

Message to the Shareholders

Dear Shareholders,

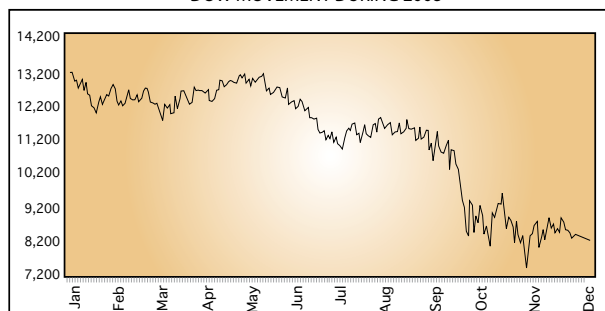
The Board of Directors is pleased to submit to our esteemed shareholders the annual report on the performance of the Independent Petroleum Group (IPG) and its operations for the year 2008.

Global Financial & Economic Situation

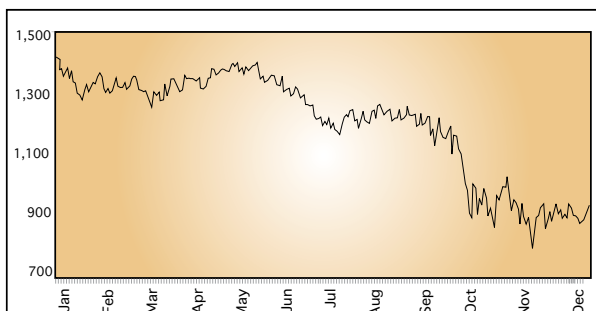
The year 2008 witnessed a global financial market crash that has not been seen in about 80 years. Furthermore, the oil market witnessed, during the same period, a sharp increase in oil prices, reaching in July a record level of about US \$150/bbl, followed by an unprecedented sharp decline towards the end of 2008. The oil market fluctuations coupled with the emerging USA real estate crisis, followed by the credit crunch, lead to the collapse or bankruptcy of many giant financial and real estate institutions such as Lehman Brothers, AIG, Fannie Mae and Freddie Mac. Additionally, some financial institutions acquired other institutions that were on the verge of bankruptcy, such as the acquisition of Merrill Lynch by Bank of America and Bear Stearns by J P Morgan. Some giant financial institutions, such as Morgan Stanley and Goldman Sachs, were forced to change their business from investment banking to normal commercial banking. The collapse of the financial institutions in the USA was followed by similar failures in Europe, Middle East and Asia. The Dow Jones Industrial Average lost during the year about 29% of its value, the Nasdaq about 41%, Nikkei about 40% and the Shanghai about 65%. The Gulf States financial markets could not escape this turmoil in 2008. The Dubai stock market lost 74% of its value, Saudi Arabia 56%, Kuwait 38% and Oman 42%. The financial and real estate markets crash led to loss of confidence between banks and investors to the point that inter-bank and bank-client lending almost ceased.

The disruption of the financial system caused a global slowdown of the economic growth which, in turn, affected the oil market drastically. The WTI dropped from about US \$150/bbl in the middle of 2008 to US \$37/bbl at the end of the year, (a decrease of about 75% in six months) the lowest over the past four years.

DOW MOVEMENT DURING 2008



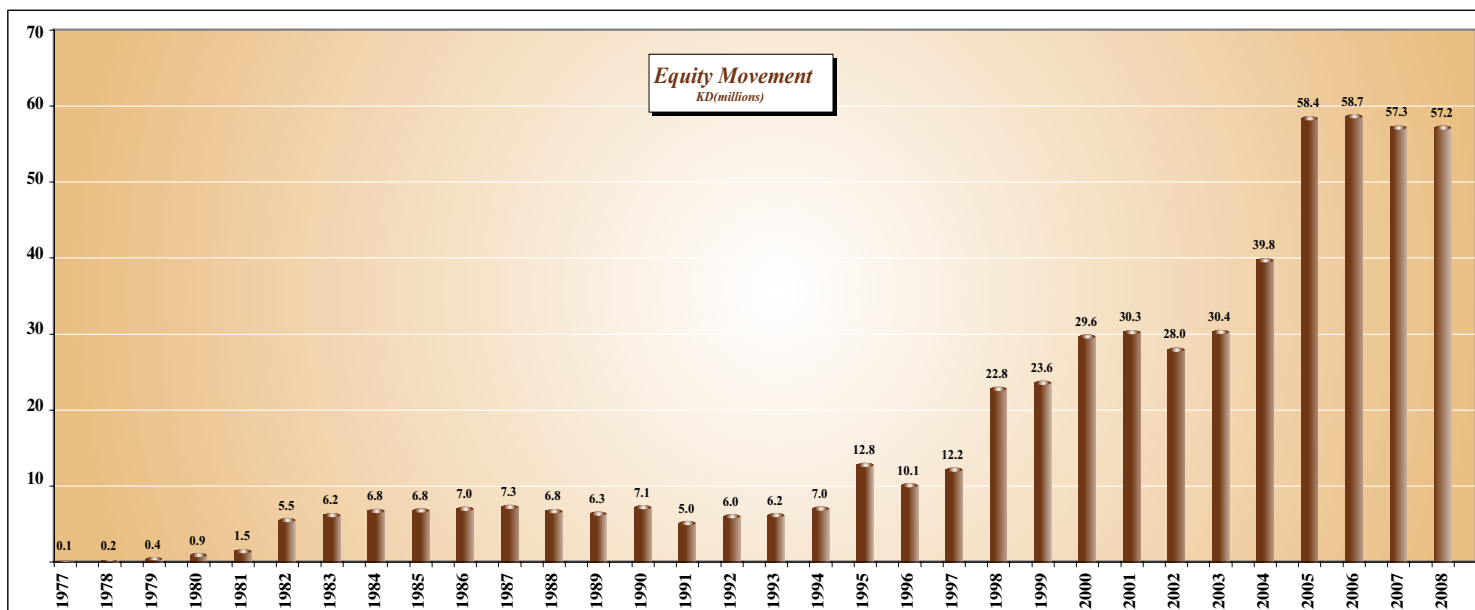
S & P 500 MOVEMENT DURING 2008





Summary of IPG's Year 2008 Results

The Board of Directors is pleased to inform our esteemed shareholders that IPG's operating results were the best ever achieved, despite the massive fluctuations in oil and financial markets. The total sale value of crude and petroleum products reached a record value of KD 1.34 billion, equivalent to US \$5 billion, yielding a total profit of KD 12.2 million. On the other hand, IPG's Global Balanced Portfolio suffered unrealized losses of KD 6.6 million, which correspond to a drop of about 16.5% of the total portfolio value at the beginning of 2008. Year 2008 net profit reached KD 5.6 million, which is equivalent to 37.84 Fils per share, while net profit in 2007 was KD 6.7 million or 44.51 Fils per share. The 15% decline in 2008 net profit is attributed mainly to the unrealized losses in the Global Balanced Portfolio.

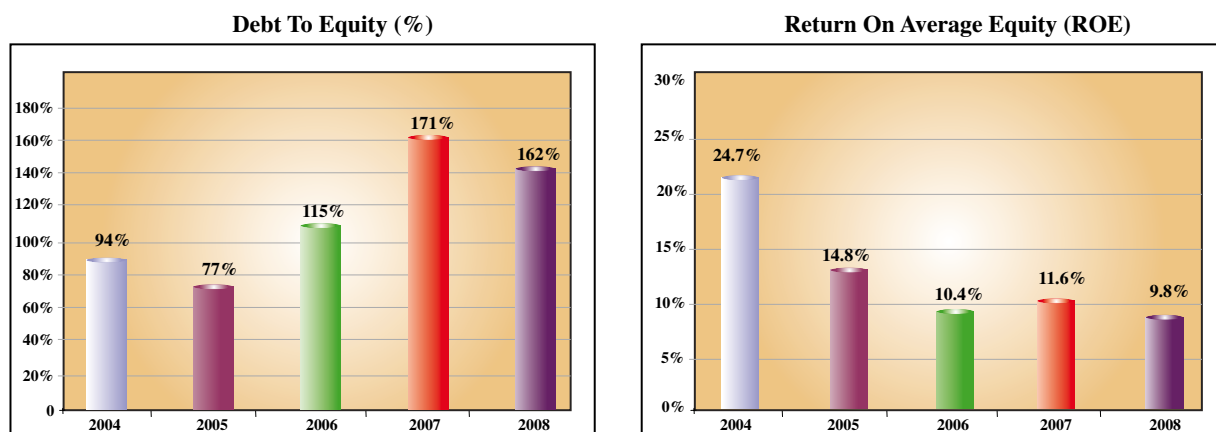


We are proud that the tremendous efforts made by IPG to establish its markets, the trust earned from its suppliers and customers, and the excellent relationship with International Banks, made it possible to achieve the highest ever operating results in the midst of unprecedented financial market turmoil. IPG's relationship and credit lines with Local and International Banks remained unchanged before and during the financial crisis. The extended credit lines sufficiently covered IPG's operating needs, easing up further when oil prices fell and, therefore, cargo values came down starting in September 2008. Furthermore, IPG continued without interruptions to supply its clients with oil and capitalized on many attractive trading opportunities that came about due to the fluctuations in the financial and oil markets. However, IPG was very cautious and vigilant in its dealings during these difficult times by refraining from taking risky positions or speculating in Future Paper Markets. Hedging tools were only employed to protect the trading profit margins from sharp price fluctuations (price risk management).

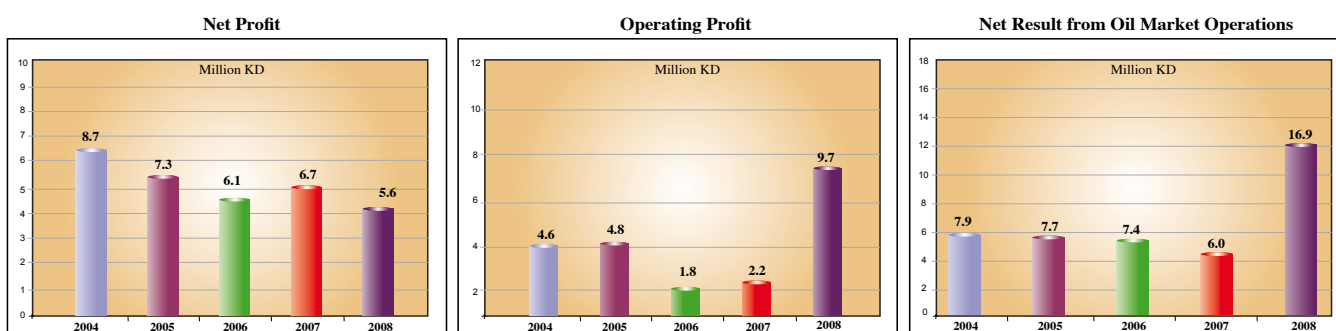
Despite the aforementioned difficult situation, IPG was successful in accomplishing the following:

- 1- Towards the end of 2008, Arabtank Terminals Limited (ATTL – IPG share 36.5%), in the Kingdom of Saudi Arabia – Yanbu at the Red Sea, commissioned its Petroleum Expansion project with oil storage capacity of 252,000 cbm, which is totally leased by IPG.
- 2- IPG concluded a Gasoline trading cooperation agreement in the Red Sea and Gulf with Morgan Stanley.

3- Due to changes in ENOC's strategy, IPG concluded an amicable agreement with ENOC where by the full ownership of D&K Holdings (D&KH) became IPG's. Prior to this deal, D&KH was equally owned by IPG and ENOC. This transaction resulted in the transfer of the full ownership of 3 vessels, with a total capacity of 130,000 dwt, to IPG. IPG and ENOC continue to maintain excellent relationship as exemplified by their joint ownership in terminals in Fujairah, Singapore, Djibouti, Yanbu and Tangiers.



4- IPG continued implementing its strategy to invest in terminals and related logistics, which support its marketing operations. By the end of 2008, IPG has about 700,000 cbm total storage commitments in terminals supporting its marketing operations in the Mediterranean, Red Sea and East Africa.



Following is a listing of all significant achievements by IPG during 2008:

Marketing & Trading Activities

Despite the sharp fluctuations in the oil market, IPG continued its marketing expansion efforts. During 2008, the total traded volume reached 5.6 million tons (approximately 125,000 bbls/day). The year 2008, also witnessed a large increase in storage utilization for blending and re-export operations that contributed considerably in consolidating IPG's position in its traditional markets in the Red Sea and East Africa. IPG started utilizing ATT storage facility in Yanbu in addition to other storage facilities that IPG has direct ownership, as in Singapore, Fujairah, Mozambique (Beira), and Lebanon. In addition to that, IPG also leased storage from others in Turkey and Mozambique (Maputo).



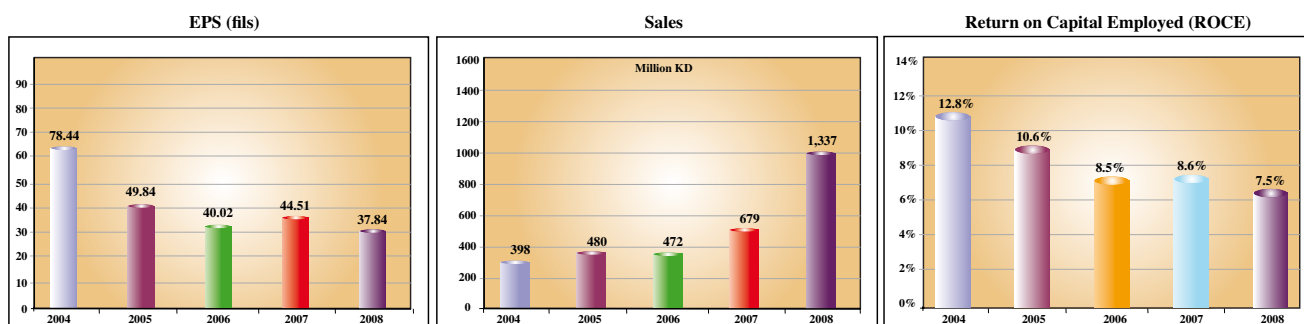
During 2008, IPG had a noticeable growth in its marketing activities in East Africa. Furthermore, IPG, for the first time, supplied its clients in Zimbabwe and Zambia with petroleum products via trucks and road tankers. IPG also won a two-year contract with Zambia for the supply of 1,440,000 tons of crude and petroleum products, of which 450,000 tons were already delivered by the end of 2008. IPG's offices in Maputo (Mozambique), Harare (Zimbabwe) and Cape Town (South Africa) played a major role in executing our marketing operations in East Africa.

IPG activities in the Mediterranean were also expanded. In Lebanon, the sales of Gasoline, Jet Fuel and Bitumen increased through Uniterminals, in which IPG owns 50% of its shares. IPG also supplied Morocco, Libya, Syria, Turkey, Bulgaria, and Jordan with Gasoline, Jet Fuel and Gasoil. While in the Red Sea, IPG continued supplying Eritrea and Sudan with petroleum products.

IPG continued during 2008 its cooperation with Aden Refining Company (ARC, Yemen), whereby IPG supplied ARC with petroleum products and in return purchased ARC surplus production. A large increase in commercial cooperation was achieved by IPG with Gulf National Oil Companies, such as Iraq National Oil Company (SOMO), Qatar Petroleum Company (QPC), ARAMCO of Saudi Arabia, and National Iranian Oil Company (NIOC).

Business & Projects Development

IPG continued to implement its income diversification strategy by developing logistical investments (storage terminals & pipelines) that support its marketing activities and are economically viable on stand alone basis. Efforts continued and progress was made, in cooperation with strategic partners (National Oil Companies, and Local and International Institutions), in developing investment opportunities in Bahrain, Mozambique and other countries. Some of these investment opportunities are expected to move into project construction phase during 2009. In addition, IPG participated effectively, in close coordination with its partners, in monitoring and following up projects under construction as well as developing expansion projects for its Joint Venture and Associate Companies.



Finance & Treasury

In 2008, the oil and financial markets were exposed to massive and extraordinary challenges presented by the sharp fluctuations in oil prices, and the global financial crisis that affected all financial institutions and international/local banks. The unprecedented increase in oil prices made the value of an oil cargo reach very high levels. This situation required the Finance Department to double its efforts in order to deal with such exceptional challenges. Nevertheless, Finance Department, in close coordination with Marketing, succeeded in meeting these challenges and secured the required liquidity for IPG's trading activities from Local and International Banks with whom IPG enjoys excellent relationship.

The Finance Department has also ensured proper follow up and implementation of all new International Accounting Standards and the upgrade of the companies accounting and financing software to meet IPG's continuous operational growth and generate the appropriate Management reports.

Human Resources and Administration

IPG has sanctioned an ambitious career development plan and benefits program to attract and hire high caliber Kuwaiti nationals to fill vacancies in its various sectors and departments. At the end of year 2008, the number of Kuwaiti employees in IPG reached 22. During 2008, 21 new employees were recruited bringing the total staff to 112. Furthermore, the Human Resources Department reviewed and commenced implementing new HR Policy and Procedures.

Administration also participated in the coordination and follow up with contractors carrying out the finishing works of the new Annex building.

Information Technology

In line with its long term strategy to keep pace with technology, the IT Department upgraded most employees' laptops and Desktop PC's to the latest available in the market. Due to the critical nature of its emailing system, IPG implemented the most advanced clustering solution for Microsoft Exchange server. This will assure full continuity in case of both Hardware and Software failures and should provide an Emailing System availability at very high speed. Moreover, the IT Department shared and supervised all IT related projects (Infrastructure, Cabling, High Tech Audio/Video Meeting room with Video conferencing solution, Fire Alarm and Security systems, etc.) for the new Annex building. In addition, the IT Department has established a full Data Center for IPG's fully acquired D&K Holding company in Dubai. The center was equipped with the latest up-to-date Hardware and software solutions and will be fully supervised by the IT Department at IPG Head Office in Kuwait.

Legal Affairs

Established two years ago, IPG's Legal Department has continued rendering valuable legal assistance to IPG as well as to its associate, joint venture and subsidiary companies worldwide.

In harmony with the nature of its business activities, namely trading and projects' investments in various jurisdictions, IPG's Legal Department has assisted other Departments to negotiate the most secured and profitable business arrangements. As a result, 2008 witnessed significant reduction in the utilization of external legal services.

In conclusion, the Board of Directors wishes to express its sincere gratitude to IPG's shareholders for their continued support and trust throughout the previous years as well as this year which turned out to be an exceptionally difficult one to deal with.

The Board of Directors