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WILLBROS GROUP INC
Form 10-K
November 22, 2005

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

FORM 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-11953

WILLBROS GROUP, INC.
(Exact name of registrant as specified in its charter)

REPUBLIC OF PANAMA
(Jurisdiction of incorporation)

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

PLAZA 2000 BUILDING
50TH STREET, 8TH FLOOR
P.O. BOX 0816-01098
PANAMA, REPUBLIC OF PANAMA
TELEPHONE NO.: + 50-7-213-0947
(Address, including zip code, and telephone number, including area code, of principal executive offices of registrant)

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

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

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

Indicate by check mark whether the Registrant (1) has filed all reports

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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 X

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes X No

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

The aggregate market value of the Registrant's Common Stock held by non-affiliates of the Registrant as of June 30, 2004, the last business day of the Registrant's most recently completed second fiscal quarter, was \$318,254,484.

As of March 21, 2005, 21,634,840 shares of the Registrant's Common Stock were outstanding.

Documents incorporated by reference: None

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WILLBROS GROUP, INC.
 FORM 10-K
 YEAR ENDED DECEMBER 31, 2004
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FORWARD-LOOKING STATEMENTS

THIS FORM 10-K INCLUDES "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. ALL STATEMENTS, OTHER THAN STATEMENTS OF HISTORICAL FACTS, INCLUDED IN THIS FORM 10-K THAT ADDRESS ACTIVITIES, EVENTS OR DEVELOPMENTS WHICH WE EXPECT OR ANTICIPATE WILL OR MAY OCCUR IN THE FUTURE, INCLUDING SUCH THINGS AS FUTURE CAPITAL EXPENDITURES (INCLUDING THE AMOUNT AND NATURE THEREOF), OIL, GAS, GAS LIQUIDS AND POWER PRICES, DEMAND FOR OUR SERVICES, THE AMOUNT AND NATURE OF FUTURE INVESTMENTS BY GOVERNMENTS, EXPANSION AND OTHER DEVELOPMENT TRENDS OF THE OIL, GAS AND POWER INDUSTRIES, BUSINESS STRATEGY, EXPANSION AND GROWTH OF OUR BUSINESS AND OPERATIONS, THE OUTCOME OF GOVERNMENT INVESTIGATIONS AND LEGAL PROCEEDINGS AND OTHER SUCH MATTERS ARE FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE BASED ON CERTAIN ASSUMPTIONS AND ANALYSES WE MADE IN LIGHT OF OUR EXPERIENCE AND OUR PERCEPTION OF HISTORICAL TRENDS, CURRENT CONDITIONS AND EXPECTED FUTURE DEVELOPMENTS AS WELL AS OTHER FACTORS WE BELIEVE ARE APPROPRIATE UNDER THE CIRCUMSTANCES. HOWEVER, WHETHER ACTUAL RESULTS AND DEVELOPMENTS WILL CONFORM TO OUR EXPECTATIONS AND PREDICTIONS IS SUBJECT TO A NUMBER OF RISKS AND UNCERTAINTIES. AS A RESULT, ACTUAL RESULTS COULD DIFFER MATERIALLY FROM OUR EXPECTATIONS. FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER FROM THOSE CONTEMPLATED BY OUR FORWARD-LOOKING STATEMENTS INCLUDE, BUT ARE NOT LIMITED TO, THE FOLLOWING:

- THE RESULTS OF GOVERNMENT INVESTIGATIONS INTO THE ACTIONS OF THE COMPANY AND OF CURRENT AND FORMER EMPLOYEES OF THE COMPANY, INCLUDING

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J. KENNETH TILLERY, THE FORMER PRESIDENT OF WILLBROS INTERNATIONAL, INC.;

- THE IMPOSITION OF FINES, PENALTIES OR OTHER SANCTIONS THAT MIGHT BE IMPOSED AS A RESULT OF GOVERNMENT INVESTIGATIONS;
- DIFFICULTIES WE MAY ENCOUNTER IN OBTAINING NEW BUSINESS, RETAINING EXISTING BUSINESS AND/OR COLLECTING RECEIVABLES IN NIGERIA AND ELSEWHERE BECAUSE OF THE SEVERANCE OF LONG-TERM RELATIONSHIPS WITH CONSULTANTS AND OTHER INDIVIDUALS;
- ADVERSE RESULTS THAT WE COULD SUFFER IN CIVIL LITIGATION INVOLVING OR ARISING FROM THE ACTIONS OF CURRENT AND FORMER EMPLOYEES AND OFFICERS OF THE COMPANY;
- THE ASSERTION BY PARTIES TO CONTRACTS WITH US THAT THE ACTIONS OF CURRENT AND FORMER EMPLOYEES OF THE COMPANY WERE IMPROPER WHICH CONSTITUTES A BREACH OF, OR OTHERWISE GIVE RISE TO CLAIMS UNDER, CONTRACTS TO WHICH WE ARE A PARTY;
- DETERMINATION THAT THE ACTIONS OF CURRENT AND FORMER EMPLOYEES OF THE COMPANY CAUSED US TO BREACH OUR CREDIT AGREEMENTS OR DEBT INSTRUMENTS, WHICH COULD RESULT IN THE LACK OF ACCESS TO OUR CREDIT FACILITIES AND THE REQUIREMENT TO CASH COLLATERALIZE OUR EXISTING LETTERS OF CREDIT;
- THE COMMENCEMENT BY FOREIGN GOVERNMENTAL AUTHORITIES OF INVESTIGATIONS INTO THE ACTIONS OF CURRENT AND FORMER EMPLOYEES OF THE COMPANY, AND THE DETERMINATION THAT SUCH ACTIONS CONSTITUTED VIOLATIONS OF FOREIGN LAW;
- THE DISHONESTY OF EMPLOYEES AND/OR OTHER REPRESENTATIVES OR THEIR REFUSAL TO ABIDE BY APPLICABLE LAWS AND THE COMPANY'S ESTABLISHED POLICIES AND RULES;
- CURTAILMENT OF CAPITAL EXPENDITURES IN THE OIL, GAS, AND POWER INDUSTRIES;
- POLITICAL OR SOCIAL CIRCUMSTANCES IMPEDING THE PROGRESS OF OUR WORK;
- FAILURE TO OBTAIN THE TIMELY AWARD OF ONE OR MORE PROJECTS;
- CANCELLATION OF PROJECTS;
- INCLEMENT WEATHER;
- PROJECT COST OVERRUNS, UNFORESEEN SCHEDULE DELAYS, AND THE APPLICATION OF LIQUIDATED DAMAGES;
- FAILING TO REALIZE COST RECOVERIES FROM PROJECTS COMPLETED OR IN PROGRESS WITHIN A REASONABLE PERIOD AFTER COMPLETION OF THE RELEVANT PROJECT;
- INABILITY TO IDENTIFY AND ACQUIRE SUITABLE ACQUISITION TARGETS ON REASONABLE TERMS;
- INABILITY TO OBTAIN ADEQUATE FINANCING;
- LOSS OF THE SERVICES OF KEY MANAGEMENT PERSONNEL;
- THE DEMAND FOR ENERGY MODERATING OR DIMINISHING;
- DOWNTURNS IN GENERAL ECONOMIC, MARKET OR BUSINESS CONDITIONS IN OUR

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TARGET MARKETS;

- CHANGES IN THE EFFECTIVE TAX RATE IN COUNTRIES WHERE OUR WORK WILL BE PERFORMED;
- CHANGES IN APPLICABLE LAWS OR REGULATIONS;

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- CHANGES IN THE SCOPE OF OUR EXPECTED INSURANCE COVERAGE;
- INABILITY TO MANAGE INSURABLE RISK AT AN AFFORDABLE COST;
- THE OCCURRENCE OF THE RISK FACTORS LISTED ELSEWHERE IN THIS FORM 10-K AND IN OUR OTHER FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION FROM TIME TO TIME; AND
- OTHER FACTORS, MOST OF WHICH ARE BEYOND OUR CONTROL.

CONSEQUENTLY, ALL OF THE FORWARD-LOOKING STATEMENTS MADE IN THIS FORM 10-K ARE QUALIFIED BY THESE CAUTIONARY STATEMENTS AND THERE CAN BE NO ASSURANCE THAT THE ACTUAL RESULTS OR DEVELOPMENTS WE ANTICIPATE WILL BE REALIZED OR, EVEN IF SUBSTANTIALLY REALIZED, THAT THEY WILL HAVE THE CONSEQUENCES FOR, OR EFFECTS ON, OUR BUSINESS OR OPERATIONS THAT WE ANTICIPATE TODAY. WE ASSUME NO OBLIGATION TO UPDATE PUBLICLY ANY SUCH FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE. FOR A MORE COMPLETE DESCRIPTION OF THE CIRCUMSTANCES SURROUNDING THE ACTIONS OF THE CURRENT AND FORMER EMPLOYEES OF THE COMPANY, SEE THE RISK FACTORS INCLUDED IN THIS FORM 10-K BEGINNING ON PAGE 27.

UNLESS THE CONTEXT OTHERWISE REQUIRES, ALL REFERENCES IN THIS FORM 10-K TO "WILLBROS", THE "COMPANY", "WE", "US" AND "OUR" REFER TO WILLBROS GROUP, INC., ITS CONSOLIDATED SUBSIDIARIES AND THEIR PREDECESSORS.

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PART I

ITEMS 1 AND 2. BUSINESS AND PROPERTIES

WEBSITE ACCESS TO REPORTS

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

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

RESTATEMENT

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As a result of an internal investigation, which is more fully described in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview - Restatement" of this Form 10-K, the Company's financial results for the years ended December 31, 2000, 2001, 2002 and 2003, and the first three quarters of 2004 have been restated. All financial results presented in this report for these periods reflect the restatement.

GENERAL

We are an independent international contractor serving the oil, gas and power industries and government entities worldwide. We currently operate our business in two segments: the United States and Canada (which we refer to as "United States & Canada") and all other countries outside of the United States & Canada (which we refer to as "International"). We provide construction and engineering services to industry and governmental entities worldwide, specializing in pipelines and associated facilities for onshore, coastal and offshore locations. We are also actively involved in asset development, ownership and operations as an extension of our construction and engineering services. We place particular emphasis on projects in countries where we believe our experience gives us a competitive advantage, including several developing countries.

Our construction and engineering services include the building or fabrication and installation or replacement of:

- major pipelines;
- gathering systems;
- flow stations;
- pump stations;
- gas compressor stations;
- gas processing facilities;
- oil and gas production facilities;
- subsea facilities;
- offshore jackets and decks;
- modular processing facilities;
- piers;
- pressure vessels;
- dock facilities; and
- bridges.

Construction services are provided utilizing a large fleet of company-owned and leased equipment that includes marine vessels, barges, dredges, pipelaying equipment, heavy construction equipment, transportation equipment and camp equipment. Our equipment fleet is supported by an extensive inventory of spare parts and tools, which we strategically position and maintain throughout the world to maximize availability and minimize cost. We also own and operate fabrication facilities in Canada, Nigeria, the United States, and Venezuela. Through our construction resources, we also provide specialty services,

including

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asset development and operations. Our asset development and operations (also referred to as "facility operations") include assets developed under "Build, Own and Operate" contracts, such as the fueling facilities operated for the Defense Energy Support Center, an agency of the U.S. government, a gas processing plant owned by us in the Opal, Wyoming area, and a water injection facility in Venezuela.

Our engineering services include:

- feasibility studies;
- conceptual and detailed engineering services;
- field services, material procurement; and
- overall project management.

We provide our engineering services through engineering resources located in Salt Lake City (Murray), Utah, Tulsa, Oklahoma, and Houston, Texas.

We trace our roots to the construction business of Williams Brothers Company, founded in 1908. Through successors to that business, we have completed many landmark projects around the world, including the "Big Inch" and "Little Big Inch" War Emergency Pipelines (1942-44), the Mid-America Pipeline (1960), the TransNiger Pipeline (1962-64), the Trans-Ecuadorian Pipeline (1970-72), the northernmost portion of the Trans-Alaska Pipeline System (1974-76), the All-American Pipeline System (1984-86), Colombia's Alto Magdalena Pipeline System (1989-90), a portion of the Pacific Gas Transmission System expansion (1992-93), and through a joint venture led by a subsidiary of ours, the Chad-Cameroon Pipeline (2000-2003).

Over the years, we have been employed by more than 400 clients to carry out work in 55 countries. Within the past ten years, we have worked in Africa, Asia, Australia, the Middle East, North America and South America. We have historically had a steady base of operations in the United States, Canada, Nigeria, Oman, and Venezuela, which has been enhanced by major projects in Australia, Bolivia, Cameroon, Chad, Ecuador, Egypt, Gabon, Indonesia, Ivory Coast, Kuwait, Mexico and Pakistan.

Private sector clients have historically accounted for the majority of our revenue. Government entities and agencies have accounted for the remainder. Our top ten clients were responsible for 64 percent of our total revenue in 2004 (75 percent in 2003 and 2002). In 2004, operating units of Royal Dutch/Shell Group and Halliburton accounted for 21 percent and 11 percent of our total revenue, respectively.

CORPORATE STRUCTURE

We are incorporated in the Republic of Panama and maintain our headquarters at Plaza 2000 Building, 50th Street, 8th Floor, P.O. Box 0816-01098, Panama, Republic of Panama; our telephone number is +50-7-213-0947. Panama's General Corporation Law is substantially modeled on the New York and Delaware corporate laws as they existed in 1932. Panama does not tax income derived from activities conducted outside Panama. The principal subsidiaries of Willbros Group, Inc. are:

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- Willbros International, Inc.; and
- Willbros USA, Inc.

At the beginning of 2004, 100 percent ownership of the Willbros RPI, Inc. and Willbros Mt. West, Inc. subsidiaries was transferred to Willbros USA, Inc. Willbros USA, Inc. now owns all United States subsidiaries of the Company.

All significant International operations are carried out by material direct or indirect subsidiaries of Willbros International, Inc., which is also a Panamanian corporation. Such material subsidiaries include:

- Willbros Middle East, Inc.;
- Willbros West Africa, Inc.;
- Willbros (Nigeria) Limited;
- Willbros (Offshore) Nigeria Limited;
- Constructora CAMSA, C.A.;
- The Oman Construction Company LLC; and
- Willbros Transandina, S.A.

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All significant operations in the United States & Canada are carried out by material direct or indirect subsidiaries of Willbros Group, Inc. Such material subsidiaries include:

- Willbros RPI, Inc.;
- Willbros MSI Canada Inc.;
- Willbros Mt. West, Inc.;
- Willbros Engineers, Inc.;
- Willbros Project Services, Inc.; and
- Willbros Operating Services, Inc.

The Willbros corporate structure is designed to comply with jurisdictional and registration requirements associated with work bid and performed and to reduce worldwide taxation of operating income. Additional subsidiaries may be formed in specific work countries where necessary or useful for compliance with local laws or tax objectives. Administrative services are provided by Willbros USA, Inc., whose administrative headquarters are located at 4400 Post Oak Parkway, Suite 1000, Houston, Texas 77027, telephone number (713) 403-8000.

CURRENT MARKET CONDITIONS

We believe the fundamentals supporting the demand for engineering and construction services for the energy industry will continue to be strong for the next two to five years. We expect demand in the International market, which has led the improvement in backlog in 2004, to continue to be strong. We also expect

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an improvement in our market position in the United States & Canada market to increase our level of activity in that market in 2005 and 2006. The following factors have caused the short-term outlook for our business to strengthen:

- Increased demand in North America for natural gas has resulted in the citing, permitting and approval of at least three new liquefied natural gas ("LNG") regasification terminals in addition to multiple proposals for additional facilities, principally: regasification terminals and connecting pipelines in North America.
- Increased demand for natural gas worldwide has also resulted in new LNG liquefaction facilities and expansion of existing facilities to meet the higher demand levels. These new facilities require additional pipeline capacity to transport the feed gas for liquefaction.
- Improved global economic conditions have increased demand for oil, gas, and power resulting in an increase in the expected number of oil, gas and power projects.
- The increasing use of the engineering, procurement and construction ("EPC") contract model should allow us to improve our market share in North America.
- In West Africa, we have major energy infrastructure projects under contract and underway and believe there are opportunities for us to perform multiple phases of follow-on work on these projects.
- New holders of North American pipeline assets acquired in the past two years through merger or outright purchase are now implementing plans to expand or upgrade those assets.
- Major customers are benefiting from high discretionary cash flow which should enable them to implement expanded capital construction programs.

As a result of these factors, we expect our revenue in 2005 to increase substantially from the 2004 level.

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

- Efforts to establish new oil and gas production in more politically secure regions of the world;
- Rising global energy demand resulting from economic growth in developing countries;
- The need for larger oil and gas transportation infrastructures in a number of developing countries;
- Some state-controlled oil and gas companies seeking foreign investment;
- The increasing role of natural gas as a fuel for power generation and other uses in producing countries;
- The international effort to stabilize Iraq and restore Iraqi oil production;

- Decline in existing producing reservoirs which will require additional investment to stabilize or reverse the decline in production;
- Initiatives to reduce natural gas flaring worldwide; and
- Aging of energy infrastructure.

A February 2004 industry survey of pipeline construction suggests that planned worldwide pipeline construction will be higher in 2005 than in 2004. This report indicates that approximately \$27 billion is planned to be spent worldwide in 2005 on pipeline construction and related infrastructure, compared to approximately \$19 billion planned to have been spent in 2004. The survey also indicates that approximately 60,000 miles of pipeline construction are planned for 2005 and beyond, up slightly over comparable figures (59,000 miles) for 2004 and beyond. We expect more than \$7 billion of these projects to meet our bidding criteria in 2005 and through mid-2006, and we expect to aggressively pursue these opportunities.

Partially offsetting these positive factors is the potential for political and social unrest in some countries in which we operate:

- Continuing unrest and security concerns in the Middle East have created greater than normal uncertainty in the global oil markets. This uncertainty continues to cause caution among oil and gas producers with respect to their planned capital expenditure programs. This caution is despite the high levels for oil and gas prices enjoyed by producers over the past two years and may also stem from skepticism as to the sustainability of current energy prices.
- Policies of populist governments in some South American countries have caused foreign investment in certain sectors, including energy, to decrease.
- The political situation in Venezuela remains uncertain and projects continue to be delayed.
- The Government of Venezuela continues to pursue an agenda which includes renegotiation of contracts with foreign investors.

BUSINESS STRATEGY

We seek to maximize stockholder value through our business strategy. The core elements of this strategy are to:

- Concentrate on projects and prospects in areas where we can be most competitive and obtain the highest profit margins consistent with the appropriate level of contractual and geo-political risk;
- Pursue EPC contracts with vigor because they can often yield higher profit margins on the engineering and construction components of the contract than stand-alone contracts for similar services;
- Focus on performance and project execution in order to maximize the profit potential on each contract awarded;
- Place an increased focus on our commitments to safety and quality because these elements of performance measurement are increasingly important as differentiators from our competitors;

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- Develop alliances with other service providers who will enhance our capabilities and competitiveness in markets throughout the world;
- Pursue growth through expansion and acquisitions in complementary business lines;
- Pursue asset development and operation opportunities to leverage our expertise in design and construction, and to provide a more predictable stream of revenue and cash flow;
- Maintain a strong balance sheet, which balances business risk with financial risk, and keep operating and overhead costs commensurate with anticipated levels of revenue; and
- Pursue alliances and equity investment opportunities with clients to secure long-term contracts which provide greater stability in our future revenue and cash flow streams.

In pursuing this strategy, we rely on the competitive advantage gained from our experience in completing logistically complex and technically difficult projects in remote areas with difficult terrain and harsh climatic conditions, our longstanding customer relationships, and our experienced multinational employee base. Recognizing our employees as key to our competitive advantage, we continue to invest in them to ensure that they have the training and tools needed to be successful in today's challenging environment.

In carrying out the core elements of our long-term strategies, we build from the following:

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Geographic Focus. Our objective is to maintain and enhance our presence in regions where we have developed a strong base of operations, such as Africa, the Middle East, North America and South America, by capitalizing on our local experience, established contacts with local customers and suppliers, and familiarity with local working conditions. In pursuing this strategy, we seek to identify a limited number of long-term niche markets in which we can outperform the competition and establish an advantageous position. In 2001, to establish our presence in Canada, we acquired Willbros MSI Canada Inc. (formerly MSI Energy Services Inc.), a Canadian contractor active in the oil sands producing area of northern Alberta. In 2002, we acquired the Mt. West Group to increase and complement our engineering and construction, and EPC capabilities. The Mt. West Group acquisition also enhanced our presence in the northwestern United States. We also seek to establish or enhance our presence in other strategically important areas.

EPC Contracts. We will continue to pursue EPC contracts because they can often yield higher profit margins on the engineering and construction components of the contract compared to stand-alone contracts for similar services. In performing EPC contracts, we participate in numerous aspects of a project. We are therefore able to determine the most efficient design, permitting, procurement and construction sequence for a project in connection with making engineering decisions. EPC contracts enable us to deploy our resources more efficiently and capture those efficiencies in the form of improved margins on the engineering and construction components of these projects. We intend to capitalize on being one of the few pipeline construction companies worldwide with the ability to provide the full range of EPC services in order to capture more of this business.

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Focus on Superior Project Execution. We will continue to focus on performance and project execution in order to maximize customer satisfaction and the profit potential on each contract awarded. Our work force benefits from and integrates feedback from complementary activities conducted by our engineering and construction organizations. Our global experience enables our engineering teams to incorporate best practice for any geographic region, terrain or climate. New technologies and designs introduced first in engineering studies and project management tools are leveraged to increase productivity and maximize asset utilization in capital intensive construction activities. By doing so, we improve our competitive position and we also enhance our potential for repeat business and/or add-on engineering or specialty services.

Safety and Quality Improvements. Our Health, Safety and Environmental ("HSE") program enhances our ability to meet the specific requirements of our customers through continuous improvements to all our business processes. The HSE program is a systems-based approach that follows the API 9100 guidelines. These guidelines are based on regulatory laws and best practices that include general standards, construction activities and maintenance operations in the oil services industry, and focus on management leadership in the safety process. HSE goals and objectives are an integral part of our business strategy, aimed to promote continuous improvement in safety performance through management commitment and visibility. Our HSE program includes specific training, audits, recognition and accountability, action plans, and pre-planning as proactive measures.

Strategic Alliances. We seek to establish strategic alliances with companies, whose resources, skills and strategies are complementary to and are likely to enhance our business opportunities, including the formation of joint ventures and consortia to achieve a competitive advantage and share risks. We currently have alliances to pursue or perform work in Abu Dhabi, Algeria, Australia, Canada, China, Libya, Saudi Arabia, the United States, and Venezuela.

Acquisitions. We seek to identify, evaluate and acquire companies that offer growth opportunities and that complement our resources and capabilities. Consistent with this strategy, in October 2002, we acquired the Mt. West Group, a group of four closely-held engineering and construction companies operating principally in the western region of the United States.

Asset Development and Operations. We may decide to make an equity investment in a project in order to enhance our competitive position and/or maximize project returns. In 1998, this strategy led to our Venezuelan subsidiary taking a 10 percent equity interest in a joint venture which was awarded a 16-year contract to operate, maintain and refurbish water injection facilities in Lake Maracaibo, Venezuela. Also, since 1998, we have owned and operated fueling facilities for an agency of the U.S. Government. In 2003, we entered into an agreement with a U.S. natural gas processor to design, construct and own a gas processing plant near Opal, Wyoming to process gas production from nearby fields for an annual processing fee plus a share of sales of natural gas liquids extracted. The Opal Gas Plant was completed in early 2004 and is currently in commercial operation.

Conservative Financial Management. We emphasize the maintenance of a strong balance sheet in financing the development and growth of our business. We also seek to obtain contracts that are likely to result in recurring revenue in order to partially mitigate the cyclical nature of our construction and engineering businesses. Additionally, whenever possible we act to minimize our exposure to

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currency fluctuations through the use of U.S. dollar-denominated contracts and by limiting payments in local currency to approximately the amount of local currency expense. We may seek new financing, in the form of either debt or equity, as market conditions allow and as business opportunities and capital equipment requirements may dictate.

WILLBROS BACKGROUND

We are the successor to the pipeline construction business of Williams Brothers Company, which was started in 1908 by Miller and David Williams. In 1949, the business was reconstituted and acquired by the next generation of the Williams family. The resulting enterprise eventually became The Williams Companies, Inc., a major U.S. energy and interstate natural gas and petroleum products transportation company ("Williams").

In 1975, Williams elected to discontinue its pipeline construction activities and, in December 1975, sold substantially all of the non-U.S. assets and international entities comprising its pipeline construction division to a newly formed Panama corporation (eventually renamed Willbros Group, Inc.) owned by employees of the division. In 1979, Willbros Group, Inc. retired its debt incurred in the acquisition by selling a 60 percent equity interest to Heerema Holding Construction, Inc. ("Heerema"). In 1986, Heerema acquired the balance of Willbros Group, Inc., which then operated as a wholly-owned subsidiary of Heerema until April 1992.

In April 1992, Heerema sold Willbros Group, Inc. to a corporation formed on December 31, 1991 in the Republic of Panama by members of the Company's management at the time, certain other investors, and Heerema. Subsequently, the original Willbros Group, Inc. was dissolved into the acquiring corporation which was renamed "Willbros Group, Inc." In August 1996, we completed an initial public offering of common stock in which Heerema sold all of its shares of common stock; and in October 1997 we completed a secondary offering in which the other investors sold substantially all of their shares of common stock. In May 2002, we completed a third public offering of common stock, which was used to repay debt and to provide cash for general corporate purposes.

WILLBROS MILESTONES

The following are selected milestones which we have achieved:

- 1915 Began pipeline work in the United States.
- 1939 Began international pipeline work in Venezuela.
- 1942-44 Served as principal contractor on the "Big Inch" and "Little Big Inch" War Emergency Pipelines in the United States which delivered Gulf Coast crude oil to the Eastern Seaboard.
- 1947-48 Built the 370-mile (600-kilometer) Camiri to Sucre and Cochabamba crude oil pipeline in Bolivia.
- 1951 Completed the 400-mile (645-kilometer) western segment of the Trans-Arabian Pipeline System in Jordan, Syria and Lebanon.
- 1954-55 Built Alaska's first major pipeline system, consisting of 625 miles (1,000 kilometers) of petroleum products pipeline, housing, communications, two tank farms, five pump stations, and marine dock and loading facilities.
- 1956-57 Led a joint venture which constructed the 335-mile (535-kilometer)

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southern section of the Trans-Iranian Pipeline, a products pipeline system extending from Abadan to Tehran.

1958 Constructed pipelines and related facilities for the world's largest oil export terminal at Kharg Island, Iran.

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1960 Built the first major liquefied petroleum gas pipeline system, the 2,175-mile (3,480-kilometer) Mid-America Pipeline in the United States, including six delivery terminals, two operating terminals, 13 pump stations, communications and cavern storage.

1962 Began operations in Nigeria with the commencement of construction of the TransNiger Pipeline, a 170-mile (275-kilometer) crude oil pipeline.

1964-65 Built the 390-mile (625-kilometer) Santa Cruz to Sica Sica crude oil pipeline in Bolivia. The highest altitude reached by this line is 14,760 feet (4,500 meters) above sea level, which management believes is higher than the altitude of any other pipeline in the world.

1965 Began operations in Oman with the commencement of construction of the 175-mile (280-kilometer) Fahud to Muscat crude oil pipeline system.

1967-68 Built the 190-mile (310-kilometer) Orito to Tumaco crude oil pipeline in Colombia, one of five Willbros crossings of the Andes Mountains, a project notable for the use of helicopters in high-altitude construction.

1969 Completed a gas gathering system and 105 miles (170 kilometers) of 42-inch trunkline for the Iranian Gas Trunkline Project (IGAT) in Iran to supply gas to the USSR.

1970-72 Built the Trans-Ecuadorian Pipeline, crossing the Andes Mountains, consisting of 315 miles (505 kilometers) of 20-inch and 26-inch pipeline, seven pump stations, four pressure-reducing stations and six storage tanks. Considered the most logistically difficult pipeline project ever completed at the time.

1974-76 Led a joint venture which built the northernmost 225 miles (365 kilometers) of the Trans Alaska Pipeline System.

1974-76 Led a joint venture which constructed 290 miles (465 kilometers) of pipeline and two pump stations in the difficult to access western Amazon basin of Peru; another logistics challenge which required lightering from shipping on the Amazon River.

1974-79 Designed and engineered the 500-mile (795-kilometer) Sarakhs-Neka gas transmission line in northeastern Iran.

1982-83 Built the Cortez carbon dioxide pipeline system in the southwestern United States, consisting of 505 miles (815 kilometers) of 30-inch pipeline.

1984-86 Constructed, through a joint venture, the All-American Pipeline System, a 1,240-mile (1,995-kilometer), 30-inch heated pipeline, including 23

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pump stations, in the United States.

- 1984-95 Developed and furnished a rapid deployment fuel pipeline distribution and storage system for the U.S. Army which was used extensively and successfully in Saudi Arabia during Operation Desert Shield/Desert Storm in 1990/1991, in Somalia during 1993 and in Iraq in 2003.
- 1985-86 Built a 185-mile (300-kilometer), 24-inch crude oil pipeline from Ayacucho to Covenas in Colombia, another Andean challenge.
- 1987 Rebuilt 25 miles (40 kilometers) of the Trans-Ecuadorian crude oil pipeline, mobilizing to Ecuador in two weeks and completing work within six months after major portions were destroyed by an earthquake.
- 1988-92 Performed project management, engineering, procurement and field support services to expand the Great Lakes Gas Transmission System in the northern United States. The expansion involved modifications to 13 compressor stations and the addition of 660 miles (1,060 kilometers) of 36-inch pipeline in 50 separate loops.
- 1989-92 Provided pipeline engineering and field support services for the Kern River Gas Transmission System, a 36-inch pipeline project extending over 685 miles (1,100 kilometers) of desert and mountains from Wyoming to California.

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- 1992-93 Rebuilt oil field gathering systems in Kuwait as part of the post-war reconstruction effort.
- 1996 Listed shares upon completion of an initial public offering of common stock on the New York Stock Exchange under the symbol "WG."
- 1996-97 Achieved ISO Certification for seven operating companies.
- 1996-98 Performed an EPC contract with Asamera (Overseas) Limited to design and construct pipelines, flowlines and related facilities for the Corridor Block Gas Project located in southern Sumatra, Indonesia.
- 1997-98 Carried out a contract for the construction of 120 miles (200 kilometers) each of 36-inch and 20-inch pipelines in the Zuata Region of the Orinoco Belt in Venezuela.
- 1997-98 Completed an EPC contract for El Paso Natural Gas Company and Gasoductos de Chihuahua, a joint venture between El Paso and PEMEX, to construct a 45-mile (75-kilometer) gas pipeline system in Texas and Mexico.
- 1999-00 Carried out a contract through a joint venture to construct a 492-mile (792-kilometer), 18-inch gas pipeline in Australia.
- 2000 Acquired Rogers & Phillips, Inc., a United States pipeline construction company.
- 2000 Relocated the Willbros USA, Inc. administrative headquarters from Tulsa, Oklahoma to Houston, Texas.

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- 2001 Acquired MSI Energy Services Inc., an Alberta, Canada based contractor working in the oil sands area, and established a presence in Canada.
- 2001 Ended year with record backlog of \$407.6 million.
- 2002 Acquired the Mt. West Group to enhance presence in the western United States and to improve our service capabilities worldwide.
- 2002 Completed engineering and project management of the Gulfstream project, a \$1.6 billion natural gas pipeline system from Mobile, Alabama crossing the Gulf of Mexico and serving markets in central and southern Florida.
- 2002 Elected Michael F. Curran CEO, succeeding Larry J. Bump, who retired after 22 years as Willbros CEO.
- 2002 Completed the Centennial Pipeline Project: FERC application support, engineering, procurement, construction and construction management of new-build and conversion to refined products service of a natural gas system from Gulf Coast to mid-western United States, 797 miles (1,275 kilometers) of 24-inch and 26-inch pipelines and facilities.
- 2003 Completed work on the Explorer Pipeline Mainline expansion project, adding 12 new pump stations and additional storage to this products pipeline from the Gulf Coast to central Illinois.
- 2003 Completed an EPC contract for the 665-mile (1,070-kilometer), 30-inch crude oil Chad-Cameroon Pipeline Project, through a joint venture with another international contractor.
- 2003 Completed construction of the GASYRG natural gas pipeline in Bolivia, 144 miles (230 kilometers) of 32-inch pipeline from the San Alberto gas field to connect with export facilities to Brazil.
- 2004 Completed construction and began commercial operation of the Opal Gas Plant with nominal capacity of 350 million standard cubic feet per day.
- 2004 Began work on the Eastern Gas Gathering System ("EGGS") project, an 83-kilometer 40-inch feed gas pipeline to the Bonny Island LNG facilities in Nigeria.
- 2004 Awarded the contract for the onshore portions of the West Africa Gas Pipeline project, to transport natural gas from Nigeria to end users in Ghana, Togo and Benin.
- 2004 Began work on a field upgrade East Area Platforms Retrofit and Wellhead Tie-ins Project ("EPC-IV"), offshore Nigeria, for a major exploration and production company.
- 2004 Completed pipeline rehabilitation and replacement project in Iraq.
- 2004 Ended year with record backlog of \$660.9 million.

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BUSINESS SEGMENTS

Historically, the Company reported in one operating segment offering three integrated services: engineering, construction, and specialty. In mid-2004, the Company restructured its operating segments to include Engineering and Construction and Facilities Development and Operations. Beginning in the fourth quarter of 2004, the Company restructured its business into two operating segments, International and United States & Canada. All periods presented reflect this change in segments.

The Company's segments are strategic business units that are managed separately as each segment has different operational requirements and marketing strategies. Management believes, due to the composition of current work and potential work opportunities, and the nuances of the geographic markets the Company serves, that the organization should be viewed on a geographic basis. Consequently, the businesses have been restructured and we are reporting on the basis of two operating segments: International and United States & Canada. The International segment consists of all construction, engineering and facilities development operations in countries other than the United States and Canada. Currently such operations are in Africa, the Middle East, and South America. The United States & Canada segment consists of all construction, engineering and facilities development operations in the United States and Canada. The Company's corporate operations include the general and administrative and financing functions of the organization. The costs of these functions are allocated between the two operating segments. The Company's corporate operations also include various other assets that are allocated between the two operating segments. Inter-segment revenue and revenue between geographic areas are not material.

The tables below reflect the Company's business segments as of and for the years ended December 31, 2004, 2003, and 2002: (All table dollar amounts in thousands)

	Year Ended December 31, 2004		
	Total	International	United States & Canada
	-----	-----	-----
Revenue	\$483,318	\$290,524	\$192,794
Operating expense:			
Contract costs	417,671	249,660	168,011
Depreciation and amortization	16,747	9,135	7,612
General and administrative	46,614	22,600	24,014
Other operating costs	3,571	3,571	--
	-----	-----	-----
	484,603	284,966	199,637
	-----	-----	-----
Operating income (loss)	\$ (1,285)	\$ 5,558	\$ (6,843)
	=====	=====	=====

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	Total	International	United States & Canada
Revenue	\$416,573	\$262,241	\$154,332
Operating expense:			
Contract costs	374,442	223,672	150,770
Depreciation and amortization	15,570	8,727	6,843
General and administrative	36,300	16,321	19,979
Other operating costs	2,314	2,314	--
	428,626	251,034	177,592
Operating income (loss)	\$ (12,053)	\$ 11,207	\$ (23,260)

Year Ended December 31, 2002 RESTATED

	Total	International	United States & Canada
Revenue	\$582,829	\$337,592	\$245,237
Operating expense:			
Contract costs	494,318	287,330	206,988
Depreciation and amortization	16,627	10,697	5,930
General and administrative	34,046	16,191	17,855
Other operating costs	3,076	3,076	--
	548,067	317,294	230,773
Operating income	\$ 34,762	\$ 20,298	\$ 14,464

Total assets by segment are presented below:

	December 31,	
	2004	2003
		RESTATED
International	\$225,262	\$204,237
United States & Canada	191,848	100,457
Total Consolidated Assets	\$417,110	\$304,694

Due to a limited number of major projects and clients, the Company may at any one time have a substantial part of its operations dedicated to one project, client and country.

Customers representing more than 10 percent of total contract revenue are as follows:

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	Year Ended December 31,		
	2004	2003	2002
		RESTATED	RESTATED
Customer A	21%	14%	--%
Customer B	11	--	--
Customer C	--	16	29
Customer D	--	--	16
	---	---	---
	32%	30%	45%
	===	===	===

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Information about the Company's operations in its significant work countries is shown below:

	Year Ended December 31,		
	2004	2003	2002
		RESTATED	RESTATED
Contract revenue:			
United States (1)	\$159,270	\$130,155	\$231,552
Nigeria	121,774	53,252	49,230
Iraq	54,029	10,057	--
Offshore West Africa	49,784	62,988	59,285
Oman	36,846	40,885	17,244
Canada	33,524	24,177	13,685
Venezuela	17,750	29,312	12,835
Bolivia	6,368	3,943	45,105
Ecuador	3,222	--	--
Cameroon	336	61,605	136,149
Australia	415	--	--
Dominican Republic	--	199	17,744
	-----	-----	-----
	\$483,318	\$416,573	\$582,829
	=====	=====	=====

(1) Net of inter-country revenue of \$11,845 in 2004, \$9,009 in 2003, and \$25,849 in 2002.

December 31,		
2004	2003	2002
-----	-----	-----

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		RESTATED	RESTATED
Long-lived assets:			
United States	\$ 49,521	\$ 41,359	\$24,298
Nigeria	31,824	20,129	17,562
Offshore West Africa	12,281	11,038	10,040
Canada	6,554	4,289	3,852
Oman	4,214	4,705	3,116
Venezuela	4,835	5,450	6,962
Bolivia	1,703	2,806	3,503
Cameroon	--	3,089	7,262
Other	5,711	2,035	199
	-----	-----	-----
	\$116,643	\$ 94,900	\$76,794
	=====	=====	=====

SERVICES PROVIDED

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

ENGINEERING SERVICES

We provide project management, engineering, and material procurement services to the oil, gas and power industries and government agencies. We specialize in providing engineering services to assist clients in constructing or expanding pipeline systems, compressor stations, pump stations, fuel storage facilities, and field gathering and production facilities. Over the years, we have developed expertise in addressing the unique engineering challenges involved with pipeline systems and associated facilities to be installed where climatic conditions are extreme, areas where environmental sensitivity must be crossed, and fluids which present extreme health hazards or which present technical challenges regarding the selection of materials for fluid/gas conveyance.

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

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

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

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

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

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

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

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

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

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

Natural Gas Transmission Systems. The expansion of the natural gas transportation network in the United States in recent years has been a major contributor to our engineering business. We believe we have established a strong position as a leading supplier of project management and engineering services to natural gas pipeline transmission companies in the United States. Since 1988, we have provided engineering services for over 19 major natural gas pipeline projects in the United States, totaling more than 7,000 miles (11,200 kilometers) of large diameter pipe for new systems and expansions of existing systems. During this same period, we were also the engineering contractor for over 80 compressor stations, including new stations and additions to existing stations for 17 clients.

Liquids Pipelines and Storage Facility Design. We have engineered a number

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of crude oil and refined petroleum products systems throughout the world, and have become recognized for our expertise in the engineering of systems for the storage and transportation of petroleum products and crude oil. In 2001, we provided engineering and field services for conversion of a natural gas system in the mid-western United States, involving over 794 miles (1,270 kilometers) of 24-inch to 26-inch diameter pipeline to serve the upper Midwest with refined petroleum products. We recently completed EPC services for the expansion of

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another petroleum products pipeline to the Midwest involving 12 new pump stations, modifications to another 13 pump stations and additional storage.

U.S. Government Services. Since 1981, we have established our position with U.S. government agencies as a leading engineering contractor for jet fuel storage and aircraft fueling facilities, having performed the engineering for major projects at seven U.S. military bases including three air bases outside the U.S. The award of these projects was based largely on contractor experience and personnel qualifications. In the past four years, we have won four of seven so-called "Build, Own, and Operate", or "BOO" projects, to provide fueling facilities at four military bases in the United States for the U.S. Defense Energy Support Center.

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

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

CONSTRUCTION SERVICES

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

Pipeline Construction. World demand for pipelines results from the need to move millions of barrels of crude oil and petroleum products and billions of cubic feet of natural gas to refiners, processors and consumers each day. Pipeline construction is capital-intensive, and we own, lease, operate and maintain a fleet of specialized equipment necessary for operations in the pipeline construction business. We focus on pipeline construction activity in remote areas and harsh climates where we believe our experience gives us a competitive advantage. We believe that we have constructed more miles of pipeline than any other private sector company.

The construction of a cross-country pipeline involves a number of

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

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

- clear the right-of-way;
- grade the right-of-way;
- excavate a trench in which to bury the pipe;
- haul pipe to intermediate stockpiles from which stringing trucks carry pipe and place individual lengths (joints) of pipe alongside the ditch;
- bend pipe joints to conform to changes of direction and elevation;
- clean pipe ends and line up the succeeding joint;
- perform various welding operations;
- inspect welds non-destructively;
- clean pipe and apply anti-corrosion coatings;
- lower pipe into the ditch;
- backfill the ditch;

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- bore and install highway and railroad crossings;
- drill, excavate or dredge and install pipeline river crossings;
- tie in all crossings to the pipeline;
- install mainline valve stations;
- conduct pressure testing;
- install cathodic protection system; and
- perform final clean up.

Special equipment and techniques are required to construct pipelines across wetlands and offshore. We use swamp pipelaying methods extensively in Nigeria, where a significant portion of our construction operations are carried out in the Niger River Delta. In addition to our primary offshore and swamp equipment such as lay barges, dredges and swamp backhoes, we have a substantial investment in support vessels, including tugboats, barges, supply boats and houseboats, which are required in order to maintain and support our capabilities in offshore and swamp pipeline construction.

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Fabrication. Fabrication services can be a more efficient means of delivering engineered, major process or production equipment with improved schedule certainty and quality. We provide fabrication services in both the International and United States & Canada segments and are capable of fabricating such diverse deliverables as process modules, subsea templates, flare piles and tips and offshore jackets and decks. The deepwater projects being developed offshore West Africa offer significant opportunities for fabrication services and we have completed initial projects in 2004 which establish Willbros as a qualified provider of these services. We are one of the few qualified companies able to offer local content and meet stringent quality requirements. Additional emphasis by the host government on local content has the effect of making our service capabilities more attractive to project developers. These developers are required by the government to demonstrate that their projects meet certain levels of local content. Also, Willbros MSI Canada Inc. ("Willbros MSI") made the commitment in early 2005 to purchase an additional 90,000 square foot fabrication facility in Edmonton, Alberta. This facility will expand Willbros MSI fabrication capability to provide process modules to the burgeoning heavy oil market in northern Alberta. Including the new facility in Edmonton, Willbros MSI currently operates three fabrication facilities in Ft. McMurray and Edmonton, Alberta, Canada.

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

Marine Construction. Our marine construction equipment, including conventional combination derrick/pipelay barges, pile driving barges, tugs and support vessels, service the Venezuelan Lake Maracaibo and near shore areas and the offshore Nigeria area. In Lake Maracaibo and near shore locations, we construct and install fixed drilling and production platforms, berthing docks, jetties and mooring facilities. Offshore Nigeria, the primary construction vessels we own and operate are the combination derrick/pipelay barge WB 318, the hook up/support barge WB 82, and the multi-purpose motor vessel Eros III. We also operate the shallow water pipelay barge LB 41. The WB 318 size of 300' x 90', lift capacity of 250 tons and center slot pipelay make the vessel ideal for the Nigerian offshore projects involving platform installation, removal and pipelay for up to 24-inch pipe in water depths up to 200 feet. The hook up barge WB 82, measuring 256' x 69' with quarters for 150 persons and a 100 ton crane, is well suited for the platform and facilities retrofit and maintenance projects in the area. The 3,200 horsepower M/V Eros III, measuring 150' x 36', with quarters for 42 and a four-point mooring system, is well suited for construction support, platform survey, dive support and survey projects. The LB 41, a 180' x 54' shallow water pipelay vessel, is well suited for the shallow water pipelay market for offshore Nigeria.

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SPECIALTY SERVICES

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

- Dredging;
- Pipe Coating;
- Concrete Weight Coating;
- Pipe Double-Jointing;
- Piling;
- Pressure Vessels;
- Marine Heavy Lift Services;
- Transport of Dry and Liquid Cargo;
- Rig Moves;
- Maintenance and Repair Services; and
- Facilities Development and Operations.

FACILITIES DEVELOPMENT AND OPERATIONS

Our workforce has significant experience in the operation of the types of facilities we design and build. In some instances, we make equity investments in projects to enhance our competitive position for the work assignments associated with the project. In other instances, our experience enables us to understand and manage project completion risk, and in these cases we may elect to develop and own a complete facility which will provide attractive internal rates of return over an extended period of time.

We currently have equity positions in and operate the following facilities in our United States & Canada segment:

Opal Gas Plant. We designed, built and own a turbo-expander plant which processes gas produced from the Pinedale anticline. Designated TXP4, the plant is located near Opal, Wyoming in southwestern Wyoming and is designed to process volumes in excess of 350 million standard cubic feet per day of natural gas, producing 7,000 to 11,000 barrels per day of natural gas liquids at various operating conditions. We receive an annual processing fee under a 10-year contract and share in the proceeds from the sales of natural gas liquids extracted. The Opal Gas Plant began commercial natural gas processing activity in the first quarter of 2004.

U.S. Defense Energy Support Center. Since 1998, we have constructed five fueling facilities for the U.S. Defense Energy Support Center. Currently, we own and operate two fueling facilities at Ft. Bragg, North Carolina, which were constructed by us in 1998 and a similar facility completed in 2000 at Twenty-nine Palms Marine Corps Base in California. In 2001, we were awarded

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contracts for similar facilities at Ft. Stewart, Georgia and Ft. Gordon, Georgia; these facilities were completed and operational in 2002. In 2005, we were awarded a contract for another such facility at Ft. Campbell, Kentucky.

In our International segment in 1998, through our Venezuelan subsidiary, we took a 10 percent equity interest in a joint venture which was awarded a 16-year contract to operate, maintain and refurbish water injection facilities on Lake Maracaibo in Venezuela.

GEOGRAPHIC REGIONS

The Company operates, or has operated, worldwide, but has focused its operations in recent years on certain markets in North America, South America, West Africa and the Middle East. The resulting operating segments of International and United States & Canada are shown in the following table, which reports our contract revenue for 2004, 2003 and 2002.

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	Year Ended December 31,					
	2004		2003 RESTATED		2002 RESTATED	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollar amounts in thousands)					
CONTRACT REVENUE						
International	\$290,524	60.1%	\$262,241	63.0%	\$337,592	57.9%
United States & Canada ..	192,794	39.9	154,332	37.0	245,237	42.1
	-----	-----	-----	-----	-----	-----
Total	\$483,318	100.0%	\$416,573	100.0%	\$582,829	100.0%
	=====	=====	=====	=====	=====	=====

INTERNATIONAL

Africa

Africa has been an important strategic market for us. There are large, potentially exploitable reserves of natural gas in West Africa, extending from the Ivory Coast to Angola. Depending upon the world market for natural gas and the availability of financing, the amount of potential new work could be substantial. We intend to maintain our presence in Africa and seek to increase our share of available work. Currently, we are monitoring or bidding on major work prospects in Algeria, Angola, Egypt, Gabon, Libya and Nigeria.

Over the past 50 years, we have completed major projects in a number of African countries including Algeria, Chad, Cameroon, Egypt, Gabon, Ivory Coast, Libya, Morocco and Nigeria. We have management staff resident in Africa, assisted by engineers, managers and craftsmen with extensive African experience, who are capable of providing construction expertise, fabrication services, repair and maintenance services, dredging operations, pipe coating and engineering support. Strong local relationships have enabled us to satisfy the varied needs of our clientele in this region.

We have maintained a continuous presence in Nigeria since 1962. Our

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activities in Nigeria are directed from a fully staffed operational base near Port Harcourt. This 150-acre site includes office and living facilities, equipment and vehicle repair shops, a marine jetty, warehouses and fabrication and lay-down areas for both the client's and our materials and spare parts. We have diversified our range of services by adding additional pipe coating expertise, drydock facilities, and, in 2004, fabrication services. The deepwater projects being developed offshore West Africa offer significant opportunities for fabrication services and we have completed initial projects in 2004 which establish Willbros as a qualified provider of these services. We are one of the few qualified companies able to offer local content and meet stringent quality requirements. Additional emphasis by the host government on local content has the effect of making our service capabilities more attractive to project developers. These developers are required by the government to demonstrate that their projects meet certain levels of local content. Having diverse yet complementary capabilities has often given us a competitive advantage on projects that contain several distinct work elements within a project's scope of work. For example, we believe that we are currently among only a few contractors operating in the Nigerian oil and gas sector capable, with our own resources, of executing EPC projects for pipelines and related facilities for onshore, swamp, and offshore locations.

Since our purchase of the WB 318 combination derrick/pipelay barge in 1998 and the WB 82 hook-up/support barge in 2001, we have successfully completed several offshore projects, including repair and maintenance, installation of decks and other production facilities on offshore platforms, multiple offshore pipeline construction projects, the installation of a single-point mooring, and various other services for our clients.

Middle East

Hostilities in the Middle East continued during 2004 and caused the short-term outlook for projects to remain very limited. However, we continue to believe that increased exploration and production activity in the Middle East will be the primary factor influencing the construction of new energy transportation systems in the region. The majority of future transportation projects in the region are expected to be centered around natural gas due to increased regional demand, governments' recognition of gas as an important asset and

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an underdeveloped gas transportation infrastructure throughout the region. In April 2003, we were awarded an EPC contract for a natural gas pipeline system in Oman and completed that project in 2004. In October 2003, we were awarded work as a subcontractor to KBR, a subsidiary of Halliburton, to repair damaged pipelines in northern Iraq. This work was completed in late 2004. Projects delayed in the region by uncertainty associated with the hostilities in Iraq are now being tendered and awarded. We believe the Middle East in general will present opportunities to provide an increased level of services through 2005 and into 2006. We continue to monitor project opportunities throughout the Middle East and are currently investigating prospects in Abu Dhabi, Jordan, Kuwait, Oman, Qatar, Saudi Arabia and Yemen.

Our operations in the Middle East date back to 1948. We have worked in most of the countries in the region, with particularly heavy involvement in Iran, Kuwait, Oman and Saudi Arabia. Currently, we have ongoing operations in Oman, where we have been active continuously for more than 39 years. We maintain a fully staffed facility in Oman with equipment repair facilities and spare parts on site and offer construction expertise, repair and maintenance services,

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engineering support, oil field transport services, materials procurement and a variety of related services to our clients. In 2004, we were awarded a new five-year contract by Oman LNG for general maintenance services. We believe our presence in Oman and our experience there and in other Middle Eastern countries will enable us to successfully win and perform projects in this region.

South America

We have been active in South America since 1939. The medium to long-term market outlook has not changed, but in the short-term, the markets in Venezuela and Bolivia have been disrupted by political instability. We expect gas transportation projects in Bolivia, Brazil, Chile, Peru and Venezuela to continue to evolve to meet increasing demand for gas for industrial and power usage in the rapidly growing urban areas. In Venezuela and Ecuador, crude oil transportation systems will likely need to be built and/or upgraded so that the vast crude reserves in these countries can be efficiently exported to the world market. We are selectively pursuing business opportunities throughout South America.

We have performed numerous major projects in South America, where our accomplishments include the construction of five major pipeline crossings of the Andes Mountains and the world altitude record for constructing a pipeline. Most recently, we completed, in an alliance with another international contractor, a 144-mile (230-kilometer) 32-inch natural gas pipeline in Bolivia for the Transierra consortium. This project was completed in the first half of 2003, and resolution and settlement of contract variations was finalized in 2004.

Venezuela is the largest oil producer in South America and conservative estimates place proven reserves at more than 77 billion barrels of oil and 146 trillion cubic feet of natural gas. The government of Venezuela, under Presidente Hugo Chavez, has separated the natural gas initiative from the oil interests of Petroleos de Venezuela, S. A., or "PDVSA", the government owned oil company, to place natural gas projects on an equal footing with oil projects. This emphasis on natural gas projects should translate into more demand for natural gas engineering and construction capabilities such as ours; however, at present, the timing of such projects remains uncertain. The Chavez government withstood a national recall referendum and is moving toward more state control of energy projects. New hydrocarbon laws and the reopening and renegotiation of production services contracts and royalty agreements have added perceived political risk to investment decisions by international production companies. This has resulted in more deliberate and slower project development. We believe the large reserves and favorable location of Venezuela to the U.S. market will continue to attract investment but expect the process to be slower and more cautious.

In Venezuela, we maintain an operating facility including offices, equipment, yard and dock facilities on a 15-acre waterfront site on Lake Maracaibo. We provide services for both onshore and offshore projects. Services include pipeline construction, repair and maintenance services, fabrication and installation of concrete piles and platforms, marine-related services, engineering support and other needed services. In 1998, a joint venture in which we hold a 10 percent equity interest was awarded a 16-year contract valued at \$785 million to operate, maintain and refurbish the Lake Maracaibo water injection program for PDVSA Gas. In 2002, in a joint contract with a Venezuelan company, we were awarded a project for the engineering, procurement and construction of a marine loading terminal for Petrolera Ameriven, a joint venture of ConocoPhillips, ChevronTexaco and PDVSA. This project was completed in 2004.

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Mexico

We have operated in Mexico for many years, completing several projects, including the Samalayuca Gas Pipeline project from Texas into Mexico in 1998. We believe the government-owned oil company, Petroleos de Mexico ("PEMEX"), will spend in excess of \$10 billion in 2005, to expand and modify production facilities both onshore and offshore Mexico. The Company intends to pursue projects in Mexico.

Asia and Australia

Markets in Asia and Australia continue to be of interest due to the relative abundance of undeveloped natural gas resources and the strong growth rates in energy demand. That abundance, and environmental concerns, favor the use of natural gas for power generation and industrial and residential usage in Asia and Australia. We are currently conducting marketing and business development activities in these markets.

United States & Canada

We have provided services to the U.S. oil and gas industry for more than 90 years. We believe that the United States will continue to be an important market for our services. Market conditions for the short-term are expected to show more improvement in 2005, as many of the energy transportation companies improve their financial condition and focus on core businesses. To improve their liquidity, some of our traditional clients have sold pipeline assets; in some cases, to new industry participants. These new owners are beginning to develop and implement their capital budgets for these newly acquired assets, as they have completed their evaluation of the newly acquired assets and are finalizing their strategies for maximizing the return on their investments in these assets. Deregulation of the electric power and natural gas pipeline industries in the United States has led to the consolidation and reconfiguration of existing pipeline infrastructure and the establishment of new energy transport systems, which we expect will result in continued demand for our services in the mid to long-term. The demand for natural gas for industrial and power usage in the United States should increase the demand for additional new natural gas transportation infrastructure. We anticipate that additional supply to satisfy such market demand for natural gas will come from existing and new production in the North Slope of Alaska, the Mackenzie Delta in northern Canada, western Canada, the Rocky Mountain region, the Gulf of Mexico, and newly proposed and permitted liquefied natural gas ("LNG") regasification terminals along the Gulf Coast. Environmental concerns will likely continue to require careful, thorough and specialized professional engineering and planning for all new facilities within the oil, gas and power sectors. Furthermore, the demand for replacement and rehabilitation of pipelines is expected to increase as pipeline systems in the United States approach the end of their design lives and population trends influence overall energy needs.

Oil and gas prices at higher than historical averages have increased industry interest, investment and development in the oil sands region of northern Alberta, Canada, where industry estimates expect over CDN \$20 billion to be invested in the next 10 years. New process plant developments offer prospective fabrication and installation work as well as maintenance opportunities, and the anticipated increase in crude oil volumes to be shipped to markets in the United States and Asia has resulted in proposals for several major crude oil export pipelines from this region. The need for additional process fuel for the oil sands also is driving the development of new pipeline infrastructure from the Mackenzie Delta region. Willbros MSI made the commitment in early 2005 to purchase a 90,000 square foot fabrication facility in the Edmonton, Alberta area. This facility will expand Willbros MSI's fabrication

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capability to provide process modules to the burgeoning heavy oil market in northern Alberta.

We are recognized as an industry leader in the United States for providing project management, engineering, procurement and construction services. We maintain a staff of experienced management, construction, engineering and support personnel in the United States. We provide these services through engineering offices located in Tulsa, Oklahoma and Salt Lake City (Murray), Utah. Construction operations based in Houston, Texas, (Willbros RPI); Fruita, Colorado (Willbros Mt. West); and Ft. McMurray and Edmonton, Alberta (Willbros MSI) provide the majority of construction services in North America.

We have also provided significant engineering services to U.S. government agencies during the past 24 years, particularly in fuel storage and distribution systems and aircraft fueling facilities.

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BACKLOG

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

Backlog consists of anticipated revenue from the uncompleted portions of existing contracts and contracts whose award is reasonably assured. At December 31, 2004, backlog was \$660.9 million, compared to \$223.5 million at December 31, 2003. We believe the backlog figures are firm, subject only to the cancellation and modification provisions contained in various contracts. We expect that approximately \$450 million, or about two-thirds, of our existing backlog at December 31, 2004, will be recognized in revenue during 2005. Historically, a substantial amount of our revenue in a given year has not been reflected in our backlog at the beginning of that year. Additionally, due to the short duration of many jobs, revenue associated with jobs performed within a reporting period will not be reflected in backlog. We generate revenue from numerous sources, including contracts of long and short duration entered into during a year as well as from various contractual processes, including change orders, extra work, variations in the scope of work and the effect of escalation or currency fluctuation formulas. These revenue sources are not added to backlog until realization is assured.

The following table shows our backlog by segment and geographic region as of December 31, 2004 and 2003:

	2004		2003 RESTATED	
	Amount	Percent	Amount	Percent
(Dollar amounts in thousands)				
BACKLOG				
International				
Africa	\$554,692	84%	\$ 49,018	22%
South America	12,211	2	23,369	10
Middle East	2,500			