



OSTCHEM

SEVERODONETSK  
AZOT

PrJSC “Severodonetsk Azot Association” is one of the largest enterprises of chemical industry in Ukraine. Owing to high level of manufacturing processes automation and computerization as well as compliance with modern operating standards PrJSC “Severodonetsk Azot Association” is recognized as the enterprise of European type.

The enterprise covers the sizeable territory of about 800 hectares. PrJSC “Severodonetsk Azot Association” specializes in production of nitrogen mineral fertilizers (ammonia, urea, ammonium, potassium and sodium nitrate), ammonium carbonate, organic spirits and acids (acetic acid, methanol, formalin, polyvinyl alcohol, adipic acid, urea-formaldehyde resin), acetylene, vinyl acetate, polystyrene products and polymer films.

A whole number of the enterprise’s products are listed in “100 best goods of Ukraine”. Among them is acetic acid, liquid ammonia technical, ammonium nitrate, methanol technical, adipic acid improved, urea, cyclohexanone technical and others.

PrJSC “Severodonetsk Azot Association” was awarded prestigious prizes including Gold Globe and Trade Leader Club for quality and competitive products export, strict contracts’ compliance and active integration into the global economy.

According to the activity results over the last ten years the enterprises was rated in “Top-100. The best companies of Ukraine.” PrJSC “Severodonetsk Azot Association” hosts branch seminars as well as scientific and practical conferences regularly.



Presenting PrJSC “Severodonetsk Azot Association” it is worth beginning with special mention of the enterprise’s high qualified and dedicated personnel. Today 8 000 professional, well-organized and creative employees work at the plant.

PrJSC “Severodonetsk Azot Association” top management supported by Dmitriy Firtash, President of the Federation of Employers of Ukraine, founder of Group DF, is focused on famous labour traditions development and intergenerational continuity. The conscientious work is rewarded in according with transparent bonus system applied at the enterprise. The personnel rejuvenation program is being realized efficiently. Professional skill contests are held among young employees on a regular basis. All these initiatives lead to sustained improvement of the enterprise’s operation. In 2009 PrJSC “Severodonetsk Azot Association” obtained the internationally recognized certificate that confirms the compliance of the Quality Management System with ISO 9001–2008 requirements.

All the shops and units, auxiliary services, social and cultural facilities which are the parts of PrJSC “Severodonetsk Azot Association” meet the contemporary standards and continue developing.

We set up effective social partnership and observe all the clauses of the collective labour agreement.

A wide range of the products manufactured by PrJSC “Severodonetsk Azot Association” are exported globally. We hold the leading position in the industry and strengthen the authority of national chemical sector with our labour achievements in Ukraine and worldwide. We have good reason to be optimistic as regards PrJSC “Severodonetsk Azot Association” great future ahead.

*Leonid Bugaev*

A handwritten signature in black ink, appearing to be 'L. Bugaev', written in a cursive style.

*PrJSC “Severodonetsk Azot Association”  
Chairman of the Board*

# PrJSC "SEVERODONETSK AZOT ASSOCIATION"



**100%**

leader of acetic acid,  
methanol and vinyl  
acetate production  
in Ukraine



**6,1** UAH  
billion

products  
realization  
sum in 2012



**129**

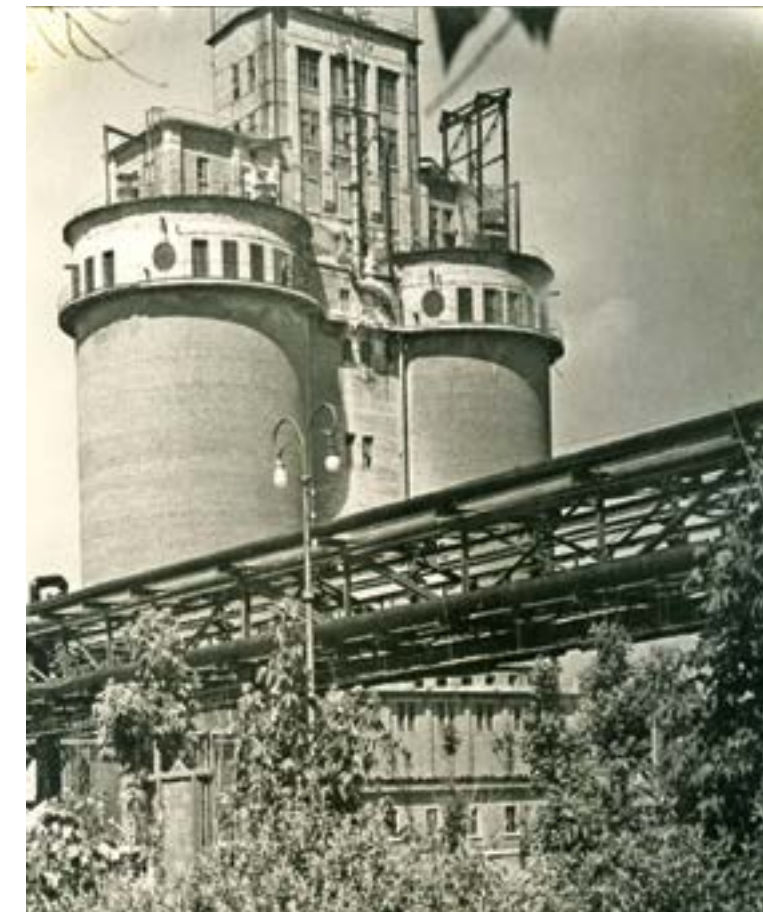
countries-importers  
globally



**8 000**

people  
are employed  
at the enterprise

# History



PrJSC “Severodonetsk Azot Association” was originally known as Lysychansk chemical plant. The future industrial giant was built on the left bank of the Seversky Donets opposite Lysychansk. The enterprise had to manufacture its first products in 1941 but the war destroyed the plans.

In the postwar period the chemical plant was constructed from the start. The enterprise was put into operation on 16 February, 1951. The same year the industrial community Lyschimstroy became Severodonetsk city.





The Order of Lenin

The city forming enterprise produced non concentrated nitric acid and ammonium nitrate at first. But the manufacturing process developed at high tempo and soon the plant became the multiproduct one. In 1966 PrJSC “Severodonetsk Azot Association” team was awarded the Order of Lenin for exceptional labour achievements. Hereafter the enterprise keeps the leading position in the industry.

Severodonetsk is called the chemical industry workers’ city. Its main road is called avenue Chimikov. Four employees of “Severodonetsk Azot Association” Ivan Hladkyy, Viktor Hohin, Valeriy Ehorov and Aleksandr Verkhovod are the Heroes of Socialist Labour. The four streets in Severodonetsk are named after these outstanding people. 460 pacemakers and innovators were awarded orders.



All the stages of PrJSC “Severodonetsk Azot Association” formation and development as well as its today’s life are brightly represented at “Azot” History People’s museum. A lot of books, films and scientific studies are dedicated to the enterprise’s labour achievements.

In 2011 PrJSC “Severodonetsk Azot Association” joined OSTCHEM Group DF. Since then the fixed assets renovation and production facilities modernization are actively realized.



# Production capacities



PrJSC “Severodonetsk Azot Association” manufactures about 50 items of competitive chemical products.

Since becoming a part of OSTCHEM Group DF PrJSC “Severodonetsk Azot Association” discovered its potential and increased the production capacity from 68,4% (2010) up to 92,4% (2012).

Main products’ output grows steadily and the real production volume frequently exceeds the rates of planned capacities.

# Production capacities exploitation

2010:

68,4 %

2012:

92,4 %

## Main capacities

Liquid ammonia technical



1 020 000 tonnes per year

Ammonium nitrate



550 000 tonnes per year

Urea



390 000 tonnes per year

Methanol



190 000 tonnes per year

Acetic acid



150 000 tonnes per year

Aqueous ammonia technical



60 000 tonnes per year

# Main products

## Nitrogen fertilizers

Product	Standard
Ammonium nitrate	DSTU 7370:2013
Ammonium nitrate (residue product of ammonium nitrate production)	TU U 24.33270581-009:2008
Aqueous ammonia technical	GOST 9-92
Liquid ammonia technical (anhydrous ammonia)	GOST 6221-90
Potassium nitrate technical	GOST 19790-74
Potassium nitrate technical with anticaking agent	TU U 24.1-33270581-022:2009
Urea	GOST 2081-92 (DSTU 7312:2013)

## Organic products

Product	Standard
Crude methanol	TU 113-05-323-77
Cyclohexane technical	GOST 14198-78
Cyclohexanone technical	GOST 24615-81
De-icing agent AGR-1	TU U 24.6-33270581-001:2011
Formalin technical	GOST 1625-89
Methanol technical	DSTU 3057-95 (GOST 2222-95)
POD oil	TU U 20.1-33270581-023:2012
Vinyl acetate	TU U 20.1-33270581-011:2012





## Gases

Product	Standard
Acetylene pyrolysis dissolved technical	TU U 20.1-33270581-037:2014
Argon gaseous and liquid	GOST 10157-79
Liquefied carbon dioxide	DSTU 4817:2007
Nitrogen gaseous	DSTU GOST 9293:2009
Nitrogen liquid	DSTU GOST 9293:2009
Oxygen gaseous medical	DSTU GOST 5583:2009
Oxygen gaseous technical	TU U 20.1-33270581-021:2013
Oxygen liquid technical	GOST 6331-78
Xenon-nitrogen mixture	TU U 24.1-33270581-035:2009

## Acids

Product	Standard
Acetic acid synthetic	GOST 19814-74
Acetic acid synthetic food grade	TU U 20.1-33270581-012:2013
Adipic acid	GOST 10558-80
Adipic acid improved	TU U 24.1-33270581-026:2008
Dicarboxylic acids C4-C6	TU U 24.1-33270581-003:2011
Non concentrated (weak) nitric acid	TU U 24.1-33270581-005:2011

## Polymers and polymer products

Product	Standard
Dispersion of polyvinyl acetate homopolymer	TU U 24.1-33270581-020:2007
Dispersion of vinyl acetate copolymers	TU U 24.1-33270581-034:2009
Polyethylene pasted bags with valves	TU U 25.2-33270581-024:2008
Polypropylene pasted bags with valves	TU U 25.2-33270581-025:2008
Polyvinyl acetate lacquer	TU U 24.1-33270581-008:2006
Polyvinyl alcohol	GOST 10779-78
Urea-formaldehyde resin	TU U 20.1-33270581-014:2012
Urea-formaldehyde resin, low-toxic	TU U 20.1-33270581-029:2013

## Other products

Product	Standard
Ammonium carbonate	GOST 9325-79
Ammonium hydrocarbonate technical and food grade	TU U 20.1-33270581-036:2013
Plasticizers	TU U 24.1-33270581-013:2007
Sodium nitrate technical	GOST 828-77
Sodium nitrate technical treated with anticaking agent	TU U 24.1-33270581-002:2011



# Geography

The countries where the products of PrJSC “Severodonetsk Azot Association” are exported to:



# Quality Management System



PrJSC “Severodonetsk Azot Association” has developed, implemented and certified the Quality Management System in accordance with ISO 9001.

One of the key principals of the Quality Management System is the process approach. All the processes requiring quality control are defined in documented procedures by the enterprise’s coordinating board. Each process is monitored under the determined criteria and with certain frequency of quality control. Each process is provided with the informational, human and other resources to realize the Quality Management System regular functioning.

The results of the Quality Management System data analysis by all the processes are considered on the coordinating board once a quarter in order to achieve the planned goals and to improve processes steadily.

The Quality Management System covers all the projecting, production and sales stages of ammonia, mineral fertilizers and acids, products of organic and non organic synthesis as well as management and associated auxiliary processes.

In 2008 PrJSC “Severodonetsk Azot Association” obtained the internationally recognized certificate confirming the compliance of the Quality Management System with ISO 9001:2008 requirements. The certificate was issued by the company SGS (Great Britain) which is the leader on the quality management system certification global market. SGS has wide experience in management system audit and accredited to certification procedure realization in United Kingdom Accreditation Services (UKAS). It is the UK national institution on accreditation of organizations that provide certification services.

Since 2009 the SGS specialists carry out annual supervising and re-certificating audits at PrJSC “Severodonetsk Azot Association” successfully. This confirms the work was performed at the highest level.

The Quality Management System is one of the main plant’s advantages which indicates the adherence to high production standards at PrJSC “Severodonetsk Azot Association”.

# Key results

2010—2012

Since 2011 the manufacturing of main products is steadily increasing at PrJSC “Severodonetsk Azot Association.”

Ammonia production increased **1,6** times.

Ammonium nitrate production grew **1,2** times.

Acetic acid production increased **1,6** times.

Formalin production grew **1,7** times.

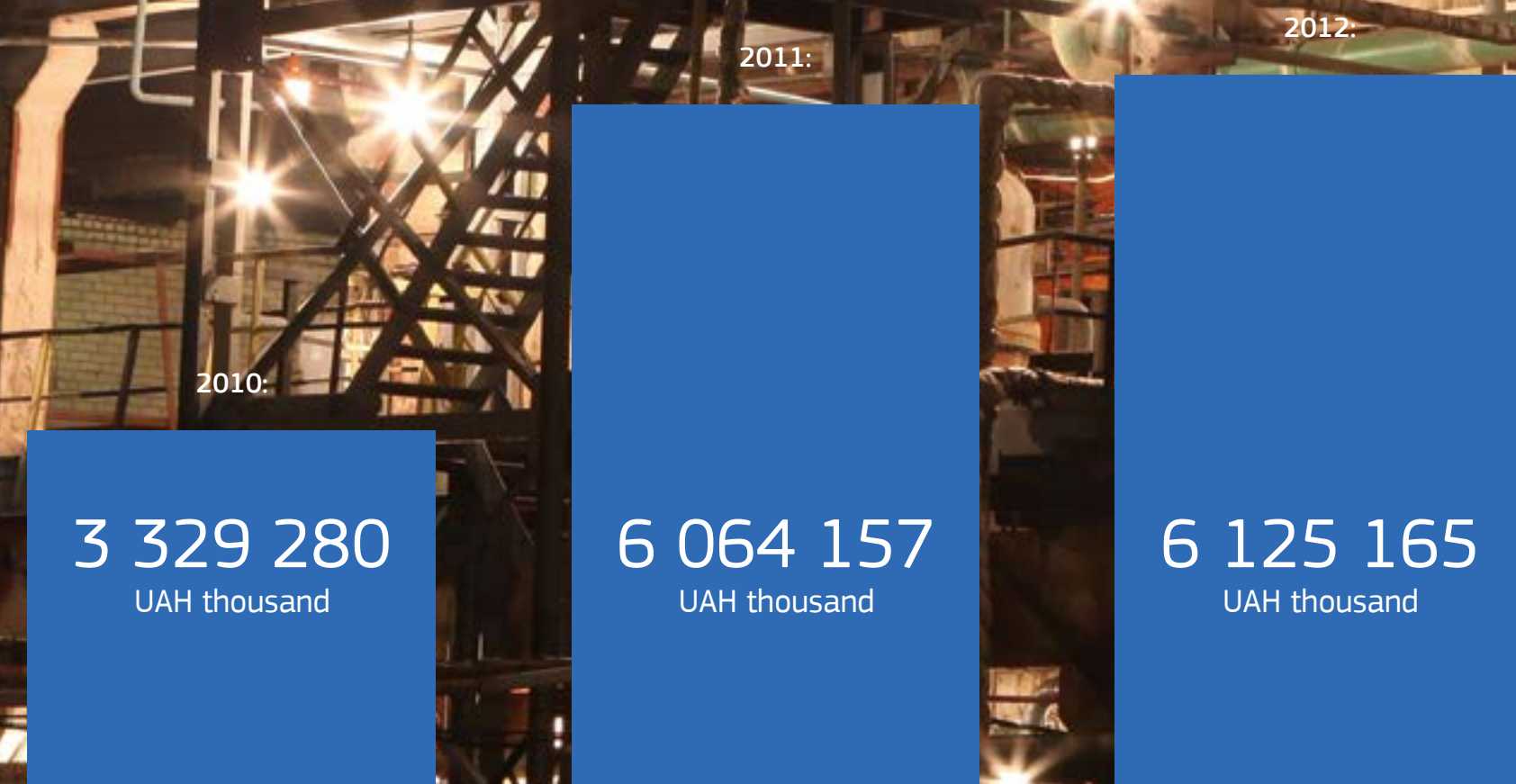
Financially these rates are expressed through sales volumes growth in fixed prices.\*



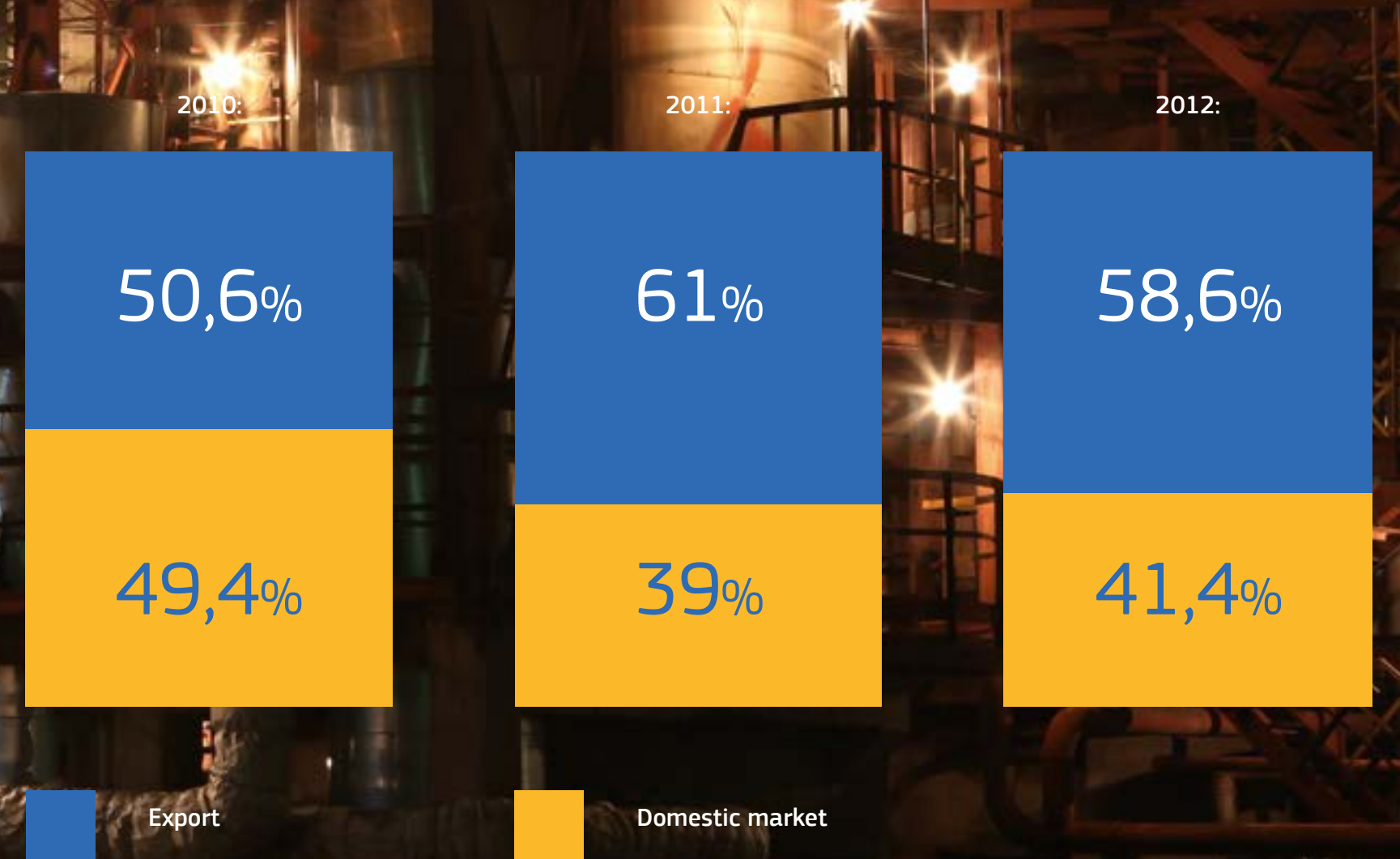
## PrJSC “Severodonetsk Azot Association” production dynamics

	2010, '000 tonnes	2011, '000 tonnes	2012, '000 tonnes
Ammonia	631,5	1031,3	1033,3
Ammonium nitrate	508,8	518,3	582,1
Urea	426,4	630,6	678,8
Acetic acid	88,7	141,7	144,7
Formalin	29,9	43,2	50,2

## Sale dynamics of the products manufactured by PrJSC "Severodonetsk Azot Association"



## Sale dynamics of mineral fertilizers produced by PrJSC "Severodonetsk Azot Association"



Export

Domestic market

# Investments and modernization

Since becoming a part of OSTCHEM group, PrJSC "Severodonetsk Azot Association" significantly increased annual investments in fixed assets renovation and production modernization.

## Total Investments



The funds were allocated to the projects

	2010	2011	2012
Capital repair	<b>52</b> (UAH million)	<b>80,1</b> (UAH million)	<b>120,8</b> (UAH million)
Modernization and technical re-equipment	<b>18,9</b> (UAH million)	<b>72,9</b> (UAH million)	<b>101,3</b> (UAH million)
Acquisition of land for new production sites construction			<b>120</b> (UAH million)



# Social responsibility



Being a city-forming enterprise, PrJSC “Severodonetsk Azot Association” is socially responsible to its employees and citizens of the region where plant operates.

## Internal social policy

PrJSC “Severodonetsk Azot Association” annually allocates funds to health recovery centers maintenance and development in order to provide the employees and their families with worthy conditions to rest and recreation.

Furthermore, the enterprise finances Culture Center of the chemical industry workers.

## Maintenance of the social infrastructure facilities

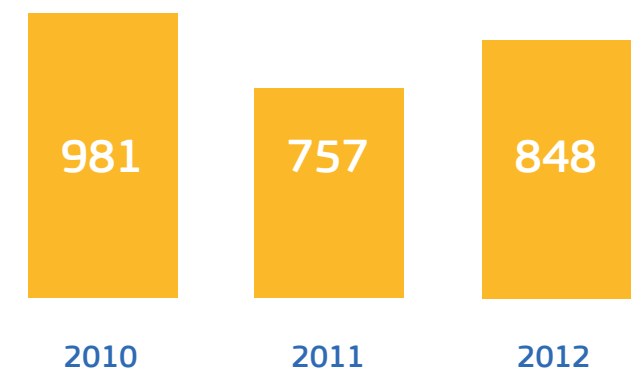


### Recreation center “Chemist”



■ The number of employees rested

### YU. Gagarin Children’s camp



■ The number of children rested over the summer period

Since 2011 PrJSC “Severodonetsk Azot Association” encourages the employees by subsidizing vacation packages to sanatoriums and recreation centers in the Crimea and Western Ukraine.

In 2012 the number of “Azot” employees rested at the Crimean recreation centers grew 1.5 times and the subsidies to vacation packages purchase were doubled.





## External social policy

The primary focus of PrJSC “Severodonetsk Azot Association” social policy is provision of financial support and charitable assistance to sports, educational, medical, public, confessional and other non-core organizations in Severodonetsk and Luhansk region.

2010	3,1 UAH million	including 1,4 UAH million — The charity aid to sport support and development in the town and region
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2011	30,2 UAH million	including 17,5 UAH million — The purchase of 10 new trolleybuses for Severodonetsk
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2012	5,4 UAH million	including 0,1 UAH million — The financial support to Severodonetsk veterans of Great Patriotic War
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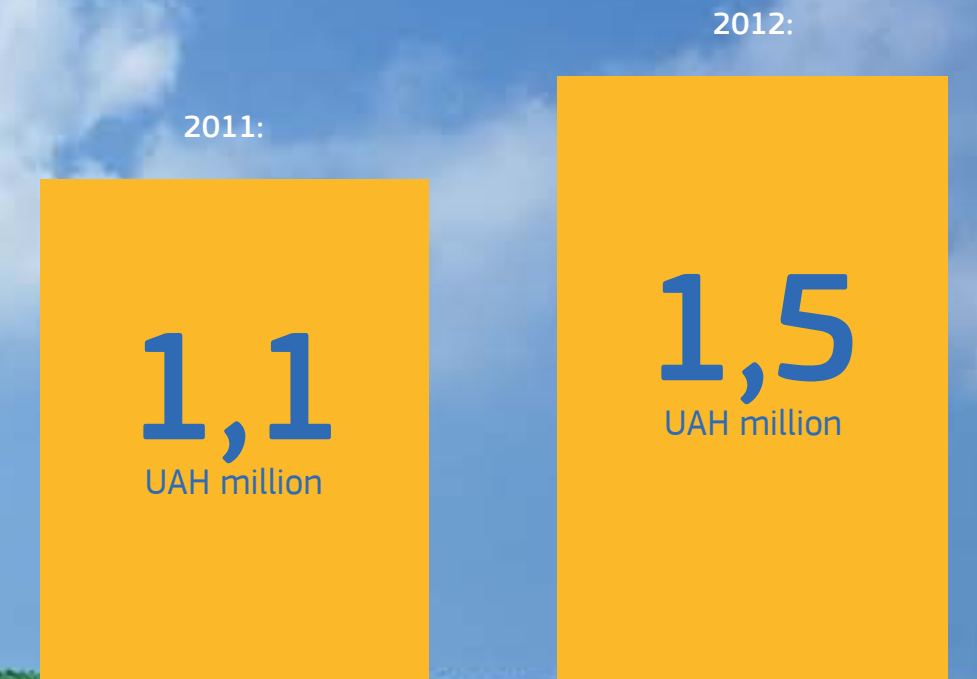
# Environmental commitment

Being a part of OSTCHEM group PrJSC “Severodonetsk Azot Association” is responsible for the environmental situation in the town and region in general. PrJSC “Severodonetsk Azot Association” joined Responsible Care Global Charter along with all OSTCHEM enterprises and implements its own measures in accordance with the “Responsible Care of the Chemical Industry in Ukraine” program. Therefore the investments aimed at reducing the impact of industrial pollution on the environment are growing every year.



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OUR COMMITMENT TO SUSTAINABILITY

## The investment directed on the environmental projects



## Sewage treatment

The flow equalization basin is being repaired at neutralization and industrial sewerage purification shop. Renovated technological complex will allow optimizing the first stage of sewage purification coming from organic synthesis production and ammonia production shops. It is planned to invest more than 2 UAH million in the shop's capital repair and the modernization.

The long-run goal of the realized projects is to improve sewerage quality in order to affect positively on water eco systems in the whole region.

1.3 UAH million has already been spent on the capital repair of the shop.

800 000  
UAH

was invested in the repair and modernization of the flow equalization basin that contributes significantly to the improvement of sewerage purification quality.

## Harmful emissions reduction

Two suction systems for the extraction of ammonium nitrate and urea dust were put into operation at PrJSC "Severodonetsk Azot Association". It will lead to reduction of hazardous emissions into the atmosphere by 10%.

Another important stage of environmental program realization is the installation of a new unit of an additional refrigerator for the secondary steam condensation at the ammonium nitrate production shop. This unit allows decreasing emissions into the atmosphere by 20–25%.

# Employees development

Today PrJSC “Severodonetsk Azot Association” employs 8 000 people. Innovative approach of the chemical production and its strong science linkage require high professional skills of all the enterprise’s employees. The advanced HR techniques are provided in order to increase personnel efficiency and compliance with these requirements.



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АЗОТ



## Educational center

More than 150 engineering professions are demanded at PrJSC “Severodonetsk Azot Association”. Only 20 of them are trained at vocational schools. The rest engineering professions are taught directly at the enterprise where the special educational training and retraining system is adopted.

Courses of study are realized in two ways: off-the-job and at the work place. Besides the skills upgrading employees can master cross professions.

PrJSC “Severodonetsk Azot Association” educational center is licensed by the Ministry of Education and Science of Ukraine and professional training is held by highly qualified industrial specialists.



## Human Resource Policy



Integral part of the HR system is training of employees for management positions. This personnel reserve of PrJSC “Severodonetsk Azot Association” includes 180 people.

Employees’ performance results as well as interviews, business role plays and testing are applied for detection of the potential candidates for management positions.

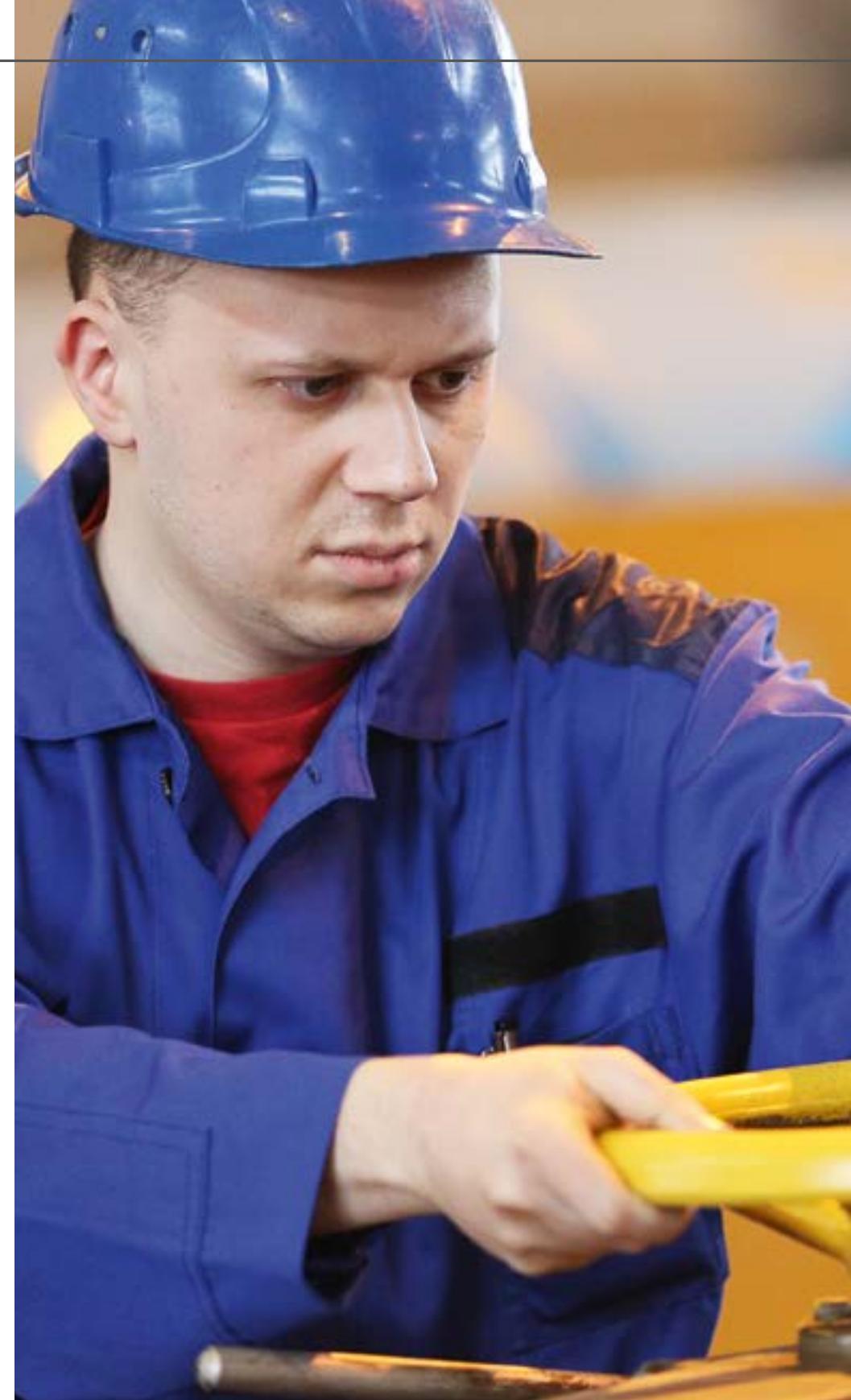
Since 2012 future managers study the theoretical courses including basic management skills development, leadership and personal management efficiency as well as legal training, corporate culture and collective agreement.

To obtain the practical management experience the potential candidates are involved in coaching initiative. Moreover, they participate in science and engineering meetings and conferences, visit the leading local and global chemical enterprises to examine the advanced management approaches.

Temporary acting on managerial position is considered as the best way to train potential members of administrative staff in practice.

Potential managers are assessed after completing theoretical and practical training. There are certain approaches used to estimate them such as career conversations, competency based interviews, testing (Personal Profile Analysis, motivation values, roles in team, behavioral strategies in conflict resolution).

Candidates are appointed considering all the results of the testing aimed at revealing the skills in effective management.



## Cooperation with high educational institution

PrJSC “Severodonetsk Azot Association” concludes long term contracts on young specialists’ training for the enterprise with specialized educational institutions. Today 99 people whose education is financed by Severodonetsk “Azot” study at national universities. There are 41 people studying full-time (the employees’ children) and 58 students taking correspondence courses (the enterprise’s employees).

To attract talented youth Severodonetsk “Azot” offers the best students the management positions placement programs. During the probation period the students contact the department’s specialists and educational center’s engineers closely and then the enterprise’s team assesses the trainee’s work impartially.

The most gifted and ambitious trainees are employed and included in the personnel reserve at the enterprise’s primary levels.





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