



NOVATEK

NOVATEK ACQUIRES 25.5% OF TRUBOIZOLYATSIYA SHARES

August 6, 2004. OAO Novatek, the second largest natural gas producer in Russia, has acquired an additional 25.5% (56,159 ordinary shares) of OAO Truboizolyatsiya (Novokuibyshevsk, Samara region) at an auction held by the Russian Federal Property Fund for RUR 61 mln, increasing its stake in Truboizolyatsiya to 96.68%.

Established in 1961 in the city of Novokuibyshevsk, under the name "BRIZOL", the Company's initial production from the factory was bitumen rubber insulation. Today, OAO Truboizolyatsiya is the largest producer of anti-corrosive insulating materials used in the oil and gas industry for insulation of underground pipelines of various diameters and pressure ratings, in order to protect them from corrosion and mechanical damages. It is the largest plant of its kind in Russia and the CIS. The Company produces more than a dozen types of polyethylene based insulating tapes including; polymer tapes and wraps, heat-shrinkable tapes and sleeves for the protection of welded pipe joints.

OAO Truboizolyatsiya's products are manufactured to meet international standards and in 1999 the Company received an award in Paris recognizing the quality of its products. Throughout its operational history, Truboizolyatsiya has supplied more than one thousand firms in the oil and gas industry, and counts OAO Gazprom, OAO Transneft, NK Lukoil, NK Surgutneftegaz and TNK among others as its clients.

In September 2003, Novatek began constructing a modern, biaxial-orientated polypropylene (BOPP) film plant located near the Truboizolyatsiya plant. The BOPP plant will have the capacity to produce 25 thousand tons of high quality film wrap used in consumer packaging. Based on current market estimates the production from the BOPP plant will supply approximately 25 percent of the Russian domestic market for film wrap. The BOPP plant is scheduled to be operational in the first half of 2005 and will use the transport and utilities infrastructure of the Truboizolyatsiya plant.

The Chairman of the Board of OAO Novatek, L.V. Mikhelson, said: "Increasing our stake in OAO Truboizolyatsiya is part of Novatek's strategic plan to consolidate our business assets, both upstream and downstream. At the plant we have made ongoing capital investments in new technology to modernize the production process aimed at producing specialty products. In the future we will consider merging OAO Truboizolyatsiya and the BOPP plant into one integrated company to maximize operational efficiencies and capture related synergies".

Today, Truboizolyatsiya is a profitable and dynamic operation adapting its business strategy to meet the changing demands of the global marketplace.

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Important Note for the Editor: OAO NOVATEK (www.novatek.ru) - is the second largest natural gas producer in Russia with recoverable gas reserves of 1.5 trillion cubic meters (ABC1+C2). The Company's largest fields are - Yurkharovskoye, East-Tarkosalinskoye and Khancheyskoye – situated in the prolific Yamal-Nenets Autonomous Region, which accounts for approximately 90 percent of all Russian gas production and one-third of the World's gas production.

NOVATEK controls and has equity stakes in the following exploration and production companies: OOO Yurkharovneftegas, OAO NK Tarkosaleneftegas, OOO Khancheyneftegas, OAO Purneftegasgeologia, OOO Geoilbent, OAO Selkupneftegas and OAO Tambeyneftegas