

Group annual report

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LETTER FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear reader,

In 2024, Viru Keemia Grupp (VKG) had to operate in an environment where the economic and regulatory framework had become even less predictable. Despite this, we continued to focus on operational reliability and safety, and redesigned the group structure to accommodate new business lines.

Our activities continued to be affected by the lack of clarity regarding the overarching objectives and the implementation of national economic and environmental policies deriving from EU green legislation. Within the Estonian political landscape, discussion of economic and industrial policy issues has been sidelined in favour of pursuing goals without impact analyses. The process surrounding the Climate Act has introduced further uncertainty into the business environment. There are no clear targets relating to the real economy, including the energy-intensive manufacturing sector, to inform investment planning.

The global market was influenced by ongoing geopolitical tensions, including the war in Ukraine, conflicts in the Middle East, and the risk of economic stagnation in China and the US. Nevertheless, the price of oil products remained stable throughout the year, with Brent crude holding at \$70–80/bbl. The prices of our main products also remained at their 2023 levels and we met our cost base targets.

For our oil production business, the year was challenging. Due to numerous technical failures, annual output was almost 3% lower than expected. Nevertheless, production volume reached 668 thousand tonnes, which is only slightly below the record result achieved in 2023. Furthermore, strengthening the VKG Energia team had an immediate positive effect on the results of our energy production business.

VKG's corporate structure continued to evolve. We successfully completed the divestment of Viru RMT and moved our oil product sales closer to customers. Development activities unrelated to the oil shale industry were separated from the rest of our operations to facilitate their financing by credit institutions. Ervin Küttis and Raivo Vasnu joined VKG's management board and, in 2025, the latter took over management of VKG Oil from Nikolai Petrovich, who had served on the board for many years.

In the current environment, VKG has taken all reasonable steps to prepare for 2025. We have restructured our operations, mitigated production-related risks and made progress with future investments. However, the success of these investments will depend more on the regulatory environment and the courage of political decision-makers than on technological readiness. VKG's position is clear: Estonia needs a strong manufacturing industry that can provide a secure energy supply, export high-value products and support the development of Ida-Viru County.



Ahti Asmann
Chairman of the Management Board
Viru Keemia Grupp AS

DIRECTORS' REPORT

Viru Keemia Grupp AS (together with the subsidiaries: VKG or the group), based at Kohtla-Järve, is Estonia's largest privately owned producer of shale oil products that continues the tradition of adding value to Estonian oil shale, which began in 1924. It has been privately held since 1997, when the state-owned company Kiviter was privatised.

We strive for openness, commitment to our activities and continuous development. We believe that every step and action should create more value for all – our people, our partners, our customers and the local community.

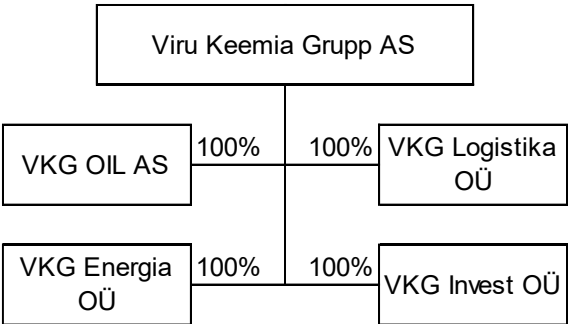
As an industrial company, VKG has a significant environmental footprint. Our priority is to operate with minimal impact on the surrounding natural environment. To this end, we work daily to improve our resource and energy efficiency and reduce our emissions.

VKG's main product is shale oil VKG D, which is used as a marine fuel component, a raw material in the chemical industry and for heating boilers and industrial furnaces. In addition to shale oil, we also produce oil shale gasoline and various oil shale phenol fractions such as Honeyol and Rezol. The retort gas that is not condensed during the oil production process is used to generate industrial steam, heat and electricity.

In 2024, the VKG continued the organisational restructuring and operational streamlining that had been initiated in previous years in order to ensure the company's competitiveness within an increasingly strict regulatory landscape and volatile economic environment. On the production side, safety, as well as the availability and reliability of production assets, remained top priorities.

GROUP STRUCTURE

The VKG group's legal structure as at 31 December 2024 was as follows:



Changes in group structure in 2024:

- On 19 March 2024, VKG signed an agreement to sell Viru RMT OÜ, a company involved in manufacturing metal structures, to the company's sales manager. Activities related to VKG's operations had previously been separated from Viru RMT.
- On 8 October 2024, we decided to discontinue the activities of VKG Solar OÜ and merged the company with VKG Logistika OÜ. VKG Solar OÜ was established to develop an 8 MW solar farm on the Ahtme ash hill, but obstacles set by both the Ministry of Defence and the Ministry of Climate rendered the project commercially unviable.

In addition to the structural changes, 2024 saw a significant shift in the group's business model. Previously, VKG's activities included selling oil products. However, with effect from 1 January 2024, the group shifted its main focus to production processes, with sales being handled by an international team of oil sales experts at the Swiss parent company, TARS International GmbH, which changed its name to VKG GmbH on 6 May 2025.

IMPACTS OF THE EXTERNAL ENVIRONMENT

As a producer of shale oil products, VKG's performance depends heavily on developments in the economic environment and regulatory landscape:

- **Economic environment** – Although changes to VKG's business model have reduced the group's exposure to global economic developments, it is still affected by them indirectly. At the same time, its exposure to CO₂ prices and local factors, such as labour market conditions and electricity prices, has grown.
- **Regulatory environment** – Certain political decisions, mainly at the EU level but also in Estonia, may act as a headwind that undermines VKG's competitiveness in the global oil products market.

Economic environment

Although the global economic environment has remained challenging, the world economy grew by 3.2% in 2024, according to the International Monetary Fund (IMF). The IMF expects a similar growth trend to continue over the next two years. The good performance was supported by falling inflation and resilient labour markets. At the same time, growth in the USA – the world's largest economy – is forecast to slow. According to the IMF, the US economy expanded by 2.8% in 2024, but is projected to grow by 2.7% in 2025 and 2.1% in 2026 due to a tighter monetary policy. The economic situation in the euro area is much weaker, with growth of just 0.8% in 2024, but on a positive note, it is expected to pick up slightly in the next two years, to 1% and 1.4%, respectively. The main drag on growth is the weak performance of the German economy, where structural problems in the energy-intensive manufacturing sector caused a further contraction in 2024 – this time by 0.2%.

	GDP growth		Forecast	
	2023	2024	2025	2026
Global economy	3.30%	3.20%	3.30%	3.30%
USA	2.90%	2.80%	2.70%	2.10%
Euro area	0.40%	0.80%	1.00%	1.40%
Germany	-0.30%	-0.20%	0.30%	1.10%
Estonia	-3.10%	-0.30%	1.50%	2.60%

Sources: IMF World Economic Outlook Update, January 2025; Eesti Pank, Estonian Economy and Monetary Policy 1/2025.

A cause for concern is the state of the Estonian economy, which has declined for 10 consecutive quarters. According to Statistics Estonia, it was only in the fourth quarter of 2024 that Estonia's GDP growth managed to break its long downward trend and recorded growth of 1.2%. Yet overall, Estonia's GDP still contracted by 0.3% in 2024. Eesti Pank (the central bank of Estonia) expects the local economy to recover within the next two years, with growth forecast at 1.5% and 2.6%, respectively.

At the same time, the Estonian labour market has weathered the prolonged recession well. Although the unemployment rate rose to 7.6% in 2024 (2023: 6.4%), this is not a cause for concern. High employment and modest unemployment have significantly increased the average gross wage in Estonia. On a quarterly basis, the average gross wage exceeded 2,000 euros for the first time in the second quarter of 2024. Following two years of double-digit growth in the average wage (2022: 11.6%; 2023: 11.3%), both the private and public sectors are unable to sustain such a surge. In 2024, the average gross wage increased by 8.1% compared to the previous year. However, a high employment rate is preventing a rapid slowdown in wage growth.

In 2024, oil markets continued to be affected by the war in Ukraine and instability in the Middle East. Despite this, oil prices remained relatively stable, with Brent prices fluctuating between \$69/bbl and \$91/bbl – the narrowest trading range since 2019. Modest oil production growth and slower-than-expected increase in demand had a negative impact on prices, while geopolitical risks and OPEC+ production cuts supported prices. In the first quarter, prices rose due to the conflict in the Middle East, reaching an annual high of \$91/bbl in April. In the second half of the year, Brent prices fell as global demand weakened following declines in industrial production in China and the US, ending the year at \$74.64/bbl. The average oil price in 2024 was \$80/bbl, which is \$2/bbl lower than in the previous year.

The prices of CO₂ emission allowances fell significantly more. The average price in 2024 was €66.5/t, down by almost a quarter compared to previous years, when prices averaged above €80/t (2022: €81.2/t; 2023: €85.3/t; March 2023: temporarily above €100/t). The decline reflects lower demand for the allowances due to an increased share of renewables in Europe's energy production portfolio, as well as a decline in the production volumes and the competitiveness of the European industrial sector, caused by the same CO₂ pricing.

Volatility in the local electricity market has decreased in recent years and the market has become relatively stable. In 2024, electricity prices in Estonia were primarily influenced by adverse weather conditions, short- and long-term maintenance and repairs at power plants, and transmission capacity constraints in Estonia and neighbouring countries. The average market (exchange) price of electricity in the Estonian price area was €87.27/MWh (2023: €90.79/MWh).

Regulatory environment

VKG's operations are significantly affected by the regulatory environment. A stable environment enables us to plan our business and adapt to various impacts. However, rapid regulatory changes and unclear or unexpected messages from the government can undermine both day-to-day operations and future investments.

The main regulatory changes and initiatives affecting VKG in 2024 are summarised below.

Environmental Charges Act – Since July 2024, VKG has been subject to higher pollution charges for discharging pollutants into the air and water, and for disposing of ash and semi-coke. Relevant changes resulted from amendments to the Environmental Charges Act, adopted in 2023, which have been widely criticised because stakeholders were not consulted and impact assessments were not conducted. Due to the increase in charges, VKG's tax burden grew by 1 million euros in 2024 and is expected to increase by 3 million euros in 2025 compared to 2023.

Climate Act / Climate-Resilient Economy Act – VKG proposed drafting a Climate Act in 2021 already in order to initiate a broader discussion about realistic climate targets for Estonia and to raise awareness of the associated impacts, risks, and opportunities. This is a topic that requires balanced and reasoned public debate, involving not only the setting of goals, but also the analysis of their practicability and feasibility, the availability of the necessary technologies, and the associated costs and environmental impacts. In 2023, the state began drafting a Climate Act, intending to adopt it in 2024. In the summer of 2024, a draft of the Climate-Resilient Economy Act, accompanied by an explanatory memorandum, was presented to the public (the name of the Act having changed during the drafting process). However, the draft did not meet VKG's expectations. It set out greenhouse gas reduction targets for various sectors in order to achieve climate neutrality by 2050. It also aimed to restrict domestic fuel production and make the granting of new oil shale extraction permits conditional on the final product. VKG believes that the European Union's ambitious climate targets have already undermined the competitiveness of European industrial companies. Therefore, it would be short-sighted of the Estonian state to impose additional restrictions and obligations through its own climate law, as this would only further damage the competitiveness of Estonian companies, particularly in light of the presence of a hostile neighbour across the border. Instead, the state should support local industry and energy security in order to counter the threats posed by this neighbour. Due to its content and structure, the draft Act has been heavily criticised by stakeholders and wider society, which has delayed its finalisation. Nevertheless, it is expected to be presented to the Estonian parliament in 2025.

Amendments to the EU regulation on the allocation of free emission allowances – Sectors that are part of the EU Emissions Trading System and are at risk of carbon leakage, including the sector in which VKG operates, are allocated free CO₂ emission allowances. The principles for free allocation were previously agreed until the end of 2025. The principles for allocating free emission allowances until 2030 were approved at the beginning of 2024. VKG has submitted an application for these allowances to the European Commission, which we expect to be approved in 2025. As a result of the amendments, the amount of free allowances allocated to the company will be reduced, but to a lesser extent than previously proposed by the European Commission. This gives VKG some certainty until 2030. The European Union's plans for the taxation of CO₂ emissions after 2030 are currently unclear. First, the European Union's climate targets for 2040 must be agreed upon. Then, the necessary legislation, including the European Union Emissions Trading System Directive, will be amended.

Best available techniques for shale oil production – In 2023, the Ministry of Climate began a review and update of the best available techniques reference document for shale oil production. The work was finalised by the end of 2024 and the reference document on the best available techniques for shale oil production is expected to be approved by summer 2025. This will probably result in additional obligations for the company, such as further reductions in pollutants and increased monitoring.

Industrial Emissions Act – The amendments to the Industrial Emissions Act that were adopted in 2023 introduced the possibility of issuing integrated environmental permits for a specified term. Previously, such permits were only issued for an unspecified term. The Act and its explanatory memorandum grant the state significant discretion in applying time limits to integrated environmental permits, without establishing any criteria for their implementation. As this would render industrial investments with long payback periods unfeasible in Estonia, we submitted a memorandum to the Chancellor of Justice requesting a review of the constitutionality of the provision. At the beginning of 2025, the Chancellor of Justice announced that the provision must be supplemented as it is currently unconstitutional.

BUSINESS REVIEW

In 2024, VKG's main priorities as a production company were to improve the availability and operational reliability of its production assets and to ensure employee safety. Although the company achieved its best-ever safety and production results in the first half of the year, the year was marked by a fatal accident that occurred at a circulating oil purification plant in August. The company took the incident extremely seriously, suspending the plant for almost six months while it investigated the causes, modified the process, and rebuilt the facility to improve safety. As the suspension of the circulating oil purification plant reduced production volumes, output in 2024 was significantly lower than anticipated. However, thanks to robust performance in the first half of the year, annual production reached 668 thousand tonnes, just below the record set in 2023. Excluding the fatal accident, the company's overall safety performance improved, with a 50% reduction in lost-time injuries compared to the previous year.

The key indicators that reflect VKG's financial performance are summarised in the table below:

Key performance indicator	Unit	6 months 2022	2023	2024
Average price of Brent crude oil	\$/bbl	93	82	80
Average price of 1% fuel oil	€/t	512	437	437
Average price of electricity (NPS Estonia)	€/MWh	247	91	87
Average price of CO ₂ emission allowances	€/t	79	84	67
Oil shale processing volume	'000 t	2,049	4,795	4,839
Output of shale oil products	'000 t	283	669	668
Electricity production	GWh	185	449	474
Heat supply	GWh	245	520	514
Average number of employees	employee	1,575	1,243	955
Revenue	€'000	184,747	339,462	336,986
Operating profit	€'000	11,943	23,727	52,838
Net profit	€'000	4,059	19,325	48,511
Total assets	€'000	763,827	705,513	697,949
Equity	€'000	218,493	169,110	207,783
Equity ratio	%	29%	24%	30%
Net margin	%	2%	6%	14%

In terms of production indicators, the main achievement in 2024 was a 6% increase in electricity production. While this was partly due to lower heat sales, the main driver was improved boiler and turbine efficiency, resulting from better management of operating modes. The decrease in the workforce is attributable to the group's restructuring and more efficient work arrangements.

Regarding financial indicators, the most significant change was a strong improvement in the group's profitability. This was primarily due to lower lease payments, which were negotiated when a new lease agreement for non-current assets was signed with Kirde Varad AS, a related company. Another contributing factor was the decline in CO₂ prices.

The group's core business comprises two main operations: the production of shale oil products and the cogeneration of heat, steam and electricity. Group companies also provide logistics and investment services.

Production of shale oil products – VKG Oil AS

In 2024, VKG Oil continued its ordinary business of thermal processing of oil shale into oil products, using the Petroter and Kiviter technologies and related equipment. In 2024, VKG Oil processed 4.84 million tonnes of oil shale, 0.9% more than in 2023. Oil shale processing volumes increased in the first half of the year, mainly due to improved availability of the production assets. However, the suspension of the circulating oil purification process following an accident in the second half of the year reduced both productivity and output, resulting in a 0.2% decline in oil production compared to 2023.

VKG Oil continued its efforts to increase the energy efficiency of the oil production process. Following a 15% improvement in 2023, the energy efficiency indicator for oil production (i.e. the amount of electricity and natural gas used to produce one tonne of oil products) improved by a further 3% in 2024. This was achieved despite the suspension of the circulating oil purification process, which negatively impacted the energy efficiency indicator. Improving energy efficiency will remain an ongoing target in the years ahead.

Work also continued on the development of the circulating oil purification plants. Developed by VKG's engineers and technologists, the circulating oil purification system increases the production capacity of the Petroter plants by enabling 20–30% more oil shale to be processed in the same reactor than the original design capacity permits. First tested in 2017, the system is now reliable enough to be implemented to clean the circulating oil of all Petroter plants. The initial goal was to complete the work and launch the plant at increased capacity by the end of 2024. However, following the accident, priorities changed and improving plant safety became the top priority. Work on this project will continue in 2025.

Cogeneration of heat, steam and electricity– VKG Energia OÜ

VKG Energia uses oil shale gas – a by-product of oil production that does not condense into oil – to generate heat, steam and electricity. The heat is supplied to the local district heating network and the steam is sold to production companies operating in the area. Any electricity not used internally is sold to the distribution network operator Viru Elektrivõrgud OÜ or to the Nord Pool power exchange. VKG Energia also uses oil shale gas in its lime plant. The output of the plant is used in VKG Energia's desulphurisation systems to clean flue gases. Such a production chain ensures that oil shale energy is used as efficiently and sustainably as possible.

In 2024, VKG Energia's input energy increased by 8.1 GWh (0.4%), while its effective energy output grew by 19.9 GWh (2.1%) compared to 2023. Electricity production increased by 5.7%, partly due to decreased heat production. Overall, fuel-use efficiency improved by 1.7%, primarily due to more effective management of boiler and turbine operating modes and the efforts made to improve water quality. The electricity produced by VKG Energia accounted for 8.8% of the total electricity produced and 5.7% of the total electricity consumed in Estonia in 2024 (2023: 9.1% and 5.5%, respectively). This represents a stable supply of electricity to the local grid, irrespective of weather conditions or electricity prices.

Key financial indicators

In 2024, exports accounted for 81% of the group's total revenue, up from 62% in 2023. Although most of the group's end users are based outside Estonia, the proportion of exports in 2023 was lower than usual. This was because one of the main customers had a permanent establishment and a VAT number in Estonia, so the related sales were reported as domestic in VKG's accounts.

The revenue contributions of the main product groups and service lines did not change significantly:

Product group or service line	2023	2024
Shale oils	83%	81%
Sale and distribution of heat and electricity	12%	12%
Other products and services	5%	7%

The following ratios reflect the group's financial performance:

Ratio	2023	2024
Net margin (net profit / revenue)	5.2%	14.4%
Return on assets (ROA) (net profit / average total assets)	2.4%	6.9%
Return on equity (ROE) (net profit / average equity)	9.2%	25.9%

The following ratios reflect the group's financial position:

Ratio	2023	2024
Debt ratio (liabilities / total assets)	0.76	0.70
Current ratio (current assets / current liabilities)	0.57	0.70

The group's profitability improved significantly in 2024. This was mainly due to a new lease agreement concluded with Kirde Varad AS at lower lease prices. While the debt and current ratios have improved, they remain below 1, primarily due to transactions with a related company.

DEVELOPMENT ACTIVITIES

Since 2024, all new VKG development projects have been assigned to separate related parties:

- construction of a bioproduct production complex in Lügänuše rural municipality – VKG Fiber OÜ;
- construction of a chemical recycling plant for plastic waste at Kohtla-Järve – VKG Plastic OÜ;
- renewable energy projects – VKG Wind OÜ.

As these companies are not part of the VKG group, these projects are not covered by this directors' report. Instead, they are described in the respective companies' management reports.

VKG continues to analyse other business opportunities, primarily in the areas of the circular economy and green technologies.

In order to reduce the carbon footprint of shale oil production, we have started analysing options for capturing, using and storing CO₂. Currently, VKG's current production operations only generate fossil CO₂, which is more difficult to use in the manufacturing of new products than biogenic CO₂. Therefore, it will be necessary to store the captured CO₂, which requires transnational agreements and solutions.

In the first phase of development, we will define a pilot project based on a Petroter oil plant where a post-combustion CO₂ capture solution has to be implemented. This will involve separating CO₂ from flue gases and preparing it for further handling (transport, storage, etc.). However, as the flue gases from the Petroter plants contain high levels of moisture, finding a suitable absorption- or adsorption-based solution is a challenge.

Concurrently, the state has started developing a roadmap for the deployment of CO₂ capture technology, which will hopefully pave the way for the implementation of an industrial solution in the future.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

For nearly 20 years, Viru Keemia Grupp has consistently implemented a comprehensive corporate social responsibility and sustainable development policy. The group's strategy considers both short- and long-term goals, guided by the principles of sustainable development in an era of changing regulations, energy markets and societal expectations. The company follows the principle that every step and every action should create more value for all – our people, our partners, our customers and the local community.

Using and adding value to natural resources responsibly is an important part of VKG's sustainability strategy. We recognise that all production operations have an environmental impact, which is why we not only operate within legal requirements, but also take proactive and responsible action.

Openness and transparency are two of our core values. Since 2008, we have prepared and published annual corporate social responsibility and sustainable development reports. These documents are available to the public on the group's website in Estonian, English and Russian. The reports are prepared in accordance with the Global Reporting Initiative's (GRI) sustainability reporting guidelines and its sector-specific guidelines for the oil and gas industry. We also comply with the relevant ISO standards to ensure that environmental and occupational health and safety data meet the applicable quality requirements. VKG's sustainable development report for 2022–2023 is available on our website. Since 2024, we have addressed these issues in an even more systematic manner by publishing the relevant information in an ESG (environmental, social and governance) report. The 2024 ESG report was prepared for the first time in accordance with the European Sustainability Reporting Standards (ESRS). The report can be found on the VKG website.

Environmental activities

All large industrial enterprises have an impact on the environment through their operations. VKG has developed a comprehensive and systematic approach to assessing and managing these impacts in accordance with EU and Estonian environmental legislation, as well as the best available techniques (BAT) reference documents.

VKG's main environmental impacts result from the emission of CO₂ and other air pollutants during the processing of oil shale, a natural resource. In 2024, both emissions volumes and resource usage remained similar to those in 2023. All significant environmental impacts are detailed in VKG's 2024 ESG report, which is available on the VKG website.

Employees

VKG's success is underpinned by competent and motivated employees who are committed to their work and loyal to the company, creating value as a team. At the end of 2024, the group employed 950 people. The following table shows the change in headcount and the number of employees by company:

Group company	Headcount as at 31 December 2023	Headcount as at 31 December 2024
Viru Keemia Grupp AS	96	93
VKG Oil AS	623	620
VKG Energia OÜ	115	106
Viru RMT OÜ*	15	0
VKG Logistika OÜ	129	131
Total	978	950

* Viru RMT OÜ was sold in March 2024.

Effective and motivated work directly impacts the group's financial performance. When setting remuneration, we consider the regional labour market situation, sector-specific wages and salaries, and the responsibilities and qualifications of the employee. VKG's wages and salaries are above the average for Ida-Viru County, which makes us competitive in the labour market. The group has a clear remuneration policy and a transparent, performance-based bonus system. We participate in annual wages and salaries surveys to keep ourselves informed and ensure that our pay levels remain competitive.

Since 2023, we have conducted group-wide satisfaction and engagement surveys to assess the engagement and loyalty of our employees. According to the 2024 results, our employee engagement score is 69, exceeding both the Estonian average and our own result from 2023. This level of engagement reflects our employees' strong loyalty and confidence in the future, as well as their pride in working for VKG. A high level of engagement is also reflected in the high employee NPS (Net Promoter Score), which indicates the extent to which employees participate in recruiting new staff. The number of candidates applying on the recommendation of our employees increases year on year, a trend supported by the company's recruitment bonus.

The Code of Ethics and Conduct sets out the expectations, rules and principles for employee conduct that must be observed and applied in the workplace. The ethnic, gender, age and language diversity of our workforce places high demands on equal treatment, inclusion and communication. Uniform rules of conduct, set out in the human resources policy together with the group's values and ethical guidelines, ensure honest and fair working relationships and employee loyalty.

VKG is committed to the continuous development of its employees in order to enhance their skills and support their ongoing employability. To this end, the group has developed a training procedure that regulates and standardises the provision of work-related training for VKG employees, setting out the general principles of training activities. In 2024, 963 employees participated in various development activities, including training sessions, conferences, and webinars. By the end of the year, a total of 1,777 working days had been dedicated to employee training, with the group investing almost 400,000 euros in this over the year.

We invest in the training of future employees and the development of existing staff and offer internships to students. In 2024, VKG Oil continued a training project for future operators of technological equipment. We launched Race for Talent campaigns to attract promising candidates seeking their place in the labour market. The campaigns were highly successful, with over 250 applications received for each one. To improve the quality of training for new starters, we have developed a four-month training programme tailored to the specifics of our company. The programme provides theoretical knowledge and practical skills, drawing on the expertise of our top specialists. We also offer internships to many students. In 2024, 47 students participated in our internship programmes. Internships are essential for training future employees and contributing to the local education system.

The Chemists' Trade Union is VKG's partner in raising and negotiating matters relating to working conditions, safety, and other work-related issues. The group maintains open relations with the trade union and has direct contact with its representatives. In autumn 2024, the group held negotiations on a collective agreement, which was signed in December. The terms and conditions of this agreement were extended to all group employees.

More detailed information on VKG's human resources activities can be found in the group's ESG report, which will be available on the VKG website at www.vkg.ee by August 2025 at the latest.

Working environment and safety

VKG has always prioritised and invested in the development of the working environment and safety at work. This area became a top priority in 2021 when the goal of achieving a zero-accident workplace was set and the necessary resources were allocated. However, over the years, it has become clear that achieving a safe working environment requires a change in working culture, which takes time.

More detailed information on activities related to the work environment and safety at work can be found in the group's ESG report, which will be available on the VKG website by August 2025 at the latest.

Anti-corruption measures

Fighting corruption has always been a priority for the group. VKG's three main corruption risks and the measures taken to mitigate them are as follows:

- Giving a bribe in the interest of the group – VKG is a responsible and transparent company with a zero tolerance policy towards corruption and bribery.
- Accepting a bribe in the selection of suppliers and business partners – VKG has implemented a procurement policy to prevent procurement manipulation and ensure the selection of the best partner for the group. Compliance with the policy is monitored by the internal control unit, which carries out regular checks.
- Conflicts of interest of key management personnel in representing the interests of the group – VKG has adopted a procedure for the submission of declarations of economic interests, which requires key management personnel to disclose their investments in and relationships with non-group companies. Members of the management board may not compete with VKG in any of the group's business lines without the prior written consent of the supervisory board.

The group has set up a confidential hotline (vihje@vkg.ee) that any employee or third party can use to report concerns about any aspect of the group's activities (corporate governance, business ethics, human rights, work arrangement, safety, security, product and service quality, etc.) or any matter of a corrupt nature.

SUPERVISORY BOARD AND MANAGEMENT BOARD

The VKG group is managed by a five-member management board. However, at 31 December 2024 the board temporarily had six members:

- Ahti Asmann, chairman of the management board
- Jaanis Sepp, vice-chairman of the management board and financial director
- Raivo Attikas, member of the management board and technical director
- Nikolai Petrovitš, member of the management board and member of the management board of VKG Oil AS
- Ervin Küttis, member of the management board and member of the management board of VKG Kaevandused OÜ
- Raivo Vasnu, member of the management board.

The parent company's management board adopts all major decisions required for the operation of the VKG group. In 2024, there were two changes in the composition of the management board. In February, Margus Kottise, a member of the management board and the member of the management board of VKG Kaevandused, resigned and was replaced by the new member of the management board of VKG Kaevandused, Ervin Küttis. In December, Raivo Vasnu joined the management board. After the reporting date, on 8 April 2025, Nikolai Petrovitš resigned from the management board of VKG.

VKG's supervisory board consists of four members – the chairman Kristjan Piilmann and the members Margus Kangro, Aare-Laidar Laos and Elar Sarapuu. In 2024, there was one change in the composition of the supervisory board: Ants Laos stepped down as a member and Aare-Laidar Laos was appointed in his place.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of euros)	Note	31 December 2024	31 December 2023
Cash and cash equivalents	2	5,946	7,039
Investments in financial assets	3	8,000	31,307
Trade receivables	4	48,047	22,482
Other receivables	4, 28	20,757	17,285
Prepayments	4	275	169
Emission allowances	5	30,687	44,216
Inventories	6	11,261	25,171
Total current assets		124,973	147,669
Non-current receivables	4	415,435	314,716
Property, plant and equipment	7	156,027	241,355
Intangible assets	8	1,516	1,773
Total non-current assets		572,978	557,844
Total assets		697,951	705,513
Borrowings	9	72,530	122,945
Advances received		29	63
Trade payables	28	17,368	19,457
Taxes payable	10	5,190	4,880
Accrued expenses	10, 30	16,188	36,582
Government grants	11	30,687	44,234
Provisions	12	37,186	31,588
Deferred income	13	222	73
Total current liabilities		179,400	259,822
Borrowings	9	79,829	149,591
Deferred income	13	56	59
Other liabilities	30	229,329	126,931
Deferred tax liability	24	1,551	1,619
Total non-current liabilities		310,765	278,200
Total liabilities		490,165	538,022
Share capital	14	6,209	6,209
Reserves	15	621	1,157
Retained earnings		200,956	160,125
Equity attributable to owners of the parent		207,786	167,491
Total equity		207,786	167,491
Total liabilities and equity		697,951	705,513

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands of euros)	Note	2024	2023
Revenue	16	336,986	339,518
Cost of sales	17	-367,412	-404,092
Gross loss		-30,426	-64,574
Marketing and distribution expenses	18	-970	-4,894
Administrative expenses	19	-12,827	-14,722
Other income	20	98,976	109,604
Other expenses	21	-1,915	-1,687
Operating profit		52,838	23,727
Finance income	22	16,395	9,599
Finance costs	22	-19,153	-14,001
Profit before tax		50,080	19,325
Income tax expense	24	-1,569	-1,619
Profit for the year		48,511	17,706
Other comprehensive income		0	0
Total comprehensive income for the year		48,511	17,706

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of euros)	Note	2024	2023
Profit for the year		48,511	17,706
<u>Adjustments for:</u>			
Depreciation, amortisation and impairment losses		73,327	126,289
Loss on disposal of non-current assets		166	25
Change in fair value of financial instruments		160	-160
Recognition and adjustment of provisions	12	5,761	4,760
Accrued finance income and costs	22	3,016	4,521
Recognition and reversal of inventory write-downs	6	0	2,780
Recognition of deferred connection charges as income		-3	-3
Other adjustments	24	1,569	-520
Total adjustments		83,996	137,692
Change in inventories		13,057	-10,614
Change in operating receivables and prepayments		-16,595	12,652
Change in operating payables and advances received		-9,711	-1,415
Net cash from operating activities		119,258	156,021
Cash flows from investing activities			
Purchase and improvement of property, plant and equipment	9, 25	-23,597	-17,923
Purchase of intangible assets		-105	-212
Proceeds from sale of non-current assets		11,954	28,751
Purchase of other investments	3	-48,885	-79,649
Sale of other investments	3	72,033	174,075
Loans provided	4	-116,760	-309,816
Repayments of loans provided	4	20,292	6,413
Acquisition of a subsidiary	27	-29	0
Proceeds from sale of a subsidiary	27	418	0
Interest received		9,668	1,652
Cash inflow from a merger		58	0
Net cash used in investing activities		-74,953	-196,709
Cash flows from financing activities			
Loans received	9	0	562
Repayments of loans received		-32,062	0
Cash inflow for depositing liquid funds	30	78,950	117,700
Payments of lease principal	9, 25	-66,190	-118,612
Interest paid on loans and deposits	26	-3,734	-469
Interest paid on lease liabilities	25	-12,857	-10,601
Corporate income tax paid		-1,505	-1,099
Dividends paid	14	-8,000	-5,500
Net cash used in financing activities		-45,398	-18,019
Net cash flow		-1,093	-58,707
Cash and cash equivalents at beginning of year		7,039	65,746
Decrease in cash and cash equivalents		-1,093	-58,707
Cash and cash equivalents at end of year		5,946	7,039

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In thousands of euros)	Equity attributable to owners of the parent				Total equity attributable to owners of the parent	Total equity
	Share capital	Statutory capital reserve	Revaluation reserve	Retained earnings		
As at 31 December 2022	6,209	621	647	211,017	218,494	218,494
Profit for the year	0	0	0	17,706	17,706	17,706
Changes in reserves (note 15)	0	0	-111	111	0	0
Dividend distribution (note 14)	0	0	0	-5,500	-5,500	-5,500
Other changes recognised directly in equity ¹	0	0	0	-63,209	-63,209	-63,209
As at 31 December 2023	6,209	621	536	160,125	167,491	167,491
Profit for the year	0	0	0	48,511	48,511	48,511
Changes in reserves (note 15)	0	0	-536	536	0	0
Dividend distribution (note 14, 26)	0	0	0	-8,000	-8,000	-8,000
Other changes recognised directly in equity ²	0	0	0	-216	-216	-216
As at 31 December 2024	6,209	621	0	200,956	207,786	207,786

¹ Other changes are related to a demerger (division) in which VKG Kaevandused OÜ demerged (was separated) from the group. The demerger (division) was entered in the Commercial Register on 6 June 2023.

² The changes are related to the sale and acquisition of subsidiaries. For further information, see note 27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

Viru Keemia Grupp AS and its subsidiaries (collectively referred to as VKG or the group) form the largest chemical group in Estonia. The group's core business is the production and distribution of oil shale-based chemicals. In addition, group companies are involved in domestic freight transport and the production of adhesives and resins.

The group had 1,007 employees in 2024 (on average) (2023: 1,586), including 107 at the parent company (2023: 114).

The address of the registered office of Viru Keemia Grupp AS is Järveküla tee 14, Kohtla-Järve, Estonia. The group operates mainly in Estonia. The shares in Viru Keemia Grupp AS are not listed on a stock exchange.

Note 1. Material accounting policies

Basis of preparation

Viru Keemia Grupp AS (registration number 16627014) was established as a result of the demerger (division) of the former Viru Keemia Grupp AS (registration number 10490531, current business name Kirde Varad AS, the demerged company/the company that was divided) on 5 December 2022.

VKG Kaevandused OÜ demerged from Viru Keemia Grupp AS (was separated as a result of a division) as at 31 May 2023. In these consolidated financial statements, transactions with VKG Kaevandused OÜ are reported as transactions with an external party from 1 June 2023.

On 19 March 2024, Viru RMT OÜ was sold to ICESTONIA OÜ. Since that date, transactions with Viru RMT OÜ have been reported as transactions with an external party (see note 27).

Transactions with PTRTR OÜ have been reported as intragroup transactions since 29 April 2024 due to the acquisition of an ownership interest in the entity by VKG Logistika OÜ (see note 27).

The consolidated financial statements of Viru Keemia Grupp AS have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRS EU).

The consolidated financial statements of VKG have been prepared on the historical cost basis unless described otherwise in these accounting policies.

The management board of Viru Keemia Grupp AS authorised the consolidated financial statements for issue on 12 June 2025. According to the Estonian Commercial Code, the annual report prepared by the management board and approved by the supervisory board must also be approved by the annual general meeting. The consolidated financial statements are part of the annual report to be approved by the shareholders and serve as a basis for the resolution on the allocation of profit. Shareholders have the right not to approve the annual report prepared by the management board and approved by the supervisory board and to demand that a new annual report be prepared.

The consolidated financial statements are presented in thousands of euros unless otherwise stated.

Changes in accounting policies and presentation of information

The group prepares its financial statements in accordance with the principles of consistency and comparability, which means that the same accounting and presentation policies are consistently applied.

Accounting policies and presentation of information are changed only when this is required by new or revised IFRS EU or their interpretations or when a new policy or presentation practice provides a more faithful representation of the group's financial position, financial performance and cash flows.

When an accounting policy is changed, the comparative prior period information presented is adjusted as if the new accounting policy had always been applied. On changing accounting policies, the group takes into account the specific transitional provisions, if any, of IFRS EU.

When the presentation of information in the primary financial statements is changed, the comparative prior period figures presented are adjusted so that they would be in compliance with the changes made to the presentation of information in the reporting period. The effect of a change in an accounting estimate is recognised in the period of the change and any future periods affected.

Impact of new standards, amendments to standards and interpretations of standards on the financial statements

The following amendments became effective for the group from 1 January 2024:

- *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1);
- *Non-current Liabilities with Covenants* (Amendments to IAS 1);
- *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7).

The application of the above amendments did not have a material impact on the group's financial statements.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

IFRS 18 Presentation and Disclosure in Financial Statements

Not yet endorsed by the EU.

(Effective for annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted.)

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. The major changes in the requirements are summarised below.

A more structured statement of profit or loss

IFRS 18 introduces newly defined 'operating profit' and 'profit or loss before financing and income tax' subtotals and a requirement for all income and expenses to be allocated between three new distinct categories based on a company's main business activities: operating, investing and financing.

Under IFRS 18, companies are no longer permitted to disclose operating expenses only in the notes. A company presents operating expenses in a way that provides the 'most useful structured summary' of its expenses by either:

- nature;
- function; or
- using a mixed presentation.

If any operating expenses are presented by function, then new disclosures apply.

MPMs – Disclosed and subject to audit

IFRS 18 also requires some 'non-GAAP' measures to be reported in the financial statements. It introduces a narrow definition for Management-defined Performance Measures (MPMs), requiring them to be:

- a subtotal of income and expenses;
- used in public communications outside the financial statements; and
- reflective of management's view of financial performance.

For each MPM presented, companies need to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards.

Greater disaggregation of information

To provide investors with better insight into financial performance, the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.

Companies are discouraged from labelling items as 'other' and are required to disclose more information if they continue to do so.

Other changes applicable to the primary financial statements

IFRS 18 sets operating profit as a starting point for the indirect method of presenting cash flows from operating activities and eliminates the option for classifying interest and dividend cash flows as operating activities in the cash flow statement (this differs for companies with specified main business activities). It also requires goodwill to be presented as a separate line item on the face of the balance sheet.

Transition

In its annual financial statements prepared for the period in which the new standard is first applied, an entity must disclose, for the comparative period immediately preceding that period, a reconciliation for each line item in the statement of profit or loss between:

- the restated amounts presented applying IFRS 18; and
- the amounts previously presented applying IAS 1.

The group plans to apply the new standard from 1 January 2027. The group expects that the new standard, when initially applied, will have a material impact on its practice of presenting and disclosing information in its financial statements. The group is in the process of assessing the potential impact on its financial statements resulting from the application of IFRS 18.

Other new standards, amendments and interpretations issued but not yet effective

The following new and amended standards are effective for annual periods beginning after 1 January 2024. The group has not early adopted any of these new or amended standards and does not expect that they will have a significant impact on its consolidated financial statements when they become effective. From the four listed below, the EU has not yet endorsed the last three.

- *Lack of exchangeability* (Amendments to IAS 21)
- *Amendments to the Classification and Measurement of Financial Instruments* (Amendments to IFRS 9 and IFRS 7)
- *IFRS 19 Subsidiaries without Public Accountability: Disclosures*
- Annual Improvements to IFRS Standards – Volume 11.

Functional and presentation currency

The presentation currency of the consolidated financial statements is the euro.

The numerical information in the consolidated financial statements is presented in thousands of euros unless indicated otherwise.

Consolidation

The consolidated financial statements comprise the financial statements of Viru Keemia Grupp AS and its subsidiaries, combined line by line. The parent company, which presents consolidated financial statements, consolidates all subsidiaries, both domestic and foreign.

Subsidiaries prepare their financial statements using the same accounting policies as the parent.

Acquisitions of subsidiaries (business combinations) are accounted for using the acquisition method.

Under the acquisition method, the cost of a business combination is allocated by recognising the assets, liabilities and contingent liabilities acquired at their fair values as at the acquisition date. Any excess of the cost of a business combination over the net fair value of the assets, liabilities and contingent liabilities acquired is recognised as goodwill.

If the net fair value of the assets, liabilities and contingent liabilities acquired exceeds the cost of a business combination, the difference is recognised as income in the period in which it arises (within other income).

The assets and liabilities of foreign operations are translated using the exchange rates at the reporting date and the income and expenses of foreign operations are translated using the weighted average exchange rates for the period. Exchange differences are presented in the foreign currency translation reserve in equity.

If the functional currency of a foreign subsidiary or other foreign operation is not the euro, the financial information of such entities is translated into euros for consolidation purposes.

Business combinations of entities under common control

Business combinations of entities under common control are accounted for using the modified acquisition method. Under the modified acquisition method, the interest acquired in another company is recognised at the pre-acquisition carrying amount of the net assets acquired (the acquired assets and liabilities are recognised at their carrying amounts in the acquiree's statement of financial position). Any difference between the cost of the interest acquired and the carrying amount of the net assets acquired is recognised as a decrease or increase in the acquirer's equity.

Investments in subsidiaries and associates in the parent's financial statements

In the parent's separate statement of financial position (presented in note 32) investments in subsidiaries and associates are accounted for using the equity method.

Financial assets and liabilities

I. Financial assets – Recognition and initial measurement

Trade receivables are recognised at their origination. All other financial assets and liabilities are recognised when the group becomes party to the contractual provisions of the instrument.

At initial recognition, the group measures a financial asset or financial liability at its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Trade receivables that do not contain a significant financing component are measured at initial recognition at the transaction price.

II. Classification and subsequent measurement

The group classifies cash and cash equivalents, trade receivables, loans provided, and other receivables as financial assets measured at amortised cost.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met and it has not been designated as a financial asset at fair value through profit or loss:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets that have not been classified as financial assets measured at amortised cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Financial assets – Subsequent measurement and gains and losses

Financial assets measured at amortised cost	Assets designated to this category are measured at amortised cost using the effective interest method. In determining amortised cost, impairment losses are deducted from the carrying amount. Interest income, foreign exchange gains and losses and impairment losses on the assets are recognised in profit or loss. A gain or loss arising on derecognition is also recognised in profit or loss.
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III. Impairment of financial assets

The group recognises a loss allowance for expected credit losses on a financial asset measured at amortised cost.

The group measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses except for financial assets whose loss allowance is measured at an amount equal to 12-month expected credit losses such as:

- other receivables;
- cash and cash equivalents whose credit risk has not increased significantly since initial recognition.

The group accounts for expected credit losses on all trade receivables using the simplified approach provided in IFRS 9 that allows recognising the loss allowance at an amount equal to lifetime expected credit losses.

The group always recognises the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are calculated using a provision matrix, which is based on the group's historical credit loss experience, adjusted for factors specific to the debtors, general economic conditions and, where appropriate, the time value of money. Expected credit losses are a probability-weighted estimate of credit losses. A credit loss is a difference between the cash flows that are due to the group in accordance with the contract and the cash flows that the group expects to receive, discounted at the financial asset's effective interest rate.

At each reporting date, the group assesses whether a financial asset measured at amortised cost might be credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor,
- a breach of contract (such as a default or past due event),
- the group, for reasons relating to the debtor's financial difficulty, has granted the debtor concessions in restructuring the amount due that it would otherwise not have considered,
- it is becoming probable that the debtor will encounter financial difficulty.

The carrying amount of a financial asset measured at amortised cost is reduced by the amount of its loss allowance.

Inventories

When inventories are recognised initially, they are measured at cost. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. Production overheads are allocated to the costs of conversion of work in progress and finished goods based on the normal capacity of the production facilities.

Finished goods, semi-finished goods and work in progress are recognised at their cost of conversion. The cost of conversion includes direct and indirect costs of production incurred in bringing the inventories to their present location and condition.

After initial recognition, inventories are measured at the lower of cost and net realisable value. Materials and work in progress are written down when the estimated cost of the finished products in which they will be incorporated is expected to exceed the net realisable value of those products. Expenses from the write-down of inventories to net realisable value are recognised in the cost of sales.

Surpluses and shortages detected during inventory counts are recognised in other income and other expenses, respectively.

Property, plant and equipment

Initial recognition

Property, plant and equipment are tangible items, including spare parts of significant value and uninstalled equipment, which belong to the group or are held under leases, are used in the production or supply of goods or services, for rental to others or for administrative purposes (including for security, safety and environmental reasons) and are expected to be used for more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

An item of property, plant and equipment is initially measured at its cost, being the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire the asset at the time of its acquisition or construction.

The cost of an item of property, plant and equipment comprises:

a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, such as: labour costs arising directly from the construction or acquisition of the item, the costs of planning and designing the item, the costs of site preparation, initial delivery and handling costs, notary's fees, stamp duties, depreciation of other assets used in the production of the item, installation and assembly costs, the costs of materials consumed and tools used in constructing the item, and the costs of testing whether the item is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to the intended location and condition (e.g. during testing).

c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the group incurred when the item was acquired or built.

If an item of property, plant and equipment consists of significant parts that have different useful lives, the parts are accounted for separately and assigned depreciation rates that correspond to their useful lives. The total cost of an asset is allocated to its parts based on their significance.

Assets under construction comprise expenditure incurred in connection with self-constructed assets. If an asset takes a substantial period of time to get ready for its intended use and is financed with a loan (or other debt instrument), borrowing costs that are directly attributable to the construction or production of the asset (including interest calculated using the effective interest method) are capitalised and recognised as part of the cost of that asset. Capitalisation of borrowing costs commences when the expenditures for the asset are incurred (i.e. the loan has been taken) and the group undertakes activities that are necessary to prepare the asset for its intended use. Capitalisation of borrowing costs ceases when the asset is substantially complete and the group has accepted the asset as ready for its intended use. The cost of a self-constructed asset is determined on the same basis as the cost of a purchased asset. An asset under construction is recognised as an item of property, plant and equipment on the basis of a certificate of acceptance, which outlines the useful life of the asset.

Administration and other general overhead costs are not included in the cost of items of property, plant and equipment.

The cost of an item of property, plant and equipment acquired with a government grant is determined by applying the policies outlined in the section *Government grants*.

Depreciation

When an item of property, plant and equipment is recognised, it is assigned a useful life, which serves as a basis for determining its depreciation rate. Exceptions include assets with an unlimited useful life (land, works of art that have permanent value, books, etc.), which are not depreciated. If a fully depreciated asset is still in use, it is carried in the consolidated statement of financial position at nil value until it is permanently withdrawn from use.

Items of property, plant and equipment are depreciated using the straight-line method. Depreciation is calculated once a month. In the month of recognition, depreciation commences on the day following the day of recognition.

Depreciation is discontinued on the day following the day on which the asset is withdrawn from use. Depreciation of an asset does not cease when it becomes idle or is temporarily retired from active use.

The useful lives of property, plant and equipment are reviewed at least at each financial year-end.

Asset classes are assigned the following annual depreciation rates and useful lives:

Asset class	Depreciation rate	Useful life
Land	0%	Not depreciated
Buildings	2–10%	10–50 years
Structures (civil engineering assets)	2–10%	10–50 years
Plant and equipment	7–34%	3–14 years
Vehicles	10–50%	2–10 years
Other items of property, plant and equipment	10–25%	4–10 years

Subsequent costs

Repair and maintenance costs and the costs of day-to-day servicing of an item of property, plant and equipment that are incurred to restore or maintain the item's originally assessed condition or useful life are recognised as an expense as incurred.

Parts of some items of property, plant and equipment require replacement after regular intervals. Items of property, plant and equipment may also be acquired to make a less frequently recurring replacement. Under the recognition principle, the group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if the recognition criteria are met. The carrying amount of a part that is replaced is derecognised in accordance with the derecognition policies.

Subsequent measurement and use of the revaluation model

Subsequent to recognition, an item of property, plant and equipment is measured using the cost model or the revaluation model depending on the asset class to which the item belongs.

The model is applied to each class of property, plant and equipment in its entirety. The following asset classes are measured using the revaluation model:

- buildings;
- structures (civil engineering assets);
- vehicles (means of transport);
- other plant and equipment.

The frequency of revaluations depends on changes in fair value. When the fair value of an asset differs materially from its carrying amount, a revaluation is required.

When changes in fair value are immaterial, it may be necessary to revalue the item only every three to five years.

Depending on circumstances, the group measures the fair value of its property, plant and equipment using one or several of the following three widely used valuation techniques:

- market approach – a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or groups of assets and liabilities (e.g. a business);
- income approach – a valuation technique that converts the future cash flows of an asset, a liability or a group of assets and liabilities to a single discounted amount;
- cost approach – a valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset, adjusted where necessary for physical deterioration and functional and economic obsolescence.

The group selects the valuation technique that is the most appropriate under the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The objective of using a valuation technique on carrying out a revaluation of property, plant and equipment is to estimate the price at which an orderly transaction to sell the asset would take place between market participants at the measurement date under current market conditions.

Fair value measurements are categorised into three levels based on the inputs to valuation techniques that were used to measure fair value:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

When the inputs used to measure fair value are categorised within different levels of the fair value hierarchy, the fair value measurement is categorised in the same level as the lowest level input that is significant to the entire measurement. Due to limited availability of observable inputs, the group's fair value measurements carried out on the revaluation of property, plant and equipment are generally categorised to level 3.

As a rule, the fair value of buildings is measured by licensed real estate appraisers.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is deducted from the cost of the asset.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and is accumulated in equity within the revaluation reserve. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of the asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity within the revaluation reserve.

The revaluation reserve is amortised to retained earnings during the useful life of the underlying asset.

When an item of property, plant and equipment is permanently withdrawn from use or disposed of, the revaluation reserve included in equity in respect of that item is transferred to retained earnings.

Changes in the revaluation reserve are described in note 15.

The following classes of property, plant and equipment are measured using the cost model:

- land;
- other items of property, plant and equipment;
- assets under construction.

Impairment

When there is any indication that the carrying amount of an item of property, plant and equipment or an intangible asset may exceed its recoverable amount, an impairment test is performed and the asset is written down if necessary.

Impairment losses are recognised in the cost of sales, marketing and distribution expenses or administrative expenses.

Derecognition

A loss arising on the derecognition of an item of property, plant and equipment is recognised in profit or loss within other expenses when the item is derecognised.

Intangible assets

Intangible assets are assets without physical substance that the group expects to use for more than one year.

An intangible asset that is acquired from a third party is initially recognised at cost, which comprises its purchase price and any directly attributable costs of acquisition. After initial recognition, an intangible asset is carried at cost less any accumulated amortisation and any impairment losses.

Subsequent accounting for an intangible asset depends on whether its useful life is finite or indefinite.

An intangible asset with a finite useful life is carried at cost less any accumulated amortisation and any impairment losses. Such assets are amortised using the straight-line method over their estimated useful lives.

Intangible assets are assigned the following annual amortisation rates and useful lives:

Asset class	Amortisation rate	Useful life
Licenses	10–20%	5–10 years
Patents	5–20%	5–20 years

Intangible assets with an indefinite useful life (including goodwill) are not amortised but are tested for impairment at the end of each reporting period.

Expenditures incurred in connection with the establishment of a new economic entity, expenditures on research undertaken to gain new scientific or technical knowledge and expenditures incurred in connection with staff training activities are not capitalised.

CO₂ emission allowances

The year 2021 was the first year of phase 4 of the EU Emissions Trading System (ETS), which lasts until 2030 and has been split into two five-year allocation periods. The changes that have taken place in the system result from Directive 2009/29/EC of the European Parliament and of the Council amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading system of the Community. The quantity of emission allowances allocated to Estonian installations under Article 10a (heating and industrial installations) of Directive 2003/87/EC for the period 2021–2025, set out by individual installations, is available on the website of the Estonian Environmental Board:

<https://keskkonnaamet.ee/keskkonnakasutus-keskkonnatasu/ohk-ja-kliima/kasvuhoonegaasid>

Under the allocation plan approved by the European Commission, the group was allocated free CO₂ emission allowances of 4,442 thousand tonnes, of which 1,098 thousand tonnes was allocated for 2024 (2023: 1,096 thousand tonnes).

Emission allowances are accounted for using the gross method. Free emission allowances acquired by way of a government grant are recognised as both a current asset measured at the market value of the allowances as at the date of allocation and as a liability (deferred income from government grants) of the same amount.

Emission allowances not used at the end of the reporting period are measured in the statement of financial position at cost. When emission allowances are written down to market value, the write-down expense is recognised in other expenses.

The assets are charged to the cost of sales and the government grant liability (deferred income from government grants) is transferred to other income on a monthly basis, based on the use of the allowances and the market price of the allowances at the end of the month.

When actual emissions exceed allocated emission allowances, the obligation to purchase additional allowances is recognised as a provision measured at the market value of the allowances at the reporting date.

When emission allowances that have been received free of charge are sold, relevant income is recognised at sales price in other income.

Purchased CO₂ emission allowances are recognised as current assets. When the allowances are used, they are recognised as an expense and the provision for purchasing emission allowances is reduced.

The allocation, recognition as an expense, write-down and reversal of the write-down of CO₂ emission allowances allocated free of charge and associated changes in the government grant liability constitute non-cash transactions that are not reported in the statement of cash flows.

Cash flows from the purchase and sale of CO₂ emission allowances are reported in cash flows from operating activities.

Employee benefits

Short-term employee benefits comprise wages, salaries and social security contributions, short-term compensated absences such as paid annual leave and similar benefits, provided that the temporary suspension of the employment contract occurs within 12 months after the end of the period in which the employees render the related service, and other benefits that are expected to be settled before 12 months after the end of the period in which the employees render the related service.

Provisions and contingent liabilities

The amount and timing of provisions is determined on the basis of estimates made by management or relevant experts.

The group makes provisions for onerous contracts. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. A provision is recognised in an amount equal to the loss expected to result from fulfilling the contract (i.e. estimated contract revenue less estimated contract fulfilment costs).

Leases

The group as a lessee

The lease liability is initially measured at the present value of the lease payments not paid by the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The group generally applies the incremental borrowing rate as the discount rate.

The incremental borrowing rate is determined by reference to different sources of financing. The inputs received are adjusted to reflect the terms of the lease and the type of underlying asset, to find the incremental borrowing rate appropriate for the asset.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments);
- penalties for terminating the lease (if termination is reasonably certain);
- the exercise price of a purchase option (if the lessee is reasonably certain to exercise the option);
- amounts expected to be payable by the lessee under residual value guarantees;
- lease payments that depend on an index or rate.

The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases for which the underlying asset is of low value. The group recognises these lease payments as an expense on a straight-line basis over the lease term.

The group as a lessor

If the contract contains both lease and non-lease components, the group applies the accounting policies of IFRS 15 to allocate the consideration in the contract to the components.

The group applies the derecognition and impairment requirements of IFRS 9 to the lessor's net investment in the lease. The group regularly reviews the estimated unguaranteed residual values used in computing the lessor's gross investment in the lease.

Revenue

Performance obligations and revenue accounting policies

Revenue is measured based on the consideration agreed in the contract signed with the customer. The group recognises revenue when (or as) it satisfies the performance obligation by transferring the goods or service to the customer.

The table below provides information about the nature and timing of performance obligations arising from contracts with customers and related revenue accounting policies.

Product/ service	Nature and timing of the satisfaction of the performance obligation	Revenue accounting policies
Sale of shale oil products produced by the group	The group produces shale oil-based oil, coke and phenol products. Customers obtain control of the products when the goods have been transferred to them. Invoices are generated and revenue is recognised at that point. No discounts are granted on goods sold. Customers cannot return the products unless the group has sold goods whose parameters differ from the agreed ones.	Revenue from the sale of shale oil products produced by the group is recognised at the point in time when the goods are transferred to the customer, i.e. at the time when the sales transaction with the customer is completed.
Sale of purchased oil products	Customers obtain control of the products when the goods have been transferred to them. Invoices are generated and revenue is recognised at that point. No discounts are granted on goods sold and customers cannot return the products.	Revenue from the sale of purchased oil products is recognised at the point in time when the goods are transferred to the customer, i.e. at the time when the sales transaction with the customer is completed.
Sale of electricity	The group sells electricity products (electrical, active and reactive energy). Customers obtain control of an electricity product when the good has been transferred to them. Customers are billed on a monthly basis. No discounts are granted and the products cannot be returned.	Revenue from the sale of electricity is recognised at the point in time when the good is transferred to the customer, i.e. at the time when the sales transaction with the customer is completed.
Sale of district heating and steam	The group sells heat energy. The carrier of heat energy is steam. Customers obtain control of the heat energy when the good has been transferred to them. Customers are billed on a monthly basis. No discounts are granted and the energy cannot be returned.	Revenue from the sale of steam is recognised at the point in time when the good is transferred to the customer, i.e. at the time when the sales transaction with the customer is completed.
Logistics services	The group provides two kinds of logistics services: rail and road transport. The services are short-term by nature and generally delivered within the same calendar month. Consideration received depends on the volume of services provided. Customers are billed on a monthly basis.	Revenue is recognised over the time during which the service is provided. The group has the right to receive consideration in the amount that corresponds directly to the value to the customer of the performance obligations satisfied by the group during the calendar month. Hence, as a practical expedient, the group recognises revenue in the amount for which it has the right to issue an invoice.
Transmission and distribution of natural gas	Customers obtain control of natural gas when the good has been transferred to them. Customers are billed on a monthly basis. No discounts are granted and the good cannot be returned.	Revenue from the transmission and distribution of natural gas is recognised at the point in time when the good is transferred to the customer, i.e. at the time when the sales transaction with the customer is completed.

Taxation of income

Deferred tax is recognised in respect of temporary differences between the carrying amounts and tax bases of assets and liabilities (the tax base is the amount attributed to an asset or liability for tax purposes).

Under Estonian laws, corporate profit for the year is not subject to income tax. The obligation to pay corporate income tax arises upon the distribution of profit and it is recognised as an expense (in profit or loss for the period) when the dividend is declared. Because of the nature of the taxation system, companies registered in Estonia do not have deferred tax assets or liabilities, except for possible deferred tax items related to investments in subsidiaries, associates, joint ventures and branches.

The group's deferred tax liability arises in respect of investments in companies domiciled in countries where profit for the financial year is taxable. The group's deferred tax liability also arises in respect of investments in Estonian subsidiaries, associates, joint ventures and branches except to the extent that the group is able to control the timing of the reversal of the taxable temporary differences and it is probable that the differences will not reverse in the foreseeable future. Examples of the reversal of taxable temporary differences include the distribution of a dividend, disposal of an investment and other transactions.

As the group controls the dividend policy of its subsidiaries, it is able to control the timing of the reversal of the temporary differences related to relevant investments. If the parent has decided not to distribute a subsidiary's profit in the foreseeable future, it does not recognise a deferred tax liability. If the parent estimates that a dividend will be distributed in the foreseeable future, a deferred tax liability is recognised to the extent of the expected dividend distribution, provided that there are sufficient funds and equity at the reporting date from which profit can be distributed in the foreseeable future.

The group measures deferred tax liabilities using the tax rates that are expected to apply to the taxable temporary differences in the period in which the temporary differences are expected to reverse, based on the tax rates that have been enacted by the reporting date.

In 2024, the income tax rate was 20% (the amount of tax payable was calculated as 20/80 of the net distribution) and regular dividend distributions were taxable at a lower, 14% rate (the amount of tax payable was calculated as 14/86 of the net dividend). From 1 January 2025, the income tax rate for dividends is 22% (the amount of tax payable is calculated as 22/78 of the net dividend). The lower, 14% tax rate has been abolished and all dividends are taxed at the same rate.

Additional income tax of 7% must still be withheld on dividends paid to individuals that were previously taxed at 14%. Income tax payable on dividends is recognised as an income tax expense in the period in which the dividends are declared. The maximum income tax liability that could arise on the distribution of dividends is disclosed in note 29.

Foreign currency transactions

A transaction in a foreign currency is translated into euros using the exchange rate of the European Central Bank quoted at the date of the transaction.

Exchange gains and losses arising on translation are recognised in profit or loss in the period in which they arise. Exchange gains and losses on translating items related to transactions with customers and suppliers are recognised in other income and expenses, respectively, and other exchange gains and losses are recognised in finance income and costs, respectively.

Government grants

The group accounts for government grants related to assets and government grants related to income using the gross method. Government grants related to income are recognised in accordance with the matching principle (by matching revenue with the costs incurred). A government grant is recognised when the group accepts and intends to comply with the conditions attaching to the grant, the amount of the grant can be measured reliably and there is reasonable assurance that the grant will be received. The amount received as a grant is recognised in profit or loss as income.

Assets acquired with government grants related to assets are recognised in the consolidated statement of financial position at cost, similarly to other items of property, plant and equipment. The grant received to acquire an asset is presented in the consolidated statement of financial position as a liability, which is transferred to income on a systematic basis over the useful life of the asset.

An asset acquired with a non-monetary government grant is recognised in the consolidated statement of financial position at its fair value. The arising liability is taken to income over the remaining useful life of the asset.

Statement of cash flows

Cash flows from operating activities are reported using the indirect method whereby the net cash flow from operating activities is determined by adjusting net profit or loss for the effects of gains and losses associated with investing or financing activities, transactions of a non-cash nature and changes during the period in current assets and current liabilities related to operating activities.

Cash flows from investing and financing activities are reported using the direct method whereby cash receipts and cash payments are disclosed. Non-cash transactions are excluded.

Statutory capital reserve

Under the Estonian Commercial Code and the articles of association of the parent company, every year the parent has to transfer at least 5% of its net profit to the capital reserve (legal reserve) until the reserve amounts to 10% of share capital. The statutory capital reserve may not be distributed as dividends, but it may be used to cover losses if these cannot be covered by unrestricted (available) equity. The capital reserve may also be used to increase share capital.

Use of accounting estimates and judgements

The preparation of consolidated financial statements in accordance with IFRS EU requires management to make accounting estimates, use assumptions and exercise judgement in the selection and application of accounting policies.

Management's estimates, assumptions and judgements are reviewed on an ongoing basis and they are based on historical experience and various other factors including forecasts of future events that are believed to be reasonable under the circumstances. Although the estimates are based on management's best knowledge and judgement, actual outcomes may differ from those estimates. Revisions to management's estimates are recognised in the period in which the estimate is revised in profit or loss.

Material estimates made in the selection and application of accounting policies which have the most significant effect on the consolidated financial statements

Estimation of the net realisable value of inventories (note 6)

According to the group's accounting policies, inventories are measured at the lower of cost and net realisable value. This means that management has to estimate the value of inventories whenever there is any indication that the value of inventories may have decreased below cost. In such cases inventories are written down to their net realisable value, being the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

In 2024, the group did not write any inventories down. In 2023, inventories were written down by 2,780 thousand euros. The write-down was recognised in the cost of sales.

Estimation of the useful lives of property, plant and equipment and intangible assets (notes 7 and 8)

Estimation of the useful lives of items of property, plant and equipment and intangible assets is an area where management has to use significant and complex judgements and estimates that have a material impact on the consolidated financial statements. Management estimates the useful lives of buildings, structures, plant and equipment, assets under construction and investments made in connection with mining licences, taking into account sales volumes and terms, historical experience and future prospects.

Experience shows that sometimes the utilisation periods of assets somewhat exceed their estimated useful lives. The carrying amounts and depreciation and amortisation of the assets are disclosed in notes 7 and 8. If annual depreciation and amortisation rates changed by 10%, annual depreciation and amortisation expense would change by around 39 thousand euros.

Note 2. Cash and cash equivalents

(In thousands of euros)	31 December 2024	31 December 2023
Current accounts (note 28)	5,946	7,039
Total cash and cash equivalents	5,946	7,039

Note 3. Investments in financial assets

(In thousands of euros)	
As at 31 December 2022	125,414
Financial assets (note 28)	31,307
Purchases of other investments	79,649
Sales of other investments	-173,916
Change in fair value of other investments (note 22)	160
As at 31 December 2023	31,307
Financial assets (note 28)	31,307
Purchases of other investments	48,885
Sales of other investments	-72,032
Change in fair value of other investments (note 22)	-160
As at 31 December 2024	8,000
<i>Incl. current financial assets¹</i>	<i>8,000</i>

¹ Other investments in financial assets comprise listed interest-bearing instruments with maturities of up to 1 year and an average interest rate of 3.65%.

Note 4. Receivables and prepayments

(In thousands of euros)	31 December 2024	31 December 2023
Trade receivables	48,047	22,484
<i>Incl. receivables from related parties (note 26)</i>	<i>41,757</i>	<i>7,425</i>
Loss allowance	0	-2
Total trade receivables	48,047	22,482
Prepaid and recoverable taxes (note 24)	2,481	1,073
Loans provided ¹ (note 26)	419,448	322,720
Interest receivable (note 26)	13,876	7,559
Security deposits	372	329
Miscellaneous receivables	15	320
<i>Incl. receivables from related parties (note 26)</i>	<i>5</i>	<i>2</i>
Total other receivables	436,192	332,001
<i>Of which current portion</i>	<i>20,757</i>	<i>17,285</i>
<i>Of which non-current portion</i>	<i>415,435</i>	<i>314,716</i>
Prepayments	275	169
Total prepayments	275	169
Total receivables and prepayments	484,514	354,652
<i>Incl. receivables from related parties (note 26)</i>	<i>475,085</i>	<i>337,706</i>

¹ The loans provided to related parties bear interest at rates ranging from 1.8% plus Euribor to 8% and will mature in 2028 (note 26). See note 26 for further information on current and non-current receivables from related parties.

Trade receivables are reported at amounts that are expected to be collectible and net of their loss allowance. Movements in the loss allowance during the period:

(In thousands of euros)	2024	2023
Opening balance	-2	-15
Recovery of items classified as doubtful	0	0
Items written off as uncollectible	2	13
Closing balance	0	-2

Receivables have been measured and expected credit losses have been assessed in accordance with the requirements of IFRS 9. See note 28 for further information on the measurement of receivables.

Note 5. Emission allowances

(In thousands of euros)	CO ₂ emission allowances
As at 31 December 2022	54,678
Allocation of free CO ₂ emission allowances (note 11)	105,535
Recognised as an expense (note 17)	-107,255
Write-down	-8,742
As at 31 December 2023	44,216
Allocation of free CO ₂ emission allowances (note 11)	73,205
Recognised as an expense (note 17)	-86,554
Write-down	-180
As at 31 December 2024	30,687

See note 1 for further information on emission allowances.

Note 6. Inventories

(In thousands of euros)	31 December 2024	31 December 2023
Finished goods	512	14,015
Raw materials and consumables	7,127	7,241
Work in progress	3,622	3,915
Total inventories	11,261	25,171

No inventories were written down in 2024. In 2023, inventories were written down by 2,780 thousand euros. The write-down was recognised in the cost of sales (see note 17).

Note 7. Property, plant and equipment

(In thousands of euros)	Land	Buildings and structures	Plant and equipment	Other items	Assets under construction ¹	Total
Carrying amount as at 31 December 2022	2,344	126,982	272,647	948	7,472	410,393
Demerger ²	-1,091	-34,035	-13,805	-95	-5,123	-54,149
Additions	254	2,002	3,849	50	16,280	22,435
Reclassifications	0	2,540	143	0	-2,683	0
Disposals	0	0	-443	-7	-11,366	-11,816
Depreciation for the year	-332	-34,163	-90,766	-247	0	-125,508
Carrying amount as at 31 December 2023	1,175	63,326	171,625	649	4,580	241,355
Additions	244	68,938	145,408	197	24,151	238,938³
Disposals	-546	-60,257	-167,205	-347	-22,949	-251,304⁴
Depreciation for the year	-133	-23,631	-49,081	-117	0	-72,962
Carrying amount as at 31 December 2024	740	48,376	100,747	382	5,782	156,027

As at 31 December 2023

Cost	1,829	132,337	361,897	2,024	4,580	502,667
Accumulated depreciation	-654	-69,011	-190,272	-1,375	0	-261,312

As at 31 December 2024

Cost	923	73,556	152,610	1,484	5,782	234,355
Accumulated depreciation	-183	-25,180	-51,863	-1,102	0	-78,328

¹Assets under construction

At the end of the reporting period, assets under construction amounted to 5,782 thousand euros (2023: 4,580 thousand euros).

The group's contractual commitments for the acquisition of property, plant and equipment in subsequent periods totalled 4,173 thousand euros at 31 December 2024 (31 December 2023: 8,031 thousand euros).

All borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset under construction. No borrowing costs were capitalised in the reporting period or the comparative period.

Other costs capitalised during the period consisted of labour costs of 172 thousand euros (2023: 803 thousand euros).

Non-cash transactions

Additions to the group's property, plant and equipment and payments for the purchase of property, plant and equipment that are reported in the statement of cash flows differ by 215,341 thousand euros (2023: 4,512 thousand euros), which is attributable to non-cash transactions. The change in operating payables in the statement of cash flows has been adjusted for non-cash transactions (including acquisitions through leases and reclassifications between asset classes). The change in operating payables has also been adjusted for amounts payable to suppliers of items of property, plant and equipment at the end of the reporting period. Payables to suppliers of items of property, plant and equipment totalled 1,076 thousand euros at 31 December 2024 (31 December 2023: 105 thousand euros).

Fully depreciated items

At 31 December 2024, the cost of fully depreciated items of property, plant and equipment still in use was 10 thousand euros (31 December 2023: 1,386 thousand euros).

Other information

² As a result of a demerger, VKG Kaevandused OÜ was separated from the group as at 31 May 2023.

³ Includes the impact of a new lease agreement of 212,438 thousand euros.

⁴ Includes the impact of the termination of a lease agreement of -226,759 thousand euros.

⁵ Notes 17 and 19 reflect the allocation of amortisation and depreciation to different line items in the statement of comprehensive income. The total amount of depreciation and amortisation expense presented in those notes differs from the depreciation for the year presented in note 7 by 364 thousand euros (2023: 694 thousand euros). The difference is attributable to the capitalisation of depreciation expense as part of the cost of items of property, plant and equipment and inventories and the amortisation of intangible assets.

Note 8. Intangible assets

(In thousands of euros)	Licences and patents	Other	Total
Carrying amount as at 31 December 2022	13,630	1,893	15,523
Demerger ¹	-13,000	-69	-13,069
Additions	23	218	241
Amortisation for the year	-581	-339	-920
Sales	0	-2	-2
Carrying amount as at 31 December 2023	72	1,701	1,773
Additions	0	109	109
Amortisation for the year	-24	-340	-364
Sales and write-off	0	-2	-2
Carrying amount as at 31 December 2024	48	1,468	1,516

As at 31 December 2023

Cost	303	2,999	3,302
Accumulated amortisation and impairment losses	-231	-1,298	-1,529

As at 31 December 2024

Cost	278	2,933	3,211
Accumulated amortisation and impairment losses	-230	-1,465	-1,695

¹ As a result of a demerger, VKG Kaevandused OÜ was separated from the group as at 31 May 2023.

² Notes 17 and 19 reflect the allocation of amortisation to different line items in the statement of comprehensive income. The total amount of depreciation and amortisation expense presented in those notes differs from the amortisation for the year presented in note 8 by 72,962 thousand euros (2023: 125,508 thousand euros). The difference is attributable to the depreciation of property, plant and equipment.

Note 9. Borrowings

(In thousands of euros)	Current portion	Non-current portion	Total liability	Effective interest rate	Maturity date
Lease liabilities (note 28)	72,530	79,829	152,359	1.45–7%	2025–2030
Total borrowings as at 31 December 2024	72,530	79,829	152,359		
<i>Incl. related parties (note 26)</i>	<i>71,407</i>	<i>77,604</i>	149,011	7%	2030
<i>Of which repayable:</i>					
<i>Not later than 1 year</i>	72,530	-	72,530		
<i>Later than 1 and not later than 5 years</i>	-	79,829	79,829		

(In thousands of euros)	Current portion	Non-current portion	Total liability	Effective interest rate	Maturity date
Short-term loans	1	0	1		
Long-term loans (notes 26 and 28)	0	31,661	31,661	3.5%	2032
<i>Lease liabilities (note 28)</i>	<i>122,944</i>	<i>117,930</i>	240,874	1.5–5.96%	2024–2029
Total borrowings as at 31 December 2023	122,945	149,591	272,536		
<i>Incl. related parties (note 26)</i>	<i>121,948</i>	<i>147,927</i>	269,875	5%	2030
<i>Of which repayable:</i>					
<i>Not later than 1 year</i>	122,945	0	122,945		
<i>Later than 1 and not later than 5 years</i>	0	149,591	149,591		

The base currency of the loans is the euro.

Changes in liabilities arising from financing activities

Liabilities (In thousands of euros)	Interest-bearing loan liabilities	Lease liabilities	Total
As at 31 December 2022	31,100	356,174	387,274
Cash movements in investing cash flows	0	-178	-178
Cash movements in financing cash flows	562	-118,612	-118,050
Other changes:			
Addition to lease liabilities	0	4,507	4,507
Termination of previous leases	0	-1,017	-1,017
As at 31 December 2023	31,662	240,874	272,536
Cash movements in investing cash flows	0	-12	-12
Cash movements in financing cash flows	-32,062	-66,190	-98,252
Other changes:			
Addition to lease liabilities	0	1,450	1,450
Termination of previous leases	0	-23,763	-23,763
Acquisitions through business combinations	400	0	400
As at 31 December 2024	0	152,359	152,359

Note 10. Accrued expenses

(In thousands of euros)		31 December 2024	31 December 2023
Payables to employees		6,403	6,077
Interest payable	27	5,177	3,213
Demand deposits ¹	30	3,700	26,900
Tax liabilities		5,190	4,880
Other accrued expenses	28	908	393
Total accrued expenses		21,378	41,462

¹ The demand deposits are denominated in euros. Their term is 48 months and annual interest rate is 3%. Interest expense on the deposits is disclosed in note 22. Balances and transactions with related parties are disclosed in note 26.

Note 11. Government grants

(In thousands of euros)	Allocated CO ₂ emission allowances	Grants related to assets	Total
As at 31 December 2023	44,216	18	44,234
<i>Of which current portion</i>	<i>44,216</i>	<i>18</i>	<i>44,234</i>
Allocation of free CO ₂ emission allowances	73,205		73,205
Recognised as income (notes 5, 17, 20)	-86,554	-18	-86,572
Write-down	-180	0	-180
Carrying amount as at 31 December 2024	30,687	0	30,687
<i>Of which current portion</i>	<i>30,687</i>	<i>0</i>	<i>30,687</i>

(In thousands of euros)	Allocated CO ₂ emission allowances	Grants related to assets	Total
As at 31 December 2022	54,678	36	54,714
<i>Of which current portion</i>	<i>54,678</i>	<i>18</i>	<i>54,696</i>
<i>Of which non-current portion</i>	<i>0</i>	<i>18</i>	<i>18</i>
Allocation of free CO ₂ emission allowances	105,535	0	105,535
Recognised as income (notes 5, 17, 20)	-107,255	-18	-107,273
Write-down	-8,742	0	-8,742
Carrying amount as at 31 December 2023	44,216	18	44,234
<i>Of which current portion</i>	<i>44,216</i>	<i>18</i>	<i>44,234</i>

At the reporting date, the balance of the government grant liability recognised on the recognition of CO₂ emission allowances allocated to the group free of charge under the national allocation plan amounted to 37,181 thousand euros (31 December 2023: 31,564 thousand euros) (note 12).

The government grant liability is amortised to income in proportion to the use of the allocated free CO₂ emission allowances. CO₂ emission allowances allocated free of charge, which are recognised as current assets, are recognised in the cost of sales and income from government grants is recognised in other income in the same amount. Therefore, the use of CO₂ emission allowances allocated to the group free of charge has no impact on profit or loss for the period.

In accordance with an agreement on the replacement of pollution charges signed with the Ministry of the Environment, the obligation to pay pollution charges has been replaced with the obligation to finance environmental measures (construction of desulphurisation systems) that should reduce sulphur dioxide emissions from boilers 5 and 6 of the Põhja combined heat and power plant by 15% per year. The amounts received in support of the acquisition of the assets are recognised as liabilities in the statement of financial position and taken to income over the estimated useful lives of the assets acquired. See note 1 for further information.

Note 12. Provisions

(In thousands of euros)	Provision for shortfall in CO ₂ emission allowances ¹	Other ²	Total
As at 31 December 2022	26,827	25	26,852
<i>Of which current portion</i>	<i>26,827</i>	<i>25</i>	<i>26,852</i>
Recognition	13,110	0	13,110
Use	0	-1	-1
Reversal	-8,373	0	-8,373
As at 31 December 2023	31,564	24	31,588
<i>Of which current portion</i>	<i>31,564</i>	<i>24</i>	<i>31,588</i>
Recognition (note 17)	8,869	162	9,031
Use	0	-181	-181
Remeasurement (note 20)	-3,252	0	-3,252
As at 31 December 2024	37,181	5	37,186
<i>Of which current portion</i>	<i>37,181</i>	<i>5</i>	<i>37,186</i>

¹ In 2024, the group recognised a provision of 8,869 thousand euros for the purchase of emission allowances to cover a shortfall (121 tonnes at a price of €73/t). The provision recognised for covering the shortfall in 2023 amounted to 13,110 thousand euros (171 thousand tonnes at a price of €76.58/t).

² Other current provisions include a provision 162 thousand euros recognised for the contractual liabilities to AS Gren Viru.

The warranty provision for construction contracts was adjusted by 19 thousand euros due to the expiry of project warranties and reduction in warranty periods.

Note 13. Deferred income

(In thousands of euros)	31 December 2024	31 December 2023
Deferred income:		
Current portion	222	73
Non-current portion	56	59
Total deferred income	278	132

The fees charged for connecting to the power and district heating networks are recognised as revenue over the periods in which the energy service is expected to be provided via the connection point. The charges recognised as revenue in 2024 totalled 3 thousand euros (2023: 3 thousand euros).

Note 14. Share capital

(In thousands of euros)	31 December 2024	31 December 2023
Share capital	6,209	6,209

At the year-end, share capital consisted of 9,715,000 shares without par value. The rounded proportionate par value of one share is 0.64 euros.

The shares in Viru Keemia Grupp AS are not listed on a stock exchange.

In the reporting period, the group paid a dividend of 8,000 thousand euros (2023: 5,500 thousand euros).

Information on the group's retained earnings and contingent income tax liability is disclosed in note 29.

Since 19 January 2023, the owner of the group has been TARS International GmbH. On 6 May 2025, the owner changed its name for VKG GmbH.

Note 15. Reserves

(In thousands of euros)	31 December 2024	31 December 2023
Revaluation reserve ¹	0	536
Statutory capital reserve ²	621	621
Total reserves	621	1,157

¹ The group measures most items of property, plant and equipment using the revaluation model whereby, after initial recognition, assets are measured at their revalued amounts.

When assets are revalued, changes in their carrying amounts are recognised through other comprehensive income in the revaluation reserve. The revaluation reserve is reduced on the depreciation, write-down and disposal of revalued items of property, plant and equipment. Further information on the accounting policy is provided in note 1.

In 2024, 536 thousand euros of the revaluation reserve was transferred to retained earnings (2023: 98 thousand euros).

The revaluation reserve may not be distributed as dividends.

Revaluation reserve as at 31 December 2023	536
Transfer to retained earnings	-536
Revaluation reserve as at 31 December 2024	0

² In accordance with the Estonian Commercial Code and the parent company's articles of association, every year the parent has to transfer at least 5% of its net profit to the capital reserve until the reserve amounts to 10% of share capital. The capital reserve may not be distributed as dividends but may be used to cover losses if losses cannot be covered with unrestricted equity. The capital reserve may also be used to increase share capital.

Note 16. Revenue

(In thousands of euros)

Revenue by area	2024	2023
European Union, excluding Estonia	2,082	15,902
Estonia	63,978	128,975
Switzerland	258,985	154,240
Norway	7,478	4,949
China	2,463	2,072
Other countries	2,000	33,380
Total revenue	336,986	339,518

Timing of revenue recognition

Goods transferred to customers at a point in time		
Sale of shale oil produced by the group	271,620	282,001
Sale of electricity	26,393	25,126
Sale of district heating and steam	15,615	15,550
Sale of other products and materials	3,091	3,507
Total revenue recognised at a point in time	316,719	326,183

Goods and services transferred to customers over time		
Logistics services	8,235	3,631
Construction of electricity and telecommunications networks	5,237	0
Connection to electricity and district heating networks	4	3
Other services	6,791	9,700
Total revenue recognised over time	20,267	13,334
Total revenue from contracts with customers	336,986	339,518

Balances from contracts with customers

The following table reflects assets and liabilities from contracts with customers:

(In thousands of euros)	2024	2023
Contract assets	7	26
Contract liabilities	59	63
Total	66	89

The contract assets primarily relate to the group's rights to consideration for construction work completed but not billed by the reporting date. A contract asset is transferred to receivables when the group issues an invoice to the customer.

The contract liabilities relate to the consideration received for connecting customers to the electricity and district heating networks, which is recognised as revenue over the expected terms of the contracts with the customers. At 31 December 2024, the unsatisfied portion of performance obligations related to the connection charges amounted to 59 thousand euros (31 December 2023: 63 thousand euros). The group's management estimates that the transaction price allocated to the unsatisfied performance obligations related to the connection service will be transferred to revenue in the next 17 years.

In 2024, connection charges of 3 thousand euros were transferred from contract liabilities to revenue (2023: 3 thousand euros).

Information on trade receivables is disclosed in note 4.

Note 17. Cost of sales

(In thousands of euros)	2024	2023
Depreciation, amortisation and impairment losses (notes 7 and 8)	-72,236	-125,168
Personnel expenses (note 23)	-29,095	-36,689
Raw materials, consumables and goods used	-122,995	-106,326
Services purchased	-24,322	-15,658
Pollution charges	-9,517	-14,208
Amortisation of CO ₂ emission allowances (note 5)	-86,554	-107,255
Cost of recognising a provision for CO ₂ emission allowances (note 12)	-8,869	-4,736
Inventory write-down (note 6)	0	-2,780
Change in inventories of finished goods and work in progress	-13,764	8,772
Other costs	-60	-44
Total cost of sales	-367,412	-404,092

Note 18. Marketing and distribution expenses

(In thousands of euros)	2024	2023
Services purchased	-626	-4,380
Personnel expenses (note 23)	-271	-407
Raw materials, consumables and goods used	-73	-55
Other expenses	0	-52
Total marketing and distribution expenses	-970	-4,894

Note 19. Administrative expenses

(In thousands of euros)	2024	2023
Personnel expenses (note 23)	-6,863	-7,753
Services purchased	-4,460	-5,211
Depreciation and amortisation (notes 7 and 8)	-1,090	-1,121
Raw materials, consumables and goods used	-412	-351
Other expenses	-2	-286
Total administrative expenses	-12,827	-14,722

Note 20. Other income

(In thousands of euros)	2024	2023
Allocation of CO ₂ emission allowances free of charge (note 11)	86,554	107,255
Remeasurement of provision for CO ₂ emission allowances (note 12)	3,252	0
Income from termination of leases (note 25)	7,928	0
Sales of scrap metal	264	922
Foreign exchange gain	93	0
Late payment interest and penalties	52	51
Government grants related to assets (note 11)	18	18
Miscellaneous income	815	1,358
Total other income	98,976	109,604

Note 21. Other expenses

(In thousands of euros)	2024	2023
Loss on disposal of non-current assets	-164	-22
Foreign exchange loss	0	-1,144
Recognition of provisions (note 11)	-162	0
Write-off of inventories	-208	-36
Late payment interest and penalties	-1	0
Expenses from liquidation of lease assets	-688	-34
Other compensation and indemnities	-129	0
Miscellaneous expenses	-563	-451
Total other expenses	-1,915	-1,687

Note 22. Finance income and costs**Finance income**

(In thousands of euros)	2024	2023
Interest income (notes 4 and 26)	15,977	9,439
Change in fair value of financial instruments	0	160
Gain on sale of a subsidiary	418	0
Total finance income	16,395	9,599

Finance costs

(In thousands of euros)	2024	2023
Interest expense (notes 26 and 30)	-5,933	-3,217
Interest expense on lease liabilities (notes 9 and 25)	-13,060	-10,743
Unwinding of discount on non-current provisions (note 12)	0	-41
Change in fair value of financial instruments (note 3)	-160	0
Total finance costs	-19,153	-14,001

Total finance income and costs	-2,758	-4,402
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Note 23. Personnel expenses

(In thousands of euros)	2024	2023
Employee remuneration	-27,201	-34,319
<i>Of which remuneration of the management board</i>	-1,274	-1,876
<i>Of which remuneration of the supervisory board</i>	-86	-108
Social security charges	-8,824	-11,108
Unemployment insurance contributions	-204	-252
Total personnel expenses	-36,229	-45,679

The group's average number of employees in 2024 was 1,007 (2023: 1,283), including 107 employees of the parent, Viru Keemia Grupp AS (2023: 114 employees).

During the period, there were 962 employees working under employment contracts, 15 members of the management board, 4 members of the supervisory board and 26 people working under contracts for services (2023: 1,233 employees, 15 members of the management board, 5 members of the supervisory board and 30 people working under contracts for services).

Personnel expenses are allocated to different line items in the statement of comprehensive income as set out in notes 7, 8, 17, 18 and 19. The difference for 2024 of 172 thousand euros (2023: 829 thousand euros) results from the capitalisation of personnel expenses incurred in the production of self-constructed assets (notes 7 and 8).

Note 24. Taxes

(In thousands of euros)	31 December 2024	31 December 2023
Deferred tax liability	1,551	1,619
Total	1,551	1,619

Income tax expense on dividends:

(In thousands of euros)	2024	2023
Tax rates for dividend distributions:		
20% (calculated as 20/80 of the net distribution)	0	583
14% (calculated as 14/86 of the net distribution)	-1,637	516
Deferred tax expense	68	-1,619
Total income tax expense on dividends	-1,569	-520

Note 25. Leases

The group as a lessee

The group leases various assets, including items of production equipment and machinery.

The group has also entered into leases for which the underlying asset is of low value (the asset, when new, has a value of less than 5 thousand euros). The group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets. The group has also elected not to recognise right-of-use assets and lease liabilities for short-term leases (leases with a term of less than 12 months).

Right-of-use assets

(In thousands of euros)	Land and buildings	Plant and equipment	Other assets	Total
Balance as at 31 December 2022	93,121	256,220	503	349,844
<i>Incl. related parties (note 26)</i>	<i>85,080</i>	<i>237,071</i>	<i>503</i>	<i>322,654</i>
Depreciation for the year	-31,923	-88,182	-170	-120,275
<i>Incl. related parties (note 26)</i>	<i>-22,010</i>	<i>-70,371</i>	<i>-170</i>	<i>-92,551</i>
Additions	2,227	2,276	11	4,514
<i>Incl. related parties (note 26)</i>	<i>0</i>	<i>0</i>	<i>11</i>	<i>11</i>
Derecognition	-210	-764	0	-974
Balance as at 31 December 2023	63,215	169,550	344	233,109
<i>Incl. related parties (note 26)</i>	<i>63,070</i>	<i>166,700</i>	<i>344</i>	<i>230,114</i>
Depreciation for the year	-23,739	-48,585	-50	-72,374
<i>Incl. related parties (note 26)</i>	<i>-23,669</i>	<i>-47,806</i>	<i>-50</i>	<i>-71,525</i>
Additions	69,399	144,964	142	214,505
<i>Incl. related parties (note 26)</i>	<i>68,904</i>	<i>143,391</i>	<i>142</i>	<i>212,437</i>
Derecognition	-60,185	-167,111	-335	-227,631
<i>Incl. related parties (note 26)</i>	<i>-60,073</i>	<i>-166,663</i>	<i>-335</i>	<i>-227,071</i>
Balance as at 31 December 2024	48,690	98,818	101	147,609
<i>Incl. related parties (note 26)</i>	<i>48,232</i>	<i>95,622</i>	<i>101</i>	<i>143,955</i>

Amounts recognised in profit or loss

(In thousands of euros)	2024	2023
All leases under IFRS 16		
Interest expense on lease liabilities	-13,060	-10,746
Expenses on short-term leases	-629	-411
Expenses on leases of low-value assets	-645	-862
Total expenses	-14,334	-12,019

Amounts recognised in the statement of cash flows

(In thousands of euros)	2024	2023
Total cash outflows related to leases	-79,058	-129,213
<i>Incl. cash flows from investing activities</i>	<i>-11</i>	<i>-178</i>
<i>Of which payments of principal</i>	<i>-11</i>	<i>-178</i>
<i>Incl. cash flows from financing activities</i>	<i>79,047</i>	<i>129,035</i>
<i>Of which payments of principal</i>	<i>-66,190</i>	<i>-118,434</i>
<i>Of which interest payments</i>	<i>-12,857</i>	<i>-10,601</i>

The group as a lessor

The group has not leased out any assets to third parties.

Note 26. Related party disclosures

For the purposes of these consolidated financial statements, parties are related if one controls the other or can exert significant influence on the other's operating decisions. Related parties include:

- the reporting entity's parent company: VKG GmbH (former name: TARS International GmbH)
country of registration of the reporting entity's parent company: Switzerland
- other companies belonging to the same group
- members of the group's management and supervisory boards and individuals with a significant ownership interest unless those persons cannot exert significant influence on the group's operating decisions.

Transactions with the above companies have been included within 'Transactions with members of the board, owners and persons related to owners'.

In addition, related parties include close family members of the above persons and companies related to them.

(In thousands of euros)	Note	2024	2023
Transactions with members of the board and owners			
Purchase of services (compensation paid under the service contracts of members of the management board)	23	1,274	1,875
Purchase of services (compensation paid to members of the supervisory board)	23	86	108
Liabilities to members of the board, owners and persons related to owners			
Lease liabilities	9	149,011	238,214
Loan liabilities	9	0	31,661
Interest liabilities	10	5,177	2,108
Demand deposits	30	233,030	153,831
Liabilities to members of the management board		69	107
Liabilities to companies related to owners	28	11,806	13,405
Receivables from members of the board, owners and companies and persons related to owners			
Loans provided	4	419,448	322,720
Interest receivable	4	13,876	7,559
Receivables from companies related to owners	4	41,762	7,427
Transactions with members of the board, owners and persons related to owners			
Sales of goods and services		278,063	25,648
Sales of non-current assets		22,942	11,214
Purchases of goods and services		100,122	64,238
Purchases of non-current assets		20	34
Lease expenses	7, 25	66,663	117,825
Loans provided	4	116,760	295,616
Repayments of loans provided		20,292	3,505
Loans received ¹		400	0
Repayments of loans received		400	0
Cash inflow for depositing liquid funds	30	78,950	116,034
Interest income		15,081	8,021
Interest expense		18,397	11,450
Dividends paid	14	8,000	5,500
Acquisition of subsidiaries	27	29	0
Other related parties			
Lease expenses		0	4

¹ The loan liability was assumed in connection with the acquisition of PTRTR OÜ by VKG Logistika OÜ.

Note 27. Investments in subsidiaries

Subsidiary	Domicile	Core business	Ownership interest as at 31 Dec 2024	Ownership interest as at 31 Dec 2023
VKG Oil AS	Estonia	Production of oil shale chemicals	100%	100%
VKG Logistika OÜ ³	Estonia	Transport, maintenance and repair services	100%	100%
Viru RMT OÜ ¹	Estonia	Production of metal structures	0	100%
VKG Invest OÜ	Estonia	Development	100%	100%
VKG Energia OÜ	Estonia	Production and sale of heat and electricity	100%	100%
VKG Solar OÜ ²	Estonia	Other electricity production (incl. from biomass)	0%	100%

- ¹ On 19 March 2024, the shares in Viru RMT OÜ were sold to ICESTONIA OÜ for 418 thousand euros. Sales gain on the transaction amounted to 139 thousand euros.
- ² VKG Solar OÜ merged with VKG Logistika OÜ. The merger was registered on 8 October 2024. As the merger was an intragroup transaction, it had no impact on the group's consolidated financial statements.
- ³ On 29 April 2024, VKG Logistika OÜ acquired the business of PTRTR Tehnoloogia OÜ for 29 thousand euros (purchase price). The company's net assets amounted to 30 thousand euros.

On 1 May 2024, VKG Logistika OÜ merged with PTRTR Tehnoloogia OÜ. The merger was registered on 21 May 2024. As the merger was an intragroup transaction, it had no impact on the group's consolidated financial statements.

Note 28. Main financial risks

A. Financial instruments by class and category

Class of financial instruments	Category of financial instruments	Note	Carrying amount (In thousands of euros)	
			31 December 2024	31 December 2023
Cash and cash equivalents	Financial assets measured at amortised cost	2	5,946	7,039
Investments in financial assets	Financial assets measured at fair value through profit or loss	3	8,000	31,307
Trade receivables	Financial assets measured at amortised cost	4	48,047	22,482
Other receivables	Financial assets measured at amortised cost	4	436,192	332,001
Loan liabilities	Financial liabilities measured at amortised cost	9	0	31,661
Lease liabilities	Financial liabilities measured at amortised cost	9	152,359	240,874
Trade payables	Financial liabilities measured at amortised cost		17,368	19,457
Other liabilities	Financial liabilities measured at amortised cost		17,678	9,682
Demand deposits	Financial liabilities measured at amortised cost	30	233,029	153,831

B. Fair value

All of the group's financial assets and financial liabilities are either recognised in the consolidated statement of financial position or disclosed as contingent items in the notes to the consolidated financial statements. The carrying amounts of all financial assets and financial liabilities recognised in the statement of financial position are reasonable approximations of their fair values and therefore their fair value has not been disclosed.

According to management's assessment, the fair values of the group's loan and lease liabilities are equal to their carrying amounts because according to management's estimates their contractual interest rates correspond to relevant market interest rates.

C. Financial risk management

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk is an inherent part of any business activity.

Depending on the counterparties and the nature of the receivables, the group's credit risk exposures can be grouped as follows:

Credit risk (In thousands of euros)	31 December 2024	31 December 2023
Cash and cash equivalents	5,946	7,039
Trade receivables	48,047	22,482
Other receivables	17,284	17,285
Investments in financial assets	8,000	31,307
Maximum credit risk exposure	79,277	78,113

Cash and cash equivalents – At 31 December 2024, the group's cash and cash equivalents totalled 5,946 thousand euros (2023: 7,039 thousand euros). Cash and cash equivalents are held at financial institutions whose ratings range from Aa2 to Ba1 according to Moody's. The credit risk of cash and cash equivalents was estimated based on the 12-month expected credit loss model and the estimation reflected the short maturities of the risk positions. Based on the credit ratings of the financial institutions where the assets are held, the group believes that the credit risk of its cash and cash equivalents is low.

Trade receivables – The carrying amounts of financial assets and contract assets reflect the group's maximum credit risk exposure.

The loss allowance recognised for financial assets and contract assets as at the end of the reporting period was as follows.

(In thousands of euros)	31 December 2024	31 December 2023
Loss allowance for trade receivables and contract assets	0	-2
Total	0	-2

The group manages its credit risk by carefully monitoring the payment behaviour and analysing the financial position of its business partners and involving third party guarantors where necessary. In the event of one-off transactions and new customers, goods and services are sold on a prepayment basis or against a guarantee or a letter of credit.

Past due receivables are dealt with on a daily basis. Customers with settlement delays are sent reminders and cautions. The group has rules for instituting collection proceedings through the court of law. Conclusion of special agreements is at the discretion of the management board.

Credit risk of receivables and contract assets by geographical area at the end of the period:

(In thousands of euros)	31 December 2024	31 December 2023
European Union, excluding Estonia	29	42
Estonia	23,522	21,016
Switzerland	23,877	0
Other countries	619	1,424
Total	48,047	22,482

The carrying amount of receivables due from the group's most important customer at 31 December 2024 was 23,524 thousand euros (2023: 6,064 thousand euros).

The group accounts for expected credit losses on all trade receivables using the simplified approach provided in IFRS 9 that allows recognising the loss allowance at an amount equal to lifetime expected credit losses.

The group always recognises the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are calculated using a provision matrix, which is based on the group's historical credit loss experience, adjusted for factors specific to the debtors, general economic conditions and, where appropriate, the time value of money.

Ageing of trade receivables (In thousands of euros)	31 December 2024	31 December 2023
Trade receivables not past due	47,301	14,882
1-30 days past due	737	7,582
31-90 days past due	6	6
Over 91 days past due	3	12
Total trade receivables	48,047	22,482

Investments in financial assets – Investments in financial assets comprise listed interest-bearing instruments with terms of up to 1 year and an average interest rate of 3.65% (see note 3).

Interest rate risk

At 31 December 2024, the group's interest-bearing liabilities amounted to 385,388 thousand euros (2023: 272,526 thousand euros), accounting for 55% (2023: 39%) of total assets. Liabilities with floating interest rates, which depend on changes in the Euribor rates, totalled 2,075 thousand euros (2023: 2,662 thousand euros).

If the next 12 months' average Euribor rate increased by 10 basis points, the group's interest expense would increase by 2 thousand euros (2023: 3 thousand euros), assuming that the amount of the liabilities remains unchanged. Thus, according to management's assessment, the impact of changes in the interest rate environment on the group's results is immaterial.

Liquidity risk

Liquidity risk is the risk that the group will not have sufficient liquid funds to cover its expenses and investments. Liquidity risk is mitigated by various financial instruments such as loans, working capital management, creation of reserves, hedging transactions, etc. At the year-end, the group's current ratio (current assets/current liabilities) was 0.70 (2023: 0.57). The group's cash and cash equivalents as at the end of the reporting period totalled 5,946 thousand euros (2023: 7,039 thousand euros). Although the group's current ratio is below 1, management does not consider this a problem because most current liabilities are to related parties. Moreover, the current balance of cash and cash equivalents (5,946 thousand euros) and the cash inflows projected for the financial year are sufficient to settle all current liabilities. Liabilities to related parties, which account for a significant share of current liabilities, are being settled in accordance with their contractual due dates and, if necessary, the group can also use its existing credit lines to settle the liabilities.

The following liquidity analysis provides an overview of the group's current and non-current liabilities by their maturities. All amounts represent undiscounted cash flows from contractual payments. The interest rates of the borrowings included in the analysis are in the range of 1.45–7% (2023: 1.5–5.96%).

Liabilities by remaining maturities as at 31 December 2024

(In thousands of euros)	Not later than 6 months	Later than 6 months but not later than 1 year	Later than 1 year but not later than 5 years	Later than 5 years	Total undiscounted amount	Carrying amount
Lease liabilities	40,353	40,209	82,304	7	162,873	152,359
<i>Incl. related parties (note 26)</i>	<i>39,654</i>	<i>43,354</i>	<i>309,323</i>	<i>0</i>	392,331	149,011
Trade payables	17,368	0	0	0	17,368	17,368
<i>Incl. related parties (note 26)</i>	<i>10,898</i>	<i>0</i>	<i>0</i>	<i>0</i>	10,898	10,898
Accrued expenses	17,678	0	0	0	17,678	17,678
<i>Incl. related parties (note 26)</i>	<i>908</i>	<i>0</i>	<i>0</i>	<i>0</i>	908	908
Other liabilities (note 26)	3,700	0	229,329	0	233,029	233,029
Total	79,099	40,209	311,633	7	430,948	420,434

Liabilities by remaining maturities as at 31 December 2023

(In thousands of euros)	Not later than 6 months	Later than 6 months but not later than 1 year	Later than 1 year but not later than 5 years	Later than 5 years	Total undiscounted amount	Carrying amount
Loan liabilities (note 26)	1,105	1,111	1,108	39,423	42,747	31,661
Lease liabilities	64,707	64,941	120,393	0	250,041	240,875
<i>Incl. related parties (note 26)</i>	<i>64,061</i>	<i>64,297</i>	<i>118,098</i>	<i>0</i>	246,456	238,214
Trade payables	19,457	0	0	0	19,457	19,457
<i>Incl. related parties (note 26)</i>	<i>13,012</i>	<i>0</i>	<i>0</i>	<i>0</i>	13,012	13,012
Accrued expenses	9,682	0	0	0	9,682	9,682
<i>Incl. related parties (note 26)</i>	<i>2,501</i>	<i>0</i>	<i>0</i>	<i>0</i>	2,501	2,501
Other liabilities to related parties (note 26)	0	26,900	126,931	0	153,831	153,831
Total	94,951	92,952	248,432	39,423	475,758	455,506

The primary objective of the group's capital management is to ensure an optimal capital (net debt and equity) structure, which would support the group's profitable operation and the interests of shareholders. At the end of 2024, the net debt to capital ratio was 65% (2023: 61%), which is moderately high.

(In thousands of euros)	31 December 2024	31 December 2023
Interest-bearing borrowings (note 9)	385,388	272,537
Less: cash and cash equivalents (note 2)	5,946	7,039
Net debt	379,442	265,498
 Equity	 207,786	 167,491
Total capital (net debt plus equity)	587,228	432,989
Net debt to capital ratio	65%	61%

Market risks

The risk of changes in the world market prices of oil and oil products is an inherent part of the group's business operations. Under the majority of shale oil sales contracts entered into by the group, the sales price of the product depends directly on the prices quoted for oil products on relevant commodity exchanges. Other shale oil prices (sales in the domestic market) are indirectly influenced by the world market prices. The world market prices of oil also influence the group's expenses through the prices of fuels, oils and natural gas that are used in production. This impact, however, is marginal compared to the impact on revenue. The group monitors the risk continuously and analyses the sensitivity of its forecast profit to changes in the world market prices of oil and oil products. A one-dollar change in the annual average price of Brent crude oil would influence VKG's profit by around 2.5 million euros.

To a lesser extent, the group's profitability is also affected by the market price of electricity, the indicator of which is the Nord Pool spot price in Estonia (NPS Estonia). A change in the annual average price for NPS Estonia by 1 euro per megawatt-hour would affect VKG's profitability by approximately 100 thousand euros.

Currency risk

In 2024, less than 1% (2023: 75%) of the group's sales were denominated in US dollars. The transactions denominated in dollars were related to oil sales. As 99% of the group's expenses are incurred in euros, the group is not exposed to currency risk resulting from the weakening of the US dollar.

The group's currency risk exposures (in thousands of euros):

Financial assets	EUR	USD	31 December 2024
Cash and cash equivalents (note 2)	5,914	32	5,946
Trade receivables	48,047	0	48,047
Total	53,961	32	53,993
 Financial liabilities	 EUR	 USD	 31 December 2024
Borrowings (note 9)	152,359	0	152,359
<i>Of which non-current</i>	<i>79,829</i>	<i>0</i>	<i>79,829</i>
Trade payables	17,350	18	17,368
Total	169,709	18	169,727
Net exposure	-115,748	14	-115,734

Carbon risk

As a result of the EU climate policy, carbon risk is the most critical risk to the group's sustainability. All the risks described above are related to market developments, which can be estimated and mitigated in one way or another, but carbon taxation risk is more of a political risk and depends on whether or not EU policy supports local manufacturing companies. While the EU's priority in recent years has been to reduce Europe's greenhouse gas emissions, the EU is now beginning to understand that this will reduce the competitiveness of local manufacturing companies.

The production of shale oil products is among those activities whose competitiveness is directly undermined by the EU climate policy. The group's total CO₂ emission in 2024 was 1,312 thousand tonnes (2023: 1,305 thousand tonnes), which was covered by the emission allowances allocated to the group free of charge in previous years. If the group had had to cover its total CO₂ emission with allowances purchased from the market at an average price of 66.5 euros per tonne, this would have resulted in an additional expense of 87 million euros. The group recognised provisions of 8,869 thousand euros (2023: 13,110 thousand euros) to cover future costs related to its CO₂ emissions.

Note 29. Contingent liabilities

The group's retained earnings as at the end of the reporting period amounted to 200,956 thousand euros (2023: 160,125 thousand euros). The maximum income tax liability that could arise if all of the retained earnings as at the reporting date were distributed as dividends amounts to 44,210 thousand euros (2023: 32,025 thousand euros) and the amount that could be distributed as the net dividend is 156,746 thousand euros (2023: 128,100 thousand euros).

The maximum income tax liability has been calculated on the assumption that the net dividend and the income tax expense reported in the income statement for 2025 (without applying the lower tax rate) may not exceed total retained earnings as at the end of the reporting period and income tax already paid by the subsidiaries.

The group has provided guarantees of 1,335 thousand euros. The last expiry date of the guarantees is in 2029.

Note 30. Demand deposits

(In thousands of euros)

As at 31 December 2023	153,831
<i>Of which current (notes 10 and 26)</i>	26,900
<i>Of which non-current (note 26)</i>	126,931
Increase ¹	79,198
As at 31 December 2024	233,029
<i>Of which current (notes 10 and 26)</i>	3,700
<i>Of which non-current (note 26)</i>	229,329
Interest expense accrued (notes 22 and 26)	5,423
Interest paid (note 26)	2,103

The demand deposits are denominated in euros, have a term of 48 months and their interest rate is 3%. Interest expense on the deposits is disclosed in note 22. Balances and transactions with related parties are disclosed in note 26.

¹ Including cash received of 78,950 thousand euros and non-cash transactions of 248 thousand euros.

Note 31. Events after the reporting period

The following significant events have occurred between the end of the reporting period (31 December 2024) and the date these financial statements are authorised for issue:

- On 3 March 2025, the shareholders were paid dividends of 5,500 thousand euros for 2024.
- Raivo Vasnu joined the team at the level of VKG's management board.

Note 32. Parent company's financial information

Disclosure of the primary financial statements of the group's parent company is required by the Estonian Accounting Act.

Parent company's statement of financial position

(In thousands of euros)	31 December 2024	31 December 2023
ASSETS		
Cash and cash equivalents	536	1,825
Trade receivables	820	1,762
Loans provided	4,673	6,600
Other receivables	4,473	8,845
Prepayments	35	18
Total current assets	10,537	19,050
Investments in subsidiaries (note 27)	157,401	118,285
Loans provided	610	10,913
Other non-current receivables	42,586	21,651
Property, plant and equipment	2,300	2,493
Intangible assets	1,427	1,665
Total non-current assets	204,324	155,007
Total assets	214,861	174,057
LIABILITIES		
Borrowings	582	536
Trade payables	399	575
Taxes payable	1,908	1,083
Accrued expenses	1,070	1,034
Total current liabilities	3,959	3,228
Borrowings	1,559	1,680
Total non-current liabilities	1,559	1,680
Total liabilities	5,518	4,908
EQUITY		
Share capital	6,209	6,209
Statutory capital reserve	621	621
Revaluation reserves of subsidiaries accounted for under the equity method	0	536
Retained earnings	202,513	161,783
Equity attributable to owners of the parent	209,343	169,149
Total equity	209,343	169,149
Total liabilities and equity	214,861	174,057

Parent company's income statement

(In thousands of euros)	2024	2023
Revenue	13,337	14,935
Cost of sales	-704	-560
Gross profit	12,633	14,375
Administrative expenses	-10,904	-11,708
Other income	284	1,699
Other expenses	-204	-550
Operating profit	1,809	3,816
Share of profit of subsidiaries accounted for under the equity method	45,086	11,479
Finance income	2,458	1,666
Finance costs	-314	-147
Profit before tax	49,039	16,814
Income tax expense	-575	0
Profit for the year	48,464	16,814

Parent company's statement of comprehensive income

(In thousands of euros)	2024	2023
Profit for the year	48,464	16,814
Other comprehensive income	0	0
Total other comprehensive income	0	0
Comprehensive income for the year	48,464	16,814

Parent company's statement of cash flows

(In thousands of euros)	2024	2023
Cash flows from operating activities		
Profit for the year	48,464	16,814
Adjustments for:		
<i>Depreciation, amortisation and impairment losses</i>	949	911
<i>Accrued finance income and costs</i>	-1,727	-1,519
<i>Other adjustments</i>	157	0
Total adjustments	-621	-608
Share of profit of subsidiaries accounted for under the equity method	-45,087	-11,479
Change in operating receivables and prepayments	-1,034	226
Change in operating payables and advances received	740	951
Net cash from operating activities	2,462	5,904
Cash flows from investing activities		
Purchase of property, plant and equipment	-357	-334
Purchase of intangible assets	-96	-174
Proceeds from sale of non-current assets	501	9
Purchase of other investments	-14,435	-17,000
Proceeds from sale of a subsidiary	418	0
Loans provided	-400	-1,005
Repayments of loans provided	12,630	12,605
Interest received, intragroup	1,435	632
Interest received, external	280	66
Dividends received	5,700	5,500
Net cash from investing activities	5,676	299
Cash flows from financing activities		
Credit card loan	-1	1
Payments of lease principal	-537	-495
Interest paid on lease liabilities	-314	-122
Corporate income tax paid	-575	0
Dividends paid	-8,000	-5,500
Net cash used in financing activities	-9,427	-6,116
Net cash flow	-1,289	87
Cash and cash equivalents at beginning of year	1,825	1,738
Decrease/increase in cash and cash equivalents	-1,289	87
Cash and cash equivalents at end of year	536	1,825

Parent company's statement of changes in equity

(In thousands of euros)	Share capital	Statutory capital reserve	Revaluation reserves of subsidiaries	Retained earnings	Total
As at 31 December 2022	6,209	621	647	213,779	221,256
Profit for the year	0	0	0	16,814	16,814
Changes in reserves	0	0	-111	111	0
Dividends paid	0	0	0	-5,500	-5,500
Other changes in equity ¹	0	0	0	-63,421	-63,421
As at 31 December 2023	6,209	621	536	161,783	169,149
Profit for the year	0	0	0	48,464	48,464
Changes in reserves	0	0	-536	536	0
Dividends paid	0	0	0	-8,000	-8,000
Other changes in equity ²	0	0	0	-270	-270
As at 31 December 2024	6,209	621	0	202,513	209,343

¹ Other changes in equity in the previous period are related to a demerger (division) as a result of which VKG Kaevandused OÜ was separated from the group as at 31 May 2023.

² Other changes in equity in the reporting period are related to the divestment of Viru RMT OÜ (note 27).

Further information on share capital and reserves is disclosed in notes 14 and 15.

Parent company's adjusted unconsolidated equity as at 31 December 2024

(In thousands of euros)	31 December 2024	31 December 2023
Parent company's unconsolidated equity	209,343	169,149
Less: carrying amount of investments in subsidiaries in parent company's separate statement of financial position	157,401	118,285
Plus: value of investments in subsidiaries under the equity method	157,401	118,285
Equity attributable to owners of the parent	209,343	169,149
Total adjusted unconsolidated equity	209,343	169,149

SIGNATURES TO ANNUAL REPORT 2024

The management board of Viru Keemia Grupp AS has prepared the directors' report and the consolidated financial statements for 2024.

Management board

Ahti Asmann	Chairman of the Management Board		12 June 2025
Jaanis Sepp	Member of the Management Board		12 June 2025
Raivo Attikas	Member of the Management Board		12 June 2025
Ervin Küttis	Member of the Management Board		12 June 2025
Raivo Vasnu	Member of the Management Board		12 June 2025



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Independent Auditors' Report

To the Shareholder of VIRU KEEMIA GRUPP AS

Opinion

We have audited the consolidated financial statements of VIRU KEEMIA GRUPP AS (the Group), which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the consolidated financial statements presented on pages 13 to 57, present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (Estonia) (including Independence Standards) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the management report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, our responsibility is to state whether the information presented in the management report has been prepared in accordance with the applicable legal and regulatory requirements.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard and we state that the information presented in the management report is materially consistent with the consolidated financial statements and in accordance with the applicable legal and regulatory requirements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements



Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Baltics OÜ
Licence No 17

Indrek Alliksaar
Certified Public Accountant, Licence No 446
12 June 2025

Merili Nõmme
Certified Public Accountant, Licence No 733

PROPOSAL FOR THE ALLOCATION OF PROFIT

The management board proposes that the general meeting of Viru Keemia Grupp AS allocate retained earnings as follows:

Total retained earnings as at 31 December 2024: 200,956 thousand euros

The management board proposes that the general meeting make the following allocations:

Dividend distribution: 5,500 thousand euros

Retained earnings after allocations: 195,456 thousand euros

Ahti Asmann
Chairman
of the Management Board



12 June 2025

Jaanis Sepp
Member
of the Management Board



12 June 2025

Raivo Attikas
Member
of the Management Board



12 June 2025

Ervin Küttis
Member
of the Management Board



12 June 2025

Raivo Vasnu
Member
of the Management Board



12 June 2025

PARENT COMPANY'S REVENUE ACCORDING TO EMTAK

(In thousands of euros)

Activity	EMTAK code	2024
Activities of head offices	70101	13,337
Total		13,337