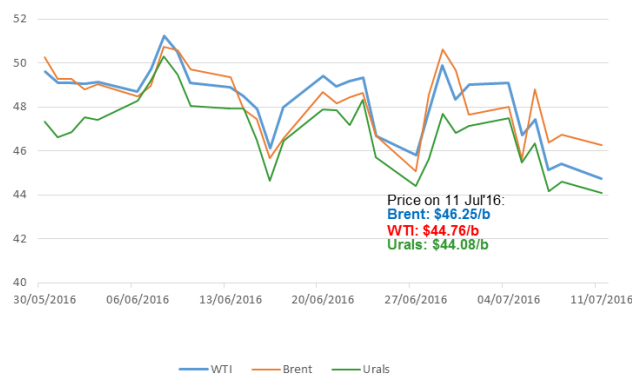




International market headlines

- The results of the meeting of OPEC countries, which took place on 2 June in Vienna, not instilled confidence in the participants in the oil market regarding the future of the mining industry. The agreement on the freezing of production, which insisted that some members of the cartel, has not been reached. This means that the excess fuel will remain in the world that could have a negative impact on prices. But this meeting gave a certain and positive. The new Director General of the OPEC has chosen the former head of oil company Nigeria Mohammed Barkindo. He will take powers from 1 August 2016. Talks about the freezing of production are being carried out virtually continuously. And not only among OPEC countries, but also between States not members of the cartel. However, the main voice in the solution to the problem is to cut production or not will be for Saudi Arabia, which continues to insist on the expansion of its mining potential.
- Saudi Arabia cut its oil prices to Europe, continuing its struggle for preservation of a market share under conditions of mounting competition between the oil-producing countries, the Wall Street Journal reports. In an email sent to customers, state oil company Saudi Aramco said it had cut its light crude prices by 35 cents a barrel to northwest Europe and by 10 cents a barrel to the Mediterranean for July deliveries. Starting from the last year Saudi Arabia has been pursuing the policy of preservation of its market share; therefore, Saudi Arabia has rejected any steps to reduce oil production as a part of OPEC and started offering regular discounts to its customers.
- According to EIA estimates, the WTI crude oil price in the current year will average to USD 42.83 per barrel, that of Brent – USD 43.03 per barrel, the organisation reported in its June forecast. In May, WTI prices were forecasted to average \$40.32 per barrel and Brent -\$40.52 per barrel this year. The U.S. crude oil production forecast of 8.6 mln bpd in 2016 and 8.19 mln bpd in 2017 remained unchanged. EIA improved its oil demand forecast for the US, however, deteriorated its global demand forecast. This year oil consumption in the US is expected to reach 19.62 mln bpd, and 95.26 mln bpd - globally. During 2017, according

Brent, WTI and Urals spot prices (30 May 2016 - 11 July 2016)



Source: EIA; www.topoilnews.com

Brent Crude Oil Forecasts, \$/barrel

Brent Crude Oil forecasts			
Year	Consensus Bloomberg	Number of Forecasts	EIU
2013	-	-	108,9
2014	-	-	98,9
2015	-	-	53,4
2016	53,2	26	42,7
2017	62,7	22	55,5
2018	69,9	13	67,5
2019	71,6	9	62,8
2020	-	-	61,8

Source: Consensus Bloomberg, EIU

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

International market headlines (continued)

to EIA forecast, both WTI crude oil and Brent crude oil prices will average to \$51.82 per barrel.

- OPEC expects that the global oil markets are heading towards an equilibrium in the second half of 2016, OPEC monthly survey says. Global oil demand in the second half will continue its growth by 1.2 mln b/d and make in average 94.18 mln b/d a year. However, oil supplies from non-OPEC countries will cut by 140 thousand b/d in the second half of the year as compared to the first half. In particular, U.S. expects fall in oil production by 150 thou. b/d, Russia - by 120 thou. b/d. Moreover, the fall will be partially compensated by production growth in emerging markets and Canada. As a result of this, demand for OPEC oil in the second half will be 32.6 m b/d. In May, OPEC countries produced 32.36 m b/d. Venezuela, Nigeria and Iraq reduced their production while Iran, Kuwait and Saudi Arabia rose their production.
- This year Shell intends to invest USD 29 bln, while previously the company assessed its investments at the level of USD 33 bln. The amount of synergies that Shell expects to deliver from BG takeover increased to USD4.50 bln by 2018 compared to the original target of USD3.50 bln. Shell also plans to exit up to 10 countries where it currently operates but no definite countries were announced.
- Gazprom in 2015 reached an agreement on lowering the price of gas purchases from Kazakhstan and Uzbekistan, the Russian gas giant said in its annual report. The company also said that in 2015 "gas purchases from Turkmenistan were significantly reduced," down to 3.1 bln cubic meters (bcm) from 11 bcm. Gazprom stopped buying gas in Turkmenistan this year. Gas purchases from Kazakhstan to be sold in non-CIS totaled 3.5 bcm, down from 3.6 bcm in 2014, and gas to be supplied to the south of Kazakhstan totaled 2.9 bcm, down from 3.7 bcm in 2014. In Kazakhstan, 12.6 bcm of gas was purchased in total, up from 10.9 bcm in 2014.
- Transneft proposes to create a new marker sour grade of Russian oil - Urals Heavy. This was stated by Igor Katsal, the Deputy Vice-President - the Director of the Department of Planning and Accounting Flows of the company at the meeting of the Expert Council of Transneft. New grade oil can be shipped through Ust-Luga Port in the amount of up to 30 mln tonnes of crude oil per year. Urals Heavy will be a sour oil grade with a sulfur content of about 2.3%. Transneft assessed the cost of the project for dedication of separate flow of sour oil through Ust-Luga Port at the level of RUR 2.5 bln.

Kazakhstan market headlines



- Kazakhstan plummeted down to #47 in the IMD World Competitiveness rankings. The Central Asian republic lost 13 spots and slid from #34 to #47. China Hong Kong (#1) and Switzerland (#2) unseated the U.S. as the world's most competitive economies. Russia slightly improved its standings by moving one spot up to #44. The ranking features 61 countries with Venezuela at the bottom of the IMD World Competitiveness Scoreboard 2016. The IMD World Competitiveness Center, a research group within IMD business school, has published the ranking each year since 1989. It is widely regarded as the foremost annual assessment of the competitiveness of countries.
- The expansion projects of Tengizchevroil (TCO) may be financed from borrowed funds, KazMunayGas (KMG) Deputy CEO Daniyar Berlibayev said. "The cost [of TCO expansion projects] is \$37 bln. Final approvals will be given this year. We are a shareholder of TCO and, consequently, we want the projects to be approved," - Berlibayev told journalists in Astana. "The decision about financing will be made after the projects receive required approvals. If the approvals are granted this year, the decision on a financing strategy will be made by the end of the year and a working group will be created," Berlibayev said.
- EBRD will provide a loan facility of 294 mln euro to KazTransGas JSC, the company says in a press release. The loan agreement was signed in Astana by EBRD President Suma Chakrabarti and Chairman of KazTransGas Board of Directors Kairat Sharipbayev. The first project, worth 242 mln euro, is for modernization and overhaul of the underground gas storage facility Bozoi and the second project, worth 52 mln euro, is for modernization and upgrading of the existing gas distribution infrastructure and construction of new domestic gas supply pipelines in the Mangistau and Aktobe regions.

Kazakhstan market headlines (continued)

- “Oil processing will increase up to 14.15 mln tonnes and such increase will be achieved as a part of reduction of the scheduled preventive works at two refineries. Taking into account the putting into operation of Kashagan, if we put it into operation before schedule, i.e. in October, the expected oil production volume in the country will increase up to 70,5 mln tonnes” – said K. Bozumbayev. The Minister noted that decrease of the export customs duty per one ton of paving bitumen from current USD 60 to USD 15 would allow ensuring the additional capacity utilization of the manufacturers and preserving more than 400 jobs. The expected volume of export will exceed 30 thousand tonnes of bitumen.
- Kazakhstan extracted 27.671 mln tonnes of crude oil and 4.706 mln tonnes of gas condensate in January-May 2016 or down 2.8% and 13.4%, respectively, compared with the same period last year, said the Statistics Committee of the National Economy Ministry. In the reporting period Kazakhstan produced 8.249 bln cubic meters of natural gas or a decrease of 10.3% year-on-year. The output of associated petroleum gas in January-May 2016 came to 10.632 bln cubic meters or up 5%.
- KazTransOil JSC is ready to increase volume of Russian oil transportation to China to ten mln tonnes from seven mln tonnes, KazTransOil CEO Nurtas Shmanov said. “At the moment, the volume of crude oil that Russia transports to China [through Kazakhstan] is seven mln tonnes according to the agreement between the governments of Kazakhstan and Russia. We are ready to increase the volume to ten mln tonnes right now. We will transport any additional volume above the seven mln tonnes with minor adjustments to the tariff,” Shmanov told a press conference in Astana.
- “Oil production at the Kashagan field, as was scheduled, would restart by the end of 2016. In December we expect the initial production volume from Kashagan to reach 35,000 tonnes,” Bozumbayev said in Astana.
- “Completion of modernisation of oil refineries will enable removing the current dependence on imports of light petroleum products, setting up production of goods of K4-K5 Grade, and will increase the processing capacity from current 15 million tonnes to 17.5 mln tonnes annually” - M. Myrzagaliyev, Vice-Minister of Energy said at the III Annual Conference “Oil Refining and Petrochemical Industry of Central Asia” held in Astana. He also noted that completion of modernization of Atyrau oil refinery is expected at the end of this year. “Mechanical completion of modernisation and reconstruction at Pavlodar petrochemical plant and Shymkent oil refinery are planned in 2017,” M. Myrzagaliyev added.
- The International Rating Agency “Fitch Ratings” has affirmed JSC National Company KazMunaiGaz’s (NC KMG) Long-Term Foreign-Currency Issuer Default Rating (IDR) at ‘BBB-’ with a Stable Outlook. Fitch has also affirmed KazMunaiGaz Finance Sub B.V.’s foreign-currency senior unsecured rating at ‘BBB-’.



- “Kazakhstan oil refineries will be privatised only after modernisation process is completed, as we need at first to satisfy the demand of domestic market in oil products. After modernisation the refineries are expected to become the highly efficient production facilities. If we sell the refineries now, we would sell them as assets that have been operating already for 40-50 years and their selling price will match their age,” - K. Bozumbayev said at the meeting with the citizens of Astana.
- Fuel gas production and distribution volume in May-June amounted to KZT 66.9 bln as against KZT 35.9 bln for the same period of the previous year. For comparison, the figures for the first five months of 2015 exceeded those of 2014 only by 5.9%. The data is provided by energyprom.kz. In terms of multiyear dynamics, acceleration in growth rates has been observed since 2012. Following the results of 2015, production output in value terms grew half as much relative to 2014 (by 46.8%).
- The national program Nurlı Zhol and the additional anti-crisis measures will drive the economic growth in 2016 and, as a result, the GDP is expected to expand by 0.7% this year, the Ministry says in a press release. Earlier, the government forecasted the GDP growth at 0.5% in 2016.
- PSA LLP acting as the authorised body for the North Caspian Product Sharing Agreement (NC PSA) on behalf of the Ministry of Energy of Kazakhstan and the contracting companies under the North-Caspian Project signed the procedures of oil, gas and sulfur extraction from Kashagan development block, informed the Press Service of the Ministry of Energy. Extraction procedures shall determine the schedule, storage, measurement, production forecasts, distribution and estimate of the volumes due in case of sharing the products extracted on Kashagan deposit between Kazakhstan and contracting companies. “Signing of the procedures of oil, gas and sulfur extraction is one of the key prerequisites under NC PSA required to be met prior to commencement of commercial production at Kashagan,” - the press-release states.
- “The heads of state approved the concept of formation of the EAEU common oil and petroleum product market. In line with the concept energy companies of the allied countries will get non-discriminatory access to the oil

Kazakhstan market headlines (continued)

- infrastructure of partners, will be able to buy oil and oil products without quantitative restrictions at market prices without export duties, which will be formed, inclusive of the stock exchange," he said in a statement for the press after the meeting of the Supreme Eurasian Economic Council in Astana. The implementation of the concept is expected in three stages, according to Sargsyan. "We must devise a program on the implementation of this concept next year and submit for approval to the presidents and then a relevant agreement will be drafted and upon adoption of which we will have the common energy market in 2025," he said.
- The Russian State Duma at its session ratified the Protocol on Amendments to the Protocol to the Russian-Kazakh Agreement on Delimiting the Northern Part of the Caspian Sea Bed with a View to Exercise the Sovereign Rights for Subsoil Use dated 6 July 1998. The Protocol, signed on 15 October 2015 changes the Protocol dated 13 May 2002 to the Russian-Kazakh Agreement on Delimiting the Northern Part of the Caspian Sea Bed for the Purpose of Subsoil Use. These changes will allow granting to "Tsentrlnaya" Oil and Gas Company" LLP a subsoil use right for a period of 25 years, including the geological exploration period for up to 7 years.
 - Kazakhstan may increase oil production in 2016 on back of rising oil price, Kazakhstan's Energy Minister Kanat Bozumbayev said. "In the first four months of this year, oil production amounted to 26.2 mln tonnes, 4% ahead of schedule. Higher oil prices will allow oil producers to boost production and rise above this year target," Bozumbayev said at a meeting with public representatives Frin Astana. According to the Minister, in 2015 oil and gas condensate output reached 79.5 mln tonnes. "With global oil prices at \$30 per barrel, the oil production is projected to reach 74 mln tonnes by the end of this year," he said.
 - Atyrau oil refinery (AOR) has exported the first batch of 300 tonnes of benzene to Russia, Kursk oblast, AOR press service said. "The planned production of a new product at this stage is up to 500 tonnes per month. This quantity is enough to reduce the content of benzene from 5% to 1% in gasoline, thus decreasing a toxic level of vehicles emission and environmental load. For the time being, 1 thousand tonnes of benzene has been produced," the report says. According to press service, further increase in benzene production at AOR will take place after commissioning of Paramax - PX plant (for production of aromatic hydrocarbons), which has been completed as of today.



The world's biggest public energy companies 2016

No.	Name of company	mln bpd
1	Gazprom	8,38
2	Rosneft	5,07
3	Exxon Mobil	4,1
4	PetroChina	4,07
5	BP	3,24
6	Royal Dutch Shell	2,95
7	Chevron	2,62
8	Petrobras	2,55
9	Lukoil	2,4
10	Total S.A.	2,35

Source: <http://www.forbes.com/pictures/hefj45fim/no-10-total-sa/#5b2b0da2fe7d>

Top 10 oil producing countries

No.	Name of country	mln tonnes
1	Saudi Arabia	568,5
2	USA	567,2
3	Russia	540,7
4	Canada	215,5
5	China	214,6
6	Iraq	197,0
7	Iran	182,6
8	UAE	175,5
9	Kuwait	149,1
10	Venezuela	135,2
16	Kazakhstan	79,3
	Total world	4361,9

Source: www.bp.com

Top 10 oil reserves countries (bln barrel)

No.	Name of country	2015	2014
1 (1)	Venezuela	300,9	300,0
2 (2)	Saudi Arabia	266,6	267,0
3 (3)	Canada	172,2	172,2
4 (4)	Iran	157,8	157,8
5 (5)	Iraq	143,1	143,1
6 (8)	Russia	102,4	103,2
7 (6)	Kuwait	101,5	101,0
8 (7)	UAE	97,8	97,8
9 (9)	USA	55,0	55,0
10 (10)	Libya	48,4	48,4
12 (12)	Kazakhstan	30,0	30,0
	Total world	1697,6	1700

Source: www.bp.com

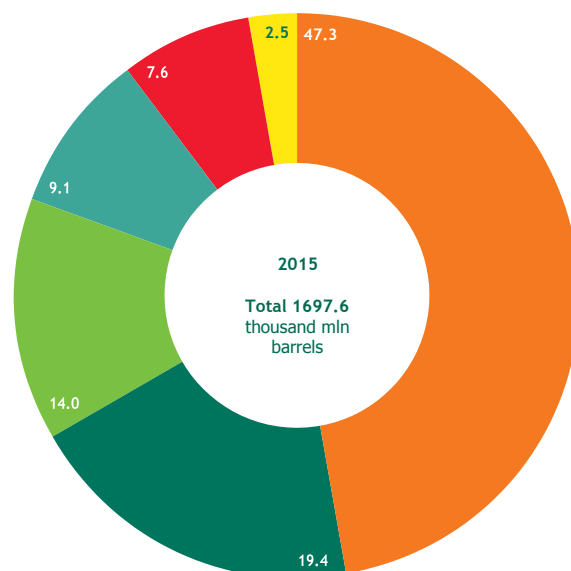
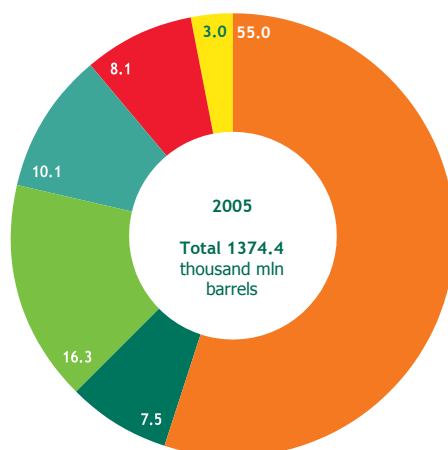
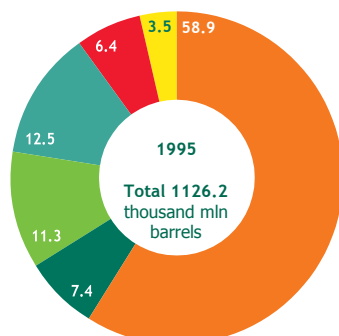
Top 10 oil consuming countries

No.	Name of country	mln tonnes
1	USA	851,6
2	China	559,7
3	India	195,5
4	Japan	189,6
5	Saudi Arabia	168,1
6	Russia	143,0
7	Brazil	137,3
8	South Korea	113,7
9	Germany	110,2
10	Canada	100,3
	Total world	4331,3

Source: www.bp.com

Distribution of proved reserves in 1995, 2005 and 2015 (%)

- Middle East
- S. & Cent. America
- North America
- Europe & Eurasia
- Africa
- Asia Pacific



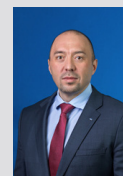
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