

Willbros Group, Inc.\NEW\
Form 10-Q
May 06, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2015

OR

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

For the transition period from _____ to _____
Commission file number 1-34259
Willbros Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware 30-0513080
(Jurisdiction (I.R.S. Employer
of incorporation) Identification Number)
4400 Post Oak Parkway
Suite 1000
Houston, TX 77027
Telephone No.: 713-403-8000
(Address, including zip code, and telephone number, including area code, of principal executive offices of registrant)
NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

The number of shares of the registrant's Common Stock, \$.05 par value, outstanding as of April 30, 2015 was 61,396,119.

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 FOR QUARTER ENDED MARCH 31, 2015

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WILLBROS GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

(Unaudited)

	March 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$38,988	\$23,273
Accounts receivable, net	295,774	347,137
Contract cost and recognized income not yet billed	31,517	39,781
Prepaid expenses and other assets	23,531	25,432
Parts and supplies inventories	1,264	3,555
Deferred income taxes	6,030	6,621
Assets held for sale	1,700	—
Assets associated with discontinued operations	5,706	7,057
Total current assets	404,510	452,856
Property, plant and equipment, net	82,092	94,432
Intangible assets, net	98,713	116,130
Deferred income taxes	698	711
Other assets	27,190	28,078
Total assets	\$613,203	\$692,207
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$178,858	\$207,313
Contract billings in excess of cost and recognized income	12,177	16,371
Current portion of capital lease obligations	940	917
Notes payable and current portion of long-term debt	7,749	7,476
Accrued income taxes	2,320	2,430
Other current liabilities	8,480	7,462
Liabilities associated with discontinued operations	4,740	5,185
Total current liabilities	215,264	247,154
Long-term debt	214,862	280,170
Capital lease obligations	226	467
Long-term liabilities for unrecognized tax benefits	109	117
Deferred income taxes	6,304	6,895
Other long-term liabilities	42,085	43,579
Total liabilities	478,850	578,382
Contingencies and commitments (Note 13)		
Stockholders' equity:		
Preferred stock, par value \$.01 per share, 1,000,000 shares authorized, none issued	—	—
Common stock, par value \$.05 per share, 70,000,000 shares authorized and 62,554,459 shares issued at March 31, 2015 (52,094,931 at December 31, 2014)	3,114	2,597
Additional paid-in capital	738,866	703,728
Accumulated deficit	(591,569) (581,745)

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Treasury stock at cost, 1,547,593 shares at March 31, 2015 (1,430,690 at December 31, 2014)	(13,994) (13,832)
Accumulated other comprehensive income (loss)	(2,353	) 2,788	
Total Willbros Group, Inc. stockholders' equity	134,064	113,536	
Noncontrolling interest	289	289	
Total stockholders' equity	134,353	113,825	
Total liabilities and stockholders' equity	\$613,203	\$692,207	
See accompanying notes to condensed consolidated financial statements.			

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WILLBROS GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share amounts)

(Unaudited)

	Three Months Ended		
	March 31,		
	2015	2014	
Contract revenue	\$346,932	\$476,538	
Operating expenses:			
Contract	327,643	441,996	
Amortization of intangibles	3,095	3,119	
General and administrative	35,632	37,072	
Gain on sale of subsidiaries	(58,549) —	
Other charges	3,950	—	
	311,771	482,187	
Operating income (loss)	35,161	(5,649)
Non-operating expenses:			
Interest expense, net	(8,296	) (7,718)
Debt covenant suspension and extinguishment charges	(35,869) —	
Other, net	(110	) 40	
	(44,275	) (7,678)
Loss from continuing operations before income taxes	(9,114	) (13,327)
Provision for income taxes	317	3,669	
Loss from continuing operations	(9,431	) (16,996)
Loss from discontinued operations net of provision for income taxes	(393	) (7,994)
Net loss	\$(9,824	) \$(24,990)
Basic loss per share attributable to Company shareholders:			
Loss from continuing operations	\$(0.19	) \$(0.35)
Loss from discontinued operations	(0.01	) (0.16)
Net loss	\$(0.20	) \$(0.51)
Diluted loss per share attributable to Company shareholders:			
Loss from continuing operations	\$(0.19	) \$(0.35)
Loss from discontinued operations	(0.01	) (0.16)
Net loss	\$(0.20	) \$(0.51)
Weighted average number of common shares outstanding:			
Basic	49,819,388	48,847,349	
Diluted	49,819,388	48,847,349	
See accompanying notes to condensed consolidated financial statements.			

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WILLBROS GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

(Unaudited)

	Three Months Ended	
	March 31,	
	2015	2014
Net loss	\$ (9,824	) \$ (24,990
Other comprehensive loss, net of tax)
Foreign currency translation adjustments	(4,651	) (2,063
Changes in derivative financial instruments	(490	) (785
Total other comprehensive loss, net of tax	(5,141	) (2,848
Total comprehensive loss	\$ (14,965	) \$ (27,838

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended	
	March 31,	
	2015	2014
Cash flows from operating activities:		
Net loss	\$ (9,824	) \$ (24,990
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Loss from discontinued operations	393	7,994
Depreciation and amortization	8,619	9,164
Impairment of long-lived asset	1,979	—
Debt covenant suspension and extinguishment charges	35,869	—
Stock-based compensation	1,918	2,479
Amortization of debt issuance costs	161	156
Non-cash interest expense	—	302
Deferred income tax expense	(36	) 3,177
Gain on disposal of property and equipment	(280	) (1,242
Gain on sale of subsidiaries	(58,549) —
Provision for (recovery of) bad debts	(118	) 68
Changes in operating assets and liabilities:		
Accounts receivable, net	28,985	7,075
Contract cost and recognized income not yet billed	7,867	(26,831
Prepaid expenses and other assets	1,120	(3,521
Accounts payable and accrued liabilities	(16,021	) 9,681
Accrued income taxes	(139	) (3,073
Contract billings in excess of cost and recognized income	(4,192	) 22,996
Other assets and liabilities, net	(1,646	) (3,721
Cash used in operating activities of continuing operations	(3,894	) (286
Cash provided by operating activities of discontinued operations	116	15,348
Cash provided by (used in) operating activities	(3,778	) 15,062
Cash flows from investing activities:		
Proceeds from sales of property, plant and equipment	453	1,742
Proceeds from sale of subsidiaries	85,741	21,152
Purchases of property, plant and equipment	(1,641	) (3,635
Cash provided by investing activities of continuing operations	84,553	19,259
Cash provided by investing activities of discontinued operations	397	—
Cash provided by investing activities	84,950	19,259
Cash flows from financing activities:		
Proceeds from revolver and notes payable	32,100	—
Payments on capital leases	(218	) (268
Payments of revolver and notes payable	(30,279	) (19,097
Payments on term loan facility	(65,537	) (2,902
Cost of debt issuance	(527) —
Payments to reacquire common stock	(162	) (893
Cash used in financing activities of continuing operations	(64,623) (23,160
Cash used in financing activities of discontinued operations	—	(71

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Cash used in financing activities	(64,623) (23,231)
Effect of exchange rate changes on cash and cash equivalents	(834) (823)
Net increase in cash and cash equivalents	15,715	10,267	
Cash and cash equivalents of continuing operations at beginning of period	23,273	42,569	
Cash and cash equivalents of discontinued operations at beginning of period	—	1,041	
Cash and cash equivalents at beginning of period	23,273	43,610	
Cash and cash equivalents at end of period	38,988	53,877	
Less: cash and cash equivalents of discontinued operations at end of period	—	—	
Cash and cash equivalents of continuing operations at end of period	\$38,988	\$53,877	
Supplemental disclosures of cash flow information:			
Cash paid for interest (including discontinued operations)	\$8,324	\$7,037	
Cash paid for income taxes (including discontinued operations)	\$813	\$7,216	
See accompanying notes to condensed consolidated financial statements.			

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. The Company and Basis of Presentation

Willbros Group, Inc., a Delaware corporation, and its subsidiaries (the “Company,” “Willbros” or “WGI”), is a specialty energy infrastructure contractor serving the oil, gas, refinery, petrochemical and power industries. The Company’s offerings include engineering, procurement and construction (either individually or as an integrated “EPC” service offering), turnarounds, maintenance, facilities development and operations services. The Company’s principal markets for continuing operations are the United States and Canada. The Company obtains its work through competitive bidding and through negotiations with prospective clients. Contract values range from several thousand dollars to several hundred million dollars and contract durations range from a few weeks to more than two years.

The accompanying Condensed Consolidated Balance Sheet as of December 31, 2014, which has been derived from audited consolidated financial statements, and the unaudited Condensed Consolidated Financial Statements as of March 31, 2015 and 2014, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to those rules and regulations. However, the Company believes the presentations and disclosures herein are adequate to make the information not misleading. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Company’s December 31, 2014 audited Consolidated Financial Statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014.

In the opinion of management, the unaudited Condensed Consolidated Financial Statements reflect all adjustments necessary to fairly state the financial position as of March 31, 2015, and the results of operations and cash flows of the Company for all interim periods presented. The results of operations and cash flows for the three months ended March 31, 2015 are not necessarily indicative of the operating results and cash flows to be achieved for the full year. The Condensed Consolidated Financial Statements include certain estimates and assumptions made by management. These estimates and assumptions relate to the reported amounts of assets and liabilities at the dates of the Condensed Consolidated Financial Statements and the reported amounts of revenue and expense during those periods. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, and parts and supplies inventories; quantification of amounts recorded for contingencies, tax accruals and certain other accrued liabilities; valuation allowances for accounts receivable and deferred income tax assets; and revenue recognition under the percentage-of-completion method of accounting, including estimates of progress toward completion and estimates of gross profit or loss accrual on contracts in progress. The Company bases its estimates on historical experience and other assumptions that it believes to be relevant under the circumstances. Actual results could differ from those estimates.

Reclassifications – Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation. These reclassifications relate to the sale of the union refinery maintenance turnaround business unit, a related fabrication facility and associated tools and equipment (“CTS”) during the second quarter of 2014. See Note 15 – Discontinued Operations for additional discussion associated with these reclassifications.

2. New Accounting Pronouncements

In April 2015, the FASB issued guidance that simplifies the presentation of debt issuance costs with the requirement that debt issuance costs related to a debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The standard is effective for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. The Company is currently assessing the impact, if any, the guidance will have on its condensed consolidated financial statements.

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

3. Business Disposals

UtilX

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

Premier

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

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

4. Other Charges

Approximately \$2.0 million in long-lived asset impairment charges, \$0.7 million in lease abandonment charges, \$0.5 million in employee severance charges and \$0.3 million in the accelerated vesting of stock awards related to management changes and headcount reductions across the Company are included in the line item "Other charges" on the Condensed Consolidated Statement of Operations. Also included in this line item are \$0.5 million in legal and accounting costs associated with the investigation of the root cause behind the deterioration of certain construction projects within the Oil & Gas segment which led to the restatements of the Company's Condensed Consolidated Financial Statements for the quarterly periods ended March 31, 2014 and June 30, 2014.

Activity in the accrual related to other charges for the quarter ended March 31, 2015 is as follows (in thousands):

	Employee Termination and Other Benefits	Lease abandonment	Long-lived asset impairment	Accounting and legal fees associated with restatement	Total
Accrued cost at December 31, 2014	\$397	\$—	\$—	\$3,413	\$3,810
Costs recognized during Q1 2015	784	711	1,979	476	3,950
Cash payments	(451)	) —		(3,114)	) (3,565)
Non-cash charges (1)	(272)	) —	(1,979)	) —	(2,251)
Accrued cost at March 31, 2015	\$458	\$711	\$—	\$775	\$1,944

(1) Non-cash charges consist of \$0.3 million of accelerated stock-based compensation and a \$2.0 million long-lived asset impairment charge.

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

5. Contracts in Progress

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

Contract cost and recognized income not yet billed and related amounts billed as of March 31, 2015 and December 31, 2014 was as follows (in thousands):

	March 31, 2015	December 31, 2014
Cost incurred on contracts in progress	\$862,191	\$981,518
Recognized income	75,884	90,994
	938,075	1,072,512
Progress billings and advance payments	(918,735	) (1,049,102
	\$19,340	\$23,410
Contract cost and recognized income not yet billed	\$31,517	\$39,781
Contract billings in excess of cost and recognized income	(12,177	) (16,371
	\$19,340	\$23,410

Contract cost and recognized income not yet billed includes \$3.2 million and \$2.8 million at March 31, 2015 and December 31, 2014, respectively, on completed contracts.

The balances billed but not paid by customers pursuant to retainage provisions in certain contracts are generally due upon completion of the contracts and acceptance by the customer. Based on the Company's experience with similar contracts in recent years, the majority of the retainage balances at each balance sheet date are expected to be collected within the next 12 months. Current retainage balances at March 31, 2015 and December 31, 2014, were approximately \$28.1 million and \$43.4 million, respectively, and are included in "Accounts receivable" in the Condensed Consolidated Balance Sheets. There were no retainage balances with settlement dates beyond the next 12 months at March 31, 2015 and December 31, 2014.

6. Intangible Assets

The changes in the carrying amounts of intangible assets for the three months ended March 31, 2015 are detailed below (in thousands):

	Customer Relationships	Trademark / Tradename	Technology	Total
Balance as of December 31, 2014	\$105,604	\$7,505	\$3,021	\$116,130
Amortization	(2,641	) (332	) (122	) (3,095
Additions	—	300	120	420
Disposals	(10,829	) (1,010	) (2,903	) (14,742
Balance as of March 31, 2015	\$92,134	\$6,463	\$116	\$98,713

Weighted Average Remaining Amortization Period	10.0 years	5.1 years	4.8 years
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Disposals relate to the intangible assets sold as part of the sales of UtilX and Premier during the first quarter of 2015. See Note 3 – Business Disposals for additional information associated with these disposals.

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

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

6. Intangible Assets (continued)

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

Fiscal year:

Remainder of 2015	\$8,049
2016	10,732
2017	10,732
2018	10,732
2019	10,614
2020	9,142
Thereafter	38,712
 Total amortization	 \$98,713

7. Accounts Payable and Accrued Liabilities

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

	March 31, 2015	December 31, 2014
Trade accounts payable	\$82,648	\$82,557
Payroll and payroll liabilities	39,118	44,483
Accrued contract costs	24,002	34,791
Self-insurance accrual	15,880	15,915
Other accrued liabilities	17,210	29,567
Total accounts payable and accrued liabilities	\$178,858	\$207,313

8. Long-term Debt

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

	March 31, 2015	December 31, 2014
2014 Term Loan Facility	\$204,463	\$270,000
Revolver borrowings under the 2013 ABL Credit Facility	—	—
Capital lease obligations	1,166	1,384
Other obligations	18,148	17,646
Total debt	223,777	289,030
Less: current portion	(8,689	) (8,393
Long-term debt, net	\$215,088	\$280,637
2014 Term Loan Facility		

On December 15, 2014, the Company entered into a new credit agreement dated as of December 15, 2014 (the "2014 Term Credit Agreement") among the Company, certain of its subsidiaries, as guarantors, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and KKR Credit Advisors (US) LLC, as sole lead arranger and sole Bookrunner. The 2014 Term Credit Agreement replaced the six-year \$250.0 million term loan facility maturing on August 7, 2019 with JP Morgan Chase Bank, N.A. serving as a sole administrative agent for the

lenders thereunder (the “2013 Term Loan Facility”).

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

8. Long-term Debt (continued)

The 2014 Term Credit Agreement provides for a \$270.0 million term loan facility (the “2014 Term Loan Facility”), which the Company drew in full on the effective date of the 2014 Term Credit Agreement. Willbros Group, Inc. is the borrower under the 2014 Term Credit Agreement, with all of its obligations guaranteed by its material U.S. subsidiaries, other than excluded subsidiaries. Obligations under the 2014 Term Loan Facility are secured by a first priority security interest in, among other things, the borrower’s and the guarantors’ equipment, subsidiary capital stock and intellectual property (the “2014 Term Loan Priority Collateral”) and a second priority security interest in, among other things, the borrower’s and the guarantors’ inventory, accounts receivable, deposit accounts and similar assets. The term loans bear interest at the “Adjusted Base Rate” plus an applicable margin of 8.75 percent, or the “Eurodollar Rate” plus an applicable margin of 9.75 percent. The interest rate in effect at March 31, 2015 and 2014 was 11 percent, comprised of an applicable margin of 9.75 percent for Eurodollar rate loans plus a LIBOR floor of 1.25 percent. In the first quarter of 2015, the Company made early payments of approximately \$64.8 million against its 2014 Term Loan Facility. As a result of these early payments, the Company recorded debt extinguishment charges of approximately \$1.6 million, which consisted of prepayment premiums of 2 percent and the write-off of debt issuance costs.

2013 ABL Credit Facility

On August 7, 2013 the Company entered into a five-year \$150.0 million asset based senior revolving credit facility maturing on August 7, 2018 with Bank of America, N.A. serving as sole administrative agent for the lenders thereunder, collateral agent, issuing bank and swingline lender (as amended by the First Amendment to Loan, Security and Guaranty Agreement dated as of August 30, 2013, the Second Amendment to Loan, Security and Guaranty Agreement dated as of April 1, 2014 and the Third Amendment to Loan, Security and Guaranty Agreement dated as of December 15, 2014 (the “Third Amendment”), the “2013 ABL Credit Facility”). The Third Amendment amended the 2013 ABL Credit Facility to take into account the refinancing of the Company’s 2013 Term Loan Facility pursuant to the 2014 Term Credit Agreement and to make certain changes to the definition of Consolidated EBITDA.

The initial aggregate amount of commitments for the 2013 ABL Credit Facility is comprised of \$125.0 million for the U.S. facility (the “U.S. Facility”) and \$25.0 million for the Canadian facility (the “Canadian Facility”). The 2013 ABL Credit Facility includes a sublimit of \$100.0 million for letters of credit and an accordion feature permitting the borrowers, under certain conditions, to increase the aggregate amount by an incremental \$75.0 million, with additional commitments from existing lenders or new commitments from lenders reasonably acceptable to the administrative agent. The borrowers under the U.S. Facility consist of all of the Company’s U.S. operating subsidiaries with assets included in the borrowing base, and the U.S. Facility is guaranteed by Willbros Group, Inc. and its material U.S. subsidiaries, other than excluded subsidiaries. The borrower under the Canadian Facility is Willbros Construction Services (Canada) LP, and the Canadian Facility is guaranteed by Willbros Group, Inc. and all of its material U.S. and Canadian subsidiaries, other than excluded subsidiaries.

Advances under the U.S. and Canadian Facility are limited to a borrowing base consisting of the sum of 85 percent of the value of “eligible accounts” and 60 percent of the value of “eligible unbilled accounts” less applicable reserves, which the administrative agent may establish from time to time in its permitted discretion. Eligible unbilled accounts may not exceed \$50.0 million in the aggregate. Advances in U.S. dollars bear interest at a rate equal to LIBOR or the U.S. or Canadian base rate plus an additional margin. Advances in Canadian dollars bear interest at the Bankers Acceptance (“BA”) Equivalent Rate or the Canadian prime rate plus an additional margin.

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

Fixed Charge Coverage Ratio	U.S. Base Rate, Canadian Base Rate and Canadian	LIBOR Loans, BA Rate Loans and Letter of Credit Fees
-----------------------------	---	--

	Prime Rate Loans	
>1.25 to 1	1.25%	2.25%
<1.25 to 1 and 1.15 to 1	1.50%	2.50%
<1.15 to 1	1.75%	2.75%

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

8. Long-term Debt (continued)

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

Obligations under the 2013 ABL Credit Facility are secured by a first priority security interest in the borrowers' and guarantors' accounts receivable, deposit accounts and similar assets (the "ABL Priority Collateral") and a second priority security interest in the 2014 Term Loan Priority Collateral.

Debt Covenants and Events of Default

A default under the 2014 Term Loan Facility and the 2013 ABL Credit Facility may be triggered by events such as a failure to comply with financial covenants or other covenants under the 2014 Term Loan Facility and the 2013 ABL Credit Facility, a failure to make payments when due under the 2014 Term Loan Facility and the 2013 ABL Credit Facility, a failure to make payments when due in respect of, or a failure to perform obligations relating to, debt obligations in excess of \$15.0 million, a change of control of the Company and certain insolvency proceedings. A default under the 2013 ABL Credit Facility would permit the lenders to terminate their commitment to make cash advances or issue letters of credit, require the immediate repayment of any outstanding cash advances with interest and require the cash collateralization of outstanding letter of credit obligations. A default under the 2014 Term Loan Facility would permit the lenders to require immediate repayment of all principal, interest, fees and other amounts payable thereunder.

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

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

The Company's primary sources of capital are its cash on hand, proceeds from asset sales, operating cash flows and borrowings under the 2013 ABL Credit Facility. Based on current forecasts, through a combination of these sources, the Company expects to have sufficient liquidity and capital resources to meet its obligations for at least the next twelve months. However, the Company can make no assurances regarding its ability to achieve its forecasts.

As of March 31, 2015, the Company did not have any outstanding revolver borrowings. The Company's unused availability under its March 31, 2015 borrowing base certificate was \$83.6 million on a borrowing base of \$133.6 million and outstanding letters of credit of \$50.0 million. If the Company's unused availability under the 2013 ABL

Credit Facility is less than the greater of (i) 15 percent of the revolving commitments or \$22.5 million for five consecutive days, or (ii) 12.5 percent of the revolving commitments or \$18.8 million at any time, or upon the occurrence of certain events of default under the 2013 ABL Credit Facility, the Company is subject to increased reporting requirements, the administrative agent shall have exclusive control over any deposit account, the Company will not have any right of access to, or withdrawal from, any deposit account, or any right to direct the disposition of funds in any deposit account, and amounts in any deposit account will be applied to reduce the outstanding amounts under the 2013 ABL Credit Facility. In addition, if the Company's unused availability under the 2013 ABL Credit Facility is less than the amounts described above, the Company would be required to comply with a Minimum Fixed Charge Coverage Ratio of 1.15 to 1. Based on current forecasts, the Company does not expect its unused availability

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(Unaudited)

8. Long-term Debt (continued)

under the 2013 ABL Credit Facility to be less than the amounts described above and therefore does not expect the Minimum Fixed Charge Coverage Ratio to be applicable over the next twelve months. If the Minimum Fixed Charge Coverage Ratio were to become applicable, the Company would not expect to be in compliance over the next twelve months and would therefore be in default under its credit agreements.

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

- the preparation of financial statements in accordance with GAAP;
- the identification of any events or circumstances, either individually or in the aggregate, that has had or could reasonably be expected to have a material adverse effect on the business, results of operations, properties or condition of the Company;
- limitations on liens and indebtedness;
- limitations on dividends and other payments in respect of capital stock;
- limitations on capital expenditures; and
- limitations on modifications of the documentation of the 2013 ABL Credit Facility.

Fair Value of Debt

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

	March 31, 2015	December 31, 2014
2014 Term Loan Facility	\$204,463	\$270,000
Revolver borrowings under the 2013 ABL Credit Facility	—	—
Capital lease obligations	1,166	1,384
Other obligations	18,148	17,646
Total fair value of debt instruments	\$223,777	\$289,030

The 2014 Term Loan Facility, revolver borrowings under the 2013 ABL Credit Facility, capital lease obligations and other obligations are classified within Level 2 of the fair value hierarchy. The fair values of the 2014 Term Loan Facility have been estimated using discounted cash flow analyses based on the Company's incremental borrowing rate for similar borrowing arrangements. A significant increase or decrease in the inputs could result in a directionally opposite change in the fair value of the 2014 Term Loan Facility.

9. Income Taxes

The effective tax rate on continuing operations was negative 3.5 percent and negative 27.5 percent for the three months ended March 31, 2015 and 2014, respectively. Tax benefit for discrete items for the three months ended March 31, 2015 was approximately \$0.4 million. This amount is composed primarily of a state tax refund. Tax expense for the three months ended March 31, 2015 was \$0.3 million, mainly due to Canadian Tax and Texas Margins Tax offset by the tax benefit from a tax refund. The Company has not recorded the benefit of current year losses in the United States. As of March 31, 2015, U.S. federal and state deferred tax assets continue to be covered by valuation allowances. The ultimate realization of deferred tax assets is dependent upon the generation of future U.S. taxable income. The Company considers the impacts of reversing taxable temporary differences, future forecasted income and available tax planning strategies when forecasting future taxable income and in evaluating whether deferred tax assets are more likely than not to be realized.

In April 2011, the Company discontinued its strategy of reinvesting foreign earnings in foreign operations. This change in strategy continues through the first quarter of 2015. The Company does not anticipate recording tax expense related to future repatriations of foreign earnings to the U.S.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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9. Income Taxes (continued)

The Company expects that the statute of limitations will expire on uncertain tax positions within the next 12 months. Assuming that the statute of limitations expires, the Company would release reserves in the amount of \$0.1 million.

10. Stockholders' Equity

Changes in Accumulated Other Comprehensive Income (Loss) by Component

	Three Months Ended March 31, 2015 (in thousands)		
	Foreign currency translation adjustments	Changes in derivative financial instruments	Total accumulated comprehensive income (loss)
Balance as of December 31, 2014	\$6,863	\$ (4,075)	) \$2,788
Other comprehensive loss before reclassifications	(4,651	) (979	) (5,630
Amounts reclassified from accumulated other comprehensive income (loss)	—	489	489
Net current-period other comprehensive loss	(4,651	) (490	) (5,141
Balance as of March 31, 2015	\$2,212	\$ (4,565)	) \$(2,353
	Three Months Ended March 31, 2014 (in thousands)		
	Foreign currency translation adjustments	Changes in derivative financial instruments	Total accumulated comprehensive income
Balance as of December 31, 2013	\$11,280	\$ (2,473)	) \$8,807
Other comprehensive loss before reclassifications	(2,063	) (1,034	) (3,097
Amounts reclassified from accumulated other comprehensive income (loss)	—	249	249
Net current-period other comprehensive loss	(2,063	) (785	) (2,848
Balance as of March 31, 2014	\$9,217	\$ (3,258)	) \$5,959

Reclassifications out of Accumulated Other Comprehensive Income

Three Months Ended March 31, 2015 (in thousands)

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Details about Accumulated Other Comprehensive Income Components
Interest rate contracts	\$489	Interest expense, net
Total	\$489	

Three Months Ended March 31, 2014 (in thousands)

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Details about Accumulated Other Comprehensive Income Components

	Income	
Interest rate contracts	\$249	Interest expense, net
Total	\$249	

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11. Income (Loss) Per Share

Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted income (loss) per share is based on the weighted average number of shares outstanding during each period and the assumed exercise of potentially dilutive stock options and vesting of restricted stock units less the number of treasury shares assumed to be purchased from the proceeds using the average market price of the Company's stock for each of the periods presented.

Basic and diluted income (loss) per common share from continuing operations is computed as follows (in thousands, except share and per share amounts):

	Three Months Ended	
	March 31,	
	2015	2014
Net loss from continuing operations applicable to common shares (numerator for basic and diluted calculation)	\$(9,431	) \$(16,996)
Weighted average number of common shares outstanding for basic loss per share	49,819,388	48,847,349
Weighted average number of potentially dilutive common shares outstanding	—	—
Weighted average number of common shares outstanding for diluted loss per share	49,819,388	48,847,349
Loss per common share from continuing operations:		
Basic	\$(0.19	) \$(0.35)
Diluted	\$(0.19	) \$(0.35)

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

	Three Months Ended	
	March 31,	
	2015	2014
Stock options	227,750	185,290
Restricted stock and restricted stock rights	571,137	889,179
	798,887	1,074,469

12. Segment Information

The Company's segments are comprised of strategic businesses that are defined by the industries or geographic regions they serve. Each is managed as an operation with well-established strategic directions and performance requirements. Management evaluates the performance of each operating segment based on operating income. To support the segments, the Company has a focused corporate operation led by the executive management team, which, in addition to oversight and leadership, provides general, administrative and financing functions for the organization. The costs to provide these services are allocated, as are certain other corporate costs, to the four operating segments.

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(Unaudited)

12. Segment Information (continued)

The following tables reflect the Company's operations by reportable segment for the three months ended March 31, 2015 and 2014 (in thousands):

	Three Months Ended March 31, 2015					
	Oil & Gas	Utility T&D	Professional Services	Canada	Eliminations	Consolidated
Contract revenue	\$76,440	\$86,986	\$100,141	\$87,009	\$(3,644)	\$346,932
Contract operating expenses	77,386	83,167	88,702	82,032	(3,644)	327,643
Amortization of intangibles	81	2,390	624	—	—	3,095
General and administrative	9,119	5,597	15,116	5,800	—	35,632
Gain on sale of subsidiaries	—	—	—	—	—	(58,549)
Other charges	829	692	1,737	692	—	3,950
Operating income (loss)	\$(10,975)	\$(4,860)	\$(6,038)	\$(1,515)	\$—	35,161
Non-operating expenses						(44,275)
Provision for income taxes						317
Loss from continuing operations						(9,431)
Loss from discontinued operations net of provision for income taxes						(393)
Net loss						\$(9,824)

Other charges incurred during the first quarter of 2015 include \$2.8 million related to the Company's corporate operations and have been allocated to each segment based on a percentage of total revenue.

	Three Months Ended March 31, 2014					
	Oil & Gas	Utility T&D	Professional Services	Canada	Eliminations	Consolidated
Contract revenue	\$177,529	\$83,521	\$100,095	\$117,079	\$(1,686)	\$476,538
Contract operating expenses	186,338	76,777	83,614	96,953	(1,686)	441,996
Amortization of intangibles	82	2,390	647	—	—	3,119
General and administrative	12,121	3,940	14,156	6,855	—	37,072
Operating income (loss)	\$(21,012)	\$414	\$1,678	\$13,271	\$—	(5,649)
Non-operating expenses						(7,678)
Provision for income taxes						3,669
Loss from continuing operations						(16,996)
Loss from discontinued operations net of provision for income taxes						(7,994)
Net loss						\$(24,990)

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

	March 31, 2015	December 31, 2014
Oil & Gas	\$127,540	\$179,305
Utility T&D	219,446	228,094
Professional Services	107,881	137,784
Canada	97,161	95,270

Corporate	55,469	44,697
Total assets, continuing operations	\$607,497	\$685,150

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

13. Contingencies, Commitments and Other Circumstances

Contingencies

Central Maine Power

On January 20, 2014, the Company settled a lawsuit against Central Maine Power Company ("CMP") in connection with an existing project to install transmission lines and perform construction services for CMP, for the project generally known as the Transmission Line Construction of the Southern Loop and Southern Connector portion of the Maine Power Reliability Program (the "MPRP Project"). Under terms of the settlement, CMP made a payment to the Company in the first quarter of 2014 of \$20.1 million, which consisted of \$17.0 million in settlement proceeds and \$3.1 million as an early payment of retention. In addition, CMP extended the schedule and provided other relief on the remainder of the MPRP Project. The impact of the settlement on operating results was recognized in the fourth quarter of 2013. The Company substantially completed the MPRP Project during the third quarter of 2014.

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

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

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

Other

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

In addition to the matters discussed above and in Note 15 - Discontinued Operations, the Company is party to a number of other legal proceedings. Management believes that the nature and number of these proceedings are typical for a firm of similar size engaged in a similar type of business and that none of these proceedings is material to the Company's consolidated results of operations, financial position or cash flows.

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

13. Contingencies, Commitments and Other Circumstances (continued)

Commitments

From time to time, the Company enters into commercial commitments, usually in the form of commercial and standby letters of credit, surety bonds and financial guarantees. Contracts with the Company's customers may require the Company to secure letters of credit or surety bonds with regard to the Company's performance of contracted services. In such cases, the commitments can be called upon in the event of failure to perform contracted services. Likewise, contracts may allow the Company to issue letters of credit or surety bonds in lieu of contract retention provisions, where the client withholds a percentage of the contract value until project completion or expiration of a warranty period. Retention commitments can be called upon in the event of warranty or project completion issues, as prescribed in the contracts. At March 31, 2015, the Company had approximately \$50.0 million of outstanding letters of credit, all of which related to continuing operations. This amount represents the maximum amount of payments the Company could be required to make if these letters of credit are drawn upon. Additionally, the Company issues surety bonds customarily required by commercial terms on construction projects. At March 31, 2015, the Company had bonds outstanding, primarily performance bonds, with a face value at \$395.4 million related to continuing operations. This amount represents the bond penalty amount of future payments the Company could be required to make if the Company fails to perform its obligations under such contracts. The performance bonds do not have a stated expiration date; rather, each is released when the contract is accepted by the owner. The Company's maximum exposure as it relates to the value of the bonds outstanding is lowered on each bonded project as the cost to complete is reduced. As of March 31, 2015, no liability has been recognized for letters of credit or surety bonds.

Other Circumstances

The Company has the usual liability of contractors for the completion of contracts and the warranty of its work. In addition, the Company acts as prime contractor on a majority of the projects it undertakes and is normally responsible for the performance of the entire project, including subcontract work. Management is not aware of any material exposure related thereto which has not been provided for in the accompanying Condensed Consolidated Financial Statements.

14. Fair Value Measurements

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

Fair Value Hierarchy

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

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

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

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

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, notes payable, long-term debt and interest rate contracts. The fair value estimates of the Company's financial instruments have been determined using available market information and appropriate valuation methodologies and approximate carrying value.

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WILLBROS GROUP, INC.

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14. Fair Value Measurements (continued)

Financial Instruments Measured at Fair Value on a Recurring Basis

The Company measures certain financial instruments at fair value on a recurring basis. The fair value of these financial instruments (in thousands) was determined using the following inputs as of March 31, 2015 and December 31, 2014:

	March 31, 2015			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Liabilities:				
Interest rate swaps	\$4,565	\$—	\$4,565	\$—
	December 31, 2014			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Liabilities:				
Interest rate swaps	\$4,075	\$—	\$4,075	\$—
Hedging Arrangements				

The Company attempts to negotiate contracts that provide for payment in U.S. dollars, but it may be required to take all or a portion of payment under a contract in another currency. To mitigate non-U.S. currency exchange risk, the Company seeks to match anticipated non-U.S. currency revenue with expenses in the same currency whenever possible. To the extent it is unable to match non-U.S. currency revenue with expenses in the same currency, the Company may use forward contracts, options or other common hedging techniques in the same non-U.S. currencies. The Company had no derivative financial instruments to hedge currency risk at March 31, 2015 or December 31, 2014.

Interest Rate Swaps

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

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

In September 2010, the Company entered into two interest rate swap agreements for a total notional amount of \$150.0 million to hedge changes in the variable rate interest expense on \$150.0 million of its then existing or replacement LIBOR indexed debt. Under each swap agreement, the Company received interest at either three-month LIBOR or 2

percent (whichever was greater) and paid interest at a fixed rate of 2.68 percent through June 30, 2014. Through August 7, 2013, the swap agreements were designated and qualified as cash flow hedging instruments, with the effective portion of the swaps' change in fair value recorded in OCI. Amounts in OCI were reclassified to interest expense when the hedged interest payments on the underlying debt were recognized during the period when the swaps were designated as cash flow hedges. Through August 7, 2013, the swaps were highly effective hedges, and only an immaterial amount of hedge ineffectiveness was recorded in the Condensed Consolidated Statements of Operations. On August 7, 2013, the swaps were de-designated due to the refinancing of the underlying debt, which decreased the interest rate floor from 2 percent to 1.25 percent. In addition, on August 7, 2013, each swap agreement was transferred to another party through a novation transaction, which increased the Company's interest rate to

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14. Fair Value Measurements (continued)

2.70 percent through June 30, 2014. Changes in the value of the swaps that remain open are reported in earnings and were immaterial for the three months ended March 31, 2015.

The carrying amount and fair value of these swap agreements are equivalent since the Company accounts for these instruments at fair value. The values, as identified below (in thousands), are derived from pricing models using inputs based upon market information, including contractual terms, market prices and yield curves. The inputs to the valuation pricing models are observable in the market, and as such are generally classified as Level 2 in the fair value hierarchy. For validation purposes, the swap valuations are periodically compared to those produced by swap counterparties. Amounts of OCI relating to the interest rate swaps expected to be recognized in interest expense in the coming twelve months totaled \$1.9 million.

	Liability Derivatives		December 31, 2014	
	March 31, 2015		Balance Sheet	Fair Value
	Balance Sheet	Fair	Location	
	Location	Value	Location	Fair Value
Interest rate contracts- swaps	Other current liabilities	\$1,863	Other current liabilities	\$1,865
Interest rate contracts- swaps	Other long-term liabilities	2,702	Other long-term liabilities	2,210
Total derivatives		\$4,565		\$4,075

For the Three Months Ended March 31,

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain Recognized in OCI on Derivative (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion)	
	2015	2014		2015	2014
Interest rate contracts	\$(979)	\$(1,034)	Interest expense, net	\$489	\$249
Total	\$(979)	\$(1,034)		\$489	\$249

15. Discontinued Operations

Business Disposals

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

CTS

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

Hawkeye

In the fourth quarter of 2013, the Company sold certain assets comprising its Hawkeye business to Elecnor Hawkeye, LLC, a subsidiary of Elecnor, Inc. (“Elecnor”). In connection with the sale, the Company recorded total consideration of \$27.7 million, subject to a post-closing working capital adjustment. At the closing, Elecnor delivered two letters of credit, one to the Company for \$16.2 million and the other to the escrow agent for \$8.0 million. The Company recognized a net loss on the sale of \$2.7 million in the fourth quarter of 2013.

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

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15. Discontinued Operations (continued)

Former Nigeria-Based Operations

Litigation and Settlement

On March 29, 2012, the Company and Willbros Global Holdings, Inc., formerly known as Willbros Group, Inc., a Panama corporation (“WGHI”), which is now a subsidiary of the Company, entered into a settlement agreement (the “Settlement Agreement”) with WAPCo to settle a lawsuit filed against WGHI by WAPCo in 2010 under English law in the London High Court in which WAPCo was seeking \$273.7 million plus costs and interest. The lawsuit was based upon a parent company guarantee issued by WGHI to WAPCo in connection with a Nigerian project undertaken by a WGHI subsidiary that was later sold to a third party. WAPCo alleged that the third party defaulted in the performance of the project and thereafter brought the lawsuit against WGHI under the parent company guarantee for its claimed losses.

The Settlement Agreement required that WGHI make payments to WAPCo totaling \$55.5 million. Payments made to WAPCo during 2012, 2013 and the second quarter of 2014 totaled \$22.8 million. On December 30, 2014, the Company made a final payment to WAPCo of \$32.7 million. The Company and WGHI have now fulfilled all of the terms of the Settlement Agreement.

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

Results of Discontinued Operations

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

	Three Months Ended March 31, 2015		
	Hawkeye	CTS	Total
Revenue	\$921	\$—	\$921
Operating loss	(410	) —	(410
Pre-tax loss	(393	) —	(393
Net loss	(393	) —	(393

	Three Months Ended March 31, 2014		
	Hawkeye	CTS	Total
Revenue	\$6,080	\$24,361	\$30,441
Operating loss	(6,499	) (1,377	) (7,876
Pre-tax loss	(6,617	) (1,377	) (7,994
Net loss	(6,617	) (1,377	) (7,994

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

	March 31, 2015
	Hawkeye
Accounts receivable, net	\$5,513
Contract cost and recognized income not yet billed	66
Prepaid expenses	16
Property, plant and equipment, net	111
Other	—
Total assets	5,706
Accounts payable and accrued liabilities	\$4,336
Other	404
Total liabilities	4,740
Net assets of discontinued operations	966

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15. Discontinued Operations (continued)

	December 31, 2014
	Hawkeye
Accounts receivable, net	\$5,564
Contract cost and recognized income not yet billed	66
Property, plant and equipment, net	511
Prepaid expenses	16
Other	900
Total assets	7,057
Accounts payable and accrued liabilities	\$3,970
Other	1,215
Total liabilities	5,185
Net assets of discontinued operations	1,872

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

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

OVERVIEW

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

First Quarter of 2015

In the first quarter of 2015, we reported contract revenue of \$346.9 million, a decrease of approximately \$129.6 million from the first quarter of 2014. The decrease was attributed primarily to decreases of \$101.1 million in our Oil & Gas segment as well as a decrease of \$30.1 million in our Canada segment. The Utility T&D segment reported revenue of \$87.0 million, an increase of \$3.5 million compared to 2014. The Professional Services segment remained relatively flat quarter-over-quarter with reported revenue of \$100.1 million. The Professional Services results include the contributions of UtilX Corporation ("UtilX") and Premier Utility Services, LLC ("Premier"), which were sold in March of 2015.

Operating income of \$35.2 million includes a \$58.5 million gain from the sale of UtilX and Premier mentioned above. All four of our segments reported operating losses in the first quarter of 2015, totaling \$23.4 million. Our Oil & Gas segment reduced its operating loss from \$21.0 million in the first quarter of 2014 to a loss of \$11.0 million in the first quarter of 2015. Canada reported a loss of \$1.5 million in the first three months of 2015 as compared to income of \$13.3 million in the same period of 2014. Utility T&D, which was break even in 2014, reported a \$4.9 million operating loss, and Professional Services reported an operating loss of \$6.0 million in the first quarter of 2015 compared to operating profit of \$1.7 million in 2014.

Contract revenue of \$76.4 million generated by our Oil & Gas segment decreased approximately 56.9 percent from the first quarter of 2014 due primarily to lower volumes of work for our pipeline construction services in addition to the winding-down of our regional delivery service offerings. These two businesses delivered approximately \$130.4 million of combined revenue in the first quarter of 2014 as compared to a combined \$35.7 million in the first quarter of 2015. The operating loss of \$11.0 million in the first quarter of 2015 was a \$10.0 million improvement over the \$21.0 million loss in the first quarter of 2014, primarily due to a reduction of losses in pipeline construction projects and strong performance by our facilities and integrity construction services. We are continuing to right-size our Oil & Gas segment and will address the regional market opportunities on a project-specific basis going forward. The projects in the regions we pursue and execute will be managed through our experienced legacy pipeline and facilities teams in Houston, Texas.

Contract revenue of \$87.0 million generated by our Utility T&D segment increased \$3.5 million from the first quarter of 2014. The operating loss of \$4.9 million is primarily attributed to an 11 percent decrease in transmission construction activity, which carries higher margins than maintenance work. We also experienced a reduction in activity in our environmental and matting services during the first quarter of 2015 relative to 2014. This segment now has an operating presence in ten states and a more balanced customer base with increased revenue opportunities throughout the southeastern United States, with new customers and master service agreements for transmission, substation and distribution construction and maintenance.

Fewer capital projects and a contraction in the level of construction and maintenance activities impacted our Canada segment, which reported contract revenue of \$87.0 million, down \$30.1 million from the same period last year. The \$1.5 million operating loss for the first quarter of 2015 is a decrease of \$14.8 million from operating profit of \$13.3 million in 2014. Canada is focused on meeting cost containment targets imposed by its customer base, and the

management team is right-sizing operations for the changed business environment.

Our Professional Services segment reported first quarter 2015 revenue of \$100.1 million, flat compared to the same period of 2014. Of this \$100.1 million, \$27.2 million related to revenue from UtilX and Premier. This revenue will not recur in the future. The operating loss of \$6.0 million was a decrease of \$7.7 million from operating income of \$1.7 million in the first quarter of 2014. The primary drivers related to lower utilization in our EPC services in the upstream markets as well as increased losses in UtilX and Premier that were sold during the quarter. Exclusive of corporate and segment allocations, these two service offerings recorded operating losses of \$3.1 million and \$0.1 million for the first quarter of 2015 and 2014, respectively.

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Looking Forward

During the first quarter of 2015, we are continuing to focus on right-sizing, simplifying the management structure, improving internal communications and controls, reinforcing operating teams with experienced industry veterans and improving the balance sheet. The decline in crude oil prices, the resultant drop in the rig count and the reduced capital budgets of producers and transporters all continue to impact our customers, our markets and our outlook. Recognizing these factors, we are continuing to rationalize not only our Oil & Gas segment but also our other segments, with the objective of reducing our general and administrative costs and the indirect costs required to support our service lines, in order to achieve positive operating performance. Our immediate objective is to be smaller, leaner and to generate positive cash flows. We continue to expect bidding opportunities for all four of our segments. Our Utility T&D segment is not being affected by the oil price environment and has growth opportunities. Our challenge in Utility T&D is to capture transmission construction work which fills our calendar and enables smooth transition from project to project, in order to accomplish full utilization of our work force. In Oil & Gas, the second half of 2015 is expected to present more project opportunities, especially associated with natural gas. We are right-sizing to reduce costs and maintain the teams we need to bid, win and execute the opportunities we have identified for late 2015 and 2016. In Canada, we expect continued long term opportunity in the oil sands providing construction and maintenance services to the mine sites, and our presence on these sites positions us for capital projects which fit our experience and skill sets. The potential for mainline pipeline construction projects in Canada provides upside to our outlook there. Our Professional Services segment has the experience and skill sets to participate in the continuing build-out of natural gas infrastructure, which we expect to be emphasized by our customers over the next two years. The integrity services market is also providing opportunity for Professional Services. The overriding goal of the new management team is to stabilize the company at levels that reduce operational risk and generate positive returns. To accomplish this, we are continuing to right-size our businesses, and manage liquidity and reduce our debt, in part through sales of discrete non-core assets.

Other Financial Measures

Adjusted EBITDA from Continuing Operations

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

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

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

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

Adjusted EBITDA from continuing operations is not a financial measurement recognized under U.S. generally accepted accounting principles, or U.S. GAAP. When analyzing our operating performance, investors should use Adjusted EBITDA from continuing operations in addition to, and not as an alternative for, net income, operating income, or any other performance measure derived in accordance with U.S. GAAP, or as an alternative to cash flow from operating activities as a measure of our liquidity. Because not all companies use identical calculations, our presentation of Adjusted EBITDA from continuing operations may be different from similarly titled measures of other companies.

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

	Three Months Ended	
	March 31, 2015	March 31, 2014
Loss from continuing operations	\$ (9,431	) \$ (16,996
Interest expense, net	8,296	7,718
Provision for income taxes	317	3,669
Depreciation and amortization	8,619	9,164
Impairment of long-lived asset	1,979	—
Debt covenant suspension and extinguishment charges	35,869	—
Stock based compensation	1,918	2,479
Restructuring and reorganization costs	1,223	220
Accounting and legal fees associated with the restatements	476	—
Gain on sale of subsidiaries	(58,549) —
Gain on disposal of property and equipment	(280	) (1,242
Adjusted EBITDA from continuing operations	\$ (9,563	) \$ 5,012

Backlog

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

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

At March 31, 2015, total backlog was approximately \$1.2 billion and 12 month backlog was approximately \$0.6 billion. In comparison to December 31, 2014, total backlog decreased approximately \$196.5 million and 12 month backlog decreased approximately \$140.0 million. Of these overall decreases, approximately \$137.5 million and \$87.1 million in total and 12 month backlog, respectively, is attributable to the sale of our UtilX and Premier subsidiaries in the first quarter of 2015. See Note 3 – Business Disposals for additional information associated with these disposals. The remaining overall decreases were primarily related to reductions and downgrades in forecasts for maintenance projects in our Canada segment as a result of current market conditions, as well as the continued work-off of MSAs, which are subject to renewal options. In addition, all of our segments experienced declines in backlog due to revenue burn-off exceeding project additions.

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

	March 31, 2015				December 31, 2014			
	12 Month	Percent	Total	Percent	12 Month	Percent	Total	Percent
Oil & Gas	\$92,330	15.4 %	\$94,903	8.3 %	\$106,267	14.4 %	\$109,840	8.1 %
Utility T&D	295,857	49.3 %	795,492	68.8 %	295,957	40.0 %	803,392	59.4 %
Professional Services	86,722	14.5 %	97,536	8.4 %	191,122	25.8 %	250,574	18.6 %
Canada	124,720	20.8 %	167,904	14.5 %	146,328	19.8 %	188,508	13.9 %
Total Backlog	\$599,629	100.0 %	\$1,155,835	100.0 %	\$739,674	100.0 %	\$1,352,314	100.0 %

Total Backlog by Geographic Region	March 31, 2015		December 31, 2014	
	Total	Percent	Total	Percent
United States	\$985,905	85.3 %	\$1,161,543	85.9 %
Canada	167,904	14.5 %	188,508	13.9 %
Other International	2,026	0.2 %	2,263	0.2 %
Backlog	\$1,155,835	100.0 %	\$1,352,314	100.0 %

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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RESULTS OF OPERATIONS

Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014

(in thousands)

	2015	2014	Change
Contract revenue			
Oil & Gas	\$76,440	\$177,529	\$(101,089)
Utility T&D	86,986	83,521	3,465
Professional Services	100,141	100,095	46
Canada	87,009	117,079	(30,070)
Eliminations	(3,644)	(1,686)	(1,958)
Total	346,932	476,538	(129,606)
General and administrative	35,632	37,072	(1,440)
Gain on sale of subsidiaries	(58,549)	—	(58,549)
Other charges	3,950	—	3,950
Operating income (loss)			
Oil & Gas	(10,975)	(21,012)	10,037
Utility T&D	(4,860)	414	(5,274)
Professional Services	(6,038)	1,678	(7,716)
Canada	(1,515)	13,271	(14,786)
Corporate	58,549	—	58,549
Total	35,161	(5,649)	40,810
Non-operating expenses	(44,275)	(7,678)	(36,597)
Loss from continuing operations before income taxes	(9,114)	(13,327)	4,213
Provision for income taxes	317	3,669	(3,352)
Loss from continuing operations	(9,431)	(16,996)	7,565
Loss from discontinued operations net of provision for income taxes	(393)	(7,994)	7,601
Net loss	\$(9,824)	\$(24,990)	\$15,166

Consolidated Results

Contract Revenue

Contract revenue decreased \$129.6 million in the first quarter of 2015 primarily related to a reduction of revenues in our Oil & Gas and Canada segments primarily due to a lower volume of work resulting from current market conditions, including the decline in crude oil prices and the reduction in capital spending of a large number of exploration and production companies. This decrease was partially offset by an increase in revenue from our Utility T&D segment primarily due to distribution MSA work in Texas and the Mid-Atlantic.

General and Administrative Expenses

General and administrative expense decreased \$1.4 million quarter-over-quarter as a result of cost reduction initiatives taken in 2015. We are continuing to take the necessary measures to reduce our general and administrative costs.

Gain on Sale of Subsidiaries

Gain on sale of subsidiaries increased \$58.5 million as a result of the sale of UtilX and Premier in the first quarter of 2015.

Other Charges

Other charges increased \$4.0 million primarily as a result of a \$2.0 million impairment charge on a company asset as well as \$0.5 million in legal and accounting fees, \$0.7 million in lease abandonment charges, \$0.5 million in employee severance charges and \$0.3 million in the accelerated vesting of stock awards related to management changes and

headcount reductions across the Company during the first quarter of 2015.

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Operating Income

Operating income increased \$40.8 million in the first quarter of 2015 driven primarily by the gain on sale of subsidiaries discussed above, in addition to a reduction of losses in our Oil & Gas segment due to the fact that the losses incurred on a significant pipeline construction project in 2014 were not incurred in 2015. These increases were partially offset by reduced performance in our Canada segment primarily attributed to the close-out of major project work, declining crude oil prices and other market conditions.

Non-Operating Expenses

Non-operating expenses increased \$36.6 million in the first quarter of 2015, primarily due to \$35.9 million in debt covenant suspension and extinguishment charges related to the fair value of outstanding stock issued during the first quarter of 2015, prepayment premiums in connection with early payments against our 2014 Term Loan Facility and the write-off of debt issuance costs.

Provision for Income Taxes

Provision for income taxes decreased \$3.4 million in the first quarter of 2015 primarily attributed to decreased profitability in our Canada segment, which is subject to an income tax provision. We have not recorded the benefit of current year losses in the United States for the first quarter of 2015 as our U.S. federal and state deferred tax assets continue to be covered by valuation allowances.

Loss from Discontinued Operations, Net of Taxes

Loss from discontinued operations decreased \$7.6 million in the first quarter of 2015 primarily due to decreased losses attributed to the Maine Power Reliability Program (“MPRP”) Project, quarter-over-quarter.

Segment Results

Oil & Gas Segment

Contract revenue decreased \$101.1 million in the first quarter of 2015 primarily related to lower volumes of work for our pipeline construction services and our downstream services, in addition to the winding-down of our regional delivery services, which is shifting from an office-centric model to a project-centric model in the Permian and the Northern Plains.

Operating loss decreased \$10.0 million in the first quarter of 2015 primarily related to improved performance in our facilities and integrity construction services as well as a reduction of losses from a significant pipeline construction project in comparison to the first quarter of 2014. This improvement was partially offset by increased losses in our downstream construction and maintenance services due to reduced demand and in our regional delivery services where overall cost reductions have lagged behind the overall revenue decline and shift to a more project-centric model.

Utility T&D Segment

Contract revenue increased \$3.5 million in the first quarter of 2015 driven primarily by growth in distribution MSA work in Texas and the Mid-Atlantic. The increase in distribution work was partially offset by a decrease in transmission construction work quarter-over-quarter for a key customer.

Operating income decreased \$5.3 million in the first quarter of 2015 driven primarily by decreased productivity in transmission construction, distribution MSA work, and environmental and matting services.

Professional Services Segment

Contract revenue remained relatively flat quarter-over-quarter. The increased demand and growth in field solutions, right-of-way and survey work in the upstream market was partially offset by lower utilization related to our EPC services in the upstream market and engineering services in the downstream market.

Operating income decreased \$7.7 million in the first quarter of 2015 primarily due to lower utilization related to EPC services in the upstream market as well as increased losses in our cable restoration services and contact voltage, gas leak detection and utility-line locating services which were both sold in March of 2015.

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Canada Segment

Contract revenue decreased \$30.1 million in the first quarter of 2015 primarily attributed to a lower volume of work performed on construction and maintenance and fabrication activities and specialty service projects quarter-over-quarter. This decrease was partially offset by increased activity within our tanks and facilities and electrical and instrumentation service offerings.

Operating income decreased \$14.8 million quarter-over-quarter primarily due to the completion of a key construction project which has converted to maintenance work, yielding lower overall margins, as well as the decrease in market demand for capital projects in the construction and maintenance space.

Corporate

Operating income increased \$58.5 million in the first quarter of 2015 due to the gain on sale of subsidiaries discussed above.

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LIQUIDITY AND CAPITAL RESOURCES

Additional Sources and Uses of Capital

2014 Term Loan Facility

On December 15, 2014, we entered into a new credit agreement dated as of December 15, 2014 (the “2014 Term Credit Agreement”) among Willbros Group, Inc., certain of its subsidiaries, as guarantors, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and KKR Credit Advisors (US) LLC, as sole lead arranger and sole Bookrunner. The 2014 Term Credit Agreement replaced the six-year \$250.0 million term loan facility maturing on August 7, 2019 with JP Morgan Chase Bank, N.A. serving as a sole administrative agent for the lenders thereunder (the “2013 Term Loan Facility”).

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

The term loans bear interest at the “Adjusted Base Rate” plus an applicable margin of 8.75 percent, or the “Eurodollar Rate” plus an applicable margin of 9.75 percent. The interest rate in effect at March 31, 2015 and 2014 was 11 percent, comprised of an applicable margin of 9.75 percent for Eurodollar Rate loans plus a LIBOR floor of 1.25 percent.

In the first quarter of 2015, we made early payments of approximately \$64.8 million against our 2014 Term Loan Facility. As a result of these early payments, we recorded debt extinguishment charges of approximately \$1.6 million, which consisted of prepayment premiums of 2 percent and the write-off of debt issuance costs.

2013 ABL Credit Facility

On August 7, 2013 we entered into a five-year \$150.0 million asset based senior revolving credit facility maturing on August 7, 2018 with Bank of America, N.A. serving as sole administrative agent for the lenders thereunder, collateral agent, issuing bank and swingline lender (as amended by the First Amendment to Loan, Security and Guaranty Agreement dated as of August 30, 2013, the Second Amendment to Loan, Security and Guaranty Agreement dated as of April 1, 2014 and the Third Amendment to Loan, Security and Guaranty Agreement dated as of December 15, 2014 (the “Third Amendment”), the “2013 ABL Credit Facility”). The Third Amendment amended the 2013 ABL Credit Facility to take into account the refinancing of the Company’s 2013 Term Loan Facility pursuant to the 2014 Term Credit Agreement and to make certain changes to the definition of Consolidated EBITDA.

The initial aggregate amount of commitments for the 2013 ABL Credit Facility is comprised of \$125.0 million for the U.S. facility (the “U.S. Facility”) and \$25.0 million for the Canadian facility (the “Canadian Facility”). The 2013 ABL Credit Facility includes a sublimit of \$100.0 million for letters of credit and an accordion feature permitting the borrowers, under certain conditions, to increase the aggregate amount by an incremental \$75.0 million, with additional commitments from existing lenders or new commitments from lenders reasonably acceptable to the administrative agent. The borrowers under the U.S. Facility consist of all of our U.S. operating subsidiaries with assets included in the borrowing base, and the U.S. Facility is guaranteed by Willbros Group, Inc. and its material U.S. subsidiaries, other than excluded subsidiaries. The borrower under the Canadian Facility is Willbros Construction Services (Canada) LP, and the Canadian Facility is guaranteed by Willbros Group, Inc. and all of its material U.S. and Canadian subsidiaries, other than excluded subsidiaries.

Advances under the U.S. and Canadian Facility are limited to a borrowing base consisting of the sum of 85 percent of the value of “eligible accounts” and 60 percent of the value of “eligible unbilled accounts” less applicable reserves, which the administrative agent may establish from time to time in its permitted discretion. Eligible unbilled accounts may not exceed \$50.0 million in the aggregate. Advances in U.S. dollars bear interest at a rate equal to LIBOR or the U.S. or Canadian base rate plus an additional margin. Advances in Canadian dollars bear interest at the Bankers Acceptance (“BA”) Equivalent Rate or the Canadian prime rate plus an additional margin.

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The interest rate margins are adjusted each quarter based on our fixed charge coverage ratio as of the end of the previous quarter as follows:

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

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

Obligations under the 2013 ABL Credit Facility are secured by a first priority security interest in the borrowers' and guarantors' accounts receivable, deposit accounts and similar assets (the "ABL Priority Collateral") and a second priority security interest in the 2014 Term Loan Priority Collateral.

Debt Covenants and Events of Default

A default under the 2014 Term Loan Facility and the 2013 ABL Credit Facility may be triggered by events such as a failure to comply with financial covenants or other covenants under the 2014 Term Loan Facility and the 2013 ABL Credit Facility, a failure to make payments when due under the 2014 Term Loan Facility and the 2013 ABL Credit Facility, a failure to make payments when due in respect of, or a failure to perform obligations relating to, debt obligations in excess of \$15.0 million, a change of control of the Company and certain insolvency proceedings. A default under the 2013 ABL Credit Facility would permit the lenders to terminate their commitment to make cash advances or issue letters of credit, require the immediate repayment of any outstanding cash advances with interest and require the cash collateralization of outstanding letter of credit obligations. A default under the 2014 Term Loan Facility would permit the lenders to require immediate repayment of all principal, interest, fees and other amounts payable thereunder.

On March 31, 2015, (the "Closing Date"), we amended the 2014 Term Credit Agreement pursuant to a First Amendment (the "First Amendment"). The First Amendment, among other things, suspends the calculation of the Maximum Total Leverage Ratio and Minimum Interest Coverage Ratio covenants for the period from December 31, 2014 through March 31, 2016 (the "Covenant Suspension Period") and provides that any failure by us to comply with the Maximum Total Leverage Ratio or Minimum Interest Coverage Ratio during the Covenant Suspension Period shall not be deemed to result in a default or event of default. Prior to obtaining the First Amendment, we would have not complied with the Maximum Total Leverage Ratio and Minimum Interest Coverage Ratio at March 31, 2015. In consideration of the suspension of the calculation of the Maximum Total Leverage Ratio and Minimum Interest Coverage Ratio for the Covenant Suspension Period, we entered into a subscription agreement pursuant to which we issued approximately 10.1 million shares, which is equivalent to 19.9 percent of the outstanding shares of our common stock immediately prior to the Closing Date of the First Amendment, to KKR Lending Partners II L.P. and other entities indirectly advised by KKR Credit Advisers (US), LLC. In connection with this transaction, we recorded debt covenant suspension charges of approximately \$33.5 million which represents the fair value of the 10.1 million shares of common stock issued, multiplied by the closing stock price on the Closing Date. In addition, we recorded debt extinguishment charges of approximately \$0.8 million related to the write-off of debt issuance costs associated with our 2014 Term Loan Facility.

Our primary sources of capital are cash on hand, proceeds from asset sales, operating cash flows and borrowings under the 2013 ABL Credit Facility. Based on current forecasts, through a combination of these sources, we expect to have sufficient liquidity and capital resources to meet our obligations for at least the next twelve months. However, we can make no assurances regarding our ability to achieve our forecasts.

As of March 31, 2015, we did not have any outstanding revolver borrowings and our unused availability under our March 31, 2015 borrowing base certificate was \$83.6 million on a borrowing base of \$133.6 million and outstanding letters of credit of \$50.0 million. If our unused availability under the 2013 ABL Credit Facility is less than the greater of (i) 15 percent of the revolving commitments or \$22.5 million for five consecutive days, or (ii) 12.5 percent of the revolving commitments or \$18.8 million at any time, or upon the occurrence of certain events of default under the 2013 ABL Credit Facility, we would be subject to increased reporting requirements, the administrative agent shall have exclusive control over any deposit account, we

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will not have any right of access to, or withdrawal from, any deposit account, or any right to direct the disposition of funds in any deposit account, and amounts in any deposit account will be applied to reduce the outstanding amounts under the 2013 ABL Credit Facility. In addition, if our unused availability under the 2013 ABL Credit Facility is less than the amounts described above, we would be required to comply with a Minimum Fixed Charge Coverage Ratio of 1.15 to 1. Based on current forecasts, we do not expect our unused availability under the 2013 ABL Credit Facility to be less than the amounts described above and therefore do not expect the Minimum Fixed Charge Coverage Ratio to be applicable over the next twelve months. If the Minimum Fixed Charge Coverage Ratio were to become applicable, we would not expect to be in compliance over the next twelve months and would therefore be in default under our credit agreements.

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

- the preparation of financial statements in accordance with GAAP;
- the identification of any events or circumstances, either individually or in the aggregate, that has had or could reasonably be expected to have a material adverse effect on our business, results of operations, properties or condition;
- limitations on liens and indebtedness;
- limitations on dividends and other payments in respect of capital stock;
- limitations on capital expenditures; and
- limitations on modifications of the documentation of the 2013 ABL Credit Facility.

Cash Balances

As of March 31, 2015, we had cash and cash equivalents of \$39.0 million. Our cash and cash equivalent balances held in the United States and foreign countries were \$28.5 million and \$10.5 million, respectively. In 2011, we discontinued our strategy of reinvesting non-U.S. earnings in foreign operations.

Our working capital position for continuing operations decreased \$15.5 million to \$188.3 million at March 31, 2015 from \$203.8 million at December 31, 2014, largely attributable to decreased accounts receivable and to a decrease in unbilled revenue partially offset by decreased accounts payable. We expect that our liquidity will improve as we increase our project billings and collections from customers.

Cash Flows

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

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Cash flows provided by (used in) continuing operations by type of activity were as follows for the three months ended March 31, 2015 and 2014 (in thousands):

	2015	2014	Increase (Decrease)
Operating activities	\$(3,894	) \$(286	) \$(3,608
Investing activities	84,553	19,259	65,294
Financing activities	(64,623	) (23,160	) (41,463
Effect of exchange rate changes	(834	) (823	) (11
Cash provided by (used in) all continuing activities	\$15,202	\$ (5,010	) \$20,212

Operating Activities

Cash flow from operations is primarily influenced by demand for our services, operating margins and the type of services we provide, but can also be influenced by working capital needs such as the timing of collection of receivables and the settlement of payables and other obligations. Working capital needs are generally higher during the summer and fall months when the majority of our capital-intensive projects are executed. Conversely, working capital assets are typically converted to cash during the late fall and winter months. Operating activities from continuing operations used net cash of \$3.9 million during the three months ended March 31, 2015 as compared to \$0.3 million used during the same period of 2014. The \$3.6 million increase in cash flow used by operating activities is primarily a result of the following:

- An increase in cash flow used by accounts payable of \$25.7 million attributed primarily to an increase of cash payments to vendors during the period as we balance our receivable collections with our vendor payments; and
- An increase in cash flow used by continuing operations of \$17.0 million related to an increase in net loss, adjusted for any non-cash items.

This was partially offset by:

- An increase in cash flow provided by accounts receivable of \$21.9 million related to an increase in customer cash collections during the period;
- An increase in cash flow provided by contracts in progress of \$7.5 million related to increased billings on projects during the period;
- A decrease in cash flow used by prepaids and other assets of \$4.6 million attributed primarily to changes in business activity as well as the timing of prepaid policies; and
- A decrease in cash flow used by accrued income taxes of \$2.9 million primarily related to decreased income tax payments made during the period.

Investing Activities

Investing activities provided net cash of \$84.6 million during the three months ended March 31, 2015 as compared to \$19.3 million provided during the same period in 2014. The \$65.3 million increase in cash flow provided by investing activities is primarily the result of the difference between the proceeds from sales of subsidiaries in the first three months of 2015 as compared to the first three months of 2014. We received \$85.7 million in proceeds from the sales of UtilX and Premier in the first quarter of 2015 and \$21.2 million for the sale of Hawkeye during the first quarter of 2014.

Financing Activities

Financing activities used net cash of \$64.6 million during the three months ended March 31, 2015 as compared to \$23.2 million used during the same period of 2014. The \$41.4 million increase in cash flow used in financing activities is primarily a result of the \$62.6 million increase in payments made against our term loan and the \$11.2 million increase in payments against our revolver and notes payable during the first three months of 2015 as compared

to 2014. This increase in cash flow used was partially offset by a \$32.1 million increase in proceeds received from our revolver and notes payable quarter-over-quarter.

Discontinued Operations

Cash flows provided by discontinued operations decreased \$14.8 million in the first three months of 2015 as compared to the same period in 2014. This decrease was primarily due to the receipt of \$17.0 million in settlement proceeds from the Central Maine Power Company in 2014, partially offset by decreased losses attributed to the MPRP Project quarter-over-quarter.

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Interest Rate Risk

Interest Rate Swaps

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

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

In September 2010, we entered into two interest rate swap agreements for a total notional amount of \$150.0 million to hedge changes in the variable rate interest expense on \$150.0 million of our then existing or replacement LIBOR indexed debt. Under each swap agreement, we received interest at either three-month LIBOR or 2 percent (whichever is greater) and paid interest at a fixed rate of 2.68 percent through June 30, 2014. Through August 7, 2013, the swap agreements were designated and qualified as cash flow hedging instruments, with the effective portion of the swaps' change in fair value recorded in OCI. Amounts in OCI were reclassified to interest expense when the hedged interest payments on the underlying debt were recognized during the period when the swaps were designated as cash flow hedges. Through August 7, 2013, the swaps were highly effective hedges, and only an immaterial amount of hedge ineffectiveness was recorded in the Condensed Consolidated Statements of Operations. On August 7, 2013, the swaps were de-designated due to the refinancing of the underlying debt, which decreased the interest rate floor from 2 percent to 1.25 percent. In addition, on August 7, 2013, each swap agreement was transferred to another party through a novation transaction, which increased our interest rate to 2.70 percent through June 30, 2014. Changes in the value of the swaps that remain open are reported in earnings and were immaterial for the three months ended March 31, 2015.

The carrying amount and fair value of these swap agreements are equivalent since we account for these instruments at fair value. The values are derived from pricing models using inputs based upon market information, including contractual terms, market prices and yield curves. The inputs to the valuation pricing models are observable in the market, and as such are generally classified as Level 2 in the fair value hierarchy. For validation purposes, the swap valuations are periodically compared to those produced by swap counterparties. Amounts of OCI relating to the interest rate swaps expected to be recognized in interest expense in the coming twelve months totaled \$1.9 million.

Capital Requirements

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

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

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

• Funding our 2015 capital budget of approximately \$12.0 million of which \$11.2 million remained unspent as of March 31, 2015.

We believe that our financial results combined with our current liquidity and financial management will provide sufficient funds to enable us to meet our future operating needs and our planned capital expenditures, as well as

facilitate our ability to grow in the foreseeable future. We continue to pursue additional opportunities to reduce our indebtedness, which may include additional sales of non-strategic and under-performing assets (including equipment, real property and businesses).

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Contractual Obligations

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

NEW ACCOUNTING PRONOUNCEMENTS

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

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FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

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

• inability to obtain adequate financing on reasonable terms;

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

• loss of the services of key management personnel;

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

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

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

• changes in the scope of our expected insurance coverage;

• inability to manage insurable risk at an affordable cost;

• enforceable claims for which we are not fully insured;

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

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

• and

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

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

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

Table of Contents**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

Under our 2014 Term Loan Facility and the 2013 ABL Credit Facility, a 100 basis point increase in interest rates would increase interest expense by approximately \$0.3 million. Conversely, a 100 basis point decrease in interest rates would decrease interest expense by \$0.3 million.

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

In September 2010, we entered into two interest rate swap agreements for a total notional amount of \$150.0 million to hedge changes in the variable rate interest expense on \$150.0 million of our then existing or replacement LIBOR indexed debt. Under each swap agreement, we were to receive interest at either three-month LIBOR or 2.0 percent (whichever was greater) and pay interest at a fixed rate of 2.68 percent through June 30, 2014. Through August 7, 2013, the swap agreements were designated and qualified as cash flow hedging instruments, with the effective portion of the swaps' change in fair value recorded in OCI. Amounts in OCI were reclassified to interest expense when the hedged interest payments on the underlying debt were recognized during the period when the swaps were designated as cash flow hedges. Through August 7, 2013, the swaps were highly effective hedges, and only an immaterial amount of hedge ineffectiveness was recorded in the Consolidated Statements of Operations. On August 7, 2013, the swaps were de-designated due to the refinancing of the underlying debt, which decreased the interest rate floor from 2 percent to 1.25 percent. In addition, on August 7, 2013, each swap agreement was transferred to another party through a novation transaction, which increased our interest rate to 2.70 percent through June 30, 2014. Changes in the value of the swaps that remain open are reported in earnings and were immaterial for the three months ended March 31, 2015.

The carrying amount and fair value of the swap agreements are equivalent since we account for these instruments at fair value. The fair value of the swap agreements was \$4.6 million at March 31, 2015 and was based on using a model with Level 2 inputs including quoted market prices for contracts with similar terms and maturity dates. A 100 basis point increase in interest rates would increase the fair value of the swaps by \$2.7 million. Conversely, a 100 basis point decrease in interest rates (subject to minimum rates of zero) would decrease the fair value of the swaps by \$2.1 million.

Foreign Currency Risk

We are exposed to market risk associated with changes in non-U.S. (primarily Canada) currency exchange rates. To mitigate our risk, we may borrow Canadian dollars under our Canadian Facility to settle U.S. dollar account balances. We attempt to negotiate contracts which provide for payment in U.S. dollars, but we may be required to take all or a portion of payment under a contract in another currency. To mitigate non-U.S. currency exchange risk, we seek to match anticipated non-U.S. currency revenue with expense in the same currency whenever possible. To the extent we are unable to match non-U.S. currency revenue with expense in the same currency, we may use forward contracts, options or other common hedging techniques in the same non-U.S. currencies. We had no forward contracts or options at March 31, 2015 and 2014.

Other

The carrying amounts for cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities shown in the Condensed Consolidated Balance Sheets approximate fair value at March 31, 2015 due to the generally short maturities of these items. At March 31, 2015, we invested primarily in short-term dollar denominated bank deposits. We have the ability and expect to hold our investments to maturity.

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ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

As of March 31, 2015, we have carried out an evaluation under the supervision of, and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, our disclosure controls and procedures were not effective as of March 31, 2015, due to material weaknesses in internal control over financial reporting as described below.

Material Weaknesses in Internal Control Over Financial Reporting

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

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

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

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

Remediation Plans for Material Weaknesses in Internal Control Over Financial Reporting

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

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

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

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

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

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

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

Changes in Internal Control over Financial Reporting

There were no change in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the quarterly period ended March 31, 2015.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

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

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

The following table provides information about purchases of our common stock by us during the quarter ended March 31, 2015:

	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
January 1, 2015 - January 31, 2015	3,312	\$5.92	—	—
February 1, 2015 - February 28, 2015	—	—	—	—
March 1, 2015 - March 31, 2015	34,376	4.28	—	—
Total	37,688	\$4.42	—	—

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

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

For information on unregistered sales of equity securities during the three months ended March 31, 2015, see our current report on Form 8-K dated March 31, 2015, filed with the SEC on April 3, 2015.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

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ITEM 6. EXHIBITS

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

- 2.1 Stock Purchase Agreement dated as of March 17, 2015 by and among Novinium, Inc., Willbros Utility T&D Holdings, LLC and the Company (filed as Exhibit 2.1 to our current report on Form 8-K dated March 17, 2015, filed March 23, 2015).
- 2.2 Units Purchase Agreement dated as of March 31, 2015, by and among USIC Locating Services, LLC, as Purchaser, Willbros United States Holdings, Inc., as Seller, and the Company (filed as Exhibit 2.1 to our current report on Form 8-K dated March 31, 2015, filed April 3, 2015).
- 4.1 Amended and Restated Stockholder Agreement dated as of March 19, 2015, by and between the Company and InfrastruX Holdings, LLC (filed as Exhibit 4.1 to our current report on Form 8-K dated March 17, 2015, filed March 23, 2015).
- 10.1 First Amendment to Credit Agreement dated as of March 31, 2015, by and among the Company, as Borrower, certain subsidiary Guarantors party thereto, the Lenders party thereto, KKR Credit Advisors (US) LLC, as Arranger, and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.1 to our current report on Form 8-K dated March 31, 2015, filed April 3, 2015).
- 10.2 Subscription Agreement dated as of March 31, 2015, by and among the Company and the Subscribers listed on Schedule A thereto (filed as Exhibit 10.2 to our current report on Form 8-K dated March 31, 2015, filed April 3, 2015).
- 10.3 Registration Rights Agreement dated as of March 31, 2015, by and among the Company and the Subscribers listed on the signature pages thereto (filed as Exhibit 10.3 to our current report on Form 8-K dated March 31, 2015, filed April 3, 2015).
- 10.4 Waiver and Release Agreement dated as of February 10, 2015 between Willbros Group, Inc. and James L. Gibson.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURE

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

WILLBROS GROUP, INC.

Date: May 5, 2015

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

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