Willbros Group, Inc.\NEW\
Form 10-Q
November 09, 2012

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 September 30, 2012

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 1-34259

Willbros Group, Inc.

(Exact name of registrant as specified in its charter)

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

4400 Post Oak Parkway

Suite 1000

Houston, TX 77027

Telephone No.: 713-403-8000

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

NOT APPLICABLE

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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 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	x
Non-Accelerated Filer	¨	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 x

The number of shares of the registrant s Common Stock, $.05 par value, outstanding as of November 2, 2012 was 49,097,011.

Table of Contents

WILLBROS GROUP, INC.

FORM 10-Q

FOR QUARTER ENDED SEPTEMBER 30, 2012

Table of Contents

WILLBROS GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

(Unaudited)

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

	September 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15,908	$ 58,686
Accounts receivable, net	437,045	301,515
Contract cost and recognized income not yet billed	105,288	37,090
Prepaid expenses and other assets	46,895	43,129
Parts and supplies inventories	11,395	11,893
Deferred income taxes	3,162	1,845
Assets held for sale		32,758
Total current assets	619,693	486,916
Property, plant and equipment, net	150,631	166,475
Goodwill	8,067	8,067
Other intangible assets, net	168,397	179,916
Other assets	28,399	20,397
Total assets	$ 975,187	$ 861,771
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 368,970	$ 221,557
Contract billings in excess of cost and recognized income	31,764	18,000
Current portion of capital lease obligations	1,819	2,818
Notes payable and current portion of long-term debt	45,265	31,623
Current portion of settlement obligation of discontinued operations	4,500	14,000
Accrued income taxes	8,040	4,983
Liabilities held for sale		13,990
Other current liabilities	5,082	7,475
Total current liabilities	465,440	314,446
Long-term debt	207,569	230,707
Capital lease obligations	2,552	3,646
Long-term portion of settlement obligation of discontinued operations	39,000	41,500
Long-term liabilities for unrecognized tax benefits	4,518	4,030
Deferred income taxes	2,561	2,994
Other long-term liabilities	34,641	32,870
Total liabilities	756,281	630,193
Contingencies and commitments (Note 12)		
Stockholders equity:		

Preferred stock, par value $.01 per share, 1,000,000 shares authorized, none issued		
Common stock, par value $.05 per share, 70,000,000 shares authorized and 50,055,153 shares issued at September 30, 2012 (49,423,152 at December 31, 2011)	2,502	2,471
Capital in excess of par value	685,831	680,289
Accumulated deficit	(472,722)	(455,840)
Treasury stock at cost, 964,094 shares at September 30, 2012 (829,526 at December 31, 2011)	(11,370)	(10,839)
Accumulated other comprehensive income	13,709	14,570
Total Willbros Group, Inc. stockholders equity	217,950	230,651
Noncontrolling interest	956	927
Total stockholders equity	218,906	231,578
Total liabilities and stockholders equity	$ 975,187	$ 861,771

See accompanying notes to condensed consolidated financial statements.

3

Table of Contents

WILLBROS GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Contract revenue	$ 588,921	$ 444,036	$ 1,507,205	$ 1,210,499
Operating expenses:				
Contract	538,394	395,786	1,380,633	1,096,192
Amortization of intangibles	3,913	3,918	11,645	11,752
General and administrative	39,099	31,152	112,034	99,423
Settlement of project dispute				8,236
Goodwill impairment		143,543		143,543
Changes in fair value of contingent earnout		(4,000)		(10,000)
Other charges	33		169	87
	581,439	570,399	1,504,481	1,349,233
Operating income (loss)	7,482	(126,363)	2,724	(138,734)
Other income (expense):				
Interest expense, net	(6,482)	(11,029)	(21,500)	(36,275)
Loss on early extinguishment of debt			(3,405)	(4,124)
Other, net	(42)	(264)	(283)	(284)
	(6,524)	(11,293)	(25,188)	(40,683)
Income (loss) from continuing operations before income taxes	958	(137,656)	(22,464)	(179,417)
Provision (benefit) for income taxes	1,012	(16,369)	3,937	(28,527)
Loss from continuing operations	(54)	(121,287)	(26,401)	(150,890)
Income (loss) from discontinued operations net of provision (benefit) for income taxes	789	(10,716)	10,464	(27,882)
Net income (loss)	735	(132,003)	(15,937)	(178,772)
Less: Income attributable to noncontrolling interest	(273)	(296)	(945)	(878)
Net income (loss) attributable to Willbros Group, Inc.	$ 462	$ (132,299)	$ (16,882)	$ (179,650)
Reconciliation of net income (loss) attributable to Willbros Group, Inc.				
Loss from continuing operations	$ (327)	$ (121,583)	$ (27,346)	$ (151,768)
Income (loss) from discontinued operations	789	(10,716)	10,464	(27,882)
Net income (loss) attributable to Willbros Group, Inc.	$ 462	$ (132,299)	$ (16,882)	$ (179,650)
Basic income (loss) per share attributable to Company shareholders:				
Loss from continuing operations	$ (0.01)	$ (2.56)	$ (0.57)	$ (3.20)

Income (loss) from discontinued operations		0.02		(0.23)		0.22		(0.59)
Net income (loss)	$	0.01	$	(2.79)	$	(0.35)	$	(3.79)
Diluted income (loss) per share attributable to Company shareholders:								
Loss from continuing operations	$	(0.01)	$	(2.56)	$	(0.57)	$	(3.20)
Income (loss) from discontinued operations		0.02		(0.23)		0.22		(0.59)
Net income (loss)	$	0.01	$	(2.79)	$	(0.35)	$	(3.79)
Weighted average number of common shares outstanding:								
Basic		48,119,758		47,533,967		47,965,380		47,429,059
Diluted		48,119,758		47,533,967		47,965,380		47,429,059

See accompanying notes to condensed consolidated financial statements.

Table of Contents

WILLBROS GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands, except share and per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income (loss)	$ 735	$ (132,003)	$ (15,937)	$ (178,772)
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	423	(5,726)	(1,093)	(2,617)
Changes in derivative financial instruments	198	(731)	232	(1,850)
Total other comprehensive income (loss), net of tax	621	(6,457)	(861)	(4,467)
Total comprehensive income (loss)	1,356	(138,460)	(16,798)	(183,239)
Less: Comprehensive income attributable to noncontrolling interest	(273)	(296)	(945)	(878)
Total comprehensive income (loss) attributable to Willbros Group, Inc.	$ 1,083	$ (138,756)	$ (17,743)	$ (184,117)

See accompanying notes to condensed consolidated financial statements.

Table of Contents

WILLBROS GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands, except share and per share amounts)

(Unaudited)

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Cash flows from operating activities:		
Net loss	$ (15,937)	$ (178,772)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
(Income) loss from discontinued operations	(10,464)	27,882
Depreciation and amortization	37,838	46,565
Loss on early extinguishment of debt	3,405	4,124
Goodwill impairment		143,543
Changes in fair value of contingent earnout liability		(10,000)
Stock-based compensation	5,773	7,103
Amortization of debt issuance cost	3,218	6,169
Non-cash interest expense	1,649	5,899
Deferred income tax benefit	(1,710)	(37,200)
Settlement of project dispute		8,236
Provision for bad debts	712	766
Other non-cash	(3,627)	(4,882)
Changes in operating assets and liabilities:		
Accounts receivable, net	(134,829)	(44,228)
Payments on government fines		(6,575)
Contract cost and recognized income not yet billed	(67,998)	(11,814)
Prepaid expenses and other assets	12,367	18,702
Accounts payable and accrued liabilities	147,543	60,930
Accrued income taxes	3,027	1,099
Contract billings in excess of cost and recognized income	13,703	6,168
Other assets and liabilities	(9,480)	(3,915)
Cash provided by (used in) operating activities of continuing operations	(14,810)	39,800
Cash used in operating activities of discontinued operations	(13,910)	(31,535)
Cash provided by (used in) operating activities	(28,720)	8,265
Cash flows from investing activities:		
Proceeds from working capital settlement		9,402
Proceeds from sales of property, plant and equipment	11,585	32,407
Purchase of property, plant and equipment	(11,015)	(9,241)
Cash provided by investing activities of continuing operations	570	32,568
Cash provided by investing activities of discontinued operations	15,103	8,316
Cash provided by investing activities	15,673	40,884
Cash flows from financing activities:		
Proceeds from revolver and notes payable	57,000	59,357
Payments on capital leases	(2,093)	(8,204)
Payment of revolver and notes payable	(39,140)	(65,725)
Payments on term loan	(46,700)	(94,679)

Payments to reacquire common stock	(531)	(754)
Costs of debt issues		(4,935)
Dividend distribution to noncontrolling interest	(916)	(848)
Cash used in financing activities of continuing operations	(32,380)	(115,788)
Cash used in financing activities of discontinued operations		(5)
Cash used in financing activities	(32,380)	(115,793)
Effect of exchange rate changes on cash and cash equivalents	(2,110)	(253)
Net decrease in cash and cash equivalents	(47,537)	(66,897)
Cash and cash equivalents of continuing operations at beginning of period	58,686	134,305
Cash and cash equivalents of discontinued operations at beginning of period	4,759	6,796
Cash and cash equivalents at beginning of period	63,445	141,101
Cash and cash equivalents at end of period	15,908	74,204
Less: cash and cash equivalents of discontinued operations at end of period		(5,604)
Cash and cash equivalents of continuing operations at end of period	$ 15,908	$ 68,600
Supplemental disclosures of cash flow information:		
Cash paid for interest (including discontinued operations)	$ 15,453	$ 23,955
Income tax refunds, net of payments of $3,719 and $4,249 (including discontinued operations)	$ 13,443	$ 1,922
Supplemental non-cash investing and financing transactions:		
Prepaid insurance obtained by note payable	$ 15,953	$ 6,829

See accompanying notes to condensed consolidated financial statements.

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

1. The Company and Basis of Presentation

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

The accompanying Condensed Consolidated Balance Sheet as of December 31, 2011, which has been derived from audited consolidated financial statements, and the Condensed Consolidated Financial Statements as of September 30, 2012 and 2011, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to those rules and regulations. However, the Company believes the presentations and disclosures herein are adequate to make the information not misleading. These Condensed Consolidated Financial Statements should be read in conjunction with the Company s December 31, 2011 audited Consolidated Financial Statements and notes thereto contained in the Company s Current Report on Form 8-K dated June 29, 2012, filed June 29, 2012.

In the opinion of management, the Condensed Consolidated Financial Statements reflect all adjustments necessary to fairly state the financial position as of September 30, 2012, and the results of operations and cash flows of the Company for all interim periods presented. The results of operations and cash flows for the nine months ended September 30, 2012 are not necessarily indicative of the operating results and cash flows to be achieved for the full year.

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

As discussed in Note 14 Discontinuance of Operations, Held for Sale Operations and Asset Disposals, the Company has disposed of certain assets and operations 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.

Reclassifications Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation. These reclassifications relate to the sale of the assets and operations of InterCon Construction Inc. (InterCon) in the fourth quarter of 2011, which were reclassified to Discontinued Operations.

Out-of-Period Adjustments The Company recorded out-of-period adjustments during the nine months ended September 30, 2012 to correct errors to eliminate Cumulative Translation Adjustment balances that stemmed from the dissolution and liquidation of foreign currency based subsidiaries in jurisdictions where the Company no longer conducts business. The net impact of these adjustments for the nine months ended September 30, 2012, was an increase to the Company s income from discontinued operations and a decrease to net loss in the amount of $2,805. The adjustments did not have any impact on the Company s pre-tax loss or loss from continuing operations for the nine months ended September 30, 2012. The Company does not believe these adjustments are material, individually or in the aggregate, to its Condensed

Consolidated Financial Statements for the nine months ended September 30, 2012 after considering its expected 2012 annual financial results, nor does it believe such items are material to any of its previously issued annual or quarterly financial statements.

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

2. New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued amendments to fair value measurement to achieve common fair value measurement and disclosure requirements in GAAP and International Financial Reporting Standards (IFRS). The amendments result from a joint project with the International Accounting Standards Board, which also issued new guidance on fair value measurements. The amendments provide a framework for how companies should measure fair value when used in financial reporting, and sets out required disclosures. The amendments are intended to clarify how fair value should be measured, predominantly converge the U.S. and IFRS guidance, and expand the disclosures that are required. The standard is effective for public entities for interim and annual periods beginning after December 15, 2011, and should be applied prospectively. The implementation of this accounting guidance did not have a material impact on the Company s consolidated financial statements.

In June 2011, the FASB issued new accounting guidance related to the presentation of comprehensive income in consolidated financial statements. The new accounting guidance requires the presentation of the components of net income and other comprehensive income either in a single continuous financial statement, or in two separate but consecutive financial statements. The accounting standard eliminates the option to present other comprehensive income and its components as part of the statement of stockholders equity. This standard is effective for fiscal years beginning after December 15, 2011, including interim periods, and early adoption is permitted. The Company complied with this new accounting guidance during the quarter ended March 31, 2012.

In September 2011, the FASB issued a new accounting standard related to testing goodwill for impairment. The standard gives entities the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step goodwill impairment test. If an entity believes that, as a result of its qualitative assessment, it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. An entity can choose to perform the qualitative assessment on none, some or all of its reporting units. An entity can bypass the qualitative assessment for any reporting unit in any period and proceed directly to step one of the impairment test. The standard also includes new qualitative indicators that replace those previously used to determine whether an interim goodwill impairment test is required to be performed. This standard is effective for fiscal years beginning after December 15, 2011, including interim periods, and early adoption is permitted. The implementation of this accounting standard did not have a material impact on the Company s consolidated financial statements.

3. Contracts in Progress

Contract cost and recognized income not yet billed on uncompleted contracts arise when recorded revenues for a contract exceed the amounts 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 the lesser of the expected revenue or cost incurred when realization of price approval is probable. Estimating revenues from unapproved change orders involves 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.

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

3. Contracts in Progress (continued)

Contract cost and recognized income not yet billed and related amounts billed as of September 30, 2012 and December 31, 2011 was as follows:

	September 30, 2012	December 31, 2011
Cost incurred on contracts in progress	$ 786,840	$ 690,196
Recognized income	116,283	94,345
	903,123	784,541
Progress billings and advance payments	(829,599)	(765,451)
	$ 73,524	$ 19,090
Contract cost and recognized income not yet billed	$ 105,288	$ 37,090
Contract billings in excess of cost and recognized income	(31,764)	(18,000)
	$ 73,524	$ 19,090

Contract cost and recognized income not yet billed includes $3,920 and $1,367 at September 30, 2012 and December 31, 2011, respectively, on completed contracts.

The balances billed but not paid by customers pursuant to retainage provisions in certain contracts will be due upon completion of the contracts and acceptance by the customer. Based on the Company s experience with similar contracts in recent years, the majority of the retention balances at each balance sheet date will be collected within the next twelve months. Retainage balances at September 30, 2012 and December 31, 2011, were approximately $32,647 and $22,328, respectively, and are included in accounts receivable.

4. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the nine months ended September 30, 2012, by business segment, are detailed below:

Utility T&D	**Goodwill**	**Impairment Reserves**	**Total, Net**
Balance as of July 1, 2010	$ 168,919	$	$ 168,919
Purchase price adjustments	446		446
Balance as of December 31, 2010	$ 169,365	$	$ 169,365
Purchase price adjustments	(9,402)		(9,402)

Reorganization of reporting structure	(8,353)		(8,353)
Impairment losses		(143,543)	(143,543)
Balance as of December 31, 2011	$ 151,610	$ (143,543)	$ 8,067
Impairment losses			
Balance as of September 30, 2012	$ 151,610	$ (143,543)	$ 8,067

The changes in the carrying amounts of intangible assets for the nine months ended September 30, 2012 are detailed below:

	Customer Relationships	Trademark / Tradename	Non-compete Agreements	Technology	Total
Balance as of December 31, 2011	$ 162,707	$ 11,984	$ 550	$ 4,675	$ 179,916
Amortization	(10,010)	(1,054)	(166)	(415)	(11,645)
Other		126			126
Balance as of September 30, 2012	$ 152,697	$ 11,056	$ 384	$ 4,260	$ 168,397
Weighted Average Remaining Amortization Period	11.6 years	7.6 years	1.8 years	7.8 years	

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

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

4. Goodwill and Other Intangible Assets (continued)

Estimated amortization expense for the remainder of 2012 and each of the subsequent five years and thereafter is as follows:

Fiscal year:	
Remainder of 2012	$ 3,910
2013	15,638
2014	15,528
2015	15,418
2016	15,418
2017	15,418
Thereafter	87,067
Total amortization	$ 168,397

5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of September 30, 2012 and December 31, 2011 were as follows:

	September 30, 2012	December 31, 2011
Trade accounts payable	$ 188,065	$ 94,331
Accrued contract costs and related liabilities	62,753	36,409
Payroll and payroll liabilities	61,321	40,294
Accrued self-insured claims	29,500	25,786
Other accrued liabilities	27,331	24,737
Total accounts payable and accrued liabilities	$ 368,970	$ 221,557

6. Long Term Debt

Long term debt as of September 30, 2012 and December 31, 2011 was as follows:

	September 30, 2012	December 31, 2011

Term Loan, net of unamortized discount of $3,821 and $7,138	$ 125,350	$ 168,733
Borrowings under Revolving Credit Facility	84,357	59,357
6.5% Senior Convertible Notes	32,050	32,050
Capital lease obligations	4,371	6,464
Other obligations	11,077	2,190
Total debt	257,205	268,794
Less: current portion	(47,084)	(34,441)
Long-term debt, net	$ 210,121	$ 234,353

Amended and Restated Credit Agreement

Pursuant to an Amendment and Restatement Agreement dated as of November 8, 2012, the Company s credit agreement dated as of June 30, 2010, (the 2010 Credit Agreement) was amended and restated in its entirety (the Amended and Restated Credit Agreement). The 2010 Credit Agreement consisted of a four-year, $300,000 term loan facility (the Term Loan Facility) maturing on June 30, 2014 and a three-year revolving credit facility of $175,000 maturing on June 30, 2013 (the Revolving Credit Facility).

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

6. Long Term Debt (continued)

Under the Amended and Restated Credit Agreement, certain existing lenders under the Revolving Credit Facility, holding an aggregate amount of commitments equal to $115,000, agreed that the maturity applicable to such commitments would be extended one year, to June 30, 2014.

The Amended and Restated Credit Agreement provides for additional term loans in an amount equal to $60,000, which will be pari passu in right of payment with, and secured on a pari passu basis with the Company s existing Term Loan outstanding under the 2010 Credit Agreement. The additional term loans were drawn in full on the effective date of the Amended and Restated Credit Agreement. The additional term loans were issued at a discount such that the funded portion was equal to 97 percent of the principal amount of additional term loans. The additional term loans will mature on June 30, 2014, the same maturity date as the Company s existing Term Loan under the 2010 Credit Agreement.

Under the 2010 Credit Agreement, the Revolving Credit Facility was available for letters of credit and for revolving loans, which could be used for working capital and general corporate purposes. 100 percent of the Revolving Credit Facility could be used to obtain letters of credit and revolving loans had a sublimit of $150,000. On March 4, 2011, as part of an amendment to the 2010 Credit Agreement, the Company agreed to limit its revolver borrowings to $25,000, with the exception of proceeds from revolving borrowings used to make any payments in respect of both the 2.75% Convertible Senior Notes (the 2.75% Notes) and the 6.5% Senior Convertible Notes (the 6.5% Notes), until its Maximum Total Leverage Ratio is 3.00 to 1.00 or less. As permitted under this amendment, the Company borrowed $25,000 against the Revolving Credit Facility in the third quarter of 2012.

The Amended and Restated Credit Agreement effectively modifies the sublimit described above by including a sublimit for any new borrowings under the Revolving Credit Facility after the effective date of the Amended and Restated Credit Agreement. This sublimit for new borrowings will range from $0 to $50,000 as determined by reference to a formula, which will permit new revolver borrowings only if the Company first makes voluntary prepayments and/or mandatory repayments or prepayments of revolver borrowings from the net proceeds of asset sales, equity issuances or other sources. This new sublimit will not apply to new borrowings under the Revolving Credit Facility which are used to make payments of amounts due or outstanding in respect of the 6.5% Notes. However, if on or after March 31, 2013, the Company has received net proceeds from asset sales or equity issuances equal to or exceeding $90,000, the sublimit for borrowings will be $50,000 with an increase to $75,000 after the close of any fiscal quarter in which its Maximum Total Leverage Ratio is 2.25 to 1.00 or less, in each case, including any borrowings under the Revolving Credit Facility used to make payments of amounts due or outstanding in respect of the 6.5% Notes.

Interest payable under the 2010 Credit Agreement was determined by the loan type. As of September 30, 2012, the interest rates on the Term Loan Facility and Revolving Credit Facility (both Eurocurrency rate loans) were 9.5% and 4.2%, respectively. Interest payments on Eurocurrency rate loans were payable in arrears on the last day of such interest period, and, in the case of interest periods of greater than three months, on each business day which occurs at three month intervals from the first day of such interest period. Interest payments on base rate loans are payable quarterly in arrears on the last business day of each calendar quarter. The applicable margins for revolving loans under the Amended and Restated Credit Agreement remains unchanged through June 30, 2013. However, beginning on July 1, 2013 and continuing through the June 30, 2014 extended maturity date, the applicable margin on revolving Eurocurrency rate loans increases to 7.5%, and the applicable margin on revolving base rate loans increases to 6.5%, in each case irrespective of the then current Maximum Total Leverage Ratio.

Under the Amended and Restated Credit Agreement, mandatory prepayments in respect of asset dispositions, events of loss and equity issuances may be applied at the option of the borrower to revolving loans, outstanding term loans, or any combination thereof, without any reduction in the commitments under the Revolving Credit Facility.

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

6. Long Term Debt (continued)

The table below sets forth the primary covenants in the Amended and Restated Credit Agreement, which have been modified from the 2010 Credit Agreement and the calculation with respect to these covenants at September 30, 2012:

	Covenants Requirements	Actual Ratios at September 30, 2012
Maximum Total Leverage Ratio[1] (debt divided by Covenant EBITDA) should be equal to or less than:	5.50 to 1	4.20
Minimum Interest Coverage Ratio[2] (Covenant EBITDA divided by interest expense as defined in the Amended and Restated Credit Agreement) should be equal to or exceed:	2.25 to 1	2.90

(1) The Maximum Total Leverage Ratio decreases to 4.00 as of December 31, 2012, 3.25 as of March 31, 2013, 3.00 as of June 30, 2013 and 2.75 as of September 30, 2013.

(2) The Minimum Interest Coverage Ratio increases to 2.75 as of December 31, 2012 and 3.00 as of December 31, 2013.

Depending on its financial performance, the Company may be required to request additional amendments, or waivers for the primary covenants, dispose of assets, or obtain refinancing in future periods. There can be no assurance that the Company will be able to obtain additional amendments or waivers, complete asset sales, or negotiate agreeable refinancing terms should it become needed.

The Amended and Restated Credit Agreement also includes customary affirmative and negative covenants, including:

- Limitations on capital expenditures (greater of $70,000 or 25% of EBITDA).
- Limitations on indebtedness.
- Limitations on liens.
- Limitations on certain asset sales and dispositions.
- Limitations on certain acquisitions and asset purchases if certain liquidity levels are not maintained.

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

As of September 30, 2012, the Company would not have complied with the Maximum Total Leverage Ratio under the 2010 Credit Agreement. However, certain covenants, including the Maximum Total Leverage Ratio, previously in effect under the 2010 Credit Agreement, were modified under the Amended and Restated Credit Agreement, effective as of September 30, 2012. As a result of the modification of these covenants under the Amended and Restated Credit Agreement, the Company avoided a covenant default under the 2010 Credit Agreement as of September 30, 2012.

As of September 30, 2012, the Company complied with all covenants under the Amended and Restated Credit Agreement.

During the nine months ended September 30, 2012, the Company made payments of $46,700 against its existing Term Loan that resulted in the recognition of a $3,405 loss on early extinguishment of debt. These losses represent the write-off of unamortized Original Issue Discount and financing costs inclusive of early payment fees.

Incurred unamortized debt issue costs associated with the 2010 Credit Agreement are $4,938 and $9,427 as of September 30, 2012 and December 31, 2011, respectively. These debt issue costs are included in Other assets on the Condensed Consolidated Balance Sheet at September 30, 2012. These costs will continue to be amortized to interest expense over the remaining terms of the Revolving Credit Facility and Term Loan Facility, respectively.

6.5% Senior Convertible Notes

In December 2005, the Company completed a private placement of $65,000 aggregate principal amount of its 6.5% Notes, pursuant to a purchase agreement. During the first quarter of 2006, the initial purchasers of the 6.5% Notes exercised their options to purchase an additional $19,500 aggregate principal amount of the 6.5% Notes. The primary offering and the purchase option of the 6.5% Notes totaled $84,500. The 6.5% Notes are convertible into shares of the Company s common stock at a conversion rate of 56.9606 shares of common stock per $1,000 principal amount of notes representing a conversion price of approximately $17.56 per share. The 6.5% Notes are general senior unsecured obligations. Interest is due semi-annually on June 15 and December 15.

The 6.5% Notes mature on December 15, 2012 unless the notes are repurchased or converted earlier. The Company does not have the right to redeem the 6.5% Notes prior to maturity. Upon maturity, the principal amount plus the accrued interest through the

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

6. Long Term Debt (continued)

day prior to the maturity date is payable only in cash. The 6.5% Notes remain outstanding as of September 30, 2012 and continue to be subject to the terms and conditions of the Indenture governing the 6.5% Notes. An aggregate principal amount of $32,050 remains outstanding (net of $0 discount) and has been classified as current and included within Notes payable and current portion of long-term debt on the Condensed Consolidated Balance Sheet at September 30, 2012. The holders of the 6.5% Notes have the right to require the Company to purchase the 6.5% Notes for cash upon the occurrence of a Fundamental Change, as defined in the Indenture. In addition to the amounts described above, the Company will be required to pay a make-whole premium to the holders of the 6.5% Notes who elect to convert their notes into the Company s common stock in connection with a Fundamental Change. The make-whole premium is payable in additional shares of common stock and is calculated based on a formula with the premium ranging from 0.0 percent to 28.0 percent depending on when the Fundamental Change occurs and the price of the Company s stock at the time the Fundamental Change occurs. In the event of a default of $10,000 or more on any credit agreement, including the Amended and Restated Credit Agreement, a corresponding event of default would result under the 6.5% Notes.

On September 16, 2011, following receipt of the requisite consents of the holders of the 6.5% Notes, the Company entered into a fourth supplemental indenture (the Fourth Supplemental Indenture) to the Indenture for the 6.5% Notes. The Fourth Supplemental Indenture amended Section 6.13 of the Indenture to change the Maximum Total Leverage Ratio to 5.50 to 1.00 during the fiscal quarter ending March 31, 2012, 3.75 to 1.00 during the fiscal quarter ending June 30, 2012 and 3.50 to 1.00 during the fiscal quarters ending September 30, 2012 and December 31, 2012. Section 6.13 is a debt incurrence test and the calculation of the Maximum Total Leverage Ratio mirrors the calculation in the Amended and Restated Credit Agreement. In addition, the Fourth Supplemental Indenture conformed the definition of Consolidated EBITDA in the Indenture to the definition of Consolidated EBITDA in the 2010 Credit Agreement.

On November 7, 2012, following receipt of the required consents, the Company entered into a fifth supplemental indenture (the Fifth Supplemental Indenture) to the Indenture for the 6.5% Notes. The Fifth Supplemental Indenture further amended Section 6.13 of the Indenture so that certain restrictions on the Company s ability to incur indebtedness are not applicable to borrowings by the Company under the Amended and Restated Credit Agreement during the period from and including the effective date of the Fifth Supplemental Indenture through and including December 15, 2012.

Fair Value of Debt

The estimated fair value of the Company s debt instruments as of September 30, 2012 and December 31, 2011 was as follows:

	September 30, 2012	December 31, 2011
Term Loan	$ 131,539	$ 178,947
Borrowings under Revolving Credit Facility	84,357	59,357
6.5% Senior Convertible Notes	32,190	31,613
Capital lease obligations	4,371	6,464
Other obligations	11,077	2,190
Total fair value of debt instruments	$ 263,534	$ 278,571

The fair value of the Company s 6.5% Notes was estimated using market prices and is classified within Level 1 of the fair value hierarchy. The Term Loan, revolver borrowings, capital lease obligations and other obligations are classified within Level 2 of the fair value hierarchy. The fair values of these instruments have been estimated using discounted cash flow analysis based on the Company s incremental borrowing rate for similar borrowing arrangements. A significant increase or decrease in the inputs could result in a directionally opposite change in the fair value of these instruments.

7. Retirement Benefits

The Company has defined contribution plans that are funded by participating employee contributions and the Company. The Company matches employee contributions, up to a maximum of 5 percent of salary, in the form of cash. Company contributions for the nine months ended September 30, 2012 and 2011 were $6,377 and $2,281, respectively. Company contributions were suspended at the end of March 2011 and resumed in November 2011.

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

7. Retirement Benefits (continued)

The Company is also subject to collective bargaining agreements with various unions. As a result, the Company participates with other companies in the unions multi-employer pension and other postretirement benefit plans. These plans cover all employees who are members of such unions. The Employee Retirement Income Security Act of 1974, as amended by the Multi-Employer Pension Plan Amendments Act of 1980, imposes certain liabilities upon employers who are contributors to a multi-employer plan in the event of the employer s withdrawal from, or upon termination of, such plan. The Company has no intention to withdraw from these plans. The plans do not maintain information on the net assets and actuarial present value of the plans unfunded vested benefits allocable to the Company, and the amounts, if any, for which the Company may be contingently liable, are not ascertainable at this time. Contributions to all union multi-employer pension and other postretirement plans by the Company for the nine months ended September 30, 2012 and 2011 were $28,182 and $29,696 respectively.

8. Income Taxes

The effective tax rate on continuing operations was a negative 17.5 percent and 15.8 percent for the nine months ended September 30, 2012 and 2011, respectively. Tax expense for discrete items for the nine months ended September 30, 2012 is $4,040, which is primarily related to foreign tax settlements from 2006 through 2009, increases to foreign uncertain tax positions from 2004 through 2012, tax withholdings on planned dividend distributions from foreign affiliates and for Texas Margins Tax. The Company has not recorded the benefit of current year losses in the United States. As of September 30, 2012, U.S. federal and state deferred tax assets continue to be covered by valuation allowances. The ultimate realization of deferred tax assets is dependent upon the generation of future U.S. taxable income. The Company considers the impact of reversing taxable temporary differences, future forecasted income and available tax planning strategies, when forecasting future taxable income and in evaluating whether deferred tax assets are more likely than not to be realized.

The effective tax rate on continuing operations was 105.5 percent and 11.9 percent for the three months ended September 30, 2012 and 2011, respectively. Tax expense for discrete items for the three months ended September 30, 2012 is $1,126, which primarily relates to 2008 and 2009 foreign tax settlements, increases to uncertain tax positions for 2004 through 2012, tax withholding on planned dividend distributions from foreign affiliates and Texas Margins Tax.

In April 2011, the Company discontinued its strategy of reinvesting foreign earnings in foreign operations. This change in strategy continues through September 30, 2012. Due to the current deficit in foreign earnings and profits, the Company does not anticipate a significant tax expense related to future repatriations of foreign earnings in the United States.

The Company expects that the statute of limitations will expire on an uncertain tax position within the next twelve months. Assuming that the statute of limitations expires, the Company would release reserves in the amount of $583.

9. Stockholders Equity

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

Stock Ownership Plans

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

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

In 2006, the Company established the 2006 Director Restricted Stock Plan (the 2006 Director Plan) with 50,000 shares authorized for issuance to grant shares of restricted stock and restricted stock rights to non-employee directors. The number of shares authorized for issuance under the 2006 Director Plan was increased in 2008 to 250,000 and in 2012 to 550,000, by stockholder approval. On May 26, 2010, the Company established the Willbros Group, Inc. 2010 Stock and Incentive Compensation Plan (the 2010 Plan) with 2,100,000 shares of common stock authorized for issuance (increased in 2012 to 3,450,000 shares by stockholder approval) to provide for awards to key employees of the Company. All future grants of stock awards to key employees will be made through the 2010 Plan. As a result, the 1996 Plan was frozen, with the exception of normal vesting, forfeiture and other activity associated with awards previously granted under the 1996 Plan. At September 30, 2012, the 2010 Plan had 1,944,050 shares available for grant.

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

9. Stockholders Equity (continued)

Restricted stock and restricted stock units or rights, also described collectively as restricted stock units (RSUs), and options granted to employees vest generally over a three to four year period. Options granted under the 2010 Plan expire 10 years subsequent to the grant date. Upon stock option exercise, common shares are issued from treasury stock. Options granted under the Director Plan are fully vested. Restricted stock and restricted stock rights granted under the 2006 Director Plan vest one year after the date of grant. At September 30, 2012, the 2006 Director Plan had 217,193 shares available for grant. For RSUs granted prior to March of 2009, certain provisions allow for accelerated vesting upon eligible retirement. Additionally, certain provisions allow for accelerated vesting in the event of involuntary termination not for cause or a change of control of the Company. Compensation expense recognized in relation to the accelerated vesting of RSUs due to retirement and separation from the Company, totaled $606 and $97 for the three months ended September 30, 2012 and 2011, respectively, and totaled $1,087 and $305 for the nine months ended September 30, 2012 and 2011, respectively.

Stock-based compensation related to RSUs is recorded based on the Company s stock price as of the grant date. Expense from stock-based compensation awards totaled $1,848 and $3,635 for the three months ended September 30, 2012 and 2011, respectively, and totaled $5,773 and $7,103 for the nine months ended September 30, 2012 and 2011, respectively.

The Company determines the fair value of its stock options as of its grant date using the Black-Scholes valuation method. No options were granted during the nine months ended September 30, 2012 and 2011.

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

9. Stockholders Equity (continued)

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

	Shares	Weighted-Average Exercise Price
Outstanding, January 1, 2012	227,750	$ 15.28
Granted		
Exercised		
Forfeited or expired		
Outstanding September 30, 2012	227,750	$ 15.28
Exercisable, September 30, 2012	227,750	$ 15.28

As of September 30, 2012, the aggregate intrinsic value of stock options outstanding and stock options exercisable was $0. The weighted average remaining contractual term of outstanding options and exercisable options is 2.67 years and 2.67 years, respectively, at September 30, 2012. The total intrinsic value of options exercised was $0 during the nine months ended September 30, 2012 and 2011. The total fair value of options vested during the nine months ended September 30, 2012 and 2011 was $0 and $135, respectively.

The Company s RSU activity and related information for the nine months ended September 30, 2012 consist of:

	Shares	Weighted-Average Grant-Date Fair Value
Outstanding, January 1, 2012	1,143,011	$ 10.84
Granted	876,731	3.84
Vested	(599,987)	10.48
Forfeited	(109,637)	7.97
Outstanding, September 30, 2012	1,310,118	$ 6.72

The total fair value of RSUs vested during the nine months ended September 30, 2012 and 2011 was $6,290 and $5,970, respectively.

As of September 30, 2012, there was a total of $6,156 of unrecognized compensation cost, net of estimated forfeitures, related to all non-vested stock-based compensation arrangements granted under the Company s stock ownership plans. That cost is expected to be recognized over a weighted-average period of 2.24 years.

10. 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 RSUs less the number of treasury shares assumed to be purchased from the proceeds using the average market price of the Company s stock for each of the periods presented. The Company s convertible notes are included in the calculation of diluted income per share under the if-converted method. Additionally, diluted income (loss) per share for continuing operations is calculated excluding the after-tax interest expense associated with the convertible notes since these notes are treated as if converted into common stock.

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

10. Income (Loss) Per Share (continued)

Basic and diluted loss per common share from continuing operations for the three months and nine months ended September 30, 2012 and 2011 are computed as follows:

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Loss from continuing operations	$ (54)	$ (121,287)	$ (26,401)	$ (150,890)
Less: Income attributable to noncontrolling interest	(273)	(296)	(945)	(878)
Net loss from continuing operations attributable to Willbros Group, Inc. (numerator for basic calculation)	(327)	(121,583)	(27,346)	(151,768)
Add: Interest and debt issuance costs associated with convertible notes				
Net loss from continuing operations applicable to common shares (numerator for diluted calculation)	$ (327)	$ (121,583)	$ (27,346)	$ (151,768)
Weighted average number of common shares outstanding for basic loss per share	48,119,758	47,533,967	47,965,380	47,429,059
Weighted average number of potentially dilutive common shares outstanding				
Weighted average number of common shares outstanding for diluted income per share	48,119,758	47,533,967	47,965,380	47,429,059
Loss per common share from continuing operations:				
Basic	$ (0.01)	$ (2.56)	$ (0.57)	$ (3.20)
Diluted	$ (0.01)	$ (2.56)	$ (0.57)	$ (3.20)

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

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011
6.5% Senior Convertible Notes	1,825,587	1,825,587
Stock options	227,750	227,750

Warrants to purchase common stock[1]		536,925
Restricted stock and restricted stock rights	388,753	183,581
	2,442,090	2,773,843

(1) In the fourth quarter of 2011, 536,925 warrants that were issued in conjunction with a private placement of equity in 2006, expired, unexercised.

11. Segment Information

The Company s segments are comprised of strategic businesses that are defined by the industries or geographic regions they serve. Each is managed as an operation with well-established strategic directions and performance requirements. In January 2012, in an effort to manage the Company more effectively, Willbros changed its organizational structure such that its operating results will be reported by the following three segments: *Oil & Gas*, *Utility T&D* and *Canada*. As such, previously reported periods have been recast to conform to this new organization structure. Management evaluates the performance of each operating segment based on operating income. To support the segments, the Company has a focused corporate operation led by the executive management team, which, in addition to oversight and leadership, provides general, administrative and financing functions for the organization. The costs to provide these services are allocated, as are certain other corporate costs, to the three operating segments.

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

11. Segment Information (continued)

The following tables reflect the Company s operations by reportable segment for the three months ended September 30, 2012 and 2011:

For the three months ended September 30, 2012:

	Oil & Gas	*Utility T&D*	*Canada*	Eliminations	Consolidated
Revenue	$ 369,573	$ 161,820	$ 57,555	$ (27)	$ 588,921
Operating expenses	359,770	164,184	57,512	(27)	581,439
Operating income (loss)	$ 9,803	$ (2,364)	$ 43	$	7,482
Other expense					(6,524)
Provision for income taxes					1,012
Loss from continuing operations					(54)
Income from discontinued operations net of provision for income taxes					789
Net income					735
Less: Income attributable to noncontrolling interest					(273)
Net income attributable to Willbros Group, Inc.					$ 462

For the three months ended September 30, 2011:

	Oil & Gas	*Utility T&D*	*Canada*	Eliminations	Consolidated
Revenue	$ 252,642	$ 149,167	$ 42,298	$ (71)	$ 444,036
Operating expenses	245,272	148,379	37,276	(71)	430,856
Goodwill impairment		143,543			143,543
Changes in fair value of contingent earnout					(4,000)
Operating income (loss)	$ 7,370	$ (142,755)	$ 5,022	$	(126,363)
Other expense					(11,293)
Benefit for income taxes					(16,369)
Loss from continuing operations					(121,287)
Loss from discontinued operations net of benefit for income taxes					(10,716)

Net loss	(132,003)
Less: Income attributable to noncontrolling interest	(296)
Net loss attributable to Willbros Group, Inc.	$ (132,299)

The following tables reflect the Company s operations by reportable segment for the nine months ended September 30, 2012 and 2011:

For the nine months ended September 30, 2012:

	Oil & Gas	*Utility T&D*	*Canada*	*Eliminations*	*Consolidated*
Revenue	$ 906,883	$ 471,654	$ 128,880	$ (212)	$ 1,507,205
Operating expenses	895,846	474,049	134,798	(212)	1,504,481
Operating income (loss)	$ 11,037	$ (2,395)	$ (5,918)	$	2,724
Other expense					(25,188)
Provision for income taxes					3,937
Loss from continuing operations					(26,401)
Income from discontinued operations net of provision for income taxes					10,464
Net loss					(15,937)
Less: Income attributable to noncontrolling interest					(945)
Net loss attributable to Willbros Group, Inc.					$ (16,882)

18

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

11. Segment Information (continued)

For the nine months ended September 30, 2011:

	Oil & Gas	*Utility T&D*	*Canada*	Eliminations	Consolidated
Revenue	$ 669,661	$ 428,823	$ 112,255	$ (240)	$ 1,210,499
Operating expenses	664,914	433,718	109,062	(240)	1,207,454
Goodwill impairment		143,543			143,543
Settlement of project dispute	8,236				8,236
Changes in fair value of contingent earnout					(10,000)
Operating income (loss)	$ (3,489)	$ (148,438)	$ 3,193	$	(138,734)
Other expense					(40,683)
Benefit for income taxes					(28,527)
Loss from continuing operations					(150,890)
Loss from discontinued operations net of benefit for income taxes					(27,882)
Net loss					(178,772)
Less: Income attributable to noncontrolling interest					(878)
Net loss attributable to Willbros Group, Inc.					$ (179,650)

Total assets by segment as of September 30, 2012 and December 31, 2011 are presented below:

	September 30, 2012	**December 31, 2011**
Oil & Gas	$ 481,613	$ 263,899
Utility T&D	373,586	410,812
Canada	74,516	79,998
Corporate	45,472	79,054
Total assets, continuing operations	$ 975,187	$ 833,763

12. Contingencies, Commitments and Other Circumstances

Contingencies

Resolution of criminal and regulatory matters

In May of 2008, the United States Department of Justice (the DOJ) filed an Information and Deferred Prosecution Agreement (DPA) in the United States District Court in Houston concluding its investigation into violations of the Foreign Corrupt Practices Act of 1977, as amended (the FCPA), by Willbros Group, Inc. and its subsidiary Willbros International, Inc. (WII). Also in May 2008, WGI reached a final settlement with the SEC to resolve its previously disclosed investigation of possible violations of the FCPA and possible violations of the Securities Act and the Securities Exchange Act of 1934, as amended. These investigations stemmed primarily from the Company s former operations in Bolivia, Ecuador and Nigeria. The settlements together required the Company to pay a total of $32,300 in penalties and disgorgement, over approximately three years, plus post-judgment interest on $7,725, all of which has now been paid. As part of its agreement with the SEC, the Company is subject to a permanent injunction barring future violations of certain provisions of the federal securities laws. As to its agreement with the DOJ, both WGI and WII were subject to the DPA for a period of three years. Among its terms, the DPA provided that, in exchange for WGI s and WII s full compliance with the DPA, the DOJ would not continue a criminal prosecution of WGI and WII and with the successful completion of the DPA s terms, the DOJ would move to dismiss the criminal investigation.

As provided for in the DPA, in 2009, the Company retained a government-approved independent monitor, at the Company s expense, for a two and one-half year period, who reported to the DOJ on the Company s compliance with the FCPA and other applicable laws. During the monitorship, the Company provided the monitor with access to information, documents, records, facilities and employees and the monitor filed three written reports with the DOJ. In the reports, the monitor made numerous findings and recommendations to the Company with respect to the improvement of its internal controls and policies and procedures for detecting and preventing violations of applicable anti-corruption laws, and the Company made significant efforts to implement the recommendations.

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

12. Contingencies, Commitments and Other Circumstances (continued)

In the third and final report issued on March 2, 2012, the monitor reviewed the significant changes in the Company since the occurrence of the events leading to filing of the criminal information and the DPA, as well as the Company s progress in implementing the monitor s recommendations in the first and second reports. The monitor concluded the third report by certifying that the anti-bribery compliance program of Willbros is appropriately designed and implemented to ensure compliance with the FCPA and other applicable anti-corruption laws. This certification lead to the DOJ filing its motion to dismiss the criminal information and the court s signing the order of dismissal, with prejudice, on April 2, 2012. The dismissal with prejudice means that the Company may no longer be prosecuted for the offenses listed in the criminal information.

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

Silver Eagle

Construction and Turnaround Services, LLC (CTS) a subsidiary of the Company, has current uncollected invoices totaling $5,525 from Silver Eagle Refining, Inc. (Silver Eagle) on a construction and engineering support contract entered into in January 2011. Silver Eagle paid all of CTS invoices on the project until July 28, 2011, but has made only one payment after that date. The contract is cost-reimbursable, with labor hours being reimbursable at agreed rates and subcontractor and material costs being reimbursable at cost plus agreed markups.

The contract provides that Silver Eagle has ten days from receipt to dispute an invoice, failing which Silver Eagle will be deemed to have waived its right to withhold payment. No such dispute has ever been timely communicated to CTS.

On August 26, 2011, CTS filed a mechanic s lien on Silver Eagle s refinery for the full amount of its claim and further, on August 31, 2011, filed an arbitration action against Silver Eagle. Subsequently, CTS filed an action in Utah State Court to foreclose on its mechanic lien. This action is stayed until the arbitration proceedings are completed.

A three-party arbitration panel has been selected and the Company expects the arbitration hearing to occur in the first half of 2013.

The Company believes its lien rights provide substantial protection in the event Silver Eagle is unable to meet its obligations.

The Company believes that its performance of the project fully conforms to all contractual requirements and that the arbitration proceedings will result in an award in CTS favor for the full amount of the outstanding invoices. The Company further believes that any collection risk is mitigated by its lien rights. Accordingly, at September 30, 2012 and December 31, 2011, the Company has not recorded an allowance for doubtful accounts against the outstanding receivable.

Other

In addition to the matters discussed above and in Note 14 Discontinuance of Operations, Held for Sale Operations and Asset Disposals, 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 consolidated results of operations, financial position or cash flows.

Commitments

From time to time, the Company enters into commercial commitments, usually in the form of commercial and standby letters of credit, surety bonds and financial guarantees. Contracts with the Company s customers may require the Company to secure letters of credit or surety bonds with regard to the Company s performance of contracted services. In such cases, the commitments can be called upon in the event of failure to perform contracted services. Likewise, contracts may allow the Company to issue letters of credit or surety bonds in lieu of contract retention provisions, where the client withholds a percentage of the contract value until project completion or expiration of a warranty period. Retention commitments can be called upon in the event of warranty or project completion issues, as prescribed in the contracts. At September 30, 2012, the Company had approximately $63,904 of outstanding letters of credit, all of which related to continuing operations. This amount represents the maximum amount of payments the Company could be required to make if these letters of credit are drawn upon. Additionally, the Company issues surety bonds customarily required by commercial terms on

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

12. Contingencies, Commitments and Other Circumstances (continued)

construction projects. At September 30, 2012, the Company had bonds outstanding, primarily performance bonds, with a face value at $503,376 related to continuing operations. This amount represents the bond penalty amount of future payments the Company could be required to make if the Company fails to perform its obligations under such contracts. The performance bonds do not have a stated expiration date; rather, each is released when the contract is accepted by the owner. The Company s maximum exposure as it relates to the value of the bonds outstanding is lowered on each bonded project as the cost to complete is reduced. As of September 30, 2012, no liability has been recognized for letters of credit or surety bonds.

Other Circumstances

Operations outside the United States may be subject to certain risks, which ordinarily would not be expected to exist in the United States, including foreign currency restrictions; extreme exchange rate fluctuations; expropriation of assets; civil uprisings, riots, and war; unanticipated taxes including income taxes, excise duties, import taxes, export taxes, sales taxes or other governmental assessments; availability of suitable personnel and equipment; termination of existing contracts and leases; government instability and legal systems of decrees, laws, regulations, interpretations and court decisions which are not always fully developed and which may be retroactively applied. Management is not presently aware of any events of the type described in the countries in which it operates that would have a material effect on the financial statements, and no such events have been provided for in the accompanying Condensed Consolidated Financial Statements.

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

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

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

See Note 14 Discontinuance of Operations, Held for Sale Operations and Asset Disposals for discussion of commitments and contingencies associated with Discontinued Operations.

13. Fair Value Measurements

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

Fair Value Hierarchy

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

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

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

13. Fair Value Measurements (continued)

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

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

The Company s financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, notes payable, long-term debt and interest rate contracts. The fair value estimates of the Company s financial instruments have been determined using available market information and appropriate valuation methodologies and approximates carrying value.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company measures its financial assets and financial liabilities at fair value on a recurring basis. The fair value of these financial assets and liabilities was determined using the following inputs as of September 30, 2012:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Liabilities:				
Interest rate swaps	$ 1,729	$	$ 1,729	$

Contingent Earnout Liability

In connection with the acquisition of InfrastruX Group, Inc. (InfrastruX) on July 1, 2010, InfrastruX shareholders were eligible to receive earnout payments of up to $125,000 if certain EBITDA targets were met during 2010 and 2011. These payments would have been paid to former InfrastruX shareholders who qualified as accredited investors as defined by the SEC in a combination of cash and non-convertible, non-voting preferred stock of the Company, pursuant to the terms within the Merger Agreement, and to non-accredited former InfrastruX shareholders and former holders of InfrastruX RSUs in the form of cash.

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

In accordance with the FASB s standard on business combinations, the Company reviewed the contingent earnout liability on a quarterly basis in order to determine its fair value. Changes in the fair value of the liability were recorded within operating expenses in the period in which the change was made.

The following table represents a reconciliation of the change in the fair value measurement of the contingent earnout liability for the three and nine months ended September 30, 2012 and 2011:

	Three Months Ended September 30,	
	2012	**2011**
Beginning balance	$	$ 4,000
Change in fair value of contingent earnout liability		(4,000)
Ending balance	$	$

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

13. Fair Value Measurements (continued)

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Beginning balance	$	$ 10,000
Change in fair value of contingent earnout liability		(10,000)
Ending balance	$	$

The contingent earnout liability was written off during the nine months ended September 30, 2011 due to a decrease in the probability-weighted estimated achievement of InfrastruX s EBITDA targets as set forth in the Merger Agreement.

Hedging Arrangements

The Company attempts to negotiate contracts that provide for payment in U.S. dollars, but it may be required to take all or a portion of payment under a contract in another currency. To mitigate non-U.S. currency exchange risk, the Company seeks to match anticipated non-U.S. currency revenue with expenses in the same currency whenever possible. To the extent it is unable to match non-U.S. currency revenue with expenses in the same currency, the Company may use forward contracts, options or other common hedging techniques in the same non-U.S. currencies. The Company had no derivative financial instruments to hedge currency risk at September 30, 2012 or December 31, 2011.

Interest Rate Swaps

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

The Company currently has two interest rate swap agreements outstanding for a total notional amount of $150,000 in order to hedge changes in the variable rate interest expense on $150,000 of its existing Term Loan and the Revolving Credit Facility LIBOR indexed debt. Under each swap agreement, the Company receives interest at a rate based on the maximum of either three-month LIBOR or 2% and pays interest at a fixed rate of 2.68%, effective March 28, 2012 through June 30, 2014. The swap agreements are designated and qualify as cash flow hedging instruments, with the effective portion of the swaps change in fair value recorded in Other Comprehensive Income (OCI). The interest rate swaps are deemed to be highly effective hedges, and resulted in no gain or loss recorded for hedge ineffectiveness in the Condensed Consolidated Statements of Operations. Amounts in OCI are reported in interest expense when the hedged interest payments on the underlying debt are recognized. The carrying amount and fair value of the swap agreements are equivalent since the Company accounts for these instruments at fair value. The value of the Company s swap agreements are derived from pricing models using inputs based upon market information, including contractual terms, market prices and yield curves. The inputs to the valuation pricing models are observable in the market, and as such are generally classified as Level 2 in the fair value hierarchy. For validation purposes, the swap valuations are periodically compared to those produced by swap counterparties. Amounts of OCI relating to the interest rate swaps expected to be recognized in interest expense in the coming 12 months total $983.

Interest Rate Caps

In September 2010, the Company entered into two interest rate cap agreements for notional amounts of $75,000 each in order to limit its exposure to an increase of the interest rate above 3 percent, effective September 28, 2010 through March 28, 2012. Total premiums of $98 were paid for the interest rate cap agreements. Through June 1, 2011, the cap agreements were designated and qualified as cash flow hedging instruments, with the effective portion of the caps change in fair value recorded in OCI. Amounts in OCI and the premiums paid for the caps were reported in interest expense as the hedged interest payments on the underlying debt were recognized during the period when the caps were designated as cash flow hedges. Through June 1, 2011, the interest rate caps were deemed to be highly effective, resulting in an immaterial amount of hedge ineffectiveness recorded. On June 1, 2011, the caps were de-designated due to the interest rate being fixed on the underlying debt through the remaining term of the caps; changes in the value of the caps subsequent to that date were reported in earnings. The amount reported in earnings for the undesignated interest rate caps for the nine months ended September 30, 2012 and 2011 is immaterial.

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

13. Fair Value Measurements (continued)

	Liability Derivatives			
	September 30, 2012		December 31, 2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate contracts- swaps	Other current liabilities	$ 929	Other current liabilities	$ 671
Interest rate contracts- swaps	Other long-term liabilities	735	Other long-term liabilities	1,173
Interest rate contracts- swaps	Accounts payable and accrued liabilities	65	Accounts payable and accrued liabilities	
Total derivatives		$ 1,729		$ 1,844

For the Three Months Ended September 30,

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Loss Recognized in OCI on Derivative (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion)		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion)	
	2012	2011		2012	2011		2012	2011
Interest rate contracts	$ (59)	$ (731)	Interest expense, net	$ (261)	$ (11)	Interest expense, net	$	$

Total	$ (59)	$ (731)		$ (261)	$ (11)		$	$

For the Nine Months Ended September 30,

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Loss Recognized in OCI on Derivative (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion)		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion)	
	2012	2011		2012	2011		2012	2011
Interest rate contracts	$ (347)	$ (1,850)	Interest expense, net	$ (583)	$ (13)	Interest expense, net	$	$
Total	$ (347)	$ (1,850)		$ (583)	$ (13)		$	$

14. Discontinuance of Operations, Held for Sale Operations and Asset Disposals
Strategic Decisions

In 2010, the Company recognized that its investment in establishing a presence in Libya, while resulting in contract awards, had not yielded any notice to proceed on these awards. As a result, the Company exited this market due to the project delays coupled with the identification of other more attractive opportunities.

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

In October 2011, as part of its ongoing strategic evaluation of operations, the Company approved the sale of InterCon, within the *Utility T&D* segment.

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

14. Discontinuance of Operations, Held for Sale Operations and Asset Disposals (continued)

Nigeria Assets and Nigeria-Based Operations

Litigation and Settlement

On March 29, 2012, the Company and Willbros Global Holdings, Inc., formerly known as Willbros Group, Inc., a Panama corporation (WGHI), which is now a subsidiary of the Company, entered into a settlement agreement (the Settlement Agreement) with West African Gas Pipeline Company Limited (WAPCo) to settle a lawsuit filed against WGHI by WAPCo in 2010 under English law in the London High Court in which WAPCo was seeking $273,650 plus costs and interest. The lawsuit was based upon a parent company guarantee issued by WGHI to WAPCo in connection with a Nigerian project undertaken by a WGHI subsidiary that was later sold to a third party. WAPCo alleged that the third party defaulted in the performance of the project and thereafter brought the lawsuit against WGHI under the parent company guarantee for its claimed losses.

The Settlement Agreement provides that WGHI will make payments to WAPCo over a period of six years totaling $55,500 as follows:

During 2012:

$4,000 on March 31;

$4,000 on June 30;

$4,000 on September 30; and

$2,000 on December 31.

During 2013:

$2,500 on June 30; and

$2,500 on December 31.

During 2014:

$3,750 on June 30; and

$3,750 on December 31.

During 2015:

$4,000 on June 30; and

$4,000 on December 31.

During 2016:

$5,000 on June 30; and

$5,000 on December 31.

During 2017:

$5,500 on June 30; and

$5,500 on December 31.

The Settlement Agreement also provides that the payments due in the years 2015, 2016 and 2017 may be accelerated and become payable in whole or in part in the fourth quarter of 2014 in the event the Company achieves certain metrics (the Acceleration Metrics). The Acceleration Metrics include, among other things, achieving a leverage ratio of debt to EBITDA of 2.25 to 1.00 or less or increasing the Company s overall indebtedness, which accelerates an amount equal to one-half of the increase in indebtedness. The Company recently entered in an Amended and Restated Credit Agreement that increased its overall indebtedness by $60,000. As a result, all of the payments due in years 2015, 2016 and 2017, totaling $29,000, have been accelerated and are now due in the fourth quarter of 2014.

The Company timely paid each of the $4,000 payments that became due on March 31, June 30, and September 30, 2012.

WGI and WGHI are jointly and severally liable for payment of the amount due to WAPCo under the Settlement Agreement. WGHI and WGI are subject to a penalty rate of interest and collection efforts in the London court in the event they fail to meet any of the payments required by the Settlement Agreement. Under the Settlement Agreement, WGHI forgoes any right to pursue third parties related to the Nigerian project unless they first assert a claim against WGHI.

The Company currently has no employees working in Nigeria and does not intend to return to Nigeria.

Business Disposals

In the fourth quarter of 2011, the Company completed the sale of all assets and operations of InterCon, which was determined to be a non-strategic subsidiary within the *Utility T&D* segment. The Company received total compensation of $18,749 in cash and $250

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

14. Discontinuance of Operations, Held for Sale Operations and Asset Disposals (continued)

in the form of an escrow deposit from the buyer, which was paid in full in the fourth quarter of 2012. As a result of this transaction, the Company recorded a loss on sale of $2,381 to discontinued operations, net of tax.

Results of Discontinued Operations

The major classes of revenue and income (losses) with respect to the Discontinued Operations are as follows:

	Three Months Ended September 30, 2012			
	Canada	WAPCo / Other	Libya	Total
Contract revenue	$ 825	$	$	$ 825
Operating income (loss)	852	(39)	(14)	799
Income (loss) before income taxes	854	(39)	(14)	801
Provision for income taxes	12			12
Net income (loss)	$ 842	$ (39)	$ (14)	$ 789

	Three Months Ended September 30, 2011				
	Canada	WAPCo / Other	Libya	InterCon	Total
Contract revenue	$ 27,314	$	$	$ 22,067	$ 49,381
Operating income (loss)	(7,388)	(6,506)	(163)	642	(13,415)
Income (loss) before income taxes	(7,384)	(6,506)	(163)	645	(13,408)
Provision (benefit) for income taxes	(2,924)			232	(2,692)
Net income (loss)	$ (4,460)	$ (6,506)	$ (163)	$ 413	$ (10,716)

	Nine Months Ended September 30, 2012			
	Canada	WAPCo / Other	Libya	Total
Contract revenue	$ 31,588	$	$	$ 31,588
Operating income (loss)	13,340	(4,233)	(14)	9,093
Income (loss) before income taxes	14,409	(1,428)	(14)	12,967
Provision for income taxes	2,503			2,503
Net income (loss)	$ 11,906	$ (1,428)	$ (14)	$ 10,464

	Nine Months Ended September 30, 2011				
	Canada	WAPCo / Other	Libya	InterCon	Total
Contract revenue	$ 119,792	$	$	$ 42,826	$ 162,618
Operating loss	(20,694)	(12,115)	(459)	(2,945)	(36,213)
Loss before income taxes	(20,385)	(12,115)	(459)	(2,945)	(35,904)
Benefit for income taxes	(6,973)			(1,049)	(8,022)
Net loss	$ (13,412)	$ (12,115)	$ (459)	$ (1,896)	$ (27,882)

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

14. Discontinuance of Operations, Held for Sale Operations and Asset Disposals (continued)

Condensed balance sheets with respect to the Discontinued Operations are as follows:

	September 30, 2012			
	Canada	WAPCo / Other	Libya	Total
Total assets	$	$	$	$
Total liabilities		43,500		43,500
Net liabilities of discontinued operations	$	$ (43,500)	$	$ (43,500)

	December 31, 2011			
	Canada	WAPCo / Other	Libya	Total
Total assets	$ 27,917	$ 1	$ 90	$ 28,008
Total liabilities	11,782	57,715	(7)	69,490
Net assets (liabilities) of discontinued operations	$ 16,135	$ (57,714)	$ 97	$ (41,482)

15. Condensed Consolidating Guarantor Financial Statements

Willbros Group, Inc. (the Parent) and its 100% owned U.S. subsidiaries (the Guarantors) may fully and unconditionally guarantee, on a joint and several basis, the obligations of the Company under debt securities registered under a universal shelf registration statement on Form S-3 filed by the Company with the SEC. As of September 30, 2012, none of these debt securities have been issued. There are currently no restrictions on the ability of the Guarantors to transfer funds to the Parent in the form of cash dividends or advances. Condensed consolidating financial information for a) the Parent, b) the Guarantors and c) all other direct and indirect subsidiaries (the Non-Guarantors) as of September 30, 2012 and December 31, 2011 and for each of the three months and nine months ended September 30, 2012 and 2011 follows.

The Company revised its condensed consolidating statement of cash flows for the period ended September 30, 2011 to correct the form and content of the condensed presentation in accordance with S-X Rule 3-10 and Rule 10-01. The revision was made to show individual cash changes from investing and financing activities within the condensed consolidating statement of cash flows. This revision did not impact the previously reported total amounts for investing and financing activities within the parent, guarantor and non-guarantor columns and did not impact the consolidated financial statements.

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

15. Condensed Consolidating Guarantor Financial Statements (continued)

CONDENSED CONSOLIDATING BALANCE SHEET

	September 30, 2012				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 237	$ 6,769	$ 8,902	$	$ 15,908
Accounts receivable, net		380,928	56,117		437,045
Contract cost and recognized income not yet billed		92,636	12,652		105,288
Prepaid expenses and other assets	3,901	57,677	1,654	(16,337)	46,895
Parts and supplies inventories		6,366	5,029		11,395
Deferred income taxes	2,612		2,887	(2,337)	3,162
Receivables from affiliated companies	138,185	47,766		(185,951)	
Total current assets	144,935	592,142	87,241	(204,625)	619,693
Property, plant and equipment, net		129,628	21,003		150,631
Goodwill		8,067			8,067
Other intangible assets, net		168,397			168,397
Deferred income taxes	103,529		2,144	(105,673)	
Investment in subsidiaries	23,737			(23,737)	
Other assets	43	27,899	457		28,399
Total assets	$ 272,244	$ 926,133	$ 110,845	$ (334,035)	$ 975,187
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Accounts payable and accrued liabilities	$ 668	$ 323,663	$ 44,639	$	$ 368,970
Contract billings in excess of cost and recognized income		30,629	1,135		31,764
Current portion of capital lease obligations		1,823	(4)		1,819
Notes payable and current portion of long-term debt	32,050	13,215			45,265
Current portion of settlement obligation of discontinued operations			4,500		4,500
Accrued income taxes	18,692		5,685	(16,337)	8,040
Other current liabilities		2,738	4,681	(2,337)	5,082
Payables to affiliated companies		58,738	127,213	(185,951)	
Total current liabilities	51,410	430,806	187,849	(204,625)	465,440
Long-term debt		207,569			207,569

Capital lease obligations		2,554	(2)		2,552
Long-term portion of settlement obligation of discontinued operations			39,000		39,000
Long-term liabilities for unrecognized tax benefits	1,928		2,590		4,518
Deferred income taxes		105,095	3,139	(105,673)	2,561
Other long-term liabilities		34,420	221		34,641
Total liabilities	53,338	780,444	232,797	(310,298)	756,281
Stockholders equity:					
Total stockholders equity	218,906	145,689	(121,952)	(23,737)	218,906
Total liabilities and stockholders equity	$ 272,244	$ 926,133	$ 110,845	$ (334,035)	$ 975,187

28

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

15. Condensed Consolidating Guarantor Financial Statements (continued)

CONDENSED CONSOLIDATING BALANCE SHEET

	December 31, 2011				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 188	$ 27,885	$ 30,613	$	$ 58,686
Accounts receivable, net	109	249,126	52,280		301,515
Contract cost and recognized income not yet billed		36,443	647		37,090
Prepaid expenses and other assets	14,960	21,094	7,502	(427)	43,129
Parts and supplies inventories		7,553	4,340		11,893
Deferred income taxes	3,001	8,351	(1,156)	(8,351)	1,845
Assets held for sale			32,758		32,758
Receivables from affiliated companies	444,106	77,068		(521,174)	
Total current assets	462,364	427,520	126,984	(529,952)	486,916
Property, plant and equipment, net		147,969	18,506		166,475
Goodwill		8,067			8,067
Other intangible assets, net		179,916			179,916
Deferred income taxes	103,326		33	(103,359)	
Investment in subsidiaries	29,860			(29,860)	
Other assets	189	19,519	689		20,397
Total assets	$ 595,739	$ 782,991	$ 146,212	$ (663,171)	$ 861,771
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Accounts payable and accrued liabilities	$ 57	$ 195,087	$ 26,413	$	$ 221,557
Contract billings in excess of cost and recognized income		16,145	1,855		18,000
Current portion of capital lease obligations		2,822	(4)		2,818
Notes payable and current portion of long-term debt	32,050			(427)	31,623
Current portion of settlement obligation of discontinued operations			14,000		14,000
Accrued income taxes	11,325		2,009	(8,351)	4,983
Liabilities held for sale			13,990		13,990
Other current liabilities	207	1,105	6,163		7,475
Payables to affiliated companies	318,683	37,039	165,452	(521,174)	

Total current liabilities	362,322	252,198	229,878	(529,952)	314,446
Long-term debt		230,707			230,707
Capital lease obligations		3,648	(2)		3,646
Long-term portion of settlement obligation of discontinued operations			41,500		41,500
Contingent earnout					
Long-term liabilities for unrecognized tax benefits	1,839		2,191		4,030
Deferred income taxes		105,095	1,258	(103,359)	2,994
Other long-term liabilities		31,934	936		32,870
Total liabilities	364,161	623,582	275,761	(633,311)	630,193
Stockholders equity:					
Total stockholders equity	231,578	159,409	(129,549)	(29,860)	231,578
Total liabilities and stockholders equity	$ 595,739	$ 782,991	$ 146,212	$ (663,171)	$ 861,771

29

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

15. Condensed Consolidating Guarantor Financial Statements (continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

	Three Months Ended September 30, 2012				
	Parent	**Guarantors**	**Non-Guarantors**	**Eliminations**	**Consolidated**
Contract revenue	$	$ 513,761	$ 75,160	$	$ 588,921
Operating expenses:					
Contract		468,198	70,196		538,394
Amortization of intangibles		3,913			3,913
General and administrative	1,207	35,563	2,329		39,099
Other charges		33			33
Operating income (loss)	(1,207)	6,054	2,635		7,482
Other income (expense):					
Equity in income (loss) of consolidated subsidiaries	1,687		(273)	(1,414)	
Interest expense, net	(564)	(5,961)	43		(6,482)
Loss on early extinguishment of debt					
Other, net		(101)	59		(42)
Income (loss) from continuing operations before income taxes	(84)	(8)	2,464	(1,414)	958
Provision (benefit) for income taxes	(546)		1,558		1,012
Income (loss) from continuing operations	462	(8)	906	(1,414)	(54)
Income from discontinued operations net of benefit for income taxes			789		789
Net income (loss)	462	(8)	1,695	(1,414)	735
Less: Income attributable to noncontrolling interest				(273)	(273)
Net income (loss) attributable to Willbros Group, Inc.	$ 462	$ (8)	$ 1,695	$ (1,687)	$ 462

30

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

15. Condensed Consolidating Guarantor Financial Statements (continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

	Three Months Ended September 30, 2011				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Contract revenue	$	$ 383,425	$ 60,611	$	$ 444,036
Operating expenses:					
Contract		353,415	42,371		395,786
Amortization of intangibles		3,918			3,918
General and administrative	5,595	21,385	4,172		31,152
Goodwill impairment		143,543			143,543
Changes in fair value of contingent earnout		(4,000)			(4,000)
Operating income (loss)	(5,595)	(134,836)	14,068		(126,363)
Other income (expense):					
Equity in income (loss) of consolidated subsidiaries	(158,245)		(296)	158,541	
Interest expense, net	(536)	(10,530)	37		(11,029)
Other, net	(212)	(98)	46		(264)
Income (loss) from continuing operations before income taxes	(164,588)	(145,464)	13,855	158,541	(137,656)
Provision (benefit) for income taxes	(32,289)	11,553	4,367		(16,369)
Income (loss) from continuing operations	(132,299)	(157,017)	9,488	158,541	(121,287)
Loss from discontinued operations net of provision (benefit) for income taxes		(105)	(10,611)		(10,716)
Net income (loss)	(132,299)	(157,122)	(1,123)	158,541	(132,003)
Less: Income attributable to noncontrolling interest				(296)	(296)
Net income (loss) attributable to Willbros Group, Inc.	$ (132,299)	$ (157,122)	$ (1,123)	$ 158,245	$ (132,299)

31

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

15. Condensed Consolidating Guarantor Financial Statements (continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

	Nine Months Ended September 30, 2012				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Contract revenue	$	$ 1,317,650	$ 189,555	$	$ 1,507,205
Operating expenses:					
Contract		1,200,653	179,980		1,380,633
Amortization of intangibles		11,645			11,645
General and administrative	2,760	101,950	7,324		112,034
Other charges		169			169
Operating income (loss)	(2,760)	3,233	2,251		2,724
Other income (expense):					
Equity in income (loss) of consolidated subsidiaries	(6,123)		(945)	7,068	
Interest income (expense), net	(1,692)	(19,875)	67		(21,500)
Loss on early extinguishment of debt		(3,405)			(3,405)
Other, net	2,892	(1,630)	(1,545)		(283)
Income (loss) from continuing operations before income taxes	(7,683)	(21,677)	(172)	7,068	(22,464)
Provision (benefit) for income taxes	9,199	(7,957)	2,695		3,937
Income (loss) from continuing operations	(16,882)	(13,720)	(2,867)	7,068	(26,401)
Income from discontinued operations net of benefit for income taxes			10,464		10,464
Net income (loss)	(16,882)	(13,720)	7,597	7,068	(15,937)
Less: Income attributable to noncontrolling interest				(945)	(945)
Net income (loss) attributable to Willbros Group, Inc.	$ (16,882)	$ (13,720)	$ 7,597	$ 6,123	$ (16,882)

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

15. Condensed Consolidating Guarantor Financial Statements (continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

	Nine Months Ended September 30, 2011				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Contract revenue	$	$ 1,043,068	$ 167,431	$	$ 1,210,499
Operating expenses:					
Contract		947,403	148,789		1,096,192
Amortization of intangibles		11,752			11,752
General and administrative	16,855	71,263	11,305		99,423
Settlement of project dispute		8,236			8,236
Goodwill impairment		143,543			143,543
Changes in fair value of contingent earnout		(10,000)			(10,000)
Other charges		87			87
Operating income (loss)	(16,855)	(129,216)	7,337		(138,734)
Other income (expense):					
Equity in income (loss) of consolidated subsidiaries	(204,990)		(878)	205,868	
Interest expense, net	(2,672)	(33,703)	100		(36,275)
Loss on early extinguishment of debt		(4,124)			(4,124)
Other, net	(136)	(4,243)	4,095		(284)
Income (loss) from continuing operations before income taxes	(224,653)	(171,286)	10,654	205,868	(179,417)
Provision (benefit) for income taxes	(45,003)	13,239	3,237		(28,527)
Income (loss) from continuing operations	(179,650)	(184,525)	7,417	205,868	(150,890)
Loss from discontinued operations net of provision (benefit) for income taxes		(2,414)	(25,468)		(27,882)
Net income (loss)	(179,650)	(186,939)	(18,051)	205,868	(178,772)
Less: Income attributable to noncontrolling interest				(878)	(878)
Net income (loss) attributable to Willbros Group, Inc.	$ (179,650)	$ (186,939)	$ (18,051)	$ 204,990	$ (179,650)

33

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

15. Condensed Consolidating Guarantor Financial Statements (continued)

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended September 30, 2012				
	Parent	Guarantors	Non - Guarantors	Eliminations	Consolidated
Net income (loss)	$ 462	$ (8)	$ 1,695	$ (1,414)	$ 735
Other comprehensive income (loss), net of tax					
Foreign currency translation adjustments	423		423	(423)	423
Changes in derivative financial instruments		198			198