Willbros Group, Inc.\NEW\
Form 10-Q
August 09, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2013

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 of incorporation)	**(I.R.S. Employer 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 x 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 x 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	x
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 x

The number of shares of the registrant s Common Stock, $.05 par value, outstanding as of August 2, 2013 was 49,759,688.

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WILLBROS GROUP, INC.

FORM 10-Q

FOR QUARTER ENDED JUNE 30, 2013

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WILLBROS GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

(Unaudited)

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

	June 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 53,610	$ 48,778
Accounts receivable, net	334,405	380,570
Contract cost and recognized income not yet billed	87,249	89,658
Prepaid expenses and other assets	21,772	31,515
Parts and supplies inventories	5,130	5,264
Deferred income taxes	10,294	10,368
Assets held for sale	46,932	90,940
Total current assets	559,392	657,093
Property, plant and equipment, net	114,762	123,985
Intangible assets, net	150,612	158,062
Deferred income taxes		113
Other assets	38,288	38,993
Total assets	$ 863,054	$ 978,246
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 263,770	$ 295,507
Contract billings in excess of cost and recognized income	19,791	36,243
Current portion of capital lease obligations	1,063	1,317
Notes payable and current portion of long-term debt	5,052	5,869
Current portion of settlement obligation of discontinued operations	6,250	5,000
Accrued income taxes	5,139	8,387
Liabilities held for sale	15,422	26,174
Other current liabilities	6,093	8,084
Total current liabilities	322,580	386,581
Long-term debt	256,908	294,353
Capital lease obligations	1,819	2,281
Long-term portion of settlement obligation of discontinued operations	32,750	36,500
Long-term liabilities for unrecognized tax benefits	4,324	4,956
Deferred income taxes	8,293	8,624
Other long-term liabilities	35,419	38,618
Total liabilities	662,093	771,913

Contingencies and commitments (Note 10)		
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 50,907,469 shares issued at June 30, 2013 (50,084,890 at December 31, 2012)	2,542	2,504
Capital in excess of par value	687,447	687,101
Accumulated deficit	(488,760)	(486,051)
Treasury stock at cost, 1,108,680 shares at June 30, 2013 (1,013,399 at December 31, 2012)	(11,930)	(11,394)
Accumulated other comprehensive income	11,373	13,504
Total Willbros Group, Inc. stockholders equity	200,672	205,664
Noncontrolling interest	289	669
Total stockholders equity	200,961	206,333
Total liabilities and stockholders equity	$ 863,054	$ 978,246

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 June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Contract revenue	$ 487,864	$ 450,422	$ 975,223	$ 824,128
Operating expenses:				
Contract	432,807	406,017	880,324	748,097
Amortization of intangibles	3,780	3,669	7,542	7,446
General and administrative	41,914	33,242	79,552	70,811
	478,501	442,928	967,418	826,354
Operating income (loss)	9,363	7,494	7,805	(2,226)
Other expense:				
Interest expense, net	(6,922)	(7,113)	(14,612)	(14,990)
Loss on early extinguishment of debt		(1,149)		(3,405)
Other, net	(308)	(15)	(77)	(339)
	(7,230)	(8,277)	(14,689)	(18,734)
Income (loss) from continuing operations before income taxes	2,133	(783)	(6,884)	(20,960)
Provision for income taxes	1,126	1,208	3,738	2,181
Income (loss) from continuing operations	1,007	(1,991)	(10,622)	(23,141)
Income (loss) from discontinued operations net of provision for income taxes	(7,908)	5,699	7,913	6,469
Net income (loss)	(6,901)	3,708	(2,709)	(16,672)
Less: Income attributable to noncontrolling interest		(328)		(672)
Net income (loss) attributable to Willbros Group, Inc.	$ (6,901)	$ 3,380	$ (2,709)	$ (17,344)
Reconciliation of net income (loss) attributable to Willbros Group, Inc.				
Income (loss) from continuing operations	$ 1,007	$ (1,991)	$ (10,622)	$ (23,141)
Income (loss) from discontinued operations	(7,908)	5,371	7,913	5,797
Net income (loss) attributable to Willbros Group, Inc.	$ (6,901)	$ 3,380	$ (2,709)	$ (17,344)
Basic income (loss) per share attributable to Company shareholders:				
Income (loss) from continuing operations	$ 0.02	$ (0.04)	$ (0.22)	$ (0.48)
Income (loss) from discontinued operations	(0.16)	0.11	0.17	0.12
Net income (loss)	$ (0.14)	$ 0.07	$ (0.05)	$ (0.36)

Diluted income (loss) per share attributable to Company shareholders:								
Income (loss) from continuing operations	$	0.02	$	(0.04)	$	(0.22)	$	(0.48)
Income (loss) from discontinued operations		(0.16)		0.11		0.17		0.12
Net income (loss)	$	(0.14)	$	0.07	$	(0.05)	$	(0.36)
Weighted average number of common shares outstanding:								
Basic		48,586,757		47,994,987		48,447,044		47,888,192
Diluted		49,235,297		47,994,987		48,447,044		47,888,192

See accompanying notes to condensed consolidated financial statements.

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WILLBROS GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Net income (loss)	$ (6,901)	$ 3,708	$ (2,709)	$ (16,672)
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	(1,590)	(512)	(2,591)	(1,516)
Changes in derivative financial instruments	232	151	460	34
Total other comprehensive loss, net of tax	(1,358)	(361)	(2,131)	(1,482)
Total comprehensive income (loss)	(8,259)	3,347	(4,840)	(18,154)
Less: Comprehensive income attributable to noncontrolling interest		(328)		(672)
Total comprehensive income (loss) attributable to Willbros Group, Inc.	$ (8,259)	$ 3,019	$ (4,840)	$ (18,826)

See accompanying notes to condensed consolidated financial statements.

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WILLBROS GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Cash flows from operating activities:		
Net loss	$ (2,709)	$ (16,672)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Income from discontinued operations	(7,913)	(6,469)
Depreciation and amortization	22,307	23,854
Loss on early extinguishment of debt		3,405
Stock-based compensation	2,798	3,917
Amortization of debt issuance costs	3,354	2,188
Non-cash interest expense	1,532	1,162
Deferred income tax expense	(25)	283
Gain on disposal of property and equipment	(1,042)	(2,005)
Other non-cash	1,253	462
Changes in operating assets and liabilities:		
Accounts receivable, net	43,249	(31,913)
Contract cost and recognized income not yet billed	1,458	(31,756)
Prepaid expenses and other assets	9,714	5,925
Accounts payable and accrued liabilities	(30,486)	59,817
Accrued income taxes	(3,087)	864
Contract billings in excess of cost and recognized income	(16,329)	5,993
Other assets and liabilities, net	(6,601)	(8,877)
Cash provided by operating activities of continuing operations	17,473	10,178
Cash (used in) provided by operating activities of discontinued operations	(7,877)	9,609
Cash provided by operating activities	9,596	19,787
Cash flows from investing activities:		
Proceeds from sales of property, plant and equipment	441	9,238
Proceeds from sale of subsidiary	38,900	
Purchase of property, plant and equipment	(4,707)	(7,266)
Cash provided by investing activities of continuing operations	34,634	1,972
Cash (used in) provided by investing activities of discontinued operations	(346)	15,734
Cash provided by investing activities	34,288	17,706
Cash flows from financing activities:		
Proceeds from revolver and notes payable	32,129	25,000
Payments on capital leases	(815)	(1,085)
Payments of revolver and notes payable	(70,413)	(36,596)
Payments on term loan facility		(46,700)
Payments to reacquire common stock	(536)	(395)
Payments to noncontrolling interest owners	(3,100)	
Costs of debt issuance	(1,274)	
Dividend distribution to noncontrolling interest		(576)

Cash used in financing activities of continuing operations	(44,009)	(60,352)
Cash used in financing activities of discontinued operations	(126)	(399)
Cash used in financing activities	(44,135)	(60,751)
Effect of exchange rate changes on cash and cash equivalents	(519)	(1,706)
Net decrease in cash and cash equivalents	(770)	(24,964)
Cash and cash equivalents of continuing operations at beginning of period	48,778	52,859
Cash and cash equivalents of discontinued operations at beginning of period	5,602	10,586
Cash and cash equivalents at beginning of period	54,380	63,445
Cash and cash equivalents at end of period	53,610	38,481
Less: cash and cash equivalents of discontinued operations at end of period		(1,577)
Cash and cash equivalents of continuing operations at end of period	$ 53,610	$ 36,904
Supplemental disclosures of cash flow information:		
Cash paid for interest (including discontinued operations)	$ 12,233	$ 11,026
Cash paid for income taxes (including discontinued operations)	$ 7,601	$ 3,101
Supplemental non-cash investing and financing transactions:		
Prepaid insurance obtained by note payable	$	$ 15,953

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 an international contractor specializing in energy infrastructure, serving the oil and gas, refinery, petrochemical and power industries. The Company s offerings include engineering, procurement and construction (either individually or as an integrated EPC service offering); ongoing maintenance; and other specialty 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, 2012, which has been derived from audited consolidated financial statements, and the unaudited Condensed Consolidated Financial Statements as of June 30, 2013 and 2012, 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, 2012 audited Consolidated Financial Statements and notes thereto contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2012.

In the opinion of management, the Condensed Consolidated Financial Statements reflect all adjustments necessary to fairly state the financial position as of June 30, 2013, and the results of operations and cash flows of the Company for all interim periods presented. The results of operations and cash flows for the six months ended June 30, 2013 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. 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 Adjustment The Company recorded an out-of-period adjustment during the three and six months ended June 30, 2013 related to the reversal of an over-accrual of certain letter of credit and commitment fees. The net impact of the adjustment was an increase to pre-tax income and net income from continuing operations and a decrease to net loss attributable to Willbros Group, Inc. of $0.8 million for the three months ended June 30, 2013 and a decrease to pre-tax loss, net loss from continuing operations and net loss attributable to Willbros Group, Inc. of $0.6 million for the six months ended June 30, 2013. The Company does not believe the adjustment is material, individually or in the aggregate, to its unaudited Condensed Consolidated Financial Statements for the three and six months ended June 30, 2013, nor does it believe such items are material to any of its previously issued annual or quarterly financial statements, or its expected 2013 annual financial statements.

Reclassifications Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation. These reclassifications primarily relate to the classification of the Company s electric and gas distribution business in the Northeast as discontinued operations as determined during the fourth quarter of 2012, as well as the sale of Willbros Middle East Limited, which held the Company s operations in Oman, during the first quarter of 2013. See Note 12 Discontinuance of Operations, Held for Sale Operations and Asset Disposals for additional discussion associated with these reclassifications.

2. New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued a new accounting standard related to the reporting of amounts reclassified out of Accumulated Other Comprehensive Income (Accumulated OCI). Under this standard, an entity is required to provide information about the amounts reclassified out of Accumulated OCI by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of Accumulated OCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. This standard is effective for interim and annual periods beginning on or after December 15, 2012. The Company complied with this new accounting guidance during the quarter ended March 31, 2013.

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

2. New Accounting Pronouncements (continued)

In February 2013, the FASB clarified the scope of revised disclosure requirements related to balance sheet offsetting that was issued in December 2011. The amendment clarifies that the scope applies to derivatives accounted for in accordance with the authoritative guidance for derivatives and hedging. The adoption of this revision is required for interim and annual periods beginning on or after January 1, 2013. The adoption of this revision did not have any impact on the Company s Condensed Consolidated Financial Statements.

In March 2013, the FASB amended the accounting standard related to a parent company s accounting for the foreign cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. Under this standard, a parent entity who ceases to have a controlling interest in a subsidiary that is a business within a foreign entity should only release the cumulative translation adjustment into net income if the loss of controlling interest represents complete, or substantially complete, liquidation of the foreign entity in which the subsidiary, or asset group, had resided. This standard is effective for interim and annual periods beginning on or after December 15, 2013 and would affect the Company s Condensed Consolidated Financial Statements if it disposes of a foreign entity.

In July 2013, the FASB amended the accounting standard related to hedge accounting by permitting the use of the Fed Funds Effective Swap Rate as a U.S. benchmark interest rate for hedge accounting purposes in addition to the U.S. Treasury Rate and the LIBOR rate. The amendment also removes the restriction on using different benchmark rates for similar hedges. The amendment is effective prospectively for qualifying new or re-designated hedging relationships entered into on or after July 17, 2013. The adoption of this amendment is not expected to have a material impact on the Company s Condensed Consolidated Financial Statements.

In July 2013, the FASB amended the accounting standard related to income taxes to eliminate a diversity in practice for the presentation of unrecognized tax benefits when net operating loss carryforwards, similar tax losses or tax credit carryforwards exist. The amendment requires that the unrecognized tax benefit be presented as a reduction of the deferred tax assets associated with the carryforwards except in certain circumstances when it would be reflected as a liability. The adoption of this revision is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 and is not expected to have a material impact on the Company s 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 June 30, 2013 and December 31, 2012 was as follows (in thousands):

	June 30, 2013	December 31, 2012
Cost incurred on contracts in progress	$ 681,413	$ 932,844
Recognized income	158,307	132,869
	839,720	1,065,713
Progress billings and advance payments	(772,262)	(1,012,298)
	$ 67,458	$ 53,415
Contract cost and recognized income not yet billed	$ 87,249	$ 89,658
Contract billings in excess of cost and recognized income	(19,791)	(36,243)
	$ 67,458	$ 53,415

Contract cost and recognized income not yet billed includes $2.6 million and $5.9 million at June 30, 2013 and December 31, 2012, respectively, on completed contracts.

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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 will be due upon completion of the contracts and acceptance by the customer. Based on the Company s experience with similar contracts in recent years, retention balances at each balance sheet date will be collected within the next twelve months. Retainage balances at June 30, 2013 and December 31, 2012, were approximately $22.6 million and $40.2 million, respectively, and are included in accounts receivable.

4. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2013 and December 31, 2012 were as follows (in thousands):

	June 30, 2013	December 31, 2012
Trade accounts payable	$ 118,072	$ 131,441
Payroll and payroll liabilities	52,510	48,917
Accrued contract costs	37,109	58,301
Self-insurance accrual	23,058	18,559
Other accrued liabilities	33,021	38,289
Total accounts payable and accrued liabilities	$ 263,770	$ 295,507

5. Long-term Debt

Long-term debt as of June 30, 2013 and December 31, 2012 was as follows (in thousands):

	June 30, 2013	December 31, 2012
Term Loan, net of unamortized discount of $3,450 and $4,983	$ 185,720	$ 184,187
Borrowings under Revolving Credit Facility	59,407	104,407
Capital lease obligations	2,882	3,598
Other obligations	16,833	11,628
Total debt	264,842	303,820
Less: current portion	(6,115)	(7,186)
Long-term debt, net	$ 258,727	$ 296,634

Amended and Restated Credit Agreement

Pursuant to an Amendment and Restatement Agreement dated as of November 8, 2012, the Company s credit agreement dated as of June 30, 2010 (the 2010 Credit Agreement) was amended and restated in its entirety (the Amended and Restated Credit Agreement). The 2010 Credit Agreement consisted of a four-year, $300.0 million term loan facility (the Term Loan Facility) maturing on June 30, 2014 and a three-year revolving credit facility of $175.0 million maturing on June 30, 2013 (the Revolving Credit Facility). Under the Amended and Restated Credit Agreement, certain existing lenders under the Revolving Credit Facility, holding an aggregate amount of commitments equal to $115.0 million, extended the maturity applicable to such commitments, to June 30, 2014. As of June 30, 2013, the Company s obligations under the existing Term Loan Facility and Revolving Credit Facility were due within one year. Subsequent to June 30, 2013, the Company refinanced these obligations on a long-term basis, and therefore, has classified them as long-term on its Condensed Consolidated Balance Sheet. See Note 13 Subsequent Event for additional information regarding the refinancing of the Company s Amended and Restated Credit Agreement.

Prior to the refinancing, the Company had $59.4 million in outstanding revolver borrowings and $51.6 million in letters of credit outstanding, with $4.0 million remaining against its $115.0 million capacity as of June 30, 2013 and was in compliance with all covenants under the Amended and Restated Credit Agreement.

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

5. Long-term Debt (continued)

Fair Value of Debt

The estimated fair value of the Company s debt instruments as of June 30, 2013 and December 31, 2012 was as follows (in thousands):

	June 30, 2013	December 31, 2012
Term Loan Facility	$ 192,939	$ 192,752
Borrowings under Revolving Credit Facility	59,407	104,407
Capital lease obligations	2,882	3,598
Other obligations	16,833	11,628
Total fair value of debt instruments	$ 272,061	$ 312,385

The Term Loan Facility, revolver borrowings, capital lease obligations and other obligations are classified within Level 2 of the fair value hierarchy. The fair values of these instruments 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 these instruments.

6. Income Taxes

The effective tax rate on continuing operations was a negative 54.30 percent and a negative 10.41 percent for the six months ended June 30, 2013 and 2012, respectively. Tax expense for discrete items for the six months ended June 30, 2013 is $0.6 million. This amount is composed of a foreign uncertain tax position related to statute of limitations expiration and Texas Margins Tax. Tax expense for the six months ended June 30, 2013 is $3.7 million, mainly due to Canadian Tax and Texas Margins Tax offset by the tax benefit from the release of an uncertain tax position. The Company has not recorded the benefit of current year losses in the United States. As of June 30, 2013, 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 52.79 percent and a negative 154.28 percent for the three months ended June 30, 2013 and June 30, 2012, respectively. Tax expense for the three months ended June 30, 2013 is $1.1 million, which primarily relates to a release of an uncertain tax position, 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 second quarter of 2013. 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 an uncertain tax position within the next twelve months. Assuming that the statute of limitations expires, the Company would release reserves in the amount of $1.6 million.

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

7. Stockholders Equity

The information contained in this note pertains to continuing and discontinued operations.

Changes in Accumulated Other Comprehensive Income by Component

	Three Months Ended June 30, 2013 (in thousands)		
	Foreign currency translation adjustments	Changes in derivative financial instruments	Total accumulated comprehensive income
Balance March 31, 2013	$ 13,944	$ (1,213)	$ 12,731
Other comprehensive loss before reclassifications	(1,590)	(25)	(1,615)
Amounts reclassified from accumulated other comprehensive income		257	257
Net current-period other comprehensive income (loss)	(1,590)	232	(1,358)
Balance June 30, 2013	$ 12,354	$ (981)	$ 11,373

	Six Months Ended June 30, 2013 (in thousands)		
	Foreign currency translation adjustments	Changes in derivative financial instruments	Total accumulated comprehensive income
Balance December 31, 2012	$ 14,945	$ (1,441)	$ 13,504
Other comprehensive loss before reclassifications	(2,723)	(52)	(2,775)
Amounts reclassified from accumulated other comprehensive income	132	512	644
Net current-period other comprehensive income (loss)	(2,591)	460	(2,131)
Balance June 30, 2013	$ 12,354	$ (981)	$ 11,373

Reclassifications out of Accumulated Other Comprehensive Income

Three Months Ended June 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	$	257	Interest expense, net
Total	$	257	

Six Months Ended June 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	$	512	Interest expense, net
Total	$	512	

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

8. 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 RSUs 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. The Company s convertible notes, which were retired in the fourth quarter of 2012, were included in the calculation of diluted income per share under the if-converted method for periods prior to December 31, 2012. Additionally, diluted income (loss) per share for continuing operations is calculated excluding the after-tax interest expense associated with the convertible notes since these notes are treated as if converted into common stock.

Basic and diluted income (loss) per common share from continuing operations for the three months and six months ended June 30, 2013 and 2012 are computed as follows (in thousands, except share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Net income (loss) from continuing operations applicable to common shares (numerator for basic and diluted calculation)	$ 1,007	$ (1,991)	$ (10,622)	$ (23,141)
Weighted average number of common shares outstanding for basic income (loss) per share	48,586,757	47,994,987	48,447,044	47,888,192
Weighted average number of potentially dilutive common shares outstanding	648,540			
Weighted average number of common shares outstanding for diluted income per share	49,235,297	47,994,987	48,447,044	47,888,192
Income (loss) per common share from continuing operations:				
Basic	$ 0.02	$ (0.04)	$ (0.22)	$ (0.48)
Diluted	$ 0.02	$ (0.04)	$ (0.22)	$ (0.48)

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

	Three Months Ended June 30,	
	2013	**2012**
6.5% Senior Convertible Notes		1,825,587
Stock options	177,750	227,750
Restricted stock and restricted stock rights		343,224

	177,750	2,396,561

9. 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.

In January 2013, the Company implemented a change to its operational and organizational structure in order to emphasize its commitment to its engineering, procurement and integrity services and to align its business interests to better reflect market conditions. As a result, the Company created a new and fourth segment, *Professional Services*. *Professional Services*, together with *Oil & Gas*, *Utility T&D* and *Canada* represent the Company s organizational structure for which its operating results are reported. Previously reported periods have been recast to conform to this new structure.

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)

9. Segment Information (continued)

The following tables reflect the Company s operations by reportable segment for the three months ended June 30, 2013 and 2012 (in thousands):

	Three Months Ended June 30, 2013					
	Oil & Gas	*Utility T&D*	*Professional Services*	*Canada*	*Eliminations*	Consolidated
Contract revenue	$ 186,387	$ 128,321	$ 87,423	$ 87,425	$ (1,692)	$ 487,864
Operating expenses	205,145	112,693	79,238	83,117	(1,692)	478,501
Operating income (loss)	$ (18,758)	$ 15,628	$ 8,185	$ 4,308	$	9,363
Other expense						(7,230)
Provision for income taxes						1,126
Income from continuing operations						1,007
Loss from discontinued operations net of provision for income taxes						(7,908)
Net loss						(6,901)
Less: Income attributable to noncontrolling interest						
Net loss attributable to Willbros Group, Inc.						$ (6,901)

	Three Months Ended June 30, 2012					
	Oil & Gas	*Utility T&D*	*Professional Services*	*Canada*	*Eliminations*	Consolidated
Contract revenue	$ 204,158	$ 129,836	$ 80,074	$ 37,356	$ (1,002)	$ 450,422
Operating expenses	207,697	120,489	75,478	40,266	(1,002)	442,928
Operating income (loss)	$ (3,539)	$ 9,347	$ 4,596	$ (2,910)	$	7,494
Other expense						(8,277)
Provision for income taxes						1,208
Loss from continuing operations						(1,991)
Income from discontinued operations net of provision for income taxes						5,699
Net income						3,708

Less: Income attributable to noncontrolling interest		(328)
Net income attributable to Willbros Group, Inc.	$	3,380

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9. Segment Information (continued)

The following tables reflect the Company s operations by reportable segment for the six months ended June 30, 2013 and 2012 (in thousands):

	Six Months Ended June 30, 2013					
	Oil & Gas	*Utility T&D*	*Professional Services*	*Canada*	*Eliminations*	Consolidated
Contract revenue	$ 371,371	$ 241,525	$ 165,888	$ 199,420	$ (2,981)	$ 975,223
Operating expenses	404,700	224,004	157,090	184,605	(2,981)	967,418
Operating income (loss)	$ (33,329)	$ 17,521	$ 8,798	$ 14,815	$	7,805
Other expense						(14,689)
Provision for income taxes						3,738
Loss from continuing operations						(10,622)
Income from discontinued operations net of provision for income taxes						7,913
Net loss						(2,709)
Less: Income attributable to noncontrolling interest						