

Willbros Group, Inc.\NEW\  
Form 10-K  
April 09, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

(Mark One)

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

**For the fiscal year ended December 31, 2011**

**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**  
(State or other jurisdiction of

**30-0513080**  
(I.R.S. Employer

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incorporation or organization)

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	<u>Name of each exchange on which registered</u>
Common Stock, \$.05 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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

The aggregate market value of the Registrant's Common Stock held by non-affiliates of the Registrant on the last business day of the Registrant's most recently completed second fiscal quarter (based on the closing sales price on the New York Stock Exchange on June 30, 2011) was \$343,716,682.

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The number of shares of the Registrant's Common Stock outstanding at April 2, 2012 was 49,014,123.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's 2012 Proxy Statement for the Annual Meeting of Stockholders to be held on May 23, 2012 are incorporated by reference into Part III of this Form 10-K.

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**WILLBROS GROUP, INC.**

**FORM 10-K**

**YEAR ENDED DECEMBER 31, 2011**

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**FORWARD-LOOKING STATEMENTS**

This Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this Form 10-K that address activities, events or developments which we expect or anticipate will or may occur in the future, including such things as future capital expenditures (including the amount and nature thereof), oil, gas, gas liquids and power prices, demand for our services, the amount and nature of future investments by governments, expansion and other development trends of the oil and gas, refinery, petrochemical and power industries, business strategy, expansion and growth of our business and operations, the outcome of government investigations and legal proceedings and other such matters are forward-looking statements. These forward-looking statements are based on assumptions and analyses we made in light of our experience and our perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate under the circumstances. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties. As a result, actual results could differ materially from our expectations. Factors that could cause actual results to differ from those contemplated by our forward-looking statements include, but are not limited to, the following:

curtailment of capital expenditures and the unavailability of project funding in the oil and gas, refinery, petrochemical and power industries;

increased capacity and decreased demand for our services in the more competitive industry segments that we serve;

reduced creditworthiness of our customer base and higher risk of non-payment of receivables;

inability to lower our cost structure to remain competitive in the market or to achieve anticipated operating margins;

inability of the energy service sector to reduce costs in the short term to a level where our customers' project economics support a reasonable level of development work;

inability to predict the timing of an increase in energy sector capital spending, which results in staffing below the level required when the market fully recovers;

reduction of services to existing and prospective clients as they bring historically out-sourced services back in-house to preserve intellectual capital and minimize layoffs;

the consequences we may encounter if we violate the Foreign Corrupt Practices Act (the "FCPA") or other anti-corruption laws in view of the 2008 final settlements with the Department of Justice ("DOJ") and the Securities and Exchange Commission ("SEC") in which we admitted prior FCPA violations, including the imposition of civil or criminal fines, penalties, enhanced monitoring arrangements, or other sanctions that might be imposed;

the commencement by foreign governmental authorities of investigations into the actions of our current and former employees, and the determination that such actions constituted violations of foreign law;

the consequences we may encounter if we are unable to make payments required of us pursuant to our settlement agreement of the West African Gas Pipeline Company Limited lawsuit;

the dishonesty of employees and/or other representatives or their refusal to abide by applicable laws and our established policies and rules;

adverse weather conditions not anticipated in bids and estimates;

project cost overruns, unforeseen schedule delays and the application of liquidated damages;

the occurrence during the course of our operations of accidents and injuries to our personnel, as well as to third parties, that negatively affect our safety record, which is a factor used by many clients to pre-qualify and otherwise award work to contractors in our industry;

cancellation of projects, in whole or in part, for any reason;

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failing to realize cost recoveries on claims or change orders from projects completed or in progress within a reasonable period after completion of the relevant project;

political or social circumstances impeding the progress of our work and increasing the cost of performance;

inability to obtain and maintain legal registration status in one or more foreign countries in which we are seeking to do business;

failure to obtain the timely award of one or more projects;

inability to hire and retain sufficient skilled labor to execute our current work, our work in backlog and future work we have not yet been awarded;

inability to execute cost-reimbursable projects within the target cost, thus eroding contract margin and, potentially, contract income on any such project;

inability to obtain sufficient surety bonds or letters of credit;

inability to obtain adequate financing;

loss of the services of key management personnel;

the demand for energy moderating or diminishing;

downturns in general economic, market or business conditions in our target markets;

changes in and interpretation of U.S. and foreign tax laws that impact our worldwide provision for income taxes and effective income tax rate;

changes in applicable laws or regulations, or changed interpretations thereof, including climate change regulation;

changes in the scope of our expected insurance coverage;

inability to manage insurable risk at an affordable cost;

enforceable claims for which we are not fully insured;

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incurrence of insurable claims in excess of our insurance coverage;

the occurrence of the risk factors listed elsewhere in this Form 10-K or described in our periodic filings with the SEC; and

other factors, most of which are beyond our control.

Consequently, all of the forward-looking statements made in this Form 10-K are qualified by these cautionary statements and there can be no assurance that the actual results or developments we anticipate will be realized or, even if substantially realized, that they will have the consequences for, or effects on, our business or operations that we anticipate today. We assume no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

Unless the context requires or is otherwise noted, all references in this Form 10-K to Willbros, the Company, we, us and our refer to Willbros Group, Inc., its consolidated subsidiaries and their predecessors. Unless the context requires or is otherwise noted, all references in this Form 10-K to dollar amounts, except share and per share amounts, are expressed in thousands.

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### **PART I**

#### **Items 1 and 2. Business and Properties**

##### **General**

Willbros is a full service engineering and construction ( E&C ) company specializing in energy infrastructure serving the oil and gas and power industries. Our services include engineering, procurement and construction (individually or as an integrated engineering, procurement and construction ( EPC ) offering), project management, maintenance and lifecycle extension services. We believe our long experience and expertise in the planning and execution of projects differentiates us from our competitors and provides us with competitive advantages in the markets we serve. Our engineering and project management capabilities position us for early involvement in projects and support our EPC service offering. Our maintenance capabilities provide us the opportunity to participate in the full life cycle of projects, many of which have design lives of more than 25 years.

The Willbros corporate structure is designed to comply with jurisdictional and registration requirements and to minimize worldwide taxes. Subsidiaries may be formed in specific work countries where such subsidiaries are necessary or useful to comply with local laws or tax objectives.

##### **Company Information**

We maintain our headquarters at 4400 Post Oak Parkway, Suite 1000, Houston, TX 77027; our telephone number is 713-403-8000. Our public website is <http://www.willbros.com>. We make available free of charge through our website via a link to Edgar Online, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our common stock is traded on the New York Stock Exchange under the symbol **WG** .

In addition, we currently make available on our website annual reports to stockholders. You will need to have the Adobe Acrobat Reader software on your computer to view these documents which are in the .PDF format. A link to Adobe Systems Incorporated's website is provided to assist with obtaining this software.

The information contained on our website, or available by hyperlink from our website, is not incorporated into this Form 10-K or other documents we file with, or furnish to, the SEC. We intend to use our website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Such disclosures will be included on our website in the Investor Relations sections. Accordingly, investors should monitor such portions of our website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

##### **Business Segments**

In 2011, we operated through three business segments: *Upstream Oil & Gas*, *Downstream Oil & Gas* and *Utility Transmission and Distribution ( Utility T&D )*, primarily in the United States, Canada and Oman. In January 2012, we changed our organization to manage the Company more effectively and going forward, we will report operating results by the following three segments: *Oil & Gas*, *Utility T&D* and *Canada*. We believe this new structure will enable us to focus our best management talent on the most meaningful opportunities for improvement and growth. Our 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. Management evaluates the performance of each operating segment based on operating income. To support our segments we have a focused corporate operation led by our 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.

Through our business segments we have been employed by more than 400 clients to carry out work in over 60 countries. These segments currently operate primarily in the United States, Canada and Oman. Within the past 10 years, we have worked in Asia, Europe, North America, the Middle East, Africa, and South America. Private sector clients have historically accounted for the majority of our revenue. Governmental entities and agencies have accounted for the remainder. In 2011, one client, Oncor, was responsible for 14.7 percent of our consolidated revenue. In 2010, one client, Fayetteville Express Pipeline LLC., was responsible for 16.9 percent of our consolidated revenue. Lastly, in 2009, two clients, Natural Gas Pipeline of America and Energy Transfer were responsible for 23.7 percent and 14.1 percent, respectively, of our consolidated revenue.

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See Note 15 – Segment Information in Item 8 of this Form 10-K for more information on our operating segments and our continuing operations contract revenue by geographic region.

### *Upstream Oil & Gas*

We focus on providing our customers the services they want in the geographies they want. Our core services are built on decades of experience in the design, construction, and maintenance of hydrocarbon transportation systems. Our history of executing large and complex pipeline projects has positioned us to

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participate in growing markets relative to pipeline integrity management and maintenance as well as in the smaller gathering and processing systems needed to support the extensive oil and gas drilling activity in North America. We believe that these service offerings, combined with our industry experience in large oil and gas infrastructure projects, allow us to meet our customers' needs for safety, quality, schedule certainty, and local presence at a competitive price.

Over the past two years we have worked diligently to expand our geographic footprint to align our regional service delivery with the oil and gas exploration taking place in the United States. We are applying our core strengths of the engineering, construction and maintenance of oil and gas infrastructure projects to the multiple services needed in drilling support and field gathering/processing systems. This approach leverages our experience and allows us to utilize it in new ways. We now have 17 offices in the United States, from which we offer the market a full range of infrastructure design, construction and maintenance services to support expanding exploration and production. These regional offices also provide us with broader exposure to existing and new clients and position us to expand the services we offer.

### *Pipeline Construction*

Our earliest success was attributed to the focus and execution of upstream infrastructure projects and that capability remains today. In building over 124,000 miles of transmission pipelines in our history we believe we have established ourselves as one of the premier pipeline construction firms in North America. With the expansion of the shale exploration in the United States the demand for pipeline construction has shifted. No longer driven by large diameter long distance projects to deliver natural gas to the eastern corridor, the demand has shifted to expanding existing infrastructure capacity as well as building new take-away capacity from the shale regions to the existing systems. While the projects may not be as large, they are plentiful and still require the technical excellence that we believe we have built over our 100 year history.

### *Facilities Construction*

Companies in the hydrocarbon value chain require various facilities in the course of producing, processing, storing and moving oil, gas, refined products and chemicals. We are experienced in and capable of constructing facilities such as pump stations, flow stations, gas processing facilities, gas compressor stations and metering stations. We provide a full range of services for the engineering, design, procurement and construction of processing, pumping, compression and metering facilities. We are focused on building these facilities in the North American oil and gas market. The construction of station facilities, while not as capital-intensive as pipeline construction, is generally characterized by complex logistics and scheduling, particularly on projects in locations where seasonal weather patterns limit construction options. Our capabilities have been enhanced by our experience in dealing with such challenges on numerous projects in all climatic conditions.

### *Engineering Services*

We specialize in providing engineering services to assist clients in designing, engineering and constructing or expanding pipeline systems, compressor stations, pump stations, fuel storage facilities and field gathering and production facilities. We have developed expertise in addressing the unique engineering challenges involved with pipeline systems and associated facilities. Our expertise extends to the engineering of a wide range of project peripherals, including various types of support buildings and utility systems, power generation and electrical transmission, communications systems, fire protection, water and sewage treatment, water transmission, roads and railroad sidings.

Our services include:

project development, conceptual design, front-end engineering and feasibility studies;

project engineering services;

definitive design and drafting services;

project management, estimating, scheduling and controls;

turnkey EPC arrangements;

field engineering and construction liaison services;

material and services procurement;

planning and management of integrity and maintenance programs; and

topographic, hydrographic and engineering as-built surveying, including the establishment of rights-of-way for public utilities and industrial uses.

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These services are furnished to a number of oil, gas, and pipeline transportation clients on a stand-alone basis, as well as part of EPC contracts undertaken by us.

### *Pipeline Integrity Testing, Management & Maintenance*

In addition to capital projects, we also offer our considerable upstream infrastructure construction expertise to our clients through our management and maintenance offerings. This allows us to support our clients with our EPC, engineering, procurement or construction capabilities on a recurring basis through alliance agreements whereby we will be the provider of program development, project management, design, engineering, geographic information systems ( GIS ), integrity and maintenance services with respect to existing pipeline systems. In 2009, we entered into our most significant alliance agreement with NiSource Gas Transmission & Storage ( NGT&S ), a unit of NiSource Inc. We believe this form of alliance, which includes participation in the development of the annual NGT&S capital, maintenance, GIS and integrity programs, will yield significant benefits to both parties and serve as a model for future work, much of which is currently performed by our customers.

### *EPC Services*

EPC projects often yield profit margins on the engineering and construction components consistent with stand-alone contracts for similar services; however, the benefits from performing EPC projects include the incremental income associated with project management and the income associated with the procurement component of the contract. Both of these income generating activities are relatively low risk compared with the construction aspect of the project. In performing EPC contracts, we participate in numerous aspects of a project and are, therefore, able to improve the efficiency of the design, permitting, procurement and construction sequence for a project in connection with making engineering and constructability decisions. EPC contracts enable us to deploy our resources more efficiently and capture those efficiencies in the form of improved margins on the engineering and construction components of these projects, at the same time optimizing the overall project solution and execution for the client. While EPC contracts carry lower margins for the procurement component, the increased control over all aspects of the project, coupled with competitive market margins for engineering and construction portions makes these types of contracts attractive to us and, we believe, to our customers.

### *Fabrication*

Fabrication services can be a more efficient means of delivering engineered, process or production equipment with improved schedule certainty and quality. We provide fabrication services and are capable of fabricating such diverse deliverables as process modules, station headers, valve stations and flare pipes and tips. We currently operate fabrication facilities in Tulsa, Oklahoma and Alberta, Canada. Our Tulsa based fabrication is capable of supporting our efforts in both the upstream and downstream oil and gas markets. In Canada our facilities enable us to provide process modules and other fabricated assemblies to the oil sands market in northern Alberta. In addition, our fabrication facility in Edmonton applies chromium carbide overlay, a process which increases the wear life of pipe used in transporting the bitumen and sand slurry.

### *Downstream Oil & Gas*

We provide integrated, full-service specialty construction, turnaround, repair and maintenance services, including EPC services, to the downstream energy infrastructure market, which consists primarily of major integrated oil companies, independent refineries, product terminals and petrochemical companies. We provide these services primarily in the United States; however, our experience includes international projects. Our principal services include:

construction, maintenance and turnaround services for downstream facilities, including revamp/reconditioning of fluid catalytic cracking ( FCC ) units, one of the main process units in a refinery, which have three to five year required maintenance intervals in order to maintain production efficiency;

tank services for construction, maintenance or repair of petroleum storage tanks, typically located at pipeline terminals and refineries;

multi-disciplinary engineering services to clients in the petroleum refining, chemicals and petrochemicals and oil and gas industries; and

EPC services through program management and EPC project services.

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### *Construction, Maintenance and Turnaround Services*

When performing a construction and maintenance project as part of a refinery turnaround, detailed planning and execution is imperative in order to minimize the length of the outage, which can cost owners millions of dollars in downtime. Our experience includes successful turnaround execution on the largest, most complex FCC units. Our record in providing a construction-driven approach with attention to planning, scheduling and safety places us at the forefront of qualified bidders in North America for work on FCC units and qualifies us for most turnaround projects of interest. These services include refractory services, furnace re-tube and revamp projects, stainless and alloy welding services and heavy rigging and equipment setting. The skills and experience gained from our turnaround performance is complementary to our construction services for new units, expansions and revamp projects. In 2011 we opened an office in the Houston Ship Channel area to penetrate the Gulf Coast market which we believe will represent a significant opportunity for small capital projects and maintenance services.

### *Tank Services*

We provide services to the above-ground storage tank industry. Our capabilities include: American Petroleum Institute ( API ) compliant tank maintenance and repair; floating roof seals; floating roof installations and repairs; secondary containment bottoms, cone roof and structure replacements; and new API compliant aboveground storage tanks. We provide these services as stand-alone or in combination, including EPC solutions.

### *Engineering Services*

We provide project management, engineering and material procurement services to the refining industries and government agencies, including chemical/process, mechanical, civil, structural, electrical, instrumentation/controls and environmental through our subsidiary, Wink Companies, LLC ( Wink ). We provide our engineering services through resources located at the project site or at our offices in Louisiana.

Our comprehensive services include:

project development, conceptual design, front-end engineering and feasibility studies;

project engineering services;

definitive design and drafting services;

project management, estimating, scheduling and controls;

turnkey EPC arrangements;

field engineering and construction liaison services;

material and services procurement;

planning and management of integrity and maintenance programs; and

topographic, hydrographic and engineering as-built surveying, including the establishment of rights-of-way for public utilities and industrial uses.

These services are furnished to a number of oil, gas, power, government and refinery clients on a stand-alone basis, as well as part of EPC contracts undertaken by us.

*EPC Services*

The refining and process industries strive to minimize costs through operating efficiencies and hiring experienced process engineering as needed. It is often more cost effective to engage a contractor to oversee and manage the planning, engineering, procurement, installation and commissioning of new capacity additions, revamps or new process units to support the need to meet new refining or manufacturing specifications. Our experience and capability covers the breadth of all process units in a refinery allowing us to offer clients a single source solution for expansion and revamp programs. We seek to do this in the most efficient, competitive manner and supply both our own personnel and supplemental services of other contractors as needed.

*Utility T&D*

We provide a wide range of services in electric and natural gas transmission and distribution, including comprehensive maintenance and construction, repair and restoration of utility infrastructure.

*Electric Power T&D Services*

We provide a broad spectrum of overhead and underground electric power transmission and distribution ( T&D ) services, from the maintenance and construction of high-voltage transmission lines to the installation of local service lines and meters.

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### *Electric Power Transmission and Substation*

We maintain and construct overhead and underground transmission lines up to 500-kV. Overhead transmission services include the installation, maintenance and repair of transmission structures involving wood, concrete, steel pole and steel lattice tower configurations. Underground transmission services include the installation and maintenance of underground transmission cable and its associated duct, conduit and manhole systems. Electric power transmission also includes substation services, which involve the maintenance, construction, expansion, calibration and testing of electric power substations and components. We subcontract related electric power design and engineering work if required.

### *Electric Power Distribution*

We maintain, construct and upgrade underground and overhead electric power distribution lines from 34.5-kV to household voltage levels. Our services encompass all facets of electric power distribution systems, including primary and secondary voltage cables, wood and steel poles, transformers, switchgear, capacitors, underground duct, manhole systems, residential and commercial and electric meter installation.

### *Emergency Storm Response*

Our nationwide emergency storm response capabilities span both electric power transmission and distribution systems. We provide storm response services for our existing customers ( on-system ) as well as customers with which we have no ongoing Master Service Agreement ( MSA ) relationships ( off-system ). Typically with little notice, our crews deploy nationally in response to hurricanes, ice storms, tornadoes, floods and other natural disasters which damage critical electric T&D infrastructure. Some notable examples of major emergency storm response deployments include the rebuilding of electric power distribution systems damaged by Hurricane Katrina in Louisiana, Hurricane Ike in Texas and ice storms in New England.

### *Cable Restoration and Assessment*

In the U.S. and internationally, we offer two complementary services to utilities and industrial companies for the restoration of electrical power cables and the condition assessment of electrical cable systems:

CableCURE<sup>®</sup> is a proprietary process for the restoration of aged electric power cables. Using the process, we inject silicone-based CableCURE<sup>®</sup> fluid into electrical cables at a transformer or other termination point while the lines remain energized. The fluid extends the life of electric power cables by creating a barrier to moisture and repairs and prevents damage caused by water.

CableWISE<sup>®</sup> is a proprietary, non-destructive online electrical system-condition assessment process that enables electric power utilities and a wide range of commercial and industrial facilities to evaluate the condition of cable systems, transformers and switchgear. We hold the patent and trademark to CableWISE<sup>®</sup>.

### *Natural Gas T&D Services*

We provide a full spectrum of natural gas T&D services, from the maintenance and construction of large diameter transmission pipelines through the installation of residential natural gas service.

### *Natural Gas Distribution Pipeline*

We construct, maintain and upgrade natural gas distribution pipelines. Our services include trenching, transporting, welding or fusing and laying pipe, post-construction integrity testing, site restoration and meter setting.

### *Specialty Services*

We also provide other specialty services to customers nationwide. These services include:

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*Utility-line Locating.* Our crews locate underground electric power, gas, telecom, water, cable and sewer utilities prior to excavation. Our locating services sometimes require a physical visit to the location whereby our employees will locate and mark utility infrastructure. In other cases we are able to provide the excavating party a clearance to dig without having to physically visit the location.

*Stray Voltage and Gas Leak Detection.* Our crews test for stray voltage and gas leaks in areas where these problems are suspected. Stray voltage typically arises through a failure to properly ground electrical equipment and may result in injury to the public. Similarly, gas leaks often occur as a result of the deterioration of gas distribution infrastructure.

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*Telecommunications.* Our crews install and maintain overhead and underground telecommunications infrastructure, including conventional telephone cables, fiber optic installation cables, fiber to the premises (commonly referred to as FTTP), cellular towers, broadband-over-powerline and cable television lines.

### **Our Vision**

We continue to believe that long-term fundamentals support increasing demand for our services and substantiate our vision for Willbros to be a multi-billion dollar engineering and construction company with a diversified revenue stream, stable and predictable results, and high growth opportunities.

To accomplish this, we are actively working towards achieving the following objectives:

Diversifying geographically to broaden our regional presence and our exposure to customers who demand local service providers;

Increasing professional services (project/program management, engineering, design, procurement and logistics) capabilities to minimize cyclical and risk associated with large capital projects in favor of recurring service work;

Managing our resources to mitigate the seasonality of our business model;

Positioning Willbros as a service provider and employer of choice;

Developing long-term client partnerships and alliances by focusing team driven sales efforts on key clients and exceeding performance expectations at competitive prices; and

Establishing industry best practices, particularly for safety and performance.

### **Our Values**

We believe the values we adhere to as an organization shape the relationships and performance of our company. We are committed to strong Leadership across the organization to achieve Excellence, Accountability and Compliance in everything we do, recognizing that Compliance is the catalyst for successfully applying all of our values. Our core values are:

**Safety** always perform safely for the protection of our people and our stakeholders;

**Honesty & Integrity** always do the right thing;

**Our People** respect and care for their well being and development; maintain an atmosphere of trust, empowerment and teamwork; ensure the best people are in the right position;

**Our Customers** understand their needs and develop responsive solutions; promote mutually beneficial relationships and deliver a good job on time;

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Superior Financial Performance deliver earnings per share and cash flow and maintain a balance sheet which places us at the forefront of our peer group;

Vision & Innovation understand the drivers of our business environment; promote constant curiosity, imagination and creativity about our business and opportunities; seek continuous improvement; and

Effective Communications present a clear, consistent and accurate message to our people, our customers and the public.

We believe that adhering to and living these values will result in a high performance organization which can differentiate itself and compete effectively, providing incremental value to our customers, our employees and all our stakeholders.

### **Our Strategy**

We work diligently to apply these values every day and use them to guide us in the development and execution of our strategy which we believe will increase stockholder value by leveraging the full resources and core competencies of an integrated Willbros business platform. Key elements of our strategy are as follows:

#### ***Stabilize the Revenue Stream with Recurring Services***

We believe increasing the level of revenue generated by recurring services will make our business model more predictable and allow us to reduce our dependence on large capital projects which are more cyclical in nature.

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### ***Focus on Managing Risk***

We have implemented a core set of business conduct practices and policies that have fundamentally improved our risk profile including diversifying our service offerings and end markets to reduce market specific exposure, and focusing on contract execution risk starting with our opportunity review process and ending at job completion.

### ***Maintain Financial Flexibility***

Maintaining the financial flexibility to meet the material, equipment and personnel needs to support our project commitments, as well as the ability to pursue our expansion and diversification objectives, is critical to our performance and growth.

### ***Leverage Core Service Expertise into Additional Full EPC Contracts***

Our core expertise and service offerings allow us to provide our customers with a single source EPC solution which creates greater efficiencies and benefits both our customers and our company. We believe our *Upstream Oil & Gas* EPC and our *Downstream Oil & Gas* EPC, which are focused on small to mid-sized capital projects, are relatively unique in our respective markets, providing us with a competitive advantage in providing these services. In performing integrated EPC contracts, we often perform front-end engineering and design services while establishing ourselves as overall project managers from the earliest stages of project inception and are, therefore, able to improve the efficiency of the design, permitting, procurement and construction sequence for a project in connection with making engineering decisions. Our customers benefit from a more seamless execution; while for us, these contracts often yield consistent profit margins on the engineering and construction components of the contract compared to stand-alone contracts for similar services. Additionally, this contract structure allows us to deploy our resources more efficiently and capture the engineering, procurement and construction components of these projects. .

### **Backlog**

For information regarding our backlog, see Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Other Financial Measures Backlog included in this Form 10-K.

### **Competition**

We operate in a highly competitive environment. We compete against companies that have financial and other resources substantially in excess of those available to us. In certain markets, we compete against national and regional firms against which we may not be price competitive. We have different competitors in different markets as recapped below.

#### *Upstream Oil & Gas Segment:*

Construction: Quanta Services, MasTec, Primoris, Associated Pipeline Contractors, Sheehan Pipeline Construction, U.S. Pipeline, Welded Construction, Henkels & McCoy, Michels Corporation, North American Energy Services, Flint Energy Services and Ledcor. In addition, there are a number of regional competitors such as Sunland, Dyess and Jomax.

Engineering: CH2M Hill, Gulf Interstate, Universal Pegasus, Trigon, Mustang Engineering and ENGlobal.

*Downstream Oil & Gas Segment* AltairStrickland, JV Industrial Companies, Plant Performance Services, KBR, Chicago Bridge & Iron and Matrix Services.

*Utility T&D Segment* Quanta Services, MYR Group, MasTec and Pike Electric and larger privately-held companies such as Henkels & McCoy, Michels Corporation and Miller Pipeline.

### **Contract Provisions and Subcontracting**

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Most of our revenue is derived from engineering, construction and EPC contracts. The majority of our contracts fall into the following basic categories:

firm fixed-price or lump sum fixed-price contracts, providing for a single price for the total amount of work;

cost plus fixed fee contracts where income is earned solely from the fee received;

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unit-price contracts, which specify a price for each unit of work performed;

time and materials contracts where personnel and equipment are provided under an agreed-upon schedule of daily rates with other direct costs being reimbursable; and

a combination of the above (including lump sum payment for certain items and unit rates for others).

Changes in scope-of-work are subject to change orders to be agreed upon by both parties. Change orders not agreed to in either scope or price result in claims to be resolved in a dispute resolution process. These change orders and claims can affect our contract revenue either positively or negatively.

We usually obtain contracts through either competitive bidding or negotiations with long-standing clients. We are typically invited to bid on projects undertaken by our clients who maintain approved bidder lists. Bidders are pre-qualified on the basis of their prior performance for such clients, as well as their experience, reputation for quality, safety record, financial strength and bonding capacity.

In evaluating bid opportunities, we consider such factors as the client and their geographic location, the difficulty of the work, current and projected workload, the likelihood of additional work, the project's cost and profitability estimates, and our competitive advantage relative to other likely bidders. We give careful thought and consideration to the political and financial stability of the country or region where the work is to be performed. The bid estimate forms the basis of a project budget against which performance is tracked through a project control system, enabling management to monitor projects effectively.

All U.S. government contracts and many of our other contracts provide for termination of the contract for the convenience of the client. In addition, some contracts are subject to certain completion schedule requirements that require us to pay liquidated damages in the event schedules are not met as the result of circumstances within our control.

We act as the primary contractor on a majority of the construction projects we undertake. In our capacity as the primary contractor and when acting as a subcontractor, we perform most of the work on our projects with our own resources and typically subcontract only such specialized activities as hazardous waste removal, horizontal directional drills, non-destructive inspection, catering and security. In the construction industry, the prime contractor is normally responsible for the performance of the entire contract, including subcontract work. Thus, when acting as the primary contractor, we are subject to the risk associated with the failure of one or more subcontractors to perform as anticipated.

Under a fixed-price contract, we agree on the price that we will receive for the entire project, based upon specific assumptions and project criteria. If our estimates of our own costs to complete the project are below the actual costs that we may incur, our margins will decrease, possibly resulting in a loss. The revenue, cost and gross profit realized on a fixed-price contract will often vary from the estimated amounts because of unforeseen conditions or changes in job conditions and variations in labor and equipment productivity over the term of the contract. If we are unsuccessful in mitigating these risks, we may realize gross profits that are different from those originally estimated and may incur losses on projects. Depending on the size of a project, these variations from estimated contract performance could have a significant effect on our operating results for any quarter or year. In some cases, we are able to recover additional costs and profits from the client through the change order process. In general, turnkey contracts to be performed on a fixed-price basis involve an increased risk of significant variations. This is a result of the long-term nature of these contracts and the inherent difficulties in estimating costs, and of the interrelationship of the integrated services to be provided under these contracts whereby unanticipated costs or delays in performing part of the contract can have compounding effects by increasing costs of performing other parts of the contract. Our accounting policy related to contract variations and claims requires recognition of all costs as incurred. Revenue from change orders, extra work and variations in the scope of work is recognized when an agreement is reached with the client as to the scope of work and when it is probable that the cost of such work will be recovered in a change in contract price. Profit on change orders, extra work and variations in the scope of work are recognized when realization is assured beyond a reasonable doubt. Also included in contract costs and recognized income not yet billed on uncompleted contracts are amounts we seek or will seek to collect from customers or others for errors or changes in contract specifications or design, contract change orders in dispute or unapproved as to both scope and price, or other customer-related causes of unanticipated additional contract costs (unapproved change orders). These amounts are recorded at their estimated net realizable value when realization is probable and can be reasonably estimated. Unapproved change orders and claims also involve the use of estimates, and it is reasonably possible that revisions to the estimated recoverable amounts of recorded unapproved change orders may be made in the near term. If we do not successfully resolve these matters, a net expense (recorded as a reduction in revenues), may be required, in addition to amounts that have been previously provided.



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### **Contractual Arrangements**

We provide services under MSAs and on a project-by-project basis. MSAs are typically one to three years in duration, but can be longer. Under our MSAs, our customers generally agree to use us to provide certain services in a specified geographic region on stipulated terms and conditions, including pricing and escalation. However, most of our contracts, including MSAs and our alliance agreement with Oncor, may be terminated by our customers on short notice. Further, although our customers assign work to us under our MSAs, our customers often have no obligation to assign work to us and are not required to use us exclusively, in some cases subject to our right of first refusal. In addition, many of our contracts, including our MSAs, are opened to public bid and generally attract multiple bidders. Work performed under MSAs is typically billed on a unit-price or time-and-materials basis. In addition, any work encountered in the course of a unit-price project that does not have a defined unit is generally completed on a time-and-materials basis.

Although the terms of our contracts vary considerably, pricing is typically based on a unit-price or fixed-price structure. Under our unit-price contracts, we agree to perform identified units of work for an agreed price. A unit can be as small as the installation of a single bolt or a foot of cable or as large as a transmission tower or foundation. The resulting profitability of a particular unit is primarily dependent upon the labor and equipment hours expended to complete the task that comprises the unit. Under fixed-price contracts, we agree to perform the contract for a fixed fee based on our estimate of the aggregate costs of completing the particular project. We are sometimes unable to fully recover cost overruns on our fixed-price contracts. We expect that industry trends could result in an increase in the proportion of our contracts being performed on a unit-price or fixed-price basis resulting in more profitability risk.

Our storm restoration work, which involves high labor and equipment utilization, is typically performed on a time-and-materials basis and is generally more profitable when performed off-system rather than for customers with which we have MSAs. Our ability to allocate resources to storm restoration work depends on our capacity at that time and permission from existing customers to release some portion of our workforce from their projects.

#### *Oncor Alliance Agreement*

On June 12, 2008, we entered into a non-exclusive agreement with Oncor. Due to the extensive scope and long duration of the agreement, we refer to it as an alliance agreement. We summarize below the principal terms of the agreement. This summary is not a complete description of all the terms of the agreement.

*Term, Renewals and Extensions.* The agreement became effective on August 1, 2008 and will continue until expiration on December 31, 2018, unless extended, renewed or terminated in accordance with its terms.

*Provision of Services, Spending Levels and Pricing.* Under the agreement, it is anticipated that we will provide Oncor transmission construction and maintenance services ( TCM ), and distribution construction and maintenance services ( DCM ), pursuant to fixed-price, unit-price and time-and-materials structures. The fees we charge Oncor under unit-price and time-and-materials structures are set forth in the agreement, most of which are adjusted annually according to indices provided in the agreement. The agreement also includes a provision whereby Oncor receives pricing at least as favorable as we charge other customers for any similar services (which is not a defined term in the agreement). Management believes, based on our pricing practices and the nature and scope of the services we provide to Oncor, that we are in compliance with this provision.

We frequently hold meetings with Oncor to discuss its forecasted monthly and annual TCM and DCM spending levels. The agreement provides for agreed incentives and adjustments for us and for Oncor according to Oncor's projected spending levels. Calculations based on projected spending levels are subject to subsequent adjustments based on actual spending levels. The agreement also requires that we provide dedicated resources to Oncor and that we meet or exceed minimum service levels as measured by specified performance indicators.

*Termination.* Oncor could in some cases seek to terminate for cause or limit our activity or seek to assess penalties against us under the agreement. Oncor may terminate the agreement upon 90-days notice or any work request thereunder without prior notice in each case at its sole discretion and may terminate the agreement upon 30-days notice in the event there is an announcement of the intent to undertake or an actual occurrence of a change in control of Oncor or InfrastruX Group, LLC ( InfrastruX ). Oncor consented to the change of control of InfrastruX that resulted from our acquisition of InfrastruX. Oncor may also terminate the agreement for cause if, among other things, we breach and fail to adequately cure a representation or warranty under the agreement, we materially or repeatedly default in the performance of our material obligations under the agreement or we become insolvent.



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In the event Oncor terminates the agreement for convenience or due to an anticipated or actual change of control of Oncor, Oncor must pay us a termination fee.

**Employees**

At December 31, 2011, we directly employed a multi-national work force of 8,810 persons, of which approximately 82.9 percent were citizens of the respective countries in which they work. Although the level of activity varies from year to year, we have maintained an average work force of approximately 6,354 over the past five years. The minimum employment during that period has been 3,714 and the maximum was 8,810. At December 31, 2011, approximately 13.2 percent of our employees were covered by collective bargaining agreements. We believe relations with our employees are satisfactory. The following table sets forth the location of employees by work countries as of December 31, 2011:

	Number of Employees	Percent
U.S. <i>Upstream Oil &amp; Gas</i>	1,028	11.6%
U.S. <i>Downstream Oil &amp; Gas</i>	915	10.4%
U.S. <i>Utility T&amp;D</i>	4,543	51.6%
U.S. Administration	124	1.4%
Canada	644	7.3%
Oman	1,541	17.5%
<i>Utility T&amp;D International</i>	15	0.2%
Total	8,810	100.0%

**Equipment**

We own, lease and maintain a fleet of generally standardized construction, transportation and support equipment. In 2011 and 2010, expenditures for capital equipment were \$10,864 and \$16,121, respectively. At December 31, 2011, the net book value of our property, plant and equipment was approximately \$166,475.

All equipment is subject to scheduled maintenance to maximize fleet readiness. We continue to evaluate expected equipment utilization, given anticipated market conditions, and may buy or lease new equipment and dispose of underutilized equipment from time to time.

**Facilities**

The principal facilities that we utilize to operate our business are:

Business	Principal Facilities Location	Description	Ownership
U.S. Upstream Oil & Gas	Houston, TX	Office space	Lease
	Kansas City, MO	Office space	Lease
	Eunice, NM	Office and general warehouse	Lease
U.S. Downstream Oil & Gas	Tulsa, OK	Office space	Lease
	Baton Rouge, LA	Office space	Lease
	Catoosa, OK	Manufacturing, general warehousing and office space	Own
	Houston, TX	Office space	Lease
	Adrian, MI	Office and general warehouse	Lease
	St. Rose, LA	Office space	Lease
	Tulsa, OK	Manufacturing, general warehousing and office space	Lease



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Business	Principal Facilities		Ownership
	Location	Description	
U.S. Utility T&D	Buckeburg, Germany	Office and general warehouse	Lease
	Kent, WA	Office and general warehouse	Lease
	Pittsburgh, PA	Office and general warehouse	Lease
	Trafford, PA	Office and general warehouse	Lease
	Sherman, TX	Office and general warehouse	Lease
	McKinney, TX	Office and general warehouse	Lease
	Ft. Worth, TX	Office space	Lease
	Henrietta, TX	Office and general warehouse	Lease
	Hauppauge, NY	Office and general warehouse	Lease
	Jacksonville, VT	Office and general warehouse	Lease
Canada	Ft. McMurray, Alberta, Canada	Lay down area	Lease
	Ft. McMurray, Alberta, Canada	Office space	Lease
	Edmonton, Alberta, Canada	Fabrication and manufacturing facility	Own
	Acheson, Alberta, Canada <sup>(1)</sup>	Office space and equipment yard	Own
	Sherwood Park, Alberta, Canada	Office space	Lease
	Calgary, Alberta, Canada	Office space	Lease
Oman	Oman	Office space, fabrication and maintenance facility	Lease
Headquarters	Houston, TX	Office space	Lease

<sup>(1)</sup> Location is currently classified as held for sale.

We lease other facilities used in our operations, primarily sales/shop offices, equipment sites and expatriate housing units in the United States, Canada and Oman. Rent expense for all leased facilities was approximately \$9,690 in 2011 and \$12,182 in 2010.

**Insurance and Bonding**

Operational risks are analyzed and categorized by our risk management department and are insured through major international insurance brokers under a comprehensive insurance program, which includes commercial insurance policies, consisting of the types and amounts typically carried by companies engaged in the worldwide engineering and construction industry. We maintain worldwide master policies written mostly through highly-rated insurers. These policies cover our property, plant, equipment and cargo against all normally insurable risks, including war risk, political risk and terrorism in third-world countries. Other policies cover our workers and liabilities arising out of our operations. Primary

and excess liability insurance limits are consistent with the level of our asset base. Risks of loss or damage to project works and materials are often insured on our behalf by our clients. On other projects, builders all risk insurance is purchased when deemed necessary. Substantially all insurance is purchased and maintained at the corporate level, with the exceptions being certain basic insurance, which must be purchased in some countries in order to comply with local insurance laws.

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The insurance protection we maintain may not be sufficient or effective under all circumstances or against all hazards to which we may be subject. An enforceable claim for which we are not fully insured could have a material adverse effect on our results of operations. In the future, our ability to maintain insurance, which may not be available or at rates we consider reasonable, may be affected by events over which we have no control, such as those that occurred on September 11, 2001. In 2011, we were not constrained by our ability to bond new projects, nor have we been negatively impacted in early 2012.

### **Global Warming and Climate Change**

Recent scientific studies have suggested that emissions of certain gases, commonly referred to as greenhouse gases, may be contributing to warming of the earth's atmosphere. As a result, there have been a variety of regulatory developments, proposals or requirements and legislative initiatives that have been introduced in the United States (as well as other parts of the world) that are focused on restricting the emission of carbon dioxide, methane and other greenhouse gases.

In 2007, the United States Supreme Court held that carbon dioxide may be regulated as an air pollutant under the federal Clean Air Act, if it represents a health hazard to the public. In December 2009, the Environmental Protection Agency (EPA) responded to that holding and issued a finding that the current and projected concentrations of greenhouse gases in the atmosphere threaten the public health and welfare of current and future generations, and that certain greenhouse gases contribute to the atmospheric concentrations of greenhouse gases and hence to the threat of climate change.

In June 2009, the U.S. House of Representatives passed the American Clean Energy and Security Act of 2009 (sometimes referred to as the Waxman-Markey global climate change bill). The U.S. Senate considered but did not approve such legislation. The 2009 bill included many provisions that could potentially have had a significant impact on us as well as our customers. The bill proposed a cap and trade regime, a renewable portfolio standard, electric efficiency standards, revised transmission policy and mandated investments in plug-in hybrid infrastructure and smart grid technology. The net effect of the bill was to impose increasing costs on the combustion of carbon-based fuels such as oil, refined petroleum products and natural gas. Although proposals have been introduced in the U.S. Senate, including a proposal that would require greater reductions in greenhouse gas emissions than the American Clean Energy and Security Act of 2009, it is uncertain at this time whether, and in what form, legislation will be adopted by the U.S. Senate. For legislation to become law, both chambers of the U.S. Congress would be required to approve identical legislation. Both President Obama and the Administrator of the EPA have repeatedly indicated their preference for comprehensive legislation to address this issue and create the framework for a clean energy economy.

In September 2009, the EPA finalized a rule requiring nation-wide reporting of greenhouse gas emissions beginning January 1, 2010. The rule applies primarily to large facilities emitting 25,000 metric tons or more of carbon dioxide-equivalent greenhouse gas emissions per year, and to most upstream suppliers of fossil fuels and industrial greenhouse gas, as well as to manufacturers of vehicles and engines.

We do not know and cannot predict whether any of the proposed legislation or regulations will be adopted as initially written, if at all, or how legislation or new regulations that may be adopted to address greenhouse gas emissions would impact our business segments. Depending on the final provisions of such rules or legislation, it is possible that such future laws and regulations could result in increasing our compliance costs or additional operating restrictions as well as those of our customers. It is also possible that such future developments could curtail the demand for fossil fuels, which could adversely affect the demand for some of our services, which in turn could adversely affect our future results of operations. Likewise, we cannot predict with any certainty whether any changes to temperature, storm intensity or precipitation patterns as a result of climate change (or otherwise) will have a material impact on our operations.

Compliance with applicable environmental requirements has not, to date, had a material effect on the cost of our operations, earnings or competitive position. However, as noted above in connection with our discussion of the regulation of greenhouse gases, compliance with amended, new or more stringent requirements of existing environmental regulations or requirements may cause us to incur additional costs or subject us to liabilities that may have a material adverse effect on our results of operations and financial condition.

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### **Item 1A. Risk Factors**

The nature of our business and operations subjects us to a number of uncertainties and risks.

#### **RISKS RELATED TO OUR BUSINESS**

**Our business is highly dependent upon the level of capital expenditures by oil and gas, refinery, petrochemical and electric power companies on infrastructure.**

Our revenue and cash flow are primarily dependent upon major engineering and construction projects. The availability of these types of projects is dependent upon the economic condition of the oil and gas, refinery, petrochemical and electric power industries, and specifically, the level of capital expenditures of oil and gas, refinery, petrochemical and electric power companies on infrastructure. The U.S. recession that began in 2008, the effects of which continue to some extent, and related distress in the global financial system, including capital markets, continue to have an adverse impact on the level of capital expenditures of oil and gas, refinery, petrochemical and electric power companies and/or their ability to finance these expenditures. Our failure to obtain major projects, the delay in awards of major projects, the cancellation of major projects or delays in completion of contracts are factors that could result in the under-utilization of our resources, which would have an adverse impact on our revenue and cash flow. Numerous factors beyond our control influence the level of capital expenditures of these companies, including:

current and projected oil, gas and electric power prices, as well as refining margins;

the demand for gasoline and electricity;

the abilities of oil and gas, refinery, petrochemical and electric power companies to generate, access and deploy capital;

exploration, production and transportation costs;

the discovery rate and location of new oil and gas reserves;

the sale and expiration dates of oil and gas leases and concessions;

regulatory restraints on the rates that electric power companies may charge their customers;

local and international political and economic conditions;

the ability or willingness of host country government entities to fund their budgetary commitments; and

technological advances.

**Our settlements with the DOJ and the SEC, and the prosecution of former employees, may negatively impact us in the event of a future FCPA violation.**

In May 2008, 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 ( FCPA ) by Willbros Group, Inc. ( WGI ) and its subsidiary,

Willbros International, Inc. ( WII ). Also in May 2008, we 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 of 1933 and the Securities Exchange Act of 1934. These investigations stemmed primarily from our former operations in Bolivia, Ecuador and Nigeria. The settlements together required us to pay, over approximately three years, a total of \$32.3 million in penalties and disgorgement, plus post-judgment interest on \$7.7 million of that amount. We made the final payments under these settlements in October 2011.

As part of our settlement with the DOJ, an independent monitor was appointed effective September 25, 2009, for a term that expired on March 25, 2012. The activities of the independent monitor have had a material cost to us and required significant changes in our processes and operations. A violation of the FCPA or other anti-corruption laws in the future would result in legal actions against us and severely impact our operations. In addition, the prosecution of former employees may impact our operations or result in legal actions against us, including actions by foreign governments, in countries that are the subject of the settlements.

**Our failure to comply with the FCPA or other anti-bribery laws would have a material adverse effect on our business.**

Under our settlement with the DOJ, we were subject to the DPA, which is now expired. The criminal information associated with the DPA was dismissed, with prejudice, upon motion filed by the DOJ and signed by the court on April 2, 2012.

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With respect to the SEC settlement, we are permanently enjoined from committing any future violations of the federal securities laws. As provided for in the DPA, with the approval of the DOJ, we retained a government-approved independent monitor, at our expense, for a two and one-half year period ending on March 25, 2012. Since the appointment of the monitor, we have cooperated and provided the monitor with access to information, documents, records, facilities and employees. On March 1, 2010, the monitor filed with the DOJ the first of three required reports under the DPA. In the report, the monitor reported numerous findings and recommendations with respect to the need for the improvement of our administrative internal controls, policies and procedures for detecting and preventing violations of applicable anti-corruption laws. On March 11, 2011, the monitor filed the second of the three required reports with the DOJ. In the second report, the monitor evaluated our progress in responding to the findings and recommendations in the initial report and made additional findings and recommendations to us. On March 2, 2012, the monitor filed its third and final report with the DOJ. In the third report, the monitor reviewed the significant changes in us since the occurrence of the events leading to filing of the criminal information and the DPA, as well as our progress in implementing the monitor's recommendations in the first and second reports.

Findings and recommendations were made in the first two reports concerning the need for improvement of policies and processes and internal controls related to the vetting of new employees, agents and consultants, disclosure, tracking and internal communications of conflicts of interest, our FCPA training program, the FCPA certification process, procurement and project controls and other administrative control procedures, as well as to improve our ability to detect and prevent violations of applicable anti-corruption laws.

We have responded to each of monitor's reports and have substantially implemented all of the monitor's recommendations in the reports. We have undertaken a robust approach to implementing the monitor's recommendations and have incurred significant costs as well as significant management oversight time in effectively implementing the recommendations.

Our failure to abide by the FCPA and other laws could result in prosecution and other regulatory sanctions. A criminal conviction for violations of the FCPA could result in fines, civil and criminal penalties and equitable remedies, including profit disgorgement and injunctive relief, and would have a material adverse effect on our business. The settlements and the findings of the independent monitor could also result in third-party claims against us, which may include claims for special, indirect, derivative or consequential damages.

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### **We may be subject to further legal action if we are unable to make payments required of us pursuant to our settlement agreement of the WAPCo lawsuit.**

On March 29, 2012, Willbros Global Holdings, Inc., formerly known as Willbros Group, Inc., a Panama corporation ( WGHI ), which is now one of our subsidiaries and holds a portion of our non-U.S. operations, and WGI entered into a settlement agreement with West African Gas Pipeline Company Limited ( WAPCo ) to settle the litigation which was instituted in the London High Court by WAPCo against WGHI in 2010 (the Settlement Agreement ). In the litigation, WAPCo had asserted claims against WGHI totaling \$273.7 million plus costs and interest. For additional information regarding this litigation, see Note 20 Discontinuance of Operations, Held for Sale Operations, Asset Disposals and Transition Services Agreement of our Notes to Consolidated Financial Statements in Item 8 of Part II of this Form 10-K.

The Settlement Agreement provides that WGHI will make payments to WAPCo over a period of six years totaling \$55.5 million. Of this amount, a total of \$14.0 million will be paid during 2012, \$5.0 million during 2013, \$7.5 million during 2014, \$8.0 million during 2015, \$10.0 million during 2016 and \$11.0 million during 2017.

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 within 21 days after filing our third quarter results in 2014 in the event we achieve a leverage ratio of debt to EBITDA of 2.25 to 1 or less or certain other metrics (the Acceleration Metrics ). In the event the Acceleration Metrics applied during 2014 do not result in payment of the entire outstanding sum, the Acceleration Metrics are applied again in each subsequent year and may result in the acceleration of all or some of the remaining payments in each of those years.

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 Ascot Offshore Nigeria Limited ( Ascot ) and Berkeley Group, plc ( Berkeley ), the parent company of Ascot, for indemnity under the indemnity agreement we entered into with Ascot and Berkeley related to the West African Gas Pipeline contract unless they assert a claim against WGHI.

### **Our management has concluded that we did not maintain effective internal control over financial reporting as of December 31, 2011 because of the existence of a material weakness in our internal control over financial reporting. We have had material weaknesses in our internal control over financial reporting in prior fiscal years. Failure to maintain effective internal control over financial reporting could adversely affect our ability to report our financial condition and results of operations accurately and on a timely basis. As a result, our business, operating results and liquidity could be harmed.**

We have identified a material weakness in our internal control over financial reporting as of December 31, 2011 related to the calculation of the completeness, accuracy and presentation of our accounting for income taxes, including the tax provision and the related tax assets and liabilities. A more complete description of this material weakness is included in Item 9A, Controls and Procedures in this Form 10-K, together with our remediation plan.

As disclosed in our prior annual reports on Form 10-K, we identified material weaknesses in financial reporting as of December 31, 2010 and for the years 2004 through 2007. These material weaknesses led to the restatement of our previously issued consolidated financial statements for fiscal years 2002 and 2003 and the first three quarters of 2004. In addition, InfrastruX Group, LLC ( InfrastruX ), the company we acquired in July 2010, identified a material weakness in its reporting systems in connection with its fiscal 2008 audit. We believe that all of these material weaknesses have been successfully remediated.

Our failure to maintain effective internal control over financial reporting could adversely affect our ability to report our financial results on a timely and accurate basis, which could result in a loss of investor confidence in our financial reports or have a material adverse effect on our ability to operate our business or access sources of liquidity. Furthermore, because of the inherent limitations of any system of internal control over financial reporting, including the possibility of human error, the circumvention or overriding of controls and fraud, even effective internal controls may not prevent or detect all misstatements.

### **We face a risk of non-compliance with certain covenants in our credit agreement.**

We are subject to a number of financial and other covenants under our credit agreement, including a Maximum Total Leverage Ratio and a Minimum Interest Coverage Ratio. The Maximum Total Leverage Ratio decreases from 4.75 to 1.00 at December 31, 2011 to 3.75 to 1.00 as of March 31, 2012, 3.50 to 1.00 as of June 30, 2012 and 3.25 to 1.00 as of December 31, 2012. The Minimum Interest Coverage Ratio increases from 2.00 to 1.00 at December 31, 2011 to 2.25 as of March 31, 2012 and 2.75 as of June 30, 2012. We were in compliance with each of these financial covenants as of December 31, 2011. However, the margin of compliance was tight, and although our internal forecast indicates that we

will continue to comply during 2012, there is no assurance that we will be able to maintain compliance with these increasingly stringent financial covenants. In addition, any material adverse change could be deemed an event of default under the credit agreement. A material adverse change is defined as a change in our business, results of operations, properties or condition that could reasonably be expected to have a material adverse effect.

In order to ensure compliance with our Maximum Total Leverage Ratio and other financial covenants, we may elect to continue to prepay our credit agreement indebtedness with the proceeds of the sale of non-strategic assets or with cash on hand. However, we can provide no assurance that we will be successful in disposing of our non-strategic assets. Moreover, if our results of operations are weaker than our forecast, we may not have sufficient cash on hand to prepay sufficient credit agreement indebtedness in order to avoid a financial covenant default and fund our working capital requirements.

A default under the 2010 Credit Agreement would permit the lenders to terminate their commitment to make cash advances or issue letters of credit, require us to immediately repay any outstanding cash advances with interest and require us to cash collateralize outstanding letter of credit obligations. If the maturity of our credit agreement indebtedness were accelerated, we may not have sufficient funds to pay such indebtedness. In such an event, our lenders would be entitled to proceed against the collateral securing the indebtedness, which includes substantially all of our assets, to the extent permitted by the credit agreement and applicable law.

**Our backlog is subject to unexpected adjustments and cancellations and is, therefore, an uncertain indicator of our future earnings.**

We cannot guarantee that the revenue projected in our backlog will be realized or profitable. Projects may remain in our backlog for an extended period of time. In addition, project cancellations, terminations or scope adjustments may occur from time to time with respect to contracts reflected in our backlog and could reduce the dollar amount of our backlog and the revenue and profits that we actually earn. Many of our contracts have termination for convenience provisions in them, in some cases without any provision for penalties or lost profits. Therefore, project terminations, suspensions or scope adjustments may occur from time to time with respect to contracts in our backlog. Finally, poor project or contract performance could also impact our backlog and profits.

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Managing backlog in our *Utility T&D* segment also has other challenges. Backlog for anticipated projects in this segment is determined based on recurring historical trends, seasonal demand and projected customer needs, but the agreements in this segment rarely have minimum volume or spending obligations, and many of the contracts may be terminated by the customers on short notice. For projects in this segment on which we have commenced work that are cancelled, we may be reimbursed for certain costs, but typically have no contractual right to the total revenues included in our backlog.

### **Federal and state legislative and regulatory developments that we believe should encourage electric power transmission and natural gas pipeline infrastructure spending may fail to result in increased demand for our *Utility T&D* services.**

In recent years, federal and state legislation has been passed and resulting regulations have been adopted that could significantly increase spending on electric power transmission and natural gas pipeline infrastructure, including the Energy Act of 2005, the American Recovery and Reinvestment Act of 2009 (ARRA) and state Renewable Portfolio Standard (RPS) programs. However, much fiscal, regulatory and other uncertainty remains as to the impact this legislation and regulation will ultimately have on the demand for our *Utility T&D* services. For instance, regulations implementing provisions of the Energy Act of 2005 that may affect demand for our *Utility T&D* services remain, in some cases, subject to review in various federal courts. Accordingly, the effect of these regulations, once finally implemented, is uncertain and may not result in increased spending on the electric power transmission infrastructure. Continued uncertainty regarding the implementation of the Energy Act of 2005 and ARRA may result in slower growth in demand for our *Utility T&D* services.

Renewable energy initiatives, including Texas Competitive Renewable Energy Zone, or CREZ plan, other RPS initiatives and ARRA, may not lead to increased demand for our *Utility T&D* services. A majority of states and Washington D.C. have mandatory RPS programs that require certain percentages of power to be generated from renewable sources. However, for budgetary or other reasons, states may reduce those mandates or make them optional or extend deadlines, which could reduce, delay or eliminate renewable energy development in the affected states. Furthermore, renewable energy is generally more expensive to produce and may require additional power generation sources as backup. Funding for RPS programs may not be available or may be further constrained as a result of the significant declines in government budgets and subsidies and in the availability of credit to finance the significant capital expenditures necessary to build renewable generation capacity. These factors could lead to fewer projects resulting from RPS programs than anticipated or a delay in the timing of these projects and the related infrastructure, which would negatively affect the demand for our *Utility T&D* services. Moreover, even if the RPS programs are fully developed and funded, we cannot be certain that we will be awarded any resulting contracts. In addition, ARRA provides for various stimulus programs, such as grants, loan guarantees and tax incentives, relating to renewable energy, energy efficiency and electric power infrastructure. Some of these programs have expired, which may affect the economic feasibility of future projects. Moreover, while a significant amount of stimulus funds have been awarded, we cannot predict when programs under ARRA will be implemented or the timing and scope of any investments to be made under these programs, particularly in light of capital constraints on potential developers of these projects. Infrastructure projects such as those envisioned by CREZ and RPS initiatives are also subject to delays or cancellation due to local factors such as siting disputes, protests and litigation. Before we will receive revenues from infrastructure build-outs associated with any of these projects, substantial advance preparations are required such as engineering, procurement, and acquisition and clearance of rights-of-way, all of which are beyond our control. Investments for renewable energy and electric power infrastructure may not occur, may be less than anticipated or may be delayed, may be concentrated in locations where we do not have significant capabilities, and any resulting contracts may not be awarded to us, any of which could negatively impact demand for our *Utility T&D* services.

In addition, the increase in long-term demand for natural gas that we believe will benefit from anticipated U.S. greenhouse gas regulations, such as a cap-and-trade program or carbon taxes, may be delayed or may not occur. For example, climate-related legislation was introduced in the last several sessions of Congress but was not enacted. It is difficult to accurately predict the timing and scope of any potential federal or state greenhouse gas regulations that may ultimately be adopted or the extent to which demand for natural gas will increase as a result of any such regulations.

### **Our storm restoration revenues are highly volatile and unpredictable, which could result in substantial variations in, and uncertainties regarding, our results of operations generated by our *Utility T&D* business.**

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Revenues derived from our storm restoration services are highly volatile and uncertain due to the unpredictable nature of weather-related events. InfrastruX's annual storm restoration revenues have been as high as \$67.0 million in 2008 when InfrastruX experienced the largest storm restoration revenues in its history as several significant hurricanes impacted the Gulf Coast and Florida and ice storms affected the Northeast, but storm restoration revenues were approximately \$25.8 million and \$23.1 million in 2011 and 2010, respectively. Therefore, InfrastruX's storm restoration revenues for 2008 are not indicative of the revenues that this business typically generates in any period or can be expected to generate in any future period. Our *Utility T&D* segment's revenues and operating income will likely continue to be subject to significant variations and uncertainties due to the volatility of our storm restoration volume. We may not be able to generate incremental revenues from storm activities to the extent that we do not receive permission from our regular customers (including Oncor) to divert resources from their projects to the restoration work for customers with which we do not have ongoing MSA relationships. In addition, our storm restoration revenues are offset in part by declines in our transmission and distribution ( T&D ) services because we staff storm restoration mobilizations by diverting resources from our T&D services.

**Seasonal variations and inclement weather may cause fluctuations in our operating results, profitability, cash flow and working capital needs related to our *Utility T&D* segment.**

A significant portion of our business in our *Utility T&D* segment is performed outdoors. Consequently, our results of operations are exposed to seasonal variations and inclement weather. Our *Utility T&D* segment performs less work in the winter months, and work is hindered during other inclement weather events. Our *Utility T&D* segment revenue and profitability often decrease during the winter months and during severe weather conditions because work performed during these periods is more costly to complete. During periods of peak electric power demand in the summer, utilities generally are unable to remove their electric power T&D equipment from service, decreasing the demand for our maintenance services during such periods. The seasonality of this segment's business also causes our working capital needs to fluctuate. Because this segment's operating cash flow is usually lower during and immediately following the winter months, we typically experience a need to finance a portion of this segment's working capital during the spring and summer.

**We depend on our ability to protect our intellectual property and proprietary rights in our cable restoration and testing businesses, and we cannot be certain of their confidentiality and protection.**

Our success in the cable restoration and testing markets depends in part on our ability to protect our proprietary products and services. If we are unable to protect our proprietary products and services, our cable restoration and testing business may be adversely affected. To protect our proprietary technology, we rely primarily on trade secrets and confidentiality restrictions in contracts with employees, customers and other third parties. We also have a license to use the patents Dow Corning Corporation holds from the U.S. Patent and Trademark Office relating to our CableCURE® product. In addition, we hold a number of U.S. and international patents, most of which relate to certain materials used in treating cables with CableCURE®. We also hold the patent and trademark to CableWISE®. If we fail to protect our intellectual property rights adequately, our competitors may gain access to that technology, and our cable restoration business may be harmed. Any of our intellectual property rights may be challenged by others or invalidated through administrative processes or litigation. Despite our efforts to protect our proprietary technology, unauthorized persons may be able to copy, reverse engineer or otherwise use some of our proprietary technology. Furthermore, existing laws may afford only limited protection, and the laws of certain countries in which we operate do not protect proprietary technology as well as established law in the United States. For these reasons, we may have difficulty protecting our proprietary technology against unauthorized copying or use or maintaining our market share with respect to our proprietary technology offerings. In addition, litigation may be necessary to protect our proprietary technology. This type of litigation is often costly and time consuming, with no assurance of success.

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### **Our failure to recover adequately on claims against project owners for payment could have a material adverse effect on us.**

We occasionally bring claims against project owners for additional costs exceeding the contract price or for amounts not included in the original contract price. These types of claims occur due to matters such as owner-caused delays or changes from the initial project scope, which result in additional costs, both direct and indirect. These claims can be the subject of lengthy arbitration or litigation proceedings, and it is often difficult to accurately predict when these claims will be fully resolved. When these types of events occur and unresolved claims are pending, we may invest significant working capital in projects to cover cost overruns pending the resolution of the relevant claims. A failure to promptly recover on these types of claims could have a material adverse impact on our liquidity and financial condition.

### **Our business is dependent on a limited number of key clients.**

We operate primarily in the oil and gas, refinery, petrochemical and electric power industries, providing services to a limited number of clients. Much of our success depends on developing and maintaining relationships with our major clients and obtaining a share of contracts from these clients. The loss of any of our major clients could have a material adverse effect on our operations. One client was responsible for approximately 15 percent of total contract revenue in 2011. Another client is responsible for 27.6 percent of our 12 month backlog and 52.1 percent of our total backlog at December 31, 2011.

### **Our use of fixed price contracts could adversely affect our operating results.**

A significant portion of our revenues is currently generated by fixed price contracts. Under a fixed price contract, we agree on the price that we will receive for the entire project, based upon a defined scope, which includes specific assumptions and project criteria. If our estimates of our own costs to complete the project are below the actual costs that we may incur, our margins will decrease, and we may incur a loss. The revenue, cost and gross profit realized on a fixed price contract will often vary from the estimated amounts because of unforeseen conditions or changes in job conditions and variations in labor and equipment productivity over the term of the contract. If we are unsuccessful in mitigating these risks, we may realize gross profits that are different from those originally estimated and incur reduced profitability or losses on projects. Depending on the size of a project, these variations from estimated contract performance could have a significant effect on our operating results for any quarter or year. In general, turnkey contracts to be performed on a fixed price basis involve an increased risk of significant variations. This is a result of the long-term nature of these contracts and the inherent difficulties in estimating costs and of the interrelationship of the integrated services to be provided under these contracts, whereby unanticipated costs or delays in performing part of the contract can have compounding effects by increasing costs of performing other parts of the contract.

In addition, our *Utility T&D* segment also generates substantial revenue under unit price contracts under which we have agreed to perform identified units of work for an agreed price, which have similar associated risks as those identified above for fixed price contracts. A unit can be as small as the installation of a single bolt or a foot of cable or as large as a transmission tower or foundation. The resulting profitability of a particular unit is primarily dependent upon the labor and equipment hours expended to complete the task that comprises the unit. Failure to accurately estimate the costs of completing a particular project could result in reduced profits or losses.

### **Percentage-of-completion method of accounting for contract revenue may result in material adjustments that would adversely affect our operating results.**

We recognize contract revenue using the percentage-of-completion method on long-term fixed price contracts. Under this method, estimated contract revenue is accrued based generally on the percentage that costs to date bear to total estimated costs, taking into consideration physical completion. Estimated contract losses are recognized in full when determined. Accordingly, contract revenue and total cost estimates are reviewed and revised periodically as the work progresses and as change orders are approved, and adjustments based upon the percentage-of-completion are reflected in contract revenue in the period when these estimates are revised. These estimates are based on management's reasonable assumptions and our historical experience, and are only estimates. Variation of actual results from these assumptions or our historical experience could be material. To the extent that these adjustments result in an increase, a reduction or an elimination of previously reported contract revenue, we would recognize a credit or a charge against current earnings, which could be material.

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### **Terrorist attacks and war or risk of war may adversely affect our results of operations, our ability to raise capital or secure insurance, or our future growth.**

The continued threat of terrorism and the impact of military and other action will likely lead to continued volatility in prices for crude oil and natural gas and could affect the markets for our operations. In addition, future acts of terrorism could be directed against companies operating both outside and inside the United States. Further, the U.S. government has issued public warnings that indicate that pipelines and other energy assets might be specific targets of terrorist organizations. These developments may subject our operations to increased risks and, depending on their ultimate magnitude, could have a material adverse effect on our business.

### **Our operations are subject to a number of operational risks.**

Our business operations include pipeline construction, fabrication, pipeline rehabilitation services and construction and turnaround and maintenance services to refiners and petrochemical facilities. We also provide a wide range of services in electric power and natural gas transmission and distribution. These operations involve a high degree of operational risk. Natural disasters, adverse weather conditions, collisions and operator error could cause personal injury or loss of life, severe damage to and destruction of property, equipment and the environment, and suspension of operations. In locations where we perform work with equipment that is owned by others, our continued use of the equipment can be subject to unexpected or arbitrary interruption or termination. The occurrence of any of these events could result in work stoppage, loss of revenue, casualty loss, increased costs and significant liability to third parties.

The insurance protection we maintain may not be sufficient or effective under all circumstances or against all hazards to which we may be subject. An enforceable claim for which we are not fully insured could have a material adverse effect on our financial condition and results of operations. Moreover, we may not be able to maintain adequate insurance in the future at rates that we consider reasonable.

### **Unsatisfactory safety performance may subject us to penalties, can affect customer relationships, result in higher operating costs, negatively impact employee morale and result in higher employee turnover.**

Workplace safety is important to us, our employees, and our customers. As a result, we maintain comprehensive safety programs and training to all applicable employees throughout our organization. While we focus on protecting people and property, our work is performed at construction sites and in industrial facilities and our workers are subject to the normal hazards associated with providing these services. Even with proper safety precautions, these hazards can lead to personal injury, loss of life, damage to or destruction of property, plant and equipment, and environmental damage. We are intensely focused on maintaining a strong safety environment and reducing the risk of accidents to the lowest possible level.

Although we have taken what we believe are appropriate precautions to adequately train and equip our employees, we have experienced serious accidents, including fatalities, in the past and may experience additional accidents in the future. Serious accidents may subject us to penalties, civil litigation or criminal prosecution. Claims for damages to persons, including claims for bodily injury or loss of life, could result in costs and liabilities, which could materially and adversely affect our financial condition, results of operations or cash flows.

### **Our goodwill may become impaired.**

Our assets included a substantial amount of goodwill following our acquisitions of InfrastruX, Integrated Service Company, Midwest Management (1987) Ltd. and Wink Companies, LLC. At least annually, we evaluate our goodwill for impairment based on the fair value of each operating segment. This estimated fair value can change if there are changes in our capital structure, cost of debt, interest rates, capital expenditure levels or ability to perform at levels that were previously forecasted. These changes can result in an impairment that would require a material non-cash charge to our results of operations. A significant decrease in expected cash flows or changes in market conditions may indicate a potential impairment of recorded goodwill.

Our original March 2010 growth projections in the electric transmission and distribution business have not materialized. The continued slow economic recovery, exacerbated by the recent recurrence of instability in the world financial markets, and the hard-hit U.S. housing sector, resulted in a reassessment of future growth rates and led to a reduction in the outlook for expected future cash flows in this segment. Accordingly, during the third quarter of 2011, we recorded \$143.5 million of impairment charges to our *Utility T&D* segment. In addition, due to a decrease in the overall fair value of our *Upstream Oil & Gas* and *Downstream Oil & Gas* segments which drove a decline in our market capitalization year over year, we recorded a \$35.0 million impairment charge in the fourth quarter of 2011, representing a full write-off of goodwill attributable to our *Upstream Oil & Gas* and *Downstream Oil & Gas* segments. The \$178.6 million of 2011 impairment charges reduced our consolidated goodwill to \$8.1 million at December 31, 2011.



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Our fair value analysis utilizes assumptions which represent our best estimate of future events, but are sensitive to positive or negative changes in each of the underlying assumptions as well as an alternative weighting of valuation methods, which would result in a potentially higher or lower goodwill impairment charge. We can provide no assurance that future goodwill impairments will not occur.

### **We may become liable for the obligations of our joint ventures and our subcontractors.**

Some of our projects are performed through joint ventures with other parties. In addition to the usual liability of contractors for the completion of contracts and the warranty of our work, where work is performed through a joint venture, we also have potential liability for the work performed by the joint venture itself. In these projects, even if we satisfactorily complete our project responsibilities within budget, we may incur additional unforeseen costs due to the failure of the joint ventures to perform or complete work in accordance with contract specifications.

We act as prime contractor on a majority of the construction projects we undertake. In our capacity as prime contractor and when acting as a subcontractor, we perform most of the work on our projects with our own resources and typically subcontract only certain specialized activities such as hazardous waste removal, nondestructive inspection and catering and security. However, with respect to EPC and other contracts, including those in our *Utility T&D* segment, we may choose to subcontract a portion or substantial portion of the project. In the construction industry, the prime contractor is normally responsible for the performance of the entire contract, including subcontract work. Thus, when acting as a prime contractor, we are subject to the risks associated with the failure of one or more subcontractors to perform as anticipated.

### **We are self-insured against many potential liabilities.**

Although we maintain insurance policies with respect to automobile liability, general liability, workers' compensation and employee group health claims, many of those policies are subject to substantial deductibles, and we are self-insured up to the amount of the deductible. Since most claims against us do not exceed the deductibles under our insurance policies, we are effectively self-insured for the overwhelming majority of claims. We actuarially determine any liabilities for unpaid claims and associated expenses, including incurred but not reported losses, and reflect those liabilities in our balance sheet as other current and noncurrent liabilities. The determination of such claims and expenses and the appropriateness of the liability is reviewed and updated quarterly. However, insurance liabilities are difficult to assess and estimate due to many relevant factors, the effects of which are often unknown, including the severity of an injury, the determination of our liability in proportion to other parties, the number of incidents not reported and the effectiveness of our safety program. If our insurance claims increase or costs exceed our estimates of insurance liabilities, we could experience a decline in profitability and liquidity.

### **Our operations expose us to potential environmental liabilities.**

Our U.S. and Canadian operations are subject to numerous environmental protection laws and regulations which are complex and stringent. We regularly perform work in and around sensitive environmental areas, such as rivers, lakes and wetlands. Part of the business in our *Utility T&D* segment is done in the southwestern U.S. where there is a greater risk of fines, work stoppages or other sanctions for disturbing Native American artifacts and archeological sites. Significant fines, penalties and other sanctions may be imposed for non-compliance with environmental laws and regulations, and some environmental laws provide for joint and several strict liabilities for remediation of releases of hazardous substances, rendering a person liable for environmental damage, without regard to negligence or fault on the part of such person. In addition to potential liabilities that may be incurred in satisfying these requirements, we may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. These laws and regulations may expose us to liability arising out of the conduct of operations or conditions caused by others, or for our acts which were in compliance with all applicable laws at the time these acts were performed.

We own and operate several properties in the United States and Canada that have been used for a number of years for the storage and maintenance of equipment and upon which hydrocarbons or other wastes may have been disposed or released. Any release of substances by us or by third parties who previously operated on these properties may be subject to the Comprehensive Environmental Response Compensation and Liability Act ( CERCLA ), the Resource Compensation and Recovery Act ( RCRA ), and/or analogous state, provincial or local laws. CERCLA imposes joint and several liabilities, without regard to fault or the legality of the original conduct, on certain classes of persons who are considered to be responsible for the release of hazardous substances into the environment, while RCRA governs the generation, storage, transfer and disposal of hazardous wastes. Under these or similar laws, we could be required to remove or remediate previously disposed wastes and clean up contaminated property. This could have a significant impact on our future results.

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Our operations outside of the U.S. and Canada are often times potentially subject to similar governmental or provincial controls and restrictions relating to the environment.

### **We are unable to predict how legislation or new regulations that may be adopted to address greenhouse gas emissions would impact our business segments.**

Recent scientific studies have suggested that emissions of certain gases, commonly referred to as greenhouse gases, may be contributing to warming of the earth's atmosphere. As a result, there have been a variety of regulatory developments, proposals or requirements and legislative initiatives that have been introduced and/or issued in the United States (as well as other parts of the world) that are focused on restricting the emission of carbon dioxide, methane and other greenhouse gases. Although it is difficult to accurately predict how such legislation or regulations, including those introduced or adopted in the future, would impact our business and operations, it is possible that such laws and regulations could result in greater compliance costs or operating restrictions for us and/or our customers and could adversely affect the demand for some of our services.

### **Our industry is highly competitive, which could impede our growth.**

We operate in a highly competitive environment. A substantial number of the major projects that we pursue are awarded based on bid proposals. We compete for these projects against government-owned or supported companies and other companies that have substantially greater financial and other resources than we do. In some markets, there is competition from national and regional firms against which we may not be able to compete on price. Our growth may be impacted to the extent that we are unable to successfully bid against these companies. The global recession has intensified competition in the industries in which we operate as our competitors in these industries pursue reduced work volumes. Our competitors may have lower overhead cost structures, greater resources or other advantages and, therefore, may be able to provide their services at lower rates than ours or elect to place bids on projects that drive down margins to lower levels than we would accept.

In recent years our cable restoration business in our *Utility T&D* segment has begun to face increasing competition from alternative technologies. Our CableCURE® product sales may be adversely affected by technological improvements made by one or more of our competitors and/or the expiration of our exclusive intellectual property rights in such technology. If we are unable to keep pace with current or future technological advances in cable restoration, our business, financial condition and results of operations could suffer.

### **We are dependent upon the services of our executive management.**

Our success depends heavily on the continued services of our executive management. Our management team is the nexus of our operational experience and customer relationships. Our ability to manage business risk and satisfy the expectations of our clients, stockholders and other stakeholders is dependent upon the collective experience and relationships of our management team. We do not maintain key man life insurance for these individuals. The loss or interruption of services provided by one or more of our senior officers could adversely affect our results of operations.

### **We contribute to multi-employer plans that could result in liabilities to us if those plans are terminated or we withdraw from those plans.**

We contribute to several multi-employer pension plans for employees covered by collective bargaining agreements. These plans are not administered by us and contributions are determined in accordance with provisions of negotiated labor contracts. 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. In addition, if the funding of any of these multi-employer plans becomes in critical status under the Pension Protection Act of 2006, we could be required to make significant additional contributions to those plans.

A number of plans to which our business units contribute or may contribute in the future are in "endangered" or critical status. Certain of these plans may require additional contributions, generally in the form of a surcharge on future benefit contributions required for future work performed by union employees covered by these plans. The amount of additional funds, if any, that we may be obligated to contribute to these plans in the future cannot be estimated, as such amounts will likely be based on future levels of work that require the specific use of those union employees covered by these plans.

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### **Our international operations are subject to political and economic risks of developing countries.**

Although our contract revenue is derived predominantly from our operations in the U.S. and Canada, we have operations in the Middle East (Oman) and anticipate that a portion of our contract revenue may be derived from, and a portion of our long-lived assets may be located in, developing countries. Conducting operations in developing countries presents significant commercial challenges for our business. A disruption of activities, or loss of use of equipment or installations, at any location in which we have significant assets or operations, could have a material adverse effect on our financial condition and results of operations. Accordingly, we may be subject to risks that ordinarily would not be expected to exist to the same extent in the United States, Canada, Australia or Western Europe. Some of these risks include:

civil uprisings, terrorism, riots and war, which can make it impractical to continue operations, adversely affect both budgets and schedules and expose us to losses;

repatriating foreign currency received in excess of local currency requirements and converting it into dollars or other fungible currency;

exchange rate fluctuations, which can reduce the purchasing power of local currencies and cause our costs to exceed our budget, reducing our operating margin in the affected country;

expropriation of assets, by either a recognized or unrecognized foreign government, which can disrupt our business activities and create delays and corresponding losses;

availability of suitable personnel and equipment, which can be affected by government policy, or changes in policy, which limit the importation of skilled craftsmen or specialized equipment in areas where local resources are insufficient;

governmental instability, which can cause investment in capital projects by our potential customers to be withdrawn or delayed, reducing or eliminating the viability of some markets for our services;

decrees, laws, regulations, interpretations and court decisions under legal systems, which are not always fully developed and which may be retroactively applied and cause us to incur unanticipated and/or unrecoverable costs as well as delays which may result in real or opportunity costs; and

restrictive governmental registration and licensing requirements, which can limit the pursuit of certain business activities.

Our operations in developing countries may be adversely affected in the event any governmental agencies in these countries interpret laws, regulations or court decisions in a manner which might be considered inconsistent or inequitable in the United States, Canada, Australia or Western Europe. We may be subject to unanticipated taxes, including income taxes, excise duties, import taxes, export taxes, sales taxes or other governmental assessments, which could have a material adverse effect on our results of operations for any quarter or year. These risks may result in a material adverse effect on our results of operations.

### **Governmental regulations could adversely affect our business.**

Many aspects of our operations are subject to governmental regulations in the countries in which we operate, including those relating to currency conversion and repatriation, taxation of our earnings and earnings of our personnel, the increasing requirement in some countries to make greater use of local employees and suppliers, including, in some jurisdictions, mandates that provide for greater local participation in the ownership and control of certain local business assets. In addition, we depend on the demand for our services from the oil and gas, refinery, petrochemical and electric power industries, and, therefore, our business is affected by changing taxes, price controls and laws and regulations relating to these

industries generally. The adoption of laws and regulations by the countries or the states in which we operate that are intended to curtail exploration and development drilling for oil and gas or the development of electric power generation facilities for economic and other policy reasons, could adversely affect our operations by limiting demand for our services.

Our operations are also subject to the risk of changes in laws and policies which may impose restrictions on our business, including trade restrictions, which could have a material adverse effect on our operations. Other types of governmental regulation which could, if enacted or implemented, adversely affect our operations include:

expropriation or nationalization decrees;

confiscatory tax systems;

primary or secondary boycotts directed at specific countries or companies;

embargoes;

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extensive import restrictions or other trade barriers;

mandatory sourcing and local participation rules;

stringent local registration or ownership requirements;

oil, gas or electric power price regulation;

unrealistically high labor rate and fuel price regulation; and

registration and licensing requirements.

Our future operations and earnings may be adversely affected by new legislation, new regulations or changes in, or new interpretations of, existing regulations, and the impact of these changes could be material.

### **Special risks associated with doing business in highly corrupt environments may adversely affect our business.**

Our international business operations may include projects in countries where corruption is prevalent. Since the anti-bribery restrictions of the FCPA make it illegal for us to give anything of value to foreign officials in order to obtain or retain any business or other advantage, we may be subject to competitive disadvantages to the extent that our competitors are able to secure business, licenses or other preferential treatment by making payments to government officials and others in positions of influence.

## **RISKS RELATED TO OUR COMMON STOCK**

**Our common stock, which is listed on the New York Stock Exchange, has from time to time experienced significant price and volume fluctuations. These fluctuations are likely to continue in the future, and you may not be able to resell your shares of common stock at or above the purchase price paid by you.**

The market price of our common stock may change significantly in response to various factors and events beyond our control, including the following:

the risk factors described in this Item 1A;

a shortfall in operating revenue or net income from that expected by securities analysts and investors;

changes in securities analysts' estimates of our financial performance or the financial performance of our competitors or companies in our industries generally;

general conditions in our customers' industries; and

general conditions in the securities markets.

**Our certificate of incorporation and bylaws may inhibit a takeover, which may adversely affect the performance of our stock.**

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Our certificate of incorporation and bylaws may discourage unsolicited takeover proposals or make it more difficult for a third party to acquire us, which may adversely affect the price that investors might be willing to pay for our common stock. For example, our certificate of incorporation and bylaws:

provide for a classified board of directors, which allows only one-third of our directors to be elected each year;

deny stockholders the ability to take action by written consent;

establish advance notice requirements for nominations for election to our Board of Directors and business to be brought by stockholders before any meeting of the stockholders;

provide that special meetings of stockholders may be called only by our Board of Directors, Chairman, Chief Executive Officer or President; and

authorize our Board of Directors to designate the terms of and to approve the issuance of new series of preferred stock.

**Future sales of our common stock may depress our stock price.**

Sales of a substantial number of shares of our common stock in the public market or otherwise, either by us, a member of management or a major stockholder, or the perception that these sales could occur, may depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities.

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**In the event we issue stock as consideration for acquisitions or to fund our corporate activities, we may dilute share ownership.**

We grow our business organically as well as through acquisitions. One method of acquiring companies or otherwise funding our corporate activities is through the issuance of additional equity securities. If we do issue additional equity securities, such issuances may have the effect of diluting our earnings per share as well as our existing stockholders' individual ownership percentages in our Company.

**Our future sale of common stock, preferred stock, warrants or convertible securities may lead to further dilution of our issued and outstanding stock.**

Our authorized shares of common stock consist of 70 million shares. The issuance of additional common stock or securities convertible into our common stock would result in further dilution of the ownership interest in us held by existing stockholders. We are authorized to issue, without stockholder approval, one million shares of preferred stock, which may give other stockholders dividend, conversion, voting and liquidation rights, among other rights, which may be superior to the rights of holders of our common stock. While our Board of Directors has no present intention of authorizing the issuance of any such preferred stock, it reserves the right to do so in the future.

**Table of Contents****Item 1B. Unresolved Staff Comments**

None.

**Item 3. Legal Proceedings**

For information regarding legal proceedings, see the discussion under the captions Contingencies Settlement Facility Construction Project Dispute in Note 16 Contingencies, Commitments and Other Circumstances and Nigeria Assets and Nigeria-Based Operations Share Purchase Agreement, Litigation and Settlement in Note 20 Discontinuance of Operations, Held for Sale Operations, Asset Disposals and Transition Services Agreement of our Notes to Consolidated Financial Statements in Item 8 of Part II of this Form 10-K, which information from Notes 16 and 20 is incorporated by reference herein.

We are a party to a number of other legal proceedings. We believe that the nature and number of these other proceedings are typical for a company of our size engaged in our type of business and that none of these other proceedings will result in a material adverse effect on our business, results of operations or financial condition.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 4A. Executive Officers of the Registrant**

The following table sets forth information regarding our executive officers. Officers are elected annually by, and serve at the discretion of, the Board of Directors.

Name	Age	Position(s)
Robert R. Harl	61	Director, President and Chief Executive Officer
Van A. Welch	57	Executive Vice President, Chief Financial Officer and Treasurer
James L. Gibson	61	Executive Vice President and Chief Operating Officer
Peter W. Arbour	63	Senior Vice President and General Counsel
J. Robert Berra	44	Executive Vice President, Sales & Marketing
Jerrit M. Coward	43	President, <i>Oil &amp; Gas Construction and Maintenance</i>
Michael J. Giarratano	59	President, <i>Utility T&amp;D</i>
Kevin D. Fleury	52	President, Willbros Canada

**Robert R. Harl** was elected to the Board of Directors and President and Chief Operating Officer of Willbros Group, Inc. in January 2006 and as Chief Executive Officer in January 2007. Mr. Harl has over 30 years experience working with Kellogg Brown & Root, a global engineering, construction and services company ( KBR ), and its subsidiaries in a variety of officer capacities, serving as President of several of KBR 's business units. Mr. Harl 's experience includes executive management responsibilities for units serving both upstream and downstream oil and gas sectors as well as power, governmental and infrastructure sectors. He was President and Chief Executive Officer of KBR from March 2001 until July 2004 when he was appointed Chairman, a position he held until January 2005. KBR filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code in December 2003 in order to discharge certain asbestos and silica personal injury claims. The order confirming KBR 's plan of reorganization became final in December 2004, and the plan of reorganization became effective in January 2005. Mr. Harl was engaged as a consultant to Willbros from August 2005 until he became an executive officer and member of the Board of Directors of Willbros in January 2006. In October 2010, Mr. Harl resigned from the office of Chief Operating Officer prior to Mr. Gibson 's election to that office.

**Van A. Welch** joined Willbros in 2006 as Senior Vice President, Chief Financial Officer and Treasurer of Willbros Group, Inc.; he served as Treasurer until September 2007, and re-assumed that office in July 2010. In May 2011, he was promoted to Executive Vice President, Chief Financial Officer and Treasurer. Mr. Welch has over 29 years experience in project controls, administrative and finance positions with KBR, a global engineering, construction and services company, and its subsidiaries, serving in his last position as Vice President Finance and Investor Relations and as a member of KBR 's executive leadership team. From 1998 to 2006, Mr. Welch held various other positions with KBR including

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Vice President, Accounting and Finance of the Engineering and Construction Division, Vice President, Accounting and Finance of Onshore Operations and Senior Vice President of Shared Services. Mr. Welch is a Certified Public Accountant.

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**James L. Gibson** was named Chief Operating Officer of Willbros in October 2010. Mr. Gibson joined Willbros in March 2008. He was named President, Willbros Canada in July 2008, and appointed President *Downstream Oil & Gas* in February 2010. Mr. Gibson brings more than 39 years of diversified construction experience in managing all aspects of project performance including: cost, schedules, quality, safety, budget, regulatory requirements and subcontracting. Prior to joining Willbros, he was employed by KBR, for the majority of his career, beginning in 1972. He held a number of positions at KBR in project management services performing work in refineries and chemical plants. He has managed projects for Syncrude Canada Limited in Alberta and other projects in the oil sands industry in the Fort McMurray area. Mr. Gibson holds several contractor certifications and licenses and graduated from the University of Texas with a Bachelor of Science in Engineering.

**Peter W. Arbour** joined Willbros in May 2010 as Senior Vice President, General Counsel, and Corporate Secretary. Before joining Willbros, he served in senior legal positions with the Expro International Group from August 2006 to April 2010, Power Well Services from August 2004 to July 2006, and KBR, where he managed a worldwide Law Department for over 10 years. KBR filed for reorganization under chapter 11 of the U.S. Bankruptcy Code in December 2003 in order to discharge certain asbestos and silica personal injury claims. The order confirming KBR's plan of reorganization became final in December 2004 and the plan of reorganization became effective in January 2005. Mr. Arbour's legal experience includes work with mergers and acquisitions, engineering and construction contracts, construction claims, litigation management, and compliance matters. He has extensive experience in overseas projects, particularly in the Middle East, Asia Pacific, and Latin America. Mr. Arbour is a member of the state bar associations of Texas and Louisiana and holds undergraduate and Juris Doctorate degrees from Louisiana State University. Mr. Arbour resigned from the office of Corporate Secretary in December 2010.

**J. Robert Berra** joined Willbros in February 2011 as Executive Vice President, Sales & Marketing. Mr. Berra has over 20 years' experience in the energy industry including the oil and gas, refining, petrochemicals, LNG, offshore, government and technology sectors, and has worked in capacities ranging from engineering, construction, program management, business development, operations and executive management. Prior to joining Willbros, from December 2008 to February 2011, Mr. Berra served as Senior Vice President, Commercial Operations for Foster Wheeler USA Corporation, a global engineering and construction contractor, where he was responsible for sales, marketing, proposals and estimating, and executive oversight of its heavy oil technology portfolio and chemicals business line. During his tenure with ConocoPhillips, from August 2006 to December 2008, Mr. Berra served in senior management positions in the Project Development function where he was responsible for global EPC contracting and led the portfolio management for major pipeline projects. Mr. Berra has also served in senior leadership positions with engineering and construction contractors, The Shaw Group from November 2004 to August 2006 and KBR from May 1990 to October 2004. Mr. Berra graduated from The University of Texas at Austin with a Bachelor of Science in Mechanical Engineering and is a licensed professional engineer in the State of Texas. He is a member of the executive board of the Engineering Construction and Contracting (ECC) Association, and served as chairman of this organization in 2010.

**Jerrit M. Coward** joined Willbros in 2002 as a Project Manager, and assumed full operations responsibility for our Nigerian operations in 2005, overseeing the discontinuation and sale of our Nigerian interests. He was promoted to President of our *Upstream Oil & Gas* segment in January 2008 and also currently serves as President of Oil & Gas Construction and Maintenance. Prior to joining Willbros, he worked for Global Industries as Project Manager, Operations Manager and Commercial Manager. He has held foreign assignments in Nigeria and Mexico as well as executing international projects in various other countries. He has worked his entire professional career in the oil and gas construction industry. Mr. Coward is a graduate of Texas A&M University at Galveston with a Bachelor of Science in Maritime Systems Engineering.

**Michael J. Giarratano** was elected President, *Utility T&D* in April 2011, after having served as Chief Operating Officer of *Utility T&D* subsequent to the closing of the acquisition of InfrastruX Group, Inc. He also currently serves as a Senior Vice President of the Company. Prior to his current position he worked for Hawkeye, LLC, beginning in 2000 as part of the original organization, through various managerial positions, ultimately achieving the office of President and CEO. He also served as President of the Transmission & Distribution Services unit from 2009 through 2011. Mr. Giarratano has over 35 years experience in the power industry and has assumed increasingly responsible engineering and construction roles at a major power engineering and construction company as well as a power transmission and distribution company. Mr. Giarratano is a graduate of the Clarkson College of Technology with a Bachelor of Science in Electrical Engineering.

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**Kevin D. Fleury** joined Willbros in February 2010 as President, Willbros Canada. Mr. Fleury is a 35-year veteran of Western Canada's oil and gas service industry. Prior to joining Willbros, he served as a board member, President and Chief Executive Officer of Tarpon Energy Services Ltd., a company he co-founded in 2003. He also served as president of Syndicated Technologies Ltd., a Western Canadian electrical and instrumentation service company, from 1977 through 2002. He is also a member of Southern Alberta Institute of Technology's (SAIT) Promising Futures campaign.

**Table of Contents****PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock commenced trading on the New York Stock Exchange on August 15, 1996, under the symbol WG. The following table sets forth the high and low sale prices per share of our common stock as reported by the New York Stock Exchange for the periods indicated:

	High	Low
<b>For the year ended December 31, 2011:</b>		
First Quarter	\$ 12.55	\$ 9.03
Second Quarter	11.87	7.50
Third Quarter	9.41	4.15
Fourth Quarter	5.53	3.13
<b>For the year ended December 31, 2010:</b>		
First Quarter	\$ 18.51	\$ 11.57
Second Quarter	13.76	8.93
Third Quarter	9.75	6.80
Fourth Quarter	10.02	6.84

Substantially all of our stockholders maintain their shares in street name accounts and are not, individually, stockholders of record. As of April 2, 2012, our common stock was held by approximately 152 holders of record and an estimated 5,700 beneficial owners.

**Dividend Policy**

Since 1991, we have not paid any cash dividends on our capital stock, except dividends in 1996 on our outstanding shares of preferred stock, which were converted into shares of common stock on July 15, 1996. We anticipate that we will retain earnings to support operations and to finance the growth and development of our business. Therefore, we do not expect to pay cash dividends in the foreseeable future. Our 2010 Credit Facility prohibits us from paying cash dividends on our common stock.

**Issuer Purchases of Equity Securities**

The following table provides information about purchases of our common stock by us during the fourth quarter of 2011:

	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share <sup>(2)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
October 1, 2011 – October 31, 2011	6,806	\$ 4.72		
November 1, 2011 – November 30, 2011	332	4.68		
December 1, 2011 – December 31, 2011	1,926	3.13		
Total	9,064	\$ 4.38		

(1)

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Represents shares of common stock acquired from certain of our officers and key employees under the share withholding provisions of our 1996 Stock Plan and 2010 Stock and Incentive Compensation Plan for the payment of taxes associated with the vesting of shares of restricted stock granted under such plans.

- (2) The price paid per common share represents the closing sales price of a share of our common stock as reported by the New York Stock Exchange on the day that the stock was acquired by us.

**Table of Contents****Item 6. Selected Financial Data**

## SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

(Dollar amounts in thousands, except per share data)

	Year Ended December 31,				
	2011 <sup>(4)</sup>	2010 As Revised	2009	2008	2007
<b>Statement of Operations Data:</b>					
Contract revenue	\$ 1,615,040	\$ 1,125,072	\$ 1,185,809	\$ 1,730,667	\$ 928,927
Operating expenses (income):					
Contract	1,472,420	995,332	1,046,144	1,499,084	823,526
Amortization of intangibles	15,681	9,724	6,515	10,420	794
General and administrative	134,745	112,371	79,971	110,034	66,708
Goodwill impairment	178,575	60,000		62,295	
Changes in fair value of contingent earn-out liability	(10,000)	(45,340)			
Settlement of project dispute	8,236				
Other charges	105	3,771	12,694		
Acquisition costs		10,055	2,499		660
Government fines					22,000
Operating income (loss)	(184,722)	(20,841)	37,986	48,834	15,239
Interest expense, net	(45,117)	(27,677)	(8,360)	(9,049)	(6,096)
Other, net	(430)	1,649	(674)	861	(4,332)
Loss on early extinguishment of debt	(6,304)				(15,375)
Income (loss) from continuing operations before income taxes	(236,573)	(46,869)	28,952	40,646	(10,564)
Provision (benefit) for income taxes	(32,293)	(31,048)	7,528	17,028	15,391
Income (loss) from continuing operations	(204,280)	(15,821)	21,424	23,618	(25,955)
Income (loss) from discontinued operations net of provision for income taxes	(88,541)	(20,008)	(1,784)	21,850	(23,786)
Net income (loss)	(292,821)	(35,829)	19,640	45,468	(49,741)
Less: Income attributable to noncontrolling interest	(1,195)	(1,207)	(1,817)	(1,836)	(2,210)
Net income (loss) attributable to Willbros Group, Inc.	\$ (294,016)	\$ (37,036)	\$ 17,823	\$ 43,632	\$ (51,951)
Reconciliation of net income (loss) attributable to Willbros Group, Inc.					
Income (loss) from continuing operations	\$ (205,475)	\$ (17,028)	\$ 19,607	\$ 21,782	\$ (28,165)
Income (loss) from discontinued operations	(88,541)	(20,008)	(1,784)	21,850	(23,786)
Net income (loss) attributable to Willbros Group, Inc.	\$ (294,016)	\$ (37,036)	\$ 17,823	\$ 43,632	\$ (51,951)
Basic income (loss) per share attributable to Company shareholders:					
Continuing operations	\$ (4.33)	\$ (0.40)	\$ 0.51	\$ 0.57	\$ (0.96)
Discontinued operations	(1.86)	(0.47)	(0.05)	0.56	(0.81)
Net income (loss)	\$ (6.19)	\$ (0.87)	\$ 0.46	\$ 1.13	\$ (1.77)

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Diluted income (loss) per share attributable to Company shareholders:

Continuing operations	\$ (4.33)	\$ (0.40)	\$ 0.50	\$ 0.56	\$ (0.96)
Discontinued operations	(1.86)	(0.47)	(0.05)	0.56	(0.81)
Net income (loss)	\$ (6.19)	\$ (0.87)	\$ 0.45	\$ 1.12	\$ (1.77)

**Cash Flow Data:**

Cash provided by (used in):

Operating activities	\$ 11,713	\$ 46,871	\$ 47,304	\$ 179,071	\$ (15,793)
Investing activities	58,376	(404,651)	(34,036)	(11,725)	(150,601)
Financing activities	(147,296)	297,795	(28,481)	(47,469)	219,340
Effect of exchange rate changes	(449)	2,402	6,135	(5,001)	2,297

**Balance Sheet Data (at period end):**

Cash and cash equivalents	\$ 58,686	\$ 134,305	\$ 196,903	\$ 189,465	\$ 91,053
Working capital from continuing operations	172,452	255,044	274,326	263,680	197,563
Total assets <sup>(3)</sup>	861,771	1,270,345	728,378	787,344	778,391
Total liabilities <sup>(3)</sup>	630,193	746,805	240,383	343,209	375,666
Total debt	268,794	387,928	103,875	119,988	136,793
Stockholders' equity	231,578	523,540	487,995	444,135	402,725

**Table of Contents****Other Financial Data (excluding discontinued operations):**

12 Month Backlog (at period end) <sup>(1)</sup>	\$ 865,124	\$ 809,632	\$ 388,903	\$ 588,898	\$ 1,235,363
Capital expenditures, excluding acquisitions	10,864	16,121	11,082	46,695	66,622
Adjusted EBITDA from continuing operations <sup>(2)</sup>	45,106	67,797	99,138	157,049	20,192
<b>Number of employees (at period end):</b>	<b>8,810</b>	<b>7,260</b>	<b>3,714</b>	<b>6,512</b>	<b>5,475</b>

- (1) Backlog is anticipated contract revenue from uncompleted portions of existing contracts and contracts whose award is reasonably assured. MSA backlog is estimated for the remaining terms of the contract. MSA backlog is determined based on historical trends inherent in the MSAs, factoring in seasonal demand and projecting customer needs based on ongoing communications.
- (2) Adjusted EBITDA from continuing operations is included in this Form 10-K because it is one of the measures through which we assess our financial performance. Adjusted EBITDA from continuing operations is not calculated or presented in accordance with U.S. GAAP. For a definition of Adjusted EBITDA from continuing operations, a reconciliation of Adjusted EBITDA from continuing operations to income (loss) from continuing operations (its most directly comparable financial measure calculated and presented in accordance with U.S. GAAP), and additional information regarding this non-GAAP financial measure, see Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Other Financial Measures Adjusted EBITDA from Continuing Operations.
- (3) The Company revised its previously reported consolidated balance sheet as of December 31, 2010 to correct errors in the deferred income tax balances and associated goodwill recorded in connection with the acquisition of InfrastruX. In the aggregate, these errors resulted in an overstatement of goodwill and deferred income tax liabilities of approximately \$15,457.
- (4) The Company recorded adjustments during the year ended December 31, 2011 to correct errors primarily related to income taxes and revenue for years preceding 2011. The tax adjustments related to errors in the calculation of the income tax provision and the over-accrual of interest associated with uncertain tax positions for the years 2007 through 2010. Revenue was overstated as a result of the use of incorrect data for two contracts in the Company's *Downstream Oil & Gas* segment in 2010. The net impact of these adjustments was an increase to pre-tax loss in the amount of \$1,208, a decrease to the income tax benefit from continuing operations in the amount of \$1,407 and an increase to net loss in the amount of \$2,615 for the year ended December 31, 2011. These adjustments did not have any impact on the Company's loss from discontinued operations. The Company does not believe these adjustments are material individually or in the aggregate to its consolidated financial statements for the year ended December 31, 2011, nor does it believe such items are material to any of its previously issued financial statements.

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### **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (In thousands, except share and per share amounts or unless otherwise noted)**

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the notes thereto included elsewhere in this Form 10-K. Additional sections in this Form 10-K which should be helpful to the reading of our discussion and analysis include the following: (i) a description of our services provided, by segment found in Items 1 and 2 Business and Properties Services Provided (ii) a description of our business strategy found in Items 1 and 2 Business and Properties Our Strategy ; and (iii) a description of risk factors affecting us and our business, found in Item 1A Risk Factors.

In as much as the discussion below and the other sections to which we have referred you pertain to management's comments on financial resources, capital spending, our business strategy and the outlook for our business, such discussions contain forward-looking statements. These forward-looking statements reflect the expectations, beliefs, plans and objectives of management about future financial performance and assumptions underlying management's judgment concerning the matters discussed, and accordingly, involve estimates, assumptions, judgments and uncertainties. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to any differences include, but are not limited to, those discussed below and elsewhere in this Form 10-K, particularly in Item 1A Risk Factors and in Forward-Looking Statements.

## **OVERVIEW**

Willbros is a global provider of engineering and construction services to the oil, gas, refinery, petrochemical and power industries with a focus on infrastructure such as oil and gas pipeline systems, electric T&D systems and refining and processing plants. Our offerings include engineering, procurement and construction (either individually or as an integrated EPC service offering), turnarounds, maintenance and other specialty services.

### **2011 Year in Review**

During 2011, revenue increased \$489,968 to \$1,615,040 from \$1,125,072 in 2010. The increase in revenue was primarily a result of a full year of our *Utility T&D* segment operations versus only a half year in 2010. Our *Upstream Oil & Gas* segment, which expanded its regional presence and breadth of services to include oilfield services work and was also successful in converting engineering assignments into full EPC projects, also increased its top line by over 30 percent. The revenue increase was partially offset by a decline in activity, primarily related to turnaround project delays in the *Downstream Oil & Gas* segment. Operating income decreased \$163,881 to a loss of \$184,722 in 2011 compared to a loss of \$20,841 in 2010. The variance is largely explained by a two unfavorable items in 2011 a \$118,575 increase in goodwill impairment charges and a \$35,340 decrease in the benefit of reducing the InfrastruX acquisition's contingent earnout liability. We believe we have made substantial progress in improving our results in the seasonally slower fourth and first quarters and our challenge is to bring lagging business units up to the level of performance of our best businesses. We will continue to take actions to improve upon these results. See the following Financial Summary included in this Item 7 for additional details on the 2011 financial performance.

As part of our 2011 debt reduction process, we completed a study to determine the strategic fit and potential future contributions of various business units. We identified certain businesses that were not producing results at a level comparable to our peer group companies' businesses. We are taking actions to improve the performance of these lagging businesses through a combination of initiatives consisting of a realignment of management, reduction of indirect costs (including fleet management) and general and administrative costs, and a more robust sales and marketing program to expand the revenue base. In instances where our evaluation identifies disadvantaged businesses, we are prepared to make divestiture decisions, when our analysis dictates that is the correct business decision. Specific targets of this profitability initiative are our *Utility T&D* segment's distribution businesses in the Northeast and South Central regions and our *Downstream Oil & Gas* segment which, as previously mentioned, has seen continued delay in maintenance and turnaround awards and a diminishing customer base as the refining industry rationalizes capacity.

Also, as part of this study, we identified several non-strategic businesses and have divested, or are in the process of divesting, these businesses to strengthen the balance sheet and to allow management to better focus on the remaining strategic businesses. In October 2011, we sold InterCon Construction Inc. (InterCon) (acquired in the InfrastruX transaction). In connection with this sale, we received total compensation of \$18,749 in cash and \$250 in the form of an escrow deposit from the buyer. We continue to work towards a sale of our Canada cross-country pipeline construction business and are evaluating divestiture of several other businesses.

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The integration of InfrastruX is advancing and we have introduced our management systems and processes. We are seeing positive results in Texas transmission construction and expect this trend to continue in 2012. Our Northeast transmission business has successfully executed multiple large capital projects in the Northeast and we expect to leverage this recent relevant experience as we focus more management resources on this component of the *Utility T&D* segment. The distribution portion of the *Utility T&D* segment is still constrained by the dearth of housing starts, but we expect slow improvement throughout 2012, with upside from expanding gas distribution service opportunities.

Some positive highlights for 2011 include:

We have reduced our \$300,000 term loan facility ( *Term Loan* ) (used for the InfrastruX acquisition) by making payments of \$123,379 against the existing balance.

The *Upstream Oil & Gas* segment has been able to increase year-over-year revenue by \$176,940, or 30.2 percent, by expanding its regional presence in the liquids basins and shale plays, complementing our cross-country large diameter pipeline revenue. This successful change in strategy has positive implications for our *Downstream Oil & Gas* segment, which in 2012, has been placed under the *Upstream Oil & Gas* management team.

On March 29, 2012, we entered into a settlement agreement with WAPCo to settle the WAGP project litigation. The settlement stops the significant legal spend on the litigation, including any additional expense for trial and likely appeal, creates certainty of the outcome and eliminates trial risk. We believe this is a fair settlement and are pleased to remove the overhang of this litigation.

Engineering services rebounded, with significant additions of EPC assignments.

The TransCanada Pipelines, Ltd. ( *TransCanada* ) billing dispute was settled in June 2011 for \$61,000, achieving recovery of approximately 90 percent of the claimed amounts.

To sum up, in 2011, we successfully advanced our strategy to bring more recurring services into our revenue base, successfully responded to a shift in our legacy *Upstream Oil & Gas* markets, identified and elevated the pipeline integrity opportunity, regained traction in both engineering businesses within our *Upstream Oil & Gas* and *Downstream Oil & Gas* segments, booked new meaningful EPC contracts, established a new oil sands focused model in Canada, with a high graded management team, generated positive project margins in our electric transmission construction business and isolated non-performing and non-strategic businesses for additional management actions.

## **Looking Forward**

Last year, our primary financial objective was to reduce our leverage position by paying down debt while concurrently maintaining adequate liquidity. A 2011 debt repayment target range of \$50,000 to \$100,000 was exceeded by \$23,379 and an additional \$30,000 payment was made in the first quarter of 2012. During the first half of 2012, we expect to make substantial additional reductions as we continue to sell non-strategic assets (including equipment, real property, and businesses.) Our financial leverage will continue to be reduced and our overall balance sheet strengthened. We will be vigilant of opportunities to refinance our debt and modify or replace our existing 2010 Credit Facility.

In 2012, our primary financial objective is to improve our operating results to a level comparable with our peer group companies. Many of our businesses are already performing at this level; however, many are not. The non-performing businesses will be the focus of the actions we take to improve our operating profitability. We intend to do this through changes in the management teams, lowering the cost of service (through better management of variable and indirect costs such as equipment fleets, indirect personnel and yard costs and general and administrative costs), new marketing initiatives and increased accountability.

In January 2012 as part of our 2012 goal to improve our profitability, we changed the way we manage our business and identified new segment alignments. In early 2012, *Canada* was designated as a separate segment in recognition of the tremendous growth potential in the oil sands and the growth and performance objectives established for the country management team. The remainder of the *Upstream Oil & Gas* segment and the *Downstream Oil & Gas* segment were combined into a single new segment entitled *Oil & Gas* with two primary business activities Professional Services and Construction and Maintenance. This was done to reduce the management costs and to bring the *Downstream Oil &*

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*Gas* activity under the management team which had achieved success affecting the new *Upstream Oil & Gas* regional service delivery strategy. One of our *Utility T&D* subsidiaries, Premier, has been moved into the *Oil & Gas* segment under Professional Services to augment our integrity services business. Premier has an extensive field workforce that provides utility line locating, stray voltage and gas leak detection services and complements the need to gather field data for our pipeline integrity services.

We intend to remain focused on actions underway throughout 2011, namely, the integration of the InfrastruX acquisition; implementing new process and procedures along with management systems to bring improvements realized in the *Upstream Oil & Gas* segment to full realization in our *Downstream Oil & Gas* businesses as well as the *Utility T&D* segment; cultural acceptance of Safety as an undeniable value and sharp focus on the end markets we serve in North America: the Canadian oil sands; the development of

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liquids-rich hydrocarbon sources and the robust market for expansion of the electric transmission grid. We will continue to advance our themes of recurring services, financial flexibility and excellence in project execution and expect to achieve incremental improvement in all our businesses and markets in 2012.

**Financial Summary**

During 2011, revenue increased \$489,968 to \$1,615,040 from \$1,125,072 in 2010. This increase is primarily due to a \$385,929 revenue increase in our *Utility T&D* segment related to a full year of revenue in 2011 and only a half year reported in 2010. Our *Upstream Oil & Gas* segment increased \$176,940 due to an increase in facilities work and expansion into various shale regions in South Texas, West Texas and North Dakota. Revenues in our *Downstream Oil & Gas* segment decreased \$72,901 due to decreased demand for maintenance and turnaround activity.

We recognized a 2011 operating loss of \$184,722 and a net loss from continuing operations of \$205,475, or \$4.33 per diluted share. The following three 2011 transactions (collectively referred to as 2011 Special Items ) had a material impact on our 2011 financial results:

A goodwill charge of \$178,575 (\$142,981 net of taxes) for the full-year and \$35,032 (\$29,682 net of taxes) in the fourth quarter in our *Utility T&D*, *Downstream Oil & Gas*, and *Upstream Oil & Gas* segments attributed to the reduction in the outlook for expected future cash inflows in the segments.

The repatriation of foreign profits resulted in increased estimated taxes by approximately \$6,550 for the full-year and \$4,595 for the fourth quarter.

The contingent earnout liability associated with the InfrastruX acquisition was reduced from \$10,000 (no tax effect) to \$0 based on our assessment that the full year 2011 EBITDA (earnings before interest, income taxes, depreciation and amortization) targets as set forth in the Agreement and Plan of Merger (the Merger Agreement ), were no longer attainable.

Additionally, as previously discussed in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2010 Annual Report, we had two large non-cash transactions (together referred to as 2010 Special Items ) that are detailed as follows:

A goodwill charge of \$60,000 (\$36,000 after tax) for the full-year and \$48,000 (\$28,880 after tax) for the fourth quarter in our *Downstream Oil & Gas* segment attributed to the reduction in the outlook for expected future cash inflows in the segment.

The contingent earnout liability associated with the InfrastruX acquisition was reduced by \$45,340 (no tax effect) to \$10,000 based on a projected decrease in 2011 EBITDA.

Excluding the impact of these 2011 and 2010 Special Items, full-year and three months ended December 31 2011 and 2010 results are shown for comparative purposes in the below table:

<i>Year Ended December 31, 2011</i>	As Reported	Goodwill Impairment	Repatriation of Foreign Profits	Change in Fair Value of Contingent Earnout	Before Special Items <sup>(1)</sup>
Operating income (loss)	\$ (184,722)	\$ 178,575	\$	\$ (10,000)	\$ (16,147)
Net income (loss) from continuing operations	\$ (205,475)	\$ 142,981	\$ 6,550	\$ (10,000)	\$ (65,944)
Diluted income (loss) per share from continuing operations	\$ (4.33)	\$ 3.01	\$ 0.14	\$ (0.21)	\$ (1.39)
Fully diluted shares, as reported equal to 47,475,680					

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*Three Months Ended December 31, 2011*

Operating income (loss)	\$ (45,988)	\$ 35,032	\$	\$	\$ (10,956)
Net income (loss) from continuing operations	\$ (53,707)	\$ 29,682	\$ 4,595	\$	\$ (19,430)
Diluted income (loss) per share from continuing operations	\$ (1.13)	\$ 0.62	\$ 0.10	\$	\$ (0.41)
Fully diluted shares, as reported equal to 47,615,545					

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<i>Year Ended December 31, 2010</i>	<b>As Reported</b>	<b>Goodwill Impairment</b>	<b>Repatriation of Foreign Profits</b>	<b>Change in Fair Value of Contingent Earnout</b>	<b>Before Special Items <sup>(1)</sup></b>
Operating income (loss)	\$ (20,841)	\$ 60,000	\$	\$ (45,340)	\$ (6,181)
Net income (loss) from continuing operations	\$ (17,028)	\$ 36,000	\$	\$ (45,340)	\$ (26,368)
Diluted income (loss) per share from continuing operations	\$ (0.40)	\$ 0.84	\$	\$ (1.05)	\$ (0.61)
Fully diluted shares, as reported equal to 43,013,934					
<i>Three Months Ended December 31, 2010</i>					
Operating income (loss)	\$ (69,107)	\$ 48,000	\$	\$	\$ (21,107)
Net income (loss) from continuing operations	\$ (54,103)	\$ 28,800	\$	\$	\$ (25,303)
Diluted income (loss) per share from continuing operations	\$ (1.15)	\$ 0.61	\$	\$	\$ (0.54)
Fully diluted shares, as reported equal to 47,099,756					

(1) Net income (loss) from continuing operations before 2011 and 2010 Special Items, a non-GAAP financial measure, excludes special items that management believes affect the comparison of results for the periods presented. Management also believes results excluding these items are more comparable to estimates provided by securities analysts and therefore are useful in evaluating operational trends of the Company and its performance relative to other engineering and construction companies.

**Full Year Results**

The 2011 operating loss was \$184,722. Excluding 2011 Special Items, the operating loss was \$16,147 which represents a \$9,966 loss increase from a \$6,181 operating loss in 2010, excluding 2010 Special Items. The year-over-year operating loss increase is primarily related to our *Upstream Oil & Gas* segment which recorded an operating loss increase of \$28,830 (excluding goodwill impairment of \$21,278) from lower margins on fixed price work and the unfavorable impact of the settlement of the TransCanada project dispute. An \$8,236 non-cash charge and \$3,721 in related legal cost were attributable to the settlement. Our *Utility T&D* segment's \$19,985 of reduced losses partially offset the *Upstream Oil & Gas* segment's increased operating loss. Our *Utility T&D* segment's improvement was primarily driven by improved performance in our Texas electric transmission business and reduction in losses for our Northeast electric distribution business.

Interest expense, net increased \$17,440 to \$45,117 in 2011 compared to \$27,677 in 2010. The increase is primarily a result of additional interest expense related to a full year of the Term Loan in 2011 versus only six months in 2010; and the early amortization of debt issuance costs and Original Issue Discount (OID), and early payment penalties related to payments against our Term Loan.

The 2011 net loss was \$205,475. Excluding 2011 and 2010 Special Items, 2011 net loss increased \$39,576 or \$0.92 per share primarily attributed to additional operating losses and interest expense as noted above.

**Fourth Quarter Results**

Our fourth quarter operating loss was \$45,988. Excluding 2011 Special Items, the operating loss was \$10,956 which represents a \$10,151 loss decrease from \$21,107 operating loss in 2010, excluding 2010 Special Items. This decrease is primarily a result of a reduction in losses incurred on several projects within our *Upstream Oil & Gas* Canada business in 2011 compared to the same period in 2010. In addition, the decrease can also be attributed to the startup of our midstream pipeline business within our *Upstream Oil & Gas* segment. This business opened a new market in one of the major regional shale plays that contributed additional income during 2011 as compared to none during the same period in 2010.

Interest expense, net decreased \$2,751 to \$8,842 in 2011 compared to \$11,593 in 2010. The decrease is primarily a result of decreased interest expense related to our Term Loan due to accelerated principal payments made during 2011.

The 2011 fourth quarter net loss was \$53,707. Excluding 2011 and 2010 Special Items, the 2011 fourth quarter net loss decreased \$5,873 or \$0.12 per share, primarily attributed to the changes in operating losses and interest expense as noted above.

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

In our industry, backlog is considered an indicator of potential future performance as it represents a portion of the future revenue stream. Our strategy is focused on capturing quality backlog with margins commensurate with the risks associated with a given project, and for the past several years we have put processes and procedures in place to identify contractual and execution risks in new work opportunities and believe we have instilled in the organization the discipline to price, accept and book only work which meets stringent criteria for commercial success and profitability.

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

Backlog broadly consists of anticipated revenue from the uncompleted portions of existing contracts and contracts whose award is reasonably assured. Our backlog presentation reflects not only the 12 month lump-sum and MSA work; but also, the full-term value of work under contract, including MSA work as we believe that this information is helpful in providing additional long-term visibility. We determine the amount of backlog for work under ongoing MSA maintenance and construction contracts by using recurring historical trends inherent in the MSAs, factoring in seasonal demand and projecting customer needs based upon ongoing communications with the customer. We also include in backlog our share of work to be performed under contracts signed by joint ventures in which we have an ownership interest.

At December 31, 2011, 12 month backlog from continuing operations increased \$55,492 (6.9 percent) to \$865,124 from \$809,632 at December 31, 2010. Our *Upstream Oil & Gas* segment, with a 12 month backlog of \$333,805, contributed to the overall rise in backlog by increasing \$108,809, or 48.4% from the 2010 12 month backlog level. This increase was offset by a decrease in our *Utility T&D* segment 12 month backlog of \$66,495 or 13.9%.

Our *Upstream Oil & Gas* segment's 12 month backlog increase in 2011 was a result of escalated work activity in our Engineering business and our U.S. Construction business, which experienced year-over-year increases of \$37,574 and \$60,447, respectively. Our pipeline construction services contracting is characterized by competitive fixed price bids and short time periods from project bid to execution, except for large EPC contracts that can span more than one year. With the return to these historical contracting patterns, we have experienced lower backlog numbers with respect to our pipeline construction services partially as a result of eliminating the much longer lead times between the award of and the execution of projects.

In our *Utility T&D* segment, five customer relationships are expected to contribute \$297,480 in revenue during 2012. As previously discussed, a significant portion of our *Utility T&D* backlog is associated with recurring services on MSA contracts that extend beyond 2012. *Utility T&D*'s backlog decreased \$66,495 from 2010 primarily due to the completion of two larger projects in the Northeast which had \$50,584 and \$17,068 respectively in backlog at December 31, 2010.

Total backlog beyond the current 12 months was \$2,172,217 at December 31, 2011. The \$1,307,093 of backlog expected to be worked off beyond 12 months is almost entirely comprised of MSA work. MSA agreements account for \$1,656,944 or 76.3 percent of the total backlog. The remaining \$515,273 or 23.7 percent of the total backlog is attributable to current lump sum projects. Our *Utility T&D* segment currently accounts for \$1,342,998 or 81.1 percent of the total reported MSA backlog and is derived from agreements extending until July of 2017.

Backlog for discontinued operations consisted primary of work associated with our discontinued Canada cross-country pipeline construction business and was \$25,857 at December 31, 2011 and \$137,733 at December 31, 2010.

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The following tables show our backlog from continuing operations by operating segment and geographic location as of December 31, 2011 and 2010:

	2011		As of December 31,		2010			
	12 Month	Percent	Total	Percent	12 Month	Percent	Total	Percent
<i>Upstream Oil &amp; Gas</i>	\$ 333,805	38.6%	\$ 622,396	28.7%	\$ 224,996	27.8%	\$ 547,341	28.3%
<i>Downstream Oil &amp; Gas</i>	120,255	13.9%	151,069	6.9%	107,077	13.2%	107,077	5.5%
<i>Utility T&amp;D</i>	411,064	47.5%	1,398,752	64.4%	477,559	59.0%	1,281,721	66.2%
Total Backlog	\$ 865,124	100.0%	\$ 2,172,217	100.0%	\$ 809,632	100.0%	\$ 1,936,139	100.0%

	2011		As of December 31,		2010	
	Total	Percent	Total	Percent	Total	Percent
<b><u>Total Backlog by Geographic Region</u></b>						
United States	\$ 1,718,920	79.2%	\$ 1,491,086	77.0%		
Canada	309,416	14.2%	394,856	20.4%		
Middle East/North Africa	135,698	6.2%	45,728	2.4%		
Other International	8,183	0.4%	4,469	0.2%		
Backlog	\$ 2,172,217	100.0%	\$ 1,936,139	100.0%		

	As of December 31,				
	2011	2010	2009	2008	2007
<b><u>12 Month Backlog</u></b>	\$ 865,124	\$ 809,632	\$ 388,903	\$ 588,898	\$ 1,235,363

*Adjusted EBITDA from Continuing Operations*

We define Adjusted EBITDA from continuing operations as income (loss) from continuing operations before interest expense, income tax expense (benefit) and depreciation and amortization, adjusted for items broadly consisting of selected items which management does not consider representative of our ongoing operations and certain non-cash items of the Company. These adjustments are included in various performance metrics under our credit facilities and other financing arrangements. These adjustments are itemized in the following table. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA from continuing operations, you should be aware that in the future we may incur expenses that are the same as, or similar to, some of the adjustments in this presentation. Our presentation of Adjusted EBITDA from continuing operations should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Management uses Adjusted EBITDA from continuing operations as a supplemental performance measure for:

Comparing normalized operating results with corresponding historical periods and with the operational performance of other companies in our industry; and

Presentations made to analysts, investment banks and other members of the financial community who use this information in order to make investment decisions about us.

Adjusted EBITDA from continuing operations decreased \$22,691 to \$45,106 in 2011 compared to \$67,797 in 2010. The decrease in Adjusted EBITDA is primarily a result of increased losses year-over-year from operations as well as \$8,236 of charges incurred during the second quarter

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of 2011 related to the TransCanada settlement. In addition, we made payments on our Term Loan during 2011 which resulted in the recognition of \$6,304 of loss on early extinguishment of debt, which further reduced Adjusted EBITDA from continuing operations year-over-year.

Adjusted EBITDA from continuing operations is not a financial measurement recognized under U.S. generally accepted accounting principles, or U.S. GAAP. When analyzing our operating performance,

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investors should use Adjusted EBITDA from continuing operations in addition to, and not as an alternative for, net income, operating income, or any other performance measure derived in accordance with U.S. GAAP, or as an alternative to cash flow from operating activities as a measure of our liquidity. Because all companies do not use identical calculations, our presentation of Adjusted EBITDA from continuing operations may be different from similarly titled measures of other companies.

A reconciliation of Adjusted EBITDA from continuing operations to U.S. GAAP financial information follows:

	Year Ended December 31,				
	2011	2010	2009	2008	2007
Income (loss) from continuing operations attributable to Willbros Group, Inc.	\$ (205,475)	\$ (17,028)	\$ 19,607	\$ 21,782	\$ (28,165)
Interest expense, net	45,117	27,677	8,360	9,049	6,096
Provision (benefit) for income taxes	(32,293)	(31,048)	7,528	17,028	15,391
Depreciation and amortization	59,995	48,908	35,602	39,999	18,689
Goodwill impairment	178,575	60,000		62,295	
Changes in fair value of contingent earnout liability	(10,000)	(45,340)			
DOJ monitor cost	3,567	4,002	2,582	530	1,924
Stock based compensation	9,724	7,957	9,549	11,652	4,087
Restructuring and reorganization costs	105	3,771	12,694		
Acquisition related costs		10,055	2,499		660
(Gains) on sales of equipment	(5,404)	(2,364)	(1,100)	(7,122)	(700)
Noncontrolling interest	1,195	1,207	1,817	1,836	2,210
Adjusted EBITDA from continuing operations	\$ 45,106	\$ 67,797	\$ 99,138	\$ 157,049	\$ 20,192

**Discontinued Operations**

For the year ended December 31, 2011, loss from discontinued operations, net of tax was \$88,541 or \$1.86 per share. The loss includes approximately \$55,500 in charges recorded in connection with the settlement of the West Africa Gas Pipeline ( WAGP ) project litigation and \$16,358 in legal fees incurred in relation to this litigation.

In addition, we incurred losses in 2011 from our Canada cross-country pipeline operations of approximately \$12,813 and losses from our recently disposed InterCon subsidiary of approximately \$4,855.

Additional financial disclosures and information on discontinued operations are provided in Note 20 Discontinuance of Operations, Held for Sale Operations, Asset Disposals and Transition Services Agreement included in Item 8 and in Item 1A Risk Factors of this Form 10-K.

**RESULTS OF OPERATIONS***Fiscal Year Ended December 31, 2011 Compared to Fiscal Year Ended December 31, 2010***Contract Revenue**

Contract revenue increased \$489,968 to \$1,615,040 from \$1,125,072 in 2010. A year-to-year comparison of revenue is as follows:

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	Year Ended December 31,			
	2011	2010	Increase / (Decrease)	Percent Change
<i>Upstream Oil &amp; Gas</i>	\$ 762,737	\$ 585,797	\$ 176,940	30.2%
<i>Downstream Oil &amp; Gas</i>	228,203	301,104	(72,901)	(24.2)%
<i>Utility T&amp;D</i>	624,100	238,171	385,929	162.0%
Total	\$ 1,615,040	\$ 1,125,072	\$ 489,968	43.5%

*Upstream Oil & Gas* revenue increased \$176,940 to \$762,737 in 2011 compared to \$585,797 in 2010, driven primarily by an increase in demand for our engineering services, as well as increased facilities work and expansion into various shale regions in South Texas, West Texas and North Dakota.

Our U.S. Construction business reported revenue of \$387,961 in 2011, an increase of \$84,211 compared to 2010. This increase was driven, in part, by a full year of operating results of B&H Construction, acquired in July 2010, which contributed revenue of \$105,950 in 2011, versus \$48,165 in only six months of 2010. In addition, as a result of an asset acquisition in May 2011, we began operations in Wyoming and North Dakota, primarily serving the Bakken and Niobrara shale plays. These newly established offices contributed \$20,655 during 2011. The remainder of our U.S. Construction business experienced an increase in revenue of \$26,426 driven by both our large diameter pipeline business and expansion of our facilities business into South Texas.

Our *Upstream Oil & Gas* engineering business reported revenue of \$151,363 in 2011, an increase of \$85,159 compared to 2010. We continue to experience strong demand for our engineering and EPC services. During 2011, we commenced work on two large EPC projects to design and build compressor stations in South Texas.

In Canada, revenue increased \$7,330 to \$149,584 in 2011, driven primarily by increased construction and fabrication of three major pump stations during the year. This increase was partially offset by lower levels of maintenance and capital projects performed pursuant to MSAs.

Our *Downstream Oil & Gas* segment revenue decreased \$72,901 to \$228,203 in 2011 compared to \$301,104 in 2010. The decrease is primarily a result of reduced maintenance and turnaround activity. We also experienced decreased construction revenue, although revenue from our engineering, fabrication, tank, and government services increased.

Revenue from maintenance and turnaround services decreased \$80,867 to \$92,113 for 2011. We secured contracts throughout 2011, though at a lower level than in 2010, due in part to the turnaround schedules of our existing customers, who performed a significant amount of deferred maintenance in 2010. We were also unsuccessful in replacing several significant turnaround contracts in 2011. In the latter half of 2011 we opened an office on the Houston Ship Channel to capture growth opportunities on the Gulf Coast.

Our *Downstream Oil & Gas* engineering revenue increased \$6,649 to \$54,078 for 2011 due primarily to improved demand for our engineering services as well as an EPC contract awarded in the third quarter of 2010 and completed in 2011.

Our Fabrication, Tank, Construction and Government Services combined remained relatively flat with decreases in Construction offset by increases in Tanks and Government Services.

Our *Utility T&D* segment revenue increased \$385,929 to \$624,100 in 2011 from \$238,171 in 2010. The increase was largely driven by a full year of results for 2011. The *Utility T&D* segment was created from the acquisition of InfrastruX on July 1, 2010. The additional six months of revenue for 2011 accounted for \$301,770 of the increase. During the last six months of 2011 compared to the last six months of 2010, revenue increased \$84,159 mainly related to our Chapman business in Texas and our Hawkeye business in the Northeast.

**Table of Contents****Operating Income (Loss)**

Operating income decreased \$163,881 to a loss of \$184,722 in 2011 compared to a loss of \$20,841 in 2010. The change in fair value of the contingent earnout was characterized as a corporate change in estimate and is not allocated to the reporting segments. A year-to-year comparison of operating income is as follows:

	2011	Operating Margin %	2010	Operating Margin %	Change	Percent Change
<i>Upstream Oil &amp; Gas</i>	\$ (14,241)	(1.9)%	\$ 35,867	6.1%	\$ (50,108)	(139.7)%
<i>Downstream Oil &amp; Gas</i>	(30,195)	(13.2)%	(75,320)	(25.0)%	45,125	59.9%
<i>Utility T&amp;D</i>	(150,286)	(24.1)%	(26,728)	(11.2)%	(123,558)	(462.3)%
Corporate	10,000	N/A	45,340	N/A	(35,340)	(77.9)%
<b>Total</b>	<b>\$ (184,722)</b>	<b>(11.4)%</b>	<b>\$ (20,841)</b>	<b>(1.9)%</b>	<b>\$ (163,881)</b>	<b>(786.3)%</b>

*Upstream Oil & Gas* operating income decreased \$50,108 to a loss of \$14,241 in 2011 from income of \$35,867 in 2010.

Our U.S. Construction business reported an operating loss of \$9,713 in 2011, a \$31,504 decrease compared to 2010. This business was unfavorably impacted by the settlement of the facility construction project dispute with TransCanada, which resulted in a pre-tax, non-cash charge of \$8,236 in the second quarter of 2011. Also in connection with this dispute, we incurred legal costs of \$3,721. Overall, the remainder of our pipeline business has seen a decrease in operating income driven by lower margins on fixed price contracts, primarily the result of increased competition and pricing pressure from our customers, as well as additional start up costs incurred with our expansion into the additional shale plays discussed above.

We also recorded a goodwill impairment charge of \$21,278 in 2011 related to a reduction in the outlook for expected future cash flows driven by a depressed fair market valuation for the segment.

Our *Downstream Oil & Gas* segment reported an operating loss of \$30,195 in 2011, a \$45,125 improvement from 2010 which is attributed primarily to a decreased goodwill impairment charge in 2011 compared to 2010. We recorded a \$60,000 goodwill impairment charge in 2010 and recorded an impairment charge for the remaining \$13,754 balance in 2011. Impairment charges in both years were also attributed to reductions in the outlook for expected future cash flows.

Our *Utility T&D* segment operating income decreased \$123,558 to a loss of \$150,286 in 2011 compared to a loss of \$26,728 in 2010. The year-over year decrease is attributed to a 2011 goodwill impairment charge of \$143,543 offset by an increase in operating income of \$11,849 in our Chapman business and an increase in operating income of \$5,055 in our UtilX business. The increase in Chapman operating income was derived from work performed under the Oncor MSA which remained strong throughout the year and the increase in UtilX operating income was derived from continued positive margins in the cable and restoration business.

**Non-Operating Items**

*Interest expense, net* increased \$17,440 to \$45,117 in 2011 compared to \$27,677 in 2010. The increase is primarily a result of additional cash interest expense of \$9,959 related to a full year of the Term Loan and the amortization of debt issuance costs and OID of \$5,202 and \$4,052 related to payments against our Term Loan.

In 2011, we recorded a \$6,304 loss attributed to the write-off of OID and financing costs inclusive of early termination fees in connection with payments of \$123,379 against our Term Loan. The loss is recorded in the line item *Loss on early extinguishment of debt* for the year ended December 31, 2011.

*Benefit for income taxes* increased \$1,245 to a benefit of \$32,293 from a benefit of \$31,048 in 2010. During 2011, we recognized a tax benefit of \$32,293 on a loss from continuing operations before income taxes of \$236,573 as compared to a tax benefit of \$31,048 on a loss from continuing operations before income taxes of \$46,869 in 2010. The increase in the benefit for income taxes is due to the decrease in operating income recognized during 2011.

**Loss from Discontinued Operations, Net of Taxes**

*Loss from discontinued operations, net of taxes* increased \$68,533 from a loss of \$20,008 in 2010 to a loss of \$88,541 for 2011. The increased loss year over year is primarily attributed to \$55,500 in charges recorded in 2011 in connection with the settlement of the WAGP project litigation. Further, legal costs associated with this litigation increased \$14,313 from \$2,045 in 2010 to \$16,358 in 2011.

**Table of Contents***Fiscal Year Ended December 31, 2010 Compared to Fiscal Year Ended December 31, 2009***Contract Revenue**

Contract revenue decreased \$60,737 to \$1,125,072 in 2010 compared to \$1,185,809 in 2009. A year-to-year comparison of revenue is as follows:

	Year Ended December 31,			
	2010	2009	Increase / (Decrease)	Percent Change
<i>Upstream Oil &amp; Gas</i>	\$ 585,797	\$ 908,559	\$ (322,762)	(35.5)%
<i>Downstream Oil &amp; Gas</i>	301,104	277,250	23,854	8.6 %
<i>Utility T&amp;D</i>	238,171	N/A	238,171	100.0 %
Total	\$ 1,125,072	\$ 1,185,809	\$ (60,737)	(5.1)%

*Upstream Oil & Gas* revenue decreased \$322,762 to \$585,797 in 2010 compared to \$908,559 in 2009. The decrease in revenue was the result of our customers' reduction in capital and maintenance spending in 2010 as a continued reaction to the overall global economic recession. This was evidenced by an overall decrease in large diameter pipeline projects available for bid. Further, projects that were initially being bid for 2010 completion were postponed or cancelled. As a result of these conditions, the segment began to pursue midstream pipeline projects which opened a new market in one of the major regional shale plays. The engineering business also contributed higher than expected revenues of \$66,206 as a result of developing alliances.

Revenue from our businesses within the United States decreased \$292,848 to \$369,954 in 2010 compared to \$662,802 in 2009. This was primarily due to reduced utilization of large-diameter cross-country pipeline construction assets of \$264,927 and a reduction of pipeline facility construction work of \$98,711. The reduction of pipeline construction revenue was directly linked to the reduced capital budgets approved and executed by our core customer base in 2010. The reduction of facility construction revenue was also impacted by significantly reduced capital budgets for our core customers.

*Downstream Oil & Gas* revenue increased primarily as a result of increased maintenance and turnaround activity which increased \$25,804 to \$172,980 in 2010 compared to \$147,176 in 2009. We benefited in 2010 from our position as a contractor of choice for our customers' maintenance and turnaround needs, the impact of delayed maintenance activities in 2009, and our investments in equipment to provide exchanger tube bundle extraction services.

*Utility T&D* contributed revenue of \$238,171 as a result of revenues derived from a broad range of transmission and distribution construction and maintenance services from July 1, 2010 through December 31, 2010. Revenue from the Hawkeye business generated revenue of \$61,880 for the six months ended December 31, 2010 as a direct result of established MSA contracts. The Chapman business generated \$44,948 or 78.6% of the business unit's revenue through an alliance agreement with Oncor providing turnkey transmission and substation construction and maintenance solutions. Lastly, the Willbros T&D business produced \$28,289 or 69.2% of that business unit's revenue through an alliance agreement with Oncor to provide overhead and underground utility construction services.

**Operating Income (Loss)**

Operating income decreased \$58,827 to a loss of \$20,841 in 2010 compared to income of \$37,986 in 2009. The change in fair value of the contingent earnout was characterized as a corporate change in estimate and was not allocated to the reporting segments. A year-to-year comparison of operating income is as follows:

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	2010	Operating Margin %	2009	Operating Margin %	Change	Percent Change
<i>Upstream Oil &amp; Gas</i>	\$ 35,867	6.1 %	\$ 37,555	4.1%	\$ (1,688)	(4.5)%
<i>Downstream Oil &amp; Gas</i>	(75,320)	(25.0)%	431	0.2%	(75,751)	(17,575.6)%
<i>Utility T&amp;D</i>	(26,728)	(11.2)%	N/A	N/A	(26,728)	(100.0)%
Corporate	45,340	N/A		N/A	45,340	100%
<b>Total</b>	<b>\$ (20,841)</b>	<b>(1.9)%</b>	<b>\$ 37,986</b>	<b>3.2%</b>	<b>\$ (58,827)</b>	<b>(154.9)%</b>

*Upstream Oil & Gas* operating income decreased \$1,688 to \$35,867 in 2010 compared to \$37,555 in 2009. The decrease was caused by reduced revenue across the segment, as noted above.

Operating income for our United States businesses decreased \$518 to \$26,991 in 2010 compared to \$27,509 in 2009. Our operating income remained constant in spite of significant revenue declines for these businesses. Our construction business suffered the most from revenue decline, but our focus on execution of the available work allowed us to improve our contract margins and still deliver strong operating income at a significantly smaller volume. This continued profitability came as we saw the market shift back fully to lump-sum contracting terms, marking the end of the cost-reimbursable work that we completed in 2009 for large diameter cross-country pipeline construction. Our engineering business experienced a much more modest revenue decline, but had a significant improvement in profitability. In 2009, our engineering business had significant operating losses, which were reversed in 2010 to significant operating income due to stronger market demand for our services and active cost management.

*Downstream Oil & Gas* operating income decreased primarily as a result of the \$60,000 goodwill impairment charge taken in the third and fourth quarters of 2010 and the previously discussed decreases in revenue from our Manufacturing Services and Construction Services businesses, as well as operating losses contributed by our Engineering businesses (\$6,250) and Tank Services businesses (\$4,541). Our Maintenance and Turnaround business contributed an operating loss for the year that was driven largely by a loss on a fixed price contract early in the year.

The *Utility T&D* segment generated an operating loss of \$26,728. The segment incurred costs totaling \$26,309 of which non-recurring acquisition costs of \$9,814, and restructuring fees of \$2,638 associated with the Seattle office closure were recorded for the six months ended December 31, 2010. Other significant costs charged to the segment were labor of \$2,889 and depreciation of \$1,267.

The Willbros T&D business experienced an operating loss of \$3,592 as a result of lower volumes and a shift in the mix in transmission construction revenues associated with the Oncor work in Texas, resulting in a heavier mix of lower margin work. The Hawkeye business reported an operating loss of \$3,285 primarily due to the project delays experienced in the Northeast and in general a weaker market for electric and gas distribution work.

Partially offsetting the operating losses were UtilX with operating income of \$5,379 and Chapman with operating income of \$3,666. UtilX's international operations performed well due to CableWISE® projects in Europe and increased royalty revenue.

**Non-Operating Items**

*Interest expense, net* increased \$19,317 to \$27,677 in 2010 compared to \$8,360 in 2009. The increase is primarily a result of increased interest expense of \$16,106 related to the new Term Loan, debt issuance cost amortization of \$1,994 related to the 2010 Credit Agreement and a reduction in interest income of \$1,211 due to lower levels of and rates of return on invested cash.

*Provision for income taxes* decreased \$38,576 to a benefit of \$31,048 in 2010 from a provision of \$7,528 in 2009. During 2010, we recognized a tax benefit of \$31,048 on a loss from continuing operations before income taxes of \$46,869 as compared to income tax expense of \$7,528 on income from continuing operations before income taxes of \$28,952 in 2009. The decrease in the provision for income taxes is due to the decrease in operating income recognized during 2010 and no tax expense incurred in connection with the release of the contingent earnout liability of \$45,340 associated with the acquisition of InfrastruX.

**Loss from Discontinued Operations, Net of Taxes**

Loss from discontinued operations, net of taxes increased \$18,224 to a loss of \$20,008 in 2010 compared to a loss of \$1,784 in 2009. The increase is attributed primarily to the discontinuation of our Canada cross-country pipeline operations which incurred \$15,667 in losses in 2010 compared to income of \$2,830 in 2009.



**Table of Contents****LIQUIDITY AND CAPITAL RESOURCES**

Our financing objective is to maintain financial flexibility to meet the material, equipment and personnel needs to support our project commitments, and pursue our expansion and diversification objectives, while reducing debt.

The 2010 Credit Agreement consists of a four year, \$300,000 Term Loan maturing in July 2014 and a three year revolving credit facility (the Revolving Credit Facility ) of \$175,000. The proceeds from the Term Loan were used to pay part of the cash portion of the merger consideration payable in connection with our acquisition of InfrastruX. The Revolving Credit Facility is primarily used to provide letters of credit; however, it does allow for borrowings. Our ability to use the Revolving Credit Facility for borrowings, however, has been restricted because of the amendment discussed in the next paragraph. The Maximum Total Leverage ratio covenant under the 6.5% Notes Indenture may also restrict our ability to use the Revolving Credit Facility for revolving loans from time to time.

On March 4, 2011, the 2010 Credit Agreement was amended to allow us to make certain dispositions of equipment, real estate and business units. In most cases, proceeds from these dispositions will be required to be used to pay-down the existing Term Loan. Financial covenants and associated definitions, such as Consolidated EBITDA, were also amended to permit us to carry out our business plan and to clarify the treatment of certain items. Until our maximum total leverage ratio is 3.00 to 1.00 or less, we have agreed to limit our revolver borrowings to \$25,000, with the exception of proceeds from revolving borrowings used to make payments on the 6.5% Senior Convertible Notes (the 6.5% Notes ) and to make \$59,357 in payments to the 2.75% Convertible Senior Notes that were submitted to us for cash payment in the first quarter. The amendment does not change the limit on obtaining letters of credit. The amendment also modifies the definition of Excess Cash Flow to include proceeds from the TransCanada arbitration, which required us to use a portion of such proceeds to further pay-down the existing Term Loan. In late June 2011, we received \$61,000 from TransCanada as a settlement and used \$40,000 to pay-down the Term Loan. For prepayments made with Net Debt Proceeds or Equity Issuance Proceeds (as those terms are defined in the 2010 Credit Agreement), the amendment requires a prepayment premium of 4% of the principal amount of the Term Loans to be paid before December 31, 2011; and 1% of the principal amount of the Term Loans prepaid on and after December 31, 2011, but before December 31, 2012. Premiums for prepayments made with proceeds other than Net Debt Proceeds or Equity Issuance Proceeds remain the same as originally set forth under the 2010 Credit Agreement.

**Covenants**

The 2010 Credit Agreement was amended, effective March 29, 2012, to eliminate the Minimum Net Tangible Worth covenant as of December 31, 2011.

The table below sets forth the primary covenants in the 2010 Credit Agreement and the status with respect to these covenants as of December 31, 2011.

	Covenants Requirements <sup>(1)</sup>	Actual Ratios at December 31, 2011
Maximum Total Leverage Ratio (debt divided by Covenant EBITDA) should be less than:	4.75 to 1	3.63
Minimum Interest Coverage Ratio (Covenant EBITDA divided by interest expense as defined in the 2010 Credit Agreement) should be greater than:	2.00 to 1	2.59

<sup>(1)</sup> The Maximum Total Leverage Ratio decreases to 3.75 as of March 31, 2012, 3.50 as of June 30, 2012 and 3.25 as of December 31, 2012. The Minimum Interest Coverage Ratio increases to 2.25 as of March 31, 2012 and 2.75 as of June 30, 2012.

The Maximum Total Leverage Ratio requirement declined to 4.75 to 1 as of December 31, 2011 from 5.00 to 1 at September 30, 2011. The value of the trailing 12-month EBITDA as defined in the 2010 Credit Agreement (or Covenant EBITDA ), was negatively impacted by the first quarter of 2011 with Covenant EBITDA of (\$7,656). We expect to achieve Covenant EBITDA improvement during 2012 as a result of each 2012 quarter that replaces a corresponding 2011 quarter representing a net gain in Covenant EBITDA. In

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addition, we continue to improve the primary covenant ratios through payments against our Term Loan. The December 31, 2011 primary covenant calculations benefitted from a fourth quarter \$28,700 accelerated payment against our Term Loan. Based on our current operating projections, we believe that we will remain in compliance with the above primary covenants through 2012. Depending on our financial performance, we may be required to request amendments, or waivers for the primary covenants, dispose of assets, or obtain refinancing in future periods. There can be no assurance that we will be able to obtain amendments or waivers, complete asset sales, or negotiate agreeable refinancing terms should it become needed.

The 2010 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 2010 Credit Agreement may be triggered by events such as a failure to comply with financial covenants or other covenants under the 2010 Credit Agreement; a failure to make payments when due under the 2010 Credit Agreement; a failure to make payments when due in respect of, or a failure to perform obligations relating to other debt obligations in excess of \$15,000; a change of control of the Company; and certain insolvency proceedings. A default under the 2010 Credit Agreement would permit Crédit Agricole and the lenders to terminate their commitment to make cash advances or issue letters of credit, require the immediate repayment of any outstanding cash advances with interest and require the cash collateralization of outstanding letter of credit obligations. As of December 31, 2011, we were in compliance with all covenants under the 2010 Credit Agreement.

In addition, any material adverse change could restrict our ability to borrow under the 2010 Credit Agreement and could also be deemed an event of default under the 2010 Credit Agreement. A material adverse change is defined as a change in our business, results of operations, properties or condition that could reasonably be expected to have a material adverse effect, as defined in the 2010 Credit Agreement.

On September 16, 2011, following receipt of the requisite consents of the holders of our 6.5% Notes, the 6.5% Notes Indenture was amended, in part, to increase the Maximum Total Leverage Ratio from 4.00 to 1.00 to 6.00 to 1.00 during the fiscal quarter ending December 31, 2011, 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. The 6.5% Notes Indenture includes a debt incurrence test and the calculation of the Maximum Total Leverage Ratio mirrors the calculation in the 2010 Credit Agreement. The Indenture was also amended to conform the definition of Consolidated EBITDA in the Indenture to the definition of Consolidated EBITDA in the 2010 Credit Agreement. We believe that these amendments enhance our financial flexibility by enabling us to borrow up to \$25,000 of available funds under the Revolving Credit Facility. Depending on our financial performance, we may be required to request amendments, or waivers for the debt incurrence covenant under the 6.5% Notes Indenture, dispose of assets, or obtain refinancing in future periods. There can be no assurance that we will be able to obtain amendments or waivers, complete asset sales, or negotiate agreeable refinancing terms should it become needed.

On March 29, 2012, we entered into a Settlement Agreement with WAPCo to settle the WAGP project litigation. The Settlement Agreement provides that we will make payments to WAPCo over a period of six years totaling \$55,500. 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 within 21 days after filing our third quarter results in 2014 in the event we achieve a leverage ratio of debt to EBITDA of 2.25 to 1.00 or less or certain other acceleration metrics. In the event the acceleration metrics applied during 2014 do not result in payment of the entire outstanding sum, the acceleration metrics are applied again in each subsequent year and may result in the acceleration of all or some of the remaining payments in each of those years.

## **Cash Balances**

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As of December 31, 2011, we had cash and cash equivalents of \$58,686. Our cash and cash equivalent balances held in the United States and foreign countries were \$29,206 and \$29,480, respectively. In April 2011, we discontinued our strategy of reinvesting non-U.S. earnings in foreign operations. During 2011, we repatriated \$37,500 of cash from our principal foreign holding company to repay Term Loan debt. As of December 31, 2011, we had \$59,357 in outstanding borrowings and \$27,967 in outstanding letters of credit under our Revolving Credit Facility. The Revolving Credit Facility has total capacity of \$175,000 with a \$150,000 sublimit for cash advances. As of December 31, 2011, we are able to only draw up to an additional \$25,000 under the Revolving Credit Facility. If we achieve a Maximum Total Leverage Ratio covenant of 3.00 to 1.00 or less, we may borrow up to an additional \$87,676 under the Revolving Credit Facility.

Our working capital position for continuing operations decreased \$82,592 to \$172,452 at December 31, 2011 from \$255,044 at December 31, 2010. This was primarily attributed to \$123,379 in payments against our Term Loan as well as changes in project related working capital requirements during the year. Exceeding our goal to reduce the Term Loan balance has resulted in lower cash balances. To partially compensate for lower cash balances, we have placed additional emphasis in achieving a cash neutral position by balancing our receivable collections with our vendor payments. Occasionally, vendor

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payments have been delayed when clients delayed payments or we were delayed in reaching project payment milestones. To further improve our liquidity, we are currently minimizing our capital expenditures and taking steps to improve our cash flows from operations.

**Cash Flows**

Statements of cash flows for entities with international operations that use the local currency as the functional currency exclude the effects of the changes in foreign currency exchange rates that occur during any given period, as these are non-cash charges. As a result, changes reflected in certain accounts on the Consolidated Statements of Cash Flows may not reflect the changes in corresponding accounts on the Consolidated Balance Sheets. Cash flows provided by (used in) continuing operations by type of activity were as follows for the twelve months ended December 31, 2011, 2010 and 2009:

	2011	2010	2009
Operating activities	\$ 47,850	\$ 40,355	\$ 58,970
Investing activities	50,637	(404,460)	(32,161)
Financing activities	(147,291)	298,002	(28,085)
Effect of exchange rate changes	(449)	2,402	6,135
Cash provided by (used in) all continuing activities	\$ (49,253)	\$ (63,701)	\$ 4,859

*Operating Activities*

Cash flow from operations is primarily influenced by demand for our services, operating margins and the type of services we provide, but can also be influenced by working capital needs such as the timing of collection of receivables and the settlement of payables and other obligations. Working capital needs are generally higher during the summer and fall months when the majority of our capital intensive projects are executed. Conversely, working capital assets are typically converted to cash during the winter months. Operating activities from continuing operations provided net cash of \$47,850 during 2011 as compared to \$40,355 during 2010 and cash provided of \$58,970 during 2009. The slight increase in operating cash flows in 2011 as compared to 2010 is due primarily to:

an increase in cash flow provided by working capital accounts of \$14,164. This increase is primarily attributed to cash received in connection with the TransCanada settlement in the second quarter of 2011 as well as cash provided by accounts payable related to the timing of cash disbursements during the year.

This was partially offset by

an increase in the cash consumed by continuing operations of \$6,669 net of non-cash effects which includes a non-recurring charge of \$8,236 related to the TransCanada settlement. The increase in cash consumed was driven primarily by our net loss from continuing operations during 2011.

*Investing Activities*

During 2011, investing activities provided us net cash of \$50,637 as compared to \$404,460 and \$32,161 of cash used in investing activities in 2010 and 2009, respectively. The \$455,097 increase in cash flow provided by investing activities in 2011 is primarily the result of the following:

The acquisition of InfrastruX in 2010, which resulted in cash used of \$421,182, as compared to cash provided of \$9,402 in the same period of 2011; and

\$33,350 in proceeds from the sale of certain equipment and facilities during 2011; offset by

\$16,500 in net cash provided from the maturities of short-term investments during 2010 as compared to none in 2011. During 2010 and 2009, we used \$16,121 and \$11,082, respectively, for capital expenditures, offset by \$16,343 and \$9,435 of proceeds from the sales of under-utilized facilities and equipment. The increase in capital expenditures in 2010 compared to 2009 is related primarily to the acquisition of InfrastruX in July 2010.

*Financing Activities*

In 2011, financing activities used net cash of \$147,291 as compared to cash provided of \$298,002 and \$28,085 cash used by financing activities in 2010 and 2009, respectively. The \$445,293 increase in cash used in financing activities in 2011 resulted primarily from:

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A \$282,000 reduction in proceeds from our Term Loan issued in connection with our acquisition of InfrastruX; and

\$115,879 in early payments against our Term Loan during 2011; and

\$7,500 in scheduled payments against our Term Loan during 2011.

Net cash used by financing activities in 2010 compared to 2009 resulted primarily from the cash proceeds received related to the Term Loan of \$282,000 in connection with our acquisition of InfrastruX in July 2010.

### *Discontinued Operations*

Net cash from discontinued operations used \$28,403 in 2011 as compared to cash provided of \$6,118 in 2010. This resulted primarily from the losses generated during 2011 by our Canadian cross-country pipeline and InterCon businesses (\$11,936 and \$4,260, respectively). Also contributing to the 2011 cash used were \$16,358 in legal fees related to our ongoing WAPCo parent company guarantee dispute. However, this was somewhat offset by the \$55,500 settlement fee we entered into with WAPCo which provides for cash payments over the next six years. In 2009, our net cash from discontinued operations used cash of \$13,937, which was primarily the result of decreased income from operations in our Canadian cross-country pipeline construction business due to lower volume of project activity.

### **Interest Rate Risk**

We are subject to hedging arrangements to fix or otherwise limit the interest cost of the Term Loan. We are subject to interest rate risk on our debt and investment of cash and cash equivalents arising in the normal course of business, as we do not engage in speculative trading strategies.

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

### *Interest Rate Caps*

In September 2010, we entered into two interest rate cap agreements for notional amounts of \$75,000 each in order to limit our exposure to an increase of the interest rate above 3 percent, effective September 28, 2010 through March 28, 2012. Total premiums of \$98 were paid for the interest rate cap agreements. Through June 1, 2011, the cap agreements were designated and qualified as cash flow hedging instruments, with the effective portion of the caps change in fair value recorded in OCI. Amounts in OCI and the premiums paid for the caps were reported in interest expense as the hedged interest payments on the underlying debt were recognized during the period when the caps were designated as cash flow hedges. Through June 1, 2011, the interest rate caps were deemed to be highly effective, resulting in an immaterial amount of hedge ineffectiveness recorded in the Condensed Consolidated Statement of Operations. On June 1, 2011, the caps were de-designated due 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 will be reported in earnings. The amount reported in earnings from the undesignated interest rate caps for the year ended December 31, 2011 is immaterial. The fair value of the interest rate cap agreements was determined using a model with Level 2 inputs including quoted market prices for contracts with similar terms and maturity dates. An immaterial amount of OCI relating to the interest rate swap and caps is expected to be recognized in earnings in the coming 12 months.

### **Capital Requirements**

During 2011, \$49,253 of cash was used by our continuing operations activities. Capital expenditures by segment amounted to \$4,124 spent by *Upstream Oil & Gas*, \$748 for *Downstream Oil & Gas*, \$4,003 for *Utility T&D*, and \$1,989 by Corporate, for a total of \$10,864. Approved capital spending of \$2,011 has been carried forward to 2012.



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We believe that our financial results combined with our current liquidity and financial management will ensure sufficient cash to meet our capital requirements for continuing operations. As such, we are focused on the following significant capital requirements:

Providing working capital for projects in process and those scheduled to begin in 2012; or

Funding our 2012 capital budget of approximately \$28,400, inclusive of \$2,011 of carry-forward from 2011.

We believe that we will be able to support our working capital needs during 2012 through our cash on hand and operating cash flows.

**Contractual Obligations**

As of December 31, 2011, we had \$175,871 of outstanding debt related to our Term Loan, \$59,357 of outstanding debt related to our revolver and \$32,050 of outstanding debt related to the 6.5% Notes. In addition, we have various capital leases of construction equipment and property resulting in aggregate capital lease obligations of \$7,382 at December 31, 2011.

	Total	Payments Due By Period			
		Less than 1 year	1-3 years	4-5 years	More than 5 years
Term Loan	\$ 175,871	\$	\$ 175,871	\$	\$
Revolver	59,357		59,357		
WAPCo settlement obligation	55,500	14,000	12,500	18,000	11,000
6.5% Notes	32,050	32,050			
Capital lease obligations	7,382	3,224	2,675	1,483	
Operating lease obligations	95,444	24,061	32,265	13,754	25,364
Equipment financing obligations	775	775			
Uncertain tax liabilities	4,030				
<b>Total</b>	<b>\$ 430,409</b>	<b>\$ 74,110</b>	<b>\$ 282,668</b>	<b>\$ 33,237</b>	<b>\$ 36,364</b>

During the twelve months ended December 31, 2011, we made payments of \$123,379 against the Term Loan. These payments resulted in the recognition of a \$6,304 loss on early extinguishment of debt for the twelve months ended December 31, 2011. These losses represent the write-off of unamortized OID and financing costs inclusive of early payment fees. Such loss is recorded in the line item Loss on early extinguishment of debt for the year ended December 31, 2011.

As of December 31, 2011, there were \$59,357 in outstanding borrowings under the Revolving Credit Facility and there were \$27,967 in outstanding letters of credit. All outstanding letters of credit relate to continuing operations.

The 6.5% Notes remain outstanding as of December 31, 2011 and continue to be subject to the terms and conditions of the Indenture governing the 6.5% Notes. An aggregate principal amount of \$32,050 remains outstanding (net of \$0 discount) and has been classified as current and included within Notes payable and current portion of other long-term debt on the Consolidated Balance Sheet at December 31, 2011.

At December 31, 2011, we had uncertain tax positions totaling \$4,030 which ultimately could result in a tax payment. As the amount of the ultimate tax payment is contingent on the tax authorities' assessments, it is not practical to present annual payment information.

We have unsecured credit facilities with banks in certain countries outside the United States. Borrowings in the form of short-term notes and overdrafts are made at competitive local interest rates. Generally, each line is available only for borrowings related to operations in a specific country. Credit available under these facilities is approximately \$6,381 at December 31, 2011. There were no outstanding borrowings made under these facilities at December 31, 2011 or 2010.

**Off-Balance Sheet Arrangements and Commercial Commitments**

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From time to time, we enter into commercial commitments, usually in the form of commercial and standby letters of credit, surety bonds and financial guarantees. Contracts with our customers may require us to provide letters of credit or surety bonds with regard to our performance of contracted services. In such

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cases, the commitments can be called upon in the event of our failure to perform contracted services. Likewise, contracts may allow us to issue letters of credit or surety bonds in lieu of contract retention provisions, in which the client withholds a percentage of the contract value until project completion or expiration of a warranty period.

The letters of credit represent the maximum amount of payments we could be required to make if these letters of credit are drawn upon. Additionally, we issue surety bonds customarily required by commercial terms on construction projects. U.S. surety bonds represent the bond penalty amount of future payments we could be required to make if we fail to perform our obligations under such contracts. The surety bonds do not have a stated expiration date; rather, each is released when the contract is accepted by the owner. Our 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 December 31, 2011, no liability has been recognized for letters of credit or surety bonds.

A summary of our off-balance sheet commercial commitments for both continuing and Discontinued Operations as of December 31, 2011 is as follows:

	Total Commitment	Expiration Per Period		
		Less than 1 year	1-2 Years	More Than 2 Years
Letters of credit:				
U.S. performance	\$ 27,863	\$ 27,863	\$	\$
Canada performance	104	104		
Other performance and retention	119	119		
<b>Total letters of credit</b>	<b>28,086</b>	<b>28,086</b>		
U.S. surety bonds primarily performance	566,513	457,883	10,812	97,818
<b>Total commercial commitments</b>	<b>\$ 594,599</b>	<b>\$ 485,969</b>	<b>\$ 10,812</b>	<b>\$ 97,818</b>

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES****Revenue**

A number of factors relating to our business affect the recognition of contract revenue. We typically structure contracts as unit-price, time and materials, fixed-price or cost plus fixed fee. We believe that our operating results should be evaluated over a time horizon during which major contracts in progress are completed and change orders, extra work, variations in the scope of work, cost recoveries and other claims are negotiated and realized. Revenue from unit-price and time and materials contracts is recognized as earned.

Revenue for fixed-price and cost plus fixed fee contracts is recognized using the percentage-of-completion method. Under this method, estimated contract income and resulting revenue is generally accrued based on costs incurred to date as a percentage of total estimated costs, taking into consideration physical completion. Total estimated costs, and thus contract income, are impacted by changes in productivity, scheduling, unit cost of labor, subcontracts, materials and equipment. Additionally, external

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factors such as weather, client needs, client delays in providing permits and approvals, labor availability, governmental regulation and politics may affect the progress of a project's completion and thus the timing of revenue recognition. Certain fixed-price and cost plus fixed fee contracts include, or are amended to include, incentive bonus amounts, contingent on accomplishing a stated milestone. Revenue attributable to incentive bonus amounts is recognized when the risk and uncertainty surrounding the achievement of the milestone have been removed. We do not recognize income on a fixed-price contract until the contract is approximately five to ten percent complete, depending upon the nature of the contract. If a current estimate of total contract cost indicates a loss on a contract, the projected loss is recognized in full when determined.

We consider unapproved change orders to be contract variations on which we have customer approval for scope change, but not for price associated with that scope change. Costs associated with unapproved change orders are included in the estimated cost to complete the contracts and are expensed as incurred. We recognize revenue equal to cost incurred on unapproved changed orders when realization of price approval is probable and the amount is estimable. Revenue recognized on unapproved change orders is included in contract costs and recognized income not yet billed on the balance sheet. Revenue recognized on unapproved change orders is subject to adjustment in subsequent periods to reflect the changes in estimates or final agreements with customers.

We consider claims to be amounts that we seek or will seek to collect from customers or others for customer-caused changes in contract specifications or design, or other customer-related causes of unanticipated additional contract costs on which there is no agreement with customers on both scope and price changes. Revenue from claims is recognized when agreement is reached with customers as to the value of the claims, which in some instances may not occur until after completion of work under the contract. Costs associated with claims are included in the estimated costs to complete the contracts and are expensed when incurred.

### **Valuation of Goodwill**

We record as goodwill the amount by which the total purchase price we pay in our acquisition transactions exceeds our estimated fair value of the identifiable net assets we acquire. Our goodwill impairment assessment includes a two-step fair value-based test and is performed annually, or more frequently if events or circumstances exist which indicate that goodwill may be impaired. We have determined that our segments represent our reporting units for the purpose of assessing goodwill impairments.

In the fourth quarter of 2011, we changed the date of our annual goodwill impairment test for the *Utility T&D* segment from July 1 to December 1. This change is preferable as it not only aligns the timing of the *Utility T&D* annual goodwill impairment test with the *Upstream Oil & Gas* and *Downstream Oil & Gas* annual goodwill impairment test, it also more closely aligns with our internal forecasting and budgeting process. As such, this change will allow us to better utilize our updated business plans that result from the forecasting and budget process in the valuation approaches used to estimate the fair value of the *Utility T&D* segment.

The first step of the two-step fair value-based test involves comparing the fair value of each of our reporting units with its carrying value, including goodwill. If the carrying value of the reporting unit exceeds its fair value, the second step is performed. The second step compares the carrying amount of the reporting unit's goodwill to the implied fair value of the goodwill. If the implied fair value of goodwill is less than the carrying amount, an impairment loss would be recorded as a reduction to goodwill with a corresponding charge to operating expense.

We perform the required annual impairment test for goodwill by determining the fair values of our reporting units using a weighted combination of the following generally accepted valuation approaches:

Income Approach    discounted cash flows of forecasted income;

Market Approach    public comparable company multiples of EBITDA; and

Market Approach    multiples generated from recent transactions comparable in size, nature and industry.

These approaches include numerous assumptions with respect to future circumstances, such as industry and/or local market conditions that might directly impact operations in the future, and are, therefore, uncertain. These approaches are utilized to develop a range of fair values and a weighted average of these approaches are utilized to determine the best fair value estimate within that range.

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*Income Approach - Discounted Cash Flows.* This valuation approach derives a present value of the reporting unit's projected future annual cash flows over the next 8 years and the present residual value of the

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segment. We used a variety of underlying assumptions to estimate these future cash flows, including assumptions relating to future economic market conditions, sales volumes, costs and expenses and capital expenditures. These assumptions are dependent on regional market conditions, including competitive position, degree of vertical integration, supply and demand for materials and other industry conditions. The discount rate used in our analysis for 2011, specifically the weighted average cost of capital, varied between approximately 17.0 percent and 18.0 percent. The revenue compounded annual growth rates used in our analysis for 2011 varied from 2.5 percent to 41.0 percent. Our EBITDA margins derived from these underlying assumptions for our 2011 analysis varied between approximately 4.1 percent and 12.0 percent. The terminal growth rate used for our 2011 analysis was 2.5 percent.

*Market Approach Multiples of EBITDA.* This valuation approach utilizes publicly traded construction companies' enterprise values, as compared to their recent EBITDA information. For our 2011 analysis, we used an average EBITDA multiple of 3.0 to 4.5 times in determining this market approach metric. This multiple is used as a valuation metric to our most recent financial performance. We used EBITDA as an indicator of demand because it is a widely used key indicator of the cash generating capacity of similar companies.

*Market Approach Comparisons of Recent Transactions.* This valuation approach uses publicly available information regarding recent third-party sales transactions in our industry to derive a valuation metric of the target's respective enterprise values over their EBITDA amounts. For our 2011 analysis, we did not weigh this market approach because current economic conditions did not yield significant recent transactions to derive an appropriate valuation metric.

We selected these valuation approaches because we believe the combination of these approaches, along with our best judgment regarding underlying assumptions and estimates, provides us with the best estimate of fair value. We believe these valuation approaches are proven and appropriate for our industry and widely accepted by investors. The estimated fair value would change if our weighting assumptions under these valuation approaches were materially modified. For our 2011 analysis, we weighted the Income Approach - Discounted Cash Flows at 70 percent and the Market Approach - Multiples of Sales and EBITDA at 30 percent. This weighting was utilized to reflect fair value in current market conditions.

Our valuation model utilizes assumptions, which represent our best estimate of future events, but would be sensitive to positive or negative changes in each of the underlying assumptions as well as an alternative weighting of valuation methods, which would result in a potentially higher or lower goodwill impairment charge. We can provide no assurance that future goodwill impairments will not occur.

Detailed below is a table of key underlying assumptions for all reporting units utilized in the fair value estimate calculation for the years ended December 31, 2011, 2010 and 2009.

	2011	2010	2009
Income Approach - Discounted Cash Flows			
Revenue Growth Rates	2.5% to 41.0%	3.0% to 34.6%	(22.9%) to 37.2%
Weighted Average Cost of Capital	17.0% to 18.0%	14.0% to 15.0%	15.0 to 16.0%
Terminal Value Rate	2.5%	3.0%	3.0%
EBITDA Margin Rate	4.1% to 12.0%	4.2% to 6.7%	5.5% to 9.6%
Market Approach - Multiples of EBITDA			
EBITDA Multiples Used	3.0 to 4.5	4.5 to 5.5	4.0 to 4.5
Market Approach - Comparison of Recent Transactions			
EBITDA Multiples Used	N/A	N/A	N/A

*Impairment of Goodwill*

During the third quarter of 2011, we recorded an impairment charge of \$143,543 related to our *Utility T&D* segment. Our original March 2010 growth projections in the electric transmission and distribution business have not materialized. The continued slow economic recovery, exacerbated by the recent recurrence of instability in the world financial markets, and the hard-hit U.S. housing sector, have resulted in a reassessment of future growth rates and led to a reduction in the outlook for expected future cash flows in this segment.

The initial purchase price allocation to acquired assets and liabilities for the InfrastruX acquisition included a \$55,340 liability for the estimated fair value of the 2010, 2011 and combined two-year earnout provisions in the Merger Agreement. At the time of the purchase price allocation, recognition of this \$55,340



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liability resulted in goodwill increasing by a corresponding amount. No payments occurred and accordingly, the liability was reduced to zero as of December 31, 2011. Reductions to the liability resulted in corresponding increase in operating income and net income of \$10,000 during the year ended December 31, 2011 and a corresponding increase in operating income and net income of \$45,340 during the year ended December 31, 2010.

Our weighted average cost of capital used for the original purchase price valuation has increased 1.6 percentage points from 14.4 percent at the time of the InfrastruX acquisition to 16.0 percent on July 1, 2011. The primary driver of the percentage increase was related to a higher risk premium. Our fair value analysis was heavily weighted on discounted cash flows. The resulting discounted cash flows would have been \$65,000 higher if the discount rate was reduced to 14.4 percent.

During the fourth quarter of 2011, in connection with our annual goodwill impairment test, we recorded an impairment charge of \$35,032, which represents a full write-off of goodwill attributed to our *Upstream Oil & Gas* and *Downstream Oil & Gas* segments. The impairment charge was a result of a depressed fair market valuation for these segments which drove an overall decline in market capitalization. The *Utility T&D* segment was less impacted in part due to its impairment charge recorded in the third quarter of 2011.

As a result of the above impairment charges, our consolidated goodwill was reduced to \$8,067 at December 31, 2011 and relates entirely to the *Utility T&D* segment. In connection with our annual goodwill impairment test, the fair value of *Utility T&D* segment was \$2,114 higher than its carrying value.

In 2010, we began to experience reduced demand for services within our *Downstream Oil & Gas* segment. This downturn resulted from a low level of both capital and maintenance spending in the refining industry, which has fostered a highly competitive environment, resulting in significantly decreased margins. During the third quarter of 2010, in connection with the completion of our preliminary forecasts for 2011, it became evident that a goodwill impairment associated with the *Downstream Oil & Gas* segment was probable. Due to time restrictions with the filing of our third quarter Form 10-Q, we were unable to fully complete our two step analysis. According to the accounting standards for goodwill, if the second step of the goodwill impairment test is not complete before the financial statements are issued or are available to be issued and a goodwill impairment loss is probable and can be reasonably estimated, the best estimate of that loss shall be recognized. Using a weighted combination of both the Income Approach Discounted Cash Flows and the Market Approach Multiple of EBITDA to determine the fair value of the segment versus its carrying value, an estimated range of likely impairment was determined and an impairment charge of \$12,000 was recorded during the third quarter of 2010.

### **Valuation of Other Intangible Assets**

Our intangible assets with finite lives include customer relationships, trade names, non-compete agreements and developed technology. The value of customer relationships is estimated using the income approach, specifically the excess earnings method. The excess earnings analysis consists of discounting to present value the projected cash flows attributable to the customer relationships, with consideration given to customer contract renewals, the importance or lack thereof of existing customer relationships to our business plan, income taxes and required rates of return. The value of trade names is estimated using the relief-from-royalty method of the income approach. This approach is based on the assumption that in lieu of ownership, a company would be willing to pay a royalty in order to exploit the related benefits of this intangible asset.

We amortize intangible assets based upon the estimated consumption of the economic benefits of each intangible asset or on a straight-line basis if the pattern of economic benefits consumption cannot otherwise be reliably estimated. Intangible assets subject to amortization are reviewed for impairment and are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For instance, a significant change in business climate or a loss of a significant customer, among other things, may trigger the need for interim impairment testing of intangible assets. An impairment loss is recognized if the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its fair value.

### **Valuation of Long-Lived Assets**

Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such asset is necessary. This requires us to make long-term forecasts of the future revenues and costs related to the assets subject to review. Forecasts require assumptions about demand for our products and future market conditions. Estimating future cash flows requires significant



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judgment, and our projections may vary from the cash flows eventually realized. Future events and unanticipated changes to assumptions could require a provision for impairment in a future period. The effect of any impairment would be to expense the difference between the fair value of such asset and its carrying value. Such expense would be reflected in earnings.

### **Leases**

We have entered into operating lease agreements, some of which contain provisions for future rent increases, rent free periods, or periods in which rent payments are reduced (abated). Consistent with the FASB's standard on leases, the total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent obligation, which is included in Accounts payable and accrued liabilities in the Consolidated Balance Sheets.

### **Interest Rate Contracts**

We have designated certain interest rate contracts as cash flow hedges. No components of the hedging instruments are excluded from the assessment of hedge effectiveness. All changes in fair value of outstanding derivatives in cash flow hedges, except any ineffective portion, are recorded in other comprehensive income until earnings are impacted by the hedged transaction. Classification of the gain or loss in the Consolidated Statements of Operations upon release from comprehensive income is the same as that of the underlying exposure.

When we discontinue hedge accounting because it is no longer probable that an anticipated transaction will occur in the originally expected period, or within an additional two-month period thereafter, changes to fair value accumulated in other comprehensive income are recognized immediately in earnings.

### **Insurance**

We are insured for workers' compensation, employer's liability, auto liability and general liability claims, subject to a deductible of \$500 per occurrence. Additionally, our largest non-union employee-related health care benefit plan is subject to a deductible of \$250 per claimant per year.

Losses are accrued based upon our estimates of the ultimate liability for claims incurred (including an estimate of claims incurred but not reported), with assistance from third-party actuaries. For these claims, to the extent we have insurance coverage above the deductible amounts, we have recorded a receivable reflected in Other assets in the Consolidated Balance Sheets. These insurance liabilities are difficult to assess and estimate due to unknown factors, including the severity of an injury, the determination of our liability in proportion to other parties and the number of incidents not reported. The accruals are based upon known facts and historical trends.

### **Income Taxes**

The FASB standard for income taxes takes into account the differences between financial statement treatment and tax treatment of certain transactions. Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates is recognized as income or expense in the period that includes the enactment date. We evaluate the realizability of our deferred tax assets in determination of our valuation allowance and adjust the amount of such allowance, if necessary. The factors used to assess the likelihood of realization are our forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted taxable income in the applicable taxing jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in our effective tax rate on future earnings. The provision or benefit for income taxes and the annual effective tax rate are impacted by income taxes in certain countries being computed based on a deemed profit rather than on taxable income and tax holidays on certain international projects.

## **RECENT ACCOUNTING PRONOUNCEMENTS**

For a discussion of recent accounting pronouncements, see Note 1 to our consolidated financial statements included in this Annual Report.



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**EFFECTS OF INFLATION AND CHANGING PRICES**

Our operations are affected by increases in prices, whether caused by inflation, government mandates or other economic factors, in the countries in which we operate. We attempt to recover anticipated increases in the cost of labor, equipment, fuel and materials through price escalation provisions in certain major contracts or by considering the estimated effect of such increases when bidding or pricing new work.

**Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

Our primary market risk is our exposure to changes in non-U.S. (primarily Canada) currency exchange rates. We attempt to negotiate contracts which provide for payment in U.S. dollars, but we 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, we seek to match anticipated non-U.S. currency revenue with expense in the same currency whenever possible. To the extent we are unable to match non-U.S. currency revenue with expense in the same currency, we may use forward contracts, options or other common hedging techniques in the same non-U.S. currencies. We had no forward contracts or options at December 31, 2011 and 2010.

The carrying amounts for cash and cash equivalents, accounts receivable, notes payable and accounts payable and accrued liabilities shown in the Consolidated Balance Sheets approximate fair value at December 31, 2011 due to the generally short maturities of these items. At December 31, 2011, we invested primarily in short-term dollar denominated bank deposits. We have the ability and expect to hold our investments to maturity.

Under the 2010 Credit Agreement, we are subject to hedging arrangements to fix or otherwise limit the interest cost of the Term Loan. Therefore, as of June 30, 2011, we have two 18-month forward-starting interest rate swap agreements entered into in September 2010 for a total notional amount of \$150,000 in order to hedge changes in the variable rate interest expense of most of the remaining principal balance under our \$300,000 Term Loan maturing on June 30, 2014. Under each swap agreement, we receive interest at a floating rate of three-month LIBOR, conditional on three-month LIBOR exceeding 2 percent (to mirror variable rate interest provisions of the underlying hedged debt), and pay interest at a fixed rate of 2.685 percent, effective March 28, 2012 through June 30, 2014. Each swap agreement is designated and qualifies as a cash flow hedging instrument and is deemed a highly effective hedge. The fair value of the swap agreements was \$1,844 at December 31, 2011 and was based on using a model with Level 2 inputs including quoted market prices for contracts with similar terms and maturity dates. A 100 basis point increase in interest rates would decrease the fair value of the swaps by \$611. Conversely, a 100 basis point decrease in interest rates (subject to minimum rates of zero) would decrease the fair value of the swaps by \$2,087.

We also entered into two interest rate cap agreements for notional amounts of \$75,000 each in order to limit exposure to an increase of the interest rate above 3 percent, effective September 28, 2010 through March 28, 2012. Through June 1, 2011, the cap agreements were designated and qualified as cash flow hedging instruments and were deemed to be highly effective hedges. 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. The fair value of the interest rate cap agreements was \$0 at December 31, 2011 and was determined using a model with Level 2 inputs including quoted market prices for contracts with similar terms and maturity dates.

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**Item 8. Financial Statements and Supplementary Data**

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of

Willbros Group, Inc.

In our opinion, the accompanying consolidated balance sheet as of December 31, 2011 and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss) and cash flows for the year then ended present fairly, in all material respects, the financial position of Willbros Group, Inc. and its subsidiaries at December 31, 2011, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule for the year ended December 31, 2011 listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting related to the accounting for income taxes existed as of that date. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the 2011 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in management's report referred to above. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audit. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

*/s/ PricewaterhouseCoopers LLP*

Houston, Texas

April 9, 2012

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders

Willbros Group, Inc.

We have audited the accompanying consolidated balance sheet of Willbros Group, Inc. (a Delaware corporation, formerly a Panama corporation) as of December 31, 2010 and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the two years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Willbros Group, Inc. as of December 31, 2010 and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP

Houston, Texas

March 14, 2011 (except for Note 2 and Discontinued Operations in Note 20, as to which the date is April 9, 2012)

**Table of Contents****WILLBROS GROUP, INC.****CONSOLIDATED BALANCE SHEETS**

(In thousands, except share and per share amounts)

	December 31,	
	2011	2010 As Revised
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 58,686	\$ 134,305
Accounts receivable, net	301,515	298,281
Contract cost and recognized income not yet billed	37,090	23,732
Prepaid expenses and other assets	43,129	54,511
Parts and supplies inventories	11,893	10,071
Deferred income taxes	1,845	11,004
Assets held for sale	32,758	84,168
Total current assets	486,916	616,072
Property, plant and equipment, net	166,475	204,191
Goodwill	8,067	196,296
Other intangible assets, net	179,916	195,457
Deferred income taxes		16,570
Other assets	20,397	41,759
Total assets	\$ 861,771	\$ 1,270,345
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 221,557	\$ 184,578
Contract billings in excess of cost and recognized income	18,000	14,858
Current portion of capital lease obligations	2,818	5,366
Notes payable and current portion of other long-term debt	31,623	71,594
Current portion of settlement obligation of discontinued operations	14,000	
Current portion of government obligations		6,575
Accrued income taxes	4,983	2,356
Other current liabilities	7,475	4,832
Liabilities held for sale	13,990	31,425
Total current liabilities	314,446	321,584
Long-term debt	230,707	305,227
Capital lease obligations	3,646	5,741
Long-term portion of settlement obligation of discontinued operations	41,500	
Contingent earnout		10,000
Long-term liabilities for unrecognized tax benefits	4,030	4,866
Deferred income taxes	2,994	60,563
Other long-term liabilities	32,870	38,824
Total liabilities	630,193	746,805
Contingencies and commitments (Note 16)		
Stockholders' equity:		
Preferred stock, par value \$.01 per share, 1,000,000 shares authorized, none issued		

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Common stock, par value \$.05 per share, 70,000,000 shares authorized (70,000,000 at December 31, 2010) and 49,423,152 shares issued at December 31, 2011 (48,546,817 at December 31, 2010)	2,471	2,427
Additional paid-in capital	680,289	674,173
Accumulated deficit	(455,840)	(161,824)
Treasury stock at cost, 829,526 shares at December 31, 2011 (629,320 at December 31, 2010)	(10,839)	(10,045)
Accumulated other comprehensive income	14,570	17,938
<b>Total Willbros Group, Inc. stockholders' equity</b>	<b>230,651</b>	<b>522,669</b>
Noncontrolling interest	927	871
<b>Total stockholders' equity</b>	<b>231,578</b>	<b>523,540</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 861,771</b>	<b>\$ 1,270,345</b>

See accompanying notes to consolidated financial statements.

**Table of Contents****WILLBROS GROUP, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except share and per share amounts)**

	Year Ended December 31,		
	2011	2010	2009
Contract revenue	\$ 1,615,040	\$ 1,125,072	\$ 1,185,809
Operating expenses:			
Contract	1,472,420	995,332	1,046,144
Amortization of intangibles	15,681	9,724	6,515
General and administrative	134,745	112,371	79,971
Settlement of project dispute	8,236		
Goodwill impairment	178,575	60,000	
Changes in fair value of contingent earnout liability	(10,000)	(45,340)	
Acquisition costs		10,055	2,499
Other charges	105	3,771	12,694
	1,799,762	1,145,913	1,147,823
Operating income (loss)	(184,722)	(20,841)	37,986
Other income (expense):			
Interest expense, net	(45,117)	(27,677)	(8,360)
Loss on early extinguishment of debt	(6,304)		
Other, net	(430)	1,649	(674)
	(51,851)	(26,028)	(9,034)
Income (loss) from continuing operations before income taxes	(236,573)	(46,869)	28,952
Provision (benefit) for income taxes	(32,293)	(31,048)	7,528
Income (loss) from continuing operations	(204,280)	(15,821)	21,424
Loss from discontinued operations net of provision (benefit) for income taxes	(88,541)	(20,008)	(1,784)
Net income (loss)	(292,821)	(35,829)	19,640
Less: Income attributable to noncontrolling interest	(1,195)	(1,207)	(1,817)
Net income (loss) attributable to Willbros Group, Inc.	\$ (294,016)	\$ (37,036)	\$ 17,823
Reconciliation of net income (loss) attributable to Willbros Group, Inc.			
Income (loss) from continuing operations	\$ (205,475)	\$ (17,028)	\$ 19,607
Loss from discontinued operations	(88,541)	(20,008)	(1,784)
Net income (loss) attributable to Willbros Group, Inc	\$ (294,016)	\$ (37,036)	\$ 17,823
Basic income (loss) per share attributable to Company Shareholders:			
Income (loss) from continuing operations	\$ (4.33)	\$ (0.40)	\$ 0.51
Loss from discontinued operations	(1.86)	(0.47)	(0.05)
Net income (loss)	\$ (6.19)	\$ (0.87)	\$ 0.46
Diluted income (loss) per share attributable to Company Shareholders:			
Income (loss) from continuing operations	\$ (4.33)	\$ (0.40)	\$ 0.50

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Loss from discontinued operations	(1.86)	(0.47)	(0.05)
Net income (loss)	\$ (6.19)	\$ (0.87)	\$ 0.45
Weighted average number of common shares outstanding:			
Basic	47,475,680	43,013,934	38,687,594
Diluted	47,475,680	43,013,934	38,883,077

See accompanying notes to consolidated financial statements.

**Table of Contents****WILLBROS GROUP, INC.****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME (LOSS)**

(In thousands, except share and per share amounts)

	Common Stock		Additional	Accumu-	Treasury	Accumu-	Total	Non-	Total
	Shares	Par Value	Paid-in	lated	Stock	lated	Stock-	controlling	Stock-
			Capital	Deficit		Compre-	holders	Interest	holders
						hensive	Equity		Equity
						(Loss)	Willbros		
							Group, Inc.		
Balance, December 31, 2008	39,574,220	\$ 1,978	\$ 595,640	\$(142,611)	\$ (8,015)	\$ (4,436)	\$ 442,556	\$ 1,579	\$ 444,135
Net income				17,823			17,823	1,817	19,640
Foreign currency translation adjustments						16,161	16,161		16,161
Total comprehensive income							33,984	1,817	35,801
Dividend distribution to noncontrolling interest								(2,597)	(2,597)
Amortization of stock-based compensation			13,231				13,231		13,231
Stock-based compensation tax benefit (deficiency)			(1,735)				(1,735)		(1,735)
Stock issued under share-based compensation plans	514,778	26	(26)						
Additions to treasury stock, vesting and forfeitures of restricted stock					(1,030)		(1,030)		(1,030)
Exercise of stock options	17,500	1	189				190		190
Balance, December 31, 2009	40,106,498	\$ 2,005	\$ 607,299	\$(124,788)	\$ (9,045)	\$ 11,725	\$ 487,196	\$ 799	\$ 487,995
Net income (loss)				(37,036)			(37,036)	1,207	(35,829)
Foreign currency translation adjustments, net of tax						6,194	6,194		6,194
Derivatives, net of tax						19	19		19
Total comprehensive (loss)							(30,823)	1,207	(29,616)
Dividend distribution to noncontrolling interest								(1,135)	(1,135)
Share-based award modification			1,770				1,770		1,770
Amortization of stock-based compensation			8,404				8,404		8,404
Stock-based compensation tax benefit (deficiency)			(956)				(956)		(956)
Stock issued under share-based compensation plans	517,011	26	(26)						
Stock issued in connection with acquisition of InfrastruX	7,923,308	396	57,682				58,078		58,078
Additions to treasury stock, vesting and forfeitures of restricted stock					(1,000)		(1,000)		(1,000)
Balance, December 31, 2010	48,546,817	\$ 2,427	\$ 674,173	\$(161,824)	\$ (10,045)	\$ 17,938	\$ 522,669	\$ 871	\$ 523,540

**Table of Contents****WILLBROS GROUP, INC.****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME (LOSS)**

(In thousands, except share and per share amounts)

	Common Stock		Additional	Accumu-	Treasury	Accumu-	Total		Total
	Shares	Par Value	Paid-in	lated	Stock	lated	Stock-	Non-	Stock-
			Capital	Deficit		Other	holders	controlling	holders
						Compre-	Equity	Interest	Equity
						hensive	Willbros		
						Income	Group,		
						(Loss)	Inc.		
Balance, December 31, 2010	48,546,817	\$ 2,427	\$ 674,173	\$ (161,824)	\$ (10,045)	\$ 17,938	\$ 522,669	\$ 871	\$ 523,540
Net income (loss)				(294,016)			(294,016)	1,195	(292,821)
Foreign currency translation adjustments, net of tax						(1,450)	(1,450)		(1,450)
Derivatives, net of tax						(1,918)	(1,918)		(1,918)
Total comprehensive (loss)							(297,384)	1,195	(296,189)
Dividend declared and distributed to noncontrolling interest								(1,139)	(1,139)
Share-based award modification			(1,770)				(1,770)		(1,770)
Amortization of stock-based compensation			7,930				7,930		7,930
Stock issued under share-based compensation plans	876,335	44	(44)						
Additions to treasury stock, vesting and forfeitures of restricted stock					(794)		(794)		(794)
Balance, December 31, 2011	49,423,152	\$ 2,471	\$ 680,289	\$ (455,840)	\$ (10,839)	\$ 14,570	\$ 230,651	\$ 927	\$ 231,578

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	2011	2010	2009
Cash flows from operating activities:			
Net income (loss)	\$ (292,821)	\$ (35,829)	\$ 19,640
Reconciliation of net income (loss) to net cash provided by (used in) operating activities:			
Loss from discontinued operations, net	88,541	20,008	1,784
Depreciation and amortization	59,995	48,908	35,602
Goodwill impairment	178,575	60,000	
Changes in fair value of contingent earnout liability	(10,000)	(45,340)	
Stock-based compensation	9,724	8,404	13,231
Loss on early extinguishment of debt	6,304		
Deferred income tax benefit	(29,760)	(30,669)	(1,193)
Amortization of debt issue costs	7,505	3,184	1,381
Non-cash interest expense	6,608	5,077	2,971
Settlement of project dispute	8,236		
Other non-cash	(4,347)	1,486	1,285
Changes in operating assets and liabilities:			
Accounts receivable, net	(13,222)	(30,016)	44,499
Payments on government fines	(6,575)	(6,575)	(6,575)
Contract cost and recognized income not yet billed	(13,344)	11,957	21,446
Prepaid expenses and other assets	32,835	3,755	1,547
Accounts payable and accrued liabilities	30,148	8,641	(67,405)
Accrued income taxes	1,769	(31)	(4,536)
Contract billings in excess of cost and recognized income	3,140	3,666	(9,081)
Other liabilities	(15,461)	13,729	4,374
Cash provided by operating activities of continuing operations	47,850	40,355	58,970
Cash provided by (used in) operating activities of discontinued operations	(36,137)	6,516	(11,666)
Cash provided by operating activities	11,713	46,871	47,304
Cash flows from investing activities:			
Acquisition of subsidiaries, net of cash acquired and earnout		(421,182)	(13,955)
Proceeds from working capital settlement	9,402		
Proceeds from sales of property, plant and equipment	33,350	16,343	9,435
Proceeds from sale of subsidiary	18,749		
Purchases of property, plant and equipment	(10,864)	(16,121)	(11,082)
Maturities of short-term investments		16,755	
Purchase of short-term investments		(255)	(16,559)
Cash provided by (used in) investing activities of continuing operations	50,637	(404,460)	(32,161)
Cash provided by (used in) investing activities of discontinued operations	7,739	(191)	(1,875)
Cash provided by (used in) investing activities	58,376	(404,651)	(34,036)
Cash flows from financing activities:			
Proceeds from term loan issuance		282,000	
Proceeds from revolver	59,357		
Proceeds from stock issuance		58,078	
Proceeds from exercise of stock options			190

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Stock-based compensation tax benefit (deficiency)		(956)	(1,735)
Payments on capital leases	(9,124)	(10,393)	(21,701)
Payments on notes payable	(67,277)	(11,604)	(1,062)
Payments on term loan	(123,379)	(750)	
Payments to reacquire common stock	(794)	(1,000)	(1,030)
Dividend distributed to noncontrolling interest	(1,139)	(1,135)	(2,597)
Costs of debt issues	(4,935)	(16,238)	(150)
Cash provided by (used in) financing activities of continuing operations	(147,291)	298,002	(28,085)
Cash used in financing activities of discontinued operations	(5)	(207)	(396)

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

	<b>Year Ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Cash provided by (used in) financing activities	(147,296)	297,795	(28,481)
Effect of exchange rate changes on cash and cash equivalents	(449)	2,402	6,135
Cash provided by (used in) all activities	(77,656)	(57,583)	(9,078)
Cash and cash equivalents of continuing operations at beginning of period	134,305	196,903	189,465
Cash and cash equivalents of discontinued operations at beginning of period	6,796	1,781	18,297
Cash and cash equivalents at beginning of period	141,101	198,684	207,762
Cash and cash equivalents at end of period	63,445	141,101	198,684
Less: cash and cash equivalents of discontinued operations at end of period	(4,759)	(6,796)	(1,781)
Cash and cash equivalents of continuing operations at end of period	\$ 58,686	\$ 134,305	\$ 196,903
Supplemental disclosures of cash flow information:			
Cash paid for interest (including discontinued operations)	\$ 32,374	\$ 17,042	\$ 5,974
Cash paid for income taxes (including discontinued operations)	\$ 5,039	\$ 3,947	\$ 19,883
Supplemental non-cash investing and financing transactions:			
Initial contingent earnout liability	\$	\$ 55,340	\$
Prepaid insurance obtained by note payable	\$ 6,829	\$ 11,687	\$
Equipment received through like-kind exchange	\$	\$ 3,629	\$
Equipment surrendered through like-kind exchange	\$	\$ 2,735	\$
Capital expenditure included in accounts payable and accrued liabilities	\$ 2,676	\$	\$

See accompanying notes to consolidated financial statements.

**Table of Contents****WILLBROS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(In thousands, except share and per share amounts)****1. Summary of Significant Accounting Policies**

**Company** 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, 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 disclosures in the notes to the consolidated financial statements relate to continuing operations, except as otherwise indicated.

**Discontinuance of Operations** As of December 31, 2011, the Company has disposed of InterCon Construction, Inc. ( InterCon ), a non-strategic business, within its *Utility Transmission and Distribution* ( *Utility T&D* ) segment and has disposed, or intends to dispose, of certain other businesses and assets in Canada, Libya and Nigeria. Together, these businesses are presented as discontinued operations in the Company's consolidated financial statements and collectively are referred to as the Discontinued Operations. Net assets and net liabilities related to the Discontinued Operations are included in the line item Assets held for sale and Liabilities held for sale on the Consolidated Balance Sheets for all periods presented. Liabilities related to the settlement agreement with West African Gas Pipeline Company Limited ( WAPCo ) are included in the line items Current portion of settlement obligation of discontinued operations and Long-term portion of settlement obligation of discontinued operations for all periods presented. The results of the Discontinued Operations are included in the line item Loss from discontinued operations net of provision (benefit) for income taxes on the Consolidated Statement of Operations for all periods presented. For further discussion of Discontinued Operations, see Note 20 Discontinuance of Operations, Held for Sale Operations, Asset Disposals and Transition Services Agreement.

**Principles of Consolidation** The consolidated financial statements of the Company include all of its majority-owned subsidiaries and all of its wholly-controlled entities. Inter-company accounts and transactions are eliminated in consolidation. The ownership interest of noncontrolling participants in subsidiaries that are not wholly-owned (principally in Oman) is included as a separate component of equity. The noncontrolling participants' share of the net income is included as Income attributable to noncontrolling interest on the Consolidated Statements of Operations. Interests in the Company's unconsolidated joint ventures are accounted for using the equity method.

**Use of Estimates** The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States and include certain estimates and assumptions made by management of the Company in the preparation of the consolidated financial statements. These estimates and assumptions relate to the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expense during the period. Significant items subject to such estimates and assumptions include: 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; tax accruals and certain other accrued liabilities; quantification of amounts recorded for contingencies; valuation allowances for accounts receivable and deferred income tax assets; and the carrying amount of parts and supplies, property, plant and equipment, goodwill and other intangible assets. The Company bases its estimates on historical experience and other assumptions that it believes relevant under the circumstances. Actual results could differ from these estimates.

**Change in Estimate** The Company performed a review of the estimated useful lives of certain fixed assets at its *Upstream Oil & Gas* segment during the first quarter of 2010. This evaluation indicated that actual lives for the construction equipment were generally longer than the estimated useful lives used for depreciation purposes in the Company's financial statements. As a result, the Company adjusted the estimated useful life on *Upstream Oil & Gas* segment's construction equipment from a range of four to six years to a range of four to twelve years. The effect of this change in estimate was to reduce depreciation expense for the year ended December 31, 2010 by \$6,032 and increase income from continuing operations by \$3,921, net of taxes, or \$0.09 per basic share.

**Reclassifications** Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation. These reclassifications relate to (a) the classification of the Company's Canadian cross-country pipeline construction operations as discontinued operations as determined during the second quarter of 2011 and the sale of the assets and operations of InterCon in the fourth quarter of 2011 and (b) the Company's historical classification of government obligations from financing activities to operating activities in the

statement of cash flows.

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**Table of Contents****WILLBROS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(In thousands, except share and per share amounts)****1. Summary of Significant Accounting Policies (continued)**

Historically, the Company classified cash flows associated with government obligations, specifically the United States Department of Justice ( DOJ ) and the Securities and Exchange Commission ( SEC ), as cash flows from financing activities based on the presence of financing elements in the final settlement agreements with these entities. However, as these obligations also possess elements of operating activities, the Company has determined that it will classify the related cash flows as cash flows from operating activities. Accordingly, prior period amounts were reclassified in the Consolidated Statements of Cash Flows to conform to the current year presentation. See Note 9 Government Obligations for additional information pertaining to these obligations.

**Out-of-Period Adjustments** The Company recorded adjustments during the year ended December 31, 2011 to correct errors primarily related to income taxes and revenue for years preceding 2011. The tax adjustments related to errors in the calculation of the income tax provision and the over-accrual of interest associated with uncertain tax positions for the years 2007 through 2010. Revenue was overstated as a result of the use of incorrect data for two contracts in the Company's *Downstream Oil & Gas* segment in 2010. The net impact of these adjustments was an increase to pre-tax loss in the amount of \$1,208, a decrease to the income tax benefit from continuing operations in the amount of \$1,407 and an increase to net loss in the amount of \$2,615 for the year ended December 31, 2011. These adjustments did not have any impact on the Company's loss from discontinued operations. The Company does not believe these adjustments are material individually or in the aggregate to its consolidated financial statements for the year ended December 31, 2011, nor does it believe such items are material to any of its previously issued financial statements.

**Commitments and Contingencies** Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when management assesses that it is probable that a liability has been incurred and the amount can be reasonably estimated. Recoveries of costs from third parties, which management assesses as being probable of realization, are recorded as Other assets in the Consolidated Balance Sheets. Legal costs incurred in connection with matters relating to contingencies are expensed in the period incurred. See Note 16 Contingencies, Commitments and Other Circumstances for further discussion of the Company's commitments and contingencies.

**Accounts Receivable** Most of the accounts receivable and contract work in progress are from clients in the oil, gas, refinery, petrochemical and power industries around the world. Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Most contracts require payments as the projects progress or, in certain cases, advance payments. The Company generally does not require collateral, but in most cases can place liens against the property, plant or equipment constructed or terminate the contract if a material default occurs. The allowance for doubtful accounts is the Company's best estimate of the probable amount of credit losses in the Company's existing accounts receivable. A considerable amount of judgment is required in assessing the realization of receivables. Relevant assessment factors include the creditworthiness of the customer and prior collection history. Balances over 90 days past due and over a specified minimum amount are reviewed individually for collectability. Account balances are charged off against the allowance after all reasonable means of collection are exhausted and the potential for recovery is considered remote. The allowance requirements are based on the most current facts available and are re-evaluated and adjusted on a regular basis and as additional information is received.

**Inventories** Inventories, consisting primarily of parts and supplies, are stated at the lower of actual cost or market. Parts and supplies are evaluated at least annually and adjusted for excess and obsolescence. No excess or obsolescence allowances existed at December 31, 2011 or 2010.

**Property, Plant and Equipment** Property, plant and equipment is stated at cost. Depreciation, including amortization of capital leases, is provided on the straight-line method using estimated lives as follows:

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Construction equipment	3-20 years
Furniture and equipment	3-12 years
Buildings	20 years
Transportation equipment	3-17 years
Aircraft and marine equipment	10 years

In connection with the acquisition of InfrastruX Group, Inc. ( InfrastruX ), the Company acquired \$156,160 of property, plant and equipment.

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**WILLBROS GROUP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands, except share and per share amounts)**

**1. Summary of Significant Accounting Policies (continued)**

Leasehold improvements are amortized on a straight-line basis over the shorter of their economic lives or the lease term. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized within Operating expenses in the Consolidated Statements of Operations for the period. Normal repair and maintenance costs are charged to expense as incurred. Significant renewals and betterments are capitalized.

Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset carrying amount to determine if an impairment of such asset is necessary. This requires the Company to make long-term forecasts of the future revenues and costs related to the assets subject to review. Forecasts require assumptions about demand for the Company's products and future market conditions. Estimating future cash flows requires significant judgment, and the Company's projections may vary from the cash flows eventually realized. Future events and unanticipated changes to assumptions could require a provision for impairment in a future period. The effect of any impairment would be to expense the difference between the fair value of such asset and its carrying value. Such expense would be reflected in earnings.

**Goodwill** Goodwill is originally recorded as the excess of purchase price over fair value of net assets acquired. The Company applies a non-amortization approach to account for purchased goodwill and performs an annual test for impairment during the fourth quarter of each fiscal year and more frequently if an event or circumstance indicates that impairment may have occurred. The Company performs the required annual impairment test for goodwill by determining the fair values of its reporting units using a weighted combination of both the income approach (discounted cash flows of forecasted income) and the market approach (public comparable company multiples of earnings before interest, taxes, depreciation and amortization or EBITDA and public comparable company multiples generated from recent transactions).

The fair values of each reporting unit are then compared to their book values. When a possible impairment for a reporting unit is indicated by an excess of carrying value over fair value, the implied fair value of goodwill is calculated by deducting the fair value of net assets of the business, excluding goodwill, from the total fair value of the business. When the carrying amount of goodwill exceeds its implied fair value, an impairment charge is recorded to reduce the carrying value of goodwill to its implied value.

**Other Intangible Assets** The Company's intangible assets with finite lives include customer relationships, trade names, non-compete agreements and developed technology. The value of customer relationships is estimated using the income approach, specifically the excess earnings method. The excess earnings analysis consists of discounting to present value the projected cash flows attributable to the customer relationships, with consideration given to customer contract renewals, the importance or lack thereof of existing customer relationships to the Company's business plan, income taxes and required rates of return. The value of trade names is estimated using the relief-from-royalty method of the income approach. This approach is based on the assumption that in lieu of ownership, a company would be willing to pay a royalty in order to exploit the related benefits of this intangible asset.

The Company amortizes intangible assets based upon the estimated consumption of the economic benefits of each intangible asset or on a straight-line basis if the pattern of economic benefits consumption cannot otherwise be reliably estimated. Intangible assets subject to amortization are reviewed for impairment and are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For instance, a significant change in business climate or a loss of a significant customer, among other things, may trigger the need for interim impairment testing of intangible assets. An impairment loss is recognized if the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its fair value.

**Revenue** A number of factors relating to the Company's business affect the recognition of contract revenue. The Company typically structures contracts as unit-price, time and materials, fixed-price or cost plus fixed fee. The Company believes that its operating results should be evaluated over a time horizon during which major contracts in progress are completed and change orders, extra work, variations in the scope of work and

cost recoveries and other claims are negotiated and realized. Revenue from unit-price and time and materials contracts is recognized as earned.

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**Table of Contents****WILLBROS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(In thousands, except share and per share amounts)****1. Summary of Significant Accounting Policies (continued)**

Revenue for fixed-price and cost plus fixed fee contracts is recognized using the percentage-of-completion method. Under this method, estimated contract income and resulting revenue is generally accrued based on costs incurred to date as a percentage of total estimated costs, taking into consideration physical completion. Total estimated costs, and thus contract income, are impacted by changes in productivity, scheduling, the unit cost of labor, subcontracts, materials and equipment. Additionally, external factors such as weather, client needs, client delays in providing permits and approvals, labor availability, governmental regulation and politics may affect the progress of a project's completion and thus the estimated amount and timing of revenue recognition. Certain fixed-price and cost plus fixed fee contracts include, or are amended to include, incentive bonus amounts, contingent on accomplishing a stated milestone. Revenue attributable to incentive bonus amounts is recognized when the risk and uncertainty surrounding the achievement of the milestone have been removed. The Company does not recognize income on a fixed-price contract until the contract is approximately five to ten percent complete, depending upon the nature of the contract. If a current estimate of total contract cost indicates a loss on a contract, the projected loss is recognized in full when determined.

The Company considers unapproved change orders to be contract variations on which the Company has customer approval for scope change, but not for price associated with that scope change. Costs associated with unapproved change orders are included in the estimated cost to complete the contracts and are expensed as incurred. The Company recognizes revenue equal to cost incurred on unapproved change orders when realization of price approval is probable and is estimable. Revenue recognized on unapproved change orders is included in Contract cost and recognized income not yet billed on the Consolidated Balance Sheets. Revenue recognized on unapproved change orders is subject to adjustment in subsequent periods to reflect the changes in estimates or final agreements with customers.

The Company considers claims to be amounts that the Company seeks or will seek to collect from customers or others for customer-caused changes in contract specifications or design, or other customer-related causes of unanticipated additional contract costs on which there is no agreement with customers on both scope and price changes. Revenue from claims is recognized when agreement is reached with customers as to the value of the claims, which in some instances may not occur until after completion of work under the contract. Costs associated with claims are included in the estimated costs to complete the contracts and are expensed when incurred.

**Depreciation** The Company depreciates assets based on their estimated useful lives at the time of acquisition using the straight-line method. Depreciation and amortization related to operating activities is included in contract costs; and depreciation and amortization related to general and administrative activities is included in General and administrative expense in the Consolidated Statements of Operations. Contract costs and General and administrative expenses are included within Operating expenses in the Consolidated Statements of Operations. Further, amortization of assets under capital lease obligations is included in depreciation expense.

**Insurance** The Company is insured for workers compensation, employer's liability, auto liability and general liability claims, subject to a deductible of \$500 per occurrence. Additionally, the Company's largest non-union employee-related health care benefit plan is subject to a deductible of \$250 per claimant per year.

Losses are accrued based upon the Company's estimates of the ultimate liability for claims incurred (including an estimate of claims incurred but not reported), with assistance from third-party actuaries. For these claims, to the extent the Company has insurance coverage above the deductible amounts, a receivable is recorded and reflected in Other assets in the Consolidated Balance Sheets. These insurance liabilities are difficult to assess and estimate due to unknown factors, including the severity of an injury, the determination of the Company's liability in proportion to other parties and the number of incidents not reported. The accruals are based upon known facts and historical trends.

**Income Taxes** The Financial Accounting Standards Board (FASB) standard for income taxes takes into account the differences between financial statement treatment and tax treatment of certain transactions. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those

temporary differences are expected to be recovered or settled. The effect of a change in tax rates is recognized as income or expense in the period that includes the enactment

**Table of Contents****WILLBROS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(In thousands, except share and per share amounts)****1. Summary of Significant Accounting Policies (continued)**

date. The Company files income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. income tax examination by tax authorities for years before 2007 and no longer subject to Canadian income tax examination for years before 2001 or in Oman for years before 2006.

**Other Current Liabilities** Included within Other current liabilities on the Consolidated Balance Sheets is \$5,073 and \$3,154 of current deferred tax liabilities for the years ended December 31, 2011 and 2010, respectively.

**Warranty Costs** In connection with the acquisition of InfrastruX, the Company warrants labor for new installations and construction and servicing of existing infrastructure. The anticipated warranty costs are not considered significant and no reserve has been provided. One of the InfrastruX subsidiary companies maintains a warranty program which specifically covers its cable remediation services. A warranty reserve of \$2,561 and \$2,530 for cable remediation services is included within Other long-term liabilities on the Consolidated Balance Sheets for the years ended December 31, 2011 and December 31, 2010, respectively.

**Retirement Plans and Benefits** The Company has a voluntary defined contribution retirement plan for U.S. based employees that is qualified, and is contributory on the part of the employees, and a voluntary savings plan for certain international employees that is non-qualified, and is contributory on the part of the employees. Additionally, the Company is 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.

**Stock-Based Compensation** Compensation cost resulting from all share-based payment transactions is recognized in the financial statements measured based on the grant-date fair value of the instrument issued and is recognized over the vesting period. The Company uses the Black-Scholes valuation method to determine the fair value of stock options granted as of the grant date. Share-based compensation related to restricted stock and restricted stock rights, also described collectively as restricted stock units (RSUs), is recorded based on the Company's stock price as of the grant date. Awards granted are expensed ratably over the vesting period of the award. Expense on awards granted prior to March 12, 2009 is accelerated upon reaching retirement age. This provision does not exist for awards granted on or after March 12, 2009.

**Foreign Currency Translation** All significant monetary asset and liability accounts denominated in currencies other than United States dollars are translated into United States dollars at current exchange rates. Translation adjustments are accumulated in other comprehensive income (loss). Non-monetary assets and liabilities in highly inflationary economies are translated into United States dollars at historical exchange rates. Revenue and expense accounts are converted at prevailing rates throughout the year. Gains or losses on foreign currency transactions and translation adjustments in highly inflationary economies are recorded in income in the period in which they are incurred.

**Concentration of Credit Risk** The Company has a concentration of customers in the oil, gas, refinery, petrochemical and power industries which expose the Company to a concentration of credit risk within a single industry. The Company seeks to obtain advance and progress payments for contract work performed on major contracts. Receivables are generally not collateralized. An allowance for doubtful accounts of \$1,275 and \$4,395 is included within Accounts receivable, net on the Consolidated Balance Sheets for the years ended December 31, 2011 and December 31, 2010, respectively.

**Income (Loss) per Common Share** Basic income (loss) per share is calculated by dividing net income (loss), less any preferred dividend requirements, by the weighted-average number of common shares outstanding during the year. Diluted income (loss) per share is calculated by including the weighted-average number of all potentially dilutive common shares with the weighted average number of common shares outstanding. Shares of common stock underlying the Company's convertible notes are included in the calculation of diluted income per share using the if-converted method. Therefore, the numerator for diluted income per share is calculated excluding the after-tax interest expense associated with the Company's convertible notes as long as the associated interest per weighted average convertible share does not exceed basic earnings per share.

***Derivative Financial Instruments*** The Company may use derivative financial instruments such as forward contracts, options or other financial instruments as hedges to mitigate non-U.S. currency exchange

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**Table of Contents****WILLBROS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(In thousands, except share and per share amounts)****1. Summary of Significant Accounting Policies (continued)**

risk when the Company is unable to match non-U.S. currency revenue with expense in the same currency. In addition, the Company is subject to hedging arrangements to fix or otherwise limit the interest cost of term loan and 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

**Related Party Transactions** Two of the Company's board members serve as officers of a current customer of the *Upstream Oil & Gas U.S.* Construction and engineering businesses. The Company performed midstream natural gas construction and engineering services for this customer generating approximately \$32,739 and \$12,500 in revenue, as of December 31, 2011 and 2010, respectively. These projects generated accounts receivable of approximately \$1,282 and \$8,000 as of December 31, 2011 and 2010, respectively. These projects generated approximately \$918 and \$897 in accounts payable as of December 31, 2011 and 2010, respectively.

**Cash Equivalents** The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Short-term Investments** The Company may invest a portion of its cash in short-term time deposits, some of which may have early withdrawal penalties. All of such deposits have maturity dates that exceed three months. There were no short-term investments outstanding as of December 31, 2011 and 2010.

**Recent Accounting Pronouncements** In January 2010, the FASB issued guidance which expanded the required disclosures about fair value measurements. In particular, this guidance requires (i) separate disclosure of the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements along with the reasons for such transfers, (ii) information about purchases, sales, issuances and settlements to be presented separately in the reconciliation for Level 3 fair value measurements, (iii) expanded fair value measurement disclosures for each class of assets and liabilities and (iv) disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3. This guidance is effective for annual reporting periods beginning after December 15, 2009 except for (ii) above which is effective for fiscal years beginning after December 15, 2010. The adoption of this standard did not have a material impact on the Company's consolidated results of operations, financial position or cash flows. However, appropriate disclosures have been made. See Note 17 Fair Value Measurements for further discussion of the Company's derivative financial instruments.

In September 2011, the FASB issued an update that requires employers that participate in multiemployer pension plans to provide additional quantitative and qualitative disclosures. The amended disclosures provide users with more detailed information about an employer's involvement in multiemployer pension plans and are effective for annual periods ending after December 15, 2011. The Company has included disclosure with respect to this update in Note 11 Retirement Plans and Benefits.

In December 2011, the FASB issued an update to enhance disclosure requirements relating to the offsetting of assets and liabilities on an entity's balance sheet. The update requires enhanced disclosures regarding assets and liabilities that are presented net or gross in the statement of financial position when the right of offset exists, or that are subject to an enforceable master netting arrangement. The new disclosure requirements relating to this update are retrospective and effective for annual and interim periods beginning on or after January 1, 2012. The update only requires additional disclosures, as such, the Company does not expect that the adoption of this standard will have a material impact on the Company's consolidated results of operations, financial position or cash flows.

**2. Revision of Consolidated Balance Sheet**

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During the preparation of the consolidated financial statements for the year ended December 31, 2011, the Company discovered and corrected errors in deferred income taxes and associated goodwill previously recorded in connection with the acquisition of InfrastruX in July 2010. In the aggregate, these errors resulted in an overstatement of goodwill and deferred income tax liabilities of approximately \$15,457 at December 31, 2010. The Company assessed the impact of these errors on its previously issued consolidated financial statements for the year ended December 31, 2010 and the unaudited condensed consolidated balance sheets for the 2011 interim periods and concluded that these errors were not material. Notwithstanding this fact, the Company has elected to revise its previously reported consolidated balance sheet as of December 31, 2010 as reflected below.

The following table summarizes the impact of these revisions, as well as the impact of the reclassification of the Company's Canadian cross-country pipeline construction operations and the assets and operations of InterCon as discontinued operations, on the Company's previously reported consolidated balance sheet filed on its Annual Report on Form 10-K for the year ended December 31, 2010.

**Table of Contents****WILLBROS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands, except share and per share amounts)

**2. Revision of Consolidated Balance Sheet (continued)**

	Year Ended December 31, 2010			
	As Previously Reported	Discontinued Operations	Revision Adjustments	As Revised
<b><u>ASSETS</u></b>				
Current assets:				
Cash and cash equivalents	\$ 141,101	\$ (6,796)	\$	\$ 134,305
Accounts receivable, net	319,874	(21,593)		298,281
Contract cost and recognized income not yet billed	35,059	(11,327)		23,732
Prepaid expenses and other assets	54,831	(320)		54,511
Parts and supplies inventories	10,108	(37)		10,071
Deferred income taxes	11,004			11,004
Assets held for sale	19,107	65,061		84,168
<b>Total current assets</b>	<b>591,084</b>	<b>24,988</b>		<b>616,072</b>
Property, plant and equipment, net	229,179	(24,988)		204,191
Goodwill	211,753		(15,457)	196,296
Other intangible assets, net	195,457			195,457
Deferred income taxes	16,570			16,570
Other assets	41,759			41,759
<b>Total assets</b>	<b>\$ 1,285,802</b>	<b>\$</b>	<b>\$ (15,457)</b>	<b>\$ 1,270,345</b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 214,062	\$ (29,484)	\$	\$ 184,578
Contract billings in excess of cost and recognized income	16,470	(1,612)		14,858
Current portion of capital lease obligations	5,371	(5)		5,366
Notes payable and current portion of other long-term debt	71,594			71,594
Current portion of government obligations	6,575			6,575
Accrued income taxes	2,356			2,356
Other current liabilities	4,832			4,832
Liabilities held for sale	324	31,101		31,425
<b>Total current liabilities</b>	<b>321,584</b>			<b>321,584</b>
Long-term debt	305,227			305,227
Capital lease obligations	5,741			5,741
Contingent earnout	10,000			10,000
Long-term liabilities for unrecognized tax benefits	4,866			4,866
Deferred income taxes	76,020		(15,457)	60,563
Other long-term liabilities	38,824			38,824
<b>Total liabilities</b>	<b>762,262</b>		<b>(15,457)</b>	<b>746,805</b>
<b>Total stockholders' equity</b>	<b>523,540</b>			<b>523,540</b>

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Total liabilities and stockholders' equity	\$ 1,285,802	\$ (15,457)	\$ 1,270,345
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**WILLBROS GROUP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands, except share and per share amounts)**

**3. Acquisitions**

*InfrastruX*

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

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

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

*Consideration*

Total consideration transferred in acquiring InfrastruX is summarized as follows:

**Table of Contents****WILLBROS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(In thousands, except share and per share amounts)****3. Acquisitions (continued)**

Proceeds from newly issued term loan facility	\$ 300,000
Cash provided from operations	62,980
<b>Total cash consideration</b>	<b>362,980</b>
Issuance of WG common stock	58,078 <sup>(1)</sup>
Contingent consideration	55,340 <sup>(2)</sup>
<b>Total consideration</b>	<b>\$ 476,398</b>

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

(2) Estimated as of acquisition announcement based on a probability estimate of InfrastruX's EBITDA achievements during the earnout period. See Note 17 Fair Value Measurements.

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

The allocation of purchase price to acquired assets and liabilities is as follows:

<b>Assets acquired:</b>	
Cash and cash equivalents	\$ 9,278
Accounts receivable	124,856
Inventories	4,501
Prepaid expenses and other current assets	39,565
Property, plant and equipment	156,160
Intangible assets	168,409
Goodwill (as revised)	159,963 <sup>(1)(2)</sup>
Other long-term assets	21,924
<b>Liabilities assumed:</b>	
Accounts payable and other accrued liabilities	(97,985)
Capital lease obligations	(4,977)
Vendor related debt	(2,761)
Deferred income taxes and other tax liabilities (as revised)	(80,445) <sup>(1)</sup>
Other long-term liabilities	(22,090)
<b>Net assets acquired</b>	<b>\$ 476,398</b>

(1) Includes a reduction of \$15,457 related to the allocation of income taxes erroneously recorded at the acquisition date. For additional information, see Note 2 Revision of Consolidated Balance Sheet.

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(2) Includes post-acquisition purchase price adjustment of \$9,402 related to settlement of working capital balance in the first quarter of 2011. The Company has consolidated InfrastruX in its financial results as the *Utility T&D* segment from the date of the acquisition.

### *Property, plant and equipment ( PP&E )*

A step-up adjustment of \$25,077 was recorded to present the PP&E acquired at its estimated fair value. The weighted average useful life used to calculate depreciation of the step up related to PP&E is approximately seven years.

### *Intangible assets*

The following table summarizes the fair value estimates recorded for the identifiable intangible assets and their estimated useful lives:

	<b>Estimated Fair Value</b>	<b>Estimated Useful Life</b>
Trade name	\$ 12,779	10 years
Customer relationships	150,130	15 years
Technology	5,500	10 years
Total identifiable intangible assets	\$ 168,409	

**Table of Contents****WILLBROS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(In thousands, except share and per share amounts)****3. Acquisitions (continued)**

The amortizable intangible assets have useful lives ranging between ten years and fifteen years and a weighted average useful life of 14.2 years. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired. Goodwill associated with this transaction is not expected to be deductible for tax purposes. The goodwill recorded in connection with this acquisition is included in the *Utility T&D* segment. A significant portion of the customer relationship intangible recorded in this transaction relates to a single customer.

*Deferred taxes*

The Company provided deferred taxes and other tax liabilities as part of the acquisition accounting related to the estimated fair market value adjustments for acquired intangible assets and PP&E. An adjustment of \$80,445 was recorded to present the deferred taxes and other tax liabilities at fair value.

*Pro Forma Impact of the Acquisition*

The following unaudited supplemental pro forma results present consolidated information as if the acquisition had been completed as of January 1, 2010 and January 1, 2009. The unaudited pro forma results include: (i) the amortization associated with an estimate of the acquired intangible assets, (ii) interest expense associated with debt used to fund a portion of the acquisition and reduced interest income associated with cash used to fund a portion of the acquisition, (iii) the impact of certain fair value adjustments such as additional depreciation expense for adjustments to property, plant and equipment and reduction to interest expense for adjustments to debt, and (iv) costs directly related to acquiring InfrastruX. The unaudited pro forma results do not include any potential synergies, cost savings or other expected benefits of the acquisition. Accordingly, the unaudited pro forma results should not be considered indicative of the results that would have occurred if the acquisition and related borrowings had been consummated as of January 1, 2010, nor are they indicative of future results.

	<b>Year Ended</b>	
	<b>December 31,</b>	
	<b>(Unaudited)</b>	
	<b>2010</b>	<b>2009</b>
Revenues	\$ 1,500,729	\$ 1,858,549
Net loss attributable to Company shareholders	(53,089)	(20,984)
Basic net loss per share	(1.15)	(0.45)
Diluted net loss per share	(1.15)	(0.45)

*Wink Companies, LLC*

Effective July 9, 2009, the Company acquired the engineering business of Wink, a privately-held firm based in Baton Rouge, Louisiana. Wink serves primarily the U.S. market from its regional offices in Louisiana and Mississippi, providing multi-disciplinary engineering services to clients in the petroleum refining, chemicals and petrochemicals and oil and gas industries. This acquisition provides the Company the opportunity to offer fully integrated EPC services to the downstream hydrocarbon industries. The total purchase price of \$17,431 was comprised of \$6,075 in cash paid, \$10,236 in debt assumed and \$1,120 related to the assumption of an unfavorable lease relative to market value. In addition, the Company incurred transaction-related costs of approximately \$600.



**Table of Contents****WILLBROS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands, except share and per share amounts)

**3. Acquisitions (continued)**

The Company has consolidated Wink in its financial results as part of its *Downstream Oil & Gas* segment from the date of acquisition. The allocation of purchase price to acquired assets and liabilities is as follows:

<b>Assets acquired:</b>	
Cash and cash equivalents	\$ 2,356
Accounts receivable	5,876
Other current assets	7,513
Property, plant and equipment	6,441
Other long-term assets	80
<b>Amortizable intangible assets:</b>	
Customer relationships	1,101 <sup>(1)</sup>
Trademark / Tradename	1,300
Non-compete agreement	1,100
Goodwill	3,899 <sup>(1)</sup>
<b>Liabilities assumed:</b>	
Other liabilities	(12,235)
<b>Net assets acquired</b>	<b>\$ 17,431</b>

(1) Includes an approximate \$300 post-acquisition reclassification from customer relationships to goodwill. The amortizable intangible assets have useful lives ranging between five years and ten years and a weighted average useful life of 8.3 years. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired and is deductible for tax purposes. The goodwill recorded in connection with this acquisition is included in the *Downstream Oil & Gas* segment.

The results and operations for Wink have been included in the Consolidated Statements of Operations since the completion of the acquisition on July 9, 2009. This acquisition does not have a material impact on the Company's results of operations. Accordingly, pro forma disclosures have not been presented.

**4. Accounts Receivable**

Accounts receivable, net as of December 31, 2011 and 2010 is comprised of the following:

	December 31,	
	2011	2010
Trade	\$ 215,609	\$ 242,235
Unbilled revenue	50,705	46,608

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Contract retention	22,328	12,249
Other receivables	14,148	1,584
<b>Total accounts receivable</b>	<b>302,790</b>	<b>302,676</b>
Less: allowance for doubtful accounts	(1,275)	(4,395)
<b>Total accounts receivable, net</b>	<b>\$ 301,515</b>	<b>\$ 298,281</b>

The Company expects all accounts receivable to be collected within one year. The provision for bad debts included in General and administrative expenses in the Consolidated Statements of Operations was \$1,030, \$2,807, and \$650 for the years ended December 31, 2011, 2010 and 2009, respectively.

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 within recent years, the majority of the retention balances at each balance sheet date will be collected within the next twelve months. Retainage balances at December 31, 2011 and December 31, 2010 were approximately \$22,328 and \$12,249, respectively.

**5. 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

**Table of Contents****WILLBROS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(In thousands, except share and per share amounts)****5. Contracts in Progress (continued)**

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 involve the use of estimates, and it is reasonably possible that revisions to the estimated recoverable amounts of recorded unapproved change orders may be made in the near-term. If the Company does not successfully resolve these matters, a reduction in revenues may be required to amounts that have been previously recorded.

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

	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
Cost incurred on contracts in progress	\$ 690,196	\$ 687,562
Recognized income	94,345	130,680
	784,541	818,242
Progress billings and advance payments	(765,451)	(809,368)
	\$ 19,090	\$ 8,874
Contract cost and recognized income not yet billed	\$ 37,090	\$ 23,732
Contract billings in excess of cost and recognized income	(18,000)	(14,858)
	\$ 19,090	\$ 8,874

Contract cost and recognized income not yet billed includes \$1,367 and \$3,216 at December 31, 2011 and 2010, respectively, on completed contracts.

**6. Property, Plant and Equipment**

Property, plant and equipment, which are used to secure debt or are subject to lien, at cost, as of December 31, 2011 and 2010 were as follows:

	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
Construction equipment	\$ 101,418	\$ 102,690
Furniture and equipment	47,284	50,565
Land and buildings	32,276	39,396

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Transportation equipment	147,945	142,922
Leasehold improvements	17,617	17,724
Marine equipment	110	120
<b>Total property, plant and equipment</b>	<b>346,650</b>	<b>353,417</b>
Less: accumulated depreciation	(180,175)	(149,226)
<b>Total property, plant and equipment, net</b>	<b>\$ 166,475</b>	<b>\$ 204,191</b>

Amounts above include \$9,798 and \$3,698 of construction in progress as of December 31, 2011 and 2010, respectively. Depreciation expense included in operating expense for the years ended December 31, 2011, 2010 and 2009 was \$44,314, \$39,184 and \$29,087, respectively.

**Table of Contents****WILLBROS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands, except share and per share amounts)

**7. Goodwill and Other Intangible Assets**

The Company's goodwill by segment as of December 31, 2011 and as revised as of December 31, 2010 was as follows:

	\$000,000,000	\$000,000,000	\$000,000,000
	<b>Goodwill</b>	<b>Impairment Reserves</b>	<b>Total, Net</b>
<b><i>Upstream Oil &amp; Gas</i></b>			
Balance as of January 1, 2010	\$ 12,638	\$	\$ 12,638
Translation adjustments and other	539		539
Balance as of December 31, 2010	13,177		13,177
Reorganization of reporting structure	8,353		8,353
Impairment losses		(21,278)	(21,278)
Translation adjustments and other	(252)		(252)
Balance as of December 31, 2011	\$ 21,278	\$ (21,278)	\$

	\$000,000,000	\$000,000,000	\$000,000,000
	<b>Goodwill</b>	<b>Impairment Reserves</b>	<b>Total, Net</b>
<b><i>Downstream Oil &amp; Gas</i></b>			
Balance as of January 1, 2010	\$ 135,432	\$ (62,295)	\$ 73,137
Purchase price adjustments	617		617
Impairment losses		(60,000)	(60,000)
Balance as of December 31, 2010	136,049	(122,295)	13,754
Impairment losses		(13,754)	(13,754)
Balance as of December 31, 2011	\$ 136,049	\$ (136,049)	\$

	\$000,000,000	\$000,000,000	\$000,000,000
	<b>Goodwill</b>	<b>Impairment Reserves</b>	<b>Total, Net</b>
<b><i>Utility T&amp;D</i></b>			
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)

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Balance as of December 31, 2011	\$	151,610	\$	(143,543)	\$	8,067
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The Company records as goodwill the amount by which the total purchase price the Company pays in its acquisition transactions exceeds its estimated fair value of the identifiable net assets it acquires. The Company's goodwill impairment assessment includes a two-step fair value-based test and is performed annually, or more frequently if events or circumstances exist which indicate that goodwill may be impaired. The Company has determined that its segments represent its reporting units for the purpose of assessing goodwill impairments.

In the fourth quarter of 2011, the Company changed the date of its annual goodwill impairment test for the *Utility T&D* segment from July 1 to December 1. This change is preferable as it not only aligns the timing of the *Utility T&D* annual goodwill impairment test with the *Upstream Oil & Gas* and *Downstream Oil & Gas* annual goodwill impairment test, it also more closely aligns with the Company's internal forecasting and budgeting process. As such, this change will allow the Company to better utilize its updated business plans that result from the forecasting and budget process in the valuation approaches used to estimate the fair value of the *Utility T&D* segment.

The first step of the two-step fair value-based test involves comparing the fair value of each of the Company's reporting units with its carrying value, including goodwill. If the carrying value of the reporting unit exceeds its fair value, the second step is performed. The second step compares the carrying amount of the reporting unit's goodwill to the implied fair value of the goodwill. If the implied fair value of goodwill is less than the carrying amount, an impairment loss would be recorded as a reduction to goodwill with a corresponding charge to operating expense.

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**WILLBROS GROUP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands, except share and per share amounts)**

**7. Goodwill and Other Intangible Assets (continued)**

The Company performs the required annual impairment test for goodwill by determining the fair values of its reporting units using a weighted combination of the following generally accepted valuation approaches:

Income Approach    discounted cash flows of future benefit streams;

Market Approach    public comparable company multiples of EBITDA; and

Market Approach    multiples generated from recent transactions comparable in size, nature and industry.

These approaches include numerous assumptions with respect to future circumstances, such as industry and/or local market conditions that might directly impact operations in the future, and are, therefore, uncertain. These approaches are utilized to develop a range of fair values and a weighted average of these approaches are utilized to determine the best fair value estimate within that range.

*Income Approach – Discounted Cash Flows.* This valuation approach derives a present value of the reporting unit's projected future annual cash flows over the next 8 years and the present residual value of the segment. The Company used a variety of underlying assumptions to estimate these future cash flows, including assumptions relating to future economic market conditions, sales volumes, costs and expenses and capital expenditures. These assumptions are dependent on regional market conditions, including competitive position, degree of vertical integration, supply and demand for materials and other industry conditions. The discount rate used in the Company's analysis for 2011, specifically the weighted average cost of capital, varied between approximately 17.0 percent and 18.0 percent. The revenue compounded annual growth rates used in the Company's analysis for 2011 varied from 2.5 percent to 41.0 percent. The Company's EBITDA margins derived from these underlying assumptions for its 2011 analysis varied between approximately 4.1 percent and 12.0 percent. The terminal growth rate used for its 2011 analysis was 2.5 percent.

*Market Approach – Multiples of EBITDA.* This valuation approach utilizes publicly traded construction companies' enterprise values, as compared to their recent EBITDA information. For the 2011 analysis, the Company used an average EBITDA multiple of 3.0 to 4.5 times in determining this market approach metric. This multiple is used as a valuation metric to the Company's most recent financial performance. The Company used EBITDA as an indicator of demand because it is a widely used key indicator of the cash generating capacity of similar companies.

*Market Approach – Comparisons of Recent Transactions.* This valuation approach uses publicly available information regarding recent third-party sales transactions in the Company's industry to derive a valuation metric of the target's respective enterprise values over their EBITDA amounts. For the Company's 2011 analysis, the Company did not weigh this market approach because current economic conditions did not yield significant recent transactions to derive an appropriate valuation metric.

The Company selected these valuation approaches because it believes the combination of these approaches, along with its best judgment regarding underlying assumptions and estimates, provides the Company with the best estimate of fair value. The Company believes these valuation approaches are proven and appropriate for its industry and widely accepted by investors. The estimated fair value would change if the Company's weighting assumptions under these valuation approaches were materially modified. For its 2011 analysis, the Company weighted the Income Approach – Discounted Cash Flows at 70.0 percent and the Market Approach – Multiples of EBITDA at 30.0 percent. This weighting was utilized to reflect fair value in current market conditions.

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The Company's valuation model utilizes assumptions, which represent its best estimate of future events, but would be sensitive to positive or negative changes in each of the underlying assumptions as well as an alternative weighting of valuation methods, which would result in a potentially higher or lower goodwill impairment charge. The Company can provide no assurance that future goodwill impairments will not occur.

Detailed below is a table of key underlying assumptions for all reporting units utilized in the fair value estimate calculation for the years ended December 31, 2011, 2010 and 2009.

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(In thousands, except share and per share amounts)

**7. Goodwill and Other Intangible Assets (continued)**

	2011	2010	2009
Income Approach Discounted Cash Flows			
Revenue Growth Rates	2.5% to 41.0%	3.0% to 34.6%	(22.9%) to 37.2%
Weighted Average Cost of Capital	17.0% to 18.0%	14.0% to 15.0%	15.0 to 16.0%
Terminal Value Rate	2.5%	3.0%	3.0%
EBITDA Margin Rate	4.1% to 12.0%	4.2% to 6.7%	5.5% to 9.6%
Market Approach Multiples of EBITDA			
EBITDA Multiples Used	3.0 to 4.5	4.5 to 5.5	4.0 to 4.5
Market Approach Comparison of Recent Transactions			
EBITDA Multiples Used	N/A	N/A	N/A

During the third quarter of 2011, the Company recorded an impairment charge of \$143,543 related to its *Utility T&D* segment. The Company's original March 2010 growth projections in the electric transmission and distribution business have not materialized. The continued slow economic recovery, exacerbated by the recent recurrence of instability in the world financial markets, and the hard-hit U.S. housing sector, have resulted in a reassessment of future growth rates and led to a reduction in the outlook for expected future cash flows in this segment.

The initial purchase price allocation to acquired assets and liabilities for the InfrastruX acquisition included a \$55,340 liability for the estimated fair value of the 2010, 2011 and combined two-year earnout provisions in the Merger Agreement. At the time of the purchase price allocation, recognition of this \$55,340 liability resulted in goodwill increasing by a corresponding amount. No payments occurred and accordingly, the liability was reduced to zero as of December 31, 2011. Reductions to the liability resulted in corresponding increase in operating income and net income of \$10,000 during the year ended December 31, 2011 and a corresponding increase in operating income and net income of \$45,340 during the year ended December 31, 2010.

The Company's weighted average cost of capital used for the original purchase price valuation has increased 1.6 percentage points from 14.4 percent at the time of the InfrastruX acquisition to 16.0 percent on July 1, 2011. The primary driver of the percentage increase was related to a higher risk premium. The Company's fair value analysis was heavily weighted on discounted cash flows. The resulting discounted cash flows would have been \$65,000 higher if the discount rate was reduced to 14.4 percent.

During the fourth quarter of 2011, in connection with its annual goodwill impairment test, the Company recorded an impairment charge of \$35,032, which represents a full write-off of goodwill attributed to its *Upstream Oil & Gas* and *Downstream Oil & Gas* segments. The impairment charge was a result of a depressed fair market valuation for these segments which drove an overall decline in market capitalization. The *Utility T&D* segment was less impacted in part due to its impairment charge recorded in the third quarter of 2011.

As a result of the above impairment charges, the Company's consolidated goodwill was reduced to \$8,067 at December 31, 2011 and relates entirely to the *Utility T&D* segment. In connection with the Company's annual goodwill impairment test, the fair value of the *Utility T&D* segment was \$2,114 higher than its carrying value.

In 2010, the Company began to experience reduced demand for services within its *Downstream Oil & Gas* segment. This downturn resulted from a low level of both capital and maintenance spending in the refining industry, which has fostered a highly competitive environment, resulting in significantly decreased margins. During the third quarter of 2010, in connection with the completion of the Company's preliminary forecasts for 2011, it became evident that a goodwill impairment associated with this segment was probable. Due to time restrictions with the filing of its third quarter Form 10-Q, the Company was unable to fully complete its two step impairment test. According to the accounting standards for goodwill, if the second step of the goodwill impairment test is not complete before the financial statements are issued or are available to



**Table of Contents****WILLBROS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands, except share and per share amounts)

**7. Goodwill and Other Intangible Assets (continued)**

be issued and a goodwill impairment loss is probable and can be reasonably estimated, the best estimate of that loss shall be recognized. Using a weighted combination of both the Income Approach Discounted Cash Flows and the Market Approach Multiples of EBITDA to determine the fair value of the segment versus its carrying value, an estimated range of likely impairment was determined and an impairment charge of \$12,000 was recorded during the third quarter of 2010.

During the fourth quarter of 2010, in connection with the completion of its required annual goodwill impairment testing, the Company completed its step two analysis, which resulted in an additional \$48,000 charge to the *Downstream Oil & Gas* segment bringing the total to \$60,000 for 2010.

The Company's other intangible assets as of December 31, 2011 and 2010 were as follows:

	\$000,000,000	\$000,000,000	\$000,000,000	\$000,000,000	\$000,000,000
	<b>Customer Relationships</b>	<b>Trademark/ Tradename</b>	<b>Non-compete Agreements</b>	<b>Technology</b>	<b>Total</b>
Balance as of December 31, 2010	\$ 176,213	\$ 13,249	\$ 770	\$ 5,225	\$ 195,457
Amortization	(13,506)	(1,405)	(220)	(550)	(15,681)
Other		140			140
Balance as of December 31, 2011	\$ 162,707	\$ 11,984	\$ 550	\$ 4,675	\$ 179,916
Weighted average remaining amortization period	12.3 yrs	8.3 yrs	2.5 yrs	8.5 yrs	

	\$000,000,000	\$000,000,000	\$000,000,000	\$000,000,000	\$000,000,000
	<b>Customer Relationships</b>	<b>Trademark/ Tradename</b>	<b>Non-compete Agreements</b>	<b>Technology</b>	<b>Total</b>
Balance as of December 31, 2009	\$ 34,547	\$ 1,235	\$ 990	\$	\$ 36,772
Additions	152,890	12,700		5,200	170,790
Purchase price adjustments	(2,760)			300	(2,460)
Amortization	(8,464)	(765)	(220)	(275)	(9,724)
Other		79			79
Balance as of December 31, 2010	\$ 176,213	\$ 13,249	\$ 770	\$ 5,225	\$ 195,457
Weighted average remaining amortization period	13.3 yrs	9.4 yrs	3.5 yrs	9.5 yrs	

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

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

<b>Fiscal year:</b>	
2012	\$ 15,638
2013	15,638
2014	15,528
2015	15,418
2016	15,418
Thereafter	102,276
Total amortization	\$ 179,916

**Table of Contents****WILLBROS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(In thousands, except share and per share amounts)****8. Accounts Payable and Accrued Liabilities**

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

	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
Trade accounts payable	\$ 124,218	\$ 89,763
Payroll and payroll liabilities	35,700	40,945
Provision for loss on contracts	2,202	1,603
Self insurance accrual	24,964	27,524
Other accrued liabilities	34,473	24,743
 Total accounts payable and accrued liabilities	 \$ 221,557	 \$ 184,578

**9. Government Obligations**

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

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

In May 2011, the Company paid the remaining related aggregated obligation of \$6,575, consisting of \$4,000 and \$2,575 to the DOJ and SEC, respectively, and in October 2011 paid \$118, which completed payment of the post-judgment interest owed under the settlement agreements. All sums due under the settlement agreements have now been paid in full.

**10. Long-term Debt**

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

	<b>December 31,</b>	<b>December 31,</b>
	<b>2011</b>	<b>2010</b>
Term loan, net of unamortized discount of \$7,138 and \$16,126	\$ 168,733	\$ 283,124
Borrowings under credit facility	59,357	

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2.75% convertible senior notes, net		58,675
6.5% senior convertible notes, net	32,050	32,050
Capital lease obligations	6,464	11,107
Other obligations	2,190	2,972
<b>Total debt</b>	<b>268,794</b>	<b>387,928</b>
Less: current portion	(34,441)	(76,960)
<b>Long-term debt, net</b>	<b>\$ 234,353</b>	<b>\$ 310,968</b>

**Table of Contents****WILLBROS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(In thousands, except share and per share amounts)****10. Long-term Debt (continued)*****2010 Credit Facility***

The Company entered into a new credit agreement dated June 30, 2010 (the *2010 Credit Agreement*), among Willbros United States Holdings, Inc. (*WUSH*), a subsidiary of the Company (formerly known as Willbros USA, Inc.) as borrower, the Company and certain of its subsidiaries, as Guarantors, the lenders from time to time party thereto (the *Lenders*), Crédit Agricole Corporate and Investment Bank (*Crédit Agricole*), as Administrative Agent, Collateral Agent, Issuing Bank, Revolving Credit Facility Sole Lead Arranger, Sole Bookrunner and Participating Lender, UBS Securities LLC (*UBS*), as Syndication Agent, Natixis, The Bank of Nova Scotia and Capital One, N.A., as Co-Documentation Agents, and Crédit Agricole and UBS as Term Loan Facility Joint Lead Arrangers and Joint Bookrunners. The 2010 Credit Agreement consists of a four year, \$300,000 term loan facility (*Term Loan*) maturing in July 2014 and a three year revolving credit facility of \$175,000 maturing in July 2013 (the *Revolving Credit Facility* or the *2010 Credit Facility*) and replaced the Company's existing three-year \$150,000 senior secured credit facility, which was scheduled to expire in November 2010. The proceeds from the Term Loan were used to pay part of the cash portion of the merger consideration payable in connection with the Company's acquisition of InfrastruX.

The initial aggregate amount of commitments for the Revolving Credit Facility totaled \$175,000. An accordion feature permits the Company to increase the size of the facility by up to \$75,000, subject to the agreement of each of the Lenders who participate in the increased commitment and only if the total leverage ratio, on a pro forma basis, after giving effect to the commitment increase, will not exceed 2.75 to 1.00 and the Company is in compliance with certain other terms of the Revolving Credit Facility. The Revolving Credit Facility is available for letters of credit and for revolving loans, which may be used for working capital and general corporate purposes. The Company is able to utilize 100 percent of the Revolving Credit Facility to obtain letters of credit and will have a sublimit of \$150,000 for revolving loans.

On March 4, 2011, the 2010 Credit Agreement was amended to allow the Company to make certain dispositions of equipment, real estate and business units. In most cases, proceeds from these dispositions would be required to pay-down the existing Term Loan made pursuant to the 2010 Credit Agreement. Financial covenants and associated definitions, such as Consolidated EBITDA, were also amended to permit the Company to carry out its business plan and to clarify the treatment of certain items. Further, the Company has agreed to limit its revolver borrowings to \$25,000, with the exception of proceeds from revolving borrowings used to make any payments in respect of both the 2.75% Convertible Senior Notes (the *2.75% Notes*) and the 6.5% Senior Convertible Notes (the *6.5% Notes*), until its maximum total leverage ratio is 3.00 to 1.00 or less. This amendment does not change the limit on obtaining letters of credit. The amendment also modifies the definition of Excess Cash Flow to include proceeds from the TransCanada Pipelines, Ltd. (*TransCanada*) arbitration, which required the Company to use a portion of such proceeds to further pay-down the existing Term Loan. For prepayments made with Net Debt Proceeds or Equity Issuance Proceeds (as those terms are defined in the 2010 Credit Agreement), the amendment requires a prepayment premium of 4% of the principal amount of the Term Loans to be paid before December 31, 2011 and 1% of the principal amount of the Term Loans to be paid on or after December 31, 2011 but before December 31, 2012. Premiums for prepayments made with proceeds other than Net Debt Proceeds or Equity Issuance Proceeds remain the same as set forth under the 2010 Credit Agreement.

Subsequent to this amendment, on March 15, 2011, the Company borrowed \$59,357 under the Revolving Credit Facility to fund the purchase of its 2.75% Notes. These borrowings are included in *Long-term debt* at December 31, 2011.

During the year ended December 31, 2011, the Company made payments of \$123,379 against its Term Loan. These payments resulted in the recognition of a \$6,304 loss on early extinguishment of debt for the twelve months ended December 31, 2011. These losses represent the write-off of unamortized Original Issue Discount and financing costs inclusive of early payment fees.

Subsequent to the year ended December 31, 2011, the Company made a \$30,000 payment against its Term Loan.

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Interest payable under the 2010 Credit Agreement is determined by the loan type. Base rate loans require annual interest payments equal to the adjusted base rate plus the applicable margin for base rate loans. The adjusted base rate is equal to the highest of (a) the Prime Rate in effect for such day, (b) the sum of the Federal Funds Effective Rate in effect for such day plus 1/2 of 1.0% per annum, (c) the sum of the Prime, London Inter-Bank Offered Rate ( LIBOR ) or Eurocurrency Rate in effect for such day with a maturity of one month plus 1.0% per annum and (d) with respect to Term Loans only is 3.0% per annum. The applicable margin for base rate loans is 6.50% per annum for Term Loans and a fixed margin based on

**Table of Contents****WILLBROS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(In thousands, except share and per share amounts)****10. Long-term Debt (continued)**

the Company's leverage ratio for revolving advances. Eurocurrency rate loans require annual interest payments equal to the Eurocurrency Rate plus the applicable margin for Eurocurrency rate loans. The Eurocurrency Rate is equal to the LIBOR rate in effect for such day, subject to a 2.0% floor for Term Loans only. The applicable margin for Eurocurrency rate loans is 7.50% per annum for Term Loans and a fixed margin based on the Company's leverage ratio for revolving advances. As of December 31, 2011, the interest rate on the Term Loan (currently a Eurocurrency rate loan) was 9.5%. Interest payments on the Eurocurrency rate loans are payable in arrears on the last day of such interest period, and, in the case of interest periods of greater than three months, on each business day which occurs at three month intervals from the first day of such interest period. Interest payments on base rate loans are payable quarterly in arrears on the last business day of each calendar quarter. Additionally, the Company is required under the terms of the 2010 Credit Agreement to maintain in effect one or more hedging arrangements to fix or otherwise limit the interest cost with respect to at least 50 percent of the aggregate outstanding principal amount of the Term Loan.

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

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

The 2010 Credit Agreement was amended, effective March 29, 2012, to eliminate the Minimum Net Tangible Worth covenant as of December 31, 2011.

The table below sets forth the primary covenants in the 2010 Credit Agreement and the status with respect to these covenants as of December 31, 2011.

	<b>Covenants Requirements<sup>(1)</sup></b>	<b>Actual Ratios at December 31, 2011</b>
Maximum Total Leverage Ratio (debt divided by Covenant EBITDA) should be less than:	4.75 to 1	3.63
Minimum Interest Coverage Ratio (Covenant EBITDA divided by interest expense as defined in the 2010 Credit Agreement) should be greater than:	2.00 to 1	2.59

<sup>(1)</sup> The Maximum Total Leverage Ratio decreases to 3.75 as of March 31, 2012, 3.50 as of June 30, 2012 and 3.25 as of December 31, 2012. The Minimum Interest Coverage Ratio increases to 2.25 as of March 31, 2012 and 2.75 as of June 30, 2012.

The Maximum Total Leverage Ratio requirement declined to 4.75 to 1 as of December 31, 2011 from 5.00 to 1 at September 30, 2011. Depending on its financial performance, the Company may be required to request 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 amendments or waivers, complete asset sales, or negotiate agreeable refinancing terms should it become needed.

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**WILLBROS GROUP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands, except share and per share amounts)**

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

The 2010 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 2010 Credit Agreement may be triggered by events such as a failure to comply with financial covenants or other covenants under the 2010 Credit Agreement; a failure to make payments when due under the 2010 Credit Agreement; a failure to make payments when due in respect of, or a failure to perform obligations relating to, debt obligations in excess of \$15,000; a change of control of the Company; and certain insolvency proceedings. A default under the 2010 Credit Agreement would permit Crédit Agricole and the lenders to terminate their commitment to make cash advances or issue letters of credit, require the immediate repayment of any outstanding cash advances with interest and require the cash collateralization of outstanding letter of credit obligations. As of December 31, 2011, the Company was in compliance with all covenants under the 2010 Credit Agreement.

In addition, any material adverse change could restrict the Company's ability to borrow under the 2010 Credit Agreement and could also be deemed an event of default under the 2010 Credit Agreement. A material adverse change is defined as a change in the Company's business, results of operations, properties or condition that could reasonably be expected to have a material adverse effect, as defined in the 2010 Credit Agreement.

Incurred unamortized debt issue costs associated with the 2010 Credit Agreement are \$9,427 as of December 31, 2011. These debt issue costs are included in Other assets at December 31, 2011. These costs will be amortized to interest expense over the three- and four-year terms of the Revolving Credit Facility and Term Loan, respectively.

***6.5% Senior Convertible Notes***

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

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The 6.5% Notes are governed by an indenture by and among the Company, as issuer, WUSH, as guarantor, and Bank of Texas, N.A. (as successor to the original trustee), as Trustee (the Indenture), and were issued under the Purchase Agreement by and among the Company and the initial purchasers of the 6.5% Notes (the Purchasers), in a transaction exempt from the registration requirements of the Securities Act. The 6.5% Notes are convertible into shares of the Company's common stock at a conversion rate of 56.9606 shares of common stock per \$1,000 principal amount of notes representing a conversion price of approximately \$17.56 per share. If all notes had been converted to common stock at December 31, 2011, 1,825,587 shares would have been issuable based on the principal amount of the 6.5% Notes that remain outstanding, subject to adjustment in certain circumstances. The 6.5% Notes are general senior unsecured obligations. Interest is due semi-annually on June 15 and December 15.

The 6.5% Notes mature on December 15, 2012 unless the notes are repurchased or converted earlier. The Company does not have the right to redeem the 6.5% Notes prior to maturity. Upon maturity, the principal amount plus the accrued interest through the day prior to the maturity date is payable only in cash. The 6.5% Notes remain outstanding as of December 31, 2011 and continue to be subject to the terms and conditions of the Indenture governing the 6.5% Notes. An aggregate principal amount of \$32,050 remains outstanding (net of \$0 discount) and has been classified as current and included within Notes payable and current portion of other long-term debt on the Consolidated Balance Sheet at December 31, 2011. The holders of the 6.5% Notes have the right to require the Company to purchase the 6.5% Notes for cash upon

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**WILLBROS GROUP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands, except share and per share amounts)**

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

the occurrence of a Fundamental Change, as defined in the Indenture. In addition to the amounts described above, the Company will be required to pay a make-whole premium to the holders of the 6.5% Notes who elect to convert their notes into the Company's common stock in connection with a Fundamental Change. The make-whole premium is payable in additional shares of common stock and is calculated based on a formula with the premium ranging from 0.0 percent to 28.0 percent depending on when the Fundamental Change occurs and the price of the Company's stock at the time the Fundamental Change occurs.

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

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

On May 10, 2010, the Company entered into an Amendment to Consent Agreement (the Amendment) with the Consenting Holders. Pursuant to the Amendment, the Consenting Holders consented to modifications to the Third Supplemental Indenture to clarify that certain restrictions on the Company's ability to incur indebtedness would not be applicable to certain borrowings by the Company to acquire InfrastruX regardless of whether the borrowing consisted of a term loan under a new credit agreement, a new series of notes or bonds or a combination thereof.

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 amends Section 6.13 of the Indenture to change the Maximum Total Leverage Ratio from 4.00 to 1.00 to 6.00 to 1.00 during the fiscal quarter ending December 31, 2011, 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. The Fourth Supplemental Indenture is a debt incurrence test and the calculation of the Maximum Total Leverage Ratio mirrors the calculation in the 2010 Credit Agreement. In addition, the Fourth Supplemental Indenture conforms the definition of Consolidated EBITDA in the Indenture to the definition of Consolidated EBITDA in the 2010 Credit Agreement. Depending on its financial performance, the Company may be required to request amendments, or waivers for the debt incurrence covenant under the Indenture, dispose of assets, or obtain refinancing in future periods. There can be no assurance that the Company will be able to obtain amendments or waivers, complete asset sales, or negotiate agreeable refinancing terms should it become needed.

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

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as a component of equity. The debt discount was fully amortized in 2010 and as such, the carrying amount of the 6.5% Notes was \$32,050 at both December 31, 2011 and December 31, 2010.

The amount of interest expense recognized and effective interest rate related to this debt for the years ended December 31, 2011, 2010 and 2009 were as follows:

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(In thousands, except share and per share amounts)

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

	Year Ended December 31,		
	2011	2010	2009
Contractual coupon interest	\$ 2,083	\$ 2,083	\$ 2,083
Amortization of discount		600	552
<b>Interest expense</b>	<b>\$ 2,083</b>	<b>\$ 2,683</b>	<b>\$ 2,635</b>
Effective interest rate	6.50%	8.46%	8.46%

**2.75% Convertible Senior Notes**

In 2004, the Company completed a primary offering of \$60,000 of the 2.75% Notes. In addition, the initial purchasers of the 2.75% Notes exercised their option to purchase an additional \$10,000 aggregate principal amount of the 2.75% Notes. The primary offering and purchase option of the 2.75% Notes totaled \$70,000. The holders of the 2.75% Notes had the right to require the Company to purchase the 2.75% Notes, including unpaid interest, on March 15, 2011, 2014, and 2019 or upon a change of control related event. On March 15, 2011, the holders exercised their right and the Company made a cash payment of \$59,357 to the holders, which included \$332 of unpaid interest. In order to fund the purchase, the Company borrowed \$59,357 under the Revolving Credit Facility. The 2.75% Notes were general senior unsecured obligations. Interest was paid semi-annually on March 15 and September 15. The 2.75% Notes would have matured on March 15, 2024 if the notes had not been repurchased earlier. Upon maturity, the principal amount plus the accrued interest through the day prior to the maturity date was payable only in cash.

The amount of interest expense recognized and effective interest rate related to this debt for the years ended December 31, 2011, 2010 and 2009 were as follows:

	Year Ended December 31,		
	2011	2010	2009
Contractual coupon interest	\$ 1,632	\$ 1,632	\$ 1,632
Amortization of discount		2,604	2,419
<b>Interest expense</b>	<b>\$ 4,236</b>	<b>\$ 4,236</b>	<b>\$ 4,051</b>
Effective interest rate	N/A	7.40%	7.40%

**Capital Leases**

The Company has entered into multiple capital lease agreements to acquire various construction and transportation equipment which have a weighted average of interest paid of 6.9 percent. Assets held under capital leases at December 31, 2011 and 2010 are summarized below:

December 31,	
2011	2010

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Construction equipment	\$ 3,615	\$ 13,706
Transportation equipment	3,683	9,630
Furniture and equipment	3,562	1,885
Total assets held under capital lease	10,860	25,221
Less: accumulated depreciation	(5,169)	(10,733)
Net assets under capital lease	\$ 5,691	\$ 14,488

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The following are the minimum lease payments for assets financed under capital lease arrangements as of December 31, 2011 and for each of the next five years and thereafter:

<b>Fiscal year:</b>	
2012	\$ 3,223
2013	1,624
2014	1,052
2015	1,003
2016	480
Thereafter	
<b>Total minimum lease payments under capital lease obligations</b>	<b>7,382</b>
Less: future interest expense	(918)
<b>Net minimum lease payments under capital leases obligations</b>	<b>6,464</b>
Less: current portion of net minimum lease payments	(2,818)
<b>Long-term net minimum lease payments</b>	<b>\$ 3,646</b>

***Maturities***

The principal amounts due under our long-term debt obligations as of December 31, 2011 for each of the next five years and thereafter is as follows:

<b>Fiscal year:</b>	
2012	\$ 32,050
2013	59,357
2014	175,871
2015	
2016	
Thereafter	
	<b>\$ 267,278</b>

***Other Obligations***

The Company has unsecured credit facilities with banks in certain countries outside the United States. Borrowings in the form of short-term notes and overdrafts are made at competitive local interest rates. Generally, each line is available only for borrowings related to operations in a

specific country. Credit available under these facilities is approximately \$6,381 at December 31, 2011. There were no outstanding borrowings made under these facilities at December 31, 2011 or 2010.

## 11. Retirement Plans and Benefits

### *Multiemployer Plans*

The Company contributes to a number of multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover certain union-represented employees. Currently, the Company has no intention to withdraw from these plans. The risks of participating in a multiemployer plan are different from single-employer plans in the following aspects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If a participating employer chooses to stop participating in a multiemployer plan, the employer may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Employee Retirement Income Security Act of 1974 ( ERISA ), 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

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**WILLBROS GROUP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands, except share and per share amounts)**

**11. Retirement Plans and Benefits (continued)**

plans do not maintain information on the net assets and actuarial present value of the plans' unfunded vested benefits allocable to the Company. As such, the amount, if any, for which the Company may be contingently liable, is not ascertainable at this time.

The majority of the Company's unionized employees work in the building and construction industry ( B&C ), and therefore, the Company believes it satisfies the criteria for the B&C industry exception under ERISA for those multiemployer pension plans that primarily cover employees in the B&C industry. As a result, the Company does not expect to be assessed a withdrawal liability when it ceases making contributions to those plans after the completion of a project or projects, so long as it does not continue to perform work in the jurisdiction of the pension plan on a non-union basis. The applicability of the B&C industry proviso is fact specific, so there can be no assurance in any particular situation whether the B&C proviso applies or whether withdrawal liability will be assessed.

The Pension Protection Act of 2006 added new funding rules generally applicable to plan years beginning after 2007 for multiemployer plans that are classified as endangered, seriously endangered, or critical status. For a plan in endangered, seriously endangered or critical status, additional required contributions and benefit reductions may apply. A number of plans to which the Company's business units contribute or may contribute in the future are in "endangered" or critical status. Certain of these plans may require additional contributions, generally in the form of a surcharge on future benefit contributions required for future work performed by union employees covered by these plans. The amount of additional funds, if any, that the Company may be obligated to contribute to these plans in the future cannot be estimated, as such amounts will likely be based on future levels of work that require the specific use of those union employees covered by these plans.

The following table contains a summary of plan information relating to the Company's participation in multiemployer pension plans, including Company contributions for the last three years, status of the multiemployer plan, and whether the plan is subject to a funding improvement, rehabilitation plan or contribution surcharges. Information has been presented separately for individually significant plans (defined as plans that make up 70 to 80 percent of the total Company defined benefit contributions and any plan that exceeds individual contributions of \$100 in any plan year presented).

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(In thousands, except share and per share amounts)

**11. Retirement Plans and Benefits (continued)**

<b>Fund</b>	<b>EIN/PN</b>	<b>PPA Zone Status (1)</b>	<b>Plan Year End for Zone Status</b>	<b>Subject to Funding Improvement/ Rehabilitation Plan<sup>(2)</sup></b>	<b>2011 Contribution</b>	<b>2010 Contribution</b>	<b>2009 Contributions</b>	<b>Surcharge Impose</b>	<b>Expiration Date of Collective Bargaining Agreement</b>
Boilermaker-Blacksmith National Pension Trust	48-6168020/ 001	Yellow	12/31/2011	Yes	\$ 3,759	\$ 3,797	\$ 2,790	No	12/31/2013
Excavators Union Local 731 Pension Fund	13-1809825/ 001	Green	12/31/2011	No	\$ 1,135	\$ 376	\$	No	6/30/2012
Laborers Local Union No 1298 of Nassau & Suffolk Counties	11-1970385/ 001	Yellow	6/30/2011	Yes	\$ 1,071	\$	\$	No	5/31/2012
I.B.E.W. Local 25 Pension Fund	11-6038558/ 001	Green	12/31/2011	No	\$ 750	\$ 44	\$	No	4/26/2013
Pennsylvania Heavy and Highway Contractors Pension Trust	23-6531755/ 001	Green	12/31/2011	No	\$ 625	\$ 311	\$	No	Not Available
I.B.E.W. Local 1249 Pension Plan	15-6035161/ 001	Red	12/31/2011	Yes	\$ 525	\$ 604	\$	No	5/3/2013
Plumbers and Pipefitters National Pension Fd	52-6152779/ 001	Yellow	6/30/2011	Yes	\$ 431	\$ 324	\$ 269	No	8/31/2012
Central Pension Fund of the International Union of Operating Engineers and Participating Employers	36-6052390/ 001	Green	1/31/2011	No	\$ 368	\$ 48	\$	No	5/31/2015
Local 282 Pension Trust Fund	11-6245313/ 001	Green	2/28/2011	No	\$ 153	\$ 48	\$	No	6/30/2016
Pension Plan of Steamfitters Pension Fund 475	22-6029738/ 001	Yellow	12/31/2011	Yes	\$ 81	\$ 202	\$ 16	No	4/30/2013
Central Pension Fund of the IUOE and Participating Employers	36-6052390/ 001	Green	1/31/2011	No	\$ 45	\$ 202	\$ 19	No	5/31/2013
Laborers National Pension Fund	75-1280827/ 001	Green	12/31/2011	No	\$ 6	\$ 15	\$ 225	No	5/31/2012

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Plumbers & Steamfitters Local Union #248 Pension Plan	31-1017514/										
	001	Green	3/31/2011	No	\$	\$	\$	611	No	5/31/2012	
The California Ironworkers Field Pension Trust	95-6042866/										
	001	Yellow	5/31/2011	Yes	\$	\$	133	\$	35	No	6/30/2012
Other Funds					\$	524	\$	759	\$	402	
<b>Total Contributions:</b>					\$	<b>9,473</b>	\$	<b>6,863</b>	\$	<b>4,367</b>	

**Table of Contents****WILLBROS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(In thousands, except share and per share amounts)****11. Retirement Plans and Benefits (continued)**

(1) The zone status is based on information that Company received from the plan as well as publicly available information per the Department of Labor website and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded.

(2) The Subject to Financial Improvement / Rehabilitation Plan column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date(s) of the collective-bargaining agreement(s) to which the plans are subject.

Based upon the most recent and available plan financial information, the Company did not make any contributions that represented more than 5 percent of total plan contributions in any of the plan years presented above.

*Defined Contribution Plans*

In addition to the contributions noted above to multiemployer defined benefit pension plans, the Company also makes contributions to defined contribution plans. Contributions to all defined contribution plans were \$6,235, \$6,198 and \$4,864 for the years ended December 31, 2011, 2010 and 2009, respectively. The zone status outlined above does not apply to defined contribution plans.

**12. Income Taxes**

The Company is domiciled in the United States and operates primarily in the U.S., Canada, and Oman. These countries have different tax regimes and tax rates which affect the consolidated income tax provision of the Company and its effective tax rate. Moreover, losses from one country generally cannot be used to offset taxable income from another country and some expenses incurred in certain tax jurisdictions receive no tax benefit thereby affecting the effective tax rate.

Income (loss) before income taxes on continuing operations consists of:

	<b>Year Ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Other countries	\$ 3,558	\$ 17,286	\$ 18,411
United States	(241,326)	(65,362)	8,724
	(237,768)	(48,076)	27,135
Oman noncontrolling interest	1,195	1,207	1,817
	\$ (236,573)	\$ (46,869)	\$ 28,952

Provision for income taxes on continuing operations by country consists of:

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	Year Ended December 31,		
	2011	2010	2009
<b>Current provision:</b>			
Other countries	\$ (2,908)	\$ 4,725	\$ 7,321
<b>United States:</b>			
Federal	(1,672)	(12,671)	2,648
State	2,258	2,078	921
	(2,322)	(5,868)	10,890
<b>Deferred tax expense (benefit):</b>			
Other countries	3,338	(1,794)	(3,877)
United States	(33,310)	(23,386)	515
	(29,972)	(25,180)	(3,362)
<b>Total provision (benefit) for income taxes.</b>	<b>(32,293)</b>	<b>\$ (31,048)</b>	<b>\$ 7,528</b>

**Table of Contents****WILLBROS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(In thousands, except share and per share amounts)****12. Income Taxes (continued)**

The provision for income taxes has been determined based upon the tax laws and rates in the countries in which operations are conducted and income is earned. The Company and its subsidiaries operating in the United States are subject to federal income tax rates up to 35 percent and varying state income tax rates and methods of computing tax liabilities. The Company's principal international operations are in Canada and Oman. The Company's subsidiaries in Canada and Oman are subject to corporate income tax rates of 28 percent and 12 percent, respectively. The Company did not have any non-taxable foreign earnings from tax holidays for taxable years 2009 through 2011.

As required by the FASB's standard on income taxes-special areas, the Company has analyzed its operations in the U.S., Canada, and Oman. The Company's current operating strategy is not to reinvest all earnings of its operations internationally. Instead, dividends are distributed to the U.S. parent or its U.S. affiliates. Deemed dividends were paid from foreign operations to Willbros Group, Inc. or its domestic subsidiaries during 2011 in the amount of \$37,500 with an associated tax cost of \$8,882.

A reconciliation of the differences between the provision for income tax computed at the appropriate statutory rates and the reported provision for income taxes is as follows. For 2011, 2010 and 2009, the Company was domiciled in the U.S., which has a 35.0 percent statutory tax rate.

	2011	2010	2009
Taxes on earnings at statutory rate in domicile of parent company	\$ (83,219)	\$ (18,020)	\$ 8,391
Earnings taxed at rates less or greater than parent company rates:			
United States			
Other countries	4,122	(2,972)	(1,615)
State income taxes, net of U.S. federal benefit	(767)	(1,594)	506
Contingent earnout	(3,500)	(15,869)	
Goodwill impairment	26,907		
Per diem	1,651	1,462	1,358
Acquisition costs		1,208	
Changes in provision for unrecognized tax positions:	(759)	(931)	(1,031)
Change in valuation allowance	24,740	16	(301)
Stock-based compensation deferred tax asset write-off	915	3,865	
Other	(2,383)	1,787	220
Total provision (benefit) for income taxes	\$ (32,293)	\$ (31,048)	\$ 7,528

Upon adoption of the FASB's standard on the recognition of tax benefits in 2007, the Company recorded a \$6,369 charge to beginning stockholders' equity for unrecognized tax positions. During 2011, the Company recognized \$859 of previously recorded unrecognized tax benefits due to the expiration of the statute of limitations for purposes of assessment. The Company accrued new uncertain tax positions in the amount of \$126. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Balance at January 1, 2011	\$ 3,649
Change in measurement of existing tax positions related to expiration of statute of limitations	(859)

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Additions based on tax positions related to the current year	126
Additions based on tax positions related to prior years	(259)
Foreign exchange difference in Canadian operations	(76)
Balance at December 31, 2011	\$ 2,581

**Table of Contents****WILLBROS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(In thousands, except share and per share amounts)****12. Income Taxes (continued)**

The \$1,649 of unrecognized tax benefits will impact the Company's effective tax rate if ultimately recognized. The Company does not expect to have significant changes in unrecognized tax benefits within the next twelve months. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. During the twelve months ended December 31, 2011, and as of December 31, 2011, the Company has recognized \$232 and \$1,449, respectively, in interest expense.

The Company files income tax returns in the United States federal jurisdiction, in various states and in various foreign jurisdictions. The Company is subject to examination for 2008 forward for the United States and the majority of the state jurisdictions, for 2009 forward in Canada; and for 2006 forward with respect to Oman.

The principal components of the Company's net deferred tax assets (liabilities) are:

	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
		<b>As Revised</b>
<b>Deferred tax assets:</b>		
<b>Current:</b>		
Accrued vacation	\$ 3,299	\$ 2,609
Allowance for doubtful accounts	512	1,825
Estimated loss	2,013	1,162
Prepaid expenses	1,787	
Various accrued liabilities	958	5,408
Other	87	
	8,656	11,004
<b>Non-current:</b>		
Deferred compensation	2,270	5,172
Insurance reserve	4,423	
Term loan amortization	2,657	
Goodwill impairment	17,816	
U.S. tax net operating loss carry forwards	18,278	11,080
State tax net operating loss carry forwards	8,005	7,303
Other	1,863	185
Gross deferred tax assets	55,312	23,740
Valuation allowance	(30,480)	(7,170)
Deferred tax assets, net of valuation allowance	33,488	27,574
<b>Deferred tax liabilities:</b>		
<b>Current:</b>		
Prepaid expenses		(1,616)

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Partnership tax deferral	(1,351)	(1,538)
	(1,351)	(3,154)
Non-current:		
Unbilled profit/retainage		(599)
Bond discount amortization		(3,674)
Depreciation	(32,087)	(46,360)
Goodwill & intangibles		(9,930)
Deferred tax liabilities	(32,087)	(60,563)
Net deferred tax assets (liabilities)	\$ 50	\$ (36,143)

**Table of Contents****WILLBROS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(In thousands, except share and per share amounts)****12. Income Taxes (continued)**

	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
United States	\$ 1,040	\$ (32,611)
Other countries	(990)	(3,532)
<b>Net deferred tax assets (liabilities)</b>	<b>\$ 50</b>	<b>\$ (36,143)</b>

The valuation allowance for deferred income tax assets at December 31, 2011 and 2010 was \$30,480 and \$7,170, respectively. The ultimate realization of deferred tax assets related to net operating loss carry forwards, including federal and state net operating loss carry forwards, is dependent upon the generation of future taxable income in a particular tax jurisdiction during the periods in which the use of such net operating losses are allowed. The Company considers future taxable income, including the impacts of reversing taxable temporary differences, future forecasted income and available tax planning strategies, when evaluating whether deferred tax assets are more likely than not to be realized prior to expiration.

At December 31, 2011, the Company has remaining U.S. federal net operating loss carry forwards of \$52,222 and state net operating loss carry forwards of \$174,484.

The Company's U.S. federal net operating losses expire beginning in 2031. The Company's state net operating losses generally expire 20 years after the period in which the net operating loss was incurred. The Company filed an amended U.S. Federal tax return to carry back operating losses incurred in 2010 of approximately \$30,031 to offset taxable income in 2008. Additionally, management will be carrying back 2011 tax losses to the extent of taxable income in 2009. After the effect of tax planning strategies, carrybacks of certain federal net operating losses, reversals of existing temporary differences, and projections for future taxable income over the periods in which the deferred tax assets can be utilized to offset taxable income, the remaining net federal deferred tax asset is not more likely than not realizable in the foreseeable future.

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**WILLBROS GROUP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands, except share and per share amounts)**

**13. Stockholders' Equity**

***Stock Ownership Plans***

In May 1996, the Company established the Willbros Group, Inc. 1996 Stock Plan (the "1996 Plan") with 1,125,000 shares of common stock authorized for issuance to provide for awards to key employees of the Company, and the Willbros Group, Inc. Director Stock Plan (the "Director Plan") with 125,000 shares of common stock authorized for issuance to provide for the grant of stock options to non-employee directors. The number of shares authorized for issuance under the 1996 Plan, and the Director Plan, was increased to 4,825,000 and 225,000, respectively, by stockholder approval. The Director Plan expired August 16, 2006. In 2006, the Company established the 2006 Director Restricted Stock Plan (the "2006 Director Plan") with 50,000 shares authorized for issuance to grant shares of restricted stock and restricted stock rights to non-employee directors. The number of shares authorized for issuance under the 2006 Director Plan was increased in 2008 to 250,000 by stockholder approval.

On May 26, 2010, the Company established the Willbros Group, Inc. 2010 Stock and Incentive Compensation Plan ("2010 Plan") with 2,100,000 shares of common stock authorized for issuance to provide for awards to key employees of the Company. All future grants of stock awards to key employees will be made through the 2010 Plan. On May 26, 2010, 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 December 31, 2011, the 2010 plan had 1,189,779 shares available for grant.

RSUs and options granted to employees vest generally over a three to four year period. Options granted under the 2010 Plan expire ten 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 December 31, 2011, the 2006 Director Plan had 44,330 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. During the years ended December 31, 2011, 2010 and 2009, \$475, \$669 and \$3,683, respectively, of compensation expense was recognized due to accelerated vesting of RSUs due to retirements and separation from the Company.

Share-based compensation related to RSUs is recorded based on the Company's stock price as of the grant date. Expense from both stock options and RSUs totaled \$6,779, \$8,404 and \$13,231, respectively, for the years ended December 31, 2011, 2010 and 2009.

The Company determines fair value of stock options as of its grant date using the Black-Scholes valuation method. No options were granted during the years ended December 31, 2011, 2010 or 2009.

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

	2011		Year Ended December 31, 2010		2009	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding, beginning of year	227,750	\$ 15.28	257,750	\$ 15.91	333,750	\$ 15.47
Granted						
Exercised					(17,500)	10.77
Forfeited or expired			(30,000)	20.65	(58,500)	14.93
Outstanding, end of year	227,750	\$ 15.28	227,750	\$ 15.28	257,750	\$ 15.91
Exercisable at end of year	227,750	\$ 15.28	207,750	\$ 15.02	220,250	\$ 15.34

As of December 31, 2011, the aggregate intrinsic value of stock options outstanding and stock options exercisable was \$0 and \$0, respectively. The weighted average remaining contractual term of outstanding and stock options exercisable is 3.29 years and 3.29 years, respectively, at December 31, 2011. The total intrinsic value of options exercised was \$0, \$0 and \$81 during the years ended December 31, 2011, 2010 and 2009, respectively. There was no material tax benefit realized related to those exercises. The total fair value of options vested during the years ended December 31, 2011, 2010 and 2009 was \$135, \$87 and \$247, respectively.

The Company's nonvested options at December 31, 2011 and the changes in nonvested options during the year ended December 31, 2011 are as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested, beginning of year	20,000	\$ 6.77
Granted		
Vested	(20,000)	6.77
Forfeited or expired		
Nonvested, end of year		\$

The Company's RSU activity and related information consist of:

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	Year Ended December 31,					
	2011		2010		2009	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Outstanding, beginning of year	888,853	\$ 13.54	859,248	\$ 22.38	840,342	\$ 32.89
Granted	880,963	9.89	635,849	11.39	545,307	9.95
Vested, shares released	(466,092)	13.74	(580,369)	23.97	(473,406)	27.02
Forfeited	(160,713)	12.44	(25,875)	20.23	(52,995)	19.89
Outstanding, end of year	1,143,011	\$ 10.84	888,853	\$ 13.54	859,248	\$ 22.38

The total fair value of RSU s vested during the years ended December 31, 2011, 2010 and 2009 was \$6,406, \$13,911 and \$12,791, respectively.

As of December 31, 2011, there was a total of \$8,336 of unrecognized compensation cost, net of estimated forfeitures, related to all nonvested share-based compensation arrangements granted under the Company s stock ownership plans. That cost is expected to be recognized over a weighted-average period of 2.52 years.

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(In thousands, except share and per share amounts)

**13. Stockholders' Equity (continued)***Warrants to Purchase Common Stock*

In 2006, the Company completed a private placement of equity to certain accredited investors pursuant to which the Company issued and sold 3,722,360 shares of the Company's common stock resulting in net proceeds of \$48,748. In conjunction with the private placement, the Company also issued warrants to purchase an additional 558,354 shares of the Company's common stock. Each warrant was exercisable, in whole or in part, until 60 months from the date of issuance at an exercise price of \$19.03 per share.

The fair value of the warrants was \$3,423 on the date of the grant, as calculated using the Black-Scholes option-pricing model. There were zero and 536,925 warrants outstanding at December 31, 2011 and 2010, respectively. These warrants expired, unexercised, on October 27, 2011.

**14. Income (Loss) Per Common Share**

Basic and diluted income (loss) per common share is computed as follows:

	Year Ended December 31,		
	2011	2010	2009
Income (loss) from continuing operations	\$ (204,280)	\$ (15,821)	\$ 21,424
Less: Income attributable to noncontrolling interest	(1,195)	(1,207)	(1,817)
Net income (loss) from continuing operations attributable to Willbros Group, Inc. (numerator for basic calculation)	(205,475)	(17,028)	19,607
Add: Interest and debt issuance costs associated with convertible notes			
Net income (loss) from continuing operations applicable to common shares (numerator for diluted calculation)	\$ (205,475)	\$ (17,028)	\$ 19,607
Weighted average number of common shares outstanding for basic income per share	47,475,680	43,013,934	38,687,594
Weighted average number of potentially dilutive common shares outstanding			195,483
Weighted average number of common shares outstanding for diluted income per share	47,475,680	43,013,934	38,883,077
Income (loss) per common share from continuing operations:			
Basic	\$ (4.33)	\$ (0.40)	\$ 0.51
Diluted	\$ (4.33)	\$ (0.40)	\$ 0.50

The Company has excluded shares potentially issuable under the terms of use of the securities listed below from the number of potentially dilutive shares outstanding as the effect would be anti-dilutive:

	Year Ended December 31,		
	2011	2010	2009
2.75% Convertible Senior Notes		3,048,642	3,048,642
6.5% Senior Convertible Notes	1,825,587	1,825,587	1,825,587
Stock options	181,666	185,397	185,000
Warrants to purchase common stock		536,925	536,925
Restricted stock and restricted stock rights	158,672	343,905	
	2,165,925	5,940,456	5,596,154

In accordance with the FASB's standard on earnings per share for contingently convertible instruments, the shares issuable upon conversion of the convertible notes would have been included in diluted income (loss) per share, if those securities were dilutive, regardless of whether the Company's stock price was greater than or equal to the conversion prices of \$17.56 and \$19.47, respectively. However, these securities are only dilutive to the extent that interest per weighted average convertible share does not exceed basic earnings per share. For the year ended December 31, 2011, the related interest per convertible share associated with the 6.5% Senior Convertible Notes did not exceed basic earnings per share for the current period. As such, those shares have not been included in the computation of diluted earnings per share.

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(In thousands, except share and per share amounts)

**15. Segment Information**

The Company's segments are comprised of strategic businesses that are defined by the industries they serve. Each is managed as an operation with well established strategic directions and performance requirements. Prior to the InfrastruX acquisition, the Company operated through two business segments: *Upstream Oil & Gas* and *Downstream Oil & Gas*. These segments operate primarily in the United States, Canada, and Oman. On July 1, 2010, the Company closed on the acquisition of InfrastruX, which diversified the Company's capabilities and expanded its geographic footprint. InfrastruX provided maintenance and construction solutions to customers in the electric power and natural gas transmission and distribution markets. Post acquisition, the Company established a third business segment, *Utility T&D*, which includes electric power transmission and distribution and low-pressure, inside the gate natural gas distribution. The natural gas transmission division of InfrastruX, which is similar to Willbros' legacy U.S. pipeline construction business unit, was incorporated into the Company's *Upstream Oil & Gas* segment effective January 1, 2011. Management evaluates the performance of each operating segment based on operating income. Corporate operations include the executive management, general, administrative, and financing functions of the organization. The costs to provide these services are allocated, as are certain other corporate assets, among the three operating segments. There were no material inter-segment revenues in the periods presented.

The tables below reflect the Company's operations by reportable segment for the years ended December 31, 2011, 2010 and 2009:

	Year Ended December 31, 2011			
	<i>Upstream Oil &amp; Gas</i>	<i>Downstream Oil &amp; Gas</i>	<i>Utility T&amp;D</i>	<i>Consolidated</i>
Revenue	\$ 762,737	\$ 228,203	\$ 624,100	\$ 1,615,040
Operating expenses	755,700	244,644	630,843	1,631,187
Goodwill impairment	21,278	13,754	143,543	178,575
Change in fair value of contingent earnout liability				(10,000)
Operating loss	\$ (14,241)	\$ (30,195)	\$ (150,286)	(184,722)
Other expense				(51,851)
Benefit for income taxes				(32,293)
Loss from continuing operations				(204,280)
Loss from discontinued operations net of benefit for income taxes				(88,541)
Loss from continuing and discontinued operations				(292,821)
Less: Income attributable to noncontrolling interest				(1,195)
Net loss attributable to Willbros Group, Inc.				\$ (294,016)

	Year Ended December 31, 2010			
	<i>Upstream Oil &amp; Gas</i>	<i>Downstream Oil &amp; Gas</i>	<i>Utility T&amp;D</i>	<i>Consolidated</i>
Revenue	\$ 585,797	\$ 301,104	\$ 238,171	\$ 1,125,072
Operating expenses	549,930	316,424	264,899	1,131,253

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Goodwill impairment		60,000		60,000
Change in fair value of contingent earnout liability				(45,340)
Operating income (loss)	\$ 35,867	\$ (75,320)	\$ (26,728)	(20,841)
Other expense				(26,028)
Benefit for income taxes				(31,048)
Loss from continuing operations				(15,821)

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**WILLBROS GROUP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands, except share and per share amounts)**

**15. Segment Information (continued)**

Loss from discontinued operations net of benefit for income taxes	(20,008)
Loss from continuing and discontinued operations	(35,829)
Less: Income attributable to noncontrolling interest	(1,207)
Net loss attributable to Willbros Group, Inc.	\$ (37,036)

**Year Ended December 31, 2009**

<i>Upstream</i>	
<i>Oil</i>	
<i>&amp;</i>	<i>Downstream</i>
<i>Gas</i>	<i>Oil &amp; Gas</i>