

WILLBROS GROUP INC
Form 10-Q
August 09, 2007

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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, 2007

OR

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

For the transition period from _____ to _____

Commission file number 1-11953

Willbros Group, Inc.

(Exact name of registrant as specified in its charter)

Republic of Panama
(Jurisdiction of incorporation)

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

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

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

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

NOT APPLICABLE

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):
Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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 August 1, 2007 was 29,094,228.

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FORM 10-Q
FOR QUARTER ENDED JUNE 30, 2007

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Certification of CFO Pursuant to Section 302

Certification of CEO Pursuant to Section 906

Certification of CFO Pursuant to Section 906

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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, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 107,762	\$ 37,643
Accounts receivable, net of allowance of \$572 and \$598	101,280	137,104
Contract cost and recognized income not yet billed	27,439	11,027
Prepaid expenses	12,184	17,299
Parts and supplies inventories	2,329	2,069
Other current assets	22,434	
Assets of discontinued operations	12,738	294,192
Total current assets	286,166	499,334
Deferred tax assets	10,572	5,064
Property, plant and equipment, net of accumulated depreciation and amortization of \$83,592 and \$78,941	92,558	65,347
Goodwill	7,057	6,683
Other noncurrent assets	10,215	11,826
Total assets	\$ 406,568	\$ 588,254
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Notes payable and current portion of long-term debt	\$ 13,828	\$ 5,562
Accounts payable and accrued liabilities	138,280	122,352
Contract billings in excess of cost and recognized income	9,458	14,947
Accrued income taxes	4,954	3,556
Liabilities of discontinued operations	6,823	182,092
Total current liabilities	173,343	328,509
2.75% convertible senior notes	70,000	70,000
6.5% senior convertible notes	32,050	84,500
Long-term debt	25,588	7,077
Long-term liability for unrecognized tax benefits	6,798	
Other noncurrent liabilities	237	237
Total liabilities	308,016	490,323

Contingencies and commitments (Note 11)

Stockholders' equity:

Class A preferred stock, par value \$.01 per share, 1,000,000 shares authorized,
none issued

Common stock, par value \$.05 per share, 70,000,000 shares authorized;

29,234,588 shares issued (25,848,596 at December 31, 2006)

Capital in excess of par value

Accumulated deficit

Treasury stock at cost, 203,610 shares (167,844 at December 31, 2006)

Accumulated other comprehensive income

Total stockholders' equity

Total liabilities and stockholders' equity

1,461	1,292
271,841	217,036
(183,058)	(120,603)
(2,651)	(2,154)
10,959	2,360
98,552	97,931
\$ 406,568	\$ 588,254

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Contract revenue	\$ 156,743	\$ 119,128	\$ 363,452	\$ 226,715
Operating expenses:				
Contract	137,869	105,747	331,701	207,210
Depreciation and amortization	4,310	2,924	7,766	5,915
General and administrative	13,422	11,636	24,847	22,041
Government fines and penalties	24,000		24,000	
	179,601	120,307	388,314	235,166
Operating loss	(22,858)	(1,179)	(24,862)	(8,451)
Other income (expense):				
Interest income	1,840	528	3,404	1,012
Interest expense	(2,027)	(2,315)	(4,481)	(4,435)
Other net	(502)	(452)	(692)	(327)
Loss on early extinguishment of debt	(15,375)		(15,375)	
	(16,064)	(2,239)	(17,144)	(3,750)
Loss from continuing operations before income taxes	(38,922)	(3,418)	(42,006)	(12,201)
Provision for income taxes	1,457	1,686	1,712	1,432
Net loss from continuing operations	(40,379)	(5,104)	(43,718)	(13,633)
Loss from discontinued operations net of provision for income taxes	(3,860)	(33,048)	(12,368)	(29,113)
Net loss	\$ (44,239)	\$ (38,152)	\$ (56,086)	\$ (42,746)
Basic loss per common share:				
Loss from continuing operations	\$ (1.47)	\$ (0.24)	\$ (1.65)	\$ (0.63)
Loss from discontinued operations	(0.14)	(1.53)	(0.47)	(1.36)
Net loss	\$ (1.61)	\$ (1.77)	\$ (2.12)	\$ (1.99)

Diluted loss per common share:

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Loss from continuing operations	\$	(1.47)	\$	(0.24)	\$	(1.65)	\$	(0.63)
Loss from discontinued operations		(0.14)		(1.53)		(0.47)		(1.36)
Net loss	\$	(1.61)	\$	(1.77)	\$	(2.12)	\$	(1.99)

Weighted average number of common shares
outstanding:

Basic	27,515,593	21,538,964	26,505,438	21,442,247
Diluted	27,515,593	21,538,964	26,505,438	21,442,247

See accompanying notes to condensed consolidated financial statements.

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WILLBROS GROUP, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME (LOSS)
(In thousands, except share and per share amounts)
(Unaudited)

	Common Stock Shares	Par Value	Capital in Excess of Par Value	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance, January 1, 2007	25,848,596	\$ 1,292	\$ 217,036	\$ (120,603)	\$ (2,154)	\$ 2,360	\$ 97,931
Cumulative effect of adoption of FIN 48				(6,369)			(6,369)
Balance January 1, 2007, as adjusted	25,848,596	1,292	217,036	(126,972)	(2,154)	2,360	91,562
Comprehensive loss:							
Net loss				(56,086)			(56,086)
Realization of loss on sale of Nigeria assets and operations						3,773 ⁽¹⁾	3,773
Foreign currency translation adjustment						4,826	4,826
Total comprehensive loss							(47,487)
Deferred compensation			1,922				1,922
Restricted stock grants	345,577	17	(17)				
Vesting of restricted stock rights	9,583	1	(1)				
Additions to treasury stock, vesting restricted stock					(497)		(497)
Exercise of stock options	43,250	2	631				633
Stock issued on conversions of 6.5% senior	2,987,582	149	52,301				52,450

convertible notes								
Additional cost of private placement			(31) ⁽²⁾					(31)
Balance, June 30, 2007	29,234,588	\$ 1,461	\$ 271,841	\$ (183,058)	\$ (2,651)	\$ 10,959	\$	98,552

(1) Removal of previously recorded foreign currency translation adjustments associated with the Company's Nigeria operations.

(2) Private placement completed October 26, 2006.

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,	
	2007	2006
Cash flows from operating activities:		
Net loss	\$ (56,086)	\$ (42,746)
Reconciliation of net loss to net cash provided by (used in) operating activities:		
Loss from discontinued operations	12,368	29,113
Depreciation and amortization	7,766	5,915
Amortization of debt issue costs	1,007	737
Amortization of deferred compensation	1,922	1,868
Amortization of discount on notes receivable for stock purchases		(8)
Loss on early extinguishment of debt	15,375	
Gain on sales of property, plant and equipment	(847)	(67)
Provision for bad debts	42	146
Deferred income tax provision	(5,511)	(1,396)
Changes in operating assets and liabilities:		
Accounts receivable, net	36,312	(2,554)
Contract cost and recognized income not yet billed	(16,068)	(4,039)
Prepaid expenses	15,252	3,514
Parts and supplies inventories	(260)	436
Other noncurrent assets	(1,408)	204
Accounts payable and accrued liabilities	80	(2,449)
Accrued income taxes	1,127	251
Long-term liability for unrecognized tax benefits	429	
Contract billings in excess of cost and recognized income	(5,494)	649
Cash provided by (used in) operating activities of continuing operations	6,006	(10,426)
Cash used in operating activities of discontinued operations	(16,219)	(41,866)
Cash used in operating activities	(10,213)	(52,292)
Cash flows from investing activities:		
Proceeds from the sale of discontinued operations, net	130,568	25,082
Proceeds from sales of property, plant and equipment	1,428	1,226
Deposit for acquisition	(21,181)	
Purchases of property, plant and equipment	(7,938)	(4,996)
Cash provided by investing activities of continuing operations	102,877	21,312
Cash used in investing activities of discontinued operations		(4,000)
Cash provided by investing activities	102,877	17,312
Cash flows from financing activities:		
Proceeds from issuance of 6.5% senior convertible notes		19,500
Loss on early extinguishment of debt	(12,993)	
Proceeds from issuance of common stock, net	602	2,226

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Repayment of notes payable	(6,020)	(5,950)
Costs of debt issues	(286)	(3,776)
Acquisition of treasury stock	(497)	(428)
Repayments of long-term debt		(230)
Payments on capital leases	(2,898)	(161)
Cash provided by (used in) financing activities of continuing operations	(22,092)	11,181
Cash provided by financing activities of discontinued operations		

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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,	
	2007	2006
Cash provided by (used in) financing activities	(22,092)	11,181
Effect of exchange rate changes on cash and cash equivalents	\$ (453)	\$ (118)
Cash provided by (used in) all activities	70,119	(23,917)
Cash and cash equivalents, beginning of period	37,643	55,933
Cash and cash equivalents, end of period	\$ 107,762	\$ 32,016
 Supplemental disclosures of cash flow information:		
Cash paid for interest (including discontinued operations)	\$ 4,038	\$ 3,620
Cash paid for income taxes (including discontinued operations)	\$ 5,782	\$ 7,259
 Supplemental non-cash investing and financing transactions (all related to continuing operations):		
Prepaid insurance obtained by note payable	\$ 10,051	\$ 9,385
Note receivable obtained by sale of discontinued operations	\$ 2,625	\$
Equipment obtained by capital leases	\$ 25,125	\$ 1,446

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. Basis of Presentation

Willbros Group, Inc., a Republic of Panama corporation, and all of its majority-owned subsidiaries (the Company) provide construction, engineering, specialty services and development activities to the oil, gas and power industries and government entities. The Company's principal markets for continuing operations are the United States, Canada, and the Middle East.

The accompanying Condensed Consolidated Balance Sheet as of December 31, 2006, which has been derived from audited consolidated financial statements, and the preceding unaudited interim Condensed Consolidated Financial Statements as of June 30, 2007, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations. However, the Company believes the presentations and disclosures herein are adequate to make the information not misleading. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Company's December 31, 2006 audited Consolidated Financial Statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

In the opinion of management, the unaudited Condensed Consolidated Financial Statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position as of June 30, 2007, the results of operations and cash flows of the Company for all interim periods presented, and stockholders' equity for the six months ended June 30, 2007. The results of operations and cash flows for the six months ended June 30, 2007 are not necessarily indicative of the operating results and cash flows to be achieved for the full year.

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

As discussed in Note 3 Discontinuance of Operations, Asset Disposals, and Transition Services Agreement, the Company sold its TXP-4 Plant on January 12, 2006, its Venezuelan operations and assets on August 17 and November 28, 2006, and its assets and operations in Nigeria on February 7, 2007. 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.

Certain prior period amounts have been reclassified to be consistent with current presentation.

Cash and cash equivalents as of December 31, 2006 and June 30, 2007 includes \$10,000 of cash required as a minimum balance as stipulated by the Company's 2006 Credit Facility. See Note 5 Long-term Debt.

Other current assets as of June 30, 2007 represents a deposit for the acquisition of Midwest Management (1987), Limited (Midwest) of \$22,434. See Note 13 Subsequent Events.

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

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

2. New Accounting Pronouncements*SFAS No. 157*

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS No. 157). SFAS No. 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. SFAS No. 157 is effective for the Company's fiscal year beginning January 1, 2008. The Company is currently evaluating what impact, if any, this statement will have on its consolidated financial statements.

SFAS No. 159

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS No. 159). SFAS No. 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating what impact, if any, this statement will have on its consolidated financial statements.

FIN 48

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement 109 (FIN 48). The Company adopted FIN 48 on January 1, 2007. FIN 48 establishes a single model to address accounting for uncertain tax positions. FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on deregulation, measurement classification, interest and penalties, accounting in interim periods, disclosure, and transition.

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

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

Effect of adopting FIN 48 at January 1, 2007	\$ 6,369
Income tax liabilities recognized prior to adoption of FIN 48	158
Additions based on tax positions related to the current year	48
Additions for tax positions of prior years	223
Balance at June 30, 2007	\$ 6,798

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. The Company has recognized interest and penalties in its cumulative adjustment to the beginning accumulated deficit in the amount of \$568. During the six months ended June 30, 2007, the Company recognized \$223 of interest and penalties in income tax expense primarily related to tax positions taken in prior years. Interest and penalties are included in the table above.

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

In 2006, the Company announced that it intended to sell the TXP-4 Plant, and its assets and operations in Venezuela and Nigeria, which led to their classification as discontinued operations (Discontinued Operations). The net assets and net liabilities related to the Discontinued Operations are shown on the Condensed Consolidated Balance Sheets as Assets of discontinued operations and Liabilities of discontinued operations ,

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

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

respectively. The results of the Discontinued Operations are shown on the Condensed Consolidated Statements of Operations as Loss from discontinued operations, net of provision for income taxes for all periods presented.

Nigeria*Business Disposal*

On February 7, 2007, the Company completed the sale of its Nigeria assets and operations to Ascot Offshore Nigeria Limited (Ascot), a Nigerian energy services company, for total consideration of \$155,250. The sale was pursuant to a Share Purchase Agreement by and between the Company and Ascot dated as of February 7, 2007 (the Agreement), providing for the purchase by Ascot of all of the share capital of WG Nigeria Holdings Limited (WGNHL) the holding company for Willbros West Africa, Inc., Willbros (Nigeria) Limited, Willbros (Offshore) Nigeria Limited and WG Nigeria Equipment Limited.

Under the terms of the Agreement, Ascot paid the purchase price of \$155,250 by making cash payments of \$16,000 in December 2006, \$134,000 on February 7, 2007, and \$2,625 on February 12, 2007. The remaining balance of \$2,625 is in the form of an interest-bearing note (the Ascot Note), which was due August 1, 2007 and as of the filing date, has not been collected. The Ascot Note is secured by the guarantee of Ascot's parent company, Berkeley Group plc (Berkeley), a company organized under the laws of the Federal Republic of Nigeria. See additional comments below under the heading Ascot Negotiations regarding the collectibility of the Ascot Note. The total cost of the transaction, including the \$10,500 buyout of the minority interests that were subsequently sold to Ascot as part of the sale transaction, is estimated to be approximately \$16,000.

In connection with the sale of its Nigeria assets and operations, the Company and its subsidiary Willbros International, Inc. (WII) entered into an indemnity agreement with Ascot and Berkeley (the Indemnity Agreement), pursuant to which Ascot and Berkeley will indemnify the Company and WII for any obligations incurred by the Company or WII in connection with the parent company performance guarantees (the Guarantees) that the Company and WII previously issued and maintained on behalf of certain former subsidiaries now owned by Ascot under certain working contracts between the subsidiaries and their customers. Either the Company, WII or both are contractually obligated under the Guarantees to perform or cause to be performed work related to several ongoing projects in Nigeria. 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. No claims have been made against the Guarantees.

At June 30, 2007, the Company had \$20,322 of letters of credit outstanding associated with Discontinued Operations. At the time of the February 7, 2007 sale of the Nigeria assets and operations, in accordance with FASB Interpretation No. 45, Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (FIN 45), a liability was recognized for \$1,575 related to the letters of credit. This liability will be released as the letters of credit are released or expire. In accordance with the Agreement, these letters of credit are backstopped by U.S. dollar denominated letters of credit issued by Intercontinental Bank Plc, a Nigerian bank. These backstop letters of credit provide security to the Company in the event any of the Company's outstanding letters of credit are called. The letters of credit are scheduled to expire in the amount of \$440 on December 19, 2007, \$19,759 on August 31, 2008, and \$123 on February 28, 2009.

Transition Services Agreement (TSA)

Concurrent with the Nigeria sale, we entered into a two-year TSA with the purchaser, Ascot. Under the agreement, we are primarily providing labor in the form of seconded employees to work under the direction of

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

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

Ascot along with specifically defined work orders for services generally covered in the transition services agreement. Ascot has agreed to reimburse us for these services. Through June 30, 2007, these reimbursable contract costs totaled approximately \$16,590. The after-tax residual net loss from providing these transition services is \$103, or less than 1% of the incurred costs for the six months ended June 30, 2007. Both the Company and Ascot are working to shift the transition services provided by us to direct services secured by Ascot. The Company is also negotiating the rental rates or purchase prices for Company owned equipment still being used by Ascot in Nigeria. The equipment provided under the TSA includes Company-owned property, plant, and equipment being used by Ascot in Nigeria with a net book value of \$2,824 and an estimated fair value of between \$10,000 and \$13,000.

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

Ascot Negotiations

Over the past several months, Ascot and the Company have been in negotiations (the Negotiations) concerning sale related items, primarily the working capital purchase price adjustment and various indemnifications. The Company has reached an agreement in principle with Ascot on these negotiations. Based on this agreement in principle as of June 30, 2007 the Company increased liabilities related to sale contingencies by \$3,603 to \$25,000. The Company has recognized a loss of \$1,258 on the sale of the Company's Nigeria assets and operations. The final gain or loss determination will be subject to the execution of the agreement in principle.

The Company continues to negotiate with Ascot regarding Company owned equipment that is being provided to Ascot under the TSA. The Company and Ascot have agreed in principle to resolve this issue and both parties are working towards this resolution.

A by-product of these Negotiations has been a delay in the payment of the invoices for services provided under the terms of the TSA. Ascot has unpaid invoices totaling \$9,109 as of June 30, 2007. In addition to the unpaid TSA receivables, the \$2,625 Ascot Note became due as of August 1, 2007 and has not been paid. As part of the agreement in principle the Company believes the receivables from Ascot, TSA receivable balance and the Ascot Note, will be brought current.

Venezuela*Business Disposal*

On November 28, 2006, the Company completed the sale of its assets and operations in Venezuela. The Company received total compensation of \$7,000 in cash and \$3,300 in the form of a commitment from the buyer, to be paid on or before December 4, 2013. The repayment commitment is limited to the Venezuelan operation's 10 percent interest in the Harwat joint venture, which is to be paid to the Company by receipt of any distributions from Harwat to its joint interest venture partners. As of June 30, 2007, no distributions have been made. The Company estimates no gain or loss on the sale of its assets and operations in Venezuela.

TXP-4 Plant*Asset Disposal*

On January 12, 2006, the Company completed the sale of its TXP-4 Plant. The Company received cash payments of \$27,944 for the sale and realized a gain of \$1,342, net of taxes of \$691, reflected as a component of the Loss from discontinued operations, net of provision for income taxes on the Condensed Consolidated Statement of Operations.

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

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(Unaudited)

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

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

	Three Months Ended June 30, 2007				Discontinued
	Nigeria	Nigeria TSA	Venezuela	Opal TXP-4	Operations
Contract revenue	\$	\$ 10,719	\$	\$	\$ 10,719
Operating expenses:					
Contract		9,973			9,973
Depreciation and amortization		312			312
General and administrative		346			346
		10,631			10,631
Operating income		88			88
Other income (expense)	(3,603)	1			(3,602)
Income before income taxes	(3,603)	89			(3,514)
Provision for income taxes		346			346
Net loss	\$(3,603)	\$ (257)	\$	\$	\$ (3,860)

	Three Months Ended June 30, 2006				Discontinued
	Nigeria	Nigeria TSA	Venezuela	Opal TXP-4	Operations
Contract revenue	\$ 132,143	\$	\$ 132	\$	\$ 132,275
Operating expenses:					
Contract	134,748		88		134,836
Depreciation and amortization	1,658		145		1,803
General and administrative	7,993		192		8,185
	144,399		425		144,824
Operating loss	(12,256)		(293)		(12,549)
Other income (expense)	(14,723)		79		(14,644)
Loss before income taxes	(26,979)		(214)		(27,193)

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Provision for income taxes	5,720		135		5,855
Net loss	\$ (32,699)	\$	\$ (349)	\$	\$ (33,048)

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3. Discontinuance of Operations, Asset Disposals, and Transition Services Agreement (continued)**Six Months Ended June 30, 2007**

	Nigeria (1)	Nigeria TSA	Venezuela	Opal TXP-4	Discontinued Operations
Contract revenue	\$ 30,046	\$ 17,081	\$	\$	\$ 47,127
Operating expenses:					
Contract	34,360	15,837			50,197
Depreciation and amortization		312			312
General and administrative	3,472	441			3,913
	37,832	16,590			54,422
Operating income (loss)	(7,786)	491			(7,295)
Other income (expense)	(3,387)	1			(3,386)
Income (loss) before income taxes	(11,173)	492			(10,681)
Provision for income taxes	1,092	595			1,687
Net loss	\$ (12,265)	\$ (103)	\$	\$	\$ (12,368)

(1) Reflects operations through February 7, 2007

Six Months Ended June 30, 2006

	Nigeria	Nigeria TSA	Venezuela	Opal TXP-4	Discontinued Operations
Contract revenue	\$ 272,971	\$	\$ 214	\$	\$ 273,185
Operating expenses:					
Contract	260,054		448		260,502
Depreciation and amortization	3,608		378		3,986
General and administrative	13,155		276		13,431
	276,817		1,102		277,919
Operating loss	(3,846)		(888)		(4,734)
Other income (expense)	(14,500)		165	2,033	(12,302)
Income (loss) before income taxes	(18,346)		(723)	2,033	(17,036)
Provision for income taxes	11,243		143	691	12,077

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Net income (loss)	\$ (29,589)	\$	\$ (866)	\$	1,342	\$ (29,113)
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3. Discontinuance of Operations, Asset Disposals, and Transition Services Agreement (continued)
Financial Position of Discontinued Operations

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

	June 30, 2007				Discontinued
	Nigeria	Nigeria TSA	Venezuela	Opal TXP-4	Operations
Current assets:					
Cash and cash equivalents	\$	\$ 126	\$	\$	\$ 126
Accounts receivable, net		9,109			9,109
Prepaid expenses		1,704			1,704
Total current assets		10,939			10,939
Property, plant and equipment, net		1,241			1,241
Other noncurrent assets		558			558
Total assets		12,738			12,738
Current liabilities		6,823			6,823
Total current liabilities		6,823			6,823
Net assets of discontinued operations	\$	\$ 5,915	\$	\$	\$ 5,915

	December 31, 2006				Discontinued
	Nigeria	Nigeria TSA	Venezuela	Opal TXP-4	Operations
Current assets:					
Cash and cash equivalents	\$ 12,964	\$	\$	\$	\$ 12,964
Restricted cash	36,683				36,683
Accounts receivable, net	76,673				76,673
Contract cost and recognized income not yet billed	79,364				79,364
Prepaid expenses	16,017				16,017
Parts and supplies inventories	21,645				21,645
Total current assets	243,346				243,346
Property, plant and equipment, net	50,723				50,723
Other noncurrent assets	123				123
Total assets	294,192				294,192
Current liabilities	148,135				148,135
Loss provision on contracts	33,957				33,957

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Total current liabilities	182,092				182,092
Net assets of discontinued operations	\$ 112,100	\$	\$	\$	\$ 112,100

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3. Discontinuance of Operations, Asset Disposals, and Transition Services Agreement (continued)*Cash and Cash Equivalents*

Nigeria had restricted cash of \$36,683 on December 31, 2006. The December 31, 2006 balance was in a consortium bank account that required the approval of the Company and its consortium partner to disburse funds. Additionally, cash and cash equivalents for Nigeria contained \$9,482 at December 31, 2006, that was appropriated for use by specific projects.

Parts and Supplies Inventories

Nigeria had parts and supplies inventories of \$21,645, net of reserves of \$12,159, at December 31, 2006.

Loss Provision on Contracts

The Company had recognized \$33,957 of estimated losses related to two projects in Nigeria as of December 31, 2006.

Contingencies, Commitments and Other Circumstances

At December 31, 2006, other noncurrent assets and accounts receivable of the Discontinued Operations include anticipated recoveries from insurance or third parties of \$1,191, primarily related to the repair of pipelines.

4. Contracts in Progress

Contract costs and recognized income not yet billed on uncompleted contracts arise when revenues have been recorded but the amounts cannot be billed under the terms of the contracts. Such amounts are recoverable from 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 are 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 net expense (recorded as a reduction in revenues), may be required, in addition to amounts that have been previously provided for.

Contract cost and recognized income not yet billed, and contract billings in excess of cost and recognized income, as of June 30, 2007 and December 31, 2006 was as follows:

	June 30, 2007	December 31, 2006
Contract cost and recognized income not yet billed	\$ 27,439	\$ 11,027
Contract billings in excess of cost and recognized income	(9,458)	(14,947)
	\$ 17,981	\$ (3,920)

Contract cost and recognized income not yet billed includes \$19 and \$1,191 at June 30, 2007, and December 31, 2006, respectively, on completed contracts.

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5. Long-term Debt

Long-term debt as of June 30, 2007 and December 31, 2006 was as follows:

	June 30, 2007	December 31, 2006
2.75% convertible senior notes	\$ 70,000	\$ 70,000
Capital lease obligations	34,248	11,601
6.5% senior convertible notes	32,050	84,500
Other obligations	122	51
2006 Credit Facility		
Total debt	136,420	166,152
Less current portion	(8,782)	(4,575)
Long-term debt	\$ 127,638	\$ 161,577

2006 Credit Facility

On October 27, 2006, Willbros USA, Inc., a wholly owned subsidiary of the Company, entered into a new \$100,000 three-year senior secured synthetic credit facility (the 2006 Credit Facility) with a group of lenders led by Calyon New York Branch (Calyon). The 2006 Credit Facility replaced the Company's 2004 Credit Facility. The Company may elect to increase the total capacity under the 2006 Credit Facility to \$150,000, with Calyon's consent. The Company had a commitment from Calyon, which expired August 7, 2007, to underwrite an increase to the 2006 Credit Facility by \$25,000 subject to certain terms and conditions. The 2006 Credit Facility may be used for standby and commercial letters of credit, borrowings or a combination thereof. Borrowings, which may be made up to \$25,000 less the amount of any letter of credit advances or financial letters of credit, must be repaid at least once a year and no new revolving advances may be made for a period of 10 consecutive business days thereafter.

Fees payable under the 2006 Credit Facility include a facility fee at a rate per annum equal to 5.0 percent of the 2006 Credit Facility capacity, payable quarterly in arrears (the facility fee will be reduced to 2.75 percent if the Company obtains a rating from S&P and Moody's greater than B and B2, respectively), and a letter of credit fee equal to 0.125 percent per annum of aggregate commitments. Interest on any borrowings is payable quarterly in arrears at the adjusted base rate minus 1.00 percent or at a Eurodollar rate at the Company's option. The 2006 Credit Facility is collateralized by substantially all of the Company's assets, including stock of the Company's principal subsidiaries. The Company may not make any acquisitions involving cash consideration in excess of \$5,000 in any 12-month period, and \$10,000 in the aggregate, without the approval of a majority of the lenders under the 2006 Credit Facility. On May 9, 2007, the Company received a consent to allow for the purchase of Midwest. See Note 13 Subsequent Events. The 2006 Credit Facility contains a requirement for the maintenance of a \$10,000 minimum cash balance, prohibits the payment of cash dividends and includes customary affirmative and negative covenants, such as limitations on the creation of certain new indebtedness and liens, restrictions on certain transactions and payments, maintenance of a maximum senior leverage ratio, a minimum fixed charge coverage ratio, and minimum tangible net worth requirement. A default may be triggered by events such as a failure to comply with financial covenants or other covenants, a failure to make payments when due, 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 as defined by the 2006 Credit Facility. The 2006 Credit Facility is guaranteed by the Company and certain other subsidiaries. Unamortized costs associated with the creation of the 2006 Credit Facility total \$1,832 and \$1,986 and are included in other noncurrent assets at June 30, 2007 and December 31, 2006, respectively. Because the 2006 Credit Facility has only been used to provide letters of credit, these costs are being amortized to general and administrative expense over the three-year term of the credit facility ending October 2009.

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5. Long -term Debt (continued)

On May 9, 2007 the Company received consent under the 2006 Credit Facility for the cash acquisition of Midwest. This consent stipulates that the cash consideration should not exceed \$C18,500 plus; actual working capital, working capital adjustment and reasonable fees and expenses incurred in connection with the acquisition of Midwest.

On May 16, 2007, the Company entered into an amendment to allow for cash payments not to exceed \$21,000 during the term of the 2006 Credit Facility with respect to fractional shares or as a part of a separately negotiated inducement to the holders of the 6.5% Senior Convertible Notes and 2.75% Convertible Senior Notes.

As of June 30, 2007, there were no borrowings outstanding under the 2006 Credit Facility and there were \$59,484 in outstanding letters of credit, consisting of \$39,162 issued for projects in continuing operations and \$20,322 issued for projects related to Discontinued Operations. As of December 31, 2006, there were no borrowings outstanding under the 2006 Credit Facility and there were \$64,545 in outstanding letters of credit, consisting of \$41,920 issued for projects in continuing operations and \$22,625 issued for projects related to Discontinued Operations.

6.5% Senior Convertible Notes

On December 22, 2005, the Company entered into a purchase agreement (the Purchase Agreement) for a private placement of \$65,000 aggregate principal amount of its 6.5% Senior Convertible Notes due 2012 (the 6.5% Notes). The private placement closed on December 23, 2005. During the first quarter of 2006, the initial purchasers of the 6.5% Notes exercised their options to purchase an additional \$19,500 aggregate principal amount of the 6.5% Notes. Collectively, the primary offering and the purchase option of the 6.5% Notes total \$84,500. The net proceeds of the offering were used to retire existing indebtedness and provide additional liquidity to support working capital needs.

The 6.5% Notes are governed by an indenture, dated December 23, 2005, that was entered into by and among the Company, as issuer, Willbros USA, Inc., as guarantor (WUSAI), and The Bank of New York Mellon Corporation, as Trustee (the Indenture), and were issued under the Purchase Agreement by and among the Company and the initial purchasers of the 6.5% Notes (the Purchasers), in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended (the Securities Act).

Pursuant to the Purchase Agreement, the Company and WUSAI have agreed to indemnify the Purchasers, their affiliates and agents, against certain liabilities, including liabilities under the Securities Act. The 6.5% Notes are convertible into shares of the Company's common stock at a conversion rate of 56.9606 shares of common stock per \$1,000.00 principal amount of notes (representing a conversion price of approximately \$17.56 per share resulting in 1,825,589 shares at June 30, 2007), subject to adjustment in certain circumstances. The 6.5% Notes are general senior unsecured obligations. Interest is due semi-annually on June 15 and December 15, and began on June 15, 2006.

The 6.5% Notes mature on December 15, 2012 unless the notes are repurchased or converted earlier. The Company does not have the right to redeem the 6.5% Notes. The holders of the 6.5% Notes have the right to require the Company to purchase the 6.5% Notes for cash, including unpaid interest, on December 15, 2010. The holders of the 6.5% Notes also have the right to require the Company to purchase the 6.5% Notes for cash upon the occurrence of a fundamental change, as defined in the Indenture. In addition to the amounts described above, the Company will be required to pay a make-whole premium to the holders of the 6.5% Notes who elect to convert their notes into the Company's common stock in connection with a fundamental change. The make-whole premium is payable in additional shares of common stock and is calculated based on a formula with the premium ranging from 0 percent to 28.0 percent depending on when the fundamental change occurs and the price of the Company's stock at the time the fundamental change occurs.

Upon conversion of the 6.5% Notes, the Company has the right to deliver, in lieu of shares of its common stock, cash or a combination of cash and shares of its common stock. Under the Indenture, the Company is required to notify holders of the 6.5% Notes of its method for settling the principal amount of the 6.5% Notes upon conversion. This notification, once provided, is irrevocable and legally binding upon the Company with regard to any conversion of the 6.5% Notes. On March 21, 2006, the Company notified holders of the 6.5% Notes of its election to satisfy its

conversion obligation with respect to the principal amount of any 6.5% Notes surrendered for conversion by paying the holders of such surrendered 6.5% Notes 100 percent of the principal conversion obligation in the form of common stock of the Company. Until the 6.5% Notes are surrendered for conversion, the Company will not be required to notify holders of its method for settling the excess amount of the conversion obligation relating to the amount of the conversion value above the principal amount, if any. In the event of a default of \$10,000 or more on any credit agreement, including the 2006 Credit Facility and the 2.75% Notes, a corresponding event of default would result under the 6.5% Notes.

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5. Long-term Debt (continued)

On May 18, 2007, the Company completed two transactions to induce conversion with two Purchasers of the 6.5% Notes. Under the conversion agreements, the Purchasers converted \$36,250 in aggregate principal amount of the 6.5% Notes into 2,064,821 shares of the Company's \$0.05 par value common stock. As an inducement for the Purchasers to convert, the Company made aggregate cash payments to the Purchasers of \$8,972, plus \$1,001 in accrued interest for the current interest period. In connection with the induced conversion, the Company recorded a loss on early extinguishment of debt of \$10,894. The loss on early extinguishment of debt is inclusive of the cash premium paid to induce conversion and \$1,922 of unamortized debt costs.

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

As of June 30, 2007, \$32,050 of aggregate principal amount of the 6.5% Notes remains outstanding. Unamortized debt issuance costs of \$1,412 and \$4,103 associated with the 6.5% Notes are included in other noncurrent assets at June 30, 2007 and December 31, 2006, respectively, and are being amortized over the seven-year period ending December 2012.

2.75% Convertible Senior Notes

On March 12, 2004, the Company completed a primary offering of \$60,000 of 2.75% Convertible Senior Notes (the 2.75% Notes). On April 13, 2004, the initial purchasers of the 2.75% Notes exercised their option to purchase an additional \$10,000 aggregate principal amount of the notes. Collectively, the primary offering and purchase option of the 2.75% Notes totaled \$70,000. The 2.75% Notes are general senior unsecured obligations. Interest is paid semi-annually on March 15 and September 15 and payments began on September 15, 2004. The 2.75% Notes mature on March 15, 2024 unless the notes are repurchased, redeemed or converted earlier. The Company may redeem the 2.75% Notes for cash on or after March 15, 2011, at 100 percent of the principal amount of the notes plus accrued interest. The holders of the 2.75% Notes have the right to require the Company to purchase the 2.75% Notes, including unpaid interest, on March 15, 2011, 2014, and 2019, or upon a change of control related event. On March 15, 2011, or upon a change in control event, the Company must pay the purchase price in cash. On March 15, 2014 and 2019, the Company has the option of providing its common stock in lieu of cash or a combination of common stock and cash to fund purchases. The holders of the 2.75% Notes may, under certain circumstances, convert the notes into shares of the Company's common stock at an initial conversion ratio of 51.3611 shares of common stock per \$1,000.00 principal amount of notes (representing a conversion price of approximately \$19.47 per share resulting in 3,595,277 shares at June 30, 2007 subject to adjustment in certain circumstances). The notes will be convertible only upon the occurrence of certain specified events including, but not limited to, if, at certain times, the closing sale price of the Company's common stock exceeds 120 percent of the then current conversion price, or \$23.36 per share, based on the initial conversion price. In the event of a default under any Company credit agreement other than the indenture covering the 2.75% Notes, (1) in which the Company fails to pay principal or interest on indebtedness with an aggregate principal balance of \$10,000 or more; or (2) in which indebtedness with a principal balance of \$10,000 or more is accelerated, an event of default would result under the 2.75% Notes.

On June 10, 2005, the Company received a letter from a law firm representing an investor claiming to be the owner of in excess of 25 percent of the 2.75% Notes asserting that, as a result of the Company's failure to timely file with the SEC its 2004 Form 10-K and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, it was placing the Company on notice of an event of default under the indenture dated as of March 12, 2004 between the Company,

as issuer, and JPMorgan Chase Bank, N.A., as trustee (the Indenture), which governs the 2.75% Notes. The Company indicated that it did not believe that it had failed to perform its obligations under the relevant provisions of the Indenture referenced in the letter. On August 19, 2005, the Company entered into a settlement agreement with the beneficial owner of the 2.75% Notes on behalf of whom the notice of default was sent, pursuant to which the Company agreed to use commercially reasonable efforts to solicit the requisite vote to approve an amendment to the Indenture (the Indenture Amendment). The Company obtained the requisite vote and on September 22, 2005, the Indenture Amendment became effective.

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5. Long-term Debt (continued)

The Indenture Amendment extended the initial date on or after which the 2.75% Notes may be redeemed by the Company to March 15, 2013 from March 15, 2011. In addition, a new provision was added to the Indenture which requires the Company, in the event of a fundamental change which is a change of control event in which 10 percent or more of the consideration in the transaction consists of cash, to make a coupon make-whole payment equal to the 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. Unamortized debt issue costs of \$1,916 and \$2,175 associated with the 2.75% Notes are included in other noncurrent assets at June 30, 2007 and December 31, 2006, respectively, and are being amortized over the seven-year period ending March 2011.

2004 Credit Facility

On March 12, 2004, the existing \$125,000 June 2002 credit agreement with Calyon was amended, restated and increased to \$150,000 (the 2004 Credit Facility). The 2004 Credit Facility would have matured on March 12, 2007 but was replaced on October 27, 2006 by the 2006 Credit Facility (See 2006 Credit Facility above). The 2004 Credit Facility was available for standby and commercial letters of credit, borrowings or a combination thereof. Borrowings were limited to the lesser of 40 percent of the borrowing base or \$30,000. Interest was payable quarterly at a base rate plus a margin ranging from 0.75 percent to 2.00 percent or on a Eurodollar rate plus a margin ranging from 1.75 percent to 3.00 percent. The 2004 Credit Facility was collateralized by substantially all of the Company's assets, including stock of the Company's principal subsidiaries, prohibited the payment of cash dividends and required the Company to maintain certain financial ratios. The borrowing base was calculated using varying percentages of cash, accounts receivable, accrued revenue, contract cost and recognized income not yet billed; property, plant and equipment, and spare parts.

During the period from August 6, 2004 to August 18, 2006, the Company entered into various amendments and waivers to the 2004 Credit Facility with its syndicated bank group to waive non-compliance with certain financial and non-financial covenants. Among other things, the amendments provided that (1) certain financial covenants and reporting obligations were waived and/or modified to reflect the Company's current and anticipated future operating performance, (2) the ultimate reduction of the facility to \$50,000 with a letter of credit limit of \$50,000 less the face amount of letters of credit issued prior to August 18, 2006, and required that each new letter of credit must be fully cash collateralized and that a letter of credit fee of 0.25 percent be paid for each cash collateralized letter of credit and (3) the Company maintain a minimum cash balance of \$15,000. The Sixth Amendment expired on September 30, 2006, and availability under the 2004 Credit Facility was reduced to zero. On October 27, 2006, the 2004 Credit Facility was replaced with the 2006 Credit Facility.

Capital Leases

During the second quarter of 2007 the Company entered into multiple capital lease agreements to acquire construction equipment. These leases in aggregate added approximately \$22,647, net, to the Company's total capital lease obligation. In aggregate these leases have interest rates ranging from 6.80% to 8.95% and have an average term of 36 months.

Assets held under capital leases at June 30, 2007 and December 31, 2006 are summarized below:

	June 30, 2007	December 31, 2006
Construction equipment	\$ 35,787	\$ 10,662
Land and buildings		1,446

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Furniture and office equipment	535	535
Total assets held under capital lease	36,322	12,643
Less accumulated amortization	(3,717)	(1,572)
Net assets under capital lease	\$ 32,605	\$ 11,071

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6. Loss Per Share

Basic EPS is computed by dividing net loss by the weighted average number of common shares outstanding for the period. Diluted EPS is based on the weighted average number of shares outstanding during each period and the assumed exercise or conversion of potential dilutive stock options, warrants and convertible shares 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.

Basic and diluted loss from continuing operations per common share for the three and six months ended June 30, 2007 and 2006, are computed as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net loss from continuing operations applicable to common shares	\$ (40,379)	\$ (5,104)	\$ (43,718)	\$ (13,633)
Weighted average number of common shares outstanding for basic loss per share	27,515,593	21,538,964	26,505,438	21,442,247
Weighted average number of dilutive potential common shares outstanding				
Weighted average number of common shares outstanding for diluted loss per share	27,515,593	21,538,964	26,505,438	21,442,247
Loss per common share from continuing operations:				
Basic	\$ (1.47)	\$ (0.24)	\$ (1.65)	\$ (0.63)
Diluted	\$ (1.47)	\$ (0.24)	\$ (1.65)	\$ (0.63)

The Company incurred net losses for the three months and six months ended June 30, 2007 and 2006 and has therefore excluded the securities listed below from the computation of diluted loss per share, as the effect would be anti-dilutive:

	Three and Six Months Ended June 30,	
	2007	2006
2.75% Convertible senior notes	3,595,277	3,595,277
6.5% Senior convertible notes	1,825,589	4,813,171
Stock options	741,000	792,900
Warrants to purchase common stock	558,354	
Restricted stock	514,815	238,000
	7,235,035	9,439,348

In accordance with Emerging Issues Task Force Issue 04-8, The Effect of Contingently Convertible Instruments on Diluted Earnings per Share , the 5,420,866 shares issuable upon conversion of both the 6.5% Notes and the 2.75% Notes will be included in diluted earnings per share if those securities are dilutive, regardless of whether the conversion prices of \$19.47 and \$17.56, respectively, have been met.

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7. Segment Information

The Company's segments are strategic business units that are managed separately as each has different operational requirements and strategies. In the first quarter of 2007, the Company redefined its segments based on the Company's core business functions rather than geographic markets as presented in prior periods. The Company's operating segments have been reorganized into the following reportable segments: *Construction*, *Engineering*, and *Engineering, Procurement and Construction (EPC)*. The three operating segments operate primarily in the United States, Canada, and the Middle East. In the comparable periods in 2006, the Company's reportable business segments were *US & Canada* and *International*. Prior period balances have been reclassified to reflect this change. Management evaluates the performance of each segment based on operating income. The Company's corporate operations include the general, administrative, and financing functions of the organization. The costs of these functions are allocated between the three operating segments. The Company's Corporate operations also include various other assets, some of which, are allocated between the three operating segments. There are no material inter-segment revenues in the periods presented.

The following tables reflect the Company's reconciliation of segment operating results to the net loss in the Condensed Consolidated Statement of Operations for the three and six months ended June 30, 2007 and 2006:

For the three months ended June 30, 2007:

	<i>Construction</i>	<i>Engineering</i>	<i>EPC</i>	<i>Corporate</i>	<i>Consolidated</i>
Contract revenue	\$ 111,949	\$ 20,801	\$ 23,993	\$	\$ 156,743
Operating expenses:					
Contract	99,558	14,543	23,768		137,869
Depreciation and amortization	3,790	190	330		4,310
General and administrative	9,696	2,251	1,475		13,422
Government fines and penalties				24,000	24,000
	113,044	16,984	25,573	24,000	179,601
Operating income (loss):	\$ (1,095)	\$ 3,817	\$ (1,580)	\$ (24,000)	(22,858)
Interest and other income (expense), net					(16,064)
Provision for income taxes					1,457
Net loss from continuing operations					(40,379)
Net loss from discontinued operations, net of provision for income taxes					(3,860)
Net loss					\$ (44,239)

For the three months ended June 30, 2006:

	<i>Construction</i>	<i>Engineering</i>	<i>EPC</i>	<i>Corporate</i>	<i>Consolidated</i>
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Contract revenue	\$	87,235	\$	19,924	\$	11,969	\$	119,128
Operating expenses:								
Contract		78,551		15,734		11,462		105,747
Depreciation and amortization		2,033		210		681		2,924
General and administrative		8,855		2,343		438		11,636
		89,439		18,287		12,581		120,307
Operating income (loss):	\$	(2,204)	\$	1,637	\$	(612)	\$	(1,179)
Interest and other income (expense), net								(2,239)
Provision for income taxes								1,686
Net loss from continuing operations								(5,104)
Net loss from discontinued operations, net of provision for income taxes								(33,048)
Net loss							\$	(38,152)

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7. Segment Information (continued)

For the six months ended June 30, 2007:

	<i>Construction</i>	<i>Engineering</i>	<i>EPC</i>	<i>Corporate</i>	<i>Consolidated</i>
Contract revenue	\$ 282,654	\$ 40,456	\$ 40,342	\$	\$ 363,452
Operating expenses:					
Contract	264,562	30,132	37,007		331,701
Depreciation and amortization	6,633	341	792		7,766
General and administrative	18,867	3,714	2,266		24,847
Government fines and penalties				24,000	24,000
	290,062	34,187	40,065	24,000	388,314
Operating income (loss):	\$ (7,408)	\$ 6,269	\$ 277	\$ (24,000)	(24,862)
Interest and other income (expense), net					(17,144)
Provision for income taxes					1,712
Net loss from continuing operations					(43,718)
Net loss from discontinued operations, net of provision for income taxes					(12,368)
Net loss					\$ (56,086)

For the six months ended June 30, 2006:

	<i>Construction</i>	<i>Engineering</i>	<i>EPC</i>	<i>Corporate</i>	<i>Consolidated</i>
Contract revenue	\$ 166,383	\$ 35,405	\$ 24,927	\$	\$ 226,715
Operating expenses:					
Contract	155,260	29,306	22,644		207,210
Depreciation and amortization	4,125	442	1,348		5,915
General and administrative	16,911	4,246	884		22,041
	176,296	33,994	24,876		235,166
Operating income (loss):	\$ (9,913)	\$ 1,411	\$ 51	\$	(8,451)
Interest and other income (expense), net					(3,750)
Provision for income taxes					1,432

Net loss from continuing operations	(13,633)
Net loss from discontinued operations, net of provision for income taxes	(29,113)
Net loss	\$ (42,746)

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WILLBROS GROUP, INC.
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7. Segment Information (continued)

Total assets by segment as of June 30, 2007 and December 31, 2006 are presented below:

	June 30, 2007	December 31, 2006
Construction	\$ 223,507	\$ 196,166
Engineering	14,878	15,346
EPC	20,655	15,170
Corporate	134,790	67,380
Total segment assets	\$ 393,830	\$ 294,062

8. 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 4,075,000 and 225,000, respectively, by stockholder approval. The Director Plan expired August 16, 2006. In 2006, the Company established the 2006 Director Restricted Stock Plan (the 2006 Director Plan) with 50,000 shares authorized for issuance to grant shares of restricted stock to non-employee directors.

Restricted stock and restricted stock rights, also described collectively as restricted stock units (RSU s), and options granted under the 1996 Plan vest generally over a three to four year period. Options granted under the Director Plan are fully vested. Restricted stock granted under the 2006 Director Plan vests one year after the date of grant. At June 30, 2007, the 1996 Plan had 471,110 shares and the 2006 Director Plan had 32,791 shares available for grant. Of the shares available at June 30, 2007, 250,000 shares in the 1996 Stock Plan are reserved for future grants required under employment agreements. Certain provisions allow for accelerated vesting based on increases of share prices and on eligible retirement. During the six months ended June 30, 2007 and 2006, \$16 and \$0 of compensation expense was recognized due to accelerated vesting of RSU s due to retirements and separation from the Company.

Effective January 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123R, Share Based Payment (SFAS 123R) using the modified prospective application method. Under this method, compensation cost recognized in the three and six months ended June 30, 2007 and 2006, includes the applicable amounts of: (a) compensation expense of all share-based payments granted prior to, but not yet vested as of, January 1, 2006 (based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, Accounting for Stock-Based Compensation), and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006 (based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R). The Company uses the Black-Scholes valuation method to determine the fair value of stock options granted as of the grant date.

Prior to January 1, 2006, the Company accounted for awards granted under the incentive plans following the recognition and measurement principles of Accounting Principles Board (APB) Opinion 25, Accounting for Stock Issued to Employees, and related Interpretations, as permitted by SFAS No. 123. Because it is the Company s policy to

grant stock options at the market price on the date of grant, the intrinsic value of these grants was zero and, therefore, no compensation expense was recorded.

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WILLBROS GROUP, INC.
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8. Stockholders Equity (continued)

Share-based compensation related to RSU s is recorded based on the Company s stock price as of the grant date. Recognition of share-based compensation related to RSU s was not impacted by the adoption of SFAS No. 123R. Expense from both stock options and RSU s totaled \$1,922 and \$1,868, respectively, for the six months ended June 30, 2007 and 2006 and \$935 and \$1,004, respectively, for the three months ended June 30, 2007 and 2006. The Company had no tax benefits related to either stock options or RSU s during the three and six months ended June 30, 2007 and 2006.

The fair values of options granted during the six months ended June 30, 2007 and 2006, were estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Six Months Ended June 30, 2006
Weighted average grant date fair value	\$ 6.69
Weighted average assumptions used:	
Expected volatility	45.10%
Expected lives	3.46 yrs
Risk-free interest rates	4.30%
Expected dividend yield	0.00%

No options were granted during the six months ended June 30, 2007. Volatility is calculated using an analysis of historical volatility. The Company believes that the historical volatility of the Company s stock is the best method for estimating future volatility. The expected lives of options are determined based on the Company s historical share option exercise experience. The Company believes the historical experience method is the best estimate of future exercise patterns currently available. The risk-free interest rates are determined using the implied yield currently available for zero-coupon U.S. government issues, with a remaining term equal to the expected life of the options.

Stock option activity for the six months ended June 30, 2007 consists of:

	Number of Options		Weighted Average Exercise Price
Outstanding at January 1, 2007	806,750	\$	13.46
Granted			
Exercised	43,250		14.59
Forfeited	22,500		8.09
Outstanding at June 30, 2007	741,000	\$	13.55
Exercisable at June 30, 2007	564,333	\$	12.33

As of June 30, 2007, the aggregate intrinsic value of stock options outstanding and stock options exercisable was \$11,951 and \$9,789, respectively. The weighted average remaining contractual term of outstanding options is

5.85 years and the weighted average remaining contractual term of the exercisable options is 4.88 years at June 30, 2007. The total intrinsic value of options exercised during the six months ended June 30, 2007 and 2006 was \$344 and \$2,174, respectively. There was no tax benefit realized related to those exercises.

The total fair value of options vested during the six months ended June 30, 2007 and 2006 was \$141 and \$26, respectively, and \$0 and \$26 during the three months ended June 30, 2007 and 2006, respectively.

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8. Stockholders Equity (continued)

The Company's non-vested options at June 30, 2007 and the changes in non-vested options during the six months ended June 30, 2007 are as follows:

	Shares	Weighted Average Grant-Date Fair Value
Nonvested, January 1, 2007	202,500	\$ 6.40
Granted		
Vested	25,833	5.47
Forfeited or expired		
Nonvested, June 30, 2007	176,667	\$ 6.53

The Company's RSU activity and related information for the six months ended June 30, 2007 consist of:

	Number of RSU's	Weighted Average Grant-Date Fair Value
Outstanding at January 1, 2007	300,116	\$ 17.85
Granted	392,485	21.15
Vested	104,836	17.59
Forfeited	9,750	19.74
Outstanding June 30, 2007	578,015	\$ 20.11

The RSU's outstanding at June 30, 2007 exclude 225,000 RSU's having a weighted average grant-date fair value of \$21.27, which are vested but have a deferred share issuance date. The total fair value of RSU's vested during the six months ended June 30, 2007 and 2006 was \$1,844 and \$2,560, respectively.

As of June 30, 2007, there was a total of \$10,123 of unrecognized compensation cost, net of estimated forfeitures, related to all non-vested share-based compensation arrangements granted under the Company's stock ownership plans. That cost is expected to be recognized over a weighted-average period of 2.2 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. At June 30, 2007, all warrants to purchase common stock remained outstanding.

Induced Conversion of 6.5% Notes

During the second quarter of 2007, the Company induced conversion and entered into conversion agreements with four purchasers of the 6.5% Notes. The purchasers converted an amount of \$52,450 of aggregate principal that resulted in the issuance of 2,987,582 shares of the Company's common stock, \$.05 par value.

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9. Income Taxes

The Company's effective tax rate is based on expected income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which it operates. For interim financial reporting, the Company records the tax provision based on actual current financial results for the period ended.

During the three and six months ended June 30, 2007, the Company recorded an income tax provision of \$1,457 and \$1,712, respectively, on losses before income taxes from continuing operations of \$38,922 and \$42,006. During the three and six months ended June 30, 2006, the Company recorded an income tax provision of \$1,686 and \$1,432, respectively, on losses before income taxes on continuing operations of \$3,418 and \$12,201. The circumstances that gave rise to the Company recording provisions for income taxes for the three and six months ended June 30, 2007 and 2006, were primarily due to taxable income being generated in Oman and Canada, and the Company having incurred non-deductible expenses in Panama, where the Company is domiciled.

10. 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, 2007 or December 31, 2006.

11. Contingencies, Commitments and Other Circumstances***Government Investigations***

On January 6, 2005, J. Kenneth Tillery, then President of Willbros International, Inc. (*WII*), who was principally responsible for international operations, including Bolivian operations, resigned from the Company. Following Mr. Tillery's resignation, the Audit Committee, working with independent outside legal counsel and forensic accountants retained by such legal counsel, commenced an independent investigation into the circumstances surrounding a Bolivian tax assessment and the actions of Mr. Tillery in other international locations. The Audit Committee's investigation identified payments that were made by or at the direction of Mr. Tillery in Bolivia, Nigeria and Ecuador, which may have been in violation of the United States Foreign Corrupt Practices Act (*FCPA*) and other United States laws. The investigation also revealed that Mr. Tillery authorized numerous transactions between Company subsidiaries and entities in which he apparently held an ownership interest or exercised significant control. In addition, the Company has learned that certain acts carried out by Mr. Tillery and others acting under his direction with respect to a bid for work in Sudan may constitute facilitation efforts prohibited by U.S. law, a violation of U.S. trade sanctions, and the unauthorized export of technical information.

The United States Securities and Exchange Commission (*SEC*) is conducting an investigation into whether the Company and others may have violated various provisions of the Securities Act of 1933 (the *Securities Act*) and the Securities Exchange Act of 1934 (the *Exchange Act*). The United States Department of Justice (*DOJ*) is investigating violations of the FCPA and other applicable laws. In addition, the United States Department of Treasury's Office of Foreign Assets Control (*OFAC*) is investigating the potentially improper facilitation and export activities.

The Company is cooperating fully with each of these investigations. If the Company or one of its subsidiaries is found to have violated the FCPA, that entity could be subject to civil penalties of up to \$650 per violation and criminal penalties of up to the greater of \$2,000 per violation or twice the gross pecuniary gain resulting from the improper conduct. If the Company or one of its subsidiaries is found to have violated trade sanctions or U.S. export restrictions, that entity could be subject to civil penalties of up to \$11 per violation and criminal penalties of up to \$250 per violation. There may be other penalties that could apply under other U.S. laws or the laws of

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11. Contingencies, Commitments and Other Circumstances (continued)

foreign jurisdictions. While the consequences of the DOJ and SEC investigations on the Company and its subsidiaries are uncertain, the possible consequences include, but are not limited to, debarment from participating in future U.S. government contracts and from participating in certain U.S. export transactions, default of existing credit facilities, restricted access to capital markets and insurance and harm to existing and future commercial relationships. The Company cannot predict the outcome of the investigations being conducted by the SEC and the DOJ, including the Company's exposure to civil or criminal fines or penalties, or other regulatory action, which could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, the Company's ability to obtain and retain business and to collect outstanding receivables in current or future operating locations could be negatively affected.

Government Fines and Penalties

As previously disclosed, the Company is under investigation by the Department of Justice (DOJ) concerning possible violations of the Foreign Corrupt Practices Act and the Securities and Exchange Commission (SEC) for possible violations of the Securities Act of 1933 and the Securities Exchange Act of 1934. These investigations stem primarily from the Company's former operations in Bolivia, Ecuador and Nigeria. The Company is currently engaged in preliminary settlement discussions with both the DOJ and the SEC relating to their investigations. There can be no assurance as to the type and number of charges against the Company in any final resolution of these investigations, nor can there be any assurance regarding the amount of the ultimate payments, including fines and penalties, that may be imposed. Although these discussions are still preliminary, the Company recorded a charge of \$24,000 (\$0.87 and \$0.91 per basic and diluted share for the three months and six months ended June 30, 2007, respectively) in the second quarter of 2007. This charge represents the Company's best estimate of the payments necessary to resolve the government investigations. The Company may be required to record an additional provision or reduce this provision if the actual settlement amount of these matters differs from the current provision. The Company anticipates that, the terms for these payments will not materially impact the Company's working capital position or otherwise negatively impact its compliance with debt covenants and other contractual commitments. Although the Company believes that it is moving towards a final resolution of both investigations, it is not possible to predict definitively when final resolution will occur.

In addition, we previously disclosed that the United States Department of Treasury's Office of Foreign Assets Control (OFAC) was investigating allegations of violations of the Sudanese Sanctions Regulations occurring during October 2003. We voluntarily reported this matter to OFAC and also have reported to OFAC corrective measures and improvements to our OFAC compliance program. OFAC and Willbros USA, Inc. have agreed in principle to settle the allegations pursuant to which we will pay a total of \$6.6 as a civil penalty.

Class-action Lawsuit

On May 18, 2005, a securities class-action lawsuit, captioned Legion Partners, LLP v. Willbros Group, Inc. et al., was filed in the United States District Court for the Southern District of Texas against the Company and certain of its present and former officers and directors. Thereafter, three nearly identical lawsuits were filed. Plaintiffs purported to represent a class composed of all persons who purchased or otherwise acquired Willbros Group, Inc. common stock and/or other securities between May 6, 2002 and May 16, 2005, inclusive. The complaint sought unspecified monetary damages and other relief. WGI filed a motion to dismiss the complaint on March 9, 2006, and briefing on that motion was completed on June 14, 2006. While the motion to dismiss was pending, WGI reached a settlement in principle with the Lead Plaintiff and the parties signed a Memorandum of Understanding (Settlement). The Settlement provides for a payment of \$10,500 to resolve all claims against all defendants. On February 15, 2007, the U.S. District Court for the Southern District of Texas issued an Order approving the Settlement. The Order dismissed with prejudice all claims against all defendants. No members of the settlement class exercised their right to be excluded from or object to the final settlement, which was funded by the Company's insurance carrier. The Court's Order ends

the class action litigation.

Other Circumstances

Operations outside the United States may be subject to certain risks, which ordinarily would not be expected to exist in the United States, including foreign currency restrictions, extreme exchange rate fluctuations, expropriation of assets, civil uprisings and riots, war, unanticipated taxes including income taxes, excise duties, import taxes, export taxes, sales taxes or other governmental assessments, availability of suitable personnel and equipment, termination of existing contracts and leases, government instability and legal systems of decrees, laws, regulations, interpretations and court decisions which are not always fully developed and which may be retroactively applied. Management is not presently aware of any events of the type described in the countries in which it operates that would have a material effect on the financial statements, and have not been provided for in the accompanying condensed consolidated financial statements.

Based upon the advice of local advisors in the various work countries concerning the interpretation of the laws, practices and customs of the countries in which it operates, management believes the Company follows the current practices in those countries; however, because of the nature of these potenti