



Annual Report

2019 · 2020

Letter to Shareholders

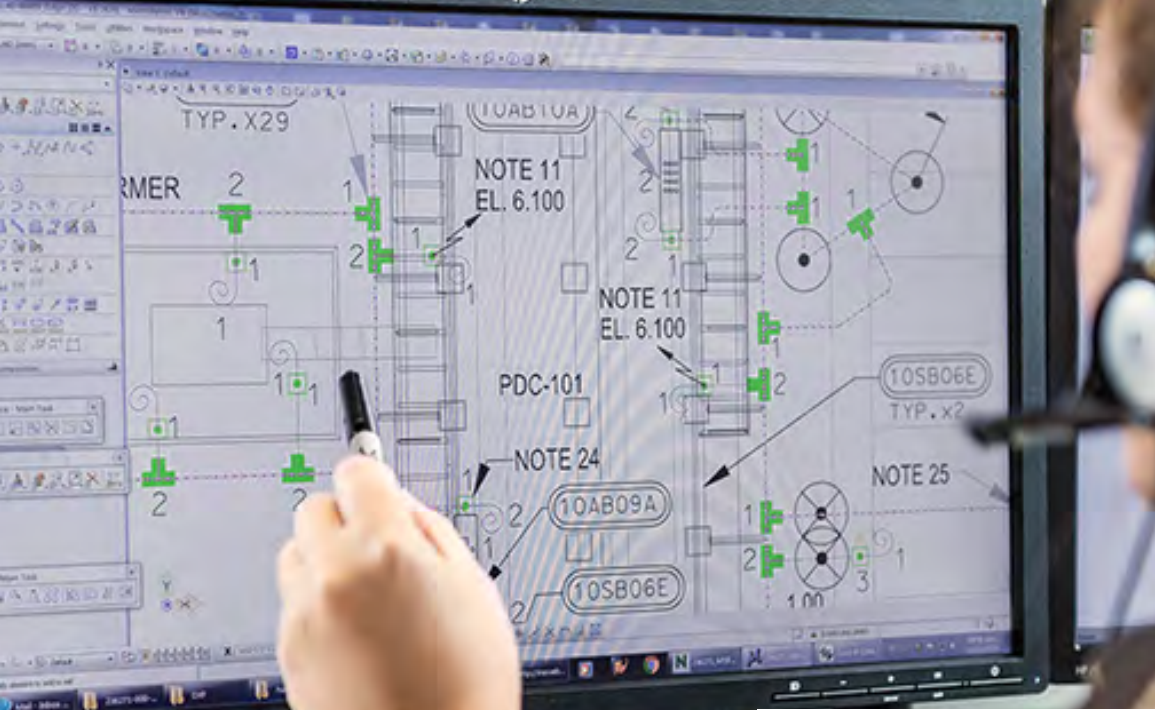


Dear shareholders,

Constant challenges marked our fiscal year 2019-2020; the significant reduction of demand and a fall in oil prices unseen for over 12 years, and more recently the effect that the coronavirus pandemic has had not only in the healthcare sector but in all society.

These events have caused a series of difficulties in our company's operations daily management, which were all extraordinarily addressed by our team.

Despite the huge impact at all levels, our current projects allowed us to have positive economic results for this fiscal year. These projects were developed in Venezuela, Peru, and Mexico under the most demanding quality standards, as has been our practice for more than 25 years, since our first certification of the ISO 9001 System in 1995, and later the ISO-14001 in 2016.



For 2021, we have intensified our commercial and sales activities with the focus of consolidating our operation in Mexico and identifying other potential projects in Latin America, where we are currently submitting proposals for several opportunities identified in these markets. Regarding Venezuela, project activity has reduced due to the critical situation of the hydrocarbon and power sectors, in which the lack of financial

resources has prevented recovery programs, despite the urgent need for them. This situation is repeated in other sectors of Venezuela's economy.

The unpredictability of the coronavirus pandemic will have consequences in every aspect of the world's economy. This means that companies have an urgent need to reinvent themselves to ensure their sustainability.

inelectra is no stranger to this situation. To guarantee our company's viability and



sustainability, cost reduction programs will be put in place, our work processes and business model will be reviewed and there will only be essential new investments. In other words, we will adjust and transform the operation of the company under the circumstances, maximizing the availability and frugal use of cash flow, and financial resources in the company.

«Despite the huge impact at all levels, our current projects allowed us to have positive economic results for this fiscal year. These projects were developed in Venezuela, Peru, and Mexico»

In this difficult context, we foresee a very different future than we have envisioned in the past, but we will be making every effort to ensure the continuity of our company, always guided by the values and principles that have been the fundamental axis of **inelectra** since our company was founded in 1968.

Jorge Rojas González
Chairman of the Board

Leadership Team

Executive Committee

Ezequiel Puterman

Board Member, CEO

Pablo Videtta

Business Development-Mexico Vice President

María Gabriella Castagnetti

Projects Vice President

Victoria Granados

Engineering Vice President

Irene Aguilar

Human Resources Vice President

Miguel Pascucci

Construction Vice President

Luis Romay

Business Development Vice President

María Asunción Ruiz

Finance Vice President

María Magdalena Morillo

Procurement Director

Mariela Brandt

Proposals Director

Board of Directors



Jorge Rojas
Chairman of the Board



Ezequiel Puterman
Board Member, CEO



Stelvio Di Cecco
Board Member



César Millán
Board Member



Antonio J. Vincentelli
Board Member

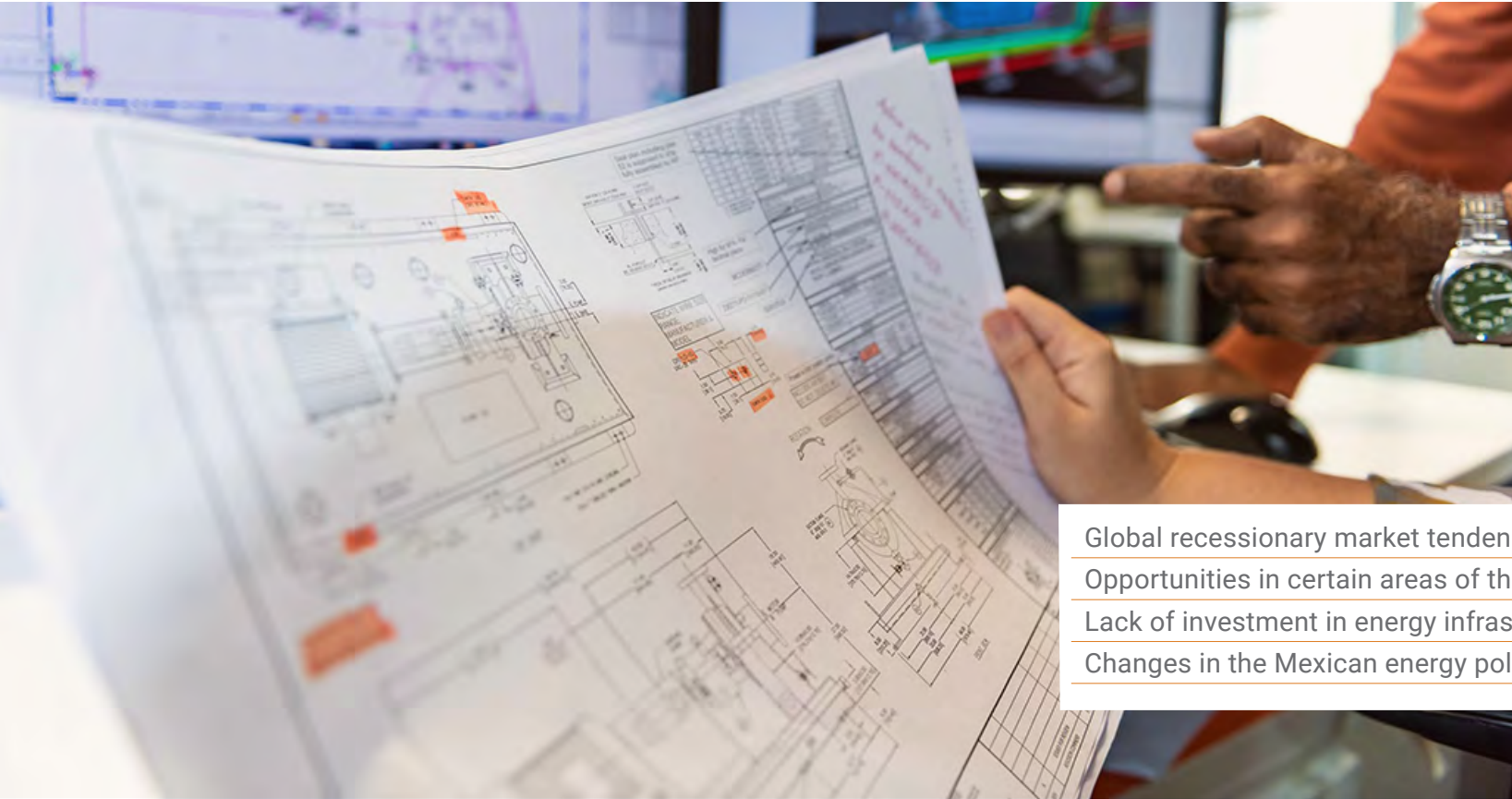


Ricardo Halfen
Board Member



Ignacio Pulido
Board Member

Key Variables



Global recessionary market tendencies

Opportunities in certain areas of the energy sector in the region

Lack of investment in energy infrastructure in Venezuela

Changes in the Mexican energy policy

Our Capabilities



We are a world-class trusted company in the energy sector.

Our experience and execution capacity for undertaking large and complex projects in specialties such as crude production facilities, refining and upgrading, petrochemicals and transportation, distribution and storage of hydrocarbons, and power generation has made us achieve a recognized place in the oil and gas, petrochemical, infrastructure, and industrial markets.



+65 million
man-hours
in construction

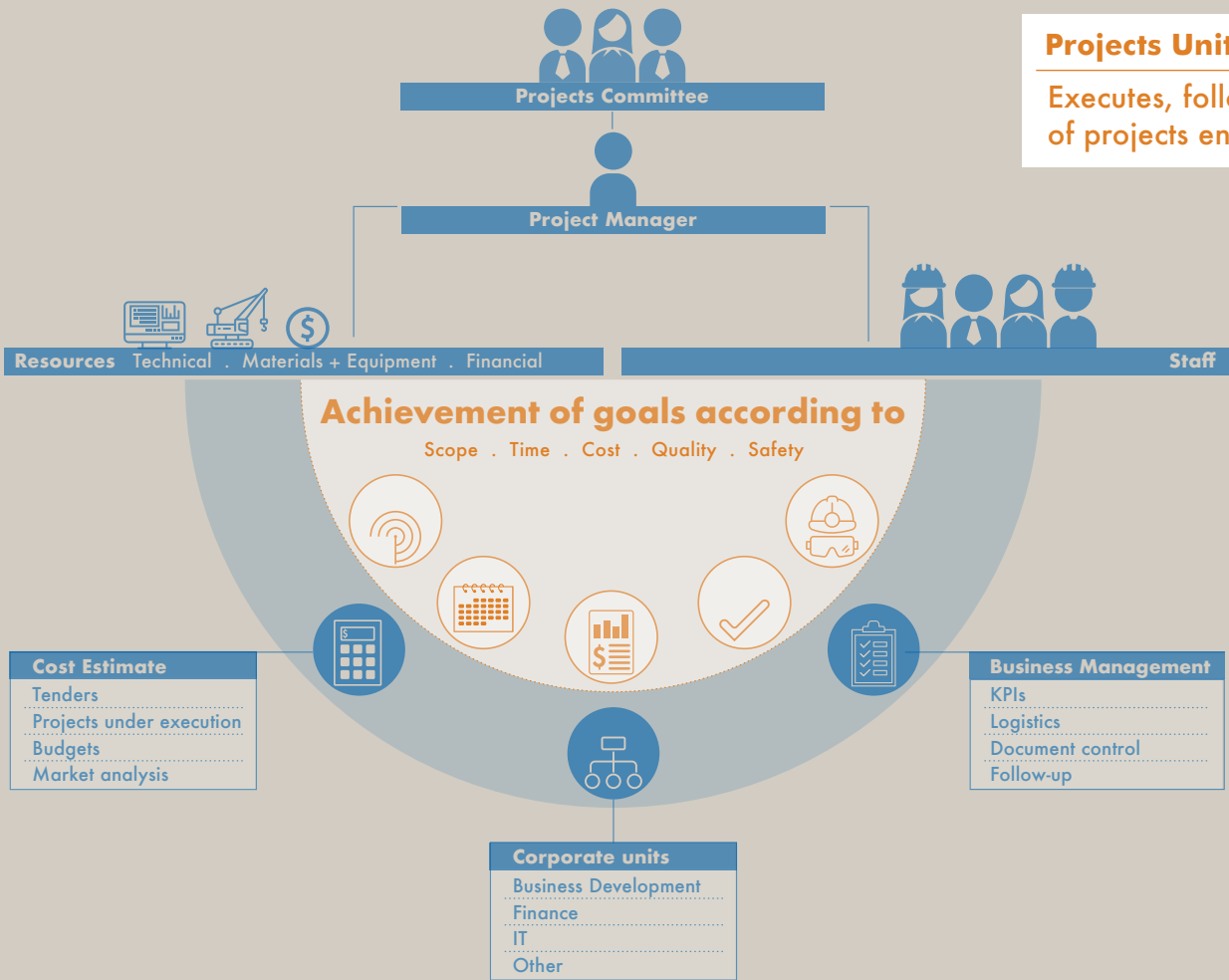


+3,000
projects



We have the capacity, flexibility, and agility to work with diverse clients, cultures, languages, and specifications. We can proudly say that our experience is summarized in more than 65 million man-hours in construction, 52 EPC Global Sum "turnkey" projects, and more than 3,000 projects executed in Venezuela, United States, Latin America, and the Middle East.

Our execution centers in Mexico and Venezuela have advanced resources in information technology and highly trained staff. We can manage projects throughout the western hemisphere from any of our offices.



Projects Unit

Executes, follows up, and supervises the management of projects entrusted to us.

Our Quality and Safety culture guarantees compliance and business excellence.

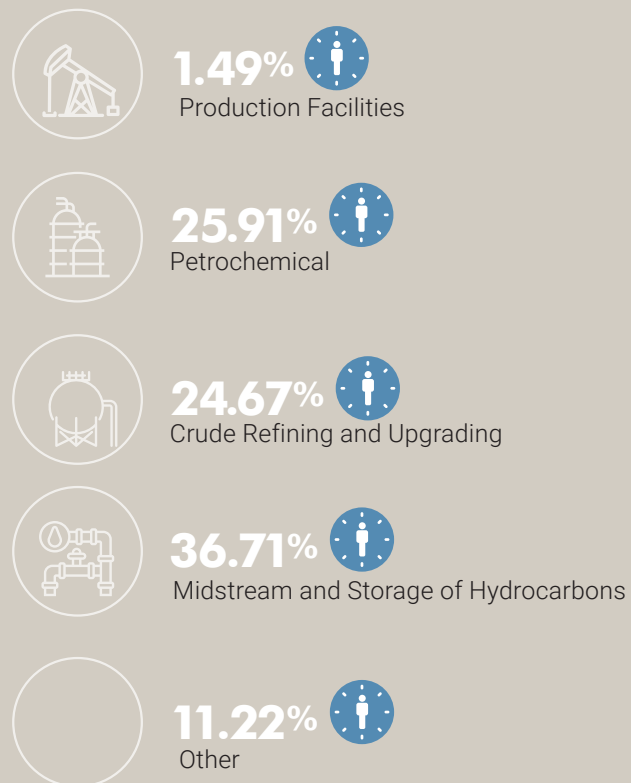
More than 400 professionals, technicians, and specialists act in compliance with strict standards established by our policies, procedures, international standards, and regulatory frameworks of the countries where we operate. Our Quality and Safety culture guarantees compliance and business excellence.

All this translates into customer satisfaction and positive results for the geographies where we are present.

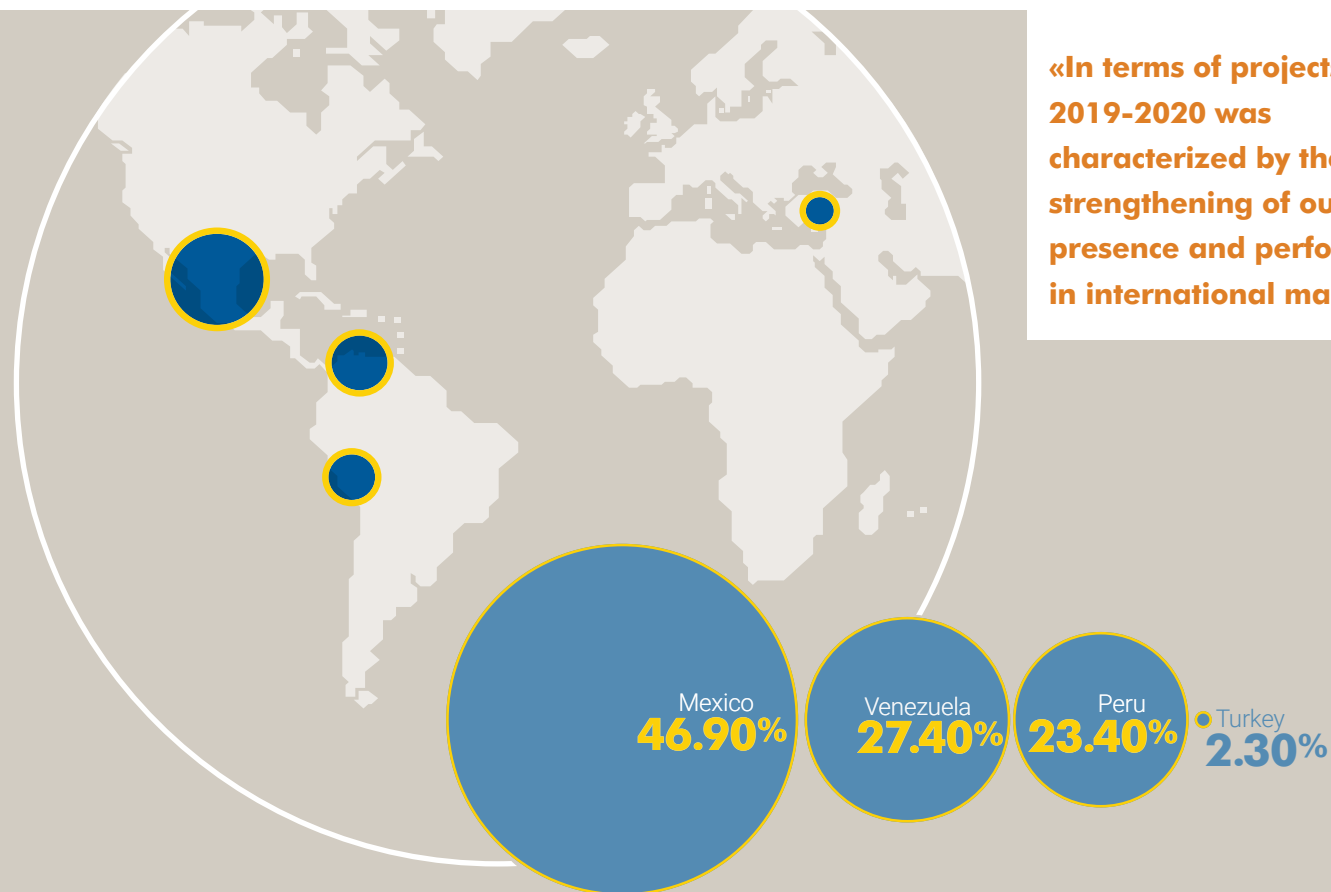
Projects

«In terms of projects, 2019-2020 was characterized by the strengthening of our presence and performance in international markets»

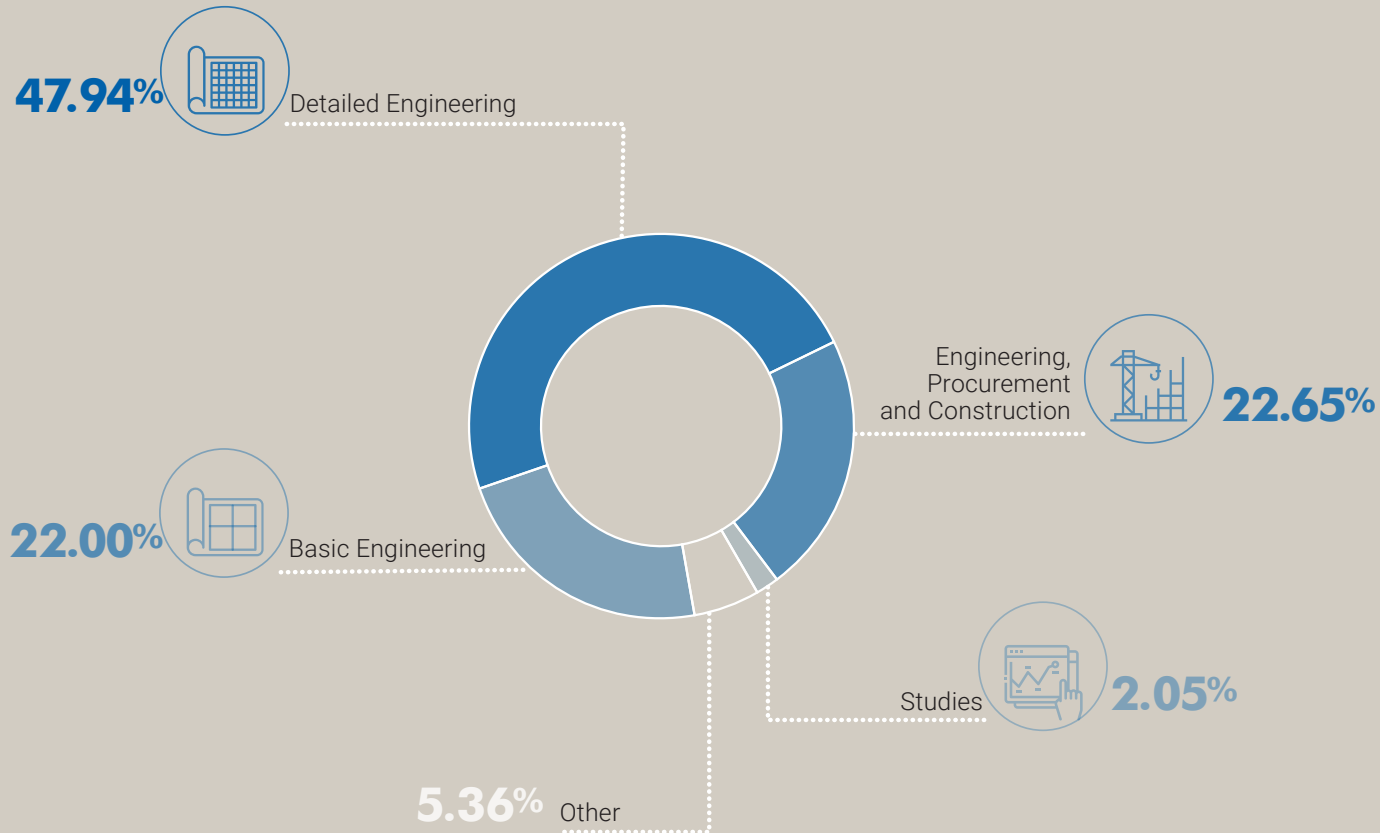
Man-hours by Business Segment (%)



Man-hours According to Location of Construction Site (%)



Man-Hours According to Project Scope (%)



During this fiscal year we strengthened our presence in international markets, specifically in North America. **The successful completion of projects from the previous fiscal year opened opportunities for the submission of new bids** for subsequent phases in several of those projects.

As a result, after completing the extended basic engineering and class II cost estimate for the construction of a chemical terminal in Altamira, Mexico, we were selected by the EPC contractor to carry out the detailed engineering for the same final client.



Our capabilities, knowledge, and resources for the execution of projects in the fuels distribution and storage sectors still constitute opportunities for our company in Mexico, given that the government considered that increasing the product storage capacity and improving the distribution network are priorities in their energy policy, while inviting private investors to participate in the development of new projects.

Venezuela also remains in our portfolio. In the petrochemical sector, we completed the engineering and procurement phases of the EPC project for the new auxiliary boiler in Metanol de Oriente.



Significant Projects

Venezuela
EPC, Motor Auxiliary Boiler

Peru
Sulphuric Acid Plant

Mexico
Chemical Terminals, Altamira
Fuels Terminals, Tuxpan
Fuels Storage and Distribution Terminals,
Tuxpan and Hidalgo

EPC Auxiliary Boiler Metor | Venezuela

Client

Metanol de Oriente S.A. (METOR S.A.)

Location

Complejo Jose, Anzoátegui State

Scope

Engineering, procurement, and construction of the auxiliary boiler B-620C in Metor Plant, with 65 ton / h superheated steam capacity medium pressure (28.5 kg / cm² and 350 ° C).

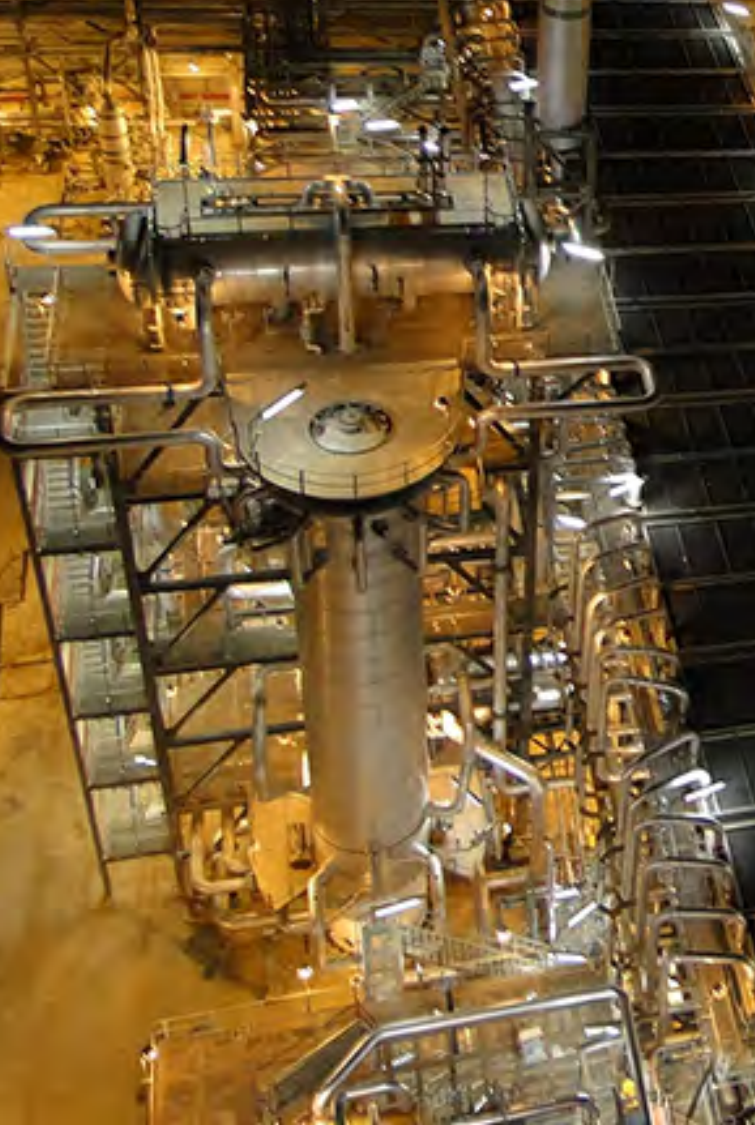
Engineering scope and considerations

Engineering for the installation of the auxiliary boiler: detailed design of civil, electrical, mechanical, and instrumentation works; safety, and risk studies, constructability analysis, among others.

Procurement scope and considerations

Equipment and materials procurement, making sure that the equipment and materials are delivered on time, with the required quality.





Construction scope and considerations

Direct hire, using our construction company Uriman, for the electromechanical, structural, pipelines, and assembly works required for the execution activities of the auxiliary boiler. Construction supervision under the active, efficient, and effective management of high-level staff with detailed control of the project's execution and focused on the achievement of our goals.

Progress

Engineering: 100%

Boiler Procurement: 100%

Other materials procurement: 98%

Construction: 77%

Project general progress: 93%

Impact

Increase the steam generation capacity required by Metor Plant I and operational reliability.

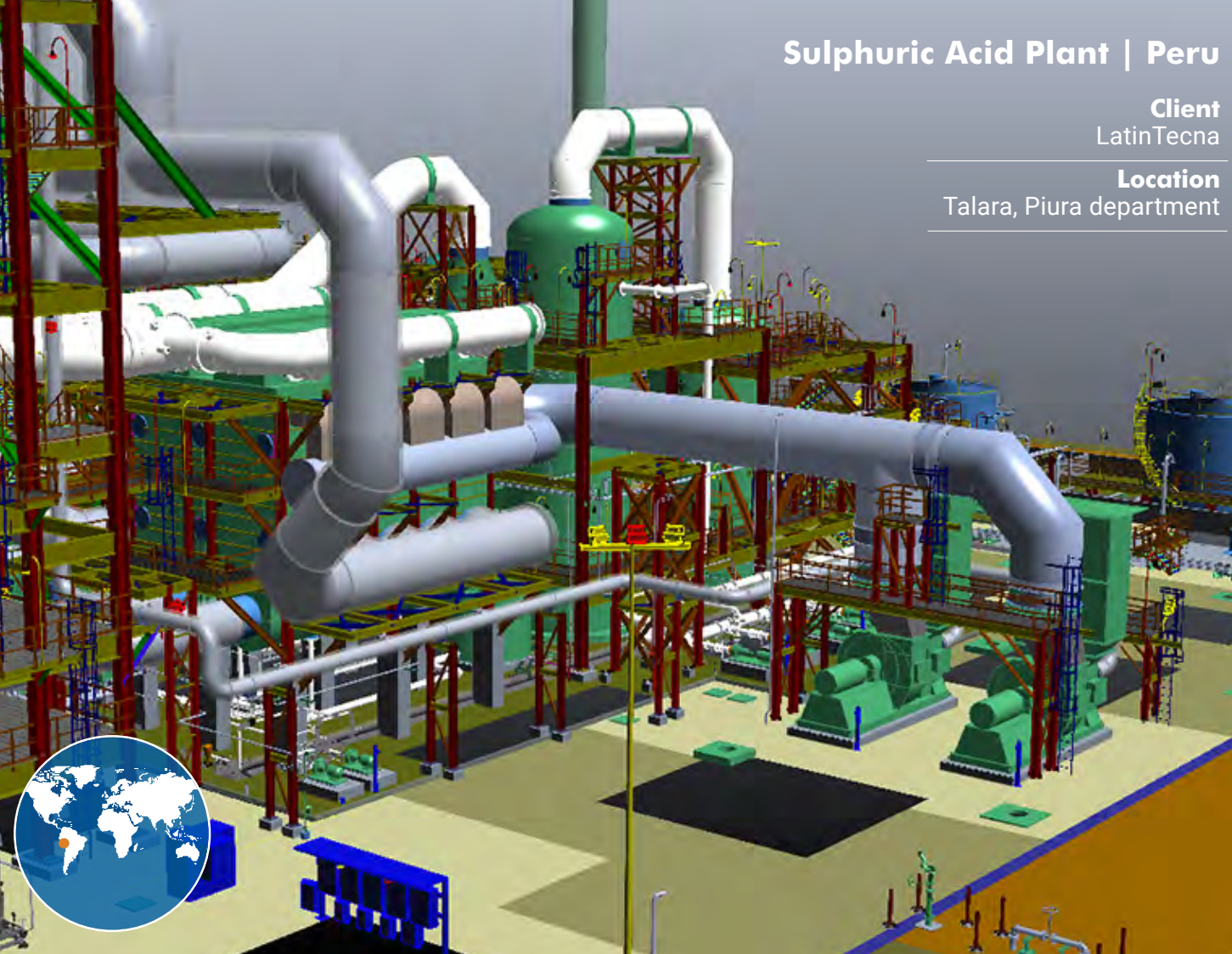
Value for *inelectra*

Secure the role as a reliable services main supplier for Metor and increase our expertise to compete with quality services and competitive costs in this segment.

Sulphuric Acid Plant | Peru

Client
LatinTecna

Location
Talara, Piura department



Scope

Engineering for the WSA sulphuric acid unit and ASC sulphuric acid storage unit as part of the auxiliary units and complementary works (UA&TC) for the Modernization Project of the Talara Refinery, of PETROPERÚ, located in the city of Talara, northeast of Peru.

Progress

Engineering: 100%

Impact

Increase energy security by enhancing capacities to refine heavy crudes with new technology.

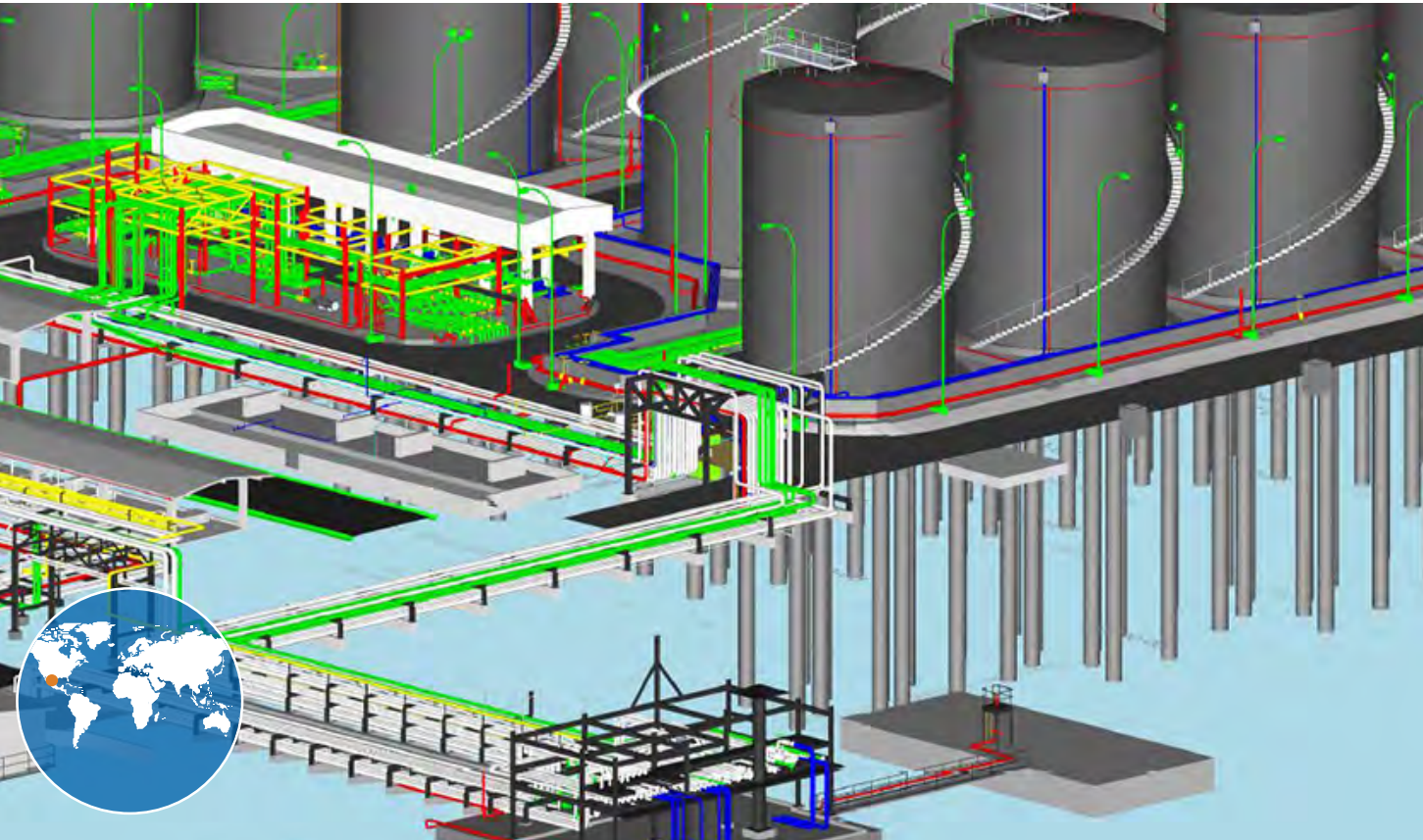
Value for *inelectra*

Participation in the project's value chain with LatinTecna, a Cobra contractor, for PETROPERÚ. Increase business opportunities in the region.

Altamira Chemicals Terminal | Mexico

Client
Vopak

Location
Altamira, Tamaulipas state



Scope

Basic engineering and class II cost estimate for the extension of a new chemical terminal, located northeast of the existing terminal in Altamira, Mexico.

Progress

Engineering: 100%

Impact

The project is part of the local energy sector's investment plan to expand product delivery and reception capabilities, and increase security of supply.

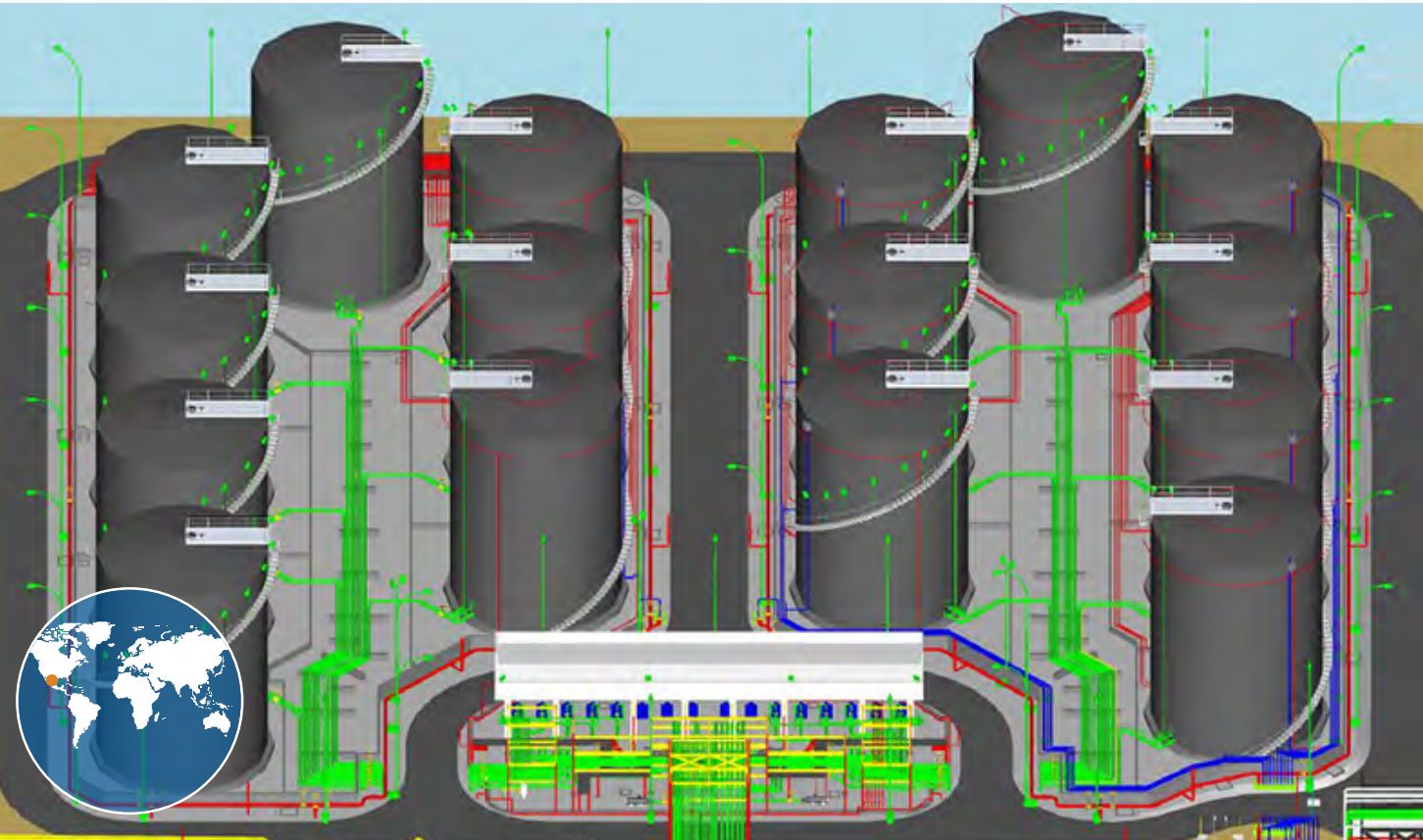
Value for *inelectra*

Capitalize the experience in projects for terminals and develop new business opportunities with one of leading tanking contractors of the world.

Chemical Terminal in Altamira | Mexico

Client
Avanzia

Location
Altamira, Tamaulipas state



Scope

Engineering for the extension of a chemical terminal with 15 tanks and their dispatch equipment. The terminal is located northeast of the existing terminal in Altamira, Mexico.

Progress

Engineering: 25%

Impact

The project is part of the local energy sector's investment plan to expand product delivery and reception capabilities, and increase security of supply.

Value for *inelectra*

Prove our vast experience in terminal projects and strengthen our presence in this expanding market in Mexico.

Fuels Terminal in Tuxpan | Mexico

Client
McDermott

Location
Tuxpan, Veracruz state



Scope

Engineering for a storage and dispatch terminal in Tuxpan, property of Monterra Energy, for McDermott. Tuxpan International Fuels Terminal is a clean fuel terminal that will store 2.2 million fuel barrels.

Progress

Engineering: 80%

Impact

Increase the storage capacity and the Mexican fuel distribution network.

Value for *inelectra*

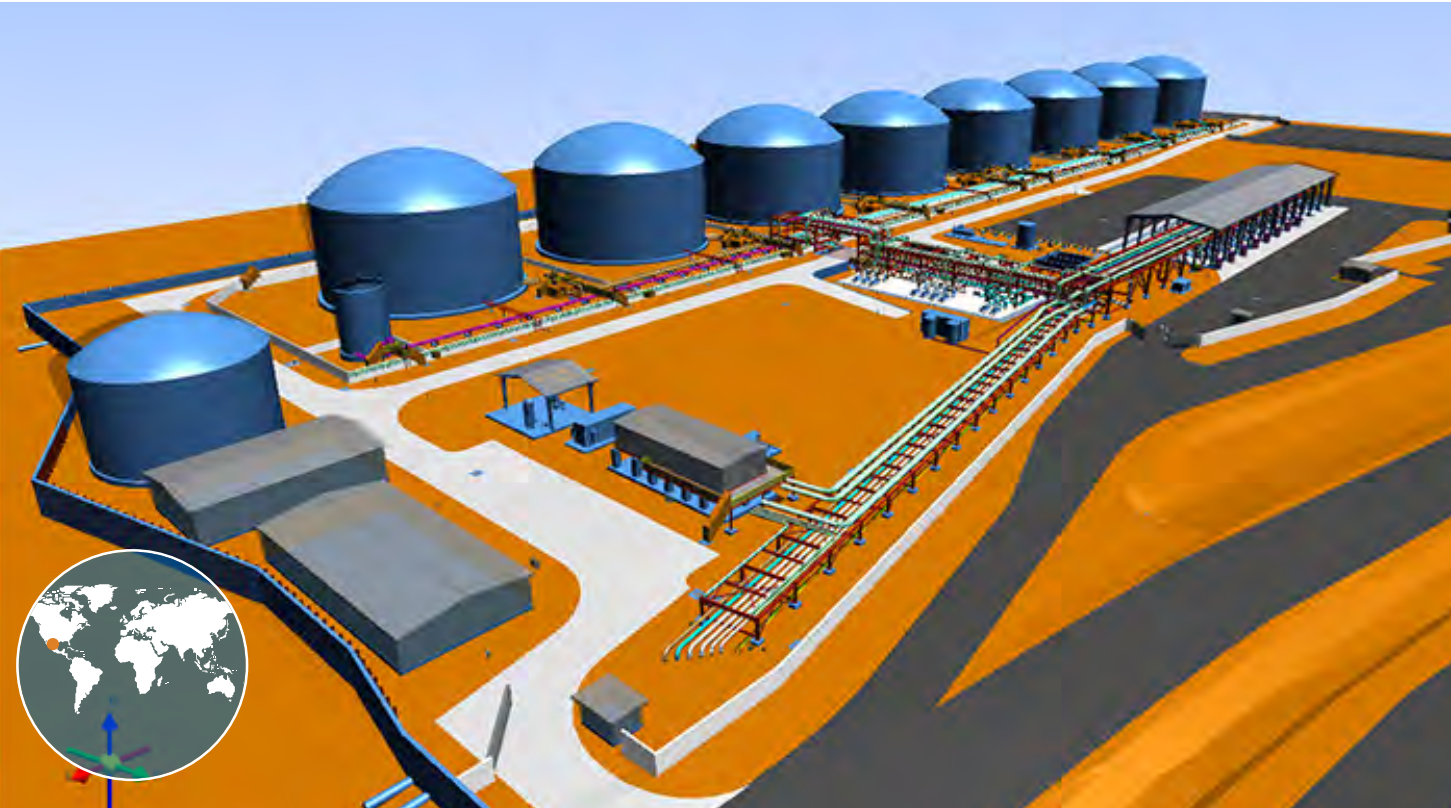
Capitalize the experience in projects for terminals and develop new business opportunities with one of leading tanking contractors of the world.



Fuel Storage and Distribution Terminals in Tuxpan and Hidalgo | Mexico

Client
Litwin

Location
Tuxpan, Veracruz state and Hidalgo state



Scope

FEED for two storage and distribution terminals.

Progress

Engineering: 100%

Impacto

Increase the storage capacity and the Mexican fuel distribution network.

Value for *inelectra*

Prove our vast experience in terminal projects and strengthen our presence in this expanding market in Mexico.

Executive Summary



Our guideline for the fiscal year 2019-2020 was to keep business profitability given the foreseeable global economic slowdown, increased oil supply by the United States, OPEC oil production cut, and the previous year's low oil prices.



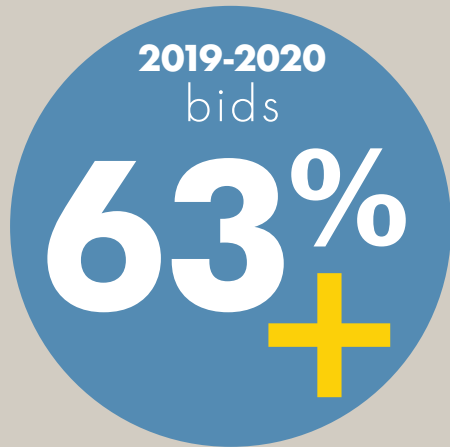
In this context, cost reduction initiatives were put in place as well as a structure optimization, strengthening of the execution capacities in Venezuela, and improvement of our operational efficiency.

The business development team continued its effort to strengthen our presence in Mexico, improving our positioning and broadening our relations with key audiences in the energy sector.

The number of tenders presented in the international market was increased by 63%. We added 29 new customers.

The oil distribution and storage sector in Mexico show favorable conditions given the State's strategy to open participation to national and international private investors. We capitalized our vast experience in the engineering, procurement, and construction projects of terminals, farm tanks among others, with engineering projects in Altamira, Tuxpan, and Hidalgo, two of which were completed in this fiscal period, and others progressed as expected.

International Market



29
new
clients

The number of tenders presented in the international market was increased by 63%: more than 1,600,000 man-hours in 62 proposals. We added 29 new clients: 21 in Mexico and the others in Colombia, Ecuador, Argentina, United States, Canada, and Europe.

In Venezuela, 30 proposals were submitted to 8 clients, 18 of them in oil and gas production, 5 in industrial projects, 4 in petrochemicals, 2 in electricity generation and transmission, and 1 in refining and upgrading.



Quality and Safety

We have been committed to quality since our foundation in 1968 when we established the first quality indicators. By 1995 we had received the ISO 9001:1994 certification and since then we have strengthened our Quality Management System to customer satisfaction and other stakeholders, maintaining high responsiveness levels, adapting to changes, and improving. **Proudly, 2020 is our 25th anniversary since we received our first ISO 9001 certification.**

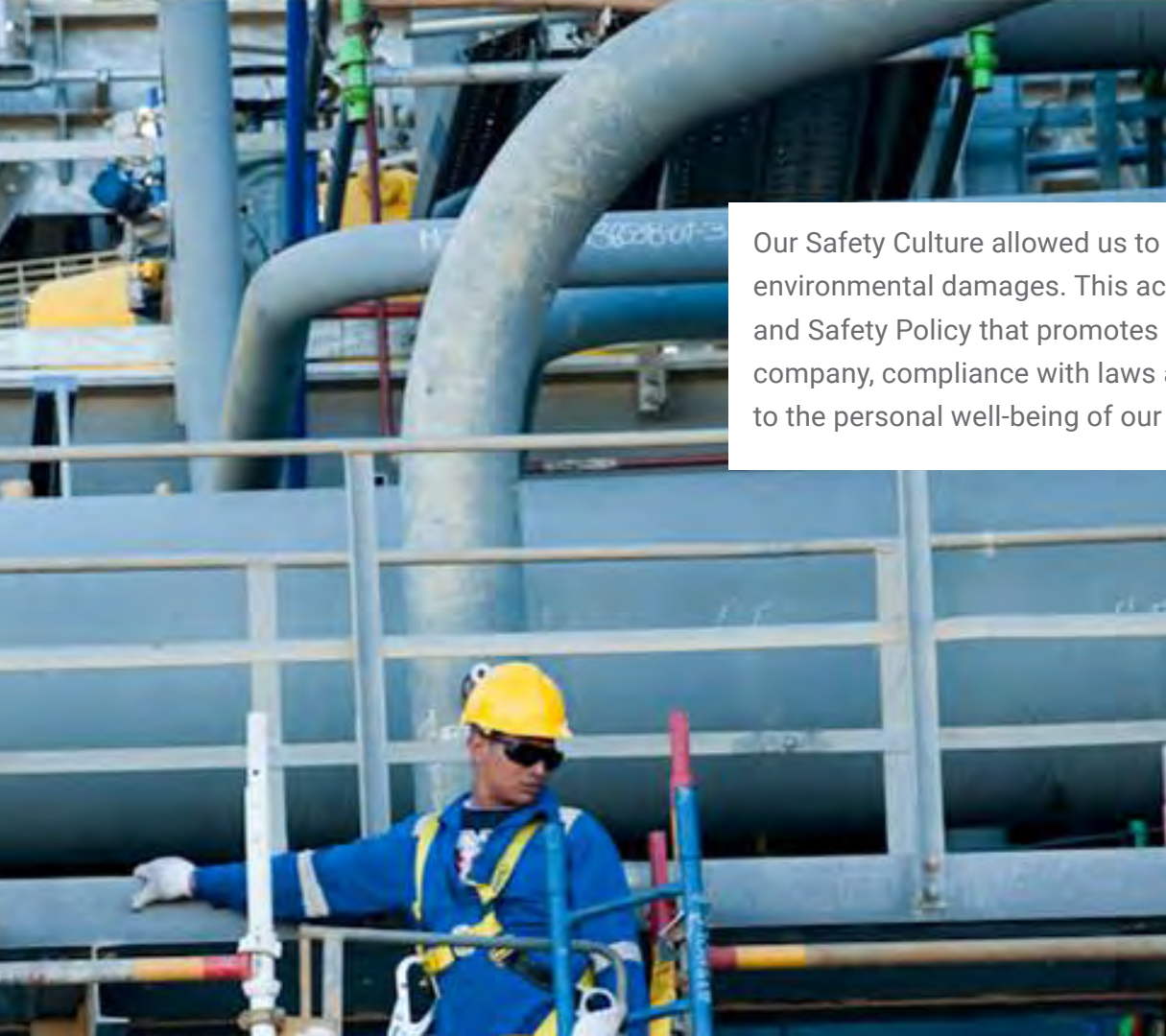
In October 2019, Fondonorma (*) carried out the recertification audit of our Quality Management System under ISO 9001:2015 standard, valid for three years, of the EPC Metor auxiliary boiler project. We received zero nonconformities and zero observations. The audits verified compliance

with the requirements established by the ISO 14001: 2015 and OHSAS 18001: 2018 standards, advancing in the transition towards the ISO 45001: 2018 standard. The result was no nonconformities or observations.

The results of our Quality Management System revealed the commitment of our top management and their teams with the company's goals, with the satisfaction of our clients and other stakeholders, and the improvement of work processes.



(*) Fondonorma is a non-profit civil association, created in 1973 to develop standardization and certification activities for all industrial and service sectors in Venezuela, and to train human talent in these specialties.



Our Safety Culture allowed us to sustain zero accidents, zero occupational diseases, and zero environmental damages. This achievement derives from the adherence to the Environmental, Health and Safety Policy that promotes preventive awareness as part of individual responsibility and as a company, compliance with laws and other regulatory requirements, and permanent training, leading to the personal well-being of our families and the community in general.

Environment, Health and Safety 2019

Net Frequency Rate: **0.00**

Gross Frequency Rate: **2.54**

Severity Rate: **0.00**

EHS Training Rate: **0.02**

Environmental Index

Kg of white paper used / person: **0.18**

Kg of household waste / person: **2.18**

Kg of recycled paper / person: **0.77**





Human Resources

We need to be an agile and efficient organization to respond to the demands of the energy sector. Our employees must have the competencies, skills, and abilities that a highly competitive business requires. To this effect, we have continued to focus on the recruitment, training, and development of our employees.

All of our employees have the same growth opportunities. Multidisciplinary groups in any area, be it engineering, projects, or corporate, have employees who accumulate, on average, 11 years of experience, who team up with young professionals. This is how knowledge is shared and integration and complementarity between work teams are facilitated.

Gender parity between female and male staff is 45% -55%. It is worth noting that in the managerial and executive staff the parity is 49% -51%. This shows that at **inelectra** there are no barriers to growth and development regarding gender, and it is equally possible that men or women reach leadership positions inside our company.

During the 2019-2020 fiscal year, several initiatives that had important contributions were key to reach our training goal. One of them is the mentoring program, through which highly experienced employees transfer their knowledge to new generations.



Internal facilitators gave workshops at our headquarters and regional execution centers, attending to technical and organizational needs. We use in-person techniques, our e-learning platform, e-learning platform, and video conferencing.

The 2019 Leadership Training Program gathered 26 employees from different units. Throughout 100 hours of training, the facilitators, all leaders in their respective business areas, shared their knowledge and best practices.

The program's main goal is to share the organization's key strategies and processes to the new generations, to ensure their permanence and sustainability over time.

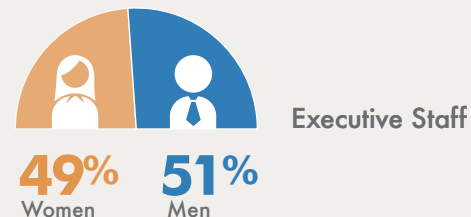
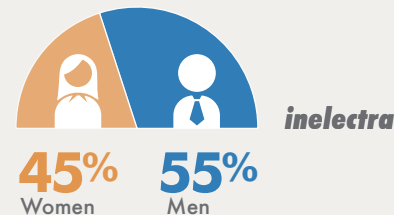
Training

Hours of Learning: **20,000**

Average Hours per Employee: **49**

Total Participations: **1,700**

Gender Parity





Information Technology, a Valuable Tool

As part of the operational continuity plan and the strengthening of internal capacities, several initiatives were undertaken to guarantee better telecommunications and connectivity services.

The access points for data transmission were reinforced and most of the engineering applications were incorporated into our online service platform, allowing our employees to work remotely when needed.

The IT teams created a management scheme based on pairs of specialists, this way there is always someone available to support the business units.

With a similar purpose, we created the CADCAE (Computer Aid Design, Computer Aid Engineering unit) between Engineering and IT to promote the alignment between the two areas and thus facilitate project execution.



Financial Results

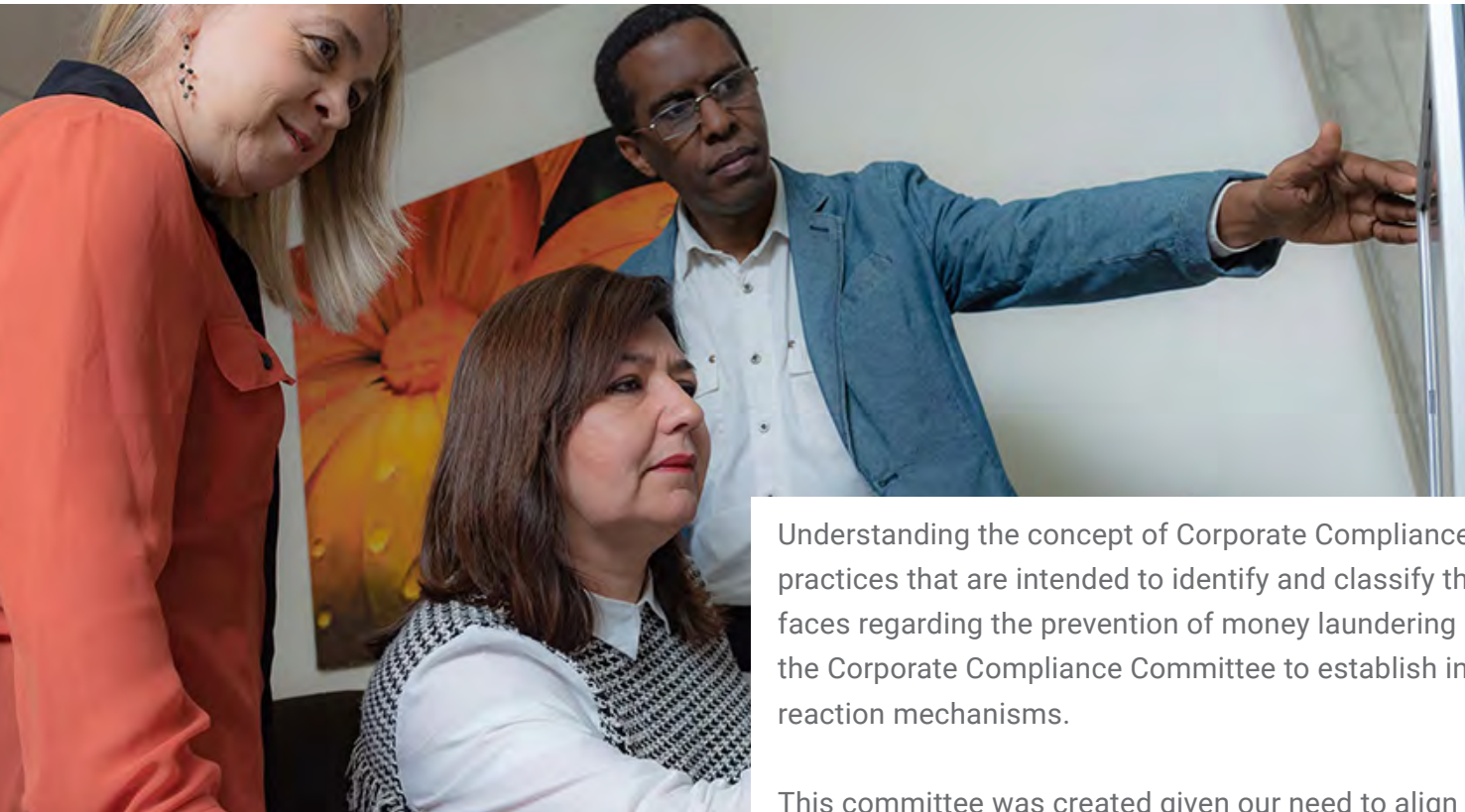
The positive result of the 2019-2020 fiscal year reflects the good execution of EPC projects and professional services provided at national and international levels.

The optimization of the execution capacity, together with strict costs control, allowed us to overcome the global recessive market tendencies and to achieve a reasonable operating margin.

The structure financial results is similar to that of the previous year based on the contribution of the Metor EPC project, and the professional services provided in Mexico.

One of the biggest challenges has been the efficient management of cash flow, amid current limitations, and the increase in compliance controls at the international level. The coordination between treasury and tax management has enabled timely compliance and resource optimization.

Corporate Compliance



Understanding the concept of Corporate Compliance as the set of rules, procedures, and good practices that are intended to identify and classify the operational and legal risks the organization faces regarding the prevention of money laundering and terrorist financing, in 2019 we formalized the Corporate Compliance Committee to establish internal prevention, management, control, and reaction mechanisms.

This committee was created given our need to align with internationally accepted standards of transparency and good corporate governance.

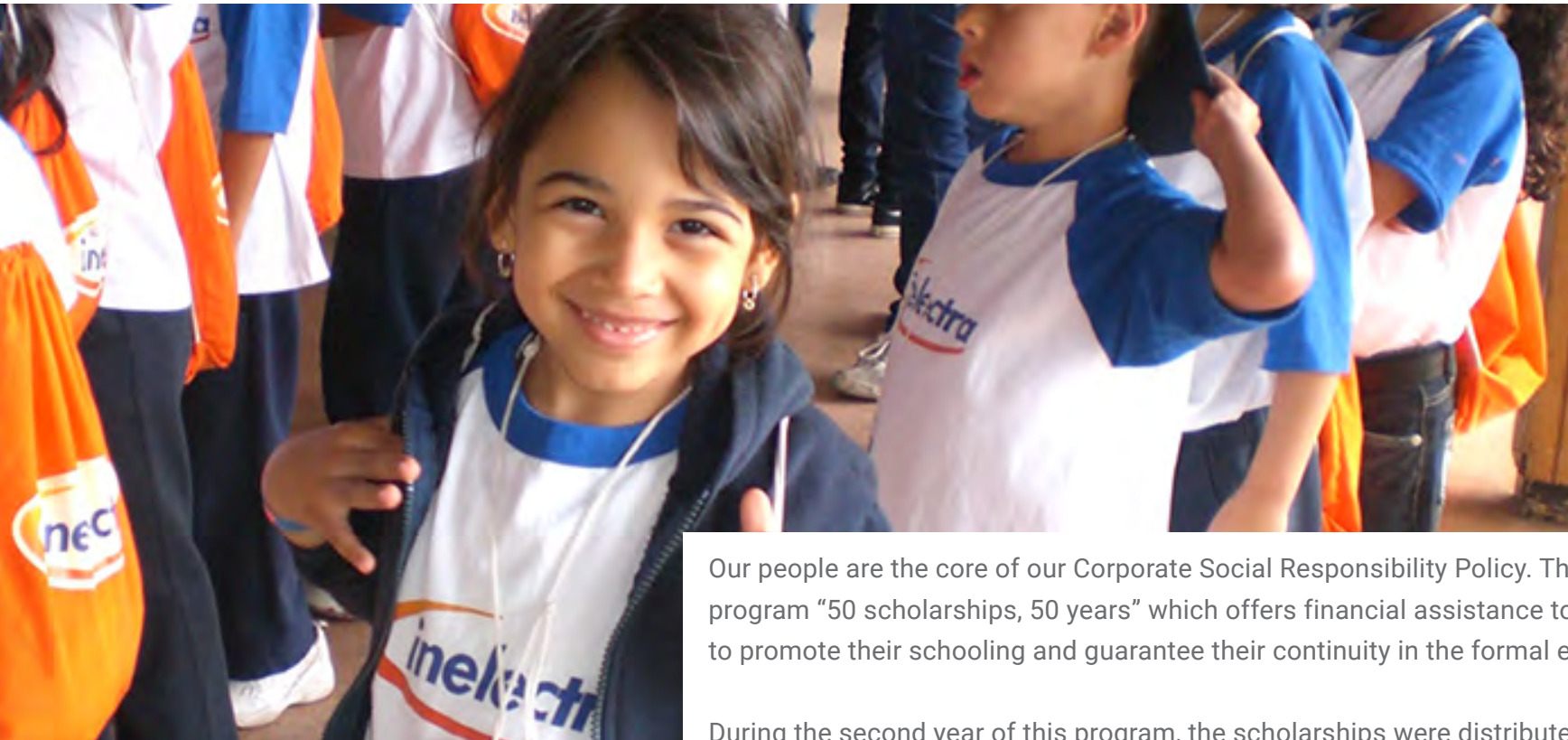


The Code of Ethics and Conduct that we share and have always practiced at **inelectra**, was the starting point for the constitution of this committee and the creation of our «**Handbook for the Prevention of Money Laundering and Financing of Terrorism**».

In 2019 we formalized the Corporate Compliance Committee to establish internal mechanisms for prevention, management, control, and reaction to operational and legal risks.

It is about preserving the trust of interested parties (shareholders, clients, employees, business partners, suppliers, regulatory entities, and financial institutions), through the application of clear rules of action, control systems, and adequate communication to avoid risks related with the use of company goods or services for illegal purposes, thus preserving the integrity and reputation of the company.

Our Commitment to the Community



Our people are the core of our Corporate Social Responsibility Policy. This fiscal year we continued the program “50 scholarships, 50 years” which offers financial assistance to the children of 50 employees, to promote their schooling and guarantee their continuity in the formal educational system.

During the second year of this program, the scholarships were distributed as follows: 55 for preschool students, 12 for elementary school students, 23 for high school students, and 10 for college students.

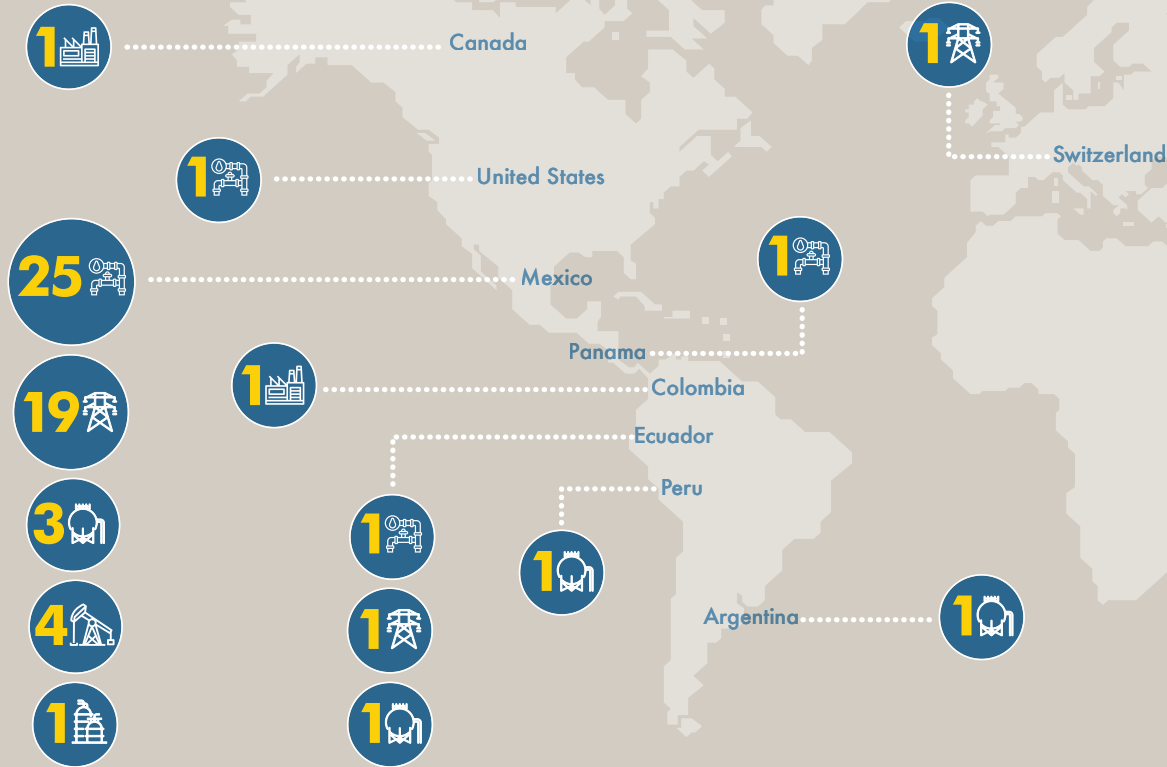


In line with the conviction that our social investment should be directed towards education as the main way to achieve development, we continued with the donation of computer equipment to different public schools that serve socially vulnerable children, as well as the Faculty of Engineering of the Central University of Venezuela and the University of Oriente.

Another way to support education is by participating in engineering events held in colleges, in which professionals from our work teams share their knowledge and experiences in talks and presentations. This was the case at the Andrés Bello Catholic University and the Metropolitan University.

At the close of this fiscal period, the Alumni Association of Simón Bolívar University is working with **inelectra** to execute a project to improve the water supply to the university and optimize its storage capacity.

inelectra at a Glance 2019-2020



Business Development

Bids by geography and business segments

Total bids:
62

28
Fuel Transport

21
Electricity Generation and Transmission

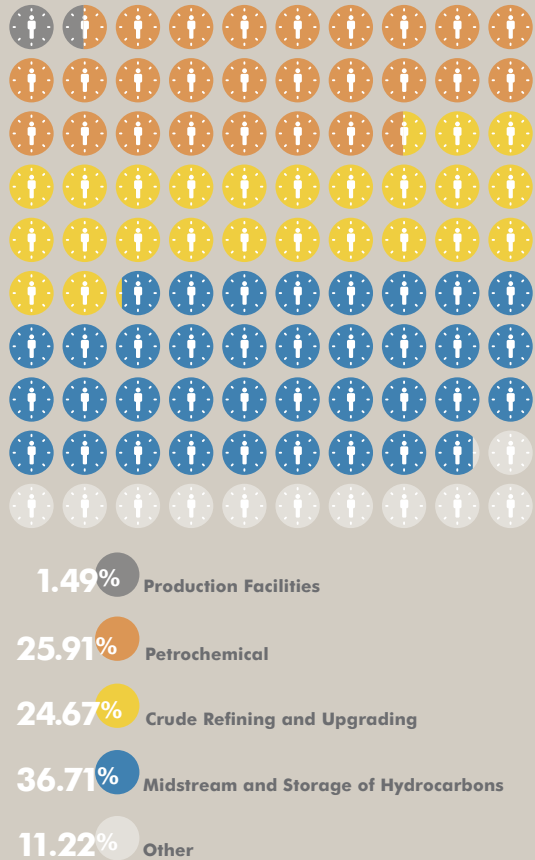
6
Refining and Upgrading

4
Oil and Gas Production

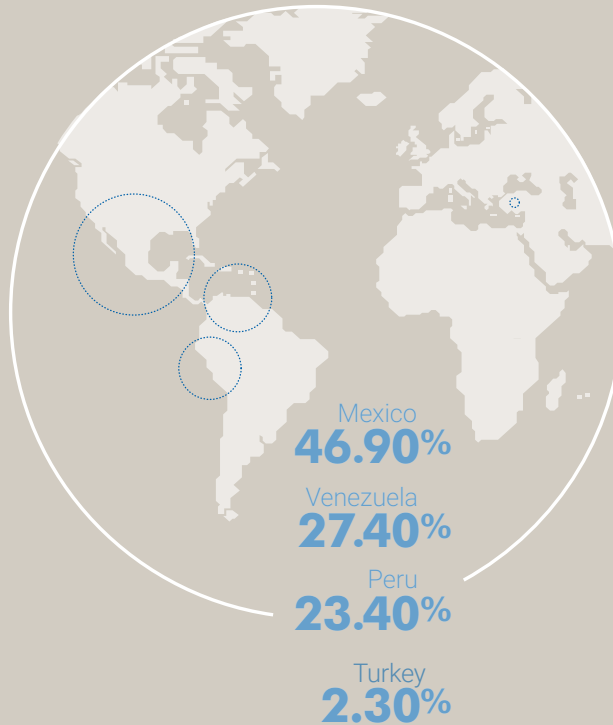
2
Infrastructure and Industrial Projects

1
Petrochemical

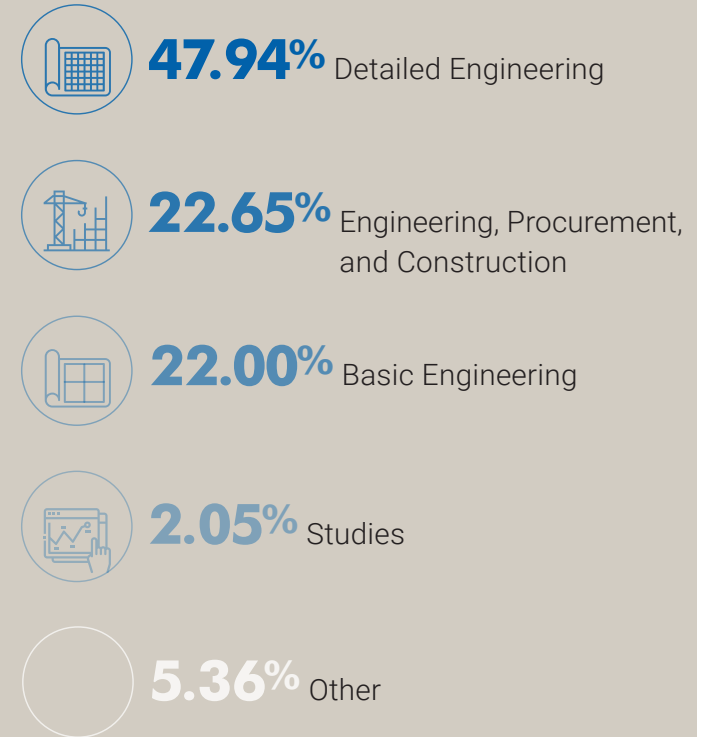
Man-hours by Business Segment (%)



Man-hours According to Location of Construction Site (%)



Man-hours According to Project Scope (%)



Training



Learning Hours

20,000

Average Hours per Employee

49

Total Participations

1,700

Gender Parity



inelectra



45%
Women

55%
Men

Executive Staff



49%
Women

51%
Men

Environment, Health and Safety



Net Frequency Rate: **0.00**

Gross Frequency Rate: **2.54**

Severity Rate: **0.00**

EHS Training Rate: **0.02**



Environmental Index

Kg of white paper used / person: **0.18**

Kg of household waste / person: **2.18**

Kg of recycled paper / person: **0.77**

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