

WILLBROS GROUP INC
Form 10-K
February 26, 2009

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2008

OR

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

For the transition period from _____ to _____

Commission file number 1-11953

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

Republic of Panama
(Jurisdiction of incorporation)

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

Plaza 2000 Building
50th Street, 8th Floor
P.O. Box 0816-01098
Panama, Republic of Panama
Telephone No.: + 50-7-213-0947
(Address, including zip code, and telephone number, including area code, of principal executive offices of registrant)

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

Title of each class	Name of each exchange on which registered
Common Stock, \$.05 Par Value	New York Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the

Exchange Act. Yes No

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

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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 aggregate market value of the Registrant's Common Stock held by non-affiliates of the Registrant on the last business day of the Registrant's most recently completed second fiscal quarter (based on the closing sales price on the New York Stock Exchange on June 30, 2008) was \$1,690,445,256.

The number of shares of the Registrant's common stock outstanding at February 20, 2009 was 39,134,208.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's 2009 Proxy Statement for the Annual Meeting of Stockholders to be held on May 27, 2009 are incorporated by reference into Part III of this Form 10-K.

WILLBROS GROUP, INC.
FORM 10-K
YEAR ENDED DECEMBER 31, 2008
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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes “forward-looking statements.” All statements, other than statements of historical facts, included or incorporated by reference in this Annual Report 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, gas, power, refining and petrochemical industries, business strategy, expansion and growth of our business and operations, the outcome of government investigations and legal proceedings and other such matters are forward-looking statements. These forward-looking statements are based on assumptions and analyses we made in light of our experience and our perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate under the circumstances. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties. As a result, actual results could differ materially from our expectations. Factors that could cause actual results to differ from those contemplated by our forward-looking statements include, but are not limited to, the following:

- curtailment of capital expenditures and the unavailability of project funding in the oil, gas, power, refining and petrochemical industries;
- reduction of services to existing and prospective clients as they bring historically out-sourced services back in-house to preserve intellectual capital and minimize layoffs;
- increased capacity and decreased demand for our services in the more competitive industry segments that we serve;
 - reduced creditworthiness of our customer base and higher risk of non-payment of receivables;
 - inability to lower our cost structure to remain competitive in the market;
- inability of the energy service sector to reduce costs in the short term to a level where our customer’s project economics support a reasonable level of development work;
- inability to predict the length and breadth of the current economic downturn, which results in staffing below the level required when the market recovers;
- the consequences we may encounter if we fail to comply with the terms and conditions of our final settlements with the Department of Justice (“DOJ”) and the Securities and Exchange Commission (“SEC”), including the imposition of civil or criminal fines, penalties, enhanced monitoring arrangements, or other sanctions that might be imposed by the DOJ and SEC;
- the issues we may encounter upon the appointment of the federal monitor as provided for in our Deferred Prosecution Agreement with the DOJ and any changes in our business practices which the monitor may require;
- the commencement by foreign governmental authorities of investigations into the actions of our current and former employees, and the determination that such actions constituted violations of foreign law;
- difficulties we may encounter in connection with the previous sale and disposition of our Nigeria assets and Nigeria based operations, including obtaining indemnification for any losses we may experience if, due to the non-performance of the purchaser of these assets, claims are made against any parent company guarantees we provided, to the extent those guarantees may be determined to have continued validity;

- the dishonesty of employees and/or other representatives or their refusal to abide by applicable laws and our established policies and rules;
 - adverse weather conditions not anticipated in bids and estimates;
- project cost overruns, unforeseen schedule delays, and the application of liquidated damages;
- the occurrence during the course of our operations of accidents and injuries to our personnel, as well as to third parties, that negatively affect our safety record, which is a factor used by many clients to pre-qualify and otherwise award work to contractors in our industry;

- cancellation of projects, in whole or in part;
- 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;
 - failure to obtain the timely award of one or more projects;
 - inability to identify and acquire suitable acquisition targets on reasonable terms;
- inability to hire and retain sufficient skilled labor to execute our current work, our work in backlog and future work we have not yet been awarded;
- inability to execute cost-reimbursable projects within the target cost, thus eroding contract margin and, potentially contract income on any such project;
 - inability to obtain sufficient surety bonds or letters of credit;
 - inability to obtain adequate financing;
 - loss of the services of key management personnel;
 - the demand for energy moderating or diminishing;
 - downturns in general economic, market or business conditions in our target markets;
- changes in and interpretation of U.S. and foreign tax laws that impact the Company's worldwide provision for income taxes and effective income tax rate;
- the potential adverse effects on our operating results if our non-U.S. operations became taxable in the United States;
 - changes in applicable laws or regulations, or changed interpretations thereof;
 - 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 or incorporated by reference in this Annual Report; and
 - other factors, most of which are beyond our control.

Consequently, all of the forward-looking statements made or incorporated by reference in this Annual Report are qualified by these cautionary statements and there can be no assurance that the actual results or developments we anticipate will be realized or, even if substantially realized, that they will have the consequences for, or effects on, our business or operations that we anticipate today. We assume no obligation to update publicly any such forward-looking

statements, whether as a result of new information, future events or otherwise.

Unless the context otherwise requires, all references in this Annual Report to “Willbros,” the “Company,” “we,” “us” and “our” refer to Willbros Group, Inc., its consolidated subsidiaries and their predecessors. Unless the context otherwise requires, all references in this Annual Report to dollar amounts, except share and per share amounts, are expressed in thousands.

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PART I

Items 1 and 2. Business and Properties

General

We are an independent international contractor serving the oil, gas and power industries, governmental entities, and the refinery and petrochemical industries. We provide engineering; construction; engineering, procurement and construction (“EPC”) and specialty services to industry and governmental entities worldwide, specializing in pipelines and associated facilities for onshore and coastal locations. For the downstream oil and gas markets, primarily refineries, we provide turnaround services, tank services, heater services, construction services and safety services. We also manufacture specialty items for refinery and petrochemical process units. We place particular emphasis on achieving the best risk-adjusted returns. Depending upon market conditions, we may work in developing countries and we believe our experience gives us a competitive advantage in frontier areas where experience in dealing with project logistics is an important consideration for project award and execution. We also believe our engineering and planning and project management expertise, as it relates to optimizing the structure and execution of a project, provides us with a competitive advantage in all the markets we address.

We are incorporated in the Republic of Panama and maintain our headquarters at Plaza 2000 Building, 50th Street, 8th Floor, P.O. Box 0816-01098, Panama, Republic of Panama; our telephone number is +50-7-213-0947. Panama’s General Corporation Law is substantially modeled on the New York and Delaware corporate laws as they existed in 1932. Panama does not tax income derived from activities conducted outside Panama. All significant operations are carried out by the following material direct or indirect subsidiaries:

- Willbros USA, Inc.;
- Willbros Construction (U.S.), LLC;
- Willbros Canada Holdings ULC;
- Integrated Service Company LLC;
- Willbros Engineers (U.S.), LLC;
- Willbros Project Services (U.S.), LLC;
- Willbros Midstream Services (U.S.), LLC;
- Willbros Construction Services (Canada) L.P.;
- Willbros Midwest Pipeline Construction (Canada) L.P.;
- Willbros Government Services (U.S.), LLC;
- Willbros Middle East, Ltd.; and
- The Oman Construction Company (TOCO) L.L.C.

The Willbros corporate structure is designed to comply with jurisdictional and registration requirements associated with work bid and performed and to reduce worldwide taxation of operating income. Additional subsidiaries may be formed in specific work countries where necessary or useful for compliance with local laws or tax objectives.

Administrative services are provided by Willbros USA, Inc., whose administrative headquarters are located at 4400 Post Oak Parkway, Suite 1000, Houston, Texas 77027, telephone number (713) 403-8000.

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Our public internet site is <http://www.willbros.com/>. We make available free of charge through our internet site, via a link to Edgar Online, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. Our common stock is traded on the New York Stock Exchange under the symbol "WG."

In addition, we currently make available on <http://www.willbros.com/> our annual reports to stockholders. You will need to have the Adobe Acrobat Reader software on your computer to view these documents, which are in the .PDF format. If you do not have Adobe Acrobat, a link to Adobe Systems Incorporated's internet site, from which you can download the software, is provided.

Recent Developments

At a special meeting of our stockholders held on February 2, 2009, our stockholders approved a proposed merger for the purpose of reorganizing our company. As a result of the merger, Willbros Group, Inc. will become a direct, wholly-owned subsidiary of a newly formed Delaware corporation also named Willbros Group, Inc. and each of our stockholders will become a stockholder of the new Delaware corporation. We believe the merger will facilitate our business strategies, improve our access to U.S. capital markets and funding, improve our strategic flexibility, expand our access to U.S. government and private sector contracts, and enhance our operational focus. We intend to complete the merger as soon as practicable.

Business Segments

Our segments are strategic business units that are defined by the industry segments served and are managed separately as each has different operational requirements and strategies. We operate through three business segments: Upstream Oil & Gas, Downstream Oil & Gas and Engineering. These segments currently operate primarily in the United States, Canada, and Oman. Management evaluates the performance of each operating segment based on operating income. Our corporate operations include the executive management, general, administrative, and financing functions of the organization. The costs to provide these services are allocated, as are certain other corporate assets, between the three operating segments.

We provide our services, as the scope of work requires, through professional engineering, technical, construction management and craft personnel utilizing engineering systems, hardware and software and a large fleet of company-owned and leased equipment that includes pipe laying equipment, heavy construction equipment, transportation equipment, camp equipment and specialty tools. An inventory of spare parts and tools, which we strategically position and maintain to maximize availability and minimize cost, supports our equipment fleet. Over the years, we have been employed by more than 400 clients to carry out work in 60 countries. Within the past ten years, we have worked in North America, the Middle East, Africa, Australia and South America. We currently have a steady base of operations in the United States, Canada, and Oman.

Private sector clients have historically accounted for the majority of our revenue. Governmental entities and agencies have accounted for the remainder. Our top ten clients were responsible for 65 percent of our continuing revenue in 2008 (73 percent in 2007 and 61 percent in 2006).

See Note 14 – Segment Information to the Consolidated Financial Statements included in Item 8 of this Form 10-K for more information on our operating segments.

Services Provided

The Company provides engineering, construction, maintenance and EPC services, including development activities, in the business segments described above. We also have experience in the operation of the types of facilities we design and build. We may make equity investments in some projects to enhance our competitive position for the work assignments associated with the project. In other instances, our experience enables us to understand and manage project completion risk, and in these cases we may elect to develop and own a complete facility which will provide attractive internal rates of return over an extended period of time.

- Engineering Services

We provide project management, engineering, and material procurement services to the oil, gas, power and refining industries and government agencies. We specialize in providing engineering services to assist clients in constructing or expanding pipeline systems, compressor stations, pump stations, fuel storage facilities, and field gathering and production facilities. Over the years, we have developed expertise in addressing the unique engineering challenges involved with pipeline systems and associated facilities. We provide our engineering services through engineering resources located at the project site or at our offices in Tulsa, Oklahoma and Kansas City, Missouri.

Specifically, our engineering services include, among others:

- feasibility studies;
- conceptual engineering services;
- detailed design services;
- route/site selection;
- construction management;
- turnkey EPC arrangements;
- alliance arrangements;
- material procurement;
- planning and management of maintenance programs;
- overall project management;
- planning and management of system integrity services;
- permitting services;
- commissioning/startup; and
- bid support for other Willbros subsidiaries.

To complement our engineering services, we also provide a full range of field services, including:

- surveying;
- right-of-way acquisition;
- material receiving and control;
- construction inspection;
- facility startup assistance; and
- facility operations.

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

The buying process of our customers includes close scrutiny of our experience and capabilities with respect to project requirements. Some of those requirements may involve:

Climatic Constraints. In the design of pipelines and associated facilities to be installed in harsh environments, special provisions for metallurgy of materials and foundation design must be addressed. We are experienced in designing pipelines for arctic conditions (where permafrost and extremely low temperatures are prevalent), desert conditions, mountainous terrain, swamps and offshore.

Environmental Impact of River Crossings/Wetlands. We have considerable capability in designing pipeline crossings of rivers, streams and wetlands in such a way as to minimize environmental impact. We possess expertise to determine the optimal crossing techniques, such as open cut, directionally-drilled or overhead, and to develop site-specific construction methods to minimize bank erosion, sedimentation and other environmental impacts.

Seismic Design and Stress Analysis. Our engineers are experienced in seismic design of pipeline crossings of active faults and areas where liquefaction or slope instability may occur due to seismic events. Our engineers also carry out specialized stress analyses of piping systems that are subjected to expansion and contraction due to temperature changes, as well as loads from equipment and other sources.

Hazardous Materials. Special care must be taken in the design of pipeline systems transporting sour gas. Sour gas not only presents challenges regarding personnel safety since hydrogen sulfide leaks can be extremely hazardous, but also requires that material be specified to withstand highly corrosive conditions. Our engineers have extensive natural gas experience which includes design of sour gas systems.

Hydraulics Analysis for Fluid Flow in Piping Systems. We employ engineers with the specialized knowledge necessary to address properly the effects of both steady state and transient flow conditions for a wide variety of fluids transported by pipelines, including natural gas, crude oil, refined petroleum products, natural gas liquids, carbon dioxide and water. This expertise is important in optimizing the capital costs of pipeline projects where pipe material costs typically represent a significant portion of total project capital costs.

We have developed significant expertise with respect to each of the following:

Natural Gas Transmission Systems. The expansion of the natural gas transportation network in the United States in recent years has been a major contributor to our engineering business. We believe we have established a strong position as a leading supplier of project management and engineering services to natural gas pipeline transmission companies in the United States. Since 1988, we have provided engineering services for over 20 major natural gas projects in the United States, including the Gulfstream Natural Gas System project, completed in 2002, and the Guardian Pipeline Project, both Phase I, completed in 2004 and Phase II, nearing completion at the end of 2008.

Liquids Pipelines and Storage Facility Design. We have engineered a number of crude oil and refined petroleum products systems throughout the world, and have become recognized for our expertise in the engineering of systems for the storage and transportation of petroleum products and crude oil. In 2001, we provided engineering and field services for conversion of a natural gas system in the mid-western United States, involving over 797 miles of 24-inch to 26-inch diameter pipeline to serve the upper Midwest with refined petroleum products. In 2003, we completed EPC services for the expansion of a petroleum products pipeline to the Midwest involving 12 new pump stations, modifications to another 13 pump stations and additional storage. In 2007 we began an EPC project to expand mainline capacity of a crude oil pipeline system in the southern United States through the installation of additional pump stations and storage. This project was nearing completion at the end of 2008.

U.S. Government Services. Since 1981, we have established our position with U.S. government agencies as a leading engineering contractor for jet fuel storage as well as aircraft fueling facilities, having performed the engineering for major projects at eight U.S. military bases, including three air bases outside the United States. The award of these projects was based largely on contractor experience and personnel qualifications. Also, in the past ten years we have won five so-called "Design-Build-Own-Operate-Maintain" projects to provide fueling facilities at military bases in the United States for the U.S. Defense Energy Support Center. From time to time we add additional features to these facilities such as tanks and pumps for alternative fuels.

Design of Peripheral Systems. Our expertise extends to the engineering of a wide range of project peripherals, including various types of support buildings and utility systems, power generation and electrical transmission, communications systems, fire protection, water and sewage treatment, water transmission, roads and railroad sidings.

Procurement. Because procurement plays such a critical part in the success of any project, we maintain an experienced staff to carry out the procurement of all materials and services. Procurement services are provided to clients as a complement to the engineering services performed for a project. Material and services procurement is especially critical to the timely completion of construction on the EPC contracts we undertake. We maintain a computer-based material procurement, tracking and control system, which utilizes software enhanced to meet our specific requirements.

Pipeline Integrity Testing, Management & Maintenance. In response to the increase in regulatory oversight and aging pipeline infrastructure, we developed state-of-the-art pipeline inspection and testing methods to complement our pipeline maintenance and construction capabilities. We can assist our clients with all aspects of their pipeline testing, maintenance and operating requirements as well as assist in the evaluation, design and costing of network expansion projects.

- Upstream Oil & Gas - Construction Services

We are one of the most experienced contractors serving the oil, gas and power industries. Our construction capabilities include the expertise to construct and replace large-diameter cross-country pipelines; to fabricate engineered structures, process modules and facilities; to construct oil and gas production facilities, pump stations, flow stations, gas compressor stations, gas processing facilities and other related facilities.

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Pipeline Construction. World demand for pipelines results from the need to move millions of barrels of crude oil and petroleum products and billions of cubic feet of natural gas to refiners, processors and consumers each day. Pipeline construction is capital-intensive, and we own, lease, operate and maintain a fleet of specialized equipment necessary for operations in the pipeline construction business. We focus on pipeline construction activity for large diameter cross-country pipelines in remote areas and harsh climates where we believe our experience gives us a competitive advantage. In our history, we have performed work in 60 countries and constructed over 124,000 miles of pipeline, which we believe positions us in the top tier of pipeline contractors in the world. To mitigate tight labor markets, since 2004, we have developed the expertise to employ automatic welding processes in the onshore construction of large-diameter (greater than 30-inch) natural gas pipelines and have constructed over 400 miles of such pipelines using automatic welding processes in the United States, Canada, and Oman.

The construction of a cross-country pipeline involves a number of sequential operations along the designated pipeline right-of-way. These operations are virtually the same for all overland pipelines, but personnel and equipment may vary widely depending upon such factors as the time required for completion, general climatic conditions, seasonal weather patterns, the number of road crossings, the number and size of river crossings, terrain considerations, extent of rock formations, density of heavy timber and amount of swamp.

Onshore construction often involves separate crews to perform the following different functions:

- clear the right-of-way;
- grade the right-of-way;
- excavate a trench in which to bury the pipe;
- haul pipe to intermediate stockpiles from which stringing trucks carry pipe and place individual lengths (joints) of pipe alongside the ditch;
- bend pipe joints to conform to changes of direction and elevation;
- clean pipe ends and line up the succeeding joint;
- perform various welding operations;
- inspect welds non-destructively;
- clean pipe and apply anti-corrosion coatings;
- lower pipe into the ditch;
- backfill the ditch;
- bore and install highway and railroad crossings;
- drill, excavate or dredge and install pipeline river crossings;
- tie in all crossings to the pipeline;
- install mainline valve stations;
- conduct pressure testing;
- install cathodic protection system; and
- perform final clean up.

Special equipment and techniques are required to construct pipelines across wetlands and offshore. We have used swamp pipe laying methods extensively in Nigeria, where a significant portion of our construction operations were carried out in the Niger River Delta. This expertise is applicable in wetland regions elsewhere and can provide a competitive advantage for projects in such venues as south Louisiana, where we expect to see additional work opportunities.

Fabrication. Fabrication services can be a more efficient means of delivering engineered, major process or production equipment with improved schedule certainty and quality. We provide fabrication services and are capable of fabricating such diverse deliverables as process modules, station headers, valve stations, and flare pipes and tips. We currently operate two fabrication facilities in Alberta, Canada, allowing us the opportunity to provide process modules and other fabricated assemblies to the heavy oil market in northern Alberta. We also have one fabrication facility in

the United States.

Station Construction. Oil and gas companies require various facilities in the course of producing, processing, storing and moving oil and gas. We are experienced in and capable of constructing facilities such as pump stations, flow stations, gas processing facilities, gas compressor stations and metering stations. We can provide a full range of services for the engineering, design, procurement and construction of processing, pumping, compression, and metering facilities. We are capable of building such facilities onshore, offshore in shallow water or in swamp locations. The construction of station facilities, while not as capital-intensive as pipeline construction, is generally characterized by complex logistics and scheduling, particularly on projects in locations where seasonal weather patterns limit construction options, and in countries where the importation process is difficult. Our capabilities have been enhanced by our experience in dealing with such challenges in numerous countries around the world.

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- Downstream Oil & Gas – Construction Services

Our Downstream Oil & Gas unit is a fully integrated solutions provider of turnaround, maintenance and capital projects for the refinery and petrochemical industries, with a customer base including major integrated oil companies, independent refineries and marketers, marketing and pipeline terminals and petrochemical companies. We now provide services to select EPC firms, independent power producers, specialty process facilities and ammonia and fertilizer manufacturing plants and facilities. Our principal downstream oil and gas construction services include:

- turnkey project services through program management and EPC project services;
- construction and turnaround services which include turnaround services for fluid catalytic cracking units, the main gasoline producing unit in a refinery, which have three to five year required maintenance intervals in order to maintain production efficiency;
- manufacturing services for process heaters, heater coils, alloy piping, specialty components and other equipment for installation in oil refineries;
 - heater services including design, manufacture and installation of fired heaters in refining and process plants;
- tank services for construction, maintenance or repair of petroleum storage tanks, typically located at pipeline terminals and refineries; and
 - safety services for supplementing a refinery's safety personnel and permitting and providing safety equipment.

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

Construction, Turnaround and Specialty Welding Services. When performing a construction and maintenance project as part of a refinery turnaround, detailed planning and execution to minimize the length of the outage, which can cost owners millions of dollars in downtime, is demanded. Our experience includes successful turnaround execution on the largest, most complex fluid catalytic cracking ("FCC") units, the major process unit in a refinery. Our record in providing a construction-driven approach with attention to planning, schedule and safety places us at the forefront of qualified bidders in North America for work on FCC units, and that recognition enables us to qualify to bid for most turnaround projects of interest to us. These services include refractory related projects, furnace re-tube and revamp projects, stainless and alloy welding services and heavy rigging and equipment setting. The skills and experience imparted from our turnaround experience apply equally to less schedule-sensitive new construction, and we can provide construction services for new units or expansion and revamp projects.

Manufacturing Services. We have manufacturing facilities located on two sites in the Tulsa, Oklahoma area, with easy access to truck, rail, air and river barge transportation through the inland most ice-free port in the United States, the Kerr-McClellan Navigation System. Specialty equipment that can be fabricated includes FCC components, reactors and regenerators, refractory, process heater coils and components, process piping spools (alloy and carbon steel), specialty welding, and plate cutting and rolling. Our Mohawk facility consists of 150,000 square feet of manufacturing space, which includes significant convection section fabricator capacity and which also allows us to fabricate heater and furnace components. We believe our ability to combine the quality fabrication and timely manufacturing of these components is complementary to other services we provide and offers a competitive advantage for us.

Heater Services. We are a vertically integrated provider of process heater services in North America which can perform engineering studies; process, mechanical, structural, and instrumentation and electrical design; fabrication and manufacture; and installation and erection of fired heaters in a one-stop shop. We also specialize in modifications to existing fired heaters for expanded service or process improvement. Our senior managers each have over 30 years of experience in this specialized service.

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

Safety Services. We provide both safety services and equipment to support the safety and quality requirements of our clients. We can provide safety supervisors, confined space and fire watch services, confined space rescue and training, safety planning services, technicians, training, drug screening and medical personnel. Our safety services also include safety service vehicles to support the services offered and to provide necessary equipment including first aid equipment, fire retardant clothing, fall protection equipment, fresh air equipment, gas detectors and breathing air supply trailers. We are an authorized dealer for fire-retardant and Nomex safety clothing and a variety of equipment lines.

- EPC Services

EPC projects often yield profit margins on the engineering and construction components consistent with stand-alone contracts for similar services. Our benefits in the EPC offering include the overall income associated with project management and the income we capture on the procurement component of the contract. Both of these income generating activities are relatively low risk compared with the construction aspect of the project. In performing EPC contracts, we participate in numerous aspects of a project. We are therefore able to determine the most efficient design, permitting, procurement and construction sequence for a project in connection with making engineering and constructability decisions. EPC contracts enable us to deploy our resources more efficiently and capture those efficiencies in the form of improved margins on the engineering and construction components of these projects, at the same time optimizing the overall project solution and execution for the client. While EPC contracts carry lower margins for the procurement component, which can be a significant portion of the total contract value, we believe the increased control over all aspects of the project, coupled with higher margins for engineering and construction portions, makes these types of contracts attractive to us and our customers. EPC projects are managed and reported by the segment and business unit best qualified to provide the identified scope of work. We intend to capitalize on our experience as a service company with the ability to integrate engineering, procurement, and construction services into an EPC format for the benefit of our clients and plan to use this capability in order to capture more of this business.

- Specialty Services

We utilize the skill sets and resources from our engineering, construction and EPC services to provide a wide range of support and ancillary services related to the construction, operation, repair and rehabilitation of pipelines and other hydrocarbon processing facilities. Frequently, such services require the utilization of specialized equipment, which is costly and requires operating expertise. Due to the initial equipment cost and operating expertise required, many client companies hire us to perform these services. We own and operate a variety of specialized equipment that is used to support construction projects and to provide a wide range of oilfield services. We provide the following primary types of specialty services:

- transport of dry and liquid cargo;
- pipe double-jointing;
- rig moves;
- maintenance and repair services;
- operation and development of customer facilities;
- building, owning and operating military fueling facilities; and
- rigging and heavy lift services.

Current Market Conditions

We continue to believe that long term fundamentals support increasing demand for our services to the energy industry. However, the global financial and economic environment is limiting visibility in our business beyond our current backlog as many energy industry participants consider scaling back projects, delaying investment in planned projects or asking for revised bids on previously awarded work to obtain lower prices. Declining demand for both natural gas and crude oil and an associated decrease in commodity energy prices, coupled with limited access to capital markets, are driving decisions by some potential customers to scale back capital budgets relative to 2008 expenditure levels. Currently, expenditure levels anticipated in 2009, while diminished from 2008, remain at high levels and are expected to exceed expenditure levels from 2006. As a result we expect continued demand for our services. However, we also believe market conditions will increasingly reflect the historical pattern of shorter intervals from project award to execution and therefore, contract backlog would also remain on the books for shorter periods of time. Additionally, our recent contract awards, coupled with the increase in caution by our customers, lead us to believe that contract terms and conditions will reflect a more competitive bid and risk allocation environment. However, demand for our services remains above historical levels, and we expect many of our new business initiatives related to expansion of government services and capabilities in the Middle East and North Africa will provide new growth opportunities.

We believe that despite the near-term market uncertainty, several factors influencing the global energy markets will result in increased activity across our primary lines of business. The fundamental factors that we expect will lead to higher levels of energy-related capital expenditures include:

- efforts to establish new oil and gas production in more politically secure regions of the world;
- rising global energy demand resulting from economic growth in developing countries;
- the need for larger oil and gas transportation infrastructure in a number of developing countries;
- the increasing role of natural gas as a fuel for power generation and other uses in producing countries;
- decline in existing producing reservoirs which will require additional investment to stabilize or reverse the decline in production;
 - initiatives to reduce natural gas flaring worldwide; and
 - the aging of energy infrastructure.

Long term global demand for energy is expected to continue to grow, with the Energy Information Administration forecasting 2030 demand to be 50% higher than 2005 levels. This growth will require new infrastructure to align primary reserve, production and demand centers. Development of new energy sources, often in increasingly remote locations, as well as ongoing replacement and maintenance of aging infrastructure, will require ongoing investment in both the immediate and longer terms. Geopolitical considerations are also likely to impact investment decisions as many governments seek to secure more stable access to resources. In the United States, we believe this may drive ongoing investment in the development of gas shale plays, as well as Alaskan resources, and may ultimately impact development of natural gas and oil sands reserves in Canada. Environmental considerations are also likely to be a key factor in future energy investment decisions in North America and globally, potentially driving increased incentives for production of cleaner burning fuels such as natural gas.

While the market uncertainty and more cautious spending programs of our customers will also likely impact our downstream oil and gas business, we believe that many of our customers will continue to spend on maintenance and repair programs which account for a significant portion of our downstream oil and gas services. Following the recent period of sustained high utilization rates at refineries and other downstream oil and gas processing facilities, which was not conducive to significant shutdowns, we believe these maintenance expenditures are particularly critical. Additionally, despite more limited capital spending in the near term, we believe that long term market dynamics will continue to support future growth for our downstream oil and gas services. We expect our customers to continue to make investments in upgrades to handle lower quality inputs, increase efficiencies and comply with

environmental standards. Environmental regulations, particularly with respect to sulfur and benzene content in refined products will continue to drive the need for additional upgrades at processing facilities. Industry data indicate that the market in the United States for capital maintenance, repair and overhaul (“MRO”) refinery projects to be in the \$6 billion range in 2009.

Upstream Oil & Gas

Ongoing development of existing hydrocarbon reserves, as well as development of significant new reserves, particularly throughout North America, will continue to drive the need for hydrocarbon transportation infrastructure. While we believe the size and attractive geographic location of these new reserves will create significant investment in North American pipelines, the current global economic conditions, resulting in lower near term energy demand and declining commodity prices, have created uncertainty with respect to the timing of these investments. We believe that the level of infrastructure development activity will be significant and that Willbros is well positioned to participate in this infrastructure build out when it occurs. Development of gas reserves in the unconventional gas developments, including the Haynesville, Marcellus, Barnett, Woodford and Fayetteville shales, has created the need for new mainline pipeline infrastructure to transport natural gas to high value markets in the eastern United States. Projects in the United States and Canada include natural gas, crude oil and product pipelines. We believe the ongoing drilling of highly productive horizontal wells in the shale plays in North America will continue to provide select opportunities, but with the anticipated slowing of drilling activity, we expect to see more competition for available projects in the near term. We also believe our opportunity to provide total project solutions with respect to pipeline system maintenance and integrity remediation will expand as owners of pipeline systems look for ways to decrease the cost of maintenance and integrity activities and consider outsourcing such activities to service providers such as ourselves.

Downstream Oil & Gas

Decreasing demand for motor fuels and declining commodity prices have caused certain refinery expansion and routine maintenance plans to be delayed. Other major expansions such as the BP Whiting Refinery and the Motiva expansion in Port Arthur, Texas are proceeding, but at a more measured and cautious pace as owners attempt to capture the cost savings implied by falling steel and other material prices and a more competitive contracting market for engineering and construction services. Lack of visibility both for our customers and the refinery and petrochemical industries generally has slowed the pace of activity in the near term. We believe that longer term, the supply of light and medium sweet crude in the United States is declining and that this results in the need to process heavier, more sour crude streams such as those from the Canadian Oil Sands. Many of the existing refineries require upgrading in order to process this lower quality crude supply. Tighter environmental standards relative to sulfur content in motor fuels should continue to drive additional upgrades to existing refineries. These upgrades, and the more complex units required, should result in more extensive maintenance activities and expenditures. Industry data indicate that the market in the United States for MRO projects will continue to exceed \$6 billion per year.

Engineering

The engineering market in the North American energy sector is being impacted by the reduction in capital budgets and delays to planned projects brought on by the economic and credit conditions currently affecting both end markets and capital markets. We expect to see increasing competition for engineering projects as potential clients seek more favorable pricing terms. We have managed our engineering headcount to maintain manpower levels which will optimize both our breadth of service offering and our profitability in this segment. We continue to believe that our engineering services differentiate us from our primary pipeline contractor competitors and can position us for EPC assignments. Our engineering operations in Kansas City, Missouri are focused on pipeline integrity services which we believe is a growing market in the current economic environment.

Our Strategy

We apply our core value system to everything we do; and those values provide the foundation for our strategy and execution. Our core values are:

- Safety,

- Honesty & integrity,
- Our people,
- Our customers,
- Superior financial performance,
- Vision & innovation, and
- Effective communication.

We work diligently to apply these values every day and use them to guide us in the execution of our strategy. We believe by allowing our values to drive the execution of our strategic goals we will increase stockholder value by leveraging our competitive strengths to focus on positioning ourselves for sustained long-term earnings growth. Key elements of our strategy are as follows:

Focus on Managing Risk

We have implemented a core set of business conduct, practices and policies which have fundamentally improved our risk profile. Examples of our risk management execution include increasing our activity levels in lower risk countries, diversifying our service offerings and end markets, practicing rigorous financial management and limiting contract execution risk. Risk management is emphasized throughout all levels of the organization and covers all aspects of a project from strategic planning and bidding to contract management and financial reporting.

- Focus resources in markets with the highest risk-adjusted return. We believe North America continues to offer us highly attractive risk-adjusted returns and the majority of our resources are focused on North America. In spite of the current economic dislocation, we believe targeted areas in North America will provide significant opportunities. More specifically, the monetization of previously developed oil and gas reserves requires connectivity to primary demand end markets; and the ongoing development of unconventional shale gas plays is expected to provide new work opportunities. Even though we are heavily concentrated in North America, we continue to seek international opportunities which can provide superior, more diversified risk-adjusted returns and believe our extensive international experience is a competitive advantage. We relocated our President of International Operations to Muscat, Oman to expand our Middle East operations into UAE and Saudi Arabia. Additionally, we have opened an office in Libya. We believe that markets in North Africa and the Middle East may offer attractive opportunities for us in the future given mid- and long-term industry trends.
- Maintain a conservative contract portfolio. While we will continue to pursue a balanced contract portfolio, current market dynamics suggest our U.S. pipeline operations may be entering a period of increased fixed price contracting opportunities. We believe our fixed price execution experience, our current efforts to realign our cost structure to the rapidly changing market and our improved systems and our focus on risk management provide us a competitive advantage versus many of our competitors.

Leverage Industry Position and Reputation into a Broader Service Offering

We believe the global energy infrastructure market will continue to provide opportunities. To take advantage of these opportunities, we expect to expand our core capabilities beyond our current offerings and markets, and we are selectively evaluating these prospects. Our established platform and track record position us to expand our expertise into a broader range of related service offerings. We intend to leverage our project management, engineering and construction skills to establish additional service offerings, such as downstream engineering, instrumentation and electrical services, turbo-machinery services, environmental services and pipeline system integrity services. We believe that over time, a more balanced mix of recurring services, such as program management and maintenance services, and capital projects will enhance the earnings profile of our business.

Additionally, we intend to pursue selective strategic acquisitions to complement our organic expansion strategies and to minimize our dependence on the cyclical large-diameter cross-country pipeline construction market. We began this process in 2007 with the InServ and Midwest acquisitions that expanded our service offerings as well as the geographies where we deliver those services. Our November 2007 acquisition of InServ complemented our service offerings to our traditional market of engineering and construction services in the midstream hydrocarbon transportation industry. Our July 2007 acquisition of Midwest significantly enhanced our presence in mainline pipeline construction in Western Canada. We believe that companies with strong balance sheets and liquidity positions will have opportunities to acquire assets and companies in today's uncertain market.

Maintain Financial Flexibility

Maintaining the financial flexibility to meet the material, equipment and personnel needs to support our project commitments, as well as the ability to pursue our expansion and diversification objectives is critical to our growth. We view financial strength and flexibility as a fundamental requirement to fulfilling our strategy. As of December 31, 2008, we had liquidity of \$257,864 comprised of cash and cash equivalents of \$207,864 and unutilized cash borrowing capacity of \$50,000 under our revolving credit facility to address our current capital requirements with no short-term borrowings or commercial paper outstanding. For the year ended December 31, 2008, we increased our working capital position, for continuing operations, by \$82,944 (41.7 percent) to \$282,059 from \$199,115 at December 31, 2007. In addition, our \$150,000 senior secured revolving credit facility (the "Credit Facility") provides us additional financial flexibility in the form of \$50,000 in cash borrowing capacity to pursue our growth strategy. The combination of our strong cash position, the availability under our existing Credit Facility, and our future cash flow from operations will allow us to focus on the highest return projects available during uncertain economic times as well as pursue our strategy of diversification as opportunities present themselves. The limited availability of credit in the market has not affected our credit facility; nor do we believe that it will impact our ability to access surety bonding in the future.

Leverage Core Service Expertise into Additional Full EPC Contracts

Our core expertise and service offerings allow us to provide our customers with a single source EPC solution which creates greater efficiencies to the benefit of both our customers and our company. As one of the few pipeline constructors with engineering capabilities, we believe we are uniquely positioned to provide this integrated service to our customers. In performing integrated EPC contracts, we establish ourselves as overall project managers from the earliest stages of project inception and are therefore better able to efficiently determine the design, permitting, procurement and construction sequence for a project in connection with making engineering decisions. Our customers benefit from a more seamless execution; while for us, these contracts often yield higher profit margins on the engineering and construction components of the contract compared to stand-alone contracts for similar services. Additionally, this contract structure allows us to deploy our resources more efficiently and capture the engineering, procurement and construction components of these projects.

Willbros Background

We are the successor to the pipeline construction business of Williams Brothers Company, which was started in 1908 by Miller and David Williams and eventually became The Williams Companies, Inc., a major U.S. energy and interstate natural gas and petroleum products transportation company (“Williams”).

In December 1975, Williams elected to discontinue its pipeline construction activities and sold substantially all of the non-U.S. assets and international entities comprising its pipeline construction division to a newly formed, independently owned Panamanian corporation. Ownership of the new privately-held company (eventually renamed Willbros Group, Inc.) changed infrequently during the 1980’s and 1990’s until an initial public offering of common stock was completed in August 1996.

Having been in business for 100 years, we have achieved many milestones, which are summarized as follows:

1915 Began pipeline work in the United States.

1923 First project outside the United States performed in Canada.

1939 Began pipeline work in Venezuela, first project outside North America.

1942-44 Served as principal contractor on the “Big Inch” and “Little Big Inch” War Emergency Pipelines in the United States which delivered Gulf Coast crude oil to the Eastern Seaboard.

1954-55 Built Alaska’s first major pipeline system, consisting of 625 miles of petroleum products pipeline, housing, communications, two tank farms, five pump stations, and marine dock and loading facilities.

1960 Built the first major liquefied petroleum gas pipeline system, the 2,175-mile Mid-America Pipeline in the United States, including six delivery terminals, two operating terminals, 13 pump stations, communications and cavern storage.

1962 Began operations in Nigeria with the commencement of construction of the TransNiger Pipeline, a 170-mile crude oil pipeline.

1964-65 Built the 390-mile Santa Cruz to Sica Sica crude oil pipeline in Bolivia. The highest altitude reached by this line is 14,760 feet (4,500 meters) above sea level.

1965 Began operations in Oman with the commencement of construction of the 175-mile Fahud to Muscat crude oil pipeline system.

1970-72 Built the Trans-Ecuadorian Pipeline, crossing the Andes Mountains, consisting of 315 miles of 20-inch and 26-inch pipeline, seven pump stations, four pressure-reducing stations and six storage tanks. Considered the most logistically difficult pipeline project ever completed at the time.

1974-76 Led a joint venture which built the northernmost 225 miles of the Trans Alaska Pipeline System.

1984-86 Constructed, through a joint venture, the All-American Pipeline System, a 1,240-mile of 30-inch heated pipeline, including 23 pump stations, in the United States.

1988-92 Performed project management, engineering, procurement and field support services to expand the Great Lakes Gas Transmission System in the northern United States. The expansion involved modifications to 13

compressor stations and the addition of 660 miles of 36-inch pipeline in 50 separate loops.

1992-93 Rebuilt oil field gathering systems in Kuwait as part of the post-war reconstruction effort.

1996 Listed shares upon completion of an initial public offering of common stock on the New York Stock Exchange under the symbol "WG."

2002 Completed engineering and project management of the Gulfstream project, a \$1.6 billion natural gas pipeline system from Mobile, Alabama crossing the Gulf of Mexico and serving markets in central and southern Florida.

2003 Completed an EPC contract for the 665-mile of 30-inch crude oil Chad-Cameroon Pipeline Project, through a joint venture with another international contractor.

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2007 Completed the sale of our Nigerian interests in February 2007. Acquired Midwest in July 2007 and InServ in November 2007.

2008 Completed two 36-inch loops in Northern Alberta for Trans Canada. First major project following Midwest acquisition.

Completed approximately 190 miles of the Southeast Supply Header, LLC ("SESH") project that connects the Perryville Hub in northeast Louisiana with the Gulfstream Natural Gas System, L.L.C. pipeline in Mobile County, Alabama.

GEOGRAPHIC REGIONS

We operate globally but have refocused our operations in recent years on certain markets in North America and the Middle East. Our continuing operations contract revenue by geographic region for recent years is shown in the following table:

	Year Ended December 31,					
	2008		2007		2006	
	Amount	Percent	Amount	Percent	Amount	Percent
Contract Revenue						
United States	\$ 1,440,239	75.4%	\$ 612,647	64.7%	\$ 312,121	57.5%
Canada	387,498	20.2%	244,806	25.8%	161,924	29.8%
Oman	84,967	4.4%	90,238	9.5%	69,214	12.7%
Total	\$ 1,912,704	100.0%	\$ 947,691	100.0%	\$ 543,259	100.0%

United States

We believe that the United States will continue to be an important market for our services. While current economic and financial conditions are creating uncertainty around the timing of many capital projects, longer term capacity additions are expected to be significant. The February 2009 Oil & Gas Journal survey of planned worldwide pipeline construction indicates additional planned projects, for 2009 and beyond, in the United States and Canada, of nearly 25,000 miles, an increase of approximately 20 percent over 2008. In the current environment, energy producers appear to be focusing development budget spending on exploiting more cost effective reserves in the newer shale plays in the United States and Canada. Many of the most significant shales, particularly the Marcellus, Haynesville and Fayetteville, require substantial gathering and takeaway infrastructure which we believe will create opportunities for our engineering and construction services. Alaska also holds significant reserves requiring potentially greater levels of infrastructure investment. Liquefied natural gas ("LNG") will likely play a meaningful role in satisfying North American energy needs in the future, creating additional opportunities for our services, but we expect greater near term focus to be placed on the development of reserves in the United States. Additionally, deregulation of the electric power and natural gas pipeline industries in the United States has led to the consolidation and reconfiguration of existing pipeline infrastructure and the establishment of new energy transport systems, which we expect will result in continued demand for our services in the mid to long-term. Environmental concerns will likely continue to require careful, thorough and specialized professional engineering and planning for all new facilities within the oil, gas and power sectors. Furthermore, the demand for replacement and rehabilitation of pipelines is expected to increase as pipeline systems in the United States approach the end of their design lives and population trends influence overall energy needs. We are recognized as an industry leader in the United States for providing project management, engineering, and procurement and construction services. We maintain a staff of experienced management, construction, engineering and support personnel in the United States. We provide these services through engineering offices located in Tulsa, Oklahoma and Kansas City, Missouri. Construction operations based in Houston, Texas

provide the majority of construction services in the United States.

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The United States remains the primary market for our downstream oil and gas services. With a nationwide reach, we have experience serving 91 of the 149 operable refineries in the country. While capital budget reductions among our customers are likely to impact spending on some capital construction projects of the type performed by our Downstream Oil & Gas segment, many of our services are less dependent upon capital expenditures. In particular, turnaround and maintenance projects are performed routinely and are typically less susceptible to fluctuations in hydrocarbon prices. With the Clean Air Act of 1990 pushing the refining industry to meet stringent limitations on the sulfur content in gasoline fuels, Downstream Oil & Gas benefited from the influx of Clean Fuels projects from 2000 to 2005. Over the next few years, refiners will be required to meet other mandates by the Environmental Protection Agency (“EPA”), including reducing the sulfur content level in diesel fuels and reducing the benzene content in other motor fuels. To comply with this mandate, refiners are required to modify and/or expand existing distillate hydro treating or hydro cracking capacity. Additionally, with refineries until recently operating at near capacity as a result of strong demand for gasoline, many U.S. operators have delayed their maintenance and turnaround projects to minimize loss time, implying more intensive maintenance and turnaround projects in the near term.

We have also provided significant engineering and facility management services to U.S. government agencies during the past 25 years, particularly in fuel storage and distribution systems and aircraft fueling facilities.

Canada

Rapid declines in global oil prices since mid 2008 have increased uncertainty regarding the near term economic viability of many investments in the oil sands region of northern Alberta, Canada. As a result, a number of key participants in the region have reduced capital expenditure plans for 2009 and, in some cases, delayed significant capital projects. However, the Canadian Energy Research Institute (CERI) still projects over Cdn \$200 billion to be invested by the end of 2020. Installed capacity combined with ongoing investment offers prospective fabrication and installation work as well as maintenance opportunities. Additionally, several options are under consideration with respect to transporting processed crude oil or unrefined bitumen, to markets in the United States and Asia via export pipelines from the region. The need for additional process fuel for the oil sands also is driving the development of new pipeline infrastructure from the Mackenzie Delta region. Construction, fabrication and maintenance services in Canada are provided primarily through facilities and resources located in Ft. McMurray and Edmonton, Alberta, where we maintain fabrication facilities, including capabilities for chrome carbide overlay (“CCO”), which is high in demand, to reduce erosion in transmission piping. CCO is a process of treating pipe to withstand the highly abrasive bitumen sand slurry transported from mining sites to separation facilities.

Middle East

Our operations in the Middle East date back to 1948. We have worked in most of the countries in the region, with particularly heavy involvement in Kuwait, Oman and Saudi Arabia. Currently, we have ongoing operations in Oman, where we have been active continuously for more than 40 years. We maintain a fully staffed facility in Oman with equipment repair facilities and spare parts on site and offer construction expertise, repair and maintenance services, engineering support, oil field transport services, materials procurement and a variety of related services to our clients. We believe our presence in Oman and our experience there and in other Middle Eastern countries will enable us to successfully win and perform projects in this region. We have evaluated the opportunities in the Middle East and determined that we should focus our efforts on continued development of our operations in Oman and the extension of that expertise and capability into the markets in the United Arab Emirates and Saudi Arabia. In Saudi Arabia, we have an existing joint venture relationship that allows us to monitor and pursue opportunities.

Africa

Africa has been an important strategic market for us and may remain so, despite our decision to exit Nigeria in 2006. There are large, potentially exploitable hydrocarbon reserves in North Africa. Depending upon the world market for

oil and natural gas and the availability of financing, the amount of potential new work could be substantial. Currently, we are monitoring or bidding on major work prospects in Libya.

South America

The political situation in several South American countries remains uncertain and projects in these countries continue to be delayed. Because the governments of these countries continue to pursue agendas which include nationalization and/or renegotiation of contracts with foreign investors, we view these markets as having limited opportunities.

Backlog

Backlog

In our industry, backlog is considered an indicator of potential future performance because it represents a portion of the future revenue stream. Our strategy is not focused solely on backlog additions but, capturing quality backlog with margins commensurate with the risks associated with a given project.

Backlog consists of anticipated revenue from the uncompleted portions of existing contracts and contracts whose award is reasonably assured.

We believe the backlog figures are firm, subject only to the cancellation and modification provisions contained in various contracts. Additionally, due to the short duration of many jobs, revenue associated with jobs 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, variations in the scope of work and the effect of escalation or currency fluctuation formulas. These revenue sources are not added to backlog until realization is assured. For discussion of backlog, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following table shows our backlog from continuing operations by operating segment and geographic location as of December 31, 2008 and 2007:

	2008		Year Ended December 31, 2007	
	Amount	Percent	Amount	Percent
Upstream Oil & Gas	\$ 439,019	67.0%	\$ 941,301	72.1%
Downstream Oil & Gas	171,426	26.1%	199,646	15.3%
Engineering	45,049	6.9%	164,494	12.6%
Total backlog	\$ 655,494	100.0%	\$ 1,305,441	100.0%

Geographic Region	December 31, 2008		December 31, 2007	
	Amount	Percent	Amount	Percent
United States	\$ 492,621	75.2%	\$ 1,014,351	77.7%
Canada	128,692	19.6%	215,527	16.5%
Oman	34,181	5.2%	75,563	5.8%
Total backlog	\$ 655,494	100.0%	\$ 1,305,441	100.0%

Total Backlog	Year Ended December 31,				
	2008	2007	2006	2005	2004
	\$ 655,494	\$ 1,305,441	\$ 602,272	\$ 240,373	\$ 73,343

Competition

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

In the United States, our primary upstream oil and gas construction competitors on a national basis include Associated Pipeline Contractors, Price Gregory Services, Sheehan Pipeline Construction, U.S. Pipeline and Welded Construction. In addition, there are a number of regional competitors, such as Sunland, Dyess, Flint, and Jomax.

Our primary competitors in the downstream oil and gas market include AltairStrickland, JV Industrial Companies, Plant Performance Services, KBR, Chicago Bridge & Iron and Matrix Services.

Our primary competitors in the engineering market include CH2M Hill, Gulf Interstate, Universal Ensco, Trigon, Mustang Engineering and ENGlobal Engineering.

Our primary competitors for international onshore construction projects in developing countries include Technip (France), CCC (Lebanon), Saipem (Italy), Spie-Capag (France), Techint (Argentina), Bechtel (U.S.), Stroytransgaz (Russia), Tekfen (Turkey), and Nacap (Netherlands). In Canada, competitors for onshore pipeline construction assignments include North American Energy Services, Flint Energy Services and OJ Pipelines. As a result, we may be more cost effective than our competitors in certain instances or offer a superior value proposition.

In Oman, competitors in oil field transport services include Ofsat and TruckOman, both Omani companies; and in construction and the installation of flow lines and mechanical services, we compete with Gulf Petrochemical Services (Oman), CCC (Lebanon), Dodsai (India), Saipem (Italy), Special Technical Services (Oman) and Galfar (Oman).

Contract Provisions and Subcontracting

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

- firm fixed-price or lump sum fixed-price contracts, providing for a single price for the total amount of work or for a number of fixed lump sums for the various work elements comprising the total price;
- cost plus fixed fee contracts under which income is earned solely from the fee received. Bidding cost plus fixed fee contracts has been the focus of our large pipeline construction project efforts in 2008, but we anticipate this will decrease in 2009;
 - unit-price contracts, which specify a price for each unit of work performed;
- time and materials contracts, under which personnel and equipment are provided under an agreed schedule of daily rates with other direct costs being reimbursable; and
 - a combination of the above (such as lump sums for certain items and unit rates for others).

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

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

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

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

control.

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

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

Employees

At December 31, 2008, we employed directly a multi-national work force of 6,512 persons, of which approximately 85.5 percent were citizens of the respective countries in which they work. Although the level of activity varies from year to year, we have maintained an average work force of approximately 4,310 over the past five years. The minimum employment during that period has been 3,282 and the maximum was 6,512. At December 31, 2008, approximately 20.7 percent of our employees were covered by collective bargaining agreements. We believe relations with our employees are satisfactory. The following table sets forth the location of employees by work countries as of December 31, 2008:

	Number of Employees	Percent
U.S. Upstream Oil & Gas	2,252	34.6%
U.S. Downstream Oil & Gas	1,151	17.6%
U.S. Engineering	418	6.4%
U.S. Administration	119	1.8%
Canada	1,079	16.6%
Oman	1,489	22.9%
Other	4	.1%
Total	6,512	100.0%

Equipment

We own, lease and maintain a fleet of generally standardized construction, transportation and support equipment. In 2008 and 2007, expenditures for capital equipment were approximately \$53,000 and \$74,500, respectively. At December 31, 2008, the net book value of our property, plant, and equipment was approximately \$150,000.

We are constantly evaluating the availability of equipment and in recent years have leased equipment to ensure its availability to support projects. We entered into various capital leases in 2008 and 2007 adding approximately \$66,300 of equipment during these periods. We continue to evaluate expected equipment utilization, given anticipated market conditions, and may buy or lease new equipment and dispose of underutilized equipment from time to time. All equipment is subject to scheduled maintenance to maximize fleet readiness. We have maintenance facilities at Azaiba, Oman; Ft. McMurray, Alberta, Canada; and Houston, Texas, United States, as well as temporary site facilities on major jobs to minimize downtime. In 2006, we decided to consolidate our equipment yards and equipment maintenance activities in the United States and sold our Channelview, Texas facility in 2007 and bought at auction additional property adjoining our Houston equipment yard and building.

Facilities

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

Principal Facilities Business Unit	Location	Size	Description	Ownership
U.S. Upstream Oil & Gas	Houston, TX	20 acres, 35,022 sq. ft.	Equipment yard and maintenance facility Warehouse and office	Own
	Houston, TX	14 acres 100,000 sq. ft.	Manufacturing and general warehousing	Leased
U.S. Downstream Oil & Gas	Catoosa, OK	30 acres 125,000 sq. ft.	Manufacturing, general warehousing and office space	Own
	Tulsa, OK	73 acres, 163,000 sq. ft.	Manufacturing, general warehousing and office space	Own
U.S. Engineering	Tulsa, OK	27,610 sq. ft.	Office space	Leased
	Tulsa, OK	100,000 sq. ft.	Office space	Own
	Kansas City, MO	14,437 sq. ft.	Office space	Leased
U.S. Administration Canada	Houston, TX	43,034 sq. ft.	Office space	Leased
	Edmonton, Alberta, Canada	22.75 acres 25,000 sq. ft.	Fabrication	Own
	Ft. McMurray, Alberta, Canada	3.93 acres 10,200 sq. ft.	Fabrication	Own
	Acheson, Alberta Canada	10.25 acres 17,000 sq. ft.	Office space and equipment yard	Own
Oman	Edmonton, Alberta, Canada	25,000 sq. ft.	Office space	Leased
	Oman	31,000 sq. ft.	Office space, fabrication, and maintenance facility	Leased
Headquarters	Panama	400 sq. ft.	Office space	Leased

We lease other facilities used in our operations, primarily sales/shop offices, equipment sites and expatriate housing units in the United States, Canada and Oman. Rent expense for all leased facilities was approximately \$3,000 in 2008 and \$1,600 in 2007.

Insurance and Bonding

Operational risks are analyzed and categorized by our risk management department and are insured through major international insurance brokers under a comprehensive insurance program, which includes commercial insurance policies, consisting of the types and amounts typically carried by companies engaged in the worldwide engineering and construction industry. We maintain worldwide master policies written mostly through highly-rated insurers. These policies cover our property, plant, equipment and cargo against all normally insurable risks, including war risk, political risk and terrorism in third-world countries. Other policies cover our workers and liabilities arising out of our operations. Primary and excess liability insurance limits are consistent with the level of our asset base. Risks of loss or damage to project works and materials are often insured on our behalf by our clients. On other projects, “builders all risk insurance” is purchased when deemed necessary. Substantially all insurance is purchased and maintained at the corporate level, other than certain basic insurance, which must be purchased in some countries in order to comply with local insurance laws.

The insurance protection we maintain may not be sufficient or effective under all circumstances or against all hazards to which we may be subject. An enforceable claim for which we are not fully insured could have a material adverse effect on our results of operations. In the future, our ability to maintain insurance, which may not be available or at rates we consider reasonable, may be affected by events over which we have no control, such as those that occurred on September 11, 2001. In 2008 we were not constrained by our ability to bond new projects, nor have we been negatively impacted in early 2009.

Item 1A. Risk Factors

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

RISKS RELATED TO OUR BUSINESS

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

Our revenue and cash flow are primarily dependent upon major engineering and construction projects. The availability of these types of projects is dependent upon the economic condition of the oil, gas and power industries, specifically, the level of capital expenditures of oil, gas and power companies on infrastructure. The current credit crisis and related turmoil in the global financial system, including capital markets, as well as a global recession, may have an adverse impact on the level of capital expenditures of oil, gas and power companies and/or their ability to finance these expenditures. Our failure to obtain major projects, the delay in awards of major projects, the cancellation of major projects or delays in completion of contracts are factors that could result in the under-utilization of our resources, which would have an adverse impact on our revenue and cash flow. There are numerous factors beyond our control that influence the level of capital expenditures of oil, gas and power companies, including:

- current and projected oil, gas and power prices as well as refining margins;
 - the demand for electricity;
- the abilities of oil, gas and power companies to generate, access and deploy capital;
 - exploration, production and transportation costs;
 - the discovery rate of new oil and gas reserves;
- the sale and expiration dates of oil and gas leases and concessions;
- regulatory restraints on the rates that power companies may charge their customers;
 - local and international political and economic conditions;
- the ability or willingness of host country government entities to fund their budgetary commitments; and
 - technological advances.

Our final settlements with the DOJ and the SEC, and the prosecution of former employees that will follow, may negatively impact our ongoing operations.

As a result of our final settlements with the DOJ and the SEC resolving their investigations of violations of the Foreign Corrupt Practices Act and other provisions of the federal securities laws, which are more fully described in Notes 8 and 15 of our Notes to Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K, we are subject to ongoing review and regulation of our business operations, including the review of our operations and compliance program by a government approved independent monitor. The activities of the independent monitor will have a cost to us and may cause a change in our processes and operations, the outcome of which we are unable to predict. In addition, the settlements, and the prosecution of former employees that will likely follow, may impact our operations or result in legal actions against us in countries that are the subject of the settlements. The final settlements

could also result in third-party claims against us, which may include claims for special, indirect, derivative or consequential damages.

Our failure to comply with the terms of settlement agreements with the DOJ and SEC would have a negative impact on our ongoing operations.

Under our final settlements with the DOJ and SEC, we are subject to a three-year deferred prosecution agreement and permanently enjoined from committing any future violations of the federal securities laws. Our failure to comply with the terms of the settlements with the DOJ and SEC could result in resumed prosecution and other regulatory sanctions, and could otherwise negatively affect our operations. In addition, if we fail to make timely payment of the penalty amounts due to the DOJ and/or the disgorgement amounts specified in the SEC settlement, the DOJ and/or the SEC will have the right to accelerate payment, and demand that the entire balance be paid immediately. Our ability to comply with the terms of the settlements is dependent on the success of our ongoing compliance program, including:

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- our supervision, training and retention of competent employees;
- the efforts of our employees to comply with applicable law and our Foreign Corrupt Practices Act Compliance Manual and Code of Business Conduct and Ethics; and
- our continuing management of our agents and business partners.

We may continue to experience losses associated with our prior Nigeria based operations.

In February 2007, we completed the sale of our Nigerian operations. In August 2007, we and our subsidiary, Willbros International Services (Nigeria) Limited, entered into a Global Settlement Agreement (the "Global Settlement Agreement") with Ascot Offshore Nigeria Limited ("Ascot"), the purchaser of our Nigerian operations and Berkeley Group Plc, the purchaser's parent company. Among the other matters, the Global Settlement Agreement provided for the payment of an amount in full and final settlement of all disputes between Ascot and us related to the working capital adjustment to the closing purchase price under the February 2007 share purchase agreement. In connection with the sale of our Nigerian operations, we also entered into a Transition Services Agreement (the "Transition Services Agreement"), and Ascot delivered a promissory note in favor of us.

The Global Settlement Agreement provided for a settlement in the amount of \$25.0 million, the amount by which we and Ascot agreed to adjust the closing purchase price downward (the "Settlement Amount"). Under the Global Settlement Agreement, we retained approximately \$13.9 million of the Settlement Amount and credited this amount to the account of Ascot for amounts which were due to us under the Transition Services Agreement and promissory note. Our payment of the balance of the Settlement Amount settled (i) any and all obligations and disputes between Ascot and us in relation to the adjustment to the closing purchase price under the share purchase agreement and (ii) all of the parties' respective rights and obligations under the indemnification provisions of the share purchase agreement, except as provided in the Global Settlement Agreement.

As partial consideration for the parties' agreement on the Settlement Amount, Ascot secured with a non-Nigerian bank supplemental backstop letters of credit totaling approximately \$20.3 million, which backstopped corresponding letter of credit obligations that we had under various contracts taken over by Ascot. In the third quarter of 2008, substantially all of our letters of credit related to our former operations in Nigeria expired, with only one \$123,000 of letter of credit remaining outstanding.

On February 7, 2009, the Transition Services Agreement with Ascot expired according to its terms. We may, however, continue to experience losses or incur expenses subsequent to the sale and disposition of our operations and the Global Settlement Agreement. In particular:

- The same difficulties which led to our leaving Nigeria continue to exist for Ascot, as well as additional challenges, including various financial difficulties that we understand Ascot may from time to time be experiencing. Accordingly, Ascot's continued willingness and ability to perform our former projects in West Africa continue to be important factors to further reducing our risk profile in Nigeria and elsewhere in West Africa.
- We issued parent company guarantees to our former clients in connection with the performance of some of our contracts in Nigeria and nearby West Africa locations. Although Ascot is now responsible for completing these projects, our parent company guarantees may remain in force in varying degrees until the projects are completed. Indemnities are in place pursuant to which Ascot and its parent company are obligated to indemnify us for any losses we incur under these parent company guarantees. However, we can provide no assurance that we will be successful in enforcing our indemnity rights. The guarantees include five projects under which we estimated that, at February 7, 2007, there was aggregate remaining contract revenue of approximately \$352.1 million and aggregate cost to complete of approximately \$293.6 million.

- In early 2008, we received our first notification asserting various rights under one of our outstanding parent guarantees. On February 1, 2008, WWAI, the Ascot company performing the West African Gas Pipeline (“WAGP”) contract, received a letter from West African Gas Pipeline Company Limited (“WAPCo”), the owner of WAGP, wherein WAPCo gave written notice alleging that WWAI was in default under the WAGP contract, as amended, and giving WWAI a brief cure period to remedy the alleged default. We understand that WWAI responded by denying being in breach of its WAGP contract obligations, and apparently also advised WAPCo that WWAI “...requires a further \$55 million, without which it will not be able to complete the work which it had previously undertaken to perform.” We understand that, on February 27, 2008, WAPCo terminated the WAGP contract for the alleged continuing non-performance of WWAI.
- On February 1, 2008, we received a letter from WAPCo reminding us of our parent guarantee on the WAGP contract and requesting that we remedy WWAI’s default under that contract, as amended. Approximately on February 17, 2009, we received another letter from WAPCo formally demanding that we pay all sums payable in consequence of the non-performance by Ascot with WAPCo stating that quantification of that amount would be provided sometime in the future when the work was completed. On previous occasions, we have advised WAPCo that, for a variety of legal, contractual, and other reasons, we did not consider our prior WAGP contract parent guarantee to have continued application, and we reiterated that position to WAPCo in our response to its February 1, 2008 letter. We will again reiterate our position in response to their February 17, 2009 letter. WAPCo disputes our position that we are no longer bound by the terms of our prior parent guarantee of the WAGP contract and has reserved all its rights in that regard. Currently, the WAGP project is yet to be completed for a variety of technical and commercial reasons unrelated to WAPCo’s termination of the WAGP contract.
- We anticipate that this developing dispute with WAPCo may result in a lengthy arbitration proceeding between WAPCo and WWAI in the London Court of International Arbitration to determine the validity of the alleged default notice issued by WAPCo to WWAI, including any resulting damage award, in combination with a lawsuit between WAPCo and us in the English Courts under English law to determine the enforceability, in whole or in part, of our parent guarantee, which we expect to be a lengthy process.
- We currently have no employees working in Nigeria and we have no intention of returning to Nigeria. If ultimately it is determined by an English Court that we are liable, in whole or in part, for damages that WAPCo may establish against WWAI for WWAI’s alleged non-performance of the WAGP contract, or if WAPCo is able to establish liability against us directly under our parent company guarantee, and, in either case, we are unable to enforce our rights under the indemnity agreement entered into with Ascot in connection with the WAGP contract, we may experience substantial losses. However, management cannot, at this time, predict the outcome of any arbitration or litigation which may ensue in this developing WAGP contract dispute, or be certain of the degree to which the indemnity agreement given in our favor by Ascot will protect us. Based upon our current knowledge of the relevant facts and circumstances, we do not expect that the outcome of the dispute will have a material adverse effect on our financial condition or results of operations.

Our management has concluded that we did not maintain effective internal control over financial reporting as of December 31, 2007, 2006, 2005 and 2004. Management’s assessment of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2007 identified a new material weakness and confirmed that a previously disclosed material weakness in our internal control over financial reporting continued to exist. We believe that these material weaknesses were successfully remediated as of June 30, 2008. We believe that the other material weaknesses reported as of December 31, 2006 were eliminated in February 2007 as a result of the sale of our Nigerian assets and operations. However, our inability to remediate these material weaknesses prior to February 2007, our inability to remediate our most recent material weaknesses identified or existing as of December 31, 2007 prior to June 30, 2008, and any other control deficiencies that we may discover in the future, could adversely affect our ability to report our financial condition and results of operations accurately and on a timely basis. As a result, our business, operating results and liquidity could be harmed.

As disclosed in our Annual Reports on Form 10-K for 2007, 2006, 2005 and 2004, management's assessment of our internal control over financial reporting identified several material weaknesses. These material weaknesses led to the restatement of our previously issued consolidated financial statements for fiscal years 2002 and 2003 and the first three quarters of 2004. Although we made progress in executing our remediation plans during 2005 and 2006, including the remediation of three material weaknesses, as of December 31, 2006, management concluded that we did not maintain effective internal control over financial reporting due to the following remaining material weaknesses in internal controls:

- **Nigeria accounting:** During the fourth quarter of 2006, we determined that a material weakness in our internal control over financial reporting existed related to the Company's management control environment over the accounting for our Nigeria operations. This weakness in management control led to the inability to adequately perform various control functions including supervision over and consistency of: inventory management; petty cash disbursements; accounts payable disbursement approvals; account reconciliations; and review of timekeeping records. This material weakness resulted primarily from our inability to maintain a consistent and stable internal control environment over our Nigeria operations in the fourth quarter of 2006.
- **Nigeria project controls—estimate to complete:** A material weakness existed related to controls over the Nigeria project reporting. This weakness existed throughout 2006 and is a continuation of a material weakness reported in our 2005 Form 10-K. The weakness primarily impacted one large Nigeria project with a total contract value of approximately \$165.0 million, for which cost estimates were not updated timely in the fourth quarter of 2006 due to insufficient measures being taken to independently verify and update reliable cost estimates. This material weakness specifically resulted in material changes to revenue and cost of sales during the preparation of our year-end financial statements by our accounting staff prior to their issuance.

Moreover, management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2007 identified a new material weakness and confirmed that a material weakness in our internal control over financial reporting previously identified on November 13, 2007 continued to exist. The newly identified material weakness and the previously identified material weakness have both been successfully remediated as of June 30, 2008. The newly identified material weakness related to a lack of proper control over the update and renewal of the worker's compensation insurance rate master file. The previously identified material weakness related to management's review of subcontract cost calculations for a project in Canada.

The remediation plan for the material weakness relating to the lack of proper control over the update and review of the worker's compensation insurance rate master file consisted of developing additional documented control procedures to ensure the worker's compensation insurance rate master file is accurately updated in a timely manner and the worker's compensation insurance cost calculations are performed accurately using the updated master file data. The remediation plan for the previously identified material weakness relating to management review of subcontract cost calculations began in the fourth quarter of 2007 and consisted of:

- hiring an additional project controller;
- enhancing the management review process; and
- introducing system upgrades to automate certain processes, which management believes will prevent the omission of previously identified costs, such as those described above.

We believe that our most recent material weaknesses identified or existing as of December 31, 2007 were successfully remediated as of June 30, 2008. We also believe that our reported material weaknesses at December 31, 2006 were eliminated in February 2007 upon the sale of our Nigeria assets and operations since those material weaknesses related solely to our operations in that country. However, our inability to remediate these material weaknesses prior to February 2007, our inability to remediate our most recent material weaknesses prior to June 30, 2008 and any other

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

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

Although we sold our operations in Nigeria and Venezuela, we have operations in the Middle East (Oman) and anticipate that a portion of our contract revenue will be derived from, and a portion of our long-lived assets will be located in, developing countries.

Conducting operations in developing countries presents significant commercial challenges for our business. A disruption of activities, or loss of use of equipment or installations, at any location in which we have significant assets or operations, could have a material adverse effect on our financial condition and results of operations. Accordingly, we are subject to risks that ordinarily would not be expected to exist to the same extent in the United States, Canada, Japan or Western Europe. Some of these risks include:

- civil uprisings, terrorism, riots and war, which can make it impractical to continue operations, adversely affect both budgets and schedules and expose us to losses;
- repatriating foreign currency received in excess of local currency requirements and converting it into dollars or other fungible currency;
- exchange rate fluctuations, which can reduce the purchasing power of local currencies and cause our costs to exceed our budget, reducing our operating margin in the affected country;
- expropriation of assets, by either a recognized or unrecognized foreign government, which can disrupt our business activities and create delays and corresponding losses;
- availability of suitable personnel and equipment, which can be affected by government policy, or changes in policy, which limit the importation of skilled craftsmen or specialized equipment in areas where local resources are insufficient;
- governmental instability, which can cause investment in capital projects by our potential customers to be withdrawn or delayed, reducing or eliminating the viability of some markets for our services; and
- decrees, laws, regulations, interpretations and court decisions under legal systems, which are not always fully developed and which may be retroactively applied and cause us to incur unanticipated and/or unrecoverable costs as well as delays which may result in real or opportunity costs.

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

These risks may result in a material adverse effect on our results of operations.

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

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

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

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

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

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

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

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

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

We operate primarily in the oil, gas, power and refinery industries, providing construction, engineering and facilities development and operations services to a limited number of clients. Much of our success depends on developing and maintaining relationships with our major clients and obtaining a share of contracts from these clients. The loss of any of our major clients could have a material adverse effect on our operations. Three substantial clients were responsible for 61.3 percent of our backlog at December 31, 2008.

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

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

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

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

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

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

Our operations are subject to a number of operational risks.

Our business operations include pipeline construction, fabrication, pipeline rehabilitation services and construction and turnaround and maintenance services to refiners and petrochemical facilities. These operations involve a high degree of operational risk. Natural disasters, adverse weather conditions, collisions and operator error could cause personal injury or loss of life, severe damage to and destruction of property, equipment and the environment, and suspension of operations. In locations where we perform work with equipment that is owned by others, our continued use of the equipment can be subject to unexpected or arbitrary interruption or termination.

The occurrence of any of these events could result in work stoppage, loss of revenue, casualty loss, increased costs and significant liability to third parties.

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

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

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

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

Governmental regulations could adversely affect our business.

Many aspects of our operations are subject to governmental regulations in the countries in which we operate, including those relating to currency conversion and repatriation, taxation of our earnings and earnings of our personnel, the increasing requirement in some countries to make greater use of local employees and suppliers, including, in some jurisdictions, mandates that provide for greater local participation in the ownership and control of certain local business assets. In addition, we depend on the demand for our services from the oil, gas and power industries, and, therefore, our business is affected by changing taxes, price controls, and laws and regulations relating to the oil, gas and power industries generally. The adoption of laws and regulations by the countries or the states in which we operate that are intended to curtail exploration and development drilling for oil and gas or the development of power generation facilities for economic and other policy reasons, could adversely affect our operations by limiting demand for our services.

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

- expropriation or nationalization decrees;
- confiscatory tax systems;
- primary or secondary boycotts directed at specific countries or companies;
 - embargoes;
 - extensive import restrictions or other trade barriers;
 - mandatory sourcing and local participation rules;
 - oil, gas or power price regulation; and
- unrealistically high labor rate and fuel price regulation.

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

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

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

- inherent difficulties relating to combining previously separate businesses;
- diversion of management's attention from ongoing day-to-day operations;
- the assumption of liabilities of an acquired business, including both foreseen and unforeseen liabilities;
- failure to realize anticipated benefits, such as cost savings and revenue enhancements;

- potentially substantial transaction costs associated with business combinations;
- difficulties relating to assimilating the personnel, services and systems of an acquired business and to integrating marketing, contracting, commercial and other operational disciplines; and
- difficulties in applying and integrating our system of internal controls to an acquired business.

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

Our operations expose us to potential environmental liabilities.

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

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

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

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

We operate in a highly competitive environment. A substantial number of the major projects that we pursue are awarded based on bid proposals. We compete for these projects against government-owned or supported companies and other companies that have substantially greater financial and other resources than we do. In some markets, there is competition from national and regional firms against which we may not be able to compete on price. Our growth may be impacted to the extent that we are unable to successfully bid against these companies.

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

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

We are dependent upon the services of our executive management.

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

Our goodwill may become impaired.

We have a substantial amount of goodwill following our acquisitions of Inserv and Midwest. At least annually, we evaluate our goodwill for impairment based on the fair value of each operating unit. This estimated fair value could change if there were future changes in our capital structure, cost of debt, interest rates, capital expenditure levels or ability to perform at levels that were forecasted. These changes could result in an impairment that would require a material non-cash charge to our results of operations. A significant decrease in expected cash flows or changes in market conditions may indicate potential impairment of recorded goodwill. Sustained adverse equity market conditions and the resulting decline in market multiples and the Company's stock price which in turn regarded as an indicator of an adverse change in the business climate, led to non-cash, pre-tax charge of \$62,295 in the fourth quarter of 2008. The Company will continue to monitor the carrying value of its goodwill.

RISKS RELATED TO OUR COMMON STOCK

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

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

- the risk factors described in this Item 1A.;
- a shortfall in operating revenue or net income from that expected by securities analysts and investors;
- changes in securities analysts' estimates of our financial performance or the financial performance of our competitors or companies in our industry generally;
- general conditions in our customers' industries; and
- general conditions in the securities markets.

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

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

- provide for a classified board of directors, which allows only one-third of our directors to be elected each year;
- restrict the ability of stockholders to take action by written consent;
- establish advance notice requirements for nominations for election to our Board of Directors; and
- authorize our Board of Directors to designate the terms of and issue new series of preferred stock.

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

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

In the event we issue stock as consideration for certain acquisitions, we may dilute share ownership.

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

Our prior sale of common stock, warrants and convertible notes, and our outstanding warrants and convertible notes may lead to further dilution of our issued and outstanding stock.

On November 20, 2007, we completed an underwritten public offering of 7,906,250 shares of our common stock. In October 2006, we sold 3,722,360 shares of our common stock and warrants to purchase an additional 558,354 shares (of which, warrants to purchase 536,925 shares of common stock remained outstanding at December 31, 2008). The recent issuance of warrants and the prior issuance of \$70.0 million in aggregate principal amount of our 2.75% Convertible Senior Notes due 2024 (the “2.75% Notes”) and \$84.5 million of our 6.5% Senior Convertible Notes due 2012 (the “6.5% Notes”) may cause a significant increase in the number of shares of common stock currently outstanding. In May 2007, we induced the conversion of approximately \$52.5 million in aggregate principal amount of our outstanding 6.5% Notes into a total of 2,987,582 shares of our common stock. In addition, certain holders have exercised their right to convert the 2.75% Notes, converting approximately \$10.6 million in aggregate principal amount of the 2.75% Notes into 546,633 shares of our common stock as of December 31, 2008. As of December 31, 2008, 3,048,641 shares of common stock are issuable upon conversion of approximately \$59.4 million in aggregate principal amount of the 2.75% Notes and 1,825,587 shares of common stock are issuable upon conversion of approximately \$32.1 million in aggregate principal amount of the 6.5% Notes. If we elect to induce the conversion of additional convertible notes or holders elect to convert additional convertible notes, there may be a significant increase in the number of shares of our common stock outstanding.

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

Item 1B.

Unresolved Staff Comments

None.

Item 3. Legal Proceedings

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

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders during the fourth quarter of 2008 through the solicitation of proxies or otherwise.

Item 4A. Executive Officers of the Registrant

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

Name	Age	Position(s)
Robert R. Harl	58	Director, President, Chief Executive Officer and Chief Operating Officer
John T. Dalton	57	Senior Vice President and General Counsel
Van A. Welch	53	Senior Vice President and Chief Financial Officer
Arlo B. DeKraai	60	Director, President (Downstream Oil & Gas), Integrated Service Company, LLC
Jerritt Coward	40	President (Upstream Oil & Gas), Oil & Gas of Willbros USA, Inc.

Robert R. Harl was elected to the Board of Directors and as President and Chief Operating Officer of Willbros Group, Inc. in January 2006, and as Chief Executive Officer in January 2007. Mr. Harl has over 30 years experience working with Kellogg Brown & Root ("KBR"), a global engineering, construction and services company, and its subsidiaries in a variety of officer capacities, serving as President of several of the KBR business units. Mr. Harl's experience includes executive management responsibilities for units serving both upstream and downstream oil and gas sectors as well as power, government and infrastructure sectors. He was President and Chief Executive Officer of KBR from March 2001 until July 2004 when he was appointed Chairman, a position he held until January 2005. Mr. Harl was engaged as a consultant to Willbros from August 2005 until he became an executive officer and director of Willbros in January 2006.

John T. Dalton joined Willbros in November 2002 and was elected Senior Vice President and General Counsel of Willbros Group, Inc. Mr. Dalton has over 33 years of oil and gas industry experience having worked in both the owner and contractor regimes. From 1993 to November 2002, Mr. Dalton served as outside counsel to Willbros advising on contracts. Between 1980 and 1993, Mr. Dalton was employed by Occidental Petroleum Corporation ("Occidental") where he served as an officer and chief legal counsel to various business units in Occidental's oil and gas division, both domestically and in Colombia, Pakistan and the United Kingdom. Before entering private practice in 1993, Mr. Dalton's last position with Occidental was Vice President and General Counsel of Island Creek Corporation in Lexington, Kentucky.

Van A. Welch joined Willbros in 2006 as Senior Vice President, Chief Financial Officer and Treasurer of Willbros Group, Inc.; Mr. Welch served as Treasurer until September 2007. Mr. Welch has over 29 years of experience in project controls, administrative and finance positions with KBR, Inc. (formerly known as Kellogg Brown & Root), a global engineering, construction and services company, and its subsidiaries, serving in his last position as Vice President – Finance and Investor Relations and as a member of KBR's executive leadership team. From 1998 to 2006, Mr. Welch held various other positions with KBR including Vice President, Accounting and Finance of the Engineering and Construction Division, Vice President, Accounting and Finance of Onshore Operations and Senior Vice President of Shared Services. Mr. Welch is a Certified Public Accountant.

Arlo B. DeKraai was elected to the Board of Directors in November 2007, and serves as President of our Downstream Oil & Gas business segment ("InServ"), which we acquired in November 2007. Prior to the acquisition, he had been Chairman, President and Chief Executive Officer of InServ, a downstream oil and gas construction, turnaround, maintenance and turnkey projects company, since 1994 when he founded the company as Cust-O-Fab Service Co. Mr. DeKraai has over 35 years experience working in the downstream oil and gas construction, turnaround and maintenance industries. He began his career working for Texaco Inc. in its refining operations. He entered the construction and turnaround business in various capacities and ultimately was the founder and President of Midwest Industrial Contractors in 1983, as a provider of construction and maintenance services for the refinery and petrochemical sector. Mr. DeKraai was named Distinguished Engineer of South Dakota State University ("SDSU") in 2005, and serves on the Board of Governors of The Enterprise Institute, an affiliate of SDSU.

Jerrit M. Coward joined Willbros in 2002 as a Project Manager. Mr. Coward has served the Company in various management positions, most recently as the Managing Director of Willbros Nigeria. After he completed the transition of Willbros Nigeria to the new owners, he became President of the Upstream Oil and Gas segment. Mr. Coward previously worked for Global Industries serving as Project Manager, Operation Manager and Commercial manager. He has held foreign assignment in Nigeria and Mexico as well as executing international projects in various countries. He graduated from Texas A&M at Galveston with a Bachelor of Science in Maritime Systems Engineering

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

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

	High	Low
For the year ended December 31, 2008:		
First Quarter	\$ 39.97	\$ 27.85
Second Quarter	47.93	30.29
Third Quarter	44.30	22.25
Fourth Quarter	26.25	5.38
For the year ended December 31, 2007:		
First Quarter	\$ 23.13	\$ 17.88
Second Quarter	30.63	21.86
Third Quarter	34.48	22.96
Fourth Quarter	43.53	31.81

Substantially all of our stockholders maintain their shares in "street name" accounts and are not, individually, stockholders of record. As of February 20, 2009, our common stock was held by 128 holders of record and an estimated 8,300 beneficial owners.

Dividend Policy

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

Issuer Purchases of Equity Securities

The following table provides information about purchases of our common stock by us during the fourth quarter of 2008:

Total Number of Shares Purchased (1)	Average Price Paid Per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
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October 1, 2008 – October 31, 2008	661	\$	14.41	-	-
November 1, 2008 – November 30, 2008	-		-	-	-
December 1, 2008 – December 31, 2008	2,257		8.12	-	-
Total	2,918	\$	9.54	-	-

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

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

Item 6.

Selected Financial Data

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA
(Dollar amounts in thousands, except per share data)

	Year Ended December 31,				
	2008	2007	2006	2005(1)	2004(1)(2)
Statement of Operations Data:					
Contract revenue	\$ 1,912,704	\$ 947,691	\$ 543,259	\$ 294,479	\$ 272,794
Operating expenses:					
Contract (3)	1,651,822	847,918	497,236	273,273	229,344
Amortization of intangibles(3)	10,420	794	-	-	-
General and administrative(3)	120,031	68,071	58,054	46,837	35,314
Goodwill impairment	62,295	-	-	-	-
Government fines	-	22,000	-	-	-
Operating income (loss)	68,136	8,908	(12,031)	(25,631)	8,136
Interest expense, net	(6,347)	(3,103)	(8,265)	(3,904)	(2,480)
Other income (expense)	7,883	(3,477)	569	742	(387)
Loss on early extinguishment of debt	-	(15,375)	-	-	-
Income (loss) from continuing operations before income taxes	69,672	(13,047)	(19,727)	(28,793)	5,269
Provision (benefit) for income taxes	25,942	14,503	2,308	1,668	(1,027)
Net income (loss) from continuing operations	43,730	(27,550)	(22,035)	(30,461)	6,296
Net income (loss) from discontinued operations net of provision for income taxes	2,757	(21,414)	(83,402)	(8,319)	(27,111)
Net income (loss)	\$ 46,487	\$ (48,964)	\$ (105,437)	\$ (38,780)	\$ (20,815)
Basic income (loss) per share:					
Continuing operations	\$ 1.14	\$ (0.94)	\$ (0.98)	\$ (1.43)	\$ 0.30
Discontinued operations	0.07	(0.73)	(3.72)	(0.39)	(1.29)
Net income (loss)	\$ 1.21	\$ (1.67)	\$ (4.70)	\$ (1.82)	\$ (0.99)
Diluted income (loss) per share:					
Continuing operations	\$ 1.11	\$ (0.94)	\$ (0.98)	\$ (1.43)	\$ 0.30
Discontinued operations	0.06	(0.73)	(3.72)	(0.39)	(1.29)
Net income (loss)	\$ 1.17	\$ (1.67)	\$ (4.70)	\$ (1.82)	\$ (0.99)
Cash Flow Data:					
Cash provided by (used in):					
Operating activities	\$ 190,164	\$ (17,812)	\$ (103,352)	\$ (37,117)	\$ 37,410
Investing activities	(11,725)	(150,601)	33,373	(36,964)	(36,751)
Financing activities	(58,460)	221,359	51,550	56,830	54,362
Effect of exchange rate changes	(5,001)	2,297	139	17	(829)
Balance Sheet Data (at period end):					
Cash and cash equivalents	\$ 207,864	\$ 92,886	\$ 37,643	\$ 55,933	\$ 73,167
Working capital	284,136	201,348	170,825	204,960	108,643
Total assets	788,245	779,413	589,982	498,885	417,110
Total liabilities	348,590	383,312	490,323	353,651	237,066
Total debt	127,371	152,346	167,139	138,020	73,495
Stockholders' equity	439,655	396,101	91,562	145,234	180,044

Other Financial Data (excluding discontinued operations):

Backlog (at period end) (4)	\$ 655,494	\$ 1,305,441	\$ 602,272	\$ 240,373	\$ 73,343
Capital expenditures, excluding acquisitions	53,048	74,548	23,481	18,706	15,733
EBITDA (5)	183,217	10,731	968	(13,201)	17,525
Number of employees (at period end):	6,512	5,475	4,156	2,519	1,381

- (1) These amounts have been changed retrospectively to reflect the classification of discontinued operations as filed in the Form 8-K on December 12, 2006.
- (2) These amounts are presented as restated in the 2004 Form 10-K.
- (3) Historically, the Company has shown depreciation and amortization as a separate line item on its Consolidated Statements of Operations. Effective for the fiscal year ended December 31, 2007, Depreciation and amortization related to operating activities is included in Contract and Depreciation and amortization related to general and administrative activities is included General and Administrative (“G&A”). This change in presentation was made to bring the Company’s presentation of financial results in line with its peers and provide greater comparability of its results within the industry.
- (4) Backlog is anticipated contract revenue from uncompleted portions of existing contracts and contracts whose award is reasonably assured.
- (5) EBITDA from continuing operations represents earnings from continuing operations before net interest, income taxes, depreciation and amortization and impairment of intangible assets. EBITDA from continuing operations is not intended to represent cash flows for the respective period, nor has it been presented as an alternative to operating income from continuing operations as an indicator of operating performance. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with accounting principles generally accepted in the United States. See our Consolidated Statements of Cash Flows in our Consolidated Financial Statements included elsewhere in this Form 10-K. EBITDA from continuing operations is included in this Form 10-K because it is one of the measures through which we assess our financial performance. EBITDA from continuing operations as presented may not be comparable to other similarly titled measures used by other companies. A reconciliation of EBITDA from continuing operations to GAAP financial information is provided in the table below.

	Year Ended December 31,				
	2008	2007	2006	2005	2004
Reconciliation of non-GAAP financial measure:					
Net income (loss) from continuing operations	\$ 43,730	\$ (27,550)	\$ (22,035)	\$ (30,461)	\$ 6,296
Interest, net	6,347	3,103	8,265	3,904	2,480
Provision (benefit) for income taxes	25,942	14,503	2,308	1,668	(1,027)
Depreciation and amortization	44,903	20,675	12,430	11,688	9,776
Goodwill impairment	62,295	-	-	-	-
EBITDA from continuing operations	\$ 183,217	\$ 10,731	\$ 968	\$ (13,201)	\$ 17,525

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

The following discussion should be read in conjunction with the consolidated financial statements for the years ended December 31, 2008, 2007, and 2006, included in Item 8 of this Form 10-K.

OVERVIEW

2008 Summary

The year 2008 was a record year for us in many ways. The financial results are highlighted by:

- \$1,912,704 of revenue.
- \$46,487 in net income and earnings per share of \$1.21, after giving effect to a pre-tax \$62,295 goodwill impairment. See Note - 6 Goodwill and Other Intangible Assets.
- Our year-end 2008 cash balance of \$207,864 contributed to \$186,959 of cash provided by continuing operating activities.

We achieved these successes as a result of building a new management team over the past two years, leveraging our 2007 acquisitions, and successfully executing on two large diameter cross country pipeline construction projects and one significant EPC project in the U.S. Over the past two years, we have created \$348,093 of stockholder's equity. These accomplishments reinforce our commitment to deliver value to our stockholders as well as our customers.

Our CEO, Randy Harl, joined Willbros in January 2006; followed shortly thereafter in August 2006, by our CFO, Van Welch. This was the starting point of enhancing the management team to make it more scalable as the Company grew from revenue of \$543,259 during 2006 to \$1,912,704 during 2008; over 3 ½ times the 2006 level. After strengthening the Company's financial position in late 2006 through a private equity offering of \$48,748 and amending the existing credit facility, 2007 became a year of transition. Noteworthy 2007 transition events include the sale of the Nigeria assets and operations in February; completing the negotiations leading to the final May 2008 settlement with the DOJ and SEC; the acquisitions of Midwest in July and InServ in November; and the creation of a more robust, less expensive credit facility in November. The new management team was successful in removing uncertainties associated with past irregularities in Nigeria and building a scalable foundation for growth in 2008. At the end of 2007, backlog was at a record level of \$1,305,341.

In July 2007, we acquired Midwest to provide an entry point into the Canada large diameter pipeline construction market. During 2008, the Canada Pipeline operations provided \$182,037 of revenue and are positioned to take advantage of additional work in 2009. In November 2007, we acquired InServ and formed a new Downstream Oil & Gas business segment. Downstream Oil & Gas' 2008 revenues were \$367,075. Downstream Oil & Gas continues to perform as expected and is the catalyst for our shift to a company more focused on providing services.

In our legacy business, we had three significant projects in 2008. Two cost reimbursable plus fixed fee contract types and one lump sum EPC project. The Southeast Supply Header ("SESH") Project commenced in late 2007. As of December 31, 2008, total project revenue was \$423,604; \$358,830 was recognized in 2008. Another large diameter pipeline project, the MidContinent Express Project ("MEP"), contributed \$145,820 of revenue in 2008. The Guardian Expansion and Extension Project ("Guardian") was our largest lump sum EPC contract in 2008, generating \$137,780 of revenue with an appropriate risk-adjusted margin.

2009 - Our Current Challenge

Continuing to deliver value to our stockholders and our customers in 2009 will be very challenging. We find ourselves in the midst of a significant economic dislocation, the impacts of which are already observable in severe commodity price declines. Oil traded at \$137.11, an all time high in July 2008. As of February 2009, oil was at \$38.94, a 71.6% decline from the 2008 high point. The result has been a rapid decline in the North American rig counts and capital budget reductions by many E&P, midstream, and downstream oil and gas companies. The shrinking market will present new challenges and opportunities for us.

We are positioned to capitalize on the opportunities because of the organizational and process changes that we have made over the past two years. Early in the fourth quarter of 2008, our Engineering business segment began to experience the effects a reduction in market demand. Engineering has generally been a leading indicator of engineering and construction market changes. As a result of Engineering's fourth quarter decline, we took steps to right-size our business segments and develop a strategy to realign our cost structure such that we could be responsive to our customers' needs in a down-cycle market. We reduced annual Engineering segment and Corporate G&A costs by \$6,337 and \$2,414, respectively. A charge of approximately \$1,700 was recorded as the cost of making these changes.

We continue to monitor, identify and take action on any non-productive costs that would adversely impact our liquidity and ability to execute our development strategies. However, our primary objective is to develop a cost structure that is compatible with our customers' needs such that we can continue to develop our business in a different economic environment as compared to the past two years. We have completed or are in the process of completing the following:

- Internally shifting people and assets among our business segments to address the shifting customer demands;
- Working with our primary material suppliers and subcontractors to jointly develop a lower cost structure;
- Identifying and reducing labor cost escalations that occurred as a result of the previous energy construction market imbalance where demand was exceeding supply;
- Continuing to pursue our business strategy and leverage a strong balance sheet and cash position. As of December 31, 2008, we have \$207,864 of cash, cash equivalents, and \$50,000 of capacity under our revolving loan facility. This liquidity will allow us to continue our pursuit of:
 - o Growing our pipeline manage and maintain service area,
 - o Expanding our Downstream Oil & Gas service offering in Canada,
 - o Targeting risk-adjusted opportunities in the Middle East and North Africa, and
 - o Increasing our government contracting focus.

We believe there will be opportunities in today's market for the companies who can respond quickly to their customers' needs for a price point more consistent with the price of oil and gas in today's market.

Our Strategy

We apply our core value system to everything we do; and those values provide the foundation for our strategy and execution. Our core values are:

- Safety,
- Honesty & integrity,
- Our people,
- Our customers,

- Superior financial performance,
- Vision & innovation, and
- Effective communication.

We work diligently to apply these values everyday and use them to guide us in the execution of our strategy. We believe by allowing our values to drive the achievement of our strategic goals, we will increase stockholder value by leveraging our competitive strengths to focus on positioning ourselves for sustained long-term earnings growth. Key elements of our strategy are as follows:

Focus on Managing Risk

We have implemented a core set of business conduct, practices and policies which have fundamentally improved our risk profile. Examples of our risk management execution include increasing our activity levels in lower risk countries, diversifying our service offerings and end markets, practicing rigorous financial management and limiting contract execution risk. Risk management is emphasized throughout all levels of the organization and covers all aspects of a project from strategic planning and bidding to contract management and financial reporting.

- Focus resources in markets with the highest risk-adjusted return. We believe North America continues to offer us highly attractive risk-adjusted returns and the majority of our resources are focused on North America. In spite of the current economic dislocation, we believe targeted areas in North America will provide significant opportunities. More specifically, the monetization of previously developed oil and gas reserves requires connectivity to the end markets; and the ongoing development of unconventional shale gas plays is expected to provide new work in 2009 and beyond. Even though we are heavily concentrated in North America, we continue to seek international opportunities which can provide superior, more diversified risk-adjusted returns and believe our extensive international experience is a competitive advantage. We relocated our President of International Operations to Muscat, Oman to expand our Middle East operations into UAE and Saudi Arabia. Additionally, we have opened an office in Libya. We believe that markets in North Africa and the Middle East, may offer attractive opportunities for us in the future given mid and long-term industry trends.
- Maintain a conservative contract portfolio. While we will continue to pursue a balanced contract portfolio, current market dynamics suggest we may be entering a period of increased fixed price contracting opportunities. We believe our fixed price execution experience, our current efforts to realign our cost structure to the rapidly changing market, our improved systems, and focus on risk management, provide us a competitive advantage versus many of our competitors.

Leverage Industry Position and Reputation into a Broader Service Offering

We believe the global energy infrastructure market will continue to provide opportunities. The challenge will be to identify and focus on the critical few projects with a high probability of moving forward in the near term. We believe our core capabilities can be expanded beyond our current offerings and markets; and we are selectively evaluating these prospects. Our established platform and track record position us to expand our expertise into a broader range of related service offerings. We intend to leverage our project management, engineering and construction skills to establish additional service offerings, such as instrumentation and electrical services, turbo-machinery services, environmental services and pipeline system integrity services. We believe that over time, a more balanced mix of recurring services, such as program management and maintenance services, and capital projects will enhance the earnings profile of our business.

Additionally, we intend to pursue selective strategic acquisitions to complement our organic expansion strategies and to minimize our dependence on the cyclical large-diameter cross-country pipeline construction market. We began this process in 2007 with the InServ and Midwest acquisitions that expanded our service offerings as well as the geographies where we deliver those services. Our November 2007 acquisition of InServ complemented our service offerings in the midstream market. Our July 2007 acquisition of Midwest significantly enhanced our presence in mainline pipeline construction in Western Canada. We believe that companies with strong balance sheets and liquidity positions will have opportunities to acquire assets and companies in today's uncertain market.

Maintain Financial Flexibility

Maintaining the financial flexibility to meet the material, equipment and personnel needs to support our project commitments, as well as the ability to pursue our expansion and diversification objectives is critical to our growth. We view financial strength and flexibility as a fundamental requirement to fulfilling our strategy. As of December 31, 2008, we had cash, cash equivalents and borrowing capacity of \$257,864 comprised of cash and cash equivalents of \$207,864 and unutilized cash borrowing capacity of \$50,000 under our revolving credit facility to address our current capital requirements with no short-term borrowings or commercial paper outstanding. For the year ended December 31, 2008, we increased our working capital position, for continuing operations, by \$82,944 (41.7 percent) to \$282,059 from \$199,115 at December 31, 2007. In addition, our \$150,000 senior secured revolving credit facility (the "Credit Facility") provides us additional financial flexibility in the form of \$50,000 in cash borrowing capacity to pursue our

growth strategy. The combination of our strong cash position, the borrowing availability under our existing Credit Facility, and our future cash flow from operations will allow us to focus on the highest return projects available during uncertain economic times as well as pursue our strategy of diversification as opportunities present themselves. The limited availability of credit in the market has not affected our credit facility; nor do we believe that it will impact our ability to access surety bonding in the future.

Leverage Core Service Expertise into Additional Full EPC Contracts

Our core expertise and service offerings allow us to provide our customers with a single source EPC solution which creates greater efficiencies to the benefit of both our customers and our company. As one of the few pipeline constructors with engineering capabilities, we believe we are uniquely positioned to provide this integrated service to our customers. In performing integrated EPC contracts, we establish ourselves as overall project managers from the earliest stages of project inception and are therefore better able to efficiently determine the design, permitting, procurement and construction sequence for a project in connection with making engineering decisions. Our customers benefit from a more seamless execution; while for us, these contracts often yield higher profit margins on the engineering and construction components of the contract compared to stand-alone contracts for similar services. Additionally, this contract structure allows us to deploy our resources more efficiently and capture the engineering, procurement and construction components of these projects.

Significant Business Developments

In 2008, we made significant progress to further position Willbros as a leader in the engineering and construction industry, and continue to do so. A recap of recent initiatives include the following:

- The quality of our execution on one of our largest pipeline construction projects in Canada has positioned us to negotiate potential additional work with this customer.
- Additionally in Canada we are leveraging our strong in-country presence in combination with our downstream oil and gas capabilities to more actively pursue downstream oil and gas opportunities, including above ground storage tanks and process heaters.
 - We have added experienced senior operating and business development resources to our pipeline manage and maintain business and restructured the group to increase coordination amongst our engineering, program management and construction capabilities to provide our customers a more integrated service solution.
- Our efforts to pursue new business in the Middle East and North Africa are expected to result in the award of our first contract in Libya.
- We significantly increased our ability to pursue and execute government contracts with the addition of more operating level leadership and greater cross utilization of our existing construction and program management capabilities.

While individually these business initiatives were relatively modest contributors to our 2008 results, we believe that the groundwork is in place for each of these expanded service lines to enhance our future performance.

In addition to putting in place important capabilities to expand and support growth, we also made substantial progress towards operational and financial improvements to our business model, preparing us for the challenges of the current market environment. We have worked diligently to stay ahead of the curve, staying focused on important process and system improvements designed to keep the business best positioned for prevailing market conditions. These actions include:

- Improving our strategic planning process to better align our resources with both current opportunities and long term growth objectives;

- Redirecting our sales process to most efficiently target the right customers with the right opportunities for Willbros to deliver integrated solutions, which we believe offer our customers superior value;
- Investing in system and process improvements to increase the value we deliver to our customers including:

- o Delivering lower costs through improved procurement processes and procedures,
- o Reinforcing our project execution skills, particularly as we begin to see a shift toward more fixed price contracts,
 - Reduced our effective tax rate to 37.2%; and
- Initiating the reorganization of the Company from a Panama holding company structure to a Delaware holding company structure which was approved by the stockholders on February 2, 2009.

Significant Subsequent Project Awards

During the first quarter of 2009 we have been awarded two significant projects that will add approximately \$180,600 to our backlog. The Texas Independence Pipeline (“TIPS”) is approximately 143 miles of 42” pipeline and construction and will commence in early March. In addition to TIPS, we have verbal commitment and are in the final negotiations with NCRA to extend our current contract for program management services associated with portions of the planned Heavy Crude Expansion Project and related major capital projects for NCRA in McPherson, Kansas.

Goodwill Impairment

In the fourth quarter of 2008, we recorded a non-cash charge totaling \$62,295 for our Downstream Oil & Gas segment for the impairment of goodwill. In accordance with SFAS No. 142 – Goodwill and Other Intangible Assets, we performed our required annual impairment test for goodwill using a discounted cash flow analysis supported by comparative market multiples to determine the fair values of our businesses versus their book values. The test indicated that the book value for Downstream Oil & Gas goodwill exceeded its fair value. The impairment charge was primarily driven by sustained adverse conditions in the equity markets, which negatively impacted the market capitalization of almost all public companies, including our own, and is in turn, regarded as an indicator of an adverse change in the business climate. Our stock reached a low of \$5.38 per share in the fourth quarter of 2008 as compared to a high of \$44.30 in the preceding quarter, a \$38.92 decrease (88%). The charge reduces goodwill recorded in connection with the acquisition of InServ in November 2007 and does not impact the company’s business operations.

We believe this impairment does not represent a decrease in the operational value of our Downstream Oil & Gas segment. Excluding the goodwill impairment, Downstream Oil & Gas’s operational and financial performance has met or exceeded our pre-acquisition expectations, and we expect this to be the case in 2009 and beyond. Downstream Oil & Gas continues to allow us to provide a more diverse service offering and reduces our dependence on large diameter cross country pipeline construction activity.

Financial Summary

Results and Financial Position

In 2008, we completed our most profitable year in history. We delivered a net income from continuing operations of \$43,730 or \$1.14 per basic and \$1.11 per diluted share on revenue of \$1,912,704. This compares to a net loss from continuing operations of \$27,550 or \$0.94 per share on revenue of \$947,691 for the year ended December 31, 2007.

Revenue for 2008 increased \$965,013 (101.8 percent) to \$1,912,704 from \$947,691 in 2007. Following are the key components of the increase in revenue:

- Commencement of work on new engineering and pipeline construction projects in the United States in addition to the carryover of existing projects commencing late in 2007 and during the first quarter of 2008; and

- Revenue of \$367,075 in 2008 from the Downstream Oil & Gas segment.

Operating income for 2008 increased \$59,228 (664.9 percent) to \$68,136 from \$8,908 in 2007, and operating margin increased 2.6 percent to 3.6 percent in 2008 from an operating margin of 0.9 percent in 2007. The operating income increase is a result of the increase in contract income of \$161,109 (161.5 percent) as compared to 2007, partially offset by the increase in general and administrative (“G&A”) expenses of \$92,205 (including goodwill impairment charge) and the increase in amortization of intangibles of \$9,626.

Other, net improved \$23,491 (107.0 percent) during 2008 as compared to 2007. This net change from an expense in 2007 to income in 2008 was primarily driven by a \$7,694 gain recognized as a result of selling one of our fabrication facilities in Canada during 2008 and a loss on early extinguishment of debt of \$15,375 related to the induced conversion of \$52,450 of our 6.5% convertible notes in 2007.

The provision for income taxes for 2008 increased \$11,439 (78.9 percent) to \$25,942 on income from continuing operations before income taxes of \$69,672 as compared to a provision for income taxes of \$14,503 on a loss from continuing operations before income taxes of \$13,047 in 2007. The increase in the provision for income taxes is due to improved operating results globally, thereby generating more taxable income in 2008 as compared to 2007. The increase was partially offset by the non-cash goodwill impairment charge of \$62,295.

Working capital at December 31, 2008, excluding discontinued operations, increased \$82,944 (41.7 percent) to \$282,059 from \$199,115 at December 31, 2007. The increase in working capital was primarily driven by an increase in cash and cash equivalents of \$114,978, an increase in contract cost and recognized income not yet billed of \$15,266; offset by a decrease in accounts receivable of \$61,778.

Our debt to equity ratio at December 31, 2008, decreased to 0.29:1 from 0.38:1 at December 31, 2007. Our aggregate outstanding debt decreased \$24,975 to \$127,371 at December 31, 2008 from \$152,346 at December 31, 2007, while we have increased our stockholders' equity \$43,554 to \$439,655 at December 31, 2008 from \$396,101 at December 31, 2007.

Consolidated cash flows provided in 2008, including discontinued operations, increased \$59,735 (108.1 percent) to \$114,978 from cash provided of \$55,243 in 2007. Cash from operating activities increased in 2008 by \$207,976 (1,167.6 percent) to \$190,164 as compared to cash provided from \$17,812 cash used in 2007. Cash used in investing activities in 2008 decreased \$138,876 (92.2 percent) to \$11,725 from cash used of \$150,601 in 2007. Cash flows from financing activities in 2008 decreased \$279,819 (126.4 percent) to cash used of \$58,460 from cash provided of \$221,359 in 2007. Cash decreased from the effect of Canadian exchange rates in 2008 by \$7,298, changing from \$2,297 cash provided in 2007 to \$5,001 cash used in 2008.

Other Financial Measures

Backlog

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

Backlog consists of anticipated revenue from the uncompleted portions of existing contracts and contracts whose award is reasonably assured. At December 31, 2008, total backlog from continuing operations decreased \$649,947 (49.8 percent) to \$655,494 from \$1,305,441 at December 31, 2007. There are three primary reasons for the lower backlog on December 31, 2008. The cancellation of \$159,846 of backlog related to the MidContinent Express Project ("MEP") caused a significant one-time decrease. This was a partial termination of the scope of work for this project. The fee associated with a cancelled portion of this project was contractually due and remains in backlog. For additional information regarding the MEP backlog reduction, see Note 15 – Contingencies, Commitments and Other Circumstances in Item 8 of this Form 10-K – Financial Statements and Supplemental Data.

The other two reasons for the backlog reduction relate to the changing business environment. Our pipeline construction services contracting has experienced a return to a historical North America contracting model that is characterized by competitive fixed price bids and short time periods from project bid to execution; the exception

would be the large EPC contracts that can span more than one year. The last two years have been somewhat of an anomaly. During this period, we have seen a substantial increase in our backlog and a shift to cost-reimbursable type contracts as our customers sought to ensure capacity in advance of commencing scheduled projects. Our record backlog as of December 31, 2007 benefitted from North America customers locking in construction capacity well in advance. For example, the MEP contract was negotiated in July 2007 and included in the third quarter of 2007 backlog. Work on MEP actually started over one year later. With the return to normalcy in the contracting environment, we expect to experience lower backlog numbers partially as a result of eliminating the much longer lead times between bidding and executing a project.

The third reason relates to the decline in the demand for our engineering services. Preliminary engineering work for customers has resulted in obtaining several significant EPC projects over the past two years. This activity has dramatically slowed down. Over the past five months, several new EPC projects that were actively being developed by our Engineering business segment, have been delayed by customers to allow additional time to evaluate the changes in the market.

Cost reimbursable contracts comprised 84.0 percent of backlog at December 31, 2008 versus 74.9 percent of backlog at December 31, 2007. We expect that approximately \$599,785 or about 91.5 percent, of our existing total backlog at December 31, 2008, will be recognized in revenue during 2009.

There was no backlog for discontinued operations at December 31, 2008 and December 31, 2007, respectively.

We believe the backlog figures are firm, subject only to the cancellation and modification provisions contained in various contracts. Additionally, due to the short duration of many jobs, revenue associated with jobs 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, variations in the scope of work and the effect of escalation or currency fluctuation formulas. These revenue sources are not added to backlog until realization is assured.

The following table shows our backlog by operating segment as of December 31, 2008 and 2007:

	Year Ended December 31,		2007	
	2008		Amount	Percent
	Amount	Percent	Amount	Percent
Upstream Oil & Gas	\$ 439,019	67.0%	\$ 941,301	72.1%
Downstream Oil & Gas	171,426	26.1%	199,646	15.3%
Engineering	45,049	6.9%	164,494	12.6%
Total backlog	\$ 655,494	100.0%	\$ 1,305,441	100.0%

EBITDA from Continuing Operations

We have updated our definition of EBITDA (earnings before net interest, income taxes, depreciation, amortization, and impairment of intangible assets) to include impairment of intangible assets as part of our overall assessment of financial performance by comparing EBITDA between reporting periods. We believe that EBITDA is used by the financial community as a method of measuring our performance and of evaluating the market value of companies considered to be in businesses similar to ours. EBITDA from continuing operations for 2008 increased \$172,486 to \$183,217 from \$10,731 in 2007. The increase in EBITDA during 2008 is primarily a result of increased net income. The primary factor driving increased net income is increased contract income of \$173,416 (excluding depreciation) resulting from the growth of our project activity level and the execution of those projects. The increase in contract income (excluding depreciation) reflects an increase in contract margin of 2.9 percentage points to 15.1 percent at December 31, 2008, from 12.2 percent at December 31, 2007. The \$11,439 increase in the provision for income taxes is primarily due to our improved operating results in the U.S. thereby resulting in more taxable income during 2008. The increase in depreciation and amortization is primarily a result of capital additions and capital expenditures in late 2007 and through 2008 to support the growth of our business and project activity levels. Additionally, 2008 includes \$10,420 of amortization of other intangible assets and a \$62,295 goodwill impairment charge related to our acquisition of InServ in the fourth quarter of 2007.

A reconciliation of EBITDA to GAAP financial information can be found in Item 6 “Selected Financial Data” of this Form 10-K.

Discontinued Operations

For the year ended December 31, 2008, income from Discontinued Operations was \$2,757 or \$0.06 per diluted share. This compares to a loss from Discontinued Operations of \$21,414 or \$0.73 per basic share for the year ended December 31, 2007.

At the time of the February 7, 2007 sale of its Nigeria assets and operations, we had four letters of credit outstanding totaling \$20,322 associated with Discontinued Operations (the "Discontinued LC's"). In the third quarter of 2008, substantially all of our letters of credit related to our former operations in Nigeria expired, with only one \$123 letter of credit remaining outstanding.

Transition Services Agreement

The TSA expired on February 7, 2009 which ended our obligation to provide any further support or other services to Ascot in West Africa or otherwise.

Insurance Recovery

During the twelve months ended December 31, 2008, income from Discontinued Operations included two pre-Nigeria sale insurance claim recoveries of \$850 and \$2,154 for events of loss we suffered prior to the sale of its Nigeria operations.

Additional financial disclosures on Discontinued Operations are provided in Note 17 – Discontinuance of Operations, Asset Disposals, and Transition Services Agreement.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue

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

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

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

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

Income Taxes

We account for income taxes in accordance with Statements of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). This standard takes into account the differences between financial statement treatment and tax treatment of certain transactions. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates is recognized as income or expense in the period that includes the enactment date. The provision or benefit for income taxes and the annual effective tax rate are impacted by income taxes in certain countries being computed based on a deemed profit rather than on taxable income and tax holidays on certain international projects.

Goodwill and Other Intangible Assets

We apply the Statements of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS No. 141") and Statements of Financial Accounting Standards No. 142, "Accounting for Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 141 requires the use of the purchase accounting method for business combinations and broadens the criteria for recording intangible assets separate from goodwill. SFAS No. 142 stipulates a non-amortization approach to account for purchased goodwill and certain intangible assets with indefinite useful lives. It also requires at least an annual impairment test by applying a fair-value-based test. Intangible assets with finite lives continue to be amortized over their useful lives. The useful life of an intangible asset to an entity is the period over which the asset is expected to contribute directly or indirectly to the future cash flows of that entity.

Goodwill - Goodwill represents the excess of purchase price over fair value of net assets acquired. We perform an annual test for impairment during the fourth quarter of each fiscal year and more frequently if an event or circumstance indicates that impairment may have occurred. We perform our required annual impairment test for goodwill using a discounted cash flow analysis supported by comparative market multiples to determine the fair values of its businesses versus their book values. When a possible impairment for an operating segment is indicated, the implied fair value of goodwill is tested by comparing the carrying amount of net assets of the operating segment excluding goodwill to the total fair value. When the carrying amount of goodwill exceeds its implied fair value, an impairment charge is recorded. Sustained adverse conditions in the equity markets, which negatively impacted the market capitalization of almost all public companies, including our own, led to a goodwill impairment charge totaling \$62,295 for our Downstream Oil & Gas segment. This is in turn regarded as an indicator of an adverse change in the business climate. We will continue to monitor the carrying value of our goodwill. The principal factors used in the discounted cash flow analysis requiring judgment are the projected results of operations, weighted average cost of capital (WACC), and terminal value assumptions. The WACC takes into account the relative weights of each component of our consolidated capital structure (equity and debt) and represents the expected cost of new capital adjusted as appropriate to consider lower risk profiles associated with longer term contracts and barriers to market entry. The terminal value assumptions are applied to the final year of the discounted cash flow model. Due to the many variables inherent in the estimation of a business's fair value and the relative size of our recorded goodwill, differences in assumptions may have a material effect on the results of our impairment analysis.

Other intangible assets – We do not have any other intangible assets with indefinite useful lives. We do have other intangible assets with finite lives. These other intangible assets consist of customer relationships and backlog recorded in connection with the acquisition of InServ in November 2007. The value of existing customer relationships was recorded at the estimated fair value determined by using a discounted cash flow method. Such acquired customer relationships have a finite useful life and will therefore be amortized over the estimated useful life of the relationships. Additionally, we were able to assign value to backlog purchased in the acquisition. The existing backlog at the time of

the acquisition was recorded at its fair value and is being amortized over the useful life of the contracts.

RESULTS OF OPERATIONS

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

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

Fiscal Year Ended December 31, 2008 Compared to Fiscal Year Ended December 31, 2007

Contract Revenue

Contract revenue increased \$965,013 (101.8 percent) to \$1,912,704 from \$947,691 due to increases across all segments. A year-to-year comparison of revenue is as follows:

	Year Ended December 31,			Percent Change
	2008	2007	Increase	
Upstream Oil & Gas	\$ 1,313,070	\$ 744,308	\$ 568,762	76.4%
Downstream Oil & Gas	367,075	23,821	343,254	1,441.0%
Engineering	232,559	179,562	52,997	29.5%
Total	\$ 1,912,704	\$ 947,691	\$ 965,013	101.8%

Upstream Oil & Gas revenue increased \$568,762 (76.4 percent) to \$1,313,070 from \$744,308 in 2007. The increase in revenue is primarily a result of increased 2008 business activity in the United States of \$436,914, comprised of \$445,728 attributable to two major projects that started in 2008; one major EPC project continued from 2007 that provided \$129,723 of revenue in 2008, along with an increase in facility work of \$16,809, offset by decreases of \$155,346 related to projects that were completed in 2007 or early 2008. Canada revenue increased \$142,692 in 2008 due to an increase of \$163,273 for pipeline construction related to our July 2007 acquisition of Midwest; an increase of \$19,818 for fabrication and field services; and a decrease of \$40,399 for facilities construction as a major facilities project was completed in early 2008. Oman revenue decreased \$5,272 in 2008 which is primarily attributable to a decrease in oilfield services.

Downstream Oil & Gas revenue increased \$343,254 (1,441.0 percent) as a result of 2008 representing a full 12 months of activity, while 2007 represented only the 41 day period from November 20, 2007 through December 31, 2007 subsequent to the acquisition of InServ.

Engineering revenue increased \$52,997 (29.5 percent) to \$232,559 from \$179,562 in 2007. The increase in revenue is a result of increased demand for pipeline and facility engineering services. The volume and size of projects performed in 2008 were significantly greater than in 2007.

Operating Income

Segment operating income increased \$37,228 (120.4 percent) to \$68,136 from \$30,908 in 2007. A year-to-year comparison of operating income is as follows:

	Year Ended December 31,			Operating Margin %	Change	Percent Change
	2008	Operating Margin %	2007(1)			
Upstream Oil & Gas	\$ 81,905	6.2%	\$ 21,875	2.9%	\$ 60,030	274.4%
Downstream Oil & Gas	(39,079)	(10.6)%	670	2.8%	(39,749)	(5,932.7)%
Engineering	25,310	10.9%	8,363	4.7%	16,947	202.6%

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Total	\$ 68,136	3.6%	\$ 30,908	3.3%	\$ 37,228	120.4%
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(1) This table does not reflect government fines of \$22,000 in 2007 which is included in consolidated operating results. Government fines were characterized as a Corporate expense and are not allocated to the reporting segments.

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Upstream Oil & Gas operating income increased \$60,030 (274.4 percent) to \$81,905 from an operating income of \$21,875 in 2007. The increase in operating income is the result of previously discussed revenue increases with increasing margins for the segment. Slightly higher margins in the United States combined with a significant increase in revenue accounted for the majority of the increase in operating income. Due to an increase in volume on pipeline work related to the acquisition of Midwest, margins in Canada improved. In 2008, margins in Oman were higher when compared to the prior year. Also impacting operating income year-over-year was an increase for depreciation expense, reflecting additional capital investment in heavy equipment, and an increase in G&A necessary to support the increased level of business activity for the segment. Overall our contract margin increased 1.9% to 11.5% in 2008 as compared to 9.6% in 2007, while G&A as a percentage of revenue decreased 1.3% to 5.3% in 2008 compared to 6.6% in 2007.

Downstream Oil & Gas operating income decreased \$39,749 (5,932.7 percent) as a result of the goodwill impairment charge of \$62,295. Additionally, 2008 results represent a full 12 months of activity, while 2007 represented only the 41 days of operating results of InServ subsequent to its acquisition in November 2007. These results also include charges of \$10,420 and \$794 in 2008 and 2007, respectively for the amortization of intangibles acquired. Excluding the effects of the goodwill impairment charge, Downstream Oil & Gas' operating income exceeded our expectations.

Engineering operating income increased \$16,947 (202.6 percent) to \$25,310 from \$8,363 in 2007. The increase in operating income was primarily a result of the increased mix of our direct labor versus third party and subcontractor services and higher volume. The higher mix of in-house labor, improved utilization and higher headcount are characteristics of the strong demand for engineering work and our success in hiring and retaining in-house engineers as well as a strong beginning backlog comprised of several EPC projects. In 2008, there was a favorable mix variance of higher margin EPC projects as well as overall increased activity. The strong beginning backlog of EPC projects with Marathon and CNYO&G (Inergy), settlement of Cheniere change orders in 2008, along with additional booking and execution of EPC work for Double Eagle and CNYO&G during 2008 all contributed to the improved EPC mix as a percentage of the total Engineering Segment.

Non-Operating Items

Interest, net expense increased \$3,244 (104.5 percent) to \$6,347 from \$3,103 in 2007. The increase in net expense is primarily a result of \$2,008 of decreased interest income earned on cash and cash equivalents. Additionally, interest expense increased \$1,236 primarily due to increased capital lease obligations due to significant additions of capital equipment obtained through capital leases throughout late 2007 and 2008, partially offset by reduced interest expense as a result of the conversion of \$63,093 in aggregate principal amount of the 2.75% and 6.5% senior convertible notes in 2007 and 2008.

Other, net increased \$11,360 (326.7 percent) to a net income of \$7,883 from net expense of \$3,477 in 2007. The increase was primarily a result of selling one of our fabrication facilities located in Edmonton, Alberta, Canada, which resulted in a gain on sale of \$7,694.

Loss on early extinguishment of debt decreased \$15,375 (100.0%) to \$0 in 2008. The loss on early extinguishment of debt in 2007 is directly attributable to the induced conversion of \$52,450 of aggregate principal of our 6.5% Senior Convertible Notes in which the entire loss was recognized in the second quarter of 2007.

Provision for income taxes increased \$11,439 (78.9 percent) to \$25,942 from \$14,503 in 2007. During 2008, we recognized \$25,942 of income tax expense on income from continuing operations before income taxes of \$69,672 (an effective tax rate of 37.2 percent) as compared to income tax expense of \$14,503 on a loss from continuing operations before income taxes of \$13,047 in 2007. The increase in the provision for income taxes is due to improved operating results, thereby generating more taxable income in 2008 as compared to 2007. The circumstances that resulted in

recording a tax provision on losses during 2007 were primarily due to expenses in Panama that received no tax benefit. These charges include \$22,000 in government fines and a \$15,375 loss on early extinguishment of debt.

Income (Loss) from Discontinued Operations, Net of Taxes

Income (Loss) from discontinued operations, net of taxes increased \$24,171 (112.9 percent) to income of \$2,757 from a loss of \$21,414 in 2007. Income during 2008 consists of two pre-Nigeria sale insurance claim recoveries totaling \$3,004 for events of loss we suffered prior to the sale of our Nigeria operations. Additionally, we have recognized \$1,543 of additional cumulative gain on the sale of Nigeria assets and operations in 2008. The additional gain is the result of an aggregate amount of \$19,759 of letters of credit expiring, for which the fair value of \$1,543 of the letters of credit was reserved against the gain at the sale date. The income from the insurance recovery and additional gain on sale are partially offset by the net expenses of the TSA. The loss incurred during the same period in 2007 was primarily from 38 days of Nigeria operations prior to its sale on February 7, 2007 and the government fine of \$10,300 related to profit disgorgement recognized during the third quarter of 2007. In 2008, cash provided by operating activities of Discontinued Operations increased \$1,554 (94.1 percent) to cash provided of \$3,205 from \$1,651 during the same period in 2007.

Fiscal Year Ended December 31, 2007 Compared to Fiscal Year Ended December 31, 2006

Contract Revenue

Contract revenue increased \$404,432 (74.4 percent) to \$947,691 from \$543,259 due to increases across all segments. A year-to-year comparison of revenue is as follows:

	Year Ended December 31,			Percent Change
	2007	2006	Increase	
Upstream Oil & Gas	\$ 744,308	\$ 424,317	\$ 319,991	75.4%
Downstream Oil & Gas	23,821	N/A	23,821	100.0%
Engineering	179,562	118,942	60,620	51.0%
Total	\$ 947,691	\$ 543,259	\$ 404,432	74.4%

Upstream Oil & Gas revenue increased \$319,991 (75.4 percent) to \$744,308 from \$424,317 in 2006. The increase in revenue is primarily a result of increased 2007 business activity in the United States of \$211,042, of which \$210,375, or approximately 99 percent, was attributable to three major projects that started in 2007 along with an increase in facility work of \$39,025 offset by decreases of \$40,363 related to projects that completed in 2006 or early 2007. Canadian revenue increased \$87,925 in 2007 due to an increase of \$50,163 for major projects, an increase of \$17,624 for a pipeline construction project attributable to the Midwest acquisition made during the third quarter of 2007 and an increase of \$16,798 for fabrication and field services. Oman revenue increased \$21,024 in 2007 which is primarily attributable to an increase in oilfield construction services.

Downstream Oil & Gas revenue increased \$23,821 as a result of revenues earned in the 41 day period from November 20, 2007 through December 31, 2007 subsequent to the acquisition of InServ.

Engineering revenue increased \$60,620 (51.0 percent) to \$179,562 from \$118,942 in 2006. The increase in revenue is a result of increased demand for pipeline and facility engineering services. The volume and size of projects performed in 2007 were significantly greater than in 2006. This increased activity level is reflected in the Engineering year-end headcount of 611, up 46.5 percent over-year end 2006, while maintaining very high utilization.

Operating Income

Segment operating income increased \$42,939 (356.9 percent) to \$30,908 from an operating loss of \$12,031 in 2006. A year-to-year comparison of operating income is as follows:

	Year Ended December 31,			Operating Margin %	Increase	Percent Change
	2007(1)	Operating Margin %	2006			
Upstream Oil & Gas	\$ 21,875	2.9%	\$ (15,481)	(3.6)%	\$ 37,356	241.3%
Downstream Oil & Gas	670	2.8%	N/A	N/A	670	100.0%
Engineering	8,363	4.7%	3,450	2.9%	4,913	142.4%
Total	\$ 30,908	3.3%	\$ (12,031)	(2.2)%	\$ 42,939	356.9%

(1) This table does not reflect government fines of \$22,000 in 2007 which is included in consolidated operating results. Government fines were characterized as a Corporate expense and are not allocated to the reporting

segments.

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Upstream Oil & Gas operating income increased \$37,356 (241.3 percent) to \$21,875 from an operating loss of \$15,481 in 2006. The increase in operating income was a result of previously discussed revenue increases with increasing margins for the segment. Higher margins in the United States were partially offset by lower margins in Canada, while margins in Oman were consistent with the prior year. Also impacting operating income year over year was an increase for depreciation expense, reflecting additional capital investment in heavy equipment towards the end of 2006 and throughout 2007 and an increase in G&A necessary to support the increased level of business activity for the segment.

Downstream Oil & Gas operating income increased \$670. The operating income was a result of 41 days of operating results of InServ subsequent to its acquisition in November 2007. These results include a charge of \$794 for the amortization of intangibles acquired.

Engineering operating income increased \$4,913 (142.4 percent) to \$8,363 from \$3,450 in 2006. The increase in operating income was primarily a result of the increased mix of our direct labor versus third party and subcontractor services. The higher mix of in-house labor, improved utilization and higher headcount were characteristics of the strong demand for engineering work and our success in hiring and retaining in-house engineers.

Non-Operating Items

Interest, net expense decreased \$5,162 (62.5 percent) to \$3,103 from \$8,265 in 2006. The decrease in interest expense is due to reduced interest expense as a result of the conversion of \$54,450 in aggregate principal amount of the 2.75% and 6.5% Senior Convertible Notes, partially offset by increased interest expense associated with capital lease additions of \$48,454 in 2007. Interest income increased as a result of cash proceeds received from the sale of our Nigeria assets and operations of \$105,568 and excess proceeds from our public offering completed in November 2007 that were not used for our acquisition of InServ.

Other, net income (expense) decreased \$4,046 (711.1 percent) to an expense of \$3,477 from income of \$569 in 2006. The decrease in other, net is primarily a result of \$1,071 related to the settlement of a vendor lawsuit that originated in 2003, \$997 of registration delay payments associated with the registration rights agreement for the 6.5% Senior Convertible Notes, \$750 of commitment fees related to a potential term loan that was not executed, and an increase in foreign exchange losses of \$532.

Loss on early extinguishment of debt expense of \$15,375 as a result of inducing conversion of \$52,450 of aggregate principal of our 6.5% Senior Convertible Notes in May 2007. The loss on early extinguishment consisted of \$12,720 of cash payments made to the note holders as an inducement to convert, \$273 of other transaction costs and the write-off of \$2,382 of debt issuance costs.

Provision for income taxes increased \$12,195 (528.4 percent) to \$14,503 from \$2,308 in 2006. We recognized \$14,503 of income tax expense on a loss from continuing operations before income taxes of \$13,047 in 2007 as compared to income tax expense of \$2,308 on a loss from continuing operations before income taxes of \$19,727 in 2006. The increase in the provision for income taxes is due to improved operating results in the U.S. and Canada, thereby generating more taxable income in 2007 as compared to 2006. The Company incurred income tax expense while having a loss from continuing operations as a result of approximately \$50,000 of losses incurred in Panama, where the Company is domiciled, that we were unable to offset against taxable income generated in the U.S. and Canada, and thus, received no tax benefit.

Loss from Discontinued Operations, Net of Taxes

Loss from discontinued operations, net of taxes decreased \$61,988 (74.3 percent) to \$21,414 from \$83,402 in 2006. In 2007, the net loss from Discontinued Operations was comprised primarily of the charge of a settlement amount due to the SEC under an agreement in principle of \$10,300, consisting of \$8,900 for profit disgorgement plus \$1,400 of pre-judgment interest thereon, and results of our Nigeria operations for 38 days prior to its sale. The profit disgorgement was specifically attributable to one of our Nigerian projects, and is therefore classified as discontinued operations. Additionally, the results from Discontinued Operations include the gain on the sale of our Nigeria assets and operations and 327 days of income for services provided under the TSA.

LIQUIDITY AND CAPITAL RESOURCES

Our objective in financing our business is to maintain the financial flexibility to meet the material, equipment and personnel needs to support our project commitments as well as the ability to pursue our expansion and diversification objectives. As of December 31, 2008, we had liquidity of \$257,864 comprised of \$207,864 in cash and \$50,000 unutilized borrowing capacity under our 2007 Credit Facility. We anticipate that future cash flows from operations will be sufficient to fund our working capital and capital expenditures needs during 2009. During the twelve months ended December 31, 2008, we used cash in a variety of ways including working capital and capital expenditures.

Additional Sources and Uses of Capital

Public Offering and Acquisition of InServ

On November 20, 2007 we completed a public offering of our common shares from which we received approximately \$253,707 in net proceeds. We used \$208,925 of these proceeds to fund the cash portion of the purchase price for our acquisition of InServ. The remaining \$44,782 of net proceeds represents an additional source of capital.

2007 Credit Facility

Concurrent with our public offering and the InServ acquisition we replaced our synthetic credit facility with a \$150,000 senior secured revolving credit facility (“2007 Credit Facility”) that can be increased to \$200,000 with approval of the administrative agent. We do not anticipate requesting this increase in 2009. The entire facility is available for performance letters of credit and 33 percent of the facility will be available for cash borrowings and financial letters of credit. See Item 8. “Financial Statements and Supplementary Data”, Note 9 – Long-term Debt for further discussion of the 2007 Credit Facility.

Cash Flows

Cash flows provided by (used in) continuing operations by type of activity were as follows for the twelve months ended December 31, 2008 and 2007:

	2008	2007
Operating activities	\$ 186,959	\$ (19,463)
Investing activities	(11,725)	(150,601)
Financing activities	(58,460)	221,359

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

Operating Activities

Operating activities of continuing operations provided \$186,959 of cash in the twelve months ended December 31, 2008 compared to a use of \$19,463 in the twelve months ended December 31, 2007. Cash provided by operating activities increased \$206,422 primarily due to:

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cash provided by net earnings, adjusted for non-cash charges of \$37,781, and an increase in cash flow from the change in working capital accounts of \$97,361, primarily attributable to the decrease in accounts receivable, prepaid expenses and other assets. The increase in these working capital accounts is directly related to the increased revenue and project activity in 2008;

- partially offset by an increase in the cash consumed by continuing operations of \$71,280.

Investing Activities

Investing activities of continuing operations used \$11,725 of cash in the twelve months ended December 31, 2008 compared to a use of \$150,601 in the twelve months ended December 31, 2007. Cash flows used in investing activities decreased \$138,876 primarily due to:

- the acquisitions of InServ and Midwest for the twelve months ended December 31, 2007 in the United States and Canada, which used \$232,670 of cash compared with no acquisitions in 2008;
- an increase in proceeds from the sale of purchases of property, plant, and equipment of \$18,617, primarily due to our disposition of one of our fabrication facilities in Canada during 2008;

- offset by a decrease in cash proceeds of \$105,568 related to the sale of our Nigeria-based assets and operations in 2007.

Financing Activities

Financing activities of continuing operations used \$58,460 of cash in the twelve months ended December 31, 2008 compared to \$221,359 provided in the twelve months ended December 31, 2007. Significant transactions impacting cash flows from financing activities included:

- \$253,707 of cash provided by the public offering of common shares in 2007 compared with none during 2008, partially offset by:
 - \$12,575 of cash used to pay government fines as compared to \$0 in 2007; and
 - cash used in payments on capital leases of \$31,402, inclusive of \$18,374 of capital lease buy-outs completed in 2008, as compared to \$9,540 during 2007.

Capital Requirements

During 2008, \$186,959 of cash was provided by our continuing operations activities. Our capital budget for 2008 was approximately \$63,000. Capital expenditures by segment amounted to \$38,266 spent by Upstream Oil & Gas, \$3,613 for Downstream Oil & Gas, \$225 for Engineering and \$10,944 by Corporate, for a total of \$53,048, approximately \$10,000 less than budget. Of this surplus approximately \$7,400 has been deferred to 2009 and the remaining \$2,600 has been postponed indefinitely as we continue to adjust to the current economic environment.

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

- providing working capital for projects in process and those scheduled to begin;
- funding of our 2009 capital budget of approximately \$38,300; inclusive of \$7,400 of carry-forward from 2008 and \$15,100 of contingent expenditures that can be triggered based on selective events occurring;
 - pursuing additional acquisitions that will allow us to expand our service offering; and
 - making installment payments to the government related to fines and profit disgorgement.

We believe that we will be able to support our ongoing working capital needs through our cash on hand, our future operating cash flows and the availability of cash borrowing under the 2007 Credit Facility, although we may be required to access the capital markets in the event we complete any significant acquisitions.

Contractual Obligations

As of December 31, 2008, we had \$91,407 of outstanding debt related to the convertible notes. In addition, in 2008 and 2007, we entered into various capital leases of construction equipment and property with a value of \$66,317.

Payments Due By Period				
Total	Less than	1-3	4-5	More than

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		1 year	years	years	5 years
Convertible notes	\$ 91,407	\$ -	\$ 91,407	\$ -	-
Capital lease obligations	39,064	11,304	18,135	9,625	-
Operating lease obligations	14,294	8,090	5,915	289	-
Uncertain Tax Liabilities	6,232	-	-	-	-
Total	\$ 150,997	\$ 19,394	\$ 115,457	\$ 9,914	\$ -

At December 31, 2008 we had uncertain tax positions which ultimately could result in a tax payment. As the amount of the ultimate tax payment is contingent on the tax authorities' assessment, it is not practical to present annual payment information.

As of December 31, 2008, there were no borrowings under the 2007 Credit Facility and there were \$8,010 in outstanding letters of credit consisting of \$7,887 issued for projects in continuing operations and \$123 issued for projects related to discontinued operations.

We have unsecured credit facilities with banks in certain countries outside the United States. Borrowings under these lines, in the form of short-term notes and overdrafts, are made at competitive local interest rates. Generally, each line is available only for borrowings related to operations in a specific country. Credit available under these facilities is approximately \$6,656 at December 31, 2008. There were no outstanding borrowings at December 31, 2008 or 2007.

Off-Balance Sheet Arrangements and Commercial Commitments

From time to time, we enter into commercial commitments, usually in the form of commercial and standby letters of credit, surety bonds and financial guarantees. Contracts with our customers may require us to provide letters of credit or surety bonds with regard to our performance of contracted services. In such cases, the commitments can be called upon in the event of our failure to perform contracted services. Likewise, contracts may allow us to issue letters of credit or surety bonds in lieu of contract retention provisions, in which the client withholds a percentage of the contract value until project completion or expiration of a warranty period.

The letters of credit represent the maximum amount of payments we could be required to make if these letters of credit are drawn upon. Additionally, we issue surety bonds customarily required by commercial terms on construction projects. U.S. surety bonds represent the bond penalty amount of future payments we could be required to make if we fail to perform our obligations under such contracts. The surety bonds do not have a stated expiration date; rather, each is released when the contract is accepted by the owner. Our maximum exposure as it relates to the value of the bonds outstanding is lowered on each bonded project as the cost to complete is reduced. As of December 31, 2008, no liability has been recognized for letters of credit or surety bonds, other than \$13 recorded as the fair value of the letters of credit outstanding for the Nigeria operations.

A summary of our off-balance sheet commercial commitments for both continuing and Discontinued Operations as of December 31, 2008 is as follows:

	Expiration Per Period			
	Total Commitment	Less than 1 year	1-2 Years	More Than 2 Years
Letters of credit:				
U.S. – performance	\$ 7,887	\$ 7,887	\$ -	\$ -
Canada – performance	23	23	-	-
Other – performance and retention	110	110	-	-
Nigeria projects – performance (discontinued)	123	123	-	-
Total letters of credit	8,143	8,143	-	-
U.S. surety bonds – primarily performance	456,631	456,619	1	11
Total commercial commitments	\$ 464,774	\$ 464,762	\$ 1	\$ 11

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

SFAS No. 141-R - In December 2007, the FASB released Statements of Financial Accounting Standards No. 141-R, “Business Combinations” (“SFAS No. 141R”). SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, which are business combinations in the year ending December 31, 2009 for the Company. Early adoption is prohibited. SFAS No. 141R establishes principles and requirements for how an acquirer recognizes and measures in

its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest and the goodwill acquired. Additionally, transaction costs that are currently capitalized under current accounting guidance will be required to be expensed as incurred under SFAS No. 141R. SFAS No. 141R also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. The provisions of SFAS 141R will impact the Company if it is a party to a business combination after the pronouncement is adopted.

SFAS No. 157 - In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statements of Financial Accounting Standards No. 157, “Fair Value Measurements” (“SFAS No. 157”). SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements and is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. On January 1, 2008, we adopted the provisions of SFAS No. 157 related to financial assets and liabilities and to nonfinancial assets and liabilities measured at fair value on a recurring basis. The adoption of this accounting pronouncement did not result in a material impact to the consolidated financial statements. In February 2008, the FASB issued FASB Staff Position (“FSP”) Financial Accounting Standard 157-1, “Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13”, which removes certain leasing transactions from the scope of SFAS No. 157, and FSP Financial Accounting Standard 157-2, “Effective Date of FASB Statement No. 157”, which defers the effective date of SFAS No. 157 for one year for certain nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. In October 2008, the FASB also issued FSP SFAS 157-3, “Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active,” which clarifies the application of SFAS No. 157 in an inactive market and illustrates how an entity would determine fair value when the market for a financial asset is not active. Beginning January 1, 2009, we will adopt the provisions for nonfinancial assets and nonfinancial liabilities that are not required or permitted to be measured at fair value on a recurring basis, which include those measured at fair value in goodwill impairment testing, indefinite-lived intangible assets measured at fair value for impairment assessment, nonfinancial long-lived assets measured at fair value for impairment assessment, asset retirement obligations initially measured at fair value, and those initially measured at fair value in a business combination. The adoption of SFAS No. 157 has not had a material impact on our consolidated financial statements.

SFAS No. 159 - In February 2007, the FASB released Statements of Financial Accounting Standards No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (“SFAS No. 159”), which is effective for fiscal years beginning after November 15, 2007. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS No. 159 is effective for the Company’s fiscal year ending December 31, 2008. The Company did not elect to use the fair value option for any financial assets and financial liabilities that are not currently recorded at fair value.

SFAS No. 160 - In December 2007, the FASB released Statements of Financial Accounting Standards No. 160, “Non-controlling Interests in Consolidated Financial Statements — an amendment of ARB No. 51” (“SFAS No. 160”). SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Early adoption is prohibited. SFAS No. 160 establishes reporting requirements that provide sufficient disclosure that clearly identify and distinguish between the interests of non-controlling owners and the interest of the parent. The adoption of this standard will impact the Company’s presentation of minority interest in Oman. As of December 31, 2008, minority interest is included in accounts payable and accrued liabilities. See Note 7 - Accounts Payable and Accrued Liabilities. The minority participants’ share of the net income of those subsidiaries is included in contract costs. Upon adoption, the non-controlling interest will be recognized in equity on the Consolidated Balance Sheet and the minority participants’ share of the net income will be presented on the face of the Consolidated Statement of Operations.

FSP No. APB 14-1 - In May 2008, the FASB issued FSP No. APB 14-1, “Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)”. This FSP clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by APB Opinion No. 14. Additionally, this FSP specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity’s nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited.

The Company is currently assessing the impact the adoption of this pronouncement will have on its financial statements.

FSP No. FAS 142-3 - In April 2008, the FASB issued FSP No. FAS 142-3, "Determination of the Useful Life of Intangible Assets." This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement of Financial Accounting Standards No. 142 ("SFAS No. 142"). The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142, the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141R and other U.S. generally accepted accounting principles. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. Early adoption is prohibited. The Company does not expect the adoption of the FSP to have a material impact on its consolidated financial statements.

EFFECTS OF INFLATION AND CHANGING PRICES

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

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Our primary market risk is our exposure to changes in non-U.S. currency exchange rates. We attempt to negotiate contracts which provide for payment in U.S. dollars, but we may be required to take all or a portion of payment under a contract in another currency. To mitigate non-U.S. currency exchange risk, we seek to match anticipated non-U.S. currency revenue with expense in the same currency whenever possible. To the extent we are unable to match non-U.S. currency revenue with expense in the same currency; we may use forward contracts, options or other common hedging techniques in the same non-U.S. currencies. We had no forward contracts or options at December 31, 2008 and 2007.

The carrying amounts for cash and cash equivalents, accounts receivable, notes payable and accounts payable and accrued liabilities shown in the Consolidated Balance Sheets approximate fair value at December 31, 2008 due to the generally short maturities of these items. At December 31, 2008, we invested primarily in short-term dollar denominated bank deposits. We have the ability and expect to hold our investments to maturity.

Our exposure to market risk for changes in interest rates relates primarily to our borrowings under the 2007 Credit Facility. At December 31, 2008, there were no borrowings under the 2007 Credit Facility subject to variable interest rates.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Willbros Group, Inc.

We have audited the accompanying balance sheets of Willbros Group, Inc. (a Panama corporation) as of December 31, 2008 and 2007, and the related statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the two years in the period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Willbros Group, Inc. as of December 31, 2008 and 2007 and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Willbros Group, Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 25, 2009 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

Houston, Texas
February 25, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Willbros Group, Inc.

We have audited the accompanying consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for the year ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows for the year ended December 31, 2006 of Willbros Group, Inc. in conformity with accounting principles generally accepted in the United States of America.

We also have audited the adjustments to retrospectively apply the change in presentation of Depreciation as indicated in Note 1 and the change in reportable segments reported in Note 14 to the consolidated financial statements for the year 2006. In our opinion, such adjustments are appropriate and have been properly applied.

/s/ GLO CPAs, LLLP

Houston, Texas

March 12, 2007, except for the change in presentation of Depreciation and Note 14, which is as of February 21, 2008.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Willbros Group, Inc.

We have audited Willbros Group, Inc.'s (a Panama Corporation) internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Willbros Group Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting (included in Item 9A). Our responsibility is to express an opinion on Willbros Group Inc.s' internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.