

Merloni Elettrodomestici



SHAREHOLDERS' MEETING

3 AND 6 SEPTEMBER 2004

BOARD OF DIRECTORS' REPORTS

CONTENTS

NOTICE OF ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING

ORDINARY BUSINESS

DIRECTORS' REPORT ON ITEM 1 ON THE AGENDA, ORDINARY BUSINESS

APPOINTMENT OF A DIRECTOR PURSUANT TO ART. 2386 - CLAUSE 1 – CIVIL CODE

DIRECTORS' REPORT ON ITEM 2 ON THE AGENDA, ORDINARY BUSINESS

PROPOSAL OF NEW AUTHORIZATION TO BUY AND DISPOSE OF OWN SHARES AFTER REVOCATION OF THE RESOLUTION VOTED ON THIS MATTER BY THE SHAREHOLDERS MEETING ON 7th MAY 2003

EXTRAORDINARY BUSINESS

DIRECTORS' REPORT ON ITEM 1 ON THE AGENDA, EXTRAORDINARY BUSINESS

PROPOSAL TO CHANGE THE COMPANY NAME AND MODIFY ART. 1 OF THE ARTICLES OF ASSOCIATION ACCORDINGLY. VOTING AND CONFERMENT OF POWERS

DIRECTORS' REPORT ON ITEM 2 ON THE AGENDA, EXTRAORDINARY BUSINESS

PROPOSED MODIFICATIONS TO THE FOLLOWING ARTICLES OF THE ARTICLES OF ASSOCIATION: ART. 2; ART. 3; ART. 5, CLAUSES 1 AND 7; ART. 6, CLAUSE 4; ART. 7; ART. 9; ART. 10, CLAUSE 1; ART. 13, CLAUSE 1; ART. 14; ART. 16; ART. 17; ART. 18, CLAUSE 2; ART. 20; ART. 21, CLAUSE 2; ART. 22, CLAUSE 5 AND 8; ART. 26; INTRODUCTION TO ART. 22 BIS. VOTING AND CONFERMENT OF POWERS.

ANNEX: ARTICLES OF ASSOCIATION – PARALLEL TEXT

MERLONI ELETTRODOMESTICI S.P.A.

Registered office: V.le A. Merloni, 47 - 60044 Fabriano (AN)
Share capital: €100,385,519.40 fully paid in
Court of Ancona Companies Register
Tax/VAT code: 00693740425

* * * * *

NOTICE OF ORDINARY and EXTRAORDINARY SHAREHOLDERS' MEETING

The Shareholders are hereby called to an ordinary and an extraordinary meeting at the Company's Fabriano headquarters (Viale Aristide Merloni n. 47) at 11 am on 3rd September 2004, first call, and if necessary at the same time and place on 6th September 2004, second call, to discuss and vote on the following

Agenda

Ordinary business

- 1) Appointment of a director pursuant to art. 2386, clause 1, Civil Code.
- 2) Proposal for new authorization to acquire and dispose of treasury shares following revocation of the resolution on the matter voted by the shareholders on 7th May 2003.

Extraordinary business

- 1) Proposal to change the Company name and modify art. 1 of the articles of association accordingly. Voting and conferment of powers.
- 2) Proposal to modify the following articles of the articles of association: art. 2; art. 3; art. 5, clauses 1 and 7; art. 6, clause 4; art. 7; art. 9; art. 10, clause 1; art. 13, clause 1; art. 14; art. 16; art. 17; art. 18, clause 2; art. 20; art. 21, clause 2; art. 22, clauses 5 and 8; art. 26; introduction to art. 22 bis. Voting and conferment of powers.

Holders of common shares who apply to their brokers at least five days before the Meeting for the certificates required under art. 34, CONSOB resolution 11768 dated 23rd December 1998, are entitled to speak at the Meeting. Holders of common shares that have not been dematerialized must first consign their shares to an authorized broker within the aforementioned term, so that they can be entered in the centralized dematerialization management system, and apply for the relevant certificate.

Reports on the items on the agenda will be made available to the public at the Company's registered offices and at Borsa Italiana SpA as and when required by law. Shareholders may request copies of said documentation, which will also be published on the Company's website, www.merloni.com

Milan, 27th July 2004

For the Board of Directors

Chairman

DIRECTORS' REPORT ON ITEM 1 ON THE AGENDA, ORDINARY BUSINESS

APPOINTMENT OF A DIRECTOR PURSUANT TO ART. 2386 - CLAUSE 1 – CIVIL CODE

Shareholders,

The Board of Directors, meeting on 30th June 2004, co-opted a new CEO, pursuant to art. 2386, clause 1, Civil Code, in the person of Marco Milani, who accepts the post in the place of Andrea Guerra who stands down.

A director co-opted in this way only holds office till the next shareholders' meeting, so a new appointment must now be made in this meeting.

The reasons why the Board of Directors co-opted Marco Milani are as follows: Marco Milani (50, an engineering graduate) joined Merloni Elettrodomestici in 1980 and has held increasingly important posts, both industrial and commercial, in Italy and abroad. His career shows a strong international bias. In 1998 he was put in control of the CIS/Eastern European market till the acquisition in 2000 of Stinol (Russia biggest fridge manufacturer).

Back in Italy he took over as COO and in March 2002 was appointed CEO at Merloni Elettrodomestici UK, the company formed as a result of the GDA Hot Point acquisition.

In that role Milani engineered the integration, in a record 18 months, of the most important acquisition the Company has ever made (6,000 employees, 4 production facilities, and a share of nearly 30% of Europe's biggest household appliance market).

For these very reasons the Board motions the shareholders to appoint Marco Milani as CEO for the 3-year period 2004-2006. A director appointed in this manner holds office for the term of the entire Board.

The Board of Directors thus invites approval of the following resolution:

“The Ordinary Shareholders' Meeting of Merloni Elettrodomestici S.p.A. has heard and approved the Board of Directors report and

resolves

to appoint Marco Milani (born on Milan 24/01/1954, current address 11, Glinton Road Helpston Peterborough, Cambridgeshire PE6 7DG (UK) – tax code MLNMRC54A24F205T) as the Company's chief executive officer for the 3-year period 2004-2006 and in any case till the shareholders' meeting that approves the financial statements at 31st December 2006”.

27th July 2004

For the Board of Directors

Vittorio Merloni

(Chairman)

DIRECTORS' REPORT ON ITEM 2 ON THE AGENDA, ORDINARY BUSINESS

PROPOSAL OF NEW AUTHORIZATION TO BUY AND DISPOSE OF OWN SHARES AFTER REVOCATION OF THE RESOLUTION VOTED BY THE SHAREHOLDERS MEETING ON 7th MAY 2003

(Directors' report drawn up pursuant to art. 73, Consob resolution 11971, dated 14th 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 Merloni Elettrodomestici S.p.A. (hereafter the "Company") for the intents and purposes of art. 2357 and subs., Civil Code, after first revoking the authorization voted by the shareholders' meeting on 7th May for the portion not exercised.

As you already know, the Board was authorized by a resolution dated 7th May 2003 to acquire and/or dispose of ordinary and/or non-convertible savings shares in the Company 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 will expire on 7th November 2004.

At this Ordinary Meeting to elect a new director and modify the articles of association (extraordinary business) the Board thus decided to propose a new authorization, the previous one having been revoked, to avoid having to call another Meeting, ad hoc, in the next few months.

The Board will therefore submit to the shareholders a motion to:

- 1 revoke the resolution dated 7th May 2003 concerning authorization for the Board to acquire and/or sell the Company's own shares;
- 2 grant a new authorization to acquire and/or dispose of own shares, under certain conditions, given that such power is a flexible and strategic management tool the Directors must have for the reasons set forth in the next section.

As of the date of this report, the Company holds 11,039,750 ordinary shares, par value €0.90, equal to 9.991% of the capital stock (amounting to €100,395,644.40 and divided into 111,550,716 shares of par value €0.90 each, of which 109,047,872 ordinary and 2,502,844 non-convertible savings shares)¹.

¹ 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 employees' stock options. Up to 1st September 2004, in fact, a further 2,488,250 options on the same number of newly issued shares may be exercised. The number of ordinary shares on the date of the Meeting could therefore be as many as 111,536,112.

Merloni Elettrodomestici

Main reasons for seeking authorization to acquire/dispose of 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 may be summarized as follows:

- a) the need to react to market contingencies when deemed opportune or necessary, so as to improve the liquidity of our equity and without compromising parity of treatment for the shareholders;
- b) the need to safeguard normal trading in the face of possible speculative phenomena;
- c) the objective of achieving maximum consistency between share prices and the intrinsic value of the stock;
- d) the advantage of being able to buy and/or sell investments in own stock whenever the market allows an adequate return to be obtained;
- e) the advantage of being able to use treasury shares as a means of payment in extraordinary operations or to obtain funding for acquisition projects or to assign under pledge to obtain loans for projects and/or other initiatives in pursuit of our corporate purpose.

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 and in any case up to a maximum amount of €35,000,000, 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 non-convertible savings share must be no less than the

Merloni Elettrodomestici

par value of €0.90 (or other par value in force at the time of the operation) and no more than the lesser of the reference price as published in the “Sole 24 Ore” and recorded on the stockmarket the day prior to each purchase operation, plus 5%, and €18.00.

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.

Duration of authorization

Authorization for acquisition and disposal is requested for a period of 18 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 capital stock must be transferred in the manner set forth below and within the maximum term fixed by art. 2357, clause 4, Civil Code (ie. within 1 year of said limit being exceeded).

Procedure for acquisition and disposal of own shares

Acquisition of own shares

Acquisition operations shall be made on the market pursuant to art. 132, clause 1, decree law 58, 24th February 1998, using procedures agreed with Borsa Italiana Spa to ensure parity of treatment between different shareholder categories. Such acquisitions may be made in one or more operations.

Disposal of own shares

Own shares already held or subsequently acquired may be disposed of at any time, in whole or part, in one or more operations (even before having transacted all the acquisitions authorized as above) by means of (i) disposal on the stockmarket or over-the-counter, also following private negotiation; (ii) sale or exchange, also by public offering; (iii) under stock option plans; (iv) by setting up “special series” with authorized brokers for the purposes of structured loan operations, by combination with bonds or warrants, by issuing deposit receipts representing shares and/or similar securities; (v) as a means of payment for acquisition of investments (paper for paper) or companies or for the sealing of agreements with strategic partners; (vi) by pledging as security for loans in favour of the Company or Group companies to implement projects and other initiatives in pursuit of the corporate purpose; or (vii) under any other form of disposal allowed by current legislation.

In short, own shares acquired from time to time may thus be transferred, by way of example, to Company shareholders, subsidiaries or associated companies, directors, managers and employees in general and/or collaborators of the Company and its subsidiaries or associated companies, authorized

Merloni Elettrodomestici

brokers, commercial partners, any other 3rd parties and/or the general public.

* * * * *

With regard to the foregoing, 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 Merloni Elettrodomestici S.p.A.:

- has heard and approved the report of the board of directors;
- has considered the provisions of articles 2357 and 2357-ter, Civil Code;
- acknowledges that as of the date of this resolution, Merloni Elettrodomestici S.p.A. holds 11,039,750 ordinary shares, equal to% of the capital stock, amounting to €..... divided into shares of par value €0.90 each, of which ordinary and 2,502,844 non-convertible savings shares² and hereby

resolves

- a) to revoke, for the unexercised portion, the previous authorization to purchase and dispose of own shares voted by the shareholders on 7th May 2003;
- b) to authorize the board of directors and the chairman, separately, on its behalf, to acquire the Company's ordinary or non-convertible savings shares pursuant to art. 2357, clause 2, Civil Code, in one or more operations within a period of 18 months from the date of this resolution, provided that:
 - 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 capital stock as prescribed by art. 2357, clause 3, Civil Code;
 - the purchase price of each ordinary and/or non-convertible savings share must be no less than the par value of the shares at the time of acquisition and no more than the lesser of the reference price as published in the “Sole 24 Ore” and recorded the stockmarket day prior to each purchase operation, plus 5%, and €8.00;
 - subject to the provisions of art. 132, clause 3, decree law 58, 24th February 1998, acquisitions must be made on the market using procedures agreed with Borsa Italiana S.p.A. to ensure parity of treatment for all shareholders, as required under the aforementioned art. 132;
 - 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

² Data will be announced during the Meeting. See previous note.

Merloni Elettrodomestici

- the acquisitions) and in any case up to a maximum of €35,000,000, 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;
- c) pursuant to art. 2357, clause 2, Civil Code, to authorize the board of directors and the chairman and CEO separately on its behalf to dispose of Company shares, whether ordinary or non-convertible savings shares already held or subsequently acquired, even before completing all the acquisitions authorized as above, also through persons acting under power of attorney, in one or more operations within a period of 18 months from the date of this resolution, provided that:
- transfer be by means of (i) disposal on the stockmarket or over-the-counter, also following private negotiation; (ii) sale or exchange, also by public offering; (iii) under stock option plans; (iv) by setting up “special series” with authorized brokers for the purposes of structured loan operations, by combination with bonds or warrants, by issuing deposit receipts representing shares and/or similar securities; (v) as a means of payment for acquisition of investments (paper for paper) or companies or for the sealing of agreements with strategic partners; (vi) by pledging them as security for loans in favour of the Company or Group companies to implement projects and other initiatives in pursuit of the corporate purpose; or (vii) under any other form of disposal allowed by current legislation.;
 - depending on the actual procedures used to dispose of own shares acquired from time to time, such shares may be transferred to, among others, Company shareholders, subsidiaries or associated companies, directors, managers and employees in general and/or collaborators of the Company and its subsidiaries or associated companies, authorized brokers, commercial partners, any other 3rd parties and/or the general public.;
 - 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;
- d) to confer on the board of directors, and on the chairman on its behalf, all the powers required to execute the foregoing resolutions, also by means of persons with power of attorney, 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”.

27th July 2004

For the Board of Directors

Vittorio Merloni

Merloni Elettrodomestici

(Chairman)

EXTRAORDINARY BUSINESS

DIRECTORS' REPORT ON ITEM 1 ON THE AGENDA, EXTRAORDINARY BUSINESS

PROPOSAL TO CHANGE THE COMPANY NAME AND MODIFY ART. 1 OF THE ARTICLES OF ASSOCIATION ACCORDINGLY. VOTING AND CONFERMENT OF POWERS

Shareholders,

This report was drawn up pursuant to Consob Recommendation 11971/99 and subsequent additions and amendments and aims to illustrate our motion to modify the articles of association of Merloni Elettrodomestici S.p.A. as announced in the 2nd item on the agenda of the Extraordinary Meeting.

The Board of Directors proposes changing the company name to “Indesit Company s.p.a.” as of 1st January 2005.

The Board reached this decision on the basis of its analysis of the white goods sector, which is increasingly characterized by global operators which identify with their main brand. Further, it is becoming increasingly necessary for the purpose of effective communication to create a link between “the Company” and its products. “Indesit” is our most international brand, the one that best expresses our way of doing business: young, straightforward, dynamic, reliable.

The proposed change of name should be seen within the framework of a larger project whose scope is the communication and management of the Company’s image, a project carried forward with support from some of the world’s top consulting firms.

* * *

In light of the foregoing, the Board of Directors invites you to consider the proposed modifications to the articles of association, arising from the change of company name, as set forth in the text attached to this report, which provides the current articles of association in parallel for comparison. Should you approve the proposal, please vote the following resolution:

“The Shareholders’ Meeting has heard the Board of Directors’ report and hereby resolves:

- A) to approve the modification to article 1 of the articles of association by adopting the text attached to the Directors’ report as of 1st January 2005;
- B) to invest the Board of Directors and, on its behalf, the Chairman and CEO, also separately, with all powers needed to:
 - i. fulfil all the legal obligations, including those relating to advertising, arising from implementation of the proposed modification of the articles of association;
 - ii. write into the rules for shareholders’ meetings the modifications required for adapting said rules to the aforementioned change of company name;

Merloni Elettrodomestici

- iii. modify the text of the resolutions voted in any formal and non-substantial manner that may be required by the relevant authorities, the notary or the Companies Register for the purposes of registration or that become necessary for compliance with applicable law”.

27th July 2004

For the Board of Directors

Vittorio Merloni

(Chairman)

DIRECTORS' REPORT ON ITEM 2 ON THE AGENDA, EXTRAORDINARY BUSINESS

PROPOSED MODIFICATIONS TO THE FOLLOWING ARTICLES OF THE ARTICLES OF ASSOCIATION: ART. 2; ART. 3; ART. 5, CLAUSES 1 AND 7; ART. 6, CLAUSE 4; ART. 7; ART. 9; ART. 10, CLAUSE 1; ART. 13, CLAUSE 1; ART. 14; ART. 16; ART. 17; ART. 18, CLAUSE 2; ART. 20; ART. 21, CLAUSE 2; ART. 22, CLAUSE 5 AND 8; ART. 26; INTRODUCTION TO ART. 22 BIS. VOTING AND CONFERMENT OF POWERS.

Shareholders,

This report was drawn up pursuant to Consob Recommendation 11971/99 and subsequent additions and amendments, and aims to illustrate the proposed modifications to the articles of association of Merloni Elettrodomestici S.p.A. as announced in the 2nd item on the agenda of the Extraordinary Meeting.

The proposed modifications also became necessary, or in any case advisable, following the coming into force of decree law 6, dated 17th January 2003, as subsequently amended and integrated, most recently, by decree law 37, dated 6th February 2004 (also referred to hereafter as the “Reform”). Said legislation reforms the law disciplining business corporations and public limited companies in particular. On one hand it requires articles of association to be adapted in accordance with the mandatory provisions introduced by the Reform (such modification must be carried out by the end of September) and on the other it introduces new faculties and opportunities designed to allow more flexibility in managing companies and greater efficiency in corporate governance processes.

Alongside the modifications arising from the Reform, the Board of Directors of your Company wish to submit to your consideration and approval a number of other proposals to modify the articles of association to achieve greater flexibility in management and ensure perfect coherence between the articles of association, current legislation and the way the Company does business today.

An analytical description of all such modifications, and the reasons behind them, is given below. For the sake of clarity, the descriptions follow the numbering of the articles, while the new text of the articles of association incorporating the modifications now under approval is presented in Annex A (an integral and substantial part of this report) in parallel with the current articles of association for the purpose of comparison.

Lastly, we wish to point out that the proposed modifications do not give rise to any right of withdrawal under current law.

* * * * *

Article 2 – As allowed by the new art. 2328, clause 2, n. 2, Civil Code, we propose omitting the address

Merloni Elettrodomestici

of the secondary headquarters indicated in the current article 2 of the articles of association. The proposed modification, combined with our proposals regarding article 20, clause 2, of the articles of association, will make it possible to transfer the secondary headquarters with a simple resolution by the Board of Directors. In this case the Company will obviously make sure that Shareholders are given due notice.

Article 3 – The proposed modifications (minimal) to article 3, on corporate purpose, are intended:

- on one hand to extend the list of the Company’s main activities to other activities which now constitute our core business (production and sale of dishwashers, dryers, hoods, ovens and hobs);
- and on the other, regarding non-core business, to specify the Company’s right to make investments in companies whose purpose is instrumental or complementary to our own;
- and lastly, to update the legal references in clause 2 concerning activities reserved by law.

The above mentioned modifications do not entail any significant change in the Company’s activities; Shareholders in disagreement will not therefore be entitled to withdraw under art. 2437 Civil Code.

Article 5 – The proposed modifications refer to clause 1 and include, in addition to certain terminological adjustments, specification of the paid up share capital, as required by article 2328, clause 2, n. 4), Civil Code.

For the sake of greater clarity, we also suggest eliminating the current clause 7, because it refers to a resolution no longer in force, and introducing a final clause that specifies the share capital voted by the shareholders’ meeting mentioned in the previous clauses.

Article 6, clause 4 – In this modification we believe it advisable to take the opportunity to exploit the faculties introduced by the Reform regarding pre-emption rights.

We propose, in fact, on the basis of art. 2441, clause 4, Civil Code, to exclude the right of pre-emption also in the case of capital increases of less than one tenth of the stock existing on the date of the resolution approving the capital increase, provided that the issue price is in line with market value and that this be confirmed by independent auditors.

It should be noted here that such exclusion applies irrespectively of the conditions in clause 5 of said art. 2441, Civil Code, and does not therefore require proof of interest on the part of the company or approval of the relative resolution by shareholders representing over half the share capital.

The other cases of exclusion or limitation of pre-emption rights under art. 2441 Civil Code obviously continue to hold.

Article 7 – To come into line with the new art. 2328, clause 2, n. 5) Civil Code, which requires an

Merloni Elettrodomestici

indication in the articles of association (or bylaws) as to the type of rights issue, we propose to add to the current article 7 of the articles of association that shares are issued on a dematerialized basis.

Article 9 – We propose, firstly, a number of modifications allowed by the Reform on the subject of calling shareholder meetings. In particular, we propose introducing the possibility of publishing notices in national newspapers (“Il Sole 24 Ore” or “Il Corriere della Sera”) as an alternative to the “Gazzetta Ufficiale” and also to introduce the possibility of third calls for ordinary shareholder meetings as well. Further, in the light of the new art. 2364, clause 2, Civil Code, we propose raising to 180 days the term indicated in the articles of association for calling shareholders’ meetings, as and when the legal conditions hold.

Lastly, we would eliminate the last sentence of the second clause of art. 9, in that application of article 2366, clause 4, Civil Code does not presuppose a specific provision in the articles of association. Such elimination would thus be in perfect keeping with the Reform on this matter and, accordingly, shareholders’ meetings would be valid even without formal notices provided the entire share capital is represented and a majority, and no longer all, of the Board of Directors and Board of Statutory Auditors are present. It should be noted that this provision is in any case balanced by the legal requirement of publishing all resolutions voted by the shareholders.

Article 10, clause 1 – The new discipline concerning the right to speak in shareholders’ meetings allows companies, in their articles of association, to choose whether or not to maintain the obligation of lodging shares or share certificates before meetings and rules that the term for such lodging may not exceed two days in the case of “open companies”.

In our case we believe it preferable, as do other major listed companies, to maintain the obligation of giving the Company prior notice of certification of shares within two days of shareholders’ meetings and to rewrite article 10, clause 1, of the articles of association accordingly. The Board of Directors believe that this choice achieves a good balance between investors’ interest in having their shares at their disposal for as long as possible and the Company’s needs in terms of organizing shareholders’ meetings as required for a listed company.

Article 13, clause 1 – In the separation of powers between Boards of Directors and shareholders’ meetings contemplated in the Reform, management of a company is the exclusive reserve of the board. This principle is strengthened by the suppression of shareholders’ powers to pass resolutions on management operations submitted to them by the directors or reserved to them by articles of association (as per the former article 2364, clause 1, n. 4), Civil Code).

We therefore propose to modify the articles of association by excluding from article 13, clause 1, the

Merloni Elettrodomestici

power of shareholders' meetings to pass resolutions on subjects submitted to them by the directors.

Article 14 – The proposed modifications are merely legal adjustments and refer on one hand to use of the term “components” (in place of “members”) of the Board of Directors to indicate the directors, and on the other hand, to directors' term of office, which becomes “three financial years” instead of “three years”, thus coming into line with the amendments made to articles 2380-*bis*, 2381 and 2383, clause 2, Civil Code. Further, the question of replacing directors is couched in terms closer to the Civil Code.

Article 16 – Here too, the new text of article 16 reflects use of the term “components” (instead of “members”) to indicate directors.

Article 17 – To achieve greater flexibility in calling and conducting board meetings, we propose to extend the choice of methods of sending notice to include e-mail, fax, telex and telegram or any other means that guarantees proof of receipt, and to shorten the term of notice from 48 to 24 hours before the meeting in urgent cases and from seven to five days in other cases.

To the same end we propose adding a new clause to confirm the validity of a board meeting even in the absence of due notice if attended by all or even only a majority of the directors and statutory auditors provided that the right of any absent directors and statutory auditors to be informed is safeguarded by means of a prior written communication stating the items on the agenda and provided that such directors and statutory auditors give written consent to such items being dealt with.

The proposed modifications to the last clause of this article are entirely superficial and do not modify the conditions required for the validity of meetings.

Article 18, clause 2 – Harmonization of the consolidated laws on financial intermediation (“Testo Unico dell’Intermediazione Finanziaria” or TUIF) and the Reform led to the rewriting of article 150, TUIF, to extend directors' obligation to inform statutory auditors of operations that are **influenced by the person that provides management** or co-ordination thereof and, more generally, to all operations in which they have an “interest” on their own account or on behalf of 3rd parties and even when there is no conflict of interest.

The proposed modification is intended to assimilate the new article 150, TUIF.

Article 20 – As already mentioned, given the general principle endorsed by the new art. 2380-*bis*, clause 1, Civil Code (“management of a company is the exclusive reserve of its directors”) and the rule (stated in art. 2364, clause 1, n. 5, Civil Code) prohibiting attribution of such powers to shareholders' meetings by means of provisions in company articles of association, it is now necessary to modify article 20 of our

Merloni Elettrodomestici

articles of association by attributing to the directors the widest possible powers of ordinary and extraordinary management, with the sole exception of powers reserved to shareholders by the law (and not also by company articles of association).

Also in clause 1, article 20, we propose to specify that the Board no longer has the power to make investments and enter profit sharing agreements in cases where said operations are deemed to be reserved to shareholders' meetings (see new art. 2361, clause 2, Civil Code), which entails unlimited liability for the obligations of the companies in which the investments are made.

Still on the question of the powers of the Board of Directors, we believe the shareholders should take the opportunity offered by art. 2365, clause 2, Civil Code, by attributing the power to resolve on the subjects indicated in said article to the Board of Directors, even in a non-exclusive form. This option simplifies matters considerably in terms of procedure, allowing, for example, to transfer a branch office, modify the articles of association to comply with legislation, amalgamate a wholly or 90% owned subsidiary or reduce share capital to cover the withdrawal of a shareholder, by means of a resolution of the board of directors instead of an extraordinary shareholders' meeting. We believe this modification will bring greater efficiency and cut the costs of such operations.

Similarly, we propose to attribute to the Board of Directors the power to resolve on eventual modifications to the rules disciplining shareholders' meetings to ensure compliance with current law.

Lastly, regarding the final clause of article 20, we propose to adapt the text to assimilate the provisions of the new article 2381, clauses 3 and 5, Civil Code, by adopting quarterly reporting to the Board of Directors and the Board of Statutory Auditors by the persons appointed for such purpose, in line with the aforementioned article 150, TUIF.

Article 21, clause 2 – The proposed modifications are of a merely formal nature (punctuation) and change nothing in substance.

Article 22, clauses 5 and 8 – On the subject of appointing statutory auditors, we propose modifying clause 5 to specify that persons who are ineligible or incompatible or who don't have the statutory or legal requisites (as per clause 9) may not be entered in candidates lists and clause 8 to extend from five to ten days the term for filing the lists, in accordance with the Code of Self-Discipline for Listed Companies.

Article 22 bis – We propose the introduction of a statutory discipline regulating:

- i. notice of statutory audit meetings: to be given at least every 90 days by e-mail, fax, telex, telegram or other means guaranteeing proof of receipt at last five days before the meeting or at least 48 hours in cases of emergency;
- ii. validity of meetings: valid even when notice isn't served as stated above, provided all the standing

Merloni Elettrodomestici

auditors attend;

iii. conduct of meetings: videoconference, teleconference and similar technologies may be used.

The proposed modifications aim to facilitate meetings of the Board of Statutory Auditors and ensure continuity for their activity.

Article 26 – The modification here is a direct consequence of the proposal for article 20 and proposes to attribute to the Board of Directors as well the power to decide modifications to the articles of association for the purposes of legal compliance.

* * *

In light of the foregoing, the Board of Directors invite you to consider the proposed modifications to the articles of association for the purposes of legal compliance and improving the Company's operating capability as set forth in the text attached to this report, which provides the current articles of association in parallel for comparison. Should you approve the proposal, please vote the following resolution:

“The Shareholders' Meeting has heard the Board of Directors' report and hereby resolves:

- A) to approve the modification to articles 1; 2; 3; 5, clauses 1 e 7; 6, clause 4; 7; 9; 10, clause 1; 13, clause 1; 14; 16; 17; 18, clause 2; 20; 21, clause 2; 22, clauses 5 and 8; 26 of the articles of association, and to introduce article 22 *bis*, by adopting the texts set forth in the Directors' report;
- B) to invest the Board of Directors and, on its behalf, the Chairman and CEO, also separately, with all powers needed to:
 - i. carry out the legal obligations, including those relating to advertising, arising from implementation of the proposed modifications to the articles of association;
 - ii. write into the rules for shareholders' meetings the modifications required for adapting said rules to the provisions of decree law 6/2003, as subsequently amended and integrated, and to provisions of the articles of association as they will become on approval of the modifications mentioned in ii) above;
 - iii. modify the text of the resolutions voted in any formal and non-substantial manner that may be required by the relevant authorities, the notary or the Companies Register for the purposes of registration or that become necessary for compliance with applicable law”.

27th July 2004

For the Board of Directors

Vittorio Merloni

(Chairman)

ANNEX: ARTICLES OF ASSOCIATION – PARALLEL TEXT

CURRENT TEXT	PROPOSED NEW TEXT
SECTION I	SECTION I
Establishment- Denomination – Registered office – Purpose – Duration	Establishment- Denomination – Registered office – Purpose – Duration
Article one	Article one
The joint-stock company denominated <u>MERLONI ELETTRODOMESTICI S.p.A.</u> is herewith established.	The joint-stock company denominated <i>INDESIT COMPANY s.p.a.</i> is herewith established. <i>The name may be written in whole or part, in upper or lower case characters and without graphic limitations.</i> ³
Article two	Article two
The company's registered office is situated in Fabriano, Viale Aristide Merloni 47, with secondary division in Rome, <u>Via della Scrofa 64</u> . The Company can establish and suppress offices, branches, agencies, secondary divisions and other operating units however denominated, both in Italy and abroad.	The company's registered office is situated in Fabriano, Viale Aristide Merloni 47, with a <i>secondary headquarters in Roma</i> . The Company can establish and suppress offices, branches, agencies, secondary divisions and other operating units however denominated, both in Italy and abroad.
Article three	Article three
The Company's purpose is the production and commerce of domestic appliances and electronic appliances for household use in general and related components, <u>in particular</u> refrigerators, freezers, gas and electric cookers, washing machines, water-heaters, kitchen furniture. In addition the company can perform all commercial, industrial, financial (expressly including the underwriting of loans), real estate and securities transactions, considered necessary or useful for the achievement of the corporate purpose. The company can undertake holdings and interests, both directly and indirectly, in any form, in other domestic and foreign companies, with a similar, analogous purpose or however connected <u>with the company's</u> purpose; the company can grant mortgages, guarantees, sureties and	The Company's purpose is the production and commerce of domestic appliances and electronic appliances for household use in general and related components, <i>such as, for example</i> , refrigerators, freezers, gas and electric cookers, <i>ovens and hobs</i> , washing machines, water-heaters, <i>dishwashers, dryers, hoods</i> , kitchen furniture. In addition the company can perform all commercial, industrial, financial (expressly including the underwriting of loans), real estate and securities transactions, considered necessary or useful for the achievement of the corporate purpose. The company can undertake holdings and interests, both directly and indirectly, in any form, in other domestic and foreign companies, with a similar, analogous, <i>instrumental or complementary</i> purpose or however connected <i>with</i>

³ This modification will take effect as of 1° January 2005.

Merloni Elettrodomestici

collaterals also on behalf of third parties, when this is considered useful or necessary to achieve the corporate purpose and however without such operations ever representing its main activity.	<i>the company's purpose</i> ; the company can grant mortgages, guarantees, sureties and collaterals also on behalf of third parties, when this is considered useful or necessary to achieve the corporate purpose and however without such operations ever representing its main activity.
The following operations are peremptorily excluded: - <u>the professional performance of operations as of art.1 of Law 1/1991 regarding the public</u> ; - the performance of operations as of art. 106, paragraphs 1 and 4 of Law Decree No.385 dated 1/9/1993 regarding the public; - other reserved operations pursuant to Law Decree No.385 dated 1/9/1993.	The following operations are peremptorily excluded: - the performance of operations as of art. 106, paragraphs 1 and 4 of Law Decree No. 385 dated 1/9/1993 regarding the public; - other reserved operations pursuant to Law Decree No.385 dated 1/9/1993; - <i>investment and fund management services contemplated in decree law 58, dated 24th February 1998 and relative enforcement legislation.</i>
Article four	Article four
The duration of the Company is established up to 31 December 2050, and can be extended through resolution of the Shareholders' meeting in conformity with legislation.	<i>(same)</i>
SECTION II	SECTION II
Share capital – Shares - Bonds	Share capital – Shares - Bonds
Article five	Article five
Share capital amounts to Euro 99,821,219.40, divided into 110,912,466 shares with nominal value of Euro 0.9 each, of which No. 108,409,622 ordinary shares and No.2,502,844 non convertible savings shares.	The <i>subscribed and paid up</i> share capital amounts to Euro 100,385,519.40 (one hundred million, three hundred and eighty-five thousand, five hundred and nineteen point four zero), divided into 111,539,466 shares of nominal value Euro 0.90 each, of which 109,036,622 ordinary shares and 2,502,844 non-convertible savings shares.
The Extraordinary Shareholders' Meeting held on 16 September 1998, resolved to increase the share capital pursuant to art.2441, paragraph 8 of the Italian Civil Code, by a maximum amount of Euro 2,700,0000, issuing maximum 3,000,000 ordinary shares with nominal value of Euro 0.9, reserved for the exercise of subscription options which will be	<i>(same)</i>

Merloni Elettrodomestici

<p>assigned to management employees or to employees qualified as “quadri” of group companies, in accordance with the requirements of the Shareholders’ Meeting resolutions dated 16 September 1998 and 5 May 2000.</p>	
<p>The Extraordinary Shareholders’ Meeting held on 23 October 2001, resolved to increase the share capital pursuant to art.2441, paragraph 8 of the Italian Civil Code, by additional maximum Euro 2,700,000, issuing additional maximum 3,000,000 ordinary shares, with the same characteristics as shares already outstanding, reversed for the exercise of subscription options which will be assigned to management employees or to employees qualified as “quadri” of group companies, in accordance with the requirements of the Shareholders’ Meeting resolution.</p>	<p><i>(same)</i></p>
<p>The Extraordinary Shareholders’ Meeting dated 23 October 2001, resolved to increase the share capital, excluding the right of option pursuant to art.2441, paragraph 5 of the Italian Civil Code, by additional maximum Euro 1,260,000, issuing maximum 1,400,000 ordinary shares, with the same characteristics as shares already outstanding, reserved to the exercise of subscription options for the benefit of the Company’s members of the Board of Directors, non employees, performing significant tasks in the management of the enterprise, under the terms and conditions provided for in the Shareholders’ Meeting resolution.</p>	<p><i>(same)</i></p>
<p>The Extraordinary Shareholders’ Meeting held on 6 May 2002, resolved to increase the share capital, excluding the right of option pursuant to art.2441, paragraph 5 of the Italian Civil Code, by additional maximum Euro 180,000, issuing maximum 200,000 ordinary shares, with the same characteristics as shares already outstanding, reserved to the exercise of subscription options for the benefit of the Company’s</p>	<p><i>(same)</i></p>

Merloni Elettrodomestici

members of the Board of Directors, non employees, performing significant tasks in the management of the enterprise, under the terms and conditions provided for in the Shareholders' Meeting resolution. The Extraordinary Shareholders' Meeting held	
The Extraordinary Shareholders' Meeting held on 5th May 2004, resolved to increase the share capital, excluding the right of option pursuant to art. 2441, paragraph 5 of the Italian Civil Code, by an additional maximum Euro 900,000, issuing a maximum of 1,000,000 ordinary shares, with the same characteristics as shares already outstanding, reserved to the exercise of subscription options for the benefit of the Company's non employee chairman under the terms and conditions provided for in the Shareholders' Meeting resolution.	<i>(same)</i>
<u>The Extraordinary Shareholders' Meeting held on 7 May 2001, among other things, authorized the Board of Directors to carry out a free increase in share capital up to (a maximum amount of Euro 111,521,504.6, minimum amount Euro 102,264,049.8) increasing the nominal value per share up to a maximum of Euro 1.1, exclusively against the possible annulment of the company's shares in portfolio and upon the existence of the other conditions and in accordance with the formalities therein indicated.</u>	<i>(to eliminate)</i>
	<i>As a result of the resolutions detailed above, the voted share capital stands at Euro 106,572,569.40 (one hundred and six million five hundred and seventy-two thousand five hundred and sixty-nine point four zero) divided into 118,413,966 registered shares, par value Euro 0.90 each, of which 115,911,122 ordinary and 2,502,844 non convertible saving shares.</i>
Article five bis	Article five bis
Savings shares entitle to the rights provided for by	<i>(same)</i>

Merloni Elettrodomestici

legislation and by these articles of association.	
The Board of Directors, either directly or through appointed officials, should timely report to the common representative of shareholders of savings shares, relevant transactions from the economic, financial and equity points of view, carried out by the company or by its subsidiaries, which might affect trends in the listing of shares of that class.	(same)
In the event of suspension of the listing of ordinary or savings shares, the latter maintain their rights, except as otherwise established by the Shareholders' meeting.	(same)
Article six	Article six
Share capital can also be increased through shares issues to be paid through contributions in kind. The new shares can also be preference savings shares or other classes of shares and have different rights compared with already issued shares.	(same)
The Extraordinary Shareholders' meeting resolves the share capital increase: the Extraordinary Shareholders' meeting can delegate the share capital increase to the board of directors within the limits established by art.2443 of the Italian Civil Code.	(same)
Resolutions regarding the issue of new shares other than ordinary shares, both through share capital increase and through the conversion of other classes of shares, do not require the approval of special Shareholders' meetings of the other classes of shares.	(same)
In the event of share capital increase, the new shares will be offered in conformity with law rules.	In the event of share capital increase, the new shares will be offered in conformity with law rules. <i>Though the other cases of exclusion from or limitation of pre-emption rights provided for in art. 2441, clause 4, Civil Code continue to apply, it will however be possible to exclude pre-emption rights in favour of any type of shares also in the case of new rights issues of less than ten percent of the share capital at the date of the resolution approving the capital</i>

Merloni Elettrodomestici

	<i>increase, provided the issue price is in line with the equity's market value as specifically confirmed by the Board of Directors in its capital increase proposal and further endorsed by a report by the Company's independent auditors.</i>
Shareholders' payments for the benefit of the company, both on capital account and on other accounts, do not bear interest, except as otherwise established by the Shareholders' Meeting.	<i>(same)</i>
The Company can underwrite loans from the Shareholders with obligation of reimbursement.	<i>(same)</i>
Such source of financing does not represent a savings collection from the public, and will thus have to comply with limits and criteria set forth in art.11, paragraph 3 of Law Decree No.385 dated 01/09/1993.	<i>(same)</i>
In addition, the Ordinary Shareholders' Annual Meeting resolution will establish from time to time any other possible requirement able to resolve such loans.	<i>(same)</i>
Article seven	Article seven
Shares are registered or bearer shares, with regard to existing law rules on the subject and they can be freely transferred. Shares cannot be divided and for each of them the company only recognizes one holder, pursuant to article 2347 of the Italian Civil Code. In the event of succession with several heirs, only the legal representative appointed by the heirs will be recognized, or, in his/her absence, the judicial authorities.	Shares are registered or bearer shares, with regard to existing law rules on the subject and they can be freely transferred. Shares cannot be divided and for each of them the company only recognizes one holder, pursuant to article 2347 of the Italian Civil Code. In the event of succession with several heirs, only the legal representative appointed by the heirs will be recognized, or, in his/her absence, the judicial authorities. <i>The shares are issued on a dematerialized basis..</i>
Article eight	Article eight
In conformity with legislation, the company can issue registered or bearer bonds, also convertible into shares .	<i>(same)</i>
SECTION III	SECTION III
Shareholders' Meeting	Shareholders' Meeting
Article nine	Article nine

Merloni Elettrodomestici

<p>The Shareholders' Meeting, both ordinary and extraordinary, is called <u>on the basis of the formalities and instances provided for by legislation. Should particular requirements arise, it would be possible to call the ordinary Shareholders' meeting within six months form the end of the financial year.</u></p>	<p>The Shareholders' Meeting, both ordinary and extraordinary, is called <i>by a notice published within the legal term in the "Gazzetta Ufficiale della Repubblica Italiana" or in one of the following newspapers: "Il Sole 24 Ore" or "Il Corriere della Sera". An ordinary Shareholders' Meeting must be called at least once a year within 120 days of the closing of the financial year. The notice must indicate the date of a second call to meeting and may also indicate, at the most, the date of a third call.</i></p> <p><i>Meetings may also be called within 180 days of the close of the financial year if the relevant legal conditions hold.</i></p>
<p>The meeting, both ordinary and extraordinary, can take place also outside the Company's registered office, provided it is in Italy, in the place indicated in the notice of meeting. <u>However the Shareholders' meetings not called on the basis of the formalities illustrated above, are valid when the entire share capital is represented and all the members in charge of the Board of Directors and of the Board of Statutory Auditors attend such meeting.</u></p>	<p>The meeting, both ordinary and extraordinary, can take place also outside the Company's registered office, provided it is in Italy, in the place indicated in the notice of meeting.</p>
<p>Article ten</p>	<p>Article ten</p>
<p><u>All the Shareholders who deposit the certificates at least five days before the meeting at the Company's registered office or at the credit and financial institutions indicated in the notice of call, are entitled to attend the Shareholders' meeting.</u></p>	<p><i>All the Shareholders who deposit their shares at least two days before the date fixed for the single Meeting and have not withdrawn them before the Meeting takes place are entitled to take part in the Meeting.</i></p>
<p>The Shareholder can be represented by other shareholders or by third parties, through written proxy, within the limits established by art.2372 of the Italian Civil Code, except for other requirements regarding the collection and request of proxies or other legislation requirements. Each shareholder is entitled to the same number of votes as shares owned.</p>	<p><i>(same)</i></p>
<p>Article eleven</p>	<p>Article eleven</p>

Merloni Elettrodomestici

The Meeting, both ordinary and extraordinary, is held and resolves in conformity with legislation. The appointment of directors takes place by show of hands with relative majority; votes being equal, the senior director by age will be appointed.	<i>(same)</i>
As far as the Board of Statutory Auditors is concerned, the provisions of art.22 apply.	<i>(same)</i>
Article twelve	Article twelve
The Chairman of the Board of Directors chairs the Shareholders' Meeting, and, in his absence or impediment, the Vice Chairman, when appointed, and, in his absence, another individual appointed by the Shareholders' Meeting.	<i>(same)</i>
The Chairman is assisted by a Secretary appointed by the meeting; the secretary assistance is not necessary when a notary is appointed to prepare the minutes of the meeting.	<i>(same)</i>
The minutes of the Shareholders' meetings should be subscribed by the chairman, by the secretary or by the notary. The Shareholders' meeting resolutions, decided in conformity with law rules and with these articles of association, oblige all the shareholders, also absent and disagreeing, except for the right of recession as of article 2437 of the Italian Civil Code.	<i>(same)</i>
Article thirteen	Article thirteen
The following is reserved to the vote of the Shareholders' Meeting: appointments, determinations and resolutions on the issues reserved to the meeting by legislation or by the articles of association <u>or regarding issues the directors consider appropriate to subject for consideration.</u>	The following is reserved to the vote of the Shareholders' Meeting: appointments, determinations and resolutions on the issues reserved to the meeting by legislation or by the articles of association.
When appropriate, the Shareholders' meeting can directly appoint the Chairman of the Board of Directors.	<i>(same)</i>
SECTION IV	SECTION IV
Administration - Representatives - Signature	Administration - Representatives - Signature
Article fourteen	Article fourteen

Merloni Elettrodomestici

<p>The Company is administered by a Board of Directors composed of a number ranging between five and thirteen <u>members</u>, also non shareholders. They are appointed by the Shareholders' meeting, establishing its number, and their term lasts <u>three years</u> and they can be re-elected. <u>In the event of death, resignation and revocation of directors, appropriate actions will be carried out in conformity with legislation.</u></p>	<p>The Company is administered by a Board of Directors composed of a number ranging between five and thirteen <i>components</i>, also non shareholders. They are appointed by the Shareholders' meeting, establishing its number, and their term lasts <i>three financial years</i> and they can be re-elected. <i>If one or more directors fail to complete their term of office, the others will provide for replacements as required by law.</i></p>
<p>Article fifteen</p>	<p>Article fifteen</p>
<p>A remuneration will be assigned to directors, in addition to the reimbursement of expenses, to be established in accordance with article 2389 of the Italian Civil Code.</p>	<p><i>(same)</i></p>
<p>Article sixteen</p>	<p>Article sixteen</p>
<p>When the Shareholders' Meeting does not provide for it, the Board of Directors appoints a Chairman among its <u>members</u> and possibly a Vice Chairman and, if considered appropriate or necessary, one or more Managing Directors; the Board can also appoint a secretary, chosen also among individuals not part of the Board.</p>	<p>When the Shareholders' Meeting does not provide for it, the Board of Directors appoints a Chairman among its <i>components</i> and possibly a Vice Chairman and, if considered appropriate or necessary, one or more Managing Directors; the Board can also appoint a secretary, chosen also among individuals not part of the Board.</p>
<p>Article seventeen</p>	<p>Article seventeen</p>
<p>The Chairman or nominee calls the Board of Directors' Meeting, when this is considered appropriate in the interest of the company or however in those instances required by legislation. The notice of call will be forwarded by registered letter, to be sent at least seven days before the date established for the meeting or, in urgent cases, through telegram or telefax, with a 48-hour notice.</p>	<p>The Chairman or nominee calls the Board of Directors' Meeting, when this is considered appropriate in the interest of the company or however in those instances required by legislation. The notice of call will be forwarded by <i>at least one of the following means: e-mail, fax, telex, telegram, registered letter, or other means guaranteeing proof of receipt</i>, to be sent at least <i>five</i> days before the date established for the meeting or, in urgent cases, <i>at least 24 hours before the meeting to the domicile or home address provided by each of the directors or statutory auditors in office.</i></p>
	<p><i>Board meetings are valid even when not duly called provided all the directors and all the statutory</i></p>

Merloni Elettrodomestici

	<i>auditors in office are present or also if a majority of directors and auditors in office are present and those absent have received prior written communication as to the matters to discuss in the meeting and they have given their written consent to such matters being discussed.</i>
The individuals attending the Board of Directors' Meetings have the possibility of attending at distance, utilizing audio and visual <u>and</u> telephone connection systems.	The individuals attending the Board of Directors' Meetings have the possibility of attending at distance, utilizing audio and visual <i>and/or</i> telephone connection systems.
<u>Should this be the case:</u>	<i>In this case the following must in any case be ensured:</i>
- <u>it is always necessary to however ensure:</u>	<i>(to eliminate)</i>
a) <u>identification of all individuals attending the meeting in each connection point</u>	a) <i>identification of all individuals attending the meeting in each connection point</i>
b) possibility for all individuals attending the meeting to intervene, verbally express their opinion, view, receive or transmit all the documentation, as well as examination and resolutions taking place at the same time;	b) possibility for all individuals attending the meeting to intervene, verbally express their opinion, view, receive or transmit all the documentation, as well as examination and resolutions taking place at the same time.
<u>the</u> Board of Directors' meeting is considered as having been held in the place where the Chairman and the Secretary simultaneously find themselves.	<i>The</i> Board of Directors' meeting is considered as having been held in the place where the Chairman and the Secretary simultaneously find themselves.
Article eighteen	Article eighteen
The Board of Directors' meetings are valid at the presence of the absolute majority of directors in charge. The resolutions are validly established by majority of present votes; votes being equal, the vote of the Chairman prevails.	<i>(same)</i>
The Directors report also verbally to the Board of Statutory Auditors on a timely basis and however at least quarterly <u>about the operations performed by the Company and by its subsidiaries and on the most important economic, financial and equity transactions, with particular attention on transactions in potential conflict of interest.</u>	The Directors report also verbally to the Board of Statutory Auditors on a timely basis and however at least quarterly <i>about activities and the most important economic, financial and equity operations carried out by the Company or its subsidiaries; in particular they report on operations in which they have an interest, on their own account or for third parties, or which are influenced by the person</i>

Merloni Elettrodomestici

	<i>eventually providing management or co-ordination.</i>
Article nineteen	Article nineteen
The Board of Directors' resolutions should be copied to an appropriate register and the related minutes should be signed by the individual chairing the meeting or by the secretary.	<i>(same)</i>
Article twenty	Article twenty
The Board of Directors is assigned with the widest powers for the ordinary and extraordinary administration, except for those powers reserved by the law or <u>by the articles of association</u> to the Shareholders' Meeting. In this connection, the Board will be able to carry out all acts considered necessary and appropriate for the performance and achievement of the corporate purpose. Therefore, among other faculties, the Board can establish or suppress in Italy and abroad agencies and representatives, undertake holdings, interests, <u>etc.</u> purchase, sell and exchange real estate; decide and provide for all receivable and payable transactions with Banks, Credit Institutions, Public Debts institutions, Deposits and Loans cash, at any other public or private office, enable the raising, subrogation, deferral, cancellation and renounce of mortgages, transcriptions and notes of all kinds; decide on compromises and transactions, for the purposes as of article 3 of these articles of association.	The Board of Directors is assigned with the widest powers for the ordinary and extraordinary administration, except for those powers reserved by the law to the Shareholders' Meeting. In this connection, the Board will be able to carry out all acts considered necessary and appropriate for the performance and achievement of the corporate purpose. Therefore, among other faculties, the Board can establish or suppress in Italy and abroad agencies and representatives, undertake holdings, interests, <i>excepting where such undertakings must, by law, be voted by the Shareholders' Meeting</i> , purchase, sell and exchange real estate; decide and provide for all receivable and payable transactions with Banks, Credit Institutions, Public Debts institutions, Deposits and Loans cash, at any other public or private office, enable the raising, subrogation, deferral, cancellation and renounce of mortgages, transcriptions and notes of all kinds; decide on compromises and transactions, for the purposes as of article 3 of these articles of association.
	<i>The Board of Directors also has the authority to pass resolutions on the matters provided for in article 2365, clause 2, Civil Code, and may also adapt the rules for Shareholders' Meetings to make them comply with current law. Attribution of such authority to the Board of Directors does not exclude the principal authority of the Shareholders' Meeting, which maintains its power to decide on such matters.</i>

Merloni Elettrodomestici

The Board of Directors, in conformity with article 2381 of the Italian Civil Code, can delegate its powers to the Chairman, to the Vice Chairman and to one or more Managing Directors, both jointly and severally.	The Board of Directors, in conformity with article 2381 of the Italian Civil Code, can delegate its powers to the Chairman, to the Vice Chairman and to one or more Managing Directors, both jointly and severally, <i>and determine the content, limits and eventual procedures for exercising such powers of attorney⁴. The persons thus appointed report (also orally) to the Board and the Statutory Auditors on a quarterly basis on the general conduct of business and likely trends as well as on the more important operations, in terms of size or characteristics, carried out by the Company or its subsidiaries.</i>
Article twenty one	Article twenty one
The Chairman of the Board of Directors and the nominee are entitled to the corporate signature and to the legal representation of the Company, also in Court. In addition, the Company's Managing Directors and proxy-holders represent the company, within the limits of powers entrusted to them.	<i>(same)</i>
Factory Managers and the officials responsible for the management of company's areas with appropriate resolution of the Board of Directors represent the company in transactions and however for the requirements as of Law Decree No.626 dated 19 September 1994 and possible subsequent modifications and integrations.	<i>(same)</i>
SECTION V	SECTION V
Board of Statutory Auditors	Board of Statutory Auditors
Article twenty two	Article twenty two
The Shareholders' Meeting, with vote by show of hands, appoints the Board of Statutory Auditors, composed of three Standing Members and of two Alternate Members, establishing their remuneration. Minority shareholders are entitled to the appointment of a Standing Member and of an Alternate Member.	<i>(same)</i>
The Board of Statutory Auditors is appointed on the	<i>(same)</i>

Merloni Elettrodomestici

<p>basis of lists presented by shareholders where candidates are listed with a sequential number. The list comprises two sections, one for Standing Member candidates and the other for Alternate Members candidates.</p>	
<p>Only the Shareholders who on the whole hold shares with vote right accounting for 2% at least of the share capital with right of vote at ordinary meetings are entitled to present the lists.</p>	<p><i>(same)</i></p>
<p>Each Shareholder, either through third parties or trust companies, can only present one list and cannot vote different lists. Each candidate can only enrol in one list, subject to ineligibility.</p>	<p><i>(same)</i></p>
<p>Candidates already performing the task of statutory auditor at other five listed companies, or not possessing <u>the reputation and professionalism assumptions established by applicable regulations</u> cannot enrol in lists.</p>	<p>Candidates already performing the task of statutory auditor at other five listed companies, or who are ineligible or incompatible or who don't have the statutory or legal requisites to hold office may not be entered in candidates lists.</p>
<p>For the purposes of article 1, paragraph 3 of the Ministry of Justice Decree No.162 dated 30 March 2000, the following should be considered as strictly connected with Company's operations: the research and/or development and/or production and/or commercialization of goods and services in the energy, light mechanics, electronics segments, and associated materials.</p>	<p><i>(same)</i></p>
<p>The outgoing Statutory Auditors can be re-elected.</p>	<p><i>(same)</i></p>
<p>Presented lists will be deposited at the Company's registered office at least five days before the date established for the meeting to be held in first call, and this will be mentioned in the notice of call.</p>	<p>Presented lists will be deposited at the Company's registered office at least ten days before the date established for the meeting to be held in first call, and this will be mentioned in the notice of call.</p>
<p>The statements whereby the individual candidates accept candidature are deposited with each list within the term indicated above and state, under their individual responsibility, the non existence of reasons for ineligibility or inconsistency, as well as the existence of the regulation and statutory requirements</p>	<p><i>(same)</i></p>

Merloni Elettrodomestici

regarding the relevant appointments.	
A list which does not comply with the provisions illustrated above is considered as having not been presented.	<i>(same)</i>
The following procedure applies for the appointment of statutory auditors:	<i>(same)</i>
– two standing members and an alternate member are drawn from the list which at the meeting has won the majority of votes, based on the sequential order where they are indicated in the sections of the list;	<i>(same)</i>
2 the remaining standing member and the other alternate member are drawn from the second list which at the meeting has won the majority of votes, based on the sequential order where they are indicated in the sections of the list.	<i>(same)</i>
The first candidate in the list who obtained the majority of votes is entitled to become the Chairman of the Board of Statutory Auditors.	<i>(same)</i>
When the regulation and statutory requirements no longer apply, the statutory auditor falls from office.	<i>(same)</i>
In the event of replacement of a statutory auditor, the alternate member part of the same list as the replaced statutory auditor succeeds.	<i>(same)</i>
The provisions illustrated above do not apply at meetings which provide in accordance with legislation for the appointment of standing and/or alternate statutory auditors and of the Chairman, necessary to integrate the Board of Statutory Auditors as a result of termination or fall from office. Should this be the case, the Shareholders' meeting resolves by relative majority, except for the reservation expressed in paragraph one of this article.	<i>(same)</i>
	Article twenty two bis
	<i>The Board of Statutory Auditors meets at least every 90 days.</i>
	<i>Meetings are called by the Chairman of the Board</i>

	<p><i>of Statutory Auditors by notice to each of the Auditors using at least one of the following means; e-mail, fax, telex, telegram or other means guaranteeing proof of receipt, at last five days before the meeting or at last 48 hours in the case of emergency.</i></p> <p><i>Meetings are in any case valid and competent even without the aforementioned formalities provided all the standing auditors attend.</i></p> <p><i>Meetings may also be held by videoconference, teleconference or similar technologies provided that the notice of meeting indicates the places connected by audio/video link (except in the case indicated in the previous clause), that all the participants can be identified with certainty and that they are allowed to follow the discussion and intervene in real time in the business on the agenda. Such conditions holding, the Meeting is deemed to be held in the place where its chairman is, so as to arrange for the drawing up and signing of the minutes in the relevant Company register.</i></p>
Article twenty three	Article twenty three
The Board of Statutory Auditors performs its engagement in conformity with law rules.	(same)
SECTION VI	SECTION VI
Financial year – Financial statements - Profits	Financial year – Financial statements - Profits
Article twenty four	Article twenty four
The financial year ends on 31 December of each year. The financial statements, prepared by the Board of Directors, should be deposited within the terms required by the Italian Civil Code and by the Articles of Association.	(same)
Article twenty five	Article twenty five
Net profit resulting from the financial statements is allocated as follows:	(same)
– 5% (five per cent) to the ordinary reserve, until it has reached one fifth of the share capital;	(same)

Merloni Elettrodomestici

– to savings shares, up to achieving 5% (five per cent) of their nominal value:	<i>(same)</i>
– when in a financial year, the dividend assigned to savings shares is lower than 5% (five per cent) of the share nominal value or when no dividend has been assigned, the difference is allocated as an increase of the privileged dividend for the two subsequent financial years;	<i>(same)</i>
– the remainder at the disposal of the Shareholders’ meeting for the resolution it will adopt. Should the Shareholders’ Meeting resolve its distribution, also partial, net profit will be allocated to all shares, so that savings shares will be entitled to a total higher dividend than ordinary shares, at the extent of 2% (two per cent) of the share nominal value. The directors can resolve the distribution of advances on dividends in compliance with the requirements of article 2433 bis of the Italian Civil Code. Dividends will be paid on the basis of the formalities established by the Board of Directors. Dividends not collected within a five-year period from the established date, will be prescribed for the benefit of the company.	<i>(same)</i>
In the event of distribution of reserves, savings shares have the same rights as the other shares.	<i>(same)</i>
The decrease in share capital due to losses does not involve a decrease in the shares nominal value, but for the portion of loss in excess of the total nominal value of the other shares.	<i>(same)</i>
SECTION VII	SECTION VII
Change to articles of association – Dissolution – Winding up	Change to articles of association – Dissolution – Winding up
Article twenty six	Article twenty six
The Shareholders, at the regular Extraordinary Shareholders’ Meeting, at the presence of required majorities, can modify these Articles of Association at any time.	The Shareholders, at the regular Extraordinary Shareholders’ Meeting, at the presence of required majorities, can modify these Articles of Association at any time. <i>Notwithstanding, the provision in article 20, clause</i>

Merloni Elettrodomestici

	<i>2, of these articles of association holds.</i>
Article twenty seven	Article twenty seven
The company can transform or dissolve, also before the established term, following a resolution of the Extraordinary Shareholders' Meeting. In the event of dissolution of the company due to any reason, the Shareholders' Meeting, in compliance with law rules, will appoint one or more liquidators, determining their powers and assignments. Savings shares are entitled to the right of pre-emption in the reimbursement of capital for the full nominal value.	<i>(same)</i>
SECTION VIII	SECTION VIII
General	General
Article twenty eight	Article twenty eight
With reference to relationships with the Company, the Shareholders' residence is that resulting from the Shareholders' register.	<i>(same)</i>
Article twenty nine	Article twenty nine
With regard to all matters not expressly dealt with in these Articles of Association, the Civil Code regulations apply, as well as rules of other special laws on the subject.	<i>(same)</i>