Report of the Board of Directors for 2015

Message to the Shareholders

Dear Shareholders,

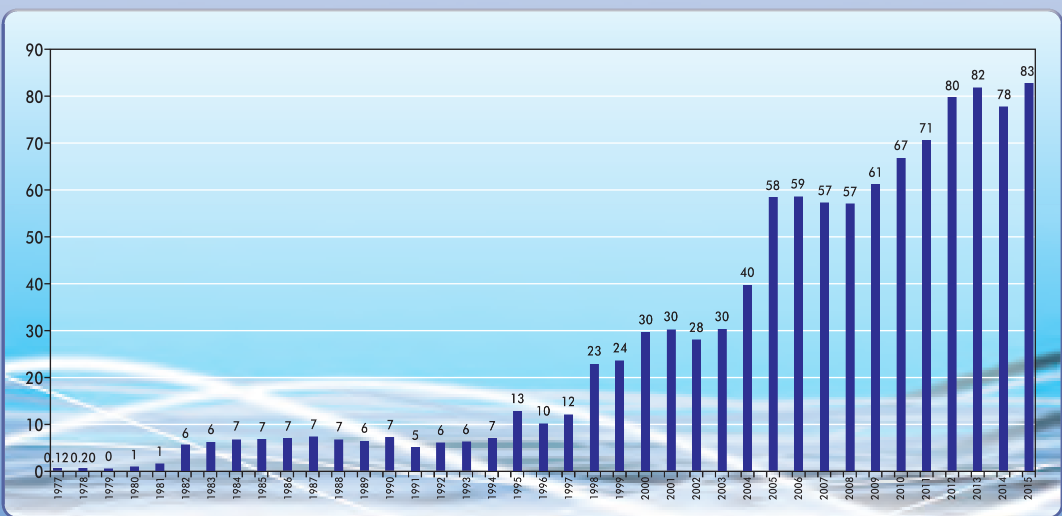
The Board of Directors is pleased to present to its shareholders the 39th Annual Report on the performance of the Independent Petroleum Group (IPG) for the year 2015.

The Global Oil Markets in 2015 witnessed a continuous drop in the prices of crude oil and petroleum products, due to surplus in oil production and reduced demand, especially in China and India. The Organization of Petroleum Exporting Countries (OPEC) failed in reaching an agreement to reduce oil production due to some key OPEC countries insisting on maintaining their market shares against competition from Non-OPEC countries. The production of shale oil did not decline, especially in the United States as anticipated, despite the sharp drop in oil prices. The price of Brent Crude dropped from US$ 53.27 per Barrel at the beginning of 2015 to US$ 38.22 by the end of the year. WTI index came down from US$ 57.33 per Barrel at the beginning of 2015 to US$ 36.25 by the end of the year. The political upheavals and the ongoing wars in the Middle East failed to prevent this drastic drop in the oil prices, which brought them back to their levels of 2008.

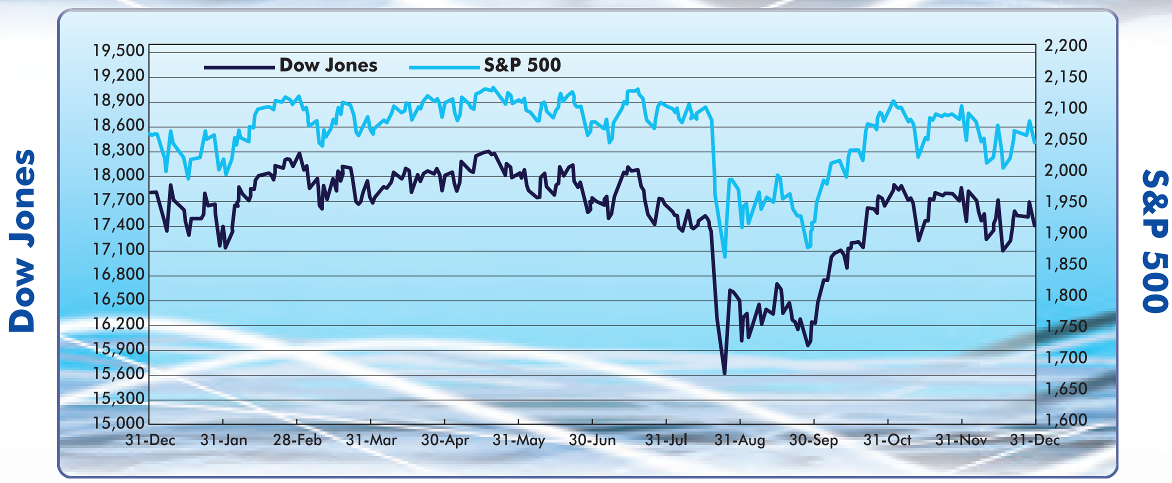
During 2015, IPG witnessed intense competition from International Oil Trading Companies, especially in its traditional markets in East Africa. Despite that, IPG still maintained similar performance as in 2014, attaining a net profit in 2015 of 3.79 Million Kuwaiti Dinar i.e. equivalent to 26.20 Fils/Share.

Global Security Markets performances were extremely disappointing in 2015. During August, the share market in China dropped by 8.5% in a single day which was called "Black Monday". This decline in China, in addition to forecasted increase in interest rates in the US, as well as the continued pessimism in the Global economy, led to a sharp decline in European and US markets. That decline affected IPG's portfolio, ending the year with a relatively slight negative performance.

IPG's Equity Movement (KD Million)



S&P 500 and Dow Jones Movement During 2015



Summary of the Company's Results for 2015

Marketing & Trading Activity

In spite of intense competition throughout 2015 in its traditional markets, IPG managed to market about 3.7 Million Tons or about 77,000 Barrels per day, which is approximately the same quantity (3.6 Million Ton) that was marketed during 2014. It is to be noted that this was possible, despite losing 1.4 Million Tons in the Ethiopian market, due to strong competition from International Oil Trading Companies.

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

Despite intense competitions and the loss of the Ethiopian market, IPG was able to increase its sales in the Arabian Gulf and the Red Sea markets, including the Kingdom of Saudi Arabia, United Arab Emirates, Yemen, Arab Republic of Egypt and Jordan.

Furthermore, IPG continued its close cooperation with many National Oil Companies such as ARAMCO, The Bahrain Petroleum Company (BAPCO) and Aden Refineries Co.

IPG also cooperated with International Oil Companies such as EXXON-MOBIL, SHELL and British Petroleum. Furthermore, IPG continued its close cooperation with major oil refineries in India, Korea, China and Singapore, in addition to refineries operating in the Mediterranean as well.

(b) Trading Activity in East Africa

Despite intense competition from International Oil Trading Companies, IPG was able to market 360,000 Tons of Petroleum products in Zimbabwe and Mozambique markets. This quantity represents an increase of about 80,000 Tons over what was marketed in 2014.

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

Approximately 1.1 Million Tons of petroleum products were marketed to this region in 2015. About 700,000 Tons were marketed to Uniterminals, Lebanon an Oil Terminal (50% owned by IPG).

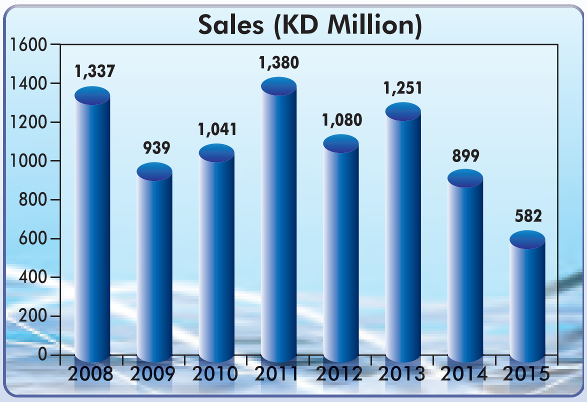
IPG also increased its sales in Morocco, where it marketed about 400,000 Tons of petroleum products locally. All these products were sold through the use of HTTSA's Storage Tanks in Tangiers port (32.5% owned by IPG).

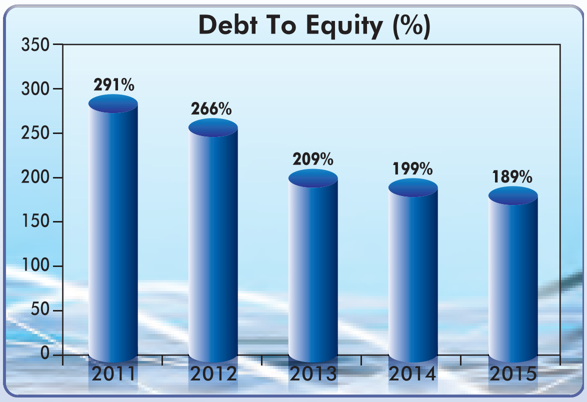
(d) Trading Activity in India and the Far East

Trading activity increased in the Far East, reaching a record sale of about 432,000 Tons to China, Vietnam and Singapore. In addition, IPG bought Diesel, Kerosene and Gasoline from India, China and South Korea, amounting to about 782,000 Tons.

(e) Shipping

IPG's Shipping Department carried out a total of 156 individual shipments during 2015 totaling approximately 4.25 Million Tons. At the end of 2015, IPG received two new tankers from the South Korean Ship Building Company (STX), each costing about US$ 36 Million with a capacity of 50,000 Tons. The two new tankers are respectively named as "D & K Abdurrazak Khaled Zaid Al-Khaled" and "AL-Betroleya". The German based DVB Bank financed the purchase of these two tankers. With these two new tankers, the total tankers having the same capacity and fully owned by IPG has reached four (4) including D & K 1 and D&K Yousuf Ibrahim Alghanim.





(f) Storage of Petroleum Products

During 2015, IPG stored about 850,000 Tons of petroleum products in Strategic Storage Terminals where IPG has a stake in them, compared to about 523,000 Tons in 2014. IPG aims to increase the use of its quotas in those storage terminals to optimize its presence in the markets in Zimbabwe, Mozambique and Morocco.

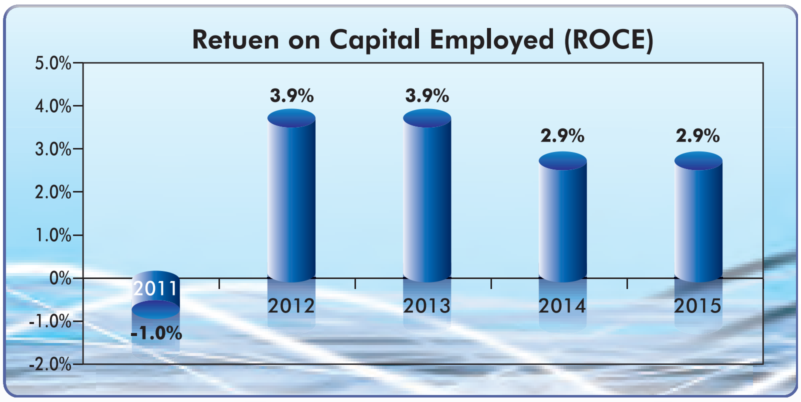
Business & Projects Development

IPG continued developing projects to complement its trading operations. In this context, it concluded a 50/50 partnership agreement with a Portuguese company, GALP, for the construction of a storage Terminal in Beira, Mozambique with a capacity of 65,000 cubic meters at a cost of US$ 60 million and a second one in Matola, Mozambique with a capacity of 46,000 cubic meters at a cost of US$ 65 million. EPC contracts were awarded to a South African Company "Steval", which commenced work during October 2015. It is expected to complete Beira Terminal towards end of 2016 and that of Matola during the first half of 2017.

Under the said partnership agreement, two companies were formed, owned equally, between IPG and GALP:

1. IPG-GALP Beira Terminal Limitada (IGBTL) for the construction of Beira Terminal
2. GALP – IPG Matola Terminal Limitada (GIMTL) for the construction of Matola Terminal

In the Kingdom of Saudi Arabia, approval has been granted by Arabtank Terminals Limited (ATTL) to expand and debottleneck the facilities to receive and load vessels with SDW of 100,000 Tons. The EPC contract has been awarded to Belleli, and it is expected to complete the construction by mid 2017.

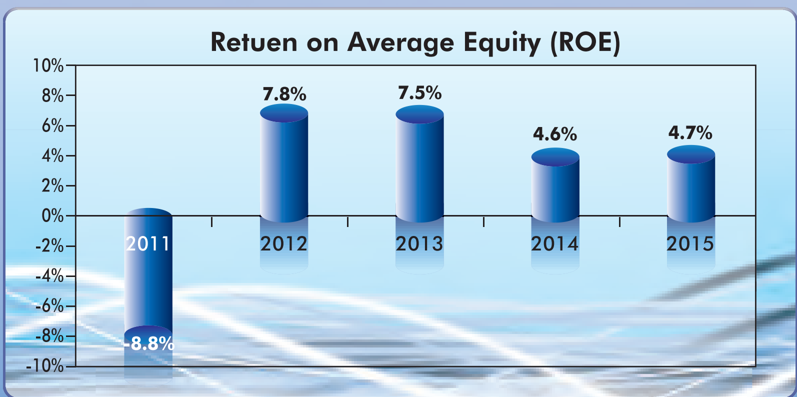


Finance & Treasury

In spite of global challenges including the volatility of the commodities market coupled with major shifts in global supply/demand and geopolitical uncertainties in the region, IPG continued its progress through its Finance Department in securing the necessary liquidity to support trading, entering and participating in international bids and contracts. IPG continued to supply its clients with petroleum products at internationally competitive pricing while also delivering utmost professional service. With that said, the department was successful in raising the necessary liquidity to finance current and future projects in addition to securing short and long term requirements by increasing facilities from existing banks and adding new facilities from new financial institutions.

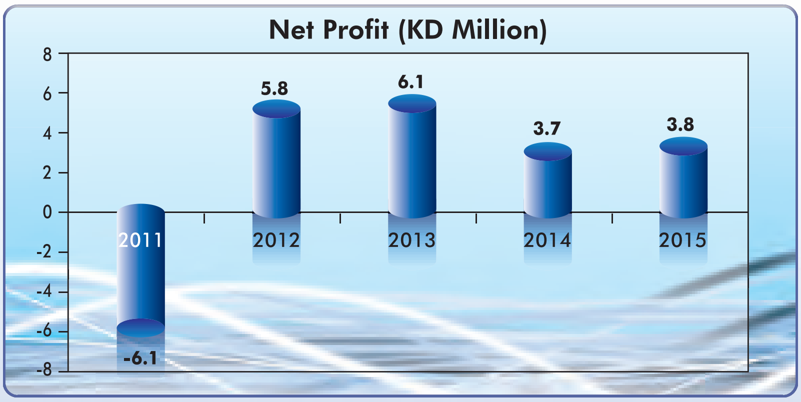
Human Resources

Manpower remains the most valuable asset of IPG and its long term investment to tackle challenges in an ever-changing international commercial environment. IPG will always maintain to keep fundamental principles pertaining to employment and career satisfaction by offering competitive pay and benefits as well as commitment to provide all facilities that enhance its employees' skills to reach their full potential goals. It is worth mentioning that during 2015, (4) new employees were recruited bringing the total staff to 115. In 2016 new appointments are expected in the management team, which will further strengthen IPG's operational capabilities.



Information Technology

During 2015, IPG implemented the most awaited Inventory module of MIS system. This Inventory System will cater for all the storages located worldwide and provide instant accurate information on the available/sold quantities, costing with breakups, payment-due alerts, invoicing details, On-demand forecasting etc. IPG also fully automated the Hedging Process for The Marketing Department which will give an accurate Open Paper position with hedging percentage against the physical cargoes for Risk Management purposes. Automation of "Budget vs Actual" reporting is implemented to accurately assess the performance at any given time. IPG also enhanced the "Profit & Loss" reporting, cargo purchase / sales monitor, contract management & voyage management systems to be more comprehensive, efficient and deeply analytical to provide management with the most accurate data to help with their decision making.



Legal Department

There has been an increase in the activities of the legal department due to the growing number of customers in new markets. The department effectively contributed towards the drafting of contracts, which led to the protection of IPG's rights and brought down the number of lawsuits. It has also resulted in lesser dependency on external law firms and scaling down of the annual expenditure. As part of its role, the department rendered prompt and effective legal advices to other departments in IPG, such as Marketing, Finance, Business Development and Human Resources. Finally, being able to draft agreements in Arabic, English and French languages facilitated IPG's business from Morocco to Pakistan Projects, where IPG is involved.

This was adopted based on the foregoing and the Board of Directors has approved the financial statements for the financial year ended 31.12.2015 and decided to recommend a cash dividend of 25% of the normal value per share(i.e. twenty-five fils per share) deducting the treasury shares. As such it has been recommended to reward the Board Members an amount of KD 80,000 (eighty thousand dinars only) which is subject to approval by the General Assembly.

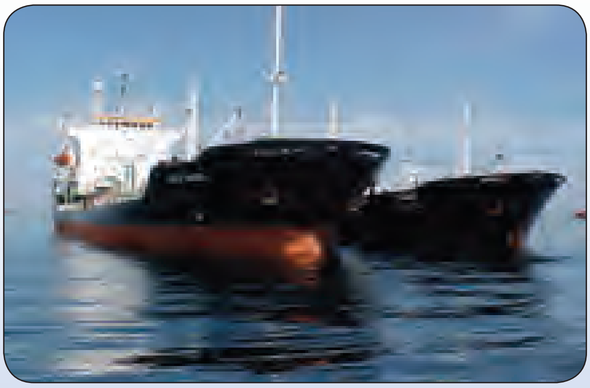
In conclusion, the Board of Directors expresses its sincere gratitude to the shareholders for their invaluable trust and support and to all the employees of IPG for their dedication.

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 4 petroleum product vessels which are fully utilized by IPG. The D&KH fleet will provide IPG with the required strategic controlled tonnage coverage.

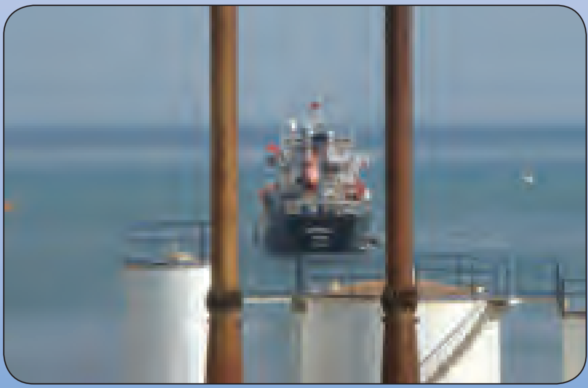


2 Uniterminals – Lebanon: (IPG share 50% - Joint Venture Company)

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. By Shareholding IPG's capacity is 37,000 cbm.

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. By Shareholding IPG's capacity is 38,000 cbm.

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 cbm of which 268,500 cbm is for petroleum products and 19,200 cbm for chemical products with a total capital cost of US$ 74 million. The Pipeline connection of three 16" lines to Samref refinery has been commissioned. To improve the operational efficiency and flexibility of the terminal, Phase III Infrastructure (Debottlenecking) Project has been approved by ATTL in 2015. Accordingly, the EPC Contract has been awarded to Belleli s.p.a at a cost of US$ 11.7 million in November 2015 with a duration of 17 months. By Shareholding IPG's capacity is 105,057 cbm.

Other Shareholders are:

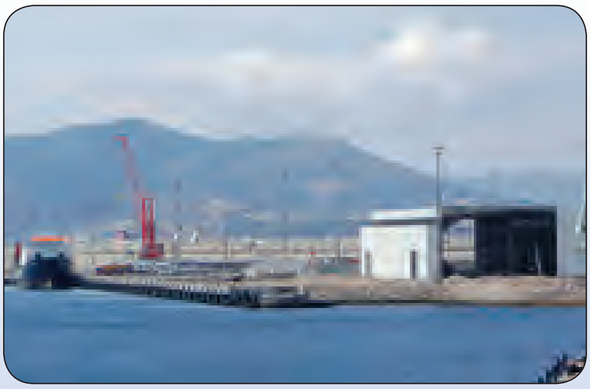
- Emirates National Oil Company (ENOC)
- Saudi Arabian Refining Company (SARCO)

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

HTTSA owns and operates a storage and bunkering facility of 532,919 cbm for clean and dirty petroleum products at Port Tangiers, Morocco under a Concession Agreement with TMSA (Agence Spéciale Tanger Méditerranée) for 25 years. Total cost of the project is € 140.5 million. TMSA is constructing Jetty no. 2 at cost of approx. € 12 million which is 100% financed by HTTSA. Upon completion of the Jetty no. 2, HTTSA will have access to the Jetty no. 2 in addition to the existing exclusive Jetty No. 1 which will add flexibility on shipping facilities for the Clients of HTTSA. The Jetty no. 2 is expected to be operational by Q4 of 2016. By Shareholding IPG's capacity is 173,199 cbm.

Other Shareholders are:

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



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 owns and operates an independent storage terminal for petroleum products, LPG, chemicals and edible oils with a storage capacity of 371,000 cbm constructed at a capital cost of US$ 100 million. Plans are underway to expand the existing capacity of the terminal. By Shareholding IPG's capacity is 74,200 cbm.

Other Shareholders are:

- Horizon Terminals Limited (HTL)
- Net Support Holdings Limited (NSHL)
- Essense Management Limited (EML)

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. By Shareholding IPG's capacity is 186,750 cbm.

Other Shareholders are:

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

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. By Shareholding IPG's capacity is 10.25 Km.

Other Shareholders are:

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

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. VHFL is currently implementing the expansion of storage capacity by constructing a crude oil storage facility of 478 Km3 with a project cost of US$ 90.62 million and expected to be commissioned in Q3 of 2016. By Shareholding IPG's capacity is 236,754 cbm.

Other Shareholders are:

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