



Report of the Board of Directors for 2018

Message to the Shareholders

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the 42nd Annual Report and consolidated financial statements to the Shareholders of IPG for the year 2018.

I would like to take this opportunity to thank everyone who contributed to IPG's strong performance from our shareholders to staff members and to all sectors associated with the Group.

IPG's ability to face the changes and challenges throughout the years bears witness to its commitment to endeavor to succeed in the future.

During 2018, the oil market witnessed a sharp price variance for Brent crude of over 36 \$/bbl, from a high of 86.74 \$/bbl on October 3rd to a low of 49.93 \$/bbl on December 26th. The year began with market forecasts of growth and uncertainty on whether production levels would meet demand. By mid year, with impending sanctions and the threat of supply disruptions, market predictions were for 100 \$/bbl crude oil . But as we neared the end of the year, all this was reversed. Markets showed a slowdown in growth and that there was over production in crude which led to a slide in crude oil prices to the lowest it has been in 2018. The financial markets were also not spared this volatility ending at levels not seen for a decade.

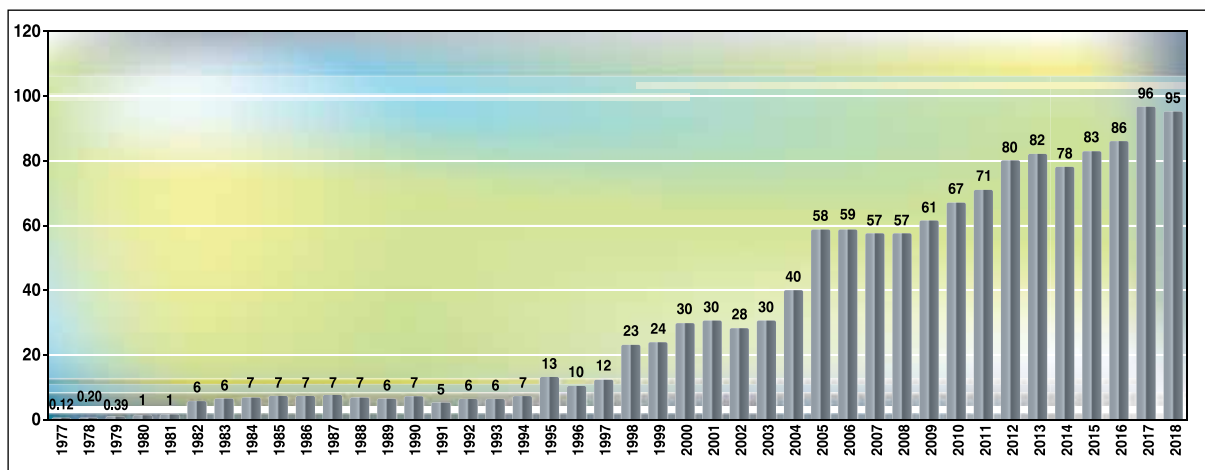
I am pleased to announce that IPG's performance during 2018 was commendable. We achieved a net profit of **6.148 million KD**, equivalent to **34 fils** per share. This was despite the poor performance in the international financial sector.

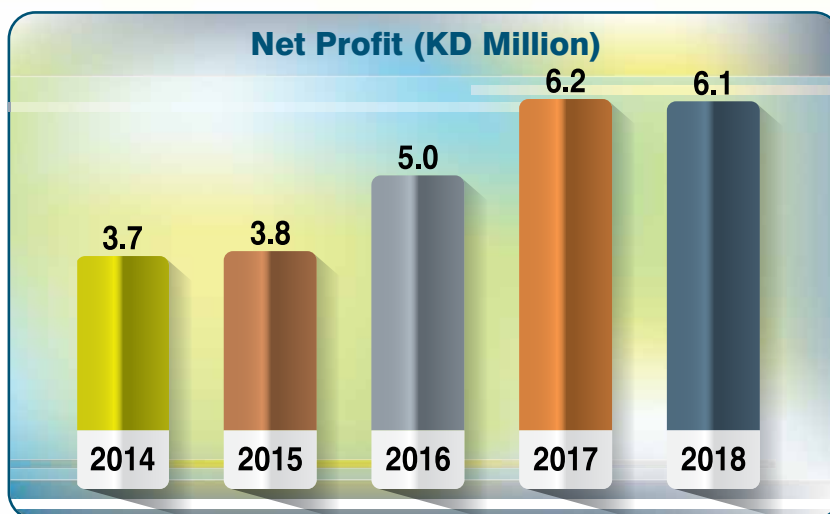
IPG plans to continue with its approach of minimizing risk and improving margins paving the way for continued strength and sustainability.

Finally, the Board of Directors express their thanks and appreciation to all shareholders for their confidence and to the employees for their hard work and commitment to IPG.

Khalaf Ahmed Al-Khalaf
Chairman

IPG's Equity Movement (KD Million)





SUMMARY OF THE IPG'S RESULTS FOR 2018

MARKETING

The oil markets were erratic and volatile during 2018 and competition remained resilient. However, IPG managed to achieve trading volumes of 3.6 million tons in 2018 compared to 3.4 million tons in 2017. There were increased sales volumes to Morocco, the Red Sea and East Africa where a substantial amount of IPG business is based. Efforts are continuing to consolidate our position in these areas by recruiting additional staff and widening the baseload of customers.

(a) Trading activities in the Gulf and Red Sea

Sales and purchases in the Gulf and Red Sea region ranked high with about 1.5 million tons traded. This represented about 40% of IPG's total volumes. Yemen and Djibouti were some of the major outlets.

(b) Trading activities in The Mediterranean Region

The Mediterranean region recorded over 1 million tons of product traded. It accounted for about 32% of the total volumes; Morocco and Lebanon being the major outlets.

(c) Trading activities in East Africa

Nearly 1 million ton were shipped to East Africa. The major outlets were Zimbabwe, Malawi and Zambia.

(d) Trading activities in India/Far East

In 2018 there were reduced activities in the Far East. IPG is presently restructuring its activities in this region.

(e) Storage of Petroleum Products

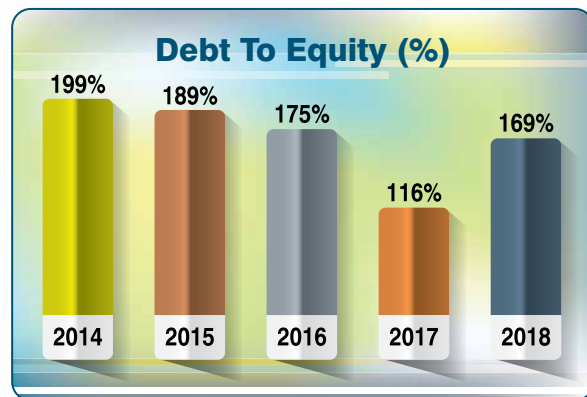
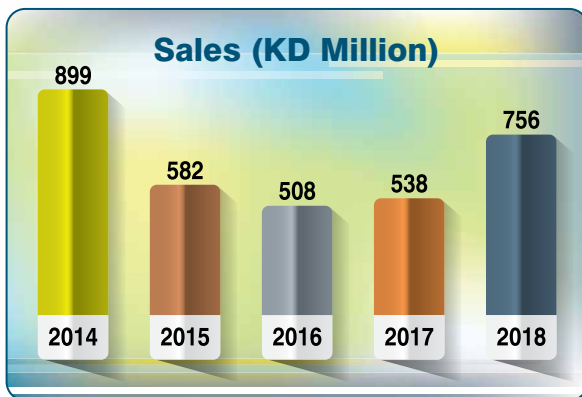
Out of a total capacity of 5.2 million cubic which IPG holds in partnership with others, IPG's share is about 1 million cubic meters. The total volume of products stored and utilized by IPG in these oil terminals was about 900,000 metric tons in 2018. IPG is taking steps to increase storage capacities in Morocco and Mozambique due to increased trading activities.



Shipping

2018 was a difficult year for shipowners. As a result, we have seen some consolidations with various owners joining or pooling together. Many are finding it difficult to cope with the 2020 low Sulphur Bunker fuel regulations regarding pollution.

During 2018, one hundred thirteen (113) shipments were carried out by IPG's Shipping Department, deploying its four (4) owned oil tankers as well as chartered vessels. The total volume of cargos shipped reached 3,7 million tons. Abdul Razzaq Al Khalid and Al Betroleya were chartered out. The other vessels namely D&K Yousef and D&K1 shipped about 525 thousand tons.



Risk Management

Risk Management Team (RMT) serves as a cohesive desk for all the physical trades concluded by IPG Marketing. The desk works independently and regulates the price risk exposure on the volumes traded. One of IPG's trading activities is sales from stored barrels. RMT provides support on potential derivative possibilities in the market which Marketing could use to take timely decisions.

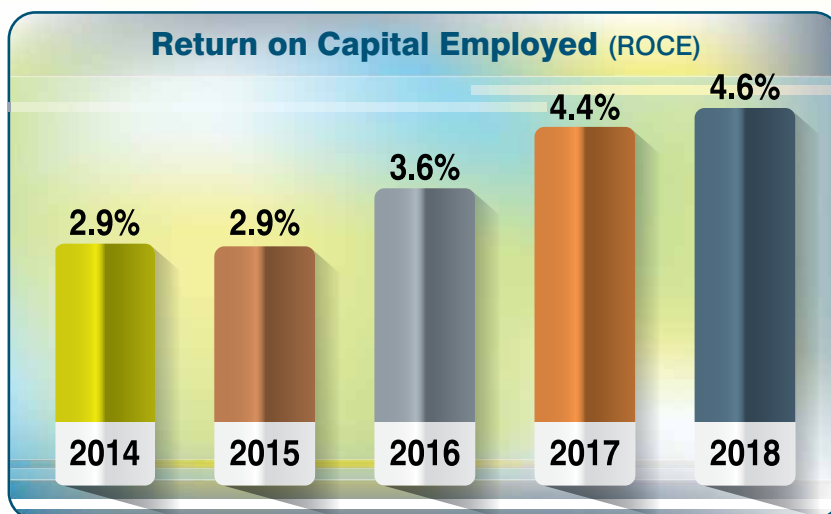
The team is also engaged in analyzing the technical and fundamentals of oil price movement and to advise the Marketing team on any potential advantages or concerns on physical trades. RMT is governed by a Corporate Hedge Policy constantly monitoring all trades and also provide exclusive performance reports for top management.

Business Development

During 2018, in line with IPG's Corporate Strategy and in its endeavour to support IPG's trading operations, the Business Development & Projects Department (BD) followed up with improvements of existing terminal facilities and development of new projects in strategic markets. BD is actively involved in the execution of operational improvements of terminal facilities and tank conversion in Yanbu-KSA as well as project management in the construction of new terminal facilities in the Ports of Beira and Matola in Mozambique.

In Yanbu-KSA (ATT), BD managed to partially commission the terminal improvement project in coordination with the terminal managers. Enhancement in the facilities for providing a chemical storage capacity of 45,000 cubic meters. is also underway. In Mozambique, along with its partners, implementation of two projects is continuing. Based on the current project schedule, it is expected that the project Beira (65,000 cubic meters) will be commissioned in Q4 of 2019 and Matola (66,000 cubic meters) in Q1 2020.

In addition, BD is exploring different cooperation models with its partners to augment its business growth and development in our strategic markets.



Finance & Treasury

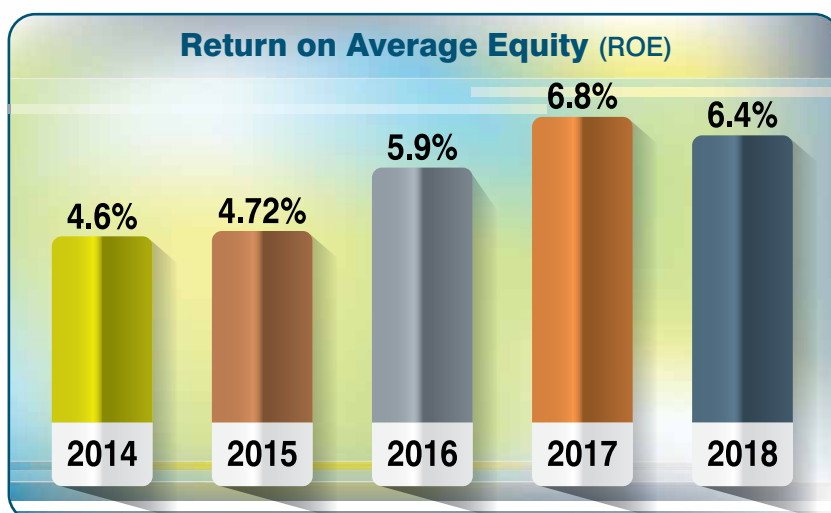
The finance department continued providing the full support to the group to meet the financial liquidity requirements of its international operations and to support the participation for its international oil bids to supply the group's customers with a competitive and flexible pricing of petroleum products.

The department continues to establish new relationships with new banks locally and internationally to obtain additional funding required to meet current and future financial needs.

Human Resources

IPG has from the beginning taken a strategic decision to be an effective competitor in bringing in the highest possible number of young Kuwaitis to train and develop them to assume senior levels in management and leadership.

During 2018, nine (9) new employees were recruited, bringing the total staff to 135. At the end of 2018, the percentage of Kuwaitis reached 18% of the total workforce in Kuwait office.





Information Technology (IT)

In accordance with the new security requirements set by SWIFT, the worldwide payment system used by banks and large financial institutions for money transfers, IPG upgraded all related hardware and software to the latest required versions. In addition, we installed and configured our new smart building infrastructure systems (CCTV cameras, Biometric access, video conference, etc). We have also enhanced the policies and procedures for our security systems and upgraded our virtual server's environment VMware to ensure a smooth running of IPG systems.

Legal

IPG maintains its strategy to adopt a commercial approach based both on diligence and sound trading. The Legal Department has retained the services of top-tier law firms in the World to assist in providing legal advice to all IPG's divisions, thus minimising the risk of any legal exposure.

The Board of Directors approved the audited financial statements as of 31 December 2018 and decided to recommend the below:

- 1 - Cash dividend of 30 Fils per share in the total amount 5,652,225 (KD Five million Six hundred Fifty Two thousand Two hundred Twenty Five) for the year ended 31/12/2018 to the registered shareholders on the date of the AGM.
- 2 - Approving the remuneration to the Board of Directors for the financial year ended 31/12/2018 amounting to KD 80,000 (KD Eighty thousand)
- 3 - Election of the Board of Directors for the next three years (2019-2021)

Where these recommendations are subject to approval by the competent official authorities and ordinary General Assembly.

IPG'S SUBSIDIARY, JOINT VENTURE AND ASSOCIATE COMPANIES

1. D&K Holdings: (L.L.C.) – 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 cubic meters. It has a paid-up capital of US \$16.7 million. By Shareholding, IPG's capacity is 37,000 cubic meters.

Other Shareholder is:

- Unihold SAL, Lebanon





3. Inpetro SARRL, 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 cubic meters constructed in 2006 at a total capital cost of US \$26 million. By Shareholding, IPG's capacity is 38,000 cubic meters.

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 288,300 cubic meters of which 268,500 cubic meters is for petroleum products and 19,800 cubic meters is for chemical products with a total capital cost of US\$ 74 million along with a pipeline connection (three 16" lines) to Samref Refinery, Yanbu .To improve the operational efficiency and flexibility of the terminal, Phase III Infrastructure Project (for new facilities like new pipelines & pumps, access to the new Berth, etc.) at a total cost of US\$ 14 million is partially commissioned in the beginning of 2018 and the remaining works of 24" line connection to berth is expected to be commissioned in Q1 2019. Followed by the signature of a Development Agreement with a Saudi Petrochemical Company to provide Chemical storage of 45,000 cubic meter capacity under a 20-year storage commitment, ATT awarded the EPC Contract for the scope of works (tank conversion, pipelines, pumps, MLAs, etc.) and commissioning is expected at the end of 2019. By Shareholding, IPG's capacity is 105,230 cubic meters.

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 terminal of 533,000 cubic meters for clean and black petroleum products at Port Tangiers, Morocco under a 25 year Concession Agreement with TMSA (Agence Spéciale Tanger Méditerranée). The capital cost of the terminal is € 140.5 million. By Shareholding, IPG's capacity is 173,199 cubic meters

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 (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 cubic meters constructed at a capital cost of US \$100 million. By Shareholding, IPG's capacity is 74,200 cubic meters.

Other Shareholders are:

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





**7. Horizon Singapore Terminals Pty. Ltd. (HSTPL)– Singapore:
(IPG share 15% - Associate Company)**

HSTPL owns and operates an independent petroleum storage terminal with a storage capacity of 1.2 million cubic meters 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. Vopak Horizon Fujairah Limited (VHFL) – UAE:
(IPG share 11.11% - Associate Company)**

VHFL owns and operates an independent petroleum products storage terminal in Fujairah, U.A.E. with a storage capacity of 2.6 million cubic meters including marine facilities with 4 berths and one single point mooring (SPM), at a total capital cost of US \$ 505 million. By Shareholding, IPG's capacity is 289,860 cubic meters.

Other Shareholders are:

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





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

APL owns and operates an 82 Kilometer petroleum products pipeline (including a pumping station and storage facility) 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:

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

