



Report of the Board of Directors for 2019

Message to the Shareholders

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the 43rd annual Report and consolidated financial statements for the year 2019.

The year 2019, like many others, has seen its share of changes and turmoil. Changes in policies effecting trade between nations created uncertainty and fluctuations in supply and demand and eventually on prices. This undoubtedly was reflected onto oil where crude prices varied from a low of 52.51 dollars per barrel to a high of 75.60 per barrel. The USA and China , the UK and EU, North Korea and USA, tensions in the Middle East and even the environmental debate all played a part in the imbalance of World markets.

As in other years, IPG continued to face stiff competition in the markets it is active in. However, relying on past experience, strong relationships and dexterity, IPG was able to overcome them. Although this led to a reduction in sales volumes compared to plan, IPG managed to compensate this by an increase in margins. IPG’s performance during 2019 was quite satisfactory achieving a net profit of 6.635 million KD, equivalent to 36.70 fils per share. The profit compares to 8 % over that of the year 2018.

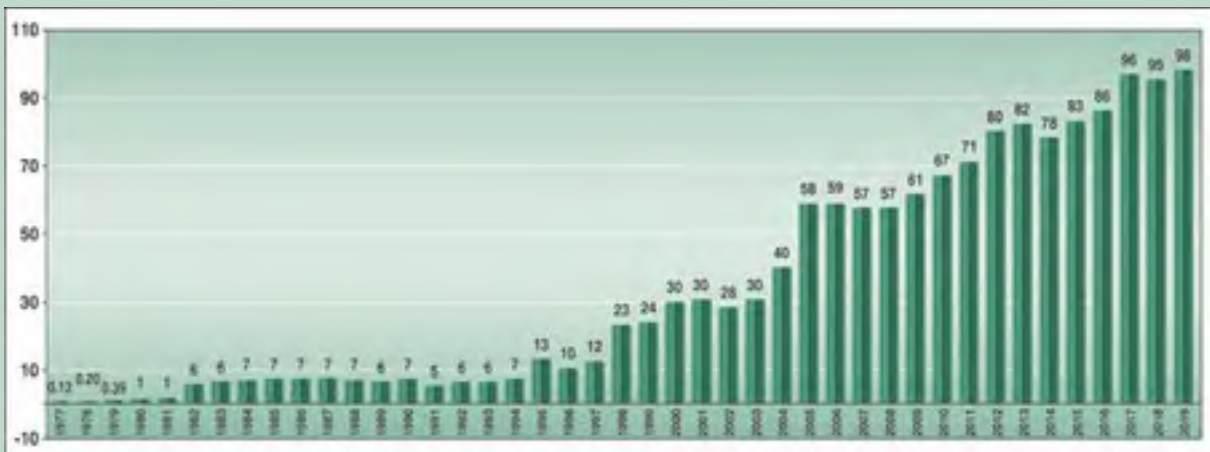
IPG is aware of the challenging market environment and the instability geopolitics create. Accordingly, its approach remains focused on minimizing risk and exposure while endeavoring to ensure growth and sustainability. As a result, there were no major setbacks in 2019.

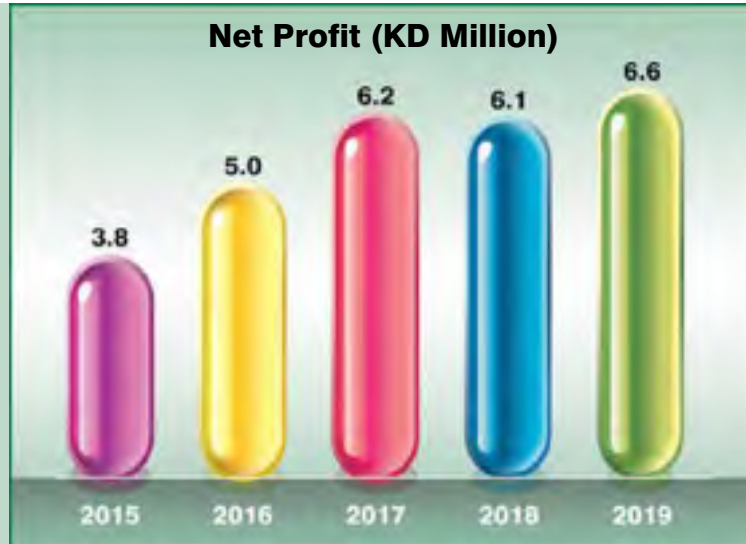
IPG’s performance during 2019 was commendable and I would like to take this opportunity to thank everyone who contributed to IPG’s strong performance from our shareholders to staff members and to all sectors associated with the Group.

The policies and regulations governing the Corporate Governance continues with the Board of Directors. The attached Corporate Governance report highlights the achievements of the year 2019. The Board of Directors expresses their thanks and appreciation to all shareholders for their confidence and the employees for their hard work and commitment to IPG.

Ali M. Al-Radwan
Chairman of the Board of Directors

IPG’s Equity Movement (KD Million)





Marketing Activities

IPG managed to market about 3.3 million tons in 2019 compared to 3.6 million tons in 2018. Though below plan there were increased sales volumes to the Red Sea , East Africa and Morocco, which are part of IPG's core markets. Despite strong competition, IPG managed to trade in its key regions while at the same time achieve improvements in margins.

Efforts are continuing to consolidate our position in these areas and recapture other areas of our trade. IPG continued its close co-operation with many national oil companies, strengthened its ties with the major oil companies and refiners as well as with its trading partners.

(a) Trading activities in the Arabian Gulf and Red Sea.

Sales in the Arabian Gulf and Red Sea region ranked high with close to 1.4 million tons traded. This represented about 43% of IPG's total volumes.

(b) Trading activities in East Africa.

Nearly 670 thousand tons were shipped to East Africa. This represented about 21% of total volumes.

(c) Activities in Mediterranean Sea

Euro-Med region recorded over 1.1 million tons of product traded. it accounted for about 35% of the total volumes.

(d) Trading activities in India / Far East Asia

There were reduced activities in the far east in 2019. IPG has restructured its activities in this region and plan to increase the volumes traded there.

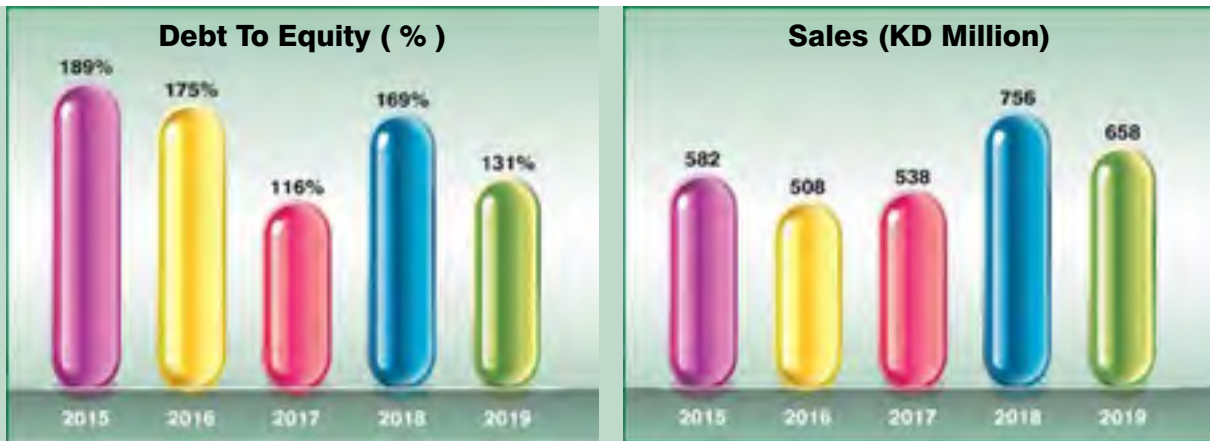
(e) Storage of Petroleum Products

IPG continues to utilize its storage capacities to enhance its marketing activities. Total volume of products stored by IPG in these oil terminals were about 1.3 million cubic meters in 2019. IPG is taking steps to increase storage capacities in its key trading markets.



Shipping

As of 1 Jan 2020 , all ships are required to burn fuel oil with Sulphur content of no more than 0.5 % unless fitted with an exhaust gas emissions cleaner(scrubber) capable of reducing sulfur emissions to 0.5 %. The IMO 2020 regulations will likely have a pronounced impact on vessels earnings. Due to changes in the world economies and an increase in geopolitical risks it has been difficult to assess the impact on supply and demand. Diesel demand, however, is expected to grow in 2020 along with Fuel oil to support the switchover from High Sulphur bunker fuels. Once the market settles into the new changeover, we would expect positive changes on the Time Charter rates on both short and long term charters.



Risk Management Team

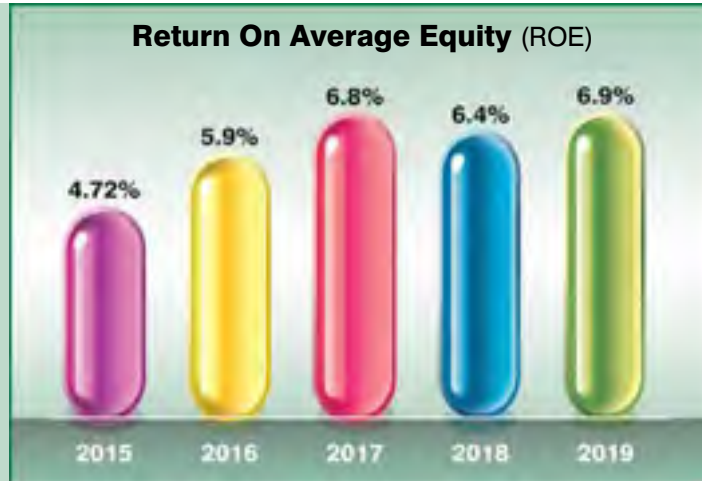
The team plays a key role in assisting Marketing assess and develop new markets or trades as well as examine all the risk and exposures related to it. The desk is actively coordinating all the trades and advises Marketing the potential advantages and associated risks. RMT functions as the risk control and reporting center for all the trading activities of IPG. The team is also engaged in assessing and analyzing oil price movements which includes technical and fundamental evaluations of supply and demand. RMT ensures that the Hedge Policy and Trade Guidelines and Procedure are followed.

Business Development & Projects Department

Heading to IPG’s Corporate Strategy and in its endeavour to support IPG’s trading operations, the Business Development & Projects Department (BD) in 2019 followed up with improvements of existing terminal facilities and the 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 fully commission the terminal improvement project in coordination with the ATT’s Management. Enhancement in the existing facilities to provide a chemical storage capacity of 45,000 m³are also underway. In Mozambique, implementation of the projects is ongoing. Based on the current project schedule, the Matola Project (66,000 m³) is expected to be commissioned in Q2 of 2020 and the Beira Project (65,000 m³) is expected to be commissioned in Q4 of 2020.

In addition to the development of projects, BD provided information and analytical support to assist with the project finance process by actively working with international, regional and local financial institutions for securing long term project financing in multiple currencies at competitive terms and conditions. In addition, BD is exploring different cooperation models with its strategic partners to augment its business growth and development of 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.

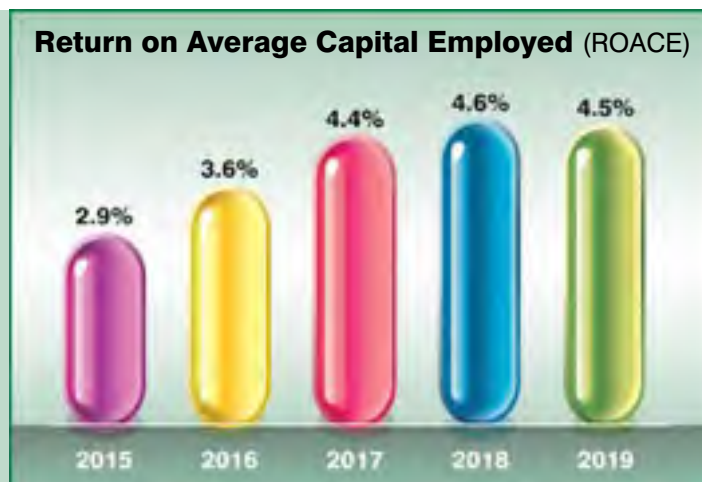
The department continues to establish new relationships with new banks locally and internationally to obtain additional funding required to meet current and future financial needs.

Human Resources

IPG has taken a strategic decision to be an effective competitor in bringing in the largest possible number of young Kuwaitis to train and rehabilitate them and thus achieve the group's long term goals. During 2019, ten (10) new employees were recruited, bringing the total staff to 141. At the end of 2019, the percentage of Kuwaitis reached 17% of the total workforce.

Information Technology

In order to guarantee a 99.9% up-time for our systems and applications, a complete Disaster Recovery solution from Infra-scale worldwide was implemented. This will work whenever any or all our servers fail or in case of complete disaster in our data center or even if the whole country is down. Authorized users may connect from anywhere in the world as per the access determined within Business continuity plan of IPG. Moreover, and to ensure a smooth functioning of our systems, all IPG's infrastructure was upgraded to the latest versions. Starting from Firmware of Servers and storage devices to SW and Windows OS, and Database Servers Upgrades to the latest version with no downtime.





Legal :

IPG confirmed through 2019 its strategy to adopt a commercial approach based both on diligence and sound trading. It is rare in today's business world for a Company to be less legally exposed as IPG. With nearly no law suites submitted against the group, IPG has continued to prosper. The Legal department has retained the services of top tier law firms in the world to assist in safely implementing its Projects.

Moreover, the Department has rendered worldwide legal advice to all IPG's departments, leaving no place for any legal exposure.

The Board of Directors approved the audited financial statements as of 31 December 2019 and decided to recommend the below:

- 1 - Cash dividend of 30 Fils per share in the total amount 5,423,625 (KD Five million Four hundred Twenty three thousand Six hundred Twenty Five) for the year ended 31/12/2019 to the registered shareholders on the date of the GAM set for at least 10 working days after the GAM meeting date, with the distribution of these dividends to begin 5 working days after the end of the due date.
- 2 - Approving the remuneration to the Board of Directors for the financial year ended 31/12/2019 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 (brief of operating facilities and latest development)

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&K 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 m³. It has a paid-up capital of US \$16.7 million. By Shareholding IPG's capacity is 37,000 m³.

Other Shareholder is:

- Unihold SAL, Lebanon



43
Years
Since 1976



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 m³ constructed at a total capital cost of US \$26 million. By Shareholding IPG's capacity is 38,000 m³.

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 m³ of which 268,500 m³ is for petroleum products and 19,800 m³ for chemical products with a total capital cost of US\$ 74 million along with a pipeline connection (three 16" lines) to Samref Refinery, Yanbu, KSA. 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 was fully commissioned in 2019. Followed by the signature of Development Agreement with Farabi Petrochemical Company of KSA (FPC) for providing Chemical storage of 45K m³ 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 by Q3 2020. By Shareholding IPG's capacity is 105,230 m³.

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 with a total capital cost of € 140.5 million. By Shareholding IPG's capacity is 173,199 m³.

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 m³ constructed at a capital cost of US \$100 million. By Shareholding IPG's capacity is 74,200 m³.

Other Shareholders are:

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



43
Years
Since 1976



**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 m³ 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 with a storage capacity of 2.6 million m³ 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 m³.

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 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)

