VKG

VIRU KEEMIA GRUPP AS

2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

ANNUAL REPORT

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Viru Keemia Grupp, together with its subsidiaries and related companies, is a full range oil shale processing group. We aspire to put more value upon oil shale and try to constantly develop our production.

Janek Parkman
The Chairman of the Board

Address by the Chairman of the Board

Viru Keemia Grupp, together with its subsidiaries and related companies, is a full range oil shale processing group. We aspire to put more value upon oil shale and try to constantly develop our production. Oil shale, also called *the brown gold of Estonia*, is used at VKG as source for fuels and raw material for chemicals . All activities of VKG are, in one way or another, related to oil shale and valuable products derived hereof. The strategic interest of VKG is to control all the oil shale production chain, starting from its mining up to the supplying final customers with its final products.

In recent years the interest towards oil shale has increased all over the world. Fuel price boost and technological development allow today to exploit oil shale deposits which recently seemed not to be economically viable. Although oil shale is nowadays processed industrially in three countries only – Estonia, China and Brazil, the ongoing development in the world lets us believe oil shale industry being just at the beginning of its new way upwards. We consider VKG standing first in the world oil shale processing, and we are ready to share our knowledge all over the world, where there are deposits of appropriated oil shale.

We have also to mention certain challenges oil shale industry should solve for the future. More recourse conservancy, minimizing of emissions and possibly less impact on the nature and social welfare are the field any production enterprise has to do more and more part. In this area VKG can register a number of achievements. The sustainable development however, remain our main priority in the future, we cannot allow any compromise in this regard.

The year 2007 can be considered as the year of rapid growth for the VKG Group. Construction of a new shale oil plant, huge investments into environment and start with Ukrainian project are few demonstrative examples hereof. It should be also mentioned works in progress to open Ojamaa mine and preliminary works to set up a cement plant. The above mentioned works, as well as dozens of smaller objects, prove the aspiration of VKG for growing bigger and stronger. Such a development could not be reached without very good specialists. Real professionals in their field, with a large experience in oil shale industry, they ensured to VKG very good economic results also in the year 2007. Increase of sales return together with more effective expenses and actions control allowed to increase company health and demonstrated the right way to achieve success also in the future.

Growth through right decisions and smart development.

Jaanus Purga
VKG R&D Director

VKG Research and Development

VKG Development Activities

Achievement of continuous success and expansion in a rapidly changing domestic and international economic environment is a goal, which requires well-planned development as its foundation. The success of VKG over the last couple of years is related to development in two ways – on the one hand, we have good economic results due to well-chosen strategic directions and well-planned investments. On the other hand, good economic results provide the company with the resources to continue investments into efficiency of existing production processes as well as into applied research with its longer perspective and higher level of potential risk.

The price of a barrel of oil on the world market surpassed the mystical 100 dollar mark at the beginning of 2008 – for those companies involved in the production of fuel, this is most definitely a positive sign. On the other hand, the weak status of the US dollar and the economic decline of the world's biggest consumer are affecting the absolute price of fuel in a negative direction. Raw materials continue to get more expensive and, in addition, the quotas and taxes on greenhouse gases are, to a greater extent, beginning to influence the future developments of the energy sector. As a fuel and energy producer, VKG must also be able to position itself correctly in tomorrow's economic environment and be able to make the necessary cardinal changes in its strategies when the need arises.

The following are descriptions of some of the more important development activities in 2007.

Expansion of oil shale production

The expansion of oil shale production domestically in Estonia and internationally outside of the country is still and will be high priority for VKG in the near future. The establishment of a new oil plant with a production capacity of 0.9 million tonnes of oil shale was, at a cost of nearly MEEK 900, the single largest investment of VKG started in 2007.

In 2006, in cooperation with Russia's design institution "Atomenergoprojekt" and with the Finnish engineering company "Rintekno OY", design work began on the Kohtla-Järve new oil plant, which is based on GALOTER technology. At the end of 2006, the project received final approval and in 2007 construction works began on the VKG Kohtla-Järve production site. Equipment manufacturing started at the same timein Estonia and abroad. Nearly all of the design work was contracted from outside of Estonia, while the construction and the manufacturing of equipment will take place primarily in Estonia.

During 2007, the main design of the project was finished, the foundations for the entire complex were laid, and by the end of the year the concrete-steel framework of the first two levels of the production buildings were also finished. At the same time, a first set of the equipment was also completed. The manufacturing of the rest of the equipment is currently underway, and it will be delivered to the site in accordance to the schedule, in 2008, and on track with the general construction works. The commissioning and start-up of the plant is scheduled for the beginning of 2009, which is when the first oil from the new plant is expected.

Along with the expansion of production in Estonia, VKG continued to explore the possibilities of establishing an oil shale industry outside of Estonia, in areas with prospective oil shale deposits, for example in Slantsy in Russia and in the Boltysh oil shale region in Ukraine. At the end of 2007, a VKG affiliated company in Ukraine acquired the rights to nearly 400 million tonnes of oil shale from the Boltysh oil shale deposit. The acquisition of rights for oil shale use outside of Estonia is a remarkable development not only for VKG but also from the perspective of the entire Estonian oil shale industry.

For the creation of a geological model of the Ukrainian oil shale deposit and for mine planning, a contract is being concluded with the world's biggest mining equipment manufacturer, the German company ThyssenKrupp Fördertechnik GmbH.

Cement plant

Finding opportunities for the large-scale utilisation of the mineral part of oil shale has been a big challenge in the development activities of VKG quite a while. What has been important is finding a solution that would enable the use of the by-products of oil shale production – semi-coke and oil shale ash – not in the tens of tons but in the hundreds of thousands of tonnes.

In 2006, the Austrian engineering company "Austroplan", contracted by VKG, designed a cement production process that uses oil shale production residue and by-products as the primary raw materials, and oil shale gas and heavy shale oil as fuel. A description of the process and the technology were prepared, and the first economic calculations for the capacity of the plant, for the size of the investment, and for its feasibility, were made.

At the beginning of 2007, VKG shareholders approved the further action plan, pursuant to which more specialised market research and economic analysis were conducted, and engineering works were started for the preparation of the documentation for the international tender. An environmental impact assessment of the cement factory was also prepared.

The selected plant, with a daily clinker production of 2500 tonnes, allows to produce one million tonnes of cement annually; the investment amount is estimated to be 2,5 billion EEK. According to the schedule, there will be an international tender held in the beginning of 2008 for the turn-key construction of the plant, followed with 30-36 months period required for the completion of the plant.

VKG Energy Strategy

Over the years, the oil shale industry and processing in Estonia have been mainly associated with the production of electrical power, to a lesser extent with the production of heat, and to an even lesser extent with the production of fuels and chemicals. The state programmes currently being prepared – including the Development Plan for Oil Shale Utilization and the Programme for Energy Technologies – deal with energy in a broader sense and also encompass all of the mentioned fields. Such an approach is also the only suitable one for obtaining optimal results from the use of oil shale.

To better plan for the company's long-term economic activities, VKG began to prepare its long-term Energy Strategy in 2007. This strategy encompasses the mapping and analysis of the current situation, predicts possible technical solutions and economic developments in the near future, and develops alternative scenarios for the planning of energy related activities. To prepare this strategy, a contract was concluded with the largest Finnish engineering company VTT. In addition to development and technical departments, the bigger subsidiaries of VKG are also participating in the preparation of the strategy. The strategy must set VKGs energy sector principles for the next 15 years.

The environmental protection is still put into focus within VKG Group. Although a big job was made in this field within last five years, hundreds of million kroons were invested, and significant positive changes took place, getting more and more strict requirements raise new tasks for the company.

Meelis Eldermann
VKG Technical Director

VKG Environmental protection

The environmental protection is still put into focus within VKG Group. Although a big job was made in this field within last five years, hundreds of million kroons were invested, and significant positive changes took place, getting more and more strict requirements raise new tasks for the company. In both 2006 and 2007, the first priority was measures of limitation of air emissions and organization of semicoke storage. Totally 200 mln kroons were invested into environmental protection in 2007.

Projects in 2007

It should be mentioned the construction of a new semicoke storage area as the most important project completed, amounting totally to 30 mln kroons. Storage places are prepared, the landfill area is surrounded with ditches stabilized with gravel, the bottom of leakage water basins is laid with film. Together with a new storage technology foreseeing a layer compression of semicoke, these measures allow to deposit semicoke according to European environmental requirements. In the future, solutions for better semicoke storage in humid weather conditions should be found, as well as for reducing of dust production in dry seasons.

VKG Oil has completed the construction of shale oils filtration unit and started works for its putting into operation. The implementation of this process will allow eliminating of lots of air pollution sources and reducing production losses.

According to the contract on substitution of pollution fines made with the Ministry of Environment, the works are ongoing in the company to reconstruct generators in order to reduce organics content in semicoke. By now, 90% of all the generators in VKG Oil have been reconstructed and put into new operation mode.

To treat shale oil, a unit of railway tanks loading and a pumping station have been put into operation. The underground pumps of the 3rd and the 4th oil factories have been dismantled. Also, heavy oil condensation units of the same plants have been reconstructed, and outdated equipment liquidated. The new process flow also reduces gas temperature fluctuation in generators, what ensures, in its turn, gas burning in more even mode in our power stations.

The reconstruction of tankfarm and distillation equipment for shale oils was started. These tanks will be completely renovated and brought into compliance with the most strict requirements on environment protection and labour safety. The number of tanks will be reduced, furthermore, they will be equipped with breathing system.

Even the panorama of VKG changed in 2007. It became a unique symbol of activity aiming to reduce emissions into the atmosphere: two high chimneys have been dismounted.

In VKG Energia the works started on equipment installation for sulphur recovery. It costs more than 140 mln kroons, the assembly works should be finished in the 1st quarter 2008. Assemblage of such an equipment is an important step towards implement of the requirements on sulphur emissions by energy production which come into force since 2015.

Viru Vesi started reconstruction works of deoiling equipment. The design of a new flotation unit started, and the equipment has been already delivered. In future, in order to correspond to the highest standards of water being fed to biological treatment, it is essential to improve even more the operation of all the system. The equipment for fusses treatment also needs to be optimized.

In 2008, it is essential to continue and finalize unfinished works and to start with realization of new projects. In Northern Power Station of VKG Energia it is essential to increase efficiency of sulphur recovery up to more than 90%. The question of use of oil shale ash and plaster got when recovering sulphur is to be solved. The best alternative is their use as additives to cement. VKG Oil has to elaborate and implement measures aiming further reduce of H2S emissions within the territory of the enterprise. Thereby a special attention should be paid to emissions by coke production.

VKG continue to take actions with the objective to make oil shale processing and all its other activities even more friendly to the environment.

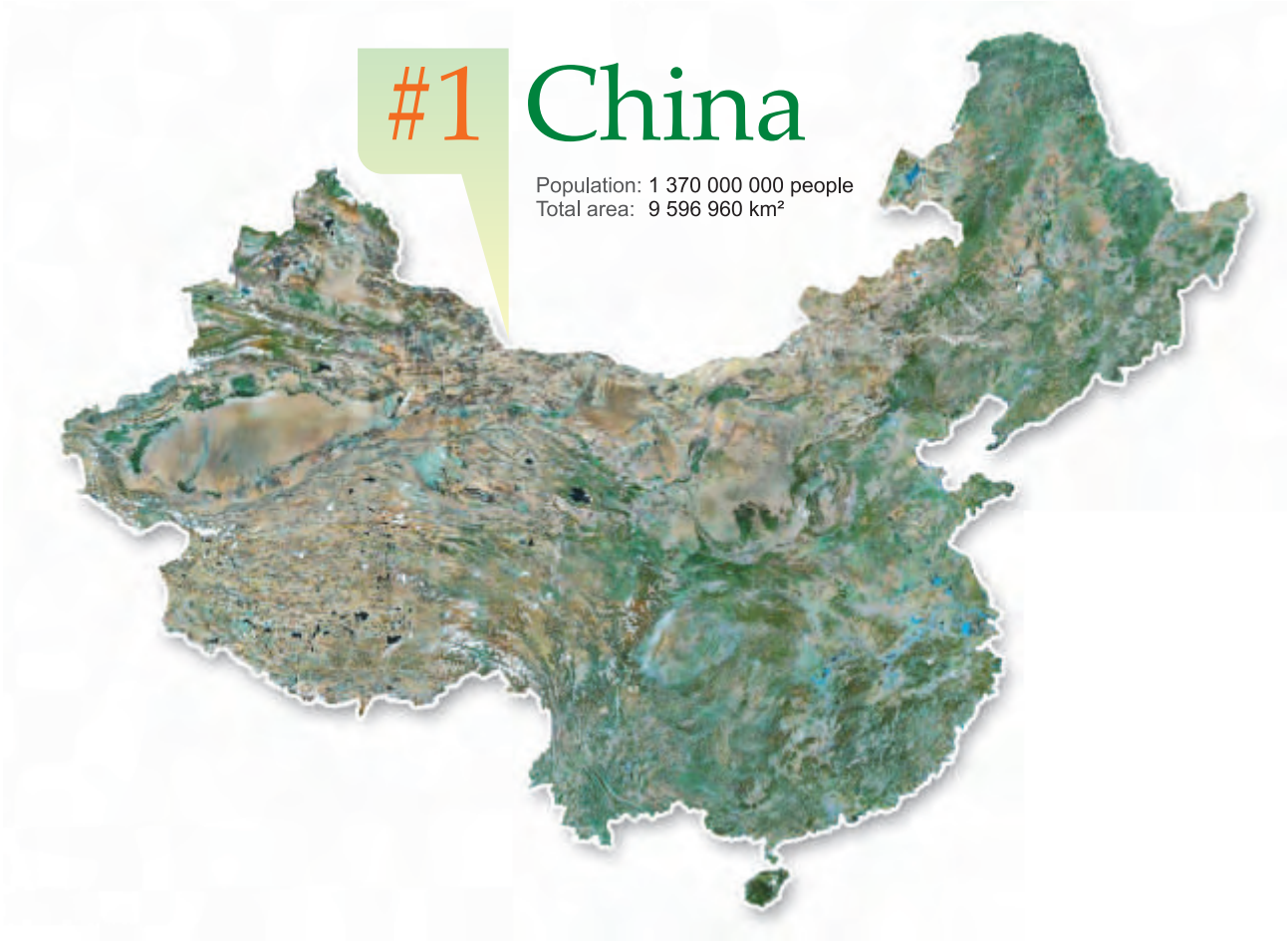
Estonia #3

Population: 1 342 400 people
Total area: 45 226 km²

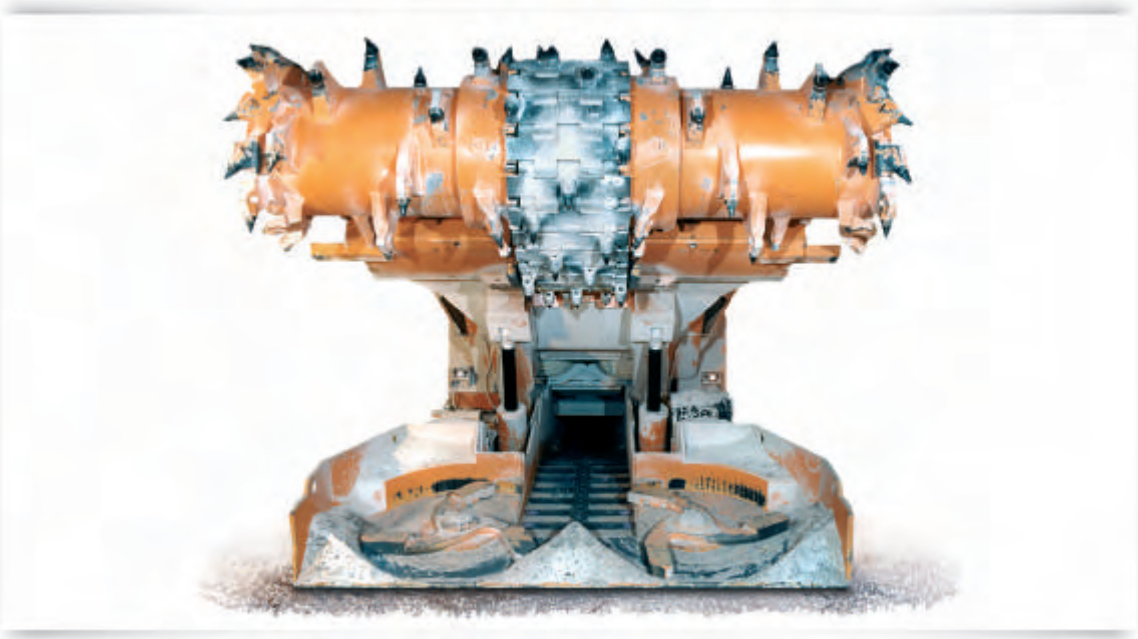
#2 Brasil

Population: 188 078 261 people
Total area: 8 511 965 km²

Introduction
Industrial part



Oil shale is found in many countries around the world, and its reserves are important, its processing, however, takes place in few locations. Estonia is one of three countries in the world, together with Brazil and China, that have oil shale processing in industrial scale. The main products derived from oil shale are fuels – both shale oil and shale gas. VKG Company is the biggest oil shale processor in Estonia knowing to appreciate this natural resource and to deliver the products manufactured hereof to customers. VKG covers the whole production chain, starting with the mining and processing of oil shale up to the manufacturing and marketing of the most sophisticated chemicals.



Under Estonian conditions, 1 mining combine can mine up to 8000 tons of oil shale in a twenty-four hour period.

VKG Kaevandused OÜ, a subsidiary of VKG, holds a permit to mine 75 million tons of oil shale, which covers group demand for the next 20-25 years.

Oil Shale Mining

VKG holds a permit to mine 75 million tons of oil shale, which covers the company demand for the next 20 to 25 years. Mining fields are situated in as yet unused territories and in the most favourable locations. The oil shale they contain satisfy ideally the demands of VKG. VKG Kaevandused OÜ is responsible for oil shale mining within the company. The Ojamaa underground mine, established in 2007, is located to the south of VKG industrial territory and holds oil shale deposits estimated at 60 million tons. By 2011, the Ojamaa mine will reach its maximum capacity with an annual oil shale output of 2,5 million tons. The method used in oil shale mining has proven to be quite effective in Estonia; it is the room-and-pillar method which prevents cave-ins. The Ojamaa mine uses the most contemporary mining equipment and operation methods with proven efficiency. Usnova, the second VKG Kaevandused mining field, is located to the east of VKG industrial territory extending to the Narva River, the border between Estonia and Russia. At the Usnova mining field an open cast mining is used, its deposits are estimated at 17 million tons of oil shale.

In order to continue its oil shale supply after the available mining fields have been exhausted, VKG aims to apply for a permit to mine oil shale in new mining fields near Uus-Kiviõli, Oandu and Seli. The total volume of these oil shale deposits is 437 million tons.

In December 2007, a permit was issued to VKG for exploring and mining ca. 350 million tons of oil shale in the Boltyshki deposit in Ukraine. The Boltyshki site is the only Ukrainian oil shale deposit with a big industrial potential, its total volume of oil shale reserves is estimated to be 3.8 bln tons. Due to many restrictions, the volume of excavated reserves is considerably smaller. The Boltyshki deposit is located 250 km to south from Kiev, in the Kamensk district of Cherkassy Region. Oil shale is here deposited deeper than Estonian one – 40 to 120 meters beneath the surface. The calorific value of the registered oil shale is 2000 to 2500 kcal/kg, what is equal to the same index of Estonian oil shale. The shale oil yield output is also similar to Estonian one. The goal for near few years is to thoroughly examine the oil shale deposits. To examine the local situation, the Company established in Ukraine its subsidiary, Slantsekhim Ltd, and 4 first people were employed. In prospect, an oil shale processing complex can be established, with processing capacity 5 mln tons of oil shale yearly or even more.

VKG Kaevandused OÜ is a VKG subsidiary established in 2002. The company administers the oil shale deposits owned by the group and conducts preparations for the launching of mining activities in those deposits.

The shale oil produced by VKG Oil is used in all Baltic Sea ports. Due to its good qualities, the oil is in high demand by all ships plying in the harsh weather conditions of the Arctic Ocean and the Baltic Sea.

Oil Shale Processing

The oil shale won underground and in open casts is transported by rail to VKG industries situated in Kohtla-Järve, where it goes to shale oil factories of VKG Oil. VKG Oil has 3 oil plants using vertical Kiviter retorts. Altogether VKG Oil uses 49 retorts, where the retort with the lowest capacity can process 40 tons of oil shale daily, and the biggest and the most powerful one – 1000 tons. The vertical Kiviter retorts are characterized by high efficiency and service reliability. In recent years, VKG made large investments in the automation and mechanization of the operation in its plants, which boosted considerably their productivity. In its plants VKG Oil extracts up to 80% of energy potential of its raw material in form of shale oil and shale gas, and it is a very high rate for production units. From one ton of oil shale it can be extracted appr. 16,5 % of crude shale oil and appr. 500 m³ of shale gas. In 2007, VKG Oil processed 1,7 mln tons of oil shale and produced 220 000 tons of crude shale oil. The crude shale oil is refined from mechanical impurities, tar water containing oil shale phenols is separated, and then shale oil is distilled into different fractions. The final products of oil shale processing are various heating oils for boilers and additives to marine fuels, oil coke used in the electrode industry and shale oil bitumen used in road construction. The shale oil produced by VKG Oil is used in all Baltic Sea ports. Due to its high qualities, this oil is in demand by all the ships navigating in severe conditions of the Arctic Ocean and the Baltic Sea.

Oil coke is produced by coking shale oils distillation residue, and it is used as a quality raw material for manufacturing anode masses and electrodes. Oil coke has low sulphur content, good graphitization, low content of harmful contaminants, such as vanadium, nickel, zinc and natrium. Electrodes made from oil coke have relatively low electrical resistance and low specific loss.

VKG Oil AS – as a senior company of the group was founded in 1924.

The company employs around 400 people. Its oldest manufacturing unit operating today dates back to 1937, and its newest and most contemporary unit will enter operation in early 2009.

In January 2006, the company was awarded the ISO 14001:2004 environmental management system certificate and the ISO 9001:2000 quality management system certificate.

The device with the highest capacity can process up to 1000 tons of oil shale in a twenty-four hour period, and the one with the lowest capacity of processing – 40 tons of oil shale in the same period.

VKG Resins AS manufactures ca 30 000 tons of urea resin per year, which is sufficient for producing about 24 000 km² of melamine board. The surface area of the Republic of Estonia being 45 000 km², the quantity of melamine board produced would be sufficient to cover more than one half of the area of the Republic of Estonia with the resinous melamine board.

Oil Shale Chemical Industry

Besides energy carriers shale oil and shale gas, VKG Oil also produces oil shale chemicals. The retort water separated when processing the oil shale is directed into dephenoling units, where phenol compounds are extracted from the water. To ensure the widest use of oil shale phenols, total phenols are extracted in the phenol rectification unit. The most valuable part hereof are alkylresorcinols with their high reactivity; they can be widely used as raw material in the synthesis of chemical products. These chemicals are used in various compounds, for example, in car, rubber and construction material industries, in pharmacy and perfumery. In 2007, VKG Oil started extracting 2-metylresorcinol from total oil shale phenols. It is mainly used in production of hair colours. Use of oil shale as raw material for chemical industry makes VKG Oil a unique oil shale processing company in the world.

The oil shale chemistry is the main activity not only for VKG Oil, but also for an another unit within the company – VKG Resins. VKG Resins uses oil shale chemicals to produce adhesives, resins and construction chemicals. The company plants in Kohtla-Järve and Kiviõli produce industrial adhesives for resin-bonded chipboards and veneer in Estonia and neighbour countries. Additional production facilities started in 2007 allow to offer phenolformaldehyde resin to veneer producers in Latvia, Finland, Russian Federation and others. The high quality of products of VKG Resins enabled wood processing companies to expand to the Japanese market, and the quality requirements to products in this market satisfy the highest world standards.

VKG Resins AS is the biggest adhesive resins producer in the Baltic States. The company's products are used in industry, construction works, household and everyday life. In March 2001, VKG Resins AS was awarded the ISO 9001 quality management system certificate and was awarded the ISO 14001 environmental management system certificate in March 2004. In 2006 the company was awarded OHSAS 18001 occupational health and safety management certificate. VKG Resins AS employs 120 people.

VKG Elektrivõrgud OÜ owns more than 800 km of high, medium and low voltage transmission lines and 330 electrical substations. The service territory of the company covers 387 km². About 100 000 residents live in the region.

The oldest power equipment used – 2 sets of 6kV electrical transformers, date back to 1937.

Oil Shale Power Industry

While shale oil produces energy in heating boilers and engines of VKG customers, shale gas creates values within the company itself. All the shale gas from VKG Oil is used by the energy producer of the company, VKG Energia. VKG Energia owns 2 power stations with installed heat capacity of 700 MW. The power stations of the company can burn both shale gas and oil shale. It lets to cover thermal demands of VKG itself, as well as heat requirements of its neighbouring production plants. The heat power generated covers also needs of residents of Järve city district of Kohtla-Järve. In order to use its production capacities more effectively, VKG Energia acquired 41% of shares in joint stock company Kohtla-Järve Soojus, heat supplier to the city of Jõhvi and Ahtme city district of Kohtla-Järve. In 2007, the design of heating main was started in order to ensure heating water transport from VKG Energia power stations into the district heating network of the cities Jõhvi and Kohtla-Järve. The electrical capacity of VKG Energia power stations is 47 MW, and it is quite enough both to cover power consumption in VKG and to sell energy to other customers.

VKG Elektrivõrgud, also a part of VKG, owns the distribution network covering the territory between the cities of Narva and Sillamäe. This region with appr. 100 000 residents gets its electricity supplied through the network of VKG Elektrivõrgud, 430 km hereof are high and medium voltage transmission lines, and 380 km are low-voltage transmission lines. Yearly VKG Elektrivõrgud reinvests big amount of money in maintenance and good condition of lines, substations and other units, and it allows to drastically decrease the share of energy losses and to improve the working safety of the power network. Beside old customers the company wins every year new energy consumers, and it increases the operation efficiency of VKG Elektrivõrgud. Together with meeting the demands of private clients and small enterprises, VKG Elektrivõrgud plays an important role in meeting the demands of big production plants located in Narva and Sillamäe.

OÜ VKG Energia is a group subsidiary specializing in the field of energy. The company owns two thermal power stations (constructed in 1948 and 1978). The thermal energy produced is exploited by the residents of Kohtla-Järve city and the surrounding industrial undertakings – including the subsidiaries of Viru Keemia Grupp as well as Nitrofert AS – the mineral fertilizer producer, and AS Velsicol Eesti – the benzoic acid producer. The company provides work for 175 people.

VKG Elektrivõrgud OÜ is the second biggest distribution network in Estonia after Eesti Energia Jaotusvõrk. East-Viru County is the company's service area and includes the cities of Narva, Narva-Jõesuu and Sillamäe, the Vaivara commune and the Viivikonna district of Kohtla-Järve city. In 2004 the company was awarded the ISO 9001 quality management system certificate. The company provides work for more than 60 people.

VKG Transport AS participates actively in international economic activities – the company provides safe transport of hazardous loads from Portugal to Vladivostok.

Infrastructure enterprises

All above mentioned production sectors of the company have been directly connected to production of goods. But the operation of subsidiaries described in this chapter is based on rendering services to other production units within and outside the company. An enterprise with a large experience of rendering repair and assembly services, Viru RMT, was established on the base of the previous repair and assembly unit of the former oil shale processing plant. The company is dealing with maintenance and repair of technological equipment, producing of metal constructions and pieces, rendering assembly services, repair and assembly of all types of communications, as well as maintenance of automation systems in daughter companies within VKG. Since 2003, Viru RMT started rendering services in construction of water and wastewater networks, designing of automation control systems and maintenance and development of their software.

VKG Transport, daughter enterprise within the company, as one of the biggest Estonian transport enterprises, renders both international and domestic motor transport and railway services in the field of logistics. Carriage rolling stock of VKG Transport consists of more than 1300 railroad tanks to transport light and dark oil products and chemicals. The enterprise transports hazardous cargo, effects repair and maintenance of railway tracks, forwarding services, rent of rolling stock and tanks wash.

VKG Elektriehitus joint stock company (until 27.03.2007 Narva Elektriteenused) belongs to VKG since July 2006 and renders complex electrical services (mainly in electrical construction) to network enterprises and owners in Ida-Viru County and across Estonia. The customers of the enterprise are VKG Elektrivõrgud (former Narva Electricity Supply Networks) and VKG Energia. The biggest clients are the Port of Sillamäe, Sillamäe Thermal Power Station, Sillamäe Oil terminal and other companies having own objects in the port territory or in the Sillamäe free economic zone, where Narva Elektriteenused is the general contractor for the construction of external power supply networks. The enterprise acts as well as a subcontractor for electric works on other regional construction sites.

The services of water supply, wastewater cleaning and preliminary cleaning of process water of the enterprises belonging to the company is the responsibility of Viru Vesi joint stock company, subsidiary of VKG. This enterprise is also dealing with supply of ground, lake and circulation water to customers, maintains sewerage systems, communications, water supply networks and wastewater pumping. The major industrial customers of Viru Vesi are Kohtla-Järve Soojus, Nitrofert, Velsicol Eesti, Silbet and daughter companies of VKG.

VKG Transport AS as a subsidiary of VKG was established in 1999 and has developed into one of the biggest transport companies in Estonia. The company owes the ISO 9001, ISO 14001 and OHSAS 18001 certificates. The company provides jobs for more than 100 people.

Viru RMT OÜ was established on the basis of the maintenance station of Viru Õlitööstus AS. In 2001, Viru RMT started operating as a subsidiary of VKG. In 2007, the company employed 300 people. The company provides its services to many inner group and outer group companies.

VKG Elektriehitus AS provides complex electrical services to network operators and owners in East-Viru County and other parts of Estonia. In 2006, the company gained the ISO 9001 certificate. The company employ more than 50 employees.

Viru Vesi AS principal activity includes provision of water services and sewage treatment services. AS Kohtla-Järve Soojus, AS Nitrofert, AS Velsicol Eesti, Silbet AS, as well as the subsidiaries of Viru Keemia Grupp AS, are the biggest industrial clients of the company. The company owes the ISO 9001, ISO 14001 and the OHSAS 18001 certificates.

VKG Income statement

Consolidated income statement
thousand kroons

	2001	2002	2003	2004	2005	2006	2007
Net sales	584 152	574 589	592 235	713 819	980 939	1 503 614	1 787 066
Targeted financing		504	305	1 618	1 493	428	0
Cost of goods sold	474 235	464 902	458 904	514 851	614 392	980 644	1 178 281
Gross profit	109 917	110 192	133 635	200 586	368 040	523 398	609 785
Marketing expenses	10 736	16 402	12 896	32 001	28 894	34 039	39 384
Administrative and general expenses	49 140	55 623	55 112	60 196	135 501	180 248	176 730
Other operating revenue	32 293	70 958	12 062	2 793	6 296	13 992	14 601
Other operating charges	65 892	25 083	6 216	7 280	22 452	18 367	29 707
Operating profit	16 442	84 042	71 473	103 902	187 489	304 736	377 565
Financial income and expenses	- 7 136	- 3 592	- 12 797	18 367	- 52 549	- 3 409	- 82 559
Profit before taxation	9 305	80 450	58 677	122 269	134 940	301 327	295 006
Income tax expense				1 300	1 200	2 300	2 200
Net profit for the financial year	9 305	80 450	58 677	120 969	133 740	299 027	292 806

Heiki Nabi

World Champion
in Greco-Roman wrestling 2006

VKG Sponsorship activities

The existence of an organization is dependant on public support. Thus, one of VKG's priorities is to actively participate in different regional activities and support community initiatives. Within the industrial concern we pay particular attention to cooperation with our employees and within the city to different projects relevant to local target groups.

Scholarships granted by VKG

In 2003 VKG started awarding its scholarship to students at Tallinn University of Technology. The scholarship is meant to support successful **undergraduate** students majoring in Chemical and Environmental Technology at the Faculty of Chemical and Materials Technology of Tallinn University of Technology.

Every year, two scholarships worth EEK 15 000 each are awarded to two students.

Beginning with the academic year 2005/2006, VKG has also been cooperating with the Virumaa College of Tallinn University of Technology (the college is situated in the city of Kohtla-Järve). Students that are majoring in Production Engineering and Entrepreneurship, Automatic Control Systems and Fuel Technology are entitled to apply for this VKG scholarship. For the years 2005-2008, VKG is allocating a total of EEK 275 000 for these scholarships.

On 21 September 2006, VKG signed the so-called "Protocol of Common Intentions," which establishes the stipulations regarding VKG's participation in the **Paul Kogerman Doctoral Scholarship Program**.

Supporting the traditions of Kohtla-Järve as an industrial city

In 2007, on the initiative of VKG, **Chemists' Day** was held for the seventh time in the city. The party in the oil shale city, held on the last Saturday in May, is meant for oil shale industry employees and their families. The festival program contains a concert, different competitions and inter-company activities. Chemists' Day is a major source of entertainment for the entire city and always attracts several thousand spectators.

In cooperation with the city government, VKG is organizing a **party for industrial veterans**, for the third consecutive year. According to tradition, the party is held in the community cultural centre of Kohtla-Järve, in the first week of October. The veterans are entertained with a gala concert and a champagne reception. The event usually attracts about 400 industrial veterans.

VKG also supports sports

The main recipient of sponsorship from VKG is the Estonian Wrestling Federation. VKG has been the main sponsor of the Estonian Wrestling Federation since 2005-2006, with the total sponsorship amount coming to EEK 400 000. A part of this sum has been allotted to **Heiki Nabi**, a world champion in Greco-Roman wrestling, to cover his travel expenses to China.

VKG is always open to reasoned sponsorship requests as a part of our social responsibility. Though the corporation's sponsorship and investment priorities (i.e. environmental protection and wrestling) have been clearly defined, we also provide sponsorship for smaller projects.

VIRU KEEMIA GRUPP AS

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