

Willbros Group, Inc.\NEW\
Form 10-Q
December 15, 2014
Table of Contents

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 September 30, 2014

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 December 8, 2014 was 50,683,732.

Table of Contents

WILLBROS GROUP, INC.
 FORM 10-Q
 FOR QUARTER ENDED SEPTEMBER 30, 2014

| | Page |
|---|-----------|
| <u>PART I – FINANCIAL INFORMATION</u> | |
| <u>Item 1. Financial Statements</u> | |
| <u>Condensed Consolidated Balance Sheets as of September 30, 2014 (Unaudited) and December 31, 2013</u> | <u>3</u> |
| <u>Condensed Consolidated Statements of Operations (Unaudited) for the three months and nine months ended September 30, 2014 and 2013</u> | <u>4</u> |
| <u>Condensed Consolidated Statements of Comprehensive Loss (Unaudited) for the three months and nine months ended September 30, 2014 and 2013</u> | <u>5</u> |
| <u>Condensed Consolidated Statements of Cash Flows (Unaudited) for the nine months ended September 30, 2014 and 2013</u> | <u>6</u> |
| <u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u> | <u>7</u> |
| <u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>26</u> |
| <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u> | <u>40</u> |
| <u>Item 4. Controls and Procedures</u> | <u>41</u> |
| <u>PART II – OTHER INFORMATION</u> | |
| <u>Item 1. Legal Proceedings</u> | <u>43</u> |
| <u>Item 1A. Risk Factors</u> | <u>43</u> |
| <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>43</u> |
| <u>Item 3. Defaults Upon Senior Securities</u> | <u>43</u> |
| <u>Item 4. Mine Safety Disclosures</u> | <u>43</u> |
| <u>Item 5. Other Information</u> | <u>43</u> |
| <u>Item 6. Exhibits</u> | <u>44</u> |
| <u>SIGNATURE</u> | <u>45</u> |
| <u>EXHIBIT INDEX</u> | <u>46</u> |

Table of Contents

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WILLBROS GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

(Unaudited)

| | September 30, 2014 | December 31, 2013 | |
|--|-----------------------|----------------------|---|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$48,935 | \$42,569 | |
| Accounts receivable, net | 388,359 | 365,854 | |
| Contract cost and recognized income not yet billed | 52,029 | 55,384 | |
| Prepaid expenses and other assets | 34,983 | 25,008 | |
| Parts and supplies inventories | 3,728 | 4,151 | |
| Deferred income taxes | 5,571 | 10,323 | |
| Assets associated with discontinued operations | 9,165 | 99,683 | |
| Total current assets | 542,770 | 602,972 | |
| Property, plant and equipment, net | 97,840 | 106,133 | |
| Intangible assets, net | 118,318 | 127,485 | |
| Other assets | 26,019 | 34,078 | |
| Total assets | \$784,947 | \$870,668 | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | \$268,719 | \$251,202 | |
| Contract billings in excess of cost and recognized income | 22,817 | 25,586 | |
| Current portion of capital lease obligations | 880 | 890 | |
| Notes payable and current portion of long-term debt | 6,018 | 6,505 | |
| Current portion of settlement obligation of discontinued operations | 32,750 | 36,500 | |
| Accrued income taxes | 3,638 | 10,022 | |
| Liabilities associated with discontinued operations | 5,466 | 18,365 | |
| Other current liabilities | 6,924 | 5,816 | |
| Total current liabilities | 347,212 | 354,886 | |
| Long-term debt | 233,604 | 268,425 | |
| Capital lease obligations | 705 | 1,388 | |
| Long-term liabilities for unrecognized tax benefits | 1,468 | 4,544 | |
| Deferred income taxes | 7,753 | 9,066 | |
| Other long-term liabilities | 47,101 | 43,585 | |
| Total liabilities | 637,843 | 681,894 | |
| Contingencies and commitments (Note 11) | | | |
| 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 51,907,073 shares issued at September 30, 2014 (50,930,303 at December 31, 2013) | 2,588 | 2,543 | |
| Capital in excess of par value | 698,253 | 691,123 | |
| Accumulated deficit | (545,778) | (501,918) |) |
| | (13,371) | (12,070) |) |

Treasury stock at cost, 1,333,252 shares at September 30, 2014 (1,147,974 at December 31, 2013)

| | | |
|---|-----------|-----------|
| Accumulated other comprehensive income | 5,123 | 8,807 |
| Total Willbros Group, Inc. stockholders' equity | 146,815 | 188,485 |
| Noncontrolling interest | 289 | 289 |
| Total stockholders' equity | 147,104 | 188,774 |
| Total liabilities and stockholders' equity | \$784,947 | \$870,668 |

See accompanying notes to condensed consolidated financial statements.

Table of Contents

WILLBROS GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share amounts)

(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|------------|-------------------|-------------|
| | September 30, | | September 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| Contract revenue | \$559,693 | \$479,104 | \$1,576,021 | \$1,385,860 |
| Operating expenses: | | | | |
| Contract | 499,690 | 422,886 | 1,435,106 | 1,241,104 |
| Amortization of intangibles | 3,068 | 3,118 | 9,306 | 9,355 |
| General and administrative | 45,517 | 41,748 | 119,280 | 119,220 |
| | 548,275 | 467,752 | 1,563,692 | 1,369,679 |
| Operating income | 11,418 | 11,352 | 12,329 | 16,181 |
| Other expense: | | | | |
| Interest expense, net | (7,467) | (8,220) | (22,662) | (23,329) |
| Loss on early extinguishment of debt | — | (11,573) | (948) | (11,573) |
| Other, net | (342) | (336) | (453) | (413) |
| | (7,809) | (20,129) | (24,063) | (35,315) |
| Income (loss) from continuing operations before income taxes | 3,609 | (8,777) | (11,734) | (19,134) |
| Provision for income taxes | 2,739 | 3,205 | 9,283 | 6,943 |
| Income (loss) from continuing operations | 870 | (11,982) | (21,017) | (26,077) |
| Loss from discontinued operations net of provision for income taxes | (4,229) | (13,951) | (22,843) | (2,565) |
| Net loss | \$(3,359) | \$(25,933) | \$(43,860) | \$(28,642) |
| Basic income (loss) per share attributable to Company shareholders: | | | | |
| Income (loss) from continuing operations | \$0.02 | \$(0.25) | \$(0.43) | \$(0.54) |
| Loss from discontinued operations | (0.09) | (0.29) | (0.46) | (0.05) |
| Net loss | \$(0.07) | \$(0.54) | \$(0.89) | \$(0.59) |
| Diluted income (loss) per share attributable to Company shareholders: | | | | |
| Income (loss) from continuing operations | \$0.02 | \$(0.25) | \$(0.43) | \$(0.54) |
| Loss from discontinued operations | (0.08) | (0.29) | (0.46) | (0.05) |
| Net loss | \$(0.06) | \$(0.54) | \$(0.89) | \$(0.59) |
| Weighted average number of common shares outstanding: | | | | |
| Basic | 49,414,847 | 48,642,180 | 49,201,697 | 48,512,089 |
| Diluted | 50,226,661 | 48,642,180 | 49,201,697 | 48,512,089 |

See accompanying notes to condensed consolidated financial statements.

Table of Contents

WILLBROS GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

(Unaudited)

| | Three Months Ended | | Nine Months Ended | | |
|---|--------------------|--------------|-------------------|--------------|---|
| | September 30, | | September 30, | | |
| | 2014 | 2013 | 2014 | 2013 | |
| Net loss | \$ (3,359 |) \$ (25,933 |) \$ (43,860 |) \$ (28,642 |) |
| Other comprehensive income (loss), net of tax | | | | | |
| Foreign currency translation adjustments | (2,529 |) 1,093 | (2,516 |) (1,498 |) |
| Changes in derivative financial instruments | 462 | (2,335 |) (1,168 |) (1,875 |) |
| Total other comprehensive loss, net of tax | (2,067 |) (1,242 |) (3,684 |) (3,373 |) |
| Total comprehensive loss | \$ (5,426 |) \$ (27,175 |) \$ (47,544 |) \$ (32,015 |) |

See accompanying notes to condensed consolidated financial statements.

Table of Contents

WILLBROS GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

| | Nine Months Ended | |
|---|-------------------|-------------|
| | September 30, | |
| | 2014 | 2013 |
| Cash flows from operating activities: | | |
| Net loss | \$(43,860 |) \$(28,642 |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Loss from discontinued operations | 22,843 | 2,565 |
| Depreciation and amortization | 27,410 | 29,875 |
| Loss on early extinguishment of debt | 948 | 11,573 |
| Stock-based compensation | 9,371 | 4,727 |
| Amortization of debt issuance costs | 672 | 4,012 |
| Non-cash interest expense | 981 | 2,043 |
| Deferred income tax expense (benefit) | 3,418 | (6 |
| Gain on disposal of property and equipment | (3,260 |) (1,667 |
| Provision for bad debts | 2,342 | 1,284 |
| Other non-cash | — | (111 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | (28,789 |) (4,706 |
| Contract cost and recognized income not yet billed | 2,867 | 580 |
| Prepaid expenses and other assets | (10,032 |) 3,742 |
| Accounts payable and accrued liabilities | 17,742 | (53,253 |
| Accrued income taxes | (6,202 |) (4,755 |
| Contract billings in excess of cost and recognized income | (2,749 |) (17,038 |
| Other assets and liabilities, net | 5,030 | (7,328 |
| Cash used in operating activities of continuing operations | (1,268 |) (57,105 |
| Cash provided by (used in) operating activities of discontinued operations | 3,461 | (954 |
| Cash provided by (used in) operating activities | 2,193 | (58,059 |
| Cash flows from investing activities: | | |
| Proceeds from sales of property, plant and equipment | 4,629 | 807 |
| Proceeds from sale of subsidiaries | 46,152 | 38,900 |
| Purchases of property, plant and equipment | (11,691 |) (9,420 |
| Cash provided by investing activities of continuing operations | 39,090 | 30,287 |
| Cash provided by (used in) investing activities of discontinued operations | 472 | (465 |
| Cash provided by investing activities | 39,562 | 29,822 |
| Cash flows from financing activities: | | |
| Proceeds from revolver and notes payable | 45,000 | 323,379 |
| Payments on capital leases | (693 |) (1,131 |
| Payments of revolver and notes payable | (49,501 |) (129,820 |
| Payments on term loan facility | (29,152 |) (189,171 |
| Payments to reacquire common stock | (1,301 |) (555 |
| Payments to noncontrolling interest owners | — | (3,100 |
| Costs of debt issuance | — | (5,194 |
| Cash used in financing activities of continuing operations | (35,647 |) (5,592 |
| Cash used in financing activities of discontinued operations | (100 |) (166 |

Edgar Filing: Willbros Group, Inc.\NEW\ - Form 10-Q

| | | | |
|---|----------|----------|---|
| Cash used in financing activities | (35,747 |) (5,758 |) |
| Effect of exchange rate changes on cash and cash equivalents | (683 |) (310 |) |
| Net increase (decrease) in cash and cash equivalents | 5,325 | (34,305 |) |
| Cash and cash equivalents of continuing operations at beginning of period | 42,569 | 48,778 | |
| Cash and cash equivalents of discontinued operations at beginning of period | 1,041 | 5,602 | |
| Cash and cash equivalents at beginning of period | 43,610 | 54,380 | |
| Cash and cash equivalents at end of period | 48,935 | 20,075 | |
| Less: cash and cash equivalents of discontinued operations at end of period | — | — | |
| Cash and cash equivalents of continuing operations at end of period | \$48,935 | \$20,075 | |
| Supplemental disclosures of cash flow information: | | | |
| Cash paid for interest (including discontinued operations) | \$20,873 | \$19,148 | |
| Cash paid for income taxes (including discontinued operations) | \$16,176 | \$12,080 | |
| See accompanying notes to condensed consolidated financial statements. | | | |

Table of Contents

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, 2013, which has been derived from audited consolidated financial statements, and the unaudited Condensed Consolidated Financial Statements as of September 30, 2014 and 2013, 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, 2013 audited Consolidated Financial Statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

In the opinion of management, the unaudited Condensed Consolidated Financial Statements reflect all adjustments necessary to fairly state the financial position as of September 30, 2014, 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 nine months ended September 30, 2014 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.

Out-of-Period Adjustments – The Company recorded out-of-period adjustments during the nine months ended September 30, 2014 related to the calculation of its state tax provision and the overstatement of rent expense. The net impact of these adjustments was an increase to pre-tax loss of \$0.2 million and a decrease to net loss from continuing operations and net loss of \$0.3 million for the nine months ended September 30, 2014. The Company does not believe these adjustments are material, individually or in the aggregate, to its Condensed Consolidated Financial Statements for the nine months ended September 30, 2014, nor does it believe such items are material to any of its previously issued annual or quarterly financial statements, or its expected 2014 annual financial statements.

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 13 – Discontinued Operations for additional discussion associated with these reclassifications.

7

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

2. New Accounting Pronouncements

In April 2014, the FASB issued authoritative guidance to change the criteria for reporting discontinued operations. Under the new guidance, only disposals representing a strategic shift in a company's operations and financial results should be reported as discontinued operations, with expanded disclosures. In addition, disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify as a discontinued operation is required. This standard is effective, on a prospective basis, for interim and annual periods beginning on or after December 15, 2014 and would affect the classification of the Company's future business disposals in discontinued operations in its condensed consolidated financial statements.

In May 2014, the FASB and the IASB issued common guidance surrounding the recognition of revenue from contracts with customers. Under the new guidance, a company will recognize revenue when it satisfies a performance obligation by transferring a promised good or service to a customer. Revenue will be recognized at an amount that reflects the consideration it expects to receive in exchange for those goods and services. This guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This standard is effective, on either a full retrospective or a modified retrospective basis, for interim and annual periods beginning on or after December 15, 2016 and will affect the treatment and disclosure of revenue in the Company's condensed consolidated financial statements.

In August 2014, the FASB issued guidance that explicitly requires management to assess an entity's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. This standard is effective for annual periods beginning on or after December 15, 2016. The Company is currently assessing the impact, if any, the guidance will have on its condensed consolidated financial statements.

3. Contracts in Progress

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

Contract cost and recognized income not yet billed and related amounts billed as of September 30, 2014 and December 31, 2013 was as follows (in thousands):

| | September 30, 2014 | December 31, 2013 |
|--|-----------------------|----------------------|
| Cost incurred on contracts in progress | \$1,145,377 | \$705,601 |
| Recognized income | 165,985 | 162,604 |
| | 1,311,362 | 868,205 |
| Progress billings and advance payments | (1,282,150 |) (838,407 |
| | \$29,212 | \$29,798 |

Edgar Filing: Willbros Group, Inc.\NEW\ - Form 10-Q

| | | |
|---|----------|-----------|
| Contract cost and recognized income not yet billed | \$52,029 | \$55,384 |
| Contract billings in excess of cost and recognized income | (22,817 |) (25,586 |
| | \$29,212 | \$29,798 |

Contract cost and recognized income not yet billed includes \$16.3 million and \$5.0 million at September 30, 2014 and December 31, 2013, respectively, on completed contracts.

8

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

3. Contracts in Progress (continued)

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 September 30, 2014 and December 31, 2013, were approximately \$56.2 million and \$39.1 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 September 30, 2014 and December 31, 2013.

4. Intangible Assets

The changes in the carrying amounts of intangible assets for the nine months ended September 30, 2014 are detailed below (in thousands):

| | Customer Relationships | Trademark / Tradename | Non-compete Agreements | Technology | Total |
|--|------------------------|-----------------------|------------------------|------------|-----------|
| Balance as of December 31, 2013 | \$115,218 | \$8,586 | \$108 | \$3,573 | \$127,485 |
| Amortization | (7,823) | (961) | (108) | (414) | (9,306) |
| Other | — | 139 | — | — | 139 |
| Balance as of September 30, 2014 | \$107,395 | \$7,764 | \$— | \$3,159 | \$118,318 |
| Weighted Average Remaining Amortization Period | 10.5 years | 5.5 years | 0.0 years | 5.8 years | |

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

Estimated amortization expense for the remainder of 2014 and each of the subsequent five years and thereafter is as follows (in thousands):

Fiscal year:

| | |
|--------------------|-----------|
| Remainder of 2014 | \$3,064 |
| 2015 | 12,256 |
| 2016 | 12,256 |
| 2017 | 12,256 |
| 2018 | 12,256 |
| 2019 | 12,138 |
| Thereafter | 54,092 |
| Total amortization | \$118,318 |

5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of September 30, 2014 and December 31, 2013 were as follows (in thousands):

| | September 30, 2014 | December 31, 2013 |
|---------------------------------|--------------------|-------------------|
| Trade accounts payable | \$128,566 | \$107,227 |
| Payroll and payroll liabilities | 55,820 | 55,153 |
| Accrued contract costs | 37,664 | 40,376 |
| Self-insurance accrual | 16,110 | 14,785 |

| | | |
|--|-----------|-----------|
| Other accrued liabilities | 30,559 | 33,661 |
| Total accounts payable and accrued liabilities | \$268,719 | \$251,202 |

9

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

6. Long-term Debt

Long-term debt as of September 30, 2014 and December 31, 2013 was as follows (in thousands):

| | September 30, 2014 | December 31, 2013 |
|---|-----------------------|----------------------|
| 2013 Term Loan Facility, net of unamortized discount of \$6,513 and \$8,306 | \$213,710 | \$241,069 |
| Revolver borrowings under the 2013 ABL Credit Facility | 15,000 | 18,953 |
| Capital lease obligations | 1,585 | 2,278 |
| Other obligations | 10,912 | 14,908 |
| Total debt | 241,207 | 277,208 |
| Less: current portion | (6,898 |) (7,395 |
| Long-term debt, net | \$234,309 | \$269,813 |

2013 Credit Facilities

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 (the "ABL Credit Facility"), and a six-year \$250.0 million term loan facility maturing on August 7, 2019 with JP Morgan Chase Bank, N.A. serving as a sole administrative agent for the lenders thereunder (the "2013 Term Loan Facility" and, together with the ABL Credit Facility, the "2013 Credit Facilities").

ABL Credit Facility

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

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

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

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

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

6. Long-term Debt (continued)

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

2013 Term Loan Facility

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

The term loans are repayable in equal quarterly installments in an aggregate amount equal to 0.25 percent of the original amount of the 2013 Term Loan Facility. The balance of the terms loan are repayable on August 7, 2019. The Company is permitted to make optional prepayments at any time, subject to a variable prepayment premium if the prepayment is made prior to August 6, 2016. Mandatory prepayments of term loans are required from (i) 100 percent of the proceeds of the sale of assets constituting Term Loan Priority Collateral, subject to reinvestment provisions and certain exceptions and thresholds, (ii) 100 percent of the net cash proceeds from issuances of debt by the Company and its subsidiaries, other than permitted indebtedness and (iii) 75 percent (with step-downs to 50 percent and 0 percent based on a leverage ratio) of annual "excess cash flow" provided that any voluntary prepayments of term loans will be credited against excess cash flow obligations. Mandatory prepayments of excess cash flow are payable within five business days after annual financial statements are delivered to the administrative agent beginning with the fiscal year ending December 31, 2014.

The term loans will bear interest at the Adjusted Base Rate ("ABR") plus an applicable margin, or the "Eurodollar Rate" plus an applicable margin. The ABR is the highest of (i) the rate announced by JPMorgan Chase Bank, N.A. as its prime rate, (ii) the federal funds rate plus 0.5 percent, (iii) the Eurodollar Rate applicable for a period of one month plus 1.0 percent and (iv) 2.25 percent. The Eurodollar Rate is the rate for Eurodollar deposits for a period equal to one, two, three or six months, as selected by the Company. The applicable margin for ABR loans is 8.75 percent, and the applicable margin for Eurodollar loans is 9.75 percent.

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

The Company's primary sources of capital are its cash on hand, operating cash flows and borrowings under the ABL Credit Facility. As of September 30, 2014, the Company had \$15.0 million in outstanding revolver borrowings. The Company's unused availability under its September 30, 2014 borrowing base certificate was \$73.0 million on a borrowing base of \$145.4 million and outstanding letters of credit of \$57.4 million. However, under the terms of the ABL Credit Facility, a reserve on availability of \$19.7 million is in place to ensure the funds will be available, if required, to pay the \$32.7 million due at the end of the fourth quarter of 2014 in connection with the Company's settlement agreement with WAPCo (the "WAPCo Reserve"). As such, the Company's unused availability is reduced to approximately \$53.3 million as of September 30, 2014. The WAPCo Reserve increases by approximately \$6.5 million a month through November 2014.

If the Company's unused availability under the 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 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 ABL Credit Facility.

On November 12, 2014, the Company entered into a commitment letter (the "Commitment Letter") whereby the Company expects that it may be able to obtain a new term loan facility in an aggregate principal amount of \$270.0 million (the "2014 Term Loan Facility"). Proceeds under the 2014 Term Loan Facility would be used to refinance the loans outstanding

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

6. Long-term Debt (continued)

under the 2013 Term Loan Facility, to pay fees and expenses incurred in connection with the refinancing and to provide the Company with additional working capital. Consummation of the 2014 Term Loan Facility is subject to customary closing conditions and the Company can provide no assurance that it will successfully complete the refinancing.

Debt Covenants and Events of Default

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

Based on the decision to restate its Condensed Consolidated Financial Statements for the quarterly periods ended March 31, 2014 and June 30, 2014 and the resulting delay in the timely filing of its Condensed Consolidated Financial Statements for the quarterly period ended September 30, 2014, the Company was in violation of certain technical covenants in the 2013 Credit Facilities, which, among other things, require the Company to deliver financial statements in accordance with GAAP. As a result, effective December 1, 2014, the lenders under the 2013 ABL Credit Facility and the 2013 Term Loan Facility each waived any default or event of default resulting from the failure of the Company's Condensed Consolidated Financial Statements for the quarterly period ended March 31, 2014 to conform to GAAP. In addition, effective October 21, 2014, the lenders under the ABL Credit Facility waived any default or event of default resulting from the failure of the Company's Condensed Consolidated Financial Statements for the quarterly period ended June 30, 2014 to conform to GAAP. Furthermore, effective November 17, 2014, the lenders under the ABL Credit Facility waived any default or event of default resulting from the Company's delay in the timely filing of its Condensed Consolidated Financial Statements for the quarterly period ended September 30, 2014 through December 1, 2014, and on December 1, 2014, this waiver was extended through December 19, 2014.

On November 12, 2014, the Company amended, and obtained certain waivers under, the 2013 Term Loan Facility pursuant to a Waiver and Third Amendment (the "Third Amendment"). The Third Amendment modifies certain financial covenants and waives any defaults or events of default under the 2013 Term Loan Facility as a result of the restatement of the Company's Condensed Consolidated Financial Statements for the quarterly period ended June 30, 2014 and the delay in the timely filing of the Company's Condensed Consolidated Financial Statements for the quarterly period ended September 30, 2014.

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

6. Long-term Debt (continued)

The table below sets forth information with respect to the financial covenants included in the 2013 Credit Facilities, as modified by the Third Amendment, as well as the calculation of the Company's performance in relation to the modified covenants at September 30, 2014. If the refinancing of the 2013 Term Loan Facility is completed, the Company expects that the covenant requirements under the 2014 Term Loan Facility will be the same as those described in the table below.

| | Covenants Requirements | Actual Ratios at September 30, 2014 |
|--|------------------------|-------------------------------------|
| Maximum Total Leverage Ratio(1) under the 2013 Term Loan Facility (the ratio of Consolidated Debt to Consolidated EBITDA as defined in the credit agreement for the 2013 Term Loan Facility) should be equal to or less than: | 3.00 to 1 | 2.71 |
| Minimum Interest Coverage Ratio(2) under the 2013 Term Loan Facility (the ratio of Consolidated EBITDA to Consolidated Interest Expense as defined in the credit agreement for the 2013 Term Loan Facility) should be equal to or greater than: | 2.75 to 1 | 3.19 |
| Minimum Fixed Charge Coverage Ratio(3) under the ABL Credit Facility (the ratio of Consolidated EBITDA less Capital Expenditures and cash income taxes to Consolidated Interest Expense, Restricted Payments made in cash and scheduled cash principal payments made on borrowed money as defined in the credit agreement for the ABL Credit Facility) should be equal to or greater than: | 1.15 to 1 | N/A |

The Maximum Total Leverage Ratio increases to 4.50 to 1 as of December 31, 2014 and decreases to 4.00 to 1 as of September 30, 2015, 3.50 to 1 as of December 31, 2015, 3.25 to 1 as of March 31, 2016, 3.00 to 1 as of June 30, 2016 and 2.75 to 1 as of September 30, 2016 and thereafter.

The Minimum Interest Coverage Ratio decreases to 2.00 to 1 as of December 31, 2014 and increases to 2.50 to 1 as of September 30, 2015, 2.75 to 1 as of March 31, 2016, 3.00 to 1 as of June 30, 2016 and 3.50 to 1 as of September 30, 2016 and thereafter.

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

The Company would not have complied with the Minimum Interest Coverage Ratio covenant that was in effect at September 30, 2014 prior to the Third Amendment. However, as of September 30, 2014, the Company was in compliance with all financial covenants under the 2013 Credit Facilities, as modified by the Third Amendment. The Company expects to remain in compliance with the modified covenants for the next 12 months.

Depending on its financial performance, the Company may be required to request additional amendments or waivers for its financial covenants, dispose of assets or reduce overhead. There can be no assurance that the Company will be able to obtain additional amendments or waivers, complete asset sales or reduce sufficient amounts of overhead should it become needed.

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

- limitations on liens and indebtedness;
- limitations on dividends and other payments in respect of capital stock;
- limitations on capital expenditures; and
- limitations on modifications of the documentation of the ABL Credit Facility.

13

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

6. Long-term Debt (continued)

Fair Value of Debt

The estimated fair value of the Company's debt instruments as of September 30, 2014 and December 31, 2013 was as follows (in thousands):

| | September 30, 2014 | December 31, 2013 |
|--|-----------------------|----------------------|
| 2013 Term Loan Facility | \$226,735 | \$252,372 |
| Revolver borrowings under the 2013 ABL Credit Facility | 15,000 | 18,953 |
| Capital lease obligations | 1,585 | 2,278 |
| Other obligations | 10,912 | 14,908 |
| Total fair value of debt instruments | \$254,232 | \$288,511 |

The 2013 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 value of the 2013 Term Loan Facility has 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 2013 Term Loan Facility.

7. Income Taxes

The effective tax rate on continuing operations was a negative 79.1 percent and a negative 36.3 percent for the nine months ended September 30, 2014 and 2013, respectively. Tax benefit for discrete items for the nine months ended September 30, 2014 was less than \$0.1 million. This amount is composed of a tax refund, uncertain tax positions, Texas Margins Tax and the 2013 return to accrual. Tax expense for the nine months ended September 30, 2014 was \$9.3 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 September 30, 2014, U.S. federal and state deferred tax assets continue to be covered by valuation allowances. The ultimate realization of deferred tax assets is dependent upon the generation of future U.S. taxable income. The Company considers the impacts of reversing taxable temporary differences, future forecasted income and available tax planning strategies when forecasting future taxable income and in evaluating whether deferred tax assets are more likely than not to be realized.

The effective tax rate on continuing operations was 75.9 percent and a negative 36.5 percent for the three months ended September 30, 2014 and September 30, 2013, respectively. Tax expense for the three months ended September 30, 2014 was \$2.7 million, which primarily relates to Canadian Tax and Texas Margins Tax.

In April 2011, the Company discontinued its strategy of reinvesting foreign earnings in foreign operations. This change in strategy continues through the third quarter of 2014. The Company does not anticipate recording tax expense related to future repatriations of foreign earnings to the U.S.

The Company expects that the statute of limitations will expire on uncertain tax positions within the next 12 months. Assuming that the statute of limitations expires, the Company would release reserves in the amount of \$1.6 million.

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

8. Stockholders' Equity

Changes in Accumulated Other Comprehensive Income by Component

| | Three Months Ended September 30, 2014 (in thousands) | | |
|--|--|---|--|
| | Foreign currency translation adjustments | Changes in derivative financial instruments | Total accumulated comprehensive income |
| Balance as of June 30, 2014 | \$ 11,293 | \$ (4,103 |) \$ 7,190 |
| Other comprehensive loss before reclassifications | (2,529 |) (40 |) (2,569 |
| Amounts reclassified from accumulated other comprehensive income | — | 502 | 502 |
| Net current-period other comprehensive income (loss) | (2,529 |) 462 | (2,067 |
| Balance as of September 30, 2014 | \$ 8,764 | \$ (3,641 |) \$ 5,123 |
| | Nine Months Ended September 30, 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 | (2,516 |) (2,173 |) (4,689 |
| Amounts reclassified from accumulated other comprehensive income | — | 1,005 | 1,005 |
| Net current-period other comprehensive loss | (2,516 |) (1,168 |) (3,684 |
| Balance as of September 30, 2014 | \$ 8,764 | \$ (3,641 |) \$ 5,123 |
| | Three Months Ended September 30, 2013 (in thousands) | | |
| | Foreign currency translation adjustments | Changes in derivative financial instruments | Total accumulated comprehensive income |
| Balance as of June 30, 2013 | \$ 12,354 | \$ (981 |) \$ 11,373 |
| Other comprehensive income (loss) before reclassifications | 1,093 | (2,591 |) (1,498 |
| Amounts reclassified from accumulated other comprehensive income | — | 256 | 256 |
| Net current-period other comprehensive income (loss) | 1,093 | (2,335 |) (1,242 |
| Balance as of September 30, 2013 | \$ 13,447 | \$ (3,316 |) \$ 10,131 |
| | Nine Months Ended September 30, 2013 (in thousands) | | |
| | Foreign currency translation adjustments | Changes in derivative financial instruments | Total accumulated comprehensive income |
| Balance as of December 31, 2012 | \$ 14,945 | \$ (1,441 |) \$ 13,504 |
| Other comprehensive loss before reclassifications | (1,630 |) (2,643 |) (4,273 |

Edgar Filing: Willbros Group, Inc.\NEW\ - Form 10-Q

| | | | | |
|--|----------|----------|------------|---|
| Amounts reclassified from accumulated other comprehensive income | 132 | 768 | 900 | |
| Net current-period other comprehensive loss | (1,498 |) (1,875 |) (3,373 |) |
| Balance as of September 30, 2013 | \$13,447 | \$(3,316 |) \$10,131 | |

15

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

8. Stockholders' Equity (continued)

Reclassifications out of Accumulated Other Comprehensive Income
Three Months Ended September 30, 2014 (in thousands)

| Details about Accumulated Other Comprehensive Income Components | Amount Reclassified from Accumulated Other Comprehensive Income | Details about Accumulated Other Comprehensive Income Components |
|---|---|---|
| Interest rate contracts | \$502 | Interest expense, net |
| Total | \$502 | |

Nine Months Ended September 30, 2014 (in thousands)

| Details about Accumulated Other Comprehensive Income Components | Amount Reclassified from Accumulated Other Comprehensive Income | Details about Accumulated Other Comprehensive Income Components |
|---|---|---|
| Interest rate contracts | \$1,005 | Interest expense, net |
| Total | \$1,005 | |

Three Months Ended September 30, 2013 (in thousands)

| Details about Accumulated Other Comprehensive Income Components | Amount Reclassified from Accumulated Other Comprehensive Income | Details about Accumulated Other Comprehensive Income Components |
|---|---|---|
| Interest rate contracts | \$256 | Interest expense, net |
| Total | \$256 | |

Nine Months Ended September 30, 2013 (in thousands)

| Details about Accumulated Other Comprehensive Income Components | Amount Reclassified from Accumulated Other Comprehensive Income | Details about Accumulated Other Comprehensive Income Components |
|---|---|---|
| Interest rate contracts | \$768 | Interest expense, net |
| Total | \$768 | |

Stock Ownership Plans

In May 1996, the Company established the Willbros Group, Inc. 1996 Stock Plan (the "1996 Plan") with 1,125,000 shares of common stock authorized for issuance to provide for awards to key employees of the Company, and the Willbros Group, Inc. Director Stock Plan (the "Director Plan") with 125,000 shares of common stock authorized for issuance to provide for the grant of stock options to non-employee directors. The number of shares authorized for issuance under the 1996 Plan and the Director Plan, was increased to 4,825,000 and 225,000, respectively, by stockholder approval. The Director Plan expired August 16, 2006.

In 2006, the Company established the 2006 Director Restricted Stock Plan (the “2006 Director Plan”) with 50,000 shares authorized for issuance to grant shares of restricted stock and restricted stock rights to non-employee directors. The number of shares authorized for issuance under the 2006 Director Plan was increased in 2008 to 250,000, in 2012 to 550,000 and in 2014 to 750,000 by stockholder approval.

On May 26, 2010, the Company established the Willbros Group, Inc. 2010 Stock and Incentive Compensation Plan (the “2010 Plan”) with 2,100,000 shares of common stock authorized for issuance (increased in 2012 to 3,450,000 shares and in 2014 to 6,050,000 shares by stockholder approval) to provide for awards to key employees of the Company. All future grants of stock awards to key employees will be made through the 2010 Plan. As a result, the 1996 Plan was frozen, with the exception of normal vesting, forfeiture and other activity associated with awards previously granted under the 1996 Plan. At September 30, 2014, the 2010 Plan had 3,039,852 shares available for grant.

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

9. 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 | | Nine Months Ended | |
|--|--------------------|-------------|-------------------|-------------|
| | September 30, | | September 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| Net income (loss) from continuing operations applicable to common shares (numerator for basic and diluted calculation) | \$ 870 | \$(11,982) | \$(21,017) | \$(26,077) |
| Weighted average number of common shares outstanding for basic income (loss) per share | 49,414,847 | 48,642,180 | 49,201,697 | 48,512,089 |
| Weighted average number of potentially dilutive common shares outstanding | 811,814 | — | — | — |
| Weighted average number of common shares outstanding for diluted income (loss) per share | 50,226,661 | 48,642,180 | 49,201,697 | 48,512,089 |
| Income (loss) per common share from continuing operations: | | | | |
| Basic | \$0.02 | \$(0.25) | \$(0.43) | \$(0.54) |
| Diluted | \$0.02 | \$(0.25) | \$(0.43) | \$(0.54) |

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 | |
|--|--------------------|---------|
| | September 30, | |
| | 2014 | 2013 |
| Stock options | 177,750 | 184,551 |
| Restricted stock and restricted stock rights | — | 609,107 |
| | 177,750 | 793,658 |

10. 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.

The Company's cable restoration business, which was historically part of the Utility T&D segment, was incorporated into the Professional Services segment effective July 1, 2014 to align along with the other engineering and technology services offered in this segment.

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

10. Segment Information (continued)

The following tables reflect the Company's operations by reportable segment for the three months ended September 30, 2014 and 2013 (in thousands):

| | Three Months Ended September 30, 2014 | | | | | |
|---|---------------------------------------|-------------|-----------------------|-----------|--------------|--------------|
| | Oil & Gas | Utility T&D | Professional Services | Canada | Eliminations | Consolidated |
| Contract revenue | \$253,727 | \$93,630 | \$113,160 | \$100,777 | \$(1,601) | \$559,693 |
| Operating expenses | 252,632 | 93,608 | 108,317 | 95,319 | (1,601) | 548,275 |
| Operating income | \$1,095 | \$22 | \$4,843 | \$5,458 | \$— | 11,418 |
| Other expense | | | | | | (7,809) |
| Provision for income taxes | | | | | | 2,739 |
| Income from continuing operations | | | | | | 870 |
| Loss from discontinued operations net of provision for income taxes | | | | | | (4,229) |
| Net loss | | | | | | \$(3,359) |

| | Three Months Ended September 30, 2013 | | | | | |
|---|---------------------------------------|-------------|-----------------------|-----------|--------------|--------------|
| | Oil & Gas | Utility T&D | Professional Services | Canada | Eliminations | Consolidated |
| Contract revenue | \$160,233 | \$91,922 | \$103,655 | \$124,914 | \$(1,620) | \$479,104 |
| Operating expenses | 168,550 | 90,072 | 96,911 | 113,839 | (1,620) | 467,752 |
| Operating income (loss) | \$(8,317) | \$1,850 | \$6,744 | \$11,075 | \$— | 11,352 |
| Other expense | | | | | | (20,129) |
| Provision for income taxes | | | | | | 3,205 |
| Loss from continuing operations | | | | | | (11,982) |
| Loss from discontinued operations net of provision for income taxes | | | | | | (13,951) |
| Net loss | | | | | | \$(25,933) |

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

10. Segment Information (continued)

The following tables reflect the Company's operations by reportable segment for the nine months ended September 30, 2014 and 2013 (in thousands):

| | Nine Months Ended September 30, 2014 | | | | | |
|---|--------------------------------------|-------------|-----------------------|-----------|--------------|--------------|
| | Oil & Gas | Utility T&D | Professional Services | Canada | Eliminations | Consolidated |
| Contract revenue | \$665,266 | \$271,018 | \$331,925 | \$313,133 | \$(5,321) | \$1,576,021 |
| Operating expenses | 707,788 | 263,197 | 315,083 | 282,945 | (5,321) | 1,563,692 |
| Operating income (loss) | \$(42,522) | \$7,821 | \$16,842 | \$30,188 | \$— | 12,329 |
| Other expense | | | | | | (24,063) |
| Provision for income taxes | | | | | | 9,283 |
| Loss from continuing operations | | | | | | (21,017) |
| Loss from discontinued operations net of provision for income taxes | | | | | | (22,843) |
| Net loss | | | | | | \$(43,860) |

| | Nine Months Ended September 30, 2013 | | | | | |
|---|--------------------------------------|-------------|-----------------------|-----------|--------------|--------------|
| | Oil & Gas | Utility T&D | Professional Services | Canada | Eliminations | Consolidated |
| Contract revenue | \$463,137 | \$306,158 | \$298,115 | \$324,334 | \$(5,884) | \$1,385,860 |
| Operating expenses | 507,759 | 287,370 | 281,990 | 298,444 | (5,884) | 1,369,679 |
| Operating income (loss) | \$(44,622) | \$18,788 | \$16,125 | \$25,890 | \$— | 16,181 |
| Other expense | | | | | | (35,315) |
| Provision for income taxes | | | | | | 6,943 |
| Loss from continuing operations | | | | | | (26,077) |
| Loss from discontinued operations net of provision for income taxes | | | | | | (2,565) |
| Net loss | | | | | | \$(28,642) |

Total assets by segment as of September 30, 2014 and December 31, 2013 are presented below (in thousands):

| | September 30, 2014 | December 31, 2013 |
|-------------------------------------|-----------------------|----------------------|
| Oil & Gas | \$231,672 | \$234,004 |
| Utility T&D | 236,174 | 234,920 |
| Professional Services | 138,123 | 120,775 |
| Canada | 106,434 | 123,838 |
| Corporate | 63,379 | 57,448 |
| Total assets, continuing operations | \$775,782 | \$770,985 |

11. 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 completed the MPRP Project during the third quarter of 2014.

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

11. Contingencies, Commitments and Other Circumstances (continued)

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 the Company's shareholders and alleging damages on their behalf arising from the matters that led to the restatement. The defendants in the case, Ray Walters v. Willbros Group, Inc. et al, are the Company and its former chief executive officer and current chief financial officer. The complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, arising out of the restatement of the Company's second quarter 2014 financial statements and seeks undisclosed damages. The court has not appointed a lead plaintiff, and the Company has not yet answered or otherwise responded to the complaint. 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, a shareholder derivative complaint, Markovich v. Harl et al, was filed on November 6, 2014 in the United States District Court for the Southern District of Texas 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. 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.

Other

In addition to the matters discussed above and in Note 13 – 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 condensed consolidated results of operations, financial position or cash flows.

Commitments

From time to time, the Company enters into commercial commitments, usually in the form of commercial and standby letters of credit, surety bonds and financial guarantees. Contracts with the Company's customers may require the Company to secure letters of credit or surety bonds with regard to the Company's performance of contracted services. In such cases, the commitments can be called upon in the event of failure to perform contracted services. Likewise, contracts may allow the Company to issue letters of credit or surety bonds in lieu of contract retention provisions, where the client withholds a percentage of the contract value until project completion or expiration of a warranty period. Retention commitments can be called upon in the event of warranty or project completion issues, as prescribed in the contracts. At September 30, 2014, the Company had approximately \$57.4 million of outstanding letters of credit. 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 September 30, 2014, the Company had bonds outstanding, primarily performance bonds, with a face value at \$204.1 million. 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 September 30, 2014, 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 consolidated financial statements.

Table of Contents

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

12. 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.

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 September 30, 2014 and December 31, 2013:

| | September 30, 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 | \$3,641 | \$— | \$3,641 | \$— |
| | December 31, 2013 | | | |
| | 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 | \$2,473 | \$— | \$2,473 | \$— |
| 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 September 30, 2014 or December 31, 2013.

21

Table of Contents