Indesit Company

Annual Report
2006

Indesit Company

summary

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“Every ten years we have introduced radical changes bringing us in line with the most advanced of our competitors.
The future requires commitment from our best resources and an increasingly wide-ranging vision.”

Shareholders,

2006 saw a strong return to growth by our Company. We achieved an appreciable improvement in profitability, market share and financial position. This performance received the authoritative endorsement of the stockmarket, where our equity rose 40%.

Other important acknowledgments of Indesit Company's standing came when it won an "Oscar di Bilancio" for best corporate governance and the "Premio Etica e Impresa" for best relations with communities, in recognition of our agreement with the trade unions in Refrontolo.

Appreciation of our products took the form of the "Five Stars" given to our Aqualtis washing machine in the Melbourne "Standard Tests" for energy and water saving, due the machine's innovative technology and Class A++ rating. The Aqualtis also won Lion d'Or at Cannes and another award at the New York Festival for its TV commercial.

In the white goods industry, our Company is now the no. 2 in Europe by market share. It is our ambition to work towards becoming the no. 1. To this end, we have stepped up re-organization processes, focusing on a more integrated and result-oriented management structure. At the same time we have increased our investments in research & development, especially on improving product reliability and quality and on our capacity for real time reaction to consumers' growing needs.

We are fully aware that the competitive scenario is in continual evolution, which is why continual change has been a fundamental rule in our Company for some years now. Every ten years we have introduced radical changes bringing us in line with the most advanced of our competitors. We will continue to apply "change as a rule" in building a future requiring intense commitment from our best resources - human, technological and financial - and an increasingly wide-ranging vision.

In assessing our results to date and setting new, more ambitious targets, we shall remain faithful to our Company's values and principles, defined at the outset by its founder Aristide Merloni, in the conviction that "there is no value in the economic success of any industrial initiative if it is not also accompanied by commitment to social progress."

We have maintained this commitment in the past and continue to do so in the present, also by investing in new markets, and we intend to stay true to it in the future.

After a year of broadly positive results, we look forward to new challenges with the confidence that comes from our enterprise's solidity, the professionalism and dedication of our employees, the vocation for change underlying our work, and the unchanging heritage of our values, our true hallmark.

Vittorio Merloni
(Chairman)

2006 events

january

Start up of the 3-year industrial plan for 2006-2008

The Plan presented to the financial community focuses on sustainable growth of the main economic and financial indicators and sets some very ambitious targets.

february

Sow to reap: Indesit Company's drive for quality

A programme of activities was initiated to further improve quality throughout the Company.
"Sow to reap: Indesit Company's drive for quality" has two objectives: to foster greater knowledge of quality and involve all levels of the organization in understanding its importance.
Project output includes training courses, a teaching video, folders and posters and "quality corners" in all the production plants.

march

In an undersea world The Aqualtis campaign

A concept by Leo Burnett Italia, under the creative direction of Enrico Dorizza, produced the dreaming gaze of a little boy as he imagines what's happening inside a washing machine that's working. This TV ad was directed by Dario Piana and the magic of the images is enhanced by some extraordinary music - Vangelis's "Ask the Mountains". Indesit Company presented the campaign in Milan in the first week of March.

april

Eurocucina 2006

On 5th April, the curtain rose on the 16th Eurocucina, the world's most important modular kitchen expo. On display alongside the top names in the Italian kitchen segment were numerous foreign brands - German, Austrian, French, Spanish and Russian. Indesit's stand exhibited new products from its Indesit, Ariston and Scholtès brands.

may

Insight is the new Intranet

Insight simplifies, informs, unites, creates value. The Company's new worldwide intranet replaces the three former local intranets that had accompanied us over the years and is designed to be our principal instrument of internal communication. Providing a continual stream of news on activities and projects within the Group, it shortens distances between people, pools knowledge and fosters involvement.

june

Festival of the Economy

Indesit Company is to take part in the "Festival Internazionale dell'Economia" from 1st to 4th June in Trento. The Festival will present the economic sciences to students, international experts and journalists and anyone else interested in what has become a universally relevant discipline.

july
Scholtès at the Guggenheim

Scholtès was on display at the Guggenheim Museum, New York, with architect Zaha Hadid. The futuristic "Z. Island by DuPontCorian" project creates an intelligent ambience that satisfies both our aesthetic sense and our requirement for functionality and innovation. The event was organized by DuPont in collaboration with Ernestomeda and Scholtès.

august
Over £500,000 to ChildLine

Through its Hotpoint brand, Indesit donated over £500,000 to ChildLine, a UK charity supporting children. The donation cheque was handed over in a ceremony at ChildLine's Counselling Centre in London on 24th August. Hotpoint has supported ChildLine since 2004 through charity activities and events in which Indesit's UK employees take part.

september
The "Polittico dell'Intercessione" at Fabriano

Painted by Gentile da Fabriano around 1420 for the Florentine church of San Niccolò Oltrarno, the "Intercession Polyptych" was restored by experts from the Opificio delle Pietre Dure in Florence, thanks to vital funding from Indesit Company. The work was displayed at the Fabriano headquarters for some months.

october
Global Compact

Indesit joined the Global Compact, an initiative promoted by Kofi Annan and whose objective is to spread best practice in the field of corporate social responsibility. Presented at the UN in 2000, the programme invites companies to abide by ten universal principles in the areas of human rights, workplace conditions and the environment.

november
Suppliers Convention in Turin (Lingotto)

Around 500 representatives of Indesit Group's main suppliers, from four continents, took part in the event, at which the guest speaker was Sergio Marchionne, Fiat Group CEO. Quality Award cups were presented to the three suppliers who achieved the best performance in terms of quality

december
Stockmarket high

On 13th December, Indesit Company share reached its high for the year - 13.15 euro - on the Milan bourse.

awards & acknowledgments

Oscar di Bilancio 2006

Indesit Company won the "Oscar di Bilancio 2006" in the corporate governance category for its successful management of changes required by new legislation and heightened sensibility to the need for ethical conduct of business.

Premio Etica & Impresa

Indesit Company won the first Premio Etica & Impresa, the first national competition to judge the best agreements and best social responsibility practices between employers and workers. Indesit Company was awarded in the "Territory" category for the most significant project with the greatest social impact.

Ecohitech Award 2006

Indesit Company won the 8th Ecohitech Award, for 2006, with its Aqualtis. The award is the most important in the field of eco-compatible, low-energy consumption technology.

Comet best supplier of the year

Indesit Company leads the market in the UK: a major endorsement came at the 2006 Comet Awards, where the Company received Best Training and Best Supplier awards.

CSR Awards

The numerous awards received at the close of the year reflected Indesit's unwavering focus on eco-compatible, low-energy technologies and water saving and on social issues.

Trade Communication Award Independent Electrical Retailer

The Hotpoint brand received an award for "Best press and TV campaign" from the Independent Electrical Retailer Magazine.

5 stars for the Aqualtis

The Aqualtis was the first washing machine to pass the Australian Standard Tests conducted by the Vipac Engineers and Scientists Laboratory in Melbourne (certified by NATA - National Association of Testing Authorities, Australia), and win Five Stars in the Water Rating category.
The washing machine was judged the most successful in terms of water saving, a cause for which the Australian government has fought for years.

Gold Lion Cannes 2006

An Italian company wins the Lion d'Or again after 12 years. At the 53rd International Advertising Festival in Cannes, Indesit Company won the Lion d'Or with its TV commercial for the Ariston Aqualtis washing machine.

inside figures

2006 revenue by geographical area

Western Europe	60%
Eastern Europe	33%
Other countries	7%

Income statement (million euro)

	2004		2005		2006	
Revenue	3,100		3,064		3,249	
EBITDA	348	11.2%	264	8.6%	303	9.3%
EBIT	199	6.4%	122	4.0%	160	4.9%
Profit before taxation	160	5.2%	93	3.0%	132	4.1%
Group profit	100	3.3%	51	1.6%	77	2.4%
Tax rate		37%		46%		42%

Financial statement (million euro)

	01/01/2005	12/31/2005	12/31/2006
Net working capital	93	78	40
Non-current operating assets	1,233	1,269	1,252
Other current assets and liabilities and non-current liabilities	(370)	(310)	(317)
Net invested capital	**956**	**1.037**	**976**
Net financial indebtedness	512	517	424
Equity attributable to the Group	433	505	546
Minority interests	11	14	7
Equity and financial liabilities	**956**	**1,037**	**976**

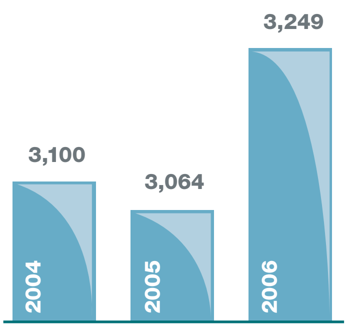
2006 revenue by product

Refrigeration	27%
Cooking	23%
Laundry	43%
Services	7%

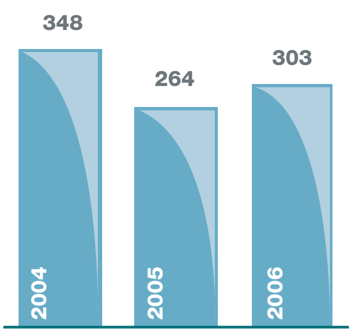
Cash flow statement (million euro)

	2004	2005	2006
Cash flows from operating activities	227	192	273
Cash flows from investing activities	(219)	(167)	(145)
Share capital increases	7	6	3
Dividend payment	(36)	(37)	(37)
Free cash flow	**(21)**	**(5)**	**94**
Cash flows from financing activities	(140)	(7)	(109)
Cash flows, net	**(161)**	**(12)**	**(15)**

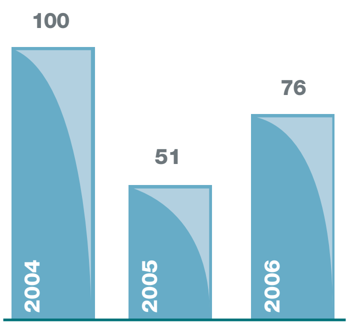
Consolidated revenue
(million euro)



EBITDA
(million euro)



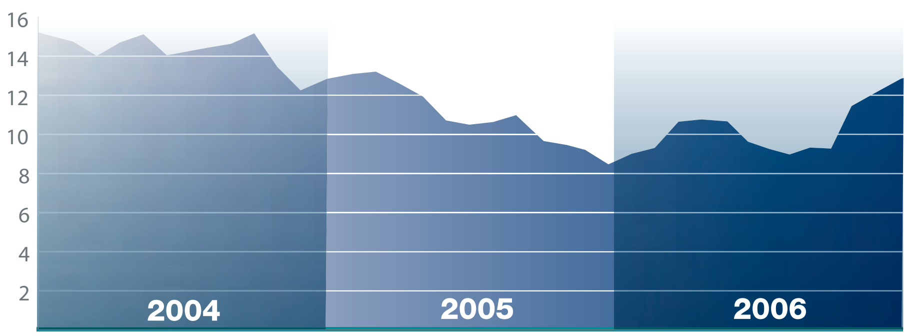
Group net profit
(million euro)



Stockmarket information (at 12/31)*	2004	2005	2006
EBITDA per share (euro)	3.55	2.62	2.96
Basic EPS (euro)	1.00	0.50	0.74
Diluted EPS (euro)	1.00	0.50	0.74
Average no. of ordinary shares used for basic EPS calculation (thousand)	98,033.10	100,514.30	102,251.80
Average no. of ordinary shares used for diluted EPS calculation (thousand)	99,946.30	101,161.50	102,479.60
Free cash flow per share (euro)	0.33	(0.05)	0.92
Dividend (euro)	0.361	0.361	0.385
Year lowest share price (euro)	11.50	8.23	8.46
Year average share price (euro)	13.83	10.45	9.87
Year higher share price (euro)	15.14	13.32	12.90
Year-end share price (euro)	12.67	8.74	12.33
Average share price/EPS basic	13.83	20.9	13.3
Book value per share **	4.5	5.2	5.4
Share price/Net equity per share	3.07	2.0	1.8
Pay out ratio (%)	31.6	73.2	52.1
Dividend per share/share price (%)	2.6	3.5	3.9
Share capital (thousand euro)	91.1	92.2	92.6
Market capitalization (million euro) ***	1,242,092	892,292	1,267,213
Debt+Equity/Revenue (%) **	0.31	0.34	0.30
Net financial indebtedness/EBITDA	1.47	1.96	1.40

Data referred to ordinary shares only.
* All per share data are calculated with the average no. of ordinary shares used for the EPS basic.
** 2004 figures are stated using the balance sheet figures at 01/01/2005, the date IAS 32 and IAS 39 came into force.
*** Calculated using ordinary and savings share price at year-end.

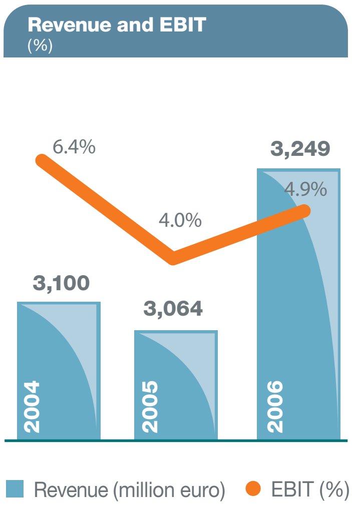
Indesit Company ordinary share 2004-2006
(euro)



Report on operations ending 12/31/2006

CEO's comment

Indesit Company had an extremely good year in 2006, benefiting from an improvement in market conditions with respect to the prior year and from all the groundwork performed in the past.
The Group is set to achieve the objectives established in the three-year plan for 2006-2008 presented in October 2005: the results achieved this year (revenue of 3,248.6 million euro, up 6%; operating profit of 160.2 million euro, up 31%; positive free cash flow) were undoubtedly consistent with the targets.
There was a general recovery in the various markets during 2006. By contrast with 2005, the volume of sales was higher in Western Europe, as well as in Eastern Europe and the CIS.
The Group took advantage of these favourable macroeconomic conditions to strengthen its position in all main markets via price competitiveness and the launch of new products. Indeed, the market share of Indesit Company rose by about 0.3% with respect to 2005, confirming the Group's position as the second-largest player in Europe.
All product lines achieved an increase in the volume of production and revenue. The results of the Refrigeration and Laundry business units were

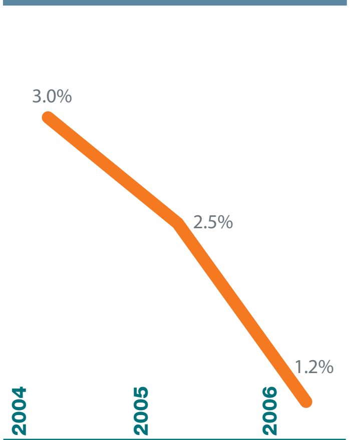


especially satisfactory, with progress by the latter assisted by the excellent performance of the new Aqualtis washing machine.
Growth by the free standing segment, where the weighting of laundry and refrigeration products is greater, exceeded that of the built-in segment, which is dominated by cooking products. In the built-in segment, the market share of Indesit Company is below the Group average and, as such, is a key focus of the three-year plan. In this context, Indesit Company has obtained especially encouraging results in the CIS and in the UK, which was targeted by a specific built-in plan that raised sales by 13.6% and market share by 1.5%. This trend was contrasted in Spain and France.
Average unit revenue (Price/Mix) decreased by 1.5% while, overall, retail prices were essentially stable (slightly higher in Western Europe and lower in Eastern Europe). The reduction in unit revenue was not only greater than the market average, but also more than the objectives set in the 2006-2008 three-year plan. This was partially due to a desire to raise the volume of sales in order to improve market share, as well as to the stronger growth of the Indesit brand with respect to the Group's other brand names.
Brand policy has continued to concentrate on the principal brand names. Advertising investment was focused on the Indesit and Ariston/Hotpoint brands. The new products were launched solely under these brand names. The sales of the two principal brands (Indesit and Ariston/Hotpoint) have risen from 90% of total revenue from products in 2005 to 92% in 2006.
Work to contain procurement and production costs continued in 2006. As a consequence of attentive policies for the purchasing of key raw materials (especially steel), including the signature of annual supply contracts towards the end of last year, the Group did not suffer the effects of higher steel prices during the year. Inflationary pressures on certain components, due to higher prices for such raw materials as nickel, copper and aluminium, have been offset by improved efficiency and, as envisaged in the business plan, by increased purchasing from low-cost countries. In particular, purchasing of raw materials and components from these countries has increased from 24% to 30%, while local purchasing by factories situated in low-cost countries rose from 20% to 36%.
Work on the redistribution of production continued in accordance with the three-year plan during 2006. The total direct labour hours dedicated to production in low-cost countries rose from 34% to 40%.
The continuation of redistribution activities has further lowered payroll costs as a percentage of revenue from 16.2% in 2005 to 15.2% in 2006. The factories in Lódz (Poland) and Lipetzk (Russia) have almost reached full capacity operating levels. In addition, the conversion of the Melano factory (Italy) from refrigeration to cooking was completed during 2006 and the decision was taken to build two more factories in Poland.
The Group has benefited from the work to contain and rationalise costs that began in 2005. Selling and distribution expenses have decreased from 16.1% of revenue to 15.8%, despite the higher volume of sales. Similarly, general and administrative expenses have declined both in absolute terms and as a percentage of revenue, to 4.3% from 4.7% in 2005.
The results of financial management were especially good: in particular, well ahead of the timing forecast in the medium-term plan, the free cash flow

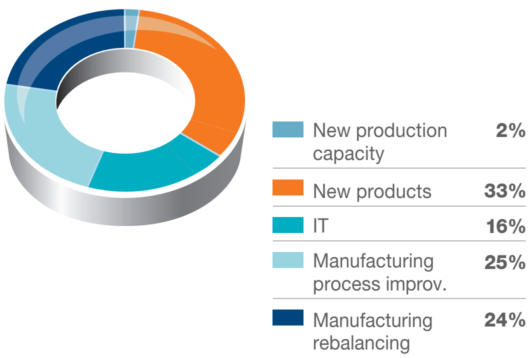
Net financial indebtedness
million euro less
94

generated by the Group resulted in a reduction in net financial indebtedness by 94 million euro.
Net working capital has fallen from 2.5% of revenue to 1.2% due to improvements in each of its components: collection of trade receivables, inventory turnover and the number of days taken to pay suppliers.
Net investment during the year amounted to 130 million euro (152 million euro in 2005), of which 95 million euro for property, plant and equipment and 35 million euro for intangible assets, including 17 million euro from the capitalisation of development costs. The reduction with respect to the prior year principally relates to property, plant and equipment, given the construction of a logistics hub in Lipetzk (Russia) during 2005. The policy of greater focus on capital investment processes, adopted from 2005, has continued. This is designed to contain the level of net invested capital while, at the same time, guaranteeing the resources needed for the development of strategic initiatives. Moving in this direction, a significant and growing proportion of capital investment, about 33% (25% in 2005), has been allocated to the development of new products. Again with a view to improving governance and containing capital investment, by focusing on activities in the household appliances sector, work continued in 2006 on the reorganisation of certain minority investments. This involved the disposal of equity interests that are no longer strategic, the purchase of minority interests in subsidiaries that were subsequently absorbed, and the write-off of other equity investments.
The combined effect of higher operating profits and the focus on capital invested, down by 5.9%, has resulted in an increase in the return on investment - before taxation - to 15.9% (12.2% in 2005).
The dividend policy is unchanged and the 2006 dividend per share (ordinary and savings) distributed by the Parent Company was the same as in the prior year. There were a number of significant product innovations during 2006, a key element in the strategy of Indesit Company, with investments of 17 million euro (capitalised development costs) and research costs of 8 million euro.

Net working capital (%)



2006 investments by destination (%)



In the Laundry segment, the launch of Aqualtis has been completed in all principal markets. Flexibility, comfort and care are the key values that have contributed to the success of this product from the time it was launched in Italy during 2005, where it became market leader in the retail price segment above 500 euro - traditionally the domain of our competitors. This success was repeated in 2006 in all world markets.

In the Refrigeration segment, new Giugiaro styles have been launched to re-affirm the Group's leadership of the Russian market. In addition, the restyling of Ariston products in the free-standing sector has allowed new features to be introduced such as, for example, the everfresh function, while the new 55 cm platform has been launched for the built-in market with an energy rating in the A+ class.

There was a wealth of important innovations in the built-in segment during 2006, confirmed by the success at Eurocucina of the new Experience line marked by the revolutionary 48 cm oven, with the same capacity as a traditional 60 cm oven, and a new range of gas and induction hobs.

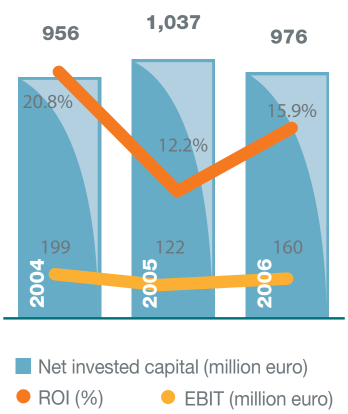
The Innovation and Technology Department, formed just one year ago, has strongly stimulated research into materials, production technology, innovative technologies for washing and conservation, acoustics and vibration, electronic technologies, communication technologies, energy and technologies for advanced and ergonomic user interfaces.

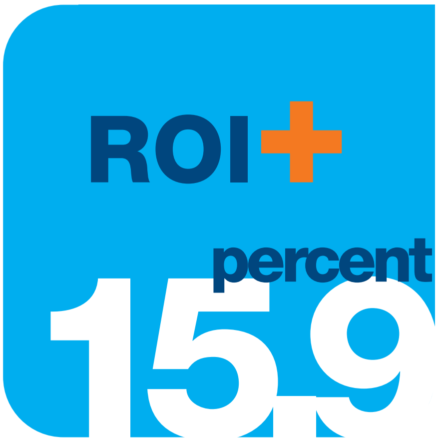
Confirming the Group's interest in environmental matters, a research project has recently been launched for the reduction of CO_2 emissions into the atmosphere. The technology developed as part of this project will enable appliances to adapt automatically, by reducing their energy consumption in relation to the load on the power grid.

Major advances have been made on the development of new sensors and switches for washing machines and dishwashers. These will significantly reduce the consumption of precious resources, such as water and energy, and increase the speed and quietness of household appliances.

ROI 2004 calculated on NWC at year-end. ROI 2005 and 2006 calculated on year average NWC.

Net invested capital, EBIT and ROI





In addition, highly innovative systems of conservation are at an advanced stage of development which, combined with low temperatures, will improve the quality and life of food stored by Indesit products.
Following the multiple, significant organisational changes made in 2005, 2006 was a year of welcome stability: the divisions created and/or reorganised in the prior year were able to focus on the achievement of their established objectives and the strengthening of their second and third-tier organisations. The only significant change during the year was the direct reporting of the four commercial areas to the CEO. The current organisational structure is considered suitable for the coming years and no significant changes are expected. Management and the Human Resources Committee are content with the system of short-term (MBO) and medium-term (LTIP) objectives introduced to encourage the generation of cash flows. These are helping to build awareness of this important concept at all levels within the Group.

Sales of household appliances in Europe

Sales of white goods to retailers (industry shipment) during 2006 were up with respect to 2005 by 2.3% in Western Europe and 5.8% in Eastern Europe. The positive trend in Western Europe encompassed all markets, with slightly above average growth in Spain. In Eastern Europe, the strongest growth was seen in Hungary, while the market contracted in Romania. Growth in the CIS was 5.9%.

Retail prices rose in Western Europe, especially during the second half of the year, with an overall increase of 1.5%, while there were adverse conditions in Eastern Europe with a decline of 3.8%.

Currency markets

Compared with 2005, during 2006 the euro[1] fell by 3.1% against the ruble and 3.2% against the zloty, but rose by 7.7% against the Turkish lira and 0.9% against the US dollar. The exchange rate against the British pound was essentially stable during 2006 with respect to 2005.

[1] Determined with reference to the average monthly rates reported by Ufficio Italiano Cambi.

Significant events during the year and subsequent to year end

Between January and May 2006, following negotiations with the various social partners concerned, the decision was taken to implement redundancy plans at the Carinaro, Teverola and Refrontolo factories. Similarly, action was taken to reorganise production at the Kinmel Park, Blythe Bridge, Peterborough and Yate factories in the UK.

In March 2006, the decision was taken and announced to close access to the defined-benefit pension scheme for UK employees and to start a defined-contribution pension plan for new members.

In June 2006, General Electric exercised a put option with respect to a further 8% of the share capital of General Domestic Appliances Holdings Ltd, involving the payment of 49.8 million euro, as shown in the cash flow statement. Following the exercise of this option, Indesit Company now owns 84% of this UK company, which is consolidated as a wholly-owned subsidiary in accordance with IFRS 3.

In July 2006, a multicurrency line of credit for a maximum of 350.0 million euro was arranged with a syndicate of leading domestic and international banks, to replace an earlier line of credit that was due to expire. This line of credit has a duration of five years.

A number of transactions were carried out between December 2006 and March 2007 to rationalise the Group structure, as described in note 10.4 Further information on corporate transactions with related parties.

There have not been any significant events subsequent to year end.

Approach taken

All amounts are stated in millions of euro. All comparisons contained in this report and in the consolidated financial statements are made with respect to information for the prior year (stated in brackets). Percentages (margins and changes) are determined with reference to amounts stated in thousands of euro. The Group reporting to Indesit Company SpA is hereafter referred to Indesit Company or simply the Group. When the commentary relates to the Parent Company or individual subsidiary companies, their names and legal form are stated in full.

Summary of consolidated results

The Group's principal economic indicators are reported in the following table.

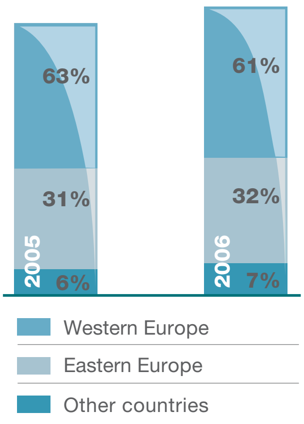
Summary of consolidated income statement (million euro)

	2006		2005		Change	
		%		%		%
Revenue	3,248.6	100.0%	3,064.2	100.0%	184.4	6.0%
Gross operating margin	303.0	9.3%	263.7	8.6%	39.3	14.9%
Operating profit	160.2	4.9%	122.3	4.0%	37.9	31.0%
Profit before taxation	131.6	4.1%	92.8	3.0%	38.8	41.8%
Group profit	76.7	2.4%	50.4	1.6%	26.3	52.2%

Sales rose by 6.0% in 2006 as a whole, due to an increase in volume of about 7.5% and a reduction in unit revenue of 1.5%.

Results by geographical area (million euro)	Revenue			Segment result			% on revenue		
	2006	2005	Change	2006	2005	Change	2006	2005	Change
Western Europe	1,973.8	1,922.4	51.4	132.7	109.7	23.0	6.7%	5.7%	1.0%
Eastern Europe	1,050.8	943.5	107.3	196.7	158.9	37.7	18.7%	16.8%	1.9%
Other countries	224.1	198.3	25.7	23.5	20.7	2.9	10.5%	10.4%	0.1%
Total	**3,248.6**	**3,064.2**	**184.4**	**352.9**	**289.3**	**63.6**	**10.9%**	**9.4%**	**1.4%**

Revenue by geographical area



The gross operating profit (EBITDA)[2] amounted to 303.0 million euro in 2006 (263.7 million euro), representing 9.3% (8.6%) of revenue. Non-recurring charges, mainly incurred for restructuring work, of 39.0 million euro (36.0 million euro) were in line with the Group's budget. EBITDA before non-recurring charges was 341.9 million euro (299.6 million euro), representing 10.5% (9.8%) of revenue. This growth in EBITDA was due to both the higher volume of sales and an improvement in percentage margins. Positive results have been achieved, most especially by reducing the cost of sales as a percentage of sales. The efficiencies deriving from implementation of the business plan and improved purchasing more than offset the adverse price/mix effect. Action to contain selling and distribution expenses and general and administrative expenses has also been successful, with a reduction in their incidence on sales from 16.1% to 15.8% for selling and distribution expenses, and from 4.7% to 4.3% for general and administrative expenses. With reference to the nature of costs, there was a marked reduction in the cost of services and payroll as a percentage of sales.

The operating profit (EBIT) was 160.2 million euro (122.3 million euro), representing 4.9% (4.0%) of revenue. In addition to the effects discussed in relation to EBITDA, the improvement in EBIT was also due to the more careful management of investments which, while meeting the targets established in the business plan, has lowered the incidence of depreciation and amortisation as a percentage of revenue. Similarly, EBIT excluding non-recurring charges was 199.1 million euro (158.2 million euro), representing 6.1% (5.2%) of revenue.

Net financial charges were essentially stable. Profit before taxation (PBT) was 131.6 million euro (92.8 million euro), representing 4.1% (3.0%) of revenue.

Net profit amounted to 76.7 million euro (50.4 million euro). The tax charge was 54.9 million euro (42.4 million euro). The effective tax rate (tax charge as a percentage of PBT) has decreased from 45.7% to 41.7%.

In Western Europe, sales of finished products have continued to grow, with strong results in Italy and Spain. In France, the slight contraction experienced during the first half of 2006 was fully offset by the healthy performance of sales in the second part of the year and, more especially, in the final quarter. There was also a slight increase in UK sales during 2006, following very difficult conditions in 2005. Overall, there was an improvement in segment

[2] EBITDA: operating profit reported in the consolidated income statement, stated gross of the depreciation reported in note 8.7.

results, both in absolute terms and as a percentage of sales.
With the sole exception of Romania, there was strong growth in all East European markets during 2006. There was also an improvement in this segment's results, both in absolute terms and as a percentage of sales.
With regard to the Other countries, the most significant growth came from Turkey despite the effects deriving from the depreciation of the local currency.

Summary of the consolidated financial position

Cash flows from operating activities during 2006 totalled 272.8 million euro (191.8 million euro). In addition to better gross profitability, this change was due to the improved management of working capital (down from 2.5% to 1.2% of sales) and lower tax payments. Free Cash Flow amounted to 93.9 million euro (-5.5 million euro), thus reducing net financial indebtedness to 423.6 million euro.

Summary of consolidated financial position (million euro)

	12/31/2006	12/31/2005
Trade receivables	573.2	555.2
Inventories	353.4	342.8
Trade payables	(886.1)	(820.3)
Net working capital	**40.5**	**77.7**
Non-current operating assets	1,252.3	1,269.3
Other current assets and liabilities and non-current liabilities	(316.9)	(310.5)
Net invested capital	**975.8**	**1,036.6**
Net financial indebtedness	423.6	517.5
Equity attributable to the Group	545.6	504.6
Minority interests	6.6	14.4
Equity and financial liabilities	**975.8**	**1,036.6**
Cash flows from operating activities	**272.8**	**191.8**
Net working capital/Revenue (12 months)	**1.2%**	**2.5%**
Net financial indebtedness/Equity	**0.8**	**1.0**

Reconciliation with the equity and profit for the year of the Parent Company

In accordance with CONSOB Communication no. DEM/6064293 dated 28 July 2006, the equity and profit for the year of the Parent Company are reconciled below with the related consolidated amounts.

Reconciliation with the equity and profit for the year of the Parent Company (million euro)

	12/31/2006		12/31/2005	
	Results	**Equity**	**Results**	**Equity**
Financial statements of the Parent Company	54.3	409.8	99.3	388.2
Consolidation adjustments				
Difference between carrying amount of and equity of Group companies	115.7	141.1	79.4	119.8
Dividends received from subsidiaries	(93.8)	-	(125.7)	-
Measurement of companies using the equity method	(1.6)	(0.8)	(2.4)	1.7
Effect of aligning individual financial statements with Group accounting policies	(0.6)	0.1	(1.2)	0.5
Elimination of intercompany profits	2.9	(5.1)	1.1	(8.0)
Tax effect of adjustments	(0.4)	0.6	0.2	2.5
Total consolidation adjustments	22.2	135.9	(48.6)	116.5
Consolidated financial statements	76.4	545.6	50.7	504.6

Intercompany and related-party transactions, and significant, non-business or unusual transactions

Transactions between Group companies are settled on arms'-length terms, having regard for the quality of the goods and services provided. Note 10 of the explanatory notes describes the nature of the principal transactions arranged by the parent and other Group companies with related parties including, in particular, associates, subsidiaries and parent companies and their other subsidiaries. This note also contains the detailed information required by CONSOB regulations and IAS 24. In accordance with CONSOB Resolution no. 15519 dated 07/27/2006 and CONSOB Communication no. DEM/6064293 dated 07/28/2006, Attachments 4 and 5 to the financial statements present the consolidated income statement and balance sheet showing non-recurring items and transactions with related parties separately, together with the percentage incidence with respect to each account caption.

Transactions with related parties are not significant to the economic and financial position of the Group.
Further information on the procedures adopted by the Group with regard to significant and related-party transactions can be found in the annual Corporate Governance report of Indesit Company SpA (posted on the company's website).

DEBT TO Equity ratio

0.8x

Board of Directors

Chairman	Vittorio Merloni
Chief Executive Officer	Marco Milani
Directors	Innocenzo Cipolletta
	Adriano De Maio
	Alberto Fresco
	Mario Greco
	Carl H. Hahn
	Hugh Malim
	Andrea Merloni
	Antonella Merloni
	Ester Merloni
	Luca Cordero di Montezemolo
	Roberto Ruozi

Board of Statutory Auditors

Chairman	Angelo Casò
Auditors	Demetrio Minuto
	Paolo Omodeo Salè
Alternate Auditors	Maurizio Paternò di Montecupo
	Serenella Rossano

Human Resources Committee

Alberto Fresco (Chairman)
Mario Greco
Carl H. Hahn

Audit Committee

Roberto Ruozi (Chairman)
Innocenzo Cipolletta
Hugh Malim

Innovation and Technology Committee

Members who are directors	Adriano De Maio (Chairman)
	Andrea Merloni
	Vittorio Merloni
	Marco Milani
Members who are not directors	Valerio Aisa
	Enrico Cola
	Silvio Corrias
	Marco Iansiti
	Adriano Mencarini
	Davide Milone
	Pasquale Pistorio
	Massimo Rosini
	Giuseppe Salvucci
	Andrea Uncini (secretary)

Representative of the savings shareholders

Adriano Gandola

Independent Auditor

KPMG SpA

The Shareholders' Meeting held on 05/05/2004 authorised total remuneration of 920,000 euro for the Board of Directors (plus the reimbursement of expenses and insurance cover). The Board of Directors resolved to allocate this amount in the form of attendance fees of 10,000 euro for each board meeting and 5,000 euro for each committee meeting.
The attendance fees of the Chairman are fixed at 20,000 euro for each board meeting and 5,000 euro for each committee meeting. The Chairman and the Chief Executive Officer also benefit from remuneration for the special duties performed pursuant to art. 2389.3 of the Italian Civil Code.
The remuneration of the Board of Statutory Auditors totals 140,000 euro, of which 60,000 euro for the Chairman and 40,000 euro for each of the standing auditors.
Further information is available in the Annual Report on Corporate Governance and in the Attachments to this report.

Information on stock option plans

The stock option plans are described in the explanatory notes to the consolidated financial statements (note 8.33), which describes the plans and provides the information required by law and the relevant CONSOB communications.

Corporate Governance

The system of corporate governance adopted by Indesit Company is essentially consistent with the principles established in the “Code of Conduct for Listed Companies” (hereafter, the “Code”), and with international best practice. On 03/22/007, the Company's Board of Directors approved the Annual Report on Corporate Governance, which provides a complete description of the governance model adopted by the Company and reports on the implementation of the Code.
The Parent Company has adopted the ordinary model of administration and control (envisaged under Italian law), with the presence of a Board of Directors, a Board of Statutory Auditors and Independent Auditors. The directors and officers are appointed at the Shareholders' Meeting and remain in office for a period of three years. The significant presence of Independent Directors, as defined in the Code, and the important role they play on both the Board and Board Committees (Human Resources Committee, Audit Committee and Innovation and Technology Committee), ensures that the interests of all shareholders are appropriately balanced and guarantees a high level of discussion at Board meetings.
Further information is available in the Annual Report on Corporate Governance.


European directives relating to the sector (WEEE and RoHS)

The European Union adopted the WEEE (Waste Electrical and Electronic Equipment) Directive in December 2002, which makes manufacturers responsible at a European level for the recovery and disposal of waste products.

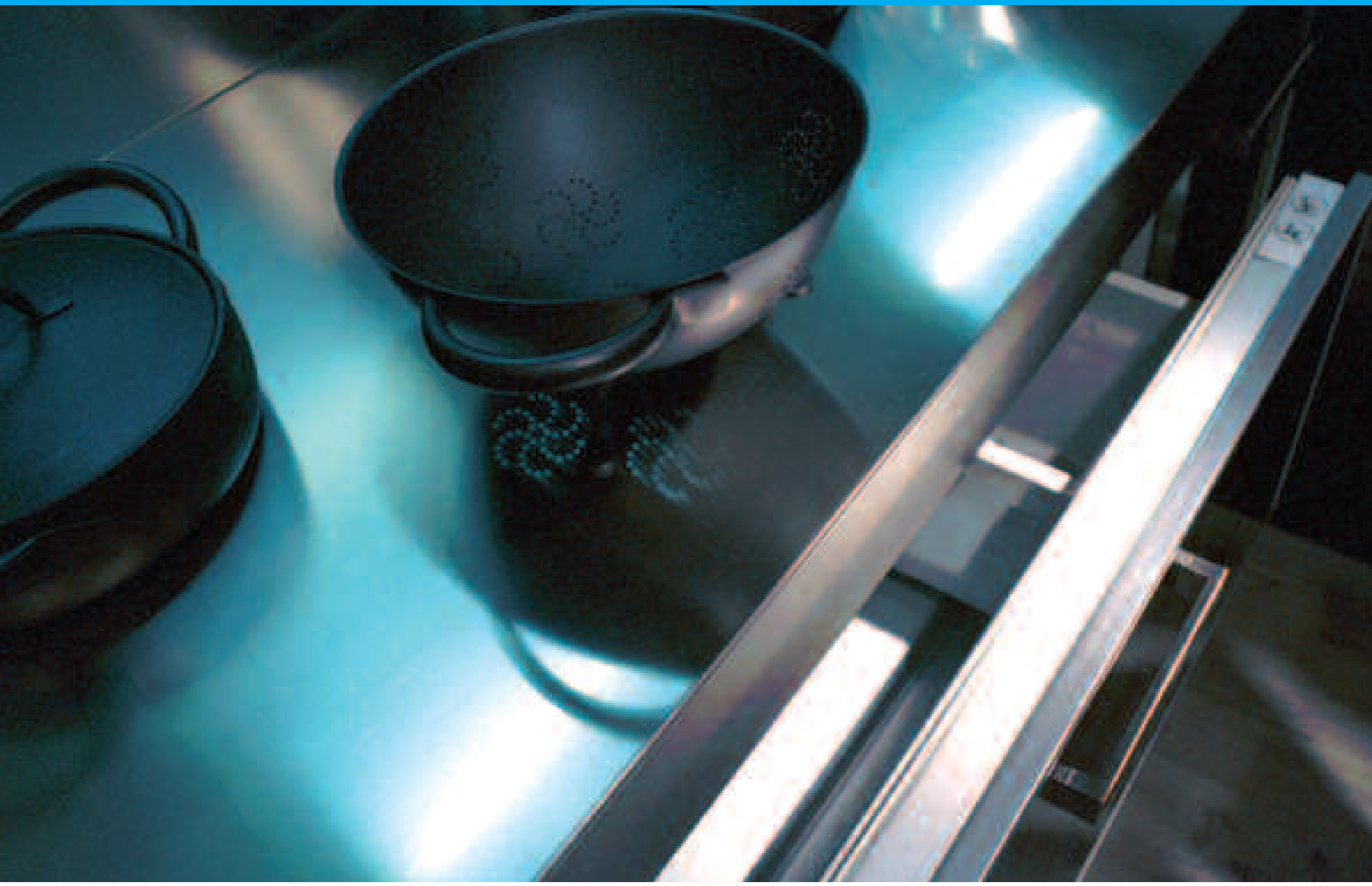
The directive imposes forms of collective responsibility (for products put on the market prior to 08/13/2005: old waste) and individual responsibility (for products put on the market after 08/13/2005: new waste) which are described in the explanatory notes.

At this time, certain major EU countries (principally the UK, in terms of Group operations) have not yet completed the process of adopting these EU regulations. Other countries have adopted them, establishing transition periods of, typically, one or two years during which these regulations will not be effective (principally Italy).

The European Council and Parliament also adopted Directive 2002/95/EC (known as the RoHS - Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment) in December 2002. This directive states that new electrical and electronic equipment put on the market from 07/01/2006 must not contain certain polluting materials. Indesit Company has acted to ensure compliance with this directive by informing all suppliers that components which are not compliant with RoHS will not be accepted; work to dispose of residual non-compliant inventories is currently in progress. The overall effect on the realisable value of inventories at 12/31/2006 is not significant.

Treasury shares and shares in the Parent Company

Indesit Company S.p.A. did not purchase or sell any treasury shares or shares in the Parent Company during the year, whether directly or via third parties. Information on the treasury shares held by the Parent Company is provided in that company's explanatory notes.



Financial instruments

Information about the policies adopted for the management of financial risks is provided in the explanatory notes (note 9).

Forecast for operations

Demand for white goods is expected to remain buoyant in both Western and Eastern Europe, at levels similar to those experienced in 2006. Following strong rises during the first half of 2006, prices for the principal raw materials have now eased back. The Group is working to achieve the three-year plan by implementing the planned industrial and commercial strategies. The outlook for 2007 remains positive with a further increase in sales and profitability, consistent with the established objectives.

03/22/2007
For the Board of Directors
The Chairman
Vittorio Merloni

attachments to the report on operations during the year ended 12/31/2006

Attachment 1 - Investments held by directors, statutory auditors, general managers and executives with strategic responsibilities at 12/31/2006

Name and surname	Company held	Nature of holding (2)	Number of shares held at the end of the prior year	Number of shares acquired	Number of shares sold	Number of shares held at the end of the current year
Merloni Vittorio	Indesit Company SpA - ordinary shares	direct	1,698,300	-	360,000	1,338,300
		indirect via Fineldo SpA	44,002,029	300,000		44,302,029
		indirect via Merloni Progetti SpA	157,787	185,000	340,726	2,061
		indirect via Merloni Progetti Int. SA	934,995			934,995
		indirect via Indesit Company SpA, own shares without voting rights at general meetings	11,039,750	-	-	11,039,750
		via Franca Carloni, wife	254,840	-	-	254,840
	Indesit Company France SA	direct	1	-	-	1
Milani Marco	Indesit Company SpA - ordinary shares	direct	-	175,000	88,000	87,000 (1)
	Indesit Company France SA	direct	1	-	-	1
	Indesit Company Beyaz Esya ve Ticaret AS	direct	-	2	-	2
Merloni Ester	Indesit Company SpA - ordinary shares	indirect via Fines SpA	7,415,190			7,415,190
		direct	5,042,400	-	-	5,042,400
Merloni Andrea	Indesit Company SpA - ordinary shares	direct	255,635		255,635	-
		indirect via Alpha 67 Srl Unipersonale		254,840		254,840
Merloni Antonella	Indesit Company SpA - ordinary shares	direct	264,330	450	-	264,780
Fresco Alberto	Indesit Company SpA - ordinary shares	direct	-	100,000	100,000	- (1)
Malim Hugh	Indesit Company SpA - ordinary shares	direct	-	100,000	100,000	- (1)
De Maio Adriano	Indesit Company SpA - ordinary shares	direct	1,000	-	-	1,000
Sasso Andrea	Indesit Company SpA - ordinary shares	direct	-	10,000	10,000	- (1)
Executives with strategic responsibility	Indesit Company International Business SA	direct	1	-	1	-
	Indesit Company SpA - ordinary shares	direct	-	-	-	-
	Indesit Company France SA	direct	1	-	-	1
	Indesit Company Beyaz Esya ve Ticaret AS	direct	-	7	-	7

(1) The changes in 2006 derive from the exercise of stock option plans.

(2) Including shares held through wives or husbands not legally divorced and through underage sons.

Attachment 2 - Remuneration paid to directors, statutory auditors, general managers and executives with strategic responsibilities at 12/31/2006

Name and surname	Position	Period in office during the year	Duration of mandate	Remunerations for position in company preparing the financial statements (euro)	Non-cash benefits (euro)	Bonuses and other incentives (euro)	Other remun-eration (euro)	Notes
Vittorio Merloni	Chairman of the Board	01/01/2006 - 12/31/2006	2006 financial statements	1,935,000.00	-	1,215,000.00	-	
Marco Milani	CEO	01/01/2006 - 12/31/2006	2006 financial statements	380,000.00	4,929.33	1,778,000.00	500,000.00	(1)
Innocenzo Cipolletta	Board Director	01/01/2006 - 12/31/2006	2006 financial statements	80,000.00	-	-	-	
Luca Cordero di Montezemolo	Board Director	01/01/2006 - 12/31/2006	2006 financial statements	20,000.00	-	-	-	
Adriano De Maio	Board Director	01/01/2006 - 12/31/2006	2006 financial statements	55,000.00	-	-	-	
Alberto Fresco	Board Director	01/01/2006 - 12/31/2006	2006 financial statements	75,000.00	-	-	-	
Mario Greco	Board Director	01/01/2006 - 12/31/2006	2006 financial statements	55,000.00	-	-	-	(2)
Carl H. Hahn	Board Director	01/01/2006 - 12/31/2006	2006 financial statements	50,000.00	-	-	-	
Hugh Charles Blagden Malim	Board Director	01/01/2006 - 12/31/2006	2006 financial statements	80,000.00	-	-	-	
Andrea Merloni	Board Director	01/01/2006 - 12/31/2006	2006 financial statements	85,000.00	-	-	80,000.00	(3)
Antonella Merloni	Board Director	01/01/2006 - 12/31/2006	2006 financial statements	50,000.00	-	-	-	
Ester Merloni	Board Director	01/01/2006 - 12/31/2006	2006 financial statements	60,000.00	-	-	-	
Roberto Ruozi	Board Director	01/01/2006 - 12/31/2006	2006 financial statements	80,000.00	-	-	-	
Angelo Casò	Chairman of the Board of Statutory Auditors	01/01/2006 - 12/31/2006	2007 financial statements	62,400.00	-	-	-	
Demetrio Minuto	Auditor	01/01/2006 - 12/31/2006	2007 financial statements	41,600.00	-	-	-	
Paolo Omodeo Salè	Auditor	01/01/2006 - 12/31/2006	2007 financial statements	41,600.00	-	-	-	
Andrea Sasso	General Manager	01/01/2006 - 12/31/2006	Indefinite	-	10,481.32	-	1,730,621.61	(4)
-	Executives with strategic responsibility	-	Indefinite	-	8,762.11	1,714,500.00	677,436.48	(5)

(1) Remuneration as an executive of Indesit Company.

(2) Remuneration paid to Eurizon Financial Group.

(3) Remuneration as Chairman of the Board of Directors of Wrap SpA.

(4) Remuneration as an executive of Indesit Company, including termination indemnity.

(5) Executives with strategic responsibility in Indesit Company are three (other than General Manager). Remunerations are indicated at aggregate level.

Indesit Company

Consolidated financial statements at 12/31/2006

Consolidated income statement for the year ended 12/31/2006 [1] (million euro)

	Note	2006	2005
Revenue	8.1	3,248.6	3,064.2
Cost of sales	8.2	(2,437.4)	(2,311.1)
Selling and distribution expenses	8.3	(512.1)	(493.5)
General and administrative expenses	8.4	(139.8)	(143.9)
Other income	8.5	4.9	7.6
Other expenses	8.6	(4.0)	(1.1)
Operating profit	**8.7**	**160.2**	**122.3**
Net financial expenses	8.8	(26.6)	(29.3)
Share of profit (losses) of associates	8.9	(2.0)	(0.1)
Profit before tax		**131.6**	**92.8**
Income tax expenses	8.10	(54.9)	(42.4)
Profit for the year		**76.7**	**50.4**
of which:			
Attributable to minority interests	8.11	0.3	(0.3)
Attributable to the Group		76.4	50.7
Basic earnings per share	8.23	0.74	0.50
Diluted earnings per share	8.23	0.74	0.50

[1] Pursuant to CONSOB Resolution no. 15519 dated 07/27/2006, the effects of related-party and non-recurring transactions on the consolidated income statement are reported in Attachment 4 and in notes 10.4 and 8.7, respectively.

Consolidated balance sheet as of 12/31/2006 [1] (million euro)

	Note	12/31/2006	12/31/2005
Assets			
Property, plant and equipment	8.12	751.2	776.9
Goodwill and other intangible assets with an indefinite useful life	8.13	325.5	318.9
Other intangible assets with a finite life	8.14	114.5	106.7
Investments in associates	8.15	12.5	21.7
Other investments	8.16	0.6	2.3
Deferred tax assets	8.17	47.8	42.9
Other non-current financial assets	8.25	79.3	89.3
Total non-current assets		**1,331.4**	**1,358.7**
Inventories	8.18	353.4	342.8
Trade receivables	8.19	573.2	555.2
Current financial assets	8.25	11.1	6.7
Tax receivables	8.20	87.9	66.2
Other receivables and current assets	8.21	27.9	31.0
Cash and cash equivalents	8.25	184.5	199.7
Assets held for sale	8.22	1.8	5.9
Total current assets		**1,239.8**	**1,207.4**
Total assets		**2,571.2**	**2,566.1**
Equity			
Share capital		92.6	92.2
Reserves		316.2	259.2
Retained earnings		60.5	102.5
Profit attributable to the Group		76.4	50.7
Equity attributable to the Group	**8.23**	**545.6**	**504.6**
Minority interests	8.24	6.6	14.4
Total equity		**552.2**	**519.1**
Liabilities			
Medium and long-term interest-bearing loans and borrowings	8.25	402.7	494.1
Employee benefits	8.26	98.7	108.6
Provisions for risks and charges	8.27	53.9	42.2
Deferred tax liabilities	8.28	74.1	73.2
Other non-current liabilities	8.29	23.4	27.0
Total non-current liabilities		**652.8**	**745.2**
Banks and other financial payables	8.25	295.7	319.1
Provisions for risks and charges	8.27	24.7	26.6
Trade payables	8.30	886.1	820.3
Tax payables	8.31	63.6	57.7
Other payables	8.32	96.0	78.2
Total current liabilities		**1,366.1**	**1,301.8**
Total liabilities		**2,018.9**	**2,047.0**
Total equity and liabilities		**2,571.2**	**2,566.1**

[1] Pursuant to CONSOB Resolution no. 15519 dated 07/27/2006, the effects of related-party transactions on the consolidated balance sheet are reported in Attachment 5 and in note 10.4. The effects of non-recurring transactions on the balance sheet and financial position are described in note 8.7.

Consolidated cash flow statement for the year ended 12/31/2006 [1] (million euro)

	Note	2006	2005
Total profit	8.34	76.7	50.4
Income taxes	8.34	54.9	42.4
Depreciation and amortisation	8.34	142.8	141.4
Other non-monetary income and expenses, net	8.35	50.6	41.6
Change in trade receivables	8.36	(18.1)	70.7
Change in inventories	8.36	(10.6)	(12.3)
Change in trade payables	8.36	85.2	(23.8)
Change in other assets and liabilities	8.37	(40.6)	(34.7)
Income taxes paid	8.34	(44.2)	(57.2)
Interest paid	8.35	(32.2)	(32.6)
Interest received	8.35	8.3	5.9
Cash flows from operating activities		**272.8**	**191.8**
Payments for acquisition of property, plant and equipment	8.38	(120.7)	(142.1)
Proceeds from disposal of property, plant and equipment	8.38	5.0	3.5
Payment for acquisition of intangible assets	8.39	(34.6)	(34.7)
Proceeds from the sale of non-current financial assets and other investments	8.40	13.0	11.4
Payments for acquisition of non-current financial assets and other investments	8.40	(7.6)	(4.9)
Cash flows from (used in) investing activities		**(145.0)**	**(166.8)**
Proceeds from share capital increases	8.41	3.2	6.3
Dividends paid	8.41	(37.1)	(36.7)
New medium/long-term financial payables	8.42	0.6	12.0
Repayment of borrowing for acquisition of GDAH	8.43	(49.8)	(48.7)
Other repayments of medium/long-term financial payables		-	(29.1)
Change in current financial payables	8.44	(59.9)	58.8
Cash flows from (used in) financing activities		**(143.1)**	**(37.4)**
Net cash flows		**(15.2)**	**(12.5)**
Cash and cash equivalents, start of year	8.25.2	199.7	212.2
Cash and cash equivalents, end of year	8.25.2	184.5	199.7
Total change in cash and cash equivalents		**(15.2)**	**(12.5)**

[1] Pursuant to CONSOB Resolution no. 15519 dated 07/27/2006, the financial effects of non-recurring transactions are reported in note 8.7.

Statement of changes in consolidated equity for the year ended 12/31/2006 [1] (million euro)

	Opening balances	Measurement of derivatives	Measurement of stock options	Translation of foreign currency financial statements	***Total direct effects on equity***	Payment of dividends	Exercise of stock options	***Total effect of transactions with shareholders***	Allocation of profit for the year	Changes in scope of consolidation and acquisition of minorities	Profit for the year	**Closing balances**
Share capital	**92.2**	-	-	-	-	-	0.4	*0.4*	-	-	-	**92.6**
Share premium reserve	**31.3**	-	-	-	-	-	2.8	*2.8*	-	-	-	**34.1**
Legal reserve	**15.3**	-	-	-	-	-	-	-	4.6	-	-	**19.9**
Translation reserve	**55.7**	-	-	(2.7)	*(2.7)*	-	-	-	-	-	-	**53.0**
Other reserves	**156.9**	0.3	1.5	-	*1.8*	-	(0.5)	*(0.5)*	51.0	-	-	**209.2**
Retained earnings	**102.5**	-	-	-	-	(37.1)	-	*(37.1)*	(4.9)	-		**60.5**
Profit attributable to the Group	**50.7**	-	-	-	-	-	-	-	(50.7)	-	76.4	**76.4**
Equity attributable to the Group	504.6	0.3	1.5	(2.7)	(0.9)	(37.1)	2.7	(34.5)	-	-	76.4	545.6
Minority interests	**14.4**	-	-	(0.5)	*(0.5)*	-	-	-	-	(7.6)	0.3	**6.6**
Total equity	519.1	0.3	1.5	(3.2)	(1.4)	(37.1)	2.7	(34.5)	-	(7.6)	76.7	552.2

Statement of changes in consolidated shareholders' equity for the year ended 12/31/2005 (million euro)

	Opening balances	Measurement of derivatives	Measurement of stock options	Translation of foreign currency financial statements	***Total direct effects on equity***	Payment of dividends	Exercise of stock options	***Total effect of transactions with shareholders***	Allocation of profit for the year	Changes in scope of consolidation and acquisition of minorities	Profit for the year	**Closing balances**
Share capital	**91.1**	-	-	-	-	-	1.1	*1.1*	-	-	-	**92.2**
Share premium reserve	**26.1**	-	-	-	-	-	5.2	*5.2*	-	-	-	**31.3**
Legal reserve	**11.6**	-	-	-	-	-	-	-	3.7	-	-	**15.3**
Translation reserve	**6.9**	-	-	48.8	*48.8*	-	-	-	-	-	-	**55.7**
Other reserves	**120.1**	0.4	2.0	-	*2.4*	-	-	-	34.4	-	-	**156.9**
Retained earnings	**77.3**	-	-	-	-	(36.7)	-	*(36.7)*	61.9	-	-	**102.5**
Profit attributable to the Group	**100.0**	-	-	-	-	-	-	-	(100.0)	-	50.7	**50.7**
Equity attributable to the Group	433.2	0.4	2.0	48.8	51.1	(36.7)	6.3	(30.3)	(0.0)	-	50.7	504.6
Minority interests	**10.9**	-	-	0.6	*0.6*	-	-	-	-	3.2	(0.3)	**14.4**
Total equity	444.1	0.4	2.0	49.4	51.8	(36.7)	6.3	(30.3)	(0.0)	3.2	50.4	519.1

Explanatory notes

1. Group structure and activities

2. Approval of the consolidated financial statements at 12/31/2006

3. Significant subsequent events

4. Statement of compliance with IFRS and basis of presentation

5. Changes in accounting policies, new accounting standards, changes in accounting estimates and reclassifications

6. Changes in the scope of consolidation

7. Segment reporting
- **7.1** Reporting by geographical segment (primary segment)
- **7.2** Reporting by business segment (secondary segment)

8. Notes to the consolidated income statement, balance sheet and cash flow statement
- **8.1** Revenue
- **8.2** Cost of sales
- **8.3** Selling and distribution expenses
- **8.4** General and administrative expenses
- **8.5** Other income
- **8.6** Other expenses
- **8.7** Operating profit
- **8.8** Net financial expenses
- **8.9** Share of profits (losses) from associates
- **8.10** Income tax
- **8.11** Profit attributable to minority interests
- **8.12** Property, plant and equipment
- **8.13** Goodwill and other intangible assets with an indefinite useful life
- **8.14** Other intangible assets with a finite useful life
- **8.15** Investments in associates
- **8.16** Other investments
- **8.17** Deferred tax assets

Indesit Company

8.18 Inventories
8.19 Trade receivables
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9. Financial instruments

10. Disclosure required by IAS 24 on the remuneration of management and on related parties
10.1 Remuneration of management
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10.4 Further information on corporate transactions with related parties

1. Group structure and activities

Indesit Company is a Group led by Indesit Company SpA, an Italian company based in Fabriano (near Ancona), which is active in the production and sale of white goods, namely household appliances for the cooking sector (cookers, ovens and hobs), the refrigeration sector (refrigerators and freezers), the laundry sector (washing machines, dryers and combined washer-dryers) and the dishwashing sector.
The Group operates mainly in Europe, Turkey and the CIS with 18 factories.
The primary and secondary segments of reporting, as defined by IAS 14, are represented respectively by the geographical segment (Western Europe, Eastern Europe and Other countries) and by the cooking, refrigeration, laundry and services segment. In particular, the CIS is included in Eastern Europe and Turkey is included in Other countries.
The household appliances sector is highly seasonal, which affects all the main economic and financial parameters. The reporting by business segment required by IAS 14 is provided in note 7.

2. Approval of the consolidated financial statements at 12/31/2006

The consolidated financial statements at 12/31/2006 were approved by the Board of Directors on 03/22/2007 and have been audited.

3. Significant subsequent events

There have not been any significant events subsequent to year end.

4. Statement of compliance with IFRS and basis of presentation

The consolidated financial statements of the Indesit Company Group have been prepared in accordance with the International Financial Reporting Standards - IFRSs™ (hereafter referred to as IFRS or IAS) issued by the International Accounting Standards Board (IASB), as interpreted by the International Financial Reporting Interpretations Committee (IFRIC) and adopted by the European Union.

The consolidated financial statements at 12/31/2006 have also been prepared in accordance with CONSOB's instructions regarding the format of financial statements, in application of art. 9 of Legislative Decree 38/2005 and other CONSOB regulations and instructions concerning financial statements.

The consolidated financial statements at 12/31/2006 are presented on a comparative basis and comprise the balance sheet, the income statement, the cash flow statement, the statement of changes in consolidated equity and these notes. The income statement format adopted by the Group classifies costs based on the reason for which they were incurred, which is deemed to be more meaningful than a classification by type of expenditure, since it reflects the format of internal reporting and is consistent with international practice in the household appliances sector. The presentation of the balance sheet distinguishes between current and non-current assets and liabilities. The cash flow statement is presented using the indirect method.

With regard to the Parent Company's separate financial statements, in application of CONSOB Communication no. 15519 dated 07/27/2006, Indesit Company SpA prepares the income statement in the format which classifies expenditure by nature. This decision was made to ensure continuity with the formats adopted for the presentation of results under Italian GAAP, since these are deemed to be the most appropriate given the dual role of the Parent Company, both as an operating company that supplies goods and services to other Group companies, and as the holding company for the equity investments held in them. In order to ensure consistency for the users of the financial statements, an attachment to the Parent Company's individual financial statements presents the income statement, classified by purpose of expenditure, in the format and using the criteria adopted for the preparation of the consolidated income statement.

Principal accounting policies

Basis of preparation

The currency of presentation of the consolidated financial statements is the euro, and the financial statement balances are stated in millions of euro (except where stated otherwise). The consolidated financial statements are prepared on an historical cost basis, except for derivative financial instruments, financial assets held for sale and financial instruments classified as available for sale, which are stated at their fair value. The accounting policies are applied on a consistent basis by all Group companies. There are no financial assets held to maturity. Financial transactions are recorded with reference to the trade date.
The accounting policies adopted for the preparation of the consolidated financial statements at 12/31/2006 have also been applied on a consistent basis to all the comparative financial information.

Accounting estimates

The preparation of consolidated financial statements involves making assumptions and estimates that affect the amount of assets and liabilities and the related disclosure, as well as the amount of contingent assets and liabilities at the balance sheet date. These estimates are used to measure the property, plant and equipment and intangible assets subject to impairment, as well as to recognise provisions for doubtful accounts, inventory obsolescence, depreciation and amortisation and the write-down of assets, employee benefits, taxation, and risks and charges. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Estimates and assumptions are reviewed regularly and, if later estimates differ from those made initially, the effects are immediately reflected in the income statement. If the changes in estimate relate to both the current and future periods, their effects are reflected in the income statements for the periods concerned.

Basis of consolidation

Subsidiaries

Subsidiaries are entities over which Indesit Company SpA exercises control by virtue of the power to govern, directly or indirectly, their financial and operating policies and to obtain benefits from their activities. In general, companies in which Indesit Company holds more than 50% of the voting rights, considering any potential voting rights that may be exercised at the time, are deemed to be subsidiaries. The financial statements of subsidiaries are consolidated on a line-by-line basis from the time that control commences until the date on which control ceases. Significant transactions between Group companies are eliminated in full. Unrealised gains and losses on transactions with subsidiaries are eliminated in full. The equity and results attributable to minority interests are determined with reference to their voting rights, without considering any potential voting rights. Any surplus arising on the elimination of investments against the book value of the related equity at the time of initial consolidation is allocated as an increase in the carrying amount of the assets, liabilities and contingent liabilities concerned; any residual amounts are classified as goodwill. The balance sheet date of all Group companies is 12/31.
Dormant subsidiaries and those with an insignificant volume of business are not consolidated on a line-by-line basis, since they do not have a material effect on the balance sheet, the financial position or the results of operations of the Group. This list of companies consolidated on a line-by-line basis is presented in Attachment 1 to the Notes.

Associates

Associates are those entities over which Indesit Company exercises significant influence, but does not control their financial and operating policies or obtain benefits from their activities. In general, companies in which Indesit Company holds directly or indirectly between 20% and 50% of the share capital or voting rights, considering any potential voting rights that may be exercised or converted, are deemed to be associates.
Associates are measured using the equity method from the time that significant influence commences over their operations until the date on which such influence ceases. If the Group's interest in the losses of an associate exceeds the book value of the related investment, such book value is written off and the additional losses are covered by a specific provision to the extent that Indesit Company is obliged to cover the losses of such company or, in any

case, to fulfill obligations on its behalf. Unrealised gains and losses on transactions with associates are eliminated in proportion to the interest held.

Investments in other companies

Investments in other companies in which, in general, the Group holds less than 20% of the share capital or voting rights are initially measured at cost and subsequently adjusted to fair value through the income statement. Where fair value cannot be reliably determined, these investments are measured at cost as adjusted to reflect any impairment losses. Dividends are recognised as financial income from investments when the right to collect them is established, which generally coincides with the shareholders' resolution.

Treatment of foreign currency transactions

Foreign currency transactions

All transactions are recorded in the functional currency of the principal operating environment in which each Group company operates. Transactions not carried out in the functional currency of Group companies are translated using the exchange rates ruling at the time of the related transactions. Monetary assets and liabilities are translated using the exchange rates ruling at the balance sheet date and any exchange rate differences are recognised in the income statement. Non-monetary assets and liabilities recorded at historical cost in foreign currencies are translated using the historical rates applying at the time of the related transactions. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated using the exchange rates ruling at the time that their fair value was determined.

Translation of financial statements

The financial statements of companies whose functional currency differs from that used to prepare the consolidated financial statements (Euro) and which do not operate in hyper-inflationary economies, are translated as follows:

a) assets and liabilities, including the goodwill and fair value adjustments arising on consolidation, are translated using the exchange rates ruling at the balance sheet date;
b) revenue and expenses are translated using the monthly average exchange rate for the year, which is deemed to approximate the exchange rates ruling at the dates when the individual transactions took place;
c) translation differences are recognised in a specific equity reserve.

On disposal of the economic entity that gave rise to translation differences, the related cumulative translation differences are reclassified from equity to the income statement. The cumulative translation differences were reclassified to other reserves on the first-time adoption of IFRS, accordingly the gains and losses deriving from future disposals will only include the translation differences arising from 01/01/2004 onwards.

The financial statements of foreign operations in hyper-inflationary economies whose functional currency differs from that used to prepare the consolidated financial statements (euro) are translated using the exchange rates ruling at the balance sheet date, after restating the non-monetary balances in the balance sheet and the income statement using a general price index.

Net investments in foreign operations

The exchange differences arising from the translation of net investments in functional currencies other than the euro, generally comprising intercompany loans, are taken to the translation reserve. Such differences are released to the income statement upon disposal.

Derivative financial instruments

If the conditions established in IAS 39 are met regarding the formal designation of derivative financial instruments as hedges and the measurement of their effectiveness both ex ante and ex post, then they are recorded on a hedge accounting basis, as described below.

Fair Value Hedges (hedges of assets and liabilities)

If a derivative financial instrument is designated to hedge the risk of changes in the fair value of a recognised asset or liability (the underlyings), the gain or loss from subsequent fair-value adjustments to the hedging instrument is recognised in the income statement together with the gain or loss deriving from the measurement of the related underlyings.

Cash Flow Hedges

If a derivative financial instrument is designated as a hedge of the risk of variability in the cash flows of a recognised asset or liability or a highly probable forecasted transaction, the effective part of gains or losses on such financial instrument is recognised in the cash flow hedging reserve, within equity, while the ineffective portion (if any) is taken to the income statement. If the hedge of a forecasted transaction subsequently results in the recognition of a non-financial asset or liability, the cash flow hedging reserve is removed from equity and included in the initial cost of such non-financial asset or liability. If the hedge of a forecasted transaction subsequently results in the recognition of a financial asset or liability, the cash flow hedging reserve is released to the income statement in the period when the asset acquired or liability assumed has an effect on the income statement. In other cases, the cash flow hedging reserve is recognised to the income statement in a manner consistent with the hedged transaction, i.e. when its economic effects are recognised. If a hedging instrument expires, is sold or is terminated early with respect to the timing of the hedged forecast transaction and the latter is no longer expected to take place, the related cash flow hedging reserve is released immediately to the income statement. If a hedging instrument expires, is sold or is terminated early with respect to the timing of the hedged forecast transaction, but the latter is still expected to occur, the cumulative gain or loss remains in equity until the transaction takes place.

Hedge of a net investment in a foreign operation

If a derivative financial instrument is designated to hedge a net investment in a foreign operation, the gains or losses deriving from the related measurement at fair value are recognised directly in equity, to the extent that the hedge is deemed to be effective, while the ineffective portion (if any) is recognised in the income statement.

If on the other hand financial instruments do not meet the requirements for the application of hedge accounting, they are stated at fair value and the related effects are recognised directly in the income statement.

Property, plant and equipment

Owned assets

Property, plant and equipment are stated at purchase cost or, if self-constructed, at production cost, comprising the cost of materials, labour and a reasonable portion of overheads and related charges, less accumulated depreciation and impairment of value determined on the basis described below. If necessary and significant, the cost of property, plant and equipment includes an initial estimate of dismantling and removal costs. Ordinary maintenance expenses are charged to the income statement, while the costs of replacing certain parts of property, plant and equipment and extraordinary maintenance costs are capitalised when it is probable that they will generate measurable economic benefits in the future. The financial expenses incurred to finance the purchase or production of property, plant and equipment are only capitalised if the loans concerned relate solely to that asset.

Finance leases

Property, plant and equipment held under finance leases, in relation to which Indesit Company has assumed substantially all the risks and rewards of ownership, are recognised at fair value at inception of the lease or, if lower, at the present value of the minimum lease payments, depreciated over their estimated useful lives and adjusted for any impairment loss determined on the basis described below. The liability to the lessor is classified among financial payables in the balance sheet.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Significant parts of plant and machinery with different useful lives are depreciated separately. Useful lives are monitored on a constant basis, having regard for changes in the intensity with which these assets are used. Any changes in the depreciation schedules are applied on a prospective basis.
Carrying amount is verified with reference to the estimated present value of expected future cash flows and adjusted, where necessary, every time events suggest that the carrying amount of property, plant and equipment may be impaired, or when there is a marked decrease in their market value, significant technological changes or evidence of significant obsolescence. The

impairment is reversed if the reasons for recognition cease to apply. Land, whether or not used for the construction of civil or industrial buildings, is not depreciated since it is deemed to have an indefinite useful life.
The useful lives of property, plant and equipment are grouped into the following categories:

Category	Useful lives
Buildings and temporary constructions	from 10 to 33 years
Plant and machinery	from 5 to 20 years
Industrial and commercial equipment	from 3 to 20 years
Other assets:	
- vehicles and internal transport	from 3 to 6 years
- furniture, IT and office machines	from 3 to 10 years

Intangible assets

Intangible assets are stated at cost, determined on the basis described for property, plant and equipment, when it is likely that the use of such assets will generate economic benefits and their cost can be determined reliably. Intangible assets with a finite useful life are amortised and stated net of both the related accumulated amortisation, calculated on a straight-line basis over their estimated useful lives, having regard for the period during which they are expected to generate economic benefits, and any impairment loss. Intangible assets with an indefinite useful life, comprising certain brand names and goodwill, are not amortised but their recoverability is tested for impairment annually, or more frequently if specific events suggest that their carrying amounts may be impaired. Subsequent expenditure on recognised intangible assets is capitalised only if it increases the future economic benefits embodied in the specific asset to which it relates; otherwise, it is charged to the income statement as incurred. The financial expenses incurred to finance the purchase or production of a specific intangible asset are only capitalised if the loans concerned relate solely to that asset.

Goodwill

Goodwill is an intangible asset with an indefinite life, deriving from business combinations recognised using the purchase method, and is recorded to reflect the positive difference between purchase cost and the Group's interest at the time of acquisition, after having recognised all assets, liabilities and identifiable contingent liabilities attributable to both the Group and third parties at their full fair value. This method of accounting applies to all acquisitions made subsequent to 12/31/2002. The value of goodwill deriving from earlier acquisitions was determined by using the amount recorded in accordance with Italian GAAP.
Goodwill is tested with reference to the cash generating units that benefit from the synergies deriving from the acquisition. The expected cash flows are discounted at the cost of capital, having regard for the specific risks associated

with the unit concerned. Impairment is recognised if the recoverable amount, represented by the discounted cash flows, is less than the related carrying amount.
The gains and losses arising on the disposal of businesses or lines of business that were acquired with the payment of goodwill are determined taking into account the residual amount of such goodwill. Any impairment losses in goodwill charged to the income statement are not reversed even if the related reasons cease to apply.

Research and development expenses

Expenditure on research activities, undertaken with the prospect of gaining new knowledge are charged to the income statement as incurred. Expenditure on development activities incurred to create new products or improve existing products, or to develop and improve production processes, are capitalised if the innovations made result in technically feasible processes and commercially saleable products, on condition that there is an intention to complete the development project, sufficient resources are available for such completion, and the economic costs and benefits deriving from such innovations can be measured reliably. Capitalised expenditure includes both internal and external design costs (including payroll and materials) and the portion of general production costs reasonably attributable to the projects concerned. Capitalised development expenditure is treated as an intangible asset with a finite life and is amortised over the expected period of economic benefit, which is generally taken to be five years. Adjustments are recorded to reflect any impairment losses subsequent to initial recognition.
Other development expenditures are charged to the income statement in the year incurred.

Other intangible assets

Other intangible assets expected to generate measurable future economic benefits are deemed to have a finite life and are stated at cost. They are amortised on a straight-line basis over the period of expected economic benefit, which is deemed to be 20 years for brands with a finite life and between five and ten years for other assets. Adjustments are recorded to reflect any impairment losses subsequent to initial recognition.

Trade receivables

Trade receivables, generally due within one year, are stated at the fair value of the initial consideration, increased by the related transaction costs. Subsequently, they are stated at amortised cost, adjusted to reflect any impairment losses represented by the difference between carrying amount and the estimated future cash flows. If the impairment loss decreases in a later period, the loss previously recorded is partly or fully reversed and the value of the receivable is restored to an amount that does not exceed the amortised cost that would have been reported had the loss not been recognised.
Trade receivables sold with or without recourse for which the conditions established in IAS 39 for the derecognition of financial assets do not apply

continue to be recognised in the balance sheet, while receivables sold without recourse which satisfy all the conditions of IAS 39 for the derecognition of financial assets are derecognised at the time of disposal.

Other current and non-current financial assets

Held-to-maturity securities are initially measured at cost, increased by the transaction costs incurred to acquire these financial assets. Subsequently, they are measured at amortised cost using the effective interest method, net of any impairment loss.
Financial assets held for trading are classified as current assets and measured at fair value, with recognition of any gains or losses in the income statement.
Securities and other financial assets classified as available for sale are stated at their fair value. Gains and losses deriving from fair value measurements are recognised directly in equity, except for impairment losses and exchange rate losses which are charged to the income statement. The deferred gains and losses recognised in equity are released to the income statement at the time of sale.
Receivables due after one year that do not earn interest or which earn interest at below market rates are discounted using market rates.
The interest earned on financial assets, determined using the effective interest method, is credited to the income statement. The fair value of financial assets held for trading and those available for sale is represented by their market price at the balance sheet date.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted-average cost basis and includes purchasing-related expenses, inclusive of indirect charges, and the costs of converting products and bringing them to their present location and condition. Net realisable value is determined with reference to market prices after deducting completion costs and selling expenses. Obsolete and slow-moving materials and finished products are written down to reflect their estimated realisable value.

Cash and cash equivalents

Cash and cash equivalents, stated at nominal value, comprise cash on hand, bank and postal deposits and similar assets that can be converted into cash (three months) and are not subject to significant fluctuations in value.

Impairment of assets

At each balance sheet date, the carrying amounts of the Group's intangible assets with an indefinite life, goodwill and intangible assets in progress are tested for impairment, on the basis described in the relevant paragraphs. With

the exclusion of inventories and deferred tax assets and except as discussed in relation to property, plant and equipment, other assets are tested for impairment if events suggest that they may have incurred an impairment loss. If the test shows that the recognised assets or a cash-generating unit (CGU) have incurred an impairment loss, their recoverable amount is estimated and the excess carrying amount is charged to the income statement. The impairment loss of a CGU is allocated first to reduce the related goodwill, if any, and then to reduce the carrying amount of other assets.
The recoverable amount of an asset or a CGU is determined by discounting the cash flows that such asset or CGU is expected to generate. The discounting rate applied is the cost of capital, having regard for the specific risks associated with the asset or CGU concerned. The recoverable amount of investments in securities held to maturity and receivables recorded at amortised cost is represented by the present value of future cash flows, discounted using the effective interest rate determined at the time of initial recognition. The recoverable amount of other assets is represented by the greater of their net selling price or their value in use, determined by discounting estimated future cash flows using a market rate.
Impairment losses in respect of goodwill are not reversed. Any impairment losses of securities held to maturity and receivables stated at amortised cost are reversed if any subsequent increases in their recoverable amount can be determined on an objective basis.
If an impairment loss in respect of an individual asset cannot be determined, the Group identifies the impairment loss in respect of the CGU to which it belongs.

Share capital

Share capital, including the portion represented by savings shares, is stated at nominal value. The buy-back of treasury shares, stated at cost including related charges, is recorded as a change in equity; the nominal value of treasury shares is deducted from share capital, while the difference between cost and nominal value is deducted from the equity reserves. Dividends are recognised as a liability in the period in which they are declared.

Financial liabilities

Financial liabilities are initially recognised at their fair value, net of related charges, and subsequently measured at amortised cost using the effective interest method. The difference between amortised cost and repayment value is recorded in the income statement over the life of the liability in proportion to the related interest accrued. Where hedge accounting applies, the financial liabilities hedged by derivative instruments are measured on a basis consistent with the hedging instrument.

Trade payables and other payables

Trade payables and other payables due on normal commercial terms, generally within one year, are recorded at the fair value of the initial consideration, increased by the related transaction costs. Following initial recognition, they are stated at amortised cost and any differences are reflected in the income statement over the life of the liability using the effective interest method. Trade payables and other payables, generally due within one year, are not discounted.

Employee benefits

Obligations for contributions to defined contribution plans and similar benefits are charged to the income statement on an accruals basis. The net obligation in respect of defined benefit plans, principally represented by severance indemnities in Italy and pension funds in the UK, is recognised at the expected amount of future benefits that employees will earn and have earned in the current and prior years. These benefits are discounted and the resulting obligation is stated net of the fair value of any pension plan assets. The net obligation is determined separately for each plan using actuarial assumptions and is calculated each year, or more frequently, with the support of an independent actuary using the projected unit credit method. The benefits are discounted using the rate for a bond with an AA rating and a maturity date that is consistent with the timing of the related payments to employees. The actuarial gains and losses arising subsequent to 01/01/2004, the IFRS transition date, are recognised in the income statement on a straight-line basis over the residual working lives of employees, to the extent that their cumulative net value exceeds 10% of the greater of the obligation arising under defined benefit plans and the fair value of the plan assets servicing these plans (corridor method) at the end of the prior year.

Stock options

The remuneration recognised to employees and directors by the granting of stock options is charged to the income statement with a matching entry in equity. Such cost is determined with reference to the fair value of the options at the time they are granted. The cost of stock options, determined on the above basis, is charged to the income statement over the related vesting period. The fair value of the options at the grant date is determined using financial models that take account of the terms and conditions under which such options were granted.

Provisions for risks and charges

The provisions for risks and charges are recognised to cover the Group's obligations, of a legal or constructive nature (under contracts or for other reasons), deriving from past events. Provisions for risks and charges are

recognised if it is probable that an outflow of economic benefits will be required to settle the obligation and the amounts concerned can be estimated reliably. If the settlement of such obligations is expected to take place after more than one year and the effects of this are significant, they are discounted using a rate that takes account of the cost of money and the specific risks associated with the liabilities concerned. Any changes in the estimated amount of provisions are reflected in the income statement in the year identified. In the event of discounting, the increase in the provision due to the passage of time and the effect of any changes in the discounting rate are recognised as a financial expense.
The principal liabilities covered by provisions are described below.

Warranties
Provisions for legally-required and voluntary warranty costs are recognised when the underlying products are sold. The provision is determined with reference to the call rate for the products still under warranty cover, the period of time between sell in and sell out (start of the warranty period) and the average unit cost of the work performed.

Restructuring
Provisions for restructuring are recognised at the time constructive obligation arises, such as when the Group informs interested parties about the restructuring plan or makes sufficiently specific announcements which induce interested parties to believe that the related obligation will be met.

Onerous contracts
Provisions for onerous contracts are recognised when the expected benefits are lower than the related costs. They are accrued in a specific provision in the year in which the losses become known and measurable.

Product disposal (WEEE)
The European Union adopted the WEEE (Waste Electrical and Electronic Equipment) directive in December 2002, which makes manufacturers responsible at a European level for the recovery and disposal of waste products.
The Directive describes the following levels of responsibility:

a) old waste (regarding products put on the market before 08/13/2005): the costs of disposal are incurred collectively by the manufacturers which contribute in proportion to their market share;
b) new waste (regarding products put on the market after 08/13/2005): each manufacturer is responsible for the disposal of its own products.

The Group only makes provisions to the extent that local legislation has adopted the directive concerned and confirms the principle of individual responsibility laid down in the community regulations.
Provisions are therefore recorded to cover the charges deriving from the application of the WEEE regulations in relation to new waste arising in the countries that have already adopted the directive. The provision is recorded

with reference to the visible fees established in each nation, as well as the benefits deriving from the steady increase in the efficiency of product disposal processes and the greater disposability of the products concerned. This liability is discounted using a reference rate over a period of time that represents the life cycles of the products concerned. The costs relating to old waste are charged to the income statement in the year they are incurred. In this regard, the directive allows manufacturers to increase the selling price of goods by a visible fee, for a period of about eight years, to cover the related disposal costs. The amounts collected for this reason are subsequently paid over to the consortia, established in most of the countries in which the directive applies, responsible for the disposal of the waste products. The visible fee is recorded among trade receivables and other payables, without any effect on revenue or the cost of sales.

Other provisions

Provisions are recognised for other future charges deriving from court cases, disputes and other obligations when the requirements for the recognition of a liability are met, being in the accounting period in which such charges become known and measurable reliably.

Income

Revenue

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from the sale of goods is generally recognised when they are handed over to the transport firms which, under the terms of current contracts, marks the time when the above risks and rewards are transferred. Revenue is not recognised if its recoverability is considered to be uncertain.

Revenue is stated net of discounts, allowances, rebates and returns, and does not include the proceeds from the disposal of raw materials and scrap. Revenue from services is recognised in the income statement based on the stage of completion at the balance sheet date, determined with reference to the work performed or, alternatively, to the percentage of completion with respect to the total.

Dividends

Collectible dividends are recognised as revenue when they are declared at the related shareholders' meeting.

Grants

Grants from the Government or other bodies, recognised in the form of direct payments or tax benefits, are recognised as deferred income in the balance sheet, among other liabilities, at the time their collection become reasonably certain and when compliance with all the requirements to obtain them is assured. They are recognised as revenue in the income statement on a systematic basis in order to match the accounting recognition of the costs for which such grants were made.

Grants related to income are taken to the income statement at the time the requirements for their recognition are met, and when it becomes certain that they will be recognised in order to offset the eligible costs.

Other income

Other income includes all forms of non-financial revenue not covered above and is recognised on the basis described in relation to revenue from goods sold and services rendered.

Expenses

The costs of purchasing goods and services are recognised when the amounts concerned can be determined reliably. The costs of purchasing goods are recognised on delivery which, under the terms of current contracts, marks the time when the related risks and rewards are transferred. The costs of services are recognised on an accruals basis with reference to the time they are received.

Cost of sales

Cost of sales includes all the costs of manufacturing finished products, comprising raw materials, the purchase of components, the cost of direct and indirect, internal and external processing, industrial depreciation, all production-related charges, and the provisions for costs to be incurred in relation to products sold, as well as research costs and any development costs that are not capitalised.

Selling, distribution, general and administrative expenses

Selling, distribution, general and administrative expenses comprise all the costs incurred to market products and provide services, the costs of distributing products to the Group's warehouses and to customers, general and administrative expenses and related charges, as well as all the other non-financial expenses that are not part of the core business.

Operating and finance lease payments

Payments made under operating leases are expensed on an accruals basis to match the economic benefits deriving from the leased assets. If such economic benefits are lower than the related charges, falling under the category of onerous contracts, the difference between the discounted charges and benefits is recorded as an expense in the income statement.
Finance leases give rise to the recognition of depreciation on the assets recognised and of financial charges representing interest on the loan obtained under the lease.
Financial charges are spread over the term of the leases in order to produce a constant interest rate on the remaining balance of the liability.

Net financing costs

Net financing costs include the interest payable on borrowings, cash discounts allowed to customers for early payments with respect to the agreed terms of sale, financial income from cash and cash equivalents, dividends, and exchange gains and losses, as well as the economic effects recorded in the income statement of measuring the transactions that hedge interest-rate and exchange-rate risks.

Share of profits (losses) from associates

Share of profits (losses) from associates includes the effects deriving from application of the equity method.

Income tax

Income tax is recognised in the income statement, except for that relating to transactions recognised directly in equity, in which case it is also recognised in equity. Income tax includes current and deferred tax. Current tax is based on an estimate of the amount that Indesit Company expects to pay, using for all Group companies the tax rate in force at the balance sheet date in each of the countries concerned.
Deferred tax is provided using the liability method, considering all the temporary differences that emerge between the tax value of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not recognised in respect of goodwill or those assets and liabilities that do not affect taxable income. Income taxes deriving from the distribution of dividends are recognised at the time the related payable is recognised. The recoverability of deferred tax assets is verified at each balance sheet date and any amounts for which recovery is no longer likely are charged to the income statement.
Deferred taxation is recognised using the tax rates expected to be in force in the countries concerned for the tax periods in which the related temporary differences are forecast to reverse.
Deferred tax assets are recognised to the extent it is probable that future taxable income will be available to recover such taxes. Current and deferred tax assets and liabilities are offset when due to the same tax authority, if the periods of reversal are the same and a legal right of offset exists.
Deferred taxation is recognised in relation to the distributable profits of subsidiaries if there is an intention to distribute such profits.

Non-current assets held for sale and discontinued operations

Assets held for sale are measured at the lower of their carrying amount at the time their sale was decided or their fair value, net of estimated selling costs. All costs, income and write-downs, if any, are recognised in the income statement and reported separately.
Operating activities that represent a separate major line of business or geographical area of operations are classified separately in the income

statement and the balance sheet at the time of disposal, or when they meet the conditions for classification as assets held for sale.

Earnings per share

Basic earnings per share is calculated with reference to the profit for the period of the Group and the weighted average number of shares outstanding during the period. Treasury shares are excluded from this calculation. Diluted earnings per share is determined by adjusting the basic earnings per share to take account of the theoretical conversion of all potential shares, being all financial instruments that are potentially convertible into ordinary shares, with a diluting effect.

5. Changes in accounting policies, new accounting standards, changes in accounting estimates and reclassifications

The accounting policies adopted are unchanged with respect to those applied for the preparation of the consolidated financial statements at 12/31/2005. Commencing from 01/01/2006, Turkey is no longer treated as a hyper-inflationary economy. Accordingly, the financial statements of the companies operating there are now prepared in accordance with IAS 21. They were prepared in accordance with IAS 29 until 12/31/2005.

At the reporting date, there are no significant estimates regarding the unforeseeable outcome of future events and other causes of uncertainty that might result in significant adjustments being made to the value of assets and liabilities in the coming year.

With reference to note 8.8 Net financial expenses in the notes to the consolidated income statement, balance sheet and cash flow statement, certain reclassifications have been made with respect to interest income and expense. In particular, with a view to improving the financial information presented, these captions now include the financial effects of discounting the liability for employee benefits (pension funds and leaving indemnities) which were previously classified separately in the Other caption; consequently, the comparative information for 2005 has also been reclassified.

With a view to providing clearer segment reporting, the dishwasher business (previously reported separately) has been included within the laundry segment, since it is not significant to total revenue; consequently, the comparative information for 2005 has also been reclassified.

The IASB has issued a number of amendments to the IAS, effective from 01/01/2006. These amendments are described below together with information on the approach adopted by the Group.

In December 2004, the IASB issued an amendment to IAS 19 allowing companies to elect to recognise actuarial gains and losses immediately as they arise in a specific equity caption, and explaining how to allocate a Group defined benefit plan among the various Group companies. The Group did not elect for this option envisaged by this amendment and continues to apply the corridor method, as described in the note on employee benefits.

In April 2005, the IASB issued an amendment to IAS 39 allowing companies to qualify a financial instrument as cash flow hedges, thus extending the application of hedge accounting to intragroup transactions, if the consolidated financial statements are exposed to exchange rate risk. The Group elected for this option, although the effects were not sufficiently significant to require the modification of the comparative information at 12/31/2005.

In June 2005, the IASB issued an amendment to IAS 39 limiting the use of the fair value option to those financial instruments that meet certain criteria, essentially in order to ensure greater consistency between the measurement of financial assets and liabilities and the related hedging instruments. The effects of this amendment were not sufficiently significant to require modification of the comparative information at 12/31/2005.

In August 2005, the IASB issued a further amendment to IAS 39 and IFRS 4 covering the accounting treatment of the liabilities deriving from guarantees. The effects of this amendment have not been significant.

The changes in accounting policies and interpretations to be applied in the periods subsequent to the date of these financial statements are described below. The Group is currently evaluating the impact of making these changes.

In August 2005, the IASB issued IFRS 7 on the disclosures to be made on the significance of financial instruments for an entity's performance and financial position, together with a related amendment of IAS 1 on the disclosures to be made regarding the entity's capital. IFRS 7 and the amendment to IAS 1 take effect from 01/01/2007.

In November 2006, the IASB issued IFRS 8 on operating segments, which will replace IAS 14 from 01/01/2009. The new standard requires the segment details provided in the financial statements to be based on the management information used to make operating decisions and allocate resources to the various segments and, accordingly, on the internal reports that are reviewed regularly by management for the analysis of performance.

Lastly, during 2006 the IASB issued IFRIC 8 on the scope of IFRS 2 (effective from 01/01/2007), IFRIC 9 on the reassessment of embedded derivatives (effective from 01/01/2007), IFRIC 10 on the non-reversability of impairment losses recognised in interim financial statements, and IFRIC 11-IFRS 2 on group and treasury share transactions, effective from 01/01/2008.

6. Changes in the scope of consolidation

In March 2006, Indesit Company Belgium SA was formed to sell products in the Belgian market, which was previously served by an exclusive distributor. This company has been consolidated on a line-by-line basis.

7. Segment reporting

7.1 Reporting by geographical segment (primary segment)

The primary segment comprises the geographical areas in which the Group is active. The geographical areas are classified as follows:

1) Western Europe: Italy, France, Belgium, the Netherlands, Great Britain, Germany, Spain, Portugal and other smaller countries;
2) Eastern Europe: CIS, Poland, Romania, Bulgaria, Hungary, Czech Republic, Slovak Republic and other smaller countries;
3) Other countries: Turkey, South America, North America, Africa, Australia, Middle East and Far East.

Segment revenue is calculated based on the final destination of the products and segment results take account of all the expense that can be directly allocated to the geographical areas concerned. The expense allocated to the various geographical areas does not include Corporate general and administrative expenses or restructuring charges.
Inter-segment revenue comprises the revenue earned by companies consolidated on a line-by-line basis from sales of products in markets that belong to a different geographical segment to their own. Assets, liabilities and capital investment are allocated with reference to the final destination of the products sold; accordingly, on a direct basis with regard to trade receivables and inventories and using indirect criteria with regard to property, plant and equipment and intangible assets, capital investment and liabilities.
The following tables present the Group's operating information analysed by geographical area based on the final destination of the products.

Segment reporting - Primary Segment as of 12/31/2006 (million euro)

	Western Europe	Eastern Europe	Other countries	Eliminations	Consolidated
Third party revenue	1,973.8	1,050.8	224.1		3,248.6
Intersegment revenue	260.5	363.3	68.4	(692.2)	-
Total sales	**2,234.3**	**1,414.1**	**292.5**	**(692.2)**	**3,248.6**
Segment results	132.7	196.7	23.5	-	352.9
Unallocated income and expenses					(192.7)
Operating profit					**160.2**
Net financial expenses					(26.6)
Share of profit (losses) of associates					(2.0)
Income tax					(54.9)
Profit attributable to minority interests					(0.3)
Profit attributable to the Group					**76.4**
Other information					
Segment non-current assets	595.0	217.2	39.3		851.4
Segment current assets	589.9	226.0	110.8		926.6
Tax assets					135.7
Financial assets					274.9
Other unallocated consolidated assets					382.5
Total assets	**1.184,9**	**443,1**	**150,1**	**-**	**2,571.2**
Equity					552.2
Segment non-current liabilities	110.6	40.8	9.2		160.6
Segment current liabilities	574.9	255.7	60.2		890.9
Tax liabilities					137.7
Financial liabilities					698.4
Other unallocated consolidated liabilities					131.3
Total equity and liabilities	**685.5**	**296.6**	**69.5**	**-**	**2,571.2**
Capital investment	89.7	34.6	6.0		130.2
Unallocated capital investment					5.6
Total capital investment					**135.9**
Depreciation and amortization	(69.6)	(44.8)	(6.7)		(121.1)
Unallocated depreciation and amortization					(21,6)
Total depreciation and amortization	**(69.6)**	**(44.8)**	**(6.7)**		**(142.8)**
Other non-monetary income and expenses	(12.1)	(12.5)	(1.4)		(26.0)
Other unallocated non-monetary income and expenses					(24.6)
Total non-monetary income and expenses	**(12.1)**	**(12.5)**	**(1.4)**		**(50.6)**

Segment reporting - Primary Segment as of 12/31/2005 (million euro)	Western Europe	Eastern Europe	Other countries	Eliminations	Consolidated
Third party revenue	1,922.4	943.5	198.3		3,064.2
Intersegment revenue	102.2	359.7	66.5	(528.4)	-
Total sales	**2,024.5**	**1,303.3**	**264.8**	**(528.4)**	**3,064.2**
Segment results	109.7	158.9	20.7	-	289.3
Unallocated income and expenses					(167.1)
Operating profit					**122.3**
Net financial expenses					(29.3)
Share of profit (losses) of associates					(0.1)
Income tax					(42.4)
Profit attributable to minority interests					0.3
Profit attributable to the Group					**50.7**
Other information					
Segment non-current assets	596.6	218.7	35.9		851.3
Segment current assets	593.5	223.3	80.1		896.9
Tax assets					109.0
Financial assets					295.7
Other unallocated consolidated assets					413.2
Total assets	**1,190.1**	**442.0**	**116.0**	**-**	**2,566.1**
Equity					519.1
Segment non-current liabilities	96.2	55.2	10.5		161.8
Segment current liabilities	526.7	239.8	48.7		815.1
Tax liabilities					130.9
Financial liabilities					813.2
Other unallocated consolidated liabilities					125.9
Total equity and liabilities	**622.8**	**294.9**	**59.2**	**-**	**2,566.1**
Capital investment	80.9	52.4	4.9		138.2
Unallocated capital investment					17.2
Total capital investment					**155.4**
Depreciation and amortization	(70.0)	(39.3)	(6.0)		(115.3)
Unallocated depreciation and amortization					(26.0)
Total depreciation and amortization	**(70.0)**	**(39.3)**	**(6.0)**		**(141.4)**
Other non-monetary income and expenses	(6.8)	(10.2)	(2.0)		(19.0)
Other unallocated non-monetary income and expenses					(22.6)
Total non-monetary income and expenses	**(6.8)**	**(10.2)**	**(2.0)**		**(41.6)**

The Group's operating information analysed by the geographical location of activities is presented below.

Business segment by geographical location as of 12/31/2006 (million euro)

	Western Europe	Eastern Europe	Other countries	Eliminations	Consolidated
Non-current assets	831.0	324.7	35.6	-	1,191.3
Current assets	1,435.1	294.8	100.1	(901.8)	928.2
Tax assets					135.7
Financial assets					274.9
Other consolidated assets					41.0
Total assets	**2,266.1**	**619.5**	**135.8**	**(901.8)**	**2,571.2**
Capital investment	**93.5**	**36.5**	**5.8**	**-**	**135.9**

Business segment by geographical location as of 12/31/2005 (million euro)

	Western Europe	Eastern Europe	Other countries	Eliminations	Consolidated
Non-current assets	850.2	314.7	37.6	-	1,202.5
Current assets	1,581.9	249.9	65.4	(995.1)	902.1
Tax assets					109.0
Financial assets					295.7
Other consolidated assets					56.7
Total assets	**2,432.1**	**564.6**	**103.0**	**(995.1)**	**2,566.1**

7.2 Reporting by business segment (secondary segment)

The secondary segment comprises the Group's business segments. For the purposes of segment reporting, the Group's products are classified into the following business segments:

1) the Cooking segment comprises cookers, ovens, microwave ovens, extractors and hobs;
2) the Refrigeration segment comprises refrigerators and freezers;
3) the Laundry segment comprises washing machines, washer-dryers, dryers and dishwashers;
4) the Services segment comprises services to customers, the sale of extended warranties and transport.

Segment reporting - Secondary Segment as of 12/31/2006 (million euro)	Cooking	Cooling	Washing	Services	Consolidated
Third party revenue	739.4	881.6	1,399.8	227.9	3,248.6
Other information					
Segment non-current assets	182.3	295.3	363.2	10.5	851.3
Segment current assets	206.8	248.7	394.5	58.1	908.1
Tax assets					135.7
Financial assets					274.9
Other consolidated assets					401.2
Total assets	**389.1**	**543.9**	**757.7**	**68.6**	**2,571.2**
Capital investment	36.3	34.9	59.1	-	130.2
Unallocated capital investment					5.6
Total capital investment	**36.3**	**34.9**	**59.1**	**-**	**135.9**

Segment reporting - Secondary Segment as of 12/31/2005 (million euro)	Cooking	Cooling	Washing	Services	Consolidated
Third party revenue	721.7	822.3	1,306.0	214.2	3,064.2
Other information					
Segment non-current assets	176.5	309.3	349.5	16.0	851.3
Segment current assets	191.0	227.9	387.9	57.5	864.3
Tax assets					109.0
Financial assets					295.7
Other consolidated asset					445.8
Total assets	**367.4**	**537.3**	**737.4**	**73.5**	**2,566.1**
Capital investment	28.9	42.8	66.6	-	138.2
Unallocated capital investment					17.2
Total capital investment	**28.9**	**42.8**	**66.6**	**-**	**155.4**

8. Notes to the consolidated income statement, balance sheet and cash flow statement

Consolidated income statement

8.1 Revenue

Revenue is analysed as follows:

Revenue (million euro)	2006	2005
Revenue from sale of finished products	3,020.7	2,850.0
Revenue from provision of services	227.9	214.2
Total revenue	3,248.6	3,064.2

Revenue from the sale of finished products is analysed by brand below.

Revenue from the sale of finished products (million euro)	2006	2005
Indesit	1,341.8	1,181.3
Ariston	979.4	925.0
Hotpoint	462.7	467.7
Stinol	78.6	81.5
Scholtès	68.1	75.1
Cannon	55.4	52.4
Other brands	34.7	67.1
Total	3,020.7	2,850.0

Revenue from the provision of services relates to services provided to customers (transport) and to end consumers (after-sales maintenance) and to the sale of extended warranties beyond the legal minimum period.
Revenue by geographical and business segment is analysed in the tables presented in the segment reporting provided earlier.

8.2 Cost of sales

Cost of sales comprises the cost of raw materials and components, external processing, direct and indirect labour, the depreciation of property, plant and equipment, internal movements and logistics, inventory write-downs, provisions for product warranty and provisions for risks and charges, as well as research, development expenses that are not capitalised and all other production overheads.

The 5.5% change in the cost of sales, compared with a 6.0% rise in revenue, reflects increased volumes, improved manufacturing efficiencies and an increase in purchasing from low-cost countries.

Cost of sales is analysed by type of expenditure in the following table.

Cost of sales (million euro)

	2006	2005
Change in the inventories of finished products	(23.5)	(4.7)
Purchase of raw materials, components, materials and change in inventories	(1,770.3)	(1,698.3)
Services	(181.0)	(160.0)
Payroll costs	(346.2)	(351.3)
Depreciation and amortization	(108.0)	(107.2)
Other income and expenses	(8.3)	10.4
Total	**(2,437.4)**	**(2,311.1)**

The principal change in the captions that comprise cost of sales relates to the costs incurred for the purchase of raw materials. The 4.2% increase in these costs was less than the growth in revenue due to further efficiencies in the procurement process, as mentioned above.

Service costs rose by 13.1%. The principal changes related to the cost of energy, maintenance and technical support.

The increase in "Other costs and revenue" was mainly due to additional provisions for risks and charges, lower capitalisations and lower income from insurance reimbursements.

The non-recurring charges included in cost of sales (within other costs and revenue in the classification by type of expenditure) totalled 33.7 million euro (35.3 million euro) and principally comprise redundancy costs of 23.4 million euro (19.9 million euro), plant closure costs (impairment of property, plant and equipment and other liabilities) totalling 7.7 million euro (7.1 million euro) and plant start-up and other costs relating to the redistribution of production (e.g. the cost of moving plant between factories, extraordinary maintenance work carried out on the relocated plant etc.) of 2.6 million euro (8.3 million euro). Non-recurring charges are analysed in the table included in note 8.7 Operating profit.

Research costs totalling 8.0 million euro (6.5 million euro) were charged to the income statement.

8.3 Selling and distribution expenses

Selling and distribution expenses comprise all the costs incurred to market products and provide services, as well as the costs of distributing products to the Group's warehouses and to customers. The following table analyses the nature of selling and distribution costs. Selling and distribution expenses are analysed by type in the following table.

Selling and distribution expenses (million euro)	2006	2005
Purchase of raw materials, components, materials and change in inventories	(10.5)	(5.8)
Services	(353.0)	(348.3)
Payroll costs	(97.3)	(99.9)
Depreciation and amortization	(8.1)	(3.2)
Other income and expenses	(43.1)	(36.3)
Total	**(512.1)**	**(493.5)**

The principal services consisted of distribution expenses of 162.8 million euro (141.2 million euro) and advertising and promotion expenses of 89.1 million euro (84.4 million euro). The 15.3% increase in distribution expenses exceeded the percentage rise in the volume of sales, mainly because the volume transported increased more than the volume of sales and because of higher unit transport costs following the redistribution of production.
Other costs and revenue mainly comprise provisions, the write-down of receivables and taxes other than income taxes.
The provisions for bad debts and losses on receivables amounted to 12.9 million euro in 2006 (13.6 million euro).

The non-recurring costs included in selling and distribution expenses (within other costs and revenue in the classification by type of expenditure) totalled 2.0 million euro (none in 2005). These costs include charges for a recall campaign launched at the start of 2007 regarding a batch of washing machines with functional defects sold at the end of 2006.

8.4 General and administrative expenses

General and administrative expenses include all general management and administrative costs, and all expenditure not directly attributable to production or sales units or to research and development. General and administrative expenses are analysed by type in the following table.

General and administrative expenses (million euro)		
	2006	**2005**
Purchase of raw materials, components, materials and change in inventories	(1.1)	(1.0)
Services	(65.5)	(66.6)
Payroll costs	(48.8)	(44.4)
Depreciation and amortization	(26.6)	(31.0)
Other income and expenses	2.2	(0.9)
Total	**(139.8)**	**(143.9)**

8.5 Other income

Other income is analysed as follows:

Other income (million euro)		
	2006	**2005**
Gains on disposal of assets	0.3	3.3
Lease income	0.8	1.2
Export grants	1.8	1.9
Insurance reimbursements	0.9	0.3
Other	1.0	0.8
Total	**4.9**	**7.6**

8.6 Other expenses

Other expenses principally comprise losses on the disposal of fixed assets and costs associated with the reorganisation of activities in Italy, France and Russia totalling 3.3 million euro (0.7 million euro). These items all represent non-recurring charges.

8.7 Operating profit

As required by IAS 1, operating profit is analysed by type of cost in the following table.

Operating profit (million euro)	2006	2005
Revenue	3,248.6	3,064.2
Change in inventories of finished products	(23.5)	(4.7)
Purchase of raw materials, components and consumables	(1,781.9)	(1,705.1)
Services	(599.6)	(575.0)
inc. stock options	(0.9)	(1.7)
Payroll costs	(492.3)	(495.5)
inc. stock options	(0.1)	(0.3)
Depreciation and amortization	(142.8)	(141.4)
Other income and expenses	(48.3)	(20.3)
Operating profit	160.2	122.3

The change in inventories is analysed by type below:

Change in inventories (million euro)	2006	2005
Raw materials, components and consumables	33.8	8.9
Finished products	(23.5)	(4.7)
Total	10.4	4.3

In absolute terms, payroll costs were essentially unchanged between years, while they have decreased significantly as a percentage of revenue. The number of employees is 17,284 (17,306). The workforce is analysed as follows:

No. of employees	12/31/2006	12/31/2005
Executives	130	131
Clerical staff	5,489	5,449
Factory workers	11,665	11,726
Total	17,284	17,306

As required by CONSOB Communication no. DEM/6064293 dated 07/28/2006, non-recurring income and expenses are detailed in the following table. They mainly comprise restructuring charges.

Restructuring charges (million euro)		
	2006	**2005**
Redundancies UK	(7.4)	(7.5)
Redundancies Italy	(14.9)	(4.1)
Redundancies other countries	(1.1)	(8.2)
Charges for disposal of industrial assets in areas involved in restructuring plans	(10.9)	(7.8)
Start-up charges in new industrial areas	(2.6)	(8.3)
Provision for recall campaign	(2.0)	-
Total	**(39.0)**	**(36.0)**

Isolating the effect of recognising non-recurring income and expenses, the operating profit from continuing activities is indicated below:

Operating profit (million euro)		
	2006	**2005**
Revenue	3,248.6	3,064.2
Operating profit	160.2	122.3
Operating profit	**4.9%**	**4.0%**
Non recurring items	(39.0)	(36.0)
Operating profit of recurring activities	199.1	158.2
Operating profit of recurring activities	**6.1%**	**5.2%**

Attachment 4 (consolidated income statement for the year ended 12/31/2006, prepared in accordance with CONSOB Resolution no. 15519 dated 07/27/2006 and CONSOB Communication no. DEM/6064293 dated 07/28/2006) to these notes summarise the overall effect of non-recurring charges on the consolidated income statement. Non-recurring charges have an immediate cash flow effect, except for the redundancy costs recorded in accordance with IAS 37 which, on average, are incurred over the 12 months following the accounting recognition. Total payables and provisions for non-recurring transactions at 12/31/2006 amount to 7.1 million euro (1.1 million euro) and the cash flow absorbed by them was 33.0 million euro.

8.8 Net financial expenses

Net financial expenses at 12/31/2006 are analysed as follows:

Financial expenses (million euro)		
	2006	**2005**
Interest income	14.1	8.4
Interest expense	(31.4)	(38.9)
Exchange rate fluctuations	(5.1)	4.9
Commission	(4.3)	(3.8)
Total	**(26.6)**	**(29.3)**

Interest income comprises:

Interest income (million euro)	2006	2005
Interest on bank current accounts	8.4	7.0
Mark-to-market derivatives	0.7	(2.3)
Interest income on pension scheme	5.1	3.7
Total	**14.1**	**8.4**

Interest income from pension funds includes the net yield expected from the assets that service the Group's defined benefit pension plans.

Interest expense comprises:

Interest expense (million euro)	2006	2005
Bond interest	(9.9)	(7.9)
Interest on medium/long-term bank loans	(4.3)	(2.9)
Interest on liability for GDAH acquisition	(6.1)	(8.5)
Interest on short-term borrowing	(13.7)	(12.7)
Other interest expense	(2.6)	(4.1)
Mark-to-market derivatives realted to loans	7.5	(0.1)
Interest expense on pension funds and TFR	(2.3)	(2.8)
Total	**(31.4)**	**(38.9)**

The change in the mark-to-market adjustment reflects the increase in the fair value of the floating-to-fixed IRS arranged in relation to the nominal value of the bond placed with US institutional investors.

Exchange fluctuations are analysed as follows:

Exchange fluctuation (million euro)	2006	2005
Realised exchange rate fluctuations, net	(5.9)	4.7
Unrealised exchange rate fluctuations, net	0.8	0.2
Exchange rate fluctuations, net	**(5.1)**	**4.9**

The exchange losses recorded were mainly due to the depreciation of the Turkish lira.

8.9 Share of profits (losses) from associates

Profits and losses from associates are analysed below.

Profits and losses from associates (million euro)	**2006**	**2005**
Gain on disposal of investment in MPE	-	3.8
Gain on disposal of investment in Merloni Progetti	2.7	-
Impairment of the investment in Fabriano Basket	(1.0)	(3.7)
Impairment of the investment in Faber Factor	(1.1)	-
Adjustment of selling price of Faber Factor	(3.1)	(1.2)
Devaluation of other equity investments	(0.9)	-
Revaluation of other equity investments	1.3	1.0
Total	**(2.0)**	**(0.1)**

The transactions involving the investments in Merloni Progetti SpA and Faber Factor SpA were carried out with related parties, as described in note 10.4 Further information on corporate transactions with related parties. The impairment of the value of the investment in Faber Factor SpA and the corresponding price adjustment were recorded after that company was put into liquidation.

8.10 Income tax

The taxation charged to the income statement is analysed below.

Income tax (million euro)	**2006**	**2005**
IRES	(4.8)	(4.8)
IRAP	(11.4)	(11.0)
Other direct taxes charged by nations where the Group operates	(42.7)	(43.7)
Change in deferred tax assets, net	3.9	17.0
Total	**(54.9)**	**(42.4)**

The following table reconciles the theoretical tax charge, determined using the current tax rate in Italy, with the reported tax charge.

Tax reconciliation (million euro)

	2006	2005
Profit before tax	131.6	92.8
Theoretical tax charge (33%)	(43.4)	(30.6)
Actual tax charge	(54.9)	(42.4)
Difference	**(11.5)**	**(11.8)**
Effects relating to the Parent Company and companies based in Italy		
IRAP	(11.4)	(11.0)
Taxation of dividends to be distributed by subsidiaries	(6.5)	(5.6)
Prior year items and undeductible expenses	(2.0)	(1.8)
Taxation on undeductible stock option expense	(0.3)	(0.7)
Effect of untaxed gains on disposal of investments	0.5	1.2
Other effects	(1.2)	1.8
Total effects relating to the Parent Company and companies based in Italy	**(21.0)**	**(16,0)**
Effects relating to companies operating in other countries and tax differentials with respect to companies based in Italy	9.5	4.2
Total differences	**(11.5)**	**(11.8)**

Taxation represents 41.7% (45.7%) of profit before tax (PBT).

As described in note 8.17, the deferred tax assets recognised in relation to prior-year tax losses amount to 17.7 million euro (20.9 million euro), while those not recognised amount to 35.3 million euro (22.5 million euro).

The situation is analysed in the following table.

Deferred tax assets (million euro)

Company	Tax losses	Duration of recoverability	Tax rate	Deferred tax assets recognised	Deferred tax assets not recognised	Total
Indesit Company Luxembourg SA	74.4	indefinite	22.00%	3.6	12.8	**16.4**
Indesit Company UK Ltd	54.7	indefinite	30.00%	10.8	5.6	**16.4**
Indesit Company Portugal Electrodomésticos SA	19.9	6 years	26.50%	-	5.3	**5.3**
Fabrica Portugal SA	9.9	6 years	26.50%	-	2.6	**2.6**
Indesit Company Magyarország Kft	13.9	indefinite	16.00%	-	2.2	**2.2**
Indesit Company Deutschland GmbH	4.2	indefinite	40.86%	-	1.7	**1.7**
Indesit Electrodomésticos SA	23.5	15 years	35.00%	3.2	5.0	**8.2**
Other companies	n.a.	n.a.	n.a.	0.1	-	**0.1**
Total	**200.4**			**17.7**	**35.3**	**52.8**

8.11 Profit attributable to minority interests

Profit attributable to minority interests relates to the companies which are not wholly owned by the Indesit Group including, in particular, Indesit Portugal SA, Aermarche SpA, Wuxi Indesit Home Appliance Co. Ltd and Argentron SA. The situation is analysed in the table presented in note 8.24.

Consolidated balance sheet

8.12 Property, plant and equipment

The changes in property, plant and equipment are analysed in the table presented on the following page.

The depreciation charge for the year was 110.8 million euro (115.5 million euro).

The reclassification to Assets held for sale is described in note 8.22.

The carrying amounts of land and buildings, plant and machinery, and industrial and commercial equipment includes 33.1 million euro (at historical exchange rates) deriving from recognition of their fair value on the acquisition of GDAH in 2002, as described in note 8.13.

The carrying amount of the property, plant and equipment of the company operating in Turkey was previously restated for the effects of hyper-inflation, as required by IAS 29, and adjusted for any impairment. Following a new test of the recoverability in use of the carrying amount of these assets, no basis was found for writing back the adjustments already made or for recording further adjustments.

Outstanding orders placed for the supply of property, plant and equipment amount to 6.2 million euro (10.1 million euro).

Advances to the suppliers of property, plant and equipment not yet delivered or constructed amount to 0.3 million euro (3.2 million euro).

Reclassifications of 4.7 million euro relate to intangible assets recorded when assets under construction entered into service.
At that time, the investment in hardware was separated from the investment in software.
The ownership of property is not restricted by liens and charges.

Changes during 2006 (million euro)

	12/31/2005			Changes during the year								12/31/2006		
	Historical cost	Acc. amort. and impairment losses	Total	Additions	Decreases	Use of accumulated depr.	Depr. and impairment losses	Reclass. from assets under construction	Reclass. to assets available for sale	Exchange rate differences on historical cost	Exch. rate diff. on accumulated depr.	Historial cost	Acc. amort. and impairment losses	Total
Land and buildings	403.5	(122.8)	280.7	3.6	(6.4)	3.0	(15.0)	15.1	2.2	(3.4)	1.0	414.6	(133.8)	280.9
Plant and machinery	764.2	(464.6)	299.6	16.6	(28.6)	26.2	(46.1)	30.1	-	(5.1)	2.6	777.3	(482.0)	295.3
Industrial and commercial equipment	378.4	(303.6)	74.9	18.6	(11.7)	10.7	(35.3)	29.1	-	(0.6)	0.8	413.7	(327.4)	86.4
Assets under construction	63.9	-	63.9	57.7	0.0	-	-	(77.7)	-	(2.5)		41.5	-	41.5
Other assets	175.5	(117.6)	57.9	4.8	(1.8)	1.8	(14.4)	(1.2)	-	(2.7)	2.8	174.6	(127.5)	47.1
Total	**1,785.5**	**(1,008.6)**	**776.9**	**101.3**	**(48.4)**	**41.7**	**(110.8)**	**(4.7)**	**2,2**	**(14.2)**	**7.2**	**1,821.8**	**(1,070.6)**	**751.2**

Changes during 2005 (million euro)

	12/31/2004			Changes during the year								12/31/2005		
	Historical cost	Acc. amort. and impairment losses	Total	Additions	Decreases	Use of accumulated depr.	Depr. and impairment losses	Reclass. from assets under construction	Reclass. to assets available for sale	Exch. rate differences on historical cost	Exch. rate diff. on accumulated depr.	Historical cost	Acc. amort. and impairment losses	Total
Land and buildings	365.7	(115.5)	250.2	10.2	(5.6)	1.2	(14.7)	31.7	(4.9)	6.5	6.1	403.5	(122.8)	280.7
Plant and machinery	728.1	(439.4)	288.7	38.2	(17.4)	16.5	(52.0)	8.5	-	6.8	10.3	764.2	(464.6)	299.6
Industrial and commercial equipment	369.0	(284.3)	84.7	17.7	(1.8)	0.5	(23.5)	(4.8)	-	(1.7)	3.8	378.4	(303.6)	74.9
Assets under construction	55.4	-	55.4	50.4	(0.1)	-	-	(46.7)	-	4.9		63.9	-	63.9
Other assets	163.1	(96.0)	67.1	7.0	(4.2)	2.6	(25.6)	11.3	(1.9)	0.4	1.1	175.5	(117.6)	57.9
Total	**1.681,4**	**(935.2)**	**746.1**	**123.6**	**(29.1)**	**20.8**	**(115.4)**	**-**	**(6.8)**	**16.9**	**21.2**	**1,785.5**	**(1,008.6)**	**776.9**

Assets under finance leases

The net carrying amount of assets held under finance leases amounts to 3.5 million euro and relates to Industrial and commercial buildings, 2.8 million euro, Land, 0.6 million euro, and Other tangible assets, 0.1 million euro.

The finance lease of Industrial and commercial buildings and Land relates to the building in Croissy (France) and the related land. This contract has a term of 15 years and expires in 2011. The Group expects to make the agreed end-of-lease purchase payment. The building is mortgaged for the amount of the outstanding finance lease liability.

The minimum lease payments are analysed by maturity below:

Finance leases (million euro)	12/31/2006
Within 1 year	0.5
Between 1 and 5 years	1.9
Beyond 5 years	-
Total minimum lease payments	**2.3**

Non-cancellable operating leases

The minimum lease payments under non-cancellable operating leases are analysed by maturity below.

Non-cancellable operating leases (million euro)	12/31/2006
Within 1 year	12.2
Between 1 and 5 years	34.5
Beyond 5 years	63.3
Total minimum lease payments	**110.0**

The principal assets held under non-cancellable operating leases comprise the factory at Blythe Bridge and the warehouse at Raunds in the UK. The first involves minimum lease payments of 42.5 million euro over 99 years ending in 2069. The contract envisages adjustments to the annual lease charge every 25 years. The next adjustment will take place in 2010. The contract does not envisage renewal or the purchase of the assets concerned. The second involves total minimum future payments of 40.5 million euro. The contract expires in 2020/2021, and envisages adjustments to the annual lease charge every five years. The contract does not envisage renewal or the purchase of the assets concerned.

The income statement reflects lease charges incurred under operating leases of 15.7 million euro (16.4 million euro).

8.13 Goodwill and other intangible assets with an indefinite useful life

Goodwill and other intangible assets with an indefinite useful life at 12/31/2006 and 2005 are analysed in the following tables.

Changes during 2006 (million euro)

	12/31/2005			Change during the year			12/31/2006		
	Historical cost	Accumulated impairment losses	Total	Change in scope of consolidation	Exch. rate differences arising in the year	Impairment losses during the year	Historical cost	Accumulated impairment losses	Total
Goodwill	169.8	(7.5)	**162.3**	-	3.3	(0.0)	173.3	(7.7)	**165.6**
Brands with an indefinite useful life	168.8	(12.1)	**156.6**	-	3.2	-	172.3	(12.3)	**159.9**
Total	**338.6**	**(19.7)**	**318.9**	**-**	**6.6**	**(0.0)**	**345.5**	**(20.0)**	**325.5**

	01/01/2005			Change during the year			12/31/2005		
	Historical cost	Accumulated impairment losses	Total	Change in scope of consolidation	Exch. rate differences arising in the year	Impairment losses during the year	Historical cost	Accumulated impairment losses	Total
Goodwill	165.0	(7.3)	**157.7**	0.3	4.3	-	169.8	(7.5)	**162.3**
Brands with an indefinite useful life	165.0	(11.8)	**153,2**	-	3.4	-	168.8	(12.1)	**156.6**
Totale	**330.0**	**(19.1)**	**310.9**	**0.3**	**7.7**	**-**	**338.6**	**(19.7)**	**318.9**

The brand names with an indefinite useful life and the goodwill relate to the acquisition of General Domestic Appliances Holdings Ltd (GDAH), a UK company, in 2002. On allocating the purchase price of GDAH, 160.3 million euro (at historical exchange rates) was attributed to brands with an indefinite life and 164.9 million euro (at historical exchange rates) to goodwill. This goodwill is denominated in pounds sterling and, accordingly, is subject to exchange rate fluctuations arising on the translation to euro.

The brand names with an indefinite useful life are Hotpoint and Cannon. These brand names are deemed to have an indefinite useful life since they are strategic to the Group being, respectively, the leader of the UK market for household appliances and the leader in the ovens sector, especially double ovens. The value of these brand names is denominated in pounds sterling and, accordingly, is subject to exchange rate fluctuations arising on the translation to euro.

The value of intangible assets with an indefinite useful life is subjected to an impairment test at least once every year. The tests performed at 12/31/2005 and 12/31/2006 did not identify the need to adjust the carrying amount of these assets. For the purposes of this test, part of the goodwill identified at the time of acquisition and expressed at current exchange rates, 38.8 million euro, was attributed to the cash-generating unit (CGU) represented by the UK market and part, 121.4 million euro, was attributed to the Group CGUs that are expected to benefit from the synergies released as a result of the acquisition.
The recoverable amount of the CGU represented by the UK market (UK CGU) and the CGU represented by the Group (Group CGU) makes reference to the value-in-use of the assets concerned. The related calculations discount the forecast cash flows included in the business plans of the UK CGU for the next five years, and those of the Group CGU for the next three years (the period covered by the three-year plan). The cash flows used to estimate the recoverable amount of the CGUs are based on the medium-term plans prepared by management, having regard for past experience and forecasts for the business considering expected market trend.

The principal assumptions underpinning the Business Plan of the UK CGU are set out below:

1) volume of sales: annual average growth of 2.2% during the period covered by the plan;
2) price trend: annual average decrease of 1.3% during the period covered by the plan;
3) gross profit (difference between revenue and cost of sales): annual average increase of 2.5% in the period covered by the plan.

The assumptions contained in the Business Plan of the Group CGU are those reported in the Business Plan published on 10/26/2005.

Forecast cash flows have been discounted using the weighted-average cost of capital (WACC) of 8.26% (7.51%) for the UK CGU and 7.95% (7.02%) for the Group CGU. The terminal value of the CGUs was determined by assuming a long-term cash flow equal to the cash flow generated in the final year of the business plan, and a nominal long-term growth factor (g) of 2.00%, equal to inflation, representing therefore a situation with virtually no real growth. The impairment test on the UK CGU was carried out with the assistance of an independent expert.

8.14 Other intangible assets with a finite useful life

Other intangible assets are analysed as follows:

Other intangible assets with a finite useful life (million euro)

	12/31/2005			Changes during 2006						12/31/2006		
	Historical cost	Accumulated amort. and impairment losses	Total	Additions and capitaliza-tions during the year	Decreases	Amort. and impairment losses in the year	Recl. from assets under con-struction	Exch. rate differences on historical cost	Exch. rate differences on accumul. depreciation	Historical cost	Accumulated amort. and impairment losses	Total
Development expenses	63.9	(21.5)	**42.5**	16.6	-	(11.9)	0.2	(9.6)	9.7	71.2	(23.6)	**47.5**
Licences and software	79.6	(41.3)	**38.3**	17.8	(0.2)	(16.2)	5.8	0.4	(0.7)	103.6	(58.2)	**45.4**
Brands with a finite useful life	21.5	(3.5)	**18.0**	-	-	(3.3)	-	(0.1)	0.8	21.4	(6.1)	**15.3**
Other	8.3	(0.4)	**7.9**	0.1	-	(0.6)	(1.3)	-	-	7.2	(0.9)	**6.2**
Total	**173.4**	**(66.7)**	**106.7**	**34.6**	**(0.2)**	**(32.0)**	**4.7**	**(9.3)**	**9.8**	**203.3**	**(88.8)**	**114.5**

	12/31/2004			Changes during 2005						12/31/2005		
	Historical cost	Accumulated amort. and impairment losses	Total	Additions and capitaliza-tions during the year	Decreases	Amort. and impairment losses in the year	Recl. from assets under con-struction	Exch. rate differences on historical cost	Exch. rate differences on accumul. depreciation	Historical cost	Accumulated amort. and impairment losses	Total
Development expenses	40.1	(11.5)	**28.7**	22.0	-	(8.3)	-	1.8	(1.7)	63.9	(21.5)	**42.5**
Licences and software	69.4	(24.6)	**44.8**	8.8	-	(16.1)	-	1.5	(0.6)	79.6	(41.3)	**38.3**
Brands with a finite useful life	21.6	(3.0)	**18.6**	-	-	(1.1)	-	(0.1)	0.6	21.5	(3.5)	**18.0**
Other	7.3	(0.3)	**7.0**	1.0	-	(0.1)	-	-	-	8.3	(0.4)	**7.9**
Total	**138.5**	**(39.4)**	**99.1**	**31.7**	**-**	**(25.6)**	**-**	**3.2**	**(1.7)**	**173.4**	**(66.7)**	**106.7**

Development expenditure totalling 16.6 million euro (22.0 million euro) were capitalised in 2006, including 9.1 million euro in relation to projects for the launch of new products not yet ready to be sold which, accordingly, have not been amortised.

The Licences and software caption comprises the capitalised internal and external cost of IT projects carried out by the Group, and the cost of software licences that will benefit future years. The average residual life of these intangible assets is three years. This caption includes capitalised projects totalling 10.7 million euro that have not yet entered into service and which, therefore, have not been amortised.

The Brands with a finite useful life caption includes 14.7 million euro relating to the Creda brand, which was recognised on the acquisition of GDAH. This brand is subjected to regular impairment testing and, overall, has suffered an impairment loss of 7.3 million euro having regard for the residual useful life of the brand in the marketplace. In particular, having regard for the cash flows expected from Creda products, the amount charged to the 2006 income statement as a consequence of impairment testing was 2.3 million euro, in addition to amortisation of 1.0 million euro, with a total effect on the income statement of 3.3 million euro. This reflects the effect of new plans for the Creda brand, which have reduced its useful life from 20 to five years.

The Other intangible assets caption principally comprises industrial patents with an average residual useful life of five years.

8.15 Investments in associates

Investments in associates are analysed below:

Investments in associates (million euro)	12/31/2006	12/31/2005
Merloni Progetti	-	7.9
Haier Indesit (QuigDao) Washing Machine Co. Ltd	7.2	8.0
Haier Indesit (QuigDao) Electrical Appl. Co. Ltd	4.5	4.9
Other minor	0.8	0.9
Total investments in associates	12.5	21.7

The 33% interest in Merloni Progetti SpA was sold during 2006. Additional details are provided in note 10.4 Further information on corporate transactions with related parties.

Key information relating to the principal associates is presented below:

Key information relating to the principal associates (million euro)		12/31/2006		
	Assets	Liabilities	Revenue	Profit
Haier Indesit (QuigDao) Washing Machine Co. Ltd	39.9	18.5	58.0	1.7
Haier Indesit (QuigDao) Electrical Appl. Co. Ltd	22.8	10.0	75.3	2.9

		12/31/2005		
	Assets	Liabilities	Revenue	Profit
Merloni Progetti SpA	64.6	37.1	55.6	0.3
Haier Indesit (QuigDao) Washing Machine Co. Ltd	50.7	25.2	76.1	1.4
Haier Indesit (QuigDao) Electrical Appl. Co. Ltd	35.5	22.3	48.9	1.8

8.16 Other investments

Other investments comprise investments in other companies which generally represent less than 20% of their equity capital or voting rights, and other non-current financial assets.

The investments held by Indesit Company are not listed and their securities are not traded in a regulated market. Accordingly, their fair value cannot be determined reliably since there were no transactions involving these securities during the past year.

The change reflects the write-off of the investments in Faber Factor SpA, 1.1 million euro, and Meurice Ets, 0.5 million euro, and the sale of the investments in SS Fabriano Basket SpA, 0.2 million euro, and Co.Pro. SpA, 0.1 million euro.

8.17 Deferred tax assets

Deferred tax assets and the related changes during the year are analysed in the following table:

Deferred tax assets (million euro)

	Opening balance 12/31/2005	Credited/charged to income statement	Credited/charged to equity	Exchange rate effect	Closing balance 12/31/2006
Property, plant and equipment	1.3	(1.5)	-	(0.1)	(0.3)
Intangible assets	5.2	(0.4)	-	0.0	4.9
Other investments	0.1	(0.1)	-	-	0.0
Inventories	3.1	(0.8)	-	0.1	2.3
Financial payables	2.9	2.0	-	0.0	4.9
Deferred payroll	13.6	(1.9)	-	0.2	11.9
Provisions for risks	8.9	2.3	-	0.2	11.4
Other	21.0	2.5	-	(0.4)	23.1
Tax losses carried forward	20.9	(3.4)	-	0.2	17.7
Total	**77.1**	**(1.3)**	**-**	**0.2**	**76.0**
Amounts offset	(34.2)	6.0	-	-	(28.2)
Total net	**42.9**	**4.7**	**-**	**0.2**	**47.8**

The amounts offset relate to the deferred tax liabilities that reduce these deferred tax assets since they are due to the same tax authorities, are legally offsettable and relate to temporary differences that will reverse at the same time.

8.18 Inventories

Inventories are analysed as follows:

Inventories (million euro)	12/31/2006	12/31/2005
Raw materials and semi-finished parts	121.1	92.6
Finished products	232.3	250.2
Total inventories	**353.4**	**342.8**

The provision for obsolescence totals 12.9 million euro (11.8 million euro) and the accrual for the year was 1.9 million euro (1.6 million euro).

8.19 Trade receivables

Trade receivables comprise amounts due from customers as a result of commercial transactions and the provision of services, stated net of the allowance for doubtful accounts of 35.4 million euro (36.7 million euro).
Advances to suppliers at 12/31/2006 amount to 2.5 million euro (4.5 million euro).
The Group sells a portion of its trade receivables under a revolving securitisation programme. This transaction involves the without-recourse sale of a portfolio of receivables to a company that finances such purchases by the issue of securities guaranteed by the receivables acquired. The securities are subdivided into different risk classes in relation to their rating. The higher risk classes are subscribed for by the Group. In accordance with IAS 39, the receivables sold under the securitisation programme, amounting to 112.9 million euro (111.3 million euro), continue to be recognised as trade receivables in the balance sheet and securities issued amounting to 34.5 million euro (32.2 million euro) have been classified to this caption crediting financial payables.

8.20 Tax receivables

The amounts due from the tax authorities in the countries in which the Group operates relate to advance taxation and VAT recoverable. These amounts are analysed below:

Tax receivables (million euro)	12/31/2006	12/31/2005
Advance taxation	37.8	21.3
VAT	35.9	29.2
IRPEF on advance of termination benefits	1.4	2.2
Tax credit for Polish Economic Zone	12.8	13.5
Total	87.9	66.2

8.21 Other receivables and current assets

Other receivables and current assets are analysed as follows:

Other receivables and current assets (million euro)	12/31/2006	12/31/2005
Due from employees	4.0	3.6
Insurance reimbursements	0.9	3.0
Grants due from public bodies	15.1	15.7
Due from social security and pension institutions	0.8	0.7
Other receivables	7.0	7.9
Total	27.9	31.0

8.22 Assets held for sale

Assets held for sale relate to the building owned by Indesit Company Portugal, with a carrying amount of 1.6 million euro, and to land owned by Indesit Company Polska, with a carrying amount of 0.2 million euro. At 12/31/2005, this caption included the amounts recoverable from the sale of an aircraft owned by Aermarche SpA and building in Thionville (France). The aircraft was sold during 2006, while the building in Thionville has been reclassified to property, plant and equipment following the termination of negotiations with a potential purchaser.

8.23 Equity attributable to the Group

The statement of changes in equity is presented in a separate schedule.
Share capital comprises ordinary shares and savings shares, as analysed below.

Group shareholders' equity				
	12/31/2006		12/31/2005	
	Number	Euro	Number	Euro
Ordinary shares	113,418,434	102,076,591	112,995,934	101,696,340.6
Savings shares	511,282	460,154	511,282	460,153.8
Total	113,929,716	102,536,744	113,507,216	102,156,494.4

The change in share capital during the year was due to the exercise of stock options, involving the issue of 422,500 shares.

The number of shares in the table is stated gross of the treasury shares held. Net of the treasury shares held directly by Indesit Company SpA, 11,039,750, there are 102,378,684 ordinary shares outstanding.

No new stock options were granted in 2006. The total cost charged to the income statement was 1.0 million euro (2.0 million euro).

The nominal value of the ordinary and savings shares is 0.90 euro.

The holders of ordinary shares and savings shares enjoy the ownership and participation rights granted under Italian law and the articles of association of Indesit Company SpA. In addition to the right to participate in the distribution of profits and the return of capital, the ordinary shares also carry the right to vote at ordinary and extraordinary shareholders' meetings. The savings shares, on the other hand, have greater ownership rights but reduced administrative rights. The greater ownership rights comprise:

1) the right to an allocation of profit for the year (after allocating 5% to the legal reserve) representing up to 5% of the nominal value of the savings shares;
2) the right, if a dividend of less than 5% was paid in a given year, to collect this shortfall in the preference dividend in the following two years;
3) the right, if a dividend is declared at the shareholders' meeting, to receive a total dividend that is higher than that paid on the ordinary shares by 2% of the nominal value of the savings shares.

In addition, in the event of a share capital reduction to cover losses, the nominal value of the savings shares is only reduced by the amount of the losses that exceed the total nominal value of the other shares.
The lower administrative rights with respect to the ordinary shares consist of the absence of voting rights at ordinary and extraordinary shareholders' meetings.

The following table analyses the share capital structure of the Parent Company at 12/31/2006, indicating the outstanding stock options and the treasury shares held (amounts in euro). The above include both ordinary and savings shares.

Share capital	Authorised share capital (euro)	Authorised no. of shares	Issued and fully-paid share capital (euro)	No. of shares issued and fully paid
Share capital following the conversion of savings shares into ordinary shares in 2001	98,832,569	109,813,966	98,832,569	109,813,966
1st and 2nd stock option plans for employees authorised on 09/19/1998 and 10/23/2001 respectively	5,400,000	6,000,000	2,264,175	2,515,750
1st stock option plan for Directors authorised on 10/23/2001	1,260,000	1,400,000	1,260,000	1,400,000
2nd stock option plan for Directors authorised on 05/06/2002	180,000	200,000	180,000	200,000
Total	**105,672,569**	**117,413,966**	**102,536,744**	**113,929,716**

The description of, changes in and restrictions applying to the principal reserves are described below. The detailed analysis of these changes is presented in a separate schedule.

Reserves

a) Share premium reserve: this reserve, 34.1 million euro, has increased by 2.8 million euro following the exercise of stock options.

b) Legal reserve: this reserve, 19.9 million euro, reflects allocation of 5% of the Parent Company's profit each year. The increase was 4.6 million euro.

c) Translation reserve: the translation reserve amounts to 53.0 million euro and reflects the exchange rate differences arising on the translation of foreign currency financial statements.

d) Other reserves, 209.2 million euro. The other reserves are analysed as follows:

1. Extraordinary reserve, 171.5 million euro. This reserve has increased by 51.0 million euro following allocation of the Parent Company's residual profit for 2005. The total includes 5.3 million euro that is restricted in relation to the investment required in the territorial agreement for the factory at Comunanza (Italy). This reserve also includes 13.0 million euro that is tied up in order to obtain fiscal benefits associated with investment programmes financed by government grants.

2. Reserve for government grants, 20.6 million euro, that were principally made to the Parent Company. This reserve was unchanged in 2006.
3. Other residual reserves of 17.1 million euro, which principally comprise the revaluation reserve and the reserves for stock options and derivative instruments recognised as cash-flow hedges. The changes in these reserves during the year totalled 1.3 million euro following the net movement in outstanding stock options and the mark-to-market of cash-flow hedges.

e) Retained earnings: these amount to 60.5 million euro and have decreased by 37.1 million euro on the payment of dividends and by 4.9 million euro on the allocation of profit for 2005.

As indicated above with regard to the changes in reserves, the dividends paid in 2006 amounted to 37.1 million euro (36.7 million euro) representing 0.36 euro per ordinary share and 0.38 euro per savings share (also 0.36 euro per ordinary share and 0.38 euro per savings share). The increase in the total dividend paid in 2006 is explained by the exercise of stock options, which raised the number of ordinary shares outstanding.

The Board meeting held on 03/22/2007 approved these consolidated financial statements and recommended that a dividend of 0.385 euro per ordinary share and 0.403 euro per savings share be declared at the shareholders' meeting. The size of the dividend per share was determined by assuming that all options exercisable by the date of the shareholders' meeting will be exercised, and includes the portion relating to treasury shares, 0.037 euro per share, determined with reference to the number of such shares held at the time of the Board meeting.

The following table shows the calculation of the basic earnings per share (Basic EPS) and the diluted earnings per share (Diluted EPS) reported in the consolidated income statement.

Basic EPS	12/31/2006	12/31/2005
Basic attributable earnings (million euro)	76.4	50.7
Unit earnings attributed to savings shares (euro)	0.784	0.526
Number of savings shares (thousand)	511.3	511.3
Earnings attributed to savings shares (million euro)	(0.40)	(0.27)
Basic attributable earnings (million euro)	**76.0**	**50.4**
Basic average number of ordinary shares (thousand)	102,251.8	100,514.3
Basic EPS (euro)	**0.74**	**0.50**

Diluted EPS	12/31/2006	12/31/2005
Basic attributable earnings (million euro)	76.0	50.4
Basic average number of ordinary shares (thousand)	102,251.8	100,514.3
Average number of shares granted to Directors without payment (thousand)	85.8	413.6
Average number of shares granted to employees without payment (thousand)	142.0	233.6
Total	102,479.6	101,161.5
Diluted EPS (euro)	**0.74**	**0.50**

8.24 Minority interests

Minority interests have decreased by 7.8 million euro following the purchase by Indesit Company SpA of additional shares in Aermarche SpA and Wrap SpA. Further information on these transactions is provided in note 10.4.

The minority interests are analysed in the following table:

Minority interests (million euro)	12/31/2006		12/31/2005	
	Equity	Results for the year	Equity	Results for the year
Wrap SpA	-	-	3.2	0.1
Wuxi Indesit Home Appliances Co. Ltd	2.8	(0.5)	3.0	(0.5)
Fabrica Portugal SA	(0.2)	-	(0.2)	-
Argentron SA	1.8	0.9	1.8	0.3
Aermarche SpA	2.3	-	6.6	(0.2)
Total	**6.6**	**0.3**	**14.4**	**(0.3)**

8.25 Net financial position

The net financial position and net financial indebtedness of the Group are analysed below. Non-current financial assets have been included in the calculation of net financial indebtedness in order to represent fairly the Group's overall exposure, considering that the principal component of non-current financial assets consists of deposits restricted to guarantee loans obtained, as described further in note 8.25.4.

Net financial position (million euro)	Note	12/31/2006	12/31/2005
Current financial assets	8.25.1	11.1	6.7
Cash and cash equivalents	8.25.2	184.5	199.7
Banks and other financial payables	8.25.3	(295.7)	(319.1)
Net financial position - short term		**(100.1)**	**(112.8)**
Medium/long-term financial payables	8.25.5	(402.7)	(494.1)
Net financial position [1]		**(502.8)**	**(606.8)**
Other non-current financial assets	8.25.4	79.3	89.3
Net financial indebtedness		**(423.6)**	**(517.5)**

[1] As defined in CONSOB Communication DEM/6064293 dated 07/28/2006, applying the CESR recommendations dated 01/10/2005.

8.25.1 Current financial assets

Current financial assets principally include financial receivables, 6.7 million euro (0.0 million euro), and the fair value adjustment of the current portion of derivative financial instruments recorded in accordance with IAS 39, 3.0 million euro (5.1 million euro), as analysed in note 9.

8.25.2 Cash and cash equivalents

Cash and cash equivalents include bank and postal deposits, as well as cheques and other amounts on hand. The changes in liquidity during the year are analysed in the consolidated cash flow statement.

8.25.3 Banks and other financial payables

Banks and other financial payables mainly comprise amounts due within the current year.

This caption is analysed hereafter.

Banks and other financial payables (million euro)	12/31/2006	12/31/2005
Short-term advances	106.0	122.0
Short-term advances against receivables	91.3	106.5
Other short-term bank borrowings	11.4	17.2
Liability from the measurement of derivative instruments	8.2	3.3
Current portion of bonds issued	12.8	6.0
Current portion of liability from the acquisition of GDAH	41.4	47.0
Current portion of MCC loan	19.2	16.2
Current portion of other medium/long-term loans	5.4	1.0
Total	**295.7**	**319.1**

8.25.4 Other non-current financial assets

Other non-current financial assets are analysed as follows:

Other non-current financial assets (million euro)	12/31/2006	12/31/2005
Term deposits	72.1	78.2
Assets from the measurement of derivative instruments	7.0	10.3
Other assets	0.2	0.9
Total	**79.3**	**89.3**

Term deposits of 72.1 million euro comprise 28.7 million euro to guarantee loans granted to a Group company and 43.4 million euro to guarantee a banking syndicate in relation to the payment of the last tranche of debt to complete the acquisition of GDAH.

Assets from the valuation of derivative instruments include the fair value measurement of the non-current portion of derivative financial instruments, recorded in accordance with IAS 39. See note 9 for a more detailed analysis.

Other non-current financial assets are analysed by maturity in the following table.

Other non-current financial assets (million euro)	Total long term	Due within 1 year	Due between 1 and 5 years	Due beyond 5 years
Term deposits	**72.1**	28.7	43.4	-
Assets from the measurement of derivative instruments	**7.0**	-	6.8	0.2
Other assets	**0.2**	-	0.2	-
Total	**79.3**	**28.7**	**50.4**	**0.2**

The term deposit of 28.7 million euro is classified as a non-current asset, even though it is recoverable within one year, since the Group may elect to renew the deposit for an indefinite period.

8.25.5 Medium and long-term financial payables

Medium and long-term financial payables are analysed as follows:

Medium and long-term financial payables (million euro)	12/31/2006	12/31/2005
Bonds	243.4	283.4
Due to banks	84.1	104.8
Due on the acquisition of GDAH	38.3	83.7
Other payables	36.9	22.2
Total	402.7	494.1

The bonds were subscribed for by institutional investors (US Private Placement) in September 2004. They are analysed in the following table.

Bond	Nominal value	Nominal value	Fair value	Maturity	Rate	Type of hedge
	Million Usd	Million euro	Million euro			
Notes - Series A	65.0	53.9	47.0	09/17/2009	Fixed	CCS
Notes - Series B	70.0	58.1	50.8	09/17/2011	Fixed	CCS
Notes - Series C	148.0	122.8	108.9	09/17/2014	Fixed	CCS
Notes - Series E	25.0	20.7	18.6	09/17/2016	Fixed	CCS
Total notes issued in Usd	308.0	255.6	225.3			
Notes - Series D	n.a.	18.3	18.1	09/17/2014	Fixed	IRS
Total notes issued in euro	n.a.	273.9	243.4			

The interest and exchange rate risks relating to the above-mentioned US Private Placement have been hedged by a Cross Currency Swap which is described in the paragraph on financial instruments below.

The change in the fair value of the bonds, due to fluctuations in the exchange rate with the dollar, should be considered together with the change in the fair value of the Cross Currency Swap, indicated further below.

The amounts due to banks totalling 94.6 million euro comprise loans from MCC SpA to finance the factories in Russia and Poland, 66.3 million euro, the last instalments on which fall due in 2013, and loans from HSBC of 28.2 million euro.

The amount due on the acquisition of GDAH relates to the non-current portion, 38.3 million euro, of the liability to General Electric for the sixth and final instalment relating to the acquisition of GDAH.

Other medium and long-term financial payables are analysed as follows:

Other medium/long-term financial payables (million euro)		
	12/31/2006	**12/31/2005**
Due to Ministry of Industry	1.2	1.5
Lease payables	1.7	2.1
Due to Simest	9.8	9.8
Liability from the measurement of derivatives	23.9	7.5
Other	0.5	1.3
Total	**36.9**	**22.2**

The change in the liability arising from the measurement of derivatives mainly reflects the mark-to-market adjustment of the Cross Currency Swap arranged to hedge the bonds. This has moved from positive 11.5 million euro to negative 21.9 million euro, consistent with the change in the related underlying. Further information on this measurement is provided in note 9 Financial instruments and the related detailed table.

Until 12/31/2005, the Group had a syndicated, committed revolving line of credit of 115.0 million pounds sterling which expired in April 2006. As mentioned in the section of the Report on operations that describes significant events during the year and subsequent to year end, this facility was replaced during 2006 by a multicurrency line of credit, for a maximum of 350.0 million euro and with a duration of five years, arranged with a syndicate of leading domestic and international banks. This line of credit was unused at 12/31/2006.

The Group is obliged to comply with certain financial covenants in relation to the bonds, the loans from MCC and the syndicated line of credit. The financial parameters applying at the balance sheet date are set out below:

Covenant	
	Covenant limit
EBITDA / Net financial expenses	⩾ 3.5
Net borrowing / EBITDA	⩽ 3.0
Equity	⩾ 320 million euro

In addition to the financial covenants, the bond and the committed lines of credit require Indesit Company SpA and, in certain cases, a number of Group companies to comply with other affirmative and negative covenants that are consistent with market standards for transactions of a similar nature, amount, maturity and risk profile.
Failure to comply with these financial covenants would, following the elapse of a given period of time available to correct such non-compliance, give the counterparty a right to the early repayment of the related borrowings.
The above parameters are monitored constantly by the Group and, at 12/31/2006, all the convenants have been respected.
Medium and long-term payables are analysed by maturity in the following table.

Medium and long-term financial payables (million euro)	Medium/long-term financial liabilities	Due between 1 and 5 years	Due beyond 5 years
Bonds	243.4	125.0	118.4
Due to banks	84.1	77.7	6.3
Due on the acquisition of GDAH	38.3	38.3	-
Other payables	36.9	21.3	15.7
Total	**402.7**	**262.3**	**140.4**

8.26 Employee benefits

Employee benefits reflects the liability in relation to defined benefit plans established for employees, such as the employee severance indemnities of Italian Group companies and the pension funds operated by Indesit Company UK Ltd, deferred bonus plans and other pension funds. The situation is analysed in the following table.

Employee benefits (million euro)	12/31/2006	12/31/2005
Employee severance indemnities	59.2	63.8
UK pension plans	35.2	40.7
Deferred bonus plans	2.6	2.3
Pension funds in other nations	1.7	1.9
Total	**98.7**	**108.6**

The employee severance indemnities are payable by the companies operating in Italy under art. 2120 of the Italian Civil Code which, in accordance with IAS 19, are treated as a defined benefit plan.
The UK pension plans comprise two defined benefit pension funds, one English and the other Irish, operated by Indesit Company UK Ltd. These are voluntary pension funds with 5,494 members at 12/31/2006. With regard to these plans, in March 2006 the decision was taken and announced by the Group to close access to the defined-benefit pension scheme for UK employees and to start a defined-contribution pension plan for new members.

The deferred bonus plans relate to Indesit Company UK Ltd and represent the liability for the retirement awards that will be made when employees reach a pre-determined length of service with the company. The pension funds in other countries relate to the companies operating in France and the Netherlands.

The following schedule reconciles the assets and liabilities recorded in the balance sheet and the charges made to the income statement, and presents the principal actuarial assumptions concerning the employee severance indemnities and the UK pension plans.

Reconciliation of assets and liabilities recorded in the balance sheet and the income statement (million euro)

	Employee severance indemnities		UK pension plans	
	12/31/2006	12/31/2005	12/31/2006	12/31/2005
Present value of the defined benefit obligation (start of year)	61.5	64.7	332.6	288.1
Provision for benefits earned during the year	5.4	6.8	7.5	8.4
Financial charges	2.4	2.8	15.8	15.2
Contributions from plan participants	-	-	5.4	5.7
Actuarial (gains)/losses	(1.8)	(5.3)	31.6	18.0
Benefits paid by the plan/company	(12.4)	(7.5)	(11.8)	(10.7)
Changes in exchange rates	-	-	6.5	7.9
Present value of the defined benefit obligation (end of year)	**55.1**	**61.5**	**387.6**	**332.6**
Fair value of plan assets (start of year)	-	-	292.5	234.5
Expected yield from plan assets	-	-	20.9	18.9
Actuarial (gains)/losses	-	-	25.6	28.4
Employer's contributions	-	-	8.9	9.3
Employees' contributions	-	-	5.4	5.7
Benefits paid	12.4	7.5	(11.8)	(10.7)
Expenses	(12.4)	(7.5)	-	-
Change in exchange rates	-	-	5.8	6.4
Fair value of plan assets (end of year)	**-**	**-**	**347.2**	**292.5**
Present value of defined benefit obligation under funded plans	-	-	387.6	332.6
Fair value of plan assets	-	-	(346.8)	(292.5)
Deficit (surplus) of funded plans	**-**	**-**	**40.9**	**40.1**
Present value of defined benefit obligation under unfunded plans	55.1	61.5	-	-
Actuarial (gains)/losses not recognised	4.1	2.3	(5.6)	0.6
Pension (cost) of unrecognised prior service				-
Unrecorded assets (limit described in para. 58b, IAS 19)	-	-	-	-
Recorded net liability/(asset)	**59.2**	**63.8**	**35.2**	**40.7**
Pension cost of work performed during the year	5.4	6.8	7,.5	8.4
Total operating costs	**5.4**	**6.8**	**7.5**	**8.4**
Interest expense	2.4	2.8	15.8	15.2
Expected yield from plan assets	-	-	(20.9)	(18.9)
Total financial charges	**2.4**	**2.8**	**(5.2)**	**(3.7)**
Total charge to the income statement	**7.8**	**9.6**	**2.4**	**4.7**
Assumptions used to determine defined benefit obligations				
Discount rate	4.50%	4.00%	4.98%	4.74%
Rate of pay rises (range)	2.00%-4.00%	2.00%-4.00%	3.31%	3.02%
Inflation rate	2.00%	2.00%	2.77%	2.48%
Assumptions used to determine pension cost				
Discount rate	4.00%	4.50%	4.73%	5.23%
Expected yield from plan assets	0.00%	0.00%	6.99%	7.75%
Expected rate of pay rises (range)	2.00%-4.00%	2.99%-5.00%	3.02%	3.26%
Inflation rate	2.00%	2.00%	2.48%	2.72%

The employee benefits charged to the income statement are recorded in the following captions:

Employee benefits charged to the income statement (million euro)	2006	2005
Cost of sales	(9.1)	(13.7)
Selling and distribution expenses	(2.6)	(1.0)
General and administrative expenses	(1.3)	(0.4)
Total	(12.9)	(15.2)

The financial costs of the liabilities for employee benefits are discussed in note 8.8.

8.27 Provisions for risks and charges

The provisions for risks and charges cover estimated current and non-current liabilities the exact timing or extent of which cannot be determined. The content of this caption at the end of 2006 and 2005 and the changes during the year are analysed in the following tables.

Changes in 2006 (million euro)	Opening balance	Provisions	Utilisations	Closing balance	Current portion	Non-current portion
Provision for warranties	47.3	17.8	(9.1)	**56.1**	19.4	36.7
Provision for agents' termination indemnities	1.3	0.2	(0.1)	**1.4**	-	1.4
Provisions for restructuring	6.3	0.3	(4.3)	**2.3**	2.3	-
Provision for WEEE	0.8	2.8	-	**3.7**	-	3.7
Provision for onerous contracts	4.8	-	(0.5)	**4.3**	-	4.3
Provision for disputes	8.2	6.3	(3.8)	**10.8**	3.0	7.8
Total	68.8	27.5	(17.8)	78.6	24.7	53.9

Changes in 2005 (milioni di euro)	Opening balance	Provisions	Utilisations	Closing balance	Current portion	Non-current portion
Provision for warranties	43.7	10.2	(6.6)	**47.3**	19.0	28.4
Provision for agents' termination indemnities	1.0	0.4	(0.2)	**1.3**	-	1.3
Provisions for restructuring	10.8	6.8	(11.3)	**6.3**	6.3	-
Provision for WEEE	-	0.8	-	**0.8**	-	0.8
Provision for onerous contracts	5.2	1.1	(1.5)	**4.8**	-	4.8
Provision for disputes	8.8	4.1	(4.7)	**8.2**	1.4	6.9
Total	69.5	23.4	(24.2)	68.8	26.6	42.2

The provision for agents' termination indemnities represents the estimated liability for payments to agents should their mandates be terminated by Indesit Company SpA.

The provisions for restructuring include 2.0 million euro relating to the reorganisation plan of Indesit Company France SA and 0.3 million euro relating to Indesit Company Deutschland GmbH.

The provision for WEEE covers the charges deriving from application of the product disposal regulations, with sole reference to new waste.

The provision for onerous contracts was recorded by Indesit Company UK Ltd in relation to the discounted liability for installments under an operating lease on a building that is no longer used.

The provision for disputes reflects the best possible estimate of the likely liability for disputes and contingencies based on the information available. The principal risks covered by the provision relate to environmental liabilities of 3.0 million euro (1.4 million euro) identified following the closure of the French factory and the surveys performed in preparation for the sale of the building, the cost of the recall campaign launched at the start of 2007 regarding a batch of washing machines with functional defects sold at the end of 2006, 2.0 million euro (not recorded in 2005), and other disputes totalling 5.8 million euro (6.8 million euro).

Except as described above, the estimates made in relation to outstanding liabilities have not changed at 12/31/2006 with respect to the situation as of 12/31/2005.

8.28 Deferred tax liabilities

Deferred tax liabilities and the related changes during the year are analysed in the following table:

Deferred tax liabilities (million euro)

	Opening balance 12/31/2005	Credited/charged to income statement	Credited/charged to Equity	Exchange rate effect	Closing balance 12/31/2006
Property, plant and equipment	31.9	(2.9)	-	0.6	29.6
Intangible assets with a finite life	55.8	0.9	-	(0.8)	55.9
Inventories	5.0	(5.3)	-	-	(0.3)
Medium/long-term financial payables	3.6	0.0	-	(0.0)	3.6
Employee benefits	2.2	0.4	-	-	2.6
Government grants	0.6	(0.0)	-	-	0.6
Provisions for risks and charges	0.5	(0.3)	-	(0.1)	0.1
Other	3.6	0.7	-	0.0	4.3
Distributable retained earnings	4.2	1.4	0.2	-	5.8
Total	**107.4**	**(5.2)**	**0.2**	**(0.2)**	**102.2**
Amounts offset	(34.2)	6.0	-	-	(28.2)
Total net	**73.2**	**0.8**	**0.2**	**(0.2)**	**74.1**

The amounts offset relate to the deferred tax liabilities that reduce deferred tax assets since they are due to the same tax authorities, are legally offsettable and relate to temporary differences that will reverse at the same time.

8.29 Other non-current liabilities

Other non-current liabilities solely relate to deferred government grants and other bodies. These grants are analysed by country below:

Other non-current liabilities (million euro)		
	12/31/2006	**12/31/2005**
Italy	11.1	15.3
Poland	12.2	11.3
Other countries	0.2	0.4
Total	23.4	27.0

Deferred government grants totalling 4.2 million euro in Italy (3.5 million euro) and 2.9 million euro (1.5 million euro) in Poland were credited to the income statement during the year.

The grants collected in Italy mainly relate to planned investment by "Distretto dell'Elettrodomestico Società Consortile arl" of 9.7 million euro and to the Albacina factory under Law 488. Access to these grants is subject to restrictions that are currently respected.
The grants collected in Poland principally relate to tax credits for investment to build a factory in the Lódz special economic zone. Access to these grants is subject to certain restrictions that are currently respected. The accounting treatment of these tax credits has involved, in accordance with IAS 20, the recognition of non-current liabilities that will be released to the income statement to match the depreciation charged on the capital investment concerned.

8.30 Trade payables

Trade payables comprise all the amounts due for the purchase of goods and services from the Group's suppliers. Payables are stated at the nominal value. All payables fall due within one year and, accordingly, no amounts have been discounted. The amounts due to suppliers reported among trade payables comprise without distinction the amounts due to both suppliers of raw materials, components and services and suppliers of capital goods.

8.31 Tax payables

Tax payables comprise the liability for current taxes and other tax payables.

Tax payables (million euro)	12/31/2006	12/31/2005
Current taxes payable	14.5	12.6
Amounts witheld from employees, professionals and freelance workers	17.6	17.7
VAT payable	30.7	26.2
Capital taxes	0.3	0.3
Environmental taxes	0.1	0.5
Other taxes	0.3	0.4
Total	63.6	57.7

8.32 Other payables

Other payables are analysed as follows:

Other payables (million euro)	12/31/2006	12/31/2005
Due to social security and pension institutions	40.7	34.8
Due to employees	42.9	30.9
Other payables	12.4	12.5
Total	96.0	78.2

8.33 Share-based payments (*stock options)*

Stock option plan for Group managers and supervisors

The resolutions adopted at the extraordinary meetings held on 09/16/1998 (as modified at the meetings held on 05/05/2000 and 05/07/2001) and on 10/23/2001 authorised, pursuant to art. 2441.8 of the Italian Civil Code, two increases in share capital by up to 2,700,000 euro each, via the issue of a combined maximum of 6,000,000 ordinary shares, par value 0.90 euro each, to service the stock option plan for Group managers and supervisors. The Board of Directors, in the person of the Chairman, determines the number of options to be granted each year and identifies - on the recommendation of the Chief Executive Officer - the beneficiaries of the options. The options granted subsequent to 07/24/2003 envisage a vesting period of three years for the first 50% and four years for the remaining 50%, while the options granted previously envisaged a vesting period of two years and three years respectively.

The options granted to the Chief Executive Officer, as an employee of Indesit Company SpA, under the stock option plan linked to objectives established in the MTP (medium-term plan) for the period 2004-2006 have expired following replacement of the 2004-2006 MTP by the 2006-2008 MTP.

Stock option plan for directors with significant duties who are not employees

The extraordinary meetings held on 10/23/2001 and 05/06/2002 authorised two share capital increases, by the issue of a maximum of 1,600,000 new shares, to service a stock option plan for the directors of the Company who perform significant duties. The options granted, exercisable between 03/31/2004 and 03/31/2006, were all exercised. The strike price was 4.76 euro for the 1,400,000 options granted in 2001 (all exercised) and 9.70 euro for the 200,000 options granted in 2002.

The options granted to the Chairman under the stock option plan linked to objectives established in the MTP (medium-term plan) for the period 2004-2006, approved at the shareholders' meeting held on 05/05/2004, have expired following replacement of the 2004-2006 MTP by the 2006-2008 MTP.

No new plans were authorised during 2006 and no stock options were granted.

The parameters used to determine the fair value of stock options are set out in the following table.

Stock options

Parameters	Chief Executive Officer	Chairman	Executives
Strike price	12.56	14.70	12.65
Expected volatility	27.77%	29.7%	31.39%
Grant date	07/27/2004	05/05/2004	07/24/2003
No. of options	900,000	1,000,000	260,000
Duration of options (years)	2.67	2.90	3.50
Expected dividends	2.61%	2.61%	2.97%
Risk-free interest rate	3.00%	2.78%	4.00%
Fair value of stock options (million euro)	0.5	0.4	0.2

The stock options granted to the Chairman and the Chief Executive Officer were measured at the end of May 2006, when they expired.
The stock option plans are analysed in the following tables.

Table 1. Stock options granted to directors, statutory auditors, general managers and executives with strategic responsibilities at 12/31/2006

(euro)		Options held at start of year			Options granted during the year			Options exercised during the year			Options expiring in the year	Options held at end of year		
Name and surname	Position held	Number of options	Average exercise price	Average expiry	Number of options	Average exercise price	Average expiry	Number of options	Average exercise price	Av. mkt price on exercise	Number of options	Number of options	Average exercise price	Average expiry
Vittorio Merloni	Chairman	1,000,000	14.700	2009	-	-	-	-	-	-	1,000,000	-	-	
Marco Milani	CEO	775,000	9.277	2008	-	-	-	175,000	4.808	10.379	600,000	-	-	-
Andrea Sasso	General Manager	10,000	7.926	2012	-	-	-	10,000	7.926	10.823	-	-	-	-
Hugh C. Malim	Board Director	100,000	9.695	2006	-	-	-	100,000	9.695	10.018	-	-	-	-
Alberto Fresco	Board Director	100,000	9.695	2006	-	-	-	100,000	9.695	10.379	-	-	-	-
Executives with strategic responsibility		97,500	12.648	2012	-	-	-	-	-	-	-	97,500	12.648	2012
		2,082,500						385,000			1,600,000	97,500		

Table 2. Stock option plan for Group managers and supervisors at 12/31/2006 (euro)

	2006			2005			2004			2003			2002			2001			2000			1999		
	No.	Average price	Market price	No.	Average price	Market price	No.	Average price	Market price	No.	Average price	Market price	No.	Average price	Market price	No.	Average price	Market price	No.	Average price	Market price	No.	Average price	Market price
Options outstanding as of 01/01	844,250		8.787	1,031,250		12.605	2,193,500		14.858	2,460,250		10.072	2,527,500		5.824	1,372,500		4.702	665,000	4.6588	4.138			
New options granted during the year	-		-	-		10.4558	-		13.8343	405,000	12.6479	12.1474	700,000	7.9258	9.5865	1,192,500	4.8082	4.7378	762,500	-	4.8481	740,000	4.6588	4.1481
Details																			635,000	4.488				
																			127,500	4.88				
Options exercised during the year	222,500	-	9.8601	152,000	-	10.4558	987,250	-	13.8343	466,750	-	12.1474	682,250	-	9.5865	5,000	4.6588	4.7378	-	-	-	-	-	-
Details	175,000	4.8082		28,750	4.8082		145,000	4.6588		40,000	4.6588		420,000	4.6588										
	47,500	7.9258		5,000	4.88		152,250	4.488		174,250	4.488		38,750	4.88										
				118,250	7.9258		3,750	4.88		42,500	4.88		223,500	4.488										
							548,750	4.8082		210,000	4.8082													
							137,500	7.9258																
Options expiring during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Options lapsing during the year	65,000	12.6479	9.8601	35,000		10.4558	175,000		13.8343	205,000		12.1474	85,000		9.5865	32,500		4.7378	55,000		4.8481	75,000	4.6588	
Details	65,000	12.6479		5,000	7.9258		2,500	4.488		5,000	4.6588		25,000	4.488		12,500	4.6588		37,500	4.6588				
				30,000	12.6479		47,500	4.8282		10,000	4.488		10,000	4.88		15,000	4.488		12,500	4.488				
							80,000	7.9258		5,000	4.88		50,000	4.8082		5,000	4.88		5,000	4.88				
							45,000	12.6479		60,000	4.8082													
										120,000	7.9258													
										5,000	12.6479													
Options outstanding at year end	556,750	-	12.331	844,250	-	8.787	1,031,250	-	12.605	2,193,500	-	14.858	2,460,250	-	10.072	2,527,500	-	5.824	-	-	4.702	-	4.6588	4.138
inc. vested at year end	426,750			519,250			495,000			607,250			242,750			332,500		4.6588						

Table 3. Stock option plan for directors with significant duties who are not employees

	2006		2005		2004		2003		2002		2001	
	Number of options	Strike price	Number of options	Strike price	Number of options	Strike price	Number of options	Strike price	Number of options	Strike price	Number of options	Strike price
Options outstanding as of 1/1	200,000	9.6954	1,300,000		1,600,000		1,600,000		1,400,000	4.76	-	-
Details	*200,000*	*9.6954*	*1,100,000*	*4.76*	*1,400,000*	*4.76*	*1,400,000*	*4.76*				
			200,000	*9.6954*	*200,000*	*9.6954*	*200,000*	*9.6954*				
New options granted during the year	-		-	-	-	-	-	-	200,000	9.6954	1,400,000	4.76
Options exercised during the year	200,000	*9.6954*	1,100,000	*4.76*	300,000	4.76	-	-	-	-	-	-
Options expiring during the year	-		-	-	-	-	-	-	-	-	-	-
Options lapsing during the year	-		-	-	-	-	-	-	-	-	-	-
Options outstanding at year end	-		200,000		1,300,000		1,600,000		1,600,000		1,400,000	4.76
Details			*200,000*	*9.6954*	*1,100,000*	*4.76*	*1,400,000*	*4.76*	*1,400,000*	*4.76*		
					200,000	*9.6954*	*200,000*	*9.6954*	*200,000*	*9.6954*		
inc. vested at year end	-		200,000		1,300,000		-	-	-	-	-	-
Details			*200,000*	*9.6954*	*1,100,000*	*4.76*	-	-	-	-	-	-
					200,000	*9.6954*						

Cash flow statement

8.34 Total profit, income taxes, depreciation and amortisation, income taxes paid

Total profit, income taxes, depreciation and amortisation, all non-monetary items, are reported directly on the face of the consolidated income statement, to which reference is made. With regard to the provision for income taxes, the tax payments made in 2006 were essentially in line with the provisions for taxation recorded in the prior year. The differences between the provisions for the prior year and the payments made are affected by the amount of advance taxation paid, which varies depending on the tax regulations of the countries in which the Group operates.

8.35 Other non-monetary income and expenses, net

The other non-monetary income and expenses, net, comprise all non-monetary items recorded in the income statement, except for income taxes, depreciation and amortisation and the provisions deducted directly from asset accounts (allowance for doubtful accounts and provisions for obsolescence). Accordingly, they include provisions for warranties, provisions for risks and charges, disposal gains and losses, unrealised exchange rate fluctuations, and accrued interest income and expense. The interest collected and paid, reported separately, was essentially the same as the amounts recorded in the income statement.

8.36 Change in trade receivables, inventories, trade payables

This caption reports the cash used in or generated by the changes in net working capital, which comprises trade receivables, inventories and trade payables. The changes in trade payables relate solely to the supply of raw materials, goods and services, and exclude the changes in amounts due for investments, which are reported in the section of the cash flow statement for cash flows generated (absorbed) by investing activities.

8.37 Change in other assets and liabilities

This caption reports the change in all other current and non-current assets and liabilities, net of the effect on them of provisions for non-monetary income and expenses. This represents the changes in the related balances with a direct effect on the absorption or generation of cash.

8.38 Payments for acquisition of property, plant and equipment and proceeds from disposal of property, plant and equipment

The cash flow from additions to property, plant and equipment reflect investment in the replacement of plant and in new plant, mainly by the companies operating in Italy, Poland, the UK and the CIS. In this context, there were also changes in payables, receivables and advances to suppliers of property, plant and equipment.

8.39 Payments for acquisition of intangible assets

The cash flow from investment in intangible assets relates to the purchase of licences and software, and the capitalisation of development costs which are analysed in note 8.14. The cash flows from (used in) investing activities include the amounts capitalised since these involve payments for the related internal costs incurred (mainly payroll). These payments essentially reflect the costs capitalised during the year.

8.40 Proceeds from the sale of non-current financial assets and other investments and payments for acquisition of non-current financial and other investments

The proceeds from the disposal of non-current financial assets in 2006 mainly relate to the consideration collected on the sale of the 33% interest in Merloni Progetti SpA while, in 2005, they mainly related to the sale of the investment in Merloni Progetti Energia SpA.

The investments in financial and other fixed assets mainly comprise the purchase from minority shareholders of additional interests in Wrap SpA and Aermarche SpA, while in 2005 they related to the acquisition of Fabriano Basket and Wuxi.

8.41 Proceeds from share capital increases and dividends paid

The increase in the share capital of Indesit Company SpA relates to the issue of new shares to service the exercise of stock options by the directors and management of the company. The dividend payment made in 2006 was authorised with reference to the individual financial statements of the Parent Company at 12/31/2005. These changes are analysed in note 8.23.

8.42 New medium/long-term financial payables

The new medium/long-term financial payables relate to a loan received from the Ministry of Industry.

8.43 Repayment of borrowing for acquisition of GDAH

This amount relates to the payment for a further 8% of the capital of General Domestic Appliances Holdings Ltd (GDAH), involving the payment of 49.8 million euro. Following the exercise of this option by General Electric, Indesit Company now owns 84% of this UK company, which is consolidated as a wholly-owned subsidiary in accordance with IFRS 3.

8.44 Change in current financial payables

The change in current financial payables includes the change in short-term bank borrowing since this represents a technical form of short-term borrowing.

9. Financial instruments

Risk management policies

Indesit Company manages the principal financial risks in accordance with the guidelines set out in the Treasury Policy approved by the Board of Directors.

The following types of risk are managed by the Group:
- liquidity;
- exchange rate;
- interest rate;
- commodity prices;
- financial counterparties.

The Treasury Policy also provides guidelines for the release by the Parent Company of forms of support for the lines of credit granted to subsidiaries.

Liquidity risk

Liquidity risk consists of the lack of sufficient financial resources to meet financial obligations on a timely and economic basis on the due dates. The cash flows, financing requirements and liquidity of Group companies are monitored and managed centrally by the Group Treasury, with a view to maintaining a balanced financial structure in terms of the diversification, duration and maturity of debt, the flexible access to finance on market terms, and the availability of minimum reserves of liquidity that are readily convertible into cash on market terms.

Exchange rate and interest rate risk

The Group is subject to the risk of exchange rate fluctuations because it operates in an international context where transactions involve the use of various currencies and interest rates. The exposure to exchange rate risk derives from the different geographical distribution of the Group's manufacturing activities with respect to the geographical distribution of the markets in which its products are sold, and from the use of external sources of finance denominated in foreign currencies.
The Group assesses regularly its exposure to the risk of changes in exchange rates and interest rates and manages such risks, partly by recourse to the use of derivative financial instruments, in accordance with its risk management policies.

As part of such policies, the use of derivative financial instruments is reserved for managing the effect of exchange rate and interest rate fluctuations on the cash flows and balance sheet accounts generated by the business activities and/or financial requirements of the Group. Positions that generate types of risk not strictly correlated with the Group's business activities cannot be taken.

The Group designates derivative financial instruments as fair value hedges mainly to manage the exchange rate risk associated with foreign currency financial instruments and the interest rate risk associated with fixed rate loans and borrowings. The Group also designates derivative financial instruments as cash flow hedges in order to fix the exchange rates for forecasted foreign currency transactions and the interest paid on loans, with a view to achieving a predetermined, optimal mix between fixed and floating rates for outstanding loans. Derivative financial instruments may also be used as hedges, even if they are not recorded as fair value or cash flow hedges. Exposure to the exchange rate risk associated with commercial and/or financial transactions is generally hedged by using forward rate agreements and currency options. Exposure to interest rate risk is generally hedged by using interest rate swaps.

Commodity price risk

The Group is subject to market risk deriving from fluctuations in the prices in the commodities used in the production process. The Group regularly assesses its exposure to the risk of changes in the prices of commodities and manages such risks mainly by fixing their prices in contracts with suppliers. If the commodities concerned or other goods with highly correlated prices are listed on official markets, derivative financial instruments can also be used in accordance with the Group's risk management policies. The hedging of commodity price risk via derivative instruments generally involves the use of forward price agreements and currency options.

Financial counterparty risk

Financial counterparty risk consists in the possible deterioration in the credit-worthiness or solvency of the financial counterparties concerned. Transactions involving the employment of liquidity and the use of hedging instruments are arranged with leading domestic and international banks and reviewed regularly with regard to their concentration and the ratings of such counterparties.

Transactions outstanding at year end

The transactions outstanding at 12/31/2006 and their fair values are reported in the table on page 97, which also indicates the change in the value of the underlyings (where applicable). This is followed by detailed information on the individual transactions.

The currency options previously acquired to hedge the risk of exchange fluctuations against sterling were closed out during 2006.
The floating-to-fixed interest rate swaps on loans were arranged to hedge two loans from MCC SpA with a residual nominal value of 34.9 million euro.
The forward transactions designated as cash flow hedges were arranged to hedge the purchase of commodities and semi-finished products. These comprise the forward purchase of Usd and the forward sale of Eur with a total nominal value of 41.2 million dollars.
The cross currency swap was arranged to hedge the interest-rate and exchange-rate risks deriving from commitments in relation to the US Private Placement of bonds with a nominal value of 308.0 million dollars. This transaction converted the fixed-rate US dollar bonds into floating-rate euro.
The interest rate swap on the bonds relates to the euro tranche of the US private placement, 18.3 million euro, and was arranged to hedge the interest rate risk which was swapped from fixed to floating at the time the loan was arranged.
The forward transactions were arranged to hedge the exchange-rate risk associated with the exposures to the following main currencies: ruble, Hungarian forint, Turkish lira and sterling with a total notional value equivalent to 104.7 million euro.
The Collar, represented by a purchased option Call Usd/Put euro (totalling 57.1 million dollars and 51.9 million euro) expiring on 10/01/2007, and a sold option Call euro/Put Usd (totalling 57.1 million dollars and 49.9 million euro) expiring on 10/01/2007, was arranged to hedge the exchange-rate risk on the amount due for the acquisition of GDAH.
The basis swap was arranged to hedge the interest-rate risk on the deposit of 57.1 million dollars made by Indesit Company UK Holdings Ltd to guarantee payment of the final installment on the amount due for the acquisition of GDAH, and effectively transforms a flow of interest in dollars into a flow of interest in euro.
The interest rate swaps on bonds with a nominal value of 274.8 million euro, representing 100% of the US Private Placement, were arranged to transform the floating-rate exposure into a fixed rate for the period 2007-2011.

Financial instruments

	Nature of risk hedged	Fair value of derivatives as of 12/31/2006	Fair value of derivatives as of 12/31/2005	Change in fair value of derivatives as of 12/31/2006 vs. 12/31/2005	Change in fair value of underlyings as of 12/31/2006 vs. 12/31/2005	Classifications at 12/31/2006: Other non-current financial assets	Current financial assets	Medium/ long-term financial payables	Banks and other financial payables	Total
Cash flow hedges										
Currency options	Currency		0.9	(0.9)	n.a.					-
IRS on loans	Interest rate	(0.3)	(1.5)	1.2	n.a.			(0.1)	(0.2)	(0.3)
Forward	Price	(0.0)	-	(0.0)	n.a.				(0.0)	(0.0)
Total		**(0.3)**	**(0.7)**	**0.3**	**n.a.**	**-**	**-**	**(0.1)**	**(0.2)**	**(0.3)**
Fair value hedges										
CCS on bonds	Currency/Interest rate	(21.9)	11.5	(33.4)	32.0		1.8	(23.7)		(21.9)
IRS on bonds	Interest rate	0.7	1.9	(1.2)	1.2	0.5	0.1			0.7
Total		**(21.2)**	**13.3**	**(34.6)**	**33.2**	**0.5**	**2.0**	**(23.7)**	**-**	**(21.2)**
Other hedges										
Forward	Currency	(0.6)	0.6	(1.2)	n.a.				(0.6)	(0.6)
Collar on GDAH acquisition	Currency	(6.8)	(5.8)	(1.0)	n.a.		0.0		(6.8)	(6.8)
Basis Swap on GDAH acquisition	Interest rate	(0.7)	(2.3)	1.7	n.a.			(0.1)	(0.5)	(0.7)
IRS on bonds	Interest rate	7.5	(0.1)	7.6	n.a.	6.4	1.0			7.5
Total		**(0.7)**	**(7.7)**	**7.0**	**n.a.**	**6.4**	**1.0**	**(0.1)**	**(8.0)**	**(0.7)**
Grand total		**(22.2)**	**5.0**	**(27.2)**	**33.2**	**7.0**	**3.0**	**(23.9)**	**(8.2)**	**(22.2)**

10. Disclosure required by IAS 24 on the remuneration of management and on related parties

10.1 Remuneration of management

In addition to the executive and non-executive directors and the statutory auditors, the managers with strategic responsibility for operations, planning and control include the Chief Commercial Officer, the Chief Financial Officer, the Industrial Technical Officer and the Supply Chain Officer. The remuneration of the above persons is shown below.

Remuneration of management at 12/31/2006 (million euro)	Short-term benefits	Long-term benefits	Stock options
Directors	5.5	-	0,9
Statutory Auditors	0.1	-	-
Executives	3.9	2.0	0.1
Total	**9.5**	**2.0**	**0.9**

Remuneration of management at 12/31/2005 (million euro)	Short-term benefits	Long-term benefits	Stock options
Directors	2.2	-	1.7
Statutory Auditors	0.1	-	-
Executives	2.1	0.1	-
Total	**4.4**	**0.1**	**1.7**

10.2 List of related parties

The list of companies (other than subsidiaries) deemed to be related parties pursuant to IAS 24, with which commercial or financial transactions were carried out, is presented below. All commercial and financial transactions with these entities were arranged on arms'-length terms and in the interests of the Group.

List of related parties	Type of relationship
Adria Lab Srl	Associate
M&B Marchi e Brevetti Srl	Associate
Sofarem Sàrl	Associate
Faber Factor SpA	Other related - Held by Group parent company
Faber Factor International Sàrl	Other related - Held by Group parent company
Fineldo SpA	Group parent of Indesit Company belonging to Vittorio Merloni
MCP Eventi Srl	Other related - Related to a Director of the Group
M.P.&S. Srl	Other related - Related to a Director of the Group
Centro Energia Teverola SpA	Other related - Controlled by an associate of the Group
Protecno SA	Other related - Controlled by an associate of the Group
MPE SpA	Other related - Held by Group parent company
Merloni Progetti SpA	Other related - Held by Group parent company
Indesit Company UK Ltd Group Personal Pension Plan	Pension fund
Merloni Ireland Pension Plan	Pension fund

In addition to the above companies, the following physical persons are also deemed to be related parties: members of the Board of Directors and the Board of Statutory Auditors, managers with strategic responsibility for management, planning and control activities, and the close family members of these parties, as defined in IAS 24.

Nature of relations with the principal related parties

Indesit Company UK Ltd group personal pension plan and Merloni Ireland pension plan

Indesit Company UK Ltd and the employees concerned contribute to the Indesit Company UK Ltd group personal pension plan and the Merloni Ireland pension plan under the pension rules applicable in the UK. The unfunded liability of these pension plans is recorded in the employee benefits caption. Further information is provided in note 8.26.

M&B Marchi e Brevetti

M&B Marchi e Brevetti Srl, 50% held, owns the Ariston brand name which is licenced to Indesit Company until 2060 for a fee that covers the brand management costs incurred by M&B Marchi e Brevetti Srl.

The Merloni Progetti group

The Merloni Progetti Group (and, in particular, Merloni Progetti SpA and Protecno SA) obtains contracts for the construction of plant and leases property to Indesit Company.

10.3 Schedules summarising the transactions with related parties

The table on the next pages summarises the balances and transactions with the related parties identified above, distinguishing between the transactions with the parent company, associates and other related parties. Furthermore, in accordance with CONSOB Resolution no. 15519 dated 08/27/2006 and CONSOB Communication no. DEM/6064293 dated 08/28/2006, Attachments 4 and 5 present the consolidated income statement and balance sheet showing the transactions with related parties separately and indicating their percentage incidence with respect to each account caption.

There have not been any significant, atypical and/or unusual transactions with related parties (except those with regard to the pension funds described above).

10.4 Further information on corporate transactions with related parties

Further information is provided below on the transactions to rationalise the Group structure carried out with related parties, the economic and financial effects of which are shown in the table on the next page. All the following transactions were supported by independent appraisals since they took place with related parties.

In December 2006, Indesit Company SpA sold its interest in Merloni Progetti SpA (33% of share capital) to Fineldo SpA for 10.6 million euro. The transaction resulted in a capital gain of 2.7 million euro. Also in December 2006, Indesit Company SpA acquired the entire minority interest in Wrap SpA to become the sole shareholder. The total purchase price was 3.4 million euro, of which 3.2 million euro was paid to Fineldo SpA. The merger of this company into Indesit Company SpA pursuant to art. 2505 of the Italian Civil Code was also approved in the same month. The merger was completed in March 2007, with tax and statutory effect from 01/01/2007. Again in December 2006, Indesit Company SpA acquired shares in Aermarche SpA from M.P.&S. Srl., Merloni Progetti SpA and Fineldo SpA all minority shareholders, for a total of 4.3 million euro, thereby raising its investment to 90.2% of share capital. The acquisition of this company was completed in February 2007 with the purchase of the residual 9.8% interest from Fines SpA for 2.2 million euro.

Tables summarizing the transactions with related parties (million euro)

	2006	2005
Revenue		
Other related	-	0.3
Associates	0.6	4.3
Parent Company	-	0.3
Total	**0.6**	**4.9**

Cost of sales		
Associates	(4.7)	(16.0)
Other related	(10.4)	(1.6)
Total	**(15.2)**	**(17.6)**

Selling and distribution expenses		
Other related	(2.1)	-
Associates	(0.1)	-
Total	**(2.2)**	**-**

General and administrative expenses		
Associates	(1.7)	(1.8)
Other related	0.1	(3.0)
Parent Company	0.3	-
Total	**(1.2)**	**(4.8)**

Net financial expenses		
Other related	-	0.3
Parent Company	(0.3)	(0.4)
Total	**(0.3)**	**(0.1)**

Share of profit (losses) of associates		
Parent Company	(0.4)	2.6
Total	**(0.4)**	**2.6**

Tables summarizing the transactions with related parties (million euro)	**12/31/2006**	**12/31/2005**
Intangible assets with a definite life		
Associates	0.6	0.7
Total	**0.6**	**0.7**
Property, plant and equipment		
Associates	1.5	24.2
Total	**1.5**	**24.2**
Current financial assets		
Other related	-	0.2
Associates	0.2	0.2
Total	**0.2**	**0.4**
Trade receivables		
Associates	0.8	3.2
Other related	0.2	0.5
Parent Company		0.2
Total	**(1.0)**	**3.9**
Trade payables		
Associates	(3.0)	(14.8)
Other related	(1.5)	(0.9)
Parent Company	(0.2)	(0.2)
Total	**(4.7)**	**(15.9)**
Other payables		
Parent Company	(3.1)	-
Total	**(3.1)**	**-**

Attachment 1. List of companies consolidated on a line-by-line basis

Name	Location	Share capital	Group interest direct	Group interest indirect
Indesit Company Luxembourg SA	Luxembourg	Eur 100,289,985	99.99	-
Indesit Electrodomésticos SA	Spain	Eur 11,500,000.01	78.95	21.05
Merloni Domestic Appliances Ltd	UK	Gbp 90,175,500	19.60	80.40
Indesit Company Portugal Electrodomésticos SA	Portugal	Eur 16,825,000	-	99.44
Indesit Company International BV	The Netherlands	Eur 272,270	-	100.00
Indesit Pts Ltd	UK	Gbp 1,000	-	100.00
Indesit Company France SA	France	Eur 17,000,000	-	99.99
Scholtès Nederland BV	The Netherlands	Eur 79,412	-	100.00
Fabrica Portugal SA	Portugal	Eur 11,250,000	-	96.40
Indesit Company Beyaz Esya Sanayi ve Ticaret AS	Turkey	Trl 12,300,000	-	100.00
Indesit Company Beyaz Esya Pazarlama AS	Turkey	Trl 17,000,000,000	100.00	-
Indesit Company Financial Services Luxembourg SA	Luxembourg	Eur 5,170,000	99.99	0.01
Indesit Company Deutschland GmbH	Germany	Eur 550,000	-	99.75
Indesit Company Ireland Reinsurance Ltd	Ireland	Usd 750,000	-	100.00
Wrap SpA	Italy	Eur 27,766,950	100.00	-
Closed Joint Stock Company Indesit International	Russia	Rub 1,664,165,000	100.00	- (1)
Indesit Company Polska Spz oo	Poland	Pln 540,876,500	100.00	- (1)
Argentron SA	Argentina	Ars 22,000,000	-	71.18 (1)
Indesit Company Magyarország Kft	Hungary	Huf 3,283,660,000	-	100.00
Indesit Company Ceská sro	Cech Republic	Czk 1,000,000	100.00	-
Indesit Company International Business SA	Switzerland	Chf 250,000	-	100.00
Indesit Company UK Finance Ltd	UK	Eur 95,750,000	99.00	1.00
Indesit Company Uk Holdings Ltd	UK	Eur 163,000,000	-	100.00
General Domestic Appliances Holdings Ltd	UK	Gbp 26,000,000	-	84.00
Aermarche SpA	Italy	Eur 25,000,000	90.20	-
AEI Gala Ltd	UK	Gbp 1,000	-	84.00 (2)
Airdum Ltd	UK	Gbp 15,000	-	84.00 (2)
Cannon Industries Ltd	UK	Gbp 1,500,000	-	84.00 (2)
Creda Appliances Ltd	UK	Gbp 100	-	84.00 (2)
Creda Domestic Appliances Service Ltd	UK	Gbp 1,000	-	84.00 (2)
Creda Ltd	UK	Gbp 5,850,000	-	84.00 (2)
Fixt Ltd	UK	Gbp 2	-	84.00 (2)
General Domestic Appliances International Ltd	UK	Gbp 100,000	-	84.00 (2)
Hotpoint Sales Ltd	UK	Gbp 775,000	-	84.00 (2)
Hotpoint UK Ltd	UK	Gbp 50	-	84.00 (2)
Industrial Design Unit Ltd	UK	Gbp 100	-	84.00 (2)
Jackson Appliances Ltd	UK	Gbp 750,000	-	84.00 (2)
Indesit Company UK Ltd	UK	Gbp 5,010,000	-	84.00 (2)
Xpelair Ltd	UK	Gbp 825,000	-	84.00 (2)
Ariston Group Services Ltd	UK	Gbp 100	-	84.00 (2)
RTC International Ltd	UK	Gbp 50,000	-	100.00
Wuxi Indesit Home Appliance Co. Ltd	China	Usd 13,600,000	-	70.00
Indesit Company South America SA	Luxembourg	Eur 800,000	-	100.00 (1)
Indesit Company Belgium SA	Belgium	Eur 150,000	-	100.00

(1) Includes the percentage held subject to a resale clause.

(2) Companies consolidated 100% due to the Put and Call Agreement with the minority shareholders, whose residual interest is classified among the financial payables (see note 8.25.5).

Attachment 2. List of investments valued using the equity method

Name	Location	Share capital	Group interest	
			direct	indirect
Haier Indesit (QuigDao) Washing Machines Co. Ltd	China	Usd 24,000,000	30.00	-
Haier Indesit (QuigDao) Electrical Appliance Co. Ltd	China	Usd 12,000,000	15.00	15.00

Attachment 3. List of other investments in subsidiary and associated companies

Name	Location	Share capital	Group interest	
			direct	indirect
Adria Lab Srl	Italy	Eur 150,000	40.00	-
ECODOM Consorzio Italiano per il Recupero e Riciclaggio Elettrodomestici	Italy	Eur 69,000	43.48	-
Indesit Company Bulgaria Ltd	Bulgaria	Bgn 7,805,000	100.00	-
Indesit Company Domestic Appliances Hellas Mepe	Greece	Eur 18,000	-	100.00
Indesit Company Norge Ltd	Norway	Nok 100,000	-	100.00
Indesit Company Österreich GmbH	Austria	Eur 11,250,000	-	100.00
Indesit Company Singapore Pte Ltd	Singapore	Sgd 100,000	-	100.00
M&B Marchi e Brevetti Srl	Italy	Eur 20,000	50.00	-
Tradeplace BV	The Netherlands	Eur 30,000	20.00	-

Attachment 4. Consolidated income statement for the year ended 12/31/2006, prepared in accordance with CONSOB Resolution no. 15519 dated 07/27/2006 and CONSOB Communication no. DEM/6064293 dated 07/28/2006 (million euro)

	2006			2005		
	Balances	of which non recurring	of which with related parties	Balances	of which non recurring	of which with related parties
Revenue	3,248.6	-	0.6	3,064.2	-	4.9
Cost of sales	(2,437.4)	(33.7)	(15.2)	(2,311.1)	(35.3)	(17.6)
Selling and distribution expenses	(512.1)	(2.0)	(2.2)	(493.5)	-	-
General and administrative expenses	(139.8)	-	(1.2)	(143.9)	-	(4.8)
Other income	4.9	-	-	7.6	-	-
Other expenses	(4.0)	(3.3)	-	(1.1)	(0.7)	-
Operating profit	**160.2**			**122.3**		
Net financial expenses	(26.6)	-	(0.3)	(29.3)	-	(0.1)
Share of profit (losses) of associates	(2.0)	(0.4)	(0.4)	(0.1)	2.6	2.6
Profit before tax	**131.6**			**92.8**		
Income tax expenses [1]	(54.9)	12.3	n.a.	(42.4)	10.9	n.a.
Profit for the year	**76.7**			**50.4**		

Percentage weight over consolidated income statements items

	2006			2005		
	Balances	of which non recurring	of which with related parties	Balances	of which non recurring	of which with related parties
Revenue	100.0%	-	-	100.0%	-	0.2%
Cost of sales	100.0%	1.4%	0.6%	100.0%	1.5%	0.8%
Selling and distribution expenses	100.0%	0.4%	0.4%	100.0%	-	-
General and administrative expenses	100.0%	-	0.9%	100.0%	-	3.3%
Other income	100.0%	-	-	100.0%	-	-
Other expenses	100.0%	82.2%	-	100.0%	63.8%	-
Operating profit	**100.0%**			**100.0%**		
Net financial expenses	100.0%	-	1.0%	100.0%	-	0.3%
Share of profit (losses) of associates	100.0%	20.3%	20.3%	100.0%	n.s.	n.s.
Profit before tax	**100.0%**			**100.0%**		
Income tax expenses	100.0%	(22.4%)	(12.9%)	100.0%	(25.7%)	(13.4%)
Profit for the year	**100.0%**			**100.0%**		

[1] Tax effects calculated referring to tax rate of the countries in which the operations took place.

Attachment 5. Consolidated balance sheet as of 12/31/2006, prepared in accordance with CONSOB Resolution no. 15519 dated 07/27/2006 and CONSOB Communication no. DEM/6064293 dated 07/28/2006
(million euro and percentage weight over consolidated balance sheet items)

	12/31/2006			12/31/2005		
	Balances	of which with related parties	Weight %	Balances	of which with related parties	Weight %
Assets						
Property, plant and equipment	751.2	1.5	0.2%	776.9	24.2	3.1%
Goodwill and other intangible assets with an indefinite useful life	325.5	-	-	318.9	-	-
Other intangible assets with a finite life	114.5	0.6	0.6%	106.7	0.7	0.7%
Investments in associates	12.5	-	-	21.7	-	-
Other investments	0.6	-	-	2.3	-	-
Deferred tax assets	47.8	-	-	42.9	-	-
Other non-current financial assets	79.3	-	-	89.3	-	-
Total non-current assets	**1,331.4**	**2.1**	**0.1%**	**1,358.7**	**24.9**	**1.8%**
Inventories	353.4	-	-	342.8	-	-
Trade receivables	573.2	1.0	0.2%	555.2	3.9	0.7%
Current financial assets	11.1	0.2	1.4%	6.7	0.4	6.0%
Tax receivables	87.9	-	-	66.2	-	-
Other receivables and current assets	27.9	-	-	31.0	-	-
Cash and cash equivalents	184.5	-	-	199.7	-	-
Assets held for sale	1.8	-	-	5.9	-	-
Total current assets	**1,239.8**	**1.1**	**0.1%**	**1,207.4**	**4.3**	**0.4%**
Total assets	**2,571.2**	**3.2**	**0.1%**	**2,566.1**	**29.2**	**1.1%**

	12/31/2006			12/31/2005		
	Balances	of which with related parties	Weight %	Balances	of which with related parties	Weight %
Equity						
Share capital	92.6	-	-	92.2	-	-
Reserves	316.2	-	-	259.2	-	-
Retained earnings	60.5	-	-	102.5	-	-
Profit attributable to the Group	76.4	-	-	50.7	-	-
Equity attributable to the Group	545.6	-	-	504.6	-	-
Minority interests	6.6	-	-	14.4	-	-
Total equity	552.2	-	-	519.1	-	-
Liabilities						
Medium and long-term interest-bearing loans and borrowings	402.7	-	-	494.1	-	-
Employee benefits	98.7	-	-	108.6	-	-
Provisions for risks and charges	53.9	-	-	42.2	-	-
Deferred tax liabilities	74.1	-	-	73.2	-	-
Other non-current liabilities	23.4	-	-	27.0	-	-
Total non-current liabilities	652.8	-	-	745.2	-	-
Banks and other financial payables	295.7	-	-	319.1	-	-
Provisions for risks and charges	24.7	-	-	26.6	-	-
Trade payables	886.1	4.7	0.5%	820.3	15.9	1.9%
Tax payables	63.6	-	-	57.7	-	-
Other payables	96.0	3.1	3.3%	78.2	-	-
Total current liabilities	1,366.1	7.8	0.6%	1,301.8	15.9	1.2%
Total liabilities	2,018.9	7.8	0.4%	2,047.0	15.9	0.8%
Total equity and liabilities	2,571.2	7.8	0.3%	2,566.1	15.9	0.6%

03/22/2007

For the Board of Directors
The Chairman
Vittorio Merloni

Independent Auditors' report

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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with article 156 of legislative decree no. 58 of 24 February 1998

To the shareholders of
Indesit Company S.p.A.

1 We have audited the consolidated financial statements of the Indesit Company Group as at and for the year ended 31 December 2006, comprising the income statement, balance sheet, statement of changes in equity, cash flow statement and notes thereto. These financial statements are the responsibility of Indesit Company S.p.A.'s directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 7 April 2006 for our opinion on the prior year consolidated financial statements, which included the prior year figures presented for comparative purposes.

3 In our opinion, the consolidated financial statements of the Indesit Company Group as at and for the year ended 31 December 2006 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38 of 28 February 2005. Therefore, they are clearly stated and give a true and fair view of the financial position of the Indesit Company Group as at 31 December 2006, the results of its operations, changes in its equity and its cash flows for the year then ended.

Ancona, 30 March 2007

KPMG S.p.A.

(Signed on the original)

glossary

A / AA / A+ class	European certification given to appliances combining high performance and minimum energy consumption.
Call rate	Number of service requests over total products sold.
CGU (Cash Generating Unit)	The smallest identifiable group of activities that generate incoming cash flows and are largely independent of incoming cash flows from other activities or groups of activities.
Corporate Governance	Rules and codes of conduct disciplining the control of a company, its ownership structure and the efficiency of its management in pursuing business objectives.
Defined benefit plan	Fixed income pension scheme that a company must pay its retired employees. Fixed contribution pension scheme. The amount of income will depend on the contribution payments and on yields.
Defined contribution plan	Fixed contribution pension scheme. The amount of income will depend on the contribution payments and on yields.
EBITDA/EBIT	Earnings before interest, taxes, depreciation and amortization (gross operating margin) / Earnings before interest and taxes (operating margin).
EPS (Earning Per Share)	Net profits (losses) for the year over the number of shares in circulation.
Fair Value option	The possibility of stating at fair value certain assets and liabilities with specific characteristics.
Fair value	Price at which an asset may be traded or a liability extinguished in a free transaction between informed and consenting parties.
Financial covenant	Clauses stipulated to discipline financial events (esp. loans and credit lines).
Free cash flow	Cash flows from operating business and investment activities net of dividend payouts and capital increases.
Hedge accounting	A method that designates a hedging instrument, normally a derivative, as an offset to changes in the fair value or cash flows of a hedged item.
IAS/IFRS™	International Accounting Standards/International Financial Reporting Standards.
Impairment test	An assessment carried out at each balance sheet reference date to search for indications that assets may have undergone lasting loss of value and to estimate recoverable values.
Net working capital	The difference between short-term assets and short-term liabilities of a trade and financial nature.
Operating Cash Flow (OCF)	Cash flows generated by operating business.
PMS (Performance Management System)	A system for assessing employees' professional performance, so they can improve and develop their careers on the basis of their aptitudes and competencies.
Projected Unit Credit (PUCM)	An actuarial method of stating balance sheet items (esp. employee severance indemnity).
Purchase price allocation	Fair value statement of all the major assets and liabilities of an acquired company.
Retirement awards	Awards and ceremonies accorded to meritorious employees on retirement.
RoHS	EC Directive disciplining the use of hazardous substances in electrical and electronic equipment.
Securitization	A company's sales to commercial intermediaries; goods entering a point of sale.
Sell in	Without recourse transfer of a portfolio of receivables in exchange for an issue of securities secured by the receivables themselves.
Sell out	Sales by retailers to consumers; goods leaving a point of sale.
Special economic zone	A geographical area with laws different from those of the country to which the area belongs, usually for the purpose of attracting foreign investment.
Stock option	A faculty granted by enterprises to their managers whereby the latter may buy or subscribe a certain number of company shares at a favourable, predetermined price and within a limited period of time.
Supply chain	The organizational and IT structure that manages and co-ordinates business processes, from procurement of materials and components through to delivery of finished products.
Vesting period	The time required before options on shares can be exercised and the shares can be subscribed by the holder under a given stock option plan.
WACC (Weighted Average Cost of Capital)	The average cost of a company's various sources of funding, including both debt and equity; usually used an indicator to track a company's operating cash flows and assess its financial position and EVA (economic value added).
WEEE (Waste Electrical and Electronic Equipment)	EU Directive regulating the end of the life cycle of household appliances.
WRAP (Web Ready Appliances Protocol)	An exclusive technology enabling household appliances to dialogue amongst themselves and with the outside world. Wrap is also the Group company specializing in electronics research.

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