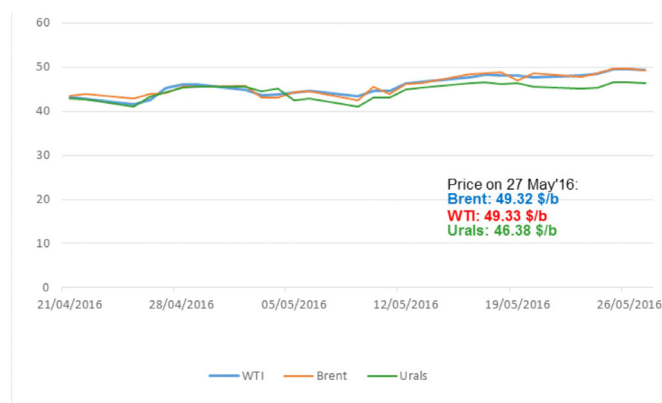




International market headlines

- The World Bank improved its 2016 forecast for crude oil prices due to improving market sentiment as an oversupply in markets is expected to recede and dollar to weaken. In addition, forecast for agricultural products was revised downward, quarterly Commodity Markets Outlook says. The Bank analytics expect that current year oil prices (basket of Brent, Dubai and WTI, equally weighted) will be \$41 per barrel not \$37 per barrel, as projected in January.
- The number of active oil and gas drilling rigs in the world fell down in April for the eighth month in a row, according to data of U.S. oil service company Baker Hughes. In average, during the last month 1424 drilling rigs were active, which is a minimum index from July 1999 (at that time there were 1384). April count is 127 lower than March count of drilling rigs in the current year and 844 lower than in April 2015.
- Leaders from at least 175 countries were signing the Paris Agreement on climate change, the landmark deal took a key step forward, potentially entering into force years ahead of schedule. After signing, countries must formally approve the Paris Agreement through their domestic procedures. The United Nations says 15 countries, several of them small island states under threat from rising seas, were doing that deal by depositing their instruments of ratification. China, the world's top carbon emitter, announced it will "finalise domestic procedures" to ratify the Paris Agreement before the G-20 summit in China in September. The agreement will enter into force once 55 countries representing at least 55 percent of global emissions have formally joined it.
- OPEC maintained its 2016 forecast for global oil demand at 94.18 mln bpd, a monthly OPEC report says. According to OPEC estimates, the oil production will fall by 740 thousand bpd - to 56.4 mln bpd.

Brent, WTI and Urals spot prices (20 Apr' 2016 - 27 May 2016)



Source: EIA, <http://www.topoilnews.com/>

Brent Crude Oil Forecasts, \$/barrel

Year	Consensus Bloomberg	Number of Forecasts	EIU
2013	-	-	108,9
2014	-	-	98,9
2015	-	-	53,4
2016	55,0	47	60,0
2017	65,43	37	72,7
2018	69,3	21	80,2
2019	77,0	13	77,2
2020	-	-	79,9

Source: Consensus Bloomberg, EIU

<http://gfs.eiu.com/Article.aspx?articleType=cf&articleId=1243614708&secId=0>

International market headlines (continued)

- The OPEC member countries do not discuss the proposal to get back at their cartel session in June to the issue of curbing oil output, following the failure in the negotiations to limit the production levels, 6 representatives of the organisation said to Bloomberg. Proposal to limit oil output is no longer urgent following new developments in the oil market, 2 delegates from the countries supporting the idea of limiting production levels added.
- U.S. oil service companies, Halliburton and Baker Hughes the 2nd and 3rd largest oil companies, accordingly, called off their merger, Baker Hughes says. "While both companies expected the proposed merger to result in compelling benefits to shareholders, customers and other stakeholders, challenges in obtaining remaining regulatory approvals and general industry conditions that severely damaged deal economics led to the conclusion that termination is the best course of action," said Dave Lesar, Halliburton CEO. Halliburton will pay Baker Hughes the merger termination fee of \$3.5 bln.
- The Energy Information Administration (EIA) of the U.S. Ministry of Energy rose the 2017 forecast for oil production noting expectations that rise of oil prices will foster growth of investments in the industry. U.S. forecast for oil production for the next year rose from 8.04 mln bpd expected in April to 8.19 mln bpd, EIA Short-Term Energy Outlook says. The 2016 forecast for oil production remains the same – 8.6 mln bpd.
- The Federal Agency for Subsoil Use of the RF (Rosnedra) has found the way to make Imashevsky deposit in Caspian Depression available for development for the joint venture of Gazprom and KazMunayGas until the regulatory disagreements between Russia and Kazakhstan have been settled. According to the source, the previously declared gas reserve of Imashevsky deposit of 100 bln cubic metres is just a rough estimate. The resources of Imashevsky deposit in D1 category are estimated to be only 0.13 mln tonnes, in D2 category – 0.19 mln tonnes, while gas resources are in D1 are estimated to be 3.88 bln cubic metres, in D2 category – 3.9 bln cubic metres.
- S&P downgraded Exxon by 1 notch to "AA+" stating rise of its leverage and high costs related to payment of dividends and share buyback by the oil company. Exxon was amongst of a few companies with maximum credit rating according to S&P – amid Microsoft and Johnson & Johnson, it retained its rating since 1930.
- Unexpectedly, oil majors have become petrochemistry majors, Bloomberg agency reports. For many years, refinement of oil and natural gas to produce chemicals used for production of a wide range of products varying from polyethylene packages to paints remained a minor line of business for many large oil producers. However, today this sector is thriving and helps Exxon Mobil Corp., Royal Dutch Shell Plc and other oil companies stay afloat during the sharpest for the decade collapse in energy commodities prices. During the Q1 of 2016, approximately 75% of \$1.8 bln of the Exxon Mobil's profit was attributable to the petrochemistry unit of the company. In the Q1 of 2015, when oil was traded at above \$100 per barrel, petrochemistry earned profit to Exxon of not less than 13%.
- Iran increased oil output up to 3.8 mln bpd, Bloomberg agency reports. Iranian Government is set up to raise oil production up to 4 mln bpd by the national year ending in March. After the sanctions have been imposed, Iran reduced oil export volume to 1 mln bpd.
- Russia is preparing to launch its own futures contract for the main export product — crude oil Urals — to raise revenues and rejection calculation of oil prices in dollars, according to Bloomberg. The futures area is created at the St. Petersburg international Mercantile exchange (SPIMEX), which is negotiating with foreign trading companies. "The goal is to create a system in which oil is priced and sold fairly and openly", — said the Agency SPIMEX President Alexey Rybnikov.
- Iran said it may be ready for joint action with members of the Organisation of Petroleum Exporting Countries in as little as 1 or 2 months, once it regains the market share it had before sanctions were imposed. Iran, which refused to join other nations in a push to freeze output last month, could reach pre-sanctions export levels of 2.2 mln barrels in 1 to 2 months or by the end of the summer, National Iranian Oil Co. Managing Director Rokneddin Javadi said in Tehran.
- Saudi Arabia, the world biggest oil exporter, is set up to significantly increase oil production in 2016 and enhance its presence in the global oil market, Amin Nasser, the CEO of the state oil company Saudi Arabian Oil Co (Saudi Aramco) said. Bloomberg agency quoted Amin Nasser as saying that "in particular, within next weeks the company expects to raise the oil output at Shaybah oil field by 33% to reach 1 mln bpd". Gas production from the field is expected to be increased two-fold during the decade.
- According to Financial Times, discoveries of new oil reserves have dropped to their lowest level for more than 60 years, pointing to potential supply shortages in the next decade. Oil explorers found 2.8 bln barrels of crude and related liquids last year, according to IHS, a consultancy. This is the lowest annual volume recorded since 1954, reflecting a slowdown in exploration activity as hard-pressed oil companies seek to conserve cash, FT says. If the rate of oil discoveries does not improve, it

International market headlines (continued)

- For decades, the Penetrating Fluid Method (PFM) was considered non-conventional techniques of well penetration and finishing, but for the last 10 years, this method caused the gas production in the US to have grown significantly. According to the latest data provided by the US states, according to the EIA estimates, gas output from wells where PFM is applied now amounts to 2/3 of total gas production in the US, Caspian Energy News reports.
- For the first time ever, the USA has sent a tanker with its liquefied natural gas to Europe. It may result in consumer price reduction on the European gas market where Russia has been dominating for a long time. Currently, the average price for Russian gas is \$5.80 for a mln of British Thermal Units (MMBtu). According to preliminary estimates, the price for US gas may be \$4.3. According to the analysts, in case of tough competition, Moscow may reduce the price up to \$3. The USA began exporting gas abroad for the first time in February when Cheniere Energy Company shipped the first tanker to Brasil. Thereafter, Cheniere signed long-term contracts with a number of European consumers. The shale gale has completely changed the USA energy market, and in 2017, the country is expected to become a net gas exporter.



Economy. There were produced 7,072 bln of cubic metres of natural gas in gaseous state (decrease by 4.3%). 8,505 bln cubic metres of petroleum gas were produced during the reporting period (increase by 5.3%).

- Kazakhstan's energy ministry is working with subsoil users on raising sponsorships for the exhibition EXPO-2017, Energy Minister Kanat Bozumbayev has said. "To date \$58.1 mln has been raised from the subsoil users. It's planned that in the near future sponsorships worth \$17.4 mln will be raised from ten more subsoil users," he said during a meeting addressing the development of Astana and preparations for the exhibition Expo-2017. President Nursultan Nazarbayev proposed to raise this issue at the Council of Investors.
- Oil company "Tengizchevroil" (TCO) produced 7.37 mln tonnes of crude oil (58.8 mln barrel) during January-March 2016, informed TCO Press Service. In the meantime, TCO produced 7.1 mln tonnes of crude oil during the same period of 2015. Thus, during the current period the oil production has increased by 3.8%. TCO sold 330 thousand tons of liquefied gas during the Q1 of 2016 and 1.79 bln cubic metres of dry gas (during the same period of 2015 these figures were 350 thousand tonnes and 1.86 bln cubic metres, respectively).
- PSA LLP, Kazakhstan's representative in Kashagan and Karachaganak projects, was assigned to discuss amendments to bidding terms with the operators, Ministry of Energy said. PSA LLP and KazMunayGas together with the operators will be developing a strategy aimed at replacing foreign experts with local personnel in the major oil and gas projects and work out how to expand the practice of "early tender procedures" with TCO and Kashagan operators. According to the Ministry of Energy, at the end of 2015 the total amount of goods, works and services purchased in the oil and gas sector amounted to almost 4 trillion tenge. At the same time, the local content accounted for 58%, which exceeds the level of 2014 by 4%.

Kazakhstan market headlines

- The European Bank for Reconstruction and Development (EBRD) forecasts Kazakhstan GDP to grow 1.1% in 2016 and 2.4% in 2017, according to the EBRD report.
- Fitch Ratings downgraded Kazakhstan's Long-term foreign currency Issuer Default Rating (IDR) to 'BBB' from 'BBB+' and local currency IDR to 'BBB' from 'A-', the rating agency says in a press release. Fitch expects the economy to contract by 1% in 2016, well below the five-year average of growth of 4.6%.
- KazGPP, a subsidiary of KazMunayGas Exploration and Production (KMG EP), Zhanaozen city, agreed to suspend the export of liquefied natural gas to cover the shortage in the domestic market, Mangistau Governor's office said. Experts from the ministries of energy and national economy, as well as representatives of KMG EP are looking for the ways to stabilize the liquefied gas market in the region. "Either we have to adjust the retail gas price, or the wholesale gas price to prevent KazGPP from incurring losses," the Minister of Energy Kanat Bozumbayev said.
- 22.141 mln tonnes of crude oil and 4.070 mln tonnes of gas condensate were produced in Kazakhstan during January-April 2016, which is by 2.2% and 6.3%, respectively, less than during January-April of 2015, informed the Statistical Committee of the Ministry of

Kazakhstan market headlines (continued)

- The President of Kazakhstan Nursultan Nazarbayev signed the law on making amendments and additions to some legislative acts of Kazakhstan concerning the matters of ecology and subsoil use, informed the Press Service of the Head of the State. The Law amends the Ecological Code of Kazakhstan, the Laws "On Subsoil and Subsoil Use" and "On State Border of the republic of Kazakhstan". The purpose of the document of to improve further the current legislation on regulation of measures aimed at reduction of environment emission, cutting the number of the documents issued by the state bodies, and governing of the matters of crossing the state border when exercising the subsoil use on the continental shelf; regulation of the matters of optimisation of performing the duties of state bodies in the area of technologically inevitable gas flaring.
- On 29 April 2016 the documents were signed on establishment of a joint venture, on the basis of KMG International N.V., between NC KMG JSC and China CEFC Energy Company Limited. KMG and CEFC will hold 49% and 51 % interest in a newly established JV. As a part of the agreements reached, CEFC undertakes to make investments in the European countries and countries along the Great Silk Road.
- Moody's Investors Service confirmed the Baa3 issuer ratings of "NC "KazMunayGas" and its subsidiaries, the rating agency says in a press release. The subsidiaries of KMG include subsidiaries "KazTransGas JSC", "Intergas Central Asia" and "KazTransOil JSC".
- KMG EP posted a Q1 net profit of 0.9 bln tenge or a decrease of 44% compared to January-March 2015, the company says in a press release citing its consolidated interim financial results for the 3 months ended 31 March 2016. The decline in net was largely due to a decrease in the share of results of associate and joint ventures, and an increase in income taxes, partially offset by the reduction of taxes other than on income. KMG EP's Q1 revenue was 121 bln tenge or up 4% year on year.
- International Rating Agency "Fitch Ratings", following the sovereign rating action, has revised downwards the credit ratings of 3 Kazakhstan companies – "NC "KazMunayGas", "KazTransOil JSC and KazTransGas JSC. The IDR in foreign currency of KMG and KTO has been downgraded from "BBB" to "BBB-", "stable". The IDR in foreign currency of KTG has been downgraded from "BBB-" to "BB+", "stable".
- During January-March 2016 KMG EP produced 3.043 mln tonnes of oil (247 thousand bpd), which is, in fact, equal to the volume produced within the same period of 2015, the company informed. This volume comprises the interest in JV "Kazgermunay", "Karazhanbasmunay" PetroKazakhstan Inc." KMG EP share in production of CCEL, KGM and PKI during January-March 2016 amounted to 954 thousand tonnes of oil (78 thousand bpd), which is 4% lower than during January-March 2015. "Embamunaygas" JSC produced 702 thousand tonnes of oil, which is by 3% higher that during the same period of 2015. As a result, the total production of OMG and EG was 2.089 mln tonnes of oil (169 thousand bpd) that is by 3% more as compared to the same period of 2015.



Forecast for crude oil prices by the leading analysts, \$/barrel

Organisation	Analysts	Date	Q2 2016	Q3 2016	Q4 2016
Capital Economics Ltd	T.Pugh	02.16.16	34	33	38
Wells Fargo Securities LLC	R. Read	02.08.16	30	34	43
Commerzbank AG	E. Weinberg	02.05.16	34	40	45
Raiffeisen Bank International AG	H. Loacker	02.04.16	30	34	43
Promsvyazbank PJSC	S. Narkevich	01.28.16	35,4	38,4	39,2
BMO Capital Markets Corp/Toronto	R. Ollenberger	01.26.16	40	40	50
Citigroup Inc	E. Morse	01.26.16	34	31	41
UniCredit Markets & Investment Banking	J. Hitzfeld	01.25.16	33	35	40
HSBC Holdings PLC	G. Gray	01.25.16	35	40	50
Barclays PLC	M. Cohen	01.21.16	30	36	40
BNP Paribas SA	H.Tchilinguirian	01.21.16	32	36	37
Natixis SA	A. Deshpande	01.19.16	30	34	38
Lloyds Bank PLC	C. Paraskevas	01.15.16	37	35	45
Norddeutsche Landesbank Girozentrale	F. Kunze	01.12.16	33	37	39
RBC Capital Markets	G. Pardy	12.01.16	33	39	45
Societe Generale SA	M. Wittner	01.11.16	35	40	45
ABN AMRO Bank NV	H. Van Cleef	01.08.16	40	45	50
DZ Bank AG Deutsche Zentral-Genossenschaftsbank	A. Herlinghaus	12.23.15	45	45	45
Rabobank International	C. Lawrence	12.22.15	34	40	45
Bank of America Merrill Lynch	F. Blanch	03.17.15	58	58	
Bayerische Landesbank	A. Speer	03.11.15	55	50	50
Nomura International Hong Kong Ltd	G. Kwan	01.14.15	70	70	70
Average	–	–	38,06	40,47	44,68

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