

Willbros Group, Inc.\NEW\  
Form 10-Q  
August 07, 2015  
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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, 2015

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 1-34259

Willbros Group, Inc.  
(Exact name of registrant as specified in its charter)

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

4400 Post Oak Parkway  
Suite 1000  
Houston, TX 77027  
Telephone No.: 713-403-8000

(Address, including zip code, and telephone number, including area code, of principal executive offices of registrant)  
NOT APPLICABLE  
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large Accelerated Filer  Accelerated Filer   
Non-Accelerated Filer  Smaller reporting company

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

The number of shares of the registrant's Common Stock, \$.05 par value, outstanding as of July 31, 2015 was 62,108,063.

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## PART I—FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## WILLBROS GROUP, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

(Unaudited)

|   | June 30,<br>2015 | December 31,<br>2014 |   |
|---|------------------|----------------------|---|
| <b>ASSETS</b>   |                  |                      |   |
| Current assets:   |                  |                      |   |
| Cash and cash equivalents   | \$68,233         | \$23,273             |   |
| Accounts receivable, net  | 228,960          | 347,137              |   |
| Contract cost and recognized income not yet billed  | 20,147           | 39,781               |   |
| Prepaid expenses and other current assets   | 30,184           | 25,432               |   |
| Parts and supplies inventories  | 1,507            | 3,555                |   |
| Deferred income taxes   | 5,052            | 6,621                |   |
| Assets associated with discontinued operations  | 2,222            | 7,057                |   |
| Total current assets  | 356,305          | 452,856              |   |
| Property, plant and equipment, net  | 72,316           | 94,432               |   |
| Intangible assets, net  | 92,713           | 116,130              |   |
| Deferred income taxes   | 787              | 711                  |   |
| Other assets  | 35,085           | 28,078               |   |
| Total assets  | \$557,206        | \$692,207            |   |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                  |                      |   |
| Current liabilities:  |                  |                      |   |
| Accounts payable and accrued liabilities  | \$149,322        | \$207,313            |   |
| Contract billings in excess of cost and recognized income   | 13,979           | 16,371               |   |
| Current portion of capital lease obligations  | 909              | 917                  |   |
| Notes payable and current portion of long-term debt   | 8,576            | 7,476                |   |
| Accrued income taxes  | —                | 2,430                |   |
| Other current liabilities   | 9,947            | 7,462                |   |
| Liabilities associated with discontinued operations   | 1,859            | 5,185                |   |
| Total current liabilities   | 184,592          | 247,154              |   |
| Long-term debt  | 205,597          | 280,170              |   |
| Capital lease obligations   | 33               | 467                  |   |
| Long-term liabilities for unrecognized tax benefits   | —                | 117                  |   |
| Deferred income taxes   | 5,326            | 6,895                |   |
| Other long-term liabilities   | 42,689           | 43,579               |   |
| Total liabilities   | 438,237          | 578,382              |   |
| Contingencies and commitments (Note 13)   |                  |                      |   |
| Stockholders' equity:   |                  |                      |   |
| Preferred stock, par value \$.01 per share, 1,000,000 shares authorized, none issued  | —                | —                    |   |
| Common stock, par value \$.05 per share, 105,000,000 shares authorized and 63,695,099 shares issued at June 30, 2015 (70,000,000 shares authorized and 52,094,931 shares issued at December 31, 2014) | 3,177            | 2,597                |   |
| Additional paid-in capital  | 740,697          | 703,728              |   |
| Accumulated deficit   | (610,455)        | (581,745)            | ) |
|   | (14,190)         | (13,832)             | ) |

|  |           |           |
|--|-----------|-----------|
| Treasury stock at cost, 1,584,824 shares at June 30, 2015 (1,430,690 at December 31, 2014) |           |           |
| Accumulated other comprehensive income (loss)  | (549      | ) 2,788   |
| Total Willbros Group, Inc. stockholders' equity  | 118,680   | 113,536   |
| Noncontrolling interest  | 289       | 289       |
| Total stockholders' equity   | 118,969   | 113,825   |
| Total liabilities and stockholders' equity   | \$557,206 | \$692,207 |
| 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 |              | Six Months Ended |              |
|--|--------------------|--------------|------------------|--------------|
|  | June 30,           |              | June 30,         |              |
|  | 2015               | 2014         | 2015             | 2014         |
| Contract revenue   | \$286,923          | \$539,790    | \$633,855        | \$1,016,328  |
| Operating expenses:  |                    |              |                  |              |
| Contract costs   | 263,167            | 493,420      | 590,810          | 935,416      |
| Amortization of intangibles  | 2,619              | 3,119        | 5,714            | 6,238        |
| General and administrative   | 26,510             | 36,691       | 62,142           | 73,763       |
| Loss (gain) on sale of subsidiaries  | 2,177              | —            | (56,372)         | —            |
| Other charges  | 4,735              | —            | 8,685            | —            |
|  | 299,208            | 533,230      | 610,979          | 1,015,417    |
| Operating income (loss)  | (12,285)           | ) 6,560      | 22,876           | 911          |
| Non-operating expenses:  |                    |              |                  |              |
| Interest expense, net  | (6,532)            | ) (7,477)    | ) (14,828)       | ) (15,195)   |
| Debt covenant suspension and extinguishment charges                          | (312)              | ) (948)      | ) (36,181)       | ) (948)      |
| Other, net   | (103)              | ) (151)      | ) (213)          | ) (111)      |
|  | (6,947)            | ) (8,576)    | ) (51,222)       | ) (16,254)   |
| Loss from continuing operations before income taxes                          | (19,232)           | ) (2,016)    | ) (28,346)       | ) (15,343)   |
| Provision (benefit) for income taxes   | (209)              | ) 2,875      | 108              | 6,544        |
| Loss from continuing operations  | (19,023)           | ) (4,891)    | ) (28,454)       | ) (21,887)   |
| Income (loss) from discontinued operations net of provision for income taxes | 137                | (10,620)     | ) (256)          | ) (18,614)   |
| Net loss   | \$(18,886)         | ) \$(15,511) | ) \$(28,710)     | ) \$(40,501) |
| Basic loss per share attributable to Company shareholders:                   |                    |              |                  |              |
| Loss from continuing operations  | \$(0.32)           | ) \$(0.10)   | ) \$(0.52)       | ) \$(0.45)   |
| Loss from discontinued operations  | —                  | (0.22)       | ) —              | (0.38)       |
| Net loss   | \$(0.32)           | ) \$(0.32)   | ) \$(0.52)       | ) \$(0.83)   |
| Diluted loss per share attributable to Company shareholders:                 |                    |              |                  |              |
| Loss from continuing operations  | \$(0.32)           | ) \$(0.10)   | ) \$(0.52)       | ) \$(0.45)   |
| Loss from discontinued operations  | —                  | (0.22)       | ) —              | (0.38)       |
| Net loss   | \$(0.32)           | ) \$(0.32)   | ) \$(0.52)       | ) \$(0.83)   |
| Weighted average number of common shares outstanding:                        |                    |              |                  |              |
| Basic  | 60,227,495         | 49,336,581   | 55,052,192       | 49,093,356   |
| Diluted  | 60,227,495         | 49,336,581   | 55,052,192       | 49,093,356   |

See accompanying notes to condensed consolidated financial statements.

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## WILLBROS GROUP, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

(Unaudited)

|   | Three Months Ended |             | Six Months Ended |             |   |
|---|--------------------|-------------|------------------|-------------|---|
|   | June 30,           |             | June 30,         |             |   |
|   | 2015               | 2014        | 2015             | 2014        |   |
| Net loss  | \$(18,886          | ) \$(15,511 | ) \$(28,710      | ) \$(40,501 | ) |
| Other comprehensive income (loss), net of tax       |                    |             |                  |             |   |
| Foreign currency translation adjustments            | 1,447              | 2,076       | (3,204           | ) 13        |   |
| Changes in derivative financial instruments         | 357                | (845        | ) (133           | ) (1,630    | ) |
| Total other comprehensive income (loss), net of tax | 1,804              | 1,231       | (3,337           | ) (1,617    | ) |
| Total comprehensive loss                            | \$(17,082          | ) \$(14,280 | ) \$(32,047      | ) \$(42,118 | ) |

See accompanying notes to condensed consolidated financial statements.

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## WILLBROS GROUP, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

|   | Six Months Ended |             |
|---|------------------|-------------|
|   | June 30,         |             |
|   | 2015             | 2014        |
| Cash flows from operating activities:   |                  |             |
| Net loss  | \$(28,710        | ) \$(40,501 |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: |                  |             |
| Loss from discontinued operations   | 256              | 18,614      |
| Depreciation and amortization   | 16,269           | 18,559      |
| Loss on sale of long-lived asset  | 2,226            | —           |
| Debt covenant suspension and extinguishment charges                                       | 36,181           | 948         |
| Stock-based compensation  | 3,568            | 4,509       |
| Amortization of debt issuance costs   | 311              | 491         |
| Non-cash interest expense   | —                | 724         |
| Deferred income tax expense (benefit)   | (114             | ) 3,234     |
| Gain on disposal of property and equipment  | (3,044           | ) (2,721    |
| Gain on sale of subsidiaries  | (56,372          | ) —         |
| Provision for (recovery of) bad debts   | (39              | ) 412       |
| Changes in operating assets and liabilities:  |                  |             |
| Accounts receivable   | 84,212           | (49,941     |
| Contract cost and recognized income not yet billed  | 17,225           | (10,673     |
| Prepaid expenses and other current assets   | (5,851           | ) (9,057    |
| Accounts payable and accrued liabilities  | (38,817          | ) 20,609    |
| Accrued income taxes  | (2,441           | ) (5,977    |
| Contract billings in excess of cost and recognized income                                 | (1,476           | ) 5,676     |
| Other assets and liabilities, net   | (9,173           | ) (2,990    |
| Cash provided by (used in) operating activities of continuing operations                  | 14,211           | (48,084     |
| Cash provided by operating activities of discontinued operations                          | 805              | 10,622      |
| Cash provided by (used in) operating activities   | 15,016           | (37,462     |
| Cash flows from investing activities:   |                  |             |
| Proceeds from sales of property, plant and equipment                                      | 6,670            | 3,827       |
| Proceeds from sale of subsidiaries  | 97,344           | 46,152      |
| Purchases of property, plant and equipment  | (1,641           | ) (8,353    |
| Cash provided by investing activities of continuing operations                            | 102,373          | 41,626      |
| Cash provided by investing activities of discontinued operations                          | 448              | 289         |
| Cash provided by investing activities   | 102,821          | 41,915      |
| Cash flows from financing activities:   |                  |             |
| Proceeds from revolver and notes payable  | 39,030           | 30,000      |
| Payments on capital leases  | (442             | ) (479      |
| Payments of revolver and notes payable  | (30,466          | ) (19,336   |
| Payments on term loan facility  | (79,674          | ) (28,527   |
| Cost of debt issuance   | (556             | ) —         |
| Payments to reacquire common stock  | (358             | ) (1,241    |
| Cash used in financing activities of continuing operations                                | (72,466          | ) (19,583   |
| Cash used in financing activities of discontinued operations                              | —                | (100        |



|   |          |           |   |
|---|----------|-----------|---|
| Cash used in financing activities   | (72,466  | ) (19,683 | ) |
| Effect of exchange rate changes on cash and cash equivalents                | (411     | ) (106    | ) |
| Net increase (decrease) in cash and cash equivalents                        | 44,960   | (15,336   | ) |
| Cash and cash equivalents of continuing operations at beginning of period   | 23,273   | 42,569    |   |
| Cash and cash equivalents of discontinued operations at beginning of period | —        | 1,041     |   |
| Cash and cash equivalents at beginning of period                            | 23,273   | 43,610    |   |
| Cash and cash equivalents at end of period                                  | 68,233   | 28,274    |   |
| Less: cash and cash equivalents of discontinued operations at end of period | —        | —         |   |
| Cash and cash equivalents of continuing operations at end of period         | \$68,233 | \$28,274  |   |
| Supplemental disclosures of cash flow information:                          |          |           |   |
| Cash paid for interest (including discontinued operations)                  | \$15,078 | \$13,823  |   |
| Cash paid for income taxes (including discontinued operations)              | \$2,951  | \$13,390  |   |
| 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 a specialty energy infrastructure contractor serving the oil, gas, refinery, petrochemical and power industries. The Company’s offerings include engineering, procurement and construction (either individually or as an integrated “EPC” service offering), turnarounds, maintenance, facilities development and operations 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, 2014, which has been derived from audited consolidated financial statements, and the unaudited Condensed Consolidated Financial Statements as of June 30, 2015 and 2014, 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, 2014 audited Consolidated Financial Statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014.

In the opinion of management, the unaudited Condensed Consolidated Financial Statements reflect all adjustments necessary to fairly state the financial position as of June 30, 2015, 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, 2015 are not necessarily indicative of the operating results and cash flows to be achieved for the full year.

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

2. New Accounting Pronouncements

In April 2015, the FASB issued guidance that simplifies the presentation of debt issuance costs with the requirement that debt issuance costs related to a debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The standard is effective for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. The Company does not believe the guidance will have a material effect on its condensed consolidated financial statements. In May 2014, the FASB and the IASB issued common guidance surrounding the recognition of revenue from contracts with customers. Under the new guidance, a company will recognize revenue when it satisfies a performance obligation by transferring a promised good or service to a customer. Revenue will be recognized at an amount that reflects the consideration it expects to receive in exchange for those goods and services. This guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs

incurred to obtain or fulfill a contract. This standard is effective, on either a full retrospective or a modified retrospective basis, for interim and annual periods beginning on or after December 15, 2017. The Company is still assessing the impact of this guidance on its consolidated financial statements.

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## 3. Business Disposals

## Downstream Professional Services

On June 12, 2015, the Company sold all of its issued and outstanding equity of Willbros Engineers, LLC and Willbros Heater Services, LLC (collectively "Downstream Professional Services") to BR Engineers, LLC for approximately \$10.0 million in cash. The closing consideration is subject to working capital and other typical post-closing adjustments. The Company recorded a loss of \$2.2 million in connection with this sale during the second quarter of 2015.

## Premier

On March 31, 2015, the Company sold all of its membership units in Premier Utility Services, LLC ("Premier") to USIC Locating Services, LLC for approximately \$51.0 million in cash, of which \$4.0 million was deposited into an escrow account for a period of up to eighteen months to cover post-closing adjustments and any indemnification obligations of the Company. The closing consideration is subject to typical post-closing adjustments. The Company recorded a gain of \$37.1 million in connection with this sale during the first quarter of 2015.

## UtilX

On March 17, 2015, the Company sold all of its equity interests of UtilX Corporation ("UtilX") to Novinium, Inc. for approximately \$40.0 million in cash, of which \$0.5 million was deposited into an escrow account for a period of six months to cover post-closing adjustments and any indemnification obligations of the Company. The closing consideration is subject to working capital and other typical post-closing adjustments. The Company recorded a gain of \$21.4 million in connection with this sale during the first quarter of 2015.

The three business disposals discussed above do not qualify as discontinued operations at June 30, 2015 in accordance with Accounting Standards Update ("ASU") 2014-08, which the Company adopted on January 1, 2015.

## 4. Other Charges

For the six months ended June 30, 2015, approximately \$4.4 million in equipment and facility lease abandonment charges, \$1.1 million in employee severance charges and \$0.5 million in the accelerated vesting of stock awards related to management changes and headcount reductions across the Company are included in the line item "Other charges" on the Condensed Consolidated Statement of Operations. Also included in this line item is a \$2.2 million loss on the sale of a long-lived asset and \$0.4 million in legal and accounting costs associated with the investigation of the root cause behind the deterioration of certain construction projects within the Oil & Gas segment which led to the restatements of the Company's Condensed Consolidated Financial Statements for the quarterly periods ended March 31, 2014 and June 30, 2014.

Activity in the accrual related to other charges for the six months ended June 30, 2015 is as follows (in thousands):

|  | Employee<br>Termination<br>and Other<br>Benefits | Equipment<br>and facility<br>lease<br>abandonment | Loss on sale<br>of long-lived<br>asset | Accounting<br>and legal fees<br>associated<br>with<br>restatement | Total     |
|--|--|---|--|---|-----------|
| Accrued cost at December 31, 2014                          | \$397  | \$—   | \$—                                    | \$3,413   | \$3,810   |
| Costs recognized during the six months ended June 30, 2015 | 1,637  | 4,376   | 2,226                                  | 446   | 8,685     |
| Cash payments  | (1,569)  | ) —   | —                                      | (3,045)   | ) (4,614) |
| Non-cash charges (1)                                       | (465)  | ) (4,376)   | ) (2,226)                              | ) —   | ) (7,067) |
| Accrued cost at June 30, 2015                              | \$—  | \$—   | \$—                                    | \$814   | \$814     |

(1) Non-cash charges consist of \$0.5 million of accelerated stock-based compensation, \$4.4 million in equipment and lease impairment charges and a \$2.2 million loss on the sale of a long-lived asset.

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## 5. Contracts in Progress

Contract cost and recognized income not yet billed on uncompleted contracts arise when recorded revenues for a contract exceed the amounts billed under the terms of the contracts. Contract billings in 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, 2015 and December 31, 2014 was as follows (in thousands):

|   | June 30,<br>2015 | December 31,<br>2014 |
|---|------------------|----------------------|
| Cost incurred on contracts in progress                    | \$812,634        | \$981,518            |
| Recognized income   | 68,703           | 90,994               |
|   | 881,337          | 1,072,512            |
| Progress billings and advance payments                    | (875,169         | ) (1,049,102         |
|   | \$6,168          | \$23,410             |
| Contract cost and recognized income not yet billed        | \$20,147         | \$39,781             |
| Contract billings in excess of cost and recognized income | (13,979          | ) (16,371            |
|   | \$6,168          | \$23,410             |

Contract cost and recognized income not yet billed includes \$3.0 million and \$2.8 million at June 30, 2015 and December 31, 2014, respectively, on completed contracts.

The balances billed but not paid by customers pursuant to retainage provisions in certain contracts are generally due upon completion of the contracts and acceptance by the customer. Based on the Company's experience with similar contracts in recent years, the majority of the retainage balances at each balance sheet date are expected to be collected within the next 12 months. Current retainage balances at June 30, 2015 and December 31, 2014, were approximately \$28.7 million and \$43.4 million, respectively, and are included in "Accounts receivable" in the Condensed Consolidated Balance Sheets. There were no retainage balances with settlement dates beyond the next 12 months at June 30, 2015 and December 31, 2014.

## 6. Intangible Assets

The changes in the carrying amounts of intangible assets for the six months ended June 30, 2015 are detailed below (in thousands):

|                                 | Customer<br>Relationships | Trademark /<br>Tradename | Technology | Total     |
|---------------------------------|---------------------------|--------------------------|------------|-----------|
| Balance as of December 31, 2014 | \$105,604                 | \$7,505                  | \$3,021    | \$116,130 |
| Amortization                    | (4,950                    | ) (636                   | ) (128     | ) (5,714  |
| Additions                       | —                         | 300                      | 120        | 420       |
| Disposals                       | (13,681                   | ) (1,539                 | ) (2,903   | ) (18,123 |
| Balance as of June 30, 2015     | \$86,973                  | \$5,630                  | \$110      | \$92,713  |
|                                 | 9.9 years                 | 5.0 years                | 4.5 years  |           |

Weighted Average Remaining Amortization

Period

Disposals relate to the intangible assets sold as part of the sales of Downstream Professional Services, Premier and UtilX during the first six months of 2015. See Note 3 – Business Disposals for additional information associated with these disposals.

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

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 6. Intangible Assets (continued)

Estimated amortization expense for the remainder of 2015 and each of the subsequent five years and thereafter is as follows (in thousands):

Fiscal year:

|                        |              |
|------------------------|--------------|
| Remainder of 2015      | \$4,984      |
| 2016                   | 9,969        |
| 2017                   | 9,969        |
| 2018                   | 9,969        |
| 2019                   | 9,969        |
| 2020                   | 9,142        |
| Thereafter             | 38,711       |
| <br>Total amortization | <br>\$92,713 |

## 7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2015 and December 31, 2014 were as follows (in thousands):

|  | June 30,<br>2015 | December 31,<br>2014 |
|--|------------------|----------------------|
| Trade accounts payable                         | \$58,180         | \$82,557             |
| Payroll and payroll liabilities                | 33,610           | 44,483               |
| Accrued contract costs                         | 22,390           | 34,791               |
| Self-insurance accrual                         | 15,972           | 15,915               |
| Other accrued liabilities                      | 19,170           | 29,567               |
| Total accounts payable and accrued liabilities | \$149,322        | \$207,313            |

## 8. Long-Term Debt

Long-term debt as of June 30, 2015 and December 31, 2014 was as follows (in thousands):

|  | June 30,<br>2015 | December 31,<br>2014 |
|--|------------------|----------------------|
| 2014 Term Loan Facility                                | \$190,326        | \$270,000            |
| Revolver borrowings under the 2013 ABL Credit Facility | —                | —                    |
| Capital lease obligations                              | 942              | 1,384                |
| Other obligations                                      | 23,847           | 17,646               |
| Total debt   | 215,115          | 289,030              |
| Less: current portion                                  | (9,485           | ) (8,393             |
| Long-term debt, net                                    | \$205,630        | \$280,637            |
| 2014 Term Loan Facility                                |                  |                      |

On December 15, 2014, the Company entered into a new credit agreement dated as of December 15, 2014 (the "2014 Term Credit Agreement") among the Company, certain of its subsidiaries, as guarantors, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and KKR Credit Advisors (US) LLC, as sole lead arranger and sole bookrunner.



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## 8. Long-term Debt (continued)

The 2014 Term Credit Agreement provides for a \$270.0 million term loan facility (the “2014 Term Loan Facility”), which the Company drew in full on the effective date of the 2014 Term Credit Agreement. Willbros Group, Inc. is the borrower under the 2014 Term Credit Agreement, with all of its obligations guaranteed by its material U.S. subsidiaries, other than excluded subsidiaries. Obligations under the 2014 Term Loan Facility are secured by a first priority security interest in, among other things, the borrower’s and the guarantors’ equipment, subsidiary capital stock and intellectual property (the “2014 Term Loan Priority Collateral”) and a second priority security interest in, among other things, the borrower’s and the guarantors’ inventory, accounts receivable, deposit accounts and similar assets. The term loans bear interest at the “Adjusted Base Rate” plus an applicable margin of 8.75 percent, or the “Eurodollar Rate” plus an applicable margin of 9.75 percent. The interest rate in effect at June 30, 2015 and 2014 was 11 percent, comprised of an applicable margin of 9.75 percent for Eurodollar rate loans plus a LIBOR floor of 1.25 percent. During the first six months of 2015, the Company made early payments of approximately \$78.3 million against its 2014 Term Loan Facility. As a result of these early payments, the Company recorded debt extinguishment charges of approximately \$1.9 million, which consisted of prepayment premiums of 2 percent and the write-off of debt issuance costs.

## 2013 ABL Credit Facility

On August 7, 2013 the Company entered 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 (as amended, the “2013 ABL Credit Facility”). The initial aggregate amount of commitments for the 2013 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 2013 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 the U.S. Facility 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 are 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 bear interest at a rate equal to LIBOR or the U.S. or Canadian base rate plus an additional margin. Advances in Canadian dollars bear interest at the Bankers Acceptance (“BA”) Equivalent Rate or the Canadian prime rate plus an additional margin.

The interest rate margins will be adjusted each quarter based on the Company’s fixed charge coverage ratio as of the end of the previous quarter 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%  |



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8. Long-term Debt (continued)

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 2013 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 2014 Term Loan Priority Collateral.

Debt Covenants and Events of Default

A default under the 2014 Term Loan Facility and the 2013 ABL Credit Facility may be triggered by events such as a failure to comply with financial covenants or other covenants under the 2014 Term Loan Facility and the 2013 ABL Credit Facility, a failure to make payments when due under the 2014 Term Loan Facility and the 2013 ABL Credit Facility, 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 2013 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 2014 Term Loan Facility would permit the lenders to require immediate repayment of all principal, interest, fees and other amounts payable thereunder.

On March 31, 2015, (the "Closing Date"), the Company amended the 2014 Term Credit Agreement pursuant to a First Amendment (the "First Amendment"). The First Amendment, among other things, suspends the calculation of the Maximum Total Leverage Ratio and Minimum Interest Coverage Ratio covenants for the period from December 31, 2014 through March 31, 2016 (the "Covenant Suspension Period") and provides that any failure by the Company to comply with the Maximum Total Leverage Ratio or Minimum Interest Coverage Ratio during the Covenant Suspension Period shall not be deemed to result in a default or event of default. Prior to obtaining the First Amendment, the Company would not have complied with the Maximum Total Leverage Ratio and Minimum Interest Coverage Ratio at June 30, 2015.

In consideration of the suspension of the calculation of the Maximum Total Leverage Ratio and Minimum Interest Coverage Ratio for the Covenant Suspension Period, the Company entered into a subscription agreement pursuant to which it issued approximately 10.1 million shares, which was equivalent to 19.9 percent of the outstanding shares of common stock immediately prior to the Closing Date of the First Amendment, to KKR Lending Partners II L.P. and other entities indirectly advised by KKR Credit Advisers (US), LLC. In connection with this transaction, the Company recorded debt covenant suspension charges of approximately \$33.5 million which represented the fair value of the 10.1 million outstanding shares of common stock issued, multiplied by the closing stock price on the Closing Date. In addition, the Company recorded debt extinguishment charges of approximately \$0.8 million related to the write-off of debt issuance costs associated with the Company's 2014 Term Loan Facility.

The Company's primary sources of capital are its cash on hand, proceeds from asset sales, operating cash flows and borrowings under the 2013 ABL Credit Facility.

The Company anticipates selling its Professional Services segment in the fourth quarter of 2015 and a discrete asset in the third quarter of 2015. Once the sales are completed, the Company expects to use the proceeds to make payments against its 2014 Term Loan Facility and for working capital purposes. In conjunction with these sales, and based on its current forecasts, the Company is seeking from the lenders under the 2013 ABL Credit Facility and the 2014 Term Loan Facility the approval of the sales, amendments under its 2014 Term Loan Facility to use a portion of the sales

proceeds for working capital purposes, and reduced covenant compliance requirements beginning in the second quarter of 2016.

The Company expects to have sufficient liquidity and capital resources to meet its obligations for at least the next twelve months based on its current forecasts, the anticipated sales of its Professional Services segment and other discrete assets, cash on hand, operating cash flows, borrowings under the 2013 ABL Credit Facility and the anticipated amendments under the 2013 ABL Credit Facility and 2014 Term Loan Facility, which include the approval of the Professional Services and other discrete asset sales, amendments to use a portion of the sales proceeds for working capital purposes and reduced covenant compliance requirements beginning in the second quarter of 2016. The Company can make no assurance regarding its ability to achieve its

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## 8. Long-term Debt (continued)

forecasts, complete the sales of its Professional Services segment and other discrete assets, or obtain additional amendments to its 2013 ABL Credit Facility and 2014 Term Loan Facility.

As of June 30, 2015, the Company did not have any outstanding revolver borrowings. The Company's unused availability under its June 30, 2015 borrowing base certificate was \$48.3 million on a borrowing base of \$104.1 million and outstanding letters of credit of \$55.8 million. If the Company's unused availability under the 2013 ABL Credit Facility is less than the greater of (i) 15 percent of the revolving commitments or \$22.5 million for five consecutive days, or (ii) 12.5 percent of the revolving commitments or \$18.8 million at any time, or upon the occurrence of certain events of default under the 2013 ABL Credit Facility, the Company is subject to increased reporting requirements, the administrative agent shall have exclusive control over any deposit account, the Company will not have any right of access to, or withdrawal from, any deposit account, or any right to direct the disposition of funds in any deposit account, and amounts in any deposit account will be applied to reduce the outstanding amounts under the 2013 ABL Credit Facility. In addition, if the Company's unused availability under the 2013 ABL Credit Facility is less than the amounts described above, the Company would be required to comply with a Minimum Fixed Charge Coverage Ratio of 1.15 to 1. Based on its current forecasts, the Company does not expect its unused availability under the 2013 ABL Credit Facility to be less than the amounts described above and therefore does not expect the Minimum Fixed Charge Coverage Ratio to be applicable over the next twelve months. If the Minimum Fixed Charge Coverage Ratio were to become applicable, the Company would not expect to be in compliance over the next twelve months and would therefore be in default under its credit agreements.

The 2014 Term Credit Agreement and the 2013 ABL Credit Facility also include customary representations and warranties and affirmative and negative covenants, including:

- the preparation of financial statements in accordance with GAAP;
- the identification of any events or circumstances, either individually or in the aggregate, that has had or could reasonably be expected to have a material adverse effect on the business, results of operations, properties or condition of the Company;
- 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 2013 ABL Credit Facility.

## Fair Value of Debt

The estimated fair value of the Company's debt instruments as of June 30, 2015 and December 31, 2014 was as follows (in thousands):

|  | June 30,<br>2015 | December 31,<br>2014 |
|--|------------------|----------------------|
| 2014 Term Loan Facility                                | \$190,326        | \$270,000            |
| Revolver borrowings under the 2013 ABL Credit Facility | —                | —                    |
| Capital lease obligations                              | 942              | 1,384                |
| Other obligations                                      | 23,847           | 17,646               |
| Total fair value of debt instruments                   | \$215,115        | \$289,030            |

The 2014 Term Loan Facility, revolver borrowings under the 2013 ABL Credit Facility, capital lease obligations and other obligations are classified within Level 2 of the fair value hierarchy. The fair values of the 2014 Term Loan Facility 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 the 2014 Term Loan Facility.

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## 9. Income Taxes

The effective tax rate on continuing operations was negative 0.4 percent and negative 42.7 percent for the six months ended June 30, 2015 and 2014, respectively. Tax benefit for discrete items for the six months ended June 30, 2015 was approximately \$0.1 million. This amount is composed primarily of Canadian income tax, a state tax refund and the release of an uncertain tax position due to a statute expiration. Tax expense for the six months ended June 30, 2015 was \$0.1 million, mainly due to Canadian Tax and Texas Margins Tax offset by the tax benefit from a tax refund and release of an uncertain tax position. The Company has reserved for the benefit of current year losses in the United States. As of June 30, 2015, 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 1.1 percent and negative 142.6 percent for the three months ended June 30, 2015 and 2014, respectively. Tax benefit for the three months ended June 30, 2015 was \$0.2 million, which primarily relates to Canadian Tax, release of an uncertain tax position and Texas Margins Tax.

The Company's interim tax provision has been estimated using the discrete method, which was based on statutory tax rates applied to pre-tax income as adjusted for permanent differences such as transfer pricing differences between generally accepted accounting principles and local country tax. The Company believes that this method yields a more reliable income tax calculation for interim periods. An annualized projected effective tax rate has not been applied because of the inability to develop a reliable estimate of the Company's pre-tax income, which is subject to variability due to change in in quarterly operational results.

## 10. Stockholders' Equity

## Changes in Accumulated Other Comprehensive Income (Loss) by Component

|   | Three Months Ended June 30, 2015 (in thousands) |   |   |
|---|---|---|---|
|   | Foreign currency translation adjustments        | Changes in derivative financial instruments | Total accumulated comprehensive income (loss) |
| Balance as of March 31, 2015  | \$2,212   | \$(4,565)                                   | ) \$(2,353 )                                  |
| Other comprehensive income (loss) before reclassifications              | 1,447   | (136)                                       | ) 1,311                                       |
| Amounts reclassified from accumulated other comprehensive income (loss) | —   | 493   | 493   |
| Net current-period other comprehensive income                           | 1,447   | 357   | 1,804   |
| Balance as of June 30, 2015   | \$3,659   | \$(4,208)                                   | ) \$(549 )                                    |
|   | Six Months Ended June 30, 2015 (in thousands)   |   |   |
|   | Foreign currency translation adjustments        | Changes in derivative financial instruments | Total accumulated comprehensive income (loss) |
| Balance as of December 31, 2014   | \$6,863   | \$(4,075)                                   | ) \$2,788                                     |
| Other comprehensive loss before reclassifications                       | (3,204)   | ) (1,115)                                   | ) (4,319 )                                    |
|   | —   | 982   | 982   |

Amounts reclassified from accumulated other  
comprehensive income (loss)

|   |         |          |          |   |
|---|---------|----------|----------|---|
| Net current-period other comprehensive loss | (3,204  | ) (133   | ) (3,337 | ) |
| Balance as of June 30, 2015                 | \$3,659 | \$(4,208 | ) \$(549 | ) |



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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 10. Stockholders' Equity (continued)

|   | Three Months Ended June 30, 2014 (in thousands) |   |   |
|---|---|---|---|
|   | Foreign currency translation adjustments        | Changes in derivative financial instruments | Total accumulated comprehensive income        |
| Balance as of March 31, 2014  | \$9,217   | \$(3,258)                                   | ) \$5,959                                     |
| Other comprehensive income (loss) before reclassifications              | 2,076   | (1,098)                                     | ) 978   |
| Amounts reclassified from accumulated other comprehensive income (loss) | —   | 253   | 253   |
| Net current-period other comprehensive income (loss)                    | 2,076   | (845)                                       | ) 1,231                                       |
| Balance as of June 30, 2014   | \$11,293  | \$(4,103)                                   | ) \$7,190                                     |
|   | Six Months Ended June 30, 2014 (in thousands)   |   |   |
|   | Foreign currency translation adjustments        | Changes in derivative financial instruments | Total accumulated comprehensive income (loss) |
| Balance as of December 31, 2013   | \$11,280  | \$(2,473)                                   | ) \$8,807                                     |
| Other comprehensive income (loss) before reclassifications              | 13  | (2,133)                                     | ) (2,120)                                     |
| Amounts reclassified from accumulated other comprehensive income (loss) | —   | 503   | 503   |
| Net current-period other comprehensive income (loss)                    | 13  | (1,630)                                     | ) (1,617)                                     |
| Balance as of June 30, 2014   | \$11,293  | \$(4,103)                                   | ) \$7,190                                     |

## Reclassifications out of Accumulated Other Comprehensive Income

## Three Months Ended June 30, 2015 (in thousands)

|                         | Amount Reclassified from Accumulated Other Comprehensive Income | Details about Accumulated Other Comprehensive Income Components |
|-------------------------|---|---|
| Interest rate contracts | \$493   | Interest expense, net   |
| Total                   | \$493   |   |

## Six Months Ended June 30, 2015 (in thousands)

|                         | Amount Reclassified from Accumulated Other Comprehensive Income | Details about Accumulated Other Comprehensive Income Components |
|-------------------------|---|---|
| Interest rate contracts | \$982   | Interest expense, net   |

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|   |   |   |
|---|---|---|
| Total   | \$982   |   |
| Three Months Ended June 30, 2014 (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   | \$253   | Interest expense, net   |
| Total   | \$253   |   |

|   |   |   |
|---|---|---|
| Six Months Ended June 30, 2014 (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   | \$503   | Interest expense, net   |
| Total   | \$503   |   |

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## 11. 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 restricted stock units 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 income (loss) per common share from continuing operations is computed as follows (in thousands, except share and per share amounts):

|   | Three Months Ended |            | Six Months Ended |             |
|---|--------------------|------------|------------------|-------------|
|   | June 30,           |            | June 30,         |             |
|   | 2015               | 2014       | 2015             | 2014        |
| Net loss from continuing operations applicable to common shares (numerator for basic and diluted calculation) | \$(19,023          | ) \$(4,891 | ) \$(28,454      | ) \$(21,887 |
| Weighted average number of common shares outstanding for basic loss per share                                 | 60,227,495         | 49,336,581 | 55,052,192       | 49,093,356  |
| Weighted average number of potentially dilutive common shares outstanding                                     | —                  | —          | —                | —           |
| Weighted average number of common shares outstanding for diluted loss per share                               | 60,227,495         | 49,336,581 | 55,052,192       | 49,093,356  |
| Loss per common share from continuing operations:   |                    |            |                  |             |
| Basic   | \$(0.32            | ) \$(0.10  | ) \$(0.52        | ) \$(0.45   |
| Diluted   | \$(0.32            | ) \$(0.10  | ) \$(0.52        | ) \$(0.45   |

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,           |         |
|  | 2015               | 2014    |
| Stock options                                | 227,750            | 189,973 |
| Restricted stock and restricted stock rights | 431,687            | 430,298 |
|  | 659,437            | 620,271 |

## 12. 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. 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.

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## 12. Segment Information (continued)

The following tables reflect the Company's operations by reportable segment for the three months ended June 30, 2015 and 2014 (in thousands):

|   | Three Months Ended June 30, 2015 |             |                       |          |              |              |
|---|----------------------------------|-------------|-----------------------|----------|--------------|--------------|
|   | Oil & Gas                        | Utility T&D | Professional Services | Canada   | Eliminations | Consolidated |
| Contract revenue  | \$61,778                         | \$106,439   | \$70,687              | \$50,645 | \$(2,626 )   | \$286,923    |
| Contract costs  | 68,439                           | 92,883      | 58,509                | 45,962   | (2,626 )     | 263,167      |
| Amortization of intangibles   | 82                               | 2,389       | 148                   | —        | —            | 2,619        |
| General and administrative  | 6,259                            | 6,211       | 9,946                 | 4,094    | —            | 26,510       |
| Loss on sale of subsidiary  | —                                | —           | —                     | —        | —            | 2,177        |
| Other charges   | 2,749                            | 290         | 1,488                 | 208      | —            | 4,735        |
| Operating income (loss)   | \$(15,751 )                      | \$4,666     | \$596                 | \$381    | \$—          | (12,285 )    |
| Non-operating expenses  |                                  |             |                       |          |              | (6,947 )     |
| Benefit for income taxes  |                                  |             |                       |          |              | (209 )       |
| Loss from continuing operations                                       |                                  |             |                       |          |              | (19,023 )    |
| Income from discontinued operations net of provision for income taxes |                                  |             |                       |          |              | 137          |
| Net loss  |                                  |             |                       |          |              | \$(18,886 )  |

Other charges incurred during the second quarter of 2015 include \$0.5 million related to the Company's corporate operations and have been allocated to each segment based on a percentage of total revenue.

|   | Three Months Ended June 30, 2014 |             |                       |          |              |              |
|---|----------------------------------|-------------|-----------------------|----------|--------------|--------------|
|   | Oil & Gas                        | Utility T&D | Professional Services | Canada   | Eliminations | Consolidated |
| Contract revenue  | \$234,010                        | \$93,867    | \$118,670             | \$95,277 | \$(2,034 )   | \$539,790    |
| Contract costs  | 243,853                          | 80,699      | 93,748                | 77,154   | (2,034 )     | 493,420      |
| Amortization of intangibles   | 81                               | 2,389       | 649                   | —        | —            | 3,119        |
| General and administrative  | 12,681                           | 3,394       | 13,952                | 6,664    | —            | 36,691       |
| Operating income (loss)   | \$(22,605 )                      | \$7,385     | \$10,321              | \$11,459 | \$—          | 6,560        |
| Non-operating expenses  |                                  |             |                       |          |              | (8,576 )     |
| Provision for income taxes  |                                  |             |                       |          |              | 2,875        |
| Loss from continuing operations                                     |                                  |             |                       |          |              | (4,891 )     |
| Loss from discontinued operations net of provision for income taxes |                                  |             |                       |          |              | (10,620 )    |
| Net loss  |                                  |             |                       |          |              | \$(15,511 )  |

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## 12. Segment Information (continued)

The following tables reflect the Company's operations by reportable segment for the six months ended June 30, 2015 and 2014 (in thousands):

|   | Six Months Ended June 30, 2015 |             |                       |            |              |              |
|---|--------------------------------|-------------|-----------------------|------------|--------------|--------------|
|   | Oil & Gas                      | Utility T&D | Professional Services | Canada     | Eliminations | Consolidated |
| Contract revenue  | \$ 138,218                     | \$ 193,425  | \$ 170,828            | \$ 137,654 | \$(6,270 )   | \$ 633,855   |
| Contract costs  | 145,825                        | 176,050     | 147,211               | 127,994    | (6,270 )     | 590,810      |
| Amortization of intangibles   | 163                            | 4,779       | 772                   | —          | —            | 5,714        |
| General and administrative  | 15,378                         | 11,808      | 25,062                | 9,894      | —            | 62,142       |
| Gain on sale of subsidiaries  | —                              | —           | —                     | —          | —            | (56,372 )    |
| Other charges   | 3,578                          | 982         | 3,225                 | 900        | —            | 8,685        |
| Operating income (loss)   | \$(26,726 )                    | \$(194 )    | \$(5,442 )            | \$(1,134 ) | \$—          | 22,876       |
| Non-operating expenses  |                                |             |                       |            |              | (51,222 )    |
| Provision for income taxes  |                                |             |                       |            |              | 108          |
| Loss from continuing operations                                     |                                |             |                       |            |              | (28,454 )    |
| Loss from discontinued operations net of provision for income taxes |                                |             |                       |            |              | (256 )       |
| Net loss  |                                |             |                       |            |              | \$(28,710 )  |

Other charges incurred during the first six months of 2015 include \$3.3 million related to the Company's corporate operations and have been allocated to each segment based on a percentage of total revenue.

|   | Six Months Ended June 30, 2014 |             |                       |            |              |              |
|---|--------------------------------|-------------|-----------------------|------------|--------------|--------------|
|   | Oil & Gas                      | Utility T&D | Professional Services | Canada     | Eliminations | Consolidated |
| Contract revenue  | \$ 411,539                     | \$ 177,388  | \$ 218,765            | \$ 212,356 | \$(3,720 )   | \$ 1,016,328 |
| Contract costs  | 430,191                        | 157,476     | 177,362               | 174,107    | (3,720 )     | 935,416      |
| Amortization of intangibles   | 163                            | 4,779       | 1,296                 | —          | —            | 6,238        |
| General and administrative  | 24,802                         | 7,334       | 28,108                | 13,519     | —            | 73,763       |
| Operating income (loss)   | \$(43,617 )                    | \$ 7,799    | \$ 11,999             | \$ 24,730  | \$—          | 911          |
| Non-operating expenses  |                                |             |                       |            |              | (16,254 )    |
| Provision for income taxes  |                                |             |                       |            |              | 6,544        |
| Loss from continuing operations                                     |                                |             |                       |            |              | (21,887 )    |
| Loss from discontinued operations net of provision for income taxes |                                |             |                       |            |              | (18,614 )    |
| Net loss  |                                |             |                       |            |              | \$(40,501 )  |

Total assets by segment as of June 30, 2015 and December 31, 2014 are presented below (in thousands):

|                                     | June 30,<br>2015 | December 31,<br>2014 |
|-------------------------------------|------------------|----------------------|
| Oil & Gas                           | \$ 96,973        | \$ 179,305           |
| Utility T&D                         | 234,114          | 228,094              |
| Professional Services               | 80,412           | 137,784              |
| Canada                              | 72,745           | 95,270               |
| Corporate                           | 70,740           | 44,697               |
| Total assets, continuing operations | \$ 554,984       | \$ 685,150           |



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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

13. Contingencies, Commitments and Other Circumstances

Contingencies

Litigation and Regulatory Matters Related to the Company's October 21, 2014 Press Release Announcing the Restatement of Condensed Consolidated Financial Statements for the Quarterly Period Ended June 30, 2014

After the Company announced it would be restating its Condensed Consolidated Financial Statements for the quarterly period ended June 30, 2014, a complaint was filed in the United States District Court for the Southern District of Texas on October 28, 2014 seeking class action status on behalf of purchasers of the Company's stock and alleging damages on their behalf arising from the matters that led to the restatement. The original defendants in the case are the Company and its former chief executive officer and current chief financial officer. On January 31, 2015, the court named two employee retirement systems as Lead Plaintiffs. On March 31, 2015, a consolidated complaint was filed in which the current chief executive officer of the Company was added as a defendant. On June 15, 2015, a second amended consolidated complaint was filed. The complaint in the case, now entitled *In re Willbros Group, Inc. Securities Litigation*, alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, arising out of the restatements of the Company's first and second quarter 2014 financial statements, its statements regarding debt compliance and liquidity, the decision to shut down the regional business, the delay in filing the 2014 10-K, and the determination that a material weakness existed as of December 31, 2014, and seeks undisclosed damages. On July 27, 2015, the Company filed a motion to dismiss the case. As this matter is at a very early stage, the Company is not able at this time to determine the likelihood of loss, if any, arising from this matter. The Company believes the claims are without merit and intends to defend against them vigorously.

In addition, two shareholder derivative complaints have been filed, one of which is now dismissed. The first, *Markovich v. Harl et al*, was filed on November 6, 2014 in the District Court of Harris County, Texas. The second, *Kumararatne v. McNabb et al*, was filed on March 4, 2015 in the United States District Court for the Southern District of Texas, but was voluntarily dismissed by the complainant on April 23, 2015. The remaining lawsuit is filed on behalf of the Company naming certain current and former officers and members of the Company's board of directors as defendants and the Company as a nominal defendant. The complaint alleges that the officer and board member defendants breached their fiduciary duties by permitting the Company's internal controls to be inadequate, wasted corporate assets, and were unjustly enriched. The defendants have sought dismissal on the grounds that the plaintiff failed to make demand upon the Company's board to bring the suit. As this matter is at a very early stage, the Company is not able at this time to determine the likely outcome.

Other

The Securities and Exchange Commission ("SEC") issued an order of investigation on January 29, 2015 and a subpoena on February 3, 2015, requesting information regarding the restatement of the Company's previously issued condensed consolidated financial statements for the quarterly periods ended March 31, 2014 and June 30, 2014. The Company has been fully cooperating and intends to continue providing full cooperation with the SEC.

At June 30, 2015, the Company's days sales outstanding ("DSO") was 77 days. Included in the DSO calculation are seven customer receivables in the Oil & Gas segment of \$12.5 million, net of a \$1.3 million reserve and three customer receivables in the Canada segment of \$19.3 million, net of a \$1.3 million reserve. Although payment is reasonably assured on these receivables, timing of ultimate receipt of payments may extend past the Company's normal collection cycle.

In addition to the matters discussed above and in Note 15 - Discontinued Operations, the Company is party to a number of other legal proceedings. Management believes that the nature and number of these proceedings are typical

for a firm of similar size engaged in a similar type of business and that none of these proceedings is material to the Company's consolidated results of operations, financial position or cash flows.



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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

13. Contingencies, Commitments and Other Circumstances (continued)

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, 2015, the Company had approximately \$55.8 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, 2015, the Company had bonds outstanding, primarily performance bonds, with a face value at \$424.4 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, 2015, 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.

14. Fair Value Measurements

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

Fair Value Hierarchy

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

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

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

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

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, notes payable, long-term debt and interest rate contracts. The fair value estimates of the Company's financial

instruments have been determined using available market information and appropriate valuation methodologies and approximate carrying value.

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## 14. Fair Value Measurements (continued)

## 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, 2015 and December 31, 2014:

|                      | June 30, 2015     |   |  |  |
|----------------------|-------------------|---|--|--|
|                      | Total             | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs (Level 2) | Significant<br>Other<br>Unobservable<br>Inputs (Level 3) |
| Liabilities:         |                   |   |  |  |
| Interest rate swaps  | \$4,208           | \$—   | \$4,208  | \$—  |
|                      | December 31, 2014 |   |  |  |
|                      | Total             | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets (Level 1) | Significant<br>Other<br>Observable<br>Inputs (Level 2) | Significant<br>Other<br>Unobservable<br>Inputs (Level 3) |
| Liabilities:         |                   |   |  |  |
| Interest rate swaps  | \$4,075           | \$—   | \$4,075  | \$—  |
| 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, 2015 or December 31, 2014.

## 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.

In August 2013, the Company entered into an interest rate swap agreement for a notional amount of \$124.1 million to hedge changes in the variable rate interest expense on \$124.1 million of its existing or replacement LIBOR indexed debt. Under the swap agreement, which is effective June 30, 2014 through August 7, 2019, the Company receives interest at either one-month LIBOR or 1.25 percent (whichever is greater) and pays interest at a fixed rate of 2.84 percent. The swap is designated and qualifies as a cash flow hedging instrument with the effective portion of the swap's change in fair value recorded in Other Comprehensive Income ("OCI"). The swap is highly effective in offsetting changes in interest expense and no hedge ineffectiveness has been recorded in the Condensed Consolidated Statements of Operations. Amounts in OCI will be reclassified to interest expense when the hedged interest payments on the underlying debt are recognized.

The carrying amount and fair value of these swap agreements are equivalent since the Company accounts for these instruments at fair value. The values, as 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 twelve months totaled \$1.9 million.

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## 14. Fair Value Measurements (continued)

|                                | Liability Derivatives       |            | December 31, 2014           |            |
|--------------------------------|-----------------------------|------------|-----------------------------|------------|
|                                | June 30, 2015               |            | Balance Sheet               |            |
|                                | Balance Sheet Location      | Fair Value | Balance Sheet Location      | Fair Value |
| Interest rate contracts- swaps | Other current liabilities   | \$1,859    | Other current liabilities   | \$1,865    |
| Interest rate contracts- swaps | Other long-term liabilities | 2,349      | Other long-term liabilities | 2,210      |
| Total derivatives              |                             | \$4,208    |                             | \$4,075    |

## Three Months Ended June 30,

| Derivatives in ASC 815 Cash Flow Hedging Relationships | Amount of Gain 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) |       |
|--|--|-----------|--|--|-------|
|  | 2015   | 2014      |  | 2015   | 2014  |
| Interest rate contracts                                | \$(136)  | \$(1,098) | Interest expense, net  | \$493  | \$253 |
| Total  | \$(136)  | \$(1,098) |  | \$493  | \$253 |

## Six Months Ended June 30,

| Derivatives in ASC 815 Cash Flow Hedging Relationships | Amount of Gain 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) |       |
|--|--|-----------|--|--|-------|
|  | 2015   | 2014      |  | 2015   | 2014  |
| Interest rate contracts                                | \$(1,115)  | \$(2,133) | Interest expense, net  | \$982  | \$503 |
| Total  | \$(1,115)  | \$(2,133) |  | \$982  | \$503 |

## 15. Discontinued Operations

## Business Disposals

The following business disposals qualify as discontinued operations as they were sold prior to the Company's adoption of ASU 2014-08 on January 1, 2015.

## CTS

In the second quarter of 2014, the Company sold its CTS business to a private buyer. In connection with the disposition, the Company recorded total proceeds of \$25.0 million and recognized a net loss on sale of \$8.2 million. The net loss is inclusive of a non-cash charge of \$15.0 million related to intangible assets associated with the sold business.

## Hawkeye

In the fourth quarter of 2013, the Company sold certain assets comprising its Hawkeye business to Elecnor Hawkeye, LLC, a subsidiary of Elecnor, Inc. ("Elecnor"). In connection with the sale, the Company recorded total consideration of

\$27.7 million, subject to a post-closing working capital adjustment. At the closing, Elecnor delivered two letters of credit, one to the Company for \$16.2 million and the other to the escrow agent for \$8.0 million. The Company recognized a net loss on the sale of \$2.7 million in the fourth quarter of 2013.

In the first quarter of 2014, the Company received \$21.2 million in cash consisting of full payment against the \$16.2 million letter of credit and \$5.0 million of the \$8.0 million in escrow. The Company received \$1.5 million of additional proceeds in 2014. In the second quarter of 2015, the Company entered into a settlement agreement under which the Company received \$3.7 million in full and final settlement of the outstanding amount.

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## 15. Discontinued Operations (continued)

## 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 WAPCo to settle a lawsuit filed against WGHI by WAPCo in 2010 under English law in the London High Court in which WAPCo was seeking \$273.7 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 required that WGHI make payments to WAPCo totaling \$55.5 million. Payments made to WAPCo during 2012, 2013 and the second quarter of 2014 totaled \$22.8 million. On December 30, 2014, the Company made a final payment to WAPCo of \$32.7 million. The Company and WGHI have now fulfilled all of the terms of the Settlement Agreement.

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

## Results of Discontinued Operations

Condensed Statements of Operations with respect to discontinued operations are as follows (in thousands):

|                  | Three Months Ended June 30, 2015 |          |           |
|------------------|----------------------------------|----------|-----------|
|                  | Hawkeye                          | CTS      | Total     |
| Contract revenue | \$303                            | \$—      | \$303     |
| Operating income | 141                              | —        | 141       |
| Pre-tax income   | 137                              | —        | 137       |
| Net income       | 137                              | —        | 137       |
|                  | Three Months Ended June 30, 2014 |          |           |
|                  | Hawkeye                          | CTS      | Total     |
| Contract revenue | \$4,992                          | \$—      | \$4,992   |
| Operating loss   | (2,324                           | ) (8,161 | ) (10,485 |
| Pre-tax loss     | (2,459                           | ) (8,161 | ) (10,620 |
| Net loss         | (2,459                           | ) (8,161 | ) (10,620 |

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## 15. Discontinued Operations (continued)

|                  | Six Months Ended June 30, 2015 |          | Total     |   |
|------------------|--------------------------------|----------|-----------|---|
|                  | Hawkeye                        | CTS      |           |   |
| Contract revenue | \$1,224                        | \$—      | \$1,224   |   |
| Operating loss   | (269                           | ) —      | (269      | ) |
| Pre-tax loss     | (256                           | ) —      | (256      | ) |
| Net loss         | (256                           | ) —      | (256      | ) |
|                  | Six Months Ended June 30, 2014 |          |           |   |
|                  | Hawkeye                        | CTS      | Total     |   |
| Contract revenue | \$11,072                       | \$24,361 | \$35,433  |   |
| Operating loss   | (8,823                         | ) (9,538 | ) (18,361 | ) |
| Pre-tax loss     | (9,076                         | ) (9,538 | ) (18,614 | ) |
| Net loss         | (9,076                         | ) (9,538 | ) (18,614 | ) |

Condensed Balance Sheets with respect to discontinued operations are as follows (in thousands):

|  | June 30, 2015     |
|--|-------------------|
|  | Hawkeye           |
| Accounts receivable, net                           | \$2,091           |
| Contract cost and recognized income not yet billed | 66                |
| Prepaid expenses and other current assets          | 4                 |
| Property, plant and equipment, net                 | 61                |
| Total assets                                       | 2,222             |
| Accounts payable and accrued liabilities           | \$1,759           |
| Other liabilities                                  | 100               |
| Total liabilities                                  | 1,859             |
| Net assets of discontinued operations              | 363               |
|  | December 31, 2014 |
|  | Hawkeye           |
| Accounts receivable, net                           | \$5,564           |
| Contract cost and recognized income not yet billed | 66                |
| Prepaid expenses and other current assets          | 16                |
| Property, plant and equipment, net                 | 511               |
| Other assets                                       | 900               |
| Total assets                                       | 7,057             |
| Accounts payable and accrued liabilities           | \$3,970           |
| Other liabilities                                  | 1,215             |
| Total liabilities                                  | 5,185             |
| Net assets of discontinued operations              | 1,872             |



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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the unaudited Condensed Consolidated Financial Statements for the three and six months ended June 30, 2015 and 2014, included in Item 1 of Part I of this Form 10-Q, and the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations, including Critical Accounting Policies, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

OVERVIEW

Willbros is a specialty energy infrastructure contractor serving the oil, gas, refinery, petrochemical and power industries. Our offerings include engineering, procurement and construction (either individually or as an integrated "EPC" service offering), turnarounds, maintenance, facilities development and operations services.

Second Quarter of 2015

In the second quarter of 2015, we reported contract revenue of \$286.9 million, a decrease of approximately \$252.9 million from the second quarter of 2014. The decrease is attributed primarily to a decrease of \$172.2 million in our Oil & Gas segment as well as a decrease of \$44.6 million in our Canada segment. Contract revenue also decreased \$48.0 million in our Professional Services segment, primarily as a result of the first quarter of 2015 sales of UtilX Corporation ("UtilX") and Premier Utility Services, LLC ("Premier"). The Utility T&D segment reported revenue of \$106.4 million, an increase of \$12.6 million compared to 2014 driven primarily by growth in its Atlantic seaboard operations. The award of work to Willbros, and especially to our Oil & Gas segment, has been affected by customer confidence issues related to our financial performance. To mitigate this confidence gap, we have signed non-disclosure agreements with key customers and conducted meetings to improve their understanding of our capital structure and outlook as well as the actions we are taking to improve our operational and financial profile. We have received significant long term awards from certain key customers and believe that we can overcome this confidence issue.

The operating loss of \$12.3 million during the second quarter of 2015 was a decrease of \$18.8 million compared to operating income of \$6.5 million in the second quarter of 2014. The decline in operating income reflects the net effect of the downturn in the energy sector coupled with the re-sizing of our Oil & Gas segment. Operating results reflect other charges, including employee severance and equipment and facility lease abandonment, totaling approximately \$4.7 million, incurred as we continue to reduce overhead and indirect charges, exit the regional delivery model and streamline operations. Our Canada, Oil & Gas and Professional Services segments were all impacted negatively by the reduced capital budgets and delays in projects driven by lower oil prices.

Contract revenue of \$61.8 million generated by our Oil & Gas segment was a decline of \$172.2 million from the second quarter of 2014 primarily driven by decreased workload in our cross-country pipeline construction services and the exit from our regional delivery model. Oil & Gas recorded an operating loss of \$15.8 million in the second quarter of 2015, a \$6.9 million improvement from the second quarter of 2014 primarily due to the fact that the losses from a significant pipeline construction project in the second quarter of 2014 did not reoccur in the second quarter of 2015. Oil & Gas operating results included \$2.7 million of the other charges discussed above as well as trailing costs associated with the exit from the regional delivery model and losses on certain projects in the downstream market. Contract revenue of \$106.4 million generated by our Utility T&D segment increased \$12.6 million from the second quarter of 2014. Operating income of \$4.7 million decreased \$2.7 million over the same period in 2014. The decrease in operating income is primarily attributed to a worker's compensation refund in 2014 that did not reoccur in 2015, as well as an increase in allocated corporate overhead due to this segment's increased percentage of total company revenue. This segment, with maintenance operations in ten states, is expecting continued growth in its Atlantic seaboard operations relative to 2014 and is now pursuing electric transmission construction opportunities with a new management team in place within its Chapman subsidiary.

Our Canada segment reported contract revenue of \$50.6 million, down \$44.6 million from the same period last year. Second quarter of 2014 results included the close-out of a large capital project which was not replaced with similar

work for 2015. Operating income for the second quarter of 2015 of \$0.4 million was down \$11.1 million from the same period last year due to the project close-out and lower volume as delays in project starts and budget curtailments by customers negatively impacted revenue. In addition to the normal slow-down due to Spring break-up, delays in the negotiation of project change orders have also impacted Canada results in the second quarter. Work acquisition in Canada has not been impacted as heavily as in our Oil & Gas segment and new project awards include certain long-term assignments up to three years.

Our Professional Services segment generated revenue of \$70.7 million compared to \$118.7 million in the second quarter

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of 2014. The decrease in revenue is primarily attributable to the sale of the UtilX and Premier businesses in the first quarter of 2015 as these businesses generated \$42.7 million in revenue in the second quarter of 2014. Operating income of \$0.6 million in the second quarter of 2015 was a \$9.7 million decrease from the second quarter of last year. The decrease in operating income was driven by lower margins in our engineering service offerings, which were impacted by the general downturn in the oil and gas sector, and the absence of \$6.3 million in operating income, exclusive of allocated segment and corporate general and administrative costs, from the two businesses which were sold earlier this year. Professional Services operating results included \$1.5 million of the other charges discussed above.

### Looking Forward

We believe world events have made it more probable that oil prices will remain in a range of fifty to sixty dollars, with some possible downside. This scenario implies that customers will be more disciplined and carefully scrutinize additional investment in oil and gas infrastructure projects beyond those that are already announced. We continue to believe that our electric transmission and distribution services are minimally impacted by oil prices. During the second quarter of 2015, we continued to streamline our business operations. The exit from the regional delivery model impacted second quarter results, but is largely complete and is not expected to have a material effect on operations going forward. An agreement for the planned sale of the Professional Services segment is expected in the third quarter and upon completion, we expect to apply proceeds from the sale to reduce term loan debt. These actions are expected to improve our risk profile and enhance relationships with our customer base. We continue to expect increased opportunities for our Canada, Oil & Gas and Utility T&D segments. In Canada, we expect continued long term opportunities in the oil sands providing construction and maintenance services to the mine sites, and have recently booked additional backlog including a three-year assignment with a key customer. We believe the expanding opportunity set for cross-country pipeline construction in Canada offers some upside for this segment in the next two years. Oil & Gas prospects appear strong for opportunities through 2016 and our proactive efforts to repair customer relationships impacted by our financial stress are yielding positive results. Our Utility T&D segment is active in ten states and, with new management in our transmission construction unit, is targeting projects to expand its transmission construction activity eastward from its current Southwest market presence. With completion of the sale of our Professional Services segment, we believe Willbros, going forward, will be a more nimble infrastructure construction provider with presence in the North American markets for oil sands, pipelines and facilities and electric utility construction and maintenance.

### Other Financial Measures

#### Adjusted EBITDA from Continuing Operations

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

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

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

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

Adjusted EBITDA from continuing operations is not a financial measurement recognized under U.S. generally accepted accounting principles, or U.S. GAAP. When analyzing our operating performance, investors should use Adjusted EBITDA from continuing operations in addition to, and not as an alternative for, net income, operating

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

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

|  | Six Months Ended |               |
|--|------------------|---------------|
|  | June 30, 2015    | June 30, 2014 |
| Loss from continuing operations                            | \$(28,454        | ) \$(21,887   |
| Interest expense, net                                      | 14,828           | 15,195        |
| Provision for income taxes                                 | 108              | 6,544         |
| Depreciation and amortization                              | 16,269           | 18,559        |
| Loss on sale of long-lived asset                           | 2,226            | —             |
| Debt covenant suspension and extinguishment charges        | 36,181           | 948           |
| Stock based compensation                                   | 3,568            | 4,509         |
| Restructuring and reorganization costs                     | 5,548            | 220           |
| Accounting and legal fees associated with the restatements | 446              | —             |
| Gain on sale of subsidiaries                               | (56,372          | ) —           |
| Gain on disposal of property and equipment                 | (3,044           | ) (2,721      |
| Adjusted EBITDA from continuing operations                 | \$(8,696         | ) \$21,367    |

**Backlog**

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

Our backlog presentation reflects not only the 12-month lump sum and work under a Master Service Agreement (“MSA”) but also the full-term value of work under contract, including MSA work, as we believe that this information is helpful in providing additional long-term visibility. We determine the amount of backlog for work under ongoing MSA maintenance and construction contracts by using recurring historical trends inherent in the MSAs, factoring in seasonal demand and projecting customer needs based upon ongoing communications with the customer. We also include in backlog our share of work to be performed under contracts signed by joint ventures in which we have an ownership interest.

At June 30, 2015, total backlog was approximately \$1.1 billion and 12 month backlog was approximately \$0.6 billion. In comparison to December 31, 2014, total backlog decreased approximately \$210.9 million and 12 month backlog decreased approximately \$153.4 million. Of these overall decreases, approximately \$161.1 million and \$110.8 million in total and 12 month backlog, respectively, is attributable to the sale of our UtilX and Premier subsidiaries in the first quarter of 2015 and the sale of our Downstream Professional Services subsidiary in the second quarter of 2015. See Note 3 – Business Disposals for additional information associated with these disposals.

The remaining overall decreases were primarily related to the burn-off of revenue out-pacing additions in our Oil & Gas and Professional Services segments as well as the continued work-off of MSAs, which are subject to renewal options. Our Canada segment added two significant projects in the second quarter of 2015, increasing their backlog from December 31, 2014.

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The following tables (in thousands) show our backlog from continuing operations by operating segment and geographic location as of June 30, 2015 and December 31, 2014:

|                       | June 30, 2015 |         |             | December 31, 2014 |           |         |             |         |
|-----------------------|---------------|---------|-------------|-------------------|-----------|---------|-------------|---------|
|                       | 12 Month      | Percent | Total       | Percent           | 12 Month  | Percent | Total       | Percent |
| Oil & Gas             | \$87,030      | 14.8 %  | \$87,390    | 7.7 %             | \$106,267 | 14.4 %  | \$109,840   | 8.1 %   |
| Utility T&D           | 302,963       | 51.7 %  | 760,501     | 66.6 %            | 295,957   | 40.0 %  | 803,392     | 59.4 %  |
| Professional Services | 51,872        | 8.8 %   | 60,291      | 5.3 %             | 191,122   | 25.8 %  | 250,574     | 18.6 %  |
| Canada                | 144,440       | 24.7 %  | 233,257     | 20.4 %            | 146,328   | 19.8 %  | 188,508     | 13.9 %  |
| Total Backlog         | \$586,305     | 100.0 % | \$1,141,439 | 100.0 %           | \$739,674 | 100.0 % | \$1,352,314 | 100.0 % |

| Total Backlog by Geographic Region | June 30, 2015 |         | December 31, 2014 |         |
|------------------------------------|---------------|---------|-------------------|---------|
|                                    | Total         | Percent | Total             | Percent |
| United States                      | \$906,512     | 79.4 %  | \$1,161,543       | 85.9 %  |
| Canada                             | 233,257       | 20.4 %  | 188,508           | 13.9 %  |
| Other International                | 1,670         | 0.2 %   | 2,263             | 0.2 %   |
| Backlog                            | \$1,141,439   | 100.0 % | \$1,352,314       | 100.0 % |

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

In our Annual Report on Form 10-K for the year ended December 31, 2014, we identified and disclosed our significant accounting policies. Subsequent to December 31, 2014, there has been no change to our significant accounting policies.

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## RESULTS OF OPERATIONS

Three Months Ended June 30, 2015 Compared to Three Months Ended June 30, 2014

(in thousands)

|  | 2015        | 2014        | Change       |
|--|-------------|-------------|--------------|
| Contract revenue   |             |             |              |
| Oil & Gas  | \$61,778    | \$234,010   | \$(172,232 ) |
| Utility T&D  | 106,439     | 93,867      | 12,572       |
| Professional Services  | 70,687      | 118,670     | (47,983 )    |
| Canada   | 50,645      | 95,277      | (44,632 )    |
| Eliminations   | (2,626 )    | (2,034 )    | (592 )       |
| Total  | 286,923     | 539,790     | (252,867 )   |
| General and administrative   | 26,510      | 36,691      | (10,181 )    |
| Loss on sale of subsidiary   | 2,177       | —           | 2,177        |
| Other charges  | 4,735       | —           | 4,735        |
| Operating income (loss)  |             |             |              |
| Oil & Gas  | (15,751 )   | (22,605 )   | 6,854        |
| Utility T&D  | 4,666       | 7,385       | (2,719 )     |
| Professional Services  | 596         | 10,321      | (9,725 )     |
| Canada   | 381         | 11,459      | (11,078 )    |
| Corporate  | (2,177 )    | —           | (2,177 )     |
| Total  | (12,285 )   | 6,560       | (18,845 )    |
| Non-operating expenses   | (6,947 )    | (8,576 )    | 1,629        |
| Loss from continuing operations before income taxes                          | (19,232 )   | (2,016 )    | (17,216 )    |
| Provision (benefit) for income taxes   | (209 )      | 2,875       | (3,084 )     |
| Loss from continuing operations  | (19,023 )   | (4,891 )    | (14,132 )    |
| Income (loss) from discontinued operations net of provision for income taxes | 137         | (10,620 )   | 10,757       |
| Net loss   | \$(18,886 ) | \$(15,511 ) | \$(3,375 )   |

## Consolidated Results

## Contract Revenue

Contract revenue decreased \$252.9 million in the second quarter of 2015 primarily related to a reduction of revenues in our Oil & Gas and Canada segments due to a lower volume of work and the impact of current market conditions, including the decline in crude oil prices and the reduction in capital spending of a large number of exploration and production companies. Professional Services revenue also decreased primarily as a result of the sale of UtilX and Premier in the first quarter of 2015. This decrease was partially offset by an increase in revenue from our Utility T&D segment primarily due to growth in distribution MSA work in the Atlantic seaboard.

## General and Administrative Expenses

General and administrative expenses decreased \$10.2 million quarter-over-quarter as a result of cost reduction initiatives taken over the last several quarters, including, but not limited to, employee headcount reductions and the closing of our regional offices. We are continuing to take measures to reduce our general and administrative costs.

## Loss on Sale of Subsidiary

Loss on sale of subsidiary increased \$2.2 million as a result of the sale of our Downstream Professional Services subsidiary in the second quarter of 2015.

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### Other Charges

Other charges increased \$4.7 million primarily as a result of a \$0.2 million loss on the sale of a long-lived asset as well as \$3.7 million in equipment and facility lease abandonment charges, \$0.6 million in employee severance charges and \$0.2 million in the accelerated vesting of stock awards related to management changes and headcount reductions across the Company during the second quarter of 2015.

### Operating Income (Loss)

Operating loss increased \$18.8 million in the second quarter of 2015 driven primarily by reduced performance in our Canada segment primarily attributed to the close-out of major project work, declining crude oil prices and other market conditions as well as a reduction of income in our Professional Services and Utility T&D segments. These increases were partially offset by a reduction of losses in our Oil & Gas segment primarily due to the fact that the losses from a significant pipeline construction project in the second quarter of 2014 did not reoccur in the second quarter of 2015.

### Non-Operating Expenses

Non-operating expenses decreased \$1.6 million in the second quarter of 2015, primarily due to reduced interest expense as a result of a lower Term Loan balance in the second quarter of 2015 as compared to the second quarter of 2014.

### Provision (Benefit) for Income Taxes

Provision for income taxes decreased \$3.1 million in the second quarter of 2015 primarily attributed to decreased profitability in our Canada segment, which is subject to an income tax provision. We have reserved for the benefit of current year losses in the United States for the second quarter of 2015 as our U.S. federal and state deferred tax assets continue to be covered by valuation allowances.

### Income (Loss) from Discontinued Operations, Net of Taxes

Loss from discontinued operations decreased \$10.8 million in the second quarter of 2015 primarily due to an \$8.2 million loss on the sale of our union refinery maintenance turnaround business unit, a related fabrication facility and associated tools and equipment ("CTS") which was recorded in the second quarter of 2014. In addition, the Maine Power Reliability Program ("MPRP") Project decreased its losses quarter-over-quarter.

### Segment Results

#### Oil & Gas Segment

Contract revenue decreased \$172.2 million in the second quarter of 2015 primarily related to lower volumes of work in our cross-country pipeline construction services as well as exiting from our regional delivery model.

Operating loss decreased \$6.9 million in the second quarter of 2015 primarily related to improved performance in our facilities and integrity construction services as well as the fact that the losses from a significant pipeline construction project in the second quarter of 2014 did not reoccur in the second quarter of 2015. This improvement was partially offset by increased losses in our cross-country pipeline construction services due to the lower volume of work, trailing costs associated with the exit from the regional delivery model and losses on certain projects in the downstream market.

#### Utility T&D Segment

Contract revenue increased \$12.6 million in the second quarter of 2015 driven primarily by growth in distribution MSA work in the Atlantic seaboard. The increase in distribution work was partially offset by a decrease in transmission construction work quarter-over-quarter for a key customer.

Operating income decreased \$2.7 million in the second quarter of 2015 driven primarily by a worker's compensation refund in 2014 that did not reoccur in 2015, as well as an increase in allocated corporate overhead due to this



segment's increased percentage of total company revenue. Operating income also decreased as a result of decreased productivity in transmission construction and environmental and matting services, partially offset by increased profit in distribution MSA work in the Atlantic seaboard.

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Professional Services Segment

Contract revenue decreased \$48.0 million quarter-over-quarter, primarily due to the sales of UtilX and Premier in the first quarter of 2015 as these businesses generated \$42.7 million in revenue in the second quarter of 2014. This decrease was also driven by the sale of Downstream Professional Services in the second quarter of 2015 as the change in revenue from this business was \$9.5 million quarter-over-quarter.

Operating income decreased \$9.7 million in the second quarter of 2015 primarily due to the sales of UtilX and Premier in the first quarter of 2015 which generated \$6.3 million in operating income, exclusive of allocated segment and corporate general and administrative costs in the second quarter of 2014. Our engineering service offerings in the upstream market also experienced a decline in operating income during the quarter, which was partially offset by increased income in our government service offerings.

Canada Segment

Contract revenue decreased \$44.6 million in the second quarter of 2015 primarily attributed to a lower volume of work performed on construction and maintenance and fabrication activities and specialty service projects quarter-over-quarter. This decrease was partially offset by increased activity within our tanks and facilities and electrical and instrumentation service offerings.

Operating income decreased \$11.1 million quarter-over-quarter primarily due to the completion of a key construction project which has converted to maintenance work, yielding lower overall margins, as well as the decrease in market demand for capital projects in the construction and maintenance space.

Corporate

Operating loss increased \$2.2 million in the second quarter of 2015 due to the loss on the sale of the Downstream Professional Services subsidiary discussed above.

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Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

(in thousands)

|   | 2015        | 2014        | Change       |
|---|-------------|-------------|--------------|
| Contract revenue  |             |             |              |
| Oil & Gas   | \$138,218   | \$411,539   | \$(273,321 ) |
| Utility T&D   | 193,425     | 177,388     | 16,037       |
| Professional Services   | 170,828     | 218,765     | (47,937 )    |
| Canada  | 137,654     | 212,356     | (74,702 )    |
| Eliminations  | (6,270 )    | (3,720 )    | (2,550 )     |
| Total   | 633,855     | 1,016,328   | (382,473 )   |
| General and administrative  | 62,142      | 73,763      | (11,621 )    |
| Gain on sale of subsidiaries  | (56,372 )   | —           | (56,372 )    |
| Other charges   | 8,685       | —           | 8,685        |
| Operating income (loss)   |             |             |              |
| Oil & Gas   | (26,726 )   | (43,617 )   | 16,891       |
| Utility T&D   | (194 )      | 7,799       | (7,993 )     |
| Professional Services   | (5,442 )    | 11,999      | (17,441 )    |
| Canada  | (1,134 )    | 24,730      | (25,864 )    |
| Corporate   | 56,372      | —           | 56,372       |
| Total   | 22,876      | 911         | 21,965       |
| Non-operating expenses  | (51,222 )   | (16,254 )   | (34,968 )    |
| Loss from continuing operations before income taxes                 | (28,346 )   | (15,343 )   | (13,003 )    |
| Provision for income taxes  | 108         | 6,544       | (6,436 )     |
| Loss from continuing operations                                     | (28,454 )   | (21,887 )   | (6,567 )     |
| Loss from discontinued operations net of provision for income taxes | (256 )      | (18,614 )   | 18,358       |
| Net loss  | \$(28,710 ) | \$(40,501 ) | \$11,791     |

## Consolidated Results

## Contract Revenue

Contract revenue decreased \$382.5 million in the first six months of 2015 primarily related to a reduction of revenues in our Oil & Gas and Canada segments primarily due to a lower volume of work and the impact of current market conditions, including the decline in crude oil prices and the reduction in capital spending of a large number of exploration and production companies. Professional Services revenue also decreased primarily as a result of the sale of UtilX and Premier in the first quarter of 2015. This decrease was partially offset by an increase in revenue from our Utility T&D segment primarily due to growth in distribution MSA work in the Atlantic seaboard.

## General and Administrative Expenses

General and administrative expenses decreased \$11.6 million in the first six months of 2015 as a result of cost reduction initiatives taken over the last several quarters, including, but not limited to, employee headcount reductions and the closing of our regional offices. We are continuing to take measures to reduce our general and administrative costs.

## Gain on Sale of Subsidiaries

Gain on sale of subsidiaries increased \$56.4 million as a result of the \$58.5 million gain on the sale of our UtilX and Premier subsidiaries in the first quarter of 2015, partially offset by the \$2.2 million loss on the sale of our Downstream Professional Services subsidiary in the second quarter of 2015.

## Other Charges

Other charges increased \$8.7 million primarily as a result of a \$2.2 million loss on the sale of a long-lived asset as well as \$0.4 million in legal and accounting fees, \$4.4 million in equipment and facility lease abandonment charges, \$1.1 million in employee severance charges and \$0.5 million in the accelerated vesting of stock awards related to management changes and headcount reductions across the Company during the first six months of 2015.

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### Operating Income

Operating income increased \$22.0 million in the first six months of 2015 driven primarily by the gain on the sale of the UtilX and Premier subsidiaries discussed above, in addition to a reduction of losses in our Oil & Gas segment primarily due to the fact that the losses incurred on two significant pipeline construction projects in 2014 did not reoccur in 2015. These increases were partially offset by reduced performance in our Canada segment primarily attributed to the close-out of major project work, declining crude oil prices and other market conditions as well as a reduction of income in our Professional Services and Utility T&D segments.

### Non-Operating Expenses

Non-operating expenses increased \$35.0 million in the first six months of 2015, primarily due to \$36.2 million in debt covenant suspension and extinguishment charges related to the fair value of outstanding stock issued during the first quarter of 2015, prepayment premiums in connection with early payments against our 2014 Term Loan Facility and the write-off of debt issuance costs. This increase was partially offset by a reduction of interest expense as a result of a lower Term Loan balance throughout the first six months of 2015 as compared to the first six months of 2014.

### Provision for Income Taxes

Provision for income taxes decreased \$6.4 million in the first six months of 2015 primarily attributed to decreased profitability in our Canada segment, which is subject to an income tax provision. We have reserved for the benefit of current year losses in the United States for the first six months of 2015 as our U.S. federal and state deferred tax assets continue to be covered by valuation allowances.

### Loss from Discontinued Operations, Net of Taxes

Loss from discontinued operations decreased \$18.4 million in the first six months of 2015 primarily due to an \$8.2 million loss on the sale of our union refinery maintenance turnaround business unit, a related fabrication facility and associated tools and equipment ("CTS") which was recorded in the second quarter of 2014. In addition, the MPRP Project decreased its losses period-over-period.

### Segment Results

#### Oil & Gas Segment

Contract revenue decreased \$273.3 million in the first six months of 2015 primarily related to lower volumes of work in our tanks and facilities and cross-country pipeline construction services as well as exiting from our regional delivery model.

Operating loss decreased \$16.9 million in the first six months of 2015 primarily related to improved performance in our facilities and integrity construction services as well as the fact that the losses from two significant pipeline construction projects in the first six months of 2014 did not reoccur in the first six months of 2015. This improvement was partially offset by increased losses in our cross-country pipeline construction services due to the lower volume of work, trailing costs associated with the exit from the regional delivery model and losses on certain projects in the downstream market.

#### Utility T&D Segment

Contract revenue increased \$16.0 million in the first six months of 2015 driven primarily by growth in distribution MSA work in the Atlantic seaboard. The increase in distribution work was partially offset by a decrease in transmission construction work period-over-period for a key customer.

Operating income decreased \$8.0 million in the first six months of 2015 driven primarily by an increase in allocated corporate overhead due to this segment's increased percentage of total company revenue. Operating income also decreased as a result of decreased productivity in transmission construction and environmental and matting services, partially offset by increased profit in distribution MSA work in the Atlantic seaboard.

#### Professional Services Segment

Contract revenue decreased \$47.9 million compared to the same period in 2014 primarily due to the sales of UtilX and Premier in the first quarter of 2015, which accounted for \$45.5 million of the change year-over-year. This decrease was also driven by the sale of Downstream Professional Services in the second quarter of 2015, whose revenue decreased \$13.0 million year-over-year. These decreases were partially offset by higher revenue in our government service offerings compared to the same period in 2014.

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Operating income decreased \$17.4 million in the first six months of 2015 primarily due to the sales of UtilX and Premier in the first quarter of 2015, which generated \$6.2 million in operating income, exclusive of allocated segment and corporate general and administrative costs, in the first six months of 2014 as compared to a year-to-date \$3.1 million operating loss prior to being sold on March 31, 2015. Our engineering service offerings in the upstream market also experienced a decline in operating income during the first six months of 2015, which was partially offset by increased income in our government service offerings.

### Canada Segment

Contract revenue decreased \$74.7 million in the first six months of 2015 primarily attributed to a lower volume of work performed on construction and maintenance and fabrication activities and specialty service projects compared to the same period in 2014. This decrease was partially offset by increased activity within our tanks and facilities and electrical and instrumentation service offerings.

Operating income decreased \$25.9 million in the first six months of 2015 primarily due to the completion of a key construction project which has converted to maintenance work, yielding lower overall margins, as well as the decrease in market demand for capital projects in the construction and maintenance space.

### Corporate

Operating income increased \$56.4 million in the first six months of 2015 due to the gain on sale of subsidiaries discussed above.

## LIQUIDITY AND CAPITAL RESOURCES

### Additional Sources and Uses of Capital

#### 2014 Term Loan Facility

On December 15, 2014, we entered into a new credit agreement dated as of December 15, 2014 (the “2014 Term Credit Agreement”) among Willbros Group, Inc., certain of its subsidiaries, as guarantors, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and KKR Credit Advisors (US) LLC, as sole lead arranger and sole bookrunner.

The 2014 Term Credit Agreement provides for a \$270.0 million term loan facility (the “2014 Term Loan Facility”), which we drew in full on the effective date of the 2014 Term Credit Agreement. Willbros Group, Inc. is the borrower under the 2014 Term Credit Agreement, with all of its obligations guaranteed by its material U.S. subsidiaries, other than excluded subsidiaries. Obligations under the 2014 Term Loan Facility are secured by a first priority security interest in, among other things, the borrower’s and the guarantors’ equipment, subsidiary capital stock and intellectual property (the “2014 Term Loan Priority Collateral”) and a second priority security interest in, among other things, the borrower’s and the guarantors’ inventory, accounts receivable, deposit accounts and similar assets.

The term loans bear interest at the “Adjusted Base Rate” plus an applicable margin of 8.75 percent, or the “Eurodollar Rate” plus an applicable margin of 9.75 percent. The interest rate in effect at June 30, 2015 and 2014 was 11 percent, comprised of an applicable margin of 9.75 percent for Eurodollar Rate loans plus a LIBOR floor of 1.25 percent.

During the first six months of 2015, we made early payments of approximately \$78.3 million against our 2014 Term Loan Facility. As a result of these early payments, we recorded debt extinguishment charges of approximately \$1.9 million, which consisted of prepayment premiums of 2 percent and the write-off of debt issuance costs.

#### 2013 ABL Credit Facility

On August 7, 2013 we entered 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 (as amended, the “2013 ABL Credit Facility”).

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The initial aggregate amount of commitments for the 2013 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 2013 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 our U.S. operating subsidiaries with assets included in the borrowing base, and the U.S. Facility 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 are 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 bear interest at a rate equal to LIBOR or the U.S. or Canadian base rate plus an additional margin. Advances in Canadian dollars bear interest at the Bankers Acceptance ("BA") Equivalent Rate or the Canadian prime rate plus an additional margin.

The interest rate margins are adjusted each quarter based on our fixed charge coverage ratio as of the end of the previous quarter 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 2013 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 2014 Term Loan Priority Collateral.

#### Debt Covenants and Events of Default

A default under the 2014 Term Loan Facility and the 2013 ABL Credit Facility may be triggered by events such as a failure to comply with financial covenants or other covenants under the 2014 Term Loan Facility and the 2013 ABL Credit Facility, a failure to make payments when due under the 2014 Term Loan Facility and the 2013 ABL Credit Facility, 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 2013 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 2014 Term Loan Facility would permit the lenders to require immediate repayment of all principal, interest, fees and other amounts payable thereunder.

On March 31, 2015, (the "Closing Date"), we amended the 2014 Term Credit Agreement pursuant to a First Amendment (the "First Amendment"). The First Amendment, among other things, suspends the calculation of the Maximum Total Leverage Ratio and Minimum Interest Coverage Ratio covenants for the period from December 31, 2014 through March 31, 2016 (the "Covenant Suspension Period") and provides that any failure by us to comply with



the Maximum Total Leverage Ratio or Minimum Interest Coverage Ratio during the Covenant Suspension Period shall not be deemed to result in a default or event of default. Prior to obtaining the First Amendment, we would have not complied with the Maximum Total Leverage Ratio and Minimum Interest Coverage Ratio at June 30, 2015. In consideration of the suspension of the calculation of the Maximum Total Leverage Ratio and Minimum Interest Coverage Ratio for the Covenant Suspension Period, we entered into a subscription agreement pursuant to which we issued approximately 10.1 million shares, which was equivalent to 19.9 percent of the outstanding shares of our common stock

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immediately prior to the Closing Date of the First Amendment, to KKR Lending Partners II L.P. and other entities indirectly advised by KKR Credit Advisers (US), LLC. In connection with this transaction, we recorded debt covenant suspension charges of approximately \$33.5 million which represented the fair value of the 10.1 million shares of common stock issued, multiplied by the closing stock price on the Closing Date. In addition, we recorded debt extinguishment charges of approximately \$0.8 million related to the write-off of debt issuance costs associated with the 2014 Term Loan Facility.

Our primary sources of capital are cash on hand, proceeds from asset sales, operating cash flows and borrowings under the 2013 ABL Credit Facility.

We anticipate selling our Professional Services segment in the fourth quarter of 2015 and a discrete asset in the third quarter of 2015. Once the sales are completed, we expect to use the proceeds to make payments against the 2014 Term Loan Facility and for working capital purposes. In conjunction with these sales, and based on our current forecasts, we are seeking from the lenders under the 2013 ABL Credit Facility and the 2014 Term Loan Facility the approval of the sales, amendments under the 2014 Term Loan Facility to use a portion of the sales proceeds for working capital purposes, and reduced covenant compliance requirements beginning in the second quarter of 2016.

We expect to have sufficient liquidity and capital resources to meet our obligations for at least the next twelve months based on our current forecasts, the anticipated sales of our Professional Services segment and other discrete assets, cash on hand, operating cash flows, borrowings under the 2013 ABL Credit Facility and the anticipated amendments under the 2013 ABL Credit Facility and 2014 Term Loan Facility, which include the approval of the Professional Services and other discrete asset sales, amendments to use a portion of the sales proceeds for working capital purposes and reduced covenant compliance requirements beginning in the second quarter of 2016. We can make no assurance regarding our ability to achieve our forecasts, complete the sales of our Professional Services segment and other discrete assets, or obtain additional amendments to our 2013 ABL Credit Facility and 2014 Term Loan Facility.

As of June 30, 2015, we did not have any outstanding revolver borrowings and our unused availability under our June 30, 2015 borrowing base certificate was \$48.3 million on a borrowing base of \$104.1 million and outstanding letters of credit of \$55.8 million. If our unused availability under the 2013 ABL Credit Facility is less than the greater of (i) 15 percent of the revolving commitments or \$22.5 million for five consecutive days, or (ii) 12.5 percent of the revolving commitments or \$18.8 million at any time, or upon the occurrence of certain events of default under the 2013 ABL Credit Facility, we would be subject to increased reporting requirements, the administrative agent shall have exclusive control over any deposit account, we will not have any right of access to, or withdrawal from, any deposit account, or any right to direct the disposition of funds in any deposit account, and amounts in any deposit account will be applied to reduce the outstanding amounts under the 2013 ABL Credit Facility. In addition, if our unused availability under the 2013 ABL Credit Facility is less than the amounts described above, we would be required to comply with a Minimum Fixed Charge Coverage Ratio of 1.15 to 1. Based on our current forecasts, we do not expect our unused availability under the 2013 ABL Credit Facility to be less than the amounts described above and therefore do not expect the Minimum Fixed Charge Coverage Ratio to be applicable over the next twelve months. If the Minimum Fixed Charge Coverage Ratio were to become applicable, we would not expect to be in compliance over the next twelve months and would therefore be in default under our credit agreements.

The 2014 Term Credit Agreement and the 2013 ABL Credit Facility also include customary representations and warranties and affirmative and negative covenants, including:

- the preparation of financial statements in accordance with GAAP;
- the identification of any events or circumstances, either individually or in the aggregate, that has had or could reasonably be expected to have a material adverse effect on our business, results of operations, properties or condition;
- 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 2013 ABL Credit Facility.

Cash Balances

As of June 30, 2015, we had cash and cash equivalents of \$68.2 million. Our cash and cash equivalent balances held in the United States and foreign countries were \$55.1 million and \$13.1 million, respectively. In 2011, we discontinued our strategy of reinvesting non-U.S. earnings in foreign operations.

Our working capital position for continuing operations decreased \$32.4 million to \$171.4 million at June 30, 2015 from \$203.8 million at December 31, 2014, largely attributable to decreased accounts receivable and to a decrease in unbilled revenue

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partially offset by decreased accounts payable. We expect that our liquidity will improve as we increase our project billings and collections from customers.

At June 30, 2015, our days sales outstanding (“DSO”) was 77 days. Included in the DSO calculation are seven customer receivables in the Oil & Gas segment of \$12.5 million, net of a \$1.3 million reserve and three customer receivables in the Canada segment of \$19.3 million, net of a \$1.3 million reserve. Although payment is reasonably assured on these receivables, timing of ultimate receipt of payments may extend past our normal collection cycle.

**Cash Flows**

Statements of cash flows for entities with international operations that use the local currency as the functional currency exclude the effects of the changes in foreign currency exchange rates that occur during any given period, as these are non-cash charges. As a result, changes reflected in certain accounts on the Condensed Consolidated Statements of Cash Flows may not reflect the changes in corresponding accounts on the Condensed Consolidated Balance Sheets.

Cash flows provided by (used in) continuing operations by type of activity were as follows for the six months ended June 30, 2015 and 2014 (in thousands):

|  | 2015     | 2014       | Increase<br>(Decrease) |
|--|----------|------------|------------------------|
| Operating activities                                 | \$14,211 | \$(48,084) | ) \$62,295             |
| Investing activities                                 | 102,373  | 41,626     | 60,747                 |
| Financing activities                                 | (72,466) | ) (19,583) | ) (52,883)             |
| Effect of exchange rate changes                      | (411)    | ) (106)    | ) (305)                |
| Cash provided by (used in) all continuing activities | \$43,707 | \$(26,147) | ) \$69,854             |

**Operating Activities**

Cash flow from operations is primarily influenced by demand for our services, operating margins and the type of services we provide, but can also be influenced by working capital needs such as the timing of collection of receivables and the settlement of payables and other obligations. Working capital needs are generally higher during the summer and fall months when the majority of our capital-intensive projects are executed. Conversely, working capital assets are typically converted to cash during the late fall and winter months. Operating activities from continuing operations provided net cash of \$14.2 million during the six months ended June 30, 2015 as compared to \$48.1 million used during the same period of 2014. The \$62.3 million increase in cash flow provided by operating activities is primarily a result of the following:

- An increase in cash flow provided by accounts receivable of \$134.2 million related to an increase in customer cash collections during the period;
- An increase in cash flow provided by contracts in progress of \$20.7 million related to increased billings on projects during the period; and
- An increase in cash flow provided by prepaid expenses and other current assets of \$3.2 million attributed primarily to changes in business activity as well as the timing of prepaid policies.

This was partially offset by:

- An increase in cash flow used by accounts payable of \$59.4 million attributed primarily to an increase of cash payments to vendors during the period as we balance our receivable collections with our vendor payments;
- An increase in cash flow used by continuing operations of \$33.7 million attributed primarily to an increase in net loss from operations, adjusted for any non-cash items; and
- An increase in cash flow used by other assets and liabilities of \$6.2 million primarily related to increased cash payments and decreased cash receipts during the period.

### Investing Activities

Investing activities provided net cash of \$102.4 million during the six months ended June 30, 2015 as compared to \$41.6 million provided during the same period in 2014. The \$60.8 million increase in cash flow provided by investing activities is primarily the result of the difference between the proceeds from sales of subsidiaries in the first six months of 2015 as compared to the first six months of 2014. We received \$97.3 million in proceeds from the sales of UtilX, Premier and Downstream Professional Services in the first six months of 2015 in comparison to \$21.2 million received for the sale of Hawkeye during the first quarter of 2014 and \$25.0 million received for the sale of CTS in the second quarter of 2014.

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### Financing Activities

Financing activities used net cash of \$72.5 million during the six months ended June 30, 2015 as compared to \$19.6 million used during the same period of 2014. The \$52.9 million increase in cash flow used in financing activities is primarily a result of the \$51.1 million increase in payments made against our term loan and the \$11.1 million increase in payments against our revolver and notes payable during the first six months of 2015 as compared to 2014. This increase in cash flow used was partially offset by a \$9.0 million increase in proceeds received from our revolver and notes payable during the six months ended June 30, 2015.

### Discontinued Operations

Cash flows provided by discontinued operations decreased \$9.6 million in the first six months of 2015 as compared to the same period in 2014. This decrease was primarily due to the receipt of \$17.0 million in settlement proceeds from the Central Maine Power Company in 2014, partially offset by decreased losses attributed to the MPRP Project.

### Interest Rate Risk

#### Interest Rate Swaps

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

In August 2013, we entered into an interest rate swap agreement for a notional amount of \$124.1 million to hedge changes in the variable rate interest expense on \$124.1 million of our existing or replacement LIBOR indexed debt. Under the swap agreement, which is effective June 30, 2014 through August 7, 2019, we receive interest at either one-month LIBOR or 1.25 percent (whichever is greater) and pay interest at a fixed rate of 2.84 percent. The swap is designated and qualifies as a cash flow hedging instrument with the effective portion of the swap's change in fair value recorded in Other Comprehensive Income ("OCI"). The swap is highly effective in offsetting changes in interest expense and no hedge ineffectiveness has been recorded in the Condensed Consolidated Statements of Operations. Amounts in OCI will be reclassified to interest expense when the hedged interest payments on the underlying debt are recognized.

The carrying amount and fair value of these swap agreements are equivalent since we account for these instruments at fair value. The values 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 twelve months totaled \$1.9 million.

### Capital Requirements

Our financing objective is to maintain financial flexibility to meet the material, equipment and personnel needs to support our project and MSA commitments. Our primary sources of capital are our cash on hand, proceeds from asset sales, cash flow from operations and borrowings under our ABL Credit Facility.

Our industry is capital intensive and we expect the need for substantial capital expenditures to continue into the foreseeable future to meet the anticipated demand for our services. As such, we are focused on the following significant capital requirements:

• Providing working capital for projects in process and those scheduled to begin in 2015; and

• Funding our 2015 capital budget of approximately \$12.0 million of which \$10.9 million remained unspent as of June 30, 2015.

We are currently evaluating our planned capital spend as part of our ongoing liquidity assessment. We believe that our financial results combined with our current liquidity and financial management will provide sufficient funds to enable us to meet our future operating needs and our planned capital expenditures. In addition to pursuing the sale of the

Professional Services segment, we continue to pursue other opportunities to reduce our indebtedness, which may include additional sales of non-strategic and under-performing assets (including equipment, real property and businesses).

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Contractual Obligations

Other commercial commitments, as detailed in our Annual Report on Form 10-K for the year ended December 31, 2014, did not materially change except for payments made in the normal course of business.

NEW ACCOUNTING PRONOUNCEMENTS

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

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FORWARD-LOOKING STATEMENTS

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

- curtailment of capital expenditures due to low prevailing commodity prices or other factors, and the unavailability of project funding in the oil and gas, refinery, petrochemical and power industries;
- the demand for energy moderating or diminishing;
- project cost overruns, unforeseen schedule delays and the application of liquidated damages;
- inability to execute fixed-price and cost-reimbursable projects within the target cost, thus eroding contract margin and, potentially, contract income on any such project;
- failure to obtain the timely award of one or more projects;
- inability to comply with the financial and other covenants in, or obtain waivers under our credit facilities;
- inability to dispose of businesses and assets in a timely manner at reasonable valuations;
- increased capacity and decreased demand for our services in the more competitive industry segments that we serve;
- reduced creditworthiness of our customer base and higher risk of non-payment of receivables;
- inability to lower our cost structure to remain competitive in the market or to achieve anticipated operating margins;
- inability of the energy service sector to reduce costs when necessary to a level where our customers’ project economics support a reasonable level of development work;
- reduction of services to existing and prospective clients when they bring historically out-sourced services back in-house to preserve intellectual capital and minimize layoffs;
- the consequences we may encounter if we fail to remediate the material weaknesses in our internal control over financial reporting or identify other material weaknesses in the future, which may adversely affect the accuracy and timing of our financial reporting;
- the impact of any investigations or litigation, including class actions, derivative actions and administrative proceedings, associated with our restatement of first and second quarter 2014 financial results, on our financial position and results of operations, including our defense costs and the costs and other effects of settlements or judgments;
- the consequences we may encounter if we violate the Foreign Corrupt Practices Act (the “FCPA”) or other anti-corruption laws in view of the 2008 final settlements with the Department of Justice and the Securities and Exchange Commission (“SEC”) in which we admitted prior FCPA violations, including the imposition of civil or criminal fines, penalties, enhanced monitoring arrangements, or other sanctions that might be imposed;
- the dishonesty of employees and/or other representatives or their refusal to abide by applicable laws and our established policies and rules;
- adverse weather conditions not anticipated in bids and estimates;
- the occurrence during the course of our operations of accidents and injuries to our personnel, as well as to third parties, that negatively affect our safety record, which is a factor used by many clients to pre-qualify and otherwise

award work to contractors in our industry;  
•ancellation of projects, in whole or in part, for any reason;

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

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

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

• inability to predict the timing of an increase in energy sector capital spending, which results in staffing below the level required to service such an increase;

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

• inability to obtain adequate financing on reasonable terms;

• inability to obtain sufficient surety bonds or letters of credit;

• loss of the services of key management personnel;

• inability to satisfy New York Stock Exchange continued listing requirements for our common stock;

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

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

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

• changes in the scope of our expected insurance coverage;

• inability to manage insurable risk at an affordable cost;

• enforceable claims for which we are not fully insured;

• incurrence of insurable claims in excess of our insurance coverage;

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

• other factors, most of which are beyond our control.

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

Unless the context requires or is otherwise noted, all references in this Form 10-Q to “Willbros”, the “Company”, “we”, “us” and “our” refer to Willbros Group, Inc., its consolidated subsidiaries and their predecessors.

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**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

Under our 2014 Term Loan Facility and the 2013 ABL Credit Facility, a 100 basis point increase in interest rates would increase interest expense by approximately \$0.2 million. Conversely, a 100 basis point decrease in interest rates would decrease interest expense by \$0.2 million.

In August 2013, we entered into an interest rate swap agreement for a notional amount of \$124.1 million to hedge changes in the variable rate interest expense on \$124.1 million of our existing or replacement LIBOR indexed debt. Under the swap agreement, which is effective June 30, 2014 through August 7, 2019, we receive interest at either one-month LIBOR or 1.25 percent (whichever is greater) and pay interest at a fixed rate of 2.84 percent. The swap is designated and qualifies as a cash flow hedging instrument with the effective portion of the swap's change in fair value recorded in OCI. The swap is highly effective in offsetting changes in interest expense and no hedge ineffectiveness has been recorded in the Consolidated Statements of Operations. Amounts in OCI will be reclassified to 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 we account for these instruments at fair value. The fair value of the swap agreements was \$4.2 million at June 30, 2015 and was based on using a model with Level 2 inputs including quoted market prices for contracts with similar terms and maturity dates. A 100 basis point increase in interest rates would increase the fair value of the swaps by \$2.7 million. Conversely, a 100 basis point decrease in interest rates (subject to minimum rates of zero) would decrease the fair value of the swaps by \$2.1 million.

**Foreign Currency Risk**

We are exposed to market risk associated with changes in non-U.S. (primarily Canada) currency exchange rates. To mitigate our risk, we may borrow Canadian dollars under our Canadian Facility to settle U.S. dollar account balances. We attempt to negotiate contracts which provide for payment in U.S. dollars, but we may be required to take all or a portion of payment under a contract in another currency. To mitigate non-U.S. currency exchange risk, we seek to match anticipated non-U.S. currency revenue with expense in the same currency whenever possible. To the extent we are unable to match non-U.S. currency revenue with expense in the same currency, we may use forward contracts, options or other common hedging techniques in the same non-U.S. currencies. We had no forward contracts or options at June 30, 2015 and 2014.

**Other**

The carrying amounts for cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities shown in the Condensed Consolidated Balance Sheets approximate fair value at June 30, 2015 due to the generally short maturities of these items. At June 30, 2015, we invested primarily in short-term dollar denominated bank deposits. We have the ability and expect to hold our investments to maturity.

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ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in reports filed or submitted under the Securities Exchange Act of 1934 (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed under the Exchange Act is accumulated and communicated to management, including its principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

As of June 30, 2015, we have carried out an evaluation under the supervision of, and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, our disclosure controls and procedures were not effective as of June 30, 2015, due to material weaknesses in internal control over financial reporting as described below.

Material Weaknesses in Internal Control Over Financial Reporting

Internal Control over Estimated Total Revenues, Costs and Profits at Completion for Construction Contracts Accounted for under the Percentage-of-Completion Method in the Oil & Gas segment

As reported in our Annual Report on Form 10-K for the year ended December 31, 2014, our Oil & Gas segment incorrectly estimated total revenues, costs and profits at completion for two significant pipeline construction projects accounted for under the percentage-of-completion method of accounting. As a result, we did not maintain effective controls over the completeness and accuracy of estimated total revenues, costs and profits at completion for construction contracts accounted for under the percentage-of-completion method of accounting by the aforementioned segment. Specifically, we did not adequately perform project oversight reviews and monitor compliance with our policies and procedures around estimating total revenues, costs and profits at completion for these pipeline construction projects. This material weakness could result in misstatement of the aforementioned accounts and disclosures that would result in a material misstatement in our annual or interim consolidated financial statements that would not be prevented or detected on a timely basis.

Internal Control over the Assessment of Significant Risks and Uncertainties Associated with Financial Covenant Compliance and Liquidity and Capital Resource Needs

As reported in our Annual Report on Form 10-K for the year ended December 31, 2014, we did not maintain effective internal controls over the assessment of significant risks and uncertainties associated with our ability to comply with financial covenants contained in our credit agreements and over the assessment of our ability to meet our liquidity and capital resource needs for a reasonable period of time primarily as a result of not reflecting certain business conditions timely and adequately in our forecast process. This material weakness could result in the failure to properly classify debt as a current liability, and the omission of material disclosures regarding significant risks and uncertainties associated with future covenant compliance, liquidity and capital resources in the annual or interim consolidated financial statements that would not be prevented or detected on a timely basis.

Remediation Plans for Material Weaknesses in Internal Control Over Financial Reporting

In response to the identified material weaknesses described above, our management, with oversight from our Audit Committee, will perform remediation plans that include the following.

Internal Control over Estimated Total Revenues, Costs and Profits at Completion for Construction Contracts Accounted for under the Percentage-of-Completion Method in the Oil & Gas segment

Complete training for all appropriate personnel within our Oil & Gas segment regarding the application of our policies and procedures for the oversight and monitoring of the determination of estimated total revenues, costs and profits at completion for construction contracts accounted for under the percentage-of-completion method of accounting.

Internal Control over the Assessment of Significant Risks and Uncertainties Associated with Financial Covenant Compliance and Liquidity and Capital Resource Needs

Implement additional controls and procedures to ensure the necessary steps are taken such that management considers historical

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performance, the macro-economic environment in which the Company operates and other Company-specific facts and circumstances in developing appropriate Company-wide forecasts to assess future compliance with financial covenants and liquidity and capital resource needs.

Until the remediation steps set forth above are fully implemented and concluded to be operating effectively, the material weaknesses described above will continue to exist.

Changes in Internal Control over Financial Reporting

There were no change in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the quarterly period ended June 30, 2015.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding legal proceedings, see the discussion under the caption “Contingencies” in Note 13 – Contingencies, Commitments and Other Circumstances of our “Notes to Condensed Consolidated Financial Statements” in Item 1 of Part I of this Form 10-Q, which information from Note 13 is incorporated by reference herein.

ITEM 1A. RISK FACTORS

Except as set forth below, there have been no material changes to the risk factors involving us from those previously disclosed in Item 1A of Part I included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

If we cannot meet the New York Stock Exchange (“NYSE”) continued listing requirements, the NYSE may delist our common stock.

Our common stock is currently listed on the NYSE. In the future, if we are not able to meet the continued listing requirements of the NYSE, which require, among other things, that the average closing price of our common stock not fall below \$1.00 over 30 consecutive trading days, we would fall below compliance standards and risk having our common stock delisted if we are not able to regain compliance. The average closing price of our common stock during the 30 trading-day period ended on July 31, 2015 was \$1.08.

In the event that we are notified by the NYSE that we have fallen below the average closing price compliance standard, we intend to respond to the NYSE within 10 business days with a plan to cure the deficiency. We would have six months, or in certain circumstances, until we could take stockholder action at our next annual meeting, to regain compliance with the NYSE listing requirements. During the cure period, our common stock would continue to be listed and traded on the NYSE, subject to compliance with the other listing standards. Such a NYSE notification would not conflict with or violate any of our credit or debt obligations.

A delisting of our common stock could negatively impact us by, among other things:

- reducing the liquidity and market price of our common stock;
  - reducing the number of investors, including institutional investors, willing to hold or acquire our common stock, which could negatively impact our ability to raise equity;
- decreasing the amount of news and analyst coverage of us;
  - limiting our ability to issue additional securities, obtain additional financing or pursue strategic restructuring, refinancing or other transactions; and
- impacting our reputation and, as a consequence, our ability to attract new business.



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## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information about purchases of our common stock by us during the quarter ended June 30, 2015:

|                                | Total<br>Number of<br>Shares<br>Purchased (1) | Average<br>Price Paid Per<br>Share (2) | Total Number<br>of Shares<br>Purchased as<br>Part of<br>Publicly<br>Announced<br>Plans or<br>Programs | Maximum Number<br>(or Approximate<br>Dollar Value) of<br>Shares That May<br>Yet Be Purchased<br>Under the Plans or<br>Programs |
|--------------------------------|---|--|---|--|
| April 1, 2015 - April 30, 2015 | 50,756  | \$3.32                                 | —   | —  |
| May 1, 2015 - May 31, 2015     | 6,840   | 2.13                                   | —   | —  |
| June 1, 2015 - June 30, 2015   | 13,631  | 1.80                                   | —   | —  |
| Total                          | 71,227  | \$2.92                                 | —   | —  |

Represents shares of common stock acquired from certain of our officers and key employees under the share (1) withholding provisions of our 1996 Stock Plan and 2010 Stock and Incentive Compensation Plan for the payment of taxes associated with the vesting of shares of restricted stock and restricted stock units granted under such plans.

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

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

Not applicable.

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ITEM 6. EXHIBITS

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

- 3.1 Certificate of Amendment of Certificate of Incorporation of Willbros Group, Inc. (filed as Exhibit 3.1 to our current report on Form 8-K dated June 9, 2015, filed June 15, 2015).
- 3.2 Certificate of Incorporation, as amended, of Willbros Group, Inc.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS XBRL Instance Document.
- 101.SCH XBRL Taxonomy Extension Schema Document.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

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SIGNATURE

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

WILLBROS GROUP, INC.

Date: August 6, 2015

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

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EXHIBIT INDEX

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