



P R E S S R E L A S E

MEDGAZ Announces Start-Up of Pipeline Construction

- ***Castoro Sei*, the construction vessel selected for pipelay activities for the shallow water part of the pipeline, arrived at the port of Almeria today.**
- **Pipe-lay operations will get underway during 2Q2008.**

MEDGAZ is pleased to announce that the initial phase of the construction process for the Algerian-European offshore pipeline is due to begin with the arrival of one of the two semi-submersible pipe-lay vessels. The *Castoro Sei*, equipped with the most cutting-edge technologies for welding and assembling pipes, reached its destination at the port of Almeria this morning from Rotterdam and will start pre-fabrication of the pipes.

The *Castoro Sei* is one of the flagship vessels owned by the Italian oil and gas industry contractor, Saipem, a global leader in building sub-sea infrastructures. The vessel has been used in numerous construction projects around the world during the last 25 years, noteworthy being the Greenstream natural gas pipeline between Libya and Italy and the GME pipeline connecting Morocco and Spain.

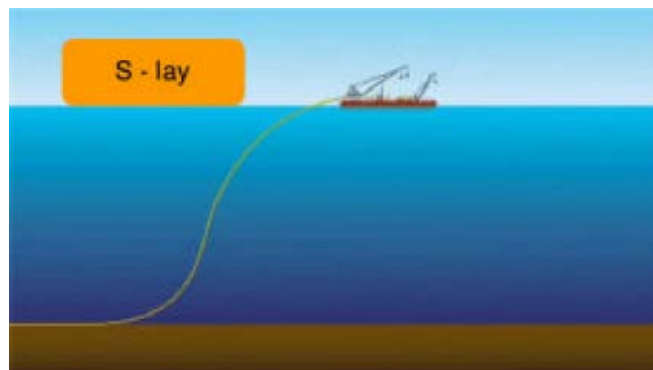


Castoro Sei

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More than 300 people will be working on board this ship over the next few months. The *Castoro Sei* is 152 meters long, 70.5 meters wide and 30 meters high. During 2Q2008, the vessel will begin laying the gas pipeline along the areas closest to the coastline, starting with the Almeria portion and followed by the Algerian portion.

The construction method to be used by MEDGAZ is the so-called S-lay method which involves welding pipe sections of 12 meters each horizontally and continuously “feeding” the jointed sections over the barge’s pipe-lay stinger in such a way that the pipeline forms an “S” shape from the barge’s exit-point up to the touchdown point on the seafloor.



S-lay method

Overall, the construction process in shallow waters (up to a depth of 550 meters) will last roughly 4 months. A second semi-submersible vessel, the *Saipem 7000*, will be in charge of completing the pipe-lay operations in deepwater areas (down to 2,160 meters) during 3Q2008.

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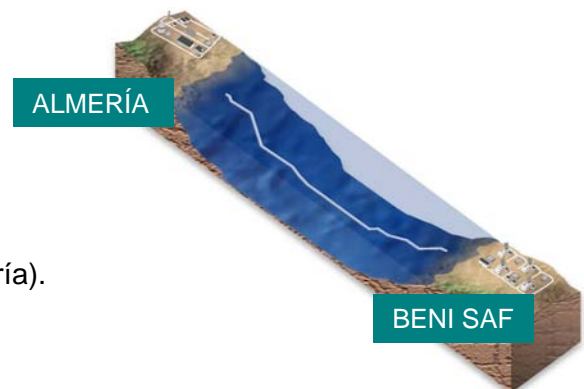
Project Milestones

Timeline

- December 2006: MEDGAZ SA makes Firm Investment Decision (FID).
- February 2007: MEDGAZ SA awards EPC contracts.
- February 2007: Piping manufacture begins in Japan.
- June 2007: Pipe coating begins in Kuantan, Malaysia.
- July 2007: Groundbreaking and trenching work starts in Beni Saf, Algeria.
- September 2007: Groundbreaking and trenching work starts in Almería.
- October 2007: First pipe shipment arrives in Almería.
- December 2007: Second pipe shipment arrives at port of Almería.
- February 2008: MEDGAZ receives third and final pipe shipment at the port of Almería.
- March 2008: MEDGAZ commences construction of gas pipeline.

MEDGAZ: Technical Features

- Capacity: 8 BCM/year (8 billion m³/year).
- Length: 210 kilometers (between Beni Saf and Almería).
- Diameter: 24 inches (610 millimeters).
- Maximum water depth: 2,160 meters.
- Investment: €900 million
- Start-up: 2009.
- Shareholders: SONATRACH (36%), CEPESA (20%), IBERDROLA (20%), ENDESA (12%) and GAZ DE FRANCE (12%).



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