
Chevron, the CitiGroup Corp., TCO and local government, facilitates business links between small service and manufacturing enterprises and large companies.

The Small and Medium Enterprise program (SME), created by Chevron with the European Bank for Reconstruction and Development and the United Nations Development Program stimulated economic growth in Atyrau through the development of small and medium-size enterprises. Another program, Atyrau Microcredit Center, gives entrepreneurs loans from \$50 to \$1200 without collateral to get businesses started. Since Chevron's Small and Medium Enterprise program began, the center has distributed \$8.3 million and created 1,500 jobs.

For the third year in a row, Chevron has been successfully implementing a program that helps the children from orphanages and boarding schools choose their future professions. Over two hundred fifty children — in addition to regular curriculum studies during the school year — were offered the opportunity to learn the basics of different professions. Based on market surveys, eleven professions offered to the participants are in great demand today. Having started in Almaty the project expanded to Atyrau last year with the joint funding from TCO and will outreach Astana this year as well. The importance of this program is noted with additional corporate funding from Global Transition Fund

In 2006 Chevron, the Eurasia Foundation, and the Ministry of Culture and Information started implementing a multi-year business development program for ar-

tisans aimed at increasing their competitiveness both in domestic and international markets and ultimately increasing their standard of living and preserving national cultural heritage. The objective of the program is development of the artisans' communities in Kazakhstan through improved quality of their crafts, expanding their access to new markets, and creation of the network of artisans in Kazakhstan. This year more than one hundred artisans from Southern and Western Kazakhstan underwent training in improvement of their professional skills- felt making, carpet weaving, natural dyes making and design. International standards in crafts making and design seminars were carried out in cooperation with UNESCO and the British Council.

As part of Chevron's long-term and comprehensive environmental education program entitled „We Share the Planet Earth”, a nationwide contest of environmental artworks is being conducted for a fifth year in a row. The goal of this program is not only to provide cultural and environmental education to children and youth, but to foster a proactive position towards preserving Kazakhstan's nature. Also, an ecological business projects contest gathered talented schoolchildren from all over Kazakhstan this year. The contest once again demonstrated importance of children learning sustainable development through learning its economics, acquiring project management and planning skills. Best projects were awarded grants to implement their projects.

Shell in Kazakhstan

In 2007 „Shell” is celebrating its 100 anniversary. A century of partnership and of constant adaptability to the changing demands of society has made Royal Dutch Shell what it is today: a world-leading integrated energy company. With working culture that successfully unites people from widely differing backgrounds and origins. In 2007 they entail finding ways to resolve momentous dilemmas like the - long-term - finite nature of fossil fuel resources, mitigating the environmental impacts of energy consumption, and coping with the energy needs of a world population steadily growing in numbers and, fortunately, prosperity.

In Kazakhstan „Shell's” business has grown with the development of the Kashagan field proceeding, „Caspian Meruyert Operating Company” drilling its first well in 2007, JV „Arman” LLP continuing to deliver strong operating performance, and CPC pipeline transporting

crude oil at the maximum of its capacity. In addition „Shell” has a number of joint activities with „Kazyna” and „KazEnergy”, which are directed at improving the sustainable development of our industry.

On behalf of „Shell” I would like to recognize the significant development of the Republic of Kazakhstan both in the various sectors of the industry as well as in respect of the infrastructure of the country. We convey our warmest wishes to the people of Kazakhstan and pledge our continuing best efforts in contributing to the sustainable development of the country and using the highest social, environmental and business standards.

„Shell” is the largest international energy and petrochemical group of companies with high international reputation and unique investment experience.

„Shell” has started its operations in Kazakhstan in 1992 by taking part in investigating the hydrocarbon potential of Kazakhstan reserves. Business of „Shell” in the Caspian has taken its initial development since over a hundred years ago when we were the first to deliver kerosene from Baku to South-East Asia. Today after over a hundred years, the Caspian again becomes the important region for hydrocarbons exploration and production. „Shell” has always been in the front edge of development of new opportunities in exploration and production.

On the Caspian „Shell” is investigating the opportunities of transportation, delivery and distribution of gas to assist Kazakhstan in developing its potential being a large supplier of this type of fuel to domestic and international markets.

The activity of „Shell” group of companies in Kazakhstan is not limited to development of oil and gas fields only „Shell” is seeking to actively develop other types of business.

Sulfur utilization

On sulfur utilization issues „Shell” has been actively cooperating with the National Innovation Fund of the Republic of Kazakhstan under the JSC Fund for Sustainable Development „Kazyna” and Ministry of Transport and Communications.

Within the framework of „Shell” obligations to diversify the economy of Kazakhstan in May 2007, „Shell” has signed a Memorandum of Understanding with the Kazakhstan Fund of Sustainable Development „Kazyna”. The key issues dealt with in this Memorandum refer to technology transfer and exchange of experience.

Petrochemistry

„Shell” is seeking to participate in the development of petrochemical industry of the country. The Company has prepared a pre-feasibility study for the construction of petrochemical complex in Atyrau and Mangystau regions. It has held a series of seminars with the specialists of MEMR and KMG to discuss the „Shell” vision of petrochemistry development in Kazakhstan. Now it actively participates in the negotiations for the construction of Bitumen production plant in the City of Aktau on the basis of plastic plant.

Local Content, Social Area, Education and Environmental Protection

„Shell” in Kazakhstan, being guided by the general policy of Group of Companies, is contributing to the development of social area sharing a special attention to the environmental, healthcare and educational projects.

In order to train future specialists for oil and gas industry, „Shell” is one of the major sponsors of Kazakh-British Technical University and Aktau University named after Sh. Yessenov. „Shell” has been providing scholarships to Kazakhstan students for education in the best Universities of Great Britain. „Shell” provides a unique opportunity for Kazakhstani young talents to work with new technologies and approaches applied in „Shell” operations all over the world.

In support of popularization of the nature protection program of Kazakhstan Shell acted as a general sponsor of the edition „Tulips and Other Bulbous Plants of Kazakhstan”. In 2007, by means of Shell’s financial support, a colourful photo album was published. It was devoted to the creative work of Kazakhstani painter Al-pysbay Kazygulov.

Being the project Operator in many countries of the world, „Shell” demonstrates the commitment to the principles of development of local capacity, which could be proven by the examples of such countries as Russia, Oman, Malaysia, and Nigeria. Using the supplier assessment programs or activities distribution charts, „Shell” believes that the regions where it is operating should economically benefit from the developments of oil and gas sector.

Currently, „Shell” has the shares in the four projects of great importance for the Republic generally and for its regions where they are being run, particularly: North Caspian Production Sharing Agreement NC PSA (Kashagan), Joint Venture „Arman”, „Pearls” Production Sharing Agreement in the Kazakhstan Sector of the Caspian and Caspian Pipeline Consortium (CPC). Today the Company’s investment in the economy of Kazakhstan is about \$3 billion USD, with the annual investment of about \$700 million USD.

Kashagan

Implementation of major project in the Caspian under North Caspian PSA started in April 1998. Exploration drilling in the North Caspian started in 1999. They announced the discovery of recoverable reserves in Kashagan in 2002, and according to the evaluation the project has 38 billion barrels of oil, which allows it to be counted the largest in the world. The participation interest of „Shell” in the project is 18,52%, „Agip KCO” is the operator on behalf of the Consortium.

JV „Arman”. „Shell” has a participating share of 50% in the Joint Venture (JV) „Arman” likewise „Lukoil”. During the past 10 years over 250 million US Dollars was invested in the JV development, and the volume of oil produced is over 2 million tons (the average production is 5,000 barrels of oil a day). JV „Arman” contributes greatly economy of the region and the Republic,

including the activities to protect environment and bio-resources. The 2007 drilling program has been developed for the field. Working for the benefit of the local community is the important component of the enterprise development. JV „Arman” has increased the volume of local goods and services, and 2 million USD was spent for education and advanced training of Kazakhstan specialists. Production facilities were designed in a manner not to cause damage to environment and the Caspian. The fields are being developed using the modern facilities and computer technologies.

CPC. „Caspian Pipeline Consortium” (CPC) was established in 1992 between the Government of the Republic of Kazakhstan, Sultanate of Oman and the Russian Federation for designing, financing, construction and operation of the system of pipelines for export transportation of liquid hydrocarbons produced in the Western Kazakhstan and Russian through the territory of Russia. Currently the participating share of „Shell” in the project „Caspian Pipeline Consortium” is 5,5%.

„Pearls”

„Shell” aims to become a long-term investor in Kazakhstan. As the largest company to operate oil and gas projects in the world we were setting the target - to create together with National oil company „KazMunayGas” a joint operating structure to develop the Kazakhstan sector of the Caspian. The basis for our commitments to become a long-term partner for Kazakhstan is to attract operational, technological and business experience, and contribute to the development of domestic labor and operational resources.

In December 2005 „Shell” signed „Pearls” Production Sharing Agreement with the Republic of Kazakhstan in the Kazakhstan sector of the Caspian Sea together with the other two participants of the project - JSC „NC „KazMunayGas” and „Oman Pearls Company Limited”. The share participating the participatory interest in this project is distributed as follows: „Shell EP Offshore Ventures Limited” - 55%, „KazMunayGas” - 25% and OPCL - 20%. A Joint operating company „Caspi Meruerty Operating Company B.V.” was established for exploration and development of the block. Its branch is located in Aktau. Joint Operating Company „Caspi Meruerty Operating Company B.V.” was established for exploration and development of the block. „Caspi Meruerty Operating Company B.V.” was established on 08 January 2007 in the Kingdom of the Netherlands. It is owned by „Shell EP Offshore Ventures Limited” - 40%; „Oman Pearls Company Limited” - 20%; „KazMunayTeniz” - 40%.

„Shell” opened its branch office in Aktau, Mangistau region, in April 2006.

The annual sponsorship supports social and cultural initiatives for the local communities. In 2006 „Shell” purchased an ambulance for the hospital in Fort Shevchenko. „Shell” actively takes part in major cultural events such as the festival „Caspian Sea Sea of Friendship”.

Within the framework of social development program in the Mangistau region, in August 2007 „Shell” and the Road Police Department of Mangistau region have successfully conducted Road Safety presentations for the general public in Aktau. The presentation highlighted psychological and physiological aspects of defensive driving, issues of active and passive safety, MVA’s injuries and consequences of alcohol intoxication. Event was hold Road Safety Consultant (Driving Standards Agency government registered instructor, instructor with the Institute of Advanced Motorists) who has been cooperating with „Shell” for more than eleven years. Over 300 hundred people attended the presentations. The majority were the young people and first-time drivers.

„Shell” together with the Akimat of Mangistau region and the United Nations Development Programme have started to work on the project „Improving the access to drinking water and the provision of water supply services in small towns of Mangistau region”.

LUBRICANTS LEADING SUPPLIER OF LUBRICANTS

„Shell” is the leading supplier of own-made motor oil and other lubricants for consumer market and industrial sectors of Kazakhstan. Its total share in the lubricants imported in Kazakhstan from beyond the borders of CIS makes 35%. It is hoped that dynamic development of business within some years to come will result in increase of this share.

Company „Shell” in Kazakhstan has started selling and distributing oil and lubricants since 1994, and it was the STASCO Company, a Trading Department of „Shell” to manage this process. Since 1996 this work has been taken over by the Middle East trading enterprise „Shell Trading Middle East 1st.”, located in Dubai (UAE).

There are four Sales & Maintenance Managers working in the domestic Lubricants Marketing Office who provide the „Shell” customers with professional technical and logistical support and communication with the „Shell” specialists from all over the world.

„Shell's” key principle of operations in the region is to establish partnership relations with customers and work jointly with them to reduce customers’ costs for machinery operation by applying modern lubricants and attracting advanced international experience.