

PRESS RELEASE

MEDGAZ starts the installation of the gas pipeline in deep water

- The *Saipem 7000*, the construction vessel selected for pipelay activities for the deepwater part of the gas pipeline, has arrived at the port of Almeria.
- MEDGAZ, the first direct link between Algeria and the European gas market, is also the first gas pipeline deeper than 2.000 meters built in Mediterranean waters.

The port of Almeria has received today the *Saipem 7000*, which is the platform in charge of completing the pipelay operation for the deepwater section (down to 2.160 meters). It has arrived from Stavanger (Norway), where the welding tower has been assembled, for the installation of 120 of the 210 kilometres that constitute the Algeria-Europe gas pipeline, via Spain.

It is Saipem s.p.a.'s flagship vessel, world leader in sub-sea infrastructure constructions. It has been used in numerous construction projects around the world, noteworthy in the gas pipeline between Russia and Turkey through the Black Sea (Blue Stream) and in the Ormen Lange project in Norway.



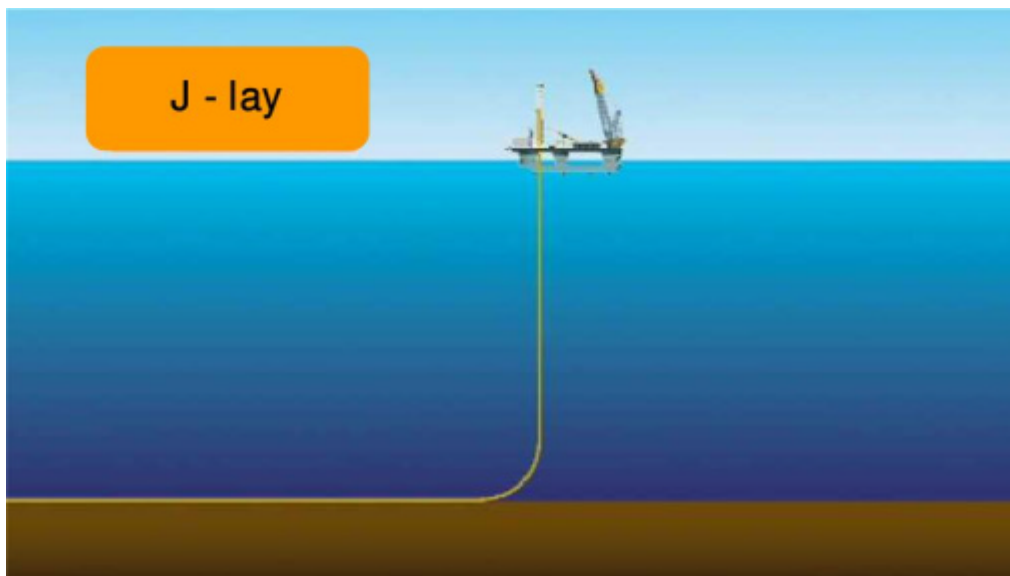
Saipem 7000

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The *Saipem 7000* is 197.95 meters long and the main deck is 43.5 meters high.

The vessel will remain docked in the port of Almeria performing preparatory tasks until mid-August, when the pipelay activities for the deepwater areas (deeper than -550 meters) will begin, starting on the Spanish side and ending on the Algerian side.

The construction method is the so-called J-Lay, due to the shape the pipe adopts during the construction. The pipe, which has been previously welded in 50 meter long sections, abandons the vessel from a nearly vertical ramp and then continues through the sagbend until it reaches the seabed, forming a J shape.



J-Lay

Overall, the construction process in deepwater will last around 40 days. The *Saipem 7000* is expected to lay 3 kilometres a day. Around 450 people will work on board until the end of the construction.

MEDGAZ completed the first part of the pipelay operation in the end of June. Another vessel, the *Castoro Sei*, was in charge of installing in Spanish waters the section corresponding to the shallow water areas (up to a depth of -550 meters). Once the deepwater pipelay is finished, the *Castoro Sei* will repeat the same process in Algerian waters.



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Saipem 7000's arrival to the port of Almeria constitutes a major milestone in MEDGAZ's construction. This gas pipeline will not only link for the first time the Algerian gas sites to the European market but it is also the first pipeline to be built deeper than 2000 meters underwater in the Mediterranean.

Once this section is finished, 80% of the Algeria-Europe gas pipeline via Spain will be completed, with startup date in 2009.

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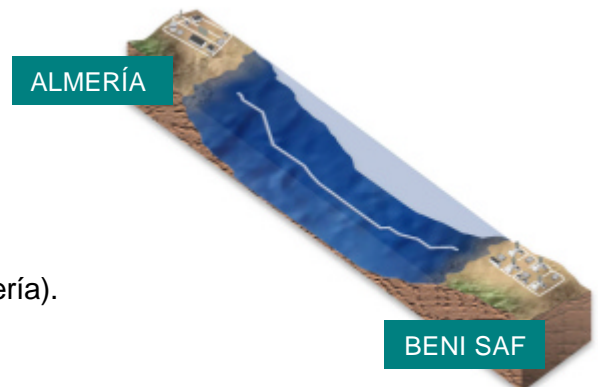
Project Milestones

Timeline

- December 2006: MEDGAZ SA takes the 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 Almeria.
- October 2007: First pipe shipment arrives in Almeria.
- December 2007: Second pipe shipment arrives in Almeria.
- February 2008: MEDGAZ receives third and final pipe shipment in the port of Almeria.
- March 2008: MEDGAZ commences construction of gas pipeline.
- June, 2008: MEDGAZ completes the pipelay in shallow water areas (-550 meters).

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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