

A large, vibrant sunflower with bright yellow petals and a dark brown center is positioned on the left side of the page, extending from the top to the bottom. The background is white, and there is a blue and yellow vertical bar on the right side.

# Indesit Company

## **shareholder's meeting: april 27th - may 4th 2006**

Board of director's reports on the agenda

# Indesit Company

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## INDESIT COMPANY S.P.A.

**Registered office: Viale Aristide Merloni n. 47, 60044 Fabriano (AN).**  
**Capital stock: €102,156,494.40 fully paid up.**  
**Companies Register, Court of Ancona,**  
tax/VAT code: 00693740425.

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## NOTICE OF ORDINARY SHAREHOLDERS' MEETING

Shareholders are hereby convened for an Ordinary Shareholders' Meeting at the Company's registered offices in Fabriano, Viale Aristide Merloni n. 47, on 27<sup>th</sup> April, 2006, at 14 pm, (1<sup>st</sup> call) and if necessary on 4<sup>th</sup> May, 2006, same place at 11 am, (2<sup>nd</sup> call) to discuss and vote on the following

### Agenda

#### *Ordinary business*

- 1) Financial statements at 31st December 2005, directors' annual report and the reports of the statutory auditors and external accountants; resolutions; presentation of the consolidated financial statements at 31st December 2005.
- 2) Proposal for new authorization to trade in own shares.

Holders of shares with voting rights who lodge share certificates issued by their intermediaries at the Company's offices at least two days before each Meeting and have not withdrawn them before the Meeting takes place are entitled to intervene at the Meeting. Such lodging of certificates is proven by notification to the Company, within the aforesaid term, by the broker holding the relevant accounts.

Holders of shares that have not been dematerialized must first consign their shares to an authorized intermediarie within the aforementioned term, so that they can be entered in the centralized dematerialization management system, and apply for the relevant certificate.

Documentation relating to the business on the Meeting's agenda will be made available to the public at the Company's headquarters and Borsa Italiana within the legal term. Shareholders may request copies. Such documentation will also be published on the Company's website, [www.indesitcompany.com](http://www.indesitcompany.com).

23<sup>rd</sup> March 2006

For the Board of Directors

Vittorio Merloni

(Chairman)

## **BOARD OF DIRECTORS' REPORT ON**

### **ITEM 1 ON THE AGENDA**

#### **FINANCIAL STATEMENTS AT 31<sup>st</sup> DECEMBER 2005, DIRECTORS' ANNUAL REPORT, REPORTS BY THE STATUTORY AUDIT COMMITTEE AND EXTERNAL ACCOUNTANTS; RESOLUTIONS. PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AT 31<sup>st</sup> DECEMBER 2005.**

Shareholders,

This report will illustrate certain issues that will help you to evaluate our proposals regarding a) approval of the financial statements for the year closing 31<sup>st</sup> December 2005, and b) allocation of profits for 2005 and payment of dividends.

#### ***a) Financial statements 2005***

More detailed information on accounting data and events in 2005 can be found in the financial statements (Indesit Company S.p.A. and Consolidated) and the respective board of directors' reports filed at Company headquarters along with this report.

#### ***b) Proposed allocation of profits and payment of dividends***

Your Company closed 2005 with profits of €92,764,231.35.

After the statutory 5% (€4,638,211.57) to the legal reserve, the residual figure is €88,126,019.78.

Regarding dividend pay-out, we propose to pay €0.326 on each ordinary share in circulation and €0.344 on each savings share in circulation and to use the residual profit for the year to such end.

As of the date of this report, there are 112,999,684 ordinary shares in circulation. This number could change ahead of the Meeting due to the exercise of stock options allotted to Group managers and non-employee directors of Indesit Company SpA holding special posts. Up to the coupon detachment date, a further 695,500 options may be exercised, giving entitlement to the same number of newly issued shares<sup>1</sup>.

To date, the Company holds 11,039,750 ordinary shares. Seeing that, under art. 2357-ter, clause 2, Civil Code, as long as the Company holds such treasury shares, the right to profits on them must be assigned proportionally to the other shares, we propose to allocate the dividend relative to said treasury shares to the ordinary and non-convertible savings shares in circulation, thus raising the dividend per ordinary and non-convertible savings share by €0.035.

The Board thus proposes payment of a total dividend of €0.361 for each ordinary share in circulation (other than treasury shares) and of €0.379 for each non-convertible savings share in circulation.

The exact amount of residual profits<sup>3</sup> we propose writing to extraordinary reserves will be announced at the General Meeting.

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<sup>1</sup> The number of ordinary shares on the date of the Meeting might thus be 113,695,184.

<sup>2</sup> The additional €0.035 was obtained by rounding of the €0.035122 produced by dividing the dividend due to treasury shares between the ordinary shares (other than treasury shares) in circulation as of 23<sup>rd</sup> March 2006 and the savings shares.

<sup>3</sup> Minimum of €50,873,632.23 if all options are exercised.

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Dividends will be payable from 25th May 2006 (coupon detachment date 22rd May 2006).

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This said, the Board motions that its report and the financial statements as of 31<sup>st</sup> December 2005 (reporting profits of €2,764,231.35) be put to the vote and therefore proposes adoption of the following resolutions:

“Having taken note of the board of directors’ report and those of the statutory auditors and independent accountants, the Shareholders’ Meeting

resolves

- 1) to approve the financial statements and directors’ annual report for 2005 as presented and filed in the Company’s books;
- 2) to allocate the €2,764,231.35 profits as follows:
  - a) five percent (€4,638,211.57) to the legal reserve;
  - b) €0.326 (zero pointthree two six) for each of the #<sup>4</sup> ordinary shares in circulation;
  - c) €0.344 (zero point three four four) for each of the 511,282 non-convertible savings shares in circulation;
- 3) to raise by €0.035 (zero point zero three five) the dividend on each of the ordinary and non-convertible savings shares in circulation, pursuant to 2357-ter, clause 2, civil code, in respect of the 11,039,750 treasury shares, and thus to pay out a total dividend of:
  - i. €0.361 (zero point three six one) on each ordinary share in circulation (other than treasury shares);
  - ii. €0.379 (zero point three seven nine) on each non-convertible savings share in circulation;
- 4) to allocate residual profits<sup>5</sup> after payment of the dividends in 3) above to the extraordinary reserve”.

23<sup>rd</sup> March 2006

For the board of directors

Vittorio Merloni

(Chairman)

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<sup>4</sup> As already noted, the number of ordinary shares in circulation on the day of the Meeting will be announced by the chairman and will depend on the number of options exercised.

<sup>5</sup> See Note 3.

## ***DIRECTORS' REPORT ON ITEM 2 ON THE AGENDA***

### **PROPOSAL FOR NEW AUTHORIZATION TO TRADE IN OWN SHARES**

*(Directors' report drawn up pursuant to art. 73, Consob resolution 11971, dated 14<sup>th</sup> May 1999, and subsequent amendments and additions)*

Shareholders,

This ordinary Meeting has been called to examine and approve a motion that the board of directors be authorized to acquire and/or dispose of ordinary and/or non-convertible savings shares in Indesit Company S.p.A. (hereafter the "Company") for the intents and purposes of art. 2357 and subs., Civil Code, art. 132, legislative decree no.58, 24<sup>th</sup> February 1998 and art. 144 *bis*, Consob Regulation under resolution no.11971 and subsequent amendments<sup>6</sup>.

As you already know, the Board was authorized by a resolution dated 6<sup>th</sup> September 2004 to trade in the Company's ordinary and/or non-convertible savings shares for a period of 18 months from the date of said resolution and in accordance with the procedures and criteria set forth therein. Said resolution expired on 6<sup>th</sup> March 2006. No trading in own shares was actually done under said authorization.

On calling an Ordinary Meeting to approve the financial statements at 31<sup>st</sup> December 2005, the Board thus decided to apply for a new authorization to trade in the Company's shares, on certain terms, given that said faculty provides the operating and strategic flexibility that the directors need for the reasons set forth below.

As of today, the Company holds 11,039,750 ordinary shares of par value €0.90, which is 9.726% of the share capital amounting to €102,159,869.40 and consisting of 113,510,966 shares of par value €0.90 each (of which 112,999,684 ordinary and 511,282 non-convertible savings)<sup>7</sup>. New purchases of own shares will only be possible, therefore, if disposals are made first.

#### **Main reasons for seeking authorization to trade in own shares**

In addition to the motives readily deducible from the terms of the authorization request itself and the need for compliance with European and national law on the matter, the main reasons for the Board's invitation to adopt the resolutions explained in this report lie in the Company's need to:

- a) intervene, as allowed by current law, directly or through authorized intermediaries, to contain

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<sup>6</sup> In Resolution 15232, 29/11/2005, CONSOB also abrogated its own Communications 92005334, 23/07/1992 and 94375, 22/12/2000 disciplining operation in support of the liquidity of the shares of listed companies by the companies themselves. It should be remembered that the EC Directives on market abuse, implemented in Italian law no. 62/2005, provide that the competent authorities in each member State be able to assess and rule on the admissibility of certain market practices. This EU guideline was first assimilated in Italy in art. 59 and 60 of Consob Regulation no.11768, 23/12/1998 (the so-called "Markets Regulation"), which disciplines criteria and procedures for admitting such practices. In this connection, it is stated in art. 59, clause 3, that "... the market practices and in particular new and emerging practices are not considered inadmissible merely because they have not yet been admitted".

<sup>7</sup> All the data indicated refer to the share capital subscribed and paid in at the time of approval of this report. The number of ordinary shares could change due to exercise of 695,500 Group managers and non-employee directors of Indesit Company SpA stock options (full details given in the report of item 1 of the Agenda).

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anomalous movements in the price of Indesit Company's equity and regularize trends in trading and prices in cases of momentary phenomena caused by excess volatility or low-level liquidity in trades;

- b) purchase and/or dispose of own shares whenever the market provides adequate remuneration;
- c) use own shares to serve stock option plans for directors and/or employees of the Company or its subsidiaries (current and/or future);
- d) use own shares in payment for other equity investments or for the purposes of other finance operations (including extraordinary ones) within the framework of the Company's financial and investments policies and in any case in full compliance with current law and regulations.

## **Maximum number and par value of the shares for which authorization is being sought**

The authorization the Board is seeking from the shareholders regards acquisition in one or more *tranches* of the Company's ordinary and/or non-convertible savings shares at a par value €0.90 each (or other par value in force at the time of the operation) and in such numbers that the total value of treasury shares held from time to time by the Company or its subsidiaries or acquired through trustee companies or intermediaries shall not exceed 10% of capital stock at the time of any such acquisition. Further, as provided for in art. 2357, clause 1, Civil Code, acquisitions may be made within the limits of distributable profits and available reserves as per the most recent duly approved financial statements, a tied reserve being set up, as required under art. 2357-ter, clause 3, Civil Code, to cover the amount of own shares acquired from time to time.

In the event of disposal of own shares acquired from time to time, the aforementioned reserve will be written back to the funds and reserves from which it originated.

## **Minimum and maximum prices**

### **Acquisition of own shares**

The purchase price of each ordinary and/or savings share must be no more than 15% lower or higher than the average official stock market price over the three days prior to each purchase operation.

### **Disposal of own shares**

The price for disposal of shares already held or subsequently acquired, even before completing all the acquisitions authorized as above, must be no less than the average acquisition price of such shares.

Said price limit will not apply if treasury shares are transferred to employees and/or directors and/or collaborators of the Company or its subsidiaries within the framework of stock option plans.

If disposal is by means of share exchange, contribution or other share operation for the purpose of industrial projects or extraordinary finance operations, the economic terms of the disposal, subject to the aforesaid minimum limit and including appraisal of the shares to be traded, will be determined with the aid of independent consultants on the basis of the characteristics of the operation and the relevant stock market situation.

## **Duration of authorization**

Authorization for acquisition and disposal is requested for a period of eighteen months from the date on which the shareholders' meeting adopts the relative resolution. It is understood that any treasury shares that are seen from time to time to be for any reason in excess of the limit of 10% of the *pro tempore* capital stock must be disposed of in the manner set forth below and within the maximum term fixed by art. 2357, clause 4, Civil Code (ie. within one year of said limit being exceeded).

## **Procedure for acquisition and disposal of own shares**

### Acquisition of own shares

Acquisitions may be made in accordance with the combined provisions of art. 132, legislative decree no.58 (24/02/1998) and art. 144 *bis*, Consob Resolution no.11971/1999, and taking into account the specific exemption provided for in clause 3 of said art. 132, legislative decree no.58/1998 and in any case following any other procedures contemplated by relevant laws and regulations.

### Disposal of own shares

Own shares already held and others subsequently bought back may be disposed of at any time, in whole or part, in one or more operations and also before reaching the limit on such authorized purchasing in any way deemed advisable with regard to the purposes contemplated by the authorization granted and in any form of disposal allowed under current law on this matter.

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With regard to the foregoing, and if you are in agreement with the Board's motion, we invite you to adopt the following resolutions:

“The ordinary General Meeting of the Shareholders of Indesit Company S.p.A.:

- has heard and approved the report of the board of directors;
- acknowledges that as of the date of this resolution, Indesit Company S.p.A. holds 11,039,750 ordinary shares, equal to .....% of the *pro tempore* capital stock, amounting to €..... divided into ..... shares of par value €0.90 each, of which ..... ordinary and 511,282 non-convertible savings shares<sup>8</sup> and hereby

*resolves*

- a) to authorize the board of directors and the Chairman and the CEO jointly on its behalf to acquire the Company's ordinary and/or non-convertible savings shares pursuant to art. 2357, clause 2, Civil Code in one or more operations and at any time within a period of 18 months from the date of this resolution, provided that:
  - i) the maximum number of shares acquired or acquirable must not exceed, on the basis of the treasury shares held at the time of any such acquisition, the overall limit of 10% of the *pro tempore* capital stock as prescribed by art. 2357, clause 3, Civil Code;
  - ii) the purchase price of each ordinary and/or savings share must be no more than 15% lower or higher than the average official stock market price over the three days prior to each purchase operation;
  - iii) acquisitions may be made in accordance with the combined provisions of art. 132,

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<sup>8</sup> Data will be announced during the Meeting. See previous note.

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legislative decree no.58 (24/02/1998) and art. 144 *bis*, Consob Resolution no.11971/1999, and taking into account the specific exemption provided for in clause 3 of said art. 132, legislative decree no.58/1998 and in any case following any other procedures contemplated by relevant laws and regulations;

- iv) acquisitions may be made within the limits of distributable profits and available reserves as per the most recent financial statements duly approved (and actually existing at the time of the acquisitions), a tied reserve being set up, as required under art. 2357-*ter*, clause 3, Civil Code, to cover the amount of the treasury shares acquired from time to time;
- b) pursuant to art. 2357, clause 2, Civil Code, to authorize the board of directors and the Chairman and the CEO jointly on its behalf to dispose of Company shares, whether ordinary or non-convertible savings shares, already held or subsequently acquired and even before completing all of the acquisitions authorized as above, also through persons acting under power of attorney, in one or more operations and at any time within a period of 18 months from the date of this resolution, provided that:
  - i) the price for disposal of shares already held or subsequently acquired, even before completing all the acquisitions authorized as above, must be no less than the average acquisition price of such shares;
  - ii) the price limit in i) above will not apply if treasury shares are transferred to employees and/or directors and/or collaborators of the Company or its subsidiaries within the framework of stock option plans;
  - iii) if disposal is by means share exchange, contribution or other share operation for the purpose of industrial projects or extraordinary finance operations, the economic terms of the disposal, subject to the minimum limit in i) above and including appraisal of the shares to be traded, will be determined with the aid of independent consultants on the basis of the characteristics of the operation and the relevant stock market situation;
  - iv) in the event of disposal of treasury shares, the reserve set up under art. 2357-*ter*, clause 3, Civil Code, will be written back to the funds and reserves from which it originated;
- b) to charge the board of directors, and the Chairman and the CEO on its behalf, with responsibility for providing that the relevant accounting records arising from acquisition or disposal operations be made in compliance with the provisions of the law and accounting standards from time to time applicable;
- c) to confer on the board of directors, and on the Chairman and the CEO on its behalf, all the powers required to execute the foregoing resolutions, also by means of persons with power of attorney, being under obligation to comply with any requests from the competent authorities, the notary or the relevant companies register and to provide for modification of the text of the adopted resolutions in accordance with any requests from said authorities”.

23<sup>rd</sup> March 2006

For the Board of Directors

Vittorio Merloni

(Chairman)