

WILLBROS GROUP INC
Form 10-Q
May 08, 2008

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2008

OR

**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)

Republic of Panama
(Jurisdiction of incorporation)

98-0160660
(I.R.S. Employer Identification Number)

**Plaza 2000 Building
50th Street, 8th Floor
P.O. Box 0816-01098**

**Panama, Republic of Panama
Telephone No.: +50-7-213-0947**

(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 No

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

The number of shares of the registrant's Common Stock, \$.05 par value, outstanding as of May 1, 2008 was 38,836,651.

WILLBROS GROUP, INC.
FORM 10-Q
FOR QUARTER ENDED MARCH 31, 2008

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Certification of CEO Pursuant to Section 1350

Certification of CFO Pursuant to Section 1350

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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**

| | March 31, 2008 | December 31, 2007 |
|---|---------------------------|----------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 115,609 | \$ 92,886 |
| Accounts receivable, net of allowance of \$696 and \$1,108 | 262,896 | 251,746 |
| Contract cost and recognized income not yet billed | 85,384 | 49,233 |
| Prepaid expenses | 20,852 | 7,555 |
| Parts and supplies inventories | 2,948 | 2,902 |
| Assets of discontinued operations | 6,395 | 3,211 |
| Total current assets | 494,084 | 407,533 |
| Property, plant and equipment, net of accumulated depreciation of \$103,254 and \$97,268 | 169,300 | 159,766 |
| Goodwill | 142,758 | 143,241 |
| Other intangible assets | 47,550 | 50,206 |
| Deferred tax assets | 8,137 | 7,769 |
| Other assets | 9,476 | 10,898 |
| Total assets | \$ 871,305 | \$ 779,413 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities: | | |
| Notes payable and current portion of long-term debt | \$ 26,265 | \$ 13,172 |
| Current portion of government obligations | 12,575 | 8,075 |
| Accounts payable and accrued liabilities | 200,696 | 156,342 |
| Contract billings in excess of cost and recognized income | 25,365 | 22,868 |
| Accrued income taxes | 9,022 | 4,750 |
| Liabilities of discontinued operations | 1,071 | 978 |
| Total current liabilities | 274,994 | 206,185 |
| 2.75% convertible senior notes | 59,357 | 68,000 |
| 6.5% senior convertible notes | 32,050 | 32,050 |
| Long-term debt | 48,418 | 39,124 |
| Long-term portion of government obligations | 19,725 | 24,225 |
| Long-term liability for unrecognized tax benefits | 6,622 | 6,612 |
| Deferred tax liabilities | 6,442 | 6,879 |
| Other liabilities | 237 | 237 |

| | | |
|--|------------|------------|
| Total liabilities | 447,845 | 383,312 |
| Contingencies and commitments (Note 13) | | |
| Stockholders' equity: | | |
| Class A 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; 39,132,166 shares issued (38,276,545 at December 31, 2007) | 1,956 | 1,913 |
| Capital in excess of par value | 567,338 | 556,223 |
| Accumulated deficit | (154,272) | (175,936) |
| Treasury stock at cost, 255,733 shares (222,839 at December 31, 2007) | (4,416) | (3,298) |
| Accumulated other comprehensive income | 12,854 | 17,199 |
| Total stockholders' equity | 423,460 | 396,101 |
| Total liabilities and stockholders' equity | \$ 871,305 | \$ 779,413 |

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 | |
|--|---------------------------|-------------|
| | March 31, | |
| | 2008 | 2007 |
| Contract revenue | \$ 491,634 | \$ 206,709 |
| Operating expenses: | | |
| Contract | 425,733 | 196,917 |
| Amortization of intangibles | 2,656 | |
| General and administrative | 28,367 | 11,796 |
| | 456,756 | 208,713 |
| Operating income (loss) | 34,878 | (2,004) |
| Other income (expense): | | |
| Interest income | 1,006 | 1,564 |
| Interest expense | (2,535) | (2,454) |
| Other, net | (427) | (190) |
| | (1,956) | (1,080) |
| Income (loss) from continuing operations before income taxes | 32,922 | (3,084) |
| Provision for income taxes | 13,817 | 255 |
| Net income (loss) from continuing operations | 19,105 | (3,339) |
| Income (loss) from discontinued operations net of provision for income taxes | 2,559 | (8,508) |
| Net income (loss) | \$ 21,664 | \$ (11,847) |
| Basic income (loss) per common share: | | |
| Income (loss) from continuing operations | \$ 0.50 | \$ (0.13) |
| Income (loss) from discontinued operations | 0.07 | (0.33) |
| Net income (loss) | \$ 0.57 | \$ (0.46) |
| Diluted income (loss) per common share: | | |
| Income (loss) from continuing operations | \$ 0.46 | \$ (0.13) |
| Income (loss) from discontinued operations | 0.06 | (0.33) |
| Net income (loss) | \$ 0.52 | \$ (0.46) |

| | | |
|---|------------|------------|
| Weighted average number of common shares outstanding: | | |
| Basic | 38,017,280 | 25,503,652 |
| Diluted | 43,915,654 | 25,503,652 |

See accompanying notes to condensed consolidated financial statements.

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

| | Common Stock | | Capital in | Accumulated | Treasury | Accumulated Other Comprehen- sive Income (Loss) | Total Stockholders Equity |
|--|--------------|--------------|------------------------|--------------|------------|--|---------------------------------|
| | Shares | Par Value | Excess of Par Value | Deficit | Stock | | |
| Balance, December 31, 2007 | 38,276,545 | \$ 1,913 | \$ 556,223 | \$ (175,936) | \$ (3,298) | \$ 17,199 | \$ 396,101 |
| Comprehensive income: | | | | | | | |
| Net income | | | | 21,664 | | | 21,664 |
| Foreign currency translation adjustment | | | | | | (4,345) | (4,345) |
| Total comprehensive income | | | | | | | 17,319 |
| Deferred compensation | | | 2,449 | | | | 2,449 |
| Restricted stock grants | 363,439 | 18 | (18) | | | | |
| Vesting of restricted stock rights | 20,269 | 1 | (1) | | | | |
| Additions to treasury stock, vesting and forfeitures of restricted stock | | | (16) | | (1,118) | | (1,134) |
| Exercise of stock options | 28,000 | 2 | 331 | | | | 333 |
| Additional costs of public offering | | | (251) | | | | (251) |
| Stock issued on conversion of 2.75% convertible senior notes | 443,913 | 22 | 8,621 | | | | 8,643 |
| Balance, March 31, 2008 | 39,132,166 | \$ 1,956 | \$ 567,338 | \$ (154,272) | \$ (4,416) | \$ 12,854 | \$ 423,460 |

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)

| | Three Months Ended March 31, | |
|---|---|-------------|
| | 2008 | 2007 |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 21,664 | \$ (11,847) |
| Reconciliation of net income (loss) to net cash provided by (used in) operating activities: | | |
| (Income) loss from discontinued operations | (2,559) | 8,508 |
| Depreciation and amortization | 10,704 | 3,456 |
| Amortization of debt issue costs | 286 | 519 |
| Amortization of deferred compensation, net | 2,433 | 987 |
| Loss (gain) on sales of property, plant and equipment | (23) | 82 |
| Provision for bad debts | 266 | 142 |
| Deferred income tax provision | 578 | (2,344) |
| Equity in joint ventures | 67 | |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | (13,425) | 13,076 |
| Contract cost and recognized income not yet billed | (37,840) | (3,108) |
| Prepaid expenses | (584) | (1,110) |
| Parts and supplies inventories | (65) | (195) |
| Other assets | (318) | (1,116) |
| Accounts payable and accrued liabilities | 46,393 | (5,866) |
| Accrued income taxes | 4,262 | (140) |
| Contract billings in excess of cost and recognized income | 2,543 | (8,384) |
| Cash provided by (used in) operating activities of continuing operations | 34,382 | (7,340) |
| Cash provided by (used in) operating activities of discontinued operations | (263) | (9,650) |
| Cash provided by (used in) operating activities | 34,119 | (16,990) |
| Cash flows from investing activities: | | |
| Proceeds from the sale of discontinued operations, net | | 130,568 |
| Proceeds from sales of property, plant and equipment | 36 | 46 |
| Rebates from purchases of property, plant and equipment | 916 | |
| Purchases of property, plant and equipment | (3,556) | (1,826) |
| Acquisition of subsidiaries | 19 | |
| Cash provided by (used in) investing activities of continuing operations | (2,585) | 128,788 |
| Cash used in investing activities of discontinued operations | | |
| Cash provided by (used in) investing activities | (2,585) | 128,788 |
| Cash flows from financing activities: | | |
| Payments on capital leases | (3,624) | (676) |
| Repayment of notes payable | (2,725) | (3,261) |
| Acquisition of treasury stock | (1,118) | (493) |

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| | | |
|--|------------|------------|
| Proceeds from exercise of stock options | 333 | 510 |
| Additional costs of public offering of common stock | (251) | |
| Costs of debt issues | (49) | (265) |
| Cash used in financing activities of continuing operations | (7,434) | (4,185) |
| Cash provided by financing activities of discontinued operations | | |
| Cash used in financing activities | (7,434) | (4,185) |
| Effect of exchange rate changes on cash and cash equivalents | (1,377) | 183 |
| Cash provided by all activities | 22,723 | 107,796 |
| Cash and cash equivalents, beginning of period | 92,886 | 37,643 |
| Cash and cash equivalents, end of period | \$ 115,609 | \$ 145,439 |

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

| | Three Months Ended March 31, | |
|--|---|-------------|
| | 2008 | 2007 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | \$ 2,196 | \$ 1,229 |
| Cash paid for income taxes (including discontinued operations) | \$ 8,893 | \$ 2,557 |
| Supplemental non-cash investing and financing transactions: | | |
| Equipment and property obtained by capital leases | \$ 17,874 | \$ 2,233 |
| Prepaid insurance obtained by note payable | \$ 12,754 | \$ 10,051 |
| Common stock issued for conversion of 2.75% convertible senior notes | \$ 8,643 | \$ |
| Receivable obtained by sale of discontinued operations | \$ | \$ 2,625 |

See accompanying notes to condensed consolidated financial statements.

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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 Republic of Panama corporation, including all of its majority-owned subsidiaries (the Company, Willbros or WGI) is an independent international contractor serving the oil, gas and power industries; government entities; and the refinery and petrochemical industries. 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 may 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, 2007, which has been derived from audited consolidated financial statements, and the preceding unaudited interim Condensed Consolidated Financial Statements as of March 31, 2008, 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. Certain prior period amounts have been reclassified to be consistent with current presentation. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Company's December 31, 2007 audited Consolidated Financial Statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

In the opinion of management, the unaudited Condensed Consolidated Financial Statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position as of March 31, 2008, the results of operations and cash flows of the Company for all interim periods presented, and stockholders' equity for the three months ended March 31, 2008. The results of operations and cash flows for the three months ended March 31, 2008 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 by management. These estimates and assumptions relate to the reported amounts of assets and liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenue and expense during the 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 relevant under the circumstances. Actual results could differ from those estimates.

As discussed in Note 14 Discontinuance of Operations, Asset Disposals, and Transition Services Agreement, the Company has disposed of certain assets and operations 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.

As of March 31, 2008 and December 31, 2007, the Company had \$2,575 of cash and cash equivalents committed related to the settlement in principle with the SEC. An escrow account was funded by the Company in January 2008.

As of March 31, 2008 and December 31, 2007, respectively, the Company had \$13,297 and \$2,686 of cash and cash equivalents committed to specific project uses.

Inventories, consisting of parts and supplies, are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method. Parts and supplies inventories are evaluated at least annually and adjusted for excess quantities and obsolete items.

2. New Accounting Pronouncements

SFAS No. 157

In September 2006, the Financial Accounting Standards Board (FASB) issued Statements of Financial Accounting Standards No. 157, Fair Value Measurements, (SFAS No. 157) which is intended to increase consistency and comparability in fair value measurements by defining fair value, establishing a framework for measuring fair value, and expanding disclosures about fair value measurements. SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements and is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. On January 1, 2008, the Company adopted the provisions of SFAS No. 157 related to financial and nonfinancial assets and liabilities measured at fair value on a recurring basis. The adoption of this accounting pronouncement did not result in a material impact to the consolidated financial statements.

In February 2008, the FASB issued FASB Staff Position (FSP) Financial Accounting Standard 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13, which removes certain leasing transactions from the scope of SFAS No. 157, and FSP Financial Accounting Standard 157-2, Effective Date of FASB Statement No. 157, which defers the effective date of SFAS No. 157 for one year for certain nonfinancial assets and nonfinancial liabilities, except

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

2. New Accounting Pronouncements (continued)

those that are recognized or disclosed at fair value in the financial statements on a recurring basis. Beginning January 1, 2009, the Company will adopt the provisions for nonfinancial assets and nonfinancial liabilities that are not required or permitted to be measured at fair value on a recurring basis, which include those measured at fair value in goodwill impairment testing, indefinite-lived intangible assets measured at fair value for impairment assessment, nonfinancial long-lived assets measured at fair value for impairment assessment, asset retirement obligations initially measured at fair value, and those initially measured at fair value in a business combination. The Company is currently assessing the impact the adoption of this pronouncement will have on its financial statements. The Company does not expect the provisions of SFAS No. 157 related to these items to have a material impact on the consolidated financial statements.

SFAS No. 159

In February 2007, the FASB released Statements of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159), which is effective for fiscal years beginning after November 15, 2007. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective for the Company's fiscal year ending December 31, 2008. On January 1, 2008, the Company adopted the provisions of SFAS No. 159. The Company did not elect to apply the fair value option to any financial assets or liabilities not recorded at fair value.

SFAS No. 141-R

In December 2007, the FASB released Statements of Financial Accounting Standards No. 141-R, *Business Combinations* (SFAS No. 141R). SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, which are business combinations in the year ending December 31, 2009 for the Company. The objective is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects.

SFAS No. 160

In December 2007, the FASB released Statements of Financial Accounting Standards No. 160, *Non-controlling Interests in Consolidated Financial Statements* an amendment of ARB No. 51 (SFAS No 160). SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The objective is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements. The Company is currently assessing the impact the adoption of this pronouncement will have on its consolidated financial statements.

3. Acquisitions

In 2007, the Company entered into two acquisitions which were accounted for using the purchase method of accounting as prescribed by Statements of Financial Accounting Standards No. 141, *Business Combinations* (SFAS No. 141).

Integrated Service Company LLC

In November 2007, the Company acquired all the issued and outstanding equity interests of Integrated Service Company LLC (InServ). InServ is a fully integrated solutions provider of turnaround, maintenance and capital projects for the hydrocarbon processing and petrochemical industries, with a customer base including major integrated oil companies, independent refineries and marketers, marketing and pipeline terminals and petrochemical companies. InServ has now given the Company the ability to provide additional services to our existing customers and entry into the downstream oil and gas infrastructure market.

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

3. Acquisitions (continued)*Midwest Management (1987) Ltd.*

In July 2007, the Company acquired the assets and operations of Midwest Management (1987) Ltd. The Company is now able to participate in opportunities for large diameter pipeline projects related to the development of the Canadian oil sands and natural gas reserves expected during the next several years. The additional capabilities of a mainline pipeline construction entity in Canada complement Willbros' traditional Canadian activities which include providing maintenance, capital projects and modular fabrication services to the oil sands developments.

4. Contracts in Progress

Contract cost 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, a reduction in revenues may be required to amounts that have been previously recorded.

Contract cost and recognized income not yet billed and related amounts billed as of March 31, 2008 and December 31, 2007 was as follows:

| | March 31, 2008 | December 31, 2007 |
|---|---------------------------|----------------------------------|
| Cost incurred on contracts in progress | \$ 998,960 | \$ 720,799 |
| Recognized income | 108,869 | 74,228 |
| | 1,107,829 | 795,027 |
| Progress billings and advance payments | (1,047,810) | (768,662) |
| | \$ 60,019 | \$ 26,365 |
| Contract cost and recognized income not yet billed | \$ 85,384 | \$ 49,233 |
| Contract billings in excess of cost and recognized income | (25,365) | (22,868) |
| | \$ 60,019 | \$ 26,365 |

Contract cost and recognized income not yet billed includes \$5,375 and \$86 at March 31, 2008, and December 31, 2007, respectively, on completed contracts. Of the \$5,375 unbilled at March 31, 2008, \$4,173 relates to a single project completed in March 2008.

5. Goodwill and Other Intangible Assets

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The changes in the carrying amount of goodwill for the three months ended March 31, 2008, by business segment, are detailed below:

| | <i>Upstream O&G</i> | <i>Downstream O&G</i> | Consolidated |
|-----------------------------------|-----------------------------|-------------------------------|--------------|
| Balance as of December 31, 2007 | \$ 12,818 | \$ 130,423 | \$ 143,241 |
| Purchase price adjustments | (1,370) | 866 | (504) |
| Translation adjustments and other | 21 | | 21 |
| Balance as of March 31, 2008 | \$ 11,469 | \$ 131,289 | \$ 142,758 |

The purchase price adjustments in the table above are due to changes in the estimated fair value assigned to the assets and liabilities acquired and contractual working capital adjustments.

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

5. Goodwill and Other Intangible Assets (continued)

The Company's intangible assets as of March 31, 2008 were as follows:

| | Gross | | Net | Weighted-Average Remaining |
|-------------------------------------|-----------------|--------------------------|-----------------|----------------------------|
| | Carrying Amount | Accumulated Amortization | Carrying Amount | Amortization Period |
| Customer relationships | \$ 40,500 | \$ 1,117 | \$ 39,383 | 11.8 yrs |
| Backlog | 10,500 | 2,333 | 8,167 | 1.2 yrs |
| Total amortizable intangible assets | \$ 51,000 | \$ 3,450 | \$ 47,550 | |

Intangible assets are amortized on a straight-line basis over their estimated useful lives, which range from 1.5 to 12.1 years.

Amortization expense included in net income for the three months ended March 31, 2008 was \$2,656. Estimated amortization expense for the remainder of 2008 and each of the subsequent five years and thereafter is as follows:

Fiscal year:

| | |
|--------------------|-----------|
| 2008 | \$ 7,764 |
| 2009 | 6,268 |
| 2010 | 3,352 |
| 2011 | 3,352 |
| 2012 | 3,352 |
| 2013 | 3,352 |
| Thereafter | 20,110 |
| Total amortization | \$ 47,550 |

6. Government Obligations

Government obligations represent amounts expected to become due to government entities, specifically the Department of Justice (DOJ) and the SEC, as final settlement of the investigations involving possible violations of the Foreign Corrupt Practices Act (the FCPA) and possible violations of the Securities Act of 1933 and the Securities Exchange Act of 1934. These investigations stem primarily from the Company's former operations in Bolivia, Ecuador and Nigeria. In October 2007, the Company reached agreements in principle, subject to approval by the DOJ and the SEC, to settle their investigations. The agreements in principle provided for an anticipated aggregate payment of \$32,300, consisting of \$22,000 in fines payable to the DOJ related to FCPA violations and \$10,300 of profit disgorgement payable to the SEC.

The profit disgorgement was related to a single Nigeria project included in the February 7, 2007 sale of the Company's Nigeria assets and operations. The disgorged profit was previously recognized in the results from discontinued operations, and accordingly, the full amount of \$10,300 was recorded as a charge to discontinued operations in the third quarter of 2007.

The aggregate obligation of \$32,300 has been classified on the Condensed Consolidated Balance Sheets as \$12,575 in Current portion of government obligations and the remaining \$19,725 in Long-term portion of government

obligations. This division is based on payment terms that are now expected to provide for four equal installments to the SEC, first on signing of the final settlement and annually for approximately three years thereafter, and for an initial payment to the DOJ of \$10,000 on signing of the final settlement, followed by three equal installments of \$4,000.

The agreements in principle are contingent upon the parties' agreement to the terms of a final settlement agreement, approval by the DOJ and SEC and confirmation by a federal district court. There can be no assurance that the settlements will be finalized. See Note 13 Contingencies, Commitments and Other Circumstances for further discussion of the agreements in principle.

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7. Long-term Debt

Long-term debt as of March 31, 2008 and December 31, 2007 was as follows:

| | March 31, 2008 | December 31, 2007 |
|--------------------------------|---------------------------|----------------------------------|
| Capital lease obligations | \$ 70,372 | \$ 51,222 |
| 2.75% convertible senior notes | 59,357 | 68,000 |
| 6.5% senior convertible notes | 32,050 | 32,050 |
| Other obligations | 80 | 99 |
| 2007 Credit Facility | | |
| Total long-term debt | 161,859 | 151,371 |
| Less: current portion | (16,221) | (12,197) |
| Long-term debt, net | \$ 145,638 | \$ 139,174 |

2007 Credit Facility

On November 20, 2007, the Company entered into a new credit agreement (the *Credit Agreement*), among Willbros USA, Inc., a subsidiary of the Company (*WUSA*), as borrower, the Company and certain of its subsidiaries as guarantors (collectively, the *Loan Parties*), and a group of lenders (the *Lenders*) led by Calyon New York Branch (*Calyon*). The *Credit Agreement* provides for a new three-year senior secured \$150,000 revolving credit facility due 2010 (the *2007 Credit Facility*). The Company has the option, subject to obtaining commitment from one or more lender and Calyon's consent, to increase the size of the *2007 Credit Facility* to \$200,000 within the first two years of the closing date of the *2007 Credit Facility*. The Company is able to utilize 100 percent of the *2007 Credit Facility* to obtain performance letters of credit and 33.3 percent of the facility for cash advances for general corporate purposes and financial letters of credit. The *2007 Credit Facility* is secured by substantially all of the assets of the Company, including those of the *Loan Parties*, as well as a pledge of 100 percent of the equity interests of *WUSA* and each of the Company's other subsidiaries that are *Loan Parties*. The *2007 Credit Facility* replaces the Company's existing three-year \$100,000 senior secured synthetic credit facility, which was scheduled to expire in October 2009.

Fees payable under the *2007 Credit Facility* include: (1) a commitment fee at a rate per annum equal to 0.50 percent of the unused *2007 Credit Facility* capacity, payable quarterly in arrears; (2) a letter of credit fee on the face amount of all outstanding performance letters of credit equal to the applicable margin then in effect for performance letters of credit, payable quarterly in arrears; (3) a letter of credit fee on the face amount of all outstanding financial letters of credit equal to the applicable LIBOR rate margin then in effect, payable quarterly in arrears; and (4) a letter of credit fronting fee equal to 0.125 percent per annum on the face amount of all outstanding letters of credit. Interest on any cash borrowings is payable quarterly in arrears at a floating rate based on the base rate (as defined in the *Credit Agreement*) or, at the Company's option, at a rate equal to the one-, two-, three-, or six-month Eurodollar rate (LIBOR) plus, in each case, an applicable margin as determined using a performance-based grid described in the *Credit Agreement*. The *Credit Agreement* includes customary affirmative and negative covenants, including: certain financial covenants described below; limitations on capital expenditures triggered by liquidity levels lower than \$35,000; limitations on investments, including limitations on foreign cash investments, limitations on acquisitions and asset purchases, total indebtedness, restriction liens; restrictions on dividends and certain restricted payments; and limitations on certain asset sales and dispositions.

A default under the Credit Agreement may be triggered by events such as a failure to comply with financial covenants or other covenants under the Credit Agreement, a failure to make payments when due under the 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 \$5,000, a change of control of the Company or certain insolvency proceedings. A default under the Credit Agreement would permit Calyon and the lenders to restrict the Company's ability to further access the 2007 Credit Facility for cash advances or 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. Unamortized debt issue costs associated with the creation of the 2007 Credit Facility total \$1,281 and \$1,302 and are included in other assets at March 31, 2008, and December 31, 2007, respectively. These costs are being amortized to interest expense over the three-year term of the Credit Facility ending October 2010.

The 2007 Credit Facility also requires compliance with the following financial covenants:

A minimum net worth in an amount of not less than the sum of \$328,037 plus 50 percent of consolidated net income earned in each fiscal quarter ended after March 31, 2008 plus adjustments for certain equity transactions;

A maximum leverage ratio of 2.50 to 1.00 for the fiscal quarters ending March 31, 2008, a maximum leverage ratio of 2.25 to 1.00 for the fiscal quarter ending June 30, 2008 and two fiscal quarters thereafter and a maximum leverage ratio of 2.00 to 1.00 for each fiscal quarter ending after December 31, 2008;

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A minimum fixed charge coverage ratio of not less than 3.00 to 1.00, for the fiscal quarter ending March 31, 2008, a fixed charge coverage ratio of not less than 3.25 to 1.00 for the fiscal quarter ending June 30, 2008 and two fiscal quarters thereafter and a fixed charge ratio of not less than 3.50 to 1.00 for each fiscal quarter thereafter;

If the Company's liquidity during any fiscal quarter falls below \$35,000, a maximum capital expenditure ratio of 1.50 to 1.00 (cost of assets added through purchase or capital lease) for such fiscal quarter and for each of the three quarters thereafter if our liquidity falls below \$35,000.

If these covenants are violated, it would be considered an event of default entitling the lenders to terminate the remaining commitment, call all outstanding letters of credit, and accelerate payment of any principal and interest outstanding. At March 31, 2008, the Company was in compliance with all of these covenants.

As of March 31, 2008, there were no borrowings outstanding under the 2007 Credit Facility and there were \$60,385 in outstanding letters of credit consisting of \$40,503 issued for projects in continuing operations and \$19,882 issued for projects related to Discontinued Operations.

6.5% Senior Convertible Notes

On December 22, 2005, the Company entered into a purchase agreement (the *Purchase Agreement*) for a private placement of \$65,000 aggregate principal amount of its 6.5% Senior Convertible Notes due 2012 (the *6.5% Notes*). The private placement closed on December 23, 2005. 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. Collectively, the primary offering and the purchase option of the 6.5% Notes totaled \$84,500. The net proceeds of the offering were used to retire existing indebtedness and provide additional liquidity to support working capital needs.

The 6.5% Notes are governed by an indenture, dated December 23, 2005, that was entered into by and among the Company, as issuer WUSA, as guarantor and The Bank of New York Mellon Corporation, 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 of 1933, as amended (the *Securities Act*). The 6.5% Notes are convertible into shares of the Company's stock and these underlying shares have been registered with the SEC. The resale of the 6.5% Notes, however, has not been registered with the SEC.

Pursuant to the Purchase Agreement, the Company and WUSA have agreed to indemnify the Purchasers, their affiliates and agents, against certain liabilities, including liabilities under 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 \$1,000.00 principal amount of notes (representing a conversion price of approximately \$17.56 per share resulting in 1,825,587 shares at March 31, 2008), 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, and began on June 15, 2006.

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. The holders of the 6.5% Notes have the right to require the Company to purchase the 6.5% Notes for cash, including unpaid interest, on December 15, 2010. The holders of the 6.5% Notes also 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 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 2007 Credit Facility and the 2.75% Notes, a corresponding event of default would result under the 6.5% Notes.

On May 18, 2007, the Company completed two transactions to induce conversion with two Purchasers of the 6.5% Notes. Under the conversion agreements, the Purchasers converted \$36,250 in aggregate principal amount of the 6.5% Notes into 2,064,821 shares of the Company's \$0.05 par value common stock. As an inducement for the Purchasers to

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7. Long-term Debt (continued)

convert, the Company made aggregate cash payments to the Purchasers of \$8,972, plus \$1,001 in accrued interest for the current interest period. In connection with the induced conversion, the Company recorded a loss on early extinguishment of debt of \$10,894. The loss on early extinguishment of debt is inclusive of the cash premium paid to induce conversion and \$1,922 of unamortized debt costs.

On May 29 and May 30, 2007, the Company completed two additional transactions to induce conversion with two Purchasers of the 6.5% Notes. Under the conversion agreements, the Purchasers converted \$16,200 in aggregate principal amount of the 6.5% Notes into 922,761 shares of the Company's common stock. As an inducement for the Purchasers to convert, the Company made aggregate cash payments to the Purchasers of \$3,748, plus \$480 in accrued interest for the current interest period. In connection with the induced conversion, the Company recorded a loss on early extinguishment of debt of \$4,481. The loss on early extinguishment of debt is inclusive of the cash premium paid to induce conversion and the write-off of \$733 of unamortized debt issue costs.

As of March 31, 2008, \$32,050 of aggregate principal amount of the 6.5% Notes remains outstanding. Unamortized debt issuance costs of \$1,728 and \$1,819 associated with the 6.5% Notes are included in other assets at March 31, 2008 and December 31, 2007, respectively, and are being amortized over the seven-year period ending December 2012.

A covenant in the indenture for the 6.5% Notes prohibits the Company from incurring any additional indebtedness if its consolidated leverage ratio exceeds 4.00 to 1.00. As of March 31, 2008, this covenant would have precluded the Company from borrowing under the 2007 Credit Facility. On November 2, 2007, the Company entered into an agreement with the holder of a majority in principal amount of the outstanding 6.5% Notes, which waives the debt incurrence covenant through June 30, 2008. Capital leases are not considered indebtedness under this provision except to the extent by which they exceed \$50,000.

2.75% Convertible Senior Notes

On March 12, 2004, the Company completed a primary offering of \$60,000 of 2.75% Convertible Senior Notes (the 2.75% Notes). On April 13, 2004, the initial purchasers of the 2.75% Notes exercised their option to purchase an additional \$10,000 aggregate principal amount of the notes. Collectively, the primary offering and purchase option of the 2.75% Notes totaled \$70,000. The 2.75% Notes are general senior unsecured obligations. Interest is paid semi-annually on March 15 and September 15 and payments began on September 15, 2004. The 2.75% Notes mature on March 15, 2024 unless the notes are repurchased, redeemed or converted earlier. The Company may redeem the 2.75% Notes for cash on or after March 15, 2011, at 100 percent of the principal amount of the notes plus accrued interest. The holders of the 2.75% Notes have 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, or upon a change in control event, the Company must pay the purchase price in cash. On March 15, 2014 and 2019, the Company has the option of providing its common stock in lieu of cash or a combination of common stock and cash to fund purchases. The holders of the 2.75% Notes may, under certain circumstances, convert the notes into shares of the Company's common stock at an initial conversion ratio of 51.3611 shares of common stock per \$1,000.00 principal amount of notes (representing a conversion price of approximately \$19.47 per share resulting in 3,048,641 shares at March 31, 2008 subject to adjustment in certain circumstances). The notes will be convertible only upon the occurrence of certain specified events including, but not limited to, if, at certain times, the closing sale price of the Company's common stock exceeds 120 percent of the then current conversion price, or \$23.36 per share, based on the initial conversion price. In the event of a default under any Company credit agreement other than the indenture covering the 2.75% Notes, (1) in which the Company fails to pay principal or interest on indebtedness with an aggregate principal balance of \$10,000 or more; or (2) in which indebtedness with a principal balance of \$10,000 or more is accelerated, an event of default would result under the 2.75% Notes.

On June 10, 2005, the Company received a letter from a law firm representing an investor claiming to be the owner of in excess of 25 percent of the 2.75% Notes asserting that, as a result of the Company's failure to timely file with the SEC its 2004 Form 10-K and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, it was placing the Company on notice of an event of default under the indenture dated as of March 12, 2004 between the Company, as issuer, and JPMorgan Chase Bank, N.A., as trustee (the Indenture), which governs the 2.75% Notes. The Company indicated that it did not believe that it had failed to perform its obligations under the relevant provisions of the Indenture referenced in the letter. On August 19, 2005, the Company entered into a settlement agreement with the beneficial owner of the 2.75% Notes on behalf of whom the notice of default was sent, pursuant to which the Company agreed to use commercially reasonable efforts to solicit the requisite vote to approve an amendment to the Indenture (the Indenture Amendment). The Company obtained the requisite vote and on September 22, 2005, the Indenture Amendment became effective.

The Indenture Amendment extended the initial date on or after which the 2.75% Notes may be redeemed by the Company to March 15, 2013 from March 15, 2011. In addition, a new provision was added to the Indenture which requires the Company, in the event of a fundamental change which is a change of control event in which 10 percent or more of the consideration in the transaction consists of cash, to make a coupon make-whole payment equal to the

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7. Long-term Debt (continued)

present value (discounted at the U.S. treasury rate) of the lesser of (a) two years of scheduled payments of interest on the 2.75% Notes or (b) all scheduled interest on the 2.75% Notes from the date of the transaction through March 15, 2013.

On November 29, 2007, a holder exercised its right to convert, converting \$2,000 in aggregate principal amount of the 2.75% Notes into 102,720 shares of the Company's common stock. In connection with the conversion, the Company expensed a proportionate amount of its debt issue costs resulting in additional period interest expense of \$47.

On March 20, 2008, a holder exercised its right to convert, converting \$8,643 in aggregate principal amount of the 2.75% Notes into 443,913 shares of the Company's common stock.

Unamortized debt issue costs of \$1,485 and \$1,610 associated with the 2.75% Notes are included in other assets at March 31, 2008 and December 31, 2007, respectively, and are being amortized over the seven-year period ending March 2011.

Capital Leases

The Company has entered into multiple capital lease agreements to acquire construction equipment and automobiles. In aggregate, these leases have interest rates ranging from 4.30% to 8.26% and have typical terms of at least 30 months.

Assets held under capital leases at March 31, 2008 and December 31, 2007 are summarized below:

| | March 31, 2008 | December 31, 2007 |
|---------------------------------------|---------------------------|----------------------------------|
| Construction equipment | \$ 72,885 | \$ 56,171 |
| Autos, trucks and trailers | 4,177 | 4,282 |
| Furniture and office equipment | | 535 |
| Total assets held under capital lease | 77,062 | 60,988 |
| Less: accumulated depreciation | (11,984) | (9,251) |
| Net assets under capital lease | \$ 65,078 | \$ 51,737 |

8. 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 restricted stock and restricted stock rights 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 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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8. Income (Loss) Per Share (continued)

Basic and diluted income (loss) from continuing operations per common share for the three months ended March 31, 2008 and 2007 are computed as follows:

| | Three Months Ended March 31, | |
|---|---|-------------|
| | 2008 | 2007 |
| Net income (loss) from continuing operations (numerator for basic calculation) | \$ 19,105 | \$ (3,339) |
| Add: Interest and debt issuance costs associated with convertible notes | 1,205 | |
| Net income (loss) from continuing operations applicable to common shares (numerator for diluted calculation) | \$ 20,310 | \$ (3,339) |
| Weighted average number of common Weighted average number of common shares outstanding for basic income (loss) share | 38,017,280 | 25,503,652 |
| Weighted average number of potentially dilutive common shares outstanding | 5,898,374 | |
| Weighted average number of common shares outstanding for diluted income (loss) share | 43,915,654 | 25,503,652 |
| Income (loss) per common share from continuing operations: | | |
| Basic | \$ 0.50 | \$ (0.13) |
| Diluted | \$ 0.46 | \$ (0.13) |

The Company incurred a net loss for the three months ended March 31, 2007, and has therefore excluded the securities listed below from the computation of diluted loss per share, as the effect would be anti-dilutive:

| | Three Months Ended March 31, | |
|--|---|-------------|
| | 2008 | 2007 |
| 2.75% Convertible senior notes | | 3,595,277 |
| 6.5% Senior convertible notes | | 4,813,171 |
| Stock options | | 771,000 |
| Warrants to purchase common stock | | 558,354 |
| Restricted stock and restricted stock rights | | 520,127 |
| | | 10,257,929 |

In accordance with Emerging Issues Task Force Issue 04-8, The Effect of Contingently Convertible Instruments on Diluted Earnings per Share, the 8,408,448 shares issuable upon conversion of both the 6.5% Notes and the 2.75%

Notes would have been included in diluted earnings per share if those securities are dilutive, regardless of whether the conversion prices of \$19.47 and \$17.56, respectively, have been met.

9. Segment Information

The Company's segments are strategic business units that are managed separately as each has different operational requirements and strategies. With the acquisition of InServ on November 20, 2007, the Company redefined its operating segments based on industry segments served. The operating segments the Company now manages by and reports on are: *Upstream O&G*, *Downstream O&G* and *Engineering*. These segments operate primarily in the United States, Canada and Oman. Management evaluates the performance of each operating segment based on operating income. The Company's corporate operations include the general, administrative and financing functions of the organization. The costs of these functions are allocated between the three operating segments. There were no material inter-segment revenues in the periods presented.

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9. Segment Information (continued)

The following tables reflect the Company's reconciliation of segment operating results to net income (loss) in the Condensed Consolidated Statement of Operations for the three months ended March 31, 2008 and 2007:

For the three months ended March 31, 2008:

| | <i>Upstream O&G</i> | <i>Downstream O&G</i> | <i>Engineering</i> | Consolidated |
|---|-----------------------------|-------------------------------|--------------------|--------------|
| Revenue | \$ 344,423 | \$ 80,610 | \$ 66,601 | \$ 491,634 |
| Operating expenses | 321,257 | 77,663 | 57,836 | 456,756 |
| Operating income | \$ 23,166 | \$ 2,947 | \$ 8,765 | 34,878 |
| Other expense | | | | (1,956) |
| Provision for income taxes | | | | 13,817 |
| Net income from continuing operations | | | | 19,105 |
| Income from discontinued operations net of provision for income taxes | | | | 2,559 |
| Net income | | | | \$ 21,664 |

For the three months ended March 31, 2007:

| | <i>Upstream O&G</i> | <i>Downstream O&G</i> | <i>Engineering</i> | Consolidated |
|---|-----------------------------|-------------------------------|--------------------|--------------|
| Revenue | \$ 171,585 | \$ | \$ 35,124 | \$ 206,709 |
| Operating expenses | 178,085 | | 30,628 | 208,713 |
| Operating income (loss) | \$ (6,500) | \$ | \$ 4,496 | (2,004) |
| Other expense | | | | (1,080) |
| Provision for income taxes | | | | 255 |
| Net loss from continuing operations | | | | (3,339) |
| Loss from discontinued operations net of provision for income taxes | | | | (8,508) |
| Net loss | | | | \$ (11,847) |

Total assets by segment as of March 31, 2008 and December 31, 2007 are presented below:

| | March 31, 2008 | December 31, 2007 |
|-------------------------|---------------------------|----------------------------------|
| <i>Upstream O&G</i> | \$ 426,052 | \$ 369,255 |

| | | |
|---------------------------|------------|------------|
| <i>Downstream O&G</i> | 140,678 | 123,707 |
| <i>Engineering</i> | 70,291 | 50,286 |
| Corporate | 227,889 | 232,954 |
| Total segment assets | \$ 864,910 | \$ 776,202 |

10. Stockholders Equity

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

Stockholder Rights Plan

On April 1, 1999, the Company adopted a Stockholder Rights Plan and declared a distribution of one Preferred Share Purchase Right (Right) on each outstanding share of the Company s common stock. The distribution was made on April 15, 1999 to stockholders of record on that date. The Rights expire on April 14, 2009.

The Rights are exercisable only if a person or group acquires 15 percent or more of the Company s common stock or announces a tender offer the consummation of which would result in ownership by a person or group of 15 percent or more of the common stock. Each Right entitles stockholders to buy one one-thousandth of a share of a series of junior participating preferred stock at an exercise price of \$30.00 per share.

If the Company is acquired in a merger or other business combination transaction after a person or group has acquired 15 percent or more of the Company s outstanding common stock, each Right entitles its holder to purchase, at the Right s then-current exercise price, a number of acquiring company s common shares having a

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10. Stockholders Equity (continued)

market value of twice such price. In addition, if a person or group acquires 15 percent or more of the Company's outstanding common stock, each Right entitles its holder (other than such person or members of such group) to purchase, at the Right's then-current exercise price, a number of the Company's common shares having a market value of twice such price.

Prior to the acquisition by a person or group of beneficial ownership of 15 percent or more of the Company's common stock, the Rights are redeemable for one-half cent per Right at the option of the Company's Board of Directors.

Stock Ownership Plans

During 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 4,075,000 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.

Restricted stock and restricted stock rights, also described collectively as restricted stock units (RSUs), and options granted under the 1996 Plan vest generally over a three to four year period. 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 March 31, 2008, the 1996 Plan had 44,555 shares and the 2006 Director Plan had 17,875 shares available for grant. Of the shares available at March 31, 2008, 175,000 shares in the 1996 Stock Plan are reserved for future grants required under employment agreements. Certain provisions allow for accelerated vesting based on increases of share prices and on eligible retirement. During the three months ended March 31, 2008 and 2007, \$0 and \$16 of compensation expense was recognized due to accelerated vesting of RSUs due to retirements and separation from the Company.

The Company follows the fair value recognition provisions of Statement of Financial Accounting Standards No. 123R, Share Based Payment (SFAS No. 123R) using the modified prospective application method. Under this method, compensation cost recognized in the three months ended March 31, 2008 and 2007 includes the applicable amounts of: (a) compensation expense of all share-based payments granted prior to, but not yet vested as of, January 1, 2006 (based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, Accounting for Stock-Based Compensation), and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006 (based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R). The Company determines the fair value of stock options as of its grant date using the Black-Scholes valuation method.

Share-based compensation related to RSUs is recorded based on the Company's stock price as of the grant date. Expense from both stock options and RSUs totaled \$2,433 and \$987, respectively, for the three months ended March 31, 2008 and 2007.

No options were granted during the three months ended March 31, 2008 and 2007. Stock option activity for the three months ended March 31, 2008 consists of:

| Number of Options | Weighted Average Exercise Price |
|----------------------|--|
|----------------------|--|

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| | | | |
|--------------------------------|---------|----|-------|
| Outstanding at January 1, 2008 | 418,750 | \$ | 14.96 |
| Granted | | | |
| Exercised | 28,000 | | 11.88 |
| Forfeited | | | |
| Outstanding at March 31, 2008 | 390,750 | \$ | 15.19 |
| Exercisable at March 31, 2008 | 259,916 | \$ | 13.59 |

As of March 31, 2008, the aggregate intrinsic value of stock options outstanding and stock options exercisable was \$6,023 and \$4,421, respectively. The weighted average remaining contractual term of outstanding options is 6.37 years and the weighted average remaining contractual term of the exercisable options is 5.44 years at March 31, 2008. The total intrinsic value of options exercised during the three months ended March 31, 2008 and 2007 was \$643 and \$241, respectively.

The total fair value of options vested during the three months ended March 31, 2008 and 2007 was \$0 and \$141, respectively.

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10. Stockholders' Equity (continued)

The Company's non-vested options at March 31, 2008 and the changes in non-vested options during the three months ended March 31, 2008 are as follows:

| | Shares | | Weighted Average Grant- Date Fair Value |
|----------------------------|---------|----|---|
| Nonvested, January 1, 2008 | 130,834 | \$ | 6.86 |
| Granted | | | |
| Vested | | | |
| Forfeited or expired | | | |
| Nonvested, March 31, 2008 | 130,834 | \$ | 6.86 |

The Company's RSU activity and related information for the three months ended March 31, 2008 consist of:

| | Number of RSU's | | Weighted Average Grant- Date Fair Value |
|--------------------------------|--------------------|----|---|
| Outstanding at January 1, 2008 | 548,688 | \$ | 20.89 |
| Granted | 446,594 | | 35.69 |
| Vested | 131,340 | | 19.64 |
| Forfeited | 1,500 | | 18.72 |
| Outstanding March 31, 2008 | 862,442 | \$ | 28.75 |

The RSU's outstanding at March 31, 2008 exclude 225,000 RSU's having a weighted average grant-date fair value of \$21.27, which are vested but have a deferred share issuance date. The total fair value of RSU's vested during the three months ended March 31, 2008 and 2007 was \$2,580 and \$1,803, respectively.

As of March 31, 2008, there was a total of \$23,295 of unrecognized compensation cost, net of estimated forfeitures, related to all non-vested 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 2.58 years.

Warrants to Purchase Common Stock

On October 27, 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 and 558,354 warrants outstanding at March 31, 2008 and 2007,

respectively.

11. Income Taxes

For interim financial reporting, the Company records the tax provision based on its estimate of the effective tax rate for the year. The Company has estimated an effective tax rate of 42 percent which is based on the statutory tax rates in the jurisdictions where the Company operates and estimates of costs that receive partial or no tax deduction. Primary work locations of the Company for the year will be the U.S. and Canada, which have combined federal and state/provincial tax rates of approximately 40 percent and 29.5 percent, respectively. Moreover, the Company incurs certain stewardship expenses that receive no tax benefit in Panama.

During the three months ended March 31, 2008, the Company recognized \$13,817 of income tax expense on net income from continuing operations of \$32,922 as compared to income tax expense of \$255 on a loss from continuing operations of \$3,084 for the three months ended March 31, 2007.

FIN 48

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement 109 (FIN 48). The Company adopted FIN 48 on January 1, 2007. FIN 48 establishes a single model to address accounting for uncertain tax positions. FIN 48 clarifies the accounting for income

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11. Income Taxes (continued)

taxes by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on deregulation, measurement classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The Company, or one of its subsidiaries, files income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. income tax examination by tax authorities for years before 2003 and no longer subject to Canadian income tax for years before 2001 or in Oman for years before 2005.

As a result of the implementation of FIN 48, the Company recognized a \$6,369 increase in the liability for unrecognized tax benefits, which was accounted for as an increase to the January 1, 2007 accumulated deficit. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows for 2008:

| | |
|--|----------|
| Beginning FIN 48 reserve at December 31, 2007 | \$ 6,612 |
| Change in measurement of existing tax positions | 3 |
| Additions based on tax positions related to the current year | 7 |
| Newly identified tax positions | |
| Balance at March 31, 2008 | \$ 6,622 |

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. The Company has recognized interest and penalties in its cumulative adjustment to the beginning accumulated deficit in the amount of \$568. During the three months ended March 31, 2008, the Company has recognized \$93 in interest expense. Interest and penalties are included in the table above.

12. Foreign Exchange Risk

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 March 31, 2008 or December 31, 2007.

13. Contingencies, Commitments and Other Circumstances**Contingencies***Resolution of criminal and regulatory matters*

In 2007, the Company and its subsidiary, Willbros International Inc. (WII), reached an agreement in principle with representatives of the DOJ, subject to approval by the DOJ, to settle its previously disclosed investigation into possible violations of the FCPA. In addition, the Company reached an agreement in principle with the staff of the SEC to resolve its previously disclosed investigation of possible violations of the FCPA and possible violations of the Securities Act of 1933 and the Securities Exchange Act of 1934. These investigations stem primarily from the Company's former operations in Bolivia, Ecuador and Nigeria. As described more fully below, if accepted by the DOJ and the SEC and approved by the court, the settlements together will require the Company to pay, over approximately three years, a total of \$32,300 in penalties and disgorgement, plus post-judgment interest on \$7,725 of that amount. In addition, WGI and WII will, for a period of approximately three years, each be subject to Deferred Prosecution Agreements (DPAs) with the DOJ. Finally, the Company will be subject to a permanent injunction barring future violations of certain provisions of the federal securities laws.

The terms of the agreement in principle with the DOJ include the following:

A six-count criminal information will be filed against WGI and WII as part of the execution of the DPAs between the DOJ and each of WGI and WII. The six counts include substantive violations of the anti-bribery provisions of the FCPA, and violations of the FCPA's books-and-records provisions. All six counts relate to operations in Nigeria, Ecuador and Bolivia during the period from 1996 to 2005.

Provided that WGI and WII fully comply with the DPAs for a period of approximately three years, the DOJ will agree not to continue the criminal prosecution and, at the conclusion of that time, will move to dismiss the criminal information.

The DPAs will require, for each of their three year terms, among other things, full cooperation with the government; compliance with all federal criminal law, including but not limited to the FCPA; and a three-year monitor for WGI and its subsidiary companies, primarily focused on international operations outside of North America, the costs of which are payable by WGI.

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13. Contingencies, Commitments and Other Circumstances (continued)

The Company will be subject to \$22,000 in fines related to FCPA violations. The fines are now expected to be payable as follows: an initial payment of \$10,000 on signing followed by three equal installments of \$4,000 annually for approximately three years thereafter, with no interest payable on the unpaid amounts.

With respect to the agreement in principle with the staff of the SEC:

The Company will consent to the filing in federal district court of a complaint by the SEC (the Complaint), without admitting or denying the allegations in the Complaint, and to the imposition by the court of a final judgment of permanent injunction against us. The Complaint will allege civil violations of the antifraud provisions of the Securities Act and the Securities Exchange Act, the FCPA's anti-bribery provisions, and the reporting, books-and-records and internal controls provisions of the Securities Exchange Act. The final judgment will not take effect until it is confirmed by the court, and will permanently enjoin us from future violations of those provisions.

The final judgment will order the Company to pay \$10,300, consisting of \$8,900 for disgorgement of profits and approximately \$1,400 of pre-judgment interest. The disgorgement and pre-judgment interest is payable in four equal installments of \$2,575, first on signing, and annually for approximately three years thereafter.

Post-judgment interest will be payable on the outstanding balance. In January 2008, the Company submitted a signed Consent Decree and Agreed Final Judgment to the SEC and, as required by the SEC, deposited the first installment payment of \$2,575 into an escrow account.

Failure by the Company to comply with the terms and conditions of either settlement could result in resumed prosecution and other regulatory sanctions.

The agreements in principle are contingent upon the parties' agreement to the terms of final settlement agreements, approval by the DOJ and the SEC and confirmation by a federal district court. There can be no assurance that the settlements will be finalized.

As a result of the agreements in principle, the Company has accrued a total of \$32,300 related to these investigations. The \$10,300 of profit disgorgement, including \$1,400 of pre-judgment interest, is related to a single Nigeria project included in the February 7, 2007 sale of the Company's Nigeria assets and operations. The disgorged profit was previously recognized in the results from discontinued operations, and accordingly, the full amount of \$10,300 was recorded as a charge to discontinued operations in the third quarter of 2007. The aggregate reserves reflect the Company's estimate of the expected probable loss with respect to these matters. If the proposed settlements are not finalized, the amount reserved may not reflect eventual losses.

If final agreements with the DOJ and the SEC are not approved, the Company's liquidity position and financial results could be materially adversely affected by any additional settlement amount. For a further discussion of the risks associated with the settlements in principle with the SEC, DOJ and United States Department of Treasury's Office of Foreign Assets Control (OFAC), see Part I, Item 1A. Risk Factors in the Company's 2007 Annual Report on Form 10-K; specifically, the risk factor entitled, "We have reached agreements in principle to settle investigations involving possible violations of the FCPA and possible violations of the Securities Act of 1933 and the Securities Exchange Act of 1934."

In addition, the Company previously disclosed that OFAC was investigating allegations of violations of the Sudanese Sanctions Regulations occurring during October 2003. The Company voluntarily reported this matter to OFAC and also has reported to OFAC corrective measures and improvements to the Company's OFAC compliance program. OFAC and Willbros USA, Inc. have agreed in principle to settle the allegations pursuant to which the Company will pay a total of \$6.6 as a civil penalty.

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

In addition to the matters discussed above, 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 financial position. See Note 14 Discontinuance of Operations, Asset Disposals and Transition Services Agreement for discussion of commitments and contingencies associated with Discontinued Operations.

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 provide 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 secure letters of credit or surety bonds in lieu of contract retention provisions, in which case 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 March 31, 2008, the Company had approximately \$44,102 of letters of credit related to continuing operations and \$19,882 of letters of credit related to Discontinued Operations in Nigeria. Additionally, the Company had \$424,857 of primarily surety bonds outstanding related to continuing operations. These amounts represent the maximum amount of future payments the Company could be required to make if the letters of credit are drawn upon and claims are made under the surety bonds. As of March 31, 2008, no other liability has been recognized for letters of credit and surety bonds, other than \$1,556 recorded as the fair value of the letters of credit outstanding for the Nigeria operations. See Note 14 Discontinuance of Operations, Asset Disposals, and Transition Services Agreement for further discussion of these letters of credit.

In connection with the private placement of the 6.5% Notes on December 23, 2005, the Company entered into a Registration Rights Agreement with the Purchasers. The Registration Rights Agreement required the Company to file a registration statement with respect to the resale of the shares of the Company's common stock issuable upon conversion of the 6.5% Notes no later than June 30, 2006 and to use its best efforts to cause such registration statement to be declared effective no later than December 31, 2006. The Company is also required to keep the registration statement effective after December 31, 2006. In the event the Company is unable to satisfy its obligations under the Registration Rights Agreement, the Company will owe additional interest to the holders of the 6.5% Notes at a rate per annum equal to 0.5 per cent of the principal amount of the 6.5% Notes for the first 90 days and 1.0 percent per annum from and after the 91st day following such event. The additional penalty interest, if incurred, is payable in conjunction with the scheduled semi-annual interest payments on June 15 and December 15, as set forth in the Registration Rights Agreement. The Company filed the registration statement on June 30, 2006 and it was declared effective on January 18, 2007 by the SEC. The Company paid an additional \$22 of penalty interest to the holders of the 6.5% Notes as a result of the registration having been declared effective after December 31, 2006.

In addition, on March 14, 2007, in connection with the filing of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, the Company suspended the use of the registration statement. On March 30, 2007, the Company filed a post-effective amendment to the registration statement to incorporate by reference the 2006 Form 10-K. The post-effective amendment was declared effective on May 4, 2007. The Company is no longer required to keep the Registration Statement effective under the Registration Rights Agreement.

In connection with the private placement of common stock and warrants on October 27, 2006, the Company entered into a Registration Rights Agreement with the buyers (the 2006 Registration Rights Agreement). The 2006 Registration Rights Agreement requires the Company to file a registration statement with respect to the resale of the common stock, including the common stock underlying the warrants, no later than 60 days after the closing of the

private placement, and to use its reasonable best efforts to cause the registration statement to be declared effective no later than 120 days after the closing of the private placement. In the event of a delay in the filing or effectiveness of the registration statement, or for any period during which the effectiveness of the registration statement is not maintained or is suspended by the Company other than as permitted under the 2006 Registration Rights Agreement, the Company will be required to pay each buyer monthly an amount in cash equal to 1.25 percent of such buyer's aggregate purchase price of its common stock and warrants, but the Company shall not be required to pay any buyer an aggregate amount that exceeds 10 percent of such buyer's aggregate purchase price.

On March 14, 2007, in connection with the filing of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, the Company suspended the use of the registration statement. On March 30, 2007, the Company filed a post-effective amendment to the registration statement to incorporate by reference the 2006 Form 10-K. The post-effective amendment was declared effective on May 4, 2007. The Company was required to make registration delay payments equal to 1.25 percent of the purchase price for the shares and warrants sold in the private placement. The first such payment was owed as of April 3, 2007 and paid as of April 30, 2007. Thereafter, the penalty continued to accrue based on 1.25 percent of the purchase price beginning on April 3, 2007, the day after the date on which a 20-day grace period expired, and for each 30-day period thereafter (prorated for any partial 30-day period) and

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13. Contingencies, Commitments and Other Circumstances (continued)

ending on the effective date of the post-effective amendment. The Company paid \$997 of registration delay payments subsequent to March 31, 2007 for the period in which the use of the registration statement was suspended until the suspension was lifted on May 4, 2007.

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 and riots, 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 have not been provided for in the accompanying condensed consolidated financial statements.

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 it 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 that contains a 20 percent co-insurance provision. 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 consolidated financial statements.

Certain post-contract completion audits and reviews are periodically conducted by clients and/or government entities. While there can be no assurance that claims will not be received as a result of such audits and reviews, management does not believe a legitimate basis exists for any material claims. At present, it is not possible for management to estimate the likelihood of such claims being asserted or, if asserted, the amount or nature or ultimate disposition thereof.

14. Discontinuance of Operations, Asset Disposals, and Transition Services Agreement

Strategic Decisions

In 2006, the Company announced that it intended to sell its TXP-4 Plant, and its assets and operations in Venezuela and Nigeria, which led to their classification as discontinued operations (Discontinued Operations). The net assets and net liabilities related to the Discontinued Operations are shown on the Consolidated Balance Sheets as Assets of discontinued operations and Liabilities of discontinued operations , respectively. The results of the Discontinued Operations are shown on the Consolidated Statements of Operations as Income (loss) from discontinued operations, net of provision for income taxes for all periods presented.

Nigeria Assets and Nigeria-Based Operations

Share Purchase Agreement

On February 7, 2007, the Company 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 (the Purchase Price). The sale was pursuant to a Share Purchase Agreement by and between the Company 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.

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

In connection with the sale of its Nigeria assets and operations, the Company and its subsidiary WII entered into an indemnity agreement with Ascot and Berkeley Group plc the parent company of Ascot (Berkeley) (the Indemnity Agreement), pursuant to which Ascot and Berkeley will indemnify the Company and WII for any obligations incurred by the Company or WII in connection with the parent company performance guarantees (the Guarantees) that the Company 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 the Company, WII or both are contractually obligated, in varying degrees, under the Guarantees to perform or cause to be performed 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.

The Company received its first notification asserting rights under one of the outstanding parent 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, but simultaneously expressed that WAPCo was willing to re-engage WWAI under a new contract to finish some of the remaining WAGP contract work, and otherwise provide transition services to facilitate the handover of other unfinished WAGP contract work to alternative contractors yet to be identified. To the Company's knowledge, no such new contract has been concluded between WAPCo and WWAI.

Also, on February 1, 2008, the Company received a letter from WAPCo reminding the Company of the parent guarantee on the WAGP contract and requesting that the Company remedy WWAI's default under that contract, as amended. On previous occasions, the Company has advised WAPCo that, for a variety of legal, contractual, and other reasons, the Company did not consider our prior WAGP contract parent guarantee to have continued application, and we reiterated that position to WAPCo in the Company's response to its February 1, 2008 letter. WAPCo disputes the Company's position that the Company is no longer bound by the terms of our prior parent guarantee of the WAGP contract and has reserved all its rights in that regard. The Company anticipates that this developing dispute with WAPCo could result in a lengthy arbitration proceeding between WAPCo and WWAI in the London Court of International Arbitration to determine the validity of the alleged default notice issued by WAPCo to WWAI, including any resulting damage award, in combination with a lawsuit between WAPCo and us in the English Courts under English law to determine the enforceability, in whole or in part, of our parent guarantee, which the Company expects to be a lengthy process.

The Company has no intention of returning to Nigeria. If ultimately it is determined by an English Court that the Company 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 the Company directly under the Company's parent company guarantee, and, in either case, the Company is unable to enforce the Company rights under the indemnity agreement entered into with Ascot and Berkeley in connection with the WAGP contract, the Company may experience substantial losses. However, management cannot, at this time, predict the outcome of any arbitration or litigation which may ensue in this developing WAGP contract dispute, or be certain of the degree to which the indemnity agreement given in our favor by Ascot and Berkeley will protect us. Based upon the Company's

current knowledge of the relevant facts and circumstances, the Company does not expect that the outcome of the dispute will have a material adverse effect on the Company financial condition or results of operations.

Global Settlement Agreement (GSA)

On September 7, 2007, the Company finalized the GSA with Ascot. The significant components of the agreement include:

A reduction to the purchase price of \$25,000;

Ascot agreed to provide supplemental backstop letters of credit in the amount of \$20,322 issued by a non-Nigerian bank approved by the Company;

Ascot provided specific indemnities related to two ongoing projects that Ascot acquired as part of the Agreement;

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

Ascot and the Company agreed that all working capital adjustments as provided for in the Agreement were resolved; and

Except as provided in the GSA, Ascot and the Company waived all of their respective rights and obligations relating to indemnifications provided in the February 7, 2007 Share Purchase Agreement concerning any breach of a covenant or any representation or warranty.

As a result of the GSA, the Company has recognized a cumulative gain on the sale of its Nigeria assets and operations of \$183. The GSA was settled by a payment to Ascot from the Company in the amount of \$11,076. This amount represents the agreed upon reduction to the purchase price, due to Ascot, of \$25,000, reduced by amounts owed by Ascot to the Company of \$11,299 for services rendered under the Transition Services Agreement (TSA) and \$2,625 due from Ascot in the form of a note from the closing of the Agreement.

Letters of Credit

At the time of the February 7, 2007 sale of Nigeria assets and operations, the Company had four letters of credit outstanding totaling \$20,322 associated with Discontinued Operations (the Discontinued LC s). In accordance with FASB Interpretation No. 45, Guarantors Accounting and Disclosure Requirements for Guarantees, Including Guarantees of Indebtedness of Others (FIN 45), a liability was recognized for \$1,575 related to the letters of credit. This liability will be released as each of the Discontinued LC s are released or expire and the Company is relieved of its risk related to the Discontinued LC s. One of the Discontinued LC s expired in December 2007 in the amount of \$440 resulting in the release of the fair value of this LC and leaving a remaining FIN 45 liability of \$1,556 at March 31, 2008. The three remaining Discontinued LC s are scheduled to expire in the amount of \$19,759 on August 31, 2008 and \$123 on February 28, 2009.

In accordance with the Agreement, the Discontinued LC s are backstopped by U.S. dollar denominated letters of credit issued by Intercontinental Bank Plc, a Nigerian bank. Additionally, in accordance with the GSA, the Discontinued LC s are supplementally backstopped by letters of credit issued by an international bank based in Paris, France, with a Standard and Poor s rating of AA+/Stable as of April 25, 2008. Management believes these backstop letters of credit provide loss security to the Company in the event any of the Company s outstanding Discontinued LC s are called.

Transition Services Agreement

Concurrent with the Nigeria sale, the Company entered into a two-year TSA with Ascot. Under the agreement, the Company is primarily providing labor in the form of seconded employees to work under the direction of Ascot along with specifically defined work orders for services generally covered in the TSA. Ascot has agreed to reimburse the Company for these services. For the three months ended March 31, 2008, these reimbursable contract costs totaled approximately \$1,478. Both the Company and Ascot are working to shift the transition services provided by the Company to direct services secured by Ascot. At March 31, 2008, the Company has four employees still seconded to Ascot.

Although the services provided under the TSA generate transactions between the Company and Ascot, the amounts are not considered to be significant. Additionally, the Company s level of support has decreased over the term of the TSA to date, as the employees and services provided by the Company shift to direct employees and services. The Company does not have the ability to significantly influence the operating or financial policies of Ascot. Under the provisions of Emerging Issues Task Force Issue 03-13, Applying the Conditions of Paragraph 42 of FASB Statement No. 144 in Determining Whether to Report Discontinued Operations (EITF 03-13), the Company has no significant continuing involvement in the operations of the former assets and operations owned in Nigeria. Accordingly, income (loss) generated by the TSA is shown, net of costs incurred, as a component of Income (loss) from discontinued operations, net of provision for income taxes on the Condensed Consolidated Statement of Operations, and its assets and liabilities are shown as Assets of discontinued operations and Liabilities of discontinued operations , respectively,

in the Condensed Consolidated Balance Sheets.

Residual Equipment in Nigeria

In conjunction with the TSA, the Company has made available certain equipment to Ascot for use in Nigeria and at times, in Benin, Togo, and Ghana; this equipment was not sold to Ascot under the Agreement. The Company has not resolved with Ascot the rental rates for this equipment. Therefore, we have not recorded a receivable related to the use of the equipment, but have incurred and recorded all necessary depreciation and holding costs. As agreed in the GSA, on September 14, 2007, the Company received an appraisal for this equipment; the fair-value of the equipment was \$8,477. Due to business and legal conditions in Nigeria, the Company recorded an impairment charge of \$1,542 related to this equipment located in Nigeria in the fourth quarter of 2007. The Company's net book value for the equipment outside of Nigeria at March 31, 2008 was \$1,094. This equipment is comprised of construction equipment, rolling stock, and generator sets. The Company and Ascot are working to resolve the issue of rental equipment, either through cash settlement, an exchange of equipment, or relocation of the equipment to a Company location outside of West Africa.

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

Venezuela

Business Disposal

On November 28, 2006, the Company completed the sale of its assets and operations in Venezuela. The Company received total compensation of \$7,000 in cash and \$3,300 in the form of a commitment from the buyer, to be paid on or before December 4, 2013. The repayment commitment is secured by a 10 percent interest in a Venezuelan financing joint venture. As of March 31, 2008, no payment on the commitment has been made. The Company estimates no gain or loss on the sale of its assets and operations in Venezuela.

TXP-4 Plant

Asset Disposal

On January 12, 2006, the Company completed the sale of its TXP-4 Plant. The Company received cash payments of \$27,944 for the sale and realized a gain of \$1,342, net of taxes of \$691.

In addition to the cash payments described above, Williams Field Services Company (TXP-4 Buyer) agreed to pay the Company a portion of any recovery that Williams may obtain based on damages, loss or injury related to the TXP-4 Plant up to \$3,400. This settlement is contingent upon Williams' recovery from various third parties and is the only ongoing potential source of cash flows subsequent to the sale date. The timing and amount of any resolution to these claims cannot be estimated. No additional payments have been received.

Profit Disgorgement

In the fourth quarter of 2007, the Company reached an agreement in principle with the staff of the SEC to resolve the investigation of possible violations of the Foreign Corrupt Practices Act and the U.S. securities laws related to projects in Bolivia, Ecuador and Nigeria. As a result of this agreement in principle, subject to approval by the SEC and federal district court, the Company has recorded a \$10,300 charge to discontinued operations. The \$10,300 is profit disgorgement, inclusive of accrued interest on the disgorged profit, related to a single Nigeria project included in the February 7, 2007 sale of the Company's Nigeria assets and operations. The disgorged profit was previously recognized in the results from discontinued operations, and accordingly, the full amount of \$10,300 is recorded as a charge to discontinued operations in the third quarter of 2007. This classification is consistent with the provisions of Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS No. 144). See Note 13 Contingencies, Commitments and Other Circumstances for further discussion of the agreement in principle.

Insurance Recovery

During the three months ended March 31, 2008, income from Discontinued Operations consisted of two pre-Nigeria sale insurance claim recoveries of \$850 and \$2,154 for events of loss we suffered prior to the sale of our Nigeria operations.

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14. Discontinuance of Operations, Asset Disposals, and Transition Services Agreement (continued)**Results of Discontinued Operations**

Condensed Statements of Operations of the Discontinued Operations are as follows:

| | Three Months Ended March 31, 2008 | | |
|-----------------------------------|--|------------------------|-------------------|
| | Discontinued | | |
| | Nigeria | Nigeria TSA | Operations |
| Contract revenue | \$ | \$ 1,230 | \$ 1,230 |
| Operating expenses: | | | |
| Contract | | 1,458 | 1,458 |
| General and administrative | | 20 | 20 |
| Operating loss | | (248) | (248) |
| Other income (expense) | 3,004 | (189) | 2,815 |
| Income (loss) before income taxes | 3,004 | (437) | 2,567 |
| Provision for income taxes | | 8 | 8 |
| Net income (loss) | \$ 3,004 | \$ (445) | \$ 2,559 |

| | Three Months Ended March 31, 2007 | | |
|-----------------------------------|--|------------------------|-------------------|
| | Discontinued | | |
| | Nigeria | Nigeria TSA | Operations |
| Contract revenue | \$ 30,046 | \$ 6,362 | \$ 36,408 |
| Operating expenses: | | | |
| Contract | 34,360 | 5,864 | 40,224 |
| General and administrative | 3,472 | 95 | 3,567 |
| Operating income (loss) | (7,786) | 403 | (7,383) |
| Other income | 216 | | 216 |
| Income (loss) before income taxes | (7,570) | 403 | (7,167) |
| Provision for income taxes | 1,092 | 249 | 1,341 |
| Net income (loss) | \$ (8,662) | \$ 154 | \$ (8,508) |

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

14. Discontinuance of Operations, Asset Disposals, and Transition Services Agreement (continued)
Financial Position of Discontinued Operations

Condensed Consolidated Balance Sheets of the Discontinued Operations are as follows:

| | March 31, 2008 | | |
|---------------------------------------|--------------------------|------------------------|------------------------------------|
| | Nigeria | Nigeria TSA | Discontinued Operations |
| Current assets: | | | |
| Cash and cash equivalents | \$ | \$ 307 | \$ 307 |
| Accounts receivable, net | | 1,904 | 1,904 |
| Prepaid expenses | | 286 | 286 |
| Total current assets | | 2,497 | 2,497 |
| Property, plant and equipment, net | | 1,094 | 1,094 |
| Other assets | | 2,804 | 2,804 |
| Total assets | | 6,395 | 6,395 |
| Current liabilities | | 1,071 | 1,071 |
| Total current liabilities | | 1,071 | 1,071 |
| Net assets of discontinued operations | \$ | \$ 5,324 | \$ 5,324 |
| | | | |
| | December 31, 2007 | | |
| | Nigeria | Nigeria TSA | Discontinued Operations |
| Current assets: | | | |
| Cash and cash equivalents | \$ | \$ 211 | \$ 211 |
| Accounts receivable, net | | 296 | 296 |
| Prepaid expenses | | 879 | 879 |
| Total current assets | | 1,386 | 1,386 |
| Property, plant and equipment, net | | 1,205 | 1,205 |
| Other assets | | 620 | 620 |
| Total assets | | 3,211 | 3,211 |
| Current liabilities | | 978 | 978 |
| Total current liabilities | | 978 | 978 |
| Net assets of discontinued operations | \$ | \$ 2,233 | \$ 2,233 |

Table of Contents**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (In thousands, except share and per share amounts or unless otherwise noted)**

The following discussion should be read in conjunction with the unaudited Condensed Consolidated Financial Statements for the three months ended March 31, 2008 and 2007, included in Item 1 of this Form 10-Q, and the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations, including Critical Accounting Policies, included in our Annual Report on Form 10-K for the year ended December 31, 2007.

Our Business

We are an independent international contractor serving the oil, gas and power industries; government entities; and the refinery and petrochemical industries. We provide engineering; construction; engineering, procurement and construction (EPC); and specialty services to industry and governmental entities worldwide, specializing in pipelines and associated facilities for onshore and coastal locations. We provide turnaround services, tank services, heater services, construction services and safety services to the downstream oil and gas markets, primarily refineries. We also manufacture specialty items for refinery and petrochemical process units. We provide, from time to time, asset development and participate in ownership and operations as an extension of our portfolio of industry services. We place particular emphasis on achieving the best risk-adjusted returns. Depending upon market conditions, we may work in developing countries and we believe our experience gives us a competitive advantage in frontier areas where experience in dealing with project logistics is an important consideration for project award and execution. We also believe our engineering and planning and project management expertise, as it relates to optimizing the structure and execution of a project, provides us with competitive advantages in the markets we address.

We are a leading service provider to the hydrocarbon pipeline market, having performed work in 59 countries and constructed over 200,000 kilometers of pipelines in our history, which we believe positions us in the top tier of pipeline contractors in the world. We complement our pipeline construction expertise with our service offering to the downstream market providing integrated solutions for turnaround, maintenance and capital projects for the hydrocarbon processing and petrochemical industries. We have performed these downstream services for 60 of 149 refineries in the United States. Together these business lines allow us to offer a wide range of services to our customers, including engineering, project management, construction services and specialty services, such as operations and maintenance, each of which we offer discretely or in combination as a fully integrated offering, which we refer to as EPC.

Our Segments*Upstream O&G*

We provide our construction expertise including systems, personnel and equipment to construct and replace large-diameter cross-country pipelines; fabricate engineered structures, process modules and facilities; and construct oil and gas production facilities, pump stations, flow stations, gas compressor stations, gas processing facilities and other related facilities. We also provide certain specialty services to increase our equipment and personnel utilization. We currently provide these services in the United States, Canada, and Oman through our *Upstream O&G* segment, and with our international experience can enter (or re-enter) individual country markets if conditions there are attractive to us.

Downstream O&G

We provide turnkey project execution through program management and EPC services. We are one of four major contractors in the United States that provides services for the overhaul of high-utilization fluid catalytic cracking units, the primary gasoline-producing unit in refineries. These catalytic cracking units, which operate continuously for long periods of time, are typically overhauled on a three to five-year cycle. We also provide similar turnaround services for other refinery process units, as well as specialty services associated with welding, piping and process heaters. We provide these services primarily in the United States, but our experience includes international projects and we are exploring opportunities to expand this offering to other attractive risk-adjusted locations with our *Downstream O&G* segment.

Engineering

We specialize in providing engineering services, from feasibility studies to detailed design work, to assist clients in conceptualizing, evaluating, designing and managing the construction or expansion of pipelines, compressor stations, pump stations, fuel storage facilities, field gathering facilities and production facilities. We provide these services primarily in the United States through our *Engineering* segment.

Our Strategy

We work diligently to increase stockholder value by leveraging our competitive strengths to take advantage of the current opportunities in the global energy infrastructure market and position ourselves for sustained long-term growth. Core tenets of our strategy are described below.

Table of Contents***Focus on managing risk.***

We have implemented a core set of business conduct practices and policies which have fundamentally improved our risk profile. We have implemented our risk management policy by exiting higher risk countries, increasing our activity levels in lower risk countries, diversifying our service offerings and end markets, practicing rigorous financial management and limiting contract execution risk. Risk management is emphasized throughout all levels of the organization and covers all aspects of a project from strategic planning and bidding to contract management and financial reporting.

Focus resources in markets with the highest risk-adjusted return. We believe North America currently offers us the highest risk-adjusted returns and the majority of our resources are focused on this region. For the first quarter of 2008 we earned 95.8 percent of our revenue in North America. However, we continue to seek international opportunities which can provide superior risk-adjusted returns and believe our extensive international experience is a competitive advantage. We believe that markets in North Africa and the Middle East, where we also have substantial experience, may offer attractive opportunities for us in the future given mid and long-term industry trends.

Maintain a conservative contract portfolio. Our current contract portfolio is composed of 75.7 percent cost-reimbursable work which provides for a more equitable allocation of risk between us and our customers. While strong current market conditions have been beneficial in transitioning our backlog away from higher-risk, fixed-price contracts, we intend to maintain a balanced risk-to-reward portfolio. The shift to a cost reimbursable/fixed fee contract structure has protected us from significant cost increases that could have adversely impacted our income. One project had significant cost reimbursements in excess of the original contract value. We have passed this cost escalation to the client, while putting none of our fee at risk. We have also negotiated significant incentive opportunities with this client that if recognized, will favorably impact our income and final margin on this project.

Ethical business practices. We demand that all of our employees and representatives conduct our business in accordance with the highest ethical standards in compliance with applicable laws, rules and regulations, with honesty and integrity, and in a manner which demonstrates respect for others.

Leverage core capabilities and industry reputation into a broader service offering.

We believe the global energy infrastructure market for the services we provide remains capacity constrained and we are focused on new opportunities within this market. Additionally, we believe our core capabilities can be expanded beyond the global energy infrastructure market and we are selectively evaluating these prospects. In 2007 we completed two acquisitions that expanded our service offerings as well as the regions where we deliver those services. We continue to explore opportunities to grow our business via acquisition.

Our potential customers are invoking contract award criteria other than price, such as safety performance, schedule certainty and specialty expertise. Our established platform and track record strongly position us to capitalize on this trend by leveraging our expertise into a broader range of related service offerings. While we currently provide a number of discrete services to both our core and other end-markets, we believe additional opportunities exist to expand our core capabilities through both acquisitions and internal growth initiatives. We strive to leverage our project management, engineering and construction skills to establish additional service offerings, such as instrumentation and electrical services, turbo-machinery services, environmental services and pipeline system integrity services. We expect this approach to enable us to attract more critical service resources in a tight market for both qualified personnel and critical equipment resources.

Establish and maintain financial flexibility.

As we address increasingly larger projects and the complex interaction of executing multiple projects simultaneously, we must possess the financial flexibility to meet material, equipment and personnel needs to support our project commitments. In the first quarter of 2008, we increased our working capital position, for continuing operations, by \$14,651 (7.4 percent) to \$213,766 from \$199,115 at December 31, 2007. This improved financial position has allowed us to utilize fewer performance letters of credit as security in our projects. We have been able to

replace the relatively high-cost letters of credit with lower cost surety bonding, improving our overall financial flexibility. We intend to use our credit facility for performance letters of credit, financial letters of credit and cash borrowings. Our continued emphasis is on the maintenance of a strong balance sheet to maximize flexibility and liquidity for the development and growth of our business.

Leverage core service expertise into additional full EPC contracts.

Our core expertise and service offerings allow us to provide our customers with a single source EPC solution which creates greater efficiencies to the benefit of both our customers and our company. In performing integrated EPC contracts, we establish ourselves as overall project managers from the earliest stages of project inception and are therefore better able to efficiently determine the design, permitting, procurement and construction sequence for a project in connection with making engineering decisions. Our customers benefit from a more seamless execution, while for us, these contracts often yield higher profit margins on the engineering and construction components of the contract compared to stand-alone contracts for similar services. Additionally, this contract structure allows us to deploy our resources more efficiently and capture both the engineering and construction components of these projects.

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Significant Business Developments

In the first quarter of 2008, we continued to build on our world-wide reputation as a contractor. Positive events included:

We completed our first major Canadian pipeline construction project, a result of last year's acquisition in Canada. This project was a significant success and contributed to our fully diluted earnings per share.

We delivered our third consecutive quarter of net income from continuing operations. We believe this is the result of new processes and vision for the Company and the steps that are being taken to achieve this vision.

Financial Summary

Results and Financial Position

For the three months ended March 31, 2008, we achieved net income from continuing operations of \$19,105 or \$0.50 per basic share and \$0.46 per diluted share on revenue of \$491,634. This compares to a net loss from continuing operations of \$3,339 or \$0.13 per basic and diluted share on revenue of \$206,709 for the three months ended March 31, 2007.

Revenue for the three months ended March 31, 2008 increased \$284,925 (137.8 percent) to \$491,634 from \$206,709 during the same period in 2007. Following are the key components of the increase in revenue:

Commencement of work on new engineering and pipeline construction projects in the United States in addition to the carryover of existing projects commencing late in 2007;

Revenue of \$80,610 in 2008 from the Downstream segment derived from our acquisition of InServ in November 2007; and

The completion of our first large cross-country pipeline construction project in Canada, since the acquisition of our new pipeline division.

Operating income for the three months ended March 31, 2008 increased \$36,882 to \$34,878 from an operating loss of \$2,004 in 2007, and operating margin increased 8.1 percent to 7.1 percent in 2008 from a negative operating margin of 1.0 percent in 2007. The operating income increase was a result of the increase in contract income of \$56,109 (573.0 percent) from 2007, partially offset by the increase in general and administrative (G&A) expenses of \$16,571 and \$2,656 of amortization of intangibles in 2008.

Other non-operating, net expense for 2008 increased \$876 (81.1 percent) to \$1,956 from \$1,080 in 2007. The increase in net expense is primarily a result of decreased interest income of \$558. The amount recorded in the three months ended March 31, 2007 was primarily a result of interest earned on cash received from the sale of our Nigeria assets and operations on February 7, 2007.

Provision for income taxes for the three months ended March 31, 2008 increased \$13,562 to \$13,817 on income from continuing operations before income taxes of \$32,922 as compared to a provision for income taxes of \$255 on a loss from continuing operations before income taxes of \$3,084 in 2007. The increase in the provision for income taxes is due to improved operating results in the U.S. and Canada, thereby generating more taxable income in 2008 as compared to 2007. In 2008 the Company has an estimated effective tax rate of 42 percent which is based on the statutory rates of the jurisdictions in which the Company works and estimates of costs that receive partial or no tax benefit. The Company's primary work locations for 2008 are the U.S. and Canada, which have combined federal and state/provincial tax rates of approximately 40 percent and 29.5 percent, respectively. Additionally, the Company incurs certain stewardship expenses which receive no tax benefit in Panama, where the Company is domiciled.

Working capital at March 31, 2008, excluding discontinued operations, increased \$14,651 (7.4 percent) to \$213,766 from \$199,115 at December 31, 2007. The increase in working capital was primarily driven by an increase in cash of \$22,723 and contract cost and recognized income not yet billed of \$36,151, partially offset by an increase in accounts payable and accrued liabilities of \$44,354.

Our debt to equity ratio at March 31, 2008, remained constant at 0.39:1 from December 31, 2007. During the first quarter of 2008, the Company added \$13,744 of debt, net of repayments and non-cash reductions, that was offset by a \$27,359 increase in equity. The increase in debt is the result of the incurrence of new debt for capital leases and an

insurance note payable together totaling \$30,628, partially offset by reductions of debt for the conversion of \$8,643 of principal of the 2.75% convertible senior notes, repayments of \$6,349 of notes payable and capital lease obligations and \$460 for currency revaluations. The increase in equity is primarily a result of \$21,664 of net income recognized in the quarter and the conversion of \$8,643 of the 2.75% convertible senior notes.

Consolidated cash flows provided during the three months ended March 31, 2008, including discontinued operations, decreased \$85,073 to \$22,723 from \$107,796 during the same period in 2007. Cash provided by operating activities increased \$51,109 (300.8 percent) to \$34,119 from cash used in of \$16,990 in 2007. Cash used in investing activities increased \$131,373 (102.0 percent) to \$2,585 from cash provided of \$128,788 in 2007. Cash used in financing activities increased \$3,249 (77.6 percent) to \$7,434 from \$4,185 in 2007. The effect of exchange rates on cash during the three months ended March 31, 2008 negatively impacted cash by \$1,377, an increase of \$1,560 from \$183 of positive impact during the same period in 2007.

Table of Contents**Other Financial Measures****Backlog**

In our industry, backlog is considered an indicator of potential future performance because it represents a portion of the future revenue stream. Our strategy is focused on backlog additions and capturing quality backlog with margins commensurate with the risks associated with a given project.

Backlog consists of anticipated revenue from the uncompleted portions of existing contracts and contracts whose award is reasonably assured. At the March 31, 2008, total backlog from continuing operations decreased \$143,946 (11.0 percent) to \$1,161,495 from \$1,305,441 at December 31, 2007. There was no backlog for discontinued operations at March 31, 2008 and December 31, 2007, respectively. We consider the composition of our backlog between fixed-price and cost reimbursable contracts just as important as the overall growth of backlog. Cost reimbursable contracts comprised 75.7 percent of backlog at March 31, 2008 versus 74.9 percent of backlog at December 31, 2007. We expect that approximately \$844,866, or about 72.7 percent, of our existing total backlog at March 31, 2008 will be recognized in revenue during 2008.

We believe the backlog figures are firm, subject only to the cancellation and modification provisions contained in various contracts. Historically, a substantial amount of our revenue in a given year has not been in our backlog at the beginning of that year. Additionally, due to the short duration of many jobs, revenue associated with jobs performed within a reporting period will not be reflected in quarterly backlog reports. We generate revenue from numerous sources, including contracts of long or short duration entered into during a year as well as from various contractual processes, including change orders, extra work, variations in the scope of work and the effect of escalation or currency fluctuation formulas. These revenue sources are not added to backlog until realization is assured.

The following table shows our backlog by operating segment as of March 31, 2008 and December 31, 2007:

| | March 31, 2008 | | December 31, 2007 | |
|------------------------------|-----------------------|----------------|--------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| <i>Upstream O&G</i> | \$ 808,027 | 69.6% | \$ 941,301 | 72.1% |
| <i>Downstream O&G</i> | 233,920 | 20.1% | 199,646 | 15.3% |
| <i>Engineering</i> | 119,548 | 10.3% | 164,494 | 12.6% |
| Total, continuing operations | 1,161,495 | 100.0% | 1,305,441 | 100.0% |
| Discontinued operations | | | | |
| Total backlog | \$ 1,161,495 | | \$ 1,305,441 | |

EBITDA from Continuing Operations

We use EBITDA (earnings before net interest, income taxes, depreciation and amortization) as part of our overall assessment of financial performance by comparing EBITDA between accounting periods. We believe that EBITDA is used by the financial community as a method of measuring our performance and of evaluating the market value of companies considered to be in businesses similar to ours. EBITDA from continuing operations for the three months ended March 31, 2008 increased \$43,893 (3,478.1 percent) to \$45,155 from \$1,262 during the same period in 2007. The increase in EBITDA is primarily a result of increased contract income of \$60,454 (excluding depreciation) partially offset by an increase in G&A of \$16,406. The increase in contract income (excluding depreciation) also reflects an increase in contract margin of 8.9 percent to 14.8 percent during the three months ended March 31, 2008, from 5.9 percent during the same period in 2007.

A reconciliation of EBITDA from continuing operations to GAAP financial information follows:

| Three Months Ended | |
|---------------------------|-------------|
| March 31, | |
| 2008 | 2007 |

| | | |
|--|-----------|------------|
| Net income (loss) from continuing operations | \$ 19,105 | \$ (3,339) |
| Interest, net | 1,529 | 890 |
| Provision for income taxes | 13,817 | 255 |
| Depreciation and amortization | 10,704 | 3,456 |
| EBITDA | \$ 45,155 | \$ 1,262 |

Discontinued Operations

In 2006, we announced our intention to sell the TXP-4 Plant, and our assets and operations in Venezuela and Nigeria, which led to their classification as discontinued operations (Discontinued Operations). In 2006, we completed the sale of the TXP-4 Plant and our assets and operations in Venezuela. Furthermore, we sold our Nigeria assets and operations on February 7, 2007 to Ascot Offshore Nigeria Limited (Ascot) pursuant to a Share Purchase Agreement by and between us and Ascot (the Agreement).

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For the three months ended March 31, 2008, income from Discontinued Operations was \$2,559 or \$0.07 per basic share and \$0.06 per diluted share. This compares to a loss from Discontinued Operations of \$8,508 or \$0.33 per basic and diluted share for the three months ended March 31, 2007. During the three months ended March 31, 2008, income from Discontinued Operations consisted of two pre-Nigeria sale insurance claim recoveries of \$850 and \$2,154 for events of loss we suffered prior to the sale of our Nigeria operations, offset by a \$445 loss associated with services provided under the TSA to Ascot during the quarter. The loss incurred during the same period in 2007 was primarily from 38 days of Nigeria operations prior to its sale on February 7, 2007. During the three months ended March 31, 2008, cash consumed by operating activities of Discontinued Operations decreased \$9,387 (97.3 percent) to cash used of \$263 from \$9,650 during the same period in 2007.

Transition Services Agreement

Concurrent with the sale of our Nigeria assets and Nigeria-based operations, we entered into a two-year Transition Services Agreement (TSA) with Ascot. Under the TSA, we were primarily providing equipment and labor in the form of seconded employees to work under the direction of Ascot. Ascot has agreed to reimburse us for the seconded employee transition services costs. As of March 31, 2008 four employees remain seconded to Ascot. There remain unresolved issues related to the use of our equipment as described below which we are working toward resolving. Through March 31, 2008, total reimbursable costs totaled approximately \$1,478. We are working with Ascot to shift from the transition services provided by us to direct services secured by Ascot.

As previously discussed, we have made available certain equipment to Ascot for its use. This equipment was not sold to Ascot under the Agreement. Due to business and legal conditions in Nigeria, we recorded an impairment charge of \$1,542 related to this equipment in the fourth quarter of 2007. Our remaining net book value for this equipment at March 31, 2008 was \$1,094. This equipment is comprised of construction equipment, rolling stock, and generator sets. We are working with Ascot to resolve the issue of rental equipment, either through cash settlement or through an exchange of equipment.

Global Settlement Agreement (GSA)

On September 7, 2007, we finalized the GSA with Ascot. The significant components of the agreement include:

A reduction to the purchase price of \$25,000, in resolution of all working capital adjustments as provided for in the Agreement;

Ascot agreed to provide supplemental backstop letters of credit in the amount of \$20,322 issued by a non-Nigerian bank approved by the Company;

Ascot provided specific indemnities related to two ongoing projects that they acquired as part of the Agreement; and

Except as provided in the GSA, Ascot and the Company waived all of their respective rights and obligations relating to indemnifications provided in the Agreement concerning any breach of a covenant or representation or warranty.

By finalizing the GSA with Ascot, we have further reduced our risk profile. The reduction to the purchase price was offset with amounts owed to us by Ascot of \$11,299 under the TSA and \$2,625 from a note payable. This resulted in a net payment to Ascot of \$11,076. As a result of Ascot providing non-Nigerian backstop bank letters of credit that we have ready access to, we believe our risk of incurring losses from calls being made on our outstanding letters of credit is minimized. However, during the transition from us to Ascot, their operations in Nigeria have continued to be impacted by the same difficulties that led to our exit from Nigeria, as well as by additional challenges. Ascot's continued willingness and ability to perform our former projects in West Africa are important factors to further reducing our risk profile in Nigeria and elsewhere in West Africa. As such, it was important to receive additional assurances from Ascot related to ongoing projects because of our continuing parent guarantees on those projects.

Recently, we received our first notification asserting rights under one of our outstanding parent 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. We understand 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. We understand that, on February 27, 2008, WAPCo terminated the WAGP contract for the alleged continuing non-performance of WWAI, but simultaneously expressed that WAPCo was willing to re-engage WWAI under a new contract to finish some of the remaining WAGP contract work, and to otherwise provide transition services to facilitate the handover of other unfinished WAGP contract work to alternative contractors yet to be identified. To the Company's knowledge, no such new contract has been concluded between WAPCo and WWAI.

Also, on February 1, 2008, we received a letter from WAPCo reminding us of our parent guarantee on the WAGP contract and requesting that we remedy WWAI's default under that contract, as amended. On previous occasions, we have advised WAPCo that, for a variety of legal, contractual, and other reasons, we did not consider our prior WAGP contract parent guarantee to have continued application, and we reiterated that position to WAPCo in our response to its February 1, 2008 letter. WAPCo disputes our position that we are no longer bound by the terms of our prior parent guarantee of the WAGP contract and has reserved all its rights in that regard. We anticipate that this developing dispute

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with WAPCo could result in a lengthy arbitration proceeding between WAPCo and WWAI in the London Court of International Arbitration to determine the validity of the alleged default notice issued by WAPCo to WWAI, including any resulting damage award, in combination with a lawsuit between WAPCo and us in the English Courts under English law to determine the enforceability, in whole or in part, of our parent guarantee, which we expect to be a lengthy process.

We have no intention of returning to Nigeria. If ultimately it is determined by an English Court that we are 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 us directly under our parent company guarantee, and, in either case, we are unable to enforce our rights under the indemnity agreement entered into with Ascot in connection with the WAGP contract, we may experience substantial losses. However, management cannot, at this time, predict the outcome of any arbitration or litigation which may ensue in this developing WAGP contract dispute, or be certain of the degree to which the indemnity agreement given in our favor by Ascot will protect us. Based upon our current knowledge of the relevant facts and circumstances, we do not expect that the outcome of the dispute will have a material adverse effect on our financial condition or results of operations.

The GSA also resolved all working capital adjustment issues between us and Ascot. In resolving the working capital adjustment, we were able to relieve assets and liabilities from our books that we felt would have been components of any working capital adjustment. The completion of the GSA allowed us to recognize a gain on the transaction of \$183. It also allowed us to move even closer to putting the Ascot transaction and our exit from Nigeria behind us and focus on better risk-adjusted opportunities.

Additional financial disclosures on Discontinued Operations are provided in Note 14 Discontinuance of Operations, Asset Disposals and Transition Services Agreement.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In our Annual Report on Form 10-K for the year ended December 31, 2007, we identified and disclosed our significant accounting policies. Subsequent to December 31, 2007, in the first quarter of 2008 there has been no change to our significant accounting policies.

For further information regarding new accounting pronouncements and accounting pronouncements adopted in the first quarter of 2008, see Note 2 New Accounting Pronouncements.

RESULTS OF OPERATIONS

Our contract revenue and contract costs are significantly impacted by the capital budgets of our clients and the timing and location of development projects in the oil, gas and power industries worldwide. Contract revenue and cost vary by country from year-to-year as the result of: (a) entering and exiting work countries; (b) the execution of new contract awards; (c) the completion of contracts; and (d) the overall level of demand for our services.

Our ability to be successful in obtaining and executing contracts can be affected by the relative strength or weakness of the U.S. dollar compared to the currencies of our competitors, our clients and our work locations.

Three Months Ended March 31, 2008 Compared to Three Months ended March 31, 2007**Contract Revenue**

For the three months ended March 31, 2008, contract revenue increased \$284,925 (137.8 percent) to \$491,634 from \$206,709 during the same period in 2007. The increase is due to revenue growth across all segments. A quarter-to-quarter comparison of revenue is as follows:

| | Three months ended March 31, | | | Percent |
|---------------------------|-------------------------------------|-------------------|-------------------|----------------|
| | 2008 | 2007 | Increase | Change |
| <i>Upstream O&G</i> | \$ 344,423 | \$ 171,585 | \$ 172,838 | 100.7% |
| <i>Downstream O&G</i> | 80,610 | N/A | 80,610 | 100.0% |
| <i>Engineering</i> | 66,601 | 35,124 | 31,477 | 89.6% |
| Total | \$ 491,634 | \$ 206,709 | \$ 284,925 | 137.8% |

Upstream O&G revenue increased \$172,838 (100.7 percent) to \$344,423 from \$171,585 in 2007. This favorable result consisted of increases in the U.S. of \$91,091 (87.1 percent), Canada of \$79,153 (161.3 percent) and Oman of \$2,594 (14.5 percent). In the U.S., revenue increased primarily because of \$150,978 earned on two new major pipeline projects which began in the latter part of 2007 along with revenue from several new smaller projects, offset to some extent by two major projects completed in 2007 \$77,897. In Canada, the increase was primarily due to approximately \$72,680 of work related to our new pipeline division. In Oman, the increase was primarily from a contract for oilfield construction services.

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Downstream O&G revenue increased was \$80,610 for the three months ended March 31, 2008. There is no revenue in the 2007 comparable period as this revenue is the product of our acquisition on InServ in November 2007. Downstream O&G revenue primarily consists of \$17,394 from construction services, \$16,788 from construction and turnaround work, \$13,941 from tank services, \$13,392 from field services and \$9,913 from fabrication work.

Engineering revenue increased \$31,477 (89.6 percent) to \$66,601 from \$35,124 in 2007. The increase in revenue is a result of increased demand for pipeline and facility engineering services. The volume and size of projects performed in 2008 were significantly greater than in 2007. This increased activity level is reflected in the *Engineering* March 31, 2008 headcount of 646, up 40 percent over the same period in 2007, while maintaining very high utilization. In addition, the increased demand has resulted in significantly higher field service activity relating to right-of-way, environmental, and surveying.

Operating Income

For the three months ended March 31, 2008, operating income increased \$36,882 (1,840.4 percent) to \$34,878 from an operating loss of \$2,004 during the same period in 2007. A quarter-to-quarter comparison of operating income is as follows:

| 2008 | Operating | Three months ended March 31, Operating | Percent |
|------|-----------|---|---------|
|------|-----------|---|---------|