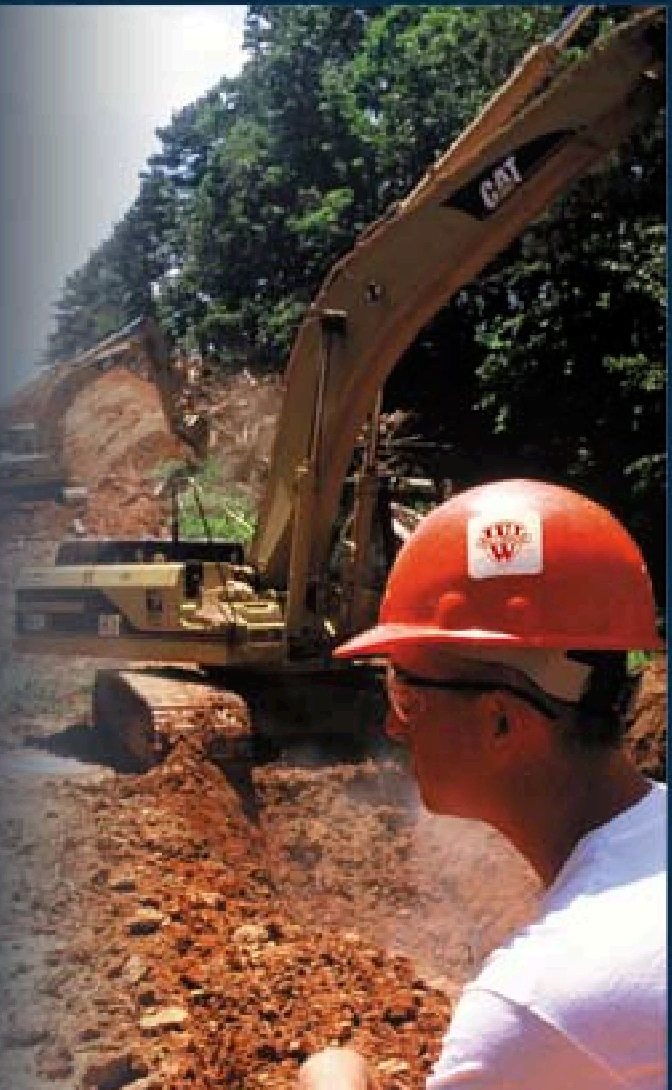
2003

Looking Ahead

Willbros Group, Inc.

Annual Report

Willbros Group, Inc. is one of the leading international contractors serving the oil, gas and power industries. We provide construction and engineering services to industry and government entities worldwide, specializing in pipelines and associated facilities in onshore, coastal, and offshore locations. We are also actively involved in asset development, ownership and operations as an extension of our construction and engineering services. Tracing its roots to 1908, Willbros has served more than 400 industry and government customers in over 55 countries, and is listed on the New York Stock Exchange under the symbol WG.



Construction Services Include:

- Onshore, Marsh and Offshore Pipelines
- Gathering Systems
- Flow Stations
- Pump Stations
- Gas Compressor Stations
- Gas Processing Facilities
- Oil and Gas Production Facilities
- Piers
- Dock Facilities and Bridges
- Specialty Services
- Asset Development and Operations

Engineering, Procurement and Construction (EPC) Services Include:

- Project Management
- Engineering
- Procurement of Material and Equipment
- Construction
- Start-up and Commissioning

Engineering Services Include:

- Project Management/Program Management
- Feasibility Studies/Conceptual Design
- Preliminary and Detailed Design
- Material and Equipment Procurement
- Field Services
- Construction Management

Dear Fellow Shareholders:

At Willbros, our purpose is to provide safe and efficient pipeline engineering and construction services to our clients and, in doing so, to exceed their expectations. Our objective is to make a profit while providing these services. This past year, on the former we were successful. On the latter, for reasons outlined below, we were not. Consequently, our 2003 revenue and earnings, when compared to 2002, indicate that 2003 was a very unsatisfactory year for the Company. Revenue and earnings in 2003 were impacted primarily by a weak North American market, but also by social and political unrest in Latin America, the Middle East, and West Africa. As a result, for 2003, we reported revenue of $418 million, a reduction of 28 percent from 2002 and a net loss of $3.2 million for the fiscal year ended December 31, 2003.

Looking ahead, the increase in the level of bid activity and the improvement in backlog cause us to be optimistic that 2004 will be a year of improving prospects with the potential to provide increased backlog and earnings going into 2005. Of particular note is the growth and improved quality of our backlog, from $164 million at mid-year 2003 to approximately $225 million by December 31, 2003, with an estimated imbedded margin of almost 30 percent. By comparison, the 2002 year-end backlog was $216 million with an estimated 22 percent imbedded margin. We have reported new project awards of more than $145 million during the past six months, including additional U.S. and international awards subsequent to year-end valued at $45–50 million. Entering 2004, our reputation for quality, on-time performance is enhanced by the completion of the milestone Chad-Cameroon Pipeline project in 2003. Willbros' reputation was further substantiated by being ranked as the top pipeline design firm by *Engineering News Record (ENR)* in its *Top 500 Design Firms Sourcebook 2003,* based on market revenue data for 2002 provided by participating industry firms.

With respect to asset development, the Opal, Wyoming gas processing plant was essentially designed, constructed and completed in 2003, and placed in commercial operation in early 2004. This facility adds a new source of long-term revenue to complement our revenue stream from projects and we continue to focus on other opportunities in this area.

In 2004, we expect to see improvement in the North American market as new participants in the natural gas transportation industry begin to implement their plans and strategies with respect to their newly-acquired pipeline assets. The move toward liquefied natural gas (LNG) to meet demand for energy is already presenting project opportunities, both in North America and in exporting countries. Willbros participates in design and construction of new facilities to gather and transport gas to liquefaction facilities in exporting countries and, in North America, to link regasification facilities to existing pipeline infrastructure. Recent experience in this area is demonstrated by completed LNG engineering and construction projects in North America and the Caribbean to expand pipeline capacity and link regasification terminals to the natural gas infrastructure and power plants. Proposed natural gas projects also form an important part of the expected work opportunities in West Africa and the Middle East, both regions where Willbros has extensive experience.

Investment continues to flow into West Africa, where Willbros has a strong presence and provides significant local content for both onshore and offshore services. In 2003, to

provide additional support for new work in Iraq and growing opportunities in Oman and the Emirates, Willbros expanded its presence in the Middle East with a new office in Abu Dhabi. In Mexico, our marketing and operations initiative is to pursue the over $3 billion in pipeline and marine service projects recently announced by PEMEX. The fastest growing economy in the world, China, is the venue of our alliance with a unit of Sinopec, which should provide us access to the wealth of resources and project opportunities there. Existing infrastructure and facilities in North America, South America, Iraq and elsewhere provide a growing market for our requalification and rehabilitation services. Historically, Willbros has been very active in the pipeline rehabilitation market.

At this time, we are highly confident we will be awarded approximately $400 million in new contracts before the end of August of this year. These are projects for which we have qualified technically and financially and have tendered commercial offerings. Our clients have either notified us that we are the selected contractor or we are in the final phases of contract negotiations. Worldwide, we have identified and evaluated at least $5 billion of viable projects that meet our capabilities and criteria. These projects should be available for tender in the next 12 months and we believe we should be a competitive bidder for this potential work. We have the financial capability to provide the necessary working capital and staffing for successful execution of these projects. Our financial strength is an important differentiator with our clients worldwide.

In order to position Willbros to meet these opportunities for future activity, earlier this year we completed a $70 million Convertible Senior Notes offering. The notes bear an annual interest of 2 3/4 percent and are convertible into common shares of Willbros stock at an initial price of $19.47 per share once the stock trades at certain times above $23.36 per share, based on the initial price. We believe this offering enhances our competitive position in the market place and provides a better matching of the funding of capital assets with their corresponding revenue and cash flow streams. In connection with the convertible debt offering, we amended and restated our credit facility on March 12, 2004. The $150 million 2004 Credit Facility will mature on March 12, 2007. We believe these financial transactions will have a significant positive impact on our ability to meet our strategic objectives.

With our recent convertible notes offering, our balance sheet and competitive position have improved dramatically. Simultaneously, energy markets are also improving and the Company is well positioned to take advantage of the pent-up demand for pipeline engineering and construction work. Willbros is now poised to capitalize on what we believe is a very promising long-term outlook for our industry.

Respectfully,

Michael F. Curran
Chairman-elect, President
and Chief Executive Officer

Project Highlights

Opal Gas Processing Plant

Under the terms of an agreement to design, build and own a new gas processing train in southwestern Wyoming, Willbros Mt. West, with assistance from Willbros Engineers, had, at the end of 2003, substantially completed this new turbo-expander plant, which will process gas from fields operated by a unit of Shell in the Pinedale anticline. This project exemplifies the breadth of experience and the financial strength which differentiate Willbros from its competitors, and is an example of the resources of the Willbros group of companies. The Opal gas processing plant was commissioned and generating revenue late in the first quarter of 2004. Management expects the plant to contribute from $0.15–0.20 earnings per share in 2004. The capacity of the plant is under contract for a period of 10 years, ending in 2014.

Chad-Cameroon Pipeline

The 1,070-kilometer (665-mile) Chad-Cameroon Pipeline project, awarded to Willbros in joint venture with another international contractor in 2000, was completed on schedule in early 2003. The engineering, procurement and construction (EPC) project was one of high global visibility and scrutiny, with formidable logistics that few other worldwide contractors could successfully undertake. The 30-inch pipeline is now transporting oil from Chad's Doba fields in central Africa to Cameroon for export to world markets.

Explorer Pipeline Mainline Expansion

An EPC assignment for the expansion and facilities upgrade of an existing major products pipeline extending 2,240 kilometers (1,400 miles) in the Midwestern United States was also completed in early 2003. The award of this project, in late 2001, marked the peak of EPC activity in the last cycle of energy infrastructure projects in North America. Willbros Engineers teamed with Willbros RPI on this project which included the construction of 12 grassroots pump stations, plus modifications to 13 others along the route.

Transierra Pipeline

The 230-kilometer (144-mile) 32-inch diameter Transierra Pipeline project in Bolivia, begun in late 2001, was also completed in 2003 after delays associated with owner-supplied

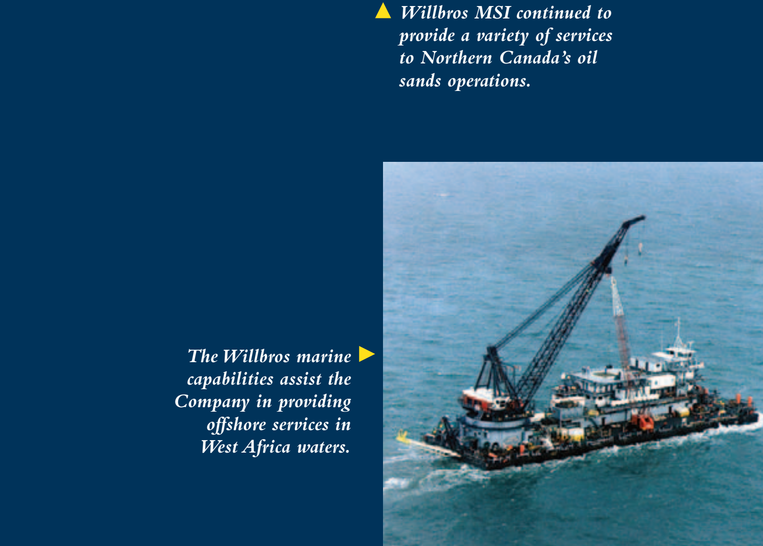
Opal turbo-expander plant, a design, build and own project of Willbros Mt. West, was operating in early 2004.

The high profile Chad-Cameroon Pipeline project demonstrated Willbros' world-class capabilities.

The Explorer Pipeline Mainline Expansion project in the Midwestern United States teamed Willbros Engineers with Willbros RPI.

The fast-track Transierra Pipeline project in Bolivia presented numerous logistical challenges.

Willbros MSI continued to provide a variety of services to Northern Canada's oil sands operations.



The Willbros marine capabilities assist the Company in providing offshore services in West Africa waters.

Heavy equipment for Willbros' project to help rebuild the infrastructure of Iraq required air freighting.

materials. This major cross-country pipeline in the Southern Cone of South America marked Willbros' return to a market first entered in the 1940's. The project was another logistical challenge requiring the utilization of a locally-trained workforce and local language documentation. It also demonstrated Willbros' capability for fast-track mobilization which was completed within three months of the project award.

Willbros MSI Canada Inc. (MSI)

An acquisition made in 2001, successfully met its business plan with a 43 percent growth in total revenue from existing and new customers in the oil sands region of northern Alberta. Willbros reestablished its mainline pipeline construction credentials in Canada through MSI, which successfully completed a 24-inch pipeline project for Syncrude. The oil sands region continues to attract investment and is expected to require new pipeline infrastructure to satisfy demand for fuel and to export synthetic crude from processed bitumen.

Other Projects

West Africa

Willbros continued to demonstrate its capabilities in serving the offshore market through its strategically-located base for West Africa in Nigeria. At the end of 2003, operations in West Africa had approximately $50 million in work under contract for 2004.

Oman

The Oman Construction Company, provider of specialty services in that country for over 35 years, was awarded a contract to engineer, procure and construct five 16-inch pipelines totaling 88 kilometers (55 miles) in the Lekhwair field for long-time client Petroleum Development Oman (PDO).

Iraq

As part of the international coalition's rebuilding efforts in Iraq, Willbros was awarded a fast-track contract for a variety of pipeline installations ranging in diameters from 8-inch to 42-inch. The project was logistically difficult with critical timing, including the transport of large pieces of equipment by air freight. The work is expected to be completed in 2004.

2003

WILLBROS GROUP, INC.
FINANCIAL REVIEW

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2003

OR

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

For the transition period from______________ to _______________

Commission file number 1-11953

Willbros Group, Inc.

(Exact name of registrant as specified in its charter)

Republic of Panama	**98-0160660**
(Jurisdiction of incorporation)	(I.R.S. Employer Identification Number)

Plaza 2000 Building
50th Street, 8th Floor
P.O. Box 0816-01098
Panama, Republic of Panama
Telephone No.: (507) 213-0947
(Address, including zip code, and telephone number, including area code, of principal executive offices of registrant)

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

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ________

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

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

The aggregate market value of the Registrant's Common Stock held by non-affiliates of the Registrant as of June 30, 2003, the last business day of the Registrant's most recently completed second fiscal quarter, was $214,809,323.

As of March 1, 2004, 20,708,848 shares of the Registrant's Common Stock were outstanding.

Documents incorporated by reference

Portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held May 20, 2004 are incorporated by reference into Part III of this Form 10-K.

WILLBROS GROUP, INC.

FORM 10-K

YEAR ENDED DECEMBER 31, 2003

TABLE OF CONTENTS

		Page
	PART I	
Items 1. and 2.	Business and Properties	4
Item 3.	Legal Proceedings	26
Item 4.	Submission of Matters to a Vote of Security Holders	26
Item 4A.	Executive Officers of the Registrant	27
	PART II	
Item 5.	Market for Registrant's Common Equity and Related Stockholder Matters	28
Item 6.	Selected Financial Data	29
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	31
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	42
Item 8.	Financial Statements and Supplementary Data	43
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	67
Item 9A.	Controls and Procedures	67
	PART III	
Item 10.	Directors and Executive Officers of the Registrant	68
Item 11.	Executive Compensation	68
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	68
Item 13.	Certain Relationships and Related Transactions	68
Item 14.	Principal Accountant Fees and Services	68
	PART IV	
Item 15.	Exhibits, Financial Statement Schedules, and Reports on Form 8-K.	69
Signatures		71

Forward-Looking Statements

This Form 10-K includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this Form 10-K which address activities, events or developments which we expect or anticipate will or may occur in the future, including such things as future capital expenditures (including the amount and nature thereof), oil, gas, gas liquids and power prices, demand for our services, the amount and nature of future investments by governments, expansion and other development trends of the oil, gas and power industries, business strategy, expansion and growth of our business and operations, and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses we made in light of our experience and our perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate in the circumstances. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties, which could cause actual results to differ materially from our expectations including:

- **curtailment of capital expenditures in the oil, gas, and power industries;**
- **political or social circumstances impeding the progress of our work;**
- **the timely award of one or more projects;**
- **cancellation of projects;**
- **inclement weather;**
- **project cost overruns, unforeseen schedule delays, and liquidated damages;**
- **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;**
- **obtaining adequate financing;**
- **the demand for energy diminishing;**
- **downturns in general economic, market or business conditions in our target markets;**
- **changes in the effective tax rate in countries where the work will be performed;**
- **changes in laws or regulations;**
- **the risk factors listed in this Form 10-K and in our other filings with the Securities and Exchange Commission from time to time;**
- **ability to manage insurable risk at an affordable cost; and**
- **other factors, most of which are beyond our control.**

Consequently, all of the forward-looking statements made in this Form 10-K are qualified by these cautionary statements and there can be no assurance that the actual results or developments we anticipate will be realized or, even if substantially realized, that they will have the consequences for, or effects on, our business or operations that we anticipate today. We assume no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise.

Unless the context otherwise requires, all references in this Form 10-K to "Willbros", the "Company", "we", "us" and "our" refer to Willbros Group, Inc., its consolidated subsidiaries and their predecessors.

PART I

Items 1 and 2. Business and Properties

Website Access to Reports

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

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

General

We are a leading independent international contractor serving the oil, gas and power industries. We provide construction and engineering services to industry and governmental entities worldwide, specializing in pipelines and associated facilities for onshore, coastal and offshore locations. We are also actively involved in asset development, ownership and operations as an extension of our construction and engineering services. We place particular emphasis on projects in countries where we believe our experience gives us a competitive advantage, including several developing countries.

Our construction services include the building and replacement of:

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

Through our construction resources, we also provide specialty services, including asset development and operations. Our asset development and operations (also referred to as facility operations) include assets developed under "Build, Own and Operate" contracts, such as the fueling facilities operated for the Defense Energy Supply Corporation, an agency of the U.S. government, a gas processing plant, owned by us, in the Opal, Wyoming area, and a water injection facility in Venezuela.

Our engineering services include:

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

We provide our engineering services through engineering resources located in Tulsa, Oklahoma; Portland, Oregon; Salt Lake City (Murray), Utah; and Abu Dhabi. Construction services are provided utilizing a large fleet of company-owned and leased equipment that includes marine vessels, barges, dredges, pipelaying equipment, heavy construction equipment, transportation equipment and camp equipment. Our equipment fleet is supported by an extensive inventory of spare parts and tools, which we strategically position and maintain throughout the world to maximize availability and minimize cost.

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

Over the years, we have been employed by more than 400 clients to carry out work in 55 countries. Within the past 10 years, we have worked in Africa, Asia, Australia, the Middle East, North America and South America. We have historically had a steady base of operations in Canada, Nigeria, Oman, the United States and Venezuela, which has been enhanced by major projects in Australia, Bolivia, Cameroon, Chad, Egypt, Gabon, Indonesia, Ivory Coast, Kuwait, and Pakistan.

Private sector clients have historically accounted for the majority of our revenue. Government entities and agencies have accounted for the remainder. Our top ten clients were responsible for 75% of our total revenue in 2003 (75% in 2002 and 81% in 2001). Operating units of ExxonMobil and Royal Dutch/Shell Group of Companies accounted for 16% and 15% of our total revenue in 2003, respectively.

Corporate Structure

We are incorporated in the Republic of Panama and maintain our headquarters at Plaza 2000 Building, 50th Street, 8th Floor, P.O. Box 0816-01098, Panama, Republic of Panama; our telephone number is (507) 213-0947. Panama’s General Corporation Law is substantially modeled on the New York and Delaware corporate laws as they existed in 1932. Panama does not tax income derived from activities conducted outside Panama. The principal subsidiaries of Willbros Group, Inc. are:

- Willbros International, Inc.;
- Willbros RPI, Inc. (“RPI”);
- Willbros MSI Canada Inc. (“MSI”);
- Willbros USA, Inc.;
- Willbros Mt. West, Inc.;
- Willbros Process Electric and Control, Inc.;
- Willbros Process Engineering Design, Inc.; and
- Willbros Pacific Industrial Electric, Inc.

The latter four companies are referred to collectively as the “Mt. West Group.”

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

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

All significant operations in North America are carried out either by Willbros RPI, Inc., a Delaware corporation, the Mt. West Group, all Colorado corporations, with the exception of Willbros Process Electric and Control, Inc., which is an Oregon corporation, Willbros MSI Canada Inc., an Alberta, Canada corporation, or by other material subsidiaries of Willbros USA, Inc., which is also a Delaware corporation. Such other material subsidiaries of Willbros USA, Inc. include:

- Willbros Engineers, Inc.;
- Willbros Energy Services Company; and
- Willbros Operating Services, Inc.

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

Current Market Conditions

We believe the fundamentals supporting the demand for engineering and construction services for the pipeline industry will be strong in the mid to long-term. We expect the international market to lead improvements in demand for our services with an improvement in demand in the North American market expected in late 2004. The following factors have caused the short-term outlook for our business to strengthen:

- Improving global economic conditions have increased demand growth for oil, gas, and power resulting in an increase in the expected number of oil, gas and power projects.
- Planned capital expenditures for 2004 in North America are increasing, but have not yet reached levels suggested by market fundamentals. We believe we will begin to see the effects of these increased capital expenditures in our quarterly results in late 2004.
- In West Africa and elsewhere, major projects with substantial capital commitments are underway and will require pipeline infrastructure for transportation and delivery of fuel, feedstock and final product.
- Projects delayed by events of the last two years are now being discussed in earnest, with award dates advertised for the next 6-12 months.
- New holders of assets acquired in the past two years through merger or outright purchase are now implementing plans to expand or upgrade those assets.
- Increased demand in North America for natural gas has led to multiple proposals for new liquefied natural gas ("LNG") facilities, principally: regasification terminals and connecting pipelines in North America, and gas gathering and liquefaction facilities in exporting countries.

As a result of these factors, in the short-term through 2004, we expect our revenue to increase approximately 25% to 35% from the 2003 level. In the mid to long-term, we believe several factors influencing the global energy markets will result in increased activity across our primary lines of business. The fundamental factors that we expect will lead to higher levels of energy-related capital expenditures include:

- Efforts to establish new oil and gas production in more politically secure regions of the world;
- Rising global energy demand resulting from economic growth in developing countries;
- The need for larger oil and gas transportation infrastructures in a number of developing countries;
- Some state-controlled oil and gas companies seeking foreign investment;
- The increasing role of natural gas as a fuel for power generation and other uses in producing countries;
- The international effort to stabilize Iraq and restore Iraqi oil production;
- Decline in existing producing reservoirs which will require additional investment to stabilize or reverse;
- Initiatives to reduce natural gas flaring; and
- Aging of energy infrastructure.

Industry surveys of pipeline construction suggest that planned worldwide pipeline construction will be higher in 2004 than in 2003. These reports indicate approximately $19 billion is planned to be spent worldwide in 2004 on pipeline construction and related infrastructure, compared to approximately $15 billion planned to have been spent in 2003. Industry surveys indicate that approximately 59,000 miles of pipeline construction are planned for 2004 and beyond, up significantly over comparable figures (38,000 miles) for 2003 and beyond. We expect more than $5 billion of these projects to meet our bidding criteria in 2004, and we expect to aggressively pursue these opportunities.

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

- The political situation in Venezuela remains uncertain, projects continue to be delayed, and the threat of disruptions to the safe and orderly conduct of work in that country remains.
- Continuing unrest and security concerns in the Middle East have created greater than normal uncertainty in the global oil markets. This uncertainty continues to cause caution among oil and gas producers with respect to their planned capital expenditure programs for 2004, despite the high levels for oil and gas prices over the past five years.
- Policies of populist governments in some South American countries have caused foreign investment in certain sectors, including energy, to decrease.

We currently have a number of significant bids outstanding with respect to potential contract awards in Nigeria, Oman, Qatar, Thailand, and the United States. We are also preparing bids with respect to potential contract awards in Costa Rica, Egypt, Iraq, Mexico, Nigeria, Oman, Thailand, and the United States. Finally, we expect to prepare and submit bids with respect to various other potential construction and engineering projects worldwide.

Business Strategy

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

- Concentrate on projects and prospects in areas where we can be most competitive and obtain the highest profit margins with the appropriate level of contractual and geo-political risk;
- Pursue engineering, procurement and construction ("EPC") contracts with vigor because they can often yield higher profit margins on the engineering and construction components of the contract than stand alone contracts for similar services;
- Focus on performance and project execution in order to maximize the profit potential on each contract awarded;
- Place an increased focus on our commitments to safety and quality because these elements of performance measurement are increasingly important as differentiators from our competitors;
- Develop alliances with companies who will enhance our capabilities and competitiveness in markets throughout the world;
- Pursue growth through expansion and acquisitions in complementary business lines;
- Pursue asset development and operation opportunities to leverage our expertise in design and construction, and to provide a more predictable stream of revenue and cash flow;
- Maintain a strong balance sheet, balancing business risk with low financial risk, and maintain operating and overhead costs commensurate with anticipated levels of revenue; and
- Pursue alliances and equity investment opportunities with clients to secure long-term contracts which provide greater stability in our future revenue and cash flow streams.

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

Over the past three years, we have worked to maintain operating and overhead costs commensurate with a level that is justified by expected revenue. To accomplish this objective, we downsized operations or offices in work countries where expected returns have not materialized and identified and sold surplus equipment. In addition, we terminated certain employee benefit plans and in some cases replaced them with other benefits which controlled our costs and enhanced our competitive position in recruiting and retaining experienced personnel. We remain committed to maintaining overhead costs justified by anticipated revenue run rates; presently, we believe current market conditions are improving and expect to increase some overhead costs to enable us to be responsive to market opportunities.

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

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

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

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

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

Strategic Alliances. We seek to establish strategic alliances with companies whose resources, skills and strategies are complementary to and are likely to enhance our business opportunities, including the formation of joint ventures and consortia to achieve a competitive advantage and share risks. Such alliances have already been established in a number of countries, and we currently have alliances to pursue or perform work in Australia, Bolivia, Canada, China, Ecuador, Saudi Arabia, Thailand, the United States, and Venezuela.

Acquisitions. We seek to identify, evaluate and acquire companies that offer growth opportunities and that complement our resources and capabilities. Consistent with this strategy, in January 2000, we acquired Willbros RPI, Inc. (formerly Rogers & Phillips, Inc.), or "RPI," a closely held pipeline construction company in Houston, Texas with an experienced management team and a strong market position in the U.S. Gulf Coast area. In 2001, we acquired MSI, a closely held facility maintenance and pipeline construction company based in Alberta, Canada. In October 2002, we acquired the Mt. West Group, a group of four closely-held engineering and construction companies operating principally in the western half of the United States.

Asset Development and Operations. We may decide to make an equity investment in a project in order to enhance our competitive position and/or maximize project returns. In 1998, this strategy led to our Venezuelan subsidiary taking a 10 percent equity interest in a joint venture which was awarded a 16-year contract to operate, maintain and refurbish water injection facilities in Lake Maracaibo, Venezuela. Also, since 1998, we

have owned and operated fueling facilities for an agency of the U.S. Government. In 2003, we completed agreements with a North American natural gas processor to design, construct and own a gas processing plant in Opal, Wyoming to process gas production from nearby fields for an annual processing fee plus a share of sales of natural gas liquids extracted.

Conservative Financial Management. We emphasize the maintenance of a strong balance sheet in financing the development and growth of our business. We also seek to obtain contracts that are likely to result in recurring revenue in order to partially mitigate the cyclical nature of our construction and engineering businesses. Additionally, whenever possible we act to minimize our exposure to currency fluctuations through the use of U.S. dollar-denominated contracts and by limiting payments in local currency to approximately the amount of local currency expenses. We continue to exercise a disciplined approach to controlling costs at both project and administrative levels. We may seek new financing, either debt or equity, as market conditions allow and business opportunities may dictate.

Willbros Background

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

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

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

Willbros Milestones

The following are selected milestones which we have achieved:

1915 Began pipeline work in the United States.

1939 Began international pipeline work in Venezuela.

1942-44 Served as principal contractor on the "Big Inch" and "Little Big Inch" War Emergency Pipelines in the United States which delivered Gulf Coast crude oil to the Eastern Seaboard.

1947-48 Built the 370-mile (600-kilometer) Camiri to Sucre and Cochabamba crude oil pipeline in Bolivia.

1951 Completed the 400-mile (645-kilometer) western segment of the Trans-Arabian Pipeline System in Jordan, Syria and Lebanon.

1954-55 Built Alaska's first major pipeline system, consisting of 625 miles (1,000 kilometers) of petroleum products pipeline, housing, communications, two tank farms, five pump stations, and marine dock and loading facilities.

1956-57 Led a joint venture which constructed the 335-mile (535-kilometer) southern section of the Trans-Iranian Pipeline, a products pipeline system extending from Abadan to Tehran.

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

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

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

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

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

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

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

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

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

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

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

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

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

1984-95 Developed and furnished a rapid deployment fuel pipeline distribution and storage system for the U.S. Army which was used extensively and successfully in Saudi Arabia during Operation Desert Shield/Desert Storm in 1990/1991, in Somalia during 1993 and in Iraq in 2003.

1985-86 Built a 185-mile (300-kilometer), 24-inch crude oil pipeline from Ayacucho to Covenas in Colombia, another Andean challenge.

1987 Rebuilt 25 miles (40 kilometers) of the Trans-Ecuadorian crude oil pipeline mobilizing to Ecuador in two weeks and completing work within six months after major portions were destroyed by an earthquake.

1988-92 Performed project management, engineering, procurement and field support services to expand the Great Lakes Gas Transmission System in the northern United States. The expansion involved modifications to 13 compressor stations and the addition of 660 miles (1,060 kilometers) of 36-inch pipeline in 50 separate loops.

1989-92 Provided pipeline engineering and field support services for the Kern River Gas Transmission System, a 36-inch pipeline project extending over 685 miles (1,100 kilometers) of desert and mountains from Wyoming to California in the United States.

1992-93 Rebuilt oil field gathering systems in Kuwait as part of the post-war reconstruction effort.

1996 Listed shares upon completion of an initial public offering of common stock on the New York Stock Exchange under the symbol "WG."

1996-97 Achieved ISO Certification for seven operating companies.

1996-98 Performed an EPC contract with Asamera (Overseas) Limited to design and construct pipelines, flowlines and related facilities for the Corridor Block Gas Project located in southern Sumatra, Indonesia.

1997-98 Carried out a contract for the construction of 120 miles (200 kilometers) each of 36-inch and 20-inch pipelines in the Zuata Region of the Orinoco Belt in Venezuela.

1997-98 Completed an EPC contract for El Paso Natural Gas Company and Gasoductos de Chihuahua, a joint venture between El Paso and PEMEX, to construct a 45-mile (75-kilometer) gas pipeline system in Texas and Mexico.

1999-00 Carried out a contract through a joint venture to construct a 492-mile (792-kilometer), 18-inch gas pipeline in Australia.

2000 Acquired Rogers & Phillips, Inc., a United States pipeline construction company.

2000 Relocated the Willbros USA, Inc. administrative headquarters from Tulsa, Oklahoma to Houston, Texas.

2001 Acquired MSI, an Alberta, Canada based contractor, working in the oil sands area and established a presence in Canada.

2001 Ended year with record backlog of $407.6 million.

2002 Acquired the Mt. West Group to enhance presence in the western United States, and to improve our service capabilities worldwide.

2002 Completed engineering and project management of the Gulfstream project, a $1.6 billion natural gas pipeline system from Mobile, Alabama crossing the Gulf of Mexico and serving markets in central and southern Florida.

2002 Elected Michael F. Curran CEO, succeeding Larry Bump, who retired after 22 years as Willbros CEO.

2002 Completed the Centennial Pipeline Project: FERC application support, engineering, procurement, construction and construction management of new-build and conversion to refined products service of a natural gas system from Gulf Coast to Midwest United States, 797 miles (1,275 kilometers) of 24-inch and 26-inch pipelines and facilities.

2003 Completed work on the Explorer Pipeline Mainline expansion project, adding 12 new pump stations and additional storage to this products pipeline from the Gulf Coast to central Illinois.

2003 Completed an EPC contract for the 665-mile (1,070-kilometer), 30-inch crude oil Chad–Cameroon Pipeline Project, through a joint venture with another international contractor.

2003 Completed the GASYRG natural gas pipeline in Bolivia, 144 miles (230 kilometers) of 32-inch pipeline from the San Alberto gas field to connect with export facilities to Brazil.

2003 Began work on the design and construction of the Opal gas processing plant with nominal capacity of 350 million standard cubic feet per day.

Services Provided

We operate in a single operating segment providing contract construction, specialty services and engineering to the oil, gas and power industries. The following table reflects our contract revenue by type of service for 2003, 2002 and 2001.

	Year Ended December 31,					
	2003		2002		2001	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollar amounts in thousands)					
Construction	$ 293,714	70%	$ 344,834	59%	$ 214,456	55%
Engineering	36,231	9	177,222	30	120,321	31
Specialty Services	88,792	21	61,647	11	55,357	14
Total	$ 418,737	100%	$ 583,703	100%	$ 390,134	100%

Construction Services

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

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

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

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

- clear the right-of-way;
- grade the right-of-way;
- excavate a trench in which to bury the pipe;
- haul pipe to intermediate stockpiles from which stringing trucks carry pipe and place individual lengths (joints) of pipe alongside the ditch;
- bend pipe joints to conform to changes of direction and elevation;
- clean pipe ends and line up the succeeding joint;
- perform various welding operations;
- non-destructively inspect welds;
- clean pipe and apply anti-corrosion coatings;
- lower pipe into the ditch;
- backfill the ditch;
- bore and install highway and railroad crossings;
- drill, excavate or dredge and install pipeline river crossings;
- tie in all crossings to the pipeline;
- install mainline valve stations;
- conduct pressure testing;
- install cathodic protection system; and
- perform final clean up.

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

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

Marine Construction. Our marine fleet includes lay barges, pile driving barges, derrick barges and other vessels, which support marine construction operations, including the “Willbros 318” combination derrick/lay barge which performs shallow water pipelay and maintenance projects in offshore West Africa. This 300-foot (91-meter) barge is capable of laying up to 24-inch diameter pipe in up to 200-foot water depths. During 2001, we purchased the “WB82” work/derrick barge to complement our West Africa marine construction operations. The WB82 work/derrick barge is a 253-foot (78-meter) barge with accommodations for 135 personnel. The WB82 is equipped with a 100-ton revolving crane and is configured to support the construction, maintenance and repair of marine facilities. In West Africa we also own and operate the Eros, a dive support vessel. In Venezuela, we construct and install fixed drilling and production platforms in Lake Maracaibo and near shore locations, and we are also capable of building bridges, docks, jetties and mooring facilities.

Specialty Services

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

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

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

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

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

U.S. Defense Energy Support Center. Since 1998, we have constructed five fueling facilities for the U.S. Defense Energy Support Center. Currently, we own and operate two fueling facilities at Ft. Bragg, North Carolina, which were constructed by us in 1998 and a similar facility completed in 2000 at Twentynine Palms Marine Corps Base in California. In 2001, we were awarded contracts for similar facilities at Ft. Stewart, Georgia and Ft. Gordon, Georgia; these facilities were completed and operational in 2002. In 2004 we expect to bid on six similar facilities at various U.S. government bases.

Engineering Services

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

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

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

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

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

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

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

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

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

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

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

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

Liquids Pipelines and Storage Facility Design. We have engineered a number of crude oil and refined petroleum products systems throughout the world, and have become recognized for our expertise in the engineering of systems for the storage and transportation of petroleum products and crude oil. In 2001, we provided engineering and field services for conversion of a natural gas system in the Midwest United States, involving over 794 miles (1,279 kilometers) of 24-inch to 26-inch diameter pipeline to serve the upper Midwest with refined petroleum products. We recently completed EPC services for the expansion of

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

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

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

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

Geographic Regions

We operate, or have operated, in the following geographic regions: Africa, North America, South America, the Middle East, Asia and Australia. The following table shows our contract revenue by geographic region for 2003, 2002 and 2001.

	Year Ended December 31,					
	2003		2002		2001	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollar amounts in thousands)					
Africa	$ 181,708	43%	$ 243,260	42%	$ 146,200	37%
North America	153,578	37	245,237	42	208,626	54
South America	32,509	8	77,962	13	16,968	4
Middle East	50,942	12	17,244	3	14,303	4
Asia and Australia	-	-	-	-	4,037	1
Total	$ 418,737	100%	$ 583,703	100%	$ 390,134	100%

See Note 14 of the "Notes to Consolidated Financial Statements" included in Item 8 of this Form 10-K for additional information about operations in our work countries.

Africa

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

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

We have maintained a continuous presence in Nigeria since 1962. Our activities in Nigeria are directed from a fully staffed operational base near Port Harcourt. This 150-acre site includes office and living facilities, equipment and vehicle repair shops, a marine jetty, warehouses and fabrication and lay-down areas for both the client's and our materials and spare parts. We have diversified our range of services by adding dredging and pipe coating expertise and drydock facilities. Having diverse yet complementary capabilities has often given us a competitive advantage on projects that contain several distinct work elements within a project's scope of work. For example, we believe that we are currently the only contractor operating in the Nigerian oil and gas sector capable, with our own resources, of executing EPC projects for pipelines and related facilities for onshore, swamp, and offshore locations.

Since our purchase of the Willbros 318 in 1998 and the WB82 in 2001, we have successfully completed several offshore projects, including repair and maintenance, installation of decks and other production facilities on offshore platforms, multiple offshore pipeline construction projects, the installation of a single-point mooring, and various other services for our clients.

North America

We have provided services to the U.S. oil and gas industry for more than 90 years. We believe that the United States will continue to be an important market for our services. Market conditions for the short-term are expected to begin to improve in late 2004, as many of the energy transportation companies improve their financial condition and focus on core businesses. To improve their liquidity, some of our traditional clients have sold some pipeline assets; in some cases, to new industry participants. We expect these new owners to begin to develop and implement their capital budgets for these newly acquired assets in 2004 as they complete their evaluation of the newly acquired assets and finalize their strategies for maximizing the return on their investments in these assets. Deregulation of the electric power and natural gas pipeline industries in the United States has led to the consolidation and reconfiguration of existing pipeline infrastructure and the establishment of new energy transport systems, which we expect will result in continued demand for our services in the mid to long-term. The demand for natural gas for industrial and power usage in the United States should increase the demand for additional new natural gas transportation infrastructure. We anticipate that additional supply to satisfy such market demand for natural gas will come from existing and new production in western Canada, the Rocky Mountain region, the Gulf of Mexico, the Canadian Atlantic offshore region, and newly proposed liquefied natural gas (LNG) regasification terminals. Environmental concerns will likely continue to require careful, thorough and specialized professional engineering and planning for all new facilities within the oil, gas and power sectors. Furthermore, the demand for replacement and rehabilitation of pipelines is expected to increase as pipeline systems in the United States approach the end of their design lives and population trends influence overall energy needs.

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

We have also provided significant engineering services to the U.S. Government during the past 15 years, particularly in fuel storage and distribution systems and aircraft fueling facilities.

On January 24, 2000, we acquired Willbros RPI, Inc., formerly Rogers & Phillips, Inc., a closely held pipeline construction company in Houston, Texas, with an experienced management team and a strong market position in the U.S. Gulf Coast area. On October 12, 2001, we acquired Willbros MSI Canada, Inc., formerly MSI Energy Services Inc., a Canadian contractor with a strong position in the oil sands area of northern Alberta; an area in which production is projected to expand from 600,000 barrels per day in 2000 to more than 1.8 million barrels per day by 2010. On October 23, 2002, we acquired the Mt. West Group to enhance our gas processing and facilities engineering and construction services. These acquisitions add technical management capabilities to improve and enhance our service offerings to our clients worldwide. Additionally, these acquired companies extend Willbros' presence to new geographic areas.

South America

We have been active in South America since 1939. Developments involving political changes and privatization efforts in some of the South American countries make this region attractive to us. In particular,

privatization and deregulation in this region are allowing more foreign and domestic private investment in the energy sector which, until recently, had traditionally been controlled by state-owned energy companies. The medium to long-term market outlook has not changed, but in the short-term, the markets in Venezuela and Bolivia have been disrupted by political instability. We expect gas transportation projects in Bolivia, Brazil, Chile, Peru and Venezuela to continue to evolve to meet increasing demand for gas for industrial and power usage in the rapidly growing urban areas. In Venezuela and Ecuador, crude oil transportation systems will likely need to be built and/or upgraded so that the vast crude reserves in these countries can be efficiently exported to the world market. We are aggressively pursuing business opportunities throughout South America and currently bidding work or monitoring prospects in Bolivia, Ecuador, Peru and Venezuela.

We have performed numerous major projects in South America, where our accomplishments include the construction of five major pipeline crossings of the Andes Mountains and setting a world altitude record for constructing a pipeline.

Venezuela is the largest oil producer in South America and conservative estimates place proven reserves at more than 77 billion barrels of oil and 146 trillion cubic feet of natural gas. The government of Venezuela, under Presidente Hugo Chavez, has separated the natural gas initiative from the oil interests of Petroleos de Venezuela, S. A., or "PDVSA", the government owned oil company, to place natural gas projects on an equal footing with oil projects. This new emphasis on natural gas projects should translate into more demand for natural gas engineering and construction capabilities such as ours; however, at present, the timing of such projects remains uncertain. The Chavez government has also experienced extreme civil unrest culminating in a national strike beginning in December 2002. This strike resulted in a decision by us in mid-December 2002 to suspend all work in Venezuela until satisfactory conditions had resumed for the safe and efficient conduct of project activities. In mid-March 2003, the impact of the strike had moderated and we returned to work. The negative impact of the strike was felt throughout 2003. Some reductions in revenue and earnings in 2003 were the result of these disruptions as actual operations did not achieve the planned physical progress on the project. Some revenue and earnings originally forecasted for 2003 have been deferred into 2004. The outcome of negotiations between the government and opposition groups is uncertain, and we believe significant new foreign investment is unlikely until these negotiations are satisfactorily completed.

In Venezuela, we maintain a fully staffed facility including offices, equipment, yard and dock facilities on a 15-acre waterfront site on Lake Maracaibo. We also have a representation office in Caracas. Resident personnel provide services for both onshore and offshore projects. Services include pipeline construction, repair and maintenance services, fabrication and installation of concrete piles and platforms, marine related services, engineering support and other needed services. In 1998, a consortium in which we hold a 10 percent equity interest was awarded a 16-year contract valued at $785.0 million to operate, maintain and refurbish the Lake Maracaibo water injection program for PDVSA Gas. In 2000, we completed the construction of a major crude oil pumping station for Petrozuata. Current activities include operations, maintenance and refurbishment services for the above-mentioned consortium and recurring service and maintenance work for various clients. In 2002, in a joint contract with a Venezuelan company, we were awarded a project for the engineering, procurement and construction of a marine loading terminal for Petrolera Ameriven, a joint venture of Conoco Phillips, Chevron Texaco and PDVSA.

Late in 2001, we were selected, in an alliance with another international contractor, to construct a 144-mile (230-kilometer) 32-inch natural gas pipeline in Bolivia for the Transierra consortium. This project was completed in the first half of 2003.

Middle East

Hostilities in the Middle East during 2003 caused the short-term outlook for projects to be very limited. However, we continue to believe that increased exploration and production activity in the Middle East will be the primary factor influencing the construction of new energy transportation systems in the region. The majority of future transportation projects in the region are expected to be centered around natural gas due to increased regional demand, governments' recognition of gas as an important asset and an underdeveloped gas transportation infrastructure throughout the region. In April 2003, we were awarded an EPC contract for a natural gas pipeline system in Oman and expect to complete that project in 2004. We are currently performing work as a subcontractor to Kellogg Brown & Root ("KBR") to repair damaged pipelines in northern Iraq. We are also a qualified subcontractor to Perini Corporation, which was awarded an indefinite delivery/indefinite quantity ("IDIQ") contract valued at up to $1.5 billion. The IDIQ contract allows the U.S. Army Corps of Engineers ("USACE") to call upon the contracted companies to rapidly provide design and

construction services as needed to support the USACE needs in Iraq and elsewhere. Projects delayed in the region, by uncertainty associated with the hostilities in Iraq, are now being tendered and awarded. We believe the Middle East in general will present opportunities to provide an increased level of services in 2004 and 2005. We continue to monitor project opportunities throughout the Middle East and are currently investigating prospects in Abu Dhabi, Iraq, Jordan, Kuwait, Oman, Qatar, Saudi Arabia and Yemen.

Our operations in the Middle East date back to 1948. We have worked in most of the countries in the region, with particularly heavy involvement in Iran, Kuwait, Oman and Saudi Arabia. Currently, we have ongoing operations in Oman, where we have been active continuously for more than 35 years. We maintain a fully staffed facility in Oman with equipment repair facilities and spare parts on site and offer construction expertise, repair and maintenance services, engineering support, oil field transport services, materials procurement and a variety of related services to our clients. In November 1999, we were awarded a five-year contract by Oman LNG for general maintenance services. In 2003 we established an administrative and engineering office in Abu Dhabi to provide additional support services to this market. We believe our presence in Oman and our experience there and in other Middle Eastern countries will enable us to successfully win and perform projects in this region.

Asia and Australia

Australia and Asia continue to be geographic areas of interest due to the relative abundance of undeveloped natural gas resources. That abundance, and environmental concerns, favor the use of natural gas for power generation and industrial and residential usage in Australia and Asia. We are currently conducting marketing and business development activities in this market and bidding on projects in Thailand.

Backlog

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

Backlog consists of anticipated revenue from the uncompleted portions of existing contracts and contracts whose award is reasonably assured. At December 31, 2003, backlog was $224.7 million, compared to $216.0 million at December 31, 2002. We believe the backlog figures are firm, subject only to the cancellation and modification provisions contained in various contracts. We expect that approximately $170 million, or 76%, of our existing backlog at December 31, 2003, will be recognized in revenue during 2004. Historically, a substantial amount of our revenue in a given year has not been reflected in our backlog at the beginning of that year. Additionally, due to the short duration of many jobs, revenue associated with jobs performed within a reporting period will not be reflected in backlog. We generate revenue from numerous sources, including contracts of long or short duration entered into during a year as well as from various contractual processes, including change orders, extra work, variations in the scope of work and the effect of escalation or currency fluctuation formulas. These revenue sources are not added to backlog until realization is assured.

Breakdown of our backlog by geographic region as of December 31, 2003 and 2002:

	2003		2002	
	Amount	Percent	Amount	Percent
	(Dollar amounts in thousands)			
Africa	$ 49,942	22%	$ 77,084	35%
North America	93,687	42	66,567	31
South America	23,230	10	65,991	31
Middle East	57,853	26	6,343	3
Total	$ 224,712	100%	$ 215,985	100%

Breakdown of our backlog by line of business as of December 31, 2003:

	Amount	Percent
	(Dollar amounts in thousands)	
Construction	$ 136,082	61%
Engineering	5,245	2
Specialty Services	83,385	37
Total	$ 224,712	100%

Competition

We operate in a highly competitive environment. We compete against government-owned or supported companies and other companies that have financial and other resources substantially in excess of those available to us. In certain markets, we compete against national and regional firms against which we may not be price competitive.

Our primary competitors for international onshore construction projects in developing countries include Technip (France), CCC (Lebanon), Saipem (Italy), AMEC Spie-Capag (France), Techint (Argentina), Bechtel (U.S.), Stroytransgaz (Russia), Tekfen (Turkey), and Nacap (Netherlands). We believe that we are one of the few companies among our competitors possessing the ability to carry out large projects in developing countries on a turnkey basis (engineering, procurement and construction), without subcontracting major elements of the work. As a result, we may be more cost effective than our competitors in certain instances or offer a superior value proposition.

We have different competitors in different markets. In Nigeria, we compete for pipe coating work with ShawCor Ltd. (Canada), while our dredging competitors include Bos Kalis Westminster (Netherlands), Dredging International (Belgium), Bilfinger + Berger (Germany), Nigerian Dredging & Marine (Netherlands) and Ham Dredging (Netherlands). In offshore West Africa, we compete with SaiBos, Stolt Offshore, Global Industries, Inc., and Adamac Group. In Oman, competitors in oil field transport services include Desert Line, Al Ahram, Hamdam and TruckOman, all Omani companies; and in construction and the installation of flowlines and mechanical services, we compete with Taylor Woodrow Towell (Britain), CCC (Lebanon), Dodsal (India), Saipem (Italy), Desert Line (Oman) and Galfar (Oman). In Venezuela, competitors in marine support services include Raymond de Venezuela, Petrolago, and Siemogas, all Venezuelan companies. In the Southern Cone of South America, major competitors include Techint (Argentina), Conduto (Brazil), Odebrecht (Brazil), and Contreras Hermanos (Argentina).

In the United States, our primary construction competitors on a national basis include Associated Pipeline Contractors, Gregory & Cook, H. C. Price, Sheehan Pipeline Construction, U.S. Pipeline and Welded Construction. In addition, there are a number of regional competitors, such as Sunland, Dyess, Flint, and Jomax.

Primary competitors for engineering services include:

- Alliance Engineering;
- Bechtel;
- Colt Engineering;
- Fluor;
- Gulf Interstate;
- Jacobs Engineering;
- Kellogg Brown and Root;
- Mustang Engineering;
- Paragon Engineering;
- Snamprogetti;
- Technip;
- Trigon Sheehan; and
- Universal Ensco.

Joint Ventures

From time to time in the ordinary course of our business, we enter into joint venture agreements with other contractors for the performance of specific projects. Typically, we seek one or more joint venture partners when a project requires local content, equipment, manpower or other resources beyond those we have available to complete work in a timely and efficient manner or when we wish to share risk on a particularly large project. Our joint venture agreements identify the work to be performed by each party, procedures for managing the joint venture work, the manner in which profits and losses will be shared by the parties, the equipment, personnel or other assets that each party will make available to the joint venture and the means by which any disputes will be resolved. We completed the construction of the onshore pipeline for the Chad Development Project in Chad and Cameroon, in such a joint venture with Spie-Capag (Jersey) Ltd in 2003.

Contract Provisions and Subcontracting

Most of our revenue is derived from construction, engineering, and specialty service contracts. We enter into four basic types of construction and specialty service contracts:

- firm fixed-price or lump sum fixed-price contracts providing for a single price for the total amount of work or for a number of fixed lump sums for the various work elements comprising the total price;
- unit-price contracts which specify a price for each unit of work performed;
- time and materials contracts under which personnel and equipment are provided under an agreed schedule of daily rates with other direct costs being reimbursable; and
- a combination of the above (such as lump sums for certain items and unit rates for others).

We enter into three types of engineering contracts:

- firm fixed-price or lump sum fixed-price contracts;
- time and materials contracts pursuant to which engineering services are provided under an agreed schedule of hourly rates for different categories of personnel, and materials and other direct costs are reimbursable; and
- cost-plus-fee contracts, common with U.S. government clients under which income is earned solely from the fee received. Cost-plus-fee contracts are often used for material procurement services.

Changes in scope of work are defined by change orders agreed to by both parties. These changes can affect our contract revenue either positively or negatively.

We usually obtain contracts through competitive bidding or through negotiations with long-standing clients. We are typically invited to bid on projects undertaken by our clients who maintain approved bidder lists. Bidders are pre-qualified by virtue of their prior performance for such clients, as well as their experience, reputation for quality, safety record, financial strength and bonding capacity.

In evaluating bid opportunities, we consider such factors as the client, the geographic location, the difficulty of the work, our current and projected workload, the likelihood of additional work, the project's cost and profitability estimates, and our competitive advantage relative to other likely bidders. We give careful thought and consideration to the political and financial stability of the country or region where the work is to be performed. We use computer-based estimating systems. The bid estimate forms the basis of a project budget against which performance is tracked through a project control system, enabling management to monitor projects effectively.

All U.S. government contracts and many of our other contracts provide for termination of the contract for the convenience of the client. In addition, many contracts are subject to certain completion schedule requirements that include liquidated damages in the event schedules are not met as the result of circumstances within our control.

We act as prime contractor on a majority of the construction projects we undertake. In our capacity as prime contractor and when acting as a subcontractor, we perform most of the work on our projects with our own resources and typically subcontract only such specialized activities as hazardous waste removal, non-destructive inspection, tank erection, catering and security. In the construction industry, the prime contractor is normally responsible for the performance of the entire contract, including subcontract work. Thus, when

acting as a prime contractor, we are subject to the risk associated with the failure of one or more subcontractors to perform as anticipated.

A substantial portion of our projects are currently performed on a fixed-price basis. Under a fixed-price contract, we agree on the price that we will receive for the entire project, based upon specific assumptions and project criteria. If our estimates of our own costs to complete the project are below the actual costs that we may incur, our margins will decrease, and we may incur a loss. The revenue, cost and gross profit realized on a fixed-price contract will often vary from the estimated amounts because of unforeseen conditions or changes in job conditions and variations in labor and equipment productivity over the term of the contract. If we are unsuccessful in mitigating these risks, we may realize gross profits that are different from those originally estimated and may incur losses on projects. Depending on the size of a project, these variations from estimated contract performance could have a significant effect on our operating results for any quarter or year. In some cases, we are able to recover additional costs and profits from the client through the change order process. In general, turnkey contracts to be performed on a fixed-price basis involve an increased risk of significant variations. This is a result of the long-term nature of these contracts and the inherent difficulties in estimating costs and of the interrelationship of the integrated services to be provided under these contracts whereby unanticipated costs or delays in performing part of the contract can have compounding effects by increasing costs of performing other parts of the contract. Our accounting policy related to contract variations and claims requires recognition of all costs as incurred. Revenue associated with these contract variations and claims is recognized only when agreement is reached with the client with respect to scope and price. Consequently, revenue and income may be reported in periods after the periods in which corresponding expenses were reported.

Employees

At December 31, 2003, we employed directly or through our joint ventures, a multi-national work force of approximately 3,300 persons, of which 78% are citizens of the respective countries in which they work. Although the level of activity varies from year to year, we have maintained an average work force of approximately 3,200 over the past five years. The minimum employment during that period has been 2,010 and the maximum 6,020. At December 31, 2003, approximately 46% of our employees were covered by collective bargaining agreements. We believe our relations with our employees are satisfactory.

The following table sets forth the location of employees by work countries as of December 31, 2003:

	Number of Employees[(1)]	Percent
Nigeria	1,423	43%
Oman	674	20
U.S. Construction	415	13
Venezuela	381	12
U.S. Engineering	167	5
Canada	142	4
U.S. Administration	57	2
Bolivia	20	1
Other	3	-
Total	3,282	100%

(1) Includes joint ventures

Equipment

We own, lease, and maintain a fleet of generally standardized construction, transportation and support equipment and spare parts. In 2003 and 2002, expenditures for capital equipment and spare parts were $40.6 million and $30.2 million, respectively. At December 31, 2003, the net book value of our property, plant, equipment and spare parts was $101.9 million.

Historically, we have elected to own rather than lease equipment to ensure the required equipment is available as needed. We believe this has resulted in lower equipment costs. We are constantly evaluating the availability of equipment and may from time to time pursue the leasing of equipment to support projects. In recent years the leasing market for heavy construction equipment in international locales has become

much more competitive. As a result, we have recently made more significant use of leasing to support our project equipment requirements. We continue to evaluate expected equipment utilization, given anticipated market conditions, and may dispose of underutilized equipment from time to time. All equipment is subject to scheduled maintenance to maximize fleet readiness. We have maintenance facilities at Port Harcourt, Nigeria; Azaiba, Oman; Maracaibo, Venezuela; Houston, Texas; Fruita, Colorado and Ft. McMurray, Canada as well as temporary site facilities on major jobs to minimize downtime.

Facilities

We own a 14-acre equipment yard/maintenance facility and an adjoining 29-acre undeveloped industrial site (that is under lease to a third party) at Broken Arrow, Oklahoma, a short distance from Tulsa, Oklahoma. In Channelview, Texas, near Houston, we own a 20-acre equipment and maintenance facility, which includes an office and maintenance shop building. In Houston, we own a 10 acre equipment yard and maintenance facility which includes an 8,500 square foot maintenance/warehouse building and two office buildings totaling approximately 8,200 square feet. Also, in Tulsa, Oklahoma we own a 100,000 square foot office building. In Canada, we own a 10,000 square foot fabrication shop on 3 acres of land in Ft. McMurray, Canada. In Venezuela, our offices and construction facilities are located on 15 acres of land, which we own, on the shores of Lake Maracaibo. In addition, our subsidiary, Willbros Pacific Industrial Electric, Inc. owns an office/shop/warehouse facility in Gillette, Wyoming, which consists of a 50 foot by 150 foot building on a 4.5 acre site. We lease all other facilities used in our operations, including corporate offices in Panama; administrative and engineering offices in Houston, Texas; Fruita, Colorado; Portland, Oregon; Salt Lake City (Murray), Utah and various office facilities, equipment sites and expatriate housing units in the United States, Bolivia, Canada, England, Nigeria, Oman, and Venezuela. Rent expense for these facilities was $2.1 million in 2003 and $1.8 million in 2002.

Insurance and Bonding

Operational risks are analyzed and categorized by our risk management department and are insured through a major international insurance broker under a comprehensive insurance program, which includes commercial insurance policies, consisting of the types and amounts typically carried by companies engaged in the worldwide construction industry. We maintain worldwide master policies written mostly through highly rated insurers. These policies cover our land and marine property, plant, equipment and cargo against all normally insurable risks, including war risk, political risk and terrorism, in third-world countries. Other policies cover our workers and liabilities arising out of our operations. Primary and excess liability insurance limits are consistent with the level of our asset base. Risks of loss or damage to project works and materials are often insured on our behalf by our clients. On other projects, “builders all risk insurance” is purchased when deemed necessary. All insurance is purchased and maintained at the corporate level, other than certain basic insurance, which must be purchased in some countries in order to comply with local insurance laws.

The insurance protection we maintain may not be sufficient or effective under all circumstances or against all hazards to which we may be subject. An enforceable claim for which we are not fully insured could have a material adverse effect on our results of operations. In the future, our ability to maintain insurance, which may not be available or at rates we consider reasonable, may be affected by events over which we have no control, such as those that occurred on September 11, 2001.

We often are required to provide surety bonds guaranteeing our performance and/or financial obligations. The amount of bonding available to us depends upon our experience and reputation in the industry, financial condition, backlog and management expertise, among other factors. We maintain relationships with two highly rated surety companies to provide surety bonds. We also use letters of credit in lieu of bonds to satisfy performance and financial guarantees on some projects when required.

Political, Economic and Operational Risks

Our revenue and cash flow are primarily dependent upon major engineering and construction projects. The availability of these types of projects is dependent upon the condition of the oil, gas and power industries, and specifically, the level of capital expenditures of oil, gas and power companies on infrastructure. Our failure to obtain major projects, the delay in awards of major projects, the cancellation of major projects or delays in completion of contracts are factors that could result in the under-utilization of our resources, which would have an adverse impact on our revenue and cash flow. There are numerous factors beyond our control that influence the level of capital expenditures of oil, gas and power companies.

We currently have substantial operations and assets in developing countries in Africa, the Middle East and South America. Approximately 47% of our contract revenue from 2003 was derived from activities in developing countries, and approximately 41% of our long-lived assets as of December 31, 2003 were located in developing countries. For a list of revenue and assets by location, see Note 14 of "Notes to Consolidated Financial Statements" included in Item 8 of this Form 10-K. Accordingly, we are subject to risks which ordinarily would not be expected to exist in the United States, Canada, Japan or Western Europe.

Some of these risks include:

- Foreign currency restrictions, which may prevent us from repatriating foreign currency received in excess of local currency requirements and converting it into dollars or other fungible currency.
- Exchange rate fluctuations, which can reduce the purchasing power of local currencies and cause our costs to exceed our budget, reducing our operating margin in the affected country.
- Expropriation or deprivation of assets, by either a recognized or unrecognized foreign government, which can disrupt our business activities and create delays and corresponding losses.
- Civil uprisings, riots, terrorism and war, which can make it impractical to continue operations, adversely affect both budgets and schedules and expose us to losses.
- Availability of suitable personnel and equipment, which can be affected by government policy, or changes in policy, which limit the importation of skilled craftsmen or specialized equipment in areas where local resources are insufficient.
- Government instability, which can cause investment in capital projects by our potential customers to be withdrawn or delayed, reducing or eliminating the viability of some markets for our services.
- Legal systems of decrees, laws, regulations, interpretations and court decisions which are not always fully developed and which may be retroactively applied and cause us to incur unanticipated and/or unrecoverable costs as well as delays which may result in real or opportunity costs. In Venezuela, for example, a new hydrocarbons law, which went into effect on January 1, 2002 and which increases royalty rates from approximately 17% to between 20% and 30%, is expected to reduce investment in that country.

Terrorist attacks, such as those which occurred on September 11, 2001, could impact insurance rates, insurance coverages, the level of economic activity and produce instability in financial markets. The terrorist attacks on September 11, 2001, and the changes in the insurance markets attributable to the terrorist attacks, have resulted in increased insurance premiums.

Our operations in developing countries may be adversely affected in the event any governmental agencies in these countries interpret laws, regulations or court decisions in a manner which might be considered inconsistent or inequitable in the United States, Canada, Japan or Western Europe. We may be subject to unanticipated taxes including income taxes, excise duties, import taxes, export taxes, sales taxes, or other governmental assessments, which could have a material adverse effect on our results of operations for any quarter or year.

Given the unpredictable nature of the risks described in the preceding paragraphs, we cannot assure you that such risks will not result in a loss of business which could have a material adverse effect on our results of operations. We have attempted to mitigate the risks of doing business in developing countries by separately incorporating our operations in many such countries; working with local partners in certain countries; contracting whenever possible with major international oil and gas companies; obtaining sizeable pre-payments or securing payment guarantees; entering into contracts providing for payment in U.S. dollars instead of the local currency whenever possible; maintaining reserves for credit losses; maintaining insurance on equipment against certain political risks and terrorism; and limiting our capital investment in each country. We retain local advisors to assist us in interpreting the laws, practices and customs of the countries in which we operate.

Over the years, we have experienced periodic interruptions on some projects. However, we have successfully operated in Nigeria for the past 41 years with very favorable relationships with the local communities, and believe that we can continue to operate in the area. In Venezuela, we have completed several projects and believe that our Venezuelan organization can continue to meet project requirements in this market. Worldwide, we have historically been able to remain neutral with respect to local political issues. We have also observed that, due to the importance of the oil and gas markets to local economies in

developing countries, changes in government have resulted in only short-term interruptions in these markets.

Due to the limited number of major projects worldwide, we may, at any one time, have a substantial portion of our resources dedicated to projects located in a few countries. Our results of operations are, therefore, susceptible to adverse events beyond our control, which may occur in a particular country in which one of our businesses may be concentrated. Economic downturns in such countries could also adversely affect our operations.

We operate primarily in a single operating segment in the oil, gas and power industries, providing construction, engineering and specialty services to a limited number of clients. Much of our success depends on developing and maintaining relationships with our major clients and obtaining a share of contracts from these clients. The loss of any of our major clients could have a material adverse effect on our operations.

Our operations include pipeline construction, dredging, pipeline rehabilitation services, marine support services and the operation of vessels and heavy equipment. These operations involve a high degree of operational risk. Natural disasters, adverse weather conditions, collisions, and operator or navigational error could cause personal injury or loss of life, severe damage to and destruction of property, equipment and the environment and suspension of operations. In locations where we perform work with equipment that is owned by others, our continued use of the equipment can be subject to unexpected or arbitrary interruption or termination. The occurrence of any of these events could result in work stoppage, loss of revenue, casualty loss, increased costs and significant liability to third parties. Litigation arising from the occurrence of any of these events could result in our being named as a defendant in lawsuits asserting substantial claims.

We maintain risk management and safety programs to reduce risks and to mitigate the effects of loss or damage. While we maintain such insurance protection as we deem prudent, there can be no assurance that any such insurance will be sufficient or effective under all circumstances or against all hazards to which we may be subject. An enforceable claim for which we are not fully insured could have a material adverse effect on our financial condition and results of operations. Moreover, no assurance can be given that we will be able to maintain adequate insurance in the future at rates that we consider reasonable.

Government Regulations

General

Many aspects of our operations are subject to government regulations in the countries in which we operate, including those relating to currency conversion and repatriation, taxation of our earnings and earnings of our personnel, and our use of local employees and suppliers. In addition, we depend on the demand for our services from the oil, gas and power industries and, therefore, our business is affected by changing taxes, price controls and laws and regulations relating to the oil, gas and power industries generally. The ability of the Organization of Petroleum Exporting Countries to meet and maintain production targets also influences the demand for our services. The adoption of laws and regulations by the countries or the states in which we operate for the purpose of curtailing exploration and development drilling for oil and gas or the development of power generation facilities for economic and other policy reasons, could adversely affect our operations by limiting demand for our services. Our operations are also subject to the risk of changes in foreign and U.S. laws and policies which may impose restrictions on our business, including trade restrictions, which could have a material adverse effect on our operations.

Other types of government regulation which could, if enacted or implemented, adversely affect our operations include:

- expropriation or nationalization decrees;
- confiscatory tax systems;
- primary or secondary boycotts directed at specific countries or companies;
- embargoes;
- extensive import restrictions or other trade barriers;
- mandatory sourcing rules; and
- unrealistically high labor rates and fuel price regulation.

Our future operations and earnings may be adversely affected by new legislation, new regulations or changes in, or new interpretations of, existing regulations and the impact of these changes could be material.

Environmental

Our operations are subject to numerous environmental protection laws and regulations, which are complex and stringent. We regularly perform work in and around sensitive environmental areas such as rivers, lakes and wetlands. Significant fines and penalties may be imposed for non-compliance with environmental laws and regulations, and certain environmental laws provide for joint and several strict liability for remediation of releases of hazardous substances, rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. In addition to potential liabilities that may be incurred in satisfying these requirements, we may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. Such laws and regulations may expose us to liability arising out of the conduct of operations or conditions caused by others, or for our own acts including those which were in compliance with all applicable laws at the time such acts were performed. We are not aware of any non-compliance with or liability under any environmental law that could have a material adverse effect on our business or operations.

Item 3. Legal Proceedings

We are a party to a number of legal proceedings. We believe that the nature and number of these proceedings are typical for a firm of our size engaged in our type of business and that none of these proceedings is material to our financial position.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders during the fourth quarter of 2003 through the solicitation of proxies or otherwise.

Item 4A. Executive Officers of the Registrant

The following table sets forth information regarding our executive officers. Officers are elected annually by, and serve at the discretion of, our Board of Directors:

Name	Age	Position(s)
Michael F. Curran	63	Director, Vice Chairman of the Board of Directors, Chief Executive Officer, President and Chief Operating Officer
John K. Allcorn	42	Executive Vice President of Willbros Group, Inc. and Willbros USA, Inc.
James K. Tillery	45	Executive Vice President of Willbros International, Inc. and Senior Vice President of Willbros USA, Inc.
Jay T. Dalton	52	Senior Vice President and General Counsel of Willbros Group, Inc.
Warren L. Williams	48	Senior Vice President, Chief Financial Officer and Treasurer of Willbros Group, Inc.

Michael F. Curran joined Willbros in March 2000 as a Director, Vice Chairman of the Board of Directors, President and Chief Operating Officer. In May 2002, Mr. Curran was elected Chief Executive Officer, in addition to his other duties. Mr. Curran served from 1972 to March 2000 as Chairman and CEO of Michael Curran & Associates, a mainline pipeline constructor in North America and West Africa, prior to joining Willbros. He has over 42 years of diversified experience in pipeline construction around the world, including 33 years as President and Chief Executive Officer of various domestic and international pipeline construction firms. Mr. Curran also served as President of the Pipe Line Contractors Association.

John K. Allcorn joined Willbros in May 2000 as Senior Vice President of Willbros International, Inc. and was elected Executive Vice President of Willbros Group, Inc. and Willbros USA, Inc. in 2001. Mr. Allcorn was employed at U.S. Pipeline, Inc., a North American pipeline construction company, as Senior Vice President, from July 1997 until joining Willbros in May 2000. He served as Vice President at Gregory & Cook Construction, Inc., an international pipeline construction company, from June 1996 to July 1997. Mr. Allcorn has over 16 years of pipeline industry experience including an established record in operations management, finance, and business development.

James K. Tillery joined Willbros in 1983 as a field engineer. He has over 21 years of experience as an engineer and project manager working in both U.S. and international pipeline construction. In 1995, he was named Managing Director of Willbros (Nigeria) Limited and in 2001, he was named Senior Vice President - Operations of Willbros International, Inc. and Senior Vice President of Willbros USA, Inc. In 2003 he was promoted to Executive Vice President of Willbros International, Inc. with responsibility for global operations outside North America.

Jay T. Dalton joined Willbros in November 2002 and was elected Senior Vice President and General Counsel. From 1993 to November 2002, Mr. Dalton served as outside counsel to the Company with responsibility for contracts. Between 1980 and 1993, Mr. Dalton was employed by Occidental Petroleum Corporation ("Occidental") where he served as an officer and chief legal counsel to various business units in Occidental's oil and gas division, both domestically and internationally in Colombia, Pakistan and the United Kingdom. Before entering private practice in 1993, Mr. Dalton's last position with Occidental was Vice President and General Counsel of Island Creek Corporation in Lexington, Kentucky.

Warren L. Williams joined Willbros in July 2000 as Vice President, Finance and Accounting, for Willbros USA, Inc. In 2001, he was elected Vice President, Chief Financial Officer and Treasurer of Willbros Group, Inc. In 2002, Mr. Williams was elected Senior Vice President of Willbros Group, Inc. Prior to joining Willbros, Mr. Williams was employed at TransCoastal Marine Services, Inc. ("Transcoastal"), a marine construction company, from April 1998 to July 2000. Mr. Williams served as Vice President during the entire period of his employment at TransCoastal and was named Chief Financial Officer in early 2000. TransCoastal declared bankruptcy under Chapter 7 of the U.S. Bankruptcy Code in June 2000. Mr. Williams worked as an independent financial consultant from 1994 to April 1998. Prior to 1994, Mr. Williams worked at the public accounting firm of Ernst & Young, the last four years as a partner.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Our common stock commenced trading on the New York Stock Exchange on August 15, 1996, under the symbol "WG." The following table sets forth the high and low sale prices per share of our common stock, as reported in the New York Stock Exchange composite transactions, for the periods indicated:

	High	Low
2002:		
First Quarter	$ 16.85	$ 14.10
Second Quarter	19.24	15.55
Third Quarter	17.35	10.30
Fourth Quarter	11.24	5.84
2003:		
First Quarter	$ 8.89	$ 7.02
Second Quarter	10.72	6.95
Third Quarter	10.85	8.86
Fourth Quarter	13.99	10.20

Substantially all of our stockholders maintain their shares in "street name" accounts and are not, individually, stockholders of record. As of March 5, 2004, our common stock was held by 81 holders of record and an estimated 2200 beneficial owners.

In order to fund the development and growth of our business, we intend to retain our earnings rather than pay dividends in the foreseeable future. Since 1991, we have not paid any dividends, except dividends in 1996 on our outstanding shares of preferred stock, which were converted into shares of common stock on July 15, 1996. Subject to restrictions under credit arrangements, the payment of any future dividends will be at the discretion of our Board of Directors and will depend upon, among other things, our financial condition, funds from operations, the level of our capital expenditures and our future business prospects. Our present credit agreement prohibits us from paying cash dividends on our common stock.

Item 6. Selected Financial Data

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

(Dollar amounts in thousands, except per share data)

	Year Ended December 31,				
	2003	2002(1)	2001(2)	2000(3)	1999
Statement of Operations Data:					
Contract revenue	$ 418,737	$ 583,703	$ 390,134	$ 314,290	$ 176,564
Operating expenses (income):					
Contract cost	365,625	488,256	317,186	269,418	147,039
Termination of benefit plans	-	-	(9,204)	-	-
Depreciation and amortization	22,285	23,304	19,522	22,408	21,313
General and administrative	36,060	33,846	29,975	30,218	27,548
Operating income (loss)	(5,233)	38,297	32,655	(7,754)	(19,336)
Net interest income (expense)	(1,222)	(1,551)	(2,588)	(1,865)	587
Other income (expense)	(171)	(1,549)	(603)	(716)	2,031
Income (loss) before income taxes	(6,626)	35,197	29,464	(10,335)	(16,718)
Provision (benefit) for income taxes	(3,413)	5,448	10,384	5,257	3,300
Net income (loss)	$ (3,213)	$ 29,749	$ 19,080	$ (15,592)	$ (20,018)
Net income (loss) per share:					
Basic	$ (.16)	$ 1.63	$ 1.32	$ (1.11)	$ (1.54)
Diluted	(.16)	1.59	1.27	(1.11)	(1.54)
Cash Flow Data:					
Cash provided by (used in):					
Operating activities	$ (7,777)	$ 28,855	$ 24,756	$ 3,040	$ (14,041)
Investing activities	(39,171)	(31,624)	(36,066)	(10,035)	4,866
Financing activities	18,030	33,100	18,373	10,442	8,641
Effect of exchange rate changes	430	(163)	287	686	93
Other Data:					
EBITDA (4)	$ 16,881	$ 60,052	$ 51,574	$ 13,938	$ 4,008
Capital expenditures, excluding acquisitions	$ 40,566	$ 30,227	$ 28,818	$ 15,351	$ 12,245
Backlog (at period end) (5)	$ 224,712	$ 215,985	$ 407,553	$ 373,947	$ 253,080
Number of employees (at period end) (6)	3,282	4,620	3,790	2,194	2,030
Cash dividends per common share	$ -	$ -	$ -	$ -	$ -
Balance Sheet Data (at period end):					
Cash and cash equivalents	$ 20,969	$ 49,457	$ 19,289	$ 11,939	$ 7,806
Working capital	90,129	90,900	45,985	32,079	25,801
Total assets	311,422	298,193	224,135	176,125	153,153
Total debt	18,322	1,171	39,284	26,298	15,981
Stockholders' equity	210,281	210,780	96,557	71,746	80,427

(1) We acquired Mt. West Group, comprised of four companies providing design-build services to the western U.S. energy industry, on October 23, 2002. Accordingly, its results of operations since that date are consolidated with our results of operations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Significant Business Developments” and Note 2 of the “Notes to Consolidated Financial Statements” included in this Form 10-K.

(2) We acquired MSI, a general contractor in Alberta, Canada, on October 12, 2001. Accordingly, its results of operations since that date are consolidated with our results of operations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Significant Business Developments” and Note 2 of the “Notes to Consolidated Financial Statements” included in this Form 10-K.

(3) We acquired RPI, a U.S. pipeline construction company, on January 24, 2000. Accordingly, its results of operations since that date are consolidated with our results of operations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Significant Business Developments”.

(4) EBITDA represents earnings before net interest, income taxes, depreciation and amortization. EBITDA is not intended to represent cash flows for the respective 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 accounting principles generally accepted in the United States. See our Consolidated Statements of Cash Flows in our Consolidated Financial Statements included elsewhere in this Form 10-K. EBITDA is included in this Form 10-K because it is one of the measures through which we assess our financial performance. EBITDA as presented may not be comparable to other similarly titled measures used by other companies. A reconciliation of EBITDA to GAAP financial information is provided in the following table.

	Year Ended December 31,				
	2003	2002	2001	2000	1999
Reconciliation of non-GAAP financial measure:					
Net income (loss)	$ (3,213)	$ 29,749	$ 19,080	$ (15,592)	$ (20,018)
Interest, net	1,222	1,551	2,588	1,865	(587)
Provision (benefit) for income taxes	(3,413)	5,448	10,384	5,257	3,300
Depreciation and amortization	22,285	23,304	19,522	22,408	21,313
EBITDA	$ 16,881	$ 60,052	$ 51,574	$ 13,938	$ 4,008

(5) Backlog is anticipated contract revenue from contracts for which award is either in hand or reasonably assured.
(6) Includes joint ventures in 2002 and 2001.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements for the years ended December 31, 2003, 2002 and 2001, included in Item 8 of this Form 10-K.

OVERVIEW

We derive our revenue from providing construction, engineering and specialty services to the oil, gas and power industries and government entities worldwide. In 2003 our revenue was primarily generated from operations in Canada, Chad, Cameroon, Iraq, Nigeria, Oman, United States, and Venezuela. We obtain contracts for our work primarily by competitive bidding or through negotiations with long-standing or prospective clients. Contracts have durations from a few weeks to several months or in some cases more than a year.

We believe the fundamentals supporting the demand for engineering and construction services for the oil, gas and power industries indicate the market for our services will be strong in the mid to long-term. We expect the markets outside of North America to lead the improvements in demand for our services. We expect the demand in North America for our services to improve in late 2004. An industry survey appears to substantiate our outlook as they are suggesting that planned worldwide pipeline construction will be higher in 2004 than in 2003. The survey indicates an increase in the planned miles of pipeline construction from approximately 38,000 miles in 2003 and beyond to approximately 59,000 miles in 2004 and beyond. Our bidding activity also substantiates our outlook for the near-term as we have seen an increase in prospects that we believe fit with our capabilities and qualifications from approximately $2 billion at the end of 2002 to approximately $5 billion at December 2003.

For the year ended December 31, 2003, we had a loss of $3.2 million or $0.16 per share on revenue of $418.7 million. This compares to revenue of $583.7 million in 2002, a Willbros record, when we reported net income of $29.7 million or $1.59 per diluted share. The operating results for the fourth quarter and year ended December 31, 2003 were positively impacted by the resolution of a portion of our contract variations. This resolution positively impacted revenue, contract income, net income, and EBITDA by $6.9 million. The timing and amount of potential future resolution of the remaining claims for contract variations of over $30 million is uncertain.

Our 2003 revenue was down from 2002, primarily driven by weak market conditions in North America, which resulted in an 80% decline in the engineering group revenue. The weakness in the North American market is attributable to the following:

- Contraction in the amount of credit available to our traditional customers,
- Stagnant economic growth,
- Transfer of pipeline assets by major pipeline transportation companies to new "non-traditional" owners, which resulted in delays in expansion plans of these existing pipeline systems,
- Delays in capital expenditures as a result of concern related to hostilities in the Middle East, and
- Overbuilding of natural gas fired generation capacity.

Outside North America we experienced intermittent political and social unrest in Iraq, Nigeria and Venezuela which reduced our revenue and negatively impacted our contract margins for 2003. Revenue in 2003 was also lower due to the completion, in the first half of the year, of three major projects which were not replaced with projects of similar magnitude.

Contract margin for the year decreased to 12.7% of revenue from 16.4% in 2002. This decline in contract margin is the result of the following:

- An overall decline in the contract margins in the United States due to the competitiveness of the market for our services,
- Persistent and heavy rain on a major project in the Southeastern United States,
- Negative impact of the contract costs without offsetting revenue associated with unresolved contract variations,
- Less revenue to cover our fixed and semi-variable indirect contract costs, and
- Delays in the performance of our work due to intermittent political and social unrest in Iraq, Nigeria and Venezuela during the year.

General and Administrative ("G&A") expenses as a percentage of revenue increased due primarily to the lower 2003 revenue and a $2.2 million increase in G&A expenses in 2003 over 2002. The increase in G&A expenses is due in large part to the inclusion of the Mt. West Group of companies for the entire year in 2003 versus just the fourth quarter in 2002. This accounted for $3.3 million of additional G&A expenses in 2003. We also incurred increased G&A expenses in 2003 above 2002 levels due to a marked increase in bid activity, primarily in our international markets, increased insurance costs, and legal and consulting support costs on contract variation resolution.

The effective income tax rate for the year exceeded the United States statutory income tax rate primarily as a result of:

- Income earned under contracts which provide tax concessions that eliminate the payment of income taxes, and
- Utilization of previously unrecognized net operating loss ("NOL") carryforwards to offset current income tax expenses in countries outside of the United States.

These benefits were partially offset by the requirement in certain countries outside of the United States to provide income taxes on a deemed profit which resulted in an effective tax rate which was substantially higher than the United States statutory income tax rate.

In 2003, our cash and cash equivalents decreased from $49.5 million to $21.0 million and our long-term debt increased from $0 to $17.0 million. These changes were primarily due to the following:

- An investment of $40.6 million in capital assets. A significant amount of the total capital expenditures was related to our gas processing plant in Opal, Wyoming (the "Opal Gas Plant"). The Opal Gas Plant began operations in the first quarter of 2004 under a ten-year gas processing contract with a subsidiary of the Williams Companies (See the related discussion under "Significant Business Developments"); and
- $7.8 million used in operating activities primarily attributable to increases in Nigeria's accounts receivable and contract cost and recognized income not yet billed.

These cash outflows were partially funded by increased borrowings of $14.0 million under our line of credit and increased capital lease obligations of $4.3 million.

In the first quarter of 2004, we completed two financing transactions which we believe will improve our liquidity and, combined with cash flows from operations, will be sufficient to finance our working capital and capital expenditure requirements for future operations. On March 12, 2004, we completed a $60.0 million 2.75% Convertible Senior Notes (the "Convertible Notes") offering. Also, on March 12, 2004, we amended and restated the $125.0 million senior secured credit facility. The three-year amended and restated credit facility (the "2004 Credit Facility") provides for $150.0 million of available credit capacity to be used for letters of credit and cash borrowing. (See related discussion under "Liquidity and Capital Resources").

We believe this new capital structure positions us to take on a substantial amount of additional new work as well as provide a better matching of our capital asset investment with the long-term revenue and cash flows being generated from our capital assets such as our Opal Gas Plant.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue Recognition; Percentage-of-Completion Method

A number of factors relating to our business affect the recognition of contract revenue. Revenue from fixed-price construction and engineering contracts is recognized on the percentage-of-completion method. Under this method, estimated contract income and resulting revenue is generally accrued based on costs incurred to date as a percentage of total estimated costs, taking into consideration physical completion. Total estimated costs, and thus contract income, are impacted by changes in productivity, scheduling, and the unit cost of labor, subcontracts, materials and equipment. Additionally, external factors such as weather, client needs, client delays in providing permits and approvals, labor availability, governmental regulation and politics, may affect the progress of a project's completion and thus the timing of revenue recognition. We do not recognize income on a fixed-price contract until the contract is approximately 5% to 10% complete, depending upon the nature of the contract. Costs which are considered to be reimbursable

are excluded from the percentage-of-completion calculation. Accrued revenue pertaining to reimbursables is limited to the cost of the reimbursables. If a current estimate of total contract cost indicates a loss on a contract, the projected loss is recognized in full when determined. Revenue from change orders, extra work and variations in the scope of work is recognized when agreement is reached with clients as to the scope of work and when it is probable that the cost of such work will be recovered in a change in contract price. Profit on change orders, extra work and variations in the scope of work is recognized when realization is assured beyond a reasonable doubt. Revenue from claims is recognized when agreement is reached with clients as to the value of the claims, which in some instances may not occur until after completion of work under the contract. Revenue from unit-price contracts is recognized as earned. We believe that our 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.

All U.S. government contracts and many of our other contracts provide for termination of the contract for the convenience of the client. In the event a contract would be terminated at the convenience of the client prior to completion, we will typically be compensated for progress up to the time of termination and any termination costs. Many contracts are subject to certain completion schedule requirements with liquidated damages in the event schedules are not met as the result of circumstances that are within our control. In addition, some contracts provide for bonus payments to us for early completion of the project and/or obtainment of specified safety goals.

Income Taxes

The determination of our tax provision is complex due to operations in several tax jurisdictions outside the United States which may be subject to certain risks which ordinarily would not be expected in the United States. Tax regimes in certain jurisdictions are subject to significant changes which may be applied on a retroactive basis. If this were to occur, our tax expense could be materially different than the amounts reported. Furthermore, in determining the valuation allowance related to deferred tax assets, we estimate taxable income into the future and determine the magnitude of deferred tax assets which are more likely than not to be realized. Future taxable income could be materially different than amounts estimated, in which case the valuation allowance would need to be adjusted.

Joint Venture Accounting

From time to time, we seek one or more joint venture partners when a project requires local content, equipment, manpower or other resources beyond those we have available to complete work in a timely and efficient manner or when we wish to share risk on a particularly large project. We have investments, ranging from 10 percent to 50 percent, in joint ventures that operate in similar lines of business as ours. Investments consist of a 10 percent interest in a consortium for work in Venezuela and a 50 percent interest in a joint venture for work in Africa. Interests in these unconsolidated ventures are accounted for under the equity-method in the consolidated balance sheets and on a proportionate consolidation basis in the consolidated statements of operations. This presentation is consistent with construction industry practice. Alternatively, if we were to account for these interests using the equity-method in the consolidated statement of operations, revenue and contract cost would be materially lower; however, net income would not change.

SIGNIFICANT BUSINESS DEVELOPMENTS

We recently reached an agreement with a customer to settle a portion of our contract variations which positively impacted our net income for 2003 by $6.9 million. We currently have over $30 million of outstanding contract variation claims. The timing and amount of potential future revenue recoveries associated with these unresolved contract variations remains uncertain. The claims are primarily related to large projects completed in 2003. The Company is currently in the beginning stages of arbitration on the largest unresolved contract variation relating to the Bolivia Transierra Pipeline project.

In 2003, we completed agreements with Williams Gas Processing Company to design, construct and own a gas processing plant near Opal, Wyoming to process gas production from nearby fields. The Opal Gas Plant was recently completed and began operations in the first quarter of 2004. The plant is designed to process volumes in excess of 350 million standard cubic feet per day of natural gas, producing 7,000 to 11,000 barrels per day of natural gas liquids at various operating conditions. We receive an annual processing fee under a 10 year contract through April 2014, and share in the proceeds from the sales of natural gas liquids extracted.

Late in the third quarter of 2003, Willbros Middle East, Inc. was awarded a project in Iraq for the construction and installation of 15 pipelines ranging in size from 8-inch to 40-inch diameter under a river in northern Iraq by horizontal directional drilling. The contract is currently valued at $50-plus million.

On October 23, 2002, we acquired all outstanding shares of the Mt. West Group. Mt. West Group provides design-build services, including engineering, procurement and construction services to the energy industry, primarily in the western United States. The purchase price of $13.7 million consisted of $4.6 million cash and acquisition costs and 950,000 shares of common stock valued at $9.1 million. In addition, the purchase price will be adjusted by an earn-out amount equal to 25 percent of the combined net income of Mt. West Group for the 24-month period following the date of acquisition. Any earn-out amounts due shall be payable in cash upon completion of the earn-out period. As of December 31, 2003, the Mt. West Group has cumulative net income of $1.0 million since the acquisition date. The transaction was accounted for as a purchase.

On May 14, 2002, we completed a public offering of our common shares at $17.75 per share; 4,356,750 shares were sold by us. The underwriters exercised options to purchase all shares available for over-allotments. We received $71.9 million in proceeds, after the underwriting discount and offering costs, which were used to repay indebtedness under the prior credit agreement and for working capital and general corporate purposes.

OTHER FINANCIAL MEASURES

EBITDA

We use EBITDA (earnings before net interest, income taxes, depreciation and amortization) as part of our overall assessment of financial performance by comparing EBITDA between accounting periods. We believe that EBITDA is used by the financial community as a method of measuring our performance and of evaluating the market value of companies considered to be in businesses similar to ours. EBITDA for 2003 was $16.9 million as compared to $60.1 million in 2002. The $43.2 million decrease in EBITDA is primarily the result of:

- The $165.0 million decrease in revenue, at 2002's contract margin of 16.4% accounts for $27.1 million of the decrease, and
- The 3.7% decrease in contract margin in 2003 on $418.7 million in revenue accounts for another $15.5 million of the decrease.

A reconciliation of EBITDA to GAAP financial information can be found in Item 6, "Selected Financial Data" of this Form 10-K.

Backlog

We define anticipated contract revenue as backlog when the award of a contract is reasonably assured, generally upon the execution of a definitive agreement or contract. Anticipated revenue from post-contract award processes, including change orders, extra work, variations in the scope of work and the effect of escalation or currency fluctuation formulas, is not added to backlog until realization is reasonably assured. Backlog as of December 31, 2003 was $224.7 million with an estimated embedded margin of 29.6% compared to $216.0 million at December 31, 2002 with an estimated embedded margin of 22.1%. Included in the December 31, 2003 backlog is $22.0 million of gas processing revenue with an estimated embedded margin of 100%. The gas processing revenue is associated with the 10 year gas processing contract for our Opal Gas Plant entered into during the year. If we were to reduce the 2003 backlog revenue and estimated contract income for the Opal gas processing contract, the estimated embedded margin of work in backlog would be 22.0%. An estimated $170.0 million of the current backlog (74%) is scheduled to be worked off in 2004.

RESULTS OF OPERATIONS

Our contract revenue and contract costs are primarily related to the timing and location of development projects in the oil, gas and power industries worldwide. Contract revenue and cost variations by country from year to year are the result of (a) entering and exiting work countries; (b) the execution of new contract awards; (c) the completion of contracts; and (d) the overall level of activity in our services.

Our ability to be successful in obtaining and executing contracts can be affected by the relative strength or weakness of the U.S. dollar compared to the currencies of our competitors, our clients and our work locations. During 2003 and 2002, as a result of economic and political events in Venezuela, the Venezuelan Bolivar experienced significant devaluation relative to the U.S. dollar. Included in foreign exchange loss in 2003 and 2002 are foreign exchange losses of $0.5 million and $0.9 million, respectively, resulting from the translation of our Bolivar denominated monetary assets and liabilities into U.S. dollars. We do not believe that our revenue or results of operations in other areas were adversely affected in this regard during the years ended December 31, 2003 or 2002. We do not expect any adverse impact from the recent February 2004 devaluation of the Venezuelan Bolivar.

FISCAL YEAR ENDED DECEMBER 31, 2003,
COMPARED TO FISCAL YEAR ENDED DECEMBER 31, 2002

Contract Revenue

Contract revenue decreased $165.0 million (28%) to $418.7 million in 2003 from $583.7 million in 2002. Engineering revenue declined $141.0 million or 80% in 2003 to $36.2 million from $177.2 million in 2002. The Explorer Pipeline project, which was completed in early 2003 and was not replaced by another comparably sized project, had project revenue of $20.8 million in 2003, compared to $90.9 million in 2002.

Construction revenue also declined $51.1 million or 15% as the result of completing two large projects in the first half of 2003. Construction revenue in 2003 was $293.7 million versus $344.8 million in 2002. The 2003 completion of the Chad-Cameroon Pipeline project resulted in a year-to-year construction revenue decline of $74.5 million. The completion of the Bolivia Transierra Pipeline in early 2003 resulted in an additional $44.4 million in year-to-year construction revenue decline. The combined $118.9 million reduction in construction revenue from the two projects was partially offset by increased revenue related to the Venezuela Ameriven project ($22.1 million), increased work in Oman ($23.7 million), and a full year of Mt. West Group revenue ($23.1 million).

The combined $192.1 million engineering and construction revenue decline was partially offset by a $27.1 million or 44% increase in specialty services revenue. Specialty services revenue in 2003 was $88.8 million versus $61.7 million in 2002. The increase was attributable to new and expanded work in Nigeria and Canada.

Contract Costs

Contract costs declined $122.6 million or 25% to $365.6 million in 2003 from $488.2 million in 2002. Variations in contract costs by country were closely related to the variations in contract revenue.

The 25% year-to-year contract cost decline versus the equivalent 28% contract revenue decline reflects declining margins accompanying declining revenue. Contract margin for 2003 is down from 2002 levels by 3.7 percentage points at 12.7% versus 16.4%. However, fourth quarter 2003 margins adjusted to remove the effect of the contract variation settlement, were comparable to the same period in the prior year. During 2003, engineering contract costs of $44.6 million exceeded revenue by $8.4 million. Margins declined slightly in construction mainly as a result of completing several large projects where contract variations remain to be settled. Revenue from contract claims is not recognized until agreement is reached with our customers. Specialty Services margin increased slightly.

Depreciation and Amortization

Depreciation and amortization decreased $1.0 million (4%) in 2003 primarily due to a change in the mix of assets and depreciable lines of our property, plant and equipment.

General and Administrative

G&A expenses increased $2.2 million or 6% to $36.1 million in 2003 versus $33.9 million in 2002. This increase resulted from a full year of G&A expenses for the Mt. West Group acquired on October 23, 2002 and is partially offset by reductions in Venezuela and U.S. engineering G&A expenses. Excluding the Mt. West Group's $3.3 million year-to-year increase, G&A expenses declined $1.1 million primarily as a result of lower staff compensation. We did incur higher G&A expenses in 2003 over 2002 in the following areas:

- Bidding and estimating;
- Insurance; and
- Legal and consulting.

Net Interest Income (Expense)

Net interest expense decreased $0.4 million to $1.2 million in 2003 from $1.6 million in 2002. Interest expense was $0.2 million less than 2002 because of reduced debt and capitalized interest related to the construction of our Opal Gas Plant. Interest income increased $0.2 million in 2003 as compared to 2002.

Other Income (Expense)

Other expenses decreased $1.3 million to $0.2 million in 2003 from $1.5 million in 2002. The $1.3 million decrease is the result of a $0.6 million gain on the disposal of equipment in 2003, a $0.3 million reduction in foreign currency translation losses in 2003 versus 2002, and the occurrence in 2002 of $0.4 million of miscellaneous expenses which were not repeated in 2003.

Provision for Income Taxes

The provision for income taxes in 2003 decreased $8.9 million as compared to 2002 mainly as a result of a $41.8 million decrease in pretax income. Additionally, the tax provision for 2002 received a benefit of $3.3 million because of a reduction to the deferred tax valuation allowance. This was primarily based on our assessment of our United States operations, including past earnings history and projected future earnings, and the scheduled expiration of our tax net operating losses. Although 2003 did not provide the levels of taxable revenue that we contemplated one year ago, we believe the deferred tax attributes will be fully utilized in future years. The effective income tax rate for the year exceeded the United States statutory income tax rate primarily as a result of:

- Income earned under contracts which provide tax concessions that eliminate the payment of income taxes, and
- Utilization of previously NOL carryforwards to offset current income tax expenses in countries outside of the United States.

These benefits were partially offset by the requirement in certain countries outside of the United States to provide income taxes on a deemed profit which resulted in an effective tax rate which was substantially higher than the United States statutory income tax rate.

FISCAL YEAR ENDED DECEMBER 31, 2002,
COMPARED TO FISCAL YEAR ENDED DECEMBER 31, 2001

Contract Revenue

Contract revenue increased $193.6 million (50%) to $583.7 million due to (a) $130.4 million (60%) of increased construction revenue due primarily to construction on the Chad-Cameroon Pipeline Project, work on a project in Bolivia and increased activity in Offshore West Africa, net of reduced activities on the Nembe Creek Projects in Nigeria as they neared completion and reduced construction activity in the United States; (b) increased engineering revenue of $56.9 million (47%) due to an increase of engineering and procurement services in the United States primarily related to the Explorer Pipeline Project; and (c) an increase of $6.3 million (11%) in Specialty Services revenue principally from revenue generated by MSI in Canada, which was acquired in October 2001, offset by reduced activity in Venezuela. Revenue in the United States increased $26.3 million (13%) due primarily to an increase in engineering and procurement services and the acquisition of Mt. West Group in October 2002, offset by a decrease in construction

activity. Chad-Cameroon revenue increased $101.3 million resulting from construction work begun in the fourth quarter of 2001 on the Chad-Cameroon Pipeline Project. Revenue from Offshore West Africa increased $15.3 million as a result of increased vessel utilization on several projects during the first six months of 2002. Work that began in 2002 on a project in Bolivia resulted in $47.4 million in revenue in that country. A project in the Dominican Republic during 2002 produced $17.7 million in revenue, and revenue in Canada increased $10.4 million resulting from the acquisition of MSI in October 2001. Nigeria revenue decreased $19.5 million (29%) due primarily to reduced activity on the Nembe Creek Projects. The combined revenue in all other areas decreased $5.3 million (15%).

Contract Costs

Contract costs increased $171.1 million (54%) to $488.3 million due to an increase of $107.7 million (62%) in construction services cost, $54.9 million (56%) in engineering services cost and $8.5 million (19%) in specialty services cost. Variations in contract costs by country were closely related to the variations in contract revenue.

Depreciation and Amortization

Depreciation and amortization increased $3.8 million (19%) due primarily to the addition of equipment for the Chad-Cameroon Pipeline Project and the project in Bolivia.

General and Administrative

General and administrative expenses increased $3.9 million (13%) to $33.9 million. This increase is due to higher staff compensation and administrative services necessary to support the 50% increase in revenue. As a percent of revenue, general and administrative expenses decreased from 7.7% in 2001 to 5.8% in 2002.

Operating Income

Operating income increased $5.6 million (17%) from $32.7 million in 2001 to $38.3 million in 2002. Excluding a gain of $9.2 million in 2001 associated with the termination of certain benefit plans, operating income increased $14.8 million (63%). Excluding the gain in 2001, operating income increased largely as a result of higher revenue resulting from greater activity in North America, construction activity on the Chad-Cameroon Pipeline Project and marine maintenance and construction in Offshore West Africa, partially offset by reduced income in Nigeria resulting from a 29% decrease in revenue in that area. The increased income from this 50% increase in revenue was offset by higher depreciation, amortization and general and administrative costs.

Net Interest Income (Expense)

Net interest expense decreased $1.0 million (40%) to $1.6 million. In May 2002, we completed a common stock offering in which we received $71.9 million in net proceeds. Borrowings under our prior credit agreement were paid in full. Interest expense in 2002 includes amortization of debt issue costs of $0.9 million compared to $0.5 million in 2001.

Foreign Exchange Loss

Foreign exchange loss increased $0.9 million to $1.0 million due primarily to the effect of the devaluation of the Venezuelan Bolivar in 2002 on our Venezuelan Bolivar denominated monetary assets and liabilities.

Provision for Income Taxes

The provision for income taxes decreased $4.9 million (47%) due primarily to the difference between $6.6 million of changes to estimated income tax liabilities and deferred tax assets during 2002 compared to $3.2 million of similar changes during 2001. In addition, during 2002, we recorded a $1.1 million deferred income tax benefit associated with operating losses outside the United States. Changes to the 2002 income tax liabilities include a $1.2 million reduction due to annual settlements of income tax liabilities outside the United States and a $1.0 million reduction resulting from changes in current year estimated tax liabilities outside the United States as a result of the above settlements. In addition, we reduced income taxes in the

United States by $1.1 million as a result of the refinement of the allocation of expenses among operating entities and other items affecting estimated tax liabilities in the United States and a $3.3 million reduction in the deferred tax assets valuation allowance. We reduced our U.S. valuation allowance as a result of our assessment of our United States operations including past earnings history and projected future earnings considering the scheduled expiration of our tax net operating losses. Changes in 2001 resulted from a $2.3 million reduction in the deferred assets valuation allowance in the United States and a $0.9 million reduction from annual settlements income taxes outside the United States. The provision for income taxes is also impacted by the differing income tax rates in the various countries in which we operate, including for example Nigeria where income taxes are largely based on deemed profit rather than taxable income as well as a tax holiday in Cameroon for income earned on the Chad-Cameroon Pipeline Project.

LIQUIDITY AND CAPITAL RESOURCES

Capital Requirements

Our primary requirements for capital are to acquire, upgrade and maintain equipment, provide working capital for current projects, finance the mobilization of employees and equipment to new projects, establish a presence in countries where we perceive growth opportunities and finance the possible acquisition of new businesses and equity investments. Historically, we have met these capital requirements primarily from operating cash flows, and more recently from a 2002 equity offering and borrowings under our credit facility.

Working Capital

Cash and cash equivalents decreased $28.5 million (58%) to $21.0 million at December 31, 2003, from $49.5 million at December 31, 2002. The decrease consists of $39.2 million used in investing activities, including the design and construction of our Opal Gas Plant, the acquisition of equipment and spare parts, and $7.8 million used in operating activities, primarily due to increases in accounts receivable and contract cost and recognized income not yet billed, principally in Nigeria. These negative cash flows are partially offset by $18.5 million cash provided by financing activities, including $14.0 million from borrowings under the line of credit and $4.3 million from capital lease obligations entered into in 2003. Working capital and stockholders' equity remained fairly constant from year-to-year, both decreasing less than 1%.

We believe the anticipated increase in revenue, improvement in contract margins and a focus on reducing the working capital requirements in Nigeria, will return the Company to positive cash flow from operations in 2004.

2.75% Convertible Senior Notes

On March 12, 2004, we completed a $60.0 million 2.75% Convertible Senior Notes (the "Convertible Notes") offering to enhance our competitive position in the market place and provide a better matching of the funding of capital assets with the revenue and cash flow streams they are generating.

The Convertible Notes will be general senior unsecured obligations. Interest will be paid semi-annually on March 15th and September 15th, beginning on September 15, 2004. The Convertible Notes will mature on March 15, 2024 unless the notes are repurchased, redeemed or converted earlier. We may redeem the Convertible Notes for cash on or after March 15, 2011, at 100% of the principal amount of the notes plus accrued interest. The holders of the Convertible Notes have the right to require us to repurchase the Convertible Notes, including unpaid interest, on March 15, 2011, 2014, and 2019 or upon a change of control related event. On March 15, 2011 and upon a change in control event, we must pay the purchase price in cash. On March 15, 2014 and 2019, we have the option of providing common stock in lieu of cash or a combination of common stock and cash to fund repurchases. The holders of the Convertible Notes may convert, under certain circumstances, the notes into shares of our common stock at an initial conversion ratio of 51.3611 shares of common stock per $1,000 principal amount of notes (representing a conversion price of approximately $19.47 per share). Net proceeds of approximately $57.2 million will be used for working capital, to repay $14.0 million of indebtedness under the $125.0 million June 2002 credit agreement and for general corporate purposes.

Restated and Extended Credit Facility

On March 12, 2004, the existing June 2002 credit agreement was amended and restated (the "2004 Credit Facility"). The 2004 Credit Facility will mature on March 12, 2007. The 2004 Credit Facility may be

used for standby and commercial letters of credit, borrowings or a combination thereof. Borrowings are limited to the lesser of 40% of the borrowing base or $30.0 million and are payable at termination on March 12, 2007. Interest is payable quarterly at a base rate plus a margin ranging from 0.75% to 2.00% or a Eurodollar Rate plus a margin ranging from 1.75% to 3.00%. A commitment fee on the unused portion of the 2004 Credit Facility is payable quarterly ranging from 0.375% to 0.625%. The 2004 Credit Facility is collateralized by substantially all of our assets, including stock of the principal subsidiaries, restricts the payment of cash dividends and requires us to maintain certain financial ratios. The borrowing base is calculated using varying percentages of cash, accounts receivable, accrued revenue, contract cost and recognized income not yet billed, property, plant and equipment, and spare parts.

Debt issue costs of $2.6 million associated with the 2004 Credit Facility and the remaining $0.6 million of unamortized debt issue costs related to the June 2002 credit agreement will be amortized over a 24 month period.

At December 31, 2003, $14.0 million was borrowed under the June 2002 credit agreement and was repaid with the proceeds from the sale of the Convertible Notes. We had $41.0 million in letters of credit outstanding leaving a total of $40.3 million available for the issuance of letters of credit and $6.0 million for borrowings or a combination thereof. Based on a covenant waiver agreement discussed below, total cash borrowings may not exceed $20.0 million. At December 31, 2003 and 2002, unamortized debt issue cost was $0.8 million and $2.1 million, respectively.

Covenant Waiver

On October 31, 2003, we obtained a Consent and Waiver Agreement (the “Agreement”) from our syndicated bank group to waive non-compliance with certain financial covenants in our credit June 2002 agreement and to agree to a method for calculating the borrowing base that eliminates the multiple of EBITDA calculation through the filing of the February 2004 borrowing base certificate. The Agreement provided waivers for certain quarterly financial covenants through December 31, 2003. If we had not obtained the Agreement, we would have been in default of the June 2002 credit agreement. The Agreement limits cash borrowings under the June 2002 credit agreement to $20.0 million and the total borrowing base available for cash borrowing and the issuance of standby letters of credit may not exceed $75.0 million.

Liquidity

We believe that cash flows from operations, borrowing capacity under the 2004 Credit Facility and the net proceeds from the Convertible Notes offering will be sufficient to finance working capital and capital expenditures for ongoing operations at our present level of activity and will provide capacity for expected growth. Capital expenditures for equipment and spare parts in 2004 are estimated at $30.0 million and $6.0 million, respectively. Also, we may be required to make additional payments during 2004 related to the Mt. West Group acquisition based on a 25% of net income earn-out provision covering the two-year period following the acquisition date. We believe that while there are numerous factors that could and will have an impact on our cash flow, both positively and negatively, there are not one or two events that, should they occur, could not be funded from our operations or borrowing capacity. For a list of events which could cause actual results to differ from our expectations and a discussion of risk factors that could impact cash flow, please refer to the section entitled “Political and Economic Risks; Operational Risks” contained in Items 1 & 2 in this Form 10-K.

Contractual Obligations

	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5years	More than 5 years
	(Dollar amounts in millions)				
Long-term Debt	$ 14.0	$ -	$ 14.0	$ -	$ -
Capital Lease Obligations	4.5	1.3	2.2	1.0	-
Operating Lease Obligations	7.9	2.3	3.5	1.7	.4
Other Long-term Liabilities	.2	.1	.1	-	-
Total	$ 26.6	$ 3.7	$ 19.8	$ 2.7	$ .4

As of December 31, 2003, $14.0 million was borrowed under the June 2002 credit agreement and was repaid with the proceeds from the sale of the Convertible Notes. We had $41.0 million of letters of credit outstanding, leaving $40.3 million available for letters of credit and $6.0 million for borrowings.

Capital lease obligations include approximately $3.9 million to a leasing company under a four-year capital lease in connection with the ongoing acquisition and installation of new corporate information systems and infrastructure. The lease amount increases quarterly based on costs incurred to a maximum value of $7.0 million.

We have certain operating leases for equipment, office and camp facilities. Minimum lease commitments under operating leases as of December 31, 2003, totaled $7.9 million and are payable as follows: 2004, $2.3 million; 2005, $2.0 million; 2006, $1.5 million; 2007, $0.9 million; 2008, $0.8 million and later years, $0.4 million.

Based upon the above, our total cash obligations are payable as follows: 2004, $3.7 million; 2005-2006, $19.8 million; 2007-2008, $2.7 million; and later years, $0.4 million.

Additionally, we have various notes and leases payable, generally related to equipment financing and local revolving credit facilities. All notes and leases are at market interest rates, and are collateralized by certain vehicles, equipment and/or real estate.

We have 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 $5.8 million at December 31, 2003. There were no outstanding borrowings at December 31, 2003.

We do not anticipate any significant collection problems with our customers, including those in countries that may be experiencing economic and/or currency difficulties. Since our customers generally are major oil companies and government entities, and the terms for billing and collecting for work performed are generally established by contracts, we historically have a very low incidence of collectability problems.

Off-Balance Sheet Arrangements and Commercial Commitments

From time to time we enter into commercial commitments, usually in the form of commercial and standby letters of credit, insurance bonds and financial guarantees. Contracts with our customers may require us to provide letters of credit or insurance bonds with regard to our performance of contracted services. In such cases, the commitments can be called upon in the event of our failure to perform contracted services. Likewise, contracts may allow us to issue letters of credit or insurance bonds in lieu of contract retention provisions, in which the client withholds a percentage of the contract value until project completion or expiration of a warranty period.

In connection with our 10% interest in a joint venture in Venezuela, we issued a corporate guarantee equal to 10% of the joint venture's outstanding borrowings with two banks. The guarantee reduces as borrowings are repaid, and expires in March 2004. The commitment as of December 31, 2003 totals $3.6 million, the maximum amount of future payments we could be required to make.

A summary of our off-balance sheet commercial commitments as of December 31, 2003 is as follows:

	Amount of Commitment Expiration Per Period	
	Total Commitment	Less Than 2 Years
	(Dollar amounts in millions)	
Letters of Credit:		
Chad-Cameroon Pipeline Project – performance	$ 21.3	$ 21.3
Bolivia Project – performance	8.9	8.9
Other – performance and retention	10.8	10.8
Total letters of credit	41.0	41.0
Insurance Bonds – primarily performance related:		
Expiring	3.2	3.2
Non-expiring	-	-
Total insurance bonds	3.2	3.2
Corporate guarantee	3.6	3.6
Total commercial commitments	$ 47.8	$ 47.8

These commercial commitments totaling $47.8 million represent the maximum amount of future payments we could be required to make. We had no liability recorded as of December 31, 2003, related to these commitments.

NEW ACCOUNTING PRONOUNCEMENTS

In January 2003, the FASB issued Interpretation No. 46, *"Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51,"* ("FIN 46"). The interpretation states that certain variable interest entities may be required to be consolidated into the results of operations and financial position of the entity that is the primary beneficiary. FIN 46 applies immediately to variable interest entities created after January 31, 2003 and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after December 15, 2003, the revised effective date, to variable entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. FIN 46 applies to public enterprises as of the beginning of the applicable interim or annual period. We do not expect the adoption of FIN 46 to have a material impact on our financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, *"Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement No. 123"*. This Statement amends FASB Statement No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement No. 123 to require prominent disclosures in both annual and interim financial statements. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in the notes to our consolidated financial statements included in Item 8 of this Form 10-K.

In November 2002, the FASB issued Interpretation No. 45, *"Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34"*. This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002 and are not expected to have a material effect on our financial statements. The disclosure requirements are effective for financial statements of interim and annual periods ending after December 15, 2002.

In June 2002, the FASB issued SFAS No. 146, *"Accounting for Costs Associated with Exit or Disposal Activities"*, which addresses accounting for restructuring and similar costs. SFAS No. 146 supersedes previous accounting guidance, principally Emerging Issues Task Force Issue No. 94-3. We will adopt the provisions of SFAS No. 146 for restructuring activities initiated after December 31, 2002. SFAS No. 146 requires that the liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. Under Issue 94-3, a liability for an exit cost is recognized at the date of our commitment to an exit plan. SFAS No. 146 also establishes that the liability should initially be measured and recorded at fair value. Accordingly, SFAS No. 146 may affect the timing of recognizing future restructuring costs as well as the amounts recognized.

In April 2002, the FASB issued SFAS No. 145, "*Rescission of SFAS No. 4, 44, and 64, Amendment of SFAS No. 13 and Technical Corrections".* SFAS No. 145 provides guidance for income statement classification of gains and losses on extinguishment of debt and accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. We adopted SFAS No. 145 in January 2003 and such adoption did not materially affect our consolidated financial statements.

EFFECTS OF INFLATION AND CHANGING PRICES

Our operations are affected by increases in prices, whether caused by inflation, government mandates or other economic factors, in the countries in which we operate. We attempt to recover anticipated increases in the cost of labor, fuel and materials through price escalation provisions in certain of our major contracts or by considering the estimated effect of such increases when bidding or pricing new work.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Our primary market risk is our exposure to changes in non-U.S. currency exchange rates. We attempt to negotiate contracts which provide for payment in U.S. dollars, but we 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, we seek to match anticipated non-U.S. currency revenue with expenses in the same currency whenever possible. To the extent we are unable to match non-U.S. currency revenue with expenses in the same currency, we may use forward contracts, options or other common hedging techniques in the same non-U.S. currencies. We had no forward contracts or options at December 31, 2003 and 2002.

The carrying amounts for cash and cash equivalents, accounts receivable, notes payable and accounts payable and accrued liabilities shown in the consolidated balance sheets approximate fair value at December 31, 2003 due to the generally short maturities of these items. We invest primarily in short-term dollar denominated bank deposits, and at December 31, 2003 did not have any investment in instruments with a maturity of more than a few days or in any equity securities. We have the ability and expect to hold our investments to maturity.

Our exposure to market risk for changes in interest rates relates primarily to our long-term debt. At December 31, 2003, $14.0 million of indebtedness was subject to variable interest rates. The weighted average effective interest rate on the variable rate debt for the twelve months ended December 31, 2003 was 5.0%. The detrimental effect of a hypothetical 100 basis point increase in interest rates for the year would be less than $0.1 million. At December 31, 2003, our fixed rate debt approximated fair value based upon discounted future cash flows using current market rates.

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements

Financial Statements of Willbros Group, Inc. and Subsidiaries

	Page
Independent Auditors' Report	44
Consolidated Balance Sheets as of December 31, 2003 and 2002	45
Consolidated Statements of Operations for the years ended December 31, 2003, 2002 and 2001	46
Consolidated Statements of Stockholders' Equity and Comprehensive Income for the years ended December 31, 2003, 2002 and 2001	47
Consolidated Statements of Cash Flows for the years ended December 31, 2003, 2002 and 2001	48
Notes to Consolidated Financial Statements for the years ended December 31, 2003, 2002 and 2001	49

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Willbros Group, Inc. as of December 31, 2003 and 2002, and the related consolidated statements of operations, stockholders' equity and comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2003. 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 auditing standards generally accepted in the United States of America. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Willbros Group, Inc. as of December 31, 2003 and 2002, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, as of July 1, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" and certain provisions from SFAS No. 142, "Goodwill and Other Intangible Assets", and effective January 1, 2002, adopted the remaining provisions of SFAS No. 142.

/s/ KPMG LLP

Houston, Texas
February 20, 2004, except for Note 7 which is as of March 12, 2004

WILLBROS GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	December 31, 2003	December 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,969	$ 49,457
Accounts receivable, net	101,654	94,552
Contract cost and recognized income not yet billed	40,109	27,880
Prepaid expenses	11,531	6,424
Total current assets	174,263	178,313
Spare parts, net	6,363	6,657
Property, plant and equipment, net	95,528	77,261
Investment in joint ventures	14,086	16,745
Goodwill	9,360	8,689
Other assets	11,822	10,528
Total assets	$ 311,422	$ 298,193
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current portion of long-term debt	$ 1,315	$ 1,171
Accounts payable and accrued liabilities	75,614	66,582
Accrued income taxes	-	8,567
Contract billings in excess of cost and recognized income	7,205	11,093
Total current liabilities	84,134	87,413
Long-term debt	17,007	-
Total liabilities	101,141	87,413
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 20,748,498 shares issued at December 31, 2003 (20,615,875 at December 31, 2002)	1,037	1,031
Capital in excess of par value	152,630	151,784
Retained earnings	57,741	60,954
Treasury stock at cost, 46,196 shares at December 31, 2003 and 2002	(345)	(345)
Notes receivable for stock purchases	(1,240)	(1,315)
Accumulated other comprehensive income (loss)	458	(1,329)
Total stockholders' equity	210,281	210,780
Total liabilities and stockholders' equity	$ 311,422	$ 298,193

See accompanying notes to consolidated financial statements.

WILLBROS GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share amounts)

	Year Ended December 31,		
	2003	2002	2001
Contract revenue	$ 418,737	$ 583,703	$ 390,134
Operating expenses (income):			
Contract	365,625	488,256	317,186
Termination of benefit plans	-	-	(9,204)
Depreciation and amortization	22,285	23,304	19,522
General and administrative	36,060	33,846	29,975
	423,970	545,406	357,479
Operating income (loss)	(5,233)	38,297	32,655
Other income (expense):			
Interest income	524	400	377
Interest expense	(1,746)	(1,951)	(2,965)
Foreign exchange loss	(677)	(1,025)	(117)
Other - net	506	(524)	(486)
	(1,393)	(3,100)	(3,191)
Income (loss) before income taxes	(6,626)	35,197	29,464
Provision (benefit) for income taxes	(3,413)	5,448	10,384
Net income (loss)	$ (3,213)	$ 29,749	$ 19,080
Income (loss) per common share:			
Basic	$ (.16)	$ 1.63	$ 1.32
Diluted	$ (.16)	$ 1.59	$ 1.27
Weighted average number of common shares outstanding:			
Basic	20,662,305	18,271,492	14,442,035
Diluted	20,662,305	18,721,759	15,074,166

See accompanying notes to consolidated financial statements.

WILLBROS GROUP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(In thousands, except share amounts)

	Common Stock Shares	Common Stock Par Value	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Notes Receivable For Stock Purchases	Accumulated Other Compre-hensive Income (Loss)	Total Stock-holders' Equity
Balance, January 1, 2001	15,206,495	$ 760	$ 68,373	$ 12,125	$ (8,474)	$ (43)	$ (995)	$ 71,746
Comprehensive income (loss):								
Net income	-	-	-	19,080	-	-	-	19,080
Foreign currency translation adjustments	-	-	-	-	-	-	57	57
Total comprehensive income								19,137
Payment of notes receivable	-	-	-	-	-	35	-	35
Issuance of treasury stock	-	-	779	-	1,071	-	-	1,850
Issuance of common stock under employee benefit plan	25,446	1	305	-	-	-	-	306
Exercise of stock options	496,250	25	3,458	-	-	-	-	3,483
Balance, December 31, 2001	15,728,191	786	72,915	31,205	(7,403)	(8)	(938)	96,557
Comprehensive income (loss):								
Net income	-	-	-	29,749	-	-	-	29,749
Foreign currency translation adjustments	-	-	-	-	-	-	(391)	(391)
Total comprehensive income								29, 358
Issuance of notes receivable for stock purchase	-	-	-	-	-	(1,307)	-	(1,307)
Issuance of treasury stock for acquisition of Mt. West Group	-	-	2,062	-	7,058	-	-	9,120
Issuance of common stock under employee benefit plan	33,121	1	421	-	-	-	-	422
Sale of common stock, net of offering cost	4,356,750	218	71,684	-	-	-	-	71,902
Exercise of stock options	497,813	26	4,702	-	-	-	-	4,728
Balance, December 31, 2002	20,615,875	1,031	151,784	60,954	(345)	(1,315)	(1,329)	210,780
Comprehensive income (loss):								
Net loss	-	-	-	(3,213)	-	-	-	(3,213)
Foreign currency translation adjustments	-	-	-	-	-	-	1,787	1,787
Total comprehensive loss								(1,426)
Payment of notes receivable	-	-	-	-	-	75	-	75
Issuance of common stock under employee benefit plan	27,623	1	244	-	-	-	-	245
Exercise of stock options	105,000	5	602	-	-	-	-	607
Balance, December 31, 2003	20,748,498	$ 1,037	$ 152,630	$ 57,741	$ (345)	$ (1,240)	$ 458	$210,281

See accompanying notes to consolidated financial statements.

WILLBROS GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2003	2002	2001
Cash flows from operating activities:			
Net income (loss)	$ (3,213)	$ 29,749	$ 19,080
Reconciliation of net income (loss) to cash provided by (used in) operating activities:			
Termination of certain benefit plans	-	-	(9,204)
Change in equity in joint ventures, net	2,659	(9,059)	(3,252)
Depreciation and amortization	22,285	23,304	19,522
Amortization of debt issue costs	1,573	881	504
Loss (gain) on sales and retirements of property, plant and equipment	(343)	281	402
Non-cash compensation expense	-	553	-
Deferred income tax benefit	(2,169)	(3,903)	(1,466)
Changes in operating assets and liabilities:			
Accounts receivable	(7,141)	11,035	(25,333)
Contract cost and recognized income not yet billed	(12,229)	(9,093)	5,759
Prepaid expenses and other assets	(5,687)	(4,230)	385
Accounts payable and accrued liabilities	9,171	1,323	772
Accrued income taxes	(8,795)	(1,858)	2,351
Contract billings in excess of cost and recognized income	(3,888)	(10,128)	15,236
Cash provided by (used in) operating activities	(7,777)	28,855	24,756
Cash flows from investing activities:			
Acquisitions, net of cash acquired	-	(2,001)	(7,410)
Proceeds from sales of property and equipment	1,395	604	162
Purchase of property, plant and equipment	(34,212)	(22,898)	(22,223)
Purchase of spare parts	(6,354)	(7,329)	(6,595)
Cash used in investing activities	(39,171)	(31,624)	(36,066)
Cash flows from financing activities:			
Proceeds from long-term debt	14,000	38,000	75,000
Proceeds from notes payable to banks	8,162	8,323	1,674
Proceeds from common stock	852	75,192	3,789
Collection of notes receivable for stock purchases	75	-	35
Repayment of long-term debt	-	(77,000)	(62,000)
Repayment of notes payable to banks	(5,059)	(8,396)	(2,104)
Sale of treasury stock	-	-	1,979
Costs of debt issuance	-	(3,019)	-
Cash provided by financing activities	18,030	33,100	18,373
Effect of exchange rate changes on cash and cash equivalents	430	(163)	287
Cash provided by (used in) all activities	(28,488)	30,168	7,350
Cash and cash equivalents, beginning of year	49,457	19,289	11,939
Cash and cash equivalents, end of year	$ 20,969	$ 49,457	$ 19,289

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Company - Willbros Group, Inc. ("WGI"), a Republic of Panama corporation, and all of its majority-owned subsidiaries (the "Company") provide construction, engineering and specialty services to the oil, gas and power industries. The Company's principal markets are Africa, Asia, Australia, the Middle East, South America, Canada and the United States.

Principles of Consolidation - The consolidated financial statements of the Company include the accounts of WGI and all of its majority-owned subsidiaries. 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 contract expenses. Interests in unconsolidated joint ventures are accounted for on the equity method in the consolidated balance sheets and on a proportionate consolidation basis in the consolidated statements of operations.

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

Reclassifications - Minority owners of certain non U.S. subsidiaries (operating principally in Nigeria and Oman) earn a percentage of net contract receipts rather than sharing in the net income or losses of the subsidiaries' operations. Due to the nature of these minority interests and the basis on which the entitlement is earned, amounts attributable to the minority interests are included in contract costs. Prior to March 31, 2002, the minority interest amounts were presented as a separate line item in other expenses. Accordingly, reclassifications have been made to the 2001 balances to conform to the 2003 presentation. Amounts due to the minority participants continue to be included in accounts payable and accrued liabilities.

Accounts Receivable - Accounts receivable include retainage, all due within one year, of $8,812 in 2003 and $5,470 in 2002 and are stated net of allowances for bad debts of $915 in 2003 and $725 in 2002. The provision (credit) for bad debts was $199 in 2003, $(58) in 2002 and $(290) in 2001.

Spare Parts - Spare parts (excluding expendables), stated net of accumulated depreciation of $13,915 in 2003 and $13,826 in 2002, are depreciated over three years on the straight-line method.

Property, Plant and Equipment - Depreciation is provided on the straight-line method using estimated lives as follows:

Construction equipment	4-6 years
Marine equipment	10 years
Transportation equipment	3-4 years
Buildings, furniture and equipment	3-20 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 in advance of actual overhaul activities and are allocated to contracts based on estimates of equipment condition. Significant renewals and betterments are capitalized.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used

1. Summary of Significant Accounting Policies (continued)

is measured by a comparison of the carrying amount of the asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Goodwill - Goodwill represents the excess of purchase price over fair value of net assets acquired. Goodwill acquired prior to July 1, 2001 was being amortized on a straight-line basis over twenty years, until adoption of the non-amortization of goodwill provision of Statement of Financial Accounting Standards ("SFAS") No. 142 "Goodwill and Other Intangible Assets" in 2002. SFAS No. 142 addresses the method of identifying and measuring goodwill and other intangible assets acquired in a business combination, eliminates further amortization of goodwill, and requires periodic evaluations of impairment of goodwill balances. The Company performs its goodwill impairment tests annually during the fourth quarter of its fiscal year and more frequently if an event or circumstance indicates that an impairment has occurred. These tests involved determining the fair market value of each of the reporting units with which the goodwill was associated and comparing the estimated fair market value of each of the reporting units with its carrying amount. The Company completed its annual evaluation for impairment of goodwill as of December 31, 2003, and determined that no impairment of goodwill existed as of that date.

The Company adopted SFAS No. 141, "Business Combinations" and certain provisions of SFAS No. 142 as of July 1, 2001, and the remaining provisions regarding the non-amortization of goodwill acquired prior to July 1, 2001, effective January 1, 2002. The effect of the elimination of amortization of goodwill on the Company's net income as if SFAS No. 142 had been in effect in prior periods would have been to increase net income by $54 in 2001.

Revenue - Construction and engineering fixed-price contracts and cost plus fixed-fee contracts are accounted for using the percentage-of-completion method. Under this method, estimated contract revenue is generally accrued based on the percentage the costs to date bear to total estimated costs, taking into consideration physical completion. Estimated contract losses are recognized in full when determined. Revenue from unit-price contracts and from time and material contracts is recognized as earned. Revenue from change orders, extra work and variations in the scope of work is recognized when agreement is reached with clients as to the scope of work and when it is probable that the cost of such work will be recovered in a change in contract price. Profit on change orders, extra work and variations in scope of work is recognized when realization is assured beyond a reasonable doubt. Revenue from claims is recognized when agreement is reached with clients as to the value of the claims, which in some instances may not occur until after completion of work under the contract. Costs incurred for bidding and obtaining contracts are expensed as incurred.

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 temporary differences between the financial statement carrying values of assets and liabilities and their respective tax bases. The provision for income taxes is impacted by income taxes in certain countries, primarily Nigeria, being based on deemed profit rather than taxable income as well as tax holidays on certain projects.

1. Summary of Significant Accounting Policies (continued)

Retirement Plans and Benefits – During 2001, the Company terminated its defined benefit retirement plans and postretirement medical benefits plan that provided retirement benefits to substantially all regular employees. Pension costs were funded in accordance with annual actuarial valuations. The Company recorded the cost of postretirement medical benefits, which was funded on the pay-as-you-go basis, over the employees' working lives. The Company has a voluntary defined contribution retirement plan for U.S. based employee that is qualified, and is contributory on the part of the employees, and a voluntary savings plan for certain international employees that is non-qualified, and is contributory on the part of the employee.

Common Stock Options - The Company measures stock-based compensation using the intrinsic value method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations, and provides pro-forma disclosure as required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock–Based Compensation." As such, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of grant over the exercise price.

If compensation cost for the Company's stock options plans had been determined using the fair value method in SFAS No. 123 and SFAS No. 148, the Company's net income and income per share would have been as shown in the pro forma amounts below:

	Year Ended December 31,		
	2003	2002	2001
Net income (loss) as reported	$ (3,213)	$ 29,749	$ 19,080
Add stock-based employee compensation included in net income, after tax	-	553	-
Less stock-based employee compensation determined under fair value method, after tax	(1,786)	(2,397)	(812)
Pro forma net income (loss)	$ (4,999)	$ 27,905	$ 18,268
Income (loss) per share:			
Basic, as reported	$ (.16)	$ 1.63	$ 1.32
Basic, pro forma	$ (.24)	$ 1.53	$ 1.26
Diluted, as reported	$ (.16)	$ 1.59	$ 1.27
Diluted, pro forma	$ (.24)	$ 1.49	$ 1.21

The fair value of granted options was estimated on the date of grant using the Black-Sholes option pricing model with the following assumptions:

	Year Ended December 31,		
	2003	2002	2001
Expected option life in years	1-3	4	3-4
Risk-free interest rate	1.13%	1.81%	3.91%
Dividend yield	-	-	-
Volatility	52.99%	57.04%	61.03%

Foreign Currency Translation - All significant monetary asset and liability accounts stated in currencies other than United States dollars are translated into United States dollars at current exchange rates for countries in which the local currency is the functional currency. Translation adjustments are accumulated in other comprehensive income (loss). Non-monetary assets and liabilities in highly inflationary economies are translated into United States dollars at historical exchange rates. Revenue and expense accounts are

1. Summary of Significant Accounting Policies (continued)

converted at prevailing rates throughout the year. Foreign currency transaction adjustments and translation adjustments in highly inflationary economies are recorded in income.

Concentration of Credit Risk - The Company has a concentration of customers in the oil, gas and power industries which exposes the Company to a concentration of credit risks 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.

Fair Value of Financial Instruments - The carrying value of financial instruments does not materially differ from fair value.

Cash Flows - In the determination of cash flows, all highly liquid investments with maturities of less than three months are considered to be cash equivalents. The Company paid interest of $300 in 2003, $1,132 in 2002, and $2,858 in 2001 and income taxes of $11,265 in 2003, $11,315 in 2002 and $8,650 in 2001.

Capitalized Interest - The Company capitalizes interest as part of the cost of significant assets constructed or developed for the Company's own use. During 2003, $386 of interest was capitalized, primarily attributable to the design and construction of the Opal Gas Plant. No interest was capitalized in 2002 and 2001.

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

Derivative Financial Instruments - The Company may use derivative financial instruments such as forward contracts, options or other financial instruments as hedges to mitigate non-U.S. currency exchange risk when the Company is unable to match non-U.S. currency revenue with expenses in the same currency. The Company had no derivative financial instruments as of December 31, 2003 or 2002.

2. Acquisitions

On October 23, 2002, the Company acquired all outstanding shares of Mt. West Fabrication Plants and Stations, Inc., Process Electric and Control, Inc., Process Engineering Design, Inc. and Pacific Industrial Electric, Inc. (collectively, "Mt. West Group"). Mt. West Group provides design-build services, including engineering, procurement and construction services to the energy industry, primarily in the western United States, thereby expanding the Company's services in the United States. The purchase price of $13,711 was based on a multiple of cash flow and consisted of $4,591 cash and acquisition costs and 950,000 shares of common stock valued at $ 9,120 (based on the average market price of the Company's common shares over the two-day periods before and after the date a definitive purchase agreement was signed). In addition, the purchase price will be adjusted by an earn-out amount equal to 25 percent of the combined adjusted net income, as defined in the definitive purchase agreement, of Mt. West Group for the 24-month period following the date of acquisition. Any earn-out amounts due shall be payable in cash upon completion of the earn-out period. The transaction was accounted for as a purchase.

On October 12, 2001, the Company successfully completed its tender offer for all outstanding shares of MSI Energy Services Inc. ("MSI"), a general contractor in Alberta, Canada. The acquisition established the Company's presence in Canada. The aggregate purchase price, including transaction costs, was $8,295. Concurrently, the Company sold to certain MSI shareholders 144,175 common shares of treasury stock with an assigned value of $1,850, the market price at the date the transaction was announced. The net cash of $6,445 paid to purchase MSI was funded through borrowings under the Company's principal credit agreement. The transaction was accounted for as a purchase.

2. Acquisitions (continued)

None of the goodwill created as a result of these acquisitions is expected to be deductible for tax purposes.

The fair value of the net assets acquired from these acquisitions was as follows:

	Mt. West Group	MSI
Current assets	$ 15,799	$ 3,549
Property, plant and equipment	3,544	3,318
Current liabilities	(9,173)	(1,080)
Deferred income taxes	(808)	(482)
Term debt	-	(416)
	9,362	4,889
Goodwill, included in other assets	4,349	3,406
	$ 13,711	$ 8,295

The unaudited pro forma results of operations including Mt. West Group and MSI as if the acquisitions occurred January 1, 2001, would have been:

	Year Ended December 31,	
	2002	2001
Revenue	$ 665,197	$ 459,199
Net income (loss)	31,902	21,966
Income (loss) per common share:		
Basic	$ 1.68	$ 1.42
Diluted	$ 1.64	$ 1.36

3. Contracts in Progress

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

	December 31,	
	2003	2002
Costs incurred on contracts in progress	$ 433,537	$ 433,469
Recognized income	74,579	77,871
	508,116	511,340
Progress billings and advance payments	475,212	494,553
	$ 32,904	$ 16,787
Contract cost and recognized income not yet billed	$ 40,109	$ 27,880
Contract billings in excess of cost and recognized income	(7,205)	(11,093)
	$ 32,904	$ 16,787

The Company expects all amounts to be billed within one year.

4. Property, Plant and Equipment

Property, plant and equipment, which are used to secure debt or are subject to lien, at cost, consist of:

	December 31,	
	2003	2002
Construction equipment	$ 59,226	$ 54,428
Marine equipment	57,603	54,664
Transportation equipment	23,912	24,372
Land, buildings, furniture and equipment	58,692	36,900
	199,433	170,364
Less accumulated depreciation and amortization	103,905	93,103
	$ 95,528	$ 77,261

Included in land, buildings, furniture and equipment is $3,871 for the cost of a new information system, presently in the installation stage, which has been capitalized in connection with a capital lease. The lease, which could have a maximum lease value of $7,000, began on December 31, 2003, requires monthly payments for four years, increases quarterly based on expenditures made, has an implicit interest rate of 5.14%, and contains a bargain purchase provision at the end of the lease term.

5. Joint Ventures

The Company has had investments during the past three years, ranging from 10 percent to 50 percent, in joint ventures that operate in similar lines of business as the Company. Investments consist of a 10 percent interest in a consortium for work in Venezuela, a 35 percent interest in a joint venture for work in Australia and a 50 percent interest in a joint venture for work in Africa. Interests in these unconsolidated ventures are accounted for under the equity-method in the consolidated balance sheets and on a proportionate consolidation basis in the consolidated statements of operations.

The Company's proportionate share of revenue and contract cost included in the consolidated statements of operations from these ventures consists of:

	Year Ended December 31,		
	2003	2002	2001
Contract revenue	$ 60,344	$ 127,643	$ 42,483
Contract cost	43,417	105,285	31,637

The Company's investments in and advances to these ventures consist of:

	December 31,	
	2003	2002
Due from joint ventures, included in accounts receivable	$ -	$ 4,662
Investment in joint ventures	14,086	16,745

5. Joint Ventures (continued)

Summarized balance sheet information for the significant joint venture in Africa (accounted for under the equity-method in the consolidated balance sheets) is as follows:

	December 31,	
	2003	2002
Current assets	$ 22,395	$ 29,661
Non-current assets	1,068	17,380
Total	$ 23,463	$ 47,041
Liabilities, current	$ 8,926	$ 25,484
Equity	14,537	21,557
Total	$ 23,463	$ 47,041

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of:

	December 31,	
	2003	2002
Trade payables	$ 63,313	$ 47,666
Payrolls and payroll liabilities	10,876	16,639
Equipment reconditioning and overhaul reserves	1,425	2,277
	$ 75,614	$ 66,582

7. Notes Payable and Long-term Debt

Notes payable and long-term debt consist of the following:

	December 31,	
	2003	2002
$125,000 revolving credit agreement with a syndicated bank group	$ 14,000	$ -
Other obligations	4,322	1,171
Total long-term debt	18,322	1,171
Less current portion	1,315	1,171
Long-term debt, less current portion	$ 17,007	$ -

On June 14, 2002, the Company completed a $125,000 credit agreement with a syndicated bank group. The facility may be used for standby and commercial letters of credit, borrowings or a combination thereof. Borrowings are limited to the lesser of 40% of the borrowing base or $50,000 and are payable at termination on June 14, 2005. Interest is payable quarterly at a base rate plus a margin ranging from 0.75% to 2.00% or a Eurodollar Rate plus a margin ranging from 1.75% to 3.00%. A commitment fee on the unused portion of the credit agreement is payable quarterly ranging from 0.50% to 0.75%. The credit agreement is collateralized by substantially all of the Company's assets, including stock of the principal subsidiaries, restricts the payment of cash dividends and requires the Company to maintain certain financial

7. Notes Payable and Long-term Debt (continued)

ratios. The borrowing base is calculated using the lesser of (1) varying percentages of cash, accounts receivable, accrued revenue, contract cost and recognized income not yet billed, property, plant and equipment, and spare parts or (2) a multiple of EBITDA. Debt issue costs of $3,257 net of accumulated amortization of $2,455, associated with the new credit agreement are included in other assets at December 31, 2003 and are being amortized over 24 months ending June 2004.

As of December 31, 2003, there were borrowings of $14,000 under the June 2002 credit agreement. The Company had $41,047 of letters of credit outstanding, leaving $40,287 available for the issuance of letters of credit and $6,000 for borrowings or a combination thereof.

In the quarters ended September 30, 2003 and December 31, 2003, due to the Company's operating results and EBITDA levels, a Consent and Waiver Agreement (the "Agreement") was obtained from the syndicated bank group to waive non-compliance with certain financial covenants to the credit agreement and to agree to a method for calculating the borrowing base that eliminates the multiple of EBITDA calculation through the filing of the February 2004 borrowing base certificate. The Agreement provides waivers for certain quarterly financial covenants through December 31, 2003. As a result of the Agreement, cash borrowings under the credit agreement are limited to $20,000 and the total borrowing base available for cash borrowing and the issuance of standby letters of credit may not exceed $75,000. Borrowings under the credit facility are classified as long-term due to their stated maturity date and the future expected compliance with the covenants of the credit facility. Effective March 31, 2004, the calculation of all covenants and the borrowing base revert to the original calculations contained in the June 14, 2002 credit agreement. Additionally, at that date the maximum borrowings under the facility return to $125,000 and cash borrowings are limited to 40% of the borrowing base or $50,000. In the future, an acceleration of debt under the credit facility could occur if the credit agreement's covenants are not met and the Company is not successful in obtaining waivers of compliance at that time.

On March 12, 2004, the Company completed a $60,000 2.75% Convertible Senior Notes (the "Convertible Notes") offering. The Convertible Notes will be general senior unsecured obligations. Interest will be paid semi-annually on March 15th and September 15th, beginning on September 15, 2004. The Convertible Notes will mature on March 15, 2024 unless the notes are repurchased, redeemed or converted earlier. The Company may redeem the Convertible Notes for cash on or after March 15, 2011, at 100% of the principal amount of the notes plus accrued interest. The holders of the Convertible Notes have the right to require the Company to repurchase the Convertible Notes, including unpaid interest, on March 15, 2011, 2014, and 2019 or upon a change of control related event. On March 15, 2011 and upon a change in control event, the Company must pay the purchase price in cash. On March 15, 2014 and 2019, the Company has the option of providing common stock in lieu of cash or a combination of common stock and cash to fund repurchases. The holders of the Convertible Notes may convert, under certain circumstances, the notes into shares of common stock at an initial conversion ratio of 51.3611 shares of our common stock per $1,000.00 principal amount of notes (representing a conversion price of approximately $19.47 per share).

On March 12, 2004, the existing June 2002 credit agreement was amended and restated (the "2004 Credit Facility"). The 2004 Credit Facility will mature on March 12, 2007. The 2004 Credit Facility may be used for standby and commercial letters of credit, borrowings or a combination thereof. Borrowings are limited to the lesser of 40% of the borrowing base or $30,000 and are payable at termination on March 12, 2007. Interest is payable quarterly at a base rate plus a margin ranging from 0.75% to 2.00% or a Eurodollar Rate plus a margin ranging from 1.75% to 3.00%. A commitment fee on the unused portion of the 2004 Credit Facility is payable quarterly ranging from 0.375% to 0.625%. The 2004 Credit Facility is collateralized by substantially all of the Company's assets, including stock of the principal subsidiaries, restricts the payment of cash dividends and requires the Company to maintain certain financial ratios. The borrowing base is calculated using varying percentages of cash, accounts receivable, accrued revenue,

7. Notes Payable and Long-term Debt (continued)

contract cost and recognized income not yet billed, property, plant and equipment, and spare parts.

Other obligations include approximately $3,871 to a leasing company under a four-year capital lease in connection with the ongoing acquisition and installation of new corporate information systems and infrastructure. Additionally, the Company has various notes payable, generally related to equipment financing, and local revolving credit facilities. All are at market interest rates, and are collateralized by certain vehicles, equipment and/or real estate.

The Company has unsecured credit facilities with banks in certain countries outside the United States. Borrowings 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 $5,841 at December 31, 2003. There were no outstanding borrowings made under these facilities at December 31, 2003 or 2002.

8. Retirement Benefits

The Company had two defined benefit plans (pension plans), one covering substantially all regular employees which were funded by employee and Company contributions and the other covering certain executive officers which was funded by Company contributions. The Company's funding policy was 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 were determined by employee earnings and credited service. The Company had a post-retirement medical benefits plan that covered substantially all regular employees and was funded by Company and retiree contributions based on estimated cost. The defined benefit plans and the post-retirement medical benefit plan were terminated during 2001.

Plan assets of the pension plans consisted primarily of listed stocks and bonds. Pension plan assets totaling $494 in 2002 and $35,985 in 2001 were distributed to plan participants. By December 31, 2002, all assets had been distributed to plan participants. The post-retirement medical benefit plan had no assets. Upon termination of these plans in 2001, all benefits ceased and the liabilities relating to the accrued cost of future benefits were reversed resulting in non-cash, non-taxable gains of $9,204, which are reflected as a reduction of operating expenses in the 2001 consolidated statements of operations.

Benefit expense for the year ended December 31, 2001 for these plans included the following components:

	Pension Benefits	Post-retirement Medical Benefits
Service cost	$ 714	$ 56
Interest cost	2,260	215
Expected return on plan assets	(2,418)	-
Recognized net actuarial loss (gain)	(323)	(27)
Amortization of transition asset	(29)	-
Amortization of prior service cost	45	(12)
Curtailment	73	-
Amendments	(220)	-
	102	232
Settlement gain	(3,170)	(6,034)
	$ (3,068)	$ (5,802)

8. Retirement Benefits (continued)

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

	Year Ended December 31,		
	Pension Benefits		Post-retirement Medical Benefits
	2002	2001	2001
Change in benefit obligations:			
Benefit obligations, beginning of year	$ 494	$ 32,289	$ 5,540
Service cost	377	714	56
Interest cost	-	2,260	215
Plan participants' contribution	-	295	60
Amendments	-	326	-
Actuarial loss (gain)	-	595	-
Curtailment	-	-	(5,381)
Benefits paid	(871)	(35,985)	(490)
Benefits obligations, end of year	-	494	-
Change in plan assets:			
Plan assets at fair value, beginning of year	494	35,444	-
Actual return on plan assets	-	(858)	-
Employer contribution	377	1,598	430
Plan participants' contribution	-	295	60
Benefits paid	(871)	(35,985)	(490)
Plan assets at fair value, end of year	-	494	-
Accrued benefit cost	$ -	$ -	$ -

The Company has a defined contribution plan that is funded by participating employee contributions and the Company. The Company matches employee contributions, up to a maximum of 4 percent of salary in the form of cash or WGI common stock, as elected by the employee. Company contributions for this plan were $1,094 (including $245 of WGI common stock) in 2003, $1,038 (including $422 of WGI common stock) in 2002 and $905 (including $306 of WGI common stock) in 2001.

9. Income Taxes

The provision (benefit) 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. The relationship between income (loss) before income taxes and the provision for income taxes is affected by the method of determining income taxes in the countries in which the Company operates. The effective consolidated tax rate differs from the U.S. federal statutory tax rate as 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 (benefit) for income taxes in the consolidated statements of operations consist of:

	Year Ended December 31,		
	2003	2002	2001
Income (loss) before income taxes:			
Other countries	$ 17,064	$ 20,000	$ 8,935
United States	(23,690)	15,197	20,529
	$ (6,626)	$ 35,197	$ 29,464
Provision (benefit) for income taxes:			
Current provision (benefit):			
Other countries	$ 6,241	$ 4,446	$ 5,563
United States:			
Federal	(6,427)	3,551	4,991
State	(1,058)	1,354	1,296
	(1,244)	9,351	11,850
Deferred tax expense (benefit):			
United States	(679)	(2,653)	(1,497)
Other countries	(1,490)	(1,250)	31
	(2,169)	(3,903)	(1,466)
Total provision (benefit) for income taxes	$ (3,413)	$ 5,448	$ 10,384

The Company's provision (benefit) for income taxes differed from the United States statutory federal income tax rate of 34% due to the following:

	Year Ended December 31,		
	2003	2002	2001
Tax at U.S. statutory rate	$ (2,253)	$ 11,967	$ 10,018
Non-U.S. income taxed at other than U.S. rates	(5,802)	(6,800)	(3,038)
Non-U.S. income tax	4,751	3,196	5,563
State tax, net of federal benefit	(698)	894	855
Non-U.S. income taxed in U.S.	-	113	784
Other, net	589	(613)	973
Termination of benefit plans	-	-	(2,433)
Adjustment to deferred tax asset valuation allowance	-	(3,309)	(2,338)
	$ (3,413)	$ 5,448	$ 10,384

9. Income Taxes (continued)

The principal components of the Company's net deferred tax assets are:

	December 31,	
	2003	2002
Deferred income tax assets:		
Self insured medical accrual	$ 196	$ 182
Accrued vacation	291	342
Non-U.S. tax net operating loss carryforwards	16,995	14,909
U.S. tax net operating loss carryforwards	4,859	4,898
Other	288	490
	22,629	20,821
Valuation allowance	(14,595)	(13,799)
Deferred income tax assets, net of valuation allowance	8,034	7,022
Deferred income tax liabilities:		
Property and equipment	(1,086)	(2,290)
Net deferred income tax assets, included in other assets	$ 6,948	$ 4,732

The net deferred income tax assets (liabilities) are as follows:

	December 31,	
	2003	2002
United States	$ 4,698	$ 4,019
Other countries	2,250	713
Net deferred income tax assets	$ 6,948	$ 4,732

The United States federal income tax benefit recognized in 2003 is a result of the Company's ability to carry a significant portion of the 2003 United States loss back to the years 2002 and 2001 to offset the United States income of certain subsidiaries in those years.

The Company has $14,290 in United States net operating loss carryforwards at December 31, 2003. The United States net operating loss carryforwards will expire, unless utilized, beginning with $391 in 2005, $2,617 in 2007 and $11,282 in subsequent years through December 31, 2013. The carryforwards available on an annual basis are limited. The Company has assessed its United States operations including past earnings history and projected future earnings, and the limitations and expiration dates of the U.S. net operating loss carryforwards and other tax assets, and has determined that it is more likely than not that the $4,698 of U.S. net deferred tax assets at December 31, 2003, will be realized.

At December 31, 2003, the Company has non-expiring operating loss carryforwards in the United Kingdom of $34,602 (£19,331), and a net operating loss carryforward expiring over three years in Venezuela of $1,713 (Bolivars 2,740,034). The deferred tax assets applicable to these operating loss carryforwards at December 31, 2003 and 2002 are fully reserved by a valuation allowance of $14,423. At December 31, 2003, the Company has non-expiring operating loss carryforwards in Bolivia of $10,289 (Bolivianos 82,406). The Company has assessed its Bolivia operations and has determined it is more likely than not that $2,401 of the deferred tax asset related to these net operating loss carryforwards at December 31, 2003, will be realized, and the remainder has been reserved by a valuation allowance of $172. Overall, the valuation allowance increased in 2003 because of additional losses in Bolivia, partially offset by income in Venezuela.

9. Income Taxes (continued)

In connection with the acquisitions of Mt. West Group in 2002 and MSI in 2001, the Company recorded $808 and $482, respectively, of deferred tax liabilities relating primarily to differences between the financial statement carrying values of the assets acquired and their tax bases.

10. Stockholder Rights Plan

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

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

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

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

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. The number of shares authorized for issuance under the 1996 Plan, and the Director Plan, was increased to 3,125,000, and 225,000, respectively, by shareholder approval.

Options granted under the 1996 Plan vest over a three to four year period. Options granted under the Director Plan vest six months after the date of grant. At December 31, 2003, the 1996 Plan had 610,588 shares and the Director Plan had 104,000 shares available for grant. Certain provisions allow for accelerated vesting based on increases of share prices.

11. Stock Ownership Plans (continued)

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

	Year Ended December 31,					
	2003		2002		2001	
	Shares	Weighted-Exercise Price	Shares	Weighted-Exercise Price	Shares	Weighted-Exercise Price
Outstanding, beginning of year	1,560,899	$ 10.48	1,851,800	$ 9.64	1,859,550	$ 7.62
Granted	45,000	10.22	218,912	12.56	559,500	13.54
Exercised	105,000	5.79	497,813	8.38	496,250	7.02
Forfeited	53,500	14.07	12,000	6.24	71,000	6.12
Outstanding, end of year	1,447,399	$ 10.68	1,560,899	$ 10.48	1,851,800	$ 9.64
Exercisable at end of year	1,096,774	$ 10.91	875,399	$ 9.94	975,500	$ 9.00

The weighted-average fair value of options granted during the year was $2.52 in 2003 ($4.05 in 2002 and $6.47 in 2001). Exercise prices for options outstanding, weighted-average remaining life and weighted-average exercise price by ranges of exercise prices at December 31, 2003 are:

Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price
$ 5.06 - $ 6.94	448,591	5.9 Years	$ 5.92
7.26 - 11.88	363,750	6.2 Years	9.02
12.70 - 19.44	635,058	6.8 Years	14.99
$ 5.06 - $19.44	1,447,399	6.4 Years	$ 10.68

The number of vested options and weighted-average exercise price by ranges of exercise prices at December 31, 2003 are:

Range of Exercise Prices	Vested Options	Weighted Average Exercise Price
$ 5.06 - $ 6.94	316,591	$ 6.05
7.26 - 11.88	266,750	8.96
12.70 - 19.44	513,433	14.93
$ 5.06 - $19.44	1,096,774	$ 10.91

In March 2002, certain officers of the Company borrowed a total of $1,307 under the Employee Stock Purchase Program, which permitted selected executives and officers (exclusive of the Chief Executive Officer) to borrow from the Company up to 100% of the funds required to exercise vested stock options. The loans are full recourse, non-interest bearing for a period of up to 5 years and are collateralized by the related stock. The difference of $553 between the discounted value of the loans and the fair market value of the stock on the date of exercise was recorded as compensation expense. The loans receivable are presented as a reduction of stockholders' equity. The maximum loan amount any one officer may have outstanding under the Employee Stock Purchase Program is $250.

12. Common Stock Offering

On May 14, 2002, the Company completed a public offering of its common shares at $17.75 per share; 4,356,750 shares were sold by the Company. The underwriters exercised options to purchase all shares available for over-allotments. The Company received $71,902 in proceeds, after the underwriting discount and offering costs, which were used to repay indebtedness under the prior credit agreement and for working capital and general corporate purposes.

13. Earnings (Loss) Per Share

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

	Year Ended December 31,		
	2003	2002	2001
Net income (loss) applicable to common shares	$ (3,213)	$ 29,749	$ 19,080
Weighted average number of common shares outstanding for basic earnings per share	20,662,305	18,271,492	14,442,035
Weighted average number of dilutive potential common shares outstanding	-	450,267	632,131
Weighted average number of common shares outstanding for diluted earnings per share	20,662,305	18,721,759	15,074,166
Earnings (loss) per common share:			
Basic	$ (.16)	$ 1.63	$ 1.32
Diluted	$ (.16)	$ 1.59	$ 1.27

The weighted average number of potential common shares excluded from the computation of diluted earnings (loss) per share because of their anti-dilutive effect was 1,444,066 at December 31, 2003 (405,092 at December 31, 2002 and 449,750 at December 31, 2001).

14. Segment Information

The Company operates in a single operating segment providing construction, engineering and specialty services to the oil, gas and power industries. Due to a limited number of major projects and clients, the Company may at any one time have a substantial part of its operations dedicated to one project, client and country.

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

	Year Ended December 31,		
	2003	2002	2001
Customer A	16%	29%	18%
Customer B	15	-	14
Customer C	-	16	-
Customer D	-	-	17
Customer E	-	-	10
Customer F	-	-	10
	31%	45%	69%

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

	Year Ended December 31,		
	2003	2002	2001
Contract revenue:			
United States [(1)]	$ 129,401	$ 231,552	$ 205,292
Offshore West Africa	66,918	59,285	44,027
Cameroon	61,605	136,149	34,808
Nigeria	53,185	47,826	67,365
Oman	40,885	17,244	14,303
Venezuela	29,312	12,835	16,968
Canada	24,177	13,685	3,334
Iraq	10,057	-	-
Bolivia	2,998	47,383	-
Dominican Republic	199	17,744	-
Australia	-	-	4,037
	$ 418,737	$ 583,703	$ 390,134
Long-lived assets:			
United States	$ 41,359	$ 24,298	$ 17,346
Nigeria	23,574	21,291	21,305
Offshore West Africa	12,307	11,070	11,399
Oman	6,857	5,139	4,464
Venezuela	5,575	7,304	6,640
Canada	4,289	3,852	3,258
Cameroon	3,089	7,262	9,709
Bolivia	2,806	3,503	-
Other	2,035	199	193
	$ 101,891	$ 83,918	$ 74,314

(1) Net of intercountry revenue of $9,009 in 2003, $25,849 in 2002, and $59,284 in 2001.

15. Contingencies, Commitments and Other Circumstances

The Company provides construction, engineering and specialty services to the oil, gas and power industries. The Company's principal markets are currently Africa, the Middle East, South America and North America. 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, war, unanticipated taxes including income taxes, excise duties, import taxes, export taxes, sales taxes or other governmental assessments, availability of suitable personnel and equipment, termination of existing contracts and leases, government instability and legal systems of decrees, laws, regulations, interpretations and court decisions which are not always fully developed and which may be retroactively applied. Management is not presently aware of any events of the type described in the countries in which it operates that have not been provided for in the accompanying consolidated financial statements.

Based upon the advice of local advisors in the various work countries concerning the interpretation of the laws, practices and customs of the countries in which it operates, management believes the Company has followed the current practices in those countries; however, because of the nature of these potential risks, there can be no assurance that the Company may not be adversely affected by them in the future. The Company insures substantially all of its equipment in countries outside the United States against certain political risks and terrorism through political risk insurance coverage that contains a 20% co-insurance provision.

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 venture partners. Management is not aware of any material exposure related thereto which has not been provided for in the accompanying consolidated financial statements.

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.

In connection with the Company's 10% interest in a joint venture in Venezuela, the Company issued a corporate guarantee equal to 10% of the joint venture's outstanding borrowings with two banks. The guarantee reduces as borrowings are repaid, and expires in March 2004. The commitment as of December 31, 2003 totals approximately $3,582, the maximum amount of future payments the Company could be required to make.

From time to time the Company enters into commercial commitments, usually in the form of commercial and standby letters of credit, insurance bonds and financial guarantees. Contracts with the Company's customers may require the Company to provide letters of credit or insurance bonds with regard to the Company's performance of contracted services. In such cases, the commitments can be called upon in the event of failure to perform contracted services. Likewise, contracts may allow the Company to issue letters of credit or insurance bonds in lieu of contract retention provisions, in which the client withholds a percentage of the contract value until project completion or expiration of a warranty period. Retention commitments can be called upon in the event of warranty or project completion issues, as prescribed in the contracts. At December 31, 2003, the Company had approximately $44,200 of letters of credit and insurance bonds outstanding, representing the maximum amount of future payments the Company could be required to make. The Company had no liability recorded as of December 31, 2003, related to these commitments.

15. Contingencies, Commitments and Other Circumstances (continued)

In 1997 the Company entered into lease agreements with a special-purpose leasing partnership for land and an office building for the engineering group in Tulsa, Oklahoma. In July 2002, the Company acquired the assets for $5,500, thereby eliminating the lease agreements and related commercial commitments.

The Company is a party to a number of legal proceedings. Management believes that the nature and number of these proceedings are typical for a firm of similar size engaged in a similar type of business and that none of these proceedings is material to the Company's financial position.

The Company has certain operating leases for office and camp facilities. Rental expense, excluding daily rentals and reimbursable rentals under cost plus contracts, was $2,127 in 2003, $1,782 in 2002, and $2,596 in 2001. Minimum lease commitments under operating leases as of December 31, 2003, totaled $7,909 and are payable as follows: 2004, $2,282; 2005, $1,985; 2006, $1,491; 2007, $905; 2008, $783 and later years, $463.

16. Quarterly Financial Data (Unaudited)

Selected unaudited quarterly financial data for the years ended December 31, 2003 and 2002 is as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter(a)	Year
December 31, 2003:					
Contract revenue	$ 98,936	$ 122,864	$ 91,498	$ 105,439	$ 418,737
Operating income (loss)	(4,851)	2,510	(9,541)	6,649	(5,233)
Income (loss) before income taxes	(5,604)	2,189	(9,732)	6,521	(6,626)
Net income (loss)	(4,573)	4,125	(8,746)	5,981	(3,213)
Earnings per share:					
Basic	(.22)	.20	(.42)	.29	(.16)
Diluted	(.22)	.20	(.42)	.28	(.16)
December 31, 2002:					
Contract revenue	$ 147,497	$ 148,149	$ 151,699	$ 136,358	$ 583,703
Operating income	10,548	12,181	8,521	7,047	38,297
Income before income taxes	9,422	10,803	7,834	7,138	35,197
Net income	4,613	7,609	7,935	9,592	29,749
Earnings per share:					
Basic	.31	.42	.40	.47	1.63
Diluted	.30	.41	.40	.46	1.59

(a) Included in revenue, operating income and net income in the Fourth Quarter 2003 is $6,892 for settlement of a contract variation. The settlement added $.33 to earnings per share. Included in Fourth Quarter 2002 is a $3,309 deferred income tax benefit resulting from a reduction in the deferred tax valuation allowance.

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

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of December 31, 2003. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2003, the disclosure controls and procedures are effective in alerting them on a timely basis to material information required to be included in our periodic filings with the Securities and Exchange Commission.

No change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the fiscal quarter ended December 31, 2003 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required by this Item with respect to our directors is incorporated by reference from the sections of our definitive Proxy Statement for our 2004 Annual Meeting of Stockholders (the "Proxy Statement") entitled "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance."

Code of Conduct

We have adopted both a code of business conduct and ethics for directors, officers and employees and an additional separate code of ethics for the Chief Executive Officer and senior financial officers. This information is available on our website at http://www.willbros.com under the "Governance" captions on the "Investors" page. We intend to satisfy the disclosure requirements, including those of Item 406 of Regulation S-K, regarding certain amendments to, or waivers from, provisions of our code of business conduct and ethics and code of ethics for the Chief Executive Officer and senior financial officers by posting such information on our website. Additionally, our corporate governance guidelines and the charters of the Audit Committee, the Compensation Committee and the Nominating/Corporate Governance Committee of the Board of Directors are also available on our website. A copy of the codes, governance guidelines and charters will be provided to any of our stockholders upon request.

Item 11. Executive Compensation

The information required by this Item is incorporated by reference from the sections of the Proxy Statement entitled "Election of Directors" and "Executive Compensation."

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated by reference from the sections of the Proxy Statement entitled "Equity Compensation Plan Information" and "Principal Stockholders and Security Ownership of Management.

Item 13. Certain Relationships and Related Transactions

The information required by this Item is incorporated by reference from the section of the Proxy Statement entitled "Certain Transactions."

Item 14. Principal Accountant Fees and Services

The information required by this Item is incorporated by reference from the section of the Proxy Statement entitled "Audit and Other Fees Paid to Independent Auditors."

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) (1) Financial Statements:

Our financial statements and those of our subsidiaries and independent auditors' report are listed in Item 8 of this Form 10-K.

	2003 Form 10-K Page(s)
(2) Financial Statement Schedule:	
Independent Auditors' Report..	72
Schedule II – Consolidated Valuation and Qualifying Accounts.................................	73

All other schedules are omitted as inapplicable or because the required information is contained in the financial statements or included in the footnotes thereto.

(3) Exhibits:

The following documents are included as exhibits to this Form 10-K. Those exhibits below incorporated by reference herein are indicated as such by the information supplied in the parenthetical thereafter. If no parenthetical appears after an exhibit, such exhibit is filed herewith.

3.1 Amended and Restated Articles of Incorporation of Willbros Group, Inc. (Filed as Exhibit 3.1 to our report on Form 10-Q for the quarter ended September 30, 2002, filed November 14, 2002).

3.2 Restated By-Laws of Willbros Group, Inc. (Filed as Exhibit 3.2 to our Registration Statement on Form S-1, Registration No. 333-5413 (the "S-1 Registration Statement")).

4.1 Form of stock certificate for our Common Stock, par value $.05 per share (Filed as Exhibit 4 to the S-1 Registration Statement).

4.2 Rights Agreement, dated April 1, 1999, between us and ChaseMellon Shareholder Services, L.L.C., as Rights Agent (Filed as an Exhibit to our Registration Statement on Form 8-A, dated April 9, 1999).

4.3 Certificate of Designation of Series A Junior Participating Preferred Stock (Filed as Exhibit 3 to our report on Form 10-Q for the quarter ended March 31, 1999, filed May 17, 1999).

10.1 Credit Agreement dated June 14, 2002, by and among us, certain designated subsidiaries, Credit Lyonnais New York Branch, as administrative agent, certain financial institutions, and Canadian Imperial Bank of Commerce, as syndication agent (Filed as Exhibit 10.1 to our report on Form 10-Q for the quarter ended June 30, 2002, filed on August 14, 2002).

10.2* Form of Indemnification Agreement between our officers and us (Filed as Exhibit 10.7 to the S-1 Registration Statement).

10.3* Form of Indemnification Agreement between our directors and us (Filed as Exhibit 10.16 to the S-1 Registration Statement).

10.4* Willbros Group, Inc. 1996 Stock Plan (Filed as Exhibit 10.8 to the S-1 Registration Statement).

10.5* Amendment Number 1 to Willbros Group, Inc. 1996 Stock Plan dated February 24, 1999 (Filed as Exhibit A to the Company's Proxy Statement for Annual Meeting of Stockholders dated March 31, 1999).

10.6* Amendment Number 2 to Willbros Group, Inc. 1996 Stock Plan dated March 7, 2001, (Filed as Exhibit B to our Proxy Statement for Annual Meeting of Stockholders dated April 2, 2001).

10.7* Form of Incentive Stock Option Agreement under the Willbros Group, Inc. 1996 Stock Plan (Filed as Exhibit 10.13 to our report on Form 10-K for the year ended December 31, 1996, filed March 31, 1997 (the “1996 Form 10-K”)).

10.8* Form of Non-Qualified Stock Option Agreement under the Willbros Group, inc. 1996 Stock Plan (Filed as Exhibit 10.14 to the 1996 Form 10-K).

10.9* Willbros Group, Inc. Director Stock Plan (Filed as Exhibit 10.9 to the S-1 Registration Statement).

10.10* Amendment Number 1 to Willbros Group, Inc. Director Stock Plan dated January 1, 2002 (Filed as Exhibit 10.13 to our report on Form 10-K for the year ended December 31, 2001, filed February 20, 2002).

10.11* Amendment Number 2 to the Willbros Group, Inc. Director Stock Plan dated February 18, 2002 (Filed as Exhibit 10.2 to our report on Form 10-Q for the quarter ended June 30, 2002, filed August 14, 2002).

10.12* Form of Secured Promissory Note under the Willbros Group, Inc. Employee Stock Purchase Program (Filed as Exhibit 10.5 to our report on Form 10-Q for the quarter ended June 30, 2002, filed August 14, 2002).

10.13* Willbros Group, Inc. Severance Plan (as amended and restated effective September 25, 2003) (Filed as Exhibit 10.1 to our report on Form 10-Q for the quarter ended September 30, 2003, filed November 13, 2003).

10.14 Registration Rights Agreement dated April 9, 1992, between us and Heerema Holding Construction, Inc., Yorktown Energy Partners, L.P., Concord Partners II, L.P., Concord Partners Japan Limited and certain other stockholders of the Company (Filed as Exhibit 10.13 to the S-1 Registration Statement).

10.15* Consulting Services Agreement dated June 1, 2002, between Willbros USA, Inc., and Larry J. Bump (Filed as Exhibit 10.4 to our report on Form 10-Q for the quarter ended June 30, 2002, filed August 14, 2002).

21. Subsidiaries.

23. Consent of KPMG LLP, included on page 72 of this Form 10-K.

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contract or compensatory plan or arrangement.

Reports on Form 8-K.

(b) No reports on Form 8-K were filed during the fourth quarter of 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WILLBROS GROUP, INC.

Date: March 12, 2004

By: /s/ Michael F. Curran
Michael F. Curran
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Larry J. Bump Larry J. Bump	Director and Chairman of the Board	March 12, 2004
/s/ Michael F. Curran Michael F. Curran	Director, Vice Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	March 12, 2004
/s/ Warren L. Williams Warren L. Williams	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)	March 12, 2004
/s/ Peter A. Leidel Peter A. Leidel	Director	March 12, 2004
/s/ John H. Williams John H. Williams	Director	March 12, 2004
/s/ Michael J. Pink Michael J. Pink	Director	March 12, 2004
/s/ James B. Taylor, Jr. James B. Taylor, Jr.	Director	March 12, 2004
/s/ Rodney B. Mitchell Rodney B. Mitchell	Director	March 12, 2004
____________________ S. Fred Isaacs	Director	March _ _, 2004

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENT SCHEDULE AND CONSENT

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

The audits referred to in our report dated February 20, 2004, except for Note 7 which is as of March12, 2004, included the related consolidated financial statement schedule as of December 31, 2003 and for each of the years in the three-year period ended December 31, 2003. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statement schedule based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to the incorporation by reference in the registration statements (Nos. 333-18421, 333-21399, 333-53748 and 333-74290) on Form S-8 and (Nos. 333-96201, 333-63096 and 333-101448) on Form S-3 of Willbros Group, Inc. of our reports dated February 20, 2004, except for Note 7 which is as of March 12, 2004, relating to the consolidated balance sheets of Willbros Group, Inc. and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of operations, stockholders' equity and comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2003 and the related financial statement schedule, which reports appear in the December 31, 2003 annual report on Form 10-K of Willbros Group, Inc. Our report on the consolidated financial statements refers to the adoption of Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" and certain provisions from SFAS No. 142, "Goodwill and Other Intangible Assets" in 2001 and the remaining provisions of SFAS No. 142 in 2002.

/s/ KPMG LLP

Houston, Texas
March 12, 2004

WILLBROS GROUP, INC.
SCHEDULE II – CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

(In thousands)

Year Ended	Description	Balance at Beginning of Year	Charged (Credited) to Costs and Expenses	Charge Offs and Other	Balance at End of Year
December 31, 2001	Allowance for bad debts	$ 508	$ (290)	$ 516	$ 734
December 31, 2002	Allowance for bad debts	$ 734	$ (58)	$ 49	$ 725
December 31, 2003	Allowance for bad debts	$ 725	$ 199	$ (7)	$ 917
December 31, 2001	Overhaul Accrual	$ 3,330	$ -	$ (1,194)	$ 2,136
December 31, 2002	Overhaul Accrual	$ 2,136	$ -	$ 141	$ 2,277
December 31, 2003	Overhaul Accrual	$ 2,277	$ -	$ (852)	$ 1,425

INDEX TO EXHIBITS

The following documents are included as exhibits to this Form 10-K. Those exhibits below incorporated by reference herein are indicated as such by the information supplied in the parenthetical thereafter. If no parenthetical appears after an exhibit, such exhibit is filed herewith.

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation of Willbros Group, Inc. (Filed as Exhibit 3.1 to our report on Form 10-Q for the quarter ended September 30, 2002, filed November 14, 2002).
3.2	Restated By-Laws of Willbros Group, Inc. (Filed as Exhibit 3.2 to our Registration Statement on Form S-1, Registration No. 333-5413 (the "S-1 Registration Statement")).
4.1	Form of stock certificate for our Common Stock, par value $.05 per share (Filed as Exhibit 4 to the S-1 Registration Statement).
4.2	Rights Agreement, dated April 1, 1999, between us and ChaseMellon Shareholder Services, L.L.C., as Rights Agent (Filed as an Exhibit to our Registration Statement on Form 8-A, dated April 9, 1999).
4.3	Certificate of Designation of Series A Junior Participating Preferred Stock (Filed as Exhibit 3 to our report on Form 10-Q for the quarter ended March 31, 1999, filed May 17, 1999).
10.1	Credit Agreement dated June 14, 2002, by and among us, certain designated subsidiaries, Credit Lyonnais New York Branch, as administrative agent, certain financial institutions, and Canadian Imperial Bank of Commerce, as syndication agent (Filed as Exhibit 10.1 to our report on Form 10-Q for the quarter ended June 30, 2002, filed on August 14, 2002).
10.2*	Form of Indemnification Agreement between our officers and us (Filed as Exhibit 10.7 to the S-1 Registration Statement).
10.3*	Form of Indemnification Agreement between our directors and us (Filed as Exhibit 10.16 to the S-1 Registration Statement).
10.4*	Willbros Group, Inc. 1996 Stock Plan (Filed as Exhibit 10.8 to the S-1 Registration Statement).
10.5*	Amendment Number 1 to Willbros Group, Inc. 1996 Stock Plan dated February 24, 1999 (Filed as Exhibit A to the Company's Proxy Statement for Annual Meeting of Stockholders dated March 31, 1999).
10.6*	Amendment Number 2 to Willbros Group, Inc. 1996 Stock Plan dated March 7, 2001, (Filed as Exhibit B to our Proxy Statement for Annual Meeting of Stockholders dated April 2, 2001).
10.7*	Form of Incentive Stock Option Agreement under the Willbros Group, Inc. 1996 Stock Plan (Filed as Exhibit 10.13 to our report on Form 10-K for the year ended December 31, 1996, filed March 31, 1997 (the "1996 Form 10-K")).
10.8*	Form of Non-Qualified Stock Option Agreement under the Willbros Group, Inc. 1996 Stock Plan (Filed as Exhibit 10.14 to the 1996 Form 10-K).
10.9*	Willbros Group, Inc. Director Stock Plan (Filed as Exhibit 10.9 to the S-1 Registration Statement).
10.10*	Amendment Number 1 to Willbros Group, Inc. Director Stock Plan dated January 1, 2002 (Filed as Exhibit 10.13 to our report on Form 10-K for the year ended December 31, 2001, filed February 20, 2002).
10.11*	Amendment Number 2 to the Willbros Group, Inc. Director Stock Plan dated February 18, 2002 (Filed as Exhibit 10.2 to our report on Form 10-Q for the quarter ended June 30, 2002, filed August 14, 2002).

10.12* Form of Secured Promissory Note under the Willbros Group, Inc. Employee Stock Purchase Program (Filed as Exhibit 10.5 to our report on Form 10-Q for the quarter ended June 30, 2002, filed August 14, 2002).

10.13* Willbros Group, Inc. Severance (as amended and restated effective September 25, 2003) (Filed as Exhibit 10.1 to our report on Form 10-Q for the quarter ended September 30, 2003, filed November 13, 2003).

10.14 Registration Rights Agreement dated April 9, 1992, between us and Heerema Holding Construction, Inc., Yorktown Energy Partners, L.P., Concord Partners II, L.P., Concord Partners Japan Limited and certain other stockholders of the Company (Filed as Exhibit 10.13 to the S-1 Registration Statement).

10.15* Consulting Services Agreement dated June 1, 2002, between Willbros USA, Inc. and Larry J. Bump and us (Filed as Exhibit 10.4 to our report on Form 10-Q for the quarter ended June 30, 2002, filed August 14, 2002).

21. Subsidiaries.

23. Consent of KPMG LLP, included on page 72 of this Form 10-K.

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contract or compensatory plan or arrangement.

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, **Michael F. Curran**, certify that:

1. I have reviewed this Annual Report on Form 10-K of Willbros Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's' internal control over financial reporting; and

5. The registrant's' other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's' auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2004

/s/ Michael F. Curran

Michael F. Curran

Chief Executive Officer

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, **Warren L. Williams**, certify that:

1. I have reviewed this Annual Report on Form 10-K of Willbros Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's' auditors and the audit committee of the registrant's board of directors(or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2004

/s/ Warren L. Williams

Warren L. Williams

Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Willbros Group, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael F. Curran, Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 12, 2004

/s/ Michael F. Curran

Michael F. Curran
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Willbros Group, Inc. (the "Company") on Form 10-K for the year ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Warren L. Williams, Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 12, 2004

/s/ Warren L. Williams

Warren L. Williams
Chief Financial Officer

Larry J. Bump, 64

Chairman

Joined Willbros in 1977 as President and Chief Operating Officer and was elected to the Board of Directors. Mr. Bump served as Chief Executive Officer from 1980 until his retirement from the Company in May 2002. He was elected Chairman of the Board of Directors in 1981 and will continue to serve in that capacity until the Annual Meeting of Stockholders in May 2004. His 43 year career includes significant U.S. and international pipeline construction management experience. Prior to joining Willbros, he managed major international projects in North Africa and the Middle East, and was Chief Executive Officer of a major international pipeline construction company. Mr. Bump served two terms as President of the International Pipeline & Offshore Contractors Association. He also serves as a Director of EMCOR Group, Inc. **(1)**

Michael F. Curran, 63

Chairman-Elect, President, Chief Executive Officer and Chief Operating Officer

Joined Willbros in March 2000 as a Director, Vice Chairman of the Board of Directors, President and Chief Operating Officer. Mr. Curran was named Chief Executive Officer in May 2002 and was elected as Chairman of the Board of Directors in March 2004 to succeed Mr. Bump at the Annual Meeting of Stockholders in May 2004. He served from 1972 to 2000 as Chairman of the Board of Directors and Chief Executive Officer of Michael Curran & Associates, a mainline pipeline construction company in North America and West Africa, prior to joining Willbros. Mr. Curran has over 42 years of diversified experience in pipeline construction around the world, including 33 years as President and Chief Executive Officer of various domestic and international pipeline construction firms. Mr. Curran also served as President of the Pipe Line Contractors Association. **(1)**

S. Fred Isaacs, 66

Director

Elected to the Board of Directors in March 2004. Mr. Isaacs has been President of AI Services, Inc. (formerly SFI Consulting, Inc.), an electrical engineering services company, since March 1997. He was President of Computer Video Training, Inc., a consulting company, from August 1995 to March 1997. From September 1992 to August 1995, he served as President of SFI Consulting, Inc. and Chairman of the Board of Directors of TranAm Systems International, Inc., a gas compression equipment company. Prior to that time, he served in senior engineering and executive positions in the pipeline industry for over 35 years, most recently as Senior Vice President of Transportation of MAPCO, Inc. and President of Mid-America Pipeline Company and Seminole Pipeline Company from January 1983 until his retirement from MAPCO, Inc. in September 1992.

Peter A. Leidel, 47

Director

Elected to the Board of Directors in 1992. Since September 1997, Mr. Leidel has been a founder and partner in Yorktown Partners, L.L.C., an investment management company. From 1983 to September 1997, he was employed by Dillon, Read & Co., Inc., an investment banking firm, serving most recently as a Senior Vice President. **(2) (4)**

Rodney B. Mitchell, 68

Director

Elected to the Board of Directors in July 2001. Mr. Mitchell has over 30 years of experience in the investment management business. He is President and Chief Executive Officer of The Mitchell Group, Inc., an investment advisory firm he founded in 1989. Previously, Mr. Mitchell was President and Chief Executive Officer of Talassi Management Company, another investment advisory organization he formed in 1970. **(2) (3)**

Michael J. Pink, 66

Director

Elected to the Board of Directors in 1996. Mr. Pink has been a consultant to oil and gas industry investors since January 1997. He served as First Vice President of Sidanco, a major Russian integrated oil company, from August 1997 to March 1998. From May 1994 through December 1996, Mr. Pink served as Group Managing Director of Enterprise Oil plc, an independent oil exploration and production company. Prior to that time, Mr. Pink was employed for 30 years with the Royal Dutch/Shell Group at various locations in Europe, the United States, Africa, and the Middle East. **(3)**

James B. Taylor, Jr., 65

Director

Elected to the Board of Directors in February 1999. Mr. Taylor is currently a Director of TMBR Sharp Drilling, Inc. Mr. Taylor co-founded Solana Petroleum Corp., a Canadian-based public oil and gas exploration and production company, in 1997 and served as Chairman of its Board of Directors until December 2000. From 1996 to 1998, he was a Director and consultant for Arakis Energy, a Canadian public company with operations in North America and the Middle East. Prior to that time, he served for 28 years for Occidental Petroleum Corporation in various worldwide exploration and operations management positions before retiring in 1996 as Executive Vice President. **(2) (3)**

John H. Williams, 85

Director

Elected to the Board of Directors in 1996. Prior to his retirement at the end of 1978, Mr. Williams was Chairman of the Board and Chief Executive Officer of The Williams Companies, Inc. He also serves as a Director for Apco Argentina, Inc. and Unit Corporation, and is an honorary member of the Board of Directors of The Williams Companies, Inc. **(1) (4)**

Numbers in Parenthesis Denote Committee Membership

(1) Executive Committee
(2) Audit Committee
(3) Compensation Committee
(4) Nominating/Corporate Governance Committee

CORPORATE DATA

Annual Stockholders' Meeting

The Annual Stockholders' Meeting will be held at 9:00 a.m., local time, on Thursday, May 20, 2004, at the Hotel Panama Marriott, Calle 52 y Ricardo Arias, Panama City, Panama.

Investor Information

A copy of the Company's Annual Report to the Securities and Exchange Commission (Form 10-K) is available upon written request to: Investor Relations, c/o Willbros USA, Inc., 4400 Post Oak Parkway, Suite 1000, Houston, Texas 77027.

Investor Relations Contact

Michael W. Collier
713-403-8016
E-mail address: mike.collier@willbros.com

Common Stock Information and Dividend Policy

The Company's common stock trades on the New York Stock Exchange under the symbol WG. As of March 4, 2004, there were 81 stockholders of record. The table below sets forth the common stock trading price by quarter for 2002 and 2003. The Company does not presently pay a common stock dividend and presently intends to retain its earnings to fund the development and future growth of its business.

CORPORATE OFFICES

Headquarters Office

Plaza 2000 Building
50th Street, 8th floor
P.O. Box 0816-01098
Panama, Republic of Panama
011-507-213-0947

Administrative Office

Willbros USA, Inc.
4400 Post Oak Parkway, Suite 1000
Houston, Texas 77027
713-403-8000
Internet address: www.willbros.com

Stock Transfer Agent and Registrar

Mellon Investor Services, L.L.C.
Overpeck Center
85 Challenger Road
Ridgefield Park, New Jersey 07660
Toll free: 1-800-635-9270
Internet address: www.mellon-investor.com

Independent Auditors

KPMG LLP
Houston, Texas

	2003		2002	
	High	Low	High	Low
First Quarter	$ 8.89	$ 7.02	$ 16.85	$ 14.10
Second Quarter	10.72	6.95	19.24	15.55
Third Quarter	10.85	8.86	17.35	10.30
Fourth Quarter	13.99	10.20	11.24	5.84

MANAGEMENT TEAM

EXECUTIVE OFFICERS AND MANAGEMENT

Michael F. Curran, 63
Chairman-Elect
President, Chief Executive Officer and Chief Operating Officer
Willbros Group, Inc.

John K. Allcorn, 42
Executive Vice President
Willbros Group, Inc.

James K. Tillery, 45
Executive Vice President
Willbros International, Inc.

Jay T. Dalton, 52
Senior Vice President and General Counsel
Willbros Group, Inc.

Warren L. Williams, 48
Senior Vice President, Treasurer and Chief Financial Officer
Willbros Group, Inc.

Dennis G. Berryhill, 57
Secretary
Willbros Group, Inc.

OPERATIONAL MANAGEMENT

James R. Beasley, 61
Senior Vice President
Willbros USA, Inc.

Pamela L. Reiland, 50
Vice President, Finance
Willbros USA, Inc.

Thomas B. Reilly, 62
Vice President
Willbros USA, Inc.

Thomas C. Tise, 50
Vice President
Willbros USA, Inc.

NORTH AMERICA

Bradley W. Sitton, 40
Vice President
Willbros USA, Inc.

Curtis E. Simkin, 48
President
Willbros Engineers, Inc.

Lonnie R. Hamilton, 48
Vice President, Business Development
Willbros Engineers, Inc.

Alan G. Owens, 48
President
Willbros RPI, Inc.

Kevin L. Cater, 44
Vice President
Willbros RPI, Inc.

Ralph C. Hesje, 53
President
Willbros MSI Canada Inc.

G. Mack Roberts, 57
President
Willbros Mt. West, Inc.

Roger K. Joslin, 45
Vice President
Willbros Mt. West, Inc.

AFRICA

Gerald J. Jansen, 39
General Manager, Administration
Nigeria and West Africa Marine

R. Scott Gregory, 34
General Manager
Willbros (Offshore) Nigeria Limited

Jason E. Steph, 34
General Manager
Willbros (Nigeria) Limited

EUROPE

Arthur J. West, 60
Managing Director
Willbros (Overseas) Limited

MIDDLE EAST

David F. Lamb, 53
General Manager
Middle Eastern Operations

Latif A. Razek, 57
General Manager
The Oman Construction Company, LLC

SOUTH AMERICA

J. B. Brown, 42
Managing Director
Constructora CAMSA, C.A.

WILLBROS GROUP, INC. CORPORATE OFFICES

Administrative Office

Willbros USA, Inc.
4400 Post Oak Parkway
Suite 1000
Houston, Texas 77027
713-403-8000
www.willbros.com

Headquarters Office

Plaza 2000 Building
50th Street, 8th Floor
P.O. Box 0816-01098
Panama,
Republic of Panama
011-507-213-0947