Report of the Board of Directors For 2013

Message to the Shareholders

Dear Shareholders,

The Board of Directors is pleased to present to its shareholders the 37th Annual Report on the performance of the Independent Petroleum Group (IPG) for the year 2013.

Global Oil Markets witnessed massive challenges during the year 2013 due to global economic instability and uncertainty in predicting future oil prices. Accordingly, future oil price estimations were lower than current price levels. This situation has resulted into oil storage operations becoming uneconomical, thus leading to lower storage utilization for the Company.

Crude oil prices fluctuated in very volatile and unpredictable way during 2013. Brent crude reached US$ 118.75 per barrel during January and dropped down to $ 97.50 during April. Then in August the price increased to $ 116.50 and dropped down again during November, settling at $ 103.50. These price fluctuations are attributed to the instability and uncertainty in the economic and political situations which prevailed Worldwide, particularly in Europe and the Middle East.

Global Financial Markets performance was remarkable as the Federal Reserve Bank supported the US economy by injecting US$ 85 Billion monthly in the American market causing the Dow Jones index to increase from 13,412.55 points at the beginning of the year to 16,576.66 points at the end of 2013. The improvement in the financial markets had a positive impact on the Company's portfolio performance, resulting in good revenues during the year.

Despite the above difficulties and uncertainties experienced during 2013, the Company has managed to achieve a profit of KWD 6.075 million or 42 Fils/ Share.

IPG's Equity Movement (KD Million)

S&P 500 and Dow Jones Movement during 2013

Summary of the Company's Results for 2013

Marketing & Trading Activity

Despite the price fluctuations and the increased competition in the Company's traditional markets, the Company still managed to market nearly 4.6 million tons of petroleum products i.e. about 100,000 barrels/ day compared to sales of approximately 85,000 barrel/ day for the year 2012; an increase of about 18 %.

(a) Trading Activity in the Gulf and the Red Sea

Cooperation continued between IPG and The National Oil Producing Companies such as BAPCO, Saudi Aramco, Aden Refinery Company. Contracts were also concluded with Major Oil Companies such as EXXON – MOBIL, SHELL and BP to supply the Company's markets in the Gulf and the Red Sea. Cooperation commenced during 2013 with Petrochina, where large quantities of Fuel Oil and Gasoline were provided to IPG to cover its commitments in the Red Sea. Large quantities of products were also purchased on spot basis from Independent International Oil Companies such as Glencore, Gunvor, and Trafigura.

Nearly 1.1 million tons of Diesel and Jet Fuel and Gasoline were supplied to Ethiopia for the second consecutive year. Also, IPG managed to renew the contract with the Ethiopian Petroleum Supply Enterprises (EPSE) to provide Ethiopia with about 1.5 million tons of petroleum products during 2014.

(b) Trading Activity in East Africa

Competition increased in the East Africa's markets due to the entry of several Major Global Oil Companies. However, IPG has managed to sell approximately 850,000 Tons of various petroleum products in these markets.

(c) Trading Activity in the Mediterranean Sea and the Black Sea

Trading activities continued in the Mediterranean and Black Sea. Uniterminals, the Lebanese-based Company, 50% owned by IPG, enjoyed the highest percentage of sales in Lebanon of Diesel, Jet Fuel and Gasoline. Most of these quantities were purchased through annual contracts concluded with Greece's Hellas Motor Oil, Russia's Litasco, and Glencore International of Switzerland.

(d) Trading Activity in India and the Far East

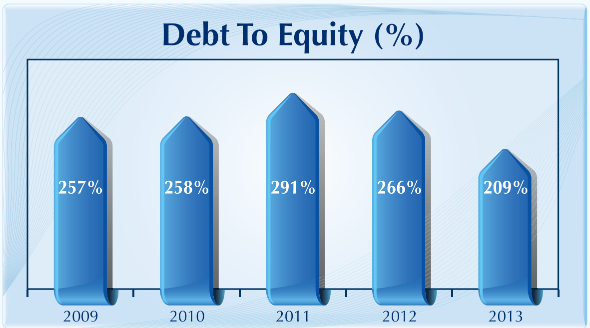
Due to the decreased business opportunities and the poor economics, little purchases of oil products were made from India, especially from Reliance Petroleum Industries. However, small quantities were purchased from them on a spot basis.

As for the Far East, large quantities of diesel were purchased from the British company BP and the South Korean company Winson Oil in Singapore. The quantities purchased were delivered to our markets in Yemen and East Africa.

(e) Shipping

The Shipping Department carried out 143 shipping operations during 2013. The new IPG-owned Oil Tanker (D&K Yusuf I. Al-Ghanim) and the long term chartered ship (D&K1) – have executed 21 voyages. The Department also leased 38 tankers from the spot market to supply the Company's customers with contracted products. Total quantities shipped by IPG during 2013 were approximately 4.6 million tons.

A preliminary agreement was concluded in 2013 with the South Korean Company STX to build two new tankers with a capacity of 50,000 tons each so that both would be added to the Company's shipping fleet. It is expected that all the details of this contract would be finalized during January 2014.



(f) Storage of Petroleum Products

The total storage capacity where IPG's ownership ranges between 11.1% - 50%, was 4.7 million cubic meters. In December 2013, VOPAK Horizon Fujairah Limited (VHFL), a UAE company (in which IPG owns 11.1%) signed an agreement with the Fujairah port and an International Petroleum Company for the construction and lease of additional tankage as part of the 7th phase of the expansion project. This expansion will involve adding 478,000 cubic meters for Crude Oil, increasing VHFL total storage capacity to 2.6 million cubic meters. The expansion project is expected to be completed by 2016.

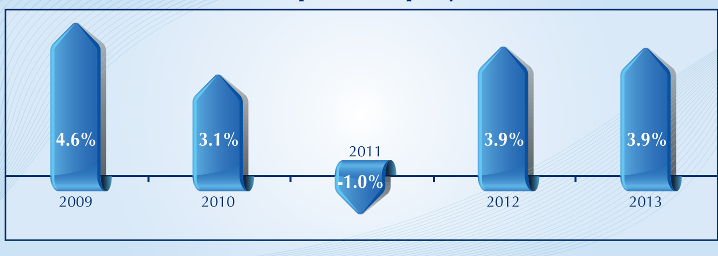
Business & Projects Development

IPG continued to follow up its existing projects. It also developed new projects that would achieve its income diversification strategy through investment in high-returns projects. An agreement was concluded in 2013 with Petrogal, a Portuguese Company, to build two storage terminals with a total storage capacity of approximately 121,000 cubic meters in Beira and Matola Port in Mozambique. In this respect, two new Companies, evenly owned by IPG and GALP, were established as follows:

1. IPG-GALP BEIRA TERMINAL LIMITADA (IGBTL) to build a storage terminal of 67,000 cubic meters in Beira, Mozambique for the storage and shipping of Diesel and Gasoline.
2. GALP – IPG MATOLA TERMINAL LIMITADA (GIMTL) to build a storage terminal of 54,000 cubic meters in Matola, Mozambique for the storage and shipping of Diesel, Gasoline, Jet Fuel and Liquefied Gas (LPG)

Preparation works for both projects have already commenced, including the fencing of both sites. Construction work is expected to start in 2014.

Return on Capital Employed (ROCE)



Finance & Treasury

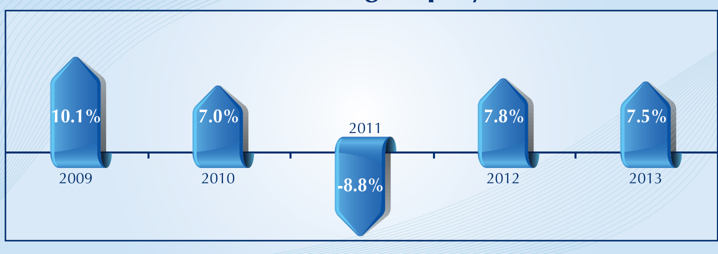
In 2013, IPG continued to maintain its position in its traditional markets and to add and explore new markets. The Finance Department succeeded in supporting the 2013 sales by opening Letters of Credit worth approximately US$ 4.4 billion, an increase of 13% over 2012. The Finance Department also managed during 2013 to achieve lower borrowing costs compared to 2012. It also maintained and developed good relations with its existing International and Local Banks as well as adding new banks to assist in financing the additional requirements.

Human Resources Department

Manpower and human resource will remain to be the most valuable asset of the Company and its long term investment to support its efforts to succeed in an ever – changing environment. IPG will always endeavor to keep certain principles with regard to providing employment career satisfaction by offering competitive pay and benefits and commitments to provide tools and facilities that would enable employees to enrich their skills and reach their full potential.

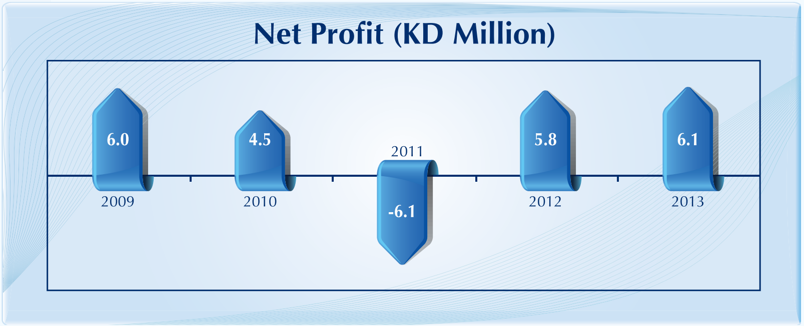
During 2013, seven new employees were recruited bringing the total staff to 115. In 2014, new appointments will be made to the Executive Management team which will further strengthen our strategic and operational capability.

Return on Average Equity (ROE)



Information Technology

For the second year in a row, The IT Department continued with the cost saving strategy while implementing all our planned projects for 2013 without compromising on requirements in any aspect. After extensive discussions with various technology partners for our virtualization project, we designed the utmost befitting solution as per our requirements. This was then conveyed to top vendors for tender requests pushing them towards best offer submission and aggressive competition.
In so doing, we have saved approximately 40%of the budgeted amount for the Capital project (Virtualization). Furthermore, approximately 30% was saved on Microsoft licensing and implementation by negotiating a very good deal to complete the project with the maximum discount and benefits possible.
This project elevated IPG's Datacenter from Hardware dependent to virtual independent infrastructure. This will also minimize, if not nullify, our new Hardware requirements for the next five (5) years at least. Moreover, we will be able to create up to 20 new virtual servers at no extra cost. High availability, minimum downtime, and maximum efficiency are the major tangible benefits of this project.



Legal Affairs

The Legal Department is considered one of the most important divisions of the Company as its main duty is based on harmonizing legal and judicial issues between IPG Head Office in Kuwait and its subsidiaries Worldwide. The Legal Department played an important role throughout 2013 in safeguarding the interest of IPG on both levels, local and international. On the local level, the Department succeeded, through delivering several legal opinions, to ensure that IPG's business is in line with new Kuwaiti regulations particularly those of the Ministry of Commerce and Industry, Ministry of Foreign Affairs, Ministry of Labor and Social Affairs and The Chamber of Commerce and Industry and other State agencies.

On the international level, the Department strengthened and consolidated the business ventures of the Group with existing Business Partners and new international suppliers, by rendering the necessary legal support.

In conclusion, the Board of Directors expresses its sincere gratitude to the shareholders for their invaluable trust and support and to all the employees of IPG for their dedication.

The Board of Directors

IPG's Subsidiary, Joint Venture and Associate Companies (brief of facilities and latest development)

1 D&K Holdings LLC – UAE: (IPG share 100% - Subsidiary Company)

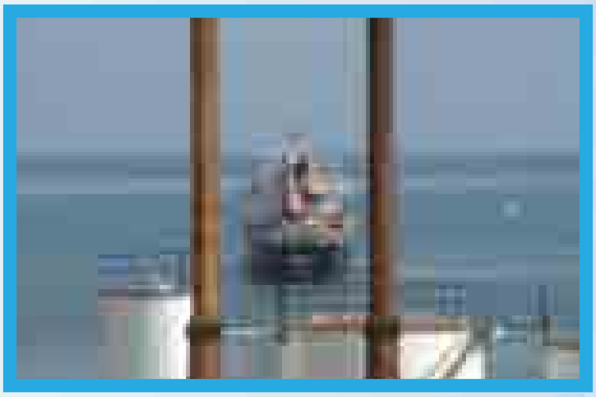
D&K Holdings LLC is the shipping arm of IPG. The Company owns and operates 2 petroleum product vessels which are fully utilized by IPG. One vessel has been scrapped recently. A long term vessels acquisition program was developed and being pursued to add two vessels with the objective of expanding the existing D&KH fleet over the next one and half years. The D&KH fleet will provide IPG with the required strategic controlled tonnage coverage.

2 Uniterminals – Lebanon: (IPG share 50% - Joint Venture Company)

Uniterminals markets petroleum products to wholesale buyers in Lebanon. It owns and operates a petroleum product storage terminal with a capacity of 74,000 cbm. It has a paid up capital of US$ 16.7 Million.

Other Shareholder is:

- Unihold SAL – Lebanon



3 Inpetro SARL, Beira – Mozambique: (IPG share 40% - Associate Company)

Inpetro owns and operates petroleum products storage terminal in Port Beira, Mozambique with a storage capacity of 95,000 cbm constructed at a total capital cost of US$ 26 Million.

Other Shareholders are:

- PETROMOC – National Oil Company of the Republic of Mozambique
- NOIC – National Oil Infrastructure Company of Zimbabwe (PVT) Limited

4 Arabtank Terminals Ltd (ATT), Yanbu – Kingdom of Saudi Arabia: (IPG share 36.5% - Associate Company)

ATT owns and operates a storage facility of 287,700 cubic meters of which 268,500 cubic meters is for petroleum products and 19,200 cubic meters for chemical products with a total capital cost of US$ 79 Million. Construction of three (3) 16″ pipelines to transfer products from the Samref refinery, adjacent to ATTL has been completed. To improve the operational efficiency and flexibility of the terminal, a Debottlenecking project is being implemented to enable berthing of large vessels at the new Berth 20 in addition to the current Berth 21.

Other Shareholders are:

- ENOC – Emirates National Oil Company
- SARCO – Saudi Arabian Refining Company

5 Horizon Tangiers Terminals SA (HTTSA) – Morocco: (IPG share 32.5% Associate Company)

Construction of HTTSA Terminal for storage of petroleum products and black oil for bunkering was completed and the Terminal was commissioned in Feb. 2012. The total capacity of the facility is 533,000 cubic meters, constructed at a capital cost of 140.5 Million Euros.

Other Shareholders are:

- HTL – Horizon Terminals Limited (100% subsidiary of ENOC – Emirates National Oil Company)
- Afriquia SMDC – Moroccan Private Company

6 Horizon Djibouti Holdings Limited (HDHL) – Djibouti: (IPG share 22.22% Associate Company)

HDHL owns 90% of the Horizon Djibouti Terminals Limited (HDTL), with the remaining balance (10%) owned by Govt. of Djibouti. HDTL operates an independent storage terminal for petroleum products, LPG, chemicals and edible oils with a storage capacity of 370,000 cbm constructed at a capital cost of US$ 100 Million.

Other Shareholders are:

- HTL – Horizon Terminals Limited
- NSHL – Net Support Holdings Limited
- EML - Essence Management Limited

7 Horizon Singapore Terminals Private Limited (HSTPL) – Singapore: (IPG share 15% - Associate Company)

HSTPL owns and operates an independent petroleum storage terminal with a storage capacity of 1.2 Million cbm and four jetties at a capital cost of US$ 299 Million.

Other Shareholders are:

- HTL – Horizon Terminals Limited
- BIL – Boreh International Limited
- SK – South Korea Energy Asia Pte. Limited
- MBV – Martank BV

8 Asia Petroleum Limited (APL) – Pakistan: (IPG share 12.5% - Associate Company)

APL owns and operates a petroleum products pipeline (including pumping station and storage) in Pakistan. The pipeline runs from Zulfiqarabad terminal at Pipri, Karachi to Hub, Baluchistan to transport Fuel Oil for HUBCO Power Plant. The facility was constructed at a total capital cost of US$ 100 Million.

Other Shareholders are:

- PSO – Pakistan State Oil
- AIL – Asia Infrastructure Ltd of Singapore
- VECO – VECO International of USA

9 Vopak Horizon Fujairah Limited (VHFL) – UAE: (IPG share 11.11% - Associate Company)

VHFL owns and operates an independent petroleum products storage terminal in Fujairah with a storage capacity of 2.1 Million cbm including marine facilities with 4 berths and one single point mooring (SPM), at a total capital cost of US$ 414 Million.

Other Shareholders are:

- VOPAK – VOPAK Oil Logistics Europe & Middle East B.V. of Netherlands
- HTL – Horizon Terminals Limited
- The Government of Fujairah