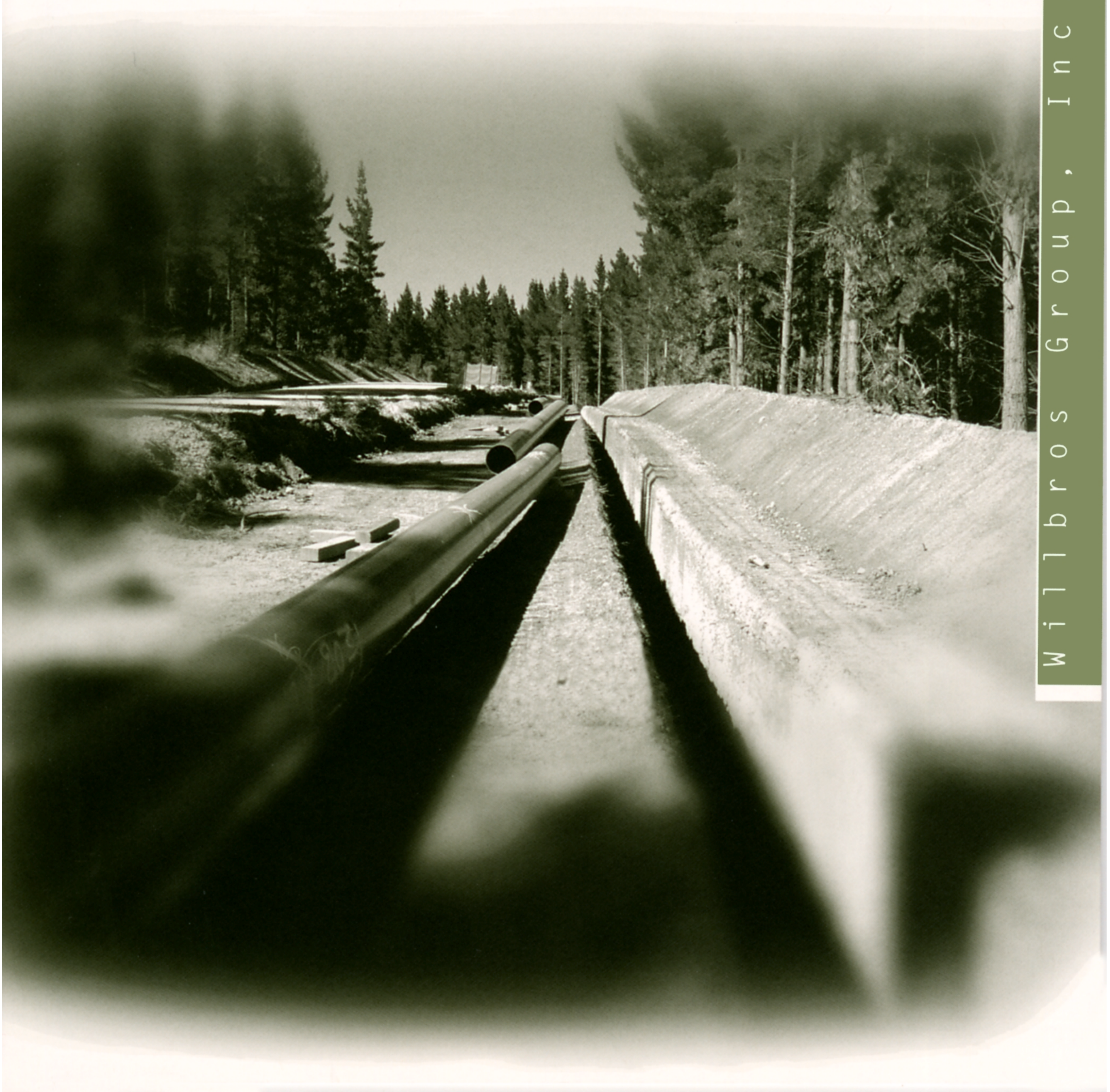
poised for opportunity

1999

Annual Report

Willbros Group, Inc.



creating

Willbros Group, Inc. is one of the leading independent contractors serving the oil and gas industry, providing construction, engineering and other specialty services to industry and government entities worldwide. Founded in 1908, Willbros has served more than 400 industry and government customers in 50 countries, and is listed on the New York Stock Exchange under the symbol WG.

Construction Services Include:

Major Pipeline and Gathering Systems
Shallow Water Pipelay and Maintenance
Flow Stations
Pump Stations
Gas Compressor Stations
Gas Processing Facilities
Oil and Gas Production Facilities
Piers
Dock Facilities and Bridges

Engineering Services Include:

Feasibility Studies
Conceptual and Detailed Design
Field Services
Material Procurement and Overall Project Management

Specialty Services Include:

Dredging
Pipe Coating
Pipe Double Jointing
Flowline Removal and Installation
Pile and Platform Installation
Pipeline, Station and Facility Maintenance and Repair
Pipeline Rehabilitation
General Oilfield Services
Crane Services and Oilfield Equipment, Rig and Vessel Transportation

Inspection, an integral part of quality control.
William Labarca
Giovanni Revilla

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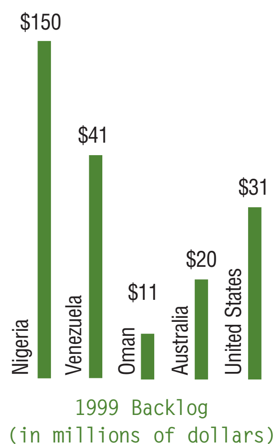
a letter to the shareholders

Dear Fellow Shareholder:

As you know, 1999 was a very difficult year for our company. We reported a loss of approximately $20 million for the year amid continuing weakness in many of our most important markets (Nigeria, Venezuela, Indonesia and the Middle East). Some of the market weakness was caused by the low oil prices of 1998/1999, some by civil unrest and some by political change and uncertainties. The net result was a very challenging year for our Company. I point these things out not to offer excuses, but rather to help you understand where we have been so you can better see where we wish to go.

In my 40-plus years in the construction/ engineering business, I have had to deal with many down cycles. This last one, which began in mid-1998, was one of the most difficult ones to react to effectively. One reason for the difficulty was the abruptness with which it came upon the oilfield services industry. Additionally, we spread out geographically in the 1990s; implemented initiatives to improve our management information systems; and expanded, modernized and increased the capacity of our marine equipment fleet. These efforts required a significant investment and increased the size of our organization. Downsizing, which is never pleasant, needed to be done as swiftly as possible to reduce losses, but had to be managed in such a way that we could satisfy our contractual obligations and maintain our relationships and position in strategic markets throughout the world. I believe that we have done that, but more work remains.



1999 Backlog
(in millions of dollars)

Last year, I reported to you what our core strategy for 1999 would be. Rather than ignore that undertaking, I thought it would be helpful to restate it here and to give you my appraisal of our progress in carrying out this strategy.

Evaluation of Performance on 1999 Core Strategies

Strategy	Grade
Concentrate on projects and prospects in areas where we can be most competitive and obtain the highest profit margins for the risks we take.	B
Pursue engineer-procure-construct (EPC) contracts with a renewed vigor because they can often yield higher profit margins than construction-only contracts.	B+
Focus on performance and project execution in order to maximize the profit potential on each contract we are awarded.	I
Maintain our unwavering commitment to safety and quality.	A
Develop alliances with companies who will enhance our capability and competitiveness in selected markets throughout the world.	B-

A=Excellent, B=Good, C=Average, D=Below Average, F=Failure, I=Incomplete

Even though 1999 was financially dismal, we achieved some notable successes, including the following:

• We continued to demonstrate our leading position in the U.S. natural gas transmission engineering industry by securing several major front-end study and development contracts.

• We accelerated our penetration into the merchant power plant sector, for which we provide fuel and utility solutions.

• We received another contract from the U.S. Department of Defense for a build-own-operate fueling facility at Twentynine Palms, California. This is our second contract in as many years and a trend that we believe will continue.

• We obtained a major natural gas pipeline construction contract in Australia, in joint venture with two Australian companies, to build a 492-mile (792-kilometer), 18-inch diameter pipeline project for a subsidiary of Duke Energy Company.

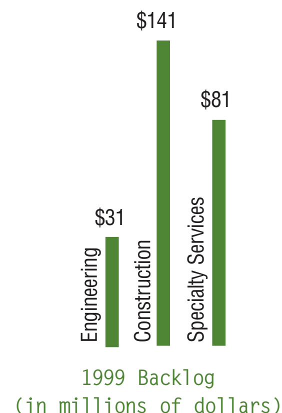
• We began to execute the Nembe Creek Gas Development Project in Nigeria for Shell, a major EPC contract that effectively demonstrates our capability to deliver full-service solutions to our customers.

• We made progress in establishing our marine construction capability in West Africa, the world's current offshore hot market.

In January 2000, we announced the acquisition of Rogers & Phillips, Inc., a closely held pipeline construction company based in Houston, Texas. Rogers & Phillips is very competitive in a segment of the market where Willbros has not been effective in recent years. We believe Rogers & Phillips will not only be able to continue to be competitive and grow in its present markets, but will enhance our total solutions concept for EPC projects.

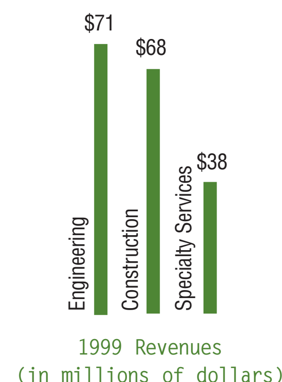
In order to make significant progress in improving our operational performance, we have recently made a high-level management change. Michael F. Curran, 59, has been named President and Chief Operating Officer, succeeding Paul Huber, who resigned to pursue other interests. Mike Curran is a successful, experienced veteran of the pipeline construction business. He was also elected to the Board of Directors and to the position of Vice Chairman. We believe his knowledge and effective leadership will make Willbros a better performer in our core business of pipeline construction. We appreciate Paul Huber's contributions to our efforts during the past one and one-half years and wish him well in his future endeavors.

We recently announced our intention to relocate some construction support and the administrative headquarters of Willbros USA, Inc. to Houston, Texas. Our engineering activities will remain in Tulsa, Oklahoma. Our plans call for being operational in Houston by late summer 2000. The move to Houston is being made in order to position us closer to our customers, and be able to take advantage of a much larger pool of experienced personnel in our core business of pipeline construction. As a result of this move, we will be able to operate with a reduced administrative staff and yet at the same time be more effective.



1999 Backlog
(in millions of dollars)

Even though the past two years have been difficult ones, it appears that market conditions are now improving. We are seeing indications that we are entering a period of increasing demand for our services throughout the world. We plan to focus on our customers in key markets, and we are determined that any major construction projects we undertake will be performed successfully. We are rededicating ourselves to being the best pipeliners in the world.



1999 Revenues
(in millions of dollars)

We are grateful to our employees for their professional, loyal and tireless service. We appreciate our customers, and we are determined to provide them with the highest quality of dependable services, delivered at competitive prices.

Finally, thank you to our shareholders for your patience and for staying the course with us. Employees and managers own more than 20 percent of the shares, so our interests are well aligned with yours. We look forward to a rewarding future together.

Respectfully,

Larry J. Bump
Chairman of the Board
Chief Executive Officer
Willbros Group, Inc.

March 15, 2000

financial highlights

	1999	1998	1997	1996	1995
(Dollar amount in thousands, except per share data)					
Year Ended December 31					
Contract revenue	$176,564	$281,618	$251,877	$197,688	$220,506
Operating income (loss)	(17,795)	3,323	21,388	6,019	13,692
Net income (loss)	(20,018)	(4,362)	14,116	2,724	11,941
Earnings (loss) per share(1)					
Basic	(1.54)	(.30)	.97	.09	.84
Diluted	(1.54)	(.30)	.96	.09	.84
Capital expenditures	12,245	36,112	47,272	24,957	18,946
At December 31					
Working capital	25,801	13,495	39,563	36,723	38,767
Total assets	153,153	159,939	201,202	147,465	149,954
Stockholders' equity	80,427	106,934	118,986	92,386	39,273
Backlog	253,080	286,473	135,797	108,751	139,359

(1) Earnings per share for the year ended December 31, 1996 is calculated after deducting $1,448 ($.10 per common share) of dividends on the Company's Preferred Stock.

Forward-looking statements

This Annual Report 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 Annual Report which address activities, events or developments which the Company expects or anticipates will or may occur in the future, including such things as future capital expenditures (including the amount and nature thereof), oil, gas and power prices and demand, expansion and other development trends of the oil, gas and power industries, business strategy, expansion and growth of the Company's business and operations, and other such matters are forward-looking statements. These statements are based on certain assumptions and analysis made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate under the circumstances. However, whether actual results and developments will conform with the Company's expectations and predictions is subject to a number of risks and uncertainties which could cause actual results to differ materially from the Company's expectations, including the timely award of one or more projects; exceeding project cost and scheduled targets; failing to realize cost recoveries from projects completed or in progress within a reasonable period after completion of the relevant project; identifying and acquiring suitable acquisition targets on reasonable terms; the demand for energy diminishing; political circumstances impeding the progress of work; general economic, market or business conditions; changes in laws or regulations; the risk factors listed from time to time in the Company's reports filed with the Securities and Exchange Commission; and other factors, most of which are beyond the control of the Company. Consequently, all of the forward-looking statements made in this Annual Report are qualified by these cautionary statements and there can be no assurance that the actual results or development anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the Company or its business or operations. The Company assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise.

globa

Protective Pipe Coating, one step in minimizing the environmental impact.

Victor Uchendu

Martin Isu

the year in review

Insight into the Global Markets

Burdened with the remnants of the Asian economic collapse and a slumping oil and gas industry, 1999 began as a year of few prospects and much turmoil. Developing oil-producing nations around the globe experienced low oil revenues, economic instability, major political changes and civil unrest. Feeling pressure from the depressed market, oil companies of all sizes merged to gain efficiencies and market share. These mergers, combined with the depressed market, resulted in an industry-wide trend to move away from aggressive capital spending and expansion toward integration and consolidation.

As months passed, OPEC's production cuts lowered supply levels and drove oil prices above $20/bbl, but capital expenditures remained constrained as continued economic and political struggles held demand flat in certain regions of the world. Oil and gas companies lacked the confidence to resume capital spending, preventing most of the cash flow from higher oil prices from reaching the oilfield services industry.

Platform Construction, a result of equity investments.

Edgar Sanchez

improved opera

Shifting to a Short-term Perspective

For Willbros, 1999 was much the same as it was for the rest of the oilfield services industry. Delayed projects, reduced capital spending and accelerated merger activity all diminished Willbros' opportunities for construction and specialty services revenues. For the work that was available, margins were forced lower as a result of intense competition.

In response to these developments, we took action to minimize the impact of the weak market on our operating results and concentrated on maximizing the return on our financial resources. As our cash reserves grew, we elected to invest in over one million shares of our stock.

The continuing downturn also prompted us to reduce the administrative infrastructure we had originally put into place during 1997 and 1998 to support our then expanding operations. Office and work country overheads were cut nearly 20 percent from 1998, and lowered to a level more in line with project activity and the competitive environment that was imminent. We also liquidated underutilized equipment through sales in Dubai, Venezuela, and the U.S. from which we received proceeds of approximately $20 million.

One unique aspect of the industry downturn was how quickly oil prices rebounded. As summer approached, indications pointed to a quicker market turnaround than was first anticipated. In light of the changing market, Willbros turned its focus from mitigating the negative impact of the limited prospects of 1999 on its operating results to solidifying client relationships and business development activities to prepare for the returning market.

We replaced and out-sourced a broad range of information systems, and consolidated others into an integrated enterprise-wide system that will increase the speed and reliability of data communications between our customers and our work sites around the world. As a by-product of these implementations, we were able to reduce multiple hardware configurations and software applications, and standardize the various work units to a single platform.

As 1999 drew to an end, we had progressed on several key initiatives, including entering the Australian market; adding technical expertise; reorganizing and consolidating a number of administrative functions; and implementing a continuous improvement program to focus on customer satisfaction and project execution. Even more change is under way; we are revamping our marketing, bidding and procurement processes and optimizing field supervision and personnel, equipment utilization and maintenance, and project management and controls to maximize our performance.

The onset of 2000 has brought early indications of further change in light of an improving market. We plan to move some construction operations support and Willbros USA, Inc.'s administrative headquarters from Tulsa, Oklahoma, to Houston, Texas, so that we can be closer to our customers and have access to a much larger talent pool in our core business of pipeline construction. With the new year should come the opportunity to utilize our improved capabilities and improve our profitability.

tions

planning for success

Project Coordination, a way to make every project a success story.

Teresa Wright,
Y. K. Lee,
Gene Humes,
Russ Wolf,
Sheila Hawes

projects of today, opportunities for tomorrow

Even though market conditions slowed activity during 1999, majors and independents around the world continued to develop projects that will open new energy corridors and supply growing markets. Willbros responded to these challenges by stretching its capabilities and adding new technologies and services.

Creating Opportunities From Customer Satisfaction

Throughout its 92 years, Willbros has relied heavily on its current clients as a key source of new work, and 1999 was no exception. Several new projects were initiated by long-standing clients, two of which are noteworthy. One allowed us to enter a new market, and the other helped us further establish ourselves in a growing niche market.

Early in the year, Duke Energy awarded Willbros, as part of a joint venture, the contract for construction of its 492-mile (792-km), 18-inch Eastern Gas Pipeline Project. When completed, this pipeline will supply natural gas to the Sydney Summer Olympics this summer and to the region's growing population and industry well into the future.

projects of today, opportunities for tomorrow *(continued)*

Another project brought to us by an existing customer is the preliminary engineering work we are completing on the 150-mile (241-km), 36- and 16-inch Guardian Pipeline Project for CMS Gas Transmission and its partners. First contemplated in late 1998, the Guardian Project was awarded to us based upon our performance of earlier assignments, our expertise, and CMS' continued satisfaction.

This project is also a result of Willbros' established reputation as an authority in the preparation of Federal Energy Regulatory Commission (FERC) applications for Public Convenience and Necessity, a complex compilation of documentation required by the U.S. government when a new interstate natural gas pipeline is proposed. The Guardian Pipeline is one of many FERC application projects in which Willbros has participated.

Another positive aspect to the Guardian Pipeline Project is Willbros' use of the technology acquired in two recent alliances. These alliances, with specialists in right-of-way acquisition and state-of-the-art mapping, are allowing Willbros to provide the most cost-effective team and strongest capabilities to its customers. As a result, this project has remained on schedule and within budget, and a favorable ruling is anticipated from FERC in the near future. We expect to continue into the next phase of the project, garnering more engineering and possibly even construction opportunities from this early assignment.

Fulfilling Clients' Needs with Bundled Services

Our backlog has significantly increased as a result of our core strategy to pursue EPC contracts. Shell Petroleum Development Company of Nigeria awarded Willbros a contract for the design and installation of 33 miles (53 km) of gas-gathering pipelines in the remote Nembe Creek swamps of Nigeria.

After receiving the pipeline contract in late 1998, Willbros was also awarded the EPC contract for the four compressor stations associated with the project in early 1999. Our ability to provide complete turnkey services and our proven ability to work in this challenging region contributed to Willbros receiving both of these awards.

Beyond our traditional EPC services, we are finding a growing list of clients outside the oil and gas industry who, in addition to engineering and construction, are seeking overall project management services. Tenaska, a Willbros client since 1988, needed exactly this type of arrangement when building a water pipeline for its new Frontier Power Plant near Huntsville, Texas.

For this project, Willbros assumed both project management and engineering responsibilities. A regional construction company was brought in as a joint venture partner to build the 30-mile (48-km), 24-inch water pipeline, which increased local content and helped maintain our cost competitiveness. This project was completed in October 1999, and another EPC project for Tenaska has already begun. As more gas-fired merchant power plants in the deregulated U.S. power market are developed, this expanding market should create more opportunities for Willbros.

Providing Solutions Through Equity Investments

Knowing the cyclical nature of our industry, Willbros has sought out equity investment opportunities in recent years to build a more stable revenue and income stream. Implementing this strategy in Venezuela in 1998, Willbros entered into a 10-percent equity investment in a consortium that was awarded a contract to build five water-injection platforms and operate 15 more platforms that will improve crude oil recovery from the Lake Maracaibo region over the next 14 years.

In addition to the anticipated return on its investment, Willbros participated in the consortium to access long-term construction and maintenance opportunities within this region. This strategy proved fruitful in 1999 as we constructed three new platforms and performed other miscellaneous services during the industry downturn. The construction of two additional platforms is scheduled for 2000, and we hope to expand our work to include ongoing maintenance services over the remaining life of the project in the near future.

Similar success is being found in a relatively new program undertaken by the U.S. government. Under this program, the operation of fueling facilities will be outsourced to private companies. Contractors such as Willbros will have the opportunity to build, own and operate each facility for up to 20 years.

Willbros completed the construction of two fueling facilities for the government's pilot project in December 1998, and has been operating these facilities at Ft. Bragg, North Carolina, since then. Our Ft. Bragg performance also contributed to our receiving a follow-up contract for a similar facility at the Twentynine Palms, California U.S. Marine Base, which is expected to be completed during 2000.

Individually, these contracts provide short-term EPC opportunities; collectively, however, they represent much more. The long-term revenue and income streams from these equity investments, as well as the additional contracting opportunities that may arise from them, are building a solid foundation for earnings growth in the future.

Maximizing Our Capabilities

Each of these projects, while requiring Willbros' traditional engineering and construction services for clients, illustrate how we are reworking our resources to maximize our value – both to our clients and our shareholders. By meeting the needs of the ever-changing market, Willbros is capturing a piece of emerging markets, and creating new opportunities by broadening our services to meet each client's individual needs.

maximizing potential

Offshore Construction, a growing part of our business.

Stephen Chikwem

Ufot William

Nna Iberi

global outlook

Responding to the Global Market

Almost without exception, Willbros' work countries experienced political and economic challenges during 1999. The geographical diversity of our work locations – seven countries on five continents – is the result of a conscious effort to avoid a concentration of risk in any particular market. However, diversity cannot shelter against an industry-wide downturn or simultaneous political change.

First in Venezuela, then Nigeria, and finally Indonesia, Willbros watched as new administrations arrived with fresh approaches to everything from privatization of government agencies to foreign investment and management of oil and gas reserves. These shifts in policy forced an even more pronounced slowdown as companies and individuals grappled to understand the changes that continued throughout the year. Even so, long-term opportunities are developing in each of these emerging regions and the outlook for 2000 is increasingly hopeful.

Building Towards Tomorrow in West Africa

Although nearly every oil-rich region in the world struggled during 1999, Nigeria's search for political stability after its move to a civilian government has been one of the most tumultuous. The year was marked with civil unrest throughout the country including the disruption of operations for many companies including Willbros. However, by year-end the impact on Willbros overall level of activity had diminished.

Environmental concerns, such as excessive flare gas and swamp preservation, and the country's reliance on oil revenues helped support activity throughout the year. Benefiting from low production costs and new oil and gas discoveries, Nigeria was one of the first countries to see new projects introduced during the second half of the year. The continued need to preserve its environment and monetize its oil and gas resources should remain key market drivers to Nigeria and the entire West African market, providing a base level of activity well into the future.

Since establishing a presence in Nigeria in 1962, Willbros has offered a wide array of services to be responsive to our clients' needs and to manage changes and risks in the market. This was particularly helpful in 1999 when the increased demand for our EPC services compensated, to some extent, for the weakened demand for specialty services.

Similarly, the purchase of a combination derrick/laybarge in 1998 extended our services offshore which provided us with an entry into this new market, where new reserves are being discovered and fewer environmental concerns exist. This acquisition expanded our range of services and increased our ability to take advantage of the ebbs and flows of the West African market.

As we enter 2000, we are well positioned to grow our base operation in Nigeria, and we anticipate using this strong presence as a launch pad to reach the outlying West African market. We will continue to seek out natural gas opportunities created by environmental and economic pressures, including several of the region's major pipeline projects that are currently being developed.

Maintaining a Steady Course in the Middle East

Willbros' Oman operations have continually provided a valuable revenue stream over the past 35 years, even during global turmoil. While activity levels remained low during most of the year, the country is expanding its gas production and new areas of opportunity are arising.

To increase exports from the region, Oman has just completed its first LNG plant, and more plants are planned within the next few years. Willbros has already benefited from this new emphasis on gas exports by receiving a five-year maintenance contract for this first facility in late 1999, a vital first step towards building a new expertise and maintaining a presence in this region.

global outlook
(continued)

Design, the key to optimizing performance and customer satisfaction.

Gary Soward

Randy Bostick

Rebuilding in the Asian Market

Indonesia's presidential election in October 1999 marked the beginning of a new era in this country. Rebuilding has begun within Indonesia and the greater Asian region, and recovery is underway, although it may be some time before we see significant results.

We will continue to evaluate Indonesia, our base of operations for the Asian market since 1994 for its long-term potential. We are hopeful that this region will reach a level of economic and political stability that will support economic growth and fuel new opportunities.

Finding a New Market in Australia

Unwilling to leave our Asian assets idle during 1999, we turned our attention to the Australian market. This market will be offering several viable projects in the near term as the country increases its natural gas utilization and pipeline infrastructure. However, this market's stability and growth also attract significant challenges, including a high level of competitive contractors resulting in pressured margins. This region can provide diversity to our current operations, but more time will be needed to observe the region's stringent labor and contracting practices before we can determine its potential and our interest in a long-term presence.

Sweeping Changes in South America

Since Willbros' first project in Venezuela in 1939, we have seen political and economic changes that have greatly altered the country's business environment. And Venezuela's new president, who is restructuring the role and organization of the national government, is continuing that tradition. These most recent changes have resulted in restrained foreign investment in Venezuelan oil production and may delay the potential for new investments in its gas infrastructure.

From a more regional perspective, several developing trends are driving the South American market. A growing number of countries are privatizing their oil and gas resources in an effort to increase foreign investment and cash flow into their economies. Additionally, the increasing natural gas consumption is freeing up more oil for export, which should also influence this market. Within the Southern Cone of South America, natural gas development is expected to grow considerably to meet the growing population and industry consumption of the entire continent.

Recognizing fundamental shifts in this market, Willbros is repositioning itself, expanding our business development efforts and evaluating alliances to include more of the region, particularly the growing Southern Cone. By doing so, we should be well positioned to capitalize on the Venezuelan market as it gains momentum and leverage our operational base so that we can benefit from activity in the region as well. Already, we are participating in several feasibility studies and similar engineering assignments in other South American countries, and hope to capture additional work during the construction phase of these projects.

Continuing to Grow in the United States

In the U.S., our clients spent 1999 focused on the earliest stages of projects, aggressively pursuing engineering and permitting activities as they waited for oil prices to stabilize. Majors and independents alike invested in their futures by designing new systems that should provide the groundwork for many construction projects for 2000 and beyond.

Like South America, this market is also undergoing a significant metamorphosis. The country's growing number of mergers and acquisitions has involved many of the largest oil and gas companies, including a trend to converge with larger power companies. As more mergers take place, Willbros will expand its client relationships to serve customers in new markets as demonstrated by several recent projects.

Fueled by the rising supply of Canadian gas and the growing reliance on natural gas within the U.S., this market should provide Willbros with a broad spectrum of opportunities to provide engineering and construction services individually, as well as collectively in EPC projects. When combined with the deregulation of the power industry and the growing number of projected merchant power plants, this market should provide an area of growth for the foreseeable future. While steep competition will continue to constrain margins relative to some of our markets, this market's overall stability should foster growth and opportunity during the next several years.

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a visit with the chairman

Larry J. Bump
Chairman and Chief Executive Officer

With oil trading well above $25/bbl for quite some time, why have Willbros' contract awards not picked up?

Although the price of oil is a critical factor in the demand of our services, many other factors also impact our market. Undoubtedly, OPEC's high level of success at constraining production has dramatically improved the price of oil over the past 12 months. But since these rising prices are a result of artificially constrained supply rather than rising demand, the need for new pipelines and other transportation infrastructure has not increased. Therefore, higher oil prices are benefiting refiners and producers rather than oilfield services companies like Willbros.

Engineering activity, which is typically an early indication of future construction activity, began to rise in 1999. Already in early 2000, we have been awarded several new projects and, if we continue to have relatively stable oil prices, this trend should continue. However, the oilfield services sector will probably not see a complete turnaround until 2001, particularly for late-cycle service providers such as Willbros.

If the industry does begin to improve during 2000, where do you think Willbros will see growth?

Early indications from the majors and industry analysts indicate that the demand for U.S. production will grow, and we are already seeing the first signs of improvement. The U.S. rig count has increased slowly, but steadily, over the past few months, and capital spending estimates in the U.S. are also showing more promise. In the global market, West Africa has the potential to show signs of recovery during 2000. With comparatively low production costs, as well as environmental and supply drivers, West Africa should be one of the first to gain momentum. Additionally, the South American market appears to be developing more projects and is a likely candidate for growth.

If you do see activity improve in these markets, what factors must occur before Willbros will see sustained profitability?

First, oil and gas prices must stabilize at a level that make projects economically feasible but also a level that producers believe can be sustained. Until then, both the majors and independents will most likely maintain, rather than increase, their capital spending. Secondly, the U.S. economy needs to remain strong and the Asian economy needs to gain more strength. As economic growth in Asia resumes, consumption should increase, creating more demand for oil and gas.

Once prices have stabilized and demand rises above the level that can be produced, then the oilfield services sector should dramatically improve. Even so, we may see our profitability lag the exploration and production companies for a short period before we see a sustained upturn.

How will the record level of mergers and acquisitions within the industry impact Willbros?

In the long run, the M&A trend should work in our favor for several reasons. While many of our clients are converging, they are under significant pressure to reduce costs and gain efficiencies by out-sourcing services. This pressure is creating prime opportunities for Willbros to increase our engineering and specialty services. We are seeing more of these scenarios from companies who are in the midst of mergers, and believe this trend will continue for quite some time.

Our clients are growing, both in size and scope, which should create opportunities for Willbros to do the same. Several of our U.S. clients, with emphasis on gas infrastructure, have stepped into the international energy sector with new ventures. As this trend continues, our current client relationships should open the doors to many new opportunities.

One of Willbros' goals has been to grow through acquisition. Now that you have completed the acquisition of Rogers & Phillips, do you plan any others?

Although the market downturn adversely impacted the industry, it has also helped lower expectations and made some companies more affordable. Particularly now, before the market returns the valuation of these companies to a premium, we are exploring a number of similar opportunities. While we believe that growing through acquisition is one of the most effective ways to diversify our risk and broaden our capabilities, we, as owners, will continue to be sensitive to price, dilution and leverage as we evaluate other acquisition candidates.

Why should someone consider investing in Willbros stock?

The industry downturn drove the price of a number of oilfield services company stocks to all-time lows, substantially below their average historical value. Flat demand for energy and related services during the year has done little to improve these stock prices. Although our stock price continues to be held down by the weight of market factors, there should be strong potential for greater value as the need for our services increases.

One significant factor that distinguishes Willbros from other companies is our management's commitment to the Company's performance. As you may know, our senior managers are significant investors in Willbros stock. This certainly aligns our interests with that of other shareholders in maximizing shareholder value. We consider ourselves to be long-term investors, and will make every effort to manage the Company in a way that will increase shareholder value. As we go forward, we believe that the market will recognize our potential and value us accordingly.

Willbros Group, Inc. board of directors

Larry J. Bump, 60
Chairman and Chief Executive Officer
Willbros Group, Inc. and Willbros USA, Inc.
Joined Willbros in 1977 as President and Chief Operating Officer. Named Chief Executive Officer in 1980 and elected Chairman of the Board of Directors in 1981. Forty-year career includes significant U.S. and international management experience. Prior to joining Willbros, managed major international projects in North Africa and the Middle East, and was Chief Executive Officer of a major international pipeline construction company. From 1985 until mid-1988, also served as Chief Executive Officer of a major international marine engineering and construction company, which at that time was a controlling shareholder of Willbros. (1)

Michael F. Curran, 59
Vice Chairman, President and Chief Operating Officer
Willbros Group, Inc. and Willbros USA, Inc.
Joined Willbros in 2000 as Vice Chairman of the Board of Directors, President and Chief Operating Officer. Over 35 years of diversified experience in pipeline construction around the world, including 30 years as President and Chief Executive Officer of various pipeline construction firms. (1)

Melvin F. Spreitzer, 61
Director, Executive Vice President and Chief Financial Officer
Willbros Group, Inc. and Willbros USA, Inc.
Joined Willbros in 1974 as Controller. Named Vice President of Finance in 1978, and Executive Vice President, Chief Financial Officer and Treasurer in 1987. Elected to the Board of Directors in 1992. Over 43 years of experience in corporate finance and public accounting. (1, 3)

Peter A. Leidel, 43
Director
Elected to the Board of Directors in 1992. Founded in 1997, and is currently a partner in Yorktown Partners, L.L.C., an investment management company. Previously served as Senior Vice President of Dillon, Read & Co., Inc. Also serves as a Director of Cornell Corrections, Inc. and Carbon Energy Corporation. (2)

Michael J. Pink, 62
Director
Elected to the Board of Directors in 1996. Currently a consultant to oil and gas industry investors. Previous experience includes senior management positions with oil and gas firms, as well as a variety of technical and managerial roles during his 30 years with the Royal Dutch/Shell Group at various locations around the world. Also serves as a Director of ROXAR ASA, a Norwegian oil and gas technology company and SPE Europe Ltd., a professional organization. (5)

James B. Taylor, Jr., 61
Director
Elected to the Board of Directors in 1999. Founder, and since 1998, Chairman of the Board of Directors of Solano Petroleum Corp., a Canadian-based oil and gas exploration and production company. Previous experience includes serving in international managerial and operational capacities during his 28 years with Occidental Petroleum Corporation and its operating subsidiaries. (2, 3, 4)

Guy E. Waldvogel, 63
Director
Elected to the Board of Directors in 1990. Currently serving as Director and Chief Financial Officer of Heerema Holding Construction, Inc., a major marine engineering, fabrication and installation contractor. Formerly Senior Executive Vice President of Societe Generale de Surveillance, a leading international cargo inspection firm. Also serves as a director for Bank Julius Baer and Julius Baer Holding AG. (2, 3, 4)

John H. Williams, 81
Director
Elected to the Board of Directors in 1996. Previously Chairman of the Board and Chief Executive Officer of The Williams Companies, Inc. Also serves as a director of Apco Argentina, Inc., Unit Corporation and Westwood Corp., and is an honorary member of the Board of Directors of Williams. (1, 3, 4, 5)

Numbers in Parenthesis Denote Committee Membership

1 - *Executive Committee*
2 - *Audit Committee*
3 - *Compensation Committee*
4 - *Stock Plan Committee*
5 - *Nominating Committee*

management team

Corporate Officers and Executive Management

Larry J. Bump, 60
Director, Chairman of the Board and Chief Executive Officer
Willbros Group, Inc.

Michael F. Curran, 59
Director, Vice Chairman of the Board, President and Chief Operating Officer
Willbros Group, Inc.

Melvin F. Spreitzer, 61
Director, Executive Vice President and Chief Financial Officer
Willbros Group, Inc.

John N. Hove, 52
General Counsel and Corporate Secretary
Willbros Group, Inc.

Administrative Management

David W. Arneson, 38
Vice President, Finance and Accounting
Willbros USA, Inc.

Paul M. Daily, 43
Vice President, Planning and Development
Willbros USA, Inc.

Steven D. Hicks, 44
Vice President, Support Services
Willbros USA, Inc.

Alan W. Simpson, 44
Manager, Business Development
Willbros USA, Inc.

Adrian P. Wright, 53
Vice President
Willbros USA, Inc.

Operational Management

David L. Kavanaugh, 52
Senior Vice President
Willbros International, Inc.

Africa

James K. Tillery, 41
Managing Director
Willbros (Nigeria) Limited

Asia

Joel M. Gall, 51
President
Willbros Far East, Inc.

Europe

Arthur J. West, 56
Managing Director
Willbros (Overseas) Limited

North America

James R. Beasley, 57
President
Willbros Engineers, Inc.

Lance H. Foster, 41
President
Willbros Energy Services Company

William R. Phillips, 49
President
Rogers & Phillips, Inc.

Middle East

Latif A. Razek, 53
General Manager
The Oman Construction Company, L.L.C.

South America

G. Patrick Riga, 44
General Manager
Constructora CAMSA, C.A.

selected consolidated financial and other data

(Dollar amounts in thousands, except per share data)

	Year Ended December 31,				
	1999	1998	1997	1996	1995
Statement of Operations Data:					
Contract revenue	$ 176,564	$ 281,618	$ 251,877	$ 197,688	$ 220,506
Operating expenses:					
Contract cost	145,498	220,360	182,435	145,812	161,584
Depreciation and amortization	21,313	25,552	18,936	13,932	15,193
General and administrative	27,548	32,383	29,118	25,803	27,937
Compensation from changes in redemption value of common stock (1)	-	-	-	6,122	2,100
Operating income (loss)	(17,795)	3,323	21,388	6,019	13,692
Net interest income (expense)	587	(484)	304	(215)	144
Minority interest	(1,541)	(1,132)	(1,911)	(2,220)	(1,589)
Other income (expense)	2,031	(1,502)	58	1,472	(381)
Income (loss) before income taxes	(16,718)	205	19,839	5,056	11,866
Provision (credit) for income taxes	3,300	4,567	5,723	2,332	(75)
Net income (loss)	$ (20,018)	$ (4,362)	$ 14,116	$ 2,724	$ 11,941
Earnings (loss) per share (2):					
Basic	$ (1.54)	$ (.30)	$ .97	$ .09	$ .84
Diluted	$ (1.54)	$ (.30)	$ .96	$ .09	$ .84
Cash Flow Data:					
Cash provided by (used in):					
Operating activities	$ (14,041)	$ 15,199	$ 45,788	$ 29,961	$ (8,396)
Investing activities	4,866	(34,684)	(46,386)	(24,072)	(18,558)
Financing activities	8,734	(15,506)	19,718	(1,630)	(2,321)
Other Data:					
EBITDA (3)	$ 4,008	$ 26,241	$ 38,471	$ 19,203	$ 26,915
Capital expenditures	$ 12,245	$ 36,112	$ 47,272	$ 24,957	$ 18,946
Backlog (at period end)	$ 253,080	$ 286,473	$ 135,797	$ 108,751	$ 139,359
Number of employees (at period end)	2,030	2,280	4,230	3,700	3,110
Balance Sheet Data (at period end):					
Cash and cash equivalents	$ 7,806	$ 8,247	$ 43,238	$ 24,118	$ 19,859
Working capital	25,801	13,495	39,563	36,723	38,767
Total assets	153,153	159,939	201,202	147,465	149,954
Total debt	15,981	758	8,574	1,340	3,119
Redemption value of common stock held by plan participants	-	-	-	-	7,918
Redeemable preferred stock	-	-	-	-	36,200
Stockholders' equity	80,427	106,934	118,986	92,386	39,273

(1) Under the Company's stock ownership plans established in 1992 and 1995, the Company had an obligation to purchase, under certain conditions and at a formula price, Common Stock held by retiring or terminating employees. The Company recorded as noncash compensation expense the change in the redemption value at the end of each period using the maximum formula price. In addition, in the third quarter of 1996, the Company recognized a noncash compensation expense of $4,695 for the difference between the maximum redemption value of the shares subject to redemption and the initial public offering price. The Company's stock redemption obligations terminated in the fourth quarter of 1996.

(2) Earnings per share for the year ended December 31, 1996 is calculated after deducting $1,448 ($.10 per common share) of dividends on the Company's Preferred Stock.

(3) EBITDA represents earnings (net income) before interest, income taxes, depreciation and amortization. Noncash compensation expenses have not been added back in calculating EBITDA. EBITDA is not intended to represent cash flows for the period, nor has it been presented as an alternative to operating income as an indicator of operating performance. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. See the Company's Consolidated Statements of Cash Flows in the Company's Consolidated Financial Statements included elsewhere in this Annual Report. EBITDA is included in this Annual Report because it is a basis upon which the Company assesses its financial performance.

management's discussion and analysis of financial condition and results of operations

General

The Company derives its revenue from providing construction, engineering and specialty services to the oil and gas industry and government entities worldwide. The Company obtains contracts for its work primarily by competitive bidding or through negotiations with long-standing clients. Bidding activity, backlog and revenue resulting from the award of contracts to the Company may vary significantly from period to period.

A number of factors relating to the Company's business affect the Company's recognition of contract revenue. Revenue from fixed-price construction and engineering contracts is recognized on the percentage-of-completion method. Under this method, estimated contract revenue is accrued based generally on the percentage that costs to date bear to total estimated costs, taking into consideration physical completion. Generally, the Company does not recognize income on a fixed-price contract until the contract is approximately 10 percent complete. Costs which are considered to be reimbursable are excluded before the percentage-of-completion calculation is made. Accrued revenue pertaining to reimbursables is limited to the cost of the reimbursables. If a current estimate of total contract cost indicates a loss on a contract, the projected loss is recognized in full when determined. Revenue from unit-price contracts is recognized as earned. Revenue from change orders, extra work, variations in the scope of work and claims is recognized when realization is assured.

The Company derives its revenue from contracts with durations from a few weeks to several months or in some cases more than a year. Unit-price contracts provide relatively even quarterly results; however, major projects are usually fixed-price contracts that may result in uneven quarterly financial results due to the nature of the work and the method by which revenue is recognized. These financial factors, as well as external factors such as weather, client needs, client delays in providing approvals, labor availability, governmental regulation and politics, may affect the progress of a project's completion and thus the timing of revenue recognition. The Company believes that its operating results should be evaluated over a relatively long time horizon during which major contracts in progress are completed and change orders, extra work, variations in the scope of work and cost recoveries and other claims are negotiated and realized.

During 1999, the Company continued to experience reduced demand for its services, especially high-margin construction and specialty services, as a result of the low oil prices. With the recent increase in the price of oil, the Company believes its clients will begin to increase their capital spending budgets in 2000 and expects revenue in 2000 to exceed that of 1999.

Recently, local protesters looted and vandalized a Company facility near Port Harcourt, Nigeria. Reports of similar disturbances have been frequent within the region during recent months, with many of the oil production and

oilfield services companies sustaining similar problems. While the disturbance interfered with the Company's operations, progress on some ongoing projects was not halted. The Nigerian government intervened and restored order in the area. At this time, it is not possible to assess with certainty the impact the incident will have on future operations. The Company has successfully operated in Nigeria for the past 38 years with very favorable relationships with the local communities, and believes that order can be maintained and that it can continue to operate in the area.

As previously noted, the Company uses EBITDA as part of its overall assessment of financial performance by comparing EBITDA between accounting periods. Management believes that EBITDA is used by the financial community as a method of measuring performance and of evaluating the market value of companies considered to be in similar businesses to those of the Company.

The Company recognizes anticipated contract revenue as backlog when the award of a contract is reasonably assured. Anticipated revenue from post-contract award processes, including change orders, extra work, variations in the scope of work and the effect of escalation or currency fluctuation formulas, is not added to backlog until realization is reasonably assured. New contract awards totaled $165.2 million during the year ended December 31, 1999. Additions to backlog during the period were as follows: construction, $70.8 million; engineering, $54.6 million; and specialty services, $39.8 million. Backlog decreases by type of service were as follows: construction, $84.7 million; engineering, $75.5 million; and specialty services, $38.4 million. Backlog at the end of the year was down $33.4 million (12%) to $253.1 million and consisted of the following: (a) construction, $140.8 million, down $13.9 million (9%); (b) engineering, $31.0 million, down $20.9 million (40%); and (c) specialty services, $81.3 million, up $1.4 million (2%). Construction backlog included the construction portion of engineering, procurement and construction projects in Nigeria and a construction project in Australia. Specialty services backlog was primarily attributable to two major contracts: a 16-year water injection contract awarded in 1998 to a consortium in which the Company has a 10 percent interest in Venezuela and a three-year dredging contract awarded in 1998 in Nigeria. Subsequent to December 31, 1999, $13.7 million was added to construction backlog as a result of the acquisition of Rogers & Phillips, Inc. ("RPI"), a pipeline construction company in the United States.

On March 6, 2000, the Company announced that Willbros USA, Inc.'s administrative headquarters and some construction support will be moved from Tulsa, Oklahoma, to Houston, Texas, during 2000. As of March 15, 2000, the specific jobs and personnel to be relocated were not yet identified. Accordingly, a reliable estimate of the cost of the expected relocation was not available at that date. The Company expects to announce more specific plans regarding the planned relocation as more infomation becomes available.

Results of Operations

The Company's contract revenue and contract costs are primarily related to the timing and location of development projects in the oil and gas industry worldwide. Contract revenue and cost variations by country from year to year are the result of (a) entering new countries as part of the Company's strategy for geographical diversification; (b) the

execution of new contract awards; (c) the completion of contracts; and (d) the overall level of activity in the Company's services.

The Company's ability to be successful in obtaining and executing contracts can be affected by the relative strength or weakness of the U.S. dollar compared to the currencies of its competitors, its clients and its work locations. The Company does not believe that its revenue or results of operations were adversely affected in this regard during the years ended December 31, 1999 or 1998.

Year Ended December 31, 1999, Compared to Year Ended December 31, 1998

Contract Revenue.

Contract revenue decreased $105.0 million (37%) to $176.6 million due to (a) a $118.3 million (64%) reduction in construction revenue resulting primarily from completion of construction contracts in Venezuela, Indonesia, Oman and the United States; offset by (b) an increase in engineering revenue of $7.3 million (12%) due to engineering and procurement services work in Nigeria; and (c) an increase of $6.0 million (19%) in specialty services revenue, principally in Nigeria. Venezuela revenue decreased $51.9 million (69%) mainly due to completion of work on a pipeline contract that included the construction of 120 miles (200 kilometers) each of 36-inch and 20-inch pipelines and completion of a transport services contract. Indonesia revenue decreased $22.6 million (88%) due to completion of work on a 35-mile (55-kilometer) 42-inch pipeline in Kalimantan. United States revenue decreased $48.1 million (53%) primarily due to reduced engineering services work in the United States and completion of work on a natural gas pipeline in Iowa. Oman revenue decreased $9.8 million (55%) due to reduced construction and specialty services work; however in the last quarter, work was begun on a $10.0 million, five-year maintenance services contract. Nigeria revenue increased $36.7 million (94%) principally due to revenue being recognized on a pipeline engineering, procurement and construction project started in 1999 and increased specialty services work. Ivory Coast revenue decreased $11.9 million (82%) due to completion of work on pipeline projects in that country. Offshore West Africa revenue decreased $8.2 million due to a decline in offshore services in 1999; however, work has recently begun on an engineering, procurement and construction project to install offshore pipelines and facilities valued at $12.9 million. Revenue from Pakistan decreased $6.8 million (100%) due to the completion of an engineering, procurement and construction contract. Australia revenue increased $18.8 million (100%) due to a new construction contract.

Contract Cost.

Contract costs decreased $74.9 million (34%) to $145.5 million due to a decrease of $88.8 million in construction services cost, offset by an increase of $13.9 million in specialty services cost due to costs associated with maintaining underutilized assets. Variations in contract cost by country were closely related to the variations in contract revenue.

management's discussion and analysis of financial condition

Depreciation and Amortization.

Depreciation and amortization decreased $4.2 million to $21.3 million primarily due to the sale of excess equipment in Venezuela, Indonesia, the United States and Oman.

General and Administrative.

General and administrative expense decreased $4.8 million to $27.6 million due to decreased activity, principally in the United States, Venezuela, Indonesia and Oman, and a decrease in administrative expense in the United States.

Operating Income.

Operating income decreased $21.1 million to an operating loss of $17.8 million. The decrease is attributable to a 37 percent decrease in revenue caused by a lack of new contract awards in construction and specialty services in Venezuela, Indonesia, the United States and Oman; and a change in the revenue mix caused by a higher level of engineering, material procurement and subcontract services, which have lower margins than construction and specialty services.

Net Interest Income (Expense).

Net interest increased $1.1 million to $0.6 million income due to increased short-term investments during 1999 and reduced borrowing in the work countries.

Minority Interest Expense.

Minority interest expense increased $0.4 million to $1.5 million due to an increase in activity in Nigeria.

Foreign Exchange Gain (Loss).

Foreign exchange loss decreased $1.4 million to $0.5 million because of reduced foreign exchange losses in Venezuela, Pakistan and the Ivory Coast.

Other Income (Expense).

Other income (expense) increased $2.1 million to $2.5 million income, primarily as a result of gains from the sale of excess equipment in Venezuela, Indonesia, the United States and Oman, offset by costs associated with pursuing mergers and acquisitions.

Provision for Income Taxes.

The provision for income taxes decreased $1.3 million (28%) to $3.3 million primarily due to decreased activity in Venezuela, the Ivory Coast, Indonesia and Oman, offset by income taxes arising from increased activity in Nigeria and federal and state income taxes in the United States. Although the Company has a loss before income taxes, a provision for income taxes is required due to income taxes in certain countries being based on revenue rather than income and losses in one country cannot be used to offset income in another country.

Year Ended December 31, 1998, Compared to Year Ended December 31, 1997

Contract Revenue.

Contract revenue increased $29.7 million (12%) to $281.6 million due to (a) an increase in construction services revenue of $67.6 million related to work in Venezuela, the United States and the Ivory Coast; offset by (b) a decrease in specialty services revenue of $25.4 million associated with a reduction of specialty services work primarily in Nigeria; and (c) a decrease in engineering services of $12.5 million due to decreased engineering, principally in the United States. Revenue from Venezuela increased $43.6 million (137%) due to work on the construction of 120 miles (200 kilometers) each of 36-inch and 20-inch pipelines. Revenue in the Ivory Coast increased $14.5 million due to beginning work on 46 miles (74 kilometers) of dual 4-inch and 12-inch pipelines and an 8-mile (13-kilometer), 12-inch pipeline. United States revenue increased $6.8 million (8%) primarily due to work performed

on a 94-mile (150-kilometer), 36-inch natural gas pipeline in Iowa. Revenue from Nigeria decreased $27.3 million (36%) primarily in specialty services work as a result of delays in funding to our clients from the Nigerian government and low oil prices which have caused the Company's clients to defer maintenance activities. Oman revenue decreased $5.0 million (22%) due to decreased specialty services work. Indonesian revenue decreased $2.2 million (8%) due to the substantial completion of pipeline projects in that country.

Contract Cost.

Contract cost increased $37.9 million (21%) to $220.4 million due to an increase of $57.2 million in construction services cost, resulting from an increase in costs on construction projects in the United States, Venezuela and the Ivory Coast, offset by a decrease of $17.8 million in engineering services cost and a decrease of $1.4 million in specialty services cost. Variations in contract cost by country were closely related to the variations in contract revenue.

Depreciation and Amortization.

Depreciation and amortization increased $6.6 million to $25.5 million, primarily due to additions made to the equipment fleet in 1997 to prepare for new contracts in Indonesia and Venezuela and additions in 1998 to prepare for a new contract in the Ivory Coast.

General and Administrative.

General and administrative expense increased $3.3 million to $32.4 million to support the growth in worldwide activities and promote expansion into new work countries, such as Mexico.

Operating Income.

Operating income decreased $18.1 million (85%) to $3.3 million. The decrease is primarily due to a significant decrease in specialty service activity, an increase in costs on certain projects including construction projects in Pakistan, the United States and Venezuela and start-up costs associated with an offshore construction project in Cameroon.

Net Interest Income (Expense).

Net interest income decreased $0.8 million to a net expense of $0.5 million, due to increased borrowings to meet working capital requirements.

Minority Interest Expense.

Minority interest expense decreased $0.8 million to $1.1 million, due to a reduction in revenue and operating income in certain work countries.

Other Income (Expense).

Other income decreased $1.6 million resulting in $1.5 million of other expense in 1998. The decrease was primarily due to $1.9 million in net foreign exchange losses arising from remeasuring assets and liabilities in countries with highly inflationary economies, primarily Venezuela.

Provision for Income Taxes.

Provision for income tax expense decreased $1.1 million to $4.6 million, principally due to reduced taxable income in certain work countries in 1998 and a tax refund. The effective income tax rate in 1998 exceeds 100 percent of income before income taxes due to the fact that income taxes in certain countries are based on revenue and also due to the fact that losses in certain countries cannot be used to offset taxable income in other countries.

Effect of Inflation and Changing Prices

The Company's operations are affected by increases in prices, whether caused by inflation, government mandates or other economic factors, in the countries in which it operates. The Company attempts to recover anticipated increases in the cost of labor, fuel and materials through price escalation provisions in certain of its major contracts or by considering the estimated effect of such increases when bidding or pricing new work.

Capital Structure, Liquidity and Capital Resources

The Company's primary requirements for capital are to fund the acquisition, upgrade and maintenance of its equipment, provide working capital for current projects, finance the mobilization of employees and equipment to new projects, establish a presence in countries where the Company perceives growth opportunities and finance the possible acquisition of new businesses and equity investments. Historically the Company has met its capital requirements primarily from operating cash flows.

Cash and cash equivalents decreased $0.4 million (5%) to $7.8 million at December 31, 1999, from $8.2 million at December 31, 1998. The decrease is due to negative cash flows of $14.0 million from operations (including a $12.4 million increase in working capital required to support uncompleted projects), offset by $4.9 million from the sale of surplus equipment net of $12.2 million in capital expenditures for the purchase of equipment and spare parts, and $8.7 million from financing activities (including borrowings of $16.0 million offset by $7.6 million used to repurchase 1,247,655 shares of common stock).

The Company has a $150.0 million credit agreement that matures on February 20, 2003, with a syndicated bank group including ABN AMRO Bank N.V., as agent, and Credit Lyonnais, New York Branch, as co-agent. The credit agreement provides for a $100.0 million revolving credit facility, part of which can be used for acquisitions and equity investments. The entire facility, less amounts used under the revolving portions of the facility, may be used for standby and commercial letters of credit. Principal is payable at termination on all revolving loans except qualifying acquisition and equity investment loans which are payable quarterly over the remaining life of the credit agreement. Interest is payable quarterly at prime or other alternative interest rates. A commitment fee is payable quarterly based on an annual rate of one fourth percent of the unused portion of the credit facility. The Company's obligations under the credit agreement are secured by the stock of the principal subsidiaries of the Company. The credit agreement requires the Company to maintain certain financial ratios, restricts the amount of annual dividend payments to the greater of 25 cents per share or 25 percent of net income and limits the Company's ability to purchase its own stock. At December 31, 1999, outstanding letters of credit totaled $52.8 million and borrowings amounted to $15.5 million, leaving $81.7 million available under this facility.

The Company has unsecured credit facilities with banks in certain countries outside the United States. Borrowings under these lines, in the form of short-term notes and overdrafts, are made at competitive local interest rates. Generally, each line is available only for borrowings related to operations in a specific country. Credit available under these facilities is approximately $8.7 million at December 31, 1999.

The Company does not anticipate any significant collection problems with its customers, including those in countries that may be experiencing economic and/or currency difficulties. Since the Company's customers generally are major oil companies and government entities, and the terms

for billing and collecting for work performed are generally established by contracts, the Company historically has a very low incidence of collectability problems.

The Company's 2000 business plan indicates that cash flows from operations and borrowing under existing credit facilities will be sufficient to finance working capital and capital expenditures for ongoing operations at least through the end of 2000. The Company estimates capital expenditures for equipment and spare parts to be approximately $10.0 to $15.0 million in 2000.

In February 1998, the Company's Board of Directors approved a plan to buy back approximately 750,000 shares of its Common Stock from time to time in the open market or through negotiated transactions. In October 1998, the Company's Board of Directors approved, and the Company's credit agreement was amended to permit, the buy back of an additional $8.8 million of its Common Stock. During 1999, the Company repurchased 1,247,655 shares of its Common Stock for $7.6 million. As of December 31, 1999, 2,175,371 shares have been purchased at an average price of $7.43 per share. Subsequent to December 31, 1999, 1,035,000 shares of treasury stock were issued in connection with the acquisition of RPI.

Financial Risk Management

The Company's primary market risk is its exposure to changes in non-U.S. currency exchange rates. The Company attempts to negotiate contracts which provide for payment in U.S. dollars, but it may be required to take all or a portion of payment under a contract in another currency. To mitigate non-U.S. currency exchange risk, the Company seeks to match anticipated non-U.S. currency revenue with expenses in the same currency whenever possible. To the extent it is unable to match non-U.S. currency revenue with expenses in the same currency, the Company may use forward contracts, options or other common hedging techniques in the same non-U.S. currencies. The Company had no forward contracts or options at December 31, 1999.

The carrying amounts for cash and cash equivalents, accounts receivable, notes payable and accounts payable and accrued liabilities shown in the consolidated balance sheets approximate fair value at December 31, 1999 due to the generally short maturities of these items. The Company invests primarily in short-term dollar denominated bank deposits, and at December 31, 1999 did not have any investment in instruments with a maturity of more than a few days or in any equity securities. The Company has the ability and expects to hold its investments to maturity.

Year 2000 Compliance

As of March 1, 2000, the Company has not experienced any significant Year 2000 problems. However, due to the uncertainty regarding Year 2000 compliance on the part of third parties, it is possible that Year 2000 problems could arise that have an adverse impact on the Company's business and results of operations.

Testing, remediation and replacement of the Company's critical applications are anticipated to cost approximately $5.0 million from inception in calendar year 1997 through completion in calendar year 2000, of which approximately $2.8 million is expected to be capitalized. Of these costs, approximately $3.9 million had been incurred at December 31, 1999, with most of the remaining $1.1 million expected to be incurred during the first quarter of 2000. All estimated costs have been budgeted and are expected to be funded by cash flows from operations.

report of independent auditors

The Stockholders and Board of Directors
Willbros Group, Inc.:

We have audited the accompanying consolidated balance sheets of Willbros Group, Inc. and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the financial position of Willbros Group, Inc. and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with generally accepted accounting principles in the United States.

Panama City, Panama
February 11, 2000

Willbros Group, Inc.
consolidated balance sheets

(In thousands, except share and per share amounts)

	December 31,	
	1999	1998
Assets		
Current assets:		
Cash and cash equivalents	$ 7,806	$ 8,247
Accounts receivable	50,569	40,018
Contract cost and recognized income not yet billed	13,082	8,022
Prepaid expenses	4,189	3,963
Total current assets	75,646	60,250
Spare parts, net	6,581	9,666
Property, plant and equipment, net	64,813	85,010
Other assets	6,113	5,013
Total assets	$ 153,153	$ 159,939
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable	$ 481	$ 758
Accounts payable and accrued liabilities	35,254	35,352
Accrued income taxes	4,683	5,654
Contract billings in excess of cost and recognized income	9,427	4,991
Total current liabilities	49,845	46,755
Long-term debt	15,500	-
Other liabilities	7,381	6,250
Total liabilities	72,726	53,005
Stockholders' equity:		
Class A preferred stock, par value $.01 per share, 1,000,000 shares authorized, none issued	-	-
Common stock, par value $.05 per share, 35,000,000 shares authorized and 15,123,453 shares issued at December 31, 1999 (15,071,715 at December 31, 1998)	756	753
Capital in excess of par value	67,927	67,613
Retained earnings	29,896	49,914
Treasury stock at cost, 2,175,371 shares at December 31, 1999 (927,716 shares at December 31, 1998)	(16,164)	(8,590)
Notes receivable for stock purchases	(307)	(982)
Accumulated other comprehensive income (loss)	(1,681)	(1,774)
Total stockholders' equity	80,427	106,934
Total liabilities and stockholders' equity	$ 153,153	$ 159,939

See accompanying notes to consolidated financial statements.

Willbros Group, Inc.
consolidated statements of operations

(In thousands, except share and per share amounts)

	Year Ended December 31,		
	1999	1998	1997
Contract revenue	$ 176,564	$ 281,618	$ 251,877
Operating expenses:			
Contract	145,498	220,360	182,435
Depreciation and amortization	21,313	25,552	18,936
General and administrative	27,548	32,383	29,118
	194,359	278,295	230,489
Operating income (loss)	(17,795)	3,323	21,388
Other income (expense):			
Interest income	801	851	1,118
Interest expense	(214)	(1,335)	(814)
Foreign exchange gain (loss)	(501)	(1,934)	257
Minority interest	(1,541)	(1,132)	(1,911)
Other - net	2,532	432	(199)
	1,077	(3,118)	(1,549)
Income (loss) before income taxes	(16,718)	205	19,839
Provision for income taxes	3,300	4,567	5,723
Net income (loss)	$ (20,018)	$ (4,362)	$ 14,116
Earnings (loss) per common share:			
Basic	$ (1.54)	$ (.30)	$ .97
Diluted	$ (1.54)	$ (.30)	$ .96
Weighted average number of common shares outstanding:			
Basic	13,029,665	14,744,622	14,540,137
Diluted	13,029,665	14,744,622	14,688,372

See accompanying notes to consolidated financial statements.

Willbros Group, Inc.
consolidated statements of stockholders' equity

(In thousands, except share amounts)

	Common Stock Shares	Common Stock Par Value	Capital In Excess Of Par Value	Retained Earnings	Treasury Stock	Notes Receivable For Stock Purchases	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, January 1, 1997	14,385,980	$ 719	$ 55,475	$ 40,160	$ -	$ (3,184)	$ (784)	$ 92,386
Comprehensive income (loss):								
Net income	-	-	-	14,116	-	-	-	14,116
Foreign currency translation adjustments	-	-	-	-	-	-	(29)	(29)
Total comprehensive income (loss)	-	-	-	-	-	-	-	14,087
Payment of notes receivable	-	-	-	-	-	1,100	-	1,100
Sale of common stock, net of offering cost	590,641	31	11,168	-	-	-	-	11,199
Issuance of common stock under employee benefit plan	14,199	-	200	-	-	-	-	200
Exercise of stock options	1,500	-	14	-	-	-	-	14
Balance, December 31, 1997	14,992,320	750	66,857	54,276	-	(2,084)	(813)	118,986
Comprehensive income (loss):								
Net loss	-	-	-	(4,362)	-	-	-	(4,362)
Foreign currency translation adjustments	-	-	-	-	-	-	(961)	(961)
Total comprehensive income (loss)								(5,323)
Payment of notes receivable	-	-	-	-	-	1,102	-	1,102
Purchase of treasury stock	-	-	-	-	(8,590)	-	-	(8,590)
Issuance of common stock under employee benefit plan	32,945	1	331	-	-	-	-	332
Exercise of stock options	46,450	2	425	-	-	-	-	427
Balance, December 31, 1998	15,071,715	753	67,613	49,914	(8,590)	(982)	(1,774)	106,934
Comprehensive income (loss):								
Net loss	-	-	-	(20,018)	-	-	-	(20,018)
Foreign currency translation adjustments	-	-	-	-	-	-	93	93
Total comprehensive income (loss)								(19,925)
Payment of notes receivable	-	-	-	-	-	675	-	675
Purchase of treasury stock	-	-	-	-	(7,574)	-	-	(7,574)
Issuance of common stock under employee benefit plan	51,238	3	311	-	-	-	-	314
Exercise of stock options	500	-	3	-	-	-	-	3
Balance, December 31, 1999	15,123,453	$ 756	$ 67,927	$ 29,896	$ (16,164)	$ (307)	$ (1,681)	$ 80,427

See accompanying notes to consolidated financial statements.

Willbros Group, Inc.
consolidated statements of cash flows

(In thousands)

	Year Ended December 31,		
	1999	1998	1997
Cash flows from operating activities:			
Net income (loss)	$ (20,018)	$ (4,362)	$ 14,116
Reconciliation of net income (loss) to cash provided by (used in) operating activities:			
Depreciation and amortization	21,313	25,552	18,936
Loss (gain) on sales and retirements of property and equipment	(2,897)	261	814
Changes in operating assets and liabilities:			
Accounts receivable	(10,551)	16,987	(3,249)
Contract cost and recognized income not yet billed	(5,060)	137	(4,516)
Prepaid expenses and other assets	(1,326)	(1,981)	(216)
Accounts payable and accrued liabilities	(98)	(5,935)	8,419
Accrued income taxes	(971)	483	1,121
Contract billings in excess of cost and recognized income	4,436	(16,071)	9,960
Other liabilities	1,131	128	403
Cash provided by (used in) operating activities	(14,041)	15,199	45,788
Cash flows from investing activities:			
Proceeds from sales of property and equipment	17,111	1,428	886
Purchase of property and equipment	(7,983)	(24,861)	(38,932)
Purchase of spare parts	(4,262)	(11,251)	(8,340)
Cash provided by (used in) investing activities	4,866	(34,684)	(46,386)
Cash flows from financing activities:			
Proceeds from long-term debt	15,500	37,000	3,000
Collection of notes receivable for stock purchases	675	1,102	1,100
Proceeds from notes payable to banks	481	7,160	6,858
Proceeds from common stock	317	759	11,413
Purchase of treasury stock	(7,574)	(8,590)	-
Repayment of notes payable to banks	(525)	(11,509)	(2,157)
Repayment of notes payable to former shareholders	(233)	(467)	(467)
Repayment of long-term debt	-	(40,000)	-
Cash provided by (used in) financing activities	8,641	(14,545)	19,747
Effect of exchange rate changes on cash and cash equivalents	93	(961)	(29)
Cash provided by (used in) all activities	(441)	(34,991)	19,120
Cash and cash equivalents, beginning of year	8,247	43,238	24,118
Cash and cash equivalents, end of year	$ 7,806	$ 8,247	$ 43,238

See accompanying notes to consolidated financial statements.

Willbros Group, Inc.
notes to consolidated financial statements

(In thousands, except share and per share amounts)

1. Summary of Significant Accounting Policies

Principles of Consolidation - The consolidated financial statements include the accounts of Willbros Group, Inc. ("WGI"), a Republic of Panama corporation and all of its majority-owned subsidiaries (the "Company"). All material intercompany accounts and transactions are eliminated in consolidation. The ownership interest of minority participants in subsidiaries that are not wholly owned (principally in Nigeria and Oman) is included in accounts payable and accrued liabilities and is not material. The minority participants' share of the net income of those subsidiaries is included in other expense.

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States and include certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Accounts Receivable - Accounts receivable include retainage, all due within one year, of $3,423 in 1999 and $6,304 in 1998 and are stated net of allowances for bad debts of $1,267 in 1999 and $988 in 1998. The provision (credit) for bad debts was $573 in 1999, $72 in 1998 and $(8) in 1997.

Spare Parts - Spare parts (excluding expendables), stated net of accumulated depreciation of $16,052 in 1999 and $16,247 in 1998, are depreciated over three years on the straight-line method.

Property, Plant and Equipment - Depreciation is provided on the straight-line method using principally estimated lives of four to six years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. Normal repair and maintenance costs are charged to expense as incurred. Major overhaul costs are accrued and allocated to contracts based on estimates of equipment condition. Significant renewals and betterments are capitalized.

Long-lived assets held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Revenue - Construction and engineering fixed-price contracts are accounted for using the percentage-of-completion method. Under this method, estimated contract revenue is accrued based generally on the percentage that costs to date bear to total estimated costs, taking into consideration physical completion. Estimated contract losses are recognized in full when determined. Revenue from unit-price contracts is recognized as earned. Revenue from change orders, extra work, variations in the scope of work and claims is recognized when realization is assured.

Income Taxes - The Company accounts for income taxes by the asset and liability method under which deferred tax assets and liabilities are recognized for the future tax consequences of operating loss and tax credit carryforwards and differences between the financial statement carrying values of assets and liabilities and their tax bases.

Willbros Group, Inc.
notes to consolidated financial statements

(In thousands, except share and per share amounts)

1. Summary of Significant Accounting Policies (Continued)

Retirement Plans and Benefits - The Company has defined benefit and defined contribution retirement plans and a postretirement medical benefits plan that provide retirement benefits to substantially all regular employees. Qualified plans are contributory on the part of employees. Pension costs are funded in accordance with annual actuarial valuations. The Company records the cost of postretirement medical benefits, which are funded on the pay-as-you-go basis, over the employees' working lives.

Common Stock Options - The Company follows the intrinsic value method of accounting for common stock options granted to employees.

Foreign Currency Translation - All significant asset and liability accounts stated in currencies other than United States dollars are translated into United States dollars at current exchange rates. Translation adjustments are accumulated in other comprehensive income (loss). Revenue and expense accounts are converted at prevailing rates throughout the year. Foreign currency transaction adjustments and translation adjustments in highly inflationary economies are recorded in income.

Cash Flows - In the determination of cash flows, all highly liquid debt instruments with maturities of less than three months are considered to be cash equivalents. The Company paid interest of $76 in 1999, $1,309 in 1998 and $817 in 1997 and income taxes of $3,474 in 1999, $4,084 in 1998 and $4,685 in 1997.

Earnings (Loss) per Share - Basic earnings (loss) per share is calculated by dividing net income, less any preferred dividend requirements, by the weighted-average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated by including the weighted-average number of all dilutive potential common shares with the weighted-average number of common shares outstanding.

Derivative Financial Instruments - The Company may use derivatives such as forward contracts, options or other financial instruments as hedges to mitigate non-U.S. currency exchange risk when the Company is unable to match non-U.S. currency revenue with expenses in the same currency. The unrealized gains or losses on such financial instruments are deferred and recognized when realized as an adjustment to contract revenue. The Company had no derivative financial instruments as of December 31, 1999 or 1998.

2. Concentration of Credit Risk

The Company has a concentration of customers in the oil and gas industry which exposes the Company to a concentration of credit risk within an industry. The Company seeks to obtain advance and progress payments for contract work performed on major contracts. Receivables are generally not collateralized. The Company believes that its allowance for bad debts is adequate.

Willbros Group, Inc.
notes to consolidated financial statements

(In thousands, except share and per share amounts)

3. Contracts in Progress

Most contracts allow for progress billings to be made during performance of the work. These billings may be made on a basis different from that used for recognizing revenue. Contracts in progress for which cost and recognized income exceed billings or billings exceed cost and recognized income consist of:

	December 31,	
	1999	1998
Costs incurred on contracts in progress	$ 86,836	$ 235,088
Recognized income	16,537	55,635
	103,373	290,723
Progress billings and advance payments	99,718	287,692
	$ 3,655	$ 3,031
Contract cost and recognized income not yet billed	$ 13,082	$ 8,022
Contract billings in excess of cost and recognized income	(9,427)	(4,991)
	$ 3,655	$ 3,031

4. Property, Plant and Equipment

Property, plant and equipment, none of which are used to secure debt or are subject to lien, at cost, consist of:

	December 31,	
	1999	1998
Construction equipment	$ 48,072	$ 61,236
Marine equipment	46,365	43,431
Transportation equipment	21,220	31,997
Land, buildings, furniture and equipment	20,287	17,274
	135,944	153,938
Less accumulated depreciation and amortization	71,131	68,928
	$ 64,813	$ 85,010

5. Notes Payable

The Company has unsecured credit facilities with banks in certain countries outside the United States. Borrowings under these lines of $481 at December 31, 1999 ($525 at December 31, 1998), in the form of short-term notes and overdrafts, are made at competitive local interest rates. Generally, each line is available only for borrowings related to operations in a specific country. Credit available under these facilities is approximately $8,700 at December 31, 1999.

Willbros Group, Inc.
notes to consolidated financial statements

(In thousands, except share and per share amounts)

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of:

	December 31,	
	1999	1998
Trade payables	$ 18,676	$ 17,018
Payrolls and payroll liabilities	13,388	14,524
Equipment reconditioning and overhaul reserves	3,190	3,810
	$ 35,254	$ 35,352

7. Long-term Debt

The Company has a $150,000 credit agreement that matures on February 20, 2003, with a syndicated bank group including ABN AMRO Bank N.V., as agent, and Credit Lyonnais, New York Branch, as co-agent. The credit agreement provides for a $100,000 revolving credit facility, part of which can be used for acquisitions and equity investments. The entire facility, less amounts used under the revolving portion of the facility, may be used for standby and commercial letters of credit. Principal is payable at termination on all revolving loans except qualifying acquisition and equity investment loans which are payable quarterly over the remaining life of the credit agreement. Interest is payable quarterly at prime or other alternative interest rates. A commitment fee is payable quarterly based on an annual rate of one fourth percent of the unused portion of the credit facility. The Company's obligations under the credit agreement are secured by the stock of the principal subsidiaries of the Company. The credit agreement requires the Company to maintain certain financial ratios, restricts the amount of annual dividend payments to the greater of 25 cents per share or 25 percent of net income and limits the Company's ability to purchase its own stock. At December 31, 1999, outstanding letters of credit totaled $52,765 and borrowings amounted to $15,500, leaving $81,735 available under this facility.

Included in notes payable at December 31, 1998, are notes payable to two former shareholders with a remaining balance of $233. The notes were paid in full when due on April 15, 1999.

Willbros Group, Inc.
notes to consolidated financial statements

(In thousands, except share and per share amounts)

8. Retirement Benefits

The Company has defined benefit plans (pension plans) covering substantially all regular employees which are funded by employee and Company contributions. The Company's funding policy is to contribute at least the minimum required by the Employee Retirement Income Security Act of 1974 in accordance with annual actuarial valuations. Benefits under the plans are determined by employee earnings and credited service. The Company has a postretirement medical benefits plan which covers substantially all regular employees and which is funded by Company and retiree contributions based on estimated cost. Benefit expense for these plans include the following components:

	Pension Benefits			Postretirement Medical Benefits		
	Year Ended December 31,			Year Ended December 31,		
	1999	1998	1997	1999	1998	1997
Service cost	$ 1,692	$ 1,658	$ 1,180	$ 157	$ 179	$ 237
Interest cost	2,244	2,225	2,032	274	296	326
Expected return on plan assets	(2,914)	(2,560)	(2,247)	-	-	-
Recognized net actuarial loss (gain)	(188)	-	(11)	(108)	(81)	(52)
Amortization of transition asset	(29)	(29)	(29)	-	-	-
Amortization of prior service cost	95	145	142	(22)	(22)	-
	$ 900	$ 1,439	$ 1,067	$ 301	$ 372	$ 511

The retirement benefit obligations are determined using a weighted-average discount rate of 8.0 percent at December 31, 1999 (6.75 percent at December 31, 1998, and 7.0 percent at December 31, 1997). For pension benefits the rate of increase in future pay increases is 5.5 percent at December 31, 1999 (5.5 percent at December 31, 1998, and 6.0 percent at December 31, 1997), and assets are expected to have a long-term rate of return of 8.5 percent. The transition asset is amortized over 15 years.

The following table sets forth the changes in benefit obligations and plan assets and the reconciliation of the funded status of the plans to the accrued benefit cost:

	Pension Benefits			Postretirement Medical Benefits		
	Year Ended December 31,			Year Ended December 31,		
	1999	1998	1997	1999	1998	1997
Change in benefit obligations:						
Benefit obligations, beginning of year	$ 34,278	$ 32,407	$ 27,651	$ 4,057	$ 4,236	$ 4,355
Service cost	1,692	1,658	1,180	157	179	237
Interest cost	2,244	2,225	2,032	274	296	326
Plan participants' contribution	407	493	468	110	86	84
Amendments	-	-	-	-	-	(243)
Actuarial loss (gain)	(6,416)	(1,035)	2,184	243	(494)	(347)
Benefits paid	(2,098)	(1,470)	(1,108)	(284)	(246)	(176)
Benefit obligations, end of year	30,107	34,278	32,407	4,557	4,057	4,236

Willbros Group, Inc.
notes to consolidated financial statements

(In thousands, except share and per share amounts)

8. Retirement Benefits (continued)

	Pension Benefits			Postretirement Medical Benefits		
	Year Ended December 31,			Year Ended December 31,		
	1999	1998	1997	1999	1998	1997
Change in plan assets:						
Plan assets at fair value,						
beginning of year	$ 34,699	$ 30,514	$ 26,995	$ -	$ -	$ -
Actual return on plan assets	4,468	4,823	4,159	-	-	-
Employer contribution	-	-	-	174	160	92
Plan participants' contribution	407	493	468	110	86	84
Benefits paid	(1,865)	(1,131)	(1,108)	(284)	(246)	(176)
Plan assets at fair value,						
end of year	37,709	34,699	30,514	-	-	-
Reconciliation:						
Funded status, plan assets over						
(under) benefit obligations	7,602	421	(1,893)	(4,557)	(4,057)	(4,236)
Unrecognized net actuarial gain	(13,427)	(5,391)	(2,093)	(1,384)	(1,735)	(1,322)
Transition asset at						
January 1, 1987	(57)	(86)	(115)	-	-	-
Unrecognized prior service cost	976	816	961	(199)	(221)	(243)
Adjustment for minimum liability	-	(50)	(97)	-	-	-
Accrued benefit cost	$ (4,906)	$ (4,290)	$ (3,237)	$ (6,140)	$ (6,013)	$ (5,801)

Plan assets of the pension plans consist primarily of listed stocks and bonds. Contributions of assets to a trust established by the Company to fund benefit payments under the Executive Benefit Restoration Plan are irrevocable but are subject to creditor claims under certain conditions and are, therefore, excluded from the determination of funded status. Assets held in trust, at cost which approximates market, included in other assets, are $1,438 at December 31, 1999, $1,329 at December 31, 1998, and $1,367 at December 31, 1997.

The non-current portion of the postretirement medical benefit liability, $6,042 at December 31, 1999 ($5,810 at December 31, 1998), is included in other liabilities.

The weighted-average annual assumed rate of increase in the per capita cost of covered postretirement medical benefits is 8.5 percent for 2000 and is assumed to decrease to 5.5 percent by the year 2011 and to remain at that level. Increasing the assumed health care cost trend rates by one percentage point in each year would increase the postretirement medical benefits liability at December 31, 1999, by $566 and expense for 1999 by $74. Decreasing the assumed health care cost trend rates by one percentage point in each year would decrease the postretirement medical benefits liability by $470 and expense for 1999 by $59.

Willbros Group, Inc.
notes to consolidated financial statements

(In thousands, except share and per share amounts)

8. Retirement Benefits (continued)

The Company has a defined contribution plan which is funded by participating employee contributions and the Company. The Company matches employee contributions up to a maximum of four percent of salary in cash or beginning in 1997, if the participant so elects, up to five percent of salary in WGI common stock. Company contributions for this plan were $636 (including $314 of WGI common stock) in 1999, $689 (including $332 of WGI common stock) in 1998, and $636 (including $200 of WGI common stock) in 1997.

9. Income Taxes

The provision (credit) for income taxes represents income taxes arising as a result of operations and credits for revision of previous estimates of income taxes payable in a number of countries. The Company is not subject to income tax in Panama on income earned outside of Panama. All income has been earned outside of Panama; therefore, there is no expected relationship between income (loss) before income taxes and the provision (credit) for income taxes. The effective consolidated tax rate differs from the statutory tax rate in each country because taxable income and operating losses from different countries cannot be offset and tax rates and methods of determining taxes payable are different in each country.

Income (loss) before income taxes and the provision (credit) for income taxes in the consolidated statements of operations consist of:

	Year Ended December 31,		
	1999	1998	1997
Income (loss) before income taxes:			
Other countries	$ (19,197)	$ 3,036	$ 20,038
United States	2,479	(2,831)	(199)
	$ (16,718)	$ 205	$ 19,839
Provision (credit) for income taxes:			
Currently payable:			
Other countries	$ 2,851	$ 4,567	$ 5,723
United States:			
Federal	190	-	-
State	259	-	-
	$ 3,300	$ 4,567	$ 5,723

The Company has a deferred tax asset in the United States of $13,621 at December 31, 1999, and $16,316 at December 31, 1998, relating to United States net operating loss and credit carryforwards and employee benefit expense, and a deferred tax liability of $684 at December 31, 1999, and $1,146 at December 31, 1998, relating to excess tax depreciation. The net deferred tax asset is reduced to zero by a valuation allowance in both years.

Willbros Group, Inc.
notes to consolidated financial statements

(In thousands, except share and per share amounts)

9. Income Taxes (continued)

The Company has $26,731 in United States net operating loss carryforwards and $797 of United States investment tax credit carryforwards at December 31, 1999. The United States net operating loss carryforwards will expire, unless utilized, beginning in 2000 and ending December 31, 2013. The carryforwards available on an annual basis are limited. At December 31, 1999, the Company has nonexpiring operating loss carryforwards in the United Kingdom of $30,000 (£18,500), and a net operating loss carryforward expiring over three years in Venezuela of $1,400 (Bolivars 912,600). The deferred tax asset applicable to these operating loss carryforwards has been reduced to zero by a valuation allowance.

10. Stockholder Rights Plan

On April 1, 1999, the Company adopted a Stockholder Rights Plan and declared a distribution of one Preferred Share Purchase Right ("Right") on each outstanding share of the Company's common stock. The distribution was made on April 15, 1999 to stockholders of record on that date. The Rights expire on April 14, 2009.

The Rights are exercisable only if a person or group acquires 15 percent or more of the Company's common stock or announces a tender offer the consummation of which would result in ownership by a person or group of 15 percent or more of the common stock. Each Right entitles stockholders to buy one one-thousandth of a share of a series of junior participating preferred stock at an exercise price of $30.00 per share.

If the Company is acquired in a merger or other business combination transaction after a person or group has acquired 15 percent or more of the Company's outstanding common stock, each Right entitles its holder to purchase, at the Right's then-current exercise price, a number of acquiring company's common shares having a market value of twice such price. In addition, if a person or group acquires 15 percent or more of the Company's outstanding common stock, each Right entitles its holder (other than such person or members of such group) to purchase, at the Right's then-current exercise price, a number of the Company's common shares having a market value of twice such price.

Prior to the acquisition by a person or group of beneficial ownership of 15 percent or more of the Company's common stock, the Rights are redeemable for one-half cent per Right at the option of the Company's Board of Directors.

Willbros Group, Inc.
notes to consolidated financial statements

(In thousands, except share and per share amounts)

11. Stock Ownership Plans

During May 1996, the Company established the Willbros Group, Inc. 1996 Stock Plan (the "1996 Plan") with 1,125,000 shares of common stock authorized for issuance to provide for awards to key employees of the Company, and the Willbros Group, Inc. Director Stock Plan (the "Director Plan") with 125,000 shares of common stock authorized for issuance to provide for the grant of stock options to non-employee directors. In May 1999, the stockholders approved the increase of the number of shares authorized for issuance under the 1996 Plan to 2,125,000.

Options granted under the 1996 Plan vest 25 percent at the date of grant and 25 percent each January 1 thereafter. Options granted under the Director Plan vest six months after the date of grant. At December 31, 1999, the 1996 Plan has 690,450 shares and the Director Plan has 80,000 shares available for grant.

The per share weighted-average fair value of options granted is calculated using the Black Scholes option-pricing model, assuming the options have a life of three years, the weighted-average risk-free interest rate at the dates of grant is 5.86 percent in 1999 (4.63 percent in 1998 and 5.84 percent in 1997) and the weighted-average volatility is 52.78 percent in 1999 (59.12 percent in 1998 and 36.37 percent in 1997).

The Company's stock option activity and related information consist of:

	Year Ended December 31,					
	1999		1998		1997	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding, beginning of year	1,093,050	$ 9.37	484,500	$ 9.19	481,000	$ 9.08
Granted	416,000	5.28	655,000	9.50	5,000	18.95
Exercised	500	6.63	46,450	9.19	1,500	9.13
Forfeited	29,000	10.51	500	6.63	-	-
Outstanding, end of year	1,479,550	$ 8.20	1,093,050	$ 9.37	484,500	$ 9.19
Exercisable at end of year	904,800	$ 8.84	517,550	$ 9.30	310,750	$ 9.22

Willbros Group, Inc.
notes to consolidated financial statements

(In thousands, except share and per share amounts)

11. Stock Ownership Plans (continued)

The weighted-average fair value of options granted during the year was $2.17 in 1999 ($3.75 in 1998, $5.98 in 1997). Exercise prices for options outstanding, weighted-average remaining life and weighted-average exercise price by ranges of exercise prices at December 31, 1999, are:

Range Of Exercise Prices	Options Outstanding	Weighted-Average Remaining Life	Weighted-Average Exercise Price
$ 5.06 - $ 6.94	837,500	9.4 years	$ 5.96
$ 8.67 - $11.75	420,050	6.8 years	9.07
$ 14.94 - $19.44	222,000	8.1 years	15.01
$ 5.06 - $19.44	1,479,550	8.5 years	$ 8.20

The number of vested options and weighted-average exercise price by ranges of exercise prices at December 31, 1999, are:

Range Of Exercise Prices	Vested Options	Weighted-Average Exercise Price
$ 5.06 - $ 6.94	352,250	$ 6.21
$ 8.67 - $11.75	420,050	9.08
$ 14.94 - $19.44	132,500	15.06
$ 5.06 - $19.44	904,800	$ 8.84

No compensation expense for the options granted under the 1996 Plan and the Director Plan is recorded. Had compensation expense for vested options been recorded, the Company's net income would have been reduced to $(21,232) in 1999 ($(5,234) in 1998 and $13,624 in 1997), basic earnings per share would have been reduced to $(1.63) in 1999 ($(.35) in 1998 and $.94 in 1997), and diluted earnings per share would have been reduced to $(1.63) in 1999 ($(.35) in 1998 and $.93 in 1997).

Under employee stock ownership plans established in 1992 and 1995, certain key employees were issued options to purchase common stock at a discount from fair value and were allowed to finance up to 90 percent of the option price with three-year noninterest bearing recourse notes.

12. Fair Value of Financial Instruments

The carrying value of financial instruments does not materially differ from fair value.

Willbros Group, Inc.
notes to consolidated financial statements

(In thousands, except share and per share amounts)

13. Public Offerings

A secondary offering of the Company's common stock was completed in October 1997, with the sale of 4,528,250 shares of common stock, consisting of 590,641 newly issued shares resulting in net proceeds to the Company of $11,699 before offering costs and 3,937,609 shares sold by certain stockholders of the Company for which the Company did not receive any proceeds.

14. Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share are computed as follows:

	Year Ended December 31,		
	1999	1998	1997
Net income (loss) applicable to common shares	$ (20,018)	$ (4,362)	$ 14,116
Weighted average number of common shares outstanding for basic earnings per share	13,029,665	14,744,622	14,540,137
Weighted average number of dilutive potential common shares outstanding	-	-	148,235
Weighted average number of common shares outstanding for diluted earnings per share	13,029,665	14,744,622	14,688,372
Earnings (loss) per common share:			
Basic	$ (1.54)	$ (.30)	$ .97
Diluted	$ (1.54)	$ (.30)	$ .96

At December 31, 1999, there were 1,479,550 potential common shares (383,571 at December 31, 1998, and 8,000 at December 31, 1997) excluded from the computation of diluted earnings (loss) per share because of their anti-dilutive effect.

15. Segment Information

The Company operates in a single operating segment providing construction, engineering and specialty services to the oil and gas industry. 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 with more than 10 percent of total contract revenue are as follows:

	Year Ended December 31,		
	1999	1998	1997
Customer A	36%	-%	13%
Customer B	11	-	-
Customer C	-	22	-
Customer D	-	18	-
Customer E	-	-	10
Customer F	-	-	10
	47%	40%	33%

Willbros Group, Inc.
notes to consolidated financial statements

(In thousands, except share and per share amounts)

15. Segment Information (continued)

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

	Year Ended December 31,		
	1999	1998	1997
Contract revenue:			
Nigeria	$ 75,928	$ 48,743	$ 75,982
United States(1)	42,981	91,151	78,849
Venezuela	23,501	75,350	31,830
Australia	18,774	-	-
Oman	8,026	17,806	22,846
Indonesia	3,205	25,804	27,951
Ivory Coast	2,567	14,511	-
Pakistan	-	6,764	13,889
Other	1,582	1,489	530
	$ 176,564	$ 281,618	$ 251,877
Long-lived assets:			
Nigeria	$ 32,258	$ 33,005	$ 27,106
United States	11,680	15,088	10,882
Venezuela	14,724	26,495	30,433
Oman	4,665	6,602	8,382
Indonesia	3,929	7,246	8,077
Ivory Coast	2,953	4,213	-
Other	1,185	2,027	925
	$ 71,394	$ 94,676	$ 85,805

(1) Net of intercountry revenue of $3,176 in 1999, $1,463 in 1998 and $4,365 in 1997.

Willbros Group, Inc.
notes to consolidated financial statements

(In thousands, except share and per share amounts)

16. Contingencies, Commitments and Other Circumstances

The Company provides construction, engineering and specialty services to the oil and gas industry. The Company's principal markets are currently Africa, Asia, the Middle East, South America and the United States. Operations outside the United States may be subject to certain risks which ordinarily would not be expected to exist in the United States, including foreign currency restrictions, extreme exchange rate fluctuations, expropriation of assets, civil uprisings and riots, unanticipated taxes including income taxes, excise duties, import taxes, export taxes, sales taxes or other governmental assessments, availability of suitable personnel and equipment, termination of existing contracts and leases, government instability and legal systems of decrees, laws, regulations, interpretations and court decisions which are not always fully developed and which may be retroactively applied. Management is not presently aware of any events of the type described in the countries in which it operates that have not been provided for in the accompanying consolidated financial statements. Based upon the advice of local advisors in the various work countries concerning the interpretation of the laws, practices and customs of the countries in which it operates, management believes the Company has followed the current practices in those countries; however, because of the nature of these potential risks, there can be no assurance that the Company may not be adversely affected by them in the future. The Company insures substantially all of its equipment in countries outside the United States against certain political risks and terrorism.

The Company has the usual liability of contractors for the completion of contracts and the warranty of its work. Where work is performed through a joint venture, the Company also has possible liability for the contract completion and warranty responsibilities of its joint venturers. Management is not aware of any material exposure related thereto which has not been provided for in the accompanying consolidated financial statements.

Certain postcontract completion audits and reviews are being conducted by clients and/or government entities. While there can be no assurance that claims will not be received as a result of such audits and reviews, management does not believe a legitimate basis for any material claims exists. At the present time it is not possible for management to estimate the likelihood of such claims being asserted or, if asserted, the amount or nature thereof.

The Company has certain operating leases for office and camp facilities. Rental expense, excluding daily rentals and reimbursable rentals under cost plus contracts, was $2,257 in 1999, $3,254 in 1998, and $2,962 in 1997. Minimum lease commitments under operating leases as of December 31, 1999, total $6,357 and are payable as follows: 2000, $1,937; 2001, $1,699; 2002, $1,496; 2003, $423; 2004, $217; and later years, $585.

Willbros Group, Inc.
notes to consolidated financial statements

(In thousands, except share and per share amounts)

17. Quarterly Financial Data (Unaudited)

Selected unaudited quarterly financial data for the years ended December 31, 1999 and 1998, is as follows:

December 31, 1999:	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Contract revenue	$ 28,479	$ 41,599	$ 42,650	$ 63,836	$ 176,564
Operating income (loss)	(8,574)	(9,178)	(1,932)	1,889	(17,795)
Income (loss) before income taxes	(6,646)	(8,556)	(3,254)	1,738	(16,718)
Net income (loss)	(7,115)	(9,545)	(4,290)	932	(20,018)
Earnings (loss) per share, basic and diluted	(.53)	(.74)	(.33)	.07	(1.54)
December 31, 1998:					
Contract revenue	$ 61,835	$ 78,752	$ 65,962	$ 75,069	$ 281,618
Operating income (loss)	3,129	6,618	(9,673)	3,249	3,323
Income (loss) before income taxes	3,756	5,102	(10,897)	2,244	205
Net income (loss)	3,040	3,788	(11,478)	288	(4,362)
Earnings (loss) per share, basic and diluted	.20	.25	(.78)	.02	(.30)

The Company derives its revenue from contracts with durations from a few weeks to several months or in some cases, more than a year. Unit-price contracts provide relatively even quarterly results; however, major projects are usually fixed-price contracts that may result in uneven quarterly financial results due to the method by which revenue is recognized.

18. Subsequent Event

On January 24, 2000, the Company acquired Rogers & Phillips, Inc., a closely held pipeline construction company in the United States. The consideration included 1,035,000 shares of the Company's common stock and approximately $1,516 in cash, and the transaction was accounted for as a purchase.

corporate data

Annual Stockholders' Meeting

The annual stockholders' meeting will be held at 9:00 a.m., local time, on Thursday, May 4, 2000, at the Marriott Panama Hotel, Calle 52 y Ricardo Arias, Panama City, Panama.

Investor Information

A copy of the Company's Annual Report to the Securities and Exchange Commission (Form 10-K) is available upon written request to: Investor Relations, c/o Willbros USA, Inc., 600 Willbros Place, 2431 East 61st Street, Tulsa, Oklahoma 74136-1267.

Investor Relations Contact

Ann M. Tierney
Direct: (918) 748-7714
E-mail address: ann_tierney@willbros.com

Common Stock Information and Dividend Policy

The Company's common stock trades on the New York Stock Exchange under the symbol WG. As of December 31, 1999, there were 160 stockholders of record. The table below sets forth the common stock trading price by quarter for 1998 and 1999.

	1998		1999	
	HIGH	LOW	HIGH	LOW
FIRST QUARTER	$17	$13 1/2	$6 1/2	$4 9/16
SECOND QUARTER	$19 13/16	$15 5/16	$9	$5 5/16
THIRD QUARTER	$16 1/8	$5 3/16	$8 3/4	$6
FOURTH QUARTER	$6 7/8	$5 1/2	$7 1/8	$4 5/8

The Company does not presently pay a common stock dividend and presently intends to retain its earnings to fund the development and future growth of its business.

Corporate Offices

Headquarters Office

Dresdner Bank Building
50th Street, 8th Floor
P. O. Box 850048
Panama 5, Republic of Panama
011 (507) 263-9282

Administrative Office

Willbros USA, Inc.
600 Willbros Place
2431 East 61st Street
Tulsa, Oklahoma 74136-1267, U.S.A.
(918) 748-7000
Internet address: http://www.willbros.com

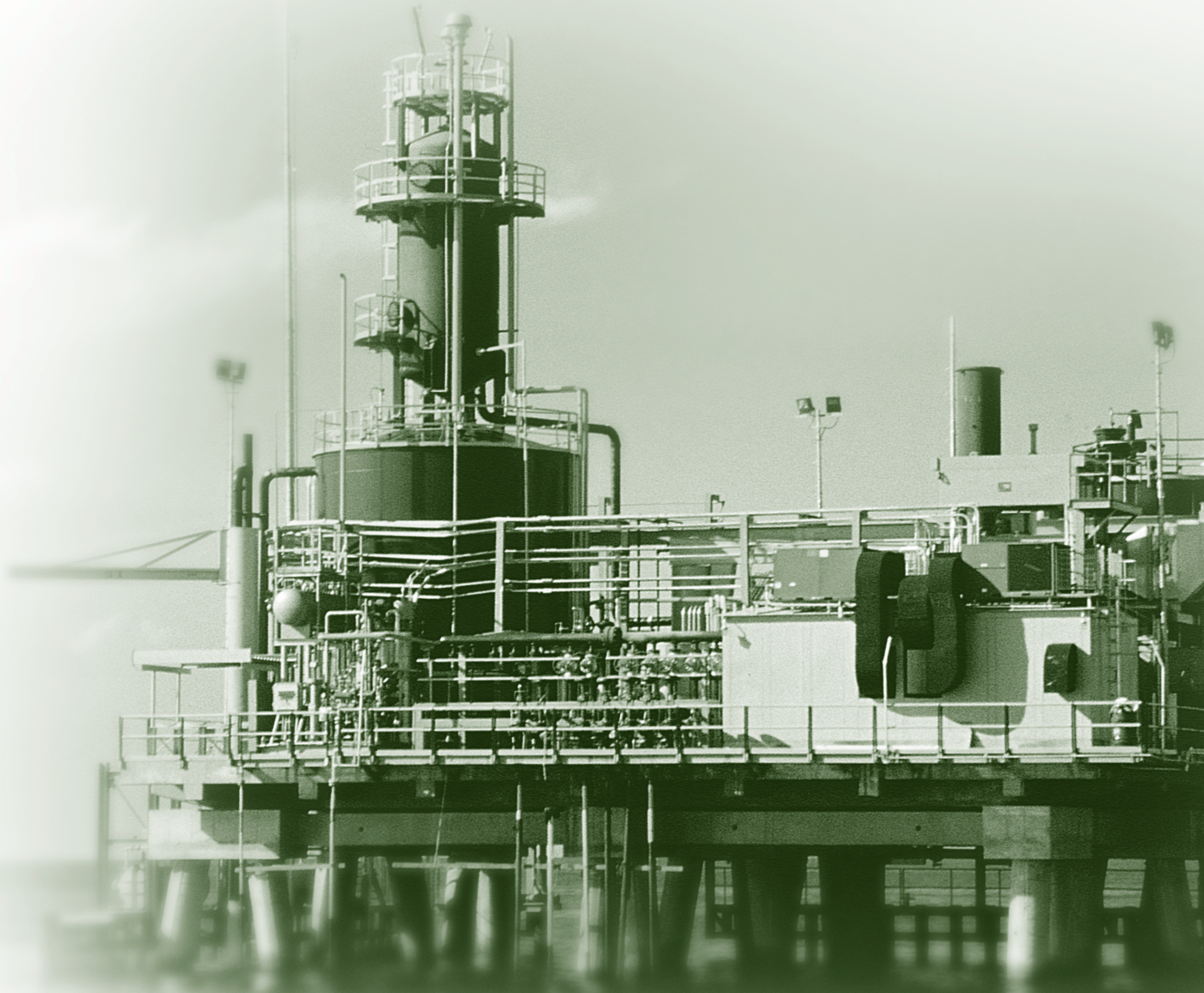
Stock Transfer Agent and Registrar

ChaseMellon Shareholder Services, L.L.C.
Overpeck Centre
85 Challenger Road
Ridgefield Park, New Jersey 07660
Toll Free: 1-800-635-9270
Internet address: http://www.chasemellon.com

Independent Auditors

KPMG, Panama City, Panama

Water-Injection Platform Construction, a part of our Venezuelan operations.



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