



On Assignment.

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 entities in 50 countries. We are listed on the New York Stock Exchange under the symbol WG.

CONSTRUCTION SERVICES INCLUDE:

MAJOR PIPELINE AND GATHERING SYSTEMS
FLOW STATIONS
PUMP STATIONS
GAS COMPRESSOR STATIONS
GAS PROCESSING FACILITIES
OIL AND GAS PRODUCTION FACILITIES
PIERS
DOCK FACILITIES
BRIDGES

ENGINEERING SERVICES INCLUDE:

FEASIBILITY STUDIES
CONCEPTUAL AND DETAILED DESIGN
FIELD SERVICES
MATERIAL PROCUREMENT
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
OILFIELD EQUIPMENT, RIG AND VESSEL TRANSPORTATION
CRANE SERVICES

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About The Cover: Because of the growth in Indonesia and Willbros' ability to manage risk, the Company returned after a 35-year absence to begin work in this nation rich with petroleum and natural gas. The country, the world's fourth most populous nation, is a collection of 17,000 islands and is home to some of the most exotic plants and animals on earth.

WILLBROS GROUP, INC.
FINANCIAL HIGHLIGHTS

	1997	1996	1995	1994	1993
<i>(Dollar amounts in thousands, except per share data)</i>					
FISCAL YEAR					
Contract revenues	\$ 251,877	\$ 197,688	\$ 220,506	\$ 145,716	\$ 210,011
Operating income	21,388	6,019	13,692	6,476	19,947
Net income	14,116	2,724	11,941	9,812	12,709
Earnings per share ⁽¹⁾ :					
Basic	.97	.09	.84	.70	.92
Diluted	.96	.09	.84	.70	.92
EBITDA	38,471	19,203	26,915	19,429	38,571
Capital expenditures	47,272	24,957	18,946	7,171	16,534
AT FISCAL YEAR END					
Working capital	39,563	36,723	38,767	28,390	20,663
Total assets	201,202	147,465	149,954	131,188	152,059
Stockholders' equity	118,986	92,386	39,273	27,340	20,295
Backlog	135,797	108,751	139,359	97,493	76,066

(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 (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). 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 and gas prices and demand, expansion and other development trends of the oil and gas industry, 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 analyses 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 developments 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.

WILLBROS GROUP, INC.
LETTER TO SHAREHOLDERS

DEAR FELLOW SHAREHOLDERS:

Our Company turned in a respectable financial performance during our first full year as a public company. Willbros ended 1997 with:

- Revenues up 27.4 percent to \$251.9 million,
- Net income up 418 percent to \$14.1 million and
- Earnings per share up 967 percent to \$0.96 per share (diluted).

While I characterize our 1997 performance as respectable, your partners – the management and employees of the Company who own in the aggregate approximately 20 percent of the common stock – believe that we are capable of achieving even better results.

Although 1997 is history, it is still worth reviewing briefly and pointing out a few of the past year's notable achievements – and a few of its disappointments.

- We were awarded \$288.8 million of new business which was distributed nicely throughout the world and among our three lines of business.
- We were awarded a major pipeline project in Venezuela, which provided us the opportunity to once again build pipelines in the international market where we first operated in 1939.
- We performed well in Indonesia, Oman and Nigeria in spite of financial turmoil in Asia and client funding uncertainties in Nigeria.

- We substantially completed our project in Pakistan despite continuing bureaucratic delays and inclement weather.
- Our engineering group turned in a strong performance across the spectrum, carrying out major assignments in both the private and government sectors. A notable achievement was the U.S.-Mexico gas supply pipeline project for affiliates of El Paso Energy Corporation and Mexico's state-owned Pemex Gas y Petroquimica Basica. This cross-border project was performed on an Engineer-Procure-Construct (EPC) basis with Willbros' engineering and construction entities working cooperatively and effectively to perform a high-quality, on-time job for the client.
- We completed a secondary stock offering of 4 million common shares early in the fourth quarter which broadened our shareholder base and added important new institutional investors. In response to this heavily oversubscribed offering, the Company sold 600,000 over-allotment shares for \$11.7 million.
- We achieved substantial progress toward expanding our ISO 9000 quality certification from the subsidiary to the corporate level.

We experienced a few disappointments during the year as well, such as continuing delays on major pipelines planned in the Former Soviet Union, additional costs to complete the Pakistan products pipeline and a generally soft market for construction services in the United States. Nevertheless, we managed our way through these difficulties and look forward to new challenges in 1998.

Going into 1998, our financial condition is quite sound with minimal debt, in excess of \$43 million in cash and additional flexibility under a \$150 million credit facility. We are in a good financial position to take advantage of the many opportunities we see emerging throughout the world in all three of our business lines.

Our strategy is to capitalize on our good name and excellent reputation – built carefully and solidly during the past 90 years – and to leverage our human and financial resources to (a) increase our market share in those places where we have a physical presence, (b) expand into those carefully chosen areas of the world where we believe our skills, expertise and resource base will provide a competitive advantage, and (c) find attractive opportunities for suitable acquisitions during this coming year. We believe we can achieve these objectives and that we can consummate one or more acquisitions that will make a major contribution now and in the years to come. We are also pursuing opportunities to develop or participate in the ownership



WILLBROS GROUP, INC.
LETTER TO SHAREHOLDERS

of pipelines or other facilities with the objective of enhancing our contracting opportunities and improving our margins, returns and cash flow. Our presence in many of the important developing countries provides us an unusually good vantage point from which to identify and pursue such opportunities.

One of our core beliefs as a Company is the importance of long-term relationships. Whether with our clients, employees or suppliers of goods and services, we place a high value on long-term relationships. We were recently honored by one of our long-time associates, American International Underwriters (AIU) and their parent company, American International Group (AIG). AIG determined that our uninterrupted relationship has spanned 50 years, more than with any other client of AIU. We are proud to be associated with such a fine, outstanding and successful company, and cite it as an excellent example of how we put in place meaningful and mutually beneficial "alliances" long before that term became fashionable.

Willbros is, more than anything else, a people company. Our business is perhaps more people dependent than most others. The difference between excellent and average performance is directly related to the skill and motivation of our people. In that respect, we are prepared to be measured against anyone else in the industry, and we feel confident that Willbros people will consistently outperform the competition because we are motivated as owners, and we perform that way.

With the passage of time, our people change, too. During the past year, Gary L. Bracken retired from the Company as President and Chief Operating Officer. We appreciate the many contributions that Gary made during his long career with the Company and wish him well in his retirement. Robert L. Walker also retired at year-end as head of our U.S. pipeline construction operations after a long and distinguished career in the industry. We also wish Bob a very successful retirement. One of our longtime directors, Bryan H. Lawrence, has decided to retire from our Board when his term of office expires at our annual meeting in May. Bryan has been an excellent and contributing director of the Company for the past six years, and we will miss his wisdom and knowledge.

In closing, I want to thank all our employees as well as our suppliers, vendors and others whose activities, when taken as a whole, enable Willbros to be at the top of the class in providing high-quality services to our many clients around the world. I am very enthusiastic about our prospects for the next several years.



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

March 15, 1998

ASSIGNMENT: *Enhance
Willbros'
existing
market
penetration.*

WILLBROS BEGAN
OPERATIONS IN NIGERIA
DURING 1962, AND HAS
BEEN WORKING IN THIS
WEST AFRICAN NATION
EVER SINCE.





**WORLDWIDE OIL AND GAS EXPLORATION ACTIVITY
PROVIDES *ongoing opportunities* FOR WILLBROS' *construction,*
engineering AND *specialty services* LINES OF BUSINESS.**

Willbros' traditional markets are derived from providing services to major, independent and national oil and gas companies that are active in the worldwide search for energy.

During 1997, Willbros maintained a continuing presence in Nigeria, Venezuela, Indonesia, Oman, Pakistan and the United States. Our staying power in these nations has both created and resulted from long-term client relationships. For example, Royal Dutch Shell has provided Willbros exciting challenges for more than 50 years. Why? First, we have a reputation for completing logistically complex and technically difficult projects in remote areas of the world. Second, our multinational work force is highly experienced and thrives on challenges. Our employees are empowered to solve problems, assess risks, and, when need be, move quickly to minimize costs to our clients.

Our experience came into play this year when Willbros planned and completed two major pipeline crossings under Nigeria's Bonny River. Both the 24 and 36 inch pipeline rivercrossings – one spanning 8,500 feet, the other 10,000 feet – required excavation beneath the river's bed and concrete weight coating of the pipelines. Other Nigerian projects during the year included extensive dredging operations in the Niger River delta and swamp flowline maintenance services for Shell. The Company's backlog in Nigeria at year end was \$21.7 million, up 18 percent when compared with 1996. We believe that the large



natural gas reserves which extend from Nigeria along Africa's west coast will continue to provide Willbros with future work opportunities in this region.

Venezuela represents one of the most important traditional markets for our Company now and in the near future. Proven reserves there are currently estimated to be more than 60 billion barrels of oil. During the summer of 1997, international energy companies paid the Venezuelan government more than \$2 billion for the right to participate in the country's oil development, which should bode well for new work prospects for us in this country. Willbros currently is laying 120 miles (200 kilometers) each of parallel 36 and 20 inch diameter pipelines to carry heavy oil in eastern Venezuela to the coast. This \$43 million project is for Petrozuata, a joint venture between Conoco and a subsidiary of PDVSA, Venezuela's national oil company. Willbros also is providing heavy equipment transportation services for Chevron in Venezuela. Willbros' backlog in Venezuela at year end was \$45.2 million, up 266 percent from 1996.

Facing page: Willbros' current construction job in Venezuela is the first major pipeline construction project the Company has performed in Venezuela since privatization began.

Willbros made its international debut in Venezuela during 1939.

Above right: While the swamp areas of Nigeria often make routine tasks difficult, Willbros has been successful there for over 35 years.

Oman has provided Willbros unique challenges since our tenure began there in 1965. In fact, Oman is where we began providing specialty services which are now a major line of business. Assignments handled by our 500 employees in Oman during 1997 included general oilfield services, pipeline construction and maintenance, mechanical services, crane services, and flowline work. Although none of the projects were dramatic in nature, they collectively are an important part of our revenue stream. We completed a \$24 million service contract in Oman in 1997 and ended the year with \$6.9 million in backlog. The underdeveloped gas transportation infrastructure in Oman and throughout the Middle East is not sufficient to support the area's strong rise in natural gas consumption. Willbros' continuing operations in Oman strategically positions us to benefit from the area's future gas transportation system development.

During 1997, Willbros substantially completed a 225 mile (365 kilometer) pipeline extension project in Pakistan for Pak-Arab Refinery, Ltd. This project began in 1995 and included all engineering, procurement and construction for the pipeline, plus two pump stations and two loading terminal stations, design for a future pump station, and related civil works and utilities installation. More than 600 Willbros employees were involved in the job which stretched through Pakistan's Punjab Plain. In October 1997, we also completed engineering and procurement services for the Uch gas field in Pakistan's Baluchistan Province.

Deregulation of the natural gas and electric industries in the U.S., together with environmental protection pressures, have increased the scope of Willbros' engineering and construction projects in North America. We have served the U.S. energy industry for more than 90 years and enjoy recognition as an industry leader. For example, we have provided engineering services for Great Lakes Gas Transmission Company since 1988. During 1997, Willbros' 450-person engineering group provided extensive engineering, project management and field services for Great Lakes' pipeline expansion and compressor station modification programs. The system runs from the Canadian border in Minnesota to lower Michigan. We also provided engineering and associated services to Northern Border Pipeline Company for its expansion project to extend the system an additional 392 miles (630 kilometers) to Chicago. We completed an assignment for K N Energy to convert an existing 818 mile (1,315 kilometer) crude oil pipeline to natural gas service. Our market position in the U.S. is enhanced by our 23-year relationship with the U.S. government. Currently, two multi-year contracts have Willbros' experts reviewing procedures and conducting fueling facility integrity assessments at military installations worldwide. The Company's backlog at year end in the U.S. was \$31.0 million, compared with \$25.4 million one year ago.

Willbros' traditional markets continue to have strong demand for our expertise and we are excited about the depth of business opportunities they represent.

ASSIGNMENT: *Expand
into countries
where new
initiatives are
creating
opportunities.*

RELATIONSHIPS CREATED
THROUGH NAFTA, COUPLED
WITH THE MOVE TOWARD
NATIONAL OIL COMPANY
PRIVATIZATION, OPENED
DOORS FOR WILLBROS IN
MEXICO THIS YEAR.





**USING OUR CURRENT *worldwide success* AS A SPRINGBOARD,
WILLBROS IS SEEKING *additional markets* WHERE WE CAN ESTABLISH
AN *advantageous position* AND *outperform* OUR COMPETITION.**

Asia, North America, South America and Africa have significant growth opportunities, and prospects are moving forward in countries of the Former Soviet Union which may also offer growth potential.

What has stimulated this activity? Increasing demand for energy in growing economies over the past several years. Oil-rich nations that once burned off natural gas as waste are now putting that valuable resource to use. They are building or converting power generation facilities to use natural gas instead of fuel oil or coal to enhance exports and address environmental concerns. As a result, the need for transportation infrastructure and systems to move new oil and gas is increasing. Other opportunities have been created as government-owned energy companies privatize their operations.

Willbros' time-tested ability to adapt to remote locations is one of the Company's defining characteristics. Logistics is one of the Company's core competencies. We know how to quickly and efficiently move people, equipment, materials and entire housing compounds to locations around the world. The Company has developed the expertise to adapt and perform under local customs and difficult laws, tough environments, and everchanging politics.

The pipeline system we commissioned in Pakistan tested our employees' ability to manage through adversity. Technically successful, the project

was hampered when port-worker strikes tied up pipe for weeks. The local government was also under siege and subsequently changed, impeding the decision-making process and slowing construction for six months, thus pushing the job into the rainy season.

Two EPC contracts in Indonesia provided the incentive for the Company to return to that Asian nation after a 35-year absence. One contract is to construct a 35 mile (55 kilometer), 42 inch gas pipeline on Kalimantan as part of the Bontang LNG Expansion Project. The other, the Asamera Corridor Block Project, creates an 85 mile (135 kilometer) gas gathering system. Located on Sumatra, it includes installation of pipeline through swamps and across four rivers. Both contracts are denominated in U.S. currency and have a combined value in excess of \$58 million. We prefer to contract in U.S. dollars, which helps protect us from currency devaluations.



Facing page: Willbros provided EPC services for the 45 mile (75 kilometer), 24 inch diameter Samalayuca Pipeline project which included delivery and receiving stations and a major crossing of the Rio Grande river.

Above right: Venezuela plans to increase its oil production from the current 3.0 million barrels per day to about 6.0 million barrels per day by 2007.

A \$25 million cross-border EPC assignment this year for affiliates of El Paso Energy Corporation and Mexico's state-owned Pemex Gas y Petroquimica Basica provided an excellent way for Willbros to test opportunities in Mexico. The job consisted of building a pipeline to deliver Texas gas to a power generation plant in Mexico. As prime contractor, Willbros functioned on both sides and crossed the border in a seamless way. The resulting 45 mile (75 kilometer), 24 inch Samalayuca Pipeline was in service within four months after construction commenced.

Typically, it takes from two to five years for exploration and production efforts to translate into construction projects. The time has come for many projects in South America. During 1997, for example, our engineering group completed feasibility studies for major pipeline projects in Chile and in Brazil's Amazon Basin. Early involvement with clients can provide leverage for subsequent EPC contracts. Colombia and Ecuador, like Venezuela, are in the midst of upgrading oil transportation systems so reserves can be exported to the world market. Willbros' Venezuelan operations allow us to showcase our ability to work in South America and provide quick access to the other nations in the region.

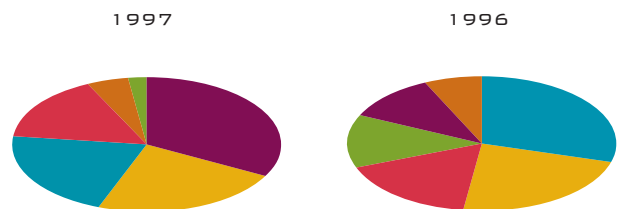
Whether it is in Russia or some other former Soviet state such as Azerbaijan or Kazakstan, Willbros hopes to eventually provide services to members of the Commonwealth of Independent States (CIS). The oil reserves in the Tengiz Field and gas reserves in the Bovanenkovo Field are among the largest in the world. These fields will require further development and infrastructure before moving oil and gas to market. We have been working diligently over the years to develop and maintain business relationships in the CIS. We believe opportunities will develop for Willbros in the region as economic and political issues stabilize.

Willbros has enjoyed a long-term relationship with clients in Nigeria, and we hope to use these relationships and the knowledge we have obtained working in Africa to pursue new opportunities in other countries on this continent. We currently are monitoring or bidding major work prospects in several countries within the region.

Willbros has dedicated substantial time, energy and resources to worldwide expansion. Our activity, particularly in Indonesia and Mexico, this year demonstrates our ongoing success in this effort.

GEOGRAPHIC DISTRIBUTION OF BACKLOG

	1997	1996
Nigeria	16%	17%
Venezuela	33%	11%
Oman	5%	7%
Indonesia	21%	30%
United States	23%	23%
Pakistan	2%	12%



ASSIGNMENT: *Provide
additional
services and
technologies
through strategic
alliances and
acquisitions.*

WILLBROS' 1994 ACQUISITION OF A
VENEZUELAN PILE FABRICATION AND
INSTALLATION COMPANY WAS A LOGICAL
EXTENSION OF OUR CONSTRUCTION AND
SPECIALTY SERVICES OPERATIONS. IT ALSO
PROVED THAT WE CAN EFFECTIVELY
INTEGRATE NEW BUSINESSES INTO
OUR EXISTING OPERATIONS.





WHILE IT IS IMPORTANT FOR *Company growth* TO BE GENERATED THROUGH OUR *core strengths*, WILLBROS ALSO BELIEVES THAT GROWTH SHOULD BE FUELED BY *diversification*.

Diversification helps stabilize revenues and earnings between major construction projects, frequently enhances long-term value, offsets seasonality and price swings, and creates products and services that help clients operate more efficiently. Willbros is committed to providing our customers with excellent service that adds value – and that commitment will not change.

What kind of diversification do we seek? Strategic alliances and acquisitions that expand the scope of services that we currently provide and that leverage our competencies. We routinely review potential strategic alliances with companies whose resources, skills and strategies complement those of Willbros.

Willbros' purchase of Constructora CAMSA C.A. is a prime example of how an acquisition can provide a foothold in a new area, expand services and result in favorable returns for shareholders. CAMSA is located at Lake Maracaibo, Venezuela's center of oil and gas activity. Initially, CAMSA offered only marine construction, concrete pile and platform fabrication, and installation for offshore projects. Today, CAMSA also provides onshore construction services and owns a full complement of related equipment. CAMSA crews are kept busy with assignments for both onshore and offshore services. While marine work is not currently a large part of CAMSA's business, demand for concrete piles and platforms is expected to increase as exploration and production activity steps up during the next three to four years.



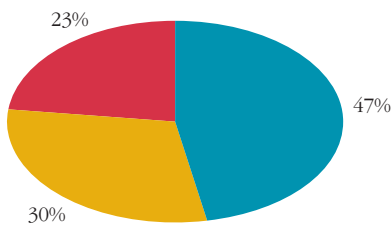
Our acquisition efforts are directed toward companies that are well managed, are international or have the potential to be international, are competitive, have good up-side potential for growth, will provide Willbros with an opportunity for further diversification, and have a specific or complementary expertise or technology. Our strategy also includes equity investments as a potential vehicle for Company growth. Ideal candidates for such investments would provide Willbros with opportunities to enhance our competitive position and generate attractive financial returns.

Facing page: CAMSA provides Willbros with expertise in the fabrication and installation of concrete piles and platforms for offshore projects. Above right: Completion of the Samalayuca Pipeline, which crosses the U.S. – Mexican border, should pave the way for new Willbros opportunities as Mexico's national oil company continues to decentralize.

WILLBROS GROUP, INC.
ON ASSIGNMENT.

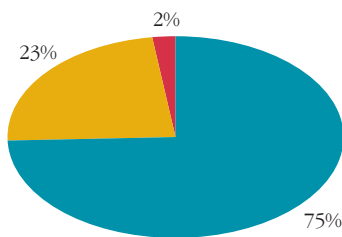
Willbros also seeks to acquire strategic assets as a way to expand our services. We entered into a lease purchase arrangement for a large derrick/lay barge in Nigeria that will expand our marine services into deeper water. This barge is of sufficient size to service offshore platforms. It has quarters for more than 150 people and a crane that can lift 180 tons. The barge can work year around and provide a consistent flow of revenue.

During the past year, we demonstrated the ability to successfully carry out our key business strategies. Our assignment for 1998 is to keep our targets in sight, provide exceptional performance, and capture growth in our markets.



REVENUES BY LINES OF BUSINESS

	1997
	<i>(millions)</i>
■ Construction	\$ 118.3
■ Engineering	\$ 75.7
■ Specialty Services	\$ 57.9



BACKLOG BY LINES OF BUSINESS

	1997
	<i>(millions)</i>
■ Construction	\$ 101.2
■ Engineering	\$ 31.6
■ Specialty Services	\$ 3.0

WILLBROS GROUP, INC.
BOARD OF DIRECTORS

BOARD OF DIRECTORS

Larry J. Bump

Chairman, President and
Chief Executive Officer
Willbros Group, Inc. and
Willbros USA, Inc.

Bryan H. Lawrence

Yorktown Partners, L.L.C.

Peter A. Leidel

Yorktown Partners, L.L.C.

M. Kieth Phillips

President
Willbros International, Inc. and
Willbros Energy Services Company

Michael J. Pink

Retired Director of Production
Development
Shell Internationale Petroleum
Maatschappij
and Retired Group Managing Director
Enterprise Oil plc.

Melvin F. Spreitzer

Executive Vice President and
Chief Financial Officer
Willbros Group, Inc.
and Willbros USA, Inc.

Guy E. Waldvogel

Chief Financial Officer
Heerema Holding Construction, Inc.

John H. Williams

Retired Chairman and
Chief Executive Officer
The Williams Companies, Inc.



*Standing left to right: Peter A. Leidel, Michael J. Pink, Guy E. Waldvogel,
Bryan H. Lawrence, John H. Williams*

Seated left to right: M. Kieth Phillips, Melvin F. Spreitzer, Larry J. Bump

Audit Committee: Leidel (chairman), Waldvogel

Compensation Committee: Waldvogel (chairman), Williams, Spreitzer

Executive Committee: Bump (chairman), Spreitzer; Williams, Lawrence

Nominating Committee: Williams (chairman), Pink

Stock Plan Committee: Waldvogel (chairman), Williams

WILLBROS GROUP, INC.
CORPORATE OFFICERS

OFFICERS AND MANAGEMENT TEAM

WILLBROS GROUP, INC.

Larry J. Bump, 58
Director, Chairman of the Board,
President and Chief Executive Officer

Melvin F. Spreitzer, 59
Director, Executive Vice President and
Chief Financial Officer

M. Kieth Phillips, 55
Director and Vice President
President
Willbros International, Inc.
Willbros Energy Services Company

John N. Hove, 50
General Counsel and Secretary

USA OPERATIONS

WILLBROS USA, INC.

Larry J. Bump, 58
Chairman of the Board,
President and Chief Executive Officer

WILLBROS ENGINEERS, INC.
AND SUBSIDIARY

James R. Beasley, 55
President

Steve W. Shores, 48
Senior Vice President
General Manager
Tulsa Operations

Carlos A. Atik, 34
General Manager
Willbros Construction & Engineering
Egypt, L.L.C.

WILLBROS ENERGY SERVICES
COMPANY

M. Kieth Phillips, 55
President

Lance H. Foster, 39
Vice President

NON-USA OPERATIONS

WILLBROS INTERNATIONAL, INC.
AND SUBSIDIARIES

M. Kieth Phillips, 55
President

David L. Kavanaugh, 50
Senior Vice President

Joel M. Gall, 49
Vice President

Arthur J. West, 54
Vice President

Adrian P. Wright, 51
Vice President

Harold A. Weller, 60
Vice President
Willbros Engineering &
Construction Limited

Monica M. Bagguley, 57
Director
Willbros (Overseas) Limited

Gordon D.M. Bishop, 46
General Manager
Willbros Middle East, Inc.
Pakistan Branch

Jack F. Furrh Jr., 57
General Manager
The Oman Construction
Company, L.L.C.

G. Patrick Riga, 42
General Manager
Constructora CAMSA, C.A.

James K. Tillery, 39
Managing Director
Willbros (Nigeria) Limited

WILLBROS GROUP, INC.
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WILLBROS GROUP, INC.
SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

Year Ended December 31,

	1997	1996	1995	1994	1993
<i>(Dollar amounts in thousands, except per share data)</i>					
STATEMENT OF INCOME DATA:					
Contract revenues	\$ 251,877	\$ 197,688	\$ 220,506	\$ 145,716	\$ 210,011
Operating expenses:					
Contract cost	182,435	145,812	161,584	98,700	147,991
Depreciation and amortization	18,936	13,932	15,193	14,598	16,672
General and administrative	29,118	25,803	27,937	24,261	24,145
Compensation from changes in redemption value of common stock ⁽¹⁾	-	6,122	2,100	1,681	1,256
Operating income	21,388	6,019	13,692	6,476	19,947
Net interest income (expense)	304	(215)	144	835	(785)
Minority interest	(1,911)	(2,220)	(1,589)	(1,758)	(3,615)
Other income (expense)	58	1,472	(381)	113	5,567
Income before income taxes	19,839	5,056	11,866	5,666	21,114
Provision (credit) for income taxes	5,723	2,332	(75)	(4,146)	8,405
Net income	\$ 14,116	\$ 2,724	\$ 11,941	\$ 9,812	\$ 12,709
Earnings per share ⁽²⁾ :					
Basic	\$.97	\$.09	\$.84	\$.70	\$.92
Diluted	\$.96	\$.09	\$.84	\$.70	\$.92

CASH FLOW DATA:

Cash provided by (used in):					
Operating activities	\$ 45,788	\$ 29,961	\$ (8,396)	\$ (3,771)	\$ 66,460
Investing activities	(46,386)	(24,072)	(18,558)	(13,169)	(14,621)
Financing activities	19,747	(1,630)	(2,321)	(1,271)	(8,175)

OTHER DATA:

EBITDA ⁽³⁾	\$ 38,471	\$ 19,203	\$ 26,915	\$ 19,429	\$ 38,571
Capital expenditures	\$ 47,272	\$ 24,957	\$ 18,946	\$ 7,171	\$ 16,534
Backlog (at period end)	\$ 135,797	\$ 108,751	\$ 139,359	\$ 97,493	\$ 76,066
Number of employees (at period end)	4,230	3,700	3,110	2,030	1,870

BALANCE SHEET DATA (AT PERIOD END):

Cash and cash equivalents	\$ 43,238	\$ 24,118	\$ 19,859	\$ 49,142	\$ 67,346
Working capital	39,563	36,723	38,767	28,390	20,663
Total assets	201,202	147,465	149,954	131,188	152,059
Total debt	8,574	1,340	3,119	5,828	6,639
Redemption value of common stock held by plan participants	-	-	7,918	5,430	3,279
Redeemable preferred stock	-	-	36,200	36,200	36,200
Stockholders' equity	118,986	92,386	39,273	27,340	20,295

(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 non-cash 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 non-cash 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. Non-cash 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.

GENERAL

The Company derives its revenues 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 revenues 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 revenues. Revenues from fixed-price construction and engineering contracts are recognized on the percentage-of-completion method. Under this method, estimated contract revenues are 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% complete. Costs which are considered to be reimbursable are excluded before the percentage-of-completion calculation is made. Accrued revenues pertaining to reimbursables are 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. Revenues from unit-price contracts are recognized as earned. Revenues from change orders, extra work, variations in the scope of work and claims are recognized when realization is assured.

The Company derives its revenues 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 revenues are 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.

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 non-cash 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 non-cash compensation expense of \$4.7 million for the difference between the maximum redemption value of the shares subject to redemption and the initial public offering price. These non-cash compensation expenses have not been added back in calculating EBITDA. The Company's stock redemption obligations terminated in the fourth quarter of 1996.

During 1997, the Company initiated a program to evaluate the capability of all its computer systems and applications to handle Year 2000 dates. Certain key systems and applications were found which cannot properly handle Year 2000. These systems will be modified or replaced before the year 2000. The cost of systems modification is expensed; the cost of replacement systems is capitalized. The Company does not expect to incur significant Year 2000 modification expense over the next two years. The Company is not aware of any Year 2000 compliance issues of its vendors or customers which could have a material adverse impact on its business, but cannot be certain that such issues will not arise.

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 revenues 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, are not added to backlog until their realization is assured. Backlog increased \$27.0 million (25%) to \$135.8 million at December 31, 1997, compared to \$108.8 million at December 31, 1996. The increase consists of increases in backlog of \$32.9 million in Venezuela, \$5.6 million in the United States, \$3.2 million in Nigeria, and \$0.8 million in Mexico, offset by decreases in backlog of \$9.8 million in Pakistan, \$4.3 million in Indonesia, \$1.1 million in Oman and \$.3 million in the CIS.

RESULTS OF OPERATIONS

The Company's contract revenues 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 lines of business.

*Year Ended December 31, 1997,
Compared to Year Ended December 31, 1996*

CONTRACT REVENUES. Contract revenues increased \$54.2 million (27%) to \$251.9 million due to (a) \$77.2 million of additional construction revenues, reflecting a pickup in worldwide pipeline construction activity; and (b) \$16.8 million of additional engineering services related to execution of Engineering, Procurement, Construction (EPC) contracts and strong demand for engineering services, especially in the United States; offset by (c) a \$39.8 million decrease in specialty services revenues due primarily to a lack of funding by certain clients. United States revenue increased \$45.9 million (140%) primarily due to engineering services associated with a proposed major gas pipeline project and for work performed under an EPC contract for a 45 mile (75 kilometer) 24 inch gas pipeline. Nigeria revenue decreased \$11.3 million (13%) primarily due to a reduction of specialty services work attributable to delays in funding from the Nigerian government which has caused a slowdown in the award of specialty services projects, offset by an increase in construction services revenue primarily resulting from work on a 20 mile (30 kilometer) 36 inch gas pipeline and river crossing. Venezuela revenue increased \$12.9 million (68%) primarily due to increased construction services, including work on an offshore loading and storage terminal and work begun on 120 miles (200 kilometers) each of 36 inch and 20 inch pipelines, offset by a decrease in specialty services due to the completion of two contracts in 1996. Indonesia revenue increased \$26.5 million (1,790%) due to work on an 85 mile (135 kilometer) gas gathering system and station in Sumatra. Oman contract revenue decreased \$0.7 million (3%) as a result of a reduction of specialty services, offset by an increase in construction work. Pakistan revenue decreased \$18.8 million (58%) primarily due to the substantial completion of the engineering and procurement portion of an EPC contract.

CONTRACT COST. Contract cost increased \$36.6 million (25%) to \$182.4 million due to an increase of \$47.4 million in construction services cost and an increase of \$18.9 million in engineering services cost, offset by a decrease of \$29.7 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 \$5.0 million to \$18.9 million in 1997 due to additions made to the equipment fleet to prepare for new contracts in Indonesia and Venezuela.

GENERAL AND ADMINISTRATIVE. General and administrative expense increased \$3.3 million to \$29.1 million in 1997 to support the growth in worldwide activities.

COMPENSATION FROM CHANGES IN REDEMPTION VALUE OF COMMON STOCK. Compensation from changes in redemption value of common stock decreased \$6.1 million to zero in 1997 because the Company's stock redemption obligations terminated in the fourth quarter of 1996.

OPERATING INCOME. Operating income increased \$15.4 million (255%) to \$21.4 million. The increase was primarily attributable to (a) a \$7.2 million increase in Indonesia primarily resulting from work performed on a project in Sumatra; (b) a \$6.9 million increase in Oman due to increased construction services work and a favorable winding up of a specialty services contract; (c) a \$5.9 million increase in Nigeria from the realization of certain cost recoveries related to services associated with activities already completed; and (d) a \$4.1 million increase in the United States due to increased engineering services and elimination of compensation from changes in the redemption value of common stock; offset by (e) a \$10.9 million decrease in Venezuela due to decreased specialty services.

NET INTEREST INCOME (EXPENSE). Net interest income (expense) increased \$0.5 million to income of \$0.3 million due to reduced interest expense on borrowings under foreign credit lines to mitigate exchange risk.

MINORITY INTEREST EXPENSE. Minority interest expense decreased \$0.3 million to \$1.9 million due to a reduction of activity in countries where minority interest partners are involved.

OTHER INCOME (EXPENSE). Other income (expense) decreased \$1.4 million to \$0.1 million due primarily to a reduction in foreign exchange gains and an increase in loss on retirements of equipment.

PROVISION FOR INCOME TAXES. Provision for income taxes increased \$3.4 million to \$5.7 million due primarily to an increase in taxable income in certain work countries and a lesser reduction in 1997 than in 1996 in previous estimates of income taxes in certain work countries.

*Year Ended December 31, 1996,
Compared to Year Ended December 31, 1995*

CONTRACT REVENUES. Contract revenues decreased \$22.8 million (10%) to \$197.7 million due to (a) a decrease in construction services revenue of \$28.1 million related to completion of a number of world-wide projects, (b) a decrease in specialty services revenue of \$22.1 million associated with a reduction of specialty services work, offset by (c) an increase in engineering services of \$27.4 million due to increased engineering and material procurement. United States revenue decreased \$19.2 million (37%) due to a reduction in construction services revenue offset by an increase in engineering and material procurement. Nigeria revenue decreased \$8.7 million (9%) due to a decrease in specialty services revenue associated with the construction of swamp flowlines, flowline repair, dredging, pipe coating and material procurement, offset by an increase in construction services related to construction of a 24 inch gas pipeline river crossing. Pakistan revenue increased \$3.0 million (10%) due to an EPC contract related to a 16 – 18 inch, 225 mile (365 kilometer) pipeline and two pump stations and two wading terminals. Oman revenue increased \$2.6 million (13%) due to increased mechanical services and pipeline maintenance work.

CONTRACT COST. Contract cost decreased \$15.8 million (10%) to \$145.8 million due to a decrease of \$20.7 million in construction services cost and a decrease of \$18.5 million in specialty services cost, offset by an increase of \$23.4 million in engineering services cost. Variations in contract cost by country were closely related to the variations in contract revenue.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense decreased \$1.3 million to \$13.9 million for 1996, due primarily to certain assets becoming fully depreciated.

GENERAL AND ADMINISTRATIVE. General and administrative expense decreased \$2.1 million to \$25.8 million for 1996, primarily due to reduced incentive compensation expense.

OPERATING INCOME. Operating income decreased \$7.7 million (56%) to \$6.0 million for 1996. The decrease was primarily attributable to (a) an \$8.9 million reduction associated with cost overruns and

delay in settlement of cost recoveries on a project in Pakistan; and (b) a \$1.9 million decrease due to less construction services and a charge for compensation expense for the difference between the maximum redemption value of common stock subject to redemption and the initial public offering price in the United States; offset by (c) a \$2.1 million increase because of high margin specialty services activity in Venezuela, which was substantially completed in 1996.

NET INTEREST INCOME (EXPENSE). Net interest income decreased \$0.3 million to a net expense of \$0.2 million for 1996, primarily due to a decrease in interest income on short-term investments.

MINORITY INTEREST EXPENSE. Minority interest expense increased \$0.6 million to \$2.2 million for 1996, due to the increased level of operations in jointly owned companies in certain work countries.

OTHER INCOME (EXPENSE). Other income increased \$1.9 million to \$1.5 million for 1996. The increase was primarily due to (a) a \$1.0 million increase in net foreign exchange gains arising from remeasuring assets and liabilities in countries with highly inflationary economies and (b) a \$0.7 million increase in net gains on sales and retirements of equipment.

PROVISION FOR INCOME TAXES. Provision for income tax expense increased \$2.4 million to \$2.3 million for 1996, due to increased taxable income and tax rates in certain work countries in 1996, and a lesser reduction in 1996 than in 1995 in previous estimates of income taxes in certain work countries.

EFFECT OF INFLATION AND CHANGING PRICES; FOREIGN EXCHANGE RISK MANAGEMENT

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.

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 revenues with expenses in the same currency whenever possible. To the extent it is unable to match non-U.S. currency revenues 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. As a result of the Company's foreign exchange risk management measures, aggregate foreign exchange gains during the last five years have exceeded aggregate foreign exchange losses during the same period. There can be no assurance that this strategy will continue to be successful in the future.

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 increased \$19.1 million (79%) to \$43.2 million at December 31, 1997, from \$24.1 million at December 31, 1996. The increase is due to positive cash flows of \$45.8 million from operations (including \$12.7 million from changes in operating assets and liabilities) and \$19.7 million from financing activities (including \$11.4 million from issuance of common stock), offset by \$46.4 million in net capital expenditures for the purchase of equipment and spare parts.

In February 1997, the Company entered into a five-year \$150.0 million credit agreement, that may be extended annually in one year increments, subject to certain approvals, for up to an additional three years, 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 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 1/4% 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¢ per share or 25% of net income and limits the Company's ability to purchase its own stock. At December 31, 1997, outstanding letters of credit totaled \$35.2 million and there were borrowings of \$3.0 million, leaving \$111.8 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 \$7.8 million at December 31, 1997.

The Company believes 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 1998. The Company estimates capital expenditures for equipment and spare parts of approximately \$30 to \$40 million during 1998.

RECENTLY ISSUED ACCOUNTING STANDARDS

Earnings per share for all periods presented has been determined in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 128, Earnings Per Share, which established new standards for computing and presenting earnings per share. Previously reported earnings per share were not affected by adoption of this standard.

The Company adopted SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, which requires disclosure of revenues and long-lived assets by significant country. Previously reported information by geographic region has been restated to conform to the requirements of SFAS 131.

WILLBROS GROUP, INC.
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 (the "Company") as of December 31, 1997 and 1996 and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1997. 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, 1997 and 1996 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1997, in conformity with generally accepted accounting principles in the United States.

KPMG Peat Marwick

Panama City, Panama

January 31, 1998

WILLBROS GROUP, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	1997	1996
<i>(In thousands, except share and per share amounts)</i>		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 43,238	\$ 24,118
Accounts receivable	57,005	53,756
Contract cost and recognized income not yet billed	8,159	3,643
Prepaid expenses	4,022	3,866
Total current assets	112,424	85,383
Spare parts, net	7,385	5,724
Property, plant and equipment, net	78,420	53,445
Other assets	2,973	2,913
Total assets	\$ 201,202	\$ 147,465
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	\$ 5,341	\$ 640
Accounts payable and accrued liabilities	41,287	32,868
Accrued income taxes	5,171	4,050
Contract billings in excess of cost and recognized income	21,062	11,102
Total current liabilities	72,861	48,660
Deferred income taxes	200	200
Long-term debt	3,233	700
Other liabilities	5,922	5,519
Total liabilities	82,216	55,079
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 14,992,320 shares issued at December 31, 1997 (14,385,980 at December 31, 1996)	750	719
Capital in excess of par value	66,857	55,475
Cumulative foreign currency translation adjustment	(813)	(784)
Retained earnings	54,276	40,160
Notes receivable for stock purchases	(2,084)	(3,184)
Total stockholders' equity	118,986	92,386
Total liabilities and stockholders' equity	\$ 201,202	\$ 147,465

See accompanying notes to consolidated financial statements.

WILLBROS GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	1997	1996	1995
<i>(In thousands, except share and per share amounts)</i>			
Contract revenues	\$ 251,877	\$ 197,688	\$ 220,506
Operating expenses:			
Contract	182,435	145,812	161,584
Depreciation and amortization	18,936	13,932	15,193
General and administrative	29,118	25,803	27,937
Compensation from changes in redemption value of common stock	-	6,122	2,100
	230,489	191,669	206,814
Operating income	21,388	6,019	13,692
Other income (expense):			
Interest income	1,118	1,063	1,863
Foreign exchange gain (loss)	257	705	(331)
Minority interest	(1,911)	(2,220)	(1,589)
Interest expense	(814)	(1,278)	(1,719)
Other - net	(199)	767	(50)
	(1,549)	(963)	(1,826)
Income before income taxes	19,839	5,056	11,866
Provision (credit) for income taxes	5,723	2,332	(75)
Net income	\$ 14,116	\$ 2,724	\$ 11,941
Earnings per common share:			
Basic	\$.97	\$.09	\$.84
Diluted	\$.96	\$.09	\$.84
Weighted average number of common shares outstanding:			
Basic	14,540,137	14,151,532	14,215,181
Diluted	14,688,372	14,162,490	14,215,181

See accompanying notes to consolidated financial statements.

WILLBROS GROUP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	<u>Common Stock</u>		Capital	Cumulative	Retained	Notes	Treasury	Redemption	Total
	Shares	Par Value	in Excess of Par Value	Foreign Currency Translation Adjustment	Earnings	Receivable for Stock Purchases	Stock	Value of Common Stock Held by Plan Participants	Stockholders' Equity
<i>(In thousands, except share amounts)</i>									
Balance, January 1, 1995	2,847,000	\$ 142	\$ 8,107	\$(776)	\$ 28,015	\$(2,395)	\$(323)	\$(5,430)	\$ 27,340
Net income	-	-	-	-	11,941	-	-	-	11,941
Purchase of treasury stock	-	-	-	-	-	-	(376)	166	(210)
Payment of notes receivable	-	-	-	-	-	663	-	(554)	109
Exercise of stock options	153,000	8	524	-	-	(645)	214	-	101
Increase in redemption value of common stock	-	-	2,100	-	-	-	-	(2,100)	-
Translation adjustments	-	-	-	(8)	-	-	-	-	(8)
Balance, December 31, 1995	3,000,000	150	10,731	(784)	39,956	(2,377)	(485)	(7,918)	39,273
Net income	-	-	-	-	2,724	-	-	-	2,724
Preferred dividends	-	-	-	-	(1,448)	-	-	-	(1,448)
Purchase of treasury stock	-	-	-	-	-	-	(2,531)	63	(2,468)
Exercise of stock options	-	-	-	-	(1,072)	(1,715)	3,016	-	229
Sale of common stock, net of offering cost	525,980	26	2,965	-	-	-	-	-	2,991
Conversion of preferred stock	10,860,000	543	35,657	-	-	-	-	-	36,200
Payment of notes receivable	-	-	-	-	-	908	-	(897)	11
Increase in redemption value of common stock	-	-	1,427	-	-	-	-	(1,427)	-
Compensation expense at initial public offering date	-	-	4,695	-	-	-	-	-	4,695
Termination of redemption obligation	-	-	-	-	-	-	-	10,179	10,179
Balance, December 31, 1996	14,385,980	719	55,475	(784)	40,160	(3,184)	-	-	92,386
Net income	-	-	-	-	14,116	-	-	-	14,116
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
Translation adjustments	-	-	-	(29)	-	-	-	-	(29)
Balance, December 31, 1997	14,992,320	\$ 750	\$ 66,857	\$(813)	\$ 54,276	\$(2,084)	\$ -	\$ -	\$ 118,986

See accompanying notes to consolidated financial statements.

WILLBROS GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	1997	1996	1995
<i>(In thousands)</i>			
Cash flows from operating activities:			
Net income	\$ 14,116	\$ 2,724	\$ 11,941
Reconciliation of net income to cash provided by (used in) operating activities:			
Depreciation and amortization	18,936	13,932	15,193
Compensation from changes in redemption value of common stock	-	6,122	2,100
Loss (gain) on sales and retirements	814	(96)	592
Changes in operating assets and liabilities:			
Accounts receivable	(3,249)	11,896	(33,923)
Contract cost and recognized income not yet billed	(4,516)	7,872	(10,797)
Prepaid expenses and other assets	(216)	(2,784)	(556)
Accounts payable and accrued liabilities	8,419	(8,147)	8,930
Accrued income taxes	1,121	(868)	(1,541)
Contract billings in excess of cost and recognized income	9,960	(97)	97
Deferred income taxes	-	(1,158)	(976)
Other liabilities	403	565	544
Cash provided by (used in) operating activities	45,788	29,961	(8,396)
Cash flows from investing activities:			
Proceeds from sales of property and equipment	886	885	388
Purchase of property and equipment	(38,932)	(18,474)	(13,179)
Purchase of spare parts	(8,340)	(6,483)	(5,767)
Cash used in investing activities	(46,386)	(24,072)	(18,558)
Cash flows from financing activities:			
Proceeds from common stock	11,413	3,220	101
Proceeds from notes payable to banks	6,858	13,291	6,530
Proceeds from long-term debt	3,000	-	-
Collection of notes receivable for stock purchases	1,100	908	663
Proceeds from notes payable to former shareholders	-	1,401	-
Repayment of notes payable to banks	(2,157)	(16,237)	(9,239)
Repayment of notes payable to former shareholders	(467)	(234)	-
Purchase of treasury stock	-	(2,531)	(376)
Payment of dividends on preferred stock	-	(1,448)	-
Cash provided by (used in) financing activities	19,747	(1,630)	(2,321)
Effect of exchange rate changes on cash and cash equivalents	(29)	-	(8)
Cash provided by (used in) all activities	19,120	4,259	(29,283)
Cash and cash equivalents, beginning of year	24,118	19,859	49,142
Cash and cash equivalents, end of year	\$ 43,238	\$ 24,118	\$ 19,859

See accompanying 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 revenues and expenses. Actual results could differ from those estimates.

ACCOUNTS RECEIVABLE – Accounts receivable include retainage, all due within one year, of \$1,620 in 1997 and \$1,437 in 1996 and are stated net of allowances for bad debts of \$1,001 in 1997 and \$1,119 in 1996. The provision (credit) for bad debts was \$(8) in 1997, \$(1,024) in 1996 and \$694 in 1995.

SPARE PARTS – Spare parts (excluding expendables), stated net of accumulated depreciation of \$12,874 in 1997 and \$9,750 in 1996, 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.

REVENUES – Construction and engineering fixed-price contracts are accounted for using the percentage-of-completion method. Under this method, estimated contract revenues are 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. Revenues from unit-price contracts are recognized as earned. Revenues from change orders, extra work, variations in the scope of work and claims are 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 carrying values of assets and liabilities and their tax bases.

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 a separate component of stockholders’ equity. 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 \$817 in 1997, \$1,280 in 1996 and \$1,712 in 1995 and income taxes of \$4,685 in 1997, \$3,676 in 1996 and \$2,426 in 1995.

WILLBROS GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)

EARNINGS PER SHARE – Basic earnings 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 per share is calculated assuming all dilutive potential common shares are issued and are outstanding as of the beginning of the year. The weighted-average number of common shares assumes that all common shares issued in the twelve months prior to the initial public offering were outstanding for all periods presented.

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 revenues 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 significant derivative financial instruments as of December 31, 1997 and 1996.

NEW ACCOUNTING STANDARDS – Earnings per share for all periods presented has been determined in accordance with the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 128, Earnings Per Share, which established new standards for computing and presenting earnings per share. Previously reported earnings per share were not affected by adoption of this standard.

The Company also adopted SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, which requires disclosure of revenues and long-lived assets by significant country. Previously reported information by geographic region has been restated to conform to the requirements of SFAS 131.

RECLASSIFICATIONS – Certain previously reported amounts have been reclassified to be consistent with amounts as reported herein.

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.

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,	
	1997	1996
Costs incurred on contracts in progress	\$ 197,700	\$ 67,296
Recognized income	2,301	8,763
	<u>200,001</u>	<u>76,059</u>
Progress billings and advance payments	212,904	83,518
	<u>\$ (12,903)</u>	<u>\$ (7,459)</u>
Contract cost and recognized income not yet billed	\$ 8,159	\$ 3,643
Contract billings in excess of cost and recognized income	(21,062)	(11,102)
	<u>\$ (12,903)</u>	<u>\$ (7,459)</u>

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, at cost, consist of:

	December 31,	
	1997	1996
Construction equipment	\$ 55,495	\$ 38,475
Marine equipment	34,484	32,355
Transportation equipment	29,134	16,318
Land, buildings, furniture and equipment	13,112	9,663
	<u>132,225</u>	<u>96,811</u>
Less accumulated depreciation and amortization	53,805	43,366
	<u>\$ 78,420</u>	<u>\$ 53,445</u>

WILLBROS GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)

5. NOTES PAYABLE

The Company has unsecured credit facilities with banks in certain countries outside the United States. Borrowings under these lines of \$4,874, 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 \$7,800 at December 31, 1997.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

	December 31,	
	1997	1996
Trade payables	\$ 22,850	\$ 18,471
Payrolls and payroll liabilities	14,832	10,793
Equipment reconditioning and overhaul reserves	3,605	3,604
	\$ 41,287	\$ 32,868

7. LONG-TERM DEBT

In February 1997, the Company entered into a five-year \$150,000 credit agreement, that may be extended annually in one year increments, subject to certain approvals, for up to an additional three years, 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 1/4 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, 1997, outstanding letters of credit totaled \$35,210 and there were borrowings of \$3,000, leaving \$111,790 available under this facility.

The Company has notes payable to two former shareholders requiring quarterly payments of \$117 plus interest at the Company's rate for senior debt to be made through April 15, 1999. The current portion of these notes, included in notes payable, is \$467 and the long-term portion is \$233 at December 31, 1997 and \$700 at December 31, 1996.

8. RETIREMENT PLANS

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. Pension expense includes the following components:

	Year Ended December 31,		
	1997	1996	1995
Service cost for benefits earned during the period	\$ 1,080	\$ 1,136	\$ 915
Interest cost on projected benefit obligation	1,892	1,725	1,608
Actual loss (gain) on plan assets	(4,159)	(3,325)	(4,855)
Deferred gain on plan assets	1,912	1,301	3,285
Amortization	(15)	(2)	-
	\$ 710	\$ 835	\$ 953

WILLBROS GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

Accrued pension liability includes the following components:

	December 31,		
	1997	1996	1995
Projected benefit obligation over (under) plan assets:			
Projected benefit obligation:			
Vested benefits	\$ 23,679	\$ 20,963	\$ 20,477
Nonvested benefits	898	383	505
Accumulated benefits	24,577	21,346	20,982
Related to future pay increases	6,343	4,437	4,180
	30,920	25,783	25,162
Plan assets at fair value (primarily listed stocks and bonds)	(30,514)	(26,995)	(23,660)
	406	(1,212)	1,502
Unrecognized net gain (loss)	1,550	2,456	(499)
Unrecognized prior service cost	(203)	(228)	(253)
Transition asset at January 1, 1987	115	143	172
	\$ 1,868	\$ 1,159	\$ 922

The projected benefit obligation is determined using a weighted average discount rate of 7.0 percent at December 31, 1997, 7.5 percent at December 31, 1996, and 7.0 percent at December 31, 1995. The rate of increase in future pay increases is 6.0 percent 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 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 4 percent of salary in cash or beginning in 1997, if the participant so elects, up to 5 percent of salary in WGI common stock. Company contributions for this plan were \$636 (including \$200 of WGI common stock) in 1997, \$569 in 1996 and \$506 in 1995.

The Company's Executive Benefit Restoration Plan partially restores benefits to certain executives whose benefits under the defined benefit pension plans are reduced as a result of limitations imposed by the U. S. Internal Revenue Code. Plan expense is \$357 in 1997, \$325 in 1996 and \$303 in 1995 and plan liability, included in accounts payable and accrued liabilities, is \$1,369 at December 31, 1997 and \$1,061 at December 31, 1996. The Company established a trust to fund benefit payments. Contributions of assets to the trust by the Company are irrevocable but are subject to creditor claims under certain conditions. Assets held in trust, included in other assets, are \$1,367 at December 31, 1997, and \$974 at December 31, 1996.

9. POSTRETIREMENT MEDICAL BENEFITS

Postretirement medical benefit expense is \$511 in 1997, \$589 in 1996 and \$690 in 1995 and includes service cost of \$237 in 1997, \$242 in 1996 and \$262 in 1995 and interest cost of \$326 in 1997, \$347 in 1996 and \$405 in 1995 and amortization of \$(52) in 1997 and \$23 in 1995.

Accrued postretirement medical benefit liability includes the following components:

	December 31,	
	1997	1996
Accumulated postretirement benefit obligation:		
Retirees	\$ 1,568	\$ 1,734
Fully eligible active plan participants	670	528
Other active plan participants	1,998	2,093
Accumulated postretirement benefits	4,236	4,355
Unrecognized net gain	1,322	1,027
Prior service cost	243	-
	\$ 5,801	\$ 5,382

The non-current portion of the liability, \$5,703 at December 31, 1997, and \$5,282 at December 31, 1996, is included in other liabilities.

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits is 7.0 percent for 1997 and is assumed to decrease to 5.5 percent by the year 2006 and to remain at that level. The discount rate used in determining the liability is 7.0 percent at December 31, 1997, 7.5 percent at December 31, 1996, and 7.0 percent at December 31, 1995. Increasing the assumed health care cost trend rates by one percentage point in each year would increase the postretirement medical liability at December 31, 1997 by \$453 and expense for 1997 by \$97.

10. 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 Income consist of:

	Year Ended December 31,		
	1997	1996	1995
Income (loss) before income taxes:			
Other countries	\$20,038	\$12,888	\$16,044
United States	(199)	(7,832)	(4,178)
	<u>\$19,839</u>	<u>\$ 5,056</u>	<u>\$11,866</u>
Provision (credit) for income taxes:			
Currently payable:			
Other countries	\$ 5,723	\$ 3,696	\$ 893
United States:			
Federal	-	-	-
State	-	(206)	8
	<u>5,723</u>	<u>3,490</u>	<u>901</u>
Deferred, other countries	-	(1,158)	(976)
	<u>\$ 5,723</u>	<u>\$ 2,332</u>	<u>\$ (75)</u>

The Company has a deferred tax asset in the United States of \$18,635 at December 31, 1997, and \$20,329 at December 31, 1996, relating to United States net operating loss and credit carryforwards and employee benefit expense, and a deferred tax liability of \$1,584 at December 31, 1997, and \$1,565 at December 31, 1996, relating to excess tax depreciation. The net deferred tax asset is reduced to zero by a valuation allowance. The Company has a deferred tax liability in other countries of \$200 at December 31, 1997 and 1996, related to temporary differences, principally in contract revenues and expenses.

The Company has \$41,020 in United States net operating loss carryforwards and \$972 of United States investment tax credit carryforwards at December 31, 1997. The United States net operating loss carryforwards will expire, unless utilized, beginning in 1998 and ending December 31, 2011. The carryforwards available on an annual basis are limited. At December 31, 1997, the Company has nonexpiring operating loss carryforwards in the United Kingdom of \$30,100 (£18,400) and in Kuwait of \$1,400 (KD429), and a net operating loss carryforward expiring over three years in Venezuela of \$2,000 (Bolivars 1,000,000).

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.

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 immediately. At December 31, 1997, the 1996 Plan has 681,000 shares and the Director Plan has 83,000 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 3 years, the average risk-free interest rate at the dates of grant is 5.84 percent in 1997 (6.01 percent in 1996) and volatility is 36.37 percent in 1997 (35.15 percent in 1996).

WILLBROS GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

	Year Ended December 31,			
	1997		1996	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding, beginning of year	481,000	\$ 9.08	-	\$ -
Granted	5,000	18.95	481,000	9.08
Exercised	1,500	9.13	-	-
Outstanding, end of year	484,500	9.19	481,000	9.08
Exercisable at end of year	310,750	9.22	148,000	9.21

The weighted-average fair value of options granted during the year was \$5.98 in 1997 (\$2.85 in 1996). Exercise prices for options outstanding as of December 31, 1997 ranged from \$8.67 to \$19.44. The weighted-average remaining contractual life of those options is 8.8 years.

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 \$13,624 in 1997 (\$2,310 in 1996), basic earnings per share would have been reduced to \$.94 in 1997 (\$.06 in 1996), and diluted earnings per share would have been reduced to \$.93 in 1997 (\$.06 in 1996).

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 non-interest bearing recourse notes. Options were issued to purchase 195,000 shares (including 42,000 treasury shares) of common stock at \$3.83 per share in 1995. During May 1996, options were issued to purchase 273,000 shares of common stock, all from treasury stock, at \$4.53 per share and 5,192 shares of preferred stock, all from treasury, at \$136 per share. All options were exercised shortly after issuance. The Company had an obligation to purchase, under certain conditions and at a formula price, stock held by retiring or terminating employees, and recorded as compensation expense the change in the redemption value at the end of each period using the maximum formula price. The Company recognized a non-cash 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 upon the effectiveness of the initial public offering. The maximum redemption amount was classified outside of stockholders' equity in the consolidated balance sheets. The Company's redemption obligation terminated in the fourth quarter of 1996.

12. SEGMENT INFORMATION

The Company operates in a single industry segment. The main lines of business include 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% of contract revenue are as follows:

	Year Ended December 31,		
	1997	1996	1995
Customer A	13%	33%	32%
Customer B	-	16	13
Customer C	10	-	-
Customer D	10	-	-
	33%	49%	45%

WILLBROS GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

	Year Ended December 31,		
	1997	1996	1995
Contract revenues:			
United States ⁽¹⁾	\$ 78,849	\$ 32,918	\$ 52,100
Nigeria	75,982	87,283	95,972
Venezuela	31,830	18,897	19,553
Indonesia	27,951	1,477	-
Oman	22,846	23,513	20,873
Pakistan	13,889	32,732	29,728
Other	530	868	2,280
	\$251,877	\$197,688	\$220,506
Long-lived assets:			
United States	\$ 10,882	\$ 9,891	\$ 9,503
Nigeria	27,106	27,325	19,700
Venezuela	30,433	10,451	8,902
Indonesia	8,077	985	-
Oman	8,382	9,148	8,317
Other	925	1,369	2,511
	\$ 85,805	\$ 59,169	\$ 48,933

(1) Net of inter-country revenues of \$4,365 in 1997, \$3,052 in 1996 and \$4,986 in 1995.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

14. 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.

An initial public offering of the Company's common stock was completed in August 1996, with the sale of 5,490,500 shares of common stock, consisting of 525,980 newly issued shares resulting in net proceeds to the Company of \$4,892 before offering costs and 4,964,520 shares sold by a stockholder of the Company for which the Company did not receive any proceeds.

In July 1996, prior to the initial public offering, all 362,000 shares of \$100 redeemable preferred stock of the Company then outstanding were converted into common stock of the Company at a conversion rate of 30 shares of common stock for each share of preferred stock.

15. 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, 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 types 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.

WILLBROS GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Certain post contract 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 \$2,962 in 1997, \$2,112 in 1996, and \$1,896 in 1995. Minimum lease commitments under operating leases as of December 31, 1997, total \$12,085 and are payable as follows: 1998, \$3,315; 1999, \$2,346; 2000, \$1,935; 2001, \$1,756; 2002, \$1,682; and later years, \$1,051.

16. QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected unaudited quarterly financial data for the years ended December 31, 1997 and 1996:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
December 31, 1997:					
Contract revenues	\$ 51,165	\$ 57,280	\$ 72,815	\$ 70,617	\$ 251,877
Operating income	4,800	4,615	5,244	6,729	21,388
Income before income taxes	4,503	4,174	4,995	6,167	19,839
Net income	2,454	3,025	3,883	4,754	14,116
Earnings per share:					
Basic	.17	.21	.27	.32	.97
Diluted	.17	.21	.27	.31	.96
December 31, 1996:					
Contract revenues	\$ 53,479	\$ 48,977	\$ 47,407	\$ 47,825	\$ 197,688
Compensation from changes in redemption value	142	1,285	4,695	-	6,122
Operating income (loss)	2,387	2,308	(1,499)	2,823	6,019
Income (loss) before income taxes	2,327	2,277	(2,486)	2,938	5,056
Net income (loss)	2,044	1,386	(2,841)	2,135	2,724
Earnings (loss) per share, basic and diluted	.09	.05	(.20)	.15	.09

The Company derives its revenues 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 revenues are recognized.

There were favorable variances in the fourth quarter of 1997 compared to the fourth quarter of 1996. Contract revenues increased due to projects in Indonesia, Venezuela and the United States. Operating income and net income increased due to favorable progress on a project in Indonesia and less cost being incurred on a project in Pakistan.

During the first three quarters of 1996, the Company incurred compensation from changes in redemption value of shares. These non-cash charges resulted in an operating and net loss in the third quarter of 1996.

WILLBROS GROUP, INC.
CORPORATE DATA

ANNUAL STOCKHOLDERS' MEETING

The annual stockholders' meeting will be held at 9:00 a.m., local time, on Monday, May 4, 1998 at The Bristol Hotel, Avenida Aquilino De La Guardia, Zona 10, 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., 2431 East 61st Street, Suite 700, Tulsa, Oklahoma, 74136-1267.

INVESTOR RELATIONS CONTACT

Brian J. Heagler
Direct: (918) 748-7714
Internet address: brian_heagler@willbros.com

STOCK TRANSFER AGENT AND REGISTRAR

Chase Mellon 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 Peat Marwick, Panama City, Panama

CORPORATE OFFICES

HEADQUARTERS OFFICE:	ADMINISTRATIVE OFFICE:
Dresdner Bank Building	Willbros USA, Inc.
50th Street, 8th Floor	2431 East 61st Street, Suite 700
P.O. Box 850048	Tulsa, Oklahoma 74136-1267
Panama 5, Republic of Panama	U.S.A.
011 (507) 263-9282	(918) 748-7000

**COMMON STOCK INFORMATION
AND DIVIDEND POLICY**

The Company's Common stock commenced trading on August 15, 1996, on the New York Stock Exchange under the symbol WG. As of December 31, 1997, there were 180 stockholders of record. The table below sets forth the common stock trading price for the subsequent quarterly periods.

	1996		1997	
	High	Low	High	Low
First Quarter	NA	NA	\$10-5/8	\$8-7/8
Second Quarter	NA	NA	\$16	\$9
Third Quarter	\$11-7/8	\$9-5/8	\$21-3/4	\$14-5/8
Fourth Quarter	\$11	\$9	\$24-7/16	\$14-3/8

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.



WILLBROS GROUP, INC.

CORPORATE OFFICES

HEADQUARTERS OFFICE:

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ADMINISTRATIVE OFFICE:

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