



Indesit Company

**OPTIONAL CONVERSION OF SAVINGS INTO ORDINARY SHARES
FROM 30th MAY 2005 TO 17th JUNE 2005**

**SUPPLEMENTARY INFORMATION
on the Board of Directors' Report**

*on the proposal of an optional conversion of savings into ordinary shares,
pursuant to art. 72, clause 3, Consob Regulation 11971/1999
(hereafter "Supplementary Information")*

**CONVERSION CO-ORDINATOR:
MONTE TITOLI SPA,
THROUGH ALL BROKERS BELONGING TO THE DEC ENTRALIZED MANAGEMENT SYSTEM**



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NOTICE

Conversion is open to all holders of savings shares on the same conditions but is being promoted on the Italian market only, so it has not been, nor will be, publicized in the United States of America, Canada, Japan, Australia or in any other country whose legislation does not allow such promotion without authorization from the competent authorities (hereafter the "Other Countries") by way of any media, including the postal services or any other instruments of international communication or commerce (such as, by way of example, post, fax, telex, e-mail, phone, Internet, etc.) of the United States of America, Canada, Japan, Australia or the Other Countries, or in any other way. It follows that no copy of this document or any other documents Indesit Company may issue relating to the Conversion has or may be sent or otherwise transmitted or in any way distributed in or from the United States of America, Canada, Japan, Australia or the Other Countries. It is forbidden for anyone coming into possession of this Document, even acting as custodian, fiduciary or trustee, in any way to make it available in part or whole in the United States of America, Canada, Japan, Australia or the Other Countries or to use any of the instruments of international communication or trade of such countries for any purposes connected with the Conversion. No applications for Conversion made directly or indirectly in breach of the aforementioned restrictions shall be deemed valid. This document is not to be interpreted as an offer of financial instruments addressing subjects residing in the United States of America, Canada, Japan, Australia or the Other Countries.



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FOREWORD

- The Extraordinary Meeting of the shareholders of Indesit Company s.p.a. (“Indesit Company” or the “Company”) on 12th May 2005 voted to entitle holders of non-convertible savings shares (coupon no. 17 and the following ISIN codes: IT0000076320 for bearer and IT0000076338 for nominal shares) to apply for conversion of the latter into newly issued ordinary shares having the same characteristics as the ordinary shares in circulation (nominal value €0.90 and enjoyment of profits as of 1st January 2005) on the basis of one newly issued ordinary share for every savings share offered for conversion, with no payment (“Conversion”).
- The meeting also voted the necessary modifications to the by-laws and invested the executive directors with the necessary powers to carry out the operations.
- The Conversion forms the subject matter of this Supplementary Information document, which should be read with the board of directors’ report to the Extraordinary meeting of the shareholders available to the public at the Company’s headquarters and Borsa Italian Spa on 13th April 2005 (“Report”) attached hereto.
- Application for conversion by holders of savings shares is allowed from 30th May 2005 to 17th June 2005 inclusive (the “Period”). Application for Conversion is irrevocable, so that after application it is no longer possible to transfer in whole or part the savings shares offered for Conversion or in any way make dispositions regarding them for the entire period in which they are held exclusively at the service of the Conversion.
- Only savings shares which at the time of application are regularly registered and available in the applicant’s securities account (opened by same with a broker belonging to the centralized management system of Monte Titoli s.p.a.) may be offered for Conversion. In particular, securities arising from acquisitions made on the market may only be offered for Conversion following settlement of the operations within the framework of the settlement system.
- The option of converting savings shares in circulation into ordinary shares and the relative Conversion are not subject to any conditions nor are there any minimum or maximum quantities of shares to convert.
- The Indesit Company ordinary shares that will be issued for the purposes of the Conversion will be made available on 23rd June 2005 and may already be traded on the electronic stock market organized by Borsa Italiana S.p.A. as of 20th June 2005, with settlement on 23rd June 2005.



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1. NOTICES REGARDING CONVERSION

The savings shares carry certain financial privileges as defined in articles 25 and 27 of the by-laws. Savings shareholders, in fact, enjoy pre-emptive rights over the division of the company's profits, the right to a preferential dividend, endorsement in participation in losses and pre-emptive rights in the division of liquidation results, as detailed in section 2 of the Report attached hereto.

The low level of trading in savings shares, sluggish market liquidity and minimal participation on the part of savings shareholders, as well as the current state of market, suggested the advisability, though not the indispensability, of having only one type of share (ordinary). This simplification of the share capital would complete the programme initiated in 2001 to increase the float and the equity's liquidity.

Holders of savings shares may, if they choose to convert them, enjoy the benefit of a considerably more liquid market, as well as gaining voting rights they didn't previously have.

The company as a whole will gain benefit from the improvement in the liquidity of its stock. In fact, if the conversion were to go through entirely, the ratio of float to capital would rise by 1.52%, which is equal to an increase of 7.52% of the shares making up the float.

From the date the Conversion comes into effect (23rd June 2005), savings shareholders who offer their shares for conversion will lose their financial privileges, rights and special prerogatives attaching to that share category and will enjoy all the administrative and financial rights and prerogatives that ordinary shareholders enjoy under current law and the by-laws, including, first of all, the right to vote in ordinary and extraordinary shareholders' meetings. The ordinary shares issued in the conversion operation will participate in profits to the extent determined by the shareholders' meeting for all ordinary shares, as from the coupon detachment date relative to the dividend distributed for financial 2005.

If most of the savings shareholders take up the Conversion offer and if, as a result, the number of savings shares left over at the end of operation is not enough to ensure the maintenance of a normal and regular market, said savings shares could be suspended from trading by order of Borsa Italiana Spa. (pursuant to Borsa Italiana s.p.a., Regulations, art. 2.5.1, clause 1, b)).

From the date the operation comes into effect, ordinary shareholders will see a dilution of the power of their voting rights in proportion to the number of new ordinary shares issued for the conversion operation (by 2.22% if all 2,502,844 savings shares are converted) but will benefit by the reduction or elimination of the above described privileges of the savings shares that are converted.

The conversion ratio was fixed on the basis of the share price performance of the two categories (ordinary and savings) over the month preceding the board meeting that approved the proposal to put before the shareholders (24th March 2005). For the sake of completeness, the conversion ratio at said date includes a premium of 7.8% of the price of the arithmetical average at one month, of 7.7% on the average at six months and of 19% on the average at one year from the mentioned date of the board meeting.



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After the board meeting, the stock market prices of the two equities brought about a gradual alignment of the conversion ratio, thus substantially reducing the envisaged implicit premiums.

2. SUPPLEMENTARY INFORMATION RELATIVE TO FINANCIAL INSTRUMENTS

2.1 SHARES TO BE CONVERTED AND SHARES ARISING FROM CONVERSION

The share capital of Indesit Company s.p.a. is currently made up of 109,949,372¹ ordinary shares and 2,502,844 savings shares (non-convertible) – both categories having a nominal value of €0.90 each. The savings shares thus represent a very small fraction of the share capital, 2.22% against the 97.78% made up of ordinary shares.

The savings shares eligible for Conversion number 2,502,844, ie. all the savings shares in circulation. On conclusion of the offer, a maximum of 2,502,844 new ordinary shares may be issued, so in the event of full participation in the conversion the share capital (whose overall value will not change), would be represented by ordinary shares only, numbering a maximum of 112,452,216².

Share capital ³	# shares before conversion	%	# shares after conversion	%
Ordinary	109,949,372	97.78	112,452,216	100.00
Savings	2,502,844	2.22	-	-
total	112,452,216	100.00	112,452,216	100.00

It should also be remembered that Indesit Company s.p.a. currently holds 11,039,750 treasury shares (9.82% of its share capital).

2.2 RIGHTS ATTACHING TO SHARES ARISING FROM CONVERSION and START OF ENJOYMENT

The shares arising from conversion, being ordinary shares, carry the right to vote in all shareholders' meetings, ordinary and extraordinary, and to participate in take-over or share exchange bids for control of the Company, within the bounds of the law and the by-laws.

The ordinary shares arising from conversion will have the same characteristics as the ordinary shares in circulation and enjoyment of profits as of 1st January 2005 (ie. they will have coupon no. 19 and successive).

¹ The share capital subscribed and paid as of the date of the Supplementary Information is different from the amount filed with the Companies Register as of 1st January 2005 and indicated in the Report following exercise of *stock option* since the start of the year (197,000) by employees and directors and the relative issue of the same number of ordinary shares.

² Provided no other pre-emptive rights are exercised. As of the date of this note and until the end of the conversion period, n. 1.574.250 *stock options* may be exercised; if they are exercised, the same number of new ordinary shares would be issued.

³ Provided no options are exercised.



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2.3 CIRCULATION OF ORDINARY SHARES ARISING FROM CONVERSION

Ordinary Indesit Company shares are freely transferable and subject to the circulation regulations currently in force for securities of the same category issued by Italian companies listed on regulated markets organized and managed by Borsa Italiana SpA. There is no limitation on the disposability of the shares arising from the Conversion set by either the law, the by-laws or by any conditions inherent to their issue.

2.4 STOCK MARKETS RELEVANT TO THE SHARES TO BE CONVERTED AND THE SHARES ARISING FROM CONVERSION

Indesit Company's ordinary and savings shares are listed on the "Mercato Telematico Azionario" organized and managed by Borsa Italiana SpA.

The ordinary shares that will become available on 23rd June 2005 will be listed on the "Mercato Telematico Azionario" organized and managed by Borsa Italiana SpA and may be traded as of 20 June 2005.

They will be made available to the entitled parties by being booked into the Monte Titoli SpA deposit accounts kept by the respective Depository Brokers of the savings shares converted on a dematerialized basis pursuant to decree law 213, 24/06/1998 and subsequent amendments and Consob resolution 11768, 23/12/1993 and subsequent amendments.

3. INFORMATION ON COMPANY OWNERSHIP STRUCTURE

The table below details shareholders possessing over 2% (two per cent) of the voting shares comprising the share capital subscribed as of 12th May 2005 on the basis of the shareholders register and notices received pursuant to article 120, Consolidated Law 58 dated 24th February 1998 and CONSOB resolution 11971 dated 14th May 1999, and subsequent amendments and additions.

SHAREHOLDER	# SHARES	%	% after conversion
Merloni Vittorio	46,002,051	41.8393	40.9081
Merloni Ester	12,457,590	11.3303	11.0781
Merloni Francesco	4,514,653	4.1061	4.0147
Lazzarini Maria Cecilia	3,276,700	2.9802	2.9139

As of the date of this document, Vittorio Merloni, through Fineldo SpA, exercises direct and indirect control of the company for the intents and purposes of art. 2359 Civil Code.

The conversion operation will not produce any significant changes in the ownership structure. The only variation worth noting is that the majority shareholder's directly and indirectly held interest will fall, but only if all the conversion options are taken up, from 41.8393% to 40.9081% (also taking into account the 50,060



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savings shares held by Fineldo SpA, amounting to around 2% of the saving share capital)⁴.

4. INFORMATION ON THE CONVERSION OPERATION

4.1 CONVERSION SCHEDULE

The main dates in the schedule for collecting Conversion applications are as follows:

Start of conversion period	30 May 2005
End of conversion period	17 June 2005
Date ordinary shares arising from conversion are made available	23 June 2004
Disclosure of Conversion results	23 June 2004

Conversion is deemed to be validly and irrevocably exercised when the holder of the savings shares signs the application form and delivers it to the Depository Broker.

4.2 AMOUNT OF ORDINARY SHARES ISSUED FOR THE PURPOSES OF THE CONVERSION

As stated in 2.1 above, the operation regards 2,502,844 Indesit Company savings shares, ie. all the savings shares in circulation, so on the basis of the conversion ratio the same number of shares, at the most, will be issued if all the options are taken up. The share capital will thus remain unchanged and if all the options are taken up, it will consist entirely of ordinary shares.

The definitive number of shares arising from conversion and the composition of the share capital will be announced in the "Il Sole 24 Ore" newspaper on 23rd June 2005 and a copy of said announcement will be delivered to Consob and Borsa Italiana as required by law.

4.3 RESOLUTIONS AND AUTHORIZATIONS

The optional conversion proposal was approved by the board of directors meeting on 24th March 2005 and by an extraordinary meeting of the shareholders of Indesit Company s.p.a. on 12th May 2005.

The full text of the resolution is as follows: "The Extraordinary shareholders' meeting of Indesit Company S.p.A, having considered the board of directors' report,.....

votes

- 1) to grant the savings shareholders the option, on a one-off basis, to convert up to 2,502,844 (two million five hundred and two thousand, eight hundred and forty four) non convertible savings shares issued,

⁴ If all the savings shares are converted into ordinary shares, including those held by Fineldo, Fineldo's interest will drop from 39.975 to 39.130%.



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of the nominal value of €0.90 (zero point nine zero) each, into the same number of newly issued ordinary shares of the same nominal value and characteristics as the ordinary shares in circulation, on the basis of one 1 (one) ordinary share for every 1 (one) savings share without any payment or reduction in share capital; the conversion option may only be exercised during the period determined in agreement with Borsa Italiana SpA, after which savings shares for which no request for conversion was made will retain their non convertibility;

2) to establish, regarding participation in profits, that the conversion will come into effect on the coupon detachment date relative to payment of the dividend for 2004, from which date the shares issued will participate in profits for the year to the extent voted by the shareholders for ordinary shares;

3) to issue for the purpose of the conversion up to 2,502,844 (two million five hundred and two thousand, eight hundred and forty four) new ordinary shares of nominal value €0.90 (zero point nine zero) each, with enjoyment of profits as from 1st January 2005 and at the same time cancel up to 2,502,844 (two million five hundred and two thousand, eight hundred and forty four) savings shares of nominal value €0.90 (zero point nine zero) each ;

4) to modify clauses 1 and 7 of art. 5 of the by-laws accordingly, as follows:

Art. 5 (clause 1)⁵ - The share capital subscribed and paid in amounts to €..... (.....) divided into shares of the nominal value of €0.90 each, of which ordinary and non-convertible savings shares;

Art. 5 (clause 7) – As a result of the foregoing resolutions, the voted share capital amounts to €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 shares of a nominal value of €0.90, of which ordinary and non-convertible savings shares;

5) to grant the board of directors and the chairman and CEO jointly and severally on its behalf all the powers needed to implement, in accordance with the law, the resolutions voted by the shareholders' meeting and fix the terms and manner of execution, in particular for:

- determining and making public in at least one national daily the period of exercise of the option of converting savings shares into ordinary shares, in agreement with Borsa Italiana SpA and Monte Titoli SpA, including eventual extensions;
- making available the document required by art. 72, clause 3, Issuers Rules, as and when indicated in said art. 72;
- establishing – also by way of a notary's deed – the capital existing on completion of the conversion of savings to ordinary shares through exercise of the option granted to savings shareholders;
- modifying the numerical values in clauses 1 and 7, art. 5 of the by-laws and filing with the Companies Register the version of the by-laws updated on the basis of the resolutions approved above;

⁵ The by-laws which will be filed with the Companies Register will indicate the share capital data as of the date of efficacy of the operation and will also take into account any capital increases arising from stock options.



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- accepting and introducing into these resolutions any modifications, deletions or additions that may be requested by the relevant authorities”.

No further or different authorizations are needed to implement the operation.

4.4 CONVERSION RATIO AND IMPLICIT PREMIUM

The conditions for conversion were established on the basis of the substantial alignment of the share prices of the ordinary shares and savings shares over the six months prior to the board meeting which voted the Conversion proposal, as detailed in the table below.

The table also shows the implicit premiums based on the arithmetic average of the official share prices recorded in the periods indicated (the reference date being the date of the board meeting which voted the Conversion proposal).

After the board meeting, the stock market prices of the two equities brought about a gradual alignment of the conversion ratio, thus substantially reducing the envisaged implicit premiums.

	Ordinary <i>(average official prices)</i>	Savings <i>(average official prices)</i>	Premium
In 1 month	12,034	11,162	7,8%
In 3 months	12,629	11,768	7,3%
In 6 months	12,478	11,589	7,7%
In 1 year	13,506	11,352	19,0%

4.5 INTERMEDIARIES RETAINED TO COLLECT APPLICATIONS

Application for Conversion of savings shares in the Conversion Period must be submitted to depositary brokers belonging to the decentralized system of Monte Titoli SpA (“Depositary Brokers” or singly “Depositary Broker”). Monte Titoli SpA is the intermediary retained to co-ordinate collection of applications for Conversion.

4.6 APPLICATION PERIOD

The savings shares Conversion Period agreed with Borsa Italiana SpA will start on 30th May 2005 and end on 17th June 2005 inclusive. The Company may not revoke or withdraw the Conversion during such period.

4.7 CONDITIONS FOR EFFICACY OF THE CONVERSION

The option of converting savings shares in circulation into ordinary shares and the relative Conversion are



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not subject to any conditions nor are there any minimum or maximum quantities of shares to convert.

4.8 APPLICATION PROCEDURE

Application for Conversion by holders of savings shares (or their duly empowered representatives) in the Period must be by way of subscription of the application form prepared by the Depositary Broker upon depositing the savings shares.

The application forms will contain, at least, identification of the operation and the following information:

- that the applicant may receive, free of charge, a copy of this document containing information supplementary to the Report;
- reference to section 1 of this document “Notices regarding Conversion”;
- reference to section 2.2 of this document “Rights attaching to shares arising from conversion and start of enjoyment”.

Application for Conversion is irrevocable, so that after application it is no longer possible to transfer in whole or part the savings shares offered for Conversion or in any way make dispositions regarding them for the entire period in which they are held exclusively at the service of the Conversion.

Savings shares deposited for Conversion must be registered in the securities account of the Depositary Broker receiving the application at the time of the application itself or have been deposited at the time or acting on suitable instructions from the shareholder to another broker. Shareholders depositing savings shares for conversion shall bear the entire of risk of failure by such other broker to deposit the shares with the Depositary Broker that received the application in due time.

Only savings shares which at the time of application are regularly registered and available in the applicant's securities account (opened by same with the Depositary Broker) may be offered for Conversion. In particular, securities arising from acquisitions made on the market may only be offered for Conversion following settlement of the operations within the framework of the settlement system.

Under the dematerialized securities system provided for in art. 81, decree law 58, 24/02/1998, art. 36, decree law 213, 24/06/1998, and Consob regulation 11768, 23/12/1998, a signature on the application form is to be taken as an instruction to Depositary Broker to carry out all the legal operations and formalities needed to transfer the savings shares to the Company. Applicants for Conversion may deposit their savings shares by suitably instructing the Depositary Broker with which their securities are lodged to transfer them to the Conversion securities account with Monte Titoli SpA.

If the savings shares are not yet dematerialized, Conversion applications may only be submitted after the savings shares certificates have been handed over to a Depositary Broker to be entered in Monte Titoli SpA's centralized management system.



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Applications from minors or persons under guardianship, in accordance with the applicable provisions of law, duly signed by the person exercising guardianship, must be accompanied by authorization from a probate judge, which must in any case be submitted to the Depositary Broker by the end of the Period.

Each Depositary Broker will check the applications are in order and transmit them to Monte Titoli SpA, which will co-ordinate collection thereof and issue the notices indicated in 4.10 hereunder.

The Company accepts no responsibility for delays caused by Depositary Brokers in carrying out the instructions issued by Conversion applicants regarding their applications for Conversion.

Savings shares deposited for conversion must be completely free, complete with coupon no.17, without charges or restraints of any kind, real, mandatory or personal, and freely transferable as of the date of application for Conversion.

4.9 ALLOTMENT CRITERIA

Given that the Conversion involves all the savings shares currently issued and is open to all the savings shareholders, no allotment criteria will be needed.

4.10 NOTICES RELATING TO THE PROGRESS OF THE CONVERSION OPERATION

During the Conversion Period, the application procedure co-ordinator Monte Titoli SpA will transmit application data to Borsa Italiana SpA on a daily basis. Borsa Italiana SpA will arrange for publication of said data in appropriate announcements by the end of the following day.

The definitive number of shares arising from conversion and the composition of the share capital will be announced in the "Il Sole 24 Ore" newspaper on 23rd June 2005 and a copy of said announcement will be delivered to Consob and Borsa Italiana as required by law.

4.11 PROCEDURE AND TERMS FOR MAKING THE SHARES ARISING FROM CONVERSION AVAILABLE

The ordinary Indesit Company shares arising from Conversion will be made available to entitled parties by being booked into the Monte Titoli SpA deposit accounts kept by the respective Depositary Brokers on 23rd June 2005. The new ordinary shares will have coupon no. 19 and subsequent.

The ordinary Indesit Company shares arising from Conversion may be traded on the "Mercato Telematico Azionario" organized and managed by Borsa Italiana SpA as of 20th June 2005 and with settlement on 23 June 2005.

4.12 FISCAL TREATMENT OF THE CONVERSION

The operation as a whole is more or less neutral for tax purposes, both for the Company and its



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shareholders. For shareholders in particular, application for Conversion does not necessarily entail capital gains liability.

4.13 ESTIMATE OF OVERALL CONVERSION OPERATION EXPENSES

The co-ordinator of Conversion application collection, Monte Titoli SpA, and the Depositary Brokers through which it works will be paid a flat rate plus commission as determined by Monte Titoli SpA for its securities services.

5. PROCEDURE FOR PUBLIC DISCLOSURE OF SUPPLEMENTARY INFORMATION

This document is made available for public inspection at the Company's registered offices (Viale A. Merloni 47, Fabriano,) and at Borsa Italiana spa and Monte Titoli Spa (Via Magenta 6, Milani) on behalf of the Depositary Brokers.

This document is also published on the Company's website www.indesitcompany.com.

For the Board of Directors,

(Chairman)



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DIRECTORS' REPORT ON THE ITEM ON THE AGENDA IN THE EXTRAORDINARY PART OF THE MEETING OF SHAREHOLDERS

Shareholders,

Holders of ordinary shares have been called to this extraordinary shareholders' meeting to vote on a motion to grant holders of non convertible savings shares the option to convert their shares (as of the date of this report 2,502,844, nominal value €0.90) into newly issued ordinary shares having the same characteristics as ordinary shares in circulation (nominal value €0.90 and with dividend entitlement as of 1st January 2005) and to be allotted to savings shares holders who exercise their conversion rights on the basis of one newly issued ordinary share for one savings share offered in exchange with no payment.

Savings shareholders have not been called to this special meeting, pursuant to and for the purposes of articles 2376, Civil Code and 146 and 147-*bis*, decree law 58, 24th February 1998, to vote resolutions relating to the agenda of this extraordinary meeting in that the passing of resolutions by this extraordinary shareholders' meeting is not deemed prejudicial to savings shareholders' rights.

1. Reasons for conversion

The share capital of Indesit Company S.p.A. is currently made up of 109,894,372⁶ ordinary shares and 2,502,844 savings shares (non-convertible), both types with a nominal value of €0.90 each. Savings shares thus represent a very small fraction of the share capital (2.23%) as opposed to the 97.77% of share capital formed by ordinary shares.

Between 1989 and 1994, 21,039,668 savings shares were issued following the conversion of a debenture loan. In June 2001, following an optional conversion of savings shares into ordinary shares, 18,112,324 savings shares (around 86%) were converted into ordinary shares.

The average number of savings shares traded on a daily basis in 2004 was 9,315. At the special meeting of savings shares holders on 13th September 2004 a total of six shareholders, holding 451,212 shares overall (18.028% of the savings share capital) lodged their shares.

The low level of trading in savings shares, sluggish market liquidity and minimal participation on the part of savings shareholders, as well as the current state of market, would suggest the advisability, though not the indispensability, of having only one type of share (ordinary). This simplification of the share capital would complete the programme initiated in 2001 (with the operation described above) to increase the float and the equity's liquidity.

If the proposed conversion meets with the approval of the extraordinary shareholders' meeting, holders of savings shares may, if they choose to convert them, enjoy the benefit of a considerably more liquid market, as well as gaining voting rights they didn't previously have.

The company as a whole would gain benefit from both the improvement of the per-share indices and the increase in the liquidity of the stock. In fact, if the conversion were to go through entirely, the ratio of float to capital would rise by 1.52%, which is equal to an increase of 7.52% of the shares making up the float.

⁶ The subscribed and paid in share capital at 24th March 2005 is different from that at 1st January 2005 as recorded in the Companies Register following of stock options exercised (142,000) by employees and directors since such date. In 2005 the share capital could increase by up to 1,634,250 ordinary shares if options exercisable to date are exercised. All the share capital data in this report refer to subscribed and paid in share capital as of the date of this report.



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2. **Rights and privileges attaching to savings shares**

The savings shares carry certain financial privileges as defined in articles 25 and 27 of the by-laws. Savings shareholders, in fact, enjoy pre-emptive rights over the division of the company's profits, the right to a preferential dividend, endorsement in participation in losses and pre-emptive rights in the division of liquidation results, as detailed below:

- (i) net profits as stated in the balance sheet, net of provision to the legal reserve pursuant to art. 2430, clause 1, Civil Code, are allocated to savings shares up to the amount of 5% of their nominal value;
- (ii) if in a given year the savings shares are allocated a dividend of less than 5% of the nominal value of the share or if no dividend is allocated, the difference is added on to the preference dividend of the following two years, as provided for in art. 25 of the by-laws;
- (iii) if the shareholders vote to distribute, in whole or part, any residual profits, savings shares are entitled to an overall dividend greater than that of ordinary shares by 2% of the nominal value of the equity;
- (iv) the directors may decide to distribute advances on dividends as provided for in art. 2433-*bis*, Civil Code;
- (v) under the aforementioned art. 25 of the by-laws, the reduction in share capital through losses only entails reduction in the nominal value of the savings shares to the extent that such losses exceed the overall nominal value of the other shares;
- (vi) in the event that the company is dissolved, savings shares have pre-emptive rights to repayment of capital in the amount of their full nominal value, pursuant to art. 27 of the by-laws.

Savings shares do not, on the other hand, enjoy any privileges with regard to the distribution of reserves.

On the matter of administrative rights, savings shares do not have voting rights, in either ordinary or extraordinary meetings, nor are they taken into account when determining the quorum of meetings or validity of resolutions or calculation of the rates established in articles 2367, 2393 clauses 4 and 5, 2393-*bis*, 2408 clause 2 and 2409, clause 1, Civil Code, as provided for in art. 145, decree law 58, 24th February 1998. Savings shareholders are not entitled to speak in the annual general meeting, pursuant to art. 2370, Civil Code, or to request the calling of a meeting.

Lastly, under art. 5 *bis* of the by-laws, "*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. 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*".

3. **Critical aspects of the operation**

The optional conversion of savings shares into ordinary shares will involve the cancellation of up to 2,502,844 savings shares offered such conversion and the issue of the same number of ordinary shares (ie. up to 2,502,844) having the same nominal value and the same characteristics as the ordinary shares in circulation without payment of cash and with entitlement to share in profits as of 1st January 2005.

The critical aspects of the operation are as follows:

- (i) from the date the conversion comes into effect (indicatively, 30th June 2005), which will be decided in agreement with Borsa Italiana S.p.A., savings shareholders who offer their shares for conversion will lose their financial privileges, rights and special prerogatives attaching to that share category and will enjoy all the administrative and financial rights and prerogatives that ordinary shareholders enjoy under current law and the by-laws, including, first of all, the right to vote in ordinary and extraordinary shareholders' meetings. As already mentioned, the ordinary shares issued in the conversion operation will participate in profits to the extent determined



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by the shareholders' meeting for all ordinary shares, as from the coupon detachment date relative to the dividend distributed for financial 2004. Savings shares offered for conversion will not, therefore, lose their preferential dividend for financial 2004;

(ii) from the date the operation comes into effect, ordinary shareholders will see a dilution of the power of their voting rights in proportion to the number of new ordinary shares issued for the conversion operation (by 2.23% if all 2,502,844 savings shares are converted) but will benefit by the reduction or elimination of the above described privileges of the savings shares that are converted. If most of the savings shareholders take up the conversion offer and if, as a result, the number of savings shares left over at the end of operation is not enough to ensure the maintenance of a normal and regular market, said savings shares could be suspended from trading by order of Borsa Italiana Spa.

4. Number of shares to convert held by the majority shareholder, as defined in art. 93, decree law 58, 24th February 1998

As far as the board of directors knows, at the date of this report, Fineldo SpA holds 50,060 (around 2% of the savings share capital).

5. Majority shareholder's intention to trade the shares involved in the operation on the market

To favour the outcome of the operation, the majority shareholder may trade the Company's savings shares on the market within the bounds of the relevant provisions of law and the by-laws.

Similarly, the Company may decide to ensure the outcome of the operation by buying savings shares within the limits voted on 6th September 2004 and in compliance with articles 2357 and subsequ., Civil Code, and all other applicable provisions of law and the by-laws.

6. Commitments to convert undertaken by the holders of the shares to convert, with particular reference to the majority shareholder

The operation described in this report – the optional conversion of savings shares into ordinary shares – is subject to the approval of the ordinary shareholders. To date, no commitments in respect of the conversion, either by the majority shareholder or the other savings shareholders, are expected.

7. Dividends distributed in the last five years to the shares under conversion

The table below details the dividends distributed to the savings shares and the ordinary shares from 1999 to 2003 (inclusive). The amounts are in hundredths of a euro per share and are the dividends actually paid out by the Company, including the portion not distributed to the treasury shares. For the dividend proposed for 2004, see the board of directors' report.

<i>Shares</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>
Ordinary	7.0	15.3	22.0	32.2	36.1
Savings	8.1	16.3	23.8	34.0	37.9

8. Eventual conversion charge and relative criteria

The proposed operation will entail conversion of savings shares to ordinary shares on a 1 to 1 basis, so there will be no conversion charge.

9. Conversion ratio and relative criteria

On the date the proposed conversion comes into effect, all the savings shares offered for conversion (up to 2,502,844 shares) will be converted without payment into ordinary shares in the following ratio: 1 (one) newly issued ordinary share (nominal value



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€0.90, enjoying participation in profits as of 1st January 2005, and having the same characteristics as the ordinary shares in circulation) for every 1 (one) savings share (nominal value €0.90), which will be cancelled as a result.

The conversion terms reflect the substantial convergence of the stockmarket prices of ordinary and savings shares over the last six months, as shown in the table in section 13.

10. Exercise of conversion option

The start date and period for which savings share holders may exercise the option to convert will be agreed with Borsa Italiana Spa. The start of the period in which the option can be exercised will in any case be after the resolutions requested in this proposal have been filed in the Companies Register and after the coupon detachment date relative to profits distributed for 2004 (23rd May 2005). This will be made public as and when required by current law.

The term for exercising the conversion option having lapsed, any shares for which no request for conversion was made will retain their non-convertibility.

The conversion operations will be carried out by the respective brokers belonging to central management system (Monte Titoli S.p.A.).

11. Conditions determining the efficacy of the conversion (such as minimum or maximum required number of shares)

The option of converting the savings shares in circulation into ordinary shares and the relative conversion are not subject to any conditions and no minimum or maximum number of shares to be converted has been fixed.

12. Number of shares under conversion and number of shares offered in exchange

The proposed operation regards all the savings shares in circulation (2,502,844). Conversion is to be on a 1 for 1 basis and without payment, into the same number of newly issued shares, and with the same nominal value (€0.90) and same characteristics as the ordinary shares in circulation.

13. Stock market prices of the shares to be converted on the regulated markets where they are traded

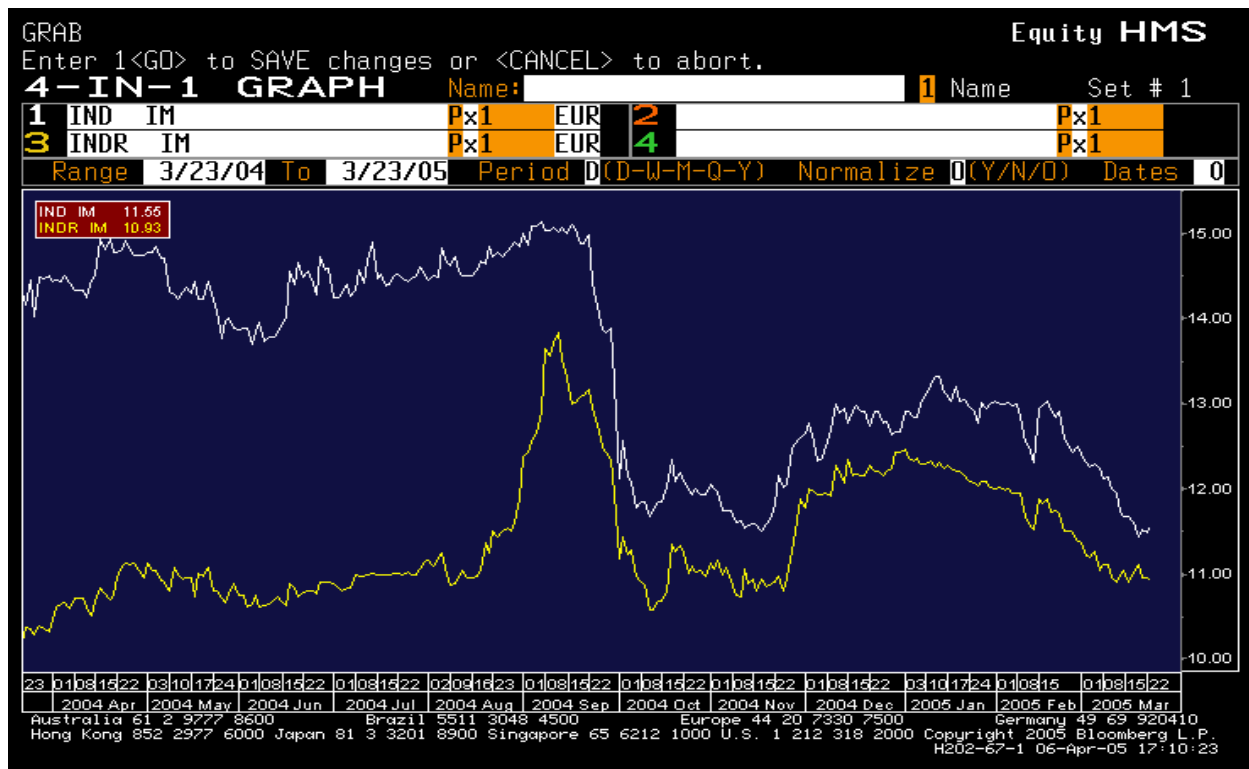
The table below details the arithmetic averages of the official prices of savings and ordinary shares recorded over the last month and in the last three, six and twelve months (data acquired on 23rd March 2005, taking the official prices into account).

	Ordinary (average official prices)	Savings (average official prices)	Premium
In 1 month	12.034	11.16243	7.8%
In 3 months	12.629	11.76783	7.3%
In 6 months	12.478	11.58911	7.7%
In 1 year	13.506	11.35222	19.0%

The graph below shows the stock market performance of the Company's ordinary and savings shares from 23rd October 2004 to 23rd March 2005.



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Source: Bloomberg, reference share prices

14. Incentives for conversion

The proposed one-for-one conversion entails an implicit conversion premium of around 5.66% on the basis of the official price of the ordinary and savings shares as of 23rd March 2005; said premium corresponds to around 7.8% on the basis of the average of the official prices of the ordinary and savings shares over the period from 23rd February 2005 to 23rd March 2005.

If market conditions before the date the conversion comes into effect are different from those considered above, the value of the implicit premium could be changed or eliminated altogether.

15. Effects of the conversion on stock options involving the shares to convert

As of the date of this report, there are no stock options involving savings shares.

16. Composition of share capital before and after conversion



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As of the date the conversion operation comes into effect, the Company's share capital, currently made up of 109,894,372 ordinary shares and 2,502,844 savings shares (non-convertible), all of a nominal value of €0.90 each, will in the case of full conversion be formed by 112,397,216 ordinary shares of the same nominal value.⁷

Share capital	# shares		# shares	%
	prior to conversion	after conversion		
Ordinary	109,894,372	112,397,216	100.00	97.77
Savings	2,502,844	-	-	2.23
Total	112,397,216	112,397,216	100.00	100.00

As already stated, the operation will not cause any change in the amount of the share capital, in that the conversion involves the cancellation of the savings shares offered conversion (up to 2,502,844 savings shares, nominal value €0.90) and the issue of the same number of ordinary shares (up to 2,502,844 ordinary shares, nominal value €0.90).

17. Significant changes in ownership structure arising from conversion

The conversion operation will not give rise to any significant changes in the Company's ownership structure. The only change of note, and only if all the savings shares are converted, is that the interest held directly and indirectly by the majority shareholder Vittorio Merloni will be reduced from 41.86% to 40.97% (this effect also takes into account the conversion of the 50,060 savings shares held by Fineldo).

18. Main uses of the net proceeds from the share conversion operation

The conversion will not entail any payments by or proceeds for the Company.

19. Modifications to the by-laws

If the proposed optional conversion of savings shares into ordinary shares is approved, the by-laws will need to be modified under art. 5, clauses 1 and 7, to reflect the exact number of ordinary and savings shares at the end of the conversion period (it being understood that the share capital remains unchanged).

Parallel texts of the by-laws, before and after the conversion, are attached this report under Annex A.

Said modifications, if approved, will come into effect on the same date as the effective conversion of the savings shares into ordinary shares.

* * * * *

The extraordinary shareholders' meeting is therefore invited to vote the following motions:

"The Extraordinary shareholders' meeting of Indesit Company S.p.A, having considered the board of directors' report, votes

- 1) to grant the savings shareholders the option, on a one-off basis, to convert up to 2,502,844 (two million five hundred and two thousand, eight hundred and forty four) non convertible savings shares issued, of the nominal value of €0.90 (zero point nine zero) each, into the same number of newly issued ordinary shares of the same nominal value and characteristics as the ordinary shares in circulation, on the basis of one 1 (one) ordinary share for every 1 (one) savings share without any payment or reduction in share capital; the conversion option may only be exercised during the period determined in agreement with Borsa Italiana SpA, after which savings shares for which no request for conversion was made will retain their non convertibility;

⁷ All the share capital data in this report refer to the share capital as of the date this report .



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- 2) to establish, regarding participation in profits, that the conversion will come into effect on the coupon detachment date relative to payment of the dividend for 2004, from which date the shares issued will participate in profits for the year to the extent voted by the shareholders for ordinary shares;
- 3) to issue for the purpose of the conversion up to 2,502,844 (two million five hundred and two thousand, eight hundred and forty four) new ordinary shares of nominal value €0.90 (zero point nine zero) each, with enjoyment of profits as from 1st January 2005 and at the same time cancel up to 2,502,844 (two million five hundred and two thousand, eight hundred and forty four) savings shares of nominal value €0.90 (zero point nine zero) each ;
- 4) to modify clauses 1 and 7 of art. 5 of the by -laws accordingly, as follows:
 - Art. 5 (clause 1)⁸ – The share capital subscribed and paid in amounts to €.....
(.....) divided into shares of the nominal value of €0.90 each, of which ordinary and non-convertible savings shares;
 - Art. 5 (clause 7) – As a result of the foregoing resolutions, the voted share capital amounts to €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 shares of a nominal value of €0.90, of which ordinary and non-convertible savings shares;
- 5) to grant the board of directors and the chairman and CEO jointly and severally on its behalf all the powers needed to implement, in accordance with the law, the resolutions voted by the shareholders' meeting and fix the terms and manner of execution, in particular for:
 - determining and making public in at least one national daily the period of exercise of the option of converting savings shares into ordinary shares, in agreement with Borsa Italiana SpA and Monte Titoli SpA, including eventual extensions;
 - making available the document required by art. 72, clause 3, Issuers Rules, as and when indicated in said art. 72;
 - establishing – also by way of a notary's deed – the capital existing on completion of the conversion of savings to ordinary shares through exercise of the option granted to savings shareholders;
 - modifying the numerical values in clauses 1 and 7, art. 5 of the by-laws and filing with the Companies Register the version of the by-laws updated on the basis of the resolutions approved above;
 - accepting and introducing into these resolutions any modifications, deletions or additions that may be requested by the relevant authorities”.

* * * * *

This report will be made available to the public, in the manner required by law, at least fifteen days before the date of the extraordinary shareholders' meeting.

Further, if the proposed resolution is approved, this report together with the information needed for the conversion will be made available when and in the manner required by art. 72, clause 3, Consob Regulations 11971/1999 at least one stock market business day before the start of the conversion period.

24th March 2005

For the Board of Directors
Chairman

* * * * *

ANNEX A: MODIFICATIONS TO THE BY-LAWS

⁸ The by -laws, which will be filed with the Companies Register, will indicate the share capital data as of the date the operation comes into effect and will also take into account the capital increase operated for the purposes of existing stock options.



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BY-LAWS

TEXT PRIOR TO CONVERSION

... *omissis* ...

Art. five

The subscribed and paid up share capital amounts to €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 with a nominal value of €0.90 each, of which 109,036,622 ordinary and 2,502,844 non-convertible savings shares.

... *omissis* ...

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.

... *omissis* ...

TEXT AFTER CONVERSION

... *omissis* ...

Art. five

The subscribed and paid up share capital amounts to €.... (....) divided into shares with a nominal value of €0.90 each, of which ordinary and non-convertible savings shares.

... *omissis* ...

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 ordinary and non convertible saving shares.

... *omissis* ...