

Willbros Group, Inc.\NEW\
Form 10-Q
August 05, 2010

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2010

OR

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

For the transition period from _____ to _____

Commission file number 1-11953

Willbros Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(Jurisdiction of incorporation)

30-0513080

(I.R.S. Employer Identification Number)

4400 Post Oak Parkway

Suite 1000

Houston, TX 77027

Telephone No.: 713-403-8000

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

NOT APPLICABLE

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

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

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

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller reporting
company

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

The number of shares of the registrant's Common Stock, \$.05 par value, outstanding as of July 30, 2010 was 47,860,795.

WILLBROS GROUP, INC.
FORM 10-Q
FOR QUARTER ENDED JUNE 30, 2010

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Exhibit 32.1

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

PART I FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

| | June 30, | December 31, |
|---|-----------------|---------------------|
| | 2010 | 2009 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 227,302 | \$ 198,774 |
| Short-term investments | 5,300 | 16,559 |
| Accounts receivable, net | 224,801 | 162,460 |
| Contract cost and recognized income not yet billed | 7,773 | 45,009 |
| Prepaid expenses and other | 21,933 | 15,530 |
| Parts and supplies inventories | 5,457 | 4,666 |
| Deferred income taxes | 5,853 | 2,875 |
| | | |
| Total current assets | 498,419 | 445,873 |
| Property, plant and equipment, net | 126,779 | 132,879 |
| Goodwill | 86,341 | 85,775 |
| Other intangible assets, net | 34,867 | 36,772 |
| Deferred income taxes | 18,341 | 25,034 |
| Other assets | 3,081 | 2,045 |
| | | |
| Total assets | \$ 767,828 | \$ 728,378 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 103,515 | \$ 81,821 |
| Contract billings in excess of cost and recognized income | 44,891 | 11,336 |
| Current portion of capital lease obligations | 4,774 | 5,824 |
| Notes payable and current portion of other long-term debt | 95,897 | 31,450 |
| Current portion of government obligations | 6,575 | 6,575 |
| Accrued income taxes | | 1,605 |
| Liabilities of discontinued operations | | |
| Other current liabilities | 3,674 | 9,968 |
| | | |
| Total current liabilities | 259,326 | 148,579 |
| Capital lease obligations | 8,339 | 10,692 |
| Long-term debt | | 56,071 |
| Long-term portion of government obligations | | 6,575 |
| Long-term liabilities for unrecognized tax benefits | 4,236 | 5,512 |
| Deferred income taxes | 9,457 | 11,356 |
| Other long-term liabilities | 1,318 | 1,598 |
| | | |
| Total liabilities | 282,676 | 240,383 |
| Contingencies and commitments (Note 12) | | |

Stockholders' equity:

| | | |
|---|------------|------------|
| Preferred stock, par value \$.01 per share, 1,000,000 shares authorized, none issued | | |
| Common stock, par value \$.05 per share, 70,000,000 shares authorized and 40,498,272 shares issued at June 30, 2010 (40,106,498 at December 31, 2009) | 2,024 | 2,005 |
| Capital in excess of par value | 610,435 | 607,299 |
| Accumulated deficit | (129,463) | (124,788) |
| Treasury stock at cost, 575,242 shares at June 30, 2010 (510,187 at December 31, 2009) | (9,713) | (9,045) |
| Accumulated other comprehensive income | 10,986 | 11,725 |
| Total Willbros Group, Inc. stockholders' equity | 484,269 | 487,196 |
| Noncontrolling interest | 883 | 799 |
| Total stockholders' equity | 485,152 | 487,995 |
| Total liabilities and stockholders' equity | \$ 767,828 | \$ 728,378 |

See accompanying notes to condensed consolidated financial statements.

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

| | Three Months Ended | | Six Months Ended | |
|--|---------------------------|-------------|-------------------------|-------------|
| | June 30, | | June 30, | |
| | 2010 | 2009 | 2010 | 2009 |
| Contract revenue | \$ 248,129 | \$ 354,483 | \$ 385,125 | \$ 818,408 |
| Operating expenses: | | | | |
| Contract | 205,766 | 311,416 | 337,783 | 718,801 |
| Amortization of intangibles | 953 | 2,005 | 1,905 | 4,593 |
| General and administrative | 24,221 | 21,212 | 49,211 | 44,235 |
| Other charges | 794 | 956 | 613 | 5,790 |
| | 231,734 | 335,589 | 389,512 | 773,419 |
| Operating income (loss) | 16,395 | 18,894 | (4,387) | 44,989 |
| Other income (expense): | | | | |
| Interest income | 283 | 674 | 519 | 1,273 |
| Interest expense | (2,358) | (2,685) | (4,701) | (5,389) |
| Other, net | 891 | (217) | 2,862 | 108 |
| | (1,184) | (2,228) | (1,320) | (4,008) |
| Income (loss) from continuing operations before income taxes | 15,211 | 16,666 | (5,707) | 40,981 |
| Provision (benefit) for income taxes | 5,753 | 5,675 | (2,387) | 13,915 |
| Income (loss) from continuing operations | 9,458 | 10,991 | (3,320) | 27,066 |
| Income (loss) from discontinued operations net of provision for income taxes | (476) | (1,660) | (746) | (1,500) |
| Net income (loss) | 8,982 | 9,331 | (4,066) | 25,566 |
| Less: Income attributable to noncontrolling interest | (353) | (423) | (609) | (1,171) |
| Net income (loss) attributable to Willbros Group, Inc. | \$ 8,629 | \$ 8,908 | \$ (4,675) | \$ 24,395 |
| Reconciliation of net income attributable to Willbros Group, Inc. | | | | |
| Income (loss) from continuing operations | \$ 9,105 | \$ 10,568 | \$ (3,929) | \$ 25,895 |
| Income (loss) from discontinued operations | (476) | (1,660) | (746) | (1,500) |
| | \$ 8,629 | \$ 8,908 | \$ (4,675) | \$ 24,395 |

Net income (loss) attributable to Willbros
Group, Inc.

Basic income (loss) per share attributable to
Company Shareholders:

| | | | | | | | | |
|--|----|--------|----|--------|----|--------|----|--------|
| Income (loss) from continuing operations | \$ | 0.23 | \$ | 0.27 | \$ | (0.10) | \$ | 0.67 |
| Income (loss) from discontinued operations | | (0.01) | | (0.04) | | (0.02) | | (0.04) |

| | | | | | | | | |
|-------------------|----|------|----|------|----|--------|----|------|
| Net income (loss) | \$ | 0.22 | \$ | 0.23 | \$ | (0.12) | \$ | 0.63 |
|-------------------|----|------|----|------|----|--------|----|------|

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

| | | | | | | | | |
|--|----|--------|----|--------|----|--------|----|--------|
| Income (loss) from continuing operations | \$ | 0.23 | \$ | 0.27 | \$ | (0.10) | \$ | 0.66 |
| Income (loss) from discontinued operations | | (0.01) | | (0.04) | | (0.02) | | (0.03) |

| | | | | | | | | |
|-------------------|----|------|----|------|----|--------|----|------|
| Net Income (loss) | \$ | 0.22 | \$ | 0.23 | \$ | (0.12) | \$ | 0.63 |
|-------------------|----|------|----|------|----|--------|----|------|

Weighted average number of common shares
outstanding:

| | | | | |
|-------|------------|------------|------------|------------|
| Basic | 39,018,105 | 38,684,446 | 38,979,275 | 38,624,192 |
|-------|------------|------------|------------|------------|

| | | | | |
|---------|------------|------------|------------|------------|
| Diluted | 42,352,485 | 43,729,642 | 38,979,275 | 43,640,878 |
|---------|------------|------------|------------|------------|

See accompanying notes to condensed consolidated financial statements.

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

| | Six Months Ended June 30, | |
|---|--------------------------------------|-------------|
| | 2010 | 2009 |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ (4,066) | \$ 25,566 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| (Income) loss from discontinued operations | 746 | 1,500 |
| Depreciation and amortization | 16,471 | 21,566 |
| Stock-based compensation | 4,578 | 6,950 |
| Deferred income tax provision | (3,426) | (672) |
| Other non cash | 2,497 | 4,914 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | (62,696) | (11,408) |
| Contract cost and recognized income not yet billed | 37,268 | 42,456 |
| Prepaid expenses and other assets | 4,553 | (4,279) |
| Accounts payable and accrued liabilities | 21,880 | (24,568) |
| Accrued income taxes | (2,882) | (4,661) |
| Contract billings in excess of cost and recognized income | 33,572 | 10,603 |
| Other liabilities | (2,864) | |
| Cash provided by operating activities of continuing operations | 45,631 | 67,967 |
| Cash used in operating activities of discontinued operations | (746) | (79) |
| Cash provided by operating activities | 44,885 | 67,888 |
| Cash flows from investing activities: | | |
| Proceeds from sales of property, plant and equipment | 1,970 | 5,101 |
| Purchases of property, plant and equipment | (8,944) | (6,659) |
| Maturities of short-term investments | 11,455 | |
| Purchase of short-term investments | (255) | |
| Cash provided by (used in) investing activities of continuing operations | 4,226 | (1,558) |
| Cash provided by (used in) investing activities of discontinued operations | | |
| Cash provided by (used in) investing activities | 4,226 | (1,558) |
| Cash flows from financing activities: | | |
| Payments on capital leases | (3,526) | (18,817) |
| Repayment of notes payable | (4,936) | (1,062) |
| Payments to reacquire common stock | (668) | (357) |
| Payments on government fines | (6,575) | (6,575) |
| Costs of debt issues | (1,960) | (150) |
| Proceeds from exercise of stock options | | 336 |
| Stock-based compensation tax deficiency | (1,423) | (1,448) |
| Dividend distribution to noncontrolling interest | (525) | (1,294) |

| | | |
|--|------------|------------|
| Cash used in financing activities of continuing operations | (19,613) | (29,367) |
| Cash provided by (used in) financing activities of discontinued operations | | |
| Cash used in financing activities | (19,613) | (29,367) |
| Effect of exchange rate changes on cash and cash equivalents | (970) | 565 |
| Cash provided by all activities | 28,528 | 37,528 |
| Cash and cash equivalents, beginning of period | 198,774 | 207,864 |
| Cash and cash equivalents, end of period | \$ 227,302 | \$ 245,392 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | \$ 1,216 | \$ 3,418 |
| Cash paid for income taxes (including discontinued operations) | \$ 3,125 | \$ 17,991 |
| Supplemental non-cash investing and financing transactions: | | |
| Prepaid insurance obtained by note payable | \$ 11,687 | \$ |
| Equipment received through like-kind exchange | \$ 3,355 | \$ |
| Equipment surrendered through like-kind exchange | \$ 2,550 | \$ |

See accompanying notes to condensed consolidated financial statements.

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

1. The Company and Basis of Presentation

Willbros Group, Inc., a Delaware corporation, and all of its majority-owned subsidiaries (the Company, Willbros or WGI) is an independent international contractor serving the oil, gas and power industries; government entities; and the refinery and petrochemical industries. The Company's principal markets for continuing operations are the United States, Canada, and Oman. The Company obtains its work through competitive bidding and through negotiations with prospective clients. Contract values range from several thousand dollars to several hundred million dollars and contract durations range from a few weeks to more than two years.

The accompanying Condensed Consolidated Balance Sheet as of December 31, 2009, which has been derived from audited consolidated financial statements, and the unaudited interim Condensed Consolidated Financial Statements as of June 30, 2009 and 2010, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations. However, the Company believes the presentations and disclosures herein are adequate to make the information not misleading. Certain prior period amounts have been reclassified to be consistent with the current presentation. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Company's December 31, 2009 audited Consolidated Financial Statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

In the opinion of management, the unaudited Condensed Consolidated Financial Statements reflect all adjustments necessary to present fairly the financial position as of June 30, 2010, the results of operations and cash flows of the Company for all interim periods presented. The results of operations and cash flows for the three months ended June 30, 2010 are not necessarily indicative of the operating results and cash flows to be achieved for the full year.

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

As discussed in Note 13 Discontinuance of Operations, Asset Disposals, and Transition Services Agreement, the Company has disposed of certain assets and operations that are together classified as discontinued operations (collectively the Discontinued Operations). Accordingly, these Condensed Consolidated Financial Statements reflect these operations as discontinued operations in all periods presented. The disclosures in the Notes to the Condensed Consolidated Financial Statements relate to continuing operations except as otherwise indicated.

For interim financial reporting, the Company records the tax provision based on its estimate of the effective tax rate for the year. The Company has projected its annual estimated effective income tax rate to be 38.0 percent for 2010.

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

Change in Estimate The Company performed a review of the estimated useful lives of its fixed assets 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 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 three and six months ended June 30, 2010 by \$1,606 and \$3,212, respectively, and increase income from continuing operations by

\$996 and \$1,991, net of taxes, or \$0.02 and \$0.05 per basic share, respectively.

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

1. The Company and Basis of Presentation (continued)

Reclassifications The Company's prior period consolidated statements of income have been revised to reclassify \$956 and \$5,790 of costs associated with headcount reduction for the three and six months ended June 30, 2009 from general and administrative expenses to Other charges to be consistent with current year presentation.

Consistency Effective January 1, 2010, the Company has reclassified certain indirect overhead expenses to general and administrative expenses to apply a consistent approach in our classification of overheads across our segments. If the Company reclassified these same costs in the three-month and six-months periods ended June 30, 2009, the reported general and administrative costs would have increased accompanied by a corresponding decrease to contract costs of \$1,320 and \$2,784, respectively.

2. New Accounting Pronouncements

In June 2009, the FASB issued a new accounting standard which provides amendments to previous guidance on the consolidation of variable interest entities (VIE). This standard clarifies the characteristics that identify a VIE and changes how a reporting entity identifies a primary beneficiary that would consolidate the VIE from a quantitative risk and rewards calculation to a qualitative approach based on which variable interest holder has controlling financial interest and the ability to direct the most significant activities that impact the VIE's economic performance. This statement requires the primary beneficiary assessment to be performed on a continuous basis. It also requires additional disclosures about an entity's involvement with a VIE, restrictions on the VIE's assets and liabilities that are included in the reporting entity's consolidated balance sheet, significant risk exposures due to the entity's involvement with the VIE, and how its involvement with a VIE impacts the reporting entity's consolidated financial statements. The standard is effective for fiscal years beginning after November 15, 2009. The adoption of the standard did not have any impact on the Company's consolidated financial statements.

3. Other Charges

During the second quarter of 2010, the Company incurred other charges of \$794, primarily consisting of \$467 in headcount reduction costs and a change in estimate of \$296 associated with one leased facility, which was abandoned in the third quarter of 2009.

Other charges by segment are as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---------------------------------|--|-------------|--------------------------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| <i>Upstream Oil & Gas</i> | \$ 306 | \$ 784 | \$ 320 | \$ 4,789 |
| <i>Downstream Oil & Gas</i> | 488 | 172 | 293 | 1,001 |
| Total other charges | \$ 794 | \$ 956 | \$ 613 | \$ 5,790 |

Other charges incurred during the second quarter of 2010 and 2009 include \$6 and \$248, respectively, related to headcount reductions within corporate operations and have been allocated to the Company's business segments based on a percentage of total revenue.

The accrual at June 30, 2010, for carrying costs of the abandoned lease space totaled \$1,323, consisting of \$1,108 in Other current liabilities and \$215 in Other long-term liabilities on the Consolidated Balance Sheets. The Company estimates carrying costs of the abandoned lease space based on an assessment of applicable commercial real estate markets. There may be a significant fluctuation in the estimated costs to the extent the evaluation of the facts, circumstances and expectations change. The principal variables in estimating the carrying costs are the length of time required to sublease the space, the sublease rate and expense for inducements (e.g., rent abatement, tenant improvement allowance) that may be offered to a prospective sublease tenant. While the Company believes this

accrual is adequate, it is subject to adjustment as conditions change. The Company will continue to evaluate the adequacy of the accrual and will make the necessary changes to the accrual as conditions warrant.

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

3. Other Charges (continued)

Activity in the accrual related to other charges for the period ended June 30, 2010 is as follows:

| | Employee Termination and Other Benefits | Non- Cancelable Lease and Other Contractual Obligations | Total |
|-----------------------------------|--|--|--------------|
| Accrued cost at December 31, 2009 | \$ 2,080 | \$ 2,325 | \$ 4,405 |
| Costs recognized during 2010 | 489 | 264 | 753 |
| Cash payments | (1,001) | (1,117) | (2,118) |
| Non-cash charges ⁽¹⁾ | (281) | (9) | (290) |
| Change in estimates | | (140) | (140) |
| Accrued cost at June 30, 2010 | \$ 1,287 | \$ 1,323 | \$ 2,610 |

⁽¹⁾ Non-cash charges consist of \$281 of accelerated stock-based compensation and \$9 of accretion expense.

4. Contracts in Progress

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

Contract cost and recognized income not yet billed and related amounts billed as of June 30, 2010 and December 31, 2009 was as follows:

| June 30, 2010 | December 31, 2009 |
|--------------------------|------------------------------|
|--------------------------|------------------------------|

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| | | |
|---|--------------|--------------|
| Cost incurred on contracts in progress | \$ 1,166,282 | \$ 1,113,712 |
| Recognized income | 184,931 | 161,398 |
| | 1,351,213 | 1,275,110 |
| Progress billings and advance payments | (1,388,331) | (1,241,437) |
| | \$ (37,118) | \$ 33,673 |
| Contract cost and recognized income not yet billed | \$ 7,773 | \$ 45,009 |
| Contract billings in excess of cost and recognized income | (44,891) | (11,336) |
| | \$ (37,118) | \$ 33,673 |

Contract cost and recognized income not yet billed includes \$8 and \$1,551 at June 30, 2010, and December 31, 2009, respectively, on completed contracts.

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

5. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the six months ended June 30, 2010, by business segment, are detailed below:

| <i>Upstream Oil & Gas</i> | Goodwill | Impairment Reserves | Total, Net |
|-----------------------------------|-----------------|--------------------------------|-------------------|
| Balance as of January 1, 2009 | \$ 11,142 | \$ | \$ 11,142 |
| Goodwill from acquisitions | | | |
| Purchase price adjustments | | | |
| Impairment losses | | | |
| Translation adjustments and other | 1,496 | | 1,496 |
| Balance as of December 31, 2009 | 12,638 | | 12,638 |
| Goodwill from acquisitions | | | |
| Purchase price adjustments | | | |
| Impairment losses | | | |
| Translation adjustments and other | (65) | | (65) |
| Balance as of June 30, 2010 | \$ 12,573 | \$ | \$ 12,573 |

| <i>Downstream Oil & Gas</i> | Goodwill | Impairment Reserves | Total, Net |
|-----------------------------------|-----------------|--------------------------------|-------------------|
| Balance as of January 1, 2009 | \$ 131,518 | \$ (62,295) | \$ 69,223 |
| Goodwill from acquisitions | 3,600 | | 3,600 |
| Purchase price adjustments | 299 | | 299 |
| Impairment losses | | | |
| Translation adjustments and other | 15 | | 15 |
| Balance as of December 31, 2009 | 135,432 | (62,295) | 73,137 |
| Goodwill from acquisitions | | | |
| Purchase price adjustments | 631 | | 631 |
| Impairment losses | | | |
| Translation adjustments and other | | | |
| Balance as of June 30, 2010 | \$ 136,063 | \$ (62,295) | \$ 73,768 |

The Company's intangible assets as of June 30, 2010 were as follows:

| | Customer Relationships | Trademark | Non-compete agreements | Total |
|---------------------------------|---------------------------|-----------|---------------------------|-----------|
| Balance as of December 31, 2009 | \$ 34,547 | \$ 1,235 | \$ 990 | \$ 36,772 |
| Amortization | (1,730) | (65) | (110) | (1,905) |
| Balance as of June 30, 2010 | \$ 32,817 | \$ 1,170 | \$ 880 | \$ 34,867 |

Weighted Average Remaining Amortization

| | | | |
|--------|---------|---------|---------|
| Period | 9.5 yrs | 9.0 yrs | 4.0 yrs |
|--------|---------|---------|---------|

Intangible assets are amortized on a straight-line basis over their estimated useful lives, which range from 5.0 to 12.1 years.

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

5. Goodwill and Other Intangible Assets (continued)

Amortization expense included in net income for the three and six months ended June 30, 2010 was \$953 and \$1,905, respectively. Estimated amortization expense for the remainder of 2010 and each of the subsequent five years and thereafter is as follows:

Fiscal year:

| | | |
|--------------------|----|--------|
| 2010 | \$ | 1,905 |
| 2011 | | 3,810 |
| 2012 | | 3,810 |
| 2013 | | 3,810 |
| 2014 | | 3,700 |
| 2015 | | 3,590 |
| Thereafter | | 14,242 |
| Total amortization | \$ | 34,867 |

6. Government Obligations

Government obligations represent amounts due to government entities, specifically the United States Department of Justice (DOJ) and the SEC, in final settlement of the investigations involving violations of the Foreign Corrupt Practices Act (the FCPA) and violations of the Securities Act of 1933 (the Securities Act) and the Securities Exchange Act of 1934 (the Exchange Act). These investigations stem primarily from the Company s former operations in Bolivia, Ecuador and Nigeria. In May 2008, the Company reached final 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 installments of \$2,575 with the first installment paid on signing and annually for three years thereafter. Post-judgment interest is payable on the outstanding \$7,725.

During the twelve months ended December 31, 2008, \$12,575 of the aggregate obligation was paid, 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. During the twelve months ended December 31, 2009, \$6,575 of the aggregate obligation was paid, 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.

On May 24, 2010 and May 27, 2010, the Company made its third installment payments in the amounts of \$4,000 and \$2,575, plus post judgment interest, to the DOJ and SEC, respectively. The remaining aggregate obligation of \$6,575 has been classified on the Consolidated Balance Sheets as Current portion of government obligations. This amount is based on payment terms that provide for one remaining equal installment of \$2,575 and \$4,000 to the SEC and DOJ in 2011, respectively.

7. Long-term Debt

Long-term debt as of June 30, 2010 and December 31, 2009 was as follows:

| | June 30, 2010 | December 31, 2009 |
|---------------------------|--------------------------|------------------------------|
| Capital lease obligations | \$ 13,113 | \$ 16,516 |

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| | | |
|-------------------------------------|----------|-----------|
| 2.75% convertible senior notes, net | 57,349 | 56,071 |
| 6.5% senior convertible notes, net | 31,744 | 31,450 |
| 2007 Credit Facility | | |
| Total long-term debt | 102,206 | 104,037 |
| Less: current portion | (93,867) | (37,274) |
| Long-term debt, net | \$ 8,339 | \$ 66,763 |

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7. Long-term Debt (continued)***2007 Credit Facility***

On November 20, 2007, the Company entered into a credit agreement (the *Credit Agreement*), among Willbros United States Holding, Inc. (*WUSH*), a subsidiary of the Company (formerly known as Willbros USA, Inc.), as borrower, the Company and certain of its subsidiaries as guarantors (collectively, the *Loan Parties*), and a group of lenders (the *Lenders*) led by Calyon New York Branch (*Calyon*). The *Credit Agreement* provides for a three-year senior secured \$150,000 revolving credit facility maturing in November 2010 (the *2007 Credit Facility*). The Company is able to utilize 100 percent of the *2007 Credit Facility* to obtain performance letters of credit and 33.3 percent (or \$50,000) of the facility for cash advances for general corporate purposes and financial letters of credit. The *2007 Credit Facility* is secured by substantially all of the assets of the Company, including those of the *Loan Parties*, as well as a pledge of 100 percent of the equity interests of *WUSH* and each of the Company's other material U.S. subsidiaries and 65.0 percent of the equity interests of Willbros Global Holdings, Inc.

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

A default under the *Credit Agreement* may be triggered by events such as a failure to comply with financial covenants or other covenants under the *Credit Agreement*, a failure to make payments when due under the *Credit Agreement*, a failure to make payments when due in respect of or a failure to perform obligations relating to debt obligations in excess of \$5,000, a change of control of the Company or certain insolvency proceedings. A default under the *Credit Agreement* would permit *Calyon* and the *Lenders* to restrict the Company's ability to further access the *2007 Credit Facility* for cash advances or letters of credit, require the immediate repayment of any outstanding cash advances with interest and require the cash collateralization of outstanding letter of credit obligations. Unamortized debt issue costs associated with the creation of the *2007 Credit Facility* total \$209 and \$498 and are included in other assets at June 30, 2010 and December 31, 2009, respectively. These remaining unamortized costs will be amortized to interest expense during the third quarter of 2010 in connection with the termination of the *2007 Credit Facility*.

The *2007 Credit Facility* also includes financial covenants relating to maintenance of the following:

A minimum net worth in an amount of not less than the sum of \$106,458 plus 50.0 percent of consolidated net income earned in each fiscal quarter ended after December 31, 2007 plus adjustments for certain equity transactions and debt conversions;

A maximum leverage ratio of 2.00 to 1.00 for the fiscal quarter ending June 30, 2010 and for each fiscal quarter thereafter;

A minimum fixed charge coverage ratio of not less than 3.50 to 1.00 for the fiscal quarter ending June 30, 2010 and for each fiscal quarter thereafter; and

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

If any of these covenants were to be violated, it would be considered an Event of Default entitling the Lenders to terminate the remaining commitment, require the cash collateralization of all outstanding letters of credit, and accelerate payment of any principal and interest outstanding.

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7. Long-term Debt (continued)

As of June 30, 2010, there were no borrowings outstanding under the 2007 Credit Facility and there were \$16,201 in outstanding letters of credit for projects in continuing operations. At March 31, 2010, the Company was in violation of the maximum leverage ratio covenant and received a waiver from Calyon for the covenant violation for the quarter ended March 31, 2010 under the 2007 Credit Facility. At June 30, 2010, the Company was in violation of the maximum leverage ratio covenant under the 2007 Credit Facility. On July 1, 2010, the 2007 Credit Facility was terminated in connection with the acquisition of InfrastruX Group, Inc. (InfrastruX). See Note 14 Subsequent Event for further discussion of the InfrastruX acquisition and the new 2010 Credit Agreement.

6.5% Senior Convertible Notes

In December 2005, the Company completed a private placement of \$65,000 aggregate principal amount of its 6.5% Senior Convertible Notes due 2012 (the 6.5% Notes), pursuant to a purchase agreement (the Purchase Agreement). During the first quarter of 2006, the initial purchasers of the 6.5% Notes exercised their options to purchase an additional \$19,500 aggregate principal amount of the 6.5% Notes. The primary offering and the purchase option of the 6.5% Notes totaled \$84,500.

The 6.5% Notes are governed by an indenture by and among the Company, as issuer, WUSH, as guarantor, and Bank of Texas, N.A. (as successor to the original trustee), as Trustee (the Indenture), and were issued under the Purchase Agreement by and among the Company and the initial purchasers of the 6.5% Notes (the Purchasers), in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended. 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 June 30, 2010, 1,825,587 shares would have been issuable based on the principal amount of the 6.5% Notes which remain outstanding, subject to adjustment in certain circumstances. The 6.5% Notes are general senior unsecured obligations. Interest is due semi-annually on June 15 and December 15.

The 6.5% Notes mature on December 15, 2012 unless the notes are repurchased or converted earlier. The Company does not have the right to redeem the 6.5% Notes prior to maturity. Upon maturity, the principal amount plus the accrued interest through the day prior to the maturity date is payable only in cash. The holders of the 6.5% Notes have the right to require the Company to purchase the 6.5% Notes for cash, including unpaid interest, on December 15, 2010. The holders of the 6.5% Notes also have the right to require the Company to purchase the 6.5% Notes for cash upon the occurrence of a fundamental change, as defined in the Indenture. In addition to the amounts described above, the Company will be required to pay a make-whole premium to the holders of the 6.5% Notes who elect to convert their notes into the Company s common stock in connection with a fundamental change. The make-whole premium is payable in additional shares of common stock and is calculated based on a formula with the premium ranging from 0.0 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. Based on the uncertainty surrounding the future economic conditions, the Company is unable to estimate the number or probability of future repurchases of the 6.5% Notes on December 15, 2010. As such, all \$31,450 (net of \$600 bond discount) and \$31,744 (net of \$306 bond discount) has been classified as short-term and included within Notes payable and current portion of other long-term debt on the Consolidated Balance Sheet at December 31, 2009 and June 30, 2010, respectively.

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 payment default or other default which results in acceleration on any credit agreement of \$10,000 or more, including the 2007 Credit Facility and the 2.75% Notes, a corresponding event of default would result under the 6.5% Notes.

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7. Long-term Debt (continued)

A covenant in the indenture for the 6.5% Notes prohibits the Company from incurring any additional indebtedness if its consolidated leverage ratio exceeds 4.00 to 1.00. As of June 30, 2010, this covenant would not have precluded the Company from borrowing under the 2007 Credit Facility.

On March 10, 2010, the Company entered into Consent Agreements (the Consent Agreements) with Highbridge International LLC, Whitebox Combined Partners, LP, Whitebox Convertible Arbitrage Partners, LP, IAM Mini-Fund 14 Limited, HFR Combined Master Trust and Wolverine Convertible Arbitrage Trading Limited (the Consenting Holders), who collectively hold 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 will 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 have consented to modifications to the Third Supplemental Indenture that would clarify that certain restrictions on the Company's ability to incur indebtedness will not be applicable to certain borrowings by the Company to acquire InfrastruX regardless of whether the borrowing consists of a term loan under a new credit agreement, a new series of notes or bonds or a combination thereof.

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

| | June 30, 2010 | December 31, 2009 |
|--------------------------------|--------------------------|------------------------------|
| Principal amount of 6.5% Notes | \$ 32,050 | \$ 32,050 |
| Unamortized discount | (306) | (600) |
| Net carrying amount | \$ 31,774 | \$ 31,450 |
| Additional paid-in capital | \$ 3,131 | \$ 3,131 |

At June 30, 2010, the unamortized discount had a remaining recognition period of approximately six months.

The amount of interest expense recognized and effective interest rate for the three and six months ended June 30, 2010 and 2009 were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-----------------------------|--|-------------|--------------------------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Contractual coupon interest | \$ 521 | \$ 521 | \$ 1,042 | \$ 1,042 |
| Amortization of discount | 148 | 136 | 294 | 270 |

| | | | | | | | | |
|-------------------------|----|-------|----|-------|----|-------|----|-------|
| Interest expense | \$ | 669 | \$ | 657 | \$ | 1,336 | \$ | 1,312 |
| Effective interest rate | | 8.46% | | 8.46% | | 8.46% | | 8.46% |

2.75% Convertible Senior Notes

In 2004, the Company completed a primary offering of \$60,000 of 2.75% Convertible Senior Notes (the 2.75% Notes). Also, in 2004, the initial purchasers of the 2.75% Notes exercised their option to purchase an additional \$10,000 aggregate principal amount of the 2.75% Notes. The primary offering and purchase option of the 2.75% Notes totaled \$70,000. The 2.75% Notes are general senior unsecured obligations. Interest is paid semi-annually on March 15 and September 15. The 2.75% Notes mature on March 15, 2024 unless the notes are repurchased, redeemed or converted earlier. Upon maturity, the principal amount plus the accrued interest through the day prior to the maturity date is payable only in cash. The indenture for the 2.75% Notes originally provided that the Company

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7. Long-term Debt (continued)

could redeem the 2.75% Notes for cash on or after March 15, 2011, at 100 percent of the principal amount of the notes plus accrued interest. An indenture amendment, as described more fully below, delayed the redemption date two years to March 15, 2013. The holders of the 2.75% Notes have the right to require the Company to purchase the 2.75% Notes, including unpaid interest, on March 15, 2011, 2014, and 2019 or upon a change of control related event. On March 15, 2014 and 2019, the Company has the option of providing its common stock in lieu of cash, or a combination of common stock and cash to fund purchases. Based on the uncertainty surrounding the future economic conditions, the Company is unable to estimate the number or probability of future repurchases of the 2.75% Notes on March 15, 2011. Accordingly, all \$57,349 (net of \$2,008 bond discount) has been classified as short-term and included within Notes payable and current portion of other long-term debt on the Consolidated Balance Sheet at June 30, 2010.

Accrued interest on the notes on all three put dates can only be paid in cash. Upon the occurrence of a fundamental change, as defined by the Indenture, the holders of the 2.75% Notes have the right to require the Company to purchase the 2.75% Notes for cash, in addition to a make-whole premium that is payable in cash or in additional shares of common stock. The holders of the 2.75% Notes may, under certain circumstances, convert the notes into shares of the Company's common stock at an initial conversion ratio of 51.3611 shares of common stock per \$1,000.00 principal amount of notes representing a conversion price of approximately \$19.47 per share and resulting in 3,048,641 shares at June 30, 2010 based on the principal amount of the 2.75% Notes which remain outstanding, subject to adjustment in certain circumstances. The notes will be convertible only upon the occurrence of certain specified events including, but not limited to, if, at certain times, the closing sale price of the Company's common stock exceeds 120.0 percent of the then current conversion price, or \$23.36 per share, based on the initial conversion price. In the event of a default under any Company credit agreement other than the indenture covering the 2.75% Notes, (1) in which the Company fails to pay principal or interest on indebtedness with an aggregate principal balance of \$10,000 or more; or (2) in which indebtedness with a principal balance of \$10,000 or more is accelerated, an event of default would result under the 2.75% Notes.

An indenture amendment extended the initial date on or after which the 2.75% Notes may be redeemed by the Company to March 15, 2013 from March 15, 2011 for cash at 100 percent of the principal amount of the notes plus accrued interest. In addition, a new provision was added to the indenture which requires the Company, in the event of a fundamental change which is a change of control event in which 10.0 percent or more of the consideration in the transaction consists of cash to make a coupon make-whole payment equal to the present value (discounted at the U.S. treasury rate) of the lesser of (a) two years of scheduled payments of interest on the 2.75% Notes or (b) all scheduled interest on the 2.75% Notes from the date of the transaction through March 15, 2013.

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

| | June 30, 2010 | December 31, 2009 |
|---------------------------------|--------------------------|------------------------------|
| Principal amount of 2.75% Notes | \$ 59,357 | \$ 59,357 |
| Unamortized discount | (2,008) | (3,286) |
| Net carrying amount | \$ 57,349 | \$ 56,071 |
| Additional paid-in capital | \$ 14,235 | \$ 14,235 |

At June 30, 2010, the unamortized discount had a remaining recognition period of approximately 9 months. The amount of interest expense recognized and effective interest rate for the three and six months ended June 30, 2010 and 2009 were as follows:

| | Three Months Ended | | Six Months Ended | |
|-----------------------------|---------------------------|-------------|-------------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Contractual coupon interest | \$ 408 | \$ 408 | \$ 816 | \$ 816 |
| Amortization of discount | 645 | 599 | 1,278 | 1,187 |
| Interest expense | \$ 1,053 | \$ 1,007 | \$ 2,094 | \$ 2,003 |
| Effective interest rate | 7.40% | 7.40% | 7.40% | 7.40% |

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7. Long-term Debt (continued)***Capital Leases***

The Company has entered into multiple capital lease agreements to acquire various construction equipment which have a weighted average 5.8 percent interest rate. Assets held under capital leases at June 30, 2010 and December 31, 2009 are summarized below:

| | June 30, 2010 | December 31, 2009 |
|---------------------------------------|--------------------------|------------------------------|
| Construction equipment | \$ 18,519 | \$ 23,475 |
| Auto, trucks and trailers | 445 | 1,895 |
| Furniture and equipment | 1,872 | 1,911 |
| Total assets held under capital lease | 20,836 | 27,281 |
| Less: accumulated depreciation | (7,258) | (9,800) |
| Net assets under capital lease | \$ 13,578 | \$ 17,481 |

8. Income (Loss) Per Share

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

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8. Income (Loss) Per Share (continued)

Basic and diluted income (loss) from continuing operations per common share for the three and six months ended June 30, 2010 and 2009 are computed as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--|-------------|--------------------------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Income (loss) from continuing operations | \$ 9,458 | \$ 10,991 | \$ (3,320) | \$ 27,066 |
| Less: Income (loss) attributable to noncontrolling interest | (353) | (423) | (609) | (1,171) |
| Net income (loss) from continuing operations attributable to Willbros Group, Inc. (numerator for basic calculation) | 9,105 | 10,568 | (3,929) | 25,895 |
| Add: Interest and debt issuance costs associated with convertible notes | 702 | 1,199 | | 2,815 |
| Net income (loss) from continuing operations applicable to common shares (numerator for diluted calculation) | \$ 9,807 | \$ 11,767 | \$ (3,929) | \$ 28,710 |
| Weighted average number of common shares outstanding for basic income (loss) per share | 39,018,105 | 38,684,446 | 38,979,275 | 38,624,192 |
| Weighted average number of potentially dilutive common shares outstanding | 3,334,380 | 5,045,196 | | 5,016,686 |
| Weighted average number of common shares outstanding for diluted income per share | 42,352,485 | 43,729,642 | 38,979,275 | 43,640,878 |
| Income (loss) per common share from continuing operations: | | | | |
| Basic | \$ 0.23 | \$ 0.27 | \$ (0.10) | \$ 0.67 |
| Diluted | \$ 0.23 | \$ 0.27 | \$ (0.10) | \$ 0.66 |

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

| | Three Months Ended June 30, | |
|-----------------------------------|--|-------------|
| | 2010 | 2009 |
| 2.75% Convertible Senior Notes | | |
| 6.5% Senior Convertible Notes | 1,825,587 | |
| Stock options | 207,750 | 207,750 |
| Warrants to purchase common stock | 536,925 | 536,925 |
| | 2,570,262 | 744,675 |

In accordance with the FASB's standard on earnings per share—contingently convertible instruments, the shares issuable upon conversion of the convertible notes are considered to be 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. The related interest per convertible share associated with the 6.5% Senior Convertible Note exceeds basic earnings per share for the current period, and those shares have been excluded from the computation of diluted earnings per share.

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9. Segment Information

The Company's segments are strategic business units that are defined by the industry segments served and are managed separately as each has different operational requirements and strategies. The Company operates through two business segments: *Upstream Oil & Gas* and *Downstream Oil & Gas*. These segments currently operate primarily in the United States, Canada, and Oman. 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, between the two operating segments. There were no material inter-segment revenues in the periods presented.

At the beginning of the third quarter of 2009, the Company acquired the engineering business of Wink Companies, LLC (*Wink*). In anticipation of this acquisition, in the second quarter of 2009, the Company redefined its business segments from *Engineering*, *Upstream Oil & Gas* and *Downstream Oil & Gas* to two segments by integrating the existing *Engineering* segment into the *Upstream Oil & Gas* segment and *Wink* into the *Downstream Oil & Gas* segment. The Company believes the inclusion of engineering services within each segment improves internal connectivity by providing dedicated, specialized engineering services to both the upstream and downstream markets. Additionally, in the third quarter of 2009, the Company's compressor/pump station construction business that was previously included in the *Downstream Oil & Gas* segment, was moved to the *Upstream Oil & Gas* segment. The financial results for this business have been reclassified for all periods presented here into the *Upstream Oil & Gas* segment.

The following tables reflect the Company's reconciliation of segment operating results to net income (loss) in the Condensed Consolidated Statements of Income for the three and six months ended June 30, 2010 and 2009:

For the three months ended June 30, 2010:

| | <i>Upstream Oil & Gas</i> | <i>Downstream Oil & Gas</i> | Consolidated |
|---|-----------------------------------|-------------------------------------|--------------|
| Revenue | \$ 186,600 | \$ 61,529 | \$ 248,129 |
| Operating expenses | 163,802 | 67,932 | 231,734 |
| Operating income (loss) | \$ 22,798 | \$ (6,403) | 16,395 |
| Other expense | | | (1,184) |
| Provision for income taxes | | | 5,753 |
| Income from continuing operations | | | 9,458 |
| Loss from discontinued operations net of provision for income taxes | | | (476) |
| Income from continuing and discontinued operations | | | 8,982 |
| Less: Income attributable to noncontrolling interest | | | (353) |
| Net income attributable to Willbros Group, Inc. | | | \$ 8,629 |

For the three months ended June 30, 2009:

| | <i>Upstream Oil & Gas</i> | <i>Downstream Oil & Gas</i> | Consolidated |
|--|-----------------------------------|-------------------------------------|--------------|
|--|-----------------------------------|-------------------------------------|--------------|

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| | | | |
|---|------------|-----------|------------|
| Revenue | \$ 275,409 | \$ 79,074 | \$ 354,483 |
| Operating expenses | 260,157 | 75,432 | 335,589 |
| Operating income | \$ 15,252 | \$ 3,642 | 18,894 |
| Other expense | | | (2,228) |
| Provision for income taxes | | | 5,675 |
| Income from continuing operations | | | 10,991 |
| Loss from discontinued operations net of provision for income taxes | | | (1,660) |
| Income from continuing and discontinued operations | | | 9,331 |
| Less: Income attributable to noncontrolling interest | | | (423) |
| Net income attributable to Willbros Group, Inc. | | | \$ 8,908 |

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9. Segment Information (continued)

For the six months ended June 30, 2010:

| | <i>Upstream Oil & Gas</i> | <i>Downstream Oil & Gas</i> | Consolidated |
|---|-----------------------------------|-------------------------------------|--------------|
| Revenue | \$ 263,100 | \$ 122,025 | \$ 385,125 |
| Operating expenses | 252,141 | 137,371 | 389,512 |
| Operating income (loss) | \$ 10,959 | \$ (15,346) | (4,387) |
| Other expense | | | (1,320) |
| Benefit from income taxes | | | (2,387) |
| Loss from continuing operations | | | (3,320) |
| Loss from discontinued operations net of provision for income taxes | | | (746) |
| Loss from continuing and discontinued operations | | | (4,066) |
| Less: Income attributable to noncontrolling interest | | | (609) |
| Net loss attributable to Willbros Group, Inc. | | | \$ (4,675) |

For the six months ended June 30, 2009:

| | <i>Upstream Oil & Gas</i> | <i>Downstream Oil & Gas</i> | Consolidated |
|---|-----------------------------------|-------------------------------------|--------------|
| Revenue | \$ 663,897 | \$ 154,511 | \$ 818,408 |
| Operating expenses | 622,407 | 151,012 | 773,419 |
| Operating income (loss) | \$ 41,490 | \$ 3,499 | 44,989 |
| Other expense | | | (4,008) |
| Provision for income taxes | | | 13,915 |
| Income from continuing operations | | | 27,066 |
| Loss from discontinued operations net of provision for income taxes | | | (1,500) |
| Income from continuing and discontinued operations | | | 25,566 |
| Less: Income attributable to noncontrolling interest | | | (1,171) |
| Net income attributable to Willbros Group, Inc. | | | \$ 24,395 |

Total assets by segment as of June 30, 2010 and December 31, 2009 are presented below:

| | June 30, 2010 | December 31, 2009 |
|-------------------------------------|--------------------------|------------------------------|
| <i>Upstream Oil & Gas</i> | \$ 297,294 | \$ 259,038 |
| <i>Downstream Oil & Gas</i> | 170,945 | 174,512 |
| Corporate | 299,589 | 294,828 |
| Total assets, continuing operations | \$ 767,828 | \$ 728,378 |

10. Stockholders Equity

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

Stock Ownership Plans

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

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10. Stockholders Equity (continued)

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 June 30, 2010, there have been no grants of awards under the 2010 Plan.

Restricted stock and restricted stock rights, also described collectively as restricted stock units (RSU s) and options granted to employees vest generally over a three to four year period. Options granted under the Director Plan are fully vested. Restricted stock and restricted stock rights granted under the 2006 Director Plan vest one year after the date of grant. At June 30, 2010, the 1996 Plan had 127,802 shares and the 2006 Director Plan had 121,711 shares available for grant. Certain provisions allow for accelerated vesting based on increases of share prices and on eligible retirement. Compensation expense of \$281 and \$2,291, respectively, for the six months ended June 30, 2010 and 2009 and \$281 and \$956, respectively, for the three months ended June 30, 2010 and 2009 was recognized due to accelerated vesting of RSU s due to retirements and separation from the Company.

Share-based compensation related to RSU s is recorded based on the Company s stock price as of the grant date. Expense from both stock options and RSU s totaled \$2,568 and \$3,275, respectively, for the three months ended June 30, 2010 and 2009 and \$4,578 and \$6,950, respectively, for the six months ended June 30, 2010 and 2009.

The Company determines the fair value of stock options as of its grant date using the Black-Scholes valuation method. No options were granted during the three or six months ended June 30, 2010 and 2009. Stock option activity for the six months ended June 30, 2010 consists of:

| | Number of Options | Weighted Average Exercise Price |
|--------------------------------|------------------------------|--|
| Outstanding at January 1, 2010 | 257,750 | \$ 15.91 |
| Granted | | |
| Exercised | | |
| Forfeited, expired and Other | (10,000) | 18.07 |
| Outstanding at June 30, 2010 | 247,750 | \$ 15.82 |
| Exercisable at June 30, 2010 | 210,250 | \$ 15.21 |

As of June 30, 2010, the aggregate intrinsic value of stock options outstanding and stock options exercisable was \$7 and \$7, respectively. The weighted average remaining contractual term of outstanding options is 4.95 years and the weighted average remaining contractual term of the exercisable options is 4.77 years at June 30, 2010. The total intrinsic value of options exercised during the six months ended June 30, 2010 and 2009 was \$0 and \$0, respectively. The total fair value of options vested during the three and six months ended June 30, 2010 and 2009 was \$0 and \$0, respectively.

The Company s non-vested options at June 30, 2010 and the changes in non-vested options during the six months ended June 30, 2010 are as follows:

**Weighted
Average Grant-**

| | Shares | Date | Fair Value |
|----------------------------|---------------|-------------|-------------------|
| Nonvested, January 1, 2010 | 37,500 | \$ | 7.23 |
| Granted | | | |
| Vested | | | |
| Forfeited or expired | | | |
| Nonvested, June 30, 2010 | 37,500 | \$ | 7.23 |

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10. Stockholders' Equity (continued)

The Company's RSU activity and related information for the six months ended June 30, 2010 consist of:

| | Number of RSU's | Weighted Average Grant- Date Fair Value |
|--------------------------------|--------------------|---|
| Outstanding at January 1, 2010 | 859,248 | \$ 22.38 |
| Granted | 418,241 | 12.90 |
| Vested | (268,856) | 17.30 |
| Forfeited | (18,500) | 22.21 |
| Outstanding June 30, 2010 | 990,133 | \$ 18.11 |

The total fair value of RSU's vested during the six months ended June 30, 2010 and 2009 was \$4,652 and \$8,515, respectively.

As of June 30, 2010, there was a total of \$11,283 of unrecognized compensation cost, net of estimated forfeitures, related to all non-vested share-based compensation arrangements granted under the Company's stock ownership plans. That cost is expected to be recognized over a weighted-average period of 1.3 years.

Warrants to Purchase Common Stock

On October 27, 2006, the Company completed a private placement of equity to certain accredited investors pursuant to which the Company issued and sold 3,722,360 shares of the Company's common stock resulting in net proceeds of \$48,748. In conjunction with the private placement, the Company also issued warrants to purchase an additional 558,354 shares of the Company's common stock. Each warrant is exercisable, in whole or in part, until 60 months from the date of issuance. A warrant holder may elect to exercise the warrant by delivery of payment to the Company at the exercise price of \$19.03 per share, or pursuant to a cashless exercise as provided in the warrant agreement. The fair value of the warrants was \$3,423 on the date of the grant, as calculated using the Black-Scholes option-pricing model. There were 536,925 warrants outstanding at June 30, 2010 and 2009, respectively.

11. Foreign Exchange Risk

The Company attempts to negotiate contracts that provide for payment in U.S. dollars, but it may be required to take all or a portion of payment under a contract in another currency. To mitigate non-U.S. currency exchange risk, the Company seeks to match anticipated non-U.S. currency revenue with expenses in the same currency whenever possible. To the extent it is unable to match non-U.S. currency revenue with expenses in the same currency, the Company may use forward contracts, options or other common hedging techniques in the same non-U.S. currencies. The Company had no derivative financial instruments to hedge currency risk at June 30, 2010 or December 31, 2009.

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

In May 2008, the United States Department of Justice filed an Information and Deferred Prosecution Agreement (DPA) in the United States District Court in Houston concluding its investigation into violations of the Foreign Corrupt Practices Act of 1977, as amended, by Willbros Group, Inc. and its subsidiary Willbros International, Inc. (WII). Also in May 2008, WGI reached a final settlement with the SEC to resolve its previously disclosed investigation of possible violations of the FCPA and possible violations of the Securities Act of 1933 and the Securities Exchange Act of 1934. These investigations stemmed primarily from the Company's former operations in Bolivia, Ecuador and Nigeria. The settlements together require the Company to pay, over approximately three years, a

total of \$32,300 in penalties and disgorgement, plus post-judgment interest on \$7,725 of that amount. As part of its agreement with the SEC, the Company will be subject to a permanent injunction barring future violations of certain provisions of the federal securities laws. As to its agreement with the DOJ, both WGI and WII for a period of three years from May 2008, are subject to the DPA, which among its terms provides that, in exchange for WGI's and WII's full compliance with the DPA, the DOJ will not continue a criminal prosecution of WGI and WII and with the successful completion of the DPA's terms, the DOJ will move to dismiss the criminal information.

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12. Contingencies, Commitments and Other Circumstances (continued)

For the term of the DPA, WGI and WII will fully cooperate with the government and comply with all federal criminal laws including but not limited to the FCPA. As provided for in the DPA, with the approval of the DOJ and effective September 25, 2009, the Company retained a government approved independent monitor, at the Company's expense, for a two and one-half year period, who is reporting to the DOJ on the Company's compliance with the DPA.

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

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

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

Facility Construction Project Termination

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

The Company has disputed the validity of the termination for cause and has challenged the contractual procedure followed by TCPL for termination for cause, which allows for a 30 day notification period during which time the Company is supposed to have an opportunity to remedy the alleged default. Subsequently, the Company agreed in good faith to cooperate with TCPL in an orderly demobilization and handover of the remaining work. As of June 30, 2010, the Company has outstanding receivables related to this project of \$71,159 and unapproved change orders for additional work of \$3,655 which have not been billed. Additionally, there are claims for additional fee totaling \$16,714. It is the Company's policy not to recognize revenue or income on unapproved change orders or claims until they have been approved. Accordingly, the \$3,655 in pending change orders and the \$16,714 of claims have been excluded from the Company's revenue recognition.

If the termination for cause is determined to be valid and enforceable, the Company could be held liable for any damages resulting from the alleged breach of contract, including but not limited to costs incurred by TCPL to hire a replacement contractor to complete the estimated 9% remainder of the work less the cost that the Company would have incurred to perform the same scope of work. TCPL has not yet filed a counter-claim.

In May and June of 2010, the Company filed liens on the constructed facilities. On June 16, 2010 the Company notified TCPL that the Company intended to exercise its rights to conflict resolution under the contract, and on July 6, 2010, the International Chamber of Commerce received the Company's request for arbitration. At this point the Company cannot estimate the probable outcome of the arbitration, but the Company believes it is not in breach of contract and will defend its contractual rights. No allowance for collection has been established for the \$71,159 of outstanding accounts receivable. The length of the arbitration process cannot be estimated at this time.

TransCanada has removed the Company from TransCanada's bid list.

Pipeline Construction Project Issues

In July 2007, the Company announced the award of an installation contract (42-inch Contract) for the construction of three segments of the Midcontinent Express Pipeline Project (MEP Project) by Midcontinent Express Pipeline LLC

(MEP). The contract is structured as a cost reimbursable contract with a fixed fee for the Company. In September 2008, the Company and MEP signed an amendment which finalized the scope of work under the 42-inch Contract as the construction of 179 miles of 42-inch pipeline. The amendment also included the award to the Company of an additional installation contract (36-inch Contract) for the construction of 136 miles of 36-inch pipeline which at the time was anticipated to start in March 2009.

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12. Contingencies, Commitments and Other Circumstances (continued)

In its Form 10-K for the year ended December 31, 2008, the Company referenced an ongoing dispute between MEP and the Company in which a portion of the scope of work on the 42-inch Contract was terminated for cause and the 36-inch Contract was terminated for convenience. This issue has subsequently been resolved and MEP has paid a termination fee for the cancellation of the 36-inch Contract. The payment was received by the Company in the first quarter of 2009.

Furthermore, the Company achieved mechanical completion of the 179 miles on the 42-inch pipeline in April 2009 and completed close out efforts in the first quarter of 2010.

Project claims and audit disputes

Post-contract completion audits and reviews are periodically conducted by clients and/or government entities on certain contracts. As of June 30, 2010, the Company has been notified of claims and audit assertions totaling \$18,057. The claims are associated with a single gross maximum price contract. In accordance with the agreements, the Company has continued billing costs beyond the gross maximum price. Any unresolved claims and audit exceptions are first applied against any excess billings. Currently, the Company has excess billings of \$12,210. It is the Company's position that the excess billings are sufficient to cover the assessed risks associated with all outstanding claims. The Company is actively engaged to resolve these disputes. There can be no assurance as to the resolution of these claims and assertions.

Legal Proceedings

In addition to the matters discussed above, the Company is party to a number of legal proceedings. Management believes that the nature and number of these proceedings are typical for a firm of similar size engaged in a similar type of business and that none of these proceedings is material to the Company's financial position. See Note 13 Discontinuance of Operations, Asset Disposals, and Transition Services Agreement for additional information pertaining to legal proceedings.

Commitments

From time to time, the Company enters into commercial commitments, usually in the form of commercial and standby letters of credit, surety bonds and financial guarantees. Contracts with the Company's customers may require the Company to secure letters of credit or surety bonds with regard to the Company's performance of contracted services. In such cases, the commitments can be called upon in the event of failure to perform contracted services. Likewise, contracts may include contract retention provisions, in which case the client withholds a percentage of the contract value until project completion or expiration of a warranty period. Retention commitments can be called upon in the event of warranty or project completion issues, as prescribed in the contracts. At June 30, 2010, the Company had approximately \$16,392 of letters of credit outstanding, all related to continuing operations. Additionally, the Company had \$301,799 of primary surety bonds outstanding related to continuing operations. These amounts represent the maximum amount of future payments the Company could be required to make if the letters of credit are drawn upon and claims are made under the surety bonds. As of June 30, 2010, no liability has been recognized for letters of credit and surety bonds.

Other Circumstances

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

consolidated financial statements.

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

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12. Contingencies, Commitments and Other Circumstances (continued)

The Company insures substantially all of its equipment in countries outside the United States against certain political risks and terrorism through political risk insurance coverage that contains a 20.0 percent co-insurance provision. The Company has the usual liability of contractors for the completion of contracts and the warranty of its work. Where work is performed through a joint venture, the Company also has possible liability for the contract completion and warranty responsibilities of its joint venture partners. In addition, the Company acts as prime contractor on a majority of the projects it undertakes and is normally responsible for the performance of the entire project, including subcontract work. Management is not aware of any material exposure related thereto which has not been provided for in the accompanying condensed consolidated financial statements.

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

13. Discontinuance of Operations, Asset Disposals, and Transition Services Agreement**Strategic Decisions**

In 2006, the Company announced that it intended to sell its assets and operations in Nigeria and classified these operations as Discontinued Operations. The net assets and net liabilities related to the Discontinued Operations are shown on the Consolidated Balance Sheets as Liabilities of discontinued operations. The results of the Discontinued Operations are shown on the Consolidated Statements of Income as Income (loss) from discontinued operations, net of provision for income taxes for all periods presented.

Nigeria Assets and Nigeria-Based Operations*Share Purchase Agreement*

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

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

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

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

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

On February 15, 2010, WGHI received a letter from attorneys representing WAPCo seeking to recover from WGHI under its prior WAGP contract parent company guarantee for losses and damages allegedly incurred by WAPCo in connection with the alleged non-performance of WWAI under the WAGP contract. The letter purports to be a formal notice of a claim for purposes of the Pre-Action Protocol for Construction and Engineering Disputes under the rules of the High Court in London, England. The letter claims damages in the amount of \$264,834. At February 7, 2007, when WGHI sold its Nigeria assets and operations to Ascot, the total WAGP contract value was \$165,300 and the WAGP project was estimated to be approximately 85.0 percent complete. The remaining costs to complete the project at that time were estimated at slightly under \$30,000. The Company is seeking to understand the magnitude of the WAPCo claim relative to the WAGP project's financial status three years earlier.

On August 2, 2010, the Company received notice that WAPCo had filed suit against WGHI under English law in the London High Court on July 30, 2010, for the sum of \$273,386. WGHI has several possible defenses to this suit and intends to contest the matter vigorously, but the Company cannot provide any assurance as to the outcome. The Company expects the litigation process to be lengthy.

The Company currently has no employees working in Nigeria and has no intention of returning to Nigeria. If ultimately it is determined by an English Court that WGHI is liable, in whole or in part, for damages that WAPCo may establish against WWAI for WWAI's alleged non-performance of the WAGP contract, or if WAPCo is able to establish liability against WGHI directly under the parent company guarantee, and, in either case, WGHI is unable to enforce rights under the indemnity agreement entered into with Ascot and Berkeley in connection with the WAGP contract, WGHI may experience substantial losses. However, at this time, the Company cannot predict the outcome of any proceeding which may ensue in this developing WAGP contract dispute, or be certain of the degree to which the indemnity agreement given in WGHI's favor by Ascot and Berkeley will protect WGHI.

Results of Discontinued Operations

For the three and six months ended June 30, 2010, loss from Discontinued Operations was \$476 and \$746 or \$0.01 and \$0.02 per basic and diluted share, respectively. Although the Transition Services Agreement expired on February 7, 2009, the Company continues to incur legal costs related to the previously discussed WAPCo parent company guarantee assertions. For the three and six months ended June 30, 2009, loss from Discontinued Operations was \$1,660 and \$1,500 or \$0.04 and \$0.04 per basic and \$0.04 and \$0.03 per diluted share, respectively.

14. Subsequent Event*Acquisition*

On July 1, 2010, the Company completed the acquisition of 100 percent of the outstanding stock of InfrastruX for a purchase price of approximately \$418,000, before working capital and other transaction adjustments. The Company paid approximately \$360,000 in cash, a portion of which was used to retire InfrastruX indebtedness and pay InfrastruX transaction expenses, and issued approximately 7.9 million shares of the Company's common stock to the shareholders of InfrastruX. Cash paid was comprised of approximately \$60,000 in cash from operations and \$300,000 from the term loan facility. The acquisition was completed pursuant to an Agreement and Plan of Merger (the

Merger), dated March 11, 2010.

Under the agreement, InfrastruX shareholders are eligible to receive earnout payments of up to \$125,000 if certain EBITDA targets are met. The earnout payments begin when EBITDA, adjusted for certain items specifically identified within the Merger Agreement, for the InfrastruX business equals or exceeds:

\$69,825 in 2010;

\$80,000 in 2011; or

\$175,000 for 2010 and 2011 combined (the Bonus Earnout Amount).

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14. Subsequent Event (continued)

If earned, the 2010 and 2011 earnout payments and the Bonus Earnout Amount will be paid to former InfrastruX shareholders who qualify as accredited investors in a combination of cash and non-convertible, non-voting preferred stock of the Company, pursuant to the terms within the Merger, and to non-accredited former InfrastruX shareholders and former holders of InfrastruX RSUs in the form of cash.

InfrastruX is a leading national provider of electric and natural gas transmission and distribution infrastructure services. InfrastruX's management team will continue to lead its T&D business as a new segment of the Company's Utility T&D segment. Any goodwill recognized through this transaction will be allocated to this segment, which will also be the reporting unit.

Since the acquisition closed subsequent to June 30, 2010, the accompanying condensed consolidated financial statements do not reflect any adjustments related to the Merger, although expenses related to the Merger of approximately \$1,028 and \$1,756 are included in general and administrative expense for the three and six months ended June 30, 2010, respectively.

Due to the proximity of the transaction to the issuance of these financial statements, the amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed and the amount of goodwill recognized with the transaction have not been determined. These amounts are expected to be finalized during the third quarter of 2010.

Pro Forma Financial Information

The unaudited financial information in the table below summarizes the combined results of operations of Willbros Group Inc. and InfrastruX, on a pro forma basis, as though the companies had been combined as of the beginning of the periods presented. The assumptions made in deriving the pro forma adjustments, specifically related to the valuation of acquired intangible assets, represent the Company's best estimate based on preliminary valuation procedures. Actual results may differ from these estimates once the purchase price allocation has been finalized in the third quarter of 2010. The pro forma financial information is presented for informational purposes only and may not be indicative of the results of operations that would have been achieved if the Merger had taken place at the beginning of the periods presented. The pro forma financial information for the periods presented includes the business combination accounting effect on historical InfrastruX revenues, adjustments to depreciation on acquired property, amortization charges from acquired intangible assets, financing costs on new debt in connection with the Merger and related tax effects.

The unaudited pro forma financial information for the three and six month periods ended June 30, 2010 and 2009 combines the historical results for Willbros Group Inc. for the three and six month periods ended June 30, 2010 and 2009 and the historical results for InfrastruX for the same periods:

| | Three Months | | Six Months | |
|---|-----------------------|-------------|-----------------------|--------------|
| | Ended June 30, | | Ended June 30, | |
| | 2010 | 2009 | 2010 | 2009 |
| Revenue | \$ 426,488 | \$ 518,530 | \$ 693,712 | \$ 1,135,196 |
| Income (loss) from continuing operations | \$ 8,680 | \$ 4,246 | \$ (22,229) | \$ 10,134 |
| Net income (loss) attributable to Willbros Group Inc. | \$ 7,851 | \$ 2,163 | \$ (23,584) | \$ 7,463 |
| Diluted income (loss) per share | \$ 0.18 | \$ 0.04 | \$ (0.49) | \$ 0.14 |

New Financing

Also effective July 1, 2010 and as part of the transaction financing, the Company entered into a new credit agreement (the 2010 Credit Agreement) that provides for a \$475,000 senior secured credit facility (the 2010 Credit Facility), consisting of a four year, \$300,000 term loan facility (Term Loan) and a three year revolving credit facility of \$175,000. The 2010 Credit Agreement replaces 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.

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14. Subsequent Event (continued)

The initial aggregate amount of commitments for the revolving credit facility totaled \$175,000, including an accordion feature enabling the Company to increase the size of the facility by an incremental \$75,000 if it is in compliance with certain terms of the 2010 Credit Facility. The revolving credit facility will be available for letters of credit and for revolving loans, which may be used for working capital and general corporate purposes. During an interim period ending on either September 30, 2010, if the Company is in compliance with end of 2010 leverage ratio requirements, or December 31, 2010 (the Interim Period), the revolving credit facility will have a sublimit of \$31,500 for revolving loans, with the proceeds thereof to be used only to pay the purchase price on the Company's 6.5% Notes due 2012 as a result of any holder thereof exercising its right to require the Company to purchase such notes. Thereafter, the revolving credit facility will have a sublimit of \$150,000 for revolving loans. The Company will be able to utilize 100 percent of the revolving credit facility to obtain letters of credit, including during the Interim Period. The 2010 Credit Facility is secured by substantially all of the assets of WUSH, the Company and the other guarantors.

Interest associated with the Term Loan facility will be based on a variable component, currently Prime, London Inter-Bank Offered Rate (LIBOR) or Eurocurrency rate selected for the applicable interest period, with a variable rate floor of 2.0 percent, plus fixed margin based on the Company's leverage ratio. Interest payments will be made monthly during the first two months subsequent to the Term Loan effective date, July 1, 2010. Thereafter, the Company may elect to pay interest on a one, two, three, six, nine or twelve month basis. During the four year term of the Term Loan, the Company is required under the terms of the 2010 Credit Agreement to hedge a minimum of 50.0 percent of the variable rate amount into a fixed rate amount.

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

- maintenance of a minimum interest coverage ratio;
- maintenance of a maximum total leverage ratio;
- maintenance of a minimum tangible net worth amount;
- maintenance of a minimum consolidated EBITDA and a minimum cash balance during the Interim Period;
- limitations on capital expenditures during the Interim Period, \$60,000, and the greater of \$70,000 or 25% of EBITDA thereafter;
- limitations on indebtedness;
- limitations on liens;
- limitations on certain asset sales and dispositions; and
- 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.

Incurred unamortized debt issue costs associated with the creation of the 2010 Credit Agreement are \$1,960. These debt issue costs are included in Other assets at June 30, 2010. These costs will be amortized to interest expense over the three and four-year terms of the revolving credit facility and Term Loan, respectively.

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

The following discussion should be read in conjunction with the unaudited Condensed Consolidated Financial Statements for the three and six months ended June 30, 2010 and 2009, included in Item 1 of this Form 10-Q, and the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations, including Critical Accounting Policies, included in our Annual Report on Form 10-K for the year ended December 31, 2009.

OVERVIEW**Second Quarter of 2010 Summary**

In the second quarter of 2010, we generated revenue from continuing operations of \$248,129 and net income of \$9,105, or \$0.23 per share. Revenue, net income and diluted earnings per share for the same quarter in 2009 were \$354,483, \$10,568, and \$0.27, respectively. The 30.0 percent year-over-year revenue decline was primarily driven by the fact that we deployed only two spreads of large-diameter pipeline resources in our U.S. pipeline construction business, versus three during the same period in 2009. Additionally, our *Downstream Oil & Gas* segment continues to be unfavorably impacted by reduced demand, resulting from the overcapacity of both engineering and construction resources in the United States and the deferral of capital projects and discretionary maintenance activities by our customers.

As previously reported, we continue to see positive signs that certain elements of the Engineering & Construction (E&C) industry's outlook are improving. The level of inquiries in our *Upstream Oil & Gas* and *Downstream Oil & Gas* segments' engineering groups continues to be high. During previous recovery cycles, rising levels of activity in the engineering groups have signaled better economic times ahead, serving as a leading indicator of increased construction activity in our markets. The pace of the awards in our *Upstream Oil & Gas* engineering group has increased, as evidenced by the 44.4 percent backlog increase during the first six months of this year to \$20,910 as of June 30, 2010.

Overall, our backlog has remained relatively stable throughout 2010, increasing by \$41,696 from \$391,742 at December 31, 2009 to \$433,438 at June 30, 2010. Increases in Canada coupled with previously referenced improvements in engineering backlog have caused the backlog increase over the first six months of 2010. Canada recognized new pipeline construction backlog; most recently, we were awarded the Williams Energy Canada Boreal Pipeline construction contract. See *Significant Business Developments* for additional details.

As of June 30, 2010, we had liquidity of \$282,602, comprised of \$227,302 in cash, short-term investments of \$5,300, and \$50,000 unutilized borrowing capacity under our 2007 Credit Facility.

InfrastruX Acquisition

On July 1, 2010, we completed the acquisition of InfrastruX Group, Inc. (InfrastruX). InfrastruX is an electric power and natural gas transmission contractor with service delivery capabilities from regional operating centers based primarily in the South Central, Midwest and East Coast energy corridors. The combination is expected to result in increased scale, fostering our strategic objectives for growth, diversity and stability. We believe this acquisition gives Willbros a leadership position in the large U.S. electric transmission and distribution market, for which forecasted capital investment is expected to exceed \$56 billion through 2020.

The acquisition of InfrastruX diversifies our end-market exposure while expanding our capabilities into attractive geographies, particularly the Marcellus shale region where we are already expanding our presence and are providing services to a major alliance partner. The combination creates a higher component of recurring services and provides additional stability, through the many Master Service Agreements (MSAs) InfrastruX has in place, with longstanding client relationships, some as long as 50 years. In addition, we believe this acquisition brings together the complementary pipeline services of a larger InfrastruX subsidiary that is focused on small diameter, distribution and pipe-related field services, and our large diameter pipeline construction, project management and engineering expertise.

Finally, this transaction significantly adds to our scale. We believe customers today are favoring players with the capabilities to provide a broader set of services, and importantly, the resources to weather a challenging economic environment. With the larger geographic footprint, complementary service offerings and client bases, the InfrastruX

acquisition broadens our prospects with additional cross-selling and integrated EPC opportunities.

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Continued Cost Containment

Recognizing the sustained diminished market opportunities in our *Downstream Oil & Gas* segment, we have implemented management changes and additional cost reductions to better align the business with the constrained spending and margin pressure evident in maintenance activities and, especially, small capital projects. We expect these changes to result in annual savings of approximately \$3,000 in 2011 and beyond. We continue to monitor our operating expenses and implement cost savings actions as necessary for future efficiencies.

Recent positive market indicators make us cautiously optimistic about the near term and encouraged about the longer term outlook for Willbros. We believe we have advanced our strategy to provide growth and stability with the completion of the InfrastruX acquisition. As we move into a business environment which places high value on efficiency, we are confident in the organization and its ability to provide safety, quality, schedule certainty and value based solutions to the global marketplace at competitive prices.

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 diversified, global provider of professional engineering, construction and maintenance solutions addressing the entire asset lifecycle of global energy infrastructure.

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

- Diversifying our current end market and geographic exposure to better serve clients and mitigate market specific risk.

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

- Positioning Willbros as a service provider and employer of choice.

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

- 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 and accountability in everything we do, based on and guided by our core values of:

- 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;

- 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 and compete effectively, providing incremental value to our customers, our employees and all our stakeholders.

Table of Contents**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 capital projects which are more cyclical in nature. To that end, we have emphasized our manage and maintain service offering and continue to develop alliances with owner/operators of major natural gas transmission and storage facilities, whereby we provide core teams of engineers and project managers to flex with the engineering and project management needs of the client. Our July 2010 acquisition of InfrastruX also significantly increases our recurring services component through the high level of revenue generated by MSA s, approximately 70.0 percent of its revenue.

Focus on Managing Risk

We have implemented a core set of business conduct, practices and policies that have fundamentally improved our risk profile. Examples include diversifying our service offerings and end markets to reduce any market specific exposure, and focusing on contract execution risk starting with our opportunity review process and ending at job completion. In today s economic environment, acknowledging the importance of risk management is paramount to success. It is emphasized throughout our organization and covers all aspects of a project from strategic planning and bidding to contract management and financial reporting.

Focus resources in markets with the highest risk-adjusted return. The majority of our resources are focused on North America as we believe North America continues to offer us significant opportunities with attractive risk-adjusted returns. Opportunities for our expanded service offerings are expected to result from the ongoing development of unconventional shale gas plays, increased emphasis on the maintenance and integrity of existing infrastructure and facilities, high value-added small capital projects to meet environmental, regulatory and product slate requirements in the refining sector, and new infrastructure development opportunities. We will focus on integration and optimization of our complementary service offerings to deliver superior results.

While our operations are currently concentrated in North America, we are re-deploying and adding resources to seek global opportunities to further diversify our geographic footprint into international markets that provide attractive risk-adjusted returns. We believe our extensive international experience is a competitive advantage. We are pursuing new work in the expanding Asia-Pacific energy infrastructure market where we formed an alliance with Nacap, a well-known international pipeline contractor with operations in Australia. This alliance allows us to leverage our complementary capabilities and experience in pursuit of multiple large diameter pipeline EPC opportunities associated with that country s development of significant coal bed methane deposits. In the Middle East and North Africa, we are leveraging our longstanding Omani operations to expand in the area. Additionally, in Libya we have been awarded multiple assignments for program management and engineering services. We believe that markets in the Middle East and North Africa may offer attractive opportunities for us given mid- and long-term industry trends.

Maintain a conservative contract portfolio and limit contract execution risk. While we will continue to pursue a balanced contract portfolio, current market dynamics indicate our U.S. pipeline operations, as well as other service offerings, are in a much more competitive period, characterized by competitive pricing and more fixed price contracts. We believe our fixed price execution experience, our recent initiatives to realign our cost structure to the rapidly changing market, our improved systems and our ongoing focus on risk management provide us a competitive advantage versus many of our competitors. We prefer to maintain a smaller, risk-limited project portfolio rather than increase risk at a rate greater than top line or earnings opportunity growth.

Configure operating segments to minimize market risk. We have recognized and responded to shifts in the markets addressed by both our *Upstream Oil & Gas* and *Downstream Oil & Gas* segments by reducing

equipment and personnel levels to hold certain resources, key teams and skill sets and maximize their chargeability, keeping in mind future opportunities and commitments.

Leverage Industry Position and Reputation into a Broader Service Offering

We believe the long term dynamics supporting the global energy infrastructure market will continue to provide attractive opportunities. While we expect to take advantage of these opportunities, we are also selectively evaluating prospects to expand our core capabilities beyond our current offerings and markets. Our established service platform, capabilities and track record position us to expand our expertise into a broader range of related service offerings. We intend to leverage our project management, engineering and construction skills to provide additional service offerings, such as instrumentation and electrical services, turbo-machinery services and environmental services, and to enhance our ability to offer sole source solutions and develop alliance and frame agreements with strategic customers. We believe that a more balanced mix of recurring services, such as program management and maintenance services, together with our traditional project work will enhance the earnings profile of our business.

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We have pursued selective acquisitions to complement our organic expansion strategies and to reduce our dependence on the cyclical large-diameter cross-country pipeline construction market. We began this process in 2007 with the InServ and Midwest acquisitions that expanded our service offerings as well as the geographies where we deliver those services. Our July 2007 acquisition of Midwest significantly enhanced our presence in mainline pipeline construction in Western Canada. Our November 2007 acquisition of InServ complemented our service offerings to our traditional market of engineering and construction services in the midstream hydrocarbon transportation industry. In July 2009, our acquisition of the engineering business of Wink Companies, LLC. (Wink or Downstream engineering business unit), when combined with our existing downstream offering, created a platform to provide integrated engineering, procurement and construction, or EPC, services to the downstream market, mirroring our upstream capabilities. More recently, on July 1, 2010, we closed on the acquisition of InfrastruX, an electric power and natural gas transmission and distribution contractor with service delivery capabilities from regional operating centers based primarily in the South Central, Midwest and East Coast energy corridors. We believe this acquisition gives Willbros a leadership position in the large and fast growing market for electric transmission infrastructure as well as completing our capability to provide fully integrated services from engineering through construction and integrity services for the full spectrum of natural gas transmission and distribution. Our near term focus will be on integration and optimization of this transformational acquisition. We take a long term perspective on acquisitions which we believe will build strong, diversified platforms to drive future stockholder value.

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 growth. We view financial strength and flexibility as a fundamental requirement to fulfilling our strategy. As of June 30, 2010, we had liquidity of \$282,602 comprised of cash and cash equivalents of \$227,302, short-term investments of \$5,300 and unutilized cash borrowing capacity of \$50,000 under our revolving 2007 Credit Facility, and no short-term borrowings or commercial paper outstanding. The combination of our strong cash position and our future cash flow from operations will allow us to focus on the highest return projects available as well as to pursue our strategy of diversification as opportunities present themselves. On July 1, 2010 and as part of the transaction financing for the acquisition of InfrastruX, we entered into a new credit agreement (the 2010 Credit Agreement) that provides for a \$475,000 senior secured credit facility (the 2010 Credit Facility), consisting of a four year, \$300,000 term loan facility (Term Loan) and a three year revolving credit facility of \$175,000. The 2010 Credit Agreement replaces our existing three-year \$150,000 senior secured credit facility, which was scheduled to expire in November 2010.

Leverage Core Service Expertise into Additional Full EPC Contracts

Our core expertise and service offerings allow us to provide our customers with a single source EPC solution which creates greater efficiencies to the benefit of both our customers and our company. We believe our upstream EPC and our downstream EPC, which is focused on small to mid-sized capital projects, are relatively unique in our respective markets, providing us 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 better able to efficiently determine the design, permitting, procurement and construction sequence for a project in connection with making engineering decisions. Our customers benefit from a more seamless execution; while for us, these contracts often yield 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. The acquisition of Wink enabled us to provide EPC services to the downstream market, thus mirroring our upstream capabilities.

Our Business

We are a provider of services to global end markets serving the oil and gas, refinery, petrochemical and power industries. Our services, which include engineering, procurement and construction, either individually or together as an integrated EPC service offering, turnaround, maintenance and other specialty services, are critical to the ongoing expansion and operation of energy infrastructure. Within the global energy infrastructure market, we specialize in designing, constructing, upgrading and repairing midstream assets such as pipelines, compressor stations and related

facilities for onshore and coastal locations as well as downstream facilities, such as refineries. We also provide specialty turnaround services, tank services, heater services, construction services, safety services and fabricate specialty items for hydrocarbon processing units. We believe our engineering, planning and project management expertise, as it relates to optimizing the structure and execution of a project, provide us with competitive advantages in the markets we serve. Our acquisition, in July 2010, of InfrastruX expands our service offering to include construction and maintenance of both gas and electric transmission and distribution systems and gives us access to new geographic markets and customers in the South Central, Midwest and Eastern United States.

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Through our legacy international pipeline construction business we have constructed approximately 124,000 miles (200,000 kilometers) of pipelines in our history, building a global reputation for performing quality work on time, often under challenging conditions. Depending upon market conditions and our assessment of an appropriate risk-adjusted return, we may work in developing countries. Having performed work in over 60 countries, we believe our experience gives us a competitive advantage in frontier areas where experience in dealing with project logistics is an important consideration for project award and execution. With the completion of the acquisition of InfrastruX, we have expanded our service offering to include small diameter pipe installation capabilities for both gathering and city distribution and our geographic presence now encompasses virtually all the non-conventional natural gas plays in North America. We complement our pipeline construction market expertise with service offerings to the downstream hydrocarbon processing market, providing integrated solutions for turnaround, maintenance and capital projects for the refining and petrochemical industries. We have performed these downstream services for over 100 of the refineries in the United States and have experience in certain international markets. We offer our clients full asset lifecycle services and in some cases provide the entire scope of services for a project, from front-end engineering and design to procurement, construction, and commissioning as well as ongoing facility operations and maintenance. With over 100 years of experience in the global energy infrastructure market, our full asset lifecycle services are utilized by major pipeline transportation companies, exploration and production companies and refining companies as well as government entities worldwide.

Significant Business Developments

InfrastruX Acquisition. On July 1, 2010, we completed the acquisition of 100 percent of the outstanding stock of InfrastruX for a purchase price of approximately \$418,000, before working capital and other transaction adjustments. We paid approximately \$360,000 in cash, a portion of which was used to retire InfrastruX indebtedness and pay InfrastruX transaction expenses, and issued approximately 7.9 million shares of the Company's common stock to the shareholders of InfrastruX. Cash paid was comprised of approximately \$60,000 in cash from operations and \$300,000 from the Term Loan. The acquisition was completed pursuant to an Agreement and Plan of Merger (the "Merger"), dated March 11, 2010. Under the terms of the agreement, contingent consideration of up to \$125,000 may be earned over a two year period in the event InfrastruX meets specified adjusted EBITDA targets, with initial thresholds of approximately \$69,825 and \$80,000 in 2010 and 2011, respectively.

InfrastruX is a provider of electric power and natural gas transmission and distribution maintenance and construction solutions to customers from their regional operating centers in the South Central, Midwest and East Coast regions of the United States. This acquisition significantly diversifies our capabilities and end markets. In addition to providing meaningful access to the attractive electric transmission and distribution market, the acquisition also expands the breadth of our natural gas capabilities and better position us in targeted markets such as the Marcellus shale play. InfrastruX and its results of operations in the electric transmission and distribution end markets, will be included in a newly established segment, Utility Transmission and Distribution ("Utility T&D"). Any goodwill recognized through this transaction will be allocated to this segment, which will also be the reporting unit. Goodwill associated with this transaction is not expected to be deductible for tax purposes.

Williams Energy Canada Boreal Pipeline. In June 2010, our Canadian business was awarded construction of the Williams Energy Canada Boreal Pipeline. The new 12-inch diameter pipeline will transport high vapor pressure liquids approximately 420 km from Williams' Liquid Extraction Plant north of Fort McMurray to their Redwater Olefins Facility northeast of Edmonton, Alberta. Construction will be completed in three construction seasons commencing in the fall of 2010 with final completion in the spring of 2012.

Fayetteville Express Project ("FEP"). On April 1, 2010, we commenced work on the construction contract for spreads three and four of the FEP project. The approximately 185-mile natural gas pipeline will originate in Conway County, Arkansas, continue eastward through White County, Arkansas, and terminate at an interconnection with Trunkline Gas Company in Panola County, Mississippi. FEP will parallel existing utility corridors, where possible, to minimize the impact to the environment, communities and landowners. FEP is a joint venture between Energy Transfer Partners, L.P. and Kinder Morgan Energy Partners, L.P. Our scope of work includes 120 miles of 42-inch pipeline, beginning near Bald Knob, Arkansas and ending at the Trunkline interconnection. At June 30, 2010, this project was approximately 59.0 percent complete and expected to be completed within budget and schedule. The

project is expected to be completed in September 2010.

Financial Summary

Results and Financial Position

For the three months ended June 30, 2010, we recorded net income from continuing operations of \$9,105 or \$0.23 per basic and diluted share on revenue of \$248,129. This compares to net income from continuing operations of \$10,568 or \$0.27 per basic and diluted share on revenue of \$354,483 for the same period in 2009.

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Revenue for the three months ended June 30, 2010 decreased \$106,354 (30.0 percent) to \$248,129 from \$354,483 during the same period in 2009. The revenue decline is a result of reduced business activity in most business units; however, the largest declines were experienced in large diameter pipeline construction, where we had three spreads utilized during the same period of 2009 as compared to two spreads during the second quarter of 2010.

General and Administrative costs for the second quarter of 2010 increased \$3,009 (14.2 percent) to \$24,221 as compared to \$21,212 in the same quarter of 2009 driven primarily by increased deal costs related to the InfrastruX acquisition and a full quarter of operations at our Downstream engineering business unit.

Operating income for the three months ended June 30, 2010 decreased \$2,499 (13.2 percent) to \$16,395 from \$18,894 during the same period in 2009. However, operating margin increased 1.3 percentage points to 6.6 percent in 2010 from 5.3 percent in 2009. The key components of the decrease in operating income were:

The *Downstream Oil & Gas* segment experienced a second quarter of 2010 operating loss of \$6,403 that was largely caused by last minute cancellation of a larger refinery turnaround project. The required personnel and equipment were mobilized ready to start at the time of cancellation. It was too late to reschedule alternative work into the second quarter, thereby idling these incurred costs without recognizing any corresponding revenue. Also, the second quarter of 2010 included charges for management changes and other restructuring costs. The same quarter in 2009 had operating income of \$3,642, resulting in a quarter-to-quarter reduction of \$10,045 in operating income.

The *Downstream Oil & Gas* segment's \$10,045 reduction in operating income was partially offset by the *Upstream Oil & Gas* segment's improved operating income of \$7,546 for the same two comparative quarters. The improvement was driven by higher margins, an increase of 6.7 percentage points in the second quarter of 2010 over the comparable 2009 quarter. The margin improvement was primarily driven by fixed price work which did not suffer margin erosion experienced on cost reimbursable fixed-fee contracts in the same period in 2009. Additionally, margins improved in 2010 as a result of a quarterly reduction in depreciation expense of \$1,606 due to the change in the estimated useful life of certain construction equipment. This overall *Upstream Oil & Gas* operating income improvement was partially offset by a 32.2 percent revenue reduction.

The provision for income taxes increased \$78 (1.4 percent) to \$5,753 for the three months ended June 30, 2010 from \$5,675 for the same period 2009. The increase was driven by a decrease in income year-over-year, offset by an increase in non-deductible deal costs incurred during the second quarter 2010. These deal costs were the primary reason our effective tax rate increased by 3.0 percentage points to 38.0 percent for the three months ended June 30, 2010 from 35.0 percent for the three months ended June 30, 2009.

Working capital as of June 30, 2010, for continuing operations, decreased \$58,201 (19.6 percent) to \$239,093 from \$297,294 at December 31, 2009 primarily as a result of the movement of \$57,349 of our 2.75% Convertible Senior Notes (the 2.75% Notes) to current as the holders of our 2.75% Notes have the right to require us to purchase the 2.75% Notes for cash, including unpaid interest, on March 15, 2011.

Our debt to equity ratio as of June 30, 2010, increased to 0.23:1 from 0.21:1 at December 31, 2009, primarily due to the issuance of a note payable (\$6,804 balance at June 30, 2010) in the first quarter to finance certain 2010 insurance premiums, offset by the payment of capital lease obligations of \$3,526 during the first half of 2010.

Consolidated cash flows during the six months ended June 30, 2010, including discontinued operations, decreased \$9,000 to cash provided by all activities of \$28,528 from cash provided by all activities of \$37,528 during the same period in 2009. Cash provided by operations was \$44,885, attributable to working capital turnover and increased production on the FEP project. The other significant cash transactions during the year include the payments on previously referenced capital leases, repayments of notes payable of \$4,936, and purchase of capital equipment of \$8,944, offset by the maturity of \$11,455 in short term investments and proceeds from the sale of equipment of \$1,970. In the aggregate, our plant, property, and equipment purchases and disposals resulted in a net cash outflow of \$6,974.

Other Financial Measures**Backlog**

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

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Backlog consists of anticipated revenue from the uncompleted portions of existing contracts and contracts whose award is reasonably assured. As we continue progressing our business model towards increased emphasis on recurring services, which includes MSA s, our backlog estimates will not reflect the full-term value of the contract. Our backlog includes estimated amounts for ongoing maintenance contracts. We determine the amount of backlog for work under ongoing maintenance contracts, or MSAs, by using recurring historical trends inherent in the MSAs, factoring in seasonal demand and projecting customer needs based upon ongoing communications with the customer. Estimated work under MSAs is included in backlog for a period of 12 months or the remaining term of the contract, whichever is less. 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.

Total backlog from continuing operations increased \$41,696 from \$391,742 at December 31, 2009 to \$433,438 at June 30, 2010. We have transitioned back to a more historically based backlog unlike the past couple of years when the industry operated at or near capacity which led to higher backlog levels as customers reserved available capacity up to a year or more in advance of the project start date. Historically, a substantial amount of our revenue in a given year has not been in our backlog at the beginning of that year. Additionally, due to the short duration of many jobs, revenue associated with jobs performed within a reporting period will not be reflected in quarterly backlog reports. We generate revenue from numerous sources, including contracts of long or short duration, change orders, extra work, variations in the scope of work and the effect of escalation or currency fluctuation formulas. In the current market for pipeline construction services, the opportunities for large cost reimbursable pipeline construction projects are minimal as demand has fallen below available capacity. Cost reimbursable contracts increased as a percentage of backlog at June 30, 2010 to 41.0 percent versus 37.0 percent of backlog at December 31, 2009; the increase was related to additional MSA work primarily in Canada and Oman. We expect that approximately \$274,459 or 63.3 percent, of our total backlog at June 30, 2010 will be recognized in revenue during the remainder of 2010. We have identified and qualified an increased number of project opportunities for the latter half of 2010 and going forward; however, these more numerous projects are smaller in scope and scale. While we are confident that our execution skills provide a cost advantage, and optimistic that we will win new awards, we have not yet fully booked our capacity for U.S. pipeline construction beyond the third quarter of 2010.

The following table shows our backlog by operating segment and geographic region as of June 30, 2010 and December 31, 2009:

| | June 30, 2010 | | December 31, 2009 | |
|---------------------------------|----------------------|----------------|--------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Operating Segment | | | | |
| <i>Upstream Oil & Gas</i> | \$ 328,596 | 75.8% | \$ 245,586 | 62.7% |
| <i>Downstream Oil & Gas</i> | 104,842 | 24.2% | 146,156 | 37.3% |
| Total backlog | \$ 433,438 | 100.0% | \$ 391,742 | 100.0% |

| | June 30, 2010 | | December 31, 2009 | |
|---------------------------------|----------------------|----------------|--------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Geographic Region | | | | |
| <i>United States</i> | \$ 212,302 | 49.0% | \$ 358,808 | 91.6% |
| <i>Canada</i> | 170,752 | 39.4% | 9,639 | 2.5% |
| <i>Middle East/North Africa</i> | 50,384 | 11.6% | 23,295 | 5.9% |
| Total backlog | \$ 433,438 | 100.0% | \$ 391,742 | 100.0% |

EBITDA and Adjusted EBITDA from Continuing Operations

We use EBITDA (earnings before net interest, income taxes, depreciation and amortization) as part of our overall assessment of financial performance by comparing EBITDA between accounting periods. We believe that EBITDA is used by the financial community as a method of measuring our performance and of evaluating the market value of companies considered to be in businesses similar to ours. EBITDA from continuing operations for the three months ended June 30, 2010 decreased \$3,660 (12.8 percent) to \$24,931 from \$28,591 during the same period in 2009. The decrease in EBITDA is primarily a result of decreased contract income of \$1,224 (excluding depreciation) partially offset by an increase in contract margin of 5.3 percentage points for the three months ended June 30, 2010.

EBITDA from continuing operations for the six months ended June 30, 2010 decreased \$51,155 (78.1 percent) to \$14,337 from \$65,492 during the same period in 2009. The decrease in EBITDA during the six months ended June 30, 2010 is primarily a result of decreased contract income of \$51,702 (excluding depreciation). The decrease in contract income (excluding depreciation) is partially offset by an increase in contract margin of 1.5 percentage points during the six months ended June 30, 2010.

In addition to EBITDA, management uses Adjusted EBITDA for:

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

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

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Adjustments to EBITDA broadly consist of items, which management does not consider to be representative of the ongoing operations of the Company. These generally include costs or benefits that are unusual, non-cash or one-time in nature. These adjustments are included in various performance metrics under our credit facilities and other financing arrangements. The EBITDA adjustments to determine Adjusted EBITDA are itemized in the table below. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, 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 should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

EBITDA and Adjusted EBITDA are not financial measurements recognized under U.S. generally accepted accounting principles, or GAAP, and when analyzing our operating performance, investors should use EBITDA and Adjusted EBITDA in addition to, and not as an alternative for, net income, operating income, or any other performance measure derived in accordance with 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 EBITDA and Adjusted EBITDA may be different from similarly titled measures of other companies.

During the second quarter ended June 30, 2010, we modified some of our items to be included in Adjusted EBITDA in the tables below in order to be more aligned with that of EBITDA as defined under our 2010 Credit Agreement. Specifically, DOJ monitor costs will no longer be added back, and income attributable to our noncontrolling interest will now be added back, to arrive at Adjusted EBITDA.

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

| | Three Months Ended | | Six Months Ended | |
|---|---------------------------|------------------|-------------------------|------------------|
| | June 30, | | June 30, | |
| | 2010 | 2009 | 2010 | 2009 |
| Net income (loss) from continuing operations attributable to Willbros Group | \$ 9,105 | \$ 10,568 | \$ (3,929) | \$ 25,895 |
| Interest, net | 2,075 | 2,011 | 4,182 | 4,116 |
| Provision (benefit) for income taxes | 5,753 | 5,675 | (2,387) | 13,915 |
| Depreciation and amortization | 7,998 | 10,337 | 16,471 | 21,566 |
| EBITDA | 24,931 | 28,591 | 14,337 | 65,492 |
| Stock based compensation | 2,286 | 2,319 | 4,297 | 4,917 |
| Restructuring and reorganization costs | 794 | 956 | 613 | 5,790 |
| Acquisition related costs | 1,060 | | 1,944 | 85 |
| (Gains) losses on sales of equipment | (79) | (29) | (1,684) | 1,031 |
| Noncontrolling interest | 353 | 423 | 609 | 1,171 |
| Adjusted EBITDA | \$ 29,345 | \$ 32,260 | \$ 20,116 | \$ 78,486 |

Discontinued Operations

In 2006, we announced our intention to sell our assets and operations in Nigeria, which led to their classification as discontinued operations (Discontinued Operations). We sold our Nigeria assets and operations on February 7, 2007 to Ascot Offshore Nigeria Limited (Ascot) pursuant to a Share Purchase Agreement by and between us and Ascot.

Results

For the three months ended June 30, 2010, loss from Discontinued Operations was \$476 or \$0.01 per basic and diluted share compared to a loss of \$1,660 or \$0.04 per basic and diluted share for the three months ended June 30, 2009. For the six months ended June 30, 2010, the loss from Discontinued Operations was \$746 or \$0.02 per basic and diluted

share compared to a loss of \$1,500 or \$0.04 per basic and \$0.03 per diluted share for the six months ended June 30, 2009. During the second quarter 2009, a \$1,750 charge was taken to write off the net book value of the commitment related to the sale of our Venezuelan assets and operations as management determined the collection of the outstanding commitment highly unlikely, due to nationalization of various oil-field service contractors within the country.

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Although the Transition Services Agreement expired on February 7, 2009, we continue to incur legal costs related to the previously discussed WAPCo parent company guarantee assertions. These legal fees are expected to escalate and continue over the next several years. At this time, we are unable to estimate the likely total legal costs. Additional financial disclosures on Discontinued Operations are provided in Note 13 Discontinuance of Operations, Asset Disposals, and Transition Services Agreement.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In our Annual Report on Form 10-K for the year ended December 31, 2009, we identified and disclosed our significant accounting policies. Subsequent to December 31, 2009, there has been no change to our significant accounting policies other than the estimated useful life of construction equipment as discussed in Note 1 The Company and Basis of Presentation.

For further information regarding new accounting pronouncements and accounting pronouncements adopted in the first six months of 2010, see Note 2 New Accounting Pronouncements.

RESULTS OF OPERATIONS

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

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

Three Months Ended June 30, 2010 Compared to Three Months Ended June 30, 2009**Contract Revenue**

For the three months ended June 30, 2010, contract revenue decreased \$106,354 (30.0 percent) to \$248,129 from \$354,483 during the same period in 2009. The decrease is due to revenue reductions across both segments. A quarter-to-quarter comparison of revenue is as follows:

| | Three months ended June 30, | | | |
|---------------------------------|------------------------------------|-------------------|--------------------------------|---------------------------|
| | 2010 | 2009 | Increase (Decrease) | Percent Change |
| <i>Upstream Oil & Gas</i> | \$ 186,600 | \$ 275,409 | \$ (88,809) | (32.2)% |
| <i>Downstream Oil & Gas</i> | 61,529 | 79,074 | (17,545) | (22.2)% |
| Total | \$ 248,129 | \$ 354,483 | \$ (106,354) | (30.0)% |

Upstream Oil & Gas has operations in three countries and two of the three experienced significant revenue declines compared to the prior year. The primary cause for the decline is related to execution in 2009 from projects awarded to us prior to the fourth quarter of 2008, which, in aggregate, helped insulate our revenue stream in the first half of 2009. As these projects were completed, our opportunities for new work were impacted by our core customers reduced capital budgets for oil and gas transportation.

In the United States, revenue decreased \$62,270, or 31.8 percent. Our large diameter pipeline construction group had the largest decline of \$48,432, followed by our pipeline facility construction group with a decline of \$12,658 and our EPC service line which declined \$11,755. These declines were partially offset by the growth in revenue from our engineering services of \$2,916. While this increase was modest compared to our construction and EPC declines, we believe it is significant as we view demand for our upstream engineering services as a precursor to the demand for our construction services. In our upstream engineering group, we have added 60 professionals, nearly 22.0 percent, during the second quarter to meet increasing demand.

In Canada, revenue experienced a similar impact, decreasing \$29,174, or 46.4 percent. This decrease was widespread across our service offerings with declines of \$12,673 in our pipeline construction group, \$8,783 in our field service group, \$5,208 in our pipeline facility construction group and \$2,661 in our fabrication services group. As project

activity returns in Canada, we are optimistic that we can increase our field services component and fill our recently expanded fabrication facilities in the Edmonton area. Additions to backlog in our pipeline group provide additional visibility for 2011 and give us increased confidence that market conditions in Canada are becoming more favorable. In Oman, revenue increased by \$2,635, or 15.2 percent due mainly to the high recurring services component of their business which insulates them from the large capital budget fluctuations that impacted the United States and Canada.

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Downstream Oil & Gas revenue decreased primarily as a result of a large turnaround originally scheduled for the second quarter of 2010 being rescheduled by the customer to the last half of 2010. A turnaround of similar scope and scale was performed for the same customer in the second quarter of 2009. We recognized \$24,531 in revenue during the second quarter of 2009 related to that work. Total maintenance and turnaround revenue decreased \$22,109 (41.5 percent) in the second quarter of 2010 compared to the second quarter of 2009.

We also experienced a \$6,150 (72.3 percent) decrease in revenue from construction services. While our construction services business unit has maintained a consistent level of consulting services for our customers' long-term capital expansion projects, our involvement in the physical construction of these projects has decreased from six projects in the second quarter of 2009 to one project in the second quarter of 2010. Our consulting services arrangements were largely negotiated in prior years for projects that are still ongoing. New capital project activity and construction opportunities relating to our consulting services have decreased since the latter part of 2008. This has also contributed to the \$2,535 (26.7 percent) decrease in revenue experienced by our fabrication facilities. The level of transfer line replacements has remained steady compared to the second quarter of 2009; however, the demand for fabrication of process heaters has decreased as a result of decreased capital spending by our customers.

These revenue declines were partially offset by additional revenue from the July 2009 acquisition of the Wink engineering business unit, \$9,549, the reclassification of government services from the *Upstream Oil & Gas* segment to the *Downstream Oil & Gas* segment, \$1,520, and an increase in revenue from tank construction services, \$2,448 or 42.9 percent.

Operating Income

For the three months ended June 30, 2010, operating income decreased \$2,499 (13.2 percent) to \$16,395 from \$18,894 during the same period in 2009. A quarter-to-quarter comparison of operating income is as follows:

| | Three months ended June 30, | | | | | |
|---------------------------------|-----------------------------|--------------------|-----------|--------------------|---------------------|----------------|
| | 2010 | Operating Margin % | 2009 | Operating Margin % | Increase (Decrease) | Percent Change |
| <i>Upstream Oil & Gas</i> | \$ 22,798 | 12.2% | \$ 15,252 | 5.5% | \$ 7,546 | 49.5% |
| <i>Downstream Oil & Gas</i> | (6,403) | (10.4)% | 3,642 | 4.6% | (10,045) | (275.8)% |
| Total | \$ 16,395 | 6.6% | \$ 18,894 | 5.3% | \$ (2,499) | (13.2)% |

Upstream Oil & Gas operating income increased despite the 32.2 percent decrease in revenue. This increase was primarily attributable to increased margins in U.S. operations, driven by fixed price work which did not suffer from the margin erosion experienced due to cost escalation on cost reimbursable fixed-fee contracts in the same period in 2009. The increase in margin in the United States was partially offset by a slight decrease in margins in Canada and Oman.

For our U.S. operations, the two primary contributors to our margin increase were our pipeline construction group and our engineering group. Our pipeline construction group is currently working on the FEP project which kicked-off in the first quarter but did not reach 10.0 percent complete. Due to our revenue and income recognition policy, we did not recognize income on this project in the first quarter. In the second quarter, the project surpassed the 10.0 percent threshold, and we recognized inception to date income from the job. We currently expect completion of the FEP project during the third quarter. An additional significant component of our increased margin was the performance of our engineering group. As a result of diligent cost and labor reductions in the third and fourth quarters of 2009, we achieved higher utilization of our billable resources during the second quarter of 2010.

In Canada, our operating margins held relatively constant year-over-year and the primary driver for lower operating income was the lower volume of work discussed previously. Our contract margins declined approximately two tenths of a percent from 2009 to 2010. We believe our focus on cost reductions has enabled us to protect our margins in the highly competitive business environment, and we are optimistic that we can continue to build our backlog in field

services, pipeline construction and fabrication services going into 2011. Our operations in Oman also experienced a decline in their contract margins year-over-year of approximately 1.8 percent. We have been awarded contract extensions for certain service agreements. We believe our past performance and demonstrated cost containment enabled us to continue these assignments. We are optimistic that multiple opportunities to expand our Omani business model will present themselves in the Middle East, and we are targeting multi-year alliance opportunities in addition to our traditional service offerings.

We experienced an increase in our general and administrative cost year-over-year of 6.3 percent. This increase can be attributed to increased proposal activity during the quarter. We are maintaining the discipline of our sales and bidding process to ensure that project and contractual risks are identified and appropriately priced to generate acceptable risk adjusted returns.

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Downstream Oil & Gas operating income decreased primarily as a result of the previously discussed decline in revenue from maintenance, turnaround and construction services, as well as operating losses contributed by the *Downstream Oil & Gas* engineering business unit (\$2,111) and manufacturing services business unit (\$408). Our maintenance and turnaround services business unit produced an operating loss in the second quarter of 2010 that was driven largely by a loss on a fixed-price contract and the delay to the third and fourth quarter of a major turnaround originally planned for execution in the second quarter.

Additionally, our tank construction and maintenance and turnaround projects realized lower project margins in the second quarter of 2010 than in the second quarter of 2009 as a result of pricing pressure from our customers and a more competitive bidding environment. Our fixed price bids and our rates on cost reimbursable bids for projects subsequently awarded and performed in the second quarter of 2010 reflected lower margins as a result of these factors. As part of our continuing effort to decrease costs and remain competitive in our market, we successfully reduced indirect contract costs and G&A expenses by \$3,299 and \$547, respectively, compared to the second quarter of 2009. Included in operating costs for the second quarter of 2010 is \$462 in costs associated with headcount reductions. These reductions will result in lower operating costs beginning in the third quarter of 2010.

Non-Operating Items

Interest, net expense increased \$64 (3.2 percent) to \$2,075 from \$2,011 in 2009. The increase in net expense is primarily a result of decreased interest expense of \$327 due to capital lease buy-outs during the second quarter of 2009, which was more than offset by a decrease in interest income of \$391 due to lower rates of return on invested cash.

Other, net income increased \$1,108 (510.6 percent) to income of \$891 from expense of \$217 in 2009. The increase is primarily related to an \$841 increase in miscellaneous income primarily as a result of the recognition of a refund of Goods and Services Tax (GST) based on certain deductions made in 2010.

Provision for income taxes increased \$78 to \$5,753 from \$5,675 in 2009. During the three months ended June 30, 2010, we recognized \$5,753 of income tax expense on income from continuing operations before income tax of \$15,211 as compared to income tax expense of \$5,675 on income from continuing operations before income taxes of \$16,666 during the same period in 2009. The effective tax rate used for the three months ended 2010 was estimated at 38.0 percent, while the effective tax rate for the three months ended 2009 was estimated at 35.0 percent. The 3.0 percentage point increase in the current year is primarily attributable to non-deductible deal costs and more taxable income in the United States, which has a higher statutory tax rate than either Oman or Canada.

Income (loss) from Discontinued Operations, Net of Taxes

Income (loss) from discontinued operations, net of taxes decreased \$1,184 (71.3 percent) to a loss of \$476 from a loss of \$1,660 during the same period in 2009. The decrease in the loss is primarily due to a \$1,750 charge taken during the second quarter of 2009 to write-off the net book value of the note related to the Venezuela sale as management determined it unlikely to collect due to nationalization of various oil contractors within the country. The loss during the three months ended June 30, 2010 is primarily related to legal fees incurred in connection with the previously discussed WAPCo parent company guarantee assertions. The legal fees are expected to escalate and continue over the next several years. At this time, we are unable to estimate the likely total costs.

Six Months Ended June 30, 2010 Compared to Six Months Ended June 30, 2009**Contract Revenue**

For the six months ended June 30, 2010, contract revenue decreased \$433,283 (52.9 percent) to \$385,125 from \$818,408 during the same period in 2009. The decrease is due to revenue reductions across both segments. A period-to-period comparison of revenue is as follows:

| | Six months ended June 30, | | | |
|---------------------------------|----------------------------------|-------------|--------------------------------|---------------------------|
| | 2010 | 2009 | Increase (Decrease) | Percent Change |
| <i>Upstream Oil & Gas</i> | \$ 263,100 | \$ 663,897 | \$ (400,797) | (60.4)% |
| <i>Downstream Oil & Gas</i> | 122,025 | 154,511 | (32,486) | (21.0)% |

| | | | | |
|-------|------------|------------|--------------|---------|
| Total | \$ 385,125 | \$ 818,408 | \$ (433,283) | (52.9)% |
|-------|------------|------------|--------------|---------|

Upstream Oil & Gas experienced even more significant revenue decrease when the six months ended June 30, 2010 is compared to the prior year. We experienced significant revenue declines in two of the three countries we operate in, and the third was effectively flat, year-over-year. Much lower levels of pipeline construction activity and EPC project activity were the primary cause of the reduction in revenue, as many planned projects were cancelled or delayed in response to a weak global economy and difficult credit market.

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In the United States, we experienced a revenue decrease of \$324,452, or 66.5 percent. This decline was led by our large diameter pipeline construction group with a decline of \$279,738, followed by our pipeline facility construction group whose revenue declined \$32,168 and our EPC service line which declined \$21,598. These declines were partially offset by second quarter growth in revenue from our engineering services which year to date has increased \$2,237. As previously mentioned, we believe the increase in engineering services is a strong indicator of future demand of our construction and EPC services. Our large-diameter pipeline construction group was fully utilized in the first half of 2009 on the Midcontinent Express Pipeline LLC (MEP) and the Texas Independence Pipeline (TIPS) projects. In 2010, we only partially replaced this work with our current work on FEP, which began early in the second quarter. In a more positive development, we added more than 80 professionals to our Upstream engineering group, a nearly 35.0 percent increase from the end of 2009.

In Canada, we experienced a revenue decrease of \$77,012, or 54.4 percent. This decline was similar to the decline in the United States, led by our pipeline construction group decline of \$59,510. This decrease was indicative of the reduced capital budgets associated with the development of the oil sands in Canada. In Oman, we increased revenue \$668, or 4.2 percent from the prior year. As with the second quarter, the nature of our business in Oman is more focused on recurring services for our customers and provides some insulation to the fluctuations of large capital projects from one period to the next.

Downstream Oil & Gas revenue decreased primarily as a result of a customer rescheduling a turnaround from the first half of 2010, primarily the second quarter, to the last half of 2010. A turnaround of similar scope and scale was performed for the same customer in the first half of 2009. We recognized \$28,926 in revenue during the first half of 2009 related to that work. Total maintenance and turnaround revenue decreased \$31,220 (32.6 percent) in the first half of 2010 compared to the first half of 2009.

We also experienced a \$21,464 (84.7 percent) decrease in revenue from construction services. While our construction services business unit has maintained a consistent level of consulting services for our customers' long-term capital expansion projects, our involvement in the physical construction of these projects has decreased from six projects in the first half of 2009 to one project in the first half of 2010. Our consulting services arrangements were largely negotiated in prior years for projects that are still ongoing. New capital project activity and construction opportunities relating to our consulting services have decreased since the latter part of 2008. This has also contributed to the \$3,986 (21.8 percent) decrease in revenue experienced by our fabrication facilities. The level of transfer line replacements has remained steady compared to the first half of 2009; however, the demand for fabrication of process heaters has decreased as a result of decreased capital spending by our customers.

These declines were partially offset by revenue from the July 2009 acquisition of the Wink engineering business unit, \$19,958, the reclassification of government services from the *Upstream Oil & Gas* segment to the *Downstream Oil & Gas* segment, \$2,345, and an increase in revenue from tank construction services, \$2,474 or 23.4 percent.

Operating Income

For the six months ended June 30, 2010, operating income decreased \$49,376 (109.8 percent) to a loss of \$4,387 from income of \$44,989 during the same period in 2009. A period-to-period comparison of operating income (loss) is as follows:

| | Six months ended June 30, | | | | | |
|----------------------|---------------------------|--------------------------|-----------|--------------------------|------------------------|-------------------|
| | 2010 | Operating Margin % | 2009 | Operating Margin % | Increase (Decrease) | Percent Change |
| Upstream Oil & Gas | \$ 10,959 | 4.2% | \$ 41,490 | 6.2% | \$ (30,531) | (73.6)% |
| Downstream Oil & Gas | (15,346) | (12.6)% | 3,499 | 2.3% | (18,845) | (538.6)% |
| Total | \$ (4,387) | (1.1)% | \$ 44,989 | 5.5% | \$ (49,376) | (109.8)% |

Upstream Oil & Gas operating income decreased as a result of the previously discussed revenue declines and the significant underutilization of pipeline construction resources in the first quarter of 2010 as compared to the first quarter of 2009. Contract margins for the *Upstream Oil & Gas* segment remained consistent with the prior year, increasing 2.5 percentage points. This slight increase in contract margin was offset by higher general and administrative cost, as a percent of revenue, increasing from 5.8 percent to 10.4 percent. Our G&A cost was lower than the prior year period, but the drastic reduction of revenue year-over-year negatively impacted our operating margin.

For our United States operations, our two significant business units performed well in the challenging economic environment of the first half of 2010. Our construction group was able to hold contract margins nearly in-line with the previous year, showing a slight decline of one tenth of one percent. With constant profitability, the key driver for the reduction of income from this group was its reduced revenue volume as previously discussed. For our engineering group, the increased demand for its services was managed well, and we were able to significantly increase our contract margins for this group, year-over-year. This margin increase contributed to an increase of \$5,074 in operating income for this business unit in 2010. We believe this increase in demand indicates that our core customers will be increasing their capital budget activity as we move into the planning phase for 2011 construction.

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In Canada, our operations were able to slightly improve on their contract margins, increasing 1.1 percentage point. This slight increase in profitability was not sufficient to offset the significant reduction in revenue addressed above, leading to lower operating income from this business unit as our customers' capital and maintenance budgets in the oil sands have been reduced from previous levels or deferred to future periods. In Oman, we continue our steady performance, duplicating our contract income from the prior year on slightly higher revenue volume and continue advancing our focus to deliver the best value to our client in a competitive market for recurring oil field and rig moving services.

In total, our G&A spend for this segment decreased significantly year-over-year, with business unit level G&A decreasing \$1,199 and corporate allocated G&A decreasing \$10,212. These reductions are the result of ongoing cost containment measures that we have implemented across our company. These reductions have been focused on aligning our cost structure with the current challenging business environment.

Downstream Oil & Gas operating income decreased primarily as a result of the previously discussed decreases in revenue from maintenance and turnaround services and construction services, as well as operating losses contributed by the *Downstream Oil & Gas* engineering business unit (\$4,244) and manufacturing services business unit (\$477). Our maintenance and turnaround services business unit contributed an operating loss in the first half of 2010 that was driven largely by a loss on a fixed price contract and the delay to the third and fourth quarter of a major turnaround originally planned for execution in the second quarter.

Additionally, our tank construction and maintenance and turnaround projects realized lower project margins in the first half of 2010 relative to the first half of 2009 as a result of pricing pressure from our customers and a more competitive bidding environment. As a result, our fixed price bids and our rates on cost reimbursable projects subsequently awarded and performed in the first half of 2010 reflected lower margins.

As part of our continuing effort to decrease costs in this segment and remain competitive in our market, we successfully reduced indirect contract costs and G&A expenses by \$8,524 and \$1,252, respectively, compared to the first half of 2009. Included in operating costs for the first half of 2010 is \$469 in costs associated with headcount reductions. These reductions will result in lower operating costs beginning in the third quarter of 2010.

Non-Operating Items

Interest, net expense increased \$66 (1.6 percent) to \$4,182 from \$4,116 in 2009. The increase results from lower interest income earned partially offset by lower interest expense. The income earnings are reduced due to lower rates of return on invested cash, and the decrease in interest expense is primarily related to the buy-out of certain capital leases in the second quarter of 2009.

Other, net increased \$2,754 (2,550.0 percent) to income of \$2,862 from income of \$108 in 2009. The 2010 gain is partly attributed to a \$1,684 gain on the sale of assets. Additionally, miscellaneous income increased \$879 primarily as a result of a refund of GST based on certain deductions made in 2010.

Provision for income taxes decreased \$16,302 to a benefit of \$2,387 from \$13,915 in 2009. The decrease in the provision for income taxes is due to a reduction in pre-tax income in 2010 as compared to 2009. As of the second quarter of 2010, we have an estimated effective tax rate of 38.0 percent which is based on the statutory rates in the jurisdictions where we operate. Our primary work locations for 2010 are the U.S. and Canada, which have combined federal and state/provincial tax rates of approximately 40.0 percent and 29.0 percent, respectively.

Income from Discontinued Operations, Net of Taxes

Income (loss) from discontinued operations, net of taxes decreased \$754 (50.3 percent) to a loss of \$746 from a loss of \$1,500 during the same period in 2009. The decrease is primarily due to a \$1,750 charge taken during the second quarter of 2009 to write-off the net book value of the note related to the Venezuela sale, as management determined it unlikely to collect due to the nationalization of various oil contractors within the country. The loss during the six months ended June 30, 2010 is primarily related to the legal fees incurred in connection with the previously discussed WAPCo parent company guarantee assertions. The legal fees are expected to escalate and continue over the next several years. At this time, we are unable to estimate the likely total legal fees. During the six months ended June 30, 2010, cash used by operating activities of Discontinued Operations increased \$667 (844.3 percent) to cash used of \$746 from \$79 cash used during the same period in 2009.

LIQUIDITY AND CAPITAL RESOURCES

Our financing objective is to maintain 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. As of June 30, 2010, we had liquidity of \$282,602 comprised of \$227,302 in cash, short-term investments of \$5,300 and \$50,000 unutilized borrowing capacity under our 2007 Credit Facility.

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During the six months ended June 30, 2010, we decreased our working capital position, for continuing operations, by \$58,201 (19.6 percent) to \$239,093 from \$297,294 at December 31, 2009 primarily as a result of the movement of \$57,349 of our 2.75% Notes to current as the holders of our 2.75% Notes have the right to require us to purchase the 2.75% Notes for cash, including unpaid interest, on March 15, 2011. Also contributing to the decrease was a significant reduction in income from continuing operations, offset by a decrease in our receivable days sales outstanding from 91 days at December 31, 2009 to 66 days at June 30, 2010 primarily resulting from various milestone payments received during the second quarter of 2010 along with overall reduction in activity.

Cash on hand was our principal source of funding during the six months ended June 30, 2010. On July 1, 2010, we closed on the acquisition of InfrastruX for a purchase price of approximately \$418,000, before working capital and other transaction adjustments. In addition to the issuance of 7,923,300 shares of Company stock, we paid approximately \$360,000 in cash, comprised of \$60,000 in cash from operations and \$300,000 provided from a newly established \$475,000 senior secured credit facility (the 2010 Credit Facility), consisting of a four year, \$300,000 term loan facility (the Term Loan), and a three-year revolving credit facility of \$175,000, entered under a new credit agreement (the 2010 Credit Agreement). The 2010 Credit Agreement replaces our existing three-year \$150,000 senior secured 2007 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 and the revolving credit facility will be available for letters of credit and for revolving loans, which may be used for working capital and general corporate purposes. See Note 14 – Subsequent Event for further discussion of the 2010 Credit Facility.

Our cash balance has been negatively impacted by two ongoing contract disputes, one with TransCanada and the other with WAPCo. See Notes 12 and 13 in the accompanying financial statements for additional background information. As of June 30, 2010, we have \$71,159 of unpaid TransCanada receivables. We have submitted this dispute to arbitration for resolution; however, final resolution may not occur for a year or more. We have not established a collectability reserve, and we believe adequate financial reserves are available during the interim period prior to receiving payment. The WAPCo claim regarding the Company's performance under a parent company guarantee represents a likely continuing and escalating legal defense cost for several years.

We anticipate that cash on hand, future cash flows from operations and the availability of our new revolving credit facility will be sufficient to fund our working capital and capital expenditure objectives for the near term.

Cash Flows

Cash flows provided by (used in) continuing operations by type of activity were as follows for the six months ended June 30, 2010 and 2009:

| | 2010 | 2009 | Change |
|--|-------------|-------------|---------------|
| Operating activities | \$ 45,631 | \$ 67,967 | \$ (22,336) |
| Investing activities | 4,226 | (1,558) | 5,784 |
| Financing activities | (19,613) | (29,367) | 9,754 |
| Effect of exchange rate changes | (970) | 565 | (1,535) |
| Cash provided by all continuing activities | \$ 29,274 | \$ 37,607 | \$ (8,333) |

Operating Activities

Operating activities of continuing operations provided \$45,631 of cash in the six months ended June 30, 2010, compared to cash provided of \$67,967 in same period in 2009. Cash provided by operating activities decreased \$22,336 primarily due to:

an increase in the cash consumed by continuing operations of \$42,270, net of non-cash effects; offset by

an increase in cash flow from working capital of \$20,688, driven primarily by the \$51,288 decrease in accounts receivable as a result of several milestone payments being received on various spreads of pipeline construction and maintenance work in the second quarter of 2010 offset by net changes in other working capital accounts of \$71,976 driven primarily by the reduction in contract volume year over year.

Investing Activities

Investing activities of continuing operations provided \$4,226 of cash in the six months ended June 30, 2010, compared to a use of cash of \$1,558 during the same period in 2009. Cash provided by investing activities increased \$5,784 primarily due to:

an increase of net maturities of short-term investments of \$11,200; offset by

an increase in the net purchases of property, plant and equipment during the six months ended June 30, 2010 of \$5,416.

Financing Activities

Financing activities of continuing operations used \$19,613 of cash in the six months ended June 30, 2010, compared to a use of \$29,367 in the same period of 2009. Cash used by financing activities decreased \$9,754 primarily due to:

the repayment of notes payable of \$4,936 in the six months ended June 30, 2010, compared to \$1,062 during the same period of 2009;

additional debt issuance costs of \$1,960 associated with our acquisition of InfrastruX; offset by

a decrease in capital lease payments of \$15,291 as a result of capital lease buyouts during 2009.

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Capital Requirements

During the six months ended June 30, 2010, continuing operations provided cash of \$45,631. We believe that our financial results combined with our current liquidity, financial management, the new Term Loan and the 2010 Credit Facility previously discussed 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;

funding our 2010 capital budget of approximately \$22,800, of which \$11,940 has been committed to date;

making installment payments to the government related to fines and profit disgorgement; and

redeeming up to \$32,050 of our 6.5% Senior Convertible Notes (the 6.5% Notes) and up to \$59,357 of our 2.75% Notes if all of the note holders elect to exercise their right to require us to purchase the notes on December 15, 2010 and March 15, 2011, respectively.

We believe that we will be able to support our ongoing working capital needs through our cash on hand, operating cash flows and the previously discussed new Term Loan and 2010 Credit Facility.

Contractual Obligations

As of June 30, 2010, we had aggregate convertible note principal outstanding of \$91,407. In addition, we have various capital leases of construction equipment and property resulting in aggregate capital lease obligations of \$13,113 at June 30, 2010. The holders of our 2.75% Notes have the right to require us to purchase the 2.75% Notes for cash, including unpaid interest, on March 15, 2011. Based on the uncertainty surrounding the future economic conditions, we were unable to estimate the number or probability of future repurchases of the 2.75% Notes on March 15, 2011. As such, all \$57,349 (net of \$2,008 bond discount) has been classified as short-term and included within Notes payable and current portion of other long-term debt on the Consolidated Balance Sheet at June 30, 2010. As of December 31, 2009, we previously reclassified \$31,450 (net of \$600 bond discount) of 6.5% Notes as a current liability for similar reasons. The holders of the 6.5% Notes have the right to require us to purchase the notes for cash, including unpaid interest, on December 15, 2010.

Other contractual obligations and commercial commitments, as detailed in our annual report on Form 10-K for the year ended December 31, 2009, did not materially change except for payments made in the normal course of business.

NEW ACCOUNTING PRONOUNCEMENTS

See Note 2 New Accounting Pronouncements in the Notes to the Condensed Consolidated Financial Statements included in this Form 10-Q for a summary of any recently issued accounting standards.

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FORWARD-LOOKING STATEMENTS

This Form 10-Q includes forward-looking statements. All statements, other than statements of historical facts, included in this Form 10-Q 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;

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 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 fail to comply with the terms and conditions of our final settlements with the Department of Justice (DOJ) and the Securities and Exchange Commission (SEC), including the imposition of civil or criminal fines, penalties, enhanced monitoring arrangements, or other sanctions that might be imposed by the DOJ and SEC;

the issues we may encounter with respect to the federal monitor appointed under our Deferred Prosecution Agreement with the DOJ and any changes in our business practices which the monitor may require;

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;

difficulties we may encounter in connection with the previous sale and disposition of our Nigeria assets and Nigeria based operations, including obtaining indemnification for any losses we may experience if, due to the non-performance by the purchaser of these assets, claims are made against any parent company guarantees we provided, to the extent those guarantees may be determined to have continued validity;

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;

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;

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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 identify and acquire suitable acquisition targets or to finance such acquisitions on reasonable terms;

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;

the potential adverse effects on our operating results if our non-U.S. operations became taxable in the United States;

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

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;

incurrence of insurable claims in excess of our insurance coverage;

the occurrence of the risk factors listed elsewhere in this Form 10-Q 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 Quarterly Report on Form 10-Q 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.

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

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary market risk is our exposure to changes in non-U.S. 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 expenses in the same currency whenever possible. To the extent, we are unable to match non-U.S. currency revenue with expenses 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 June 30, 2010 and 2009 or during the three months then ended.

The carrying amounts for cash and cash equivalents, accounts receivable, notes payable and accounts payable, and accrued liabilities shown in the Condensed Consolidated Balance Sheet approximated fair value at June 30, 2010, due to the generally short maturities of these items. At June 30, 2010, our investments were primarily in short-term dollar denominated bank deposits with maturities of a few days, or in longer-term deposits where funds can be withdrawn on demand without penalty. We have the ability and expect to hold our investments to maturity.

Our exposure to market risk for changes in interest rates relates primarily to our long-term debt. At June 30, 2010, our only indebtedness subject to variable interest rates is certain capital lease obligations.

ITEM 4. CONTROLS AND PROCEDURES

In connection with the preparation of this Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 we have carried out an evaluation under the supervision of, and with the participation of, our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were effective as of June 30, 2010 to (1) provide reasonable assurance that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (2) provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting during the quarter ended June 30, 2010.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding legal proceedings, see the discussion under the captions Contingencies Facility Construction Project Termination in Note 12 Contingencies, Commitments and Other Circumstances and Nigeria Assets and Nigeria-Based Operations Share Purchase Agreement in Note 13 Discontinuance of Operations, Asset Disposals, and Transition Services Agreement of our Notes to Condensed Consolidated Financial Statements in Item 1 of Part I of this Form 10-Q, which information from Notes 12 and 13 is incorporated by reference herein.

Item 1A. Risk Factors

In connection with its recent acquisition of InfrastruX, the Company is providing an updated set of risk factors which supersede the risk factors included in its Annual Report on Form 10-K for the year ended December 31, 2009, its Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 and its Current Report on Form 8-K dated May 17, 2010, filed May 20, 2010.

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

RISK RELATING TO OUR BUSINESS

Our business is highly dependent upon the level of capital expenditures by oil, gas and 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, gas and power industries, specifically, the level of capital expenditures of oil, gas and power companies on infrastructure. InfrastruX's performance has historically been heavily dependent upon the level of capital expenditures on infrastructure by its customers as well. The credit crisis in 2009, which continues to some extent, and related distress in the global financial system, including capital markets, as well as the global recession, continue to have an adverse impact on the level of capital expenditures of oil, gas and 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. There are numerous factors beyond our control that influence the level of capital expenditures of oil, gas and power 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, gas and electric power companies to generate, access and deploy capital;

exploration, production and transportation costs;

the discovery rate 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.

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In May 2008, the United States Department of Justice (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. and its subsidiary, Willbros International, Inc. 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 require us to pay, over approximately three years, a total of \$32.3 million in penalties and disgorgement, plus post-judgment interest on \$7.725 million of that amount. See note 12 of our condensed consolidated financial statements, included herein.

As part of our agreement with the DOJ, we are subject to ongoing review and regulation of our business operations, including the review of our operations and compliance program by a government approved independent monitor. The independent monitor was appointed effective September 25, 2009. The activities of the independent monitor have had, and will continue to have, a material cost to us and will require significant changes in our processes and operations, the outcome of which we are unable to predict. In addition, the settlements, and 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 terms of settlement agreements with the DOJ and SEC would have a material adverse effect on our business.

Under our settlement with the DOJ, we are subject to the DPA, which has an initial term of three years and may be extended under certain circumstances, and, 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, who is reporting to the DOJ on our compliance with the DPA. 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.

Findings and recommendations have been made 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.

The report also sets out for the DOJ's review the monitor's findings relating to incidents that came to the monitor's attention during the course of his review which he found to be significant, as well as recommendations to address these incidents. We and the monitor have met separately with the DOJ concerning certain of these incidents. The monitor, in his report, did not conclude whether any of these incidents or any other matters constituted a violation of the FCPA. We do not believe that any of these incidents or matters constituted a violation of the FCPA based on our own investigations of the incidents and matters raised in the report. Notwithstanding our assessment, the DOJ could perform further investigation at its discretion of any incident or matter raised by the report.

We are now in the process of improving our hiring procedures and conflict of interest policies and have openly discussed these matters with the DOJ in the course of our compliance with the terms of the DPA. On May 1, 2010, we responded to the monitor's report and advised the DOJ that we intend to implement all of the monitor's recommendations. We will require significantly increased resources and management oversight in order to effectively implement the recommendations. We will incur significant costs to effectively implement the recommendations.

The DOJ could determine during the term of the DPA that we have violated the FCPA or other laws based on the monitor's findings or otherwise or not complied with the terms of the DPA, which requires our cooperation with the

monitor and the DOJ, or that we have not been successful in implementing the monitor's recommendations. Our failure to comply with the terms of the settlements with the DOJ and SEC could result in resumed prosecution and other regulatory sanctions. A criminal conviction of the charges that are subject to the DPA, or of other charges, 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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In addition, if we fail to make timely payment of the penalty amounts due to the DOJ and/or the disgorgement amounts specified in the SEC settlement, the DOJ and/or the SEC will have the right to accelerate payment, and demand that the entire balance be paid immediately. Our ability to comply with the terms of the settlements is dependent on the success of our ongoing compliance program, including:

our supervision, training and retention of competent employees;

the efforts of our employees to comply with applicable law and our Foreign Corrupt Practices Act Compliance Manual and Code of Business Conduct and Ethics;

our continuing management of our agents and business partners; and

our successful implementation of the recommendations of the independent monitor to further improve our compliance program and internal controls.

We may continue to experience losses associated with our prior Nigeria-based operations which could have a material adverse effect on us.

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

In connection with the sale of its Nigeria assets and operations, WGHI and WII, another of our subsidiaries, entered into an indemnity agreement with Ascot and Berkeley Group plc (Berkeley), the parent company of Ascot (the Indemnity Agreement), pursuant to which Ascot and Berkeley agreed to indemnify WGHI and WII for any obligations incurred by WGHI or WII in connection with the parent company guarantees (the Guarantees) that WGHI and WII previously issued and maintained on behalf of certain former subsidiaries now owned by Ascot under certain working contracts between the subsidiaries and their customers. Either WGHI, WII or both may be contractually obligated, in varying degrees, under the Guarantees with respect to the performance of work related to several ongoing projects. Among the Guarantees covered by the Indemnity Agreement are five contracts under which we estimate that, at February 7, 2007, there was aggregate remaining contract revenue, excluding any additional claim revenue, of \$352 million and aggregate estimated cost to complete of \$294 million. At the February 7, 2007, sale date, one of the contracts covered by the Guarantees was estimated to be in a loss position with an accrual for such loss of \$33 million. The associated liability was included in the liabilities acquired by Ascot and Berkeley.

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

Also, in February 2008, WGHI received a letter from WAPCo reminding WGHI of its parent guarantee on the WAGP contract and requesting that WGHI remedy WWAI's default under that contract, as amended. WGHI responded to WAPCo, consistent with its earlier communications, that, for a variety of legal, contractual, and other reasons, it did not consider the prior WAGP contract parent guarantee to have continued application. In February 2009, WGHI received another letter from WAPCo formally demanding that WGHI pay all sums payable in consequence of the

non-performance by WWAI with WAPCo and stating that quantification of that amount would be provided sometime in the future when the work was completed. In spite of this letter, we continued to believe that the parent guarantee was not valid. WAPCo disputes WGHI's position that it is no longer bound by the terms of WGHI's prior parent guarantee of the WAGP contract and has reserved all its rights in that regard.

On February 15, 2010, WGHI received a letter from attorneys representing WAPCo seeking to recover from WGHI under its prior WAGP contract parent company guarantee for losses and damages allegedly incurred by WAPCo in connection with the alleged non-performance of WWAI under the WAGP contract. The letter purports to be a formal notice of a claim for purposes of the Pre-Action Protocol for Construction and Engineering Disputes under the rules of the High Court in London, England. The letter claims damages in the amount of \$265 million. At February 7, 2007, when WGHI sold its Nigeria assets and operations to Ascot, the total WAGP contract value was \$165 million and the WAGP project was estimated to be approximately 85.0 percent complete. The remaining costs to complete the project at that time were estimated at slightly under \$30 million. We are seeking to understand the magnitude of the WAPCo claim relative to the WAGP project's financial status three years earlier.

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On August 2, 2010, we received notice that WAPCo had filed suit against WGHI under English law in the London High Court on July 30, 2010, for a sum of \$273 million. WGHI has several possible defenses to this claim and intends to contest this matter vigorously, but we cannot provide any assurance as to the outcome. We expect the litigation process to be lengthy.

We currently have no employees working in Nigeria and have no intention of returning to Nigeria. If ultimately it is determined by an English Court that WGHI is liable, in whole or in part, for damages that WAPCo may establish against WWAI for WWAI's alleged non-performance of the WAGP contract, or if WAPCo is able to establish liability against WGHI directly under the parent company guarantee, and, in either case, WGHI is unable to enforce its rights under the indemnity agreement entered into with Ascot and Berkeley in connection with the WAGP contract, WGHI may experience substantial losses, which could have a material adverse effect on our financial condition and liquidity. However, at this time, we cannot predict the outcome of any proceeding which may ensue in this developing WAGP contract dispute, or be certain of the degree to which the indemnity agreement given in WGHI's favor by Ascot and Berkeley will protect WGHI.

We have not established a reserve for potential losses in connection with the foregoing.

We have had material weaknesses in our internal control over financial reporting. 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.

As disclosed in our annual reports on Form 10-K for 2007, 2006, 2005 and 2004, management's assessment of our internal control over financial reporting identified several material weaknesses. 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. We believe that all of these material weaknesses have been successfully remediated. Our management has concluded that we maintained effective internal control over financial reporting as of December 31, 2009 and 2008.

InfrastruX has had a material weakness in its reporting systems as well. In connection with its fiscal 2008 audit, InfrastruX identified a material weakness related to its entity-level processes for monitoring and assessing financial reporting risks and ensuring that appropriate procedures and controls are implemented in response to changes. Specifically, this material weakness arose from the combined effect of deficiencies related to (i) insufficient resources with the appropriate level of experience and training in the application of technical accounting guidance and (ii) inadequate monitoring, review and approval of the policies and procedures implemented to address new or non-recurring accounting transactions, including those designed to ensure relevant, sufficient and reliable data is accumulated to support assumptions and judgments. This material weakness resulted in errors in the reporting of goodwill and income taxes and required the restatement of InfrastruX's 2006 and 2007 consolidated financial statements. InfrastruX believes this material weakness has 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.

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

We have operations in the Middle East (Oman and Libya) and anticipate that a portion of our contract revenue will be derived from, and a portion of our long-lived assets will 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 are 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;

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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.

We may be adversely affected by a concentration of business in a particular country.

Due to a limited number of major projects worldwide, we expect to have a substantial portion of our resources dedicated to projects located in a few countries. Therefore, our results of operations are susceptible to adverse events beyond our control that may occur in a particular country in which our business may be concentrated at that time. Economic downturns in such countries could also have an adverse impact on our operations.

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.

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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Our recent acquisition of InfrastruX will also create new challenges in managing backlog. InfrastruX has historically determined its backlog for anticipated projects based on recurring historical trends, seasonal demand and projected customer needs, but its agreements rarely have minimum volume or spending obligations, and many of its contracts may be terminated by its customers on short notice. For projects on which InfrastruX has commenced work that are cancelled, InfrastruX may be reimbursed for certain costs, but typically has no contractual right to the total revenues included in its backlog.

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 failure to resolve matters related to a facility construction project termination could have a material adverse impact on us.

On January 13, 2010, TransCanada Pipelines, Ltd. (TCPL) notified us that we were in breach of contract and were being terminated for cause immediately on a facility construction contract for seven pump stations in Nebraska and Kansas that was awarded to us in September 2008. At the time of termination, we had completed approximately 91.0 percent of our scope of work.

We have disputed the validity of the termination for cause and have challenged the contractual procedure followed by TCPL for termination for cause, which allows for a 30-day notification period during which time we are supposed to have an opportunity to remedy the alleged default. Subsequently, we agreed in good faith to cooperate with TCPL in an orderly demobilization and handover of the remaining work. As of June 30, 2010, we have outstanding receivables related to this project of \$71.2 million and unapproved change orders for additional work of \$3.7 million which have not been billed. Additionally, there are claims for additional fee totaling \$16.7 million for additional work. It is our policy not to recognize revenue or income on unapproved change orders or claims until they have been approved. Accordingly, the \$3.7 million in pending change orders and the \$16.7 million of claims have been excluded from our revenue recognition.

If the termination for cause is determined to be valid and enforceable, we could be held liable for any damages resulting from the alleged breach of contract, including but not limited to costs incurred by TCPL to hire a replacement contractor to complete the estimated 9.0 percent remainder of the work less the cost that we would have incurred to perform the same scope of work. Although we do not believe we are in breach of contract and intend to pursue our contractual and legal remedies, including having commenced arbitration and filed liens on constructed facilities, the resolution of this matter could have a material adverse effect on our financial condition or results of operations. TransCanada has removed us from TransCanada's bid list.

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 is responsible for 20.5 percent of our backlog at June 30, 2010.

Because InfrastruX also generates a significant portion of its revenue from a small group of customers, and in particular from its largest customer, Oncor, our business will continue to be exposed to risks associated with high customer concentrations.

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

A significant portion of our revenues (including those of InfrastruX) are 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

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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, InfrastruX also generates substantial revenue under unit price contracts under which it has agreed to perform identified units of work for an agreed price, which have similar associated risks. 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.

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. 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.

Our goodwill may become impaired.

We have 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 unit. This estimated fair value could change if there were future changes in our capital structure, cost of debt, interest rates, capital expenditure levels or ability to perform at levels that were forecasted. These changes could 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 potential impairment of recorded goodwill. We will continue to monitor the carrying value of our goodwill. Although we did not record an impairment with respect to our *Downstream Oil & Gas* segment at December 31, 2009, for purposes of that evaluation, our estimated fair value of that segment only exceeded its carrying value by 1.0 percent.

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December 31, 2009, for purposes of that evaluation, our estimated fair value of that segment only exceeded its carrying value by 1.0 percent.

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 our joint ventures. In these projects, even if we satisfactorily complete our project responsibilities within budget, we may incur additional unforeseen costs due to the failure of our 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 such specialized activities as hazardous waste removal, nondestructive inspection and catering and security. However, with respect to EPC and other contracts, we may choose to subcontract a substantial portion of the project. InfrastruX has also historically used subcontractors to perform portions of its contracts. 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 risk associated with the failure of one or more subcontractors to perform as anticipated.

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 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;

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.

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Our strategic plan relies in part on acquisitions to sustain our growth. Acquisitions of other companies present certain risks and uncertainties.

Our strategic plan involves growth through, among other things, the acquisition of other companies. Such growth involves a number of risks, including:

inherent difficulties relating to combining previously separate businesses;

diversion of management's attention from ongoing day-to-day operations;

the assumption of liabilities of an acquired business, including both foreseen and unforeseen liabilities;

failure to realize anticipated benefits, such as cost savings and revenue enhancements;

potentially substantial transaction costs associated with business combinations;

difficulties relating to assimilating the personnel, services and systems of an acquired business and to integrating marketing, contracting, commercial and other operational disciplines;

difficulties in applying and integrating our system of internal controls to an acquired business; and

failure to retain key or essential employees or customers of, or any government contracts held by, an acquired business.

In addition, we can provide no assurance that we will continue to locate suitable acquisition targets or that we will be able to consummate any such transactions on terms and conditions acceptable to us. Acquisitions may bring us into businesses we have not previously conducted and expose us to additional business risks that are different than those we have traditionally experienced.

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 InfrastruX's business 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 Conservation 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.

Our operations outside of the United States and Canada are oftentimes potentially subject to similar governmental or provincial controls and restrictions relating to the environment.

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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.

We will also face competition in new arenas resulting from our recent acquisition of InfrastruX. For example, in recent years InfrastruX has begun to face increasing competition from alternative technologies in its cable restoration business. Its CableCURE® product sales may be adversely affected by technological improvements by one or more of its competitors and/or the expiration of its 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.

Our operating results could be adversely affected if our non-U.S. operations became taxable in the United States.

If any income earned before our change of domicile in March 2009 by Willbros Group, Inc. or its non-U.S. subsidiaries from operations outside the United States constituted income effectively connected with a U.S. trade or business, and as a result became taxable in the United States, our consolidated operating results could be materially and adversely affected.

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. The recent InfrastruX acquisition will further test our management team as we are absorbing a significant new business without significantly expanding the size of our management team. We also may not be able to retain InfrastruX's operating unit managers, project managers and field supervisors, who are personnel that are critical to the continued growth of InfrastruX's business. 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.

RISKS RELATED TO THE RECENT ACQUISITION AND INFRASTRUX

We may not be able to successfully integrate our acquisition of InfrastruX, which could cause our business to suffer.

Our recent acquisition of InfrastruX is significant. On a pro forma basis for the acquisition of Infrastrux and related transactions, its total assets account for approximately 45.0 percent of our total assets as of March 31, 2010. We may not be able to combine successfully the operations, personnel and technology of InfrastruX with our operations. Because of the size and complexity of InfrastruX's business, if integration is not managed successfully by our

management, we may experience interruptions in our business activities, a decrease in the quality of our services, a deterioration in our employee and customer relationships, increased costs of integration and harm to our reputation, all of which could have a material adverse effect on our business, financial condition and results of operations. We entered new lines of business when we acquired InfrastruX that we do not have experience managing, such as the electrical transmission business. Particularly because we will have to learn how to manage new lines of business, the integration of InfrastruX with our operations will require significant attention from management, which may decrease the time management will have to serve existing customers, attract new customers and develop new services and strategies. We may also experience difficulties in combining corporate cultures, maintaining employee morale and retaining key employees. The integration with InfrastruX may also impose substantial demands on our operations or other projects. We will have to actively strive to demonstrate to our existing customers that the acquisition will not result in adverse changes in our standards or business focus. The integration of InfrastruX also involved a significant capital commitment, and the return that we achieve on any capital invested may be less than the return achieved on our other projects or investments. There will be challenges in consolidating and rationalizing information technology platforms and administrative infrastructures. In addition, any delays or increased costs of combining the companies could adversely affect our operations, financial results and liquidity.

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We may not realize the growth opportunities and cost synergies that are anticipated from our recent acquisition of InfrastruX.

The benefits we expect to achieve as a result of our recent acquisition of InfrastruX will depend, in part, on our ability to realize anticipated growth opportunities and cost synergies. Our success in realizing these growth opportunities and cost synergies, and the timing of this realization, depends on the successful integration of InfrastruX's business and operations with our business and operations. Even if we are able to integrate our business with InfrastruX's business successfully, this integration may not result in the realization of the full benefits of the growth opportunities and cost synergies we currently expect from this integration within the anticipated time frame or at all. For example, we may be unable to eliminate duplicative costs. Moreover, we anticipate that we will incur substantial expenses in connection with the integration of our business with InfrastruX's business. While we anticipate that certain expenses will be incurred, such expenses are difficult to estimate accurately, and may exceed current estimates. Accordingly, the benefits from the proposed acquisition may be offset by costs incurred or delays in integrating the companies, which could cause our revenue assumptions to be inaccurate.

The recent acquisition of InfrastruX may expose us to unindemnified liabilities.

As a result of the recent acquisition, we acquired InfrastruX subject to all of its liabilities, including contingent liabilities. If there are unknown InfrastruX obligations, our business could be materially and adversely affected. We may learn additional information about InfrastruX's business that adversely affects us, such as unknown liabilities, issues that could affect our ability to comply with the Sarbanes-Oxley Act or issues that could affect our ability to comply with other applicable laws. As a result, we can provide no assurance that the recent acquisition of InfrastruX will be successful or will not, in fact, harm our business. Among other things, if InfrastruX's liabilities are greater than expected, or if there are material obligations of which we were not aware until after the time of completion of the acquisition, our business could be materially and adversely affected. If we become responsible for liabilities not covered by indemnification rights or substantially in excess of amounts covered through any indemnification rights, we could suffer severe consequences that would substantially reduce our revenues, earnings and cash flows. Further, given the amount of indebtedness that we incurred to fund the acquisition, we may not be able to obtain additional financing required for any significant expenditures on favorable terms or at all.

Our historical and pro forma combined financial information may not be representative of our results as a combined company.

The pro forma combined financial information that we file with the SEC is constructed from the separate financial statements of Willbros Group, Inc. and InfrastruX and does not purport to be indicative of the financial information that will result from operations of the combined companies. In addition, the pro forma combined financial information that we file with the SEC is based in part on certain assumptions regarding the acquisition that we believe are reasonable. We cannot assure you that our assumptions will prove to be accurate over time. Accordingly, the historical and pro forma combined financial information that we file with the SEC does not purport to be indicative of what our results of operations and financial condition would have been had we been a combined entity during the periods presented, or what our results of operations and financial condition will be in the future. The challenge of integrating previously independent businesses makes evaluating our business and our future financial prospects difficult. Our potential for future business success and operating profitability must be considered in light of the risks, uncertainties, expenses and difficulties typically encountered by recently combined companies.

Federal and state legislative and regulatory developments that InfrastruX believes should encourage electric power transmission and natural gas pipeline infrastructure spending may fail to result in increased demand for its 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 InfrastruX's services. For instance, regulations implementing provisions of the Energy Act of 2005 that may affect demand for InfrastruX's services remain, in some cases, subject to review in various federal courts. In one such case, decided in February 2009, a federal court of

appeals vacated FERC's interpretation of the scope of its backstop transmission line siting authority for electric power transmission projects. 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 InfrastruX's services.

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Renewable energy initiatives, including Texas CREZ plan, other RPS initiatives and ARRA, may not lead to increased demand for InfrastruX's services. While 29 states and Washington D.C. have mandatory RPS programs that require certain percentages of power to be generated from renewable sources, the RPS programs adopted in many states became law during periods of substantially higher oil and natural gas prices. As a result, or 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. In addition, states may limit, delay or otherwise alter existing RPS programs in anticipation of a potential federal renewable energy standard. 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 InfrastruX's 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, 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 InfrastruX will receive revenues from infrastructure buildouts 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 InfrastruX's control. Investments for renewable energy and electric power infrastructure under ARRA may not occur, may be less than anticipated or may be delayed, may be concentrated in locations where InfrastruX does not have significant capabilities, and any resulting contracts may not be awarded to InfrastruX, any of which could negatively impact demand for InfrastruX's services.

In addition, the increase in long-term demand for natural gas that InfrastruX believes 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, InfrastruX cannot predict whether or in what form the cap-and-trade provisions and renewable energy standards in the bill recently passed by the U.S. House of Representatives, will become law, especially in light of Senate Majority Leader Reid's recent decision to advance an energy bill which does not include cap-and-trade provisions. It is difficult to accurately predict the timing and scope of any potential 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.

InfrastruX's storm restoration revenues are highly volatile and unpredictable, which could result in substantial variations in, and uncertainties regarding, our results of operations generated by the InfrastruX business.

Revenues derived from InfrastruX's 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 substantially lower in 2009. Therefore, InfrastruX's storm restoration revenues for 2008 are not indicative of the revenues that InfrastruX typically generates in any period or can be expected to generate in any future period. InfrastruX's revenues and net income will likely continue to be subject to significant variations and uncertainties due to the volatility of InfrastruX's storm restoration volume. InfrastruX may not be able to generate incremental revenues from storm activities to the extent that InfrastruX does not receive permission from its regular customers (including Oncor) to divert resources to the restoration work for customers with which InfrastruX does not have ongoing MSA relationships, sometimes referred to in this prospectus as off-system work. In addition, InfrastruX's storm restoration revenues are offset in part by declines in its transmission and distribution (T&D) services because InfrastruX staffs storm restoration mobilizations by diverting resources from its T&D services.

Table of Contents**Seasonal variations and inclement weather may cause fluctuations in our operating results, profitability, cash flow and working capital needs related to the InfrastruX business.**

We have not historically considered seasonality a significant risk, but because a significant portion of InfrastruX's business is performed outdoors, its results of operations are exposed to seasonal variations and inclement weather. InfrastruX performs less work in the winter months, and work is hindered during other inclement weather events. InfrastruX's revenue and profitability often decreases 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 InfrastruX's maintenance services during such periods. The seasonality of InfrastruX's business also causes its working capital needs to fluctuate. Because InfrastruX's operating cash flow is usually lower during and immediately following the winter months, InfrastruX typically experiences a need to finance a portion of its working capital during the spring and summer.

InfrastruX depends on its ability to protect its intellectual property and proprietary rights in its cable restoration and testing businesses, and we cannot be certain of their confidentiality and protection.

InfrastruX's success in the cable restoration and testing markets depends in part on its ability to protect its proprietary products and services. If we are unable to protect InfrastruX's proprietary products and services, the InfrastruX cable restoration and testing business may be adversely affected. To protect its proprietary technology, InfrastruX relies primarily on trade secrets and confidentiality restrictions in contracts with employees, customers and other third parties. InfrastruX also has a license to the patents Dow Corning Corporation holds from the U.S. Patent and Trademark Office relating to its CableCURE® product, but the underlying patents and license expire in August 2010. In addition, InfrastruX holds a number of U.S. and international patents, most of which relate to certain materials used in treating cables with CableCURE®. InfrastruX also holds the patent and trademark to CableWISE®. If we fail to protect InfrastruX's intellectual property rights adequately, our competitors may gain access to that technology, and InfrastruX's cable restoration business may be harmed. Any of InfrastruX's intellectual property rights may be challenged by others or invalidated through administrative processes or litigation proceedings. Despite our efforts to protect InfrastruX's proprietary technology, unauthorized persons may be able to copy, reverse engineer or otherwise use some of its 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 U.S. For these reasons, we may have difficulty protecting InfrastruX's 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 InfrastruX's proprietary technology. This type of litigation is often costly and time consuming, with no assurance of success.

InfrastruX contributes to multi-employer plans that could result in liabilities to us if those plans are terminated or InfrastruX withdraws from those plans.

InfrastruX contributes to several multi-employer pension plans for employees covered by collective bargaining agreements. These plans are not administered by InfrastruX, 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. InfrastruX does not routinely review information on the net assets and actuarial present value of the multi-employer pension plans' unfunded vested benefits allocable to it, if any, and InfrastruX is not presently aware of the amounts, if any, for which it may be contingently liable if it were to withdraw from any of these plans. In addition, if the funding of any of these multi-employer plans becomes in critical status under the Pension Protection Act of 2006, InfrastruX could be required to make significant additional contributions to those plans.

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 industry generally;

general conditions in our customers' industries; and

general conditions in the securities markets.

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

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 issue 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.

In the event we issue stock as consideration for certain acquisitions, 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 prior sale of common stock, warrants and convertible notes, and our outstanding warrants and convertible notes may lead to further dilution of our issued and outstanding stock.

In November 2007, we completed an underwritten public offering of 7,906,250 shares of our common stock. In October 2006, we sold 3,722,360 shares of our common stock and warrants to purchase an additional 558,354 shares (of which, warrants to purchase 536,925 shares of common stock remained outstanding at December 31, 2009). The issuance of warrants and the prior issuance of \$70.0 million in aggregate principal amount of our 2.75% Convertible Senior Notes due 2024 (the 2.75% Notes) and \$84.5 million of our 6.5% Senior Convertible Notes due 2012 (the 6.5% Notes) may cause a significant increase in the number of shares of common stock currently outstanding. In May 2007, we induced the conversion of approximately \$52.5 million in aggregate principal amount of our outstanding 6.5% Notes into a total of 2,987,582 shares of our common stock. In addition, certain holders have exercised their right to convert the 2.75% Notes, converting approximately \$10.6 million in aggregate principal amount of the 2.75% Notes into 546,633 shares of our common stock as of December 31, 2009. As of December 31, 2009, 3,048,641 shares of common stock are issuable upon conversion of approximately \$59.4 million in aggregate principal amount of the 2.75% Notes and 1,825,587 shares of common stock are issuable upon conversion of approximately \$32.1 million in aggregate principal amount of the 6.5% Notes. If we elect to induce the conversion of additional convertible notes or holders elect to convert additional convertible notes, there may be a significant increase in the number of shares of our common stock outstanding.

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 issuing any such preferred stock other than pursuant to any earnout payments that may be made in connection with our acquisition of InfrastruX, it reserves the right to do so in the future.

Table of Contents**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table provides information about purchases of our common stock by us during the quarter ended June 30, 2010:

| | | | | 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 |
|---------------|----------------|---|---|---|---|
| | | Total Number of Shares Purchased⁽¹⁾ | Average Price Paid Per Share⁽²⁾ | | |
| April 1, 2010 | April 30, 2010 | 166 | \$ 12.20 | | |
| May 1, 2010 | May 31, 2010 | 1,679 | 10.51 | | |
| June 1, 2010 | June 30, 2010 | 1,877 | 8.36 | | |
| Total | | 3,722 | \$ 9.50 | | |

(1) Shares of common stock acquired from certain of our officers and key employees under the share withholding provisions of our 1996 Stock Plan for the payment of taxes associated with the vesting of shares of restricted stock granted under such plan.

(2) The price paid per common share represents the closing sales price of a share

of our common stock, as reported in the New York Stock Exchange composite transactions, on the day that the stock was acquired by us.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Reserved

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The following documents are included as exhibits to this Form 10-Q. Those exhibits below incorporated by reference herein are indicated as such by the information supplied in the parenthetical thereafter. If no parenthetical appears after an exhibit, such exhibit is filed herewith.

- 2.1 Amendment to Agreement and Plan of Merger dated as of May 17, 2010, among Willbros, Co Merger Sub I, Inc., Ho Merger Sub II, LLC and InfrastruX Group, Inc. (filed as Exhibit 2 to our report on Form 8-K dated May 17, 2010, filed May 20, 2010).
- 2.2 Second Amendment to Agreement and Plan of Merger dated as of June 22, 2010, among Willbros, Co Merger Sub I, Inc., Ho Merger Sub II, LLC and InfrastruX Group, Inc. (filed as Exhibit 2 to our report on Form 8-K dated June 22, 2010, filed June 28, 2010).
- 3 Certificate of Designations of Series A Preferred Stock (filed as Exhibit 2 to our report on Form 8-K dated June 30, 2010, filed July 7, 2010).
- 4 Form of Amendment to Consent Agreement and Third Supplemental Indenture (filed as Exhibit 4.3 to our report on Form 10-Q for the quarter ended March 31, 2010, filed May 10, 2010).
- 10.1 Credit Agreement dated as of June 30, 2010 among Willbros United States Holdings, Inc., as borrower, Willbros Group, Inc. and certain of its subsidiaries, as guarantors, the lenders from time to time party thereto, 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 (filed as Exhibit 10 to our report on Form 8-K dated June 30, 2010, filed on July 7, 2010).
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- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WILLBROS GROUP, INC.

Date: August 4, 2010

By: /s/ Van A. Welch
Van A. Welch
Senior Vice President and Chief
Financial Officer (Principal Financial
Officer and Principal Accounting
Officer)

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