



Report of the Board of Directors for 2020

Message to the Shareholders

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the 44th Annual Report and consolidated financial statements to the Shareholders of IPG for the year 2020.

2020 has been a year overshadowed by the effects of the Covid-19 Pandemic. Although the year began with uncontrollable wild fires ranging from California to Australia, this was soon forgotten by the spread of a deadly virus. Human suffering bore the brunt and almost all businesses were affected.

It was difficult to predict the economic impact as a result of the spread of the virus. There was a dip in demand initially and expectations varied on the timing of any recovery.

Nonetheless, IPG faced these challenges and was able to uphold its position in its markets despite the restrictions of travel and workplace.

Crude Oil prices fluctuated from a high of 68 dollars a barrel to a low of 19 dollars per barrel. The low of 19 dollars a barrel not seen for quite some time. Fears of the spread of the virus leading to a reduction in demand and its impact on economies worldwide and how the world would cope were all the main topics of debate.

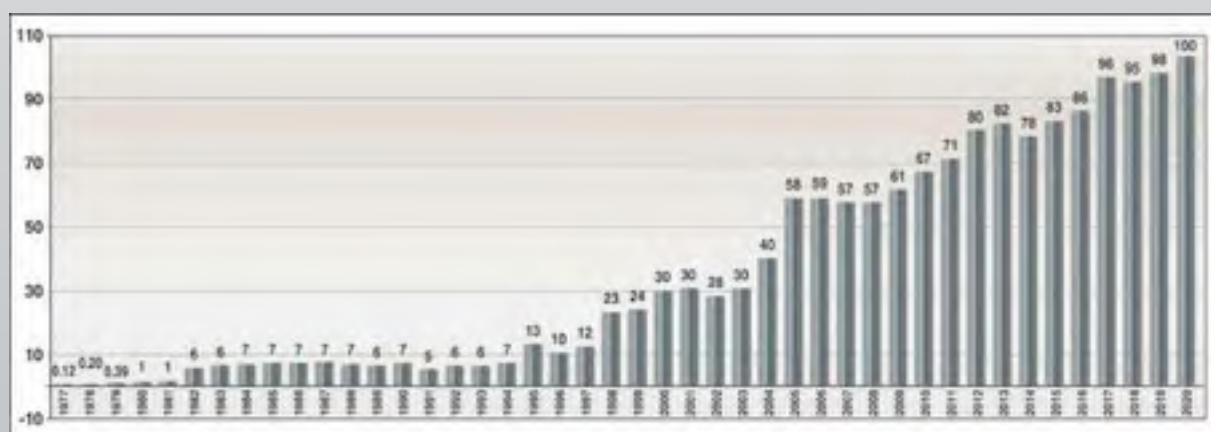
IPG upheld its conservative approach of minimizing risk and improving margins relying on its experienced Management to ensure the way forward to continued strength and sustainability. No major setbacks were faced in the year.

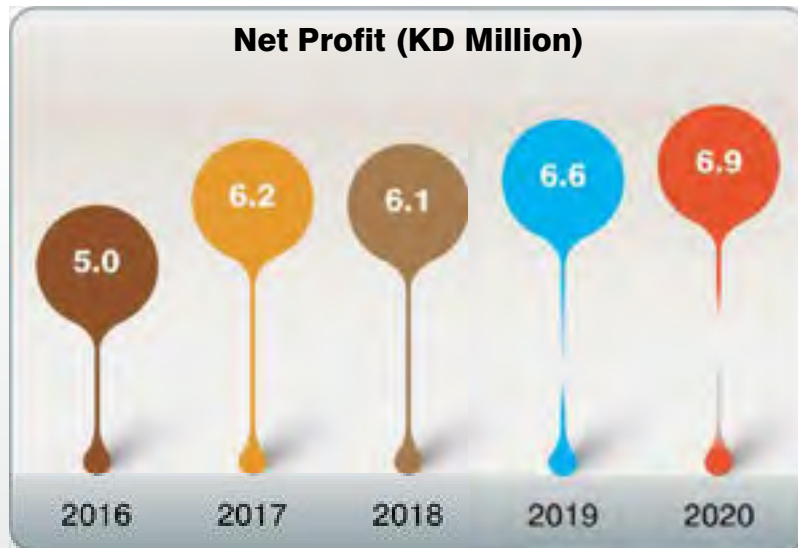
In so doing, IPG was able to achieve a net profit of 6.878 Million KD , equivalent to 38.04 Fils per share. The increase of profit is about 3.65 % compared to 2019.

It is a great pleasure to announce that IPG's performance during 2020 was highly commendable and I would like to take this opportunity to thank everyone who contributed to IPG's strong performance.

On behalf of The Board of Directors I would like to express our thanks and appreciation to all shareholders for their confidence and to the employees for their hard work and commitment to IPG.

IPG's Equity Movement (KD Million)





Marketing Activities

IPG managed to market about 4.2 million tons of petroleum products in 2020 compared to 3.3 million tons in 2019. There were increased sales volumes to the Red Sea and Euro-Med regions which are part of IPG's core markets. Despite strong competition, IPG managed to trade in its key regions including the Middle East and East Africa while at the same time achieve improvements in margins.

Efforts are continuing to consolidate our position in these areas and recapture others. IPG works in close co-operation with many National Oil Companies, as well as with the Major oil companies, Refiners and with its Trading partners.

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

Sales in the Arabian Gulf and Red Sea region recorded a quantity close to 1.9 million tons. This represented about 46% of IPG's total Sales volumes.

(b) Trading activities in East Africa.

Nearly 504 thousand tons were sold to East Africa. This is about 12% of total Sales volume. IPG established an office in Nairobi, Kenya with the aim to serve local and inland markets.

(c) Trading activities in Euro-Med region.

Euro-Med region ranked high in sales with over 1.8 million tons of product traded. This accounted for about 42% of the total Sales volumes.

(d) Trading activities in India/Far East.

Sales activities in the Far East region were not re-started in 2020 due to restructuring activities.

(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 1.20 million cubic meters in 2020. IPG is taking steps to increase storage capacities in its key trading markets to enhance the sales volume.



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Shipping

2020 started full of promise with the IMO2020 fuel change anticipated to be the catalyst of a troublesome market. Yet before we could see how the market would play out, Covid-19 struck the world and the onset of a global pandemic would dictate the shape of the tanker market for the remainder of the year. All world economies were affected. Crude prices dropped to a very low level not seen since 2010. Oil tankers were flung into immediate demand for storage and spot and t/c rates soared as charterers scrambled to secure tonnage to transport/store their oil which had become more of a liability than an asset. The spike in freight rates was short lived though lasting a few weeks during April-May. Owners suffered as earnings dropped below operating costs.

As the year comes to an end, we see a glimpse of light at the end of the tunnel. OPEC plan to start a gradual increase of production from Jan 2021. This is expected to improve the spot rates that will allow owners to increase their confidence after being battered during the 2nd half 2020. Tanker demand is forecast to increase gradually as the vaccine for Covid-19 becomes available worldwide which is hoped would provide relief leading to an economic recovery.

IPG in spite of all the ups and downs have managed to steer the course in this uncertain market through good programming to improve our overall earnings and employ our vessels by chartering out to third parties during any idle time.



Risk Management

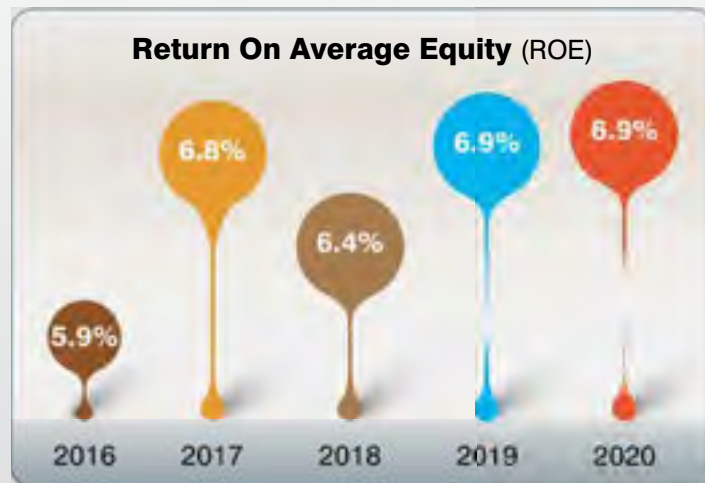
The reduction in global oil demand in 2020 equates to around 8.8 million barrel per day, equivalent to about a 9 percent drop. Crude prices fell to below 20 dollars a barrel at one stage. The Risk Management team continue to assist marketing activities in hedging any pricing exposure as well as providing market information to enhance trading opportunities. The team closely analyze the fundamental and technical changes of future price movements in order to take adequate measures to protect the volumes traded in different markets. RMT ensure that the Guidelines and Procedures and Hedge policy are followed across every transaction.

Business Development & Projects

Heading with IPG's Corporate Strategy and in its endeavour to support IPG's trading operations, the Business Development & Projects Department (BD) in 2020 followed up with improvements of existing terminal facilities and the development of new projects in strategic markets. BD is actively involved in the tank conversion with associated pipeline logistics in Yanbu-KSA as well as project management in the construction of new terminal facilities in the Ports of Beira and Matola in Mozambique and developing a facility for Bottling & Distribution for LPG in Matola, Mozambique.

In Yanbu-KSA (ATT), BD coordinated the handover of the converted tanks for chemical storage capacity of 45,000 m³ along with pipeline & pumping system. In Mozambique, the Matola Project (66,000 m³) was commissioned in Dec. 2020, the Beira Project (65,000 m³) is expected to be operational in Q1 of 2021. Also, the LPG Bottling & Distribution in Matola, Mozambique is under implementation and expected to be operational from Q2 of 2021.

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 to secure long term project financing in multiple currencies at competitive terms and conditions. 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 2020, twelve (12) new employees were recruited, bringing the total staff to 147, At the end of 2020, the percentage of Kuwaitis reached 16% of the total workforce.

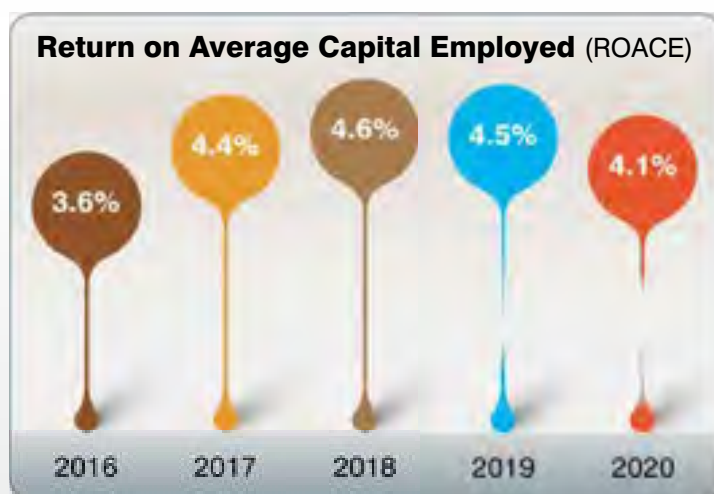
The department dealt efficiently with Covid19 pandemic, as it took all preventive health measures and followed all instructions issued by the government in this regard.

Information Technology

Due to the Covid-19 pandemic, year 2020 was a very challenging and demanding year in every aspect especially for the IT field where people faced Partial / Total Lockdowns and were forced to work from home. To fulfill the New Norm of "Work from home", IPG purchased and implemented the most widely used and trusted collaboration SW available in the market i.e. Microsoft Teams and Zoom. These were extensively used to conduct online audio / video meetings amongst IPG users and also collaborate with customers overseas enabling us to continue doing business as usual. We also enhanced our security systems (Firewall, End Point Protection, Cloud Email Protection etc..) as recommended for Remote Access to allow users to securely work from home and carry out their duties in the most efficient way possible.



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Legal

IPG confirmed through 2020 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.

The Legal department has retained the services of top tier law firms to assist in safely implementing its Projects. Moreover, the Department has rendered substantive legal advice to all IPG's departments, limiting any legal exposure.

The Board of Directors approved the audited financial statements as of 31 December 2020 and decided to recommend the below:

- 1 - Cash dividend of 30 Fils per share in the total amount of 5,424,000 (KD Five Million Four Hundred Twenty Four Thousands) for the year ended 31/12/2020 to the registered shareholders on the date of the GAM set for at least 8 working days after the GAM meeting date, with the distribution of these dividends to begin 2 working days after the end of the due date. The Board of Directors is authorized to change those dates if necessary.
- 2 - Approving the remuneration to the Board of Directors for the financial year ended 31/12/2020 amounting to KD 80,000 (KD Eighty Thousand)

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

It is a great pleasure to announce that the Group's performance during 2020 was commendable and I would like to take this opportunity to thank all those who contributed to the strong completion of the Group during this year.

On behalf of the Board of Directors, I would like to express our thanks and appreciation to all shareholders for their confidence and for our staff for their hard work and commitment to the Independent Petroleum Group.

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

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

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. 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)





3. 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



4. 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)



5. **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



6. **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 223,500 m³ is for petroleum products and 64,800 m³ 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. Also, the facility is connected to Farabi Petrochemical Company for intermediate storage of chemical products. By Shareholding, IPG's capacity is 105,230 m³.

Other Shareholders are:

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





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, U.A.E. 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. Horizon Tangiers Terminals SA (HTTSA) – Morocco:
(IPG share 32.5% - Associate Company)**

HTTSA owns and operates a storage and bunkering terminal of 533,000 m³ for clean and black petroleum products at Port Tangiers, Morocco under a 25-year Concession Agreement with TMPA (Tanger Med Port Authority). The capital cost of the terminal is € 140.5 million. By Shareholding, IPG's capacity is 173,225 m³.

Other Shareholders are:

- Horizon Terminals Limited (HTL)
- Afriquia SMDC

**10. Galp-IPG Matola Terminal Limitada (GIMTL), Matola, Mozambique:
(IPG share: 45% - Associate Company)**

GIMTL owns and operates a hydrocarbon storage facility (Liquid & LPG) in the Port Matola Mozambique for a capacity of 66,000 m³ along with other logistical facilities such as, loading gantries, access to Jetty, road, rail, etc. By Shareholding, IPG's capacity is 29,700 m³.

Other Shareholders are:

- Petrogal Mozambique Lda, (part of Galp Energia SGPS, SA, Portugal)
- SPI – Gestão e Investimento, S.A.R.L.

**11. IPG-Galp Beira Terminal Limitada (IGBTL), Beira, Mozambique:
(IPG share: 45% - Associate Company)**

IGBTL completed the construction of a hydrocarbon storage facility in the Port Beira Mozambique, for a capacity of 65,000 m³ along with other logistical facilities such as, loading gantries, access to Jetty, access to CPMZ pipeline, etc. The facility is expected to be operational in Q1 of 2021. By Shareholding, IPG's capacity is 29,250 m³.

Other Shareholders are:

- Petrogal Mozambique Lda, (part of Galp Energia SGPS, SA, Portugal)
- SPI – Gestão e Investimento, S.A.R.L.

12. Independent Petroleum Mozambique Limitada (IPM) - LPG Bottling & Distribution Facility: (IPG share 100% - Subsidiary Company)

IPM is setting up a state-of-art Bottling & Distribution Facility for LPG Cylinders in Matola, Mozambique. The facility is expected to have bottling capacity of 5,000 bottles per day along with a captive storage of 400 m³ for bulk LPG with other facilities. Also, IPM is installing two Skid Mounted Filling Stations. Each system has a capacity of 120-180 Cylinders per hour to fill LPG Cylinders in the remote locations. The project is expected to be commissioned by Q1 of 2021.

