



VIRU KEEMIA GRUPP JSC

SOCIAL RESPONSIBILITY
AND SUSTAINABLE
DEVELOPMENT REPORT
2008-2009

VKG – The Biggest Estonian Manufacturer of Shale Oils and Chemicals

Viru Keemia Grupp, established in 1999, belongs to the biggest chemical enterprises in Estonia producing and marketing shale oils.

The present sustainable development report has been published for the first time in the history of the enterprise. We would like to bring into focus the importance of environment protection and regional development in the activity of our enterprise.

KEY EVENTS, 2008-2009

VKG obtained a research and mining license for 350 mln tons of oil shale in Boltyski deposit in Ukraine.

May, 2008 – the first sulphur recovery unit at VKG Energia started its operation. Its price amounted to appr. 150 mln kroons.

December, 2009 – construction of a new oil shale processing plant was completed. This plant will increase the enterprise's performance by 40 % in 2010.

Construction of a slant shaft has been started at Ojamaa mine.

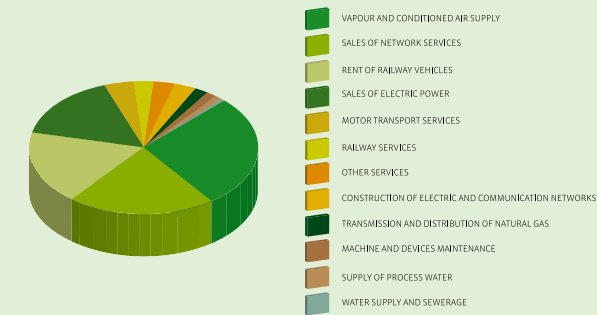
The year 2009 was difficult for the enterprise comparing to previous years: many investments have been postponed, such as construction of a cement plant and a new turbine generator set. But due to this fact the construction of Ojamaa mine could start and the new oil shale processing plant could be inaugurated.

THOUS. KROONS	2006	2007	2008	2009*	2010 FORECAST
Sales revenue	1 503 614	1 787 066	2 057 776	1 667 275	2 000 000
Commercial profit	307 308	330 821	295 830	188 447	360 000
Net profit	299 027	293 924	230 625	120 676	300 000

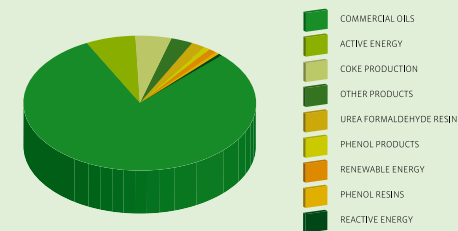
* Non-audited data



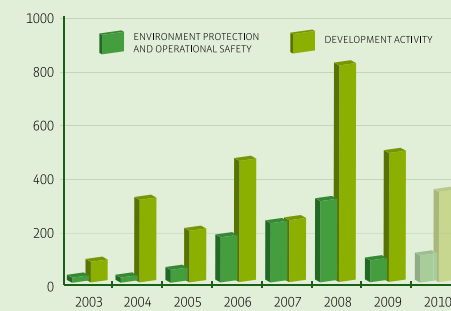
SALES REVENUE BY SERVICES, 2009



SALES REVENUE BY PRODUCTS, 2009



INVESTMENTS IN DEVELOPMENT ACTIVITY, ENVIRONMENT PROTECTION AND OPERATIONAL SAFETY



During these last seven years Viru Keemia Grupp has spent over 900 mln kroons invested in environment protection and operational safety, as well as appr. 3 bln kroons directed into its development activity.

THE MOST INTENSIVE INVESTMENTS INTO ENVIRONMENT PROTECTION

2007 – construction of a semicoke deposit area.

May, 2008 – purchase of a sulphur recovery unit; as a result hereof minimum 65 % of sulphur are bound in burned fuel.

2008 – creation of shale oil filtration system which turns fuel oil production air-tight and environment-friendly.

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Abbreviations

VKG	VIRU KEEMIA GRUPP
MLN KR	MILLIONS KROONS
ROA	RETURN ON ASSETS
ROE	RETURN ON EQUITY
THOUS KR	THOUSANDS KROONS
GRI	GLOBAL REPORTING INITIATIVE
HPS	HEAT POWER STATION

Introduction

SUPPORTING SUSTAINABLE DEVELOPMENT

Facing deficiency of resources and onrush of technology, the conception of a sustainable and counterbalanced development of the enterprise has become a very topical problem. Interest towards the enterprise's activity of the part of clients, investors and local residents does not limit itself just to knowledge of economic indexes, but ever more often their wish is to learn the enterprise's activity more in details.

Viru Keemia Grupp is one of the biggest enterprises of chemical industry in Estonia, the Baltic states and neighbour regions, therefore prudent use of resources and environmental protection are now points of great importance. The pages below reflect activities of last years related to support sustainable development and ensure environmental security, and readers are given a review of future aspirations and operational program of Viru Keemia Grupp.

One of the biggest employers in the Ida-Viru County, Viru Keemia Grupp is along with the development of the enterprise focused on progress of the social environment. Our people are our greatest value, that is why last chapters of the present report cover activities devoted to both employees of VKG and residents of the Ida-Viru County. In spite of the economic depression, VKG has always been consistent in the field of investments and industrial development. The emphasis of such a consistency is one of the key stones of the present report.

REPORTING PERIOD OF SUSTAINABLE DEVELOPMENT

The present report on sustainable development has been delivered for the first time in the history of the enterprise.

This report on 2010 sustainable development reflects first of all the development made by the enterprise within two last years (2008–2009) and considering the fact the present report to be the first one, comparisons with previous periods will be made, if necessary.

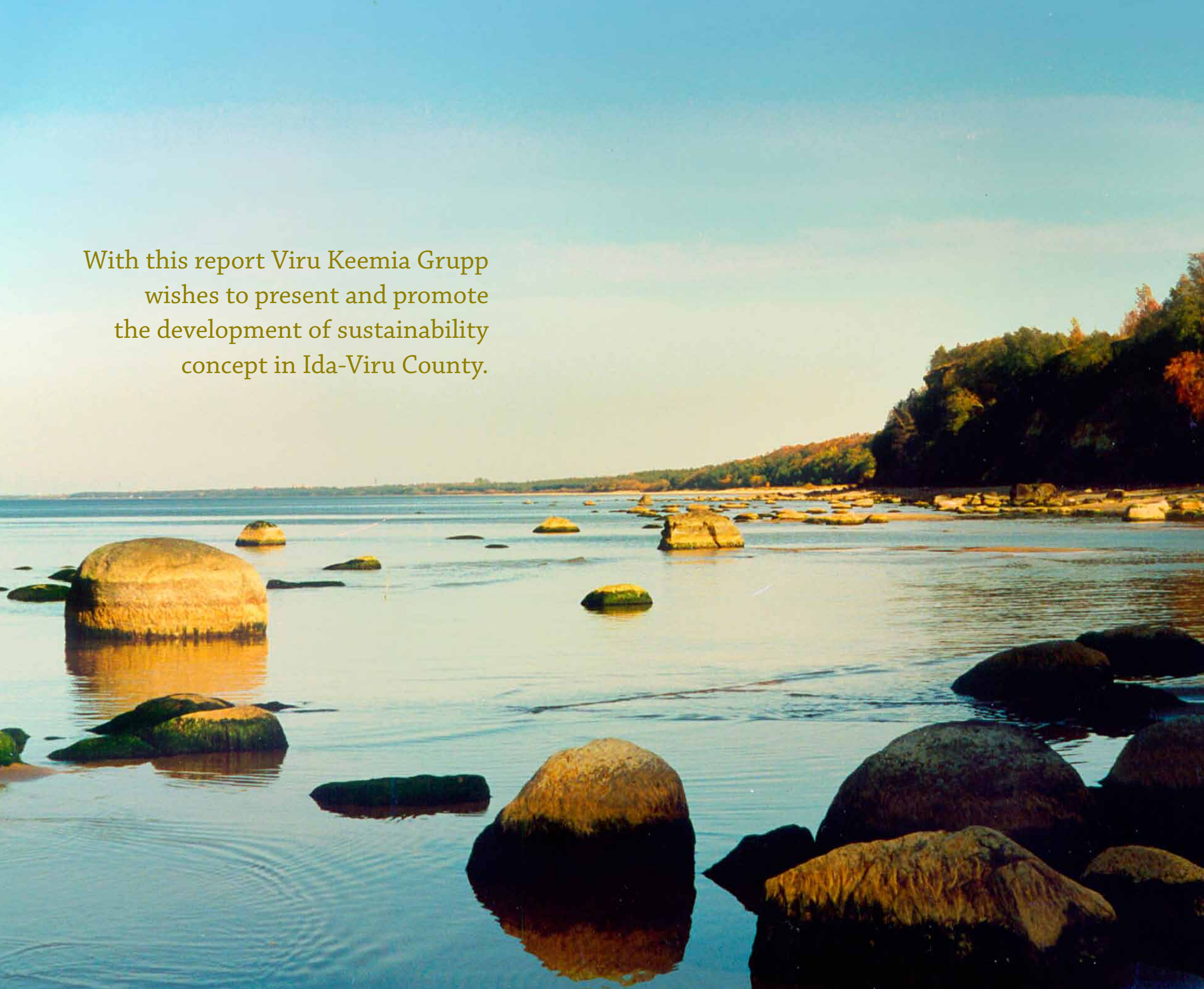
The next report on sustainable development covering the years 2010-2011 will appear in 2012.

OBJECTIVES OF REPORTING ON SUSTAINABLE DEVELOPMENT

Through the present report Viru Keemia Grupp wishes to present and develop the conception of sustainable development in the Ida- Viru County.

The report aims to:

- ▶ Make the organization's activity more transparent with the presentation of 2008–2009 economic, social and environmental activities.
- ▶ Describe ideas and activities of Viru Keemia Grupp for the nearest future.
- ▶ Create confidence between people interested in the enterprise's activity, local residents and employees of Viru Keemia Grupp.



With this report Viru Keemia Grupp wishes to present and promote the development of sustainability concept in Ida-Viru County.

STRUCTURE AND METHOD OF THE REPORT

The basis of the report on sustainable development issued in 2010 are the guide materials of Global Reporting Initiative – GRI. GRI is an organization promoting voluntary reporting, which consolidates enterprises all over the world paying high tribute to sustainable development. The organization is considered to be the founder of the conception of sustainable development, and advisable instructions have been worked out. More details about the organization and instructions at: www.globalreporting.org.

The structure of the report by Viru Keemia Grupp on 2010 sustainable development is based on the C-level of GRI G3 Guidelines what presupposes reflecting of following aspects at least:

- ▶ Short description of the enterprise with its most important economic indices.
- ▶ Modifications in the enterprise`s activity and governance.
- ▶ Review of the application of corporate governance.
- ▶ Presentation of totally ten indicators of economic, environmental and social results.

An additional basis for making this report was the guidance material „Oil and Gas Industry Guidance on Voluntary Sustainability Reporting“, worked out by the International Petroleum Industry Environmental Conservation Association (IPIECA) in cooperation with the American Petroleum Institute (API).

The report on sustainable development is subdivided into six chapters:

1. SOCIAL ENVIRONMENT
2. ENTERPRISE AND ITS EMPLOYEES
3. REVIEW OF THE ENTERPRISE
4. SECTOR TRENDS IN ESTONIA AND WORLDWIDE
5. GOOD MANNER OF GOVERNANCE OF A COMMERCIAL SOCIETY
6. ENVIRONMENT PROTECTION

When drawing up the report, ISO and OHSAS certification materials of the enterprise have been used. Data of environmental and labour safety conform to requirements fixed for certificates.

The report has been made in cooperation with the department for commercial advise by Ernst & Young Baltic AS.

Questions related to this document can be asked from Julia Aleksandrova (julia.aleksandrova@vkg.ee), public relations officer by Viru Keemia Grupp.

TARGET GROUPS

The report on sustainable development 2010 by Viru Keemia Grupp is a public document available both on paper and electronically on the concern`s webpage in Estonian, English and Russian languages. Our first wish has been to present our enterprise more in details:

- ▶ To strategic investors to enable them making informed investment decisions;
- ▶ To introduce to residents of the Ida-Viru County the regional development throughout last years and prospects for future;
- ▶ To clarify more closely to the employees of Viru Keemia Grupp modifications made in organization and activities.

RESTRICTIONS RELATED TO THE REPORT

Drawing up a sustainable development report is voluntary to organizations. Data reflected in the report have not been additionally checked by independent parties, excluding the cases stated in the law.

The 2009 economic survey and the 2010 forecasts have been prepared by Viru Keemia Grupp and were not subject to an audit. So, the 2009 data can differ a bit from the statement confirmed and reflected in the financial annual report.

When reflecting data in the report, the enterprise relies upon the transparency principle and good commercial practice.

Social Environment

Support of Regional Development

VKG AS ONE OF THE BIGGEST REGIONAL EMPLOYERS

The enterprise is located close to Kohtla-Järve, large town in the region. It means that the enterprise, being among main employers in the town and one of the most important regional developers, effects lots of regional aspects with its activity.

VKG effects significantly creation of regional employment and average salary. During an analysis organized by the enterprise it has been detected that each employee of the concern creates four jobs outside the organization (services being bought are mainly catering, repair and transport services, dry cleaning, health care services, design and construction works). The income of almost each family in Kohtla-Järve is connected to VKG, directly or indirectly. VKG Energia, an enterprise belonging to the concern, electric power and heat producer, is responsible for heat supply to the biggest town quarter Järve. Within next coming years it plans supplying its heat to both other town quarters and the neighbour town Jõhvi.

Appr. 21 mln kroons were transferred to the town of Kohtla-Järve as income taxes from salaries of the concern`s employees in 2008 (the 2008 budget of the town was 580 mln kroons, the 2008 consolidated report on economic activity of the town of Kohtla-Järve) what makes 3,6% of the town`s budget. VKG representatives take an active part in the work of the municipal assembly and contribute to making major decisions.

Since its establishment VKG contributes to cherish the traditions of an industrial town and its history. Its share into this objective was 6,5 mln kroons spent in 2008.

ACTIVITIES ORIENTED TO LOCAL RESIDENTS

VKG BRINGS CHRISTMAS JOY

Christmas is a very special time of waiting for joy and miracle for all the people without distinction of age, sex or occupation. However, some people need a special care and help at this time, and namely those who cannot fully enjoy Christmas because of illness, old age or loneliness.

To make each Christmas time merrier, each December VKG receives applications of aid from children and social institutions of the town of Kohtla-Järve and the district of Järve.

During last years we have supported various regional child welfare and medical organizations, and we believe this tradition will continue into future.

VKG FOR ARTS

VKG is convinced about necessity and beauty of oil shale industry. Its development and modifications over time are reflected best of all by paintings making part of the private collection of VKG or owned by the Oil Shale Museum.

VKG supports Estonian and first of all local artists, and thanks to their interest towards oil shale industry VKG could make a large art collection during these last years.

You can see the pictures on our site: www.vkg.ee



VKG is the major sponsor of the Wrestling Federation of Estonia throughout the years 2005-2010.

SPORTS SUPPORT

The main recipient of VKG sponsor support is the Wrestling Federation of Estonia. VKG is the major sponsor of the Federation in the years 2005-2010, its support has amounted to over one million kroons. In the frame of sponsor support there was organized a trip of Heiki Nabi, master of Sport in Greco-Roman wrestling, to China.

VKG also supports holding local sport activities, such as Alutaguse ski marathon, Sinivoore motocross and chess tournament in remembrance of A. Talpas. Although the apparent priority for VKG sponsor support is wrestling, during last years we also sponsored holding tournaments in ice hockey, chess, sumo and other sports tournaments, which we believe are important to promote sports in the region.

We support among local sport institutions the Ida-Viru Sports Association and events held in the frame hereof, such as a race to the highest hill of our district, Kukruse.

VKG AS A PROMOTER OF LOCAL CULTURE

Since February 2010 the concern has started its cooperation with the biggest cultural institution, Concert Hall of Jõhvi. The aim of this cooperation is to enable residents of children`s homes, local poors and pensioners visiting cultural events at reduced rates or free of charge, to support initiatives of young people in cultural area and increase the number of festivals taking place in the region.

SUPPORT OF SOCIAL INSTITUTIONS OF KOHTLA-JÄRVE

In November 2009 a competition was organized by VKG to deliver assistance to one or several social institutions in Kohtla-Järve. Proposals were submitted by the concern`s employees, and VKG made cooperation with the local authorities. It expects the aid recipient will be fixed by springtime 2010.

The permanent VKG aid recipients are the children`s home and the disabled children`s home of Kohtla-Järve.



THE YOUNGEST PARTICIPANTS OF THE ALUTAGUSE CROSS-COUNTRY SKIING



Viru Keemia Grupp AS
Jõhvi Kontserdimaja toetaja
Sponsor of Jõhvi Concert Hall

**TOETAME UHKUSEGA IDA-VIRUMAA KULTUURI
PROUD TO SUPPORT IDA-VIRU CULTURE**

www.vkg.ee

PUBLIC INVOLVEMENT

All VKG plans on developing its industry are to undergo the procedure of environmental impact assessment (EIA) with an open discussion being its integral part. Within last years the EIA procedure was held for the following VKG projects: construction of sulphur recovery unit and the new plant, initiation of open-cast mine building and the cement plant project.

PART IN THE ISSUE OF A CEMENT PLANT

The cement plant project produced at first a negative reaction among local residents. To reassure the local public and to introduce them a modern cement industry, VKG organized a free of charge trip for ten Kohtla-Järve residents in October, 2008 to visit a cement plant in Bernburg in order to familiarize properly with its operation based on the same technology that VKG had chosen for its cement production.

After the visit a meeting was held where they reported to the local people who were concerned about the local environment. In order to contribute even more into bringing the townsfolk up to date with this new concern`s initiative, VKG organized three meetings for local residents and all members of the VKG board and the press. Following this months-long work this VKG initiative has been accepted by both townsfolk and local opinion makers.

COMPETITION OF CONCEPTS

Equally, VKG advises with Kohtla-Järve townsfolk on non-industrial items.

In 2006 VKG initiated a competition of ideas on possible application for the tower of the old oil plant (the tower of the former oil plant built in 1930 in the industrial territory of VKG is a historical object, and VKG believes it could be used as an interesting town`s object). VKG collected proposals of the town people until September, 2006 and chose three most interesting ones among them. In a reception held on September 14th VKG expressed its thanks to all active participants and presented awards to winners.

In the beginning of 2007 the Kohtla-Järve Municipality organized a work commission aiming to work out a development concept for the old oil plant. This project is being run until now, and in next years VKG hopes to obtain additional financing from EU funds and create in this old tower a museum for oil shale industry, a conference centre and a café.



KOHTLA-JÄRVE RESIDENTS ON THE ROOF OF THE CEMENT PLANT IN BERNBURG, GERMANY



KOHTLA-JÄRVE RESIDENTS IN A RECEPTION AT VKG

The Enterprise and its Employees

The personnel policy of VKG is based on the valid legislation of the Estonian Republic and proceeds from requirements and regulations of an industrial enterprise.

The specific character of VKG personnel policy consists in the following:

- ▶ Oil shale industry is a specific industrial branch requiring high-qualified manpower with specialized professional education. VKG keeps its high-qualified personnel employed with an advantageous system of salaries, working environment and the culture of the enterprise. There is a collective labour contract made between the employer and the employees. The enterprise guarantees herewith many extra advantages to its employees, such as higher salary rates for night work, additional holiday payment for service length, bonuses for jubilee birthdays, allowances for family occasions, etc
- ▶ The generation of engineers educated in the former Soviet Union is leaving the labour market little by little as they are getting old. The objective of the personnel politics of VKG is promoting a new generation of employees and arrival of young people into industry. To ensure an influx of young specialists VKG has founded at the Technical University of Tallinn 6 annual scholarships named after VKG itself, whereas two of them are intended for students of bachelor-level program, and four – for students of applied science. Since the academic year 2005/2006 VKG has started its cooperation with the Virumaa College of Tallinn Technical University (this college is located in Kohtla-Järve). The both programmes are being continued in the year 2010. Also, VKG enables trainee students doing many paid practical works.
- ▶ As it is referred to a dangerous industrial production, the duties of the personnel department are closely related to labour safety. Since 2006 the OHSAS systems (Occupational Health and Safety Management Systems) have been applied at all VKG subsidiaries to guarantee occupational safety of an employee at the workplace.
- ▶ As the work at the enterprise requires high-level professional training, the human resources policy is one of the priorities for keeping employed the people working at the concern and providing them with opportunities of self-development inside the concern.
- ▶ Oil shale industry is with its deeply rooted traditions the industrial branch which the personnel department has to consider in its daily activities. The personnel department at VKG stands for maintenance of working traditions and takes part in preparation of annual traditional events, first of all in holding the Chemical Worker 's Day.



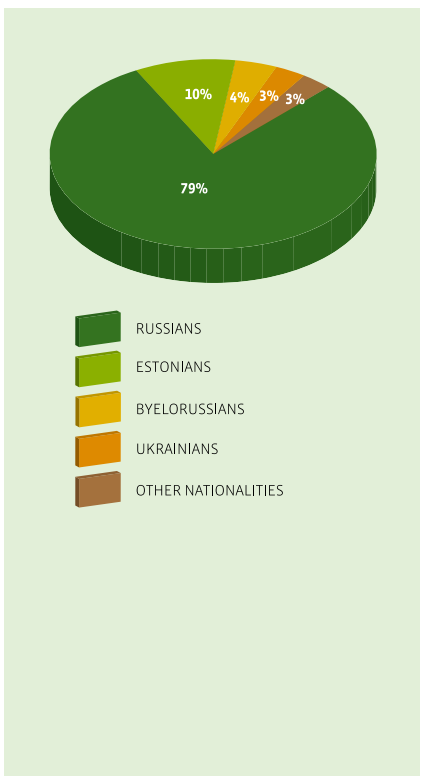
VKG JSC employs people of 20 nationalities.
The youngest employee at VKG is 19 and the eldest one 72 years old

SECURING GENDER, ETHNIC AND AGE EQUALITY

VKG seeks to secure equal opportunities to its actual and future employees. A big part of VKG employees has a long-term working experience and comes from numerous regions of the former Soviet Union. In 2009 the concern was employing people of approx. ten various ethnic origins.

Now representatives of 20 different ethnic backgrounds are being employed at the concern. According to the data of 2009, the biggest ethnic staff segments were composed of:

- ▶ Russians – 967 employees (79,2 %)
- ▶ Estonians – 124 employees (10,16 %)
- ▶ Byelorussians – 52 employees (4,6 %)
- ▶ Ukrainians – 39 employees (3,19 %)

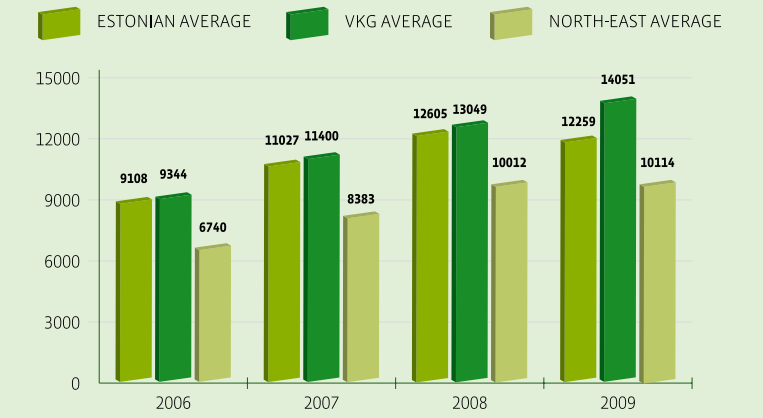


Among the people employed by the concern there are as well Armenians, Bashkirs, Bulgarians, Dargins, Ugro-Finns, Koreans, Latvians, Lithuanians, Moldavians, Mordovians, Poles, Germans, Finns, Tatars, Chuvashes and Uzbeks, who make in total a bit over 3 % of the staff.

VKG aims to secure gender equality. But specificities of the processing industry are to be considered. As of 2008 VKG employed 1159 people (2009 employees average was 1312), 57 % thereof being male and 43 % female workers. Until 2009 female workers were banned from working as miners, for example, that is why the female employment in this profession was at the lowest level in 2010, too.

Also, there are several jobs among working specialities where traditionally male and not female workers are employed in Estonia (mechanics, plumbers). At the same time, the part of female employees in the concern`s manpower has been increased due to jobs in auxiliary services (bookkeeping, assistance, management of public relations, personnel service).

COMPARISON OF VKG, REGIONAL AND ESTONIAN AVERAGE SALARY



The tables on the right illustrate the employment rate of male and female employees and inequalities between them in the years 2006-2009. Similar to the division of VKG labour force, in Estonia men have traditionally been employed more than women, the difference coming up to 7,7 % in favour of male employees. In the same way, men have been more widely employed in Ida-Virumaa exceeding female labour force by 13,3 %.

The enterprise encourages indirectly the gender equality with distributing its scholarships: 5 student grants of those given at the Virumaa College of Tallinn Technical University in 2009 were distributed to female, and 3 to male students. Thereby VKG hopes to promote technical professions among both male and female students.

VKG offers employment to people of different ages. The youngest employee at VKG is 19, and the eldest 72 years old. The large majority of concern`s staff belongs to the age group 25-49, i. e. 54,3 % of the manpower, and 33,4 % are over 50 years old. Similar figures are specific for all Estonia.

SHARE OF EMPLOYED PEOPLE AMONG ESTONIAN ABLE-BODIED POPULATION

	2006	2007	2008	2009
Rate of male employees	68,3%	69,8%	70,2%	61,3%
Rate of female employees	61,5%	62,2%	62,5%	59,3%
Difference	6,8%	7,6%	7,7%	2,0%

SHARE OF EMPLOYED PEOPLE IN IDA-VIRUMAA

	2006	2007	2008	2009
Rate of male employees	62,3%	64,2%	61,2%	52,6%
Rate of female employees	51,9%	50,9%	48,1%	48,6%
Difference	10,4%	13,3%	13,1%	4,0%

DISTRIBUTION OF EMPLOYEES ACCORDING TO AGE AT VKG AND IN ESTONIA

	BELOW 24	25-49 YEARS OLD	OVER 50
Employment rate according to age in Estonia in 2009	5,6%	61,1%	33,4%
Employment rate according to age at VKG	7,4%	54,3%	38,3%

Life-Long Training

VKG employees belong for the most part to the regular labour force prepared at the time of the former Soviet Republic of Estonia. Due to their ageing they start leaving the labour market. The average age of VKG staff is now 44,1 years, and this index is not high for an industrial enterprise. At the same time the concern is constantly working to provide itself with young engineer staff.

To obtain this goal VKG favours promotion of engineering education in oil shale field on both national and local levels through student grants and providing opportunities for practical training.

In 2003 VKG founded its nominal grant in the Technical University of Tallinn. The grant is intended to support successful bachelor degree students. It can be applied by students of the Technical University of Tallinn from the faculty of chemistry and material technology, future specialists in chemistry and environment protection.

There are two grants distributed within each year, 20 000 Estonian kroons each.

In 2008 VKG was entitled the „Golden Sponsor” of Tallinn Technical University.

Starting from the academic year 2005/2006, VKG began its cooperation with Virumaa Colledge of Tallinn Technical University (the colledge is located in Kohtla-Järve). Students specializing in production engineering, industrial enterprise, automation systems and fuel technology can apply for the VKG one-year grant

FIRST-YEAR STUDENTS – 5 grants, 5 000 kroons each;

SECOND-YEAR STUDENTS – 5 grants, 10 000 kroons each;

THIRD-YEAR STUDENTS – 5 grants, 15 000 kroons each;

FOURTH-YEAR STUDENTS – 5 grants, 15 000 kroons each.

Altogether in the years 2005 to 2008 VKG paid scholarships and grants in amount of 275,000 Estonian kroons.

This programme will be continued throughout the years 2009 and 2010.

On September 21st, 2006 VKG put its name to a protocol of intention foreseeing the VKG participation in the doctoral grant named after Paul Kogerman at TTU.



THE CHAIRMAN OF THE BOARD OF VKG HANDS OVER A SCHOLARSHIP NAMED AFTER VKG

TRAINING AND PROFESSIONAL DEVELOPMENT OF EMPLOYEES

There are two directions of professional training VKG can propose to its employees:

- ▶ Training inside the concern and an examination system aiming first of all to meet requirements of occupational safety and to gather knowledge in the field of oil shale industry and sustain working experience.
- ▶ Training outside the concern targeting professional development and education of the staff.

Two main aims of training inside the concern are:

- ▶ Meeting the requirements of occupational safety.
- ▶ Transfer to employees of specific knowledge of oil shale industry.

Training inside the concern is made in the case a new person has been employed at VKG industry, for example at oil shale processing unit, heat power plant, distillation or phenols recovery unit. To enable this newcomer to do independent work, he is given an instructor and has to make a training program within three months maximum and at the end of the test period to pass an exam in order to get access to an independent work.

If an employee wishes to upgrade his or her qualification and get higher salary, he can pass a qualification exam for higher degree.

Guidance in labor safety takes place periodically once a half-year or a year. The length of the period depends on danger level at working place. Labor safety instruction includes introduction of safety devices and reminder about actions to be taken in a case of emergency.

The concern promotes as well language training of its staff. Each September new English groups are organized. In 2008 and 2009 four English classes were held in the industrial territory of the concern in Kohtla-Järve: courses for beginners, intermediate and advanced students. According to wishes of employees, Estonian classes were also given in the main office of the concern.

Training outside the concern is planned by budgets of each subsidiary company per each financial year. Its goal is first of all professional development of employees.

1 764 873 kroons were spent for professional training at VKG in 2008, and 566 000 kroons – in 2009.

TRAINING EXPENSES AT VKG IN 2006-2009



THE FOLK DANCE GROUP GEVI FROM IDA-VIRUMAA PERFORMING ON THE CELEBRATION OF THE 85TH ANNIVERSARY OF OIL SHALE INDUSTRY ORGANIZED BY VKG

VKG Initiatives to Support Its Employees

Since its foundation at the beginning of last century, the First Estonian Oil Shale Processing Enterprise has undergone many changes, five generations of its employees have passed. But main social characteristics specifying an industrial enterprise still remain in force at VKG, and they are devotion of employees to the production and maintenance of its old traditions. So, following to these long-term traditions, VKG undertakes additional optional obligations with regard to its employees.

1. COLLECTIVE AGREEMENT

A collective agreement made between employees and administration is an additional initiative of the enterprise in order to support its employees.

A Collective Agreement in the First Estonian Oil Shale Processing Enterprise was first made in 1948 between the trade union of chemical workers and the administration. Each successive collective agreement was made for one year starting from January 1st to December 31st.

The collective agreement is obligatory at VKG till now and its validity has been extended to two years. The conclusion of each collective agreement is forgone by negotiations between administration and employees of the enterprise by mediation of the trade union. In the course of the talks the employees put forward their requirements, and the management reports which among them are realizable.

According to tradition, the collective agreement at VKG secures higher payment rates for evening and night work and establishes the order of benefits payment on the occasion of certain family circumstances. The collective contract being in force expires 31.12.2011. In 2008 the concern spent 6,5 mln kroons to cover all its obligations deriving from the collective agreement, and the 2009 expenses were on the same level.

Pursuant to the decision of the management, all the benefits stipulated in the collective agreement are to be extended over both trade union members and other employees of the company.



Nordic walking in the frames of the Chemical Worker`s Day in 2008

THE FIRST ROW WALKERS ARE ARNOLD RÜÜTEL AND THE EOC PRESIDENT MART SIIMANN

2. CORPORATIVE EVENTS

In 2008 the Chemical Worker`s Day, town festival, under the guidance of VKG took place the eighth time. This festival is specific to an oil shale town and takes place according to tradition last Saturday of May, it is planned first of all for workers of oil shale processing industry and their families. The program of the Chemical Worker`s Day includes a concert, different contests and competitions between enterprises. The Chemical Worker`s Day became an entertainment for whole the town, with some thousands of people as participants.

Due to economic stagnation, there was no Chemical Worker`s Day held in 2009. Notwithstanding, in 2010 the festival will be held keeping its best traditions.

For the sixth year in a row the concern organizes in cooperation with town authorities of Kohtla-Järve a holiday for its long-service employees. According to the tradition existing at VKG, the holiday takes place October 1st in the house of Culture Centre of Kohtla-Järve. Each time there is a concert program prepared for long-service employees, and there is a table set with champagne. The holiday is assisted by over 400 long-service employees.

In August, 2009 the traditional First Year Pupil`s Day took place at VKG. The event was organized by VKG, Nitrofert and Novotrade Invest. As it usually is, all future first years get a big schoolbag with all school supplies required as a present from the concern.

A festive lunch for children and their parents is usually served in one of the best Estonian recreation centres.

Yearly about 50 children get congratulations from the concern. The First Year Pupil`s Day takes place at VKG for the ninth year in a row and has become a full tradition of the concern along with the Long-Service Employee`s Day and the Chemical Worker`s Day.

3. INTERNAL NEWSPAPER VIRU KEEMIK

One tradition at VKG among others is a plant`s internal newspaper which has started to be published since the beginning of 1975. Then the paper was bilingual, monthly and was named Leninist. Since then, both the name and the design of the paper have undergone several changes.

The internal newspaper Viru Keemik was first published as monthly issue in July, 2001. Since then over 80 numbers have been published.

The newspaper appears once a month and is intended mainly for the concern`s employees. Keemik tells about news and problems of the enterprise, each month congratulates concern`s people celebrating their anniversaries and interviews the most interesting people among the employees of the enterprise.

The electronic version of the newspaper, e-Keemik, is available on internet and is weekly updated.



VKG FIRST YEAR PUPILS, 2008

4. TRADE UNION OF CHEMICAL WORKERS

The member organizations of the trade union of Chemical Workers acting at VKG are both the concern`s subsidiaries and other chemical industries of the town. The Trade Union includes the employees of VKG Oil AS, Viru RMT OÜ, VKG Energia OÜ, Viru Vesi AS, VKG Transport AS, VKG Resins AS, AS ISS Eesti, AS Nitrofert, AS Novotrade Invest.

The professional association of employees of chemical enterprises in Kohtla-Järve has acted as an organization since 1948 when first collective agreement was made. Its leader since 1974 until now has been Vello Pärnits.

The Trade Union of Chemical Workers is an organization defending collective interests of employees of chemical enterprises. The trade union as a link between employees and administration organizes their contacts and acts as a mediator when making the labour contract. Furthermore, the trade union helps VKG to organize internal events and coordinates information exchanges between enterprises.

5. MEDICAL STATION AT VKG

In the production territory of VKG in Kohtla-Järve several hundreds of people are working every day. Taking into consideration conditions of shift work and remote location of the fabrics from the town centre, there is an own medical station available to give professional help in proper time to employees' health in the territory of the concern.

First of all, the medical station gives first aid, but also aid in case of cold related or viral diseases. Physiotherapy equipment available in the medical station is used to speed up the recovery in case an employee cannot leave his working place for a time of his disease.

Every year the VKG medical station arranges a free antifu vaccination for all comers employed by VKG. Lidia Ivanova, long-term worker of the medical center, watches timely and scheduled vaccination of employees according to the plan schedule determined by the state.

Daily the medical station gives aid to dozens of employees who can get a free professional medical advice without leaving their working places. The station started its activity from the very foundation of the concern and is one of priorities in the relations between the enterprise and its employees.

6. PARTICIPATION OF EMPLOYEES IN DECISION-MAKING PROCESS

The employees of VKG are not involved in day-to-day decision-making process, but VKG has worked out several procedures involving employees into management process.

First of all, employees have a right to speak out their opinion when drafting a collective agreement. Best benefits of VKG employees and non imposed by the law are stipulated by the collective agreement with two-years validity.

The participation of employees in decision-making is being mediated by the Trade Union acting at VKG. Authorized people of the Trade Union who represent employees' interests have regular meetings with the corporate governance minimum once a month and deliver to them questions and requests of employees.

Once a quarter the President of the Board Priit Rohumaa comes to the authorized person of the Trade Union in order to meet employees and to keep himself informed about their problems and questions.

Once a month, the first Tuesday of a month, VKG organizes in its main office a reception for people celebrating their jubilee where elder workers and people celebrating anniversaries of their working career are invited. All the administration of VKG takes part in this event offering a good opportunity for dialogue between directorship and workers.

Directors of VKG subsidiaries and corporate governance help along to relations between administration and employees – the contact data of the members of the Board (e-mails and work phones) are open to their employees, all the members of the board take part in corporative events and traditional meetings, they are always ready to answer employees' questions and solve their problems.

Occupational Safety and Health Care Service

Viru Keemia Grupp JSC sets its sights on creation of labour conditions where employees could enjoy working and developing themselves. We wish our working environment to be safe and our people healthy.

To achieve better results, the concern's subsidiaries have applied the standard OHSAS 18001. VKG Oil JSC, VKG Transport JSC, Viru RMT and VKG Energia OÜ are bearers of such certificate.

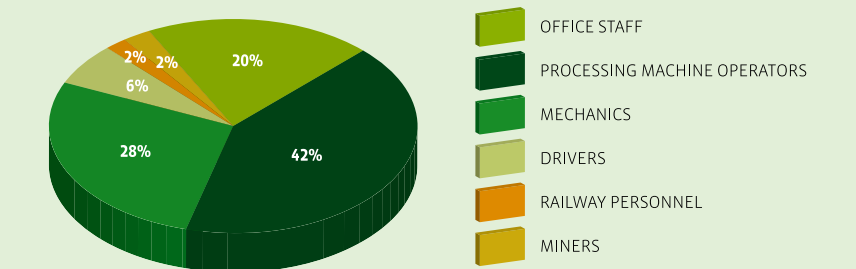
LIST OF RISKS RELATED TO MAIN ACTIVITIES

In 2009 Viru Keemia Grupp employed 1312 people, 80 % of which are professional line members and 20 % are office staff.

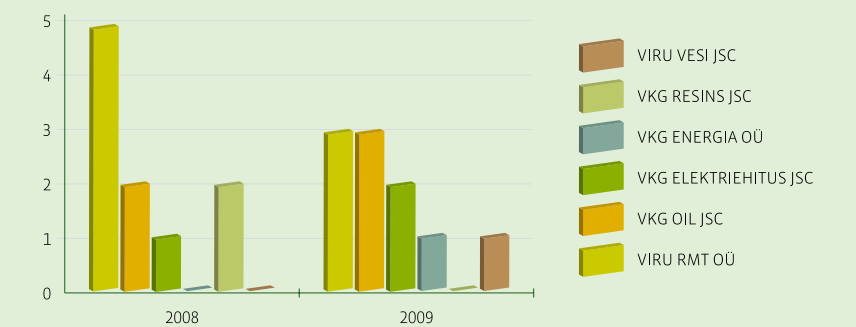
The main risks resulting from the job structure are wrong work methods, safety violation and carelessness, as well as working environment specific to chemical industry. In 2008 and 2009 there were nine accidents at work happened. The number of serious industrial accidents increased in 2009 by one accident comparing to 2008. No accidents at work happened at VKG Resins JSC, VKG Transport JSC, VKG Kaevandused JSC, VKG Elektrivõrgud OÜ and VKG JSC.

In connection with the concern's policy of improvement of working conditions, the amount of chronic occupational diseases has decreased comparing to previous years. Main factors oriented to this goal's achievement are improvement of working conditions and investments into environment and technologies. There were no occupational diseases recorded at Viru Keemia Grupp JSC in 2008 and 2009.

BREAKDOWN OF VKG EMPLOYEES BY JOBS IN 2009



ACCIDENTS AT THE ENTERPRISES OF THE CONCERN IN 2008-2009





LIST OF STEPS TO PREVENT ACCIDENTS

The administration of the concern allocates resources required for more effective operation of management system based on the following:

- ▶ Approved structure of subsidiaries.
- ▶ Determined responsibility of administration.
- ▶ Determined rights and obligations of employees.
- ▶ Permanent assessment of risks related to working places and constant monitoring.

To detect hazards, assess risks and carry out in practice preventive measures, the company has worked out a procedure of risk assessment for working environment which appoints the methodology of risk assessment.

Action principles have been communicated to all employees through common discussions and training, and they are available in manuals for management system. The conformity of action principles (as the base for company's actions) are regularly reconsidered by the direction, and based on them goals are set for operational safety and health care. To help towards achievement of these goals, a management program is drawn up where results of risk assessment have been considered.

When drawing up management programs, the direction of the concern and its subsidiaries has fixed and planned various activities and allocated resources required to achieve goals of labour safety and health care at the enterprise and to constantly improve the management system. Viru Keemia Grupp JSC invested into improvement of its working environment 9,9 mln kroons in 2008 and 6,1 mln kroons in 2009.

AWARENESS OF EMPLOYEES ABOUT LABOUR SAFETY

The enterprise has worked out a requirements system enabling each employee to be competent to perform his work. This system establishes requirements to professional education, skills and experience. Requirements to each job are stipulated in post descriptions, procedures, regulations and safety instructions.

Each subsidiary employs safety people, or working environment specialists, and safety induction for personnel is conducted. After any person has been employed, working environment specialist conducts a primary safety induction. For regular workers a periodic additional safety instruction is organized by the chief of a respective unit. Additional training is provided for employees. Safety enforcement is compulsory to any employee.

The enterprise provides its staff with protective equipment required, and the direction takes care of its availability and use.

Health control is guaranteed to all employees of the concern according to their jobs once a year or every second year.

There is a risk analysis of working places made in the concern at regular times.

The conformity to requirements of all factors of working places is assessed in the frames of an administrative survey.



Overview of the enterprise

“Our mission is valorization of Estonian brown gold”.

“Our vision of the future is to become worldwide leaders in manufacturing of oil shale products and full utilization of oil shale potential”.

Viru Keemia Grupp, with its 1,8 bln kroons turnover and 1300 employees, is the biggest Estonian chemical enterprise with the following fields of operation:

- ▶ MINING OF OIL SHALE
- ▶ PRODUCTION OF SHALE OILS AND CHEMICALS
- ▶ PRODUCTION OF SYNTHETIC RESINS
- ▶ PRODUCTION AND DISTRIBUTION OF HEAT AND ELECTRIC POWER
- ▶ SERVICES INVOLVING REPAIR, ASSEMBLY, TRANSPORT AND WATER SUPPLY

BUSINESS PHILOSOPHY

The business philosophy of Viru Keemia Grupp includes full discovery of mineral and organic potentials of the most valuable Estonian mineral resource and covering of the whole production chain of oil shale industry, starting with the mining of oil shale up to the marketing of the most sophisticated chemicals in the name of economical growth and development of the Estonian state.

STRATEGIC GOALS

1. FULL UTILIZATION OF THE ORGANIC AND MINERAL POTENTIAL OF OIL SHALE.

- ▶ 100 % extraction of the finest chemicals from oil shale and their processing on an industrial scale.
- ▶ Production of high-quality fuel oils.
- ▶ Production of construction materials from oil shale process waist.

2. INCREASE OF FUEL OILS OUTPUT IN THE BASE OF OIL SHALE AND IMPROVEMENT IN QUALITY OF THESE FUEL OILS.

- ▶ Increase of production volume of oil shale.
- ▶ Selection of a technology for diesel oil production and start of its production in order to fully cover the market demand for diesel oil inside Estonia.

3. DEVELOPMENT OF TWO TECHNOLOGIES IN USE AT VKG – KIVITER AND PETROTER.

4. DEVELOPMENT OF COOPERATION INSIDE ESTONIA FOR A MORE EFFECTIVE UTILIZATION OF OIL SHALE RESOURCE OVER THE LONG TERM.

5. CREATION OF A MODERN OIL SHALE PROCESSING COMPLEX OUTSIDE ESTONIA.

CONSOLIDATED DATA OF VKG

YEAR	NUMBER OF PERSONNEL	TURNOVER (MLN KROONS)	PROFIT (MLN KROONS)	IVNVESTMENTS (MLN KROONS)
2006	1374	1519	299	454
2007	1369	1787	294	775
2008	1381	2058	231	1210
2009*	1312	1667	120	623
2010**	1350	2000	300	650

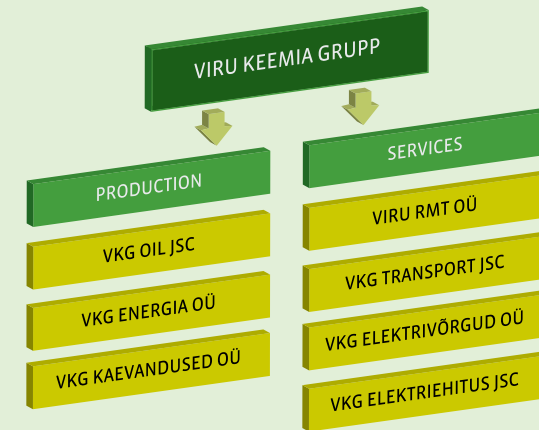
*Non-audited data

**Predicted data

RUNNING OF THE ORGANIZATION

VKG is a concern consisting of eight enterprises whereas the shares of the subsidiary companies belong for 100 % to the mother company Viru Keemia Grupp. The Board of the concern included 6 people.

Additionally to Estonian enterprises there are one subsidiary of the concern operating in Russia and another one in Ukraine.



Members of the Board of Viru Keemia Grupp JSC



PRIIT ROHUMAA
VKG Chairman of the Board



AHTI PUUR
VKG Vice Chairman of the Board, Financial Director



JAANUS PURGA
VKG Member of the Board, R&D Manager



MEELIS ELDERMANN
VKG Member of the Board, Technical Director



NIKOLAI PETROVIČ
VKG Member of the Board, Member of the Board VKG Kaevandused OÜ



MARGUS KOTTISE
VKG Member of the Board, Member of the board VKG Oil AS

Viru Keemia Grupp JSC

The main task of the mother company of the concern, Viru Keemia Grupp JSC, is directing of its subsidiary companies and rendering support services. The mother company coordinates bookkeeping and financial management, follows the general impact of the concern on environment and treats issues of general management.

KEY FIGURES OF VIRU KEEMIA GRUPP JSC

YEAR	NUMBER OF PERSONNEL	TURNOVER (THOUS KR)	PROFIT (THOUS KR)	EQUITY CAPITAL (THOUS KR)
2008	81	2 057 776	230 625	2 815 857
2009	83	1 667 275	120 676	2 682 385



VKG Oil JSC

VKG Oil AS is the biggest daughter company of the VKG concern, with production of fuel oils, oil shale chemicals and gas as main activities.



MAIN SHOWINGS OF VKG OIL AS

YEAR	NUMBER OF EMPLOYEES	TURNOVER (THOUS KR)	PROFIT (THOUS KR)	EQUITY CAPITAL (THOUSAND KR)
2008	430	1 470 706	363 446	1 436 826
2009	516	1 120 718	57 720	1 494 571

PRODUCTION OF FUEL OILS AND GAS

During shale oil procession there are various oil fractions, electrode coke and bitumen obtained; total oil shale phenols are separated from phenol water; retort gas is used to produce electricity and heat by a daughter company of the concern, VKG Energia OÜ.

Bunker oils with low viscosity and hardening point below -25 °C, used as marine fuels, belong to main products of VKG Oil AS. Due to their low sulphur content, an environment-friendly production of VKG Oil AS is mostly demanded just in the West-European market, with its environmental requirements becoming more and more severe. Main consumers of fuel oils of VKG are as well boiler houses of the Northern Europe, as due to low hardening point they do not need any pre-heating even in very cold winters.

PRODUCTION OF OIL SHALE CHEMICALS

Electrode coke produced by VKG Oil AS finds its application in industrial branches, for example in metallurgy, where materials resistant to extremely high temperatures are required. In 2003 production of mixtures of fine chemicals Rezol, Honeyol and Cresolics started. These special chemicals are used worldwide by manufacturers of tyres and resins. Since 2006 the enterprise has started production of 100% pure fine chemicals. Industrial capacities of these new products were reached by spring 2008, and now the enterprise is capable to produce several dozens tons of pure fine chemicals (with 99,9% purity) per year, where price per kilo of different chemicals can rise up to 800 euros.

VKG Oil AS operates four oil fabrics based on the Kiviter technology. Kiviter-type retorts are highly effective and reliable. In 2009 the enterprise launched a new oil shale processing plant based on the Petroter technology, which will reach its design capacity by May 2010 and increase the production capacities of the enterprise up to 40%.

VKG Kaevandused OÜ

The main task of VKG Kaevandused OÜ is supplying VKG Oil AS, oil shale processing enterprise of VKG, with oil shale since 2012. Now the most important aim of the enterprise is to build the Ojamaa mine.

Viru Keemia Grupp got a permit in 2004 to mine in Ojamaa mining area, preparation works for mine opening started in 2007, and in 2009 drivage and building works for a slant shaft got started. The mine is planned to reach its maximum capacity by 2012. The Ojamaa mine is the first mine to be built in the Republic of Estonia since the country regained its independence

Beside the Ojamaa mining field, the enterprise holds a mining permit for the Usnova mining area, and one more permit for exploring and mining for Boltyski deposit in Ukraine.



MAIN SHOWINGS OF VKG KAEVANDUSED OÜ

YEAR	NUMBER OF EMPLOYEES	TURNOVER (THOUS KR)	PROFIT (THOUS KR)	EQUITY CAPITAL (THOUSAND KR)
2008	4	0	-4155	70 794
2009	31	0	-7975	62 819

Viru RMT OÜ

The foregoer of Viru RMT, independent subsidiary of VKG, was a special enterprise created next to the former chemical plant, which was dealing with reconstruction and building of equipment for enterprises involved in Estonian power industry. Now the enterprise's activities include repair and servicing of manufacturing facilities, production of metal goods, details and constructions, rendering assembly services, building and repair of heat and gas supply networks.

Since 2003 the enterprise has started rendering services in construction design of water and wastewater networks and their automatic control systems, assembly, servicing and working out their software. In 2006 the enterprise began with isolation works, painting of manufacturing facilities, testing and repair of gas cutting equipment. Since 2008 Viru RMT OÜ has mainly been operating at the new VKG plant, being the general contractor of the oil shale discharge and transportation unit.

OÜ Viru RMT is one of those few enterprises in Estonia what service lift devices and render various services for self-moving 140 tons elevator machine and 80 m stroke crane. Among the clients of the enterprise there are Viru Keemia Grupp AS, Nitrofert AS, Genovique Specialties AS and other enterprises inside and outside the concern.



MAIN SHOWINGS OF VIRU RMT OÜ

YEAR	NUMBER OF EMPLOYEES	TURNOVER (THOUS. KR)	PROFIT (THOUS. KR)	EQUITY CAPITAL (THOUS. KR)
2008	296	217 957	9183	30 479
2009	271	177 893	2281	32 761

VKG Energia OÜ

VKG Energia is a subsidiary of the concern operating in heat and electric power engineering. Two electric power stations belong to the company. The Põhja heat power station of VKG Energia has been active in Estonian power market since 1948, the Lõuna HPS started its operation in 1978.

Investments made into power stations within last years have made of the enterprise a big-potential power producer and distributor. Raw material for power production at the Põhja HPS is oil shale mixed with oil shale derived gas (so called generator gas), at the Lõuna HPS it is mainly generator gas and, in a less degree, nature gas. Total capacity of the two heat power stations is over 700 MW heat and 47 MW electric power. Produced heat power is used as steam by all neighbour industrial enterprises, including VKG subsidiaries and Nitrofert JSC, producer of mineral fertilizers, and Genovique Specialities JSC, producer of benzoic acid.

Annual steam consumption is over 380 GWh. Heating water is used by residents of the town of Kohtla-Järve and the district of Kohtla via a long-distance heat network in amount of appr. 100 GWh annually. The sales of electric power produced by VKG Energia reaches 70 GWh per year. The biggest consumer is the oil processing complex at VKG Oil JSC.



MAIN FIGURES OF VKG ENERGIA

YEAR	NUMBER OF PERSONNEL	TURNOVER (THOUS. KR)	PROFIT (THOUS. KR)	EQUITY CAPITAL (THOUS. KR)
2008	182	296 889	-120 630	533 249
2009	160	389 252	-8527	522 461

VKG Transport JSC

A subsidiary of the concern, VKG Transport JSC is among the biggest transport companies in Estonia which renders car and railway logistic services in Estonia and worldwide.

The carriage rolling stock of VKG Transport JSC includes over 1 300 tank cars to transport light and dark oil products and chemicals. The company transports dangerous cargos, effects repair and maintenance works of railroad network, forwarding services for transport of goods, rent services for railway rolling stock and tank car cleaning services



MAIN SHOWINGS OF VKG TRANSPORT JSC

YEAR	NUMBER OF EMPLOYEES	TURNOVER (THOUS. KR)	PROFIT (THOUS. KR)	EQUITY CAPITAL (THOUS. KR)
2008	111	168 908	-6 356	97 755
2009	112	176 110	-31 062	128 817

VKG Elektrivõrgud OÜ

VKG Elektrivõrgud, member of VKG concern, possesses a power distribution network from Narva to Sillamäe. The region with over 100 000 residents is supplied with electric power through the lines of VKG Elektrivõrgud, 430 km thereof are high- and middle-voltage, and 380 km are low-voltage transmission lines. Additionally to already available consumers, there are numerous new consumers becoming clients each year, and this fact makes operation of VKG Elektrivõrgud more complicated.

VKG Elektrivõrgud has not just to meet requirements of private consumers (34 205 private customers as of 2009) and small enterprises (160 big and 640 small commercial clients as of 2009), but also to play an important part to cover requirements of big industrial enterprises located in Narva and Sillamäe.



MAIN SHOWINGS OF VKG ELEKTRIVÕRGUD OÜ

YEAR	NUMBER OF EMPLOYEES	TURNOVER (THOUS. KR)	PROFIT (THOUS. KR)	EQUITY CAPITAL (THOUS. KR)
2008	68	206 817	6881	267 727
2009	65	207 001	11 335	279 062

VKG Elektriehitus AS

VKG Elektriehitus AS became a part of VKG as of July 2006. The company provides services (especially in the field of constructing power networks) to power network operating companies and network owners in Ida-Viru County and the rest of Estonia.

The customers of the enterprise inside the concern are VKG Elektrivõrgud, VKG Energia and VKG Oil. The biggest clients of the company are the Port of Sillamäe, Heat Power Station of Sillamäe, Sillamäe Oil Terminal and other enterprises owing their objects located in the territory of the port or within the free economic zone of Sillamäe where VKG Elektriehitus is the main contractor for construction of outer power supply networks. The enterprise operates as well as a contractor for other regional construction projects. The enterprise has its own production capacities in Narva, Kohtla-Järve and Tallinn.



MAIN SHOWINGS OF VKG ELEKTRIEHITUS JSC

YEAR	NUMBER OF EMPLOYEES	TURNOVER (THOUS. KR)	PROFIT (THOUS. KR)	EQUITY CAPITAL (THOUS. KR)
2008	63	60 227	527	17 631
2009	65	47 190	-6486	11 145



2008 – 2009 Key Events

The years 2008 – 2009 were for the concern the period of quick development and results achievement. Despite the conditions of economic crisis which made the concern to postpone a part of its ambitious development program, all most important already started projects have been carried into effect in full. In this chapter you can find the main events both inside and outside the concern directly affecting or related to the operation and future of the concern.

IN FEBRUARY 2008 VKG got a research and mining permit for Boltyski deposit in Ukraine with reserve value of appr. 350 mln tons. The permit obtaining was prefaced by years-long cooperation with local authorities in Ukraine. The same month a Ukrainian subsidiary of the concern was established, and the first staff employed to coordinate a geological survey and familiarizing with local legislation. Long-term targets of VKG in this region are both building of an oil shale mine and an oil shale processing plant.

The obtaining of the mining permit in Ukraine is a good start to make a long-term strategic planning. The local oil shale fits well in mining and processing, and Ukraine being an important industrial state is a good location for a production complex.

IN THE BEGINNING OF 2008 the cooperation with the Serbian state started in the field of research of the local oil shale. The major partner of VKG in this cooperation was the University of Belgrad. As the result of this cooperation VKG got a good overview of oil shale characteristics from the Serbian Aleksinaci deposit, and its intention is to still keep developing in this direction. On October 14th-15th the President of the Republic of Estonia Toomas Hendrik Ilves arrived in Serbia on a working visit. In the meeting with the Serbian President Boris Tadic they spoke about VKG plans and Serbian willingness to help forward these plans. The both Presidents approved this initiative, and VKG hopes it will have an official support of the Serbian government for the project's realization before the start of a close cooperation.

IN SPRING 2008 VKG started at its subsidiary VKG Oil a production of fine oil shale chemicals on industrial scale. One year-long period before the production start chemicals were produced under laboratory conditions, and VKG made its first contracts on their sales to foreign partners. The application field of fine chemicals produced at VKG is very large: perfumery, cosmetics, textile industry, hair colours, tires and other car spare parts (for example, noise-limiting mats).



IN MAY 2008 VKG started up the first Estonian sulfur recovery unit at VKG Energia, subsidiary of VKG. Its building started in September 2007. The price of the sulfur recovery unit was appr. 150 mln kroons. At the moment the enterprise considers building of a second and maybe a third such unit, as the obligations imposed by the state in this field require a 99% recovery of all sulfur emissions into the atmosphere.



IN MARCH 2009 due to the meltdown of the construction market VKG took the decision to freeze the construction project of a cement plant. The economic stagnation involved VKG in a difficulty – a low oil price in the world market and the necessity to finalize two started investments (new plant and mine) did not let the concern to raise additional money for pursuit of the cement plant project.

IN SUMMER 2009 the Estonian state unveiled its plan for taxation of semi-coke storage. The plan includes the annual tax increase by 20 % until 2015. This plan is adequate for VKG enabling the enterprise to strengthen stability of its operational environment. The national plan on taxation of semi-coke storage led to changes in the order of investment priorities, and the cement plant gave place to the refining unit.

IN OCTOBER 2009 VKG prepared a new financial model which set place to the development of the concern in next few years, including the construction order of new oil plants, operational mine and refining and cement plants.

IN DECEMBER 2009 VKG started startup operations of the new oil shale processing plant. The operation on performance conditions increases the enterprise`s output capacity up to 40 %. The plant was built in October 2009, and startup works will go on up to autumn 2010.

IN AUTUMN-WINTER PERIOD 2009 VKG started in its territory preparation works to close a semi-coke storage place being state property. Over 100 m high semi-coke hills on the border of the VKG industrial territory are landfills of hazardous waste where production waste was stored for decades, including residual products of oil shale thermal processing, such as semi-coke, ash, pitch residues, but also sludge containing refinery sludge and sulfur. There are no accurate data for either stored residues or their amounts. In 2006 the Ministry of Environment held a competitive tender to select a company who would make a feasibility research for so-called "hills closure". The winner was Ramboll Finland OY. Its report was finalized in 2007 and gave principal technical solutions for rearrangement of 100 ha large semi-coke storage and its approximate cost. Relevant works will start in Kohtla-Järve in 2010.



Evolution of the Concern

1999	Foundation of Viru Keemia Grupp on the basis of Kiviter, state-owned enterprise		
2000			
2001			
2002	Start of separation of fine chemicals from oil shale		
2003			
2004	Beginning of semi-coke gas utilization in boilers of VKG Energia		
2005	Expansion of oil shale processing complex: 4 new generators		
2006	Beginning of industrial production of fine oil shale chemicals Decrease of organics in coke ash residue by 8 %		
2007	Construction of a refining unit for shale oils Construction of a semi-coke storage place Start of construction works of a new oil shale processing plant		
		Startup of sulfur recovery unit Obtention of a mining and research permit for Boltysyki deposit	2008
		Obtention of a state support for a technology selection on diesel oil production from shale oil	2009
		Attainment of project capacity at Petroter oil plant Reconstruction of tank park and loading unit at VKG Oil JSC Construction and startup of a new turbine at VKG Energia	2010
		Project start for a second oil shale processing plant under Petroter technology	2011
		Opening of Ojamaa mine and achievement of full capacity	2012
			2013
		Presumed start of a refinery project	2014
			2015
		Start of cement plant project	

ORGANIZATIONAL CHANGES IN 2008-2009

The most important within the concern took place in the structure and top management of VKG.

In April 2009 the long-term President of the Board, Janek Parkman, resigned (in office from 1999 to 2009), and his charge was assumed by VKG financial director Priit Rohumaa. End May VKG's Council appointed Priit Rohumaa to the post of President of the Board of the concern. A new financial director and a vice president of the Board were appointed on August 31st, and it was Ahti Puur, former member of the board of VKG Elektrovõrgud OÜ, subsidiary of VKG.

In autumn Margus Kottise, administrative director of VKG, resigned from his office to start performing the duties of a member of the board of VKG Kaevandused OÜ together with Aleksander Borovkov.

2009 WAS A YEAR OF CHANGES FOR VIRU KEEMIA GRUPP JSC. RESTRUCTURING OF SUBSIDIARIES AND CHANGES IN THE COMPOSITION OF THE BOARD OF THE CONCERN TOOK PLACE.

As the result of these changes the board of Viru Keemia Grupp JSC has consisted of six members since end 2009, and they are:

PRIIT ROHUMAA

President of the Board

AHTI PUUR

Vice President of the Board

JAANUS PURGA

Research and Development Director

MEELIS ELDERMANN

Technical Director

NIKOLAI PETROVIČ

President of the Board of VKG Oil JSC

MARGUS KOTTISE

Member of the Board of the second privileged subsidiary of the concern, VKG Kaevandused OÜ

IMPORTANT CHANGES HAVE TAKEN PLACE BOTH IN THE STRUCTURE AND PRODUCTION ACTIVITY OF THE CONCERN

According to the decision of the Council of 30.09.2009 Viru Vesi JSC was joined with VKG Oil JSC and VKG Energia OÜ in reliance upon technological feasibility.

In connection with decrease of water consumption by industrial clients and the termination of lake water consumption by Nitrofert JSC a situation occurred where the major part of Viru Vesi turnover was made by VKG subsidiaries, the part of VKG Oil JSC and VKG Energia OÜ in the service sector was 70 % and 90 % accordingly. Maintaining of an independent water enterprise within VKG concern would be justified if the restoring of Nitrofert JSC water consumption were secured, and amount of water services sold to other companies outside the concern were considerably increased.

The division of Viru Vesi builds up synergie and cost efficiency to other subsidiaries. VKG Energia and Viru Vesi both deal with lines maintaining and search for and liquidation of pipeline leakages. During last years Viru Vesi partially used equipment of VKG Energia OÜ to maintain the lines. The most important task of the enterprise for the nearest future is direction of sludge from tank park for treatment, what is the operational task of VKG Oil JSC. Creation of a bigger structure ensures flexibility, it can react more operatively to unexpected emergencies.

Since December 1st, 2009 the remaining productions of VKG Resins JSC have been joined with VKG Oil JSC. This fusion is caused by an important decrease of the wood resins market and still low prices in the market of urea resins. At such a market situation the production of wood resins is a loss-making operation for VKG. By estimate of VKG, the prospects of this operation field would keep low in the nearest future.

GOALS OF THE ENTERPRISE FOR THE PERIOD 2010-2011

1. Continuation of the realization of Ojamaa mine and the projects related hereto (creation of a washhouse, installation of a conveyor to supply oil shale directly to VKG production territory), and effecting planned works by the end of 2011 at the latest. Total amount of investments is over 1 bln kroons, and mining start is planned for 2012. The same year the mine is planned to be brought to its maximum capacity when it will start excavating 2,5 mln tons oil shale annually.

2. By the end of 2010 to finalize the project of turbine construction initiated by VKG Energia in 2008 and frozen due to the economical stagnation. As the result of turbine construction VKG Energia will add to available 47 MW electric production capacity other 27 MW. Now VKG Energia with its production capacity is the second enterprise in Estonia. The project amounts to over 250 mln kroons.

3. Closure of semi-coke hills bordering VKG production territory. For VKG this project of semi-coke hills closure has an especially big importance as it enables to liquidate one of the biggest Estonian disposal field of industrial waste which has been growing for decades, and its emissions into the atmosphere and contamination of ground water have damaged the image of VKG and oil shale industry in whole, despite the fact that the semi-coke industry of the concern has met the highest EU requirements

already since 2007. The project of closure of semi-coke hills significantly affects the concern's operation, but taking into consideration its importance to VKG and to the region, VKG undertakes to bear all the difficulties related to the project and contributes to its possibly fastest realization.

4. In 2010-2011 VKG plans finalizing one of the biggest environmental project of last years. In the frames hereof all tank parks and loading units of finished production in the industrial territory are to be reconstructed and joined into one air-tight system. The total cost of the project in over 240 mln. kroons, in 2010 project costs amount to 100 mln. kroons.

5. The new plant started in December 2009 is the basis of a modern oil shale processing complex. The next step will be the construction of a second similar plant. Planning works for the construction of a second plant are recommended to be started in 2011.

THE TOUCHSTONES OF 2010-2011 FOR VIRU KEEMIA GRUPP JSC ARE:

1. Additionally to shale oil, VKG produces low-caloric shale gas. During its processing are obtained heat and electric power in large amounts. Opening of a new plant will help to increase the amount of gas produced and to offer it to two biggest settlements – Jõhvi and Ahtme city block of Kohtla-Järve. To realize the project, VKG Energia acquired in August 2006 40 % shares of the local heat producer Kohtla-Järve Soojus JSC.

2. In the first half-year 2010 new rules of CO₂ emissions trading approved by the European Commission will be emerged for the years 2013-2020. On their basis Estonia will establish national rules for quota distribution. The issues related to CO₂ quota have a crucial importance for VKG as quota cost could form a big part of the price per unit of finished product. That is why the concern hopes to match criteria of a special status under creation.

3. In the years 2010-2011 VKG will face a challenge in a form of increasing of volumes of sulfur recovery. Now VKG considers construction of a second 150 mln cost sulfur recovery unit at Põhja power station of VKG Energia. Even though the construction of a second unit would considerably increase the volume of sulfur recovered, but the ultimate goal of the concern - the 99 % recovery of sulfur compounds being emitted into the atmosphere – has not yet been succeeded.

Products and Services of the Enterprise

VKG JSC exports annually products amounting to appr. 1 bln kroons to various countries worldwide. Main target countries for export are Latvia, Lithuania, Finland, Great Britain and Belarus. The biggest exporter within the concern is VKG Oil JSC: 90 % of oils produced by VKG Oil JSC are exported outside Estonia.

Oils produced at the enterprise find application first of all in ships navigating in severe weather conditions of northern seas and in boiler houses of northern countries. Due to their low pour point VKG oils are best ones to be used under such conditions. Main customers of the company are OVW and Shell. At the moment talks are being held with British Petroleum.

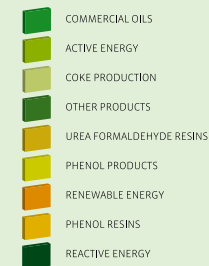
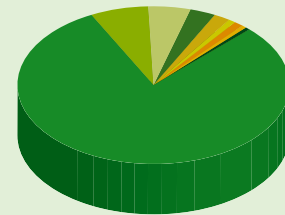
The Estonian market consists of boiler houses of small towns and villages. The enterprise`s products electrode coke and pitch go to metallurgy plants where our best clients are Ukrainian and Russian plants.

Application field of phenols produced at VKG Oil JSC is very large. This means that our cooperation partners are enterprises from various industries. The application field of 2-methyl resorcinol, product with the biggest output, are first of all textile industry and hair colours. Now VKG Oil supplies its phenol products to Europe and India and hopes to start cooperation within a short time with such well-known brands as Henkel and L`Oréal.

The phenol products of VKG Oil are widely used in car industry, too. One of Japanese partners of the enterprise has confirmed that VKG products are used to manufacture component parts for Mitsubishi and Nissan cars and as component parts of noise-eliminating mats of Lexus cars.

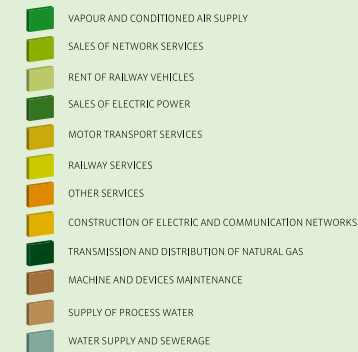
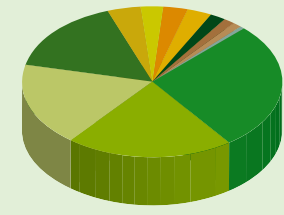
Major Production Groups of VKG JSC are:

COMMERCIAL OILS
UREA FORMALDEHYDE RESINS
ACTIVE ENERGY
COKE PRODUCTS
PHENOL PRODUCTS INCLUDING PHENOL RESINS
REACTIVE ENERGY



Main service segments of VKG JSC are:

NETWORK SERVICES
RAIL CAR LEASE
TRANSPORT SERVICES
ELECTRIC POWER AND ELECTRIC CONSTRUCTION WORKS
REPAIR AND MECHANICAL SERVICES
SUPPLY OF INDUSTRIAL WATER



QUALITY DATA OF SHALE OILS PRODUCED BY VKG

VALUES	VKG EXTRA LIGHT	VKG LIGHT	VKG SWEET	VKG C	VKG D
Density at 15 °C, kg/m ³ , max	923,0	965,0	994,0	Non-standardized	Non-standardized
Kinematic viscosity at 50 °C, cSt, max	4,0	8,0	25,0		
Relative viscosity at 80 °C, degrees, max				1,5	2,8
Water content, mass %	0,3	0,3	1,0	1,0	1,0
Ash content, mass %	0,02	0,02	0,02	0,08	0,1
Sulfur content, mass %	0,9	0,8	0,8	0,8	0,8
Flash point, °C: open-cup, min closed-cup, min	50	55	67	-3	61
Pour point, °C, max	-30	-24	-17	-25	-15
Calorific output Qbd, on a dry basis, MJ / kg, min.					40,0



FUEL SHALE OILS, I. E. COMMERCIAL OILS

Shale oil is used as additive to marine diesel fuels and as fuel for boiler plants and industrial furnaces. Oil advantages of heavy fuel oils are low viscosity, pour point and low sulfur content.

Shale oil mixes easily with heavy fuel oils (M-100, M-40) in any proportion. Mixed with heavy fuel oil, it enables to obtain products conforming to specifications (finds most application in marine fuels IFO380 and IFO180) and to slip from one type of fuel to another.

COKE PRODUCTS

Viru Keemia Grupp JSC produces shale oil bitumens PB-2, PB-4 and PB-5. All types of bitumens are produced in gas retorts from atmospheric distillation residue of producer gas pitch resulting from shale semi-coking. Before distillation producer gas tar is refined, and the result hereof is ash content below 0,1 %.

The bitumen PB-2 is unaffected distillation residue whereas the viscosity specific to this grade is achieved with temperature regulation of retort bottom. The temperature range is 320-360 °C. Other values required are also provided by regulation of relative viscosity and adjusting to requirements.

The bitumen grades PB-4 and PB-5 are produced in the bitumen production unit of the oil coke plant of the same distillation residue through air blowing. Horizontal coking stills are equipped with four vertical air-lift agitator pipes each. Blowing temperature is 250 +/- 10 °C, blowing time is 2-6 hours for the grade PB-4, 4-6 hours for PB-5, depending on the viscosity of raw material. Blowing time is specified with interim analysis. Finished bitumen is cooled down to 130-150 °C and loaded into bitumen tank car of customer either directly from a coke still or from intermediate tank.

The bitumen production unit has 10 coke stills, appr. 30 tons bitumen can be produced in each at a time. Maximum day output is 300 tons. Extra amount can be an interim 200 m³ tank used to store bitumen on those day when there is no bitumen loading to customers.

OIL COKE

Oil coke is obtained by coking of distillation residue of shale oils and used as high-quality raw material for production of anode paste and electrodes.

Oil coke is characterized by low sulfur content, good graphitization, low content of hazardous additives, such as vanadium, nickel, zinc and sodium. Electrodes made of oil coke have relatively low electric resistance and low unit cost.

PETROLEUM PITCH

Petroleum pitch is the product of thermal processing of shale oil used as bounding agent for preparation of anode paste, electrodes and other graphite products.

There are two grades of petroleum pitch:
AK - To produce aluminium
EK - To produce graphite electrodes

Petroleum pitch is characterized by low content of metals (V, Ni and others) and low carcinogenicity (two times less than by coal-tar pitch). Petroleum pitch can be delivered in both solid and liquid states.

PHENOL PRODUCTS

The total phenols are produced by extraction from oil shale retort liquor. High reactive alkyl derivatives of resorcinol are the main components of total phenols. They are used as chemical intermediate for synthetic tanning agents, various adhesive resins, plugging compositions for repair and insulation of oil and gas wells.

► The oil shale phenols fraction **HONEYOL** is a source of precious natural alkyl resorcinols.

► The oil shale phenols fraction **REZOL** is a source of precious natural alkyl resorcinols.

HONEYOL and REZOL are produced from Estonian Oil Shale that consist of organic matter (30 - 35 %) with almost entirely of marine origin accumulations of discrete bodies, telalginite derived from a colonial microorganism termed Gloeocapsomorpha prisca. Given oil shale is with no doubt a unique in the world - major components of its organic matrix are phenolic moieties with linear alkyl side-chains and can be classified generally as alkylresorcinols (alkylhydroxybenzenes).

Both HONEYOL and REZOL are produced by VKG Oil AS (subsidiary of Viru Keemia Grupp AS) through versatile thermal treatment followed by upgrading operations resulting with different streams characterized by high oxygen content, mainly water-soluble phenolic compounds. The mixture of 1,3-benzenediol derivatives from oil shale consist of about 50 compounds among which 5-methylresorcinol, 2,5-dimethyl- and 4,5-dimethylresorcinols are the main components.

The exact content and purity of the streams of alkyl resorcinols depend on different parameters of process. Based on the various requirements on the markets VKG is producing diverse streams of oil shale phenols as raw materials for different applications in chemistry industries.

PRODUCED FROM OIL SHALE, HONEYOL CAN BE USED TO MANUFACTURE PAINTS, RESINS, GLUES, TYRE PRODUCTS, AGRICULTURAL CHEMICALS AND MANY OTHER PRODUCTS.

In number of above mentioned applications HONEYOL could easily replace traditionally used synthetic resorcinols. HONEYOL's higher activity (compared with the synthetic resorcinol) lowers the essential quantities resulting with significant cost-saving effects.

PRODUCED FROM OIL SHALE, REZOL CAN BE USED TO MANUFACTURE WOOD ADHESIVES, FIRE RETARDANT PLASTIC ADDITIVES, UV LIGHT STABILIZERS AND FLAME RETARDANTS.

REZOL and HONEYOL can be applied to manufacture further products:

- tyres and rubber products
- various adhesives, especially high performance wood adhesives
- resins
- glue compounds
- plastics and fire retardant plastic additives
- light screening agents to protect plastics from exposure to ultraviolet light
- UV light stabilizers
- flame retardants
- agricultural chemicals
- fungicidal creams and lotions
- antioxydants
- paints
- explosive primers
- polyurethane chain extenders
- synthetic tanning agents
- many other organic chemical compounds



Economic Performances

The economic performances of 2008 come from the audited 2008 annual report, those of 2009 are primary ones and not audited at the moment. That is why the data of the present report and the data of 2009 annual report can vary.

TOTAL SALES RETURN

Total 2008 sales return amounted to 1 787 066 thous. kroons. Herebelow sales return is shown split by activity categories, products and geografic regions.

BREAKDOWN OF SALES REVENUE BY ACTIVITIES (THOUS. KR.)	2007	2008	2009
Services, incl.:	267 608	268 848	435 843
Distribution of network services	94 761	94 682	93 297
Rail car lease	73 653	68 989	78 946
Electric power	5 198	14 253	68 618
Motor transport services	10 672	17 611	18 731
Electric construction works	13 989	17 010	12 546
Supply of process water	23 358	12 036	4 400
Water supply and canalization	7 315	2 774	2 958
Mechanic repair works	9 476	13 637	6572
Water cleaning and pumping	6 360	547	684
Rental services	0	1 198	66
Other services	22 826	26 111	149 025

SALES REVENUE SPLIT BY PRODUCTS (THOUS. KR.)	2007	2008	2009
Sales of products and materials, incl.	1 519 458	1 788 935	1 241 384
Commercial oils	973 641	1 218 845	989 143
Vapour	74 911	123 562	120 278
Active energy	80 179	95 916	93 069
Coke products	111 597	86 875	57 897
Urea formaldehyde resins	111 590	147 315	27 098
Phenol products	16 094	14 853	14 706
Phenol resins	59 850	64 234	8 165
Materials	7 055	2 101	7 530
Reactive energy	6 232	5 885	5 345
Other products	78 309	29 349	25 932

SALES REVENUE SPLIT BY REGIONS (THOUS. KR.)	2007	2008	2009
Total	1 719 461	2 005 623	1 677 227
Estonia	945 116	954 595	747 390
Malta	454 794	732 859	747 390
Russia	99 016	86 254	44 891
Lithuania	49 996	45 365	24 406
Latvia	134 635	151 800	17120
Great Britain	9 047	9 714	8 097
Poland	0	7 559	3 454
Holland	0	2 662	1 543
Belarus	13 112	10 919	500
Sweden	5 208	0	58
USA	0	0	5 997
Other countries (Finland, India, Ukraine, Switzerland)	8 537	3 896	75 636

GEOGRAFICAL DISTRIBUTION OF VKG PRODUCTS AND SERVICES WITHIN EUROPE



PROFIT DISTRIBUTION

TOTAL RETAINED EARNINGS AS OF 31.12.2008:
1 363 311 KROONS

AS DIVIDENDS:
0 THOUS. KROONS

SURPLUS OF RETAINED EARNINGS AFTER PROFIT DISTRIBUTION :
1 363 311 KROONS

LOAN BURDEN

The loan burden of the concern (as of the IVth quarter of 2009) is shown in the following schedule. It reflects all payments of subsidiaries under loans and capital lease contracts out of the concern.

MLN KR	2010	2011	2012	2013	2014	2015	2016	2017
VKG JSC	115	130	131	132	117	98	101	67
incl. Petroter loan	73	88	91	93	96	98	101	67
VKG Transport JSC	41	43	26	12	1	0	0	0
VKG Oil JSC	74	62	35	35	20	0	0	0
Viru RMT OÜ	4	3	1	1	0	0	0	0
VKG Energia OÜ	35	64	65	61	41	16	0	0
VKG Elektrivõrgud OÜ	10	10	10	10	7	0	0	0
VKG Kaevanduse OÜ	22	35	36	37	97	13	13	13
VKG Elektrihitus JSC	1	1	1	0	0	0	0	0



Development Activity of VKG

The development activity of VKG has been for years ambitious and very attentive to world trends. Major priorities of VKG development activity within last few years are:

1. **Valorization of oil shale and its non-waste processing** (according to this priority, VKG has started production of fine chemicals on an industrial scale. The plan of VKG to create a cement plant meets the same priority, as it would fully utilize the potential of local oil shale);
2. **Expansion of shale oil production** (according to this priority, the concern expanded in 2005 its biggest 5th oil shale processing unit. In December 2009 VKG started the new oil shale processing plant under PETROTER technology);
3. **Shale oil refining and diesel fuel production** (this priority expresses the concern`s goal to construct a refinery plant in the production territory of Kohtla-Järve. At the moment the concern studies best refinery technologies for shale oils for the production of diesel fuel).

The years of economic stagnation affected partially VKG development activity. It means, VKG froze several planned investments to enable finalizing of initiated executory investments. VKG R&D director Jaanus Purga said: "It was very good to have actively dealt with mapping of possibilities at the enterprise in the period of economic lift and achieved a high-level study of numerous promising directions". Based on this knowledge it will be possible to quickly and operatively overposition the development activity of the enterprise upon the recovery of financial environment and increase of fuel prices, and to restart projects frozen due to the situation.

INVESTMENTS INTO DEVELOPMENT ACTIVITY IN 2008-2009

The total investments of VKG amounted in 2008 to 1 210 mln kroons, and in 2009 – 624 mln kroons, and their breakdown by activity scopes was as follows.

TYPE OF INVESTMENT	2008	2009
Working safety	10%	6%
Environmental protection	17%	7%
Development activity	70%	80%
General construction	3%	7%
Total investments	850	503

MAJOR DEVELOPMENT INVESTMENTS IN 2008

Petroter oil plant	612,4 mln kr
Cement railcars	66,1 mln kr
New turbine generator set and cooling tower at VKG Energia	54,0 mln kr
Ojamaa mine, drivage and preparation works	45,5 mln kr
VKG Elektrivõrgud – lines and connections	14,8 mln kr
Acquisition of transport vehicles and special machines	9,6 mln kr
Cement plant preparation works	9,1 mln kr
Reconstruction of boilers and turbines at VKG Energia	7,1 mln kr
Production department of individual phenol components	2,5 mln kr
Modernization of pumping station of the unit for circulating water supply	2,1 mln kr

MAJOR DEVELOPMENT INVESTMENTS IN 2009

Petroter oil plant	406,2 mln kr
Reconstruction of tank parks	44,5 mln kr
New turbine generator set and cooling tower at VKG Energia	45,7 mln kr
Ojamaa mine	58,2 mln kr
VKG Elektrivõrgud – lines and connections	8,2 mln kr
Acquisition of remote reading electric power meters	3,5 mln kr
Reconstruction of boilers	6 mln kr
Renovation of electric installations	3,9 mln kr

Future prospects of VKG JSC are related first to expansion of oil production, diesel fuel production and construction works of the cement plant.

EXPANSION OF SHALE OIL PRODUCTION

PETROTER OIL PLANT

The most large-scale investment at VKG which went on in full following the plan despite the economic austerity in 2009 was the construction of the new Petroter oil plant with 0,9 mln tons production capacity started in 2007. The construction works in the site were finalized in October, independent startup and testing of process equipment started already in the midyear. Testing of the whole sequence of the process flow in gas mode (but without oil shale) was started in August, which was followed by a testing period with inert solid material in September and October. Since November scheduled test startups have started with oil shale.

By the end of the year the plant achieved at short intervals its designed capacity of 130 tons oil shale per hour what has proved vital capacity and handling capability of whole plant. Small weaknesses detected during startup operations were eliminated in off-cycle periods, bigger ones have been held fix, and improved process solutions have been found.

As it is natural to startup of a sophisticated industrial equipment operating under large-scale and updated technology, Petroter plant is considered to have a 6-months-long period of startup and testing, and to effect modifications and reconstruction of some production units based on the operational experience with this equipment. Running conditions with full capacity and designed working cycles are scheduled to be reached by the mid-year 2010.

In Ukraine a geologic model of Boltysyki deposit has been finalized in accordance with the permit obtained, as well as planning of an open-cast mine with 5 mln tons annual capacity by the German company ThyssenKrupp Fördertechnik GmbH. Consequently to the work done an assessment of price of mine opening, time schedule and production cost of oil shale mining has been given. The information received is an important principle for a profitability study and construction of an oil shale processing plant.

Due to changes in economical situation there were no new activities started in Ukraine in 2009. Also, the capacity investigation of Aleksinaci oil shale deposit in Serbia has been stopped, and activities in connection with Slantsy oil shale deposit in Russia have practically been dropped.

OJAMAA OIL SHALE OPEN-CAST MINE

Availability of sufficient amount of oil shale with required characteristics is the base of all stable operation of VKG oil shale processing. Accordingly, the opening of Ojamaa open-cast mine was economically the second strategic target of 2009 where no slowdown took place.

In 2009 an action plan and a budget of the open-cast opening were specified and agreed until it runs on full capacity (2,5 mln tons of oil shale per year) in the years 2012-2013. The designing of an underground part of the open-cast and surface servicing complex has been in progress, the setting up of inclined shafts and infrastructure has started. Driving equipment has been acquired, and at the end of the year a tender has been put out for the construction of a 12,5 km long conveyer from the mine servicing complex up to VKG oil plants.

In spring 2010 driving works would reach oil shale layers, and first oil shale would be supplied to Petroter plant. Supplies will be made according to tender results, and construction of conveyer and washing-house could start.

REFINING OF SHALE OILS. PRODUCTION OF DIESEL FUEL OILS

As opposed to Estonia, oil shale is regarded worldwide mainly as an “alternative oil”, and it is considered as potential raw material to produce liquid fuels, first of all motor fuels. VKG possesses the best scheme of additional oil refining among oil shale processing plants operating worldwide, what enables it to produce high-quality fuel and marine oils. Additional oil refining includes oil preparation, recovery of chemicals from process water, atmospheric distillation and coking. VKG possesses better oil post-processing among operating oil shale processing plants worldwide, what enables production of a high-quality marine oils and fuel oils.

VKG long-term objective is moving of shale oils up into a higher quality class, i. e. starting production of diesel oil according to EURO V standard and marine oil with 1% sulphur content instead of fuel oils. In 2008 works started to define a refining technology for shale oils, technical conditions of process, products wanted and configuration of refinery complex were formulated.

In 2009 VKG made agreements with two worldwide leading designers of refining technology and one introducer of a new refining technology to effect pilot tests with Estonian shale oil and to develop a refining process based on the results of these pilot tests.

The testing program has been fully realized within a year, and over ten possible process configurations have been developed, and those with most potential have been selected. By the end of the year technologic companies have presented to VKG their offers on design of hydrogen recovery process and technology, and technology licensing. Two solutions hereof do fully correspond to criteria of marine fuels MARPOL 2015 and diesel oil EURO V.

By the mid-year 2009 the Estonian Republic has decided to support through the Institution for Enterprise Development VKG activities on developing of refining technology for shale oils as a strategically important area for Estonia with 8 mln kroons of public grant to do an applied research for working out a refining technology. Its objective is to create a refinery plant in Estonia by the year 2015. By that time the quality requirements of liquid fuels, including marine ones, will become stricter over again.

In the beginning of 2010 the most appropriate technological concept of refinery will be chosen, and on its basis a revised assessment of profitability and a business plan for plant building will be drawn up. 2015 is an estimate date of a refinery startup.

OIL SHALE CHEMISTRY

The development of products with high added value from oil shale chemistry and their marketing in the international market have been for years an important development area for VKG. Although there was no possibility to undertake any new activities in this area during 2009, resins production development was still ongoing in cooperation with an American partner, and the drafting of a preliminary project of resins production line has started. The target is to make a long-term supply contract in 2010, to install a production line and start with industrial sales by the end of the year.



In 2009 VKG Oil JSC obtained the top enterprise award “Best Estonian Enterprise 2009”.

Recognition of VKG

AS Viru Keemia Grupp and its daughter enterprises have been awarded 15 times in whole.

IN 2009 VKG OIL AS WON THE MAIN ENTERPRISE AWARD: BEST ESTONIAN ENTERPRISE 2009



IN FEBRUAR 2010 VKG JSC GOT THE TITLE OF DOER OF THE YEAR

REVIEW OF AWARDS AND TITLES GOT BY THE CONCERN

NAME	DESCRIPTION
1. Enterprise Award 2009	In the frame of the contest VKG Oil JSC won in the category „Exporter 2009“.
2. Enterprise Award 2008	In the frame of the contest VKG Oil AS was elected among TOP-3 enterprises in the category „Innovator 2008“
3. Enterprise Award 2008	In the frame of the contest VKG Oil AS was elected among TOP-3 enterprises in the category „Innovator 2008“
4. Enterprise Award 2008	In the frame of the contest VKG Oil AS was elected among TOP-4 enterprises in the category „Industrial Enterprise 2008“.
5. Enterprise Award 2007	In the frame of the contest VKG Oil AS won in the category „Industrial Enterprise 2007“.
6. Enterprise Award 2007	In the frame of the contest VKG Oil AS was elected among TOP-5 enterprises in the category „Industrial Enterprise 2007“.
7. Enterprise Award 2007	In the frame of the contest VKG Oil AS was elected among TOP-5 enterprises in the category „Exporter 2007“.
8. Enterprise Award 2006	In the frame of the contest VKG Oil AS was elected among TOP-5 enterprises in the category „Local Developer 2006“.
9.	In 2005 Narva Elektrivõrk AS (now VKG Elektrivõrgud OÜ) won the III-rd place in the contest „The most employees-friendly enterprise” in the category „Family-friendly”.
10. 10. Enterprise Award 2005	In the frame of the contest VKG Oil AS was elected among TOP-5 enterprises in the category „Innovator 2005“.
11.	The Wall Street Journal Europe mentioned in March 2004 AS Narva Elektrivõrk (now VKG Elektrivõrgud OÜ) as the 10th among 15 best European employers. This conclusion was made on the basis of a respective research by this Journal.
12. Best Employers – Best Results	On the basis of a research made in the years 2003/2004 Narva Elektrivõrk AS (now VKG Elektrivõrgud OÜ) won the title „Perfect Estonian Employer“.
13. Enterprise Award 2003	In the frame of the contest Viru Õlitööstus OÜ (now VKG Oil JSC) was elected among TOP-6 enterprises in the category „Exporter 2003”.

Sector Trends in Estonia and Worldwide

Global Trends

VKG considers three major global factors when performing the concern`s tasks:

1. INSTABILITY OF OIL PRICES
2. INCREASING PUBLIC ENVIRONMENTAL SPIRIT
3. DEVELOPMENT OF OIL SHALE INDUSTRIES IN THIRD COUNTRIES

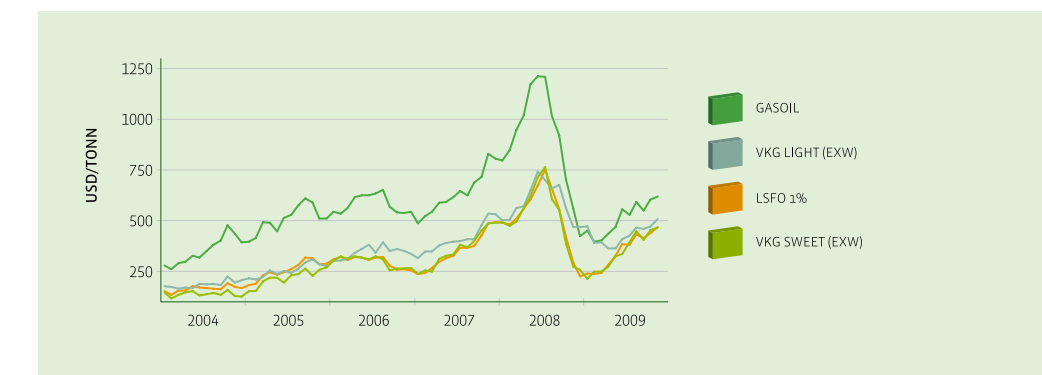
INSTABILITY OF OIL PRICES

From all major global trends affecting power-producing enterprises just one has a crucial importance for VKG, and it is crude oil price and, consequently, prices of liquid fuels in the world market. Though factors effecting oil price are unpredictable, most part of internationally recognized forecasts foresee a price increase. This does not exclude short-time unusual price fluctuations, both ceilings, how it was the case in the first half-year of 2008, and floors, similar to the end of 2008 and the first half-year of 2009.

VKG trademarks, marine fuels and fuel oils are well-positioned in the market due to both their qualities and VKG marketing activity. This made it possible for VKG to keep its customers and market position even in the economic crisis of the years 2008-2009, and after oil price had stabilized, VKG could quickly recover its positions and improve them.

Fluctuation of fuel oil prices stipulated by changes in oil price has a direct effect on VKG financial results, as production cost at VKG (in contrast to traditional oil refineries) does not significantly depend on oil price. When fuel oil price increases, profitability of VKG oil production increases automatically, due to the same production cost. There is no similar effect with refineries operating on purchased raw material.

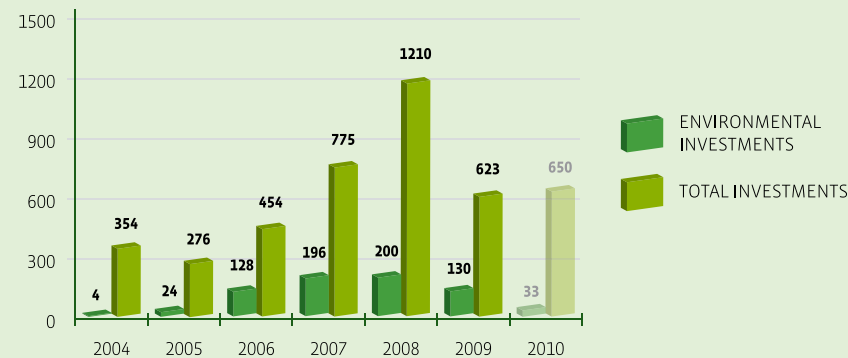
In the drawing below you can see price statistics for VKG commercial oils in comparison to conventional 1% sulphur fuel oil. The price formula for VKG production sold in the market is normally linked to just this fuel oil.



INCREASING PUBLIC ENVIRONMENTAL SPIRIT

In many aspects the enterprise's activity is influenced by increasing public spirit of customers, investors and local communities in the field of environment. During last ten years VKG permanently modernized its production to bring it in conformity with all valid environmental standards. The enterprise is in touch with actual and future requirements to production process and products. Environmental investments make an important part of all amount of VKG investments and allow securing VKG persistence and responsible production over the long term.

The CO₂-policy of the European Union has become one of the most important factors for any power- and fuel-producing company. VKG has initiated the efforts of the Estonian state focused on the elaboration of European legislation considering singularities of oil shale industry. Because of the nature of resources oil shale industry should not be considered similarly to oil industry. Achievement of this distinction will be the biggest challenge for VKG in its environmental activity in the nearest future.



QUICK DEVELOPMENT OF THIRD COUNTRIES AND THEIR GROWING INTEREST IN OIL SHALE PRODUCTION

According to many experts, the economic crisis of 2008-2009 has demonstrated that the biggest potential of economic development belongs to Third World countries, like China, India, Russia and Brazil*. Three named countries command important reserves of oil shale what China, Brazil and Russia have used, are using now or are going to use in the near future.

The biggest shale oil producer worldwide is China where there were 10,3 mln tons of oil shale processed in 2009 to produce shale oils. It is three times as much as in Estonia. Production of shale oils in China has doubled within last five years. Generally Fushun-type vertical retorts are in use. In Brazil production is effected at the shale oil plant belonging to Petrobras by their own PETROSIX technology. In Russia there is no shale oil processing ongoing at the moment.

The biggest shale oil producers worldwide as of 2009 based on the amount of oil shale processed are:

1. FUSHUN (CHINA) – 9 MILLION TONS OF OIL SHALE;
2. PETROBRAS (BRAZIL) – 2,5 MILLION TONS OF OIL SHALE;
3. VKG (ESTONIA) – 1,8 MILLION TONS OF OIL SHALE.

* Goldman Sachs Report 2003 where the relevant acronym was introduced – BRIC, i. e. Brazil, Russia, India and China.

Some steps aiming to develop oil shale industry have been taken both in Australia (where an oil shale processing plant operated in early 2000s on ATP technology) and in the USA where billions dollars from federal and private sources have been spent throughout decades to develop shale oil production.

In the last decade remarkable success has been found in the largest oil shale deposit in Colorado by Shell Oil through its IPC process where oil shale is processed in-situ, i. e. without mining. But Shell forecasts accepting this technology for large-scale industrial operation just by the end of this decade. Shell plans using the same technology to process oil shale resources located deep within the earth in Jordan. In the state of Utah, USA, the corporation OSEC based on private capital is building a shale oil complex under PETROSIX and ATP technologies with the efficiency of 50 000 barrels per day, first oil production is forecasted in 2014 and full capacity in 2025.

Estonian Trends

The most important factors inside Estonia are as follows:

1. ENVIRONMENTAL REGULATIONS BECOME EVER MORE STRICT
2. EURO ADOPTION IN ESTONIA AND GENERAL LINE OF STRICT FINANCIAL POLICY
3. DEVELOPMENT OF OIL SHALE INDUSTRY IN ESTONIA

ENVIRONMENTAL REGULATIONS BECOME EVER MORE STRICT

Estonian policy of environmental taxation is strictly connected to European environmental directives. Also, state organizations in many their activities related to VKG operation have large opportunities for directing environmental work of industrial enterprises.

The Estonian Republic undertook the commitment to the EU to regularize all disposal sites of industrial waste by 2007. VKG took its part in meeting of this regulation and constructed by October, 2007 a new semi-coke storage area which meets European requirements and which total price amounts to appr. 30 mln kroons.

Starting from the end of 2008 the Republic of Estonia intended a sharp rise of semi-coke storage fee up to the level of usual waste. But in summer, 2009 it has been decided to increase the semi-coke storage fee by 20 % yearly until 2015, which makes VKG stable in terms of waste taxation. VKG hopes to build a cement plant in the same time period what will let a full use of semi-coke and ash produced at the new Petroter plant in cement production. This step could make VKG to escape this taxation of semi-coke storage and to obtain its long-term goal – to fully use the potential of local oil shale, both its organic and mineral parts.

The second national factor directly affecting the future of VKG are national special requirements with regard of sulphur recovery. VKG believes the state has assumed too high obligations with respect to sulphur recovery. At present the Estonian state lays all producers of heat and electric power under the obligation to recover 65%* of sulphur escaping into the atmosphere, which is extremely complicated to perform under actual processing conditions. In spring 2008 VKG put into exploitation a sulphur recovery unit which price had amounted to over 140 mln kroons. It was built in the North Power Station of VKG, the most exploited one. Now the concern plans to build a second, and presumably a third sulphur recovery unit (by 2015 when new rates of sulphur recovery will come into force) to meet strict Estonian requirements with regard to sulphur recovery.

* 65 % rate of sulphur recovery is valid for VKG production complex until 2015, and since then it will become stricter.

As for parts of the policy of environmental taxation which make less effect on VKG activity, it can be generally said that national environmental fees tend to go up yearly (figure 14 "Environmental fees at VKG, 2005-2008"), and in several fields subject to environmental fees this trend will persist for further few years (for example, storage of process waste). Even now 20 % of the unit price is direct and indirect environmental fees (water and resource taxes of oil shale mining enterprise are added to internal calculation of VKG) what is an important expense for a product company.

ENVIRONMENTAL FEES AT VKG, 2005-2008 (MLN KROONS)



ADOPTION OF THE EURO BY THE STATE AND GENERAL TREND OF AUSTERITY POLICY

Estonia joined the European Union on May 1st, 2004. This decision adopted in the referendum which took place in autumn 2003 signified as well national support to Estonian access to the euro region. The Government of the Republic and the Bank of Estonia set the goal to put euro in circulation at the earliest opportunity, when Estonia would fulfil all stipulations accordingly. In the year Estonia joined to the EU the Government's plans were to access to the Eurozone on January 1st, 2007 with actual exchange rate 1 euro = 15,6466 Estonian kroons, but in 2009 these plans were corrected, and the new goal is January 1st, 2011.

In the years 2008-2009 the Republic of Estonia made successive work on putting euro in circulation, what was reflected in austere financial policy. During the years of economic boom the most problematic item among those of euro adoption was inflation, in spring 2008 its rate was appr. 5-6%. During the period of financial decline the most important state challenge was balancing of the national budget and restraint of budget deficit within the range of 3 % Maastricht figure (based on data of Estonian Statistics Department, the budget deficit of Estonian administrative sector was 3 % in 2008 and debt level 4,8 % of gross domestic product (GDP)).

* Estonian Statistics Department, inflation indicator in March 2008 – 5,4 %.

DEVELOPMENT OF ESTONIAN OIL SHALE INDUSTRY

VKG is the biggest producer of shale oil, followed (as per volumes) by Eesti Energia Õlitööstus JSC and Kiviõli Keemiatööstuse OÜ.

The strategic goal of VKG to expand output of shale oil and chemicals got an official support in 2001, when the first enterprise strategy was drawn up, and oil prices gave big advantages for the growth. Since then, VKG has operated according to the plan to expand its business (application of a mining permit for Ojamaa mine in 2002, start of designing works for a new plant in 2003, obtaining of the mining permit for Ojamaa mine in 2004, expansion of the biggest oil plant in use in the concern in 2004-2005, acquisition of Usnova mining field in 2007, obtaining of right of use for Boltyski deposit in Ukraine in 2008, start of cooperation with Serbia aiming research of characteristics of local oil shale and its suitability for oil production in 2008-2009, etc.). VKG believed and still does believe that Estonian oil shale is too valuable raw material (containing both special (by its properties) oil and more expensive chemicals), and it should not be burnt in boilers for power production



“The future of Estonian oil shale consists in its valorization.”

THE PRESIDENT OF THE REPUBLIC OF ESTONIA
TOOMAS HENDRIK ILVES ON A VISIT AT THE NEW
VKG PLANT ON 19.11.2008

In autumn 2009 VKG prepared a new long-term financial model which included alongside with the new oil plant and the mine already in operation the construction of a second oil plant, then a refinery, and then a cement plant. This financial model approves officially future objectives of VKG and is a source of planning and realization for further development. All VKG investors can examine it more in details and assess its future prospects.

In 2008-2009 VKG got an official support for development of shale oil business from representatives of the Estonian state. In November 2008 the President of the Estonian Republic Toomas Hendrik Ilves came on a visit to the new VKG plant and confirmed that the future of Estonian oil shale consists in its valorization.

In November 2009 the Minister of Economics and Communications Juhan Parts visited VKG. He also voiced his personal support to VKG development and promised to help the enterprise along with solution of European environmental questions.

In spring 2009 Estonian state concern Eesti Energia presented an idea to develop a modern oil shale processing complex by the year 2016 with total cost amounting to 50 bln kroons. In June 2009 Eesti Energia started designing a new plant under a new solid heat carrier technology, with production efficiency 280 tons oil shale per hour (the new VKG plant processes 180 tons oil shale per hour).

According to plans of the state concern, the first plant should be put into operation in 2012. A second plant is planned to be built by Eesti Energia by 2015 already. Eesti Energia plans as well construction of a refinery plant which could enable future production from shale oil of more valuable products than now. In sum, Eesti Energia plans production of abt. 30 000 barrels shale fuel daily in the very nearest future. To do that, the concern would need 10 mln tons oil shale supplied annually.

Objects of regard of the state concern are also oil shale deposits abroad, as in Jordan or Morocco. In November 2006 Estonia and Jordan made a memorandum on cooperation due to which Eesti Energia got an exclusive right for research of a tierce (300 mln tons) of El Lajun oil shale deposit reserves.

Both in Morocco and Jordan there are large amounts of oil shale. An important difference from Estonian oil shale is high sulfur content in Jordanian and Moroccan oil shale.

Also, despite rigorous assessments of oil shale processing in different places worldwide, it is apparent that both in Estonia and in advanced and developing countries the interest in oil shale industry grows ever more what just lays stress on its secure prospects.



THE MINISTER OF ECONOMICS AND COMMUNICATIONS OF ESTONIA
JUHAN PARTS ON A VISIT AT VKG PETROTER PLANT ON 13.11.2009.

Good Practice of Management of a Commercial Company

Good practice of management of a commercial organization is conceived first of all to the enterprises with their shares placed on the Estonian stock exchange, but is also recommended to other enterprises of public interest. Viru Keemia Grupp`s objective is to adhere to the good commercial practice and to reflect transparently the activity of this commercial company. That is why a special chapter in this Sustainability Report describes good practice of management of a commercial company.

Viru Keemia Grupp follows in its activity the practice of good management of a commercial enterprise.

Shares and Equity Capital

As of 01.01.2010 the share denomination of VKG equity capital was 99 999 990 kroons. In the years 2008-2009 there were no modifications of the equity capital. In 2008 7,8 mln kroon were paid out as dividends, in 2009 no dividends were paid out. The shares of Viru Keemia Grupp are not quoted on the stock exchange. The enterprise has four shareholders, and their participation as of 01.01.2010 was as follows

OÜ Tristen Trade	38,91%
OÜ Alvekor	24,49%
Ants Laos	19,53%
OÜ Sergos Invest	16,07%



General assembly. Exersice of rights of shareholders

The upper directing body at Viru Keemia Grupp is a general assembly of its shareholders. There are regular and extraordinary general assemblies. The scope of duties of a general assembly is stipulated in the commercial law and in the statute of VKG. The updated version of the company statute was approved on 19.06.2009 with a decision of shareholders.

A notice of convocation is issued by the Board of Viru Keemia grupp JSC. The Board of VKG convenes a general assembly. A notice of convocation for a regular assembly is to be given to shareholders at least three weeks before, and for an extraordinary assembly at least one week before the assembly takes place. An annual financial statement is to be available to shareholders at least 2 weeks before the general assembly.

A general assembly of shareholders is competent to make decisions if over 50 % of voting shares take part in the assembly.

A regular general assembly of shareholders of 2008 took place on 30.06.2008, and all 100 % of voting shares were present. In the assembly the following decisions were made:

- ▶ Approve the annual financial statement 2007

- ▶ Approve the net profit 2007 in amount of 293 924 000 kroons.
- ▶ Pay out from the 2007 net profit as dividends 7 900 000 kroons.

A regular general assembly of shareholders of 2009 took place on 30.06.2009, and all 100 % of voting shares were present. In the assembly the following decisions were made:

- ▶ Approve the annual financial statement 2008.
- ▶ Approve the net profit 2008 in amount of 230 625 000 kroons.
- ▶ Pay out no dividends from the 2008 net profit.

All shares of Viru Keemia Grupp JSC are registered shares of common stock. Shareholders have right to claim neither issue of a share certificate for their registered shares nor exchange of registered shares against shares to bearer. Shares can only be pawned under a decision of a general assembly. Related to Viru Keemia Grupp JSC a share is considered to be transferred after its owner has been registered in the share register.

Board. Composition, duties and payment

The Board is the managing body of Viru Keemia Grupp JSC representing and managing a day-to-day economic activity of the company. As per the statute, the enterprise can be represented in legal transactions two members of the board jointly, whereby one of them has to be a member of the board appointed as the President or Vice president of the Board.

NAME	POSITION	START OF OFFICE TERM
Priit Rohumaa	President of the Board	11.09.2000
Ahti Puur	Vice President of the Board, Financial Director	07.10.2009
Jaanus Purga	Member of the Board, R & D Director	26.01.2001
Meelis Eldermann	Member of the Board, Technical Director	06.03.2008
Margus Kottise	Member of the Board	09.05.2000
Nikolai Petrovitš	Member of the Board	16.11.1999

The control over the activity of the Board is effected by the Council.

Members of the Board are paid a monthly attendance fee consisting of a payment for performance of duties of a member of the Board and for preservation of commercial confidentiality and following to prohibition of competition.

The duties of members of the Board are stipulated in office contracts made with them. According to the office contract, members of the Board can get additional remuneration in money which is paid out upon the decision of the Council.

Conflict of Interests

Members of the Board are banned from entering into competition in the activity field of Viru Keemia Grupp JSC if there was no prior written consent given hereto by the Council.

In 2008-2009 none of members of the Board informed about his activity or intention to carry on business directly or indirectly in the same operation field with Viru Keemia Grupp JSC.

In order to avoid conflicts of interests, members of the Boards and middle managers of the companies belonging to the concern have an obligation, if any changes occur, to submit a specifically approved declaration on holding of shares / parts of a corporate body, and / or being member of a managing body of a corporate entity, and / or operation as a physical person private entrepreneur.

Cooperation of the Board and the Council

The cooperation between the Board and the Council is effected constructively. Along with monthly regular meetings of the Council, as may be required, emergency questions can be agreed upon by the Council without calling a meeting. Also, consultations are held by phone or e-mails.

Council. Composition, duties and payment

The Council plans the activity of the joint-stock company, effects management and supervises the Board. It includes three members according to the Statute.

In 2008-2009 the Council of Viru Keemia Grupp JSC consisted of three members.

Based on the Statute of the joint-stock company, a consent of the Council is obligatory to perform transactions and proceedings in behalf of the JSC which are attended by:

- ▶ Acquisition and termination of a part in other companies
- ▶ Acquisition of an enterprise, transfer of its ownership or discontinuation of its activity
- ▶ Acquisition of real estate, transfer of its ownership and encumbrance
- ▶ Acquisition of buildings, transfer of their ownership and encumbrance
- ▶ Foundation and termination of foreign subsidiary
- ▶ Making investments beyond budget costs fixed in budget of investments for current year

NAME	POSITION	START OF OFFICE TERM
Toomas Tamme	President of the Council	29.12.1998
Jens Haug	Member of the Council	29.09.1999
Jaan-Mihkel Uustalu	Member of the Council	10.01.2006

- ▶ Contracting loans or liabilities beyond relevant budget costs fixed for current year and on terms which differ from those approved by the Council
- ▶ Accomodation with loans if it is beyond everyday business activity
- ▶ Undertaking of obligations
- ▶ Redemption of bad debts
- ▶ Making any contract of employment which secures retirement pension and / or reimbursement upon termination of labour relations
- ▶ Adoption of annual accounts
- ▶ Foundation or termination of subsidiaries

Meetings of the Council take place regularly once a month last Wednesday of current calendar month. In order to decide extraordinary issues within intersessional period decisions can be made, if necessary, by written voting without calling a meeting.

Financial Reporting and Audit

The Board is responsible for draw-up of financial reports within Viru Keemia Grupp JSC. The accounting at Viru Keemia Grupp JSC (in the concern and all its subsidiaries) uses accounting principles and presentation form according to IFRS (International Financial Reporting Standards) worked out by IASB (International Accounting Standards Board) and treatments they give.

Decisions on the biggest transactions and strategic financial aims inside VKG are made by the Board of the concern in its weekly meetings.

The financial service performs daily cash-flow management and planning, including budgets draw-up for the concern and its subsidiaries, monitoring of their execution, preparation of business projects and negotiations with funding sources. The concern`s financial service is supported by financial services located at the subsidiaries, their tasks include analysis of financial activity of these subsidiaries, too.

All technical financial transactions are effected by the centralized concern`s accounting service located in the main office of VKG. The accounting service makes required payments, runs payroll calculations, grants vacation and health care allowances to employees and draws up annual financial reports.

People or companies subject to keep books has to enable actual, important, fair and comparable information about financial situation, commercial results and cash-flows. If an accounting item at Viru Keemia Grupp has not been stipulated in the regulations, IFRS, the Estonian Accountancy law, directives of the Estonian Accounting Guidelines and other legal acts are taken as the basis.

The accounting period is a 12-months-long financial year. A financial year starts on January 1st and finishes on December 31st. In the case of foundation or liquidation of subjects to bookkeeping, change of the start day of financial year or other statutory event the financial year could be shorter or longer than 12 months but it should not exceed 18 months.

Joint-stock company Viru Keemia Grupp has the right and bears the obligations to perform an independent financial accounting based on the internal bookkeeping guidelines approved according to the order fixed in the statute of the joint-stock company.

The internal bookkeeping guidelines can be modified or substituted by an agreed decision of the owners of Viru Keemia Grupp, in case of reorganization of the operation of the company, modification of accountancy principles by IFRS or directives issued by the Estonian Accounting Guidelines and recommended practice, as well as upon modification of national taxation law or taxation guidelines, or for an other reason.

The company bears the obligation of recording all its business transactions in its accounting register books. Business transactions are to be recorded on the double-entry principle both in credit and debit accounts.

Commercial transactions are recorded in chronological and systematic accounting registers as of the time of their incurrence or just after that. Accounting register is a database in use of accountancy. An accounting register book is drawn up in chronological order (day register) and as per accounts (trial balance). All statements on accounts and registers are drawn up based on a program used. Statements on accounts and registers are to be kept on a floppy disc, on a CD and/or in paper hard copy.

Since January 1st, 2001 the planning and financial management software Baan has been used in the concern`s accounting.

Auditor of Viru Keemia Grupp JSC is to be appointed with a decision of the general assembly of shareholders. To find an auditor, the board holds a competitive tender aiming selection of auditor for the next year. The last tender to select an auditor took place in 2009 in order to appoint an auditor for Viru Keemia Grupp concern for the period of 2009-2010.

With the decision of the general assembly, Ernst & Young Baltic JSC have been appointed as auditors.

Risk Management

The responsible for the risk management at VKG is its Board. To better perform tasks, an internal audit department was created in 2008-2009 to effect functions of in-house control. The department is subordinated to the concern`s Board and Council.

The internal audit department is an independent VKG structure which monitors activities of the joint-stock company, its subsidiaries and their subsidiaries, and other commercial structures belonging to the consolidated group of the concern, and the conformity of these activities to the legislation of the Republic of Estonia and other legal acts, to the Statute of VKG, decisions of the general assembly of shareholders, decisions of the Board and the Council, internal regulations and operating instructions of the concern and its subsidiaries.

Major tasks of the internal audit department of the concern are examination and valuation of the economic activity of the enterprise, based on reliability and efficiency of the internal control. To perform this task it is necessary to have controlled:

- ▶ Accuracy of economic information
- ▶ Sufficiency of operating instructions and regulations, their conformity to requirements; when necessary, to make an offer for amendments to be made
- ▶ Following to operating instructions and regulations
- ▶ Efficiency of property protection and resources utilization
- ▶ Efficiency of supervision system
- ▶ (Commercial) Risks management

The task of the inner audit is to detect deficiencies in operation of employees of the mother company and its subsidiaries, defects in the work they have done, non-performed tasks, abuse of authority, to attract attention to these cases and to make offers for their elimination.

Inner auditor takes a formal inspection certificate or a report which are to be submitted to a person under control for inspection and comments.

The department of inner audit makes prescriptions concerning deficiencies detected together with valuation, opinion and proposal, consolidates data about the activity of the JSC and its subsidiaries, prepares their overview or analysis which are to be submitted, depending on their importance or summation level, to managing directors of subsidiaries or to the members of the Board.

Main risks of the enterprise are:

1. MARKET RISKS
2. CREDIT RISKS
3. RISK OF PROPERTY DAMAGE
4. INTEREST-RATE RISKS
5. EXCHANGE RISKS

1. METHODS OF MARKET RISK REDUCTION

The risk of change of oil and oil products price in the world market is an unavoidable risk of the concern`s activity. A part of sales contract for VKG Oil JSC shale oil includes a term that sales price of the products directly depends on the market value of oil products, the other part of shale oil prices (sales in the inner Estonian market) depends indirectly of world market prices. Oil prices in the world market also affect the enterprise`s expenses: cost of crude oils bought from other suppliers and natural gas used in our production.

The objective of these risks monitoring at the enterprise is to make a permanent analysis of sensitivity of budget profit towards changes of oil and oil products price in the world market. A quotation fluctuation of crude oil Brent by 2 dollars per barrel involves a change of annual profit by appr. 25 mln kroons. Viru Keemia Grupp JSC has acquired options to reduce market risks of VKG Oil JSC. At present price risks of oil sales amount are reduced for over a half of amount for next 15 months.

2. METHODS OF CREDIT RISK REDUCTION

Credit risk is an inevitable part of enterprise. To manage credit risks, it is necessary to follow attentively the payment behaviour of partners, analyze their financial situation and, if necessary, take third-party proceedings as a safeguard. When making prepayments to suppliers they are required to submit a bank guarantee. We provide financial loans basically to our long-term partners only. In case of a single transaction or a new customer we require either a prepayment or a Letter of Credit.

Invoices of clients still unpaid on maturity are reconsidered daily. If invoices to buyers are unpaid at due time, reminders and notifications are sent. There are terms stipulated to start calling liabilities through court action. Making special agreements is within the competence of the Board.

Available cash assets of the concern are being kept as short-time deposits in banks with the highest credit rate. Maximum credit risk arising from straight liabilities was 208 436 thousand kroons in 2009 (as of 31.12.2008: 219 227 thous. kroons).

3. RISK OF PROPERTY DAMAGE

On February 2nd, 2007 VKG made a multipurpose indemnity contract with Marsh, an insurance broker, in the part of termination of commercial operation and responsible insurance. This contract is valid for three years.

In the last reporting period the contract was made for the period from 21.08.2009 up to 20.08.2010 and is valid for all subsidiaries located in the industrial territory in Kohtla-Järve (VKG Oil JSC, VKG Energia OÜ, Viru RMT OÜ, VKG Transport JSC). The insurers are SVAG Schwarzmeer und Ostsee.

The subject of the insurance agreement is a real and personal estate which belongs to the police holder, is under his control or what he bears a legal responsibility for.

The insurance beneficiary is SEB Pank JSC.



4. REDUCTION OF INTEREST-RATE RISKS

As of 31.12.2009 the concern`s interest liabilities made 1 746 792 kroons (2008: 1 583 584 thous. kroons) what makes 35% (2008: 33 %) of the balance amount.

Based on average share of interest liabilities in the concern, the Board estimates a direct risk from interests increase in monetary market to be important for the concern`s activity. Along with loan liabilities there is one more major risk existing in the concern, cash flow risk, as well as with loans provided the risk of change of fair value in the interest part.

Also, there are large investments forthcoming in 2009 (448 mln kroons) which could increase interest rate risks.

A part of the concern`s loans are pegged to EURIBOR, and loans interest margins have been fixed in contracts.

In connection with possible fluctuation of EURIBOR a sensitivity analysis has been performed in the basis of concern`s cash flows and income before tax, where interest rate has been increased by 1 % to find out an impact it would have on the enterprise.

The analysis made in order to estimate sensitivity of generating cash flows towards increase of interest rates and concern`s income before tax has shown that 1 %-increase of interest rates would impact 2009 generating cash flows and income before tax in amount of 17 240 thous. kroons (2008: 13 657 thous. kroons).

5. EXCHANGE RISK REDUCTION

In 2008 export sales made 54 % of the concern`s turnover (2007: 47 %), major sales currencies were Estonian kroon, euro and American dollar. Concern`s expenses were mainly made in Estonian kroons and euros. Contracts are made mainly in the currency of local country. When making everyday operations, open currency positions are to be avoided. The most important international contracts are made in euros and American dollars. To reduce exchange risks, the concern did not conclude any derivative contracts.

The above risks are constantly monitored at the enterprise in order to analyse sensitivity of budget profit to change of American dollar rate. Movement of American dollar rate to Estonian kroon by 0,5 kr/S results in profit change by appr. 28 mln kroons.

RISKS REDUCTION REQUIRED BY INTERNATIONAL MANAGEMENT SYSTEMS

In international management systems, like ISO and OHSAS, there are special procedures to reduce risks in quality, environment or labour safety management. These internationally recognized systems are implemented in all VKG subsidiaries. The table below indicates all subsidiaries of the concern and management systems they use.

SUBSIDIARY NAME	ISO CERTIFICATES	OHSAS CERTIFICATE
VKG Oil JSC	ISO9001, ISO14001	OHSAS18001
VKG Energia OÜ		OHSAS 18001
VKG Transport JSC	ISO9001, ISO14001	OHSAS 18001
Viru RMT OÜ	ISO9001	OHSAS 18001
VKG Elektrivõrgud OÜ	ISO9001	
VKG Elektrihitus JSC	ISO9001	

Environment protection

General Environmental Policy

VKG pays much attention to environment protection in its activity. Its main priorities are prevention and minimization of environmental impact from its operation.

The mission of the concern is economic use of oil shale resource and full utilization of its potential through economically viable application of best available techniques (EVABAT).

Our future vision is to be an open and reliable enterprise operating under centralized management system in order to maintain multispecies environment and economize natural resources.

There is a common environment policy within the concern based on the following principles:

1. We operate according to the international standard ISO 14001 of Environment Management System.
2. We identify ecological aspects and environmental effect from production operation and make an assessment of their conformity to the legislation and other requirements.
3. In our day-to-day operation we meet requirements deriving from Estonian and European legal acts, conventions and contracts.
4. We attach importance to provision of institutions and local residents with information about company`s activity and its possible effect on environment.

5. We pay great attention to promotion of sustainable development in the company through reutilization of maximum possible amount of materials and residues from production operation.

6. We attach importance to cooperation with research and scientific institutions in order to both find solution of various environmental problems and work out new technologies.

7. We encourage our employees to increase their environmental knowledge and motivate them to apply this knowledge practically.

8. We make work on valorization of oil shale in order to produce additional value.



Environment management system

CONFORMITY TO ISO STANDARD

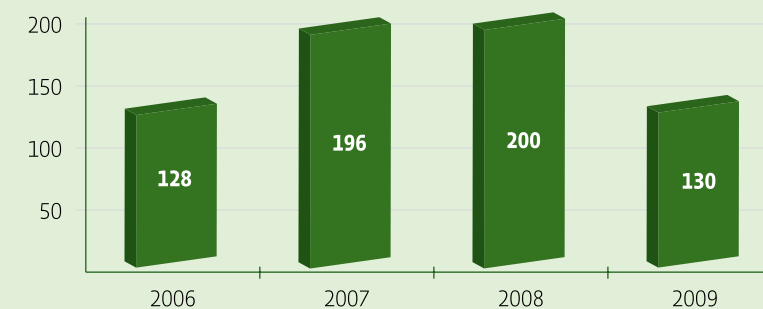
The major part of subsidiaries of Viru Keemia Grupp operate according to Environment Management system of international standard ISO 14001.

The following companies have had since 2006 the environment and quality management system certificate ISO 14001: 2004 and ISO 9001:2000: VKG Oil JSC, VKG Transport JSC, Viru Vesi JSC and VKG Resins JSC. Viru RMT OÜ and VKG Energia OÜ have the quality management system certificate ISO 9001:2000.

INVESTMENTS INTO ENVIRONMENT PROTECTION

Investments into environment increased in 2008 by appr. 62 % comparing to 2006 and decreased in 2009 by 50 % comparing to 2008. The major environment investment in 2008 was the construction of a sulphur recovery unit at Viru Energia OÜ. The unit costs over 150 mln kroons and was ready to operate in May 2008. The sulfur recovery unit enables binding over 65 % of sulfur containing in fuel burnt at the Põhja heat power station and decreases herewith significantly sulfur dioxide amount as major pollutant in emissions into environment. In 2009 environmental investments decreased due to the economic stagnation.

INVESTMENTS INTO ENVIRONMENTAL PROTECTION 2006-2009 (MLN KROONS)



SHALE OIL FILTRATION UNIT

At VKG Oil JSC an oil filtration unit has been made ready. The process implementing enables to liquidate numerous sources of air pollution, minimize emissions and production losses. Due to application of the new technology there are no dangerous liquid shale-tar residues produced, but during the process a fine dispersed solid fuel, filter coke, is obtained.

TANK PARK

Another measure to minimize emissions into air are investments into tank park and reconstruction of dark shale oil cycle. In 2008 the tank park was constructed and recovery equipment was installed in the oil storage facility and in the distillation unit. The above works led to an important emission decrease of hydrocarbons and phenols. By the end of 2009 an absorber was finalized in the tank park of oil storage facility. The absorber binds up to 70 % of volatile organic compounds.

NEW PETROTER OIL PLANT

In 2009 the new Petroter oil plant was built which can use fine oil shale to produce oil. The plant is equipped with several facilities for environment protection. A continuous monitoring station for flue gases is installed on the chimney. It helps monitoring the concentration of pollutants emission into the atmosphere and, should their limit be exceeded, to react immediately.

The plant is equipped with a heat recovery boiler designed for recovery of residue gases and use of residual heat from recovery process. Also, a solid residue from oil shale processing at the plant is environment-friendlier as organic component in produced ash is much lower and conforms to legal requirements.

DISPOSAL SITE

In 2007 a new semi-coke storage place was built. It conforms to all environmental requirements, and its storage technology prevents rainwater from infiltrating into the body of the disposal site. Bulk water is collected into a special waterproof basin and treated in the regional wastewater treatment plant. Due to special slopes the contact surface of rainwater and disposal site is minimized, and it results in minimized rainwater pollution.

OIL RECOVERY UNIT

Viru Vesi JSC has finalized the first reconstruction stage of its oil recovery unit (used for water cleaning from oil shale industrial residues in the territory) with its cost amounting to 21 mln kroons. New flotation facilities effect pre-treatment of industrial wastewater and ensure required water quality in the outlet of oil recovery unit.

Strategic Vision of the Future on Minimization of Industrial Impact

The program of environmental activity 2005-2009 stipulated the following major environmental objectives of VKG JSC:

- ▶ Minimization of environmental impact and hazard of stored semi-coke, providing of the disposal site suitability, construction of a new disposal site to provide an environmentally safe storage of shale semi-coke and boiler ash and ash dust
- ▶ Reduction of sources of contamination with air pollutants by 15, reduction of wastewater amount by 170 tons per year
- ▶ Avoidance of ground and surface water pollution, including division of polluted and clean water from bulk water drain ditches surrounding the disposal site, as well as the solution for drainage of excessive rainwater
- ▶ Continued reduction of process and drinking water wastage and proper resource use
- ▶ Development and application of best available oil shale processing equipment for construction of a new plant and improvement of already available production

- ▶ Continuation and stiffening of monitoring of working and natural environment involving best specialists in their profession
- ▶ Development and implementation of environment management system at the concern's subsidiaries

Mainstreams of environmental activity within 2009-2015 are reduction of pollutants emission into the atmosphere, especially as for hydrogen sulfides. Also, a big importance is attached to possibilities of reduction of sulfur dioxide and organic volatiles. The items of shale and boiler ash storage and problems related to closure of wet storage site are being solved now

Process Waste

HAZARDOUS RESIDUES

In 2009 the amount of concern's hazardous waste was 1,11 mln tons what is 1,1 % less than in 2008. Reduction of hazardous waste is mainly determined by production decrease of oil shale pitch residues. Almost 99 % from hazardous waste amount is resulting from shale oil production at VKG Oil JSC and can be explained with a specificity of this business nature. Semicoke is produced during oil shale retorting in gas generators. This is a solid residue with organic content up to 8 % which is stored in a special deposit site.

	2006	2008	2009
Hazardous waste (mln. t)	0,8	1,12	1,11
Including fusses (t)	23 200	19400	3200
Including semi-coke (t)	737 000	748 500	772 600

VKG Energia OÜ produced in 2008 16 577 tons hazardous waste, 7 860 tons in 2009, major part hereof being shale ash from oil shale burning. Decrease of hazardous waste in 2008 by appr. 25 000 tons comparing to 2006, and in 2009 by appr. 8 700 tons comparing to 2008 are related to the reduction of burning of oil shale and other solid fuels.

Fusses, heavy shale-tar products, are thickened residue of oil sedimentation coming from tanks cleaning and the oil preparation unit. Reduction of fusses production is determined with construction of new oil preparation equipment. Its new filtration system does not produce any fusses. Other enterprises of the concern produce minimum quantity of hazardous waste.

Hazardous waste requires special treatment after it has been eliminated from operation to avoid damages to human activities and environment.

Other subsidiaries produced in 2008 hazardous waste in amount of 5 tons, and 560 tons in 2009. Increase of hazardous waste production in 2009 results from tanks cleaning at Viru Veski JSC and 584 tons of pitch residue produced in the flotation unit.

ORIGINATION OF HAZARDOUS WASTE AT VKG OIL JSC PER PRODUCT UNIT



The present chart reflects origination of hazardous waste per ton of produced shale oil. In 2009 the production output increased by 6 000 tons comparing to 2008, and waste origination decreased by 4 000 tons. This fact confirms the growth of production efficiency.

There is no comparison made with other similar enterprises as for hazardous waste origination as the production of shale oil is unique in the world. Comparison of waste origination with other Estonian oil shale industries is not adequate as different technologies are in use. To minimize waste creation, the concern makes a research on new waste reuse possibilities.

NON-HAZARDOUS WASTE

In 2009 the concern produced 5 469 tons of non-hazardous waste what is approximately by one third less than the year before.

Main waste types are construction and demolition waste, domestic waste and calcium-based reactive residue from the sulfur recovery unit.

	2006	2008	2009
Non-hazardous waste (t)	2061	7248	5469
Incl. construction and demolition waste	1413	1063	62
Incl. domestic waste	200	204	204
Incl. calcium-based reactive residue from the sulfur recovery unit	0	5980	5174

REUSED RESIDUES

In 2009 there were 336,5 thousand tons of hazardous waste reused within the concern, 4 % less than one year before. This decrease is related to an important decrease of fusses production.

Main product to be reused was phenol water from VKG Oil JSC, but also pitch residue, i. e. fusses, and used oil. Within next few years the reuse of residues will grow significantly due to semi-coke reuse when covering old semi-coke hills. The plans are to reuse 550 thousand tons of semi-coke.

	2006	2008	2009
Reused residues	30 500	349 800	336 500
Incl. phenol water	0	347 700	336 500
Incl. fusses	1620	2027	0
Incl. used oil	215	100	0
Incl. semi-coke	27600	0	0

Emissions

DISCHARGE OF POLLUTANTS INTO THE AIR

The concern produced in 2008 in whole 512 980 tons CO₂ what is appr. 22,5 tons more than in 2006, and in 2009 462 440 tons CO₂ what is 50 500 tons less than in 2008. Increase of CO₂ emissions comparing to 2006 was related to increase of organic components in residue gas (generator gas) burnt at VKG Energia OÜ, and that was due to reconstruction of gas generators at VKG Oil JSC aiming to decrease organic component in semi-coke.

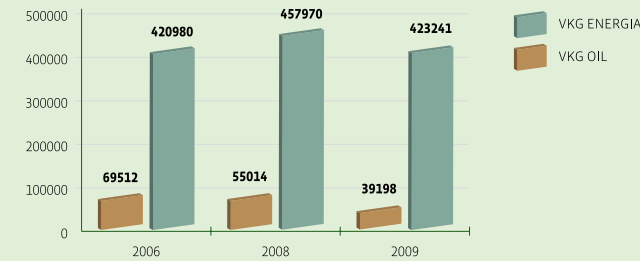
Major part of carbon dioxide emissions – 457 970 tons in 2008 and 423 240 tons in 2009 – originated from burning at VKG Energia OÜ of retort gas coming from thermal processing of oil shale.

VKG Oil JSC produced 55 010 tons of carbon dioxide emissions in 2008 and 39 198 tons in 2009. These emissions were produced during the process of burning of natural and residual gas (retort gas, coke-oven gas, separator gas) in the oil distillation unit, the phenol rectification unit and the electrode coke production unit.

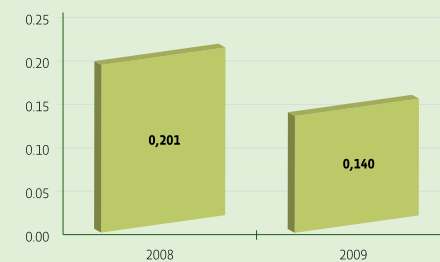
Other subsidiaries did not emit any carbon dioxide into the air.

Shale oil production differs from production of petroleum derivatives, as to produce shale oil it is necessary to decompose through pyrolysis oil shale into crude oil, which will be raw material for further production of commercial oil. During the process a large amount of CO₂ is obtained as to effect thermal decomposition of oil shale it is necessary to make a short-term process similar to millennia-long petroleum formation in the interior of the earth.

CO₂ EMISSIONS (IN TONS)



SPECIAL CO₂ EMISSIONS AT VKS OIL JSC PER PRODUCT UNIT



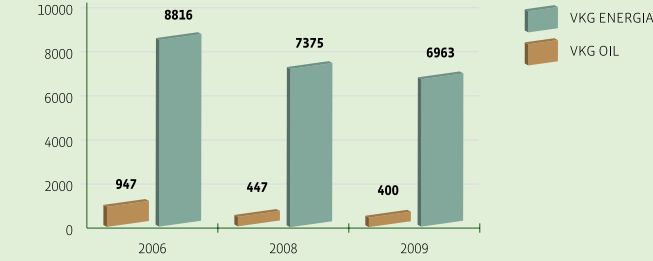
The figure shows VKG Oil JSC CO₂ emissions per production unit (one ton oil). Comparing to 2008, production output increased in 2009, and CO₂ emissions decreased. That demonstrates that oil is now produced more effectively.

SPECIAL CO₂ EMISSIONS AT VKS ENERGIA OÜ PER PRODUCT UNIT



The figure shows VKG Energia OÜ CO₂ emissions per heat, electric power and vapour. In 2009 special CO₂ emissions per production unit decreased.

SO₂ EMISSIONS (IN TONS)



SPECIFIC EMISSION OF SO₂ PER PRODUCT UNIT AT VKG OIL JSC



SPECIFIC EMISSION OF SO₂ PER PRODUCT UNIT AT VKG ENERGIA OÜ



LEVEL OF SO₂. COMPARISON OF THE YEARS 2006, 2008 AND 2009

7 822 tons sulfur dioxide were produced in the concern in 2008. It is 1 940 tons less than in 2006. 7 363 tons in 2009 what is 459 tons less than in 2008. The amount of sulfur dioxide emissions decreased due to the sulfur recovery unit which was put into operation in 2008 at Põhja Heat Power Plant at VKG Energia OÜ.

The major part of SO₂ emissions, 7 374 tons, were produced at Viru Energia OÜ in 2008, and 6 962 tons in 2009, when firing retort gas produced in thermal processing of oil shale.

In 2008 VKG Oil JSC produced 447 tons of SO₂ emissions, and 400 tons in 2009. Emissions were produced by firing residual gases (retort gas, coke gas, separator effluent gas) in the shale oil distillation unit and electrode coke unit.

Other subsidiaries did not emit any sulfur dioxide into the atmosphere.

The specific emission of SO₂ per unit of production has been constant at VKG Oil JSC and VKG Energia OÜ what demonstrates trouble-free service of the sulfur recovery unit at VKG Energia OÜ and use of gas with constant sulfur content at VKG Oil AS.

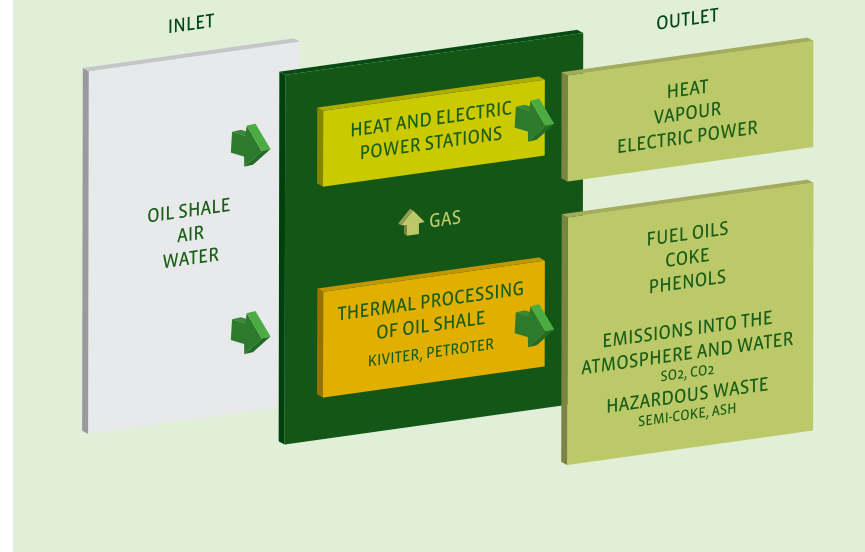
2006 was chosen as a model year to be compared with the years 2008 and 2009.

FUTURE PROSPECTS

Sulfur dioxide emissions amount will increase in 2010 both at VKG Energia OÜ and VKG Oil JSC. Emissions increase will result from oil output expansion in 2010. In connection with the startup of the new oil plant Petroter at VKG Oil JSC the SO₂ emissions will increase by appr. 200 tons / year. Also, the amount of SO₂ emissions will apparently grow at VKG Energia OÜ. The reason thereof is firing of retort gas produced in thermal processing of oil shale at the new oil plant. To minimize sulfur dioxide emissions, VKG Energia OÜ plans to acquire one more sulfur recovery unit in 2011.

The CO₂ emission amount in the whole concern will grow, too. This increase is related to the expansion of the concern in 2010. In connection with the startup of the new oil plant Petroter at VKG Oil JSC the CO₂ emission will grow by 250 000 tons / year. The CO₂ emission at VKG Energia OÜ will increase, as well. The reason hereto is firing of retort gas produced in thermal processing of oil shale at the new oil plant. Forecasts estimate increase of CO₂ emissions at VKG Energia OÜ by 89 000 tons / year.

CHART OF WASTE AND EMISSIONS FORMATION



Resource Use

CONSUMPTION OF ELECTRIC POWER IN 2008 AND 2009

In 2009 the power consumption of the whole concern was 95 066 MWh, whereby the biggest power consumers were VKG Oil JSC and VKG Energia OÜ. Comparing to 2008 the concern consumed 88 764 MWh what is 6302 MWh less than in 2008.

In 2009 VKG Oil JSC consumed 50 324 MWh power, whereas 2 711 MWh were consumed by the new oil shale processing unit Petroter. 3 773 MWh from the total amount were consumed for lighting and 46 551 MWh for process units. In 2008 VKG Oil JSC consumed 46 603 MWh, so 3 721 MWh more than in 2009, due to the startup of the new plant and increase of starts and shut-offs of the machinery.

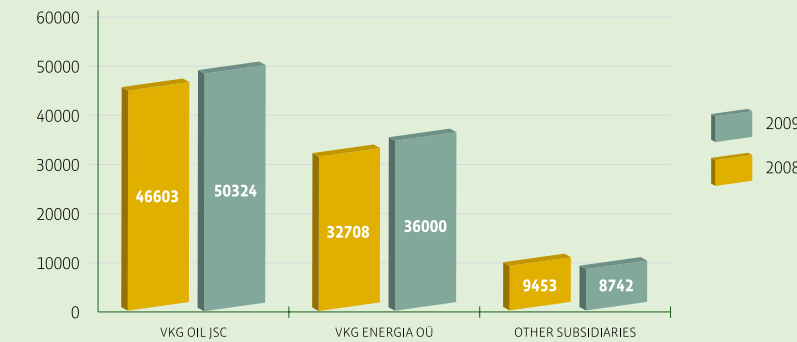
POWER CONSUMPTION BY KIVITER TECHNOLOGY AT VKG OIL JSC IN 2009 (MWH/Y)

APPLICATION FIELD	TOTAL	OWN OUTPUT	OTHER SUPPLIER	SPECIAL COSTS, MWH PER PRODUCT UNIT
Lighting	3347	0	3347	0,0122
Ventilation	180	0	180	0,0007
Technology	44086	0	44086	0,1608
Total	47613	0	47613	0,1736

POWER CONSUMPTION BY PETROTER PLANT AT VKG OIL JSC IN 2009 (MWH/Y)

APPLICATION FIELD	TOTAL	OWN OUTPUT	OTHER SUPPLIER	SPECIAL COSTS, MWH PER PRODUCT UNIT
Lighting	462	0	462	-
Technology	2 249	0	2 249	-
Total	2 711	0	2 711	-

CONSUMPTION OF ELECTRIC POWER BY THE CONCERN (MWH)



VKG Energia OÜ consumed 36 000 MWh electric power in 2009. Also, the company produced 78 969 MWh electric power (see the chart 3 and 4). In 2008 VKG Energia OÜ consumed 32 708 MWh electric power what is 3292 MWh less than in 2009. The increase of power consumption was determined by the startup of the sulphur recovery unit.

PRODUCTION OF ELECTRIC POWER BY VKG ENERGIA OÜ IN 2009 (MWH / Y)

FUEL	TOTAL	SELF-CONSUMPTION	DELIVERY	SALE
Oil shale	2072	649	1423	1355
Shale oil	67	21	46	44
Retort gas	109023	34138	74885	71301
Natural gas	176	55	121	115
Filter cake	3631	1137	2494	2375
Total	114969	36000	78969	75190

CONSUMPTION OF ELECTRIC POWER BY VKG ENERGIA OÜ IN 2009 (MWH / Y)

APPLICATION FIELD	TOTAL	OWN OUTPUT	OTHER SUPPLIER	SPECIAL COSTS, MWH PER PRODUCT UNIT
Boiler plant	21125	21125	0	
Turbine department	13318	13318	0	
Heat distribution network	1557	1557	0	
Total	36000	36000	0	

Other subsidiaries consumed totally in 2009 8 742 MWh. In 2008 the subsidiaries consumed 9 453 MWh what is 711 MWh more than in 2009. The reduction in power consumption resulted from decrease of production output due to VKG Resins JSC.

FUTURE PROSPECTS

Future prospects are use of energy-saving technologies and reutilization of residual heat and gases as much as possible apart from electric power, also in form of heat and vapour. Decrease consumption of power supplied from outside the concern by effecting an intensive co-production.

WATER CONSUMPTION

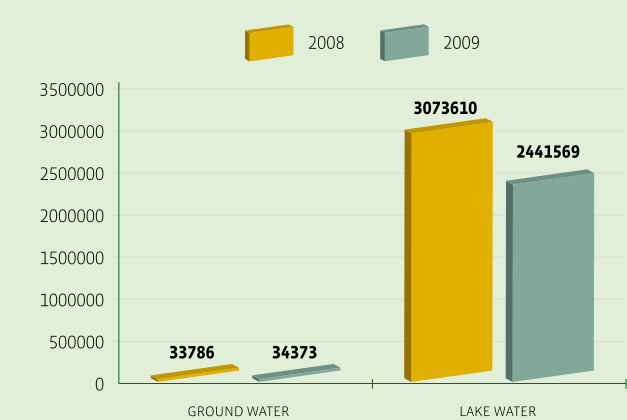
WATER CONSUMPTION IN 2008 AND 2009

In 2008 there were 3107,4 thous. cubic meters of water consumed altogether, 33,8 thous. m³ thereof was the consumption of ground water and 3073,6 thous. m³ lake water. In 2009 the total water consumption was 2475,9 thous. m³ which is by 631,5 thous. m³ less than in 2008. The reduction in water consumption resulted from decrease of production output in some subsidiary companies (VKG Resins JSC) what determined in its turn decrease in demand of cooling water

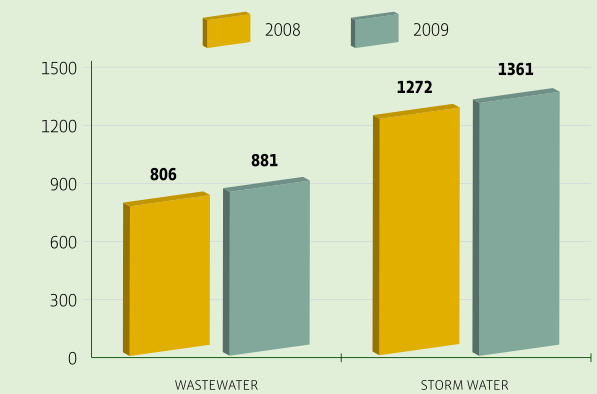
WATER DISCHARGE IN 2008 AND 2009

In 2008 the total amount of the concern 's water discharge was 2,26 mln m³. 1,27 mln m³ hereof made house wastewater and 0,99 mln m³ process wastewater. In 2009 the total concern 's water discharge was 2,39 mln m³. 1,36 mln m³ hereof was house wastewater and 1,03 mln m³ process wastewater. Water discharge increased by 124,5 thous. m³ due to a precipitation enhancement in 2009.

WATER CONSUMPTION BY THE CONCERN IN 2008 AND 2009 (m³)



WATER DISCHARGE IN THE CONCERN IN 2008 AND 2009 (THOUS. m³)



GRI summary

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