

ANNUAL REPORT 2017





MIGUEL BOCCO
Chairman and CEO

“ *We believe in executing projects with excellence. For Vepica, excellence means finding innovative ways to bring our clients' projects to life and collaborating between our offices around the world to provide the best expertise and the best value in project delivery* **”**

About us

Vepica was founded in 1972, to serve local markets in Latin America. Today we are a multinational engineering company headquartered in Houston, Texas, U.S.A. Our branches in Canada, China, Colombia, Venezuela, and the United States have successfully executed over 4,000 projects around the world.

✚Mission

To turn our client's vision into reality by executing projects with excellence.

✚Vision

To be recognized, by the international market, based on our outstanding execution of engineering, procurement, and construction projects and for maintaining sustainable and profitable growth.

✚Value

- Integrity
- Client driven
- Excellence in execution
- Social Commitment



Miguel Bocco Jr.
Chairman and CEO



Juan Nutt
VP Marketing & Sales



Carlos Chalbaud
VP China & Project Financing



Victor Estraña
VP EPC



Jean La Riva
VP Talent Management

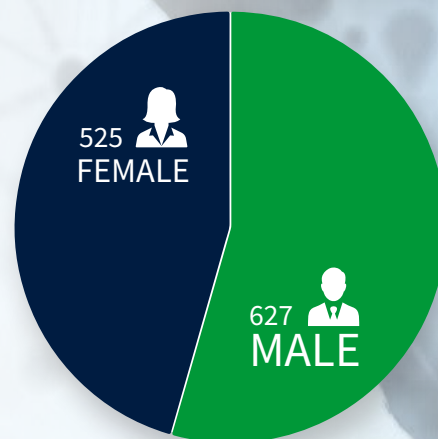
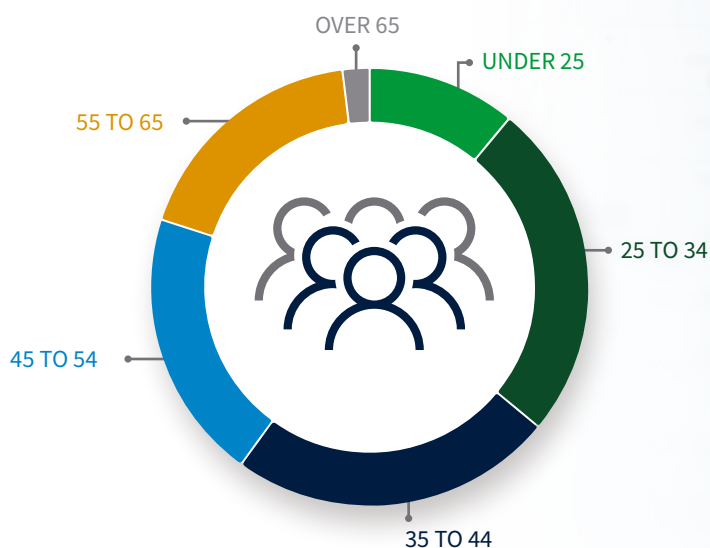
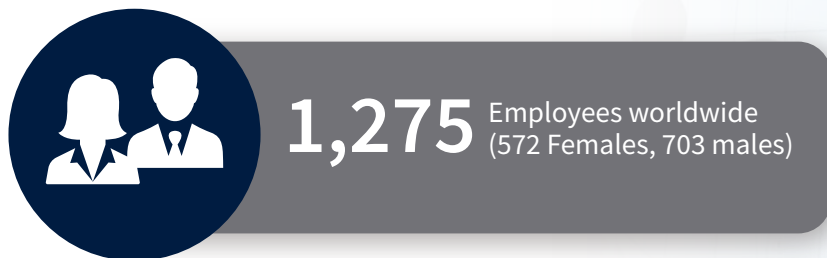
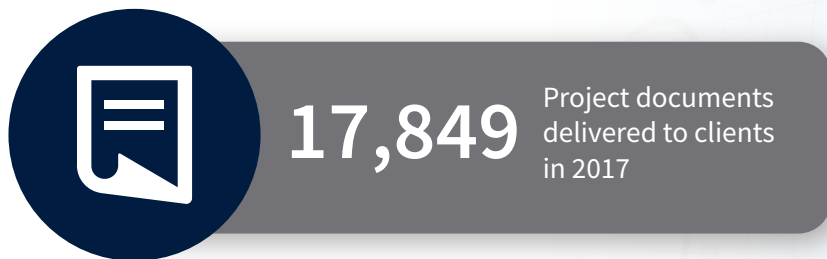


Gilberto Ordoñez
VP Engineering Services



Felipe Penfold
Chief Financial Officer

The Figures



Social Responsibility 2017

Houston helping to provide 10,530 meals for local foodbank

As part of the Corporate Social Responsibility program, Vepica was involved in a volunteering activity at the Houston Foodbank Warehouse, a non-profit organization that collects and distributes food to charities. It is the largest food donation foundation in the US.



Vepica Canada collaborated with local Drop-in center

12 volunteers from Vepica's Canada office helped out at the Calgary Drop In Center, where 2,000 meals are served each day to underprivileged people.

Vepica contributed with the Colombia Chiquita foundation

Vepica and its workers made a voluntary donation to children of the Colombian “Chiquita” foundation, a non-profit organization whose main objective to attend children at risk.





Interns in Houston; The best place for future young professionals

Last year, Vepica once again welcomed a group of interns from the Saltire Foundation (Saltire) to its offices in Houston. The students were placed in a number of different roles ranging from business development, human resources, engineering and construction ; to encourage them to develop their skillset

Project for the Prevention of School Desertion in Venezuela

Encompassed within Vepica's Corporate Social Responsibility Program, a presentation was given, to outline the achievements of the School Dropout Prevention Program, currently attending 25 children from Jerman Ubaldo Lira School in Venezuela. In a joint effort with the staff of "Salud y Familia, members of the Voluntary Dividend for the Community, and financial aid provided by Vepica and its workers, they have been able to provide psychoeducational, social and pediatric support to the 25 students who were at risk of exclusion or desertion from the formal education system.





Vepica conquers South America

As part of our growth strategy in South America, we have accelerated the exploration of new opportunities in markets where we are renowned for our prestigious reputation.

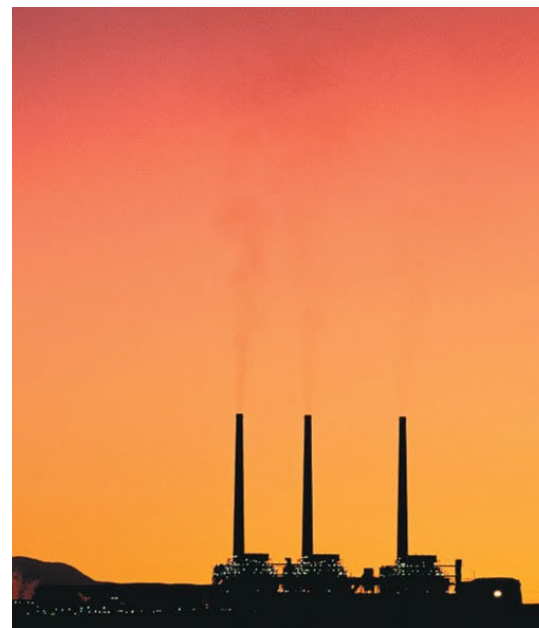
Expanding our international client base is key to providing stability to the sustained growth that Vepica has been experiencing in recent years.

As always, our formula includes an impeccable execution, on time, without



surprises, with very competitive rates in the current market and in a culture where we put safety is put first, in all our practices.

After a great deal of effort, we have started to reap the fruits of all our hard work in South America. Without doubt, there will be challenges ahead, and that we will assume them as always, with great pride and responsibility.



Vepica in Ecuador



The government of Ecuador, through Petroamazonas, is promoting investment in oil extraction and production expansion increases. To this end, a bidding round was held to operate four minor fields. The Condor Group, formed by Vepica, BCP and CPVEN, has been favored in this tender to increase expand the production on the Drago and Guanta-Dureno fields, located in the northwest of Ecuador near the Amazon. In this alliance, in addition to having a our partnership in the business, it we will be able allow us to execute carry out the execution of EPC works on the Surface Facilities required necessary for the field

development of the fields.

"The contracts we sign today consolidate a fruitful alliance and open new business relationships (...) their experience and their seriousness will be decisive to repower the four minor fields," said President Lenin Moreno during the signing of contracts with the Ecuadorian-Venezuelan Company.





BACK TO ARGENTINA

A decade ago, Vepica had offices in Argentina and boasted a significant number of projects that, at the onset of the international crisis began to terminate cease, forcing us, at that time, to close our doors.

At present Presently, Argentina is experiencing important activity in oil and industry, which has given us an excellent opportunity to resume our operations there in that country.

We have established an alliance with the company China Kerui, in our search for opportunities starting with a possible joint venture on the environmental adaptation projects of the YPF refineries, the installation of Shell Gas processing modules for YPF and the Completion of the Patagonia refinery for Pentanoil.

Another important achievement in Argentina has been the recent awarding of a contract for the execution of Basic Engineering and Production Facilities FEED's from by the Pan Americam Energy

Company and an invitation to an auction process for Axion company's Process Units.

We are very excited about the start-up of operations in Argentina and hopeful that this is just the beginning of great projects to come.



Workshare philosophy



Our success is based on our Workshare philosophy, a methodology used by large multinational organizations.

At Vepica we use this work system in order to execute your projects successfully, combining our skills, our excellent staff and the experience we have in: United States, Canada, Venezuela, Colombia and China.

Advantages of our Workshare philosophy:

- High quality standards
- Attractive prices
- Delivery on time and within budget
- Same Time Zone
- No surprises and low risk
- The most specialized personnel for each task
- Excellent technical teams with the know-how and the experience

This Workshare concept allows us to gather exceptional skills and talents from around the world.

An aerial photograph of a vast, flat, arid landscape under a clear blue sky. The terrain is a mix of light brown and tan colors, with some darker patches and shadows, suggesting a dry, open environment. The horizon is straight and distant.

Davis Refinery Final Permit to Construct (PTC) issued

Meridian Energy Group, Inc. issued Final Permit to Construct (PTC) for the Davis Refinery by the North Dakota's Department of Health – Air Quality Division.

The first full-conversion refinery in history permitted as a Synthetic Minor Source

This marks the first time that a full-conversion refinery of this size and complexity has been reviewed and approved as a Synthetic Minor Source, an accomplishment considered by the Oil and Gas Financial Journal to be “historic”. Vepica acted as the principal engineering consultant to Meridian in the preparation and filing of the refinery's original and amended PTC application. The original application was filed in October 2016, and later amended in April 2017, to further reduce emissions and potential effects over the surrounding community and the Theodore Roosevelt National Park. One of the most important and key tasks performed by Vepica was the development of the FEL-2 engineering documentation for the 55,000 BPD grassroots conversion refinery to support a New Source Review Air Permit as a



Synthetic Minor Source of Air Pollution in accordance with the requirements of the Clean Air Act. These activities included development of conceptual design and pre-feed engineering to support preparation of a thorough emissions inventory, selection of the appropriate air pollution controls (e.g. BACT, MACT, LAER) to ensure minor source emission levels, air emissions dispersion modeling and potential impacts analysis to both Class 1 and Class 2 airsheds, assistance to Meridian during the Public Comment period and preparation of technical responses to the over 10,800 comments received by the State regulatory agency on the draft Permit issued in compliance with state and federal permitting requirements.

Andreina Pena, Environmental Manager at Vepica USA on the overall permit to construct process, “from the beginning Meridian has directed the focus of the engineering for the Davis Refinery to demonstrating that the sustainable development of a project of this magnitude is feasible near the source of the feedstock, in the heart of the Bakken. Meridian firmly believes that doing what is environmentally responsible does not need to be mandated by regulatory requirements. That environmental and commercial viability

are not mutually exclusive, and also that selection of the proper control technology, whether or not mandated by current regulations, makes sense from an operations, community, environment and investor point of view. With the issuance of the Permit to Construct, NDDH has further validated that current, proven control technologies, when sensibly implemented, can ensure a project of this scope can be classified as a minor synthetic source.”

Carlos Garcia, Project Manager at Vepica USA, had this to say on the engineering design of the Davis Refinery: “What is making possible today sustainable developments like Davis are: Advances over the past couple of decades in commercially available burner technology, maximization of heat integration throughout the facility, vapor recovery to minimize flaring events, and last but not least, implementation of state of the art industry technology for leak detection. What wasn’t possible even 10 years ago is now easily attainable and being employed in the Davis Refinery”.

Vepica is currently performing the role of Owner Engineers on behalf of Meridian, as the project moves forward to its EPC phase. The decision was based on Vepica’s exceptional performance to date, in engineering and permitting support and the experience of key Vepica personnel with the Davis Refinery and our ability to simultaneously work the project from our three main locations in Houston, Calgary and Caracas, providing efficient and cost competitive solutions.

Continuous Casting Machine (CCM) Plant

In 2015, Vepica commenced the engineering, procurement, construction and start-up process for a new continuous casting machine, as part of the “Technological Recovery of the Alfredo Maneiro Steel Mill (SIDOR) and Downstream Developments” in Venezuela. These new installations, which will be adjacent to SIDOR’s existing sheet steel mill, will have a yearly output of 800,000 tons of round and square steel bloom, the key input for the manufacture of seamless piping and structural profiles.



Vepica is carrying out the overall project management, procurement of minor equipment and bulk materials and the construction of the new steel milling facility, as well as the infrastructure needed for the installation of the new continuous casting machine; supplied by Italian manufacturer DANIELI. The project will be completed in early 2018, with an investment of 4.5 million man-hours.





Challenges:

- Coordination of several stakeholders from different countries and different cultures (SIDOR from Venezuela- BANDES (Venezuelan project financing entity), China Found, Minmetals from China, Danieli from Italy,)
- Complex Interfaces with the existing and in-operation facilities.
- Lack of local availability for some raw and construction materials.
- Procurement of equipment and bulk material, coming mainly from china.

Vepica Solutions:

To face the project's challenges, VEPICA implemented the following strategy

- Highly qualified and experienced engineering personnel and PMC organization, with presence in China, Italy and Venezuela, working with a clear work division of the work.
- Integration of the client in most of the execution areas in order to facilitate the approval of deliverables, PO and to facilitate the construction interfaces with the existing operational plant.

- Early procurement of equipment, bulk materials and some construction raw materials such as rebar's, concrete, wires, paint, etc. in order to avoid construction delays.
- Early mobilization to the site, for work in advance, and to develop a very detailed construction strategy, with the participation of all the stakeholders.
- Activation of our China offices to expedite and inspect all equipment and materials purchased in China.
- Incorporation of the Environmental Discipline as an added value, developing a noise propagation model to assess the occupational noise levels outside the Control Building, in order to validate the control room window glass design and elaborate recommendations.



Second Line Pellet Plant – FMO



The “Second Line Pellet Plant - FMO” is a Travelling Grate Machine – Rotary Kiln process to produce 3 Million tons/year. Its feedstock is 100% iron fines, bentonite used as a binding agent and dolomite as aggregate. The process to produce Acid pellets of 9 -16 mm size includes natural gas for drying, additional heating on the mobile grill and hardening in the rotary furnace.

VEPICA is responsible for completing the procurement of miscellaneous equipment

and all the necessary materials. Also, to execute the construction and installation works on the plant up to Mechanical Completion plus Commissioning support to MCC “China Metallurgical Group Corporation”, who has contracted VEPICA to carry out these works. MCC has provided the Detail Engineering and Procurement of the main process equipment.





Second Line Pellet Plant key metrics include 2,119,000 Ft³ of concrete, 11,000 tons of steel structure and 466 Miles of cables, approximately 70% of the process equipment is already on site, and an estimated 6.5 million man-hours of direct labor are required. Project completion is programmed for December 2018.

Challenges:

- Coordination and /or follow-up on several stakeholders from different countries and with different cultures (FMO from Venezuela- BANDES (Venezuelan project financing entity), China Found and MCC from China)
 - Interpretation of engineering design with Asian standards and practices
 - Lack of local availability of some raw and construction materials.
- For instance, the availability/reliability of concrete supply in the area
- Storage of a high volume of process equipment early in the project
 - Challenging schedule

Vepica Solutions:

- Comprehensive and early review of engineering design drawings and specs supplied by client to minimize technical queries during preparation of purchase orders for materials and construction execution
- Highly qualified and experienced Engineering personnel and PMC organization, with presence in China and Venezuela, working with a very clear division of the work between them
- Identification of cement and its aggregates, national and international concrete sources, to import if required
- Plan to have own concrete plant at site
- Detailed plan of storage areas organized according to project area and construction sequence
- Aggressive procurement plan to ensure early arrival of Steel Structures
- Alliance with major construction subcontractor to ensure availability of construction resources.



*Dear Investors, Customers, Partners, and Employees:
we are proud to present you a summary of our
activities during 2017*

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