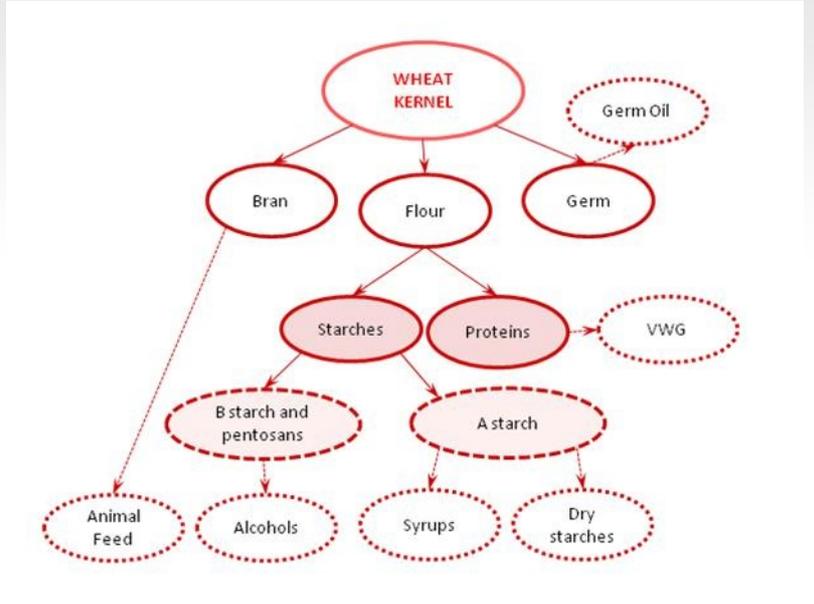


**Project overview**

Processing of wheat grain into flour and bran is a technology of centuries past. Today's advanced methods aim to extract maximum valuable components out of the kernel, generously endowed by the nature at the place where it was grown. This is what describes the path chosen by the PAVA company, which implements the project for advanced grain processing in the Altay Territory. The project scheme is well thought-out: the new production will be based on the existing flour milling facilities where lines for manufacturing new products will be added.

In its new project, PAVA is going to produce vital wheat gluten, wheat starch products, syrups, compound animal feed, liquefied CO<sub>2</sub>, wheat germ oil and alcohols.



The plant's design will incorporate leading-edge technologies and processes to capitalize on the benefits of integrating traditionally independent manufacturing processes, namely a flour mill, a gluten plant, starch and syrups plant and an ethanol plant. This unique integration will allow the byproducts of one process to be utilized as feedstock for the next process.

The annual production capacities will stand at:

**Food Industry (57% of total output)**

- Vital wheat gluten – 46, 000 MT per year
- Wheat starch and syrups – 230,000 MT per year

**Feed Industry (27% of total output)**

- Compound animal feed – 131,000 MT per year

**Alcohol (9% of total output)**

- Industrial grade alcohol – 45,000 MT per year

**Other products (7% of total output)**

Grain processing capacity exceeds 500,000 MT per year

All new products are environmentally safe. This approach is in line with positioning the Altay Territory as a unique place with high recreational potential.

In wider perspective, OJSC PAVA plans to gradually transform itself from a major Russian grain processor into a leading agro-industrial holding company, adding new lines of businesses to the current businesses. Apart from the new project for deep grain processing, these include agricultural business operations (leasing, developing and farming of agricultural land assets).

PAVA intends to hedge costs of wheat by planting more wheat within its structure. There is sufficient scope to expand wheat production as well as the ability to improve yields throughout the major wheat producing regions under the supervision of the company. The above-mentioned products will be made from wheat, sourced from Altay, Krasnoyarsk, Novosibirsk, Omsk and the Kemerovo regions. New grain producing regions within the company structure will also have a significant positive impact on the availability of wheat. It is planned that main source of raw material will come from Russian Agricultural Division (full subsidiary), and the rest from local farmers. Wheat processed by the company is non-genetically modified raw material.

The new project is supported on the local and regional levels, which is stated in the 'Agreement on social and economic partnership between the Altay Territory Administration and OJSC PAVA'. This document was signed on March 25, 2008 by Alexander Karlin, Governor of the Altay Territory and Andrey Ananin, OJSC PAVA Director General. The agreement is aimed at creating favourable environment for implementing the grain fractionation project and the company's related projects in crop production and livestock farming. It also provides for gasification of the production processes. Alexander Karlin noted that Rebrikha district is the foreground area for a trunk gas pipeline which will be built in the steppe part of the Altay Territory. "The project will be implemented in the first-priority terms. We plan to accomplish the task within 2-3 years. At least, by the time this project is launched, Rebrikha will be supplied with gas", said Karlin.

**The new project**

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Trade marks:

