

Willbros Group, Inc.\NEW\
Form 10-Q
August 09, 2013
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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, 2013

OR

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

For the transition period from _____ to _____

Commission file number 1-34259

Willbros Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(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 August 2, 2013 was 49,759,688.

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WILLBROS GROUP, INC.

FORM 10-Q

FOR QUARTER ENDED JUNE 30, 2013

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Table of Contents**WILLBROS GROUP, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except share and per share amounts)****(Unaudited)****PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

	June 30, 2013	December 31, 2012
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 53,610	\$ 48,778
Accounts receivable, net	334,405	380,570
Contract cost and recognized income not yet billed	87,249	89,658
Prepaid expenses and other assets	21,772	31,515
Parts and supplies inventories	5,130	5,264
Deferred income taxes	10,294	10,368
Assets held for sale	46,932	90,940
Total current assets	559,392	657,093
Property, plant and equipment, net	114,762	123,985
Intangible assets, net	150,612	158,062
Deferred income taxes		113
Other assets	38,288	38,993
Total assets	\$ 863,054	\$ 978,246
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 263,770	\$ 295,507
Contract billings in excess of cost and recognized income	19,791	36,243
Current portion of capital lease obligations	1,063	1,317
Notes payable and current portion of long-term debt	5,052	5,869
Current portion of settlement obligation of discontinued operations	6,250	5,000
Accrued income taxes	5,139	8,387
Liabilities held for sale	15,422	26,174
Other current liabilities	6,093	8,084
Total current liabilities	322,580	386,581
Long-term debt	256,908	294,353
Capital lease obligations	1,819	2,281
Long-term portion of settlement obligation of discontinued operations	32,750	36,500
Long-term liabilities for unrecognized tax benefits	4,324	4,956
Deferred income taxes	8,293	8,624
Other long-term liabilities	35,419	38,618
Total liabilities	662,093	771,913

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Contingencies and commitments (Note 10)

Stockholders' equity:		
Preferred stock, par value \$.01 per share, 1,000,000 shares authorized, none issued		
Common stock, par value \$.05 per share, 70,000,000 shares authorized and 50,907,469 shares issued at June 30, 2013 (50,084,890 at December 31, 2012)		
	2,542	2,504
Capital in excess of par value	687,447	687,101
Accumulated deficit	(488,760)	(486,051)
Treasury stock at cost, 1,108,680 shares at June 30, 2013 (1,013,399 at December 31, 2012)	(11,930)	(11,394)
Accumulated other comprehensive income	11,373	13,504
Total Willbros Group, Inc. stockholders' equity	200,672	205,664
Noncontrolling interest	289	669
Total stockholders' equity	200,961	206,333
Total liabilities and stockholders' equity	\$ 863,054	\$ 978,246

See accompanying notes to condensed consolidated financial statements.

Table of Contents**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,	
	2013	2012	2013	2012
Contract revenue	\$ 487,864	\$ 450,422	\$ 975,223	\$ 824,128
Operating expenses:				
Contract	432,807	406,017	880,324	748,097
Amortization of intangibles	3,780	3,669	7,542	7,446
General and administrative	41,914	33,242	79,552	70,811
	478,501	442,928	967,418	826,354
Operating income (loss)	9,363	7,494	7,805	(2,226)
Other expense:				
Interest expense, net	(6,922)	(7,113)	(14,612)	(14,990)
Loss on early extinguishment of debt		(1,149)		(3,405)
Other, net	(308)	(15)	(77)	(339)
	(7,230)	(8,277)	(14,689)	(18,734)
Income (loss) from continuing operations before income taxes	2,133	(783)	(6,884)	(20,960)
Provision for income taxes	1,126	1,208	3,738	2,181
Income (loss) from continuing operations	1,007	(1,991)	(10,622)	(23,141)
Income (loss) from discontinued operations net of provision for income taxes	(7,908)	5,699	7,913	6,469
Net income (loss)	(6,901)	3,708	(2,709)	(16,672)
Less: Income attributable to noncontrolling interest		(328)		(672)
Net income (loss) attributable to Willbros Group, Inc.	\$ (6,901)	\$ 3,380	\$ (2,709)	\$ (17,344)
Reconciliation of net income (loss) attributable to Willbros Group, Inc.				
Income (loss) from continuing operations	\$ 1,007	\$ (1,991)	\$ (10,622)	\$ (23,141)
Income (loss) from discontinued operations	(7,908)	5,371	7,913	5,797
Net income (loss) attributable to Willbros Group, Inc.	\$ (6,901)	\$ 3,380	\$ (2,709)	\$ (17,344)
Basic income (loss) per share attributable to Company shareholders:				
Income (loss) from continuing operations	\$ 0.02	\$ (0.04)	\$ (0.22)	\$ (0.48)
Income (loss) from discontinued operations	(0.16)	0.11	0.17	0.12
Net income (loss)	\$ (0.14)	\$ 0.07	\$ (0.05)	\$ (0.36)

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

Income (loss) from continuing operations	\$ 0.02	\$ (0.04)	\$ (0.22)	\$ (0.48)
Income (loss) from discontinued operations	(0.16)	0.11	0.17	0.12
Net income (loss)	\$ (0.14)	\$ 0.07	\$ (0.05)	\$ (0.36)

Weighted average number of common shares outstanding:

Basic	48,586,757	47,994,987	48,447,044	47,888,192
Diluted	49,235,297	47,994,987	48,447,044	47,888,192

See accompanying notes to condensed consolidated financial statements.

Table of Contents**WILLBROS GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(In thousands)****(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income (loss)	\$ (6,901)	\$ 3,708	\$ (2,709)	\$ (16,672)
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	(1,590)	(512)	(2,591)	(1,516)
Changes in derivative financial instruments	232	151	460	34
Total other comprehensive loss, net of tax	(1,358)	(361)	(2,131)	(1,482)
Total comprehensive income (loss)	(8,259)	3,347	(4,840)	(18,154)
Less: Comprehensive income attributable to noncontrolling interest		(328)		(672)
Total comprehensive income (loss) attributable to Willbros Group, Inc.	\$ (8,259)	\$ 3,019	\$ (4,840)	\$ (18,826)

See accompanying notes to condensed consolidated financial statements.

Table of Contents**WILLBROS GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(Unaudited)**

	Six Months Ended June 30,	
	2013	2012
Cash flows from operating activities:		
Net loss	\$ (2,709)	\$ (16,672)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Income from discontinued operations	(7,913)	(6,469)
Depreciation and amortization	22,307	23,854
Loss on early extinguishment of debt		3,405
Stock-based compensation	2,798	3,917
Amortization of debt issuance costs	3,354	2,188
Non-cash interest expense	1,532	1,162
Deferred income tax expense	(25)	283
Gain on disposal of property and equipment	(1,042)	(2,005)
Other non-cash	1,253	462
Changes in operating assets and liabilities:		
Accounts receivable, net	43,249	(31,913)
Contract cost and recognized income not yet billed	1,458	(31,756)
Prepaid expenses and other assets	9,714	5,925
Accounts payable and accrued liabilities	(30,486)	59,817
Accrued income taxes	(3,087)	864
Contract billings in excess of cost and recognized income	(16,329)	5,993
Other assets and liabilities, net	(6,601)	(8,877)
Cash provided by operating activities of continuing operations	17,473	10,178
Cash (used in) provided by operating activities of discontinued operations	(7,877)	9,609
Cash provided by operating activities	9,596	19,787
Cash flows from investing activities:		
Proceeds from sales of property, plant and equipment	441	9,238
Proceeds from sale of subsidiary	38,900	
Purchase of property, plant and equipment	(4,707)	(7,266)
Cash provided by investing activities of continuing operations	34,634	1,972
Cash (used in) provided by investing activities of discontinued operations	(346)	15,734
Cash provided by investing activities	34,288	17,706
Cash flows from financing activities:		
Proceeds from revolver and notes payable	32,129	25,000
Payments on capital leases	(815)	(1,085)
Payments of revolver and notes payable	(70,413)	(36,596)
Payments on term loan facility		(46,700)
Payments to reacquire common stock	(536)	(395)
Payments to noncontrolling interest owners	(3,100)	
Costs of debt issuance	(1,274)	
Dividend distribution to noncontrolling interest		(576)

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Cash used in financing activities of continuing operations	(44,009)	(60,352)
Cash used in financing activities of discontinued operations	(126)	(399)
Cash used in financing activities	(44,135)	(60,751)
Effect of exchange rate changes on cash and cash equivalents	(519)	(1,706)
Net decrease in cash and cash equivalents	(770)	(24,964)
Cash and cash equivalents of continuing operations at beginning of period	48,778	52,859
Cash and cash equivalents of discontinued operations at beginning of period	5,602	10,586
Cash and cash equivalents at beginning of period	54,380	63,445
Cash and cash equivalents at end of period	53,610	38,481
Less: cash and cash equivalents of discontinued operations at end of period		(1,577)
Cash and cash equivalents of continuing operations at end of period	\$ 53,610	\$ 36,904
Supplemental disclosures of cash flow information:		
Cash paid for interest (including discontinued operations)	\$ 12,233	\$ 11,026
Cash paid for income taxes (including discontinued operations)	\$ 7,601	\$ 3,101
Supplemental non-cash investing and financing transactions:		
Prepaid insurance obtained by note payable	\$	\$ 15,953

See accompanying notes to condensed consolidated financial statements.

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. The Company and Basis of Presentation

Willbros Group, Inc., a Delaware corporation, and its subsidiaries (the Company, Willbros or WGI), is an international contractor specializing in energy infrastructure, serving the oil and gas, refinery, petrochemical and power industries. The Company's offerings include engineering, procurement and construction (either individually or as an integrated EPC service offering); ongoing maintenance; and other specialty services. The Company's principal markets for continuing operations are the United States and Canada. 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, 2012, which has been derived from audited consolidated financial statements, and the unaudited Condensed Consolidated Financial Statements as of June 30, 2013 and 2012, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to those rules and regulations. However, the Company believes the presentations and disclosures herein are adequate to make the information not misleading. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Company's December 31, 2012 audited Consolidated Financial Statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

In the opinion of management, the Condensed Consolidated Financial Statements reflect all adjustments necessary to fairly state the financial position as of June 30, 2013, and the results of operations and cash flows of the Company for all interim periods presented. The results of operations and cash flows for the six months ended June 30, 2013 are not necessarily indicative of the operating results and cash flows to be achieved for the full year.

The Condensed Consolidated Financial Statements include certain estimates and assumptions made by management. These estimates and assumptions relate to the reported amounts of assets and liabilities at the dates of the Condensed Consolidated Financial Statements and the reported amounts of revenue and expense during those periods. The Company bases its estimates on historical experience and other assumptions that it believes to be relevant under the circumstances. Actual results could differ from those estimates.

Out-of-Period Adjustment The Company recorded an out-of-period adjustment during the three and six months ended June 30, 2013 related to the reversal of an over-accrual of certain letter of credit and commitment fees. The net impact of the adjustment was an increase to pre-tax income and net income from continuing operations and a decrease to net loss attributable to Willbros Group, Inc. of \$0.8 million for the three months ended June 30, 2013 and a decrease to pre-tax loss, net loss from continuing operations and net loss attributable to Willbros Group, Inc. of \$0.6 million for the six months ended June 30, 2013. The Company does not believe the adjustment is material, individually or in the aggregate, to its unaudited Condensed Consolidated Financial Statements for the three and six months ended June 30, 2013, nor does it believe such items are material to any of its previously issued annual or quarterly financial statements, or its expected 2013 annual financial statements.

Reclassifications Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation. These reclassifications primarily relate to the classification of the Company's electric and gas distribution business in the Northeast as discontinued operations as determined during the fourth quarter of 2012, as well as the sale of Willbros Middle East Limited, which held the Company's operations in Oman, during the first quarter of 2013. See Note 12 Discontinuance of Operations, Held for Sale Operations and Asset Disposals for additional discussion associated with these reclassifications.

2. New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued a new accounting standard related to the reporting of amounts reclassified out of Accumulated Other Comprehensive Income (Accumulated OCI). Under this standard, an entity is required to provide information about the amounts reclassified out of Accumulated OCI by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of Accumulated OCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional

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details about those amounts. This standard is effective for interim and annual periods beginning on or after December 15, 2012. The Company complied with this new accounting guidance during the quarter ended March 31, 2013.

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

2. New Accounting Pronouncements (continued)

In February 2013, the FASB clarified the scope of revised disclosure requirements related to balance sheet offsetting that was issued in December 2011. The amendment clarifies that the scope applies to derivatives accounted for in accordance with the authoritative guidance for derivatives and hedging. The adoption of this revision is required for interim and annual periods beginning on or after January 1, 2013. The adoption of this revision did not have any impact on the Company's Condensed Consolidated Financial Statements.

In March 2013, the FASB amended the accounting standard related to a parent company's accounting for the foreign cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. Under this standard, a parent entity who ceases to have a controlling interest in a subsidiary that is a business within a foreign entity should only release the cumulative translation adjustment into net income if the loss of controlling interest represents complete, or substantially complete, liquidation of the foreign entity in which the subsidiary, or asset group, had resided. This standard is effective for interim and annual periods beginning on or after December 15, 2013 and would affect the Company's Condensed Consolidated Financial Statements if it disposes of a foreign entity.

In July 2013, the FASB amended the accounting standard related to hedge accounting by permitting the use of the Fed Funds Effective Swap Rate as a U.S. benchmark interest rate for hedge accounting purposes in addition to the U.S. Treasury Rate and the LIBOR rate. The amendment also removes the restriction on using different benchmark rates for similar hedges. The amendment is effective prospectively for qualifying new or re-designated hedging relationships entered into on or after July 17, 2013. The adoption of this amendment is not expected to have a material impact on the Company's Condensed Consolidated Financial Statements.

In July 2013, the FASB amended the accounting standard related to income taxes to eliminate a diversity in practice for the presentation of unrecognized tax benefits when net operating loss carryforwards, similar tax losses or tax credit carryforwards exist. The amendment requires that the unrecognized tax benefit be presented as a reduction of the deferred tax assets associated with the carryforwards except in certain circumstances when it would be reflected as a liability. The adoption of this revision is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 and is not expected to have a material impact on the Company's Condensed Consolidated Financial Statements.

3. Contracts in Progress

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

Contract cost and recognized income not yet billed and related amounts billed as of June 30, 2013 and December 31, 2012 was as follows (in thousands):

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	June 30, 2013	December 31, 2012
Cost incurred on contracts in progress	\$ 681,413	\$ 932,844
Recognized income	158,307	132,869
	839,720	1,065,713
Progress billings and advance payments	(772,262)	(1,012,298)
	\$ 67,458	\$ 53,415
Contract cost and recognized income not yet billed	\$ 87,249	\$ 89,658
Contract billings in excess of cost and recognized income	(19,791)	(36,243)
	\$ 67,458	\$ 53,415

Contract cost and recognized income not yet billed includes \$2.6 million and \$5.9 million at June 30, 2013 and December 31, 2012, respectively, on completed contracts.

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The balances billed but not paid by customers pursuant to retainage provisions in certain contracts will be due upon completion of the contracts and acceptance by the customer. Based on the Company's experience with similar contracts in recent years, retention balances at each balance sheet date will be collected within the next twelve months. Retainage balances at June 30, 2013 and December 31, 2012, were approximately \$22.6 million and \$40.2 million, respectively, and are included in accounts receivable.

4. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2013 and December 31, 2012 were as follows (in thousands):

	June 30, 2013	December 31, 2012
Trade accounts payable	\$ 118,072	\$ 131,441
Payroll and payroll liabilities	52,510	48,917
Accrued contract costs	37,109	58,301
Self-insurance accrual	23,058	18,559
Other accrued liabilities	33,021	38,289
 Total accounts payable and accrued liabilities	 \$ 263,770	 \$ 295,507

5. Long-term Debt

Long-term debt as of June 30, 2013 and December 31, 2012 was as follows (in thousands):

	June 30, 2013	December 31, 2012
Term Loan, net of unamortized discount of \$3,450 and \$4,983	\$ 185,720	\$ 184,187
Borrowings under Revolving Credit Facility	59,407	104,407
Capital lease obligations	2,882	3,598
Other obligations	16,833	11,628
 Total debt	 264,842	 303,820
Less: current portion	(6,115)	(7,186)
 Long-term debt, net	 \$ 258,727	 \$ 296,634

Amended and Restated Credit Agreement

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Pursuant to an Amendment and Restatement Agreement dated as of November 8, 2012, the Company's credit agreement dated as of June 30, 2010 (the "2010 Credit Agreement") was amended and restated in its entirety (the "Amended and Restated Credit Agreement"). The 2010 Credit Agreement consisted of a four-year, \$300.0 million term loan facility (the "Term Loan Facility") maturing on June 30, 2014 and a three-year revolving credit facility of \$175.0 million maturing on June 30, 2013 (the "Revolving Credit Facility"). Under the Amended and Restated Credit Agreement, certain existing lenders under the Revolving Credit Facility, holding an aggregate amount of commitments equal to \$115.0 million, extended the maturity applicable to such commitments, to June 30, 2014. As of June 30, 2013, the Company's obligations under the existing Term Loan Facility and Revolving Credit Facility were due within one year. Subsequent to June 30, 2013, the Company refinanced these obligations on a long-term basis, and therefore, has classified them as long-term on its Condensed Consolidated Balance Sheet. See Note 13 Subsequent Event for additional information regarding the refinancing of the Company's Amended and Restated Credit Agreement.

Prior to the refinancing, the Company had \$59.4 million in outstanding revolver borrowings and \$51.6 million in letters of credit outstanding, with \$4.0 million remaining against its \$115.0 million capacity as of June 30, 2013 and was in compliance with all covenants under the Amended and Restated Credit Agreement.

Table of Contents**WILLBROS GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****5. Long-term Debt (continued)***Fair Value of Debt*

The estimated fair value of the Company's debt instruments as of June 30, 2013 and December 31, 2012 was as follows (in thousands):

	June 30, 2013	December 31, 2012
Term Loan Facility	\$ 192,939	\$ 192,752
Borrowings under Revolving Credit Facility	59,407	104,407
Capital lease obligations	2,882	3,598
Other obligations	16,833	11,628
Total fair value of debt instruments	\$ 272,061	\$ 312,385

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

6. Income Taxes

The effective tax rate on continuing operations was a negative 54.30 percent and a negative 10.41 percent for the six months ended June 30, 2013 and 2012, respectively. Tax expense for discrete items for the six months ended June 30, 2013 is \$0.6 million. This amount is composed of a foreign uncertain tax position related to statute of limitations expiration and Texas Margins Tax. Tax expense for the six months ended June 30, 2013 is \$3.7 million, mainly due to Canadian Tax and Texas Margins Tax offset by the tax benefit from the release of an uncertain tax position. The Company has not recorded the benefit of current year losses in the United States. As of June 30, 2013, U.S. federal and state deferred tax assets continue to be covered by valuation allowances. The ultimate realization of deferred tax assets is dependent upon the generation of future U.S. taxable income. The Company considers the impacts of reversing taxable temporary differences, future forecasted income and available tax planning strategies, when forecasting future taxable income and in evaluating whether deferred tax assets are more likely than not to be realized.

The effective tax rate on continuing operations was 52.79 percent and a negative 154.28 percent for the three months ended June 30, 2013 and June 30, 2012, respectively. Tax expense for the three months ended June 30, 2013 is \$1.1 million, which primarily relates to a release of an uncertain tax position, Canadian Tax and Texas Margins Tax.

In April 2011, the Company discontinued its strategy of reinvesting foreign earnings in foreign operations. This change in strategy continues through the second quarter of 2013. The Company does not anticipate recording tax expense related to future repatriations of foreign earnings to the U.S.

The Company expects that the statute of limitations will expire on an uncertain tax position within the next twelve months. Assuming that the statute of limitations expires, the Company would release reserves in the amount of \$1.6 million.

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

Changes in Accumulated Other Comprehensive Income by Component

	Three Months Ended June 30, 2013 (in thousands)		
	Foreign currency translation adjustments	Changes in derivative financial instruments	Total accumulated comprehensive income
Balance March 31, 2013	\$ 13,944	\$ (1,213)	\$ 12,731
Other comprehensive loss before reclassifications	(1,590)	(25)	(1,615)
Amounts reclassified from accumulated other comprehensive income		257	257
Net current-period other comprehensive income (loss)	(1,590)	232	(1,358)
Balance June 30, 2013	\$ 12,354	\$ (981)	\$ 11,373

	Six Months Ended June 30, 2013 (in thousands)		
	Foreign currency translation adjustments	Changes in derivative financial instruments	Total accumulated comprehensive income
Balance December 31, 2012	\$ 14,945	\$ (1,441)	\$ 13,504
Other comprehensive loss before reclassifications	(2,723)	(52)	(2,775)
Amounts reclassified from accumulated other comprehensive income	132	512	644
Net current-period other comprehensive income (loss)	(2,591)	460	(2,131)
Balance June 30, 2013	\$ 12,354	\$ (981)	\$ 11,373

Reclassifications out of Accumulated Other Comprehensive Income

Details about Accumulated Other Comprehensive Income Components	Three Months Ended June 30, 2013 (in thousands)		Details about Accumulated Other Comprehensive Income Components
	Amount Reclassified from Accumulated Other Comprehensive Income		

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Interest rate contracts	\$	257	Interest expense, net
Total	\$	257	

Six Months Ended June 30, 2013 (in thousands)

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Details about Accumulated Other Comprehensive Income Components
Interest rate contracts	\$ 512	Interest expense, net
Total	\$ 512	

Table of Contents**WILLBROS GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****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 vesting of RSUs less the number of treasury shares assumed to be purchased from the proceeds using the average market price of the Company's stock for each of the periods presented. The Company's convertible notes, which were retired in the fourth quarter of 2012, were included in the calculation of diluted income per share under the "if-converted" method for periods prior to December 31, 2012. Additionally, diluted income (loss) per share for continuing operations is calculated excluding the after-tax interest expense associated with the convertible notes since these notes are treated as if converted into common stock.

Basic and diluted income (loss) per common share from continuing operations for the three months and six months ended June 30, 2013 and 2012 are computed as follows (in thousands, except share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income (loss) from continuing operations applicable to common shares (numerator for basic and diluted calculation)	\$ 1,007	\$ (1,991)	\$ (10,622)	\$ (23,141)
Weighted average number of common shares outstanding for basic income (loss) per share	48,586,757	47,994,987	48,447,044	47,888,192
Weighted average number of potentially dilutive common shares outstanding	648,540			
Weighted average number of common shares outstanding for diluted income per share	49,235,297	47,994,987	48,447,044	47,888,192
Income (loss) per common share from continuing operations:				
Basic	\$ 0.02	\$ (0.04)	\$ (0.22)	\$ (0.48)
Diluted	\$ 0.02	\$ (0.04)	\$ (0.22)	\$ (0.48)

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

	Three Months Ended June 30,	
	2013	2012
6.5% Senior Convertible Notes		1,825,587
Stock options	177,750	227,750
Restricted stock and restricted stock rights		343,224

177,750 2,396,561

9. Segment Information

The Company's segments are comprised of strategic businesses that are defined by the industries or geographic regions they serve. Each is managed as an operation with well-established strategic directions and performance requirements.

In January 2013, the Company implemented a change to its operational and organizational structure in order to emphasize its commitment to its engineering, procurement and integrity services and to align its business interests to better reflect market conditions. As a result, the Company created a new and fourth segment, *Professional Services*. *Professional Services*, together with *Oil & Gas*, *Utility T&D* and *Canada* represent the Company's organizational structure for which its operating results are reported. Previously reported periods have been recast to conform to this new structure.

Management evaluates the performance of each operating segment based on operating income. To support the segments, the Company has a focused corporate operation led by the executive management team, which, in addition to oversight and leadership, provides general, administrative and financing functions for the organization. The costs to provide these services are allocated, as are certain other corporate costs, to the four operating segments.

Table of Contents**WILLBROS GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****9. Segment Information (continued)**

The following tables reflect the Company's operations by reportable segment for the three months ended June 30, 2013 and 2012 (in thousands):

	Three Months Ended June 30, 2013					Consolidated
	<i>Oil & Gas</i>	<i>Utility T&D</i>	<i>Professional Services</i>	<i>Canada</i>	<i>Eliminations</i>	
Contract revenue	\$ 186,387	\$ 128,321	\$ 87,423	\$ 87,425	\$ (1,692)	\$ 487,864
Operating expenses	205,145	112,693	79,238	83,117	(1,692)	478,501
Operating income (loss)	\$ (18,758)	\$ 15,628	\$ 8,185	\$ 4,308	\$	9,363
Other expense						(7,230)
Provision for income taxes						1,126
Income from continuing operations						1,007
Loss from discontinued operations net of provision for income taxes						(7,908)
Net loss						(6,901)
Less: Income attributable to noncontrolling interest						
Net loss attributable to Willbros Group, Inc.						\$ (6,901)

	Three Months Ended June 30, 2012					Consolidated
	<i>Oil & Gas</i>	<i>Utility T&D</i>	<i>Professional Services</i>	<i>Canada</i>	<i>Eliminations</i>	
Contract revenue	\$ 204,158	\$ 129,836	\$ 80,074	\$ 37,356	\$ (1,002)	\$ 450,422
Operating expenses	207,697	120,489	75,478	40,266	(1,002)	442,928
Operating income (loss)	\$ (3,539)	\$ 9,347	\$ 4,596	\$ (2,910)	\$	7,494
Other expense						(8,277)
Provision for income taxes						1,208
Loss from continuing operations						(1,991)
Income from discontinued operations net of provision for income taxes						5,699
Net income						3,708

Less: Income attributable to noncontrolling interest	(328)
Net income attributable to Willbros Group, Inc.	\$ 3,380

Table of Contents**WILLBROS GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****9. Segment Information (continued)**

The following tables reflect the Company's operations by reportable segment for the six months ended June 30, 2013 and 2012 (in thousands):

	Six Months Ended June 30, 2013					Consolidated
	<i>Oil & Gas</i>	<i>Utility T&D</i>	<i>Professional Services</i>	<i>Canada</i>	<i>Eliminations</i>	
Contract revenue	\$ 371,371	\$ 241,525	\$ 165,888	\$ 199,420	\$ (2,981)	\$ 975,223
Operating expenses	404,700	224,004	157,090	184,605	(2,981)	967,418
Operating income (loss)	\$ (33,329)	\$ 17,521	\$ 8,798	\$ 14,815	\$	7,805
Other expense						(14,689)
Provision for income taxes						3,738
Loss from continuing operations						(10,622)
Income from discontinued operations net of provision for income taxes						7,913
Net loss						(2,709)
Less: Income attributable to noncontrolling interest						
Net loss attributable to Willbros Group, Inc.						\$ (2,709)

	Six Months Ended June 30, 2012					Consolidated
	<i>Oil & Gas</i>	<i>Utility T&D</i>	<i>Professional Services</i>	<i>Canada</i>	<i>Eliminations</i>	
Contract revenue	\$ 352,863	\$ 238,146	\$ 163,647	\$ 71,325	\$ (1,853)	\$ 824,128
Operating expenses	359,088	232,362	159,471	77,286	(1,853)	826,354
Operating income (loss)	\$ (6,225)	\$ 5,784	\$ 4,176	\$ (5,961)	\$	(2,226)
Other expense						(18,734)
Provision for income taxes						2,181
Loss from continuing operations						(23,141)
Income from discontinued operations net of provision for income taxes						6,469
Net loss						(16,672)

Less: Income attributable to noncontrolling interest	(672)
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Net loss attributable to Willbros Group, Inc.	\$ (17,344)
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Total assets by segment as of June 30, 2013 and December 31, 2012 are presented below (in thousands):

	June 30, 2013	December 31, 2012
<i>Oil & Gas</i>	\$ 266,273	\$ 329,198
<i>Utility T&D</i>	268,662	279,480
<i>Professional Services</i>	90,779	88,133
<i>Canada</i>	106,009	103,157
<i>Corporate</i>	84,399	87,338
Total assets, continuing operations	\$ 816,122	\$ 887,306

10. Contingencies, Commitments and Other Circumstances

Contingencies

Central Maine Power

On April 23, 2013, Hawkeye, LLC (*Hawkeye*), a subsidiary of the Company, filed suit in U.S. District Court for the District of Maine against Central Maine Power Company (*CMP*) in connection with a project currently

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

10. Contingencies, Commitments and Other Circumstances (continued)

being performed by Hawkeye to install transmission lines and perform construction services for CMP, for the project generally known as the Transmission Line Construction of the Southern Loop and Southern Connector portion of the Maine Power Reliability Program (the Project). The suit alleges that Hawkeye is owed damages estimated by Hawkeye to be at least \$43.0 million plus interest, costs, and attorney's fees. Hawkeye continues to perform the Project. As of June 30, 2013, the Company has outstanding receivables related to the Project of \$1.1 million and unapproved change orders for additional work of \$30.4 million, which have not been billed or recognized as income. It is the Company's policy not to recognize revenue or income on change orders or claims until they have been approved. While the Company believes Hawkeye is entitled to meaningful relief, the Company can make no assurances as to the outcome of the litigation.

Silver Eagle

On June 14, 2013, Construction and Turnaround Services, LLC (CTS), a subsidiary of the Company, received an arbitration award for the full amount of uncollected invoices due from Silver Eagle Refining, Inc. (Silver Eagle) on a construction and engineering support contract entered into in January 2011. Subsequent to the ruling, Silver Eagle paid CTS the entire unpaid balance of the arbitration award in the amount of \$2.8 million, inclusive of interest and attorney fees. As such, the dispute with Silver Eagle is fully resolved as of June 30, 2013.

Other

In addition to the matters discussed above, the Company is party to a number of other legal proceedings. Management believes that the nature and number of these proceedings are typical for a firm of similar size engaged in a similar type of business and that none of these proceedings is material to its consolidated results of operations, financial position or cash flows.

Commitments

From time to time, the Company enters into commercial commitments, usually in the form of commercial and standby letters of credit, surety bonds and financial guarantees. Contracts with the Company's customers may require the Company to secure letters of credit or surety bonds with regard to the Company's performance of contracted services. In such cases, the commitments can be called upon in the event of failure to perform contracted services. Likewise, contracts may allow the Company to issue letters of credit or surety bonds in lieu of contract retention provisions, where the client withholds a percentage of the contract value until project completion or expiration of a warranty period. Retention commitments can be called upon in the event of warranty or project completion issues, as prescribed in the contracts. At June 30, 2013, the Company had approximately \$51.6 million of outstanding letters of credit, all of which related to continuing operations. This amount represents the maximum amount of payments the Company could be required to make if these letters of credit are drawn upon. Additionally, the Company issues surety bonds customarily required by commercial terms on construction projects. At June 30, 2013, the Company had bonds outstanding, primarily performance bonds, with a face value at \$550.7 million related to continuing operations. This amount represents the bond penalty amount of future payments the Company could be required to make if the Company fails to perform its obligations under such contracts. The performance bonds do not have a stated expiration date; rather, each is released when the contract is accepted by the owner. The Company's maximum exposure as it relates to the value of the bonds outstanding is lowered on each bonded project as the cost to complete is reduced. As of June 30, 2013, no liability has been recognized for letters of credit or surety bonds.

Other Circumstances

The Company has the usual liability of contractors for the completion of contracts and the warranty of its work. 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.

See Note 12 Discontinuance of Operations, Held for Sale Operations and Asset Disposals for discussion of commitments and contingencies associated with Discontinued Operations.

11. Fair Value Measurements

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

Table of Contents**WILLBROS GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****11. Fair Value Measurements (continued)***Fair Value Hierarchy*

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

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

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

Level 3 Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities. The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, notes payable, long-term debt and interest rate contracts. The fair value estimates of the Company's financial instruments have been determined using available market information and appropriate valuation methodologies.

Financial Instruments Measured at Fair Value on a Recurring Basis

The Company measures certain financial instruments at fair value on a recurring basis. The fair value of these financial instruments (in thousands) was determined using the following inputs as of June 30, 2013 and December 31, 2012:

	Total	June 30, 2013		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Liabilities:				
Interest rate swaps	\$ 983	\$	\$ 983	\$
	Total	December 31, 2012		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Liabilities:				
Interest rate swaps	\$ 1,441	\$	\$ 1,441	\$

Hedging Arrangements

The Company attempts to negotiate contracts that provide for payment in U.S. dollars, but it may be required to take all or a portion of payment under a contract in another currency. To mitigate non-U.S. currency exchange risk, the Company seeks to match anticipated non-U.S. currency revenue with expenses in the same currency whenever possible. To the extent it is unable to match non-U.S. currency revenue with expenses in the same currency, the Company may use forward contracts, options or other common hedging techniques in the same non-U.S. currencies. The Company had no derivative financial instruments to hedge currency risk at June 30, 2013 or December 31, 2012.

Interest Rate Swaps

The Company is subject to hedging arrangements to fix or otherwise limit the interest cost of its variable interest rate borrowings. The Company is subject to interest rate risk on its debt and investment of cash and cash equivalents arising in the normal course of business. The Company does not engage in speculative trading strategies.

The Company currently has two interest rate swap agreements outstanding for a total notional amount of \$150.0 million in order to hedge changes in the variable rate interest expense on \$150.0 million of its existing LIBOR indexed debt. Under each swap agreement, the Company receives interest at a rate based on the maximum of either three-month LIBOR or 2 percent and pays interest at a fixed rate of 2.68 percent through

Table of Contents**WILLBROS GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****11. Fair Value Measurements (continued)**

June 30, 2014. The swap agreements are designated and qualify as cash flow hedging instruments, with the effective portion of the swaps change in fair value recorded in Other Comprehensive Income (OCI). The interest rate swaps are deemed to be highly effective hedges, and resulted in an immaterial amount recorded for hedge ineffectiveness in the Condensed Consolidated Statements of Operations. Amounts in OCI are reported in interest expense when the hedged interest payments on the underlying debt are recognized. The carrying amount and fair value of the swap agreements are equivalent since the Company accounts for these instruments at fair value. The value of the Company's swap agreements identified below (in thousands) are derived from pricing models using inputs based upon market information, including contractual terms, market prices and yield curves. The inputs to the valuation pricing models are observable in the market, and as such are generally classified as Level 2 in the fair value hierarchy. For validation purposes, the swap valuations are periodically compared to those produced by swap counterparties. Amounts of OCI relating to the interest rate swaps expected to be recognized in interest expense in the coming 12 months totaled \$1.0 million.

	Liability Derivatives			
	June 30, 2013		December 31, 2012	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate contracts-swaps	Other current		Other current	
	liabilities	\$ 983	liabilities	\$ 927
Interest rate contracts-swaps	Other long-term		Other long-term	
	liabilities		liabilities	514
Total derivatives		\$ 983		\$ 1,441

For the Three Months Ended June 30,
Location of Gain or (Loss)

Derivatives in ASC 815 Cash	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)		Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion)	
	2013	2012		2013	2012
Flow Hedging Relationships			Interest expense, net		
Interest rate contracts	\$ (25)	\$ (107)		\$ 257	\$ 258
Total	\$ (25)	\$ (107)		\$ 257	\$ 258

For the Six Months Ended June 30,

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion)	
	2013	2012		2013	2012
Interest rate contracts	\$ (52)	\$ (288)	Interest expense, net	\$ 512	\$ 322
Total	\$ (52)	\$ (288)		\$ 512	\$ 322

12. Discontinuance of Operations, Held for Sale Operations and Asset Disposals

Strategic Decisions

As part of its ongoing strategic evaluation of operations, the Company made the decision to exit the electric and gas distribution market in the Northeast in December 2012 and sell the related business. In the second quarter of 2013, in connection with the continued decline in the operating performance and outlook of this business, we evaluated the recoverability of its net assets and recorded an impairment charge of approximately \$1.9 million.

Former Nigeria-Based Operations

Litigation and Settlement

On March 29, 2012, the Company and Willbros Global Holdings, Inc., formerly known as Willbros Group, Inc., a Panama corporation (WGHI), which is now a subsidiary of the Company, entered into a settlement agreement (the Settlement Agreement) with West African Gas Pipeline Company Limited (WAPCo) to settle a lawsuit filed against WGHI by WAPCo in 2010 under English law in the London High Court in which WAPCo was seeking

Table of Contents**WILLBROS GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****12. Discontinuance of Operations, Held for Sale Operations and Asset Disposals (continued)**

\$273.7 million plus costs and interest. The lawsuit was based upon a parent company guarantee issued by WGHI to WAPCo in connection with a Nigerian project undertaken by a WGHI subsidiary that was later sold to a third party. WAPCo alleged that the third party defaulted in the performance of the project and thereafter brought the lawsuit against WGHI under the parent company guarantee for its claimed losses.

The Settlement Agreement provides that WGHI must make payments to WAPCo totaling \$55.5 million of which \$14.0 million was paid in 2012 and \$2.5 million was paid in the second quarter of 2013. Of the remaining \$39.0 million due to WAPCo, \$2.5 million is due at the end of the fourth quarter of 2013, \$3.8 million is due at the end of the second quarter of 2014 and \$32.7 million is due at the end of the fourth quarter of 2014.

WGI and WGHI are jointly and severally liable for payment of the amount due to WAPCo under the Settlement Agreement. WGHI and WGI are subject to a penalty rate of interest and collection efforts in the London court in the event they fail to meet any of the payments required by the Settlement Agreement.

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

Business Disposals

In the first quarter of 2013, the Company sold all of its shares of capital in Willbros Middle East Limited, which held the Company's operations in Oman. The Company received total proceeds of \$38.9 million in cash and \$2.4 million in the form of an escrow deposit from the buyer. As a result of this transaction, the Company recorded a gain on sale of \$23.6 million included in the line item Income (loss) from discontinued operations net of provision for income taxes on the Condensed Consolidated Statement of Operations.

Results of Discontinued Operations

The major classes of revenue and income (losses) with respect to discontinued operations are as follows (in thousands):

	Three Months Ended June 30, 2013				Total
	Canada	Hawkeye	Oman	WAPCo / Other	
Revenue	\$	\$ 18,960	\$	\$	\$ 18,960
Operating income (loss)	(1)	(7,744)		45	(7,700)
Pre-tax income (loss)	(1)	(7,952)		45	(7,908)
Provision for taxes					
Net income (loss)	(1)	(7,952)		45	(7,908)
	Three Months Ended June 30, 2012				
	Canada	Hawkeye	Oman	WAPCo / Other	Total
Revenue	\$ 1,734	\$ 28,041	\$ 20,731	\$	\$ 50,506
Operating income (loss)	9,107	(2,428)	788	(337)	7,130

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Pre-tax income (loss)	9,024	(2,433)	821	(337)	7,075
Provision for taxes	1,311		65		1,376
Net income (loss)	7,713	(2,433)	756	(337)	5,699

Table of Contents**WILLBROS GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****12. Discontinuance of Operations, Held for Sale Operations and Asset Disposals (continued)**

	Six Months Ended June 30, 2013				Total
	Canada	Hawkeye	Oman	WAPCo / Other	
Revenue	\$	\$ 40,396	\$	\$	\$ 40,396
Operating income (loss)		(12)	(15,652)	23,639	(73)
Pre-tax income (loss)		(12)	(15,766)	23,639	52
Provision for taxes					7,913
Net income (loss)		(12)	(15,766)	23,639	52

	Six Months Ended June 30, 2012				Total
	Canada	Hawkeye	Oman	WAPCo / Other	
Revenue	\$ 30,763	\$ 52,770	\$ 41,386	\$	\$ 124,919
Operating income (loss)	12,488	(6,089)	3,557	(4,194)	5,762
Pre-tax income (loss)	13,555	(6,107)	3,645	(1,389)	9,704
Provision for taxes	2,491		744		3,235
Net income (loss)	11,064	(6,107)	2,901	(1,389)	6,469

Condensed balance sheets with respect to discontinued operations are as follows (in thousands):

	June 30, 2013			Total
	Hawkeye	Oman	WAPCo	
Accounts receivable, net	\$ 25,396	\$	\$	\$ 25,396
Contract cost and recognized income not yet billed	7,984			7,984
Property, plant and equipment, net	7,085			7,085
Intangible assets, net	3,263			3,263
Other	3,204			3,204
Total assets	46,932			46,932
Accounts payable and accrued liabilities	\$ 15,088	\$	\$	\$ 15,088
Settlement obligations			39,000	39,000
Other	334			334
Total liabilities	15,422		39,000	54,422
Net assets (liabilities) of discontinued operations	31,510		(39,000)	(7,490)

Table of Contents**WILLBROS GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****12. Discontinuance of Operations, Held for Sale Operations and Asset Disposals (continued)**

	December 31, 2012			Total
	Hawkeye	Oman	WAPCo	
Cash and cash equivalents	\$	\$ 5,602	\$	\$ 5,602
Accounts receivable, net	39,825	13,697		53,522
Contract cost and recognized income not yet billed	6,327	524		6,851
Property, plant and equipment, net	6,683	4,339		11,022
Intangible assets, net	5,135			5,135
Other	4,834	3,974		8,808
Total assets	62,804	28,136		90,940
Accounts payable and accrued liabilities	\$ 14,303	\$ 9,438	\$	\$ 23,741
Settlement obligations			41,500	41,500
Other	1,081	1,352		2,433
Total liabilities	15,384	10,790	41,500	67,674
Net assets (liabilities) of discontinued operations	47,420	17,346	(41,500)	23,266

13. Subsequent Event**2013 Credit Facilities**

Effective August 7, 2013 the Company completed the refinancing of its Amended and Restated Credit Agreement by entering into a five-year \$150.0 million asset based senior revolving credit facility maturing on August 7, 2018 with Bank of America, N.A. serving as sole administrative agent for the lenders thereunder, collateral agent, issuing bank and swingline lender (the ABL Credit Facility), and a six-year \$250.0 million term loan facility maturing on August 7, 2019 with JP Morgan Chase Bank, N.A. serving as a sole administrative agent for the lenders thereunder (the 2013 Term Loan Facility and, together with the ABL Credit Facility, the 2013 Credit Facilities). Proceeds from the 2013 Term Loan Facility were used to repay all indebtedness under the existing Term Loan Facility and Revolving Credit Facility under the Amended and Restated Credit Agreement, to pay fees and expenses incurred in connection with the transactions and for working capital purposes.

ABL Credit Facility

The initial aggregate amount of commitments for the ABL Credit Facility is comprised of \$125.0 million for the U.S. facility (the U.S. Facility) and \$25.0 million for the Canadian facility (the Canadian Facility). The ABL Credit Facility includes a sublimit of \$100.0 million for letters of credit and an accordion feature permitting the borrowers, under certain conditions, to increase the aggregate amount by an incremental \$75.0 million, with additional commitments from existing lenders or new commitments from lenders reasonably acceptable to the administrative agent. The borrowers under the U.S. Facility consist of all of the Company's U.S. operating subsidiaries with assets included in the borrowing base and is guaranteed by Willbros Group, Inc. and its material U.S. subsidiaries, other than excluded subsidiaries. The borrower under the Canadian Facility is Willbros Construction Services (Canada) LP and the Canadian Facility is guaranteed by Willbros Group, Inc. and all of its material U.S. and Canadian subsidiaries, other than excluded subsidiaries.

Advances under the U.S. and Canadian Facility will be limited to a borrowing base consisting of the sum of 85 percent of the value of eligible accounts and 60 percent of the value of eligible unbilled accounts less applicable reserves, which the administrative agent may establish from time to time in its permitted discretion. Eligible unbilled accounts may not exceed \$50.0 million in the aggregate. Advances in U.S. dollars will initially bear interest at a rate equal to London Inter-Bank Offered Rate (LIBOR) plus 250 basis points or the U.S. or Canadian base rate plus 150 basis points. Advances in Canadian dollars will initially bear interest at the Bankers Acceptance (BA) Equivalent Rate plus 250 basis points.

or the Canadian prime rate plus 150 basis points.

Table of Contents**WILLBROS GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****13. Subsequent Event (continued)**

Commencing on the first day of the month following receipt of the Company's condensed consolidated financial statements for the quarterly period ended September 30, 2013, the interest rate margins will be further adjusted each quarter based on the Company's fixed charge coverage ratio as follows:

Fixed Charge Coverage Ratio	U.S. Base Rate, Canadian Base Rate and Canadian Prime Rate Loans	LIBOR Loans, BA Rate Loans and Letter of Credit Fees
>1.25 to 1	1.25%	2.25%
≤1.25 to 1 and 1.15 to 1	1.50%	2.50%
≤1.15 to 1	1.75%	2.75%

The borrowers will also pay an unused line fee on each of the U.S. and Canadian Facilities equal to 50 basis points when usage under the applicable facility during the preceding calendar month is less than 50 percent of the commitments or 37.5 basis points when usage under the applicable facility equals or exceeds 50 percent of the commitments for such period. With respect to the letters of credit, the borrowers will pay a letter of credit fee equal to the applicable LIBOR margin, shown in the table above, on all letters of credit and a 0.125 percent fronting fee to the issuing bank, in each case, payable monthly in arrears.

Obligations under the ABL Credit Facility are secured by a first priority security interest in the borrowers' and guarantors' accounts receivable, deposit accounts and similar assets (the ABL Priority Collateral) and a second priority security interest in the borrowers' and guarantors' equipment, inventory, subsidiary capital stock and intellectual property, which is subject to the first priority security interest of the collateral agent for the 2013 Term Loan Facility (the Term Loan Priority Collateral).

2013 Term Loan Facility

The 2013 Term Loan Facility provides for a \$250.0 million term loan, which the Company drew in full on the effective date of the credit agreement for the 2013 Term Loan Facility. Term loans were issued at a discount such that the funded portion was equal to 96.5 percent of the principal amount of the term loans. The borrower under the Term Loan Facility is Willbros Group, Inc. with all of its obligations guaranteed by its material U.S. subsidiaries, other than excluded subsidiaries. The 2013 Credit Facility permits the Company, under certain conditions, to add one or more incremental term loans to the 2013 Term Loan Facility in an aggregate principal amount up to \$50.0 million.

The term loans are repayable in equal quarterly installments in an aggregate amount equal to 0.25 percent of the original amount of the 2013 Term Loan Facility. The balance of the terms loan are repayable on August 7, 2019. The Company is permitted to make optional prepayments at any time, subject to a variable prepayment premium if the prepayment is made prior to August 6, 2016. Mandatory prepayments of term loans are required from (i) 100 percent of the proceeds of the sale of assets constituting Term Loan Priority Collateral, subject to reinvestment provisions and certain exceptions and thresholds, (ii) 100 percent of the net cash proceeds from issuances of debt by the Company and its subsidiaries, other than permitted indebtedness and (iii) 75 percent (with step-downs to 50 percent and 0 percent based on a leverage ratio) of annual excess cash flow provided that any voluntary prepayments of term loans will be credited against excess cash flow obligations.

The term loans will bear interest at the ABR plus an applicable margin, or the Eurodollar Rate plus an applicable margin. The ABR is the highest of (i) the rate announced by JPMorgan Chase Bank, N.A. as its prime rate, (ii) the federal funds rate plus 0.5 percent, (iii) the Eurodollar Rate applicable for a period of one month plus 1.0 percent and (iv) 2.25 percent. The Eurodollar Rate is the rate for Eurodollar deposits for a period equal to one, two, three or six months, as selected by the Company. The applicable margin for ABR loans is 8.75 percent, and the

applicable margin for Eurodollar loans is 9.75 percent.

Obligations under the 2013 Term Loan Facility are secured by a first priority security interest in the Term Loan Priority Collateral and a second priority security interest in the ABL Priority Collateral.

Table of Contents**WILLBROS GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****13. Subsequent Event (continued)***Covenants*

The table below sets forth the primary covenants included in the 2013 Credit Facilities (in thousands):

	Covenants Requirements
Maximum Total Leverage Ratio ⁽¹⁾ under the 2013 Term Loan Facility (the ratio of Consolidated Debt to Consolidated EBITDA as defined in the agreement for the 2013 Term Loan Facility) should be equal to or less than:	4.00 to 1
Minimum Interest Coverage Ratio ⁽²⁾ under the 2013 Term Loan Facility (the ratio of Consolidated EBITDA to Consolidated Interest Expense as defined in the credit agreement for the 2013 Term Loan Facility) should be equal to or greater than:	3.00 to 1
Minimum Fixed Charge Coverage Ratio ⁽³⁾ under the ABL Credit Facility (the ratio of Consolidated EBITDA less Capital Expenditures to Consolidated Interest Expense, Restricted Payments made in cash and scheduled cash principal payments as defined in the credit agreement for the ABL Credit Facility) should be equal to or greater than:	1.15 to 1

⁽¹⁾ The Maximum Total Leverage Ratio decreases to 3.50 as of March 31, 2014, 3.00 as of June 30, 2014 and 2.75 as of March 31, 2015.

⁽²⁾ The Minimum Interest Coverage Ratio increases to 3.25 as of December 31, 2013 and 3.50 as of March 31, 2014.

⁽³⁾ The Minimum Fixed Charge Coverage Ratio is applicable only if excess availability under the ABL Credit Facility is less than the greater of 15 percent of the commitments or \$22.5 million. In addition, prepayments of indebtedness under the 2013 Term Loan Facility are permitted if excess availability under the ABL Credit Facility exceeds the greater of 20 percent of the commitments and \$30.0 million and the borrowers and guarantors are in compliance with the Minimum Fixed Charge Coverage Ratio on a pro forma basis immediately prior to and giving effect to the prepayment. Prepayments of indebtedness under the 2013 Term Loan Facility are permitted without restriction to the extent such prepayments are from the proceeds of dispositions of the Term Loan Priority Collateral.

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

The 2013 Credit Facilities also include customary representations and warranties and affirmative and negative covenants, including:

limitations on liens and indebtedness;

limitations on dividends and other payments in respect of capital stock;

limitations on capital expenditures; and

limitations on modifications of the documentation of the ABL Credit Facility.

A default under the 2013 Credit Facilities may be triggered by events such as a failure to comply with financial covenants or other covenants under the 2013 Credit Facilities, a failure to make payments when due under the 2013 Credit Facilities, a failure to make payments when due in respect of, or a failure to perform obligations relating to, debt obligations in excess of \$15.0 million, a change of control of the Company and certain insolvency proceedings. A default under the ABL Credit Facility would permit 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. A default under the 2013 Term Loan Facility would permit the lenders to require immediate repayment of all principal, interest, fees and other amounts payable thereunder.

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

14. Condensed Consolidating Guarantor Financial Statements

Willbros Group, Inc. (the Parent) and its 100 percent owned U.S. subsidiaries (the Guarantors) may fully and unconditionally guarantee, on a joint and several basis, the obligations of the Company under debt securities that it may issue pursuant to a universal shelf registration statement on Form S-3 filed by the Company with the SEC. There are currently no restrictions on the ability of the Guarantors to transfer funds to the Parent in the form of cash dividends or advances. Condensed consolidating financial information for a) the Parent, b) the Guarantors and c) all other direct and indirect subsidiaries (the Non-Guarantors) as of June 30, 2013 and December 31, 2012 and for each of the three months and six months ended June 30, 2013 and 2012 follows (in thousands).

The Company revised its Condensed Consolidating Statement of Cash Flows for the three months ended June 30, 2012 to correct the form and content of the condensed presentation in accordance with S-X Rule 3-10 and Rule 10-01. The revision was made to show individual cash changes from investing and financing activities within the Condensed Consolidating Statement of Cash Flows. This revision did not impact the previously reported total amounts for investing and financing activities within the Parent, Guarantor and Non-Guarantor columns and did not impact the Condensed Consolidated Financial Statements.

Table of Contents**WILLBROS GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****14. Condensed Consolidating Guarantor Financial Statements (continued)****CONDENSED CONSOLIDATING BALANCE SHEET**

	June 30, 2013				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 27,020	\$ 17,922	\$ 8,668	\$	\$ 53,610
Accounts receivable, net		259,408	74,997		334,405
Contract cost and recognized income not yet billed		68,874	18,375		87,249
Prepaid expenses and other assets	4,815	18,439	845	(2,327)	21,772
Parts and supplies inventories		4,101	1,029		5,130
Deferred income taxes			10,294		10,294
Assets held for sale		46,932			46,932
Receivables from affiliated companies	73,388	27,547		(100,935)	
Total current assets	105,223	443,223	114,208	(103,262)	559,392
Property, plant and equipment, net		109,280	5,482		114,762
Deferred income taxes	87,937			(87,937)	
Intangible assets, net		150,612			150,612
Investment in subsidiaries	12,656			(12,656)	
Other assets		37,174	1,114		38,288
Total assets	\$ 205,816	\$ 740,289	\$ 120,804	\$ (203,855)	\$ 863,054
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable and accrued liabilities	\$	\$ 221,853	\$ 44,244	\$ (2,327)	\$ 263,770
Contract billings in excess of cost and recognized income		18,031	1,760		19,791
Current portion of capital lease obligations		1,063			1,063
Notes payable and current portion of long-term debt		5,052			5,052
Current portion of settlement obligation of discontinued operations			6,250		6,250
Accrued income taxes	2,852		2,287		5,139
Liabilities held for sale		15,422			15,422
Other current liabilities		5,329	764		6,093
Payables to affiliated companies			100,935	(100,935)	
Total current liabilities	2,852	266,750	156,240	(103,262)	322,580
Long-term debt		256,908			256,908

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Capital lease obligations		1,819			1,819
Long-term portion of settlement obligation of discontinued operations			32,750		32,750
Long-term liabilities for unrecognized tax benefits	2,003		2,321		4,324
Deferred income taxes		95,955	275	(87,937)	8,293
Other long-term liabilities		31,558	3,861		35,419
Total liabilities	4,855	652,990	195,447	(191,199)	662,093
Stockholders' equity:					
Total stockholders' equity	200,961	87,299	(74,643)	(12,656)	200,961
Total liabilities and stockholders' equity	\$ 205,816	\$ 740,289	\$ 120,804	\$ (203,855)	\$ 863,054

Table of Contents**WILLBROS GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****14. Condensed Consolidating Guarantor Financial Statements (continued)****CONDENSED CONSOLIDATING BALANCE SHEET**

	December 31, 2012				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 24,875	\$ 13,984	\$ 9,919	\$	\$ 48,778
Accounts receivable, net		307,273	73,297		380,570
Contract cost and recognized income not yet billed		74,958	14,700		89,658
Prepaid expenses and other assets	2,504	27,665	1,346		31,515
Parts and supplies inventories		4,130	1,134		5,264
Deferred income taxes	3,592	16,312	10,368	(19,904)	10,368
Assets held for sale		62,804	28,136		90,940
Receivables from affiliated companies	80,871	51,486		(132,357)	
Total current assets	111,842	558,612	138,900	(152,261)	657,093
Property, plant and equipment, net		117,204	6,781		123,985
Deferred income taxes	102,493		113	(102,493)	113
Other intangible assets, net		158,062			158,062
Investment in subsidiaries	12,231			(12,231)	
Other assets		37,844	1,149		38,993
Total assets	\$ 226,566	\$ 871,722	\$ 146,943	\$ (266,985)	\$ 978,246
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 149	\$ 249,228	\$ 46,130	\$	\$ 295,507
Contract billings in excess of cost and recognized income		33,332	2,911		36,243
Current portion of capital lease obligations		1,317			1,317
Notes payable and current portion of long-term debt		5,869			5,869
Current portion of settlement obligation of discontinued operations			5,000		5,000
Accrued income taxes	18,127		10,164	(19,904)	8,387
Liabilities held for sale		15,384	10,790		26,174
Other current liabilities		2,804	5,280		8,084
Payables to affiliated companies			132,357	(132,357)	
Total current liabilities	18,276	307,934	212,632	(152,261)	386,581
Long-term debt		294,353			294,353

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Capital lease obligations		2,281			2,281
Long-term portion of settlement obligation of discontinued operations			36,500		36,500
Contingent earnout					
Long-term liabilities for unrecognized tax benefits	1,957		2,999		4,956
Deferred income taxes		105,058	6,059	(102,493)	8,624
Other long-term liabilities		34,402	4,216		38,618
Total liabilities	20,233	744,028	262,406	(254,754)	771,913
Stockholders' equity:					
Total stockholders' equity	206,333	127,694	(115,463)	(12,231)	206,333
Total liabilities and stockholders' equity	\$ 226,566	\$ 871,722	\$ 146,943	\$ (266,985)	\$ 978,246

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	Three Months Ended June 30, 2013				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Contract revenue	\$	\$ 402,335	\$ 85,529	\$	\$ 487,864
Operating expenses:					
Contract		357,007	75,800		432,807
Amortization of intangibles		3,780			3,780
General and administrative	1,452	37,247	3,215		41,914
Operating income (loss)	(1,452)	4,301	6,514		9,363
Other income (expense):					
Equity in income (loss) of consolidated subsidiaries	(4,921)			4,921	
Interest expense, net		(6,927)	5		(6,922)
Loss on early extinguishment of debt					
Other, net	(3)	(151)	(154)		(308)
Income (loss) from continuing operations before income taxes	(6,376)	(2,777)	6,365	4,921	2,133
Provision for income taxes	525	14	587		1,126
Income (loss) from continuing operations	(6,901)	(2,791)	5,778	4,921	1,007
Income (loss) from discontinued operations net of benefit for income taxes		(7,952)	44		(7,908)
Net income (loss)	(6,901)	(10,743)	5,822	4,921	(6,901)
Less: Income attributable to noncontrolling interest					
Net income (loss) attributable to Willbros Group, Inc.	\$ (6,901)	\$ (10,743)	\$ 5,822	\$ 4,921	\$ (6,901)

Table of Contents**WILLBROS GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****14. Condensed Consolidating Guarantor Financial Statements (continued)****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**

	Three Months Ended June 30, 2012				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Contract revenue	\$	\$ 412,724	\$ 37,698	\$	\$ 450,422
Operating expenses:					
Contract		366,444	39,573		406,017
Amortization of intangibles		3,669			3,669
General and administrative	(5,293)	39,879	(1,344)		33,242
Operating income (loss)	5,293	2,732	(531)		7,494
Other income (expense):					
Equity in income (loss) of consolidated subsidiaries	(3,802)		(328)	4,130	
Interest expense, net	(564)	(6,535)	(14)		(7,113)
Loss on early extinguishment of debt		(1,149)			(1,149)
Other, net	2,892	(1,691)	(1,216)		(15)
Income (loss) from continuing operations before income taxes	3,819	(6,643)	(2,089)	4,130	(783)
Provision for income taxes	439		769		1,208
Income (loss) from continuing operations	3,380	(6,643)	(2,858)	4,130	(1,991)
Income (loss) from discontinued operations net of benefit for income taxes		(2,433)	8,132		5,699
Net income (loss)	3,380	(9,076)	5,274	4,130	3,708
Less: Income attributable to noncontrolling interest				(328)	(328)
Net income (loss) attributable to Willbros Group, Inc.	\$ 3,380	\$ (9,076)	\$ 5,274	\$ 3,802	\$ 3,380

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	Six Months Ended June 30, 2013				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Contract revenue	\$	\$ 773,857	\$ 201,366	\$	\$ 975,223
Operating expenses:					
Contract		705,792	174,532		880,324
Amortization of intangibles		7,542			7,542
General and administrative	2,294	70,346	6,912		79,552
Operating income (loss)	(2,294)	(9,823)	19,922		7,805
Other income (expense):					
Equity in income (loss) of consolidated subsidiaries	425			(425)	
Interest expense, net	87	(14,695)	(4)		(14,612)
Loss on early extinguishment of debt					
Other, net	122	(97)	(102)		(77)
Income (loss) from continuing operations before income taxes	(1,660)	(24,615)	19,816	(425)	(6,884)
Provision for income taxes	1,049	14	2,675		3,738
Income (loss) from continuing operations	(2,709)	(24,629)	17,141	(425)	(10,622)
Income (loss) from discontinued operations net of benefit for income taxes		(15,766)	23,679		7,913
Net income (loss)	(2,709)	(40,395)	40,820	(425)	(2,709)
Less: Income attributable to noncontrolling interest					
Net income (loss) attributable to Willbros Group, Inc.	\$ (2,709)	\$ (40,395)	\$ 40,820	\$ (425)	\$ (2,709)

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

14. Condensed Consolidating Guarantor Financial Statements (continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

	Parent	Six Months Ended June 30, 2012
		Guarantors