

RenoDeMedici



## **Litigation with Grupo Torras**

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The Court of First Instance n. 43 of Madrid published on September 8<sup>th</sup> 2005 its judgement with regard to the litigation between Reno De Medici S.p.A and Reno De Medici Iberica S.L. vs. Grupo Torras S.A. (such litigation relates to certain past transactions occurred in February 1991 and involving the Saffa Group which became part of Reno De Medici Group).

Reference should be made to the reports upon the financial statements of prior years for a detailed description of the background and evolution of such litigation. Particularly, it is appropriate to remind that in 2001 Reno De Medici Group obtained a favourable arbitration award under which Grupo Torras S.A. was condemned to pay about euro 48 million plus interest. Nevertheless, pursuant to the appeal made by the debtor in 2003, the Appeal Court of Madrid annulled the result of the arbitration, refusing to accept the arbitration board as the competent juridical body and without making a decision about the proceeding. As a result, Reno De Medici Group decided to initiate new civil proceedings at the Court of Madrid.

The Court of Madrid, yesterday, ruled only partially for the action of Reno De Medici Group. Particularly, Grupo Torras S.A. was condemned to acquire n. 1.115.400 shares of Torraspapel S.A. from Reno De Medici Iberica S.L. and to pay about euro 50,7 million. However according to the Court of First Instance such amount must be reduced in relation to the receivership status (*suspensión de pagos*) of Grupo Torras S.A. between 1992 and 1998 after the transactions with Saffa Group. As a result, the Court of First Instance believes that a receivership percentage of about 11% must be applied to the face value of the euro 50,7 million credit receivable.

The receivable toward Grupo Torras S.A., reported in the financial statements of Reno De Medici Iberica S.L. as of 31 December 2004, amounted to approx. euro 61.9 million and a specific provision of euro 30 million was recorded in the provisions for contingencies and charges.

The judgement of the Court of First Instance of Madrid may be challenged at the Courts of Second and Third Instance.

Reno De Medici S.p.A and Reno De Medici Iberica S.L. reserve the right, after further evaluation of the grounds of the judgement, to appeal against the decision of the Court of Madrid. There are indeed specific and valid motivations to sustain that no receivership

percentages must be applied and therefore to ask for the payment of the entire face value of the credit receivable.

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