the three and six months ended June 30, 2011, after considering its expected 2011 annual financial results, nor does it believe such items are material to any of its prior annual or quarterly financial statements.

**2. New Accounting Pronouncements**

In December 2010, the Financial Accounting Standards Board ( FASB ) issued an update to its standard on goodwill impairment which did not change the prescribed method of calculating the carrying value of a reporting unit in the performance of step one of the goodwill impairment test. However, the update does require entities with a zero, or negative, carrying value in a reporting unit to assess, considering qualitative factors such as the impairment indicators listed in the FASB s standard on goodwill, whether it is more likely than not that a goodwill impairment exists. If an entity concludes that it is more likely than not that a goodwill impairment exists, then the entity must perform step two of the goodwill impairment test. This update is effective for impairment tests performed during entities fiscal years (and interim periods within those years) that begin after December 15, 2010. Management has completed its evaluation of this update, noting the impact on the Company s consolidated financial position or results of operations is immaterial.

In May 2011, the FASB issued amendments to disclosure requirements for common fair value measurement. These amendments, effective for the interim and annual periods beginning on or after December 15, 2011 (early adoption is prohibited), result in a common definition of fair value and common requirements for measurement and disclosure between U.S. GAAP and International Financial Reporting Standards (IFRS). Consequently, the amendments change some fair value measurement principles and disclosure requirements. The implementation of this amended accounting guidance is not expected to have a material impact on the Company s consolidated financial position and results of operations.

In June 2011, the FASB issued an update related to the presentation of comprehensive income. This update eliminates the option to report other comprehensive income and its components in the statement of changes in stockholders equity and requires an entity to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement or in two separate but consecutive statements. This standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company believes the adoption of this standard concerns presentation and disclosure only and will not have a material impact on its consolidated financial position or results of operations.

**3. Acquisition**

On July 1, 2010, the Company completed the acquisition of 100 percent of the outstanding stock of InfrastruX Group, Inc. ( InfrastruX ) for a purchase price of $476,398, inclusive of certain working capital adjustments. The Company paid $362,980 in cash, a portion of which was used to retire InfrastruX indebtedness and pay InfrastruX transaction expenses, and issued 7,923,308 shares of the Company s common stock to the shareholders of InfrastruX. Cash paid was comprised of $62,980 in cash from operations and $300,000 from a new term loan facility. The acquisition was completed pursuant to an Agreement and Plan of Merger (the Merger ), dated March 11, 2010.

InfrastruX was a privately-held firm based in Seattle, Washington and provided design, construction, maintenance, engineering and other infrastructure services to the utility industry across the U.S. market. This acquisition provides

the Company the opportunity to strengthen its presence in the infrastructure markets within the utility industry.

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**WILLBROS GROUP, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands, except share and per share amounts)**
**(Unaudited)**

**3. Acquisition (continued)**

*Consideration*

Total consideration transferred in acquiring InfrastruX is summarized as follows:

| | | |
|---|---|---|
| Proceeds from newly issued term loan facility | $ | 300,000 |
| Cash provided from operations | | 62,980 |
| Total cash consideration | | 362,980 |
| Issuance of WGI common stock | | 58,078(1) |
| Contingent consideration | | 55,340(2) |
| Total Consideration | $ | 476,398 |

(1) Represents 7,923,308 shares issued, which have been valued at the closing price of Company stock on July 1, 2010, the acquisition date.

(2) Estimated as of acquisition announcement based on a probability estimate of InfrastruX s EBITDA achievements during the earnout period. See Note 15 Fair Value Measurements.

This transaction has been accounted for using the acquisition method of accounting which requires that, among other things, assets acquired and liabilities assumed be recorded at their fair values as of the acquisition date. The excess of the consideration transferred over those fair values is recorded as goodwill. The allocation of purchase price to acquired assets and liabilities is as follows:

| | | |
|---|---|---|
| **Assets acquired:** | | |
| Cash and cash equivalents | $ | 9,278 |
| Accounts receivable | | 124,856 |
| Inventories | | 4,501 |
| Prepaid expenses and other current assets | | 39,565 |
| Property, plant and equipment | | 156,160 |
| Intangible assets | | 168,409 |
| Goodwill | | 175,420(3) |
| Other long-term assets | | 21,924 |
| **Liabilities assumed:** | | |
| Accounts payable and other accrued liabilities | | (97,985) |
| Capital lease obligations | | (4,977) |
| Vendor related debt | | (2,761) |
| Deferred income taxes and other tax liabilities | | (95,902) |
| Other long-term liabilities | | (22,090) |
| **Net Assets Acquired** | $ | 476,398 |

(3) Includes post acquisition purchase price adjustment of $9,402, related to settlement of working capital balance in the first quarter of 2011.

The Company has consolidated InfrastruX in its financial results as the *Utility T&D* segment from the date of the acquisition.

*Pro Forma Impact of the Acquisition*

The following unaudited supplemental pro forma results present consolidated information as if the acquisition had been completed as of January 1, 2010. The pro forma results include: (i) the amortization associated with an estimate of the acquired intangible assets, (ii) interest expense associated with debt used to fund a portion of the acquisition and reduced interest income associated with cash used to fund a portion of the acquisition, (iii) the impact of certain fair value adjustments such as additional depreciation expense for adjustments to property, plant and equipment and reduction to interest expense for adjustments to debt, and (iv) costs directly related to acquiring InfrastruX. The pro forma results do not include any potential synergies, cost savings or other expected benefits of the acquisition. Accordingly, the pro forma results should not be considered indicative of the results that would have occurred if the acquisition and related borrowings had been consummated as of January 1, 2010, nor are they indicative of future results.

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**WILLBROS GROUP, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands, except share and per share amounts)**
**(Unaudited)**

**3. Acquisition (continued)**

| | Three Months Ended June 30, 2010 | Six Months Ended June 30, 2010 |
|---|---|---|
| Revenues | $ 403,640 | $ 659,095 |
| Net income (loss) attributable to Company shareholders | (11,220) | 23,701 |
| Basic net loss per share | (0.29) | (0.61) |
| Diluted net loss per share | (0.26) | (0.61) |

**4. Contracts in Progress**

Contract costs and recognized income not yet billed on uncompleted contracts arise when revenues have been recorded, but the amounts cannot be billed under the terms of the contracts. Contract billings in excess of cost and recognized income arise when billed amounts exceed revenues recorded. Amounts are billable to customers upon various measures of performance, including achievement of certain milestones, completion of specified units or completion of the contract. Also included in contract cost and recognized income not yet billed on uncompleted contracts are amounts the Company seeks to collect from customers for change orders approved in scope but not for price associated with that scope change (unapproved change orders). Revenue for these amounts is recorded equal to cost incurred when realization of price approval is probable and the estimated amount is equal to or greater than the Company s cost related to the unapproved change order. Unapproved change orders involve the use of estimates, and it is reasonably possible that revisions to the estimated recoverable amounts of recorded unapproved change orders may be made in the near-term. If the Company does not successfully resolve these matters, revenues that have been previously recorded may be required to be reduced.

Contract cost and recognized income not yet billed and related amounts billed as of June 30, 2011 and December 31, 2010 was as follows:

| | June 30, 2011 | December 31, 2010 |
|---|---|---|
| Cost incurred on contracts in progress | $ 815,832 | $ 701,974 |
| Recognized income | 158,881 | 139,921 |
| | 974,713 | 841,895 |
| Progress billings and advance payments | (957,456) | (833,065) |
| | $ 17,257 | $ 8,830 |
| Contract cost and recognized income not yet billed | $ 36,127 | $ 23,757 |
| Contract billings in excess of cost and recognized income | (18,870) | (14,927) |
| | $ 17,257 | $ 8,830 |

Contract cost and recognized income not yet billed includes $4,160 and $3,216 at June 30, 2011 and December 31, 2010, respectively, on completed contracts.

The balances billed but not paid by customers pursuant to retainage provisions in certain contracts will be due upon completion of the contracts and acceptance by the customer. Based on the Company s experience with similar contracts in recent years, the majority of the retention balances at each balance sheet date will be collected within the next twelve months. Retainage balances at June 30, 2011 and December 31, 2010, were approximately $32,398 and $14,674, respectively, and are included in accounts receivable.

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**(Unaudited)**

**5. Goodwill and Other Intangible Assets**

The changes in the carrying amount of goodwill for the six months ended June 30, 2011, by business segment, are detailed below:

| ***Upstream Oil & Gas*** | **Goodwill** | **Impairment Reserves** | **Total, Net** |
|---|---|---|---|
| Balance as of December 31, 2010 | 13,177 | | 13,177 |
| Impairment losses | | | |
| Translation adjustments and other | 363 | | 363 |
| Balance as of June 30, 2011 | 13,540 | | 13,540 |

| ***Downstream Oil & Gas*** | **Goodwill** | **Impairment Reserves** | **Total, Net** |
|---|---|---|---|
| Balance as of December 31, 2010 | 136,049 | (122,295) | 13,754 |
| Impairment losses | | | |
| Translation adjustments and other | | | |
| Balance as of June 30, 2011 | 136,049 | (122,295) | 13,754 |

| ***Utility T&D*** | **Goodwill** | **Impairment Reserves** | **Total, Net** |
|---|---|---|---|
| Balance as of December 31, 2010 | 184,822 | | 184,822 |
| Purchase price adjustments | (9,402) | | (9,402) |
| Impairment losses | | | |
| Translation adjustments and other | | | |
| Balance as of June 30, 2011 | 175,420 | | 175,420 |

The changes in the carrying amounts of intangible assets for the six months ended June 30, 2011 are detailed below:

| | Customer Relationships | Trademark / Tradename | Non-compete Agreements | Technology | Total |
|---|---|---|---|---|---|
| Balance as of December 31, 2010 | $ 176,213 | $ 13,249 | $ 770 | $ 5,225 | $ 195,457 |
| Additions | | 97 | | | 97 |
| Amortization | (6,747) | (702) | (110) | (275) | (7,834) |
| Balance as of June 30, 2011 | $ 169,466 | $ 12,644 | $ 660 | $ 4,950 | $ 187,720 |
| Weighted Average Remaining Amortization Period | 12.8 yrs | 8.8 yrs | 3.0 yrs | 9.0 yrs | |

Intangible assets are amortized on a straight-line basis over their estimated useful lives, which range from 5 to 15 years.

Amortization expense included in net income for the six months ended June 30, 2011 was $7,834. Estimated amortization expense for the remainder of 2011 and each of the subsequent five years and thereafter is as follows:

| **Fiscal year:** | | |
|---|---|---|
| 2011 | $ | 7,819 |
| 2012 | | 15,638 |
| 2013 | | 15,638 |
| 2014 | | 15,528 |
| 2015 | | 15,418 |
| 2016 | | 15,418 |
| Thereafter | | 102,261 |
| Total amortization | $ | 187,720 |

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### 6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2011 and December 31, 2010 were as follows:

| | June 30, 2011 | December 31, 2010 |
|---|---|---|
| Trade accounts payable | $ 135,361 | $ 90,617 |
| Payroll and payroll liabilities | 53,065 | 40,945 |
| Provision for loss contract costs | 449 | 1,603 |
| Accrued insurance | 39,303 | 27,524 |
| Other accrued liabilities | 31,874 | 27,697 |
| Total accounts payable and accrued liabilities | $ 260,052 | $ 188,386 |

### 7. Government Obligations

Government obligations represent amounts due to government entities, specifically the DOJ and the SEC, in final settlement of the investigations involving violations of the Foreign Corrupt Practices Act (the FCPA ) and violations of the Securities Act of 1933 (the Securities Act ) and the Securities Exchange Act of 1934 (the Exchange Act ). These investigations stem primarily from the Company s former operations in Bolivia, Ecuador and Nigeria. In May 2008, the Company reached final settlement agreements with the DOJ and the SEC to settle their investigations. As previously disclosed, the agreements provided for an aggregate payment of $32,300, including $22,000 in fines to the DOJ related to the FCPA violations, consisting of $10,000 paid on signing and $4,000 annually for three years thereafter, with no interest due on unpaid amounts, and $10,300 to the SEC, consisting of $8,900 of profit disgorgement and $1,400 of pre-judgment interest, payable in four equal annual installments of $2,575 with the first installment paid on signing and annually for three years thereafter. Post-judgment interest is payable on the outstanding $7,725.

In May 2008, the Company paid $12,575 of the aggregate obligation which consisted of the initial $10,000 payment to the DOJ and the first installment of $2,575 to the SEC, inclusive of all pre-judgment interest. In 2009 and 2010, the Company paid $6,575 of the aggregated obligation each year which consisted of the $4,000 annual installment to the DOJ and the $2,575 annual installment to the SEC, inclusive of all pre-judgment interest.

In May 2011, the Company paid the remaining related aggregated obligation of $6,575, consisting of $4,000 and $2,575 to the DOJ and SEC, respectively.

### 8. Long-term Debt

Long-term debt as of June 30, 2011 and December 31, 2010 was as follows:

| | June 30, 2011 | December 31, 2010 |
|---|---|---|
| Term loan, net of unamortized discount of $10,754 and $16,126 | $ 215,996 | $ 283,124 |
| Borrowings under credit facility | 59,357 | |
| 2.75% convertible senior notes, net | | 58,675 |
| 6.5% senior convertible notes, net | 32,050 | 32,050 |
| Capital lease obligations | 5,158 | 11,107 |
| Other obligations | 5,322 | 2,972 |

| | | | | |
|---|---|---|---|---|
| Total long-term debt | | 317,883 | | 387,928 |
| Less: current portion | | (78,574) | | (76,960) |
| Long-term debt, net | $ | 239,309 | $ | 310,968 |

***2010 Credit Facility***

The Company entered into a new credit agreement dated June 30, 2010 (the 2010 Credit Agreement ), among Willbros United States Holdings, Inc. ( WUSH ), a subsidiary of the Company (formerly known as Willbros USA, Inc.) as borrower, the Company and certain of its subsidiaries, as Guarantors, the lenders from time to time party thereto (the Lenders ), Crédit Agricole Corporate and Investment Bank ( Crédit Agricole ), as Administrative Agent, Collateral Agent, Issuing Bank, Revolving Credit Facility Sole Lead Arranger, Sole Bookrunner and Participating Lender, UBS Securities

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**8. Long-term Debt (continued)**

LLC ( UBS ), as Syndication Agent, Natixis, The Bank of Nova Scotia and Capital One, N.A., as Co-Documentation Agents, and Crédit Agricole and UBS as Term Loan Facility Joint Lead Arrangers and Joint Bookrunners. The new 2010 Credit Agreement consists of a four year, $300,000 term loan facility ( Term Loan ) maturing in July 2014 and a three year revolving credit facility of $175,000 maturing in July 2013 (the Revolving Credit Facility or the 2010 Credit Facility ) and replaced the Company s existing three-year $150,000 senior secured credit facility, which was scheduled to expire in November 2010. The proceeds from the Term Loan were used to pay part of the cash portion of the merger consideration payable in connection with the Company s acquisition of InfrastruX.

The initial aggregate amount of commitments for the Revolving Credit Facility totaled $175,000, including an accordion feature enabling the Company to increase the size of the facility by an incremental $75,000 if it is in compliance with certain terms of the Revolving Credit Facility. The Revolving Credit Facility is available for letters of credit and for revolving loans, which may be used for working capital and general corporate purposes. The Company is able to utilize 100 percent of the Revolving Credit Facility to obtain letters of credit and will have a sublimit of $150,000 for revolving loans. However, the Company s ability to utilize the Revolving Credit Facility for revolving loans is currently restricted under the 6.5% Senior Convertible Notes (the 6.5% Notes ) covenant prohibiting the Company from incurring any additional indebtedness if its maximum leverage ratio exceeds 4.00 to 1.00. For additional information, see the 6.5% Senior Convertible Notes caption.

On March 4, 2011, the 2010 Credit Agreement was amended to allow the Company to make certain dispositions of equipment, real estate and business units. In most cases, proceeds from these dispositions would be required to pay down the existing Term Loan made pursuant to the 2010 Credit Agreement. Financial covenants and associated definitions, such as Consolidated EBITDA, were also amended to permit the Company to carry out its business plan and to clarify the treatment of certain items. Further, the Company has agreed to limit its revolver borrowings to $25,000, with the exception of proceeds from revolving borrowings used to make any payments in respect of both the 2.75% Convertible Senior Notes (the 2.75% Notes ) and the 6.5% Notes, until its maximum total leverage ratio is 3.0 to 1.0 or less. This amendment does not change the limit on obtaining letters of credit. The amendment also modifies the definition of Excess Cash Flow to include proceeds from the TransCanada Pipeline Arbitration, which would require the Company to use all or a portion of such proceeds to further pay down the existing Term Loan in the fiscal year following receipt. For prepayments made with Net Debt Proceeds or Equity Issuance Proceeds (as those terms are defined in the 2010 Credit Agreement), the amendment requires a prepayment premium of 4% of the principal amount of the Term Loans to be paid before December 31, 2011 and 1% of the principal amount of the Term Loans to be paid on or after December 31, 2011 but before December 31, 2012. Premiums for prepayments made with proceeds other than Net Debt Proceeds or Equity Issuance Proceeds remain the same as set forth under the 2010 Credit Agreement. Subsequent to this amendment, on March 15, 2011, the Company borrowed $59,357 under the Revolving Credit Facility to fund the purchase of its 2.75% Notes. These borrowings are included in Short-term borrowings under revolving credit facility at June 30, 2011.

During the six months ended June 30, 2011, in addition to its quarterly scheduled payments of $3,750, the Company made accelerated payments of $65,000 against the Term Loan. On June 30, 2011, a $40,000 accelerated payment of the Term Loan resulted in the recognition of a $4,124 loss attributed to the write-off of unamortized Original Issue Discount and financing costs inclusive of a 2 percent early payment fee. Such loss is recorded in the line item Loss on early extinguishment of debt for the three and six months ended June 30, 2011.

Interest payable under the 2010 Credit Agreement is determined by the loan type. Base rate loans require annual interest payments equal to the adjusted base rate plus the applicable margin for base rate loans. The adjusted base rate is equal to the highest of (a) the Prime Rate in effect for such day, (b) the sum of the Federal Funds Effective Rate in effect for such day plus 1/2 of 1.0% per annum, (c) the sum of the Prime, London Inter-Bank Offered Rate ( LIBOR ) or Eurocurrency Rate in effect for such day with a maturity of one month plus 1.0% per annum and (d) with respect to

Term Loans only is 3.0% per annum. The applicable margin for base rate loans is 6.50% per annum for Term Loans and a fixed margin based on the Company s leverage ratio for revolving advances. Eurocurrency rate loans require annual interest payments equal to the Eurocurrency Rate plus the applicable margin for Eurocurrency rate loans. The Eurocurrency Rate is equal to the LIBOR rate in effect for such day, subject to a 2.0% floor for Term Loans only. The applicable margin for Eurocurrency rate loans is 7.50% per annum for Term Loans and a fixed margin based on the Company s leverage ratio for revolving advances. As of June 30, 2011, the interest rate on the Term Loan (currently a Eurocurrency rate loan) was 9.5%. Interest payments on the Eurocurrency rate loans are payable in arrears on the last day of such interest period, and, in the case of interest periods of greater than three months, on each business day which occurs at three month intervals from the first day of such interest period. Interest payments on base rate loans are payable quarterly in arrears on the last business day of each calendar quarter. Additionally, the Company is required under the terms of the 2010 Credit Agreement to maintain in effect one or more hedging arrangements to fix or otherwise limit the interest cost with respect to at least 50 percent of the aggregate outstanding principal amount of the Term Loan.

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**8. Long-term Debt (continued)**

The Term Loan was issued at a discount such that the funded portion was equal to 94 percent of the principal amount of the Term Loan. Accordingly, the Company recognized an $18,000 discount on the Term Loan that is being amortized over the four-year term of the Term Loan.

The 2010 Credit Facility is secured by substantially all of the assets of WUSH, the Company and the other Guarantors. The 2010 Credit Agreement prohibits the Company from paying cash dividends on its common stock.

The 2010 Credit Agreement includes customary affirmative and negative covenants, including:

- Maintenance of a minimum interest coverage ratio, as defined in the 2010 Credit Agreement, of at least 2.00 to 1.00.
- Maintenance of a maximum total leverage ratio, as defined under the 2010 Credit Agreement, not to exceed 5.00 to 1.00.
- Maintenance of a minimum tangible net worth requirement of $240,000, as defined under the 2010 Credit Agreement, plus 50% of consolidated net income (loss) plus 75% of equity issuance proceeds plus 75% of the increase in stockholder s equity after the conversion of the 2.75% Notes.
- Limitations on capital expenditures (greater of $70,000 or 25% of EBITDA).
- Limitations on indebtedness.
- Limitations on liens.
- Limitations on certain asset sales and dispositions.
- Limitations on certain acquisitions and asset purchases if certain liquidity levels are not maintained.

A default under the 2010 Credit Agreement may be triggered by events such as a failure to comply with financial covenants or other covenants under the 2010 Credit Agreement; a failure to make payments when due under the 2010 Credit Agreement; a failure to make payments when due in respect of, or a failure to perform obligations relating to, debt obligations in excess of $15,000; a change of control of the Company; and certain insolvency proceedings. A default under the 2010 Credit Agreement would permit Crédit Agricole and the lenders to terminate their commitment to make cash advances or issue letters of credit, require the immediate repayment of any outstanding cash advances with interest and require the cash collateralization of outstanding letter of credit obligations. As of June 30, 2011, the Company was in compliance with all covenants under the 2010 Credit Agreement.

Incurred unamortized debt issue costs associated with the 2010 Credit Agreement are $13,445 as of June 30, 2011. These debt issue costs are included in Other assets at June 30, 2011. These costs will be amortized to interest expense over the three and four-year terms of the Revolving Credit Facility and Term Loan, respectively.

***6.5% Senior Convertible Notes***

In December 2005, the Company completed a private placement of $65,000 aggregate principal amount of its 6.5% Notes, pursuant to a purchase agreement (the Purchase Agreement ). During the first quarter of 2006, the initial purchasers of the 6.5% Notes exercised their options to purchase an additional $19,500 aggregate principal amount of the 6.5% Notes. The primary offering and the purchase option of the 6.5% Notes totaled $84,500.

The 6.5% Notes are governed by an indenture by and among the Company, as issuer, WUSH, as guarantor, and Bank of Texas, N.A. (as successor to the original trustee), as Trustee (the Indenture ), and were issued under the Purchase Agreement by and among the Company and the initial purchasers of the 6.5% Notes (the Purchasers ), in a transaction exempt from the registration requirements of the Securities Act. The 6.5% Notes are convertible into shares of the Company s common stock at a conversion rate of 56.9606 shares of common stock per $1,000 principal amount of

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**8. Long-term Debt (continued)**

notes representing a conversion price of approximately $17.56 per share. If all notes had been converted to common stock at June 30, 2011, 1,825,587 shares would have been issuable based on the principal amount of the 6.5% Notes which remain outstanding, subject to adjustment in certain circumstances. The 6.5% Notes are general senior unsecured obligations. Interest is due semi-annually on June 15 and December 15.

The 6.5% Notes mature on December 15, 2012 unless the notes are repurchased or converted earlier. The Company does not have the right to redeem the 6.5% Notes prior to maturity. Upon maturity, the principal amount plus the accrued interest through the day prior to the maturity date is payable only in cash. The 6.5% Notes remain outstanding as of June 30, 2011 and continue to be subject to the terms and conditions of the Indenture governing the 6.5% Notes. An aggregate principal amount of $32,050 remains outstanding (net of $0 discount) and has been classified as long-term and included within Long-term debt on the Consolidated Balance Sheet at June 30, 2011. The holders of the 6.5% Notes have the right to require the Company to purchase the 6.5% Notes for cash upon the occurrence of a Fundamental Change, as defined in the Indenture. In addition to the amounts described above, the Company will be required to pay a make-whole premium to the holders of the 6.5% Notes who elect to convert their notes into the Company s common stock in connection with a Fundamental Change. The make-whole premium is payable in additional shares of common stock and is calculated based on a formula with the premium ranging from 0.0 percent to 28.0 percent depending on when the Fundamental Change occurs and the price of the Company s stock at the time the Fundamental Change occurs.

Upon conversion of the 6.5% Notes, the Company has the right to deliver, in lieu of shares of its common stock, cash or a combination of cash and shares of its common stock. Under the Indenture, the Company is required to notify holders of the 6.5% Notes of its method for settling the principal amount of the 6.5% Notes upon conversion. This notification, once provided, is irrevocable and legally binding upon the Company with regard to any conversion of the 6.5% Notes. On March 21, 2006, the Company notified holders of the 6.5% Notes of its election to satisfy its conversion obligation with respect to the principal amount of any 6.5% Notes surrendered for conversion by paying the holders of such surrendered 6.5% Notes 100 percent of the principal conversion obligation in the form of common stock of the Company. Until the 6.5% Notes are surrendered for conversion, the Company will not be required to notify holders of its method for settling the excess amount of the conversion obligation relating to the amount of the conversion value above the principal amount, if any. In the event of a default of $10,000 or more on any credit agreement, including the 2010 Credit Facility, a corresponding event of default would result under the 6.5% Notes.

A covenant in the indenture for the 6.5% Notes prohibits the Company from incurring any additional indebtedness, subject to certain exceptions, if its maximum total leverage ratio exceeds, 4.00 to 1.00 which the Company exceeded at June 30, 2011. As long as the Company exceeds this threshold, it is precluded from borrowing under the 2010 Credit Facility.

On March 10, 2010, the Company entered into Consent Agreements (the Consent Agreements ) with Highbridge International LLC, Whitebox Combined Partners, LP, Whitebox Convertible Arbitrage Partners, LP, IAM Mini-Fund 14 Limited, HFR Combined Master Trust and Wolverine Convertible Arbitrage Trading Limited (the Consenting Holders ), who collectively held a majority of the $32,050 in aggregate principal amount outstanding of the 6.5% Notes. Pursuant to the Consent Agreements, the Consenting Holders consented to modifications and amendments to the Indenture substantially in the form and substance set forth in a third supplemental indenture (the Third Supplemental Indenture ) to the indenture for the 6.5% Notes. The Third Supplemental Indenture initially provided, among other things, for an amendment to Section 6.13 of the Indenture so that certain restrictions on the Company s ability to incur indebtedness would not be applicable to the borrowing by the Company of an amount not to exceed $300,000 under a new credit facility to be entered into in connection with the acquisition of InfrastruX.

On May 10, 2010, the Company entered into an Amendment to Consent Agreement (the Amendment ) with the Consenting Holders. Pursuant to the Amendment, the Consenting Holders consented to modifications to the Third

Supplemental Indenture to clarify that certain restrictions on the Company s ability to incur indebtedness would not be applicable to certain borrowings by the Company to acquire InfrastruX regardless of whether the borrowing consisted of a term loan under a new credit agreement, a new series of notes or bonds or a combination thereof.

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**8. Long-term Debt (continued)**

The Company is required to separately account for the debt and equity components of the 6.5% Notes in a manner that reflects its nonconvertible debt borrowing rate at the time of issuance. The difference between the fair value and the principal amount was recorded as a debt discount and as a component of equity. The debt and equity components recognized for the Company s 6.5% Notes were as follows:

| | June 30, 2011 | December 31, 2010 |
|---|---|---|
| Principal amount of 6.5% Notes | $ 32,050 | $ 32,050 |
| Unamortized discount | | |
| Net carrying amount | $ 32,050 | $ 32,050 |
| Additional paid-in capital | $ 3,131 | $ 3,131 |

The amount of interest expense recognized and effective interest rate related to this debt for the three and six months ended June 30, 2011 and 2010 were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Contractual coupon interest | $ 521 | $ 521 | $ 1,042 | $ 1,042 |
| Amortization of discount | | 148 | | 294 |
| Interest expense | $ 521 | $ 669 | $ 1,042 | $ 1,336 |
| Effective interest rate | 8.46% | 8.46% | 8.46% | 8.46% |

***2.75% Convertible Senior Notes***

In 2004, the Company completed a primary offering of $60,000 of the 2.75% Notes. Also, in 2004, the initial purchasers of the 2.75% Notes exercised their option to purchase an additional $10,000 aggregate principal amount of the 2.75% Notes. The primary offering and purchase option of the 2.75% Notes totaled $70,000. The holders of the 2.75% Notes had the right to require the Company to purchase the 2.75% Notes, including unpaid interest, on March 15, 2011, 2014, and 2019 or upon a change of control related event. On March 15, 2011, the holders exercised their right and the Company made a cash payment of $59,357 to the holders which included $332 of unpaid interest. In order to fund the purchase, the Company borrowed $59,357 under the Revolving Credit Facility. The 2.75% Notes were general senior unsecured obligations. Interest was paid semi-annually on March 15 and September 15. The 2.75% Notes would have matured on March 15, 2024 unless the notes were repurchased, redeemed or converted earlier. Upon maturity, the principal amount plus the accrued interest through the day prior to the maturity date was payable only in cash.

The Company is required to separately account for the debt and equity components of the 2.75% Notes in a manner that reflects its nonconvertible debt borrowing rate at the time of issuance. The difference between the fair value and the principal amount was recorded as a debt discount and as a component of equity.

The debt and equity components recognized for the Company s 2.75% Notes were as follows:

| | June 30, 2011 | December 31, 2010 |
|---|---|---|
| Principal amount of 2.75% Notes | $ | $ 59,357 |
| Unamortized discount | | (682) |
| Net carrying amount | $ | $ 58,675 |
| Additional paid-in capital | $ | $ 14,235 |

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**8. Long-term Debt (continued)**

The amount of interest expense recognized and the effective interest rate for the three and six months ended June 30, 2011 and 2010 were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Contractual coupon interest | $ | $ 408 | $ 332 | $ 816 |
| Amortization of discount | | 645 | 682 | 1,278 |
| Interest expense | $ | $ 1,053 | $ 1,014 | $ 2,094 |
| Effective interest rate | 7.40% | 7.40% | 7.40% | 7.40% |

***Capital Leases***

The Company has entered into multiple capital lease agreements to acquire various units of construction equipment which have a weighted average interest rate of 5.7 percent. Assets held under capital leases at June 30, 2011 and December 31, 2010 is summarized below:

| | June 30, 2011 | December 31, 2010 |
|---|---|---|
| Construction equipment | $ 2,960 | $ 13,706 |
| Transportation equipment | 5,085 | 9,630 |
| Furniture and equipment | 2,677 | 1,885 |
| Total assets held under capital lease | 10,722 | 25,221 |
| Less: accumulated depreciation | (3,487) | (10,733) |
| Net assets under capital lease | $ 7,235 | $ 14,488 |

**9. Retirement Benefits**

The Company has defined contribution plans that are funded by participating employee contributions and the Company. The Company matches employee contributions, up to a maximum of five percent of salary, in the form of cash. The Company match was suspended in March 2011. Company contributions for the six months ended June 30, 2011 and 2010 were $2,117 and $1,462, respectively.

In connection with the Company s acquisition of InfrastruX, the Company is subject to additional collective bargaining agreements with various unions. As a result, the Company participates with other companies in the unions multi-employer pension and other postretirement benefit plans. These plans cover all employees who are members of such unions. The Employee Retirement Income Security Act of 1974, as amended by the Multi-Employer Pension Plan Amendments Act of 1980, imposes certain liabilities upon employers who are contributors to a multi-employer plan in the event of the employer s withdrawal from, or upon termination of, such plan. The Company has no intention to withdraw from these plans. The plans do not maintain information on the net assets and actuarial present value of

the plans unfunded vested benefits allocable to the Company, and the amounts, if any, for which the Company may be contingently liable, are not ascertainable at this time. Contributions to all union multi-employer pension and other postretirement plans by the Company for the six months ended June 30, 2011 and 2010 were $21,431 and $2,257, respectively.

**10. Income Taxes**

For the six months ended June 30, 2010, the Company's effective tax rate from continuing operations was 121 percent. For the same six-month period in 2011, the Company's effective tax rate was 29.6 percent. The effective tax rate for the 6 month period ended 2010 was favorably impacted by a net $1,325 comprised of $1,600 recognition of uncertain tax positions partially offset by $275 of interest accrued on uncertain tax positions. The effective tax rate for the 6 months ended 2010 would have been 25 percent without these two discrete items. The first 6 months of 2011 includes $4,142 of additional tax expense associated with the provision for the repatriation of foreign earnings and profits. Other discrete items impacting the effective tax rate for the first six months of 2011 include a $414 write-off of deferred tax assets related to tax benefits previously recorded under stock compensation that will no longer be realized and $1,937 of deferred tax benefit associated with the $6,000 reduction of contingent earnout liability in connection with the acquisition of InfrastruX. Tax benefit recorded in the second quarter 2011 for the aforementioned discrete items total $84. Exclusion of the previously referenced items from the six month 2011 tax provision results in an effective tax rate of 35.0 percent.

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**10. Income Taxes (continued)**

In April 2011, the Company discontinued its strategy of reinvesting non-U.S. earnings in foreign operations. As of June 30, 2011, the Company has repatriated $25,500 of cash from its principal foreign holding company and used the cash to repay the Term Loan. The provision for taxes was $13,983 benefit in the first quarter of 2011 associated with the repatriation of foreign earnings and profits. Subsequently, actual and projected foreign earnings and profits were reduced as a result of increased losses in Canada and WAPCo litigation costs; such losses resulted in a second quarter tax benefit of $9,841 and a net first six months of 2011 tax expense of $4,142. The Company may repatriate available foreign cash throughout the year to further reduce Term Loan debt and fund U.S. working capital needs and use its available U.S. net operating losses to offset dividend income recognized in the U.S. Additionally, the Company does not anticipate recording additional tax expense related to additional repatriations of previously recognized non-U.S. earnings to the U.S.

For the three months ended June 30, 2010, the Company's effective tax rate from continuing operations was 35 percent. For the same three-month period in 2011, the Company's effective tax rate was 240 percent resulting primarily from certain discrete items representing an aggregate benefit of $9,697, comprised of a significant reduction in the provision for taxes of $9,841 on its repatriation of foreign earnings. An additional tax benefit resulted from a change in the Company's projected effective income tax rate from 28 percent to 35 percent (excluding discrete items) in which an additional tax benefit of $2,770 was recorded in the period. These discrete items combined with the aforementioned projected rate increase represent $12,467 of the total second quarter tax benefit of $13,841.

**11. Stockholders Equity**

The information contained in this note pertains to continuing and discontinued operations.

***Comprehensive Income***

The Company s foreign operations are translated into U.S. dollars and a translation adjustment is recorded in other comprehensive income (loss), net of tax, as a result. Additionally, changes in fair value on cash flow hedges are recorded in other comprehensive income (loss), net of tax, until the hedged transactions occur. The following table presents the components of comprehensive loss for the periods presented:.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| Net loss | $ (3,022) | $ 8,982 | $ (47,920) | $ (4,066) |
| Foreign currency translation adjustment, net of tax | 272 | (3,926) | 3,109 | (739) |
| Change in fair value on cash flow hedges, net of tax | (1,232) | | (1,119) | |
| Comprehensive income (loss) | (3,982) | 5,056 | (45,930) | (4,805) |
| Less: income attributable to noncontrolling interest | (311) | (353) | (582) | (609) |
| Comprehensive income (loss) attributable to Willbros Group, Inc. | $ (4,293) | $ 4,703 | $ (46,512) | $ (5,414) |

***Stock Ownership Plans***

In May 1996, the Company established the Willbros Group, Inc. 1996 Stock Plan (the 1996 Plan ) with 1,125,000 shares of common stock authorized for issuance to provide for awards to key employees of the Company, and the

Willbros Group, Inc. Director Stock Plan (the Director Plan ) with 125,000 shares of common stock authorized for issuance to provide for the grant of stock options to non-employee directors. The number of shares authorized for issuance under the 1996 Plan, and the Director Plan, was increased to 4,825,000 and 225,000, respectively, by stockholder approval. The Director Plan expired August 16, 2006.

In 2006, the Company established the 2006 Director Restricted Stock Plan (the 2006 Director Plan ) with 50,000 shares authorized for issuance to grant shares of restricted stock and restricted stock rights to non-employee directors. The number of shares authorized for issuance under the 2006 Director Plan was increased in 2008 to 250,000 by stockholder approval.

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**11. Stockholders Equity (continued)**

On May 26, 2010, the Company established the Willbros Group, Inc. 2010 Stock and Incentive Compensation Plan (the 2010 Plan ) with 2,100,000 shares of common stock authorized for issuance to provide for awards to key employees of the Company. All future grants of stock awards to key employees will be made through the 2010 Plan. As a result, the 1996 Plan was frozen, with the exception of normal vesting, forfeiture and other activity associated with awards previously granted under the 1996 Plan. At June 30, 2011, the 2010 Plan had 1,197,675 shares available for grant.

Restricted stock and restricted stock units or rights, also described collectively as restricted stock units ( RSU s ), and options granted to employees vest generally over a three to four year period. Options granted under the 2010 Plan expire 10 years subsequent to the grant date. Upon stock option exercise, common shares are issued from treasury stock. Options granted under the Director Plan are fully vested. Restricted stock and restricted stock rights granted under the 2006 Director Plan vest one year after the date of grant. At June 30, 2011, the 2006 Director Plan had 46,373 shares available for grant. For RSU s granted prior to March of 2009, certain provisions allow for accelerated vesting upon eligible retirement. Additionally, certain provisions allow for accelerated vesting in the event of involuntary termination not for cause or a change of control of the Company. During the three months ended June 30, 2011 and 2010, $28 and $0, respectively, of compensation expense was recognized due to accelerated vesting of RSU s due to retirement and separation from the Company.

Share-based compensation related to RSU s is recorded based on the Company s stock price as of the grant date. Expense from both stock options and RSU s totaled $3,468 and $4,578, respectively, for the six months ended June 30, 2011 and 2010.

The Company determines fair value of stock options as of its grant date using the Black-Scholes valuation method. No options were granted during the six months ended June 30, 2011 and 2010.

The Company s stock option activity and related information consist of:

| | Shares | Weighted-Average Exercise Price |
|---|---|---|
| Outstanding, January 1, 2011 | 227,750 | $ 15.28 |
| Granted | | |
| Exercised | | |
| Forfeited or expired | | |
| Outstanding, June 30, 2011 | 227,750 | $ 15.28 |
| Exercisable, June 30, 2011 | 227,750 | $ 15.28 |

As of June 30, 2011, the aggregate intrinsic value of stock options outstanding and stock options exercisable was $64 and $64, respectively. The weighted average remaining contractual term of outstanding options and exercisable options is 3.79 years and 3.79 years, respectively, at June 30, 2011. The total intrinsic value of options exercised was $0 and $0 during the six months ended June 30, 2011 and 2010, respectively. The total fair value of options vested during the six months ended June 30, 2011 and 2010 was $135 and $0, respectively.

The Company s nonvested options at June 30, 2011 and the changes in nonvested options during the six months ended June 30, 2011 are as follows:

**Weighted-**

| | Shares | Average Grant-Date Fair Value |
|---|---|---|
| Nonvested, January 1, 2011 | 20,000 | $ 6.77 |
| Granted | | |
| Vested | (20,000) | 6.77 |
| Forfeited or expired | | |
| Nonvested, June 30, 2011 | | $ |

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**11. Stockholders Equity (continued)**

The Company s RSU activity and related information for the six months ended June 30, 2011 consist of:

| | Shares | | Weighted-Average Grant-Date Fair Value |
|---|---|---|---|
| Outstanding, January 1, 2011 | 888,853 | $ | 13.54 |
| Granted | 769,963 | | 10.51 |
| Vested | (287,566) | | 14.93 |
| Forfeited | (33,726) | | 15.26 |
| Outstanding, June 30, 2011 | 1,337,524 | $ | 11.49 |

The total fair value of RSU s vested during the six months ended June 30, 2011 and 2010 was $4,292 and $4,652, respectively.

As of June 30, 2011, there was a total of $12,396 of unrecognized compensation cost, net of estimated forfeitures, related to all nonvested share-based compensation arrangements granted under the Company s stock ownership plans. That cost is expected to be recognized over a weighted-average period of 2.63 years.

***Warrants to Purchase Common Stock***

In 2006, the Company completed a private placement of equity to certain accredited investors pursuant to which the Company issued and sold 3,722,360 shares of the Company s common stock resulting in net proceeds of $48,748. In conjunction with the private placement, the Company also issued warrants to purchase an additional 558,354 shares of the Company s common stock. Each warrant is exercisable, in whole or in part, until 60 months from the date of issuance. A warrant holder may elect to exercise the warrant by delivery of payment to the Company at the exercise price of $19.03 per share, or pursuant to a cashless exercise as provided in the warrant agreement. The fair value of the warrants was $3,423 on the date of the grant, as calculated using the Black-Scholes option-pricing model. There were 536,925 warrants outstanding at June 30, 2011 and 2010, respectively.

**12. Income (Loss) Per Share**

Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted income (loss) per share is based on the weighted average number of shares outstanding during each period and the assumed exercise of potentially dilutive stock options and warrants and vesting of RSU s less the number of treasury shares assumed to be purchased from the proceeds using the average market price of the Company s stock for each of the periods presented. The Company s convertible notes are included in the calculation of diluted income per share under the if-converted method. Additionally, diluted income (loss) per share for continuing operations is calculated excluding the after-tax interest expense associated with the convertible notes since these notes are treated as if converted into common stock.

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**12. Income (Loss) Per Share (continued)**

Basic and diluted income (loss) per common share from continuing operations for the three and six months ended June 30, 2011 and 2010 are computed as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Income (loss) from continuing operations | $ 8,065 | $ 11,165 | $ (31,912) | $ 291 |
| Less: Income attributable to noncontrolling interest | (311) | (353) | (582) | (609) |
| Net income (loss) from continuing operations attributable to Willbros Group, Inc. (numerator for basic calculation) | 7,754 | 10,812 | (32,494) | (318) |
| Add: Interest and debt issuance costs associated with convertible notes | | 702 | | |
| Net income (loss) from continuing operations applicable to common shares (numerator for diluted calculation) | $ 7,754 | $ 11,514 | $ (32,494) | $ (318) |
| Weighted average number of common shares outstanding for basic income (loss) per share | 47,437,024 | 39,018,105 | 47,376,507 | 38,979,275 |
| Weighted average number of potentially dilutive common shares outstanding | 339,415 | 3,334,380 | | |
| Weighted average number of common shares outstanding for diluted income per share | 47,776,439 | 42,352,485 | 47,376,507 | 38,979,275 |
| Income (loss) per common share from continuing operations: | | | | |
| Basic | $ 0.16 | $ 0.28 | $ (0.69) | $ (0.01) |
| Diluted | $ 0.16 | $ 0.27 | $ (0.69) | $ (0.01) |

The Company has excluded shares potentially issuable under the terms of use of the securities listed below from the computation of diluted income (loss) per share, as the effect would be anti-dilutive:

| | Three Months Ended June 30, | |
|---|---|---|
| | 2011 | 2010 |

| | | |
|---|---|---|
| 6.5% Senior Convertible Notes | 1,825,587 | 1,825,587 |
| Stock options | 177,750 | 207,750 |
| Warrants to purchase common stock | 536,925 | 536,925 |
| Restricted stock and restricted stock rights | | |
| | 2,540,262 | 2,570,262 |

In accordance with the FASB s standard on income (loss) per share contingently convertible instruments, the shares issuable upon conversion of the convertible notes, would have been included in diluted income (loss) per share, if those securities were dilutive, regardless of whether the Company s stock price was greater than or equal to the conversion prices of $17.56 and $19.47, respectively. However, these securities are only dilutive to the extent that interest per weighted average convertible share does not exceed basic income (loss) per share. For the three months ended June 30, 2011, the related interest per convertible share associated with the 6.5% Senior Convertible Notes did exceed basic income (loss) per share for the current period. As such, those shares have not been included in the computation of diluted income (loss) per share.

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**13. Segment Information**

The Company s segments are comprised of strategic businesses that are defined by the industries they serve. Each is managed as an operation with well established strategic directions and performance requirements. Prior to the InfrastruX acquisition, the Company operated through two business segments: *Upstream Oil & Gas* and *Downstream Oil & Gas.* These segments operate primarily in the United States, Canada, and Oman. On July 1, 2010, the Company closed on the acquisition of InfrastruX which diversified the Company s capabilities and expanded its geographic footprint. With operating centers in the South Central, Midwest and East Coast regions of the United States, InfrastruX provided maintenance and construction solutions to customers in the electric power and natural gas transmission and distribution markets. Post acquisition, the Company established a third business segment, *Utility Transmission & Distribution Utility T&D* , which includes electric power transmission and distribution and low-pressure, inside the gate natural gas distribution. The natural gas transmission division of InfrastruX, which is similar to Willbros legacy U.S. pipeline construction business unit, was incorporated into the Company s *Upstream Oil & Gas* segment effective January 1, 2011. Management evaluates the performance of each operating segment based on operating income. Corporate operations include the executive management, general, administrative, and financing functions of the organization. The costs to provide these services are allocated, as are certain other corporate assets, among the three operating segments. There were no material inter-segment revenues in the periods presented.

The following tables reflect the Company s reconciliation of segment operating results to net income (loss) in the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2011 and 2010:

For the three months ended June 30, 2011:

| | *Upstream Oil & Gas* | *Downstream Oil & Gas* | *Utility T&D* | Consolidated |
|---|---|---|---|---|
| Revenue | $ 209,210 | $ 61,181 | $ 187,945 | $ 458,336 |
| Operating expenses | 200,941 | 65,214 | 179,082 | 445,237 |
| Settlement of project dispute | 8,236 | | | 8,236 |
| Operating income (loss) | $ 33 | $ (4,033) | $ 8,863 | 4,863 |
| Other expense | | | | (10,639) |
| Benefit for income taxes | | | | (13,841) |
| Income from continuing operations | | | | 8,065 |
| Loss from discontinued operations net of benefit for income taxes | | | | (11,087) |
| Net loss | | | | (3,022) |
| Less: Income attributable to noncontrolling interest | | | | (311) |
| Net loss attributable to Willbros Group, Inc. | | | | $ (3,333) |

For the three months ended June 30, 2010:

| | *Upstream Oil & Gas* | *Downstream Oil & Gas* | Consolidated |
|---|---|---|---|

| | | | | *Utility T&D* | | |
|---|---|---|---|---|---|---|
| Revenue | $ | 185,742 | $ | 61,529 | $ | $ | 247,271 |
| Operating expenses | | 160,459 | | 67,932 | | | 228,391 |
| Operating loss | $ | 25,283 | $ | (6,403) | $ | | 18,880 |
| Other expense | | | | | | | (1,655) |
| Provision for income taxes | | | | | | | 6,060 |
| Income from continuing operations | | | | | | | 11,165 |
| Loss from discontinued operations net of provision for income taxes | | | | | | | (2,183) |
| Net income | | | | | | | 8,982 |
| Less: Income attributable to noncontrolling interest | | | | | | | (353) |
| Net income attributable to Willbros Group, Inc. | | | | | | $ | 8,629 |

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**13. Segment Information (continued)**

For the six months ended June 30, 2011:

| | *Upstream Oil & Gas* | *Downstream Oil & Gas* | *Utility T&D* | Consolidated |
|---|---|---|---|---|
| Revenue | $ 353,003 | $ 111,696 | $ 322,523 | $ 787,222 |
| Operating expenses | 354,362 | 120,360 | 330,276 | 804,998 |
| Settlement of project termination | 8,236 | | | 8,236 |
| Changes in fair value of contingent earnout liability | | | | (6,000) |
| Operating loss | $ (9,595) | $ (8,664) | $ (7,753) | (20,012) |
| Other expense | | | | (25,339) |
| Benefit for income taxes | | | | (13,439) |
| Loss from continuing operations | | | | (31,912) |
| Loss from discontinued operations net of provision for income taxes | | | | (16,008) |
| Net loss | | | | (47,920) |
| Less: Income attributable to noncontrolling interest | | | | (582) |
| Net loss attributable to Willbros Group, Inc. | | | | $ (48,502) |

For the six months ended June 30, 2010:

| | *Upstream Oil & Gas* | *Downstream Oil & Gas* | *Utility T&D* | Consolidated |
|---|---|---|---|---|
| Revenue | $ 263,271 | $ 122,025 | $ | $ 385,296 |
| Operating expenses | 246,456 | 137,371 | | 383,827 |
| Operating income (loss) | $ 16,815 | $ (15,346) | $ | 1,469 |
| Other expense | | | | (2,853) |
| Benefit for income taxes | | | | (1,675) |
| Income from continuing operations | | | | 291 |
| Loss from discontinued operations net of benefit for income taxes | | | | (4,357) |
| Net loss | | | | (4,066) |

| | | |
|---|---|---|
| Less: Income attributable to noncontrolling interest | | (609) |
| Net loss attributable to Willbros Group, Inc. | $ | (4,675) |

Total assets by segment as of June 30, 2011 and December 31, 2010 are presented below:

| | June 30, 2011 | December 31, 2010 |
|---|---|---|
| *Upstream Oil & Gas* | $ 163,885 | $ 221,313 |
| *Downstream Oil & Gas* | 113,814 | 126,095 |
| *Utility T&D* | 673,608 | 661,386 |
| Corporate | 190,218 | 210,812 |
| Total assets, continuing operations | $ 1,141,525 | $ 1,219,606 |

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**14. Contingencies, Commitments and Other Circumstances**

***Contingencies***

*Resolution of criminal and regulatory matters*

In May 2008, the United States Department of Justice filed an Information and Deferred Prosecution Agreement ( DPA ) in the United States District Court in Houston concluding its investigation into violations of the Foreign Corrupt Practices Act of 1977, as amended, by Willbros Group, Inc. and its subsidiary Willbros International, Inc. ( WII ). Also in May 2008, WGI reached a final settlement with the SEC to resolve its previously disclosed investigation of possible violations of the FCPA and possible violations of the Securities Act and the Exchange Act. These investigations stemmed primarily from the Company s former operations in Bolivia, Ecuador and Nigeria. The settlements together required the Company to pay a total of $32,300 in penalties and disgorgement, over approximately three years, plus post-judgment interest on $7,725, all of which has now been paid. As part of its agreement with the SEC, the Company is subject to a permanent injunction barring future violations of certain provisions of the federal securities laws. As to its agreement with the DOJ, both WGI and WII for a period of three years from May 2008, were subject to the DPA, which among its terms provides that, in exchange for WGI s and WII s full compliance with the DPA, the DOJ will not continue a criminal prosecution of WGI and WII and with the successful completion of the DPA s terms, the DOJ will move to dismiss the criminal information. The DPA has now expired and the Company has asked the DOJ to dismiss the criminal information. WGI and WII intend to fully cooperate with the government and comply with all federal criminal laws, including but not limited to the FCPA. As provided for in the DPA, with the approval of the DOJ and effective September 25, 2009, the Company retained a government approved independent monitor, at the Company s expense, for a two and one-half year period, who is reporting to the DOJ on the Company s compliance with the FCPA and other applicable laws. Although the DPA has expired, the Company remains subject to the monitorship. The monitor s term ends in 2012, unless extended.

Since the appointment of the monitor, the Company has cooperated and provided the monitor with access to information, documents, records, facilities and employees. On March 1, 2010, the monitor filed with the DOJ the first of three required reports under the DPA. In the report, the monitor made numerous findings and recommendations to the Company with respect to the improvement of its internal controls and policies and procedures for detecting and preventing violations of applicable anti-corruption laws. On March 11, 2011, the monitor filed the second of the three required reports with the DOJ. In the second report, the monitor made additional findings and recommendations to the Company. The monitor will continue to review the Company s operations through the term of the monitorship.

The Company is obligated, to adopt the recommendations in the monitor s reports unless the Company advises the monitor and the DOJ that it considers the recommendations unduly burdensome, impractical, costly or otherwise inadvisable. The Company has advised the DOJ that it intends to implement all of the recommendations in the first and second reports. The Company will require increased resources, costs and management oversight in order to effectively implement the recommendations.

Failure by the Company to abide by the FCPA or other laws could result in prosecution and other regulatory sanctions.

*Settlement Facility Construction Project Dispute*

In September 2008, TransCanada Pipelines, Ltd. ( TCPL ) awarded the Company the cost-reimbursable plus fixed fee construction contract for seven pump stations in Nebraska and Kansas. On January 13, 2010, TCPL notified the Company that it was in breach of the contract and was being terminated for cause immediately. At the time of termination, the Company had completed approximately 91.0 percent of its scope of work.

The Company disputed the validity of the termination for cause and challenged the contractual procedure followed by TCPL for termination for cause, which allows for a 30 day notification period during which time the Company is granted the opportunity to remedy the alleged default. Despite not being granted this time, the Company agreed in good faith to cooperate with TCPL in an orderly demobilization and handover of the remaining work. Prior to June 30,

2011, the Company had outstanding receivables related to this project of $71,159 and unapproved change orders for additional work of $4,223, which had not been billed. Additionally, there were claims for additional fees totaling $16,442. It is the Company s policy not to recognize revenue or income on unapproved change orders or claims until they have been approved. Accordingly, the $4,223 in pending change orders and the $16,442 of claims were excluded from the Company s revenue recognition. The preceding balances were partially offset by an unissued billing credit of $2,000 related to a TCPL mobilization prepayment.

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**14. Contingencies, Commitments and Other Circumstances (continued)**

In May and June of 2010, the Company filed liens on the constructed facilities. On June 16, 2010, the Company notified TCPL that the Company intended to exercise its rights to conflict resolution under the contract, and on July 6, 2010, the International Chamber of Commerce received the Company s request for arbitration. On September 15, 2010, the Company received TCPL s response to the Notice of Arbitration, which included a counterclaim for damages of $23,000 for the alleged breach of contract. In addition, TCPL disclaimed its responsibility for payment of the current receivable balance outstanding as of June 30, 2011, the unapproved change orders for additional work and claims for additional fees.

On June 24, 2011, the Company and TCPL entered into an agreement that settled all of the outstanding claims between the parties related to the contract. Under terms of the settlement agreement, the Company received a payment of $61,000, waived all claims for additional costs, fees and change orders, was relieved of any further warranty obligations on the project, agreed to release the liens it had filed, and has been reinstated as an approved bidder to TCPL and its affiliates. TCPL also waived its counterclaim. The Company remains in a dispute with one subcontractor on the project and, under the settlement agreement, is obligated to resolve the dispute and remove liens filed against the project by the subcontractor. The Company believes it has an adequate reserve for this matter. As a result of the settlement, the Company incurred a non-cash charge in its second quarter 2011 results of $8,236, which is included in the Settlement of project dispute line item for the six months ended June 30, 2011.

*Other*

In addition to the matters discussed above and in Note 17 Discontinuance of Operations, Asset Disposals and Transition Service Agreement, the Company is party to a number of other legal proceedings. Management believes that the nature and number of these proceedings are typical for a firm of similar size engaged in a similar type of business and that none of these proceedings is material to the Company s results of operations, consolidated financial position or cash flows.

***Commitments***

From time to time, the Company enters into commercial commitments, usually in the form of commercial and standby letters of credit, surety bonds and financial guarantees. Contracts with the Company s customers may require the Company to secure letters of credit or surety bonds with regard to the Company s performance of contracted services. In such cases, the commitments can be called upon in the event of failure to perform contracted services. Likewise, contracts may allow the Company to issue letters of credit or surety bonds in lieu of contract retention provisions, where the client withholds a percentage of the contract value until project completion or expiration of a warranty period. Retention commitments can be called upon in the event of warranty or project completion issues, as prescribed in the contracts. At June 30, 2011, the Company had approximately $21,465 of outstanding letters of credit, all of which related to continuing operations. This amount represents the maximum amount of payments the Company could be required to make if these letters of credit are drawn upon. Additionally, the Company issues surety bonds customarily required by commercial terms on construction projects. At June 30, 2011, the Company had bonds outstanding, primarily performance bonds, with a face value at $586,098 related to continuing operations. This amount represents the bond penalty amount of future payments the Company could be required to make if the Company fails to perform its obligations under such contracts. The performance bonds do not have a stated expiration date; rather, each is released when the contract is accepted by the owner. The Company s maximum exposure as it relates to the value of the bonds outstanding is lowered on each bonded project as the cost to complete is reduced. As of June 30, 2011, no liability has been recognized for letters of credit or surety bonds.

*Other Circumstances*

Operations outside the United States may be subject to certain risks, which ordinarily would not be expected to exist in the United States, including foreign currency restrictions; extreme exchange rate fluctuations; expropriation of assets; civil uprisings, riots, and war; unanticipated taxes including income taxes, excise duties, import taxes, export

taxes, sales taxes or other governmental assessments; availability of suitable personnel and equipment; termination of existing contracts and leases; government instability and legal systems of decrees, laws, regulations, interpretations and court decisions which are not always fully developed and which may be retroactively applied. Management is not presently aware of any events of the type described in the countries in which it operates that would have a material effect on the financial statements, and no such events have been provided for in the accompanying Condensed Consolidated Financial Statements.

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**14. Contingencies, Commitments and Other Circumstances (continued)**

Based upon the advice of local advisors in the various work countries concerning the interpretation of the laws, practices and customs of the countries in which the Company operates, management believes the Company follows the current practices in those countries and as applicable under the FCPA. However, because of the nature of these potential risks, there can be no assurance that the Company may not be adversely affected by them in the future.

The Company insures substantially all of its equipment in countries outside the United States against certain political risks and terrorism through political risk insurance coverage. The Company has the usual liability of contractors for the completion of contracts and the warranty of its work. Where work is performed through a joint venture, the Company also has possible liability for the contract completion and warranty responsibilities of its joint venture partners. In addition, the Company acts as prime contractor on a majority of the projects it undertakes and is normally responsible for the performance of the entire project, including subcontract work. Management is not aware of any material exposure related thereto which has not been provided for in the accompanying Condensed Consolidated Financial Statements.

The Company attempts to manage contract risk by implementing a standard contracting philosophy to minimize liabilities assumed in the agreements with the Company s clients. With the acquisitions the Company has made in the last few years, however, there may be contracts or master service agreements in place that do not meet the Company s current contracting standards. While the Company has made efforts to improve its contractual terms with its clients, this process takes time to implement. The Company has attempted to mitigate the risk by requesting amendments with its clients and by maintaining primary and excess insurance, of certain specified limits, in the event a loss was to ensue.

See Note 17 Discontinuance of Operations, Asset Disposals, and Transition Services Agreement for discussion of commitments and contingencies associated with Discontinued Operations.

**15. Fair Value Measurements**

The FASB s standard on fair value measurements defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

*Fair Value Hierarchy*

The FASB s standard on fair value measurements establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. This standard establishes three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets or liabilities.

**Level 2** Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities.

**Level 3** Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

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**15. Fair Value Measurements (continued)**

*Assets and Liabilities Measured at Fair Value on a Recurring Basis*

The Company measures its financial assets and financial liabilities, specifically its hedging arrangements and contingent earnout liability, at fair value on a recurring basis. The fair value of these financial assets and liabilities was determined using the following inputs as of June 30, 2011:

| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Assets: | | | | |
| Interest rate caps | $ | $ | $ | $ |
| Liabilities: | | | | |
| Interest rate swaps | 1,005 | | 1,005 | |
| Contingent earnout liability | 4,000 | | | 4,000 |

*Contingent earnout liability*

In connection with the acquisition of InfrastruX on July 1, 2010, InfrastruX shareholders are eligible to receive earnout payments of up to $125,000 if certain EBITDA targets are met. These payments will be paid to former InfrastruX shareholders who qualify as accredited investors as defined by the SEC in a combination of cash and non-convertible, non-voting preferred stock of the Company, pursuant to the terms within the Merger, and to non-accredited former InfrastruX shareholders and former holders of InfrastruX RSUs in the form of cash.

As a result, the Company estimated the fair value of the contingent earnout liability based on its probability assessment of InfrastruX s EBITDA achievements during the earnout period. In developing these estimates, the Company considered its revenue and EBITDA projections, its historical results, and general macro-economic environment and industry trends. This fair value measurement is based on significant revenue and EBITDA inputs not observed in the market which represents a Level 3 measurement. Level 3 instruments are valued based on unobservable inputs that are supported by little or no market activity and reflect the Company s own assumptions in measuring fair value.

In accordance with the FASB s standard on business combinations, the Company reviews the contingent earnout liability on a quarterly basis in order to determine its fair value. Changes in the fair value of the liability are recorded within operating expenses in the period in which the change is made and the liability may increase or decrease on a quarterly basis until the earnout period has concluded.

The following table represents a reconciliation of the change in the fair value measurement of the contingent earnout liability for the three and six months ended June 30, 2011 and 2010:

| | **Three Months Ended June 30,** | |
|---|---|---|
| | **2011** | **2010** |
| Beginning balance | $ 4,000 | $ |
| Change in fair value of contingent earnout liability included in operating expenses | | |
| Ending balance | $ 4,000 | $ |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| Beginning balance | $ | 10,000 | $ | |
| Change in fair value of contingent earnout liability included in operating expenses | | (6,000) | | |
| Ending balance | $ | 4,000 | $ | |

For the six months ended June 30, 2011, the Company recorded a $6,000 adjustment to the estimated fair value of the contingent earnout liability due to a decrease in the probability-weighted estimated achievement of InfrastruX s EBITDA targets as set forth in the merger agreement.

*Hedging Arrangements*

The Company attempts to negotiate contracts that provide for payment in U.S. dollars, but it may be required to take all or a portion of payment under a contract in another currency. To mitigate non-U.S. currency exchange risk, the Company seeks to match anticipated non-U.S. currency revenue with expenses in the same currency whenever possible. To the extent it is unable to match non-U.S. currency revenue with expenses in the same currency, the Company may use forward contracts, options or other common hedging techniques in the same non-U.S. currencies. The Company had no derivative financial instruments to hedge currency risk at June 30, 2011 or December 31, 2010.

*Interest Rate Swaps*

In conjunction with the 2010 Credit Agreement, the Company is subject to hedging arrangements to fix or otherwise limit the interest cost of the term loans. The Company is subject to interest rate risk on its debt and investment of cash and cash equivalents arising in the normal course of business, as the Company does not engage in speculative trading strategies.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
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**15. Fair Value Measurements (continued)**

In September 2010, the Company entered into two 18-month forward-starting interest rate swap agreements for a total notional amount of $150,000 in order to hedge changes in the variable rate interest expense of half of the $300,000 Term Loan maturing on June 30, 2014. Under each swap agreement, the Company receives interest at a floating rate of three-month Libor, conditional on three-month LIBOR exceeding 2 percent (to mirror variable rate interest provisions of the underlying hedged debt), and pays interest at a fixed rate of 2.685 percent, effective March 28, 2012 through June 30, 2014. The swap agreements are designated and qualify as cash flow hedging instruments, with the effective portion of the swaps change in fair value recorded in Other Comprehensive Income ( OCI ). The interest rate swaps are deemed to be highly effective hedges, and resulted in no gain or loss recorded for hedge ineffectiveness in the Condensed Consolidated Statement of Operations. Amounts in OCI are reported in interest expense when the hedged interest payments on the underlying debt are recognized. The fair value of each swap agreement was determined using a model with Level 2 inputs including quoted market prices for contracts with similar terms and maturity dates.

*Interest Rate Caps*

In September 2010, the Company entered into two interest rate cap agreements for notional amounts of $75,000 each in order to limit its exposure to an increase of the interest rate above 3 percent, effective September 28, 2010 through March 28, 2012. Total premiums of $98 were paid for the interest rate cap agreements. Through June 1, 2011, the cap agreements were designated and qualified as cash flow hedging instruments, with the effective portion of the caps change in fair value recorded in OCI. Amounts in OCI and the premiums paid for the caps were reported in interest expense as the hedged interest payments on the underlying debt were recognized during the period when the caps were designated as cash flow hedges. Through June 1, 2011, the interest rate caps were deemed to be highly effective, resulting in an immaterial amount of hedge ineffectiveness recorded in the Condensed Consolidated Statement of Operations. On June 1, 2011, the caps were de-designated due the interest rate being fixed on the underlying debt through the remaining term of the caps; changes in the value of the caps subsequent to that date will be reported in earnings. The fair value of the interest rate cap agreements was determined using a model with Level 2 inputs including quoted market prices for contracts with similar terms and maturity dates. An immaterial amount of OCI relating to the interest rate swap and caps is expected to be recognized in earnings in the coming 12 months.

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**15. Fair Value Measurements (continued)**

| | Liability Derivatives | | | |
|---|---|---|---|---|
| | June 30, 2011 | | December 31, 2010 | |
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Interest rate contracts- swaps | Other short-term Liabilities | $ 187 | Other Assets | $ 12 |
| Interest rate contracts- swaps | Other long-term Liabilities | $ 818 | Other long-term Assets | 104 |
| Total derivatives | | $ 1,005 | | $ 116 |

**For the three months ended June 30,**

| Derivatives in ASC 815 Cash Flow Hedging Relationships | Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) | | Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) | Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) | | Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion) | Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion) | |
|---|---|---|---|---|---|---|---|---|
| | 2011 | 2010 | | 2011 | 2010 | | 2011 | 2010 |
| Interest rate contracts | $ (1,232) | $ | Interest expense, net | $ (2) | $ | Interest expense, net | $ | $ |
| Total | $ (1,232) | $ | | $ (2) | $ | | $ | $ |

**For the six months ended June 30,**

| | Location of | Amount of Gain or (Loss) |
|---|---|---|

| Derivatives in ASC 815 Cash Flow Hedging Relationships | Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) | | Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) | Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) | | Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion) | Recognized in Income on Derivative (Ineffective Portion) | |
|---|---|---|---|---|---|---|---|---|
| | 2011 | 2010 | | 2011 | 2010 | | 2011 | 2010 |
| Interest rate contracts | $ (1,119) | $ | Interest expense, net | $ (2) | $ | Interest expense, net | $ | $ |
| Total | $ (1,119) | $ | | $ (2) | $ | | $ | $ |

**16. Other Charges**

During the second quarter of 2011, the Company incurred other charges of $28, associated with various lease abandonments, which were abandoned in the first quarter of 2009. Additionally, during the second quarter of 2010, the Company recognized $794 of other charges, primarily related to $467 in headcount reduction costs as well as $296 related to a change in estimate associated with a leased facility which was abandoned in the third quarter of 2010.

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**16. Other Charges (continued)**

Other charges by segment are as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| *Upstream Oil & Gas* | $ 5 | $ 306 | $ 9 | $ 320 |
| *Downstream Oil & Gas* | 23 | 488 | 164 | 293 |
| *Utility T&D* | | | | |
| Total other charges | $ 28 | $ 794 | $ 173 | $ 613 |

Other charges incurred during the second quarter of 2011 and 2010 include $0 and $6, respectively, related to headcount reductions within corporate operations and have been allocated to the Company s business segments based on a percentage of total revenue.

Activity in the accrual related to other charges for the period ended June 30, 2011 is as follows:

| | Employee Termination and Other Benefits | Non-Cancelable Lease and Other Contractual Obligations | Total |
|---|---|---|---|
| Accrued cost at December 31, 2010 | $ 3,046 | $ 989 | $ 4,035 |
| Costs recognized during 2011 | 106 | 67 | 173 |
| Cash payments | (3,099) | (713) | (3,812) |
| Non-cash charges [1] | | (4) | (4) |
| Accrued cost at June 30, 2011 | $ 53 | $ 339 | $ 392 |

[1] Non-cash charges consist of $4 of accretion expense.

The accrual at June 30, 2011, for carrying costs of the abandoned lease space totaled $339, which is included within Other current liabilities on the Condensed Consolidated Balance Sheet. The Company estimates carrying costs of the abandoned lease space based on an assessment of applicable commercial real estate markets. There may be a significant fluctuation in the estimated costs to the extent the evaluation of the facts, circumstances and expectations change. The principal variables in estimating the carrying costs are the length of time required to sublease the space, the sublease rate and expense for inducements (e.g., rent abatement, tenant improvement allowance) that may be offered to a prospective sublease tenant. While the Company believes this accrual is adequate, it is subject to adjustment as conditions change. The Company will continue to evaluate the adequacy of the accrual and will make the necessary changes to the accrual as conditions warrant.

**17. Discontinuance of Operations, Asset Disposals, and Transition Services Agreement**

**Strategic Decisions**

In 2006, the Company announced that it intended to sell its assets and operations in Venezuela and Nigeria.

In 2010, the Company recognized that their investment in establishing a presence in Libya, while resulting in contract awards, had not yielded any notice to proceed on these awards. As a result, the Company exited this market due to the

project delays coupled with the identification of other more attractive opportunities.

In April 2011, as part of its ongoing strategic evaluation of operations, the Company s Board of Directors made the decision to exit the Canadian cross-country pipeline construction market and liquidate its investment in the related business.

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**17. Discontinuance of Operations, Asset Disposals, and Transition Services Agreement (continued)**

**Nigeria Assets and Nigeria-Based Operations**

*Share Purchase Agreement*

On February 7, 2007, Willbros Global Holdings, Inc., formerly known as Willbros Group, Inc., a Panama corporation ( WGHI ), which is now a subsidiary of the Company and holds a portion of the Company s non-U.S. operations, sold its Nigeria assets and Nigeria-based operations in West Africa to Ascot Offshore Nigeria Limited ( Ascot ), a Nigerian oilfield services company, for total consideration of $155,250 (later adjusted to $130,250). The sale was pursuant to a Share Purchase Agreement by and between WGHI and Ascot dated as of February 7, 2007 (the Agreement ), providing for the purchase by Ascot of all of the share capital of WG Nigeria Holdings Limited ( WGNHL ), the holding company for Willbros West Africa, Inc. ( WWAI ), Willbros (Nigeria) Limited, Willbros (Offshore) Nigeria Limited and WG Nigeria Equipment Limited.

In connection with the sale of its Nigeria assets and operations, WGHI and WII, another subsidiary of the Company, entered into an indemnity agreement with Ascot and Berkeley Group plc ( Berkeley ), the parent company of Ascot (the Indemnity Agreement ), pursuant to which Ascot and Berkeley agreed to indemnify WGHI and WII for any obligations incurred by WGHI or WII in connection with the parent company guarantees (the Guarantees ) that WGHI and WII previously issued and maintained on behalf of certain former subsidiaries now owned by Ascot under certain working contracts between the subsidiaries and their customers. Either WGHI, WII or both may continue to be contractually obligated, in varying degrees, under the Guarantees with respect to the performance of work related to several ongoing projects. Among the Guarantees covered by the Indemnity Agreement are five contracts under which the Company estimates that, at February 7, 2007, there was aggregate remaining contract revenue, excluding any additional claim revenue, of $352,107 and aggregate estimated cost to complete of $293,562. At the February 7, 2007 sale date, one of the contracts covered by the Guarantees was estimated to be in a loss position with an accrual for such loss of $33,157. The associated liability was included in the liabilities acquired by Ascot and Berkeley.

Approximately one year after the sale of the Nigeria assets and operations, WGHI received its first notification asserting various rights under one of the outstanding Guarantees. On February 1, 2008, WWAI, the Ascot company performing the West African Gas Pipeline ( WAGP ) contract, received a letter from West African Gas Pipeline Company Limited ( WAPCo ), the owner of WAGP, wherein WAPCo gave written notice alleging that WWAI was in default under the WAGP contract, as amended, and giving WWAI a brief cure period to remedy the alleged default. The Company understands that WWAI responded by denying being in breach of its WAGP contract obligations, and apparently also advised WAPCo that WWAI requires a further $55 million, without which it will not be able to complete the work which it had previously undertaken to perform. The Company understands that, on February 27, 2008, WAPCo terminated the WAGP contract for the alleged continuing non-performance of WWAI.

Also, in February 2008, WGHI received a letter from WAPCo reminding WGHI of its parent guarantee on the WAGP contract and requesting that WGHI remedy WWAI s default under that contract, as amended. WGHI responded to WAPCo, consistent with its earlier communications, that, for a variety of legal, contractual, and other reasons, it did not consider the prior WAGP contract parent guarantee to have continued application. In February 2009, WGHI received another letter from WAPCo formally demanding that WGHI pay all sums payable in consequence of the non-performance by WWAI with WAPCo and stating that quantification of that amount would be provided sometime in the future when the work was completed. In spite of this letter, the Company continued to believe that the parent guarantee was not valid. WAPCo disputed WGHI s position that it is no longer bound by the terms of WGHI s prior parent guarantee of the WAGP contract and has reserved all its rights in that regard.

On February 15, 2010, WGHI received a letter from attorneys representing WAPCo seeking to recover from WGHI under its prior WAGP contract parent company guarantee for losses and damages allegedly incurred by WAPCo in connection with the alleged non-performance of WWAI under the WAGP contract. The letter purports to be a formal notice of a claim for purposes of the Pre-Action Protocol for Construction and Engineering Disputes under the rules of

the High Court in London, England. The letter claims damages in the amount of $264,834. At February 7, 2007, when WGHI sold its Nigeria assets and operations to Ascot, the total WAGP contract value was $165,300 and the WAGP project was estimated to be approximately 82.0 percent complete. The remaining costs to complete the project at that time were estimated at slightly under $30,000. The Company is seeking to understand the magnitude of the WAPCo claim relative to the WAGP project s financial status three years earlier.

**WILLBROS GROUP, INC.**
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**17. Discontinuance of Operations, Asset Disposals, and Transition Services Agreement (continued)**

On August 2, 2010, the Company received notice that WAPCo had filed suit against WGHI under English law in the London High Court on July 30, 2010, for the sum of $273,386. WGHI has several possible defenses to this claim and is contesting the matter vigorously, but the Company cannot provide any assurance as to the outcome. The Company expects the litigation process to be lengthy and that WGHI will incur significant legal fees and expenses as the trial approaches. Trial of the matter is expected to commence in June of 2012.

The Company currently has no employees working in Nigeria and has no intention of returning to Nigeria. The Company does not expect that Ascot or Berkeley will have sufficient assets to meet their indemnification obligations to WGHI. If ultimately it is determined by an English Court that WGHI is liable, in whole or in part, for damages that WAPCo may establish against WWAI for WWAI s alleged non-performance of the WAGP contract, or if WAPCo is able to establish liability against WGHI directly under the parent company guarantee, WGHI may experience substantial losses. At this time, the Company cannot predict the outcome of the London High Court litigation.

*Results of Discontinued Operations*

The major classes of revenue and losses with respect to these discontinued operations are as follows:

| | Three Months Ended June 30, 2011 | | | |
|---|---|---|---|---|
| | Canada | WAPCo / Nigeria | Libya | Total |
| Contract revenue | $ 9,039 | $ | $ | $ 9,039 |
| Operating loss | (9,172) | (4,431) | (258) | (13,861) |
| Loss before income taxes | (8,884) | (4,431) | (258) | (13,573) |
| Benefit for income taxes | (2,486) | | | (2,486) |
| Net loss | (6,398) | (4,431) | (258) | (11,087) |

| | Three Months Ended June 30, 2010 | | | |
|---|---|---|---|---|
| | Canada | WAPCo / Nigeria | Libya | Total |
| Contract revenue | $ 858 | $ | $ | $ 858 |
| Operating loss | (1,575) | (475) | (910) | (2,960) |
| Loss before income taxes | (1,130) | (475) | (910) | (2,515) |
| Benefit for income taxes | (332) | | | (332) |
| Net loss | (798) | (475) | (910) | (2,183) |

| | Six Months Ended June 30, 2011 | | | |
|---|---|---|---|---|
| | Canada | WAPCo / Nigeria | Libya | Total |
| Contract revenue | $ 92,478 | $ | $ | $ 92,478 |
| Operating loss | (13,593) | (5,609) | (296) | (19,498) |
| Loss) before income taxes | (13,001) | (5,609) | (296) | (18,906) |

| | | | | |
|---|---|---|---|---|
| Benefit for income taxes | (2,898) | | | (2,898) |
| Net loss | (10,103) | (5,609) | (296) | (16,008) |

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**WILLBROS GROUP, INC.**
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| | Six Months Ended June 30, 2010 | | | |
|---|---|---|---|---|
| | Canada | WAPCo / Nigeria | Libya | Total |
| Contract revenue | $ (171) | $ | $ | $ (171) |
| Operating loss | (4,086) | (744) | (1,770) | (6,600) |
| Loss before income taxes | (2,580) | (745) | (1,771) | (5,096) |
| Benefit for income taxes | (739) | | | (739) |
| Net loss | (1,841) | (745) | (1,771) | (4,357) |

Total assets with respect to these discontinued operations are as follows:

| | June 30, 2011 | | | |
|---|---|---|---|---|
| | Canada | WAPCo / Nigeria | Libya | Total |
| Total assets | $ 49,759 | $ 1 | $ 257 | $ 50,017 |

| | December 31, 2010 | | | |
|---|---|---|---|---|
| | Canada | WAPCo / Nigeria | Libya | Total |
| Total assets | $ 47,780 | $ 1 | $ 240 | $ 48,021 |

**18. Condensed Consolidating Guarantor Financial Statements**

Willbros Group, Inc. (the Parent ) and its 100% owned U.S. subsidiaries (the Guarantors ) may fully and unconditionally guarantee, on a joint and several basis, the obligations of the Company under debt securities that it may issue pursuant to a universal shelf registration statement on Form S-3 filed by the Company with the SEC. There are currently no restrictions on the ability of the Guarantors to transfer funds to the Parent in the form of cash dividends or advances. Condensed consolidating financial information for a) the Parent, b) the Guarantors and c) all other direct and indirect subsidiaries (the Non-Guarantors ) as of June 30, 2011 and December 31, 2010 and for each of the three and six months ended June 30, 2011 and 2010, follows:

Condensed consolidating financial information for a) the Parent, b) the Guarantors and c) the Non-Guarantors at March 31, 2011 and December 31, 2010 and for the three months ended March 31, 2011 and 2010 also follows and have been revised to properly reflect certain errors in Guarantor and Non-Guarantor financial information previously presented, to properly reflect certain errors in intercompany transactions previously presented, as well as, to properly present non-controlling interest within the Eliminations column under the equity method of accounting. Such adjustments increased total assets $25,800 and $22,800 for the Parent at March 31, 2011 and December 31, 2010, respectively, increased total assets $11,100 and decreased total assets $52,900 for the Guarantor at March 31, 2011 and December 31, 2010 respectively and increased total assets $64,000 and $64,000 for the Non-Guarantor at March 31, 2011 and December 31, 2010, respectively. Further, such adjustments decreased pre-tax income (loss) $200 and $41,100 for the Guarantor for the three months ended March 31, 2011 and 2010, respectively and decreased pre-tax income (loss) $200 and increase pre-tax income (loss) $40,800 for the Non-Guarantor for the three months ended March 31, 2011 and 2010, respectively. Offsetting revisions were made to the Eliminations column. Additionally, such adjustments decreased operating cash flows $42,500 and increased financing cash flows $42,500 for the

Guarantor for the three months ended March 31, 2010 and increased operating cash flows $42,500 and decreased financing cash flows $42,500 for the Non-Guarantor for the three months ended March 31, 2010. These revisions had no impact on the Company s consolidated results of operations, financial position and cash flows for all periods presented.

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**WILLBROS GROUP, INC.**
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**(Unaudited)**
**Condensed Consolidating Balance Sheets**

| | June 30, 2011 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantors | Non-Guarantors | Eliminations | Consolidated |
| **ASSETS** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ | $ 63,524 | $ 30,424 | $ (310) | $ 93,638 |
| Accounts receivable, net | 99 | 255,789 | 48,645 | | 304,533 |
| Contract cost and recognized income not yet billed | | 33,126 | 3,001 | | 36,127 |
| Prepaid expenses and other assets | 12,379 | 42,615 | 5,427 | (7,951) | 52,470 |
| Parts and supplies inventories | | 9,301 | 393 | | 9,694 |
| Deferred income taxes | 9,317 | | 7,014 | | 16,331 |
| Assets held for sale | | | 53,618 | | 53,618 |
| Receivables from affiliated companies | 136,592 | 76,498 | | (213,090) | |
| Total current assets | 158,387 | 480,853 | 148,522 | (221,351) | 566,411 |
| Deferred income taxes | 61,492 | | | (61,492) | |
| Property, plant and equipment, net | | 172,498 | 21,384 | | 193,882 |
| Goodwill | | 191,278 | 11,436 | | 202,714 |
| Other intangible assets, net | | 187,719 | 1 | | 187,720 |
| Investment in subsidiaries | 302,166 | | | (302,166) | |
| Other assets | | 30,093 | 14,323 | | 44,416 |
| Total assets | $ 522,045 | $ 1,062,441 | $ 195,666 | $ (585,009) | $ 1,195,143 |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | | | | |
| Current liabilities: | | | | | |
| Notes payable and current portion of long-term debt | $ | $ 16,461 | $ | $ | $ 16,461 |
| Accounts payable and accrued liabilities | 1,180 | 231,460 | 27,722 | (310) | 260,052 |
| Contract billings in excess of cost and recognized income | | 18,897 | (27) | | 18,870 |
| Short-term borrowings under revolving credit facility | | 59,357 | | | 59,357 |
| Current portion of capital lease obligations | | 2,626 | 130 | | 2,756 |
| Accrued income taxes | 8,874 | | 2,455 | (7,951) | 3,378 |
| Other current liabilities | | 697 | 53 | | 750 |
| Liabilities held for sale | | | 29,644 | | 29,644 |
| Payables to affiliated companies | | 8,380 | 204,710 | (213,090) | |

| | | | | | |
|---|---|---|---|---|---|
| Total current liabilities | 10,054 | 337,878 | 264,687 | (221,351) | 391,268 |
| Long-term debt | 32,050 | 204,857 | | | 236,907 |
| Capital lease obligations | | 2,246 | 156 | | 2,402 |
| Contingent earnout | | 4,000 | | | 4,000 |
| Long-term liabilities for unrecognized tax benefits | 1,817 | | 2,979 | | 4,796 |
| Deferred income taxes | | 105,095 | 1,486 | (61,492) | 45,089 |
| Other long-term liabilities | | 32,556 | 1 | | 32,557 |
| Total liabilities | 43,921 | 686,632 | 269,309 | (282,843) | 717,019 |
| Stockholders equity: | | | | | |
| Total stockholders equity | 478,124 | 375,809 | (73,643) | (302,166) | 478,124 |
| Total liabilities and stockholders equity | $ 522,045 | $ 1,062,441 | $ 195,666 | $ (585,009) | $ 1,195,143 |

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**(Unaudited)**
**Condensed Consolidating Balance Sheets**

| | December 31, 2010 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantors | Non-Guarantors | Eliminations | Consolidated |
| **ASSETS** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ | $ 60,328 | $ 73,822 | $ | $ 134,150 |
| Accounts receivable, net | 820 | 253,617 | 50,856 | | 305,293 |
| Contract cost and recognized income not yet billed | | 21,178 | 2,579 | | 23,757 |
| Prepaid expenses and other assets | 18,490 | 35,720 | 543 | | 54,753 |
| Parts and supplies inventories | | 5,105 | 5,003 | | 10,108 |
| Deferred income taxes | 11,004 | | | | 11,004 |
| Assets held for sale | | 9,166 | 57,030 | | 66,196 |
| Receivables from affiliated companies | 198,909 | 2,675 | | (201,584) | |
| Total current assets | 229,223 | 387,789 | 189,833 | (201,584) | 605,261 |
| Deferred income taxes | 47,711 | | 16 | (31,157) | 16,570 |
| Property, plant and equipment, net | | 191,293 | 23,709 | | 215,002 |
| Goodwill | | 200,680 | 11,073 | | 211,753 |
| Other intangible assets, net | | 195,457 | | | 195,457 |
| Investment in subsidiaries | 350,062 | | | (350,062) | |
| Other assets | 80 | 42,225 | (546) | | 41,759 |
| Total assets | $ 627,076 | $ 1,017,444 | $ 224,085 | $ (582,803) | $ 1,285,802 |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | | | | |
| Current liabilities: | | | | | |
| Notes payable and current portion of long-term debt | $ 58,671 | $ 12,923 | $ | $ | $ 71,594 |
| Accounts payable and accrued liabilities | 638 | 153,488 | 34,260 | | 188,386 |
| Contract billings in excess of cost and recognized income | | 14,899 | 28 | | 14,927 |
| Current portion of government obligations | | | 6,575 | | 6,575 |
| Current portion of capital lease obligations | | 5,237 | 129 | | 5,366 |
| Accrued income taxes | 8,495 | 1 | 2,230 | (8,370) | 2,356 |
| Other current liabilities | 1,688 | 1,106 | 2,038 | | 4,832 |
| Liabilities held for sale | | | 27,548 | | 27,548 |
| Payables to affiliated companies | | | 201,584 | (201,584) | |

| | | | | | |
|---|---|---|---|---|---|
| Total current liabilities | 69,492 | 187,654 | 274,392 | (209,954) | 321,584 |
| Long-term debt | 32,054 | 273,173 | | | 305,227 |
| Capital lease obligations | | 5,523 | 218 | | 5,741 |
| Contingent earnout | | 10,000 | | | 10,000 |
| Long-term liabilities for unrecognized tax benefits | 1,990 | | 2,876 | | 4,866 |
| Deferred income taxes | | 96,725 | 2,082 | (22,787) | 76,020 |
| Other long-term liabilities | | 38,743 | 81 | | 38,824 |
| Total liabilities | 103,536 | 611,818 | 279,649 | (232,741) | 762,262 |
| Stockholders equity: | | | | | |
| Total stockholders equity | 523,540 | 405,626 | (55,564) | (350,062) | 523,540 |
| Total liabilities and stockholders equity | $ 627,076 | $ 1,017,444 | $ 224,085 | $ (582,803) | $ 1,285,802 |

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**(Unaudited)**
**Condensed Consolidating Statement of Operations**

| | Six Months Ended June 30, 2011 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantors | Non-Guarantors | Eliminations | Consolidated |
| Contract revenue | $ | $ 680,402 | $ 106,820 | $ | $ 787,222 |
| Operating expenses: | | | | | |
| Contract | | 617,199 | 106,416 | | 723,615 |
| Amortization of intangibles | | 7,834 | | | 7,834 |
| General and administrative | 11,260 | 54,981 | 7,135 | | 73,376 |
| Settlement of project dispute | | 8,236 | | | 8,236 |
| Changes in fair value of contingent earnout | | (6,000) | | | (6,000) |
| Other charges | | 173 | | | 173 |
| Operating income (loss) | (11,260) | (2,021) | (6,731) | | (20,012) |
| Other income (expense): | | | | | |
| Equity in loss of consolidated subsidiaries | (47,896) | | (582) | 48,478 | |
| Interest expense, net | (2,136) | (23,173) | 63 | | (25,246) |
| Loss on early extinguishment of debt | | (4,124) | | | (4,124) |
| Other, net | 76 | (94) | 4,049 | | 4,031 |
| Income (loss) from continuing operations before income taxes | (61,216) | (29,412) | (3,201) | 48,478 | (45,351) |
| Provision (benefit) for income taxes | (12,714) | 405 | (1,130) | | (13,439) |
| Income (loss) from continuing operations | (48,502) | (29,817) | (2,071) | 48,478 | (31,912) |
| Income (loss) from discontinued operations net of provision for income taxes | | | (16,008) | | (16,008) |
| Net income (loss) | (48,502) | (29,817) | (18,079) | 48,478 | (47,820) |
| Less: Income attributable to noncontrolling interest | | | | (582) | (582) |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Net income (loss) attributable to Willbros Group, Inc | $ | (48,502) | $ | (29,817) | $ | (18,079) | $ | 47,896 | $ | (48,502) |

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**WILLBROS GROUP, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands, except share and per share amounts)**
**(Unaudited)**
**Condensed Consolidating Statement of Operations**

| | Six Months Ended June 30, 2010 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantors | Non-Guarantors | Eliminations | Consolidated |
| Contract revenue | $ | $ 284,784 | $ 100,512 | $ | $ 385,296 |
| Operating expenses: | | | | | |
| Contract | | 251,883 | 83,113 | | 334,996 |
| Amortization of intangibles | | 1,905 | | | 1,905 |
| General and administrative | 19,351 | 19,400 | 7,562 | | 46,313 |
| Other charges | | 613 | | | 613 |
| Operating income (loss) | (19,351) | 10,983 | 9,837 | | 1,469 |
| Other income (expense): | | | | | |
| Equity in loss of consolidated subsidiaries | 15,541 | | (609) | (14,932) | |
| Interest expense, net | (3,863) | (411) | 65 | | (4,209) |
| Other, net | | 906 | 450 | | 1,356 |
| Income (loss) from continuing operations before income taxes | (7,673) | 11,478 | 9,743 | (14,932) | (1,384) |
| Provision (benefit) for income taxes | (2,998) | (371) | 1,694 | | (1,675) |
| Income (loss) from continuing operations | (4,675) | 11,849 | 8,049 | (14,932) | 291 |
| Income (loss) from discontinued operations net of provision (benefit) for income taxes | | | (4,357) | | (4,357) |
| Net income (loss) | (4,675) | 11,849 | 3,692 | (14,932) | (4,066) |
| Less: Income attributable to noncontrolling interest | | | | (609) | (609) |
| Net income (loss) attributable to Willbros Group, Inc | $ (4,675) | $ 11,849 | $ 3,692 | $ (15,541) | $ (4,675) |

**WILLBROS GROUP, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands, except share and per share amounts)**
**(Unaudited)**
**Condensed Consolidating Statement of Operations**

| | Three Months Ended June 30, 2011 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantors | Non-Guarantors | Eliminations | Consolidated |
| Contract revenue | $ | $ 405,833 | $ 52,503 | $ | $ 458,336 |
| Operating expenses: | | | | | |
| Contract | | 353,238 | 54,321 | | 407,559 |
| Amortization of intangibles | | 3,917 | | | 3,917 |
| General and administrative | 4,448 | 32,363 | (3,078) | | 33,733 |
| Settlement of project dispute | | 8,236 | | | 8,236 |
| Other charges | | 28 | | | 28 |
| Operating income (loss) | (4,448) | 8,051 | 1,260 | | 4,863 |
| Other income (expense): | | | | | |
| Equity in loss of consolidated subsidiaries | (6,979) | | (311) | 7,290 | |
| Interest expense, net | (521) | (9,942) | 17 | | (10,446) |
| Loss on early extinguishment of debt | | (4,124) | | | (4,124) |
| Other, net | 76 | (215) | 4,070 | | 3,931 |
| Income (loss) from continuing operations before income taxes | (11,872) | (6,230) | 5,036 | 7,290 | (5,776) |
| Provision (benefit) for income taxes | (8,539) | (3,111) | (2,191) | | (13,841) |
| Income (loss) from continuing operations | (3,333) | (3,119) | 7,227 | 7,290 | 8,065 |
| Income (loss) from discontinued operations net of provision (benefit) for income taxes | | | (11,087) | | (11,087) |
| Net income (loss) | (3,333) | (3,119) | (3,860) | 7,290 | (3,022) |
| Less: Income attributable to noncontrolling interest | | | | (311) | (311) |
| | $ (3,333) | $ (3,119) | $ (3,860) | $ 6,979 | $ (3,333) |

Net income (loss) attributable to
Willbros Group, Inc

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**WILLBROS GROUP, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands, except share and per share amounts)**
**(Unaudited)**
**Condensed Consolidating Statement of Operations**

| | Three Months Ended June 30, 2010 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantors | Non-Guarantors | Eliminations | Consolidated |
| Contract revenue | $ | $ 193,936 | $ 53,335 | $ | $ 247,271 |
| Operating expenses: | | | | | |
| Contract | | 159,667 | 44,257 | | 203,924 |
| Amortization of intangibles | | 953 | | | 953 |
| General and administrative | 8,118 | 10,688 | 3,914 | | 22,720 |
| Other charges | | 794 | | | 794 |
| Operating income (loss) | (8,118) | 21,834 | 5,164 | | 18,880 |
| Other income (expense): | | | | | |
| Equity in loss of consolidated subsidiaries | 23,981 | | (353) | (23,628) | |
| Interest expense, net | (1,910) | (220) | 30 | | (2,100) |
| Other, net | | (161) | 606 | | 445 |
| Income (loss) from continuing operations before income taxes | 13,953 | 21,453 | 5,447 | (23,628) | 17,225 |
| Provision (benefit) for income taxes | 5,324 | (156) | 892 | | 6,060 |
| Income (loss) from continuing operations | 8,629 | 21,609 | 4,555 | (23,628) | 11,165 |
| Income (loss) from discontinued operations net of provision (benefit) for income taxes | | | (2,183) | | (2,183) |
| Net income (loss) | 8,629 | 21,609 | 2,372 | (23,628) | 8,982 |
| Less: Income attributable to noncontrolling interest | | | | (353) | (353) |
| Net income (loss) attributable to Willbros Group, Inc | $ 8,629 | $ 21,609 | $ 2,372 | $ (23,981) | $ 8,629 |

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**WILLBROS GROUP, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands, except share and per share amounts)**
**(Unaudited)**
**Condensed Consolidating Statement of Cash flows**

| | Six Months Ended June 30, 2011 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantors | Non-Guarantors | Eliminations | Consolidated |
| Cash flows from operating activities of continuing operations | $ (601) | $ 74,496 | $ (33,161) | $ | $ 40,734 |
| Cash flows from operating activities of discontinued operations | | | (9,688) | | (9,688) |
| Cash flows from investing activities | | 7,525 | 11,947 | | 19,472 |
| Cash flows from financing activities | 601 | (78,825) | (12,083) | | (90,307) |
| Effect of exchange rate changes on cash and cash equivalents | | | 1,691 | | 1,691 |
| Net increase (decrease) in cash and cash equivalents | | 3,196 | (41,294) | | (38,098) |
| Cash and cash equivalents of continuing operations at beginning of period (12/31/10) | | 60,328 | 73,822 | | 134,150 |
| Cash and cash equivalents of discontinuing operations at beginning of period (12/31/10) | | | 6,951 | | 6,951 |
| Cash and cash equivalents at beginning of period (12/31/10) | | 60,328 | 80,773 | | 141,101 |
| Cash and cash equivalents at end of period (6/30/11) | | 63,524 | 39,479 | | 103,003 |
| Less: cash and cash equivalents of discontinued operations at end of period (6/30/11) | | | (9,365) | | (9,365) |
| Cash and cash equivalents of continuing operations at end of period (6/30/11) | $ | $ 63,524 | $ 30,114 | $ | $ 93,638 |

| | Six Months Ended June 30, 2010 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantors | Non-Guarantors | Eliminations | Consolidated |
| Cash flows from operating activities of continuing operations | $ (17,097) | $ 26,981 | $ 8,512 | $ | $ 18,396 |
| Cash flows from operating activities of discontinued operations | | | 19,264 | | 19,264 |
| Cash flows from investing activities | (4,050) | 11,080 | (2,804) | | 4,226 |
| Cash flows from financing activities | 16,389 | (30,543) | 1,116 | | (13,038) |
| Effect of exchange rate changes on cash and cash equivalents | | | (805) | | (805) |
| Net increase (decrease) in cash and cash equivalents | (4,758) | 7,518 | 25,283 | | 28,043 |
| Cash and cash equivalents of discontinuing operations at beginning of period (12/31/09) | 5,463 | 133,263 | 58,177 | | 196,903 |
| Cash and cash equivalents of discontinuing operations at beginning of period (12/31/09) | | | 1,781 | | 1,781 |
| Cash and cash equivalents at beginning of period (12/31/10) | 5,463 | 133,263 | 59,958 | | 198,684 |
| Cash and cash equivalents at end of period (6/30/10) | 705 | 140,781 | 85,241 | | 226,727 |
| Less: cash and cash equivalents of discontinued operations at end of period (6/30/10) | | | (23,404) | | |