

Willbros Group, Inc.\NEW\
Form 10-K
March 11, 2010

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**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, 2009
OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number 1-11953
Willbros Group, Inc.
(Exact name of registrant as specified in its charter)**

Delaware **30-0513080**
(State or other jurisdiction of (I.R.S. Employer Identification Number)
incorporation or organization)

**4400 Post Oak Parkway
Suite 1000
Houston, TX 77027
Telephone No.: 713-403-8000**
(Address, including zip code, and telephone number, including
area code, of principal executive offices of registrant)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
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Common Stock, \$.05 Par Value	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 whether the Registrant has submitted electronically and posted on its corporate Website, if
any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of the Regulation S-T
during the preceding 12 months (or such shorter period that the Registrant was required to submit and post such files).
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 definitions 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, 2009) was \$490,108,993.

The number of shares of the Registrant's Common Stock outstanding at March 5, 2010 was 39,636,360.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's 2010 Proxy Statement for the Annual Meeting of Stockholders to be held on May 26, 2010 are incorporated by reference into Part III of this Form 10-K.

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FORM 10-K
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FORWARD-LOOKING STATEMENTS

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

curtailment of capital expenditures and the unavailability of project funding in the oil and gas, refinery, petrochemical and power industries;

increased capacity and decreased demand for our services in the more competitive industry segments that we serve;

reduced creditworthiness of our customer base and higher risk of non-payment of receivables;

inability to lower our cost structure to remain competitive in the market;

inability of the energy service sector to reduce costs in the short term to a level where our customer's project economics support a reasonable level of development work;

inability to predict the length and breadth of the current global recession, which results in staffing below the level required when the market recovers;

reduction of services to existing and prospective clients as they bring historically out-sourced services back in-house to preserve intellectual capital and minimize layoffs;

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

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

the commencement by foreign governmental authorities of investigations into the actions of our current and former employees, and the determination that such actions constituted violations of foreign law;

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

the dishonesty of employees and/or other representatives or their refusal to abide by applicable laws and our established policies and rules;

adverse weather conditions not anticipated in bids and estimates;

project cost overruns, unforeseen schedule delays and the application of liquidated damages;

the occurrence during the course of our operations of accidents and injuries to our personnel, as well as to third parties, that negatively affect our safety record, which is a factor used by many clients to pre-qualify and otherwise award work to contractors in our industry;

cancellation of projects, in whole or in part, for any reason;

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

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

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

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 our worldwide provision for income taxes and effective income tax rate;

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

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

changes in the scope of our expected insurance coverage;

inability to manage insurable risk at an affordable cost;

enforceable claims for which we are not fully insured;

incurrence of insurable claims in excess of our insurance coverage;

the occurrence of the risk factors listed elsewhere or incorporated by reference in this Form 10-K; and

other factors, most of which are beyond our control.

Consequently, all of the forward-looking statements made in this Form 10-K 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 Form 10-K to Willbros, the Company, we, us and our to Willbros Group, Inc., its consolidated subsidiaries and their predecessors. Unless the context otherwise requires, all references in this Form 10-K 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 a provider of energy services to global end markets serving the oil and gas, refinery, petrochemical and power industries. Our services, which include engineering, procurement and construction, either individually or together as an integrated EPC service offering, turnaround, maintenance and other specialty services, are critical to the ongoing expansion and operation of energy infrastructure. Within the global energy market, we specialize in designing, constructing, upgrading and repairing midstream infrastructure such as pipelines, compressor stations and related facilities for onshore and coastal locations as well as downstream facilities, such as refineries. We also provide specialty turnaround services, tank services, heater services, construction services, safety services and fabricate specialty items for hydrocarbon processing units. We believe our engineering, planning and project management expertise, as it relates to optimizing the structure and execution of a project, provide us with competitive advantages in the markets we serve.

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

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 on March 3, 2009, Willbros Group, Inc. (Panama) became a direct, wholly-owned subsidiary of a newly formed Delaware corporation also named Willbros Group, Inc. and each of our stockholders became a stockholder of the new Delaware corporation.

We maintain our headquarters at 4400 Post Oak Parkway, Suite 1000, Houston, TX 77027; our telephone number is 713-403-8000. All significant operations are carried out by the following material direct or indirect subsidiaries:

Willbros United States Holdings, Inc.;

Willbros Construction (U.S.), LLC;

Willbros Canada Holdings ULC;

Integrated Service Company LLC;

Wink Engineering, 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.;

Willbros (Overseas) Ltd.; and

The Oman Construction Company (TOCO) L.L.C.

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The Willbros corporate structure is designed to comply with jurisdictional and registration requirements and to minimize worldwide taxes. Additional subsidiaries may be formed in specific work countries where such subsidiaries are necessary or useful to comply with local laws or tax objectives.

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. A link to Adobe Systems Incorporated s internet site is provided to assist with obtaining this software.

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 over 100 years, we have achieved many milestones, which are summarized as follows:

- 1908 Miller and David Williams form the pipeline construction business of Williams Brothers Company.
- 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.

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- 1984-86 Constructed, through a joint venture, the All-American Pipeline System, a 1,240-mile 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 30-inch crude oil Chad Cameroon Pipeline Project, through a joint venture with another international contractor.
- 2007 Completed the sale of our Nigerian interests in February 2007. Acquired Midwest Management (1987) Ltd. (Midwest) in July 2007 and Integrated Service Company (InServ) in November 2007.
- 2008 Completed two 36-inch loops in Northern Alberta for Trans Canada. This was the first major project in Canada following the 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.
- 2009 Changed our corporate domicile from Panama to Delaware on March 3, 2009.
- Acquired the engineering business of Wink Companies, LLC in July 2009 (renamed Wink Engineering, LLC (Wink) in February 2010).
- Established new quality, productivity and safety performance standards on the Texas Independence Pipeline project, 143 miles of 42-inch natural gas pipeline in East Texas.

Business Segments

During the third quarter of 2009, we acquired the engineering business of Wink Companies, LLC. In conjunction with the Wink acquisition, we redefined our business segments from *Engineering, Upstream Oil & Gas* and *Downstream Oil & Gas* to two segments by integrating the existing *Engineering* segment into the *Upstream Oil & Gas* segment and Wink into the *Downstream Oil & Gas* segment. We believe the inclusion of engineering services within each segment will make our EPC offering even more effective by improving internal connectivity and providing dedicated, specialized engineering services to both the upstream and downstream markets.

Our segments are comprised of strategic business units that are defined by the industry segments served and are managed separately as each has different operational requirements and strategies. Management evaluates the performance of each operating segment based on operating income. To support our segments we have a focused

corporate operation led by our executive management team, which in addition to oversight and leadership provides general, administrative and financing functions for the organization. The costs to provide these services are allocated, as are certain other corporate assets, between the two operating segments.

Through our business segments we have been employed by more than 400 clients to carry out work in over 60 countries. These segments currently operate primarily in the United States, Canada and Oman. Within the past ten years, we have worked in North America, the Middle East, Africa, Australia and South America. 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 73.0 percent of our continuing revenue in 2009 (65.0 percent in 2008 and 73.0 percent in 2007).

See Note 15 Segment Information to the Consolidated Financial Statements included in Item 8 of this Form 10-K for more information on our operating segments.

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Services Provided

Upstream Oil & Gas

We provide individual or fully-integrated engineering, procurement and construction, or EPC, expertise (including systems, equipment and personnel) to design, build or replace large-diameter cross-country pipelines; fabricate engineered structures, process modules and facilities; and, build oil and gas production facilities, pump stations, flow stations, gas compressor stations, gas processing facilities, gathering lines and related facilities. We provide a broad array of engineering, project management, pipeline integrity and field services to increase our equipment and personnel utilization. We currently provide these services primarily in the United States, Canada and Oman, and, with our international experience, can enter (or re-enter) individual country markets when conditions there are attractive to us and present an acceptable risk-adjusted return.

Construction Services

Our earliest success was attributed to our focus and execution of upstream infrastructure projects, which we have grown into our current construction offering encompassing pipeline systems, compressor and pump stations as well as fabrication and ongoing maintenance services to major upstream customers. In addition to our core upstream infrastructure construction and maintenance competencies, we have developed a wide range of specialty services that allow us to maximize our resource utilization by providing solutions to difficult problems for our clients.

Pipeline Construction. Pipeline construction for both liquids and gas is capital-intensive, and we own, lease, operate and maintain a fleet of specialized equipment necessary for operations in this business. We prefer targeting construction of large diameter cross-country pipelines in remote areas and harsh climates where we believe our experience gives us a competitive advantage and higher revenue and margins can be achieved. We also perform construction of smaller diameter pipelines, including gathering lines, utilizing dedicated resources appropriately structured to meet the unique cost and execution needs of our customers. In our history, we have constructed approximately 124,000 miles of pipeline, which we believe positions us in the top tier of pipeline contractors in the world. 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 extensive experience 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.

Special equipment and techniques are required to construct pipelines across wetlands and offshore. We have used swamp pipe-laying methods extensively in past international projects. This expertise is applicable in wetland regions elsewhere and can provide a competitive advantage for projects in geographies such as southern Louisiana, where we expect to see additional work opportunities.

Fabrication. Fabrication services can be a more efficient means of delivering engineered, 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.

Facilities Construction. Companies in the hydrocarbon value chain require various facilities in the course of producing, processing, storing and moving oil, gas, products and chemicals. 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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Engineering Services

We specialize in providing engineering services to assist clients in designing, engineering and constructing or expanding pipeline systems, compressor stations, pump stations, fuel storage facilities and field gathering and production facilities. We have developed expertise in addressing the unique engineering challenges involved with pipeline systems and associated facilities.

Natural Gas Transmission Systems. 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 transmission projects in the United States, including the Gulfstream Natural Gas System and the Guardian Pipeline Project, both Phase I and Phase II.

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 2009, we completed an EPC project for a gas liquids pipeline system in the United States from Wyoming to Kansas.

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.

In addition to our broad infrastructure engineering service offerings we have also developed capabilities that are unique to the upstream market and critical to successful execution of the most challenging projects, such as:

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, 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 soil 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 properly address 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.

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Procurement Services. 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 addition to the capital projects discussed above, we also offer our considerable upstream infrastructure construction expertise to our clients through our management and maintenance (Manage & Maintain) offerings. This allows us to support our clients with our EPC, engineering, procurement or construction capabilities on a recurring basis through alliance agreements whereby Willbros will be the provider of program development, project management, design, engineering, geographic information systems (GIS), integrity and maintenance services with respect to existing pipeline systems. In 2009, we entered into our most significant alliance agreement with NiSource Gas Transmission & Storage (NGT&S), a unit of NiSource Inc. (NYSE: NI). We believe this form of alliance, which includes participation in the development of the NGT&S 2010 capital, maintenance, GIS and integrity programs, will yield significant benefits to both parties and serve as a model for future work, much of which is currently performed by our customers.

EPC Services

EPC projects often yield profit margins on the engineering and construction components consistent with stand-alone contracts for similar services; however, the benefits from performing EPC projects include the incremental income associated with project management and the income associated with 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 and 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, the increased control over all aspects of the project, coupled with competitive market margins for engineering and construction portions makes these types of contracts attractive to us and, we believe, to our customers.

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 specific 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 and plant services.

Downstream Oil & Gas

We provide integrated, full-service specialty construction, turnaround, repair and maintenance services to the downstream energy infrastructure market, which consists primarily of major integrated oil companies, independent refineries, product terminals and petrochemical companies. We also provide services to select EPC firms, independent power producers, government entities, specialty process facilities and ammonia and fertilizer manufacturing plants and facilities. We provide these services primarily in the United States; however, our experience includes international projects and we are exploring opportunities to expand this offering outside the U.S. in countries with attractive risk-adjusted returns. Our principal services include:

- construction, maintenance and turnaround services for downstream facilities, including for fluid catalytic cracking (FCC) units, the main process 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;

safety services for supplementing a refinery's safety personnel and permitting and providing safety equipment;

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government services through building and managing fueling depots and other fueling systems; and evaluating, maintaining and building petroleum, oil and lubricant (POL) facilities;

multi-disciplinary engineering services to clients in the petroleum refining, chemicals and petrochemicals and oil and gas industries; and

EPC services through program management and EPC project services.

Construction, Maintenance and Turnaround Services. When performing a construction and maintenance project as part of a refinery turnaround, detailed planning and execution is imperative in order to minimize the length of the outage, which can cost owners millions of dollars in downtime. Our experience includes successful turnaround execution on the largest, most complex FCC units. Our record in providing a construction-driven approach with attention to planning, scheduling and safety places us at the forefront of qualified bidders in North America for work on FCC units and qualifies us for most turnaround projects of interest. 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 gained from our turnaround experience translate to less schedule-sensitive new construction and we can provide construction services for new units, expansions 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.

Tank Services. We provide services to the above-ground storage tank industry. Our capabilities 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.

U.S. Government Services. We provide government services, currently primarily in building and managing fueling systems. 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. In the past ten years, we have also won five 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. In 2009, we were selected as a contractor by the U.S. Navy, Naval Facilities Engineering Command (NAVFAC). We can compete for future task orders under the Engineering Service Center s multiple-award Indefinite Delivery, Indefinite Quantity (IDIQ) contract for assessments, inspections, repair and

construction services for POL systems at U.S. Navy locations worldwide. The total contract value is up to \$350 million.

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Engineering Services. The acquisition of Wink in July 2009 enables us to provide project management, engineering and material procurement services to the refining industries and government agencies, including chemical/process, mechanical, civil, structural, electrical, instrumentation/controls and environmental. We provide our engineering services through resources located at the project site or at our offices in Louisiana.

Our comprehensive services include, among others:

project development, conceptual design, front-end engineering and feasibility studies;

project engineering services;

definitive design and drafting services;

project management, estimating, scheduling and controls;

turnkey EPC arrangements;

field engineering and construction liaison services;

material and services procurement;

planning and management of maintenance programs; and

topographic, hydrographic and engineering as-built surveying including the establishment of rights-of-way for public utilities and industrial uses.

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

EPC Services. The refining and process industries strive to minimize costs through operating efficiencies and hiring experienced process engineering as needed. It is often 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.

Current Market Conditions

We continue to advance our strategic objective of becoming a more diversified, global engineering and construction company delivering discrete and integrated engineering, procurement, construction program management, maintenance and life cycle extension solutions tailored to the needs of our customers. The economic challenges experienced in 2009 continue to impact energy demand worldwide and although we believe the long term fundamentals support increased activities in the industries we serve, near term uncertainties may continue to impact capital and maintenance expenditure decisions of our customers in 2010. Inquiry levels in both the *Upstream Oil & Gas* and *Downstream Oil & Gas* segments of our business have improved over the past two quarters, but contract awards have not yet risen to a level that corresponds to the increase in inquiries. The impact of the financial crisis on the global economy has been documented worldwide, and, we continue to be challenged to forecast future impacts on the Willbros business model, particularly with respect to timing. Even though we believe fundamentals support a more robust U.S. pipeline construction market in 2011 and 2012 relative to 2010, the December 31, 2009 backlog of \$391,742 is virtually unchanged from our reported June 30, 2009 backlog of \$387,186.

Upstream Oil & Gas

In the *Upstream Oil & Gas* segment, we believe additional pipeline infrastructure build-out is required to meet requirements from drilling activities that began years ago in the prolific natural gas shale and other unconventional gas plays in North America. Record levels of natural gas storage in the United States have receded in the winter months of

2010 and despite depressed industrial demand, we continue to see new investment by major integrated oil companies such as ExxonMobil and Total in North American shale gas plays. Additionally, Baker Hughes rig count reports land drilling rig activity grew by over 270 rigs from mid July through December 2009, a 30 percent increase; historically, our upstream business is characterized by larger, complex projects which evolve over time as engineering and environmental studies and regulatory filings precede actual construction. Improvement in our levels of activity lags the drilling rig count. New technology has enabled economic development of unconventional gas reserves in the Haynesville, Marcellus, Barnett, Woodford and Fayetteville shales at market prices lower than those historically required for conventional gas development. As production from these unconventional reserves continues to progress, new mainline pipeline infrastructure will be required to transport natural gas to the demand centers in the United States. At the end of 2009, our bidding activity for U.S. pipeline construction exceeded \$1 billion, and bidding opportunities for international pipeline construction in Australia exceeded \$500 million. Early indications from our recent bids suggest the market is highly competitive and price discovery from this tranche of bidding will be the first we have had for analysis since the award of the TIPs project over 12 months earlier. We are keenly interested in these results as they will dictate the level of new project work for our *Upstream Oil & Gas* segment.

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As pipeline system owners seek ways to decrease their maintenance and system integrity costs, we believe there are opportunities to expand our Manage & Maintain services beyond the current alliance with NiSource. We believe over time other owners will consider outsourcing Manage & Maintain activities to expert service providers such as ourselves in order to focus on their core competencies and strategic objectives. Additionally, we expect the outcome of these programs to create more opportunities for our specialty services offering, which provides services related to the operation, repair and rehabilitation of pipelines and other hydrocarbon processing facilities.

Markets in Canada, driven by activity related to the oil sands and large gas reserves, should continue to attract capital as a result of the perceived low political risk and higher crude prices. With more favorable economics related to lower input prices, such as steel and labor, and improving crude prices, we have begun to see large capital projects reinitiated in Western Canada such as Imperial's Kearn Oil Sands, Suncor's Firebag and Canadian Natural Resources Horizon expansion. There has been margin pressure on services associated with the obligatory maintenance for oil sands production, and owners are seeking cost savings. We believe our understanding of our customers' needs allows us to identify mutual cost savings and as such provides new opportunities for Willbros to deliver solutions that align with their expectations.

In other international markets, we see opportunity in the developing coal seam methane projects in Australia and both gas and oil opportunities in North Africa and the Middle East. We believe that our successful business model in Oman, where we have been active and profitable since 1965, is a viable business model that we can leverage to establish a commercial presence in other Middle East locations. Our investment in establishing a presence in Libya has resulted in an award for program management and engineering services. We believe we have additional opportunity for both our *Upstream Oil & Gas* and *Downstream Oil & Gas* segments to participate in much needed refinery upgrades and new field developments as international oil majors bring new investment into this recently re-opened, albeit slowly developing, market.

Green initiatives may present market opportunities to evaluate certain sequestration and transportation projects (for example, CO₂ pipelines) as government policy supports environmental projects through initiatives and grants.

Downstream Oil & Gas

A clear rationalization is currently underway in the U.S. refining industry and we anticipate further industry restructuring and idling of refining capacity. Although the number of U.S. refineries has decreased by nearly 50 percent over the past 25 years, refining capacity has remained nearly constant due to capital improvement projects focused on expanding and modifying existing units. We believe the current business environment dictates a reduction in refinery capacity which will ultimately increase utilization rates, leading to improved economics for the remaining market participants. As such, it is our expectation that, with improved utilization rates, once product demand recovers, the refining industry will resume investments in capital projects not only to maintain and improve process efficiency, but also to address expectations for more stringent regulatory requirements and shifting crude compositions. We believe our integrated service offering, enhanced by the acquisition of Wink, favorably positions us to participate in this expected increase in small, high return capital projects.

While we are optimistic for the longer-term industry outlook, the near-term over-capacity driven by the global recession and exacerbated by reduced motor fuel demand due to lower employment levels and reduced commuting, more fuel-efficient vehicles and renewable fuels displacing a portion of gasoline and other fuels, has caused our customers to re-evaluate all of their contractual relationships, seeking both cost and value improvements. This ongoing process is highlighted in recent announcements by multiple large industry players in the past few weeks to restructure or reduce their refining operations. The *Downstream Oil & Gas* segment was particularly affected by pricing pressure; however, this re-examination of suppliers and commercial terms has afforded us additional opportunities to establish relationships with new customers, increase our presence with existing customers and enter new geographies. In addition, we believe the maintenance delays and project postponements brought on by financial and economic conditions have reached a limit; and safety and operational concerns of our customers will compel them to award critical maintenance projects in the near future. This situation benefited our turnaround business and contributed to the *Downstream Oil & Gas* segment's December 31, 2009 turnaround services backlog of approximately \$80 million, which is expected to be completed during 2010.

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Our government services business is benefiting from increased management focus as highlighted by our selection as a contractor by the U.S. Navy on the NAVFAC IDIQ contract, which allows us to compete for \$350 million in task orders for petroleum, oil and lubricants maintenance and rehabilitation assignments. While actively responding to NAVFAC task orders, we have also recently proposed on a similar project with the US Army Corps of Engineers (COE) Omaha District. This project is a Multiple Award Task Order Contract focused on providing inspection, repair and maintenance services on fuel systems infrastructure on military installations nationwide, including Alaska and Hawaii. While the Defense Energy Support Center is the primary end user of these services, work may be performed at Army, Navy, Air Force and Coast Guard facilities. The total contract maximum for all contractors is \$324 million. The COE will award up to four contracts with successful awardees competing on individual task orders ranging from \$100 thousand to \$10 million in value.

The *Downstream Oil & Gas* segment could benefit from additional government mandates to reduce sulfur and benzene content in transportation fuels; however, pending cap and trade legislation to limit greenhouse gases has created uncertainty and the delay of investment in the segment.

Our Vision

We continue to believe that long-term fundamentals support increasing demand for our services to the energy industry. This supports our vision for Willbros as a leading provider of diversified professional construction and maintenance solutions addressing the entire asset lifecycle of global infrastructure.

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

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

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

Positioning Willbros as a service provider and employer of choice.

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

Establishing industry best practices, particularly for safety and performance.

Our Values

We believe the values we adhere to as an organization shape the relationships and performance of our company. We are committed to strong leadership across the organization to achieve excellence and accountability in everything we do, based on and guided by our core values of:

Safety always perform safely for the protection of our people and our stakeholders;

Honesty & Integrity always do the right thing;

Our People respect and care for their well being and development; maintain an atmosphere of trust, empowerment and teamwork; ensure the best people are in the right position;

Our Customers understand their needs and develop responsive solutions; promote mutually beneficial relationships and deliver a good job on time;

Superior Financial Performance deliver earnings per share and cash flow and maintain a balance sheet which places us at the forefront of our peer group;

Vision & Innovation understand the drivers of our business environment, promote constant curiosity, imagination and creativity about our business and opportunities, seek continuous improvement; and

Effective Communications present a clear, consistent and accurate message to our people, our customers and the public.

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We believe that adhering to and living these values will result in a high performance organization which can differentiate and compete effectively, providing incremental value to our customers, our employees and all our stakeholders.

Our Strategy

We work diligently to apply these values every day and use them to guide us in the development and execution of our strategy which we believe will increase stockholder value by leveraging the full resources and core competencies of an integrated Willbros business platform. Key elements of our strategy are as follows:

Focus on Managing Risk

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

Focus resources in markets with the highest risk-adjusted return. The majority of our resources are focused on North America as we believe North America continues to offer us significant opportunities with attractive risk-adjusted returns. Opportunities for our existing service offerings are expected to result from the monetization of previously developed oil and gas reserves through connectivity to primary demand end markets. The ongoing development of un