NATUZZI S P A
Form 20-F
July 02, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

or

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended: December 31, 2006

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from to

or

o **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report __________
For the Transition Period from to
Commission file number: 1-11854
NATUZZI S.p.A.
(Exact name of Registrant as specified in its charter)
NATUZZI S.p.A.
(Translation of Registrant s name into English)
Italy
(Jurisdiction of incorporation or organization)
Via Iazzitiello 47, 70029 Santeramo, Italy
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Name of each class	Name of each exchange on which registered
American Depositary Shares	**New York Stock Exchange**
Ordinary Shares with a par value of 1.0 each	**New York Stock Exchange***

*** Not for trading, but only in connection with the registration of the American Depositary Shares**

- Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

- Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

- Outstanding shares of each of the issuer s classes of capital or common stock as of December 31, 2006: **54,738,538 Ordinary Shares**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes o No þ

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Act of 1934.

Yes o No þ

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer þ Non-accelerated filer o

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 o Item 18 þ

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Beginning with the fiscal year ended December 31, 2002, Natuzzi S.p.A. (the Company and, together with its consolidated subsidiaries, the Group) has published its audited consolidated financial statements (the Consolidated Financial Statements) in euro, the single currency established for certain members of the European Union (including Italy) upon the commencement of the third stage of the European Monetary Union (the EMU) on January 1, 1999.

In this annual report, references to or euro are to the euro and references to U.S. dollars , dollars , U.S.$ or United States dollars.

Amounts stated in U.S. dollars, unless otherwise indicated, have been translated from the euro amount by converting the euro amounts into U.S. dollars at the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) for euros on December 29, 2006 of U.S.$ 1.3197 per euro.

These foreign currency conversions in this annual report should not be taken as representations that the foreign currency amounts actually represent the equivalent U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated.

The Consolidated Financial Statements included in Item 18 of this annual report are prepared in conformity with accounting principles established by the Italian accounting profession (Italian GAAP). These principles vary in certain significant respects from generally accepted accounting principles in the United States (U.S. GAAP). See Note 27 to the Consolidated Financial Statements included in Item 18 of this annual report. All discussions in this annual report are in relation to Italian GAAP, unless otherwise indicated.

In this annual report, the term seat is used as a unit of measurement. A sofa consists of three seats; an armchair of one.

On June 7, 2002 the Company changed its name from Industrie Natuzzi S.p.A. to Natuzzi S.p.A.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Selected Financial Data

The following table sets forth selected consolidated financial data for the periods indicated and is qualified by reference to, and should be read in conjunction with, the Consolidated Financial Statements and the notes thereto included in Item 18 of this annual report and the information presented under Operating and Financial Review and Prospects included in Item 5 of this annual report. The income statement and balance sheet data presented below have been derived from the Consolidated Financial Statements.

The Consolidated Financial Statements, from which the selected consolidated financial data set forth below has been derived, were prepared in accordance with Italian GAAP, which differ in certain respects from U.S. GAAP. For a discussion of the principal differences between Italian GAAP and U.S. GAAP as they relate to the Group s consolidated net earnings and shareholders equity, see Note 27 to the Consolidated Financial Statements included in Item 18 of this annual report.

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	Year Ended At December 31,					
	2006	2006	2005	2004	2003	2002
	(millions of dollars, except per Ordinary Share)(1)	(millions of euro, except for Ordinary Share)				
Income Statement Data:						
Amounts in accordance with Italian GAAP :						
Net sales:						
Leather- and fabric-upholstered furniture	$ 871.3	660.2	594.8	665.5	674.0	734.7
Other(2)	99.2	75.2	75.1	87.9	95.6	70.4
Total net sales	970.5	735.4	669.9	753.4	769.6	805.1
Cost of sales	(647.4)	(490.5)	(459.4)	(484.5)	(508.8)	(517.4)
Gross profit	323.1	244.9	210.5	268.9	260.8	287.7
Selling expenses	(245.8)	(186.2)	(182.2)	(188.2)	(179.3)	(145.4)
General and administrative expenses	(55.6)	(42.2)	(43.0)	(40.7)	(39.2)	(40.5)
Operating income (loss)	21.7	16.5	(14.7)	40.0	42.3	101.8
Other income (expense), net(3) (4) (5)	3.8	2.8	3.0	(3.9)	3.7	14.5
Earnings (loss) before taxes and minority interests	25.5	19.3	(11.7)	36.1	46.0	116.3
Income taxes	(9.4)	(7.1)	(3.1)	(17.6)	(8.5)	(25.0)
Earnings (loss) before minority interests	16.1	12.2	(14.8)	18.5	37.5	91.3
Minority interest	0.1	0.1	0.2	(0.1)	(0.2)	0.1
Net earnings (loss)	16.2	12.3	(14.6)	18.4	37.3	91.4
Net earnings (loss) per Ordinary Share	0.30	0.23	(0.27)	0.34	0.68	1.67
Amounts in accordance with U.S. GAAP :						
Net earnings (loss)	19.1	14.5	(6.9)	18.8	38.0	92.0
Net earnings (loss) per Ordinary Share (basic and diluted)	$ 0.34	0.26	(0.13)	0.34	0.70	1.68
Weighted average number of Ordinary Shares Outstanding	54,733,796	54,733,796	54,681,628	54,681,628	54,681,628	54,681,628
Balance Sheet Data :						
Amounts in accordance with Italian GAAP :						

Current assets	$	537.5	407.3	384.5	389.4	383.1	402.6
Total assets		890.4	674.7	664.9	673.2	692.4	674.5
Current liabilities		175.5	133.0	136.2	131.5	125.2	128.7
Long-term debt		3.2	2.4	3.6	5.0	4.2	3.6
Minority interest		0.8	0.6	0.7	0.9	0.9	0.5
Shareholders equity		631.9	478.9	473.0	487.9	515.1	495.8
Amounts in accordance with U.S. GAAP :							
Shareholders equity	$	618.1	468.4	453.7	464.5	452.3	432.3

1) Amounts are translated into U.S. dollars by converting the euro amounts into U.S. dollars at the Noon Buying Rate for euros on December 29, 2006 of U.S.$ 1.3197 per euro.

2) Sales included under Other principally consist of sales of polyurethane foam and leather to third parties and sales of living room accessories.

3) Other income (expense), net is principally affected by gains and losses, as well as interest income and expenses, resulting from measures adopted by the Group in an effort to reduce its exposure to exchange rate risks. See Item 5,

Operating and Financial Review and Prospects Results of Operations 2006 Compared to 2005 , Item 11, Quantitative and Qualitative Disclosures about Market Risk and Notes 3, 24 and 25 to the Consolidated Financial Statements included in Item 18 of this annual report.

4) Other income (expense), net, in 2005 was affected by the change in accounting principles for the translation of foreign subsidiaries financial statements under Italian GAAP. See Note 3 (d) to the Consolidated Financial Statements. In addition, other income (expense), net, in 2005 was positively affected by revenues for capital grants. See Note 24 to the

Consolidated Financial Statements included in Item 18 of this annual report.

5) Other income (expense), net, in 2006 was negatively affected by the provisions for contingent liabilities. See Note 24 to the Consolidated Financial Statements included in Item 18 of this annual report.

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Exchange Rates

Fluctuations in the exchange rates between the euro and the U.S. dollar will affect the U.S. dollar amounts received by owners of American Depositary Shares (ADSs) on conversion by the Depositary (as defined below) of dividends paid in euro on the Ordinary Shares represented by the ADSs.

In addition, most of the Group s costs are denominated in euro, while a substantial portion of its revenues is denominated in currencies other than the euro, including the U.S. dollar in particular. Accordingly, in order to protect the euro value of its foreign currency revenues, the Group engages in transactions designed to reduce its exposure to fluctuations in the exchange rate between the euro and such foreign currencies. See Item 5, Operating and Financial Review and Prospects Results of Operations 2006 Compared to 2005 and Item 11, Quantitative and Qualitative Disclosures about Market Risk .

The following table sets forth the Noon Buying Rate for the euro expressed in U.S. dollars per euro.

Year:	**Average(1)**	**At Period End**
2002	0.9495	1.0485
2003	1.1411	1.2597
2004	1.2478	1.3538
2005	1.2400	1.1842
2006	1.2661	1.3197

Month ending:	**High**	**Low**
29-Dec-06	1.3327	1.3073
31-Jan-07	1.3286	1.2904
28-Feb-07	1.3246	1.2933
30-Mar-07	1.3374	1.3094
30-Apr-07	1.3660	1.3363
31-May-07	1.3616	1.3419

(1) The average of the Noon Buying Rates for the relevant period, calculated using the average of the Noon Buying Rates on the last business day of each month during the period.

The effective Noon Buying Rate on June 25, 2007 was 1.3450 (Source: Bloomberg).

Risk Factors

Investing in the Company s ADSs involves certain risks. You should carefully consider each of the following risks and all of the information included in this annual report.

The Group has a recent history of losses; the Group s future profitability and financial condition depend on its ability to successfully restructure its operations The Group experienced a 50.7% decrease in earnings in 2004, and net losses totaling 14.6 million in the fiscal year ended December 31, 2005. The Group attributes this downward trend to price competition from low-cost manufacturers, recurring unfavorable currency conditions, and a generally unfavorable economy in Italy and Europe, as well as negative results achieved by some non-performing foreign retail units, particularly in the United Kingdom, specific

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inefficiencies in the Group s manufacturing operations and the higher impact of fixed costs resulting from a decrease in net sales in 2004 and 2005. Although the Group reported net earnings of 12.3 million in 2006, primarily due to a reduction in order backlog and notwithstanding a weak business environment, during the first three months of 2007 the Group had net losses of 4.7 million. For more information, see Item 5, Trend Information and Guidance . There is no guarantee that the Group will be able to achieve or maintain profitability in the future.

The Group s future operating and financial performance and business prospects will depend in large part on the successful implementation of the restructuring plan approved by the Group s Board of Directors on May 18, 2005, after the Group s first quarter 2005 results showed a continuing negative trend. The restructuring plan aims to recover the Group s profitability and increase its competitiveness by reducing manufacturing costs in Italy, increasing overall efficiencies and closing non-performing retail units in order to streamline the Company s cost structure. The Plan is also aimed at regaining the Group s market share, especially in the medium-high end of the market, by differentiating the Group s brands from the competition and strengthening its market reputation. If the restructuring plan is not successful, there could be a material adverse effect on the Group s financial condition, results of operations and business prospects.

Demand for furniture is cyclical and may fall in the future Historically, the furniture industry has been cyclical, fluctuating with economic cycles, and sensitive to general economic conditions, housing starts, interest rate levels, credit availability and other factors that affect consumer spending habits. Due to the discretionary nature of most furniture purchases and the fact that they often represent a significant expenditure to the average consumer, such purchases may be deferred during times of economic uncertainty.

In 2006, the Group derived 37.2% of its leather- and fabric-upholstered furniture net sales from the United States and the Americas and 55.5% from Europe. A prolonged economic slowdown in the United States and Europe may have a material adverse effect on the Group s results of operations.

The Group operates principally in a niche area of the furniture market - The Group is a leader in the production of leather-upholstered furniture, with 86.8% of net sales of upholstered furniture in 2006 derived from the sale of leather-upholstered furniture. Leather-upholstered furniture represents a limited, but growing, portion of the market for upholstered furniture. Consumers have the choice of purchasing upholstered furniture in a wide variety of styles and materials, and consumer preferences may change. There can be no assurance that the current market for leather-upholstered furniture will not decrease.

The furniture market is highly competitive The Group operates in a highly competitive industry that includes a large number of manufacturers. No single company has a dominant position in the industry. Competition is generally based on product quality, brand name recognition, price and service.

The Group principally competes in the upholstered furniture sub-segment of the furniture market. In Europe, the upholstered furniture market is highly fragmented. In the United States, the upholstered furniture market includes a number of relatively large companies, some of which are larger and have greater financial resources than the Group. Some of the Group s competitors offer extensively advertised, well-recognized branded products.

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Competition has increased significantly in recent years as foreign producers from countries with lower manufacturing costs have begun to play an important role in the upholstered furniture market. Such manufacturers are often able to offer their products at lower prices, which increases price competition in the industry. In particular, manufacturers in China, Eastern Europe and South America have increased competition in the promotional or lower-priced segment of the market.

As a result of the actions and strength of the Group s competitors and the inherent fragmentation in some markets in which it competes, the Group is continually subject to the risk of losing market share, which may lower its sales and profits. Market competition may also force the Group to reduce prices and margins, thereby reducing its cash flows.

Fluctuations in currency exchange rates may adversely affect the Group s results The Group conducts a substantial part of its business outside of the euro zone. A rise in the value of the euro relative to other currencies used in the countries in which the Group operates will reduce the relative value of the revenues from its operations in those countries, and therefore may adversely affect its operating results or financial position, which are reported in euro. In addition to this translation risk, the Group is subject to currency exchange rate risk to the extent that its costs are denominated in currencies other than those in which it earns revenues. In 2006, approximately 47% of the Group s net sales, but only approximately 40% of its costs, were denominated in currencies other than the euro. The Group is therefore exposed to the risk that fluctuations in currency exchange rates may adversely affect its results. For more information, see Item 11, Quantitative and Qualitative Disclosures about Market Risk.

The Group faces risks associated with its international operations The Group is exposed to risks that arise from its international operations, including changes in governmental regulations, tariffs or taxes and other trade barriers, price, wage and exchange controls, political, social, and economic instability in the countries where the Group operates, inflation and interest rate fluctuations. Any of these factors could have a material adverse effect on the Group s results.

The price of the Group s principal raw material is difficult to predict - Leather is used in approximately 85% of the Group s upholstered furniture production, and the acquisition of cattle hides represents approximately 35% of total cost of goods sold. The raw hides market s dynamics are dependent on the consumption of beef, the levels of worldwide slaughtering, worldwide weather conditions and the level of demand in a number of different sectors, including: footwear, leather, automotive, furniture and clothing. The Group s ability to increase product prices following increases in raw material costs is limited by market forces, and therefore the Group may not be able to maintain its margins during periods of significant increases in raw material costs.

The Group s past results and operations have significantly benefited from government incentive programs, which may not be available in the future - Historically, the Group derived significant benefits from the Italian Government s investment incentive programs for under-industrialized regions in Southern Italy, including tax benefits, subsidized loans and capital grants. See Item 4, Information on the Company Incentive Programs and Tax Benefits. In recent years, the Italian Parliament replaced these incentive programs with an investment incentive program for all under-industrialized regions in Italy, which is currently being implemented by the Group through grants and research and development benefits. There are no indications at this time that the Italian Government will implement new initiatives to support companies located in under-industrialized regions in Italy. Therefore, there can be no assurance that the Group will continue to be eligible for such grants, benefits or tax credits for its current or future investments in Italy.

In recent years, the Group has opened manufacturing operations in China, Brazil and Romania that have been granted tax benefits and export incentives. There can be no assurance that these tax benefits and export incentives will continue to be available to the Group in the future.

The Group is dependent on qualified personnel - The Group s ability to maintain its competitive position will depend to some degree upon its ability to continue to attract and maintain highly qualified managerial, manufacturing and sales and marketing personnel. There can be no assurance that the Group will be able to continue to recruit and retain such personnel. In particular, the Group has been dependent on certain key management personnel in the past, and there can be no assurance that the loss of key personnel would not have a material adverse effect on the Group s results of operations.

Investors may face difficulties in protecting their rights as shareholders or holders of ADSs - The Company is incorporated under the laws of the Republic of Italy. As a result, the rights and obligations of its shareholders and certain rights and obligations of holders of its ADSs are governed by Italian law and the Company s *Statuto* (or By-laws). These rights and obligations are different from those that apply to U.S. corporations. Furthermore, under Italian law, holders of ADSs have no right to vote the shares underlying their ADSs, although under the Deposit Agreement, ADS holders have the right to give instructions to The Bank of New York, the ADS depositary, as to how they wish such shares to be voted. For these reasons, the Company s ADS holders may find it more difficult to protect their interests against actions of the Company s management, board of directors or shareholders than they would as shareholders of a corporation incorporated in the United States.

The Group has material weaknesses in its internal control over financial reporting The Group has identified the material weaknesses in its internal control over financial reporting described in Item 15 of this Annual Report and has determined that its internal control over financial reporting was not effective as of December 31, 2006. The Group intends to remediate all such material weaknesses by the time the Group files its Annual Report on form 20-F for the year ending December 31, 2007. There can be no assurance, however, that the Group will effectively remediate all material weaknesses by that time or that additional material weaknesses will not arise in the future. The existence of material weaknesses in internal control over financial reporting may undermine the Group s ability to ensure reliable financial reporting and result in misstatements in the Group s financial statements.

Control of the Company Mr. Pasquale Natuzzi, who founded the Company and is currently Chairman of the Board of Directors, owns 47.5% of the issued and outstanding Ordinary Shares of the Company (52.6% of the Ordinary Shares if the Ordinary Shares owned by members of Mr. Natuzzi s immediate family (the Natuzzi Family) are aggregated). As a result, Mr. Natuzzi controls the Company, including its management and the selection of its Board of Directors. Since December 16, 2003, Mr. Natuzzi has held his entire beneficial ownership of Natuzzi S.p.A. shares (other than 196 ADSs) through INVEST 2003 S.r.l., an Italian holding company (having its registered office at Via Gobetti 8, Taranto, Italy) wholly-owned by Mr. Natuzzi.

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In addition, the Natuzzi Family has a right of first refusal to purchase all the rights, warrants or other instruments which The Bank of New York, as Depositary under the Deposit Agreement dated as of May 15, 1993, as amended and restated as of December 31, 2001 (the Deposit Agreement), among the Company, The Bank of New York, as Depositary (the Depositary), and owners and beneficial owners of American Depositary Receipts (ADRs), determines may not lawfully or feasibly be made available to owners of ADSs in connection with each rights offering, if any, made to holders of Ordinary Shares.

Because a change of control of the Company would be difficult to achieve without the cooperation of Mr. Natuzzi and the Natuzzi Family, the holders of the Ordinary Shares and the ADSs may be less likely to receive a premium for their shares upon a change of control of the Company.

Forward Looking Information

Natuzzi makes forward-looking statements in this annual report. Statements that are not historical facts, including statements about the Group s beliefs and expectations, are forward-looking statements. Words such as believe , expect , intend , plan and anticipate and similar expressions are intended to identify forward-looking statements but are no exclusive means of identifying such statements. These statements are based on current plans, estimates and projections, and therefore readers should not place undue reliance on them. Forward-looking statements speak only as of the dates they were made, and the Company undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Forward-looking statements involve inherent risks and uncertainties. The Company cautions readers that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to: effects on the Group from competition with other furniture producers, material changes in consumer demand or preferences, significant economic developments in the Group s primary markets, significant changes in labor, material and other costs affecting the construction of new plants, significant changes in the costs of principal raw materials, significant exchange rate movements or changes in the Group s legal and regulatory environment, including developments related to the Italian Government s investment incentive or similar programs. Natuzzi cautions readers that the foregoing list of important factors is not exhaustive. When relying on forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and events.

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Item 4. Information on the Company

Introduction

The Group is primarily engaged in the design, manufacture and marketing of contemporary and traditional leather- and fabric-upholstered furniture, principally sofas, loveseats, armchairs, sectional furniture, motion furniture and sofa beds, and living room accessories.

The Group is the world s leader in the production of leather-upholstered furniture and has a leading share of the market for leather-upholstered furniture in the United States and Europe (as reported by CSIL, an Italian market research firm, with reference to market information related to the year 2005). In 2000, the Company launched Italsofa , a new promotional brand aimed at the lower-priced segment of the upholstery market, while in January 2002, the Company introduced the new logo for the Natuzzi brand, which is aimed at identifying the Company s medium to high -end of the market products. The Group currently designs 100% of its products and manufactures, directly or through third parties, approximately 45% of its products in Italy. Production outside of Italy is mainly for the Italsofa brand. Within Italy, the Group sells its furniture principally through franchised *Divani & Divani by Natuzzi* furniture stores. As at April 30, 2007, 124 *Divani & Divani by Natuzzi* stores and 1 *Natuzzi Store* were located in Italy. Outside of Italy, the Group sells its furniture principally on a wholesale basis to major retailers and, as at April 30, 2007, through 159 *Natuzz*i and *Divani & Divani by Natuzzi* stores.

On June 7, 2002 the Company changed its name from *Industrie Natuzzi S.p.A.* to *Natuzzi S.p.A.* The *Statuto*, or by-laws, of the Company provide that the duration of the Company is until December 31, 2050. The Company, which operates under the trademark Natuzzi , is a *società per azioni* (stock company) organized under the laws of the Republic of Italy and was established in 1959 by Mr. Pasquale Natuzzi, who is currently Chairman of the Board of Directors and controlling shareholder of the Company. Substantially all of the Company s operations are carried out through various subsidiaries that individually conduct a specialized activity, such as leather processing, foam production and shaping, furniture manufacturing, marketing or administration.

The Company s principal executive offices are located at Via Iazzitiello 47, 70029 Santeramo, Italy, which is approximately 25 miles from Bari, in Southern Italy. The Company s telephone number is: +39 080 8820-111. The Company s distribution subsidiary in the United States is Natuzzi Americas, Inc. (Natuzzi Americas), located at 130 West Commerce Avenue, High Point, North Carolina 27260 (telephone number +1 336 888-0351).

Organizational Structure

As at April 30, 2007, the Company s principal operating subsidiaries were:

Name	Percentage of ownership	Registered office	Activity
Italsofa Bahia Ltd	97.99	Bahia, Brazil	(1)
Minuano Nordeste S.A.	100.00	Pojuca, Brazil	(1)
Italsofa Shanghai Ltd	100.00	Shanghai, China	(1)
Softaly Shanghai Ltd	100.00	Shanghai, China	(1)
Italsofa Romania	100.00	Baia Mare, Romania	(1)
Natco S.p.A.	99.99	Bari, Italy	(2)
I.M.P.E. S.p.A.	90.83	Qualiano, Italy	(3)
Nacon S.p.A.	100.00	Bari, Italy	(4)
Lagene S.r.l.	100.00	Bari, Italy	(4)

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Name	Percentage of ownership	Registered office	Activity
Natuzzi Americas Inc.	100.00	High Point, NC, USA	(4)
Natuzzi Iberica S.A.	100.00	Madrid, Spain	(4)
Natuzzi Switzerland AG	97.00	Kaltbrunn, Switzerland	(4)
Natuzzi Nordic	100.00	Copenaghen, Denmark	(4)
Natuzzi Benelux S.A.	100.00	Geel, Belgium	(4)
Natuzzi Germany Gmbh	100.00	Dusseldorf, Germany	(4)
Natuzzi Sweden AB	100.00	Stockholm, Sweden	(4)
Natuzzi Japan KK	100.00	Tokyo, Japan	(4)
Natuzzi Services Limited	100.00	London, UK	(4)
La Galleria Limited	100.00	London, UK	(7)
Natuzzi Netherlands Holding	100.00	Amsterdam, Holland	(5)
Natuzzi United Kingdom Limited	100.00	London, UK	(7)
Natuzzi Trade Service S.r.l.	100.00	Bari, Italy	(6)
Kingdom of Leather Limited	100.00	London, UK	(7)
Italholding S.r.l.	100.00	Bari, Italy	(5)

(1) Manufacture and distribution

(2) Intragroup leather dyeing and finishing

(3) Production and distribution of polyurethane foam

(4) Distribution

(5) Investment holding

(6) Transportation services

(7) Dormant

See Note 1 to the Consolidated Financial Statements for further information on the Company s subsidiaries.

Strategy

The Group s primary objective is to expand and strengthen its presence in the global upholstered furniture market in terms of sales and production, while at the same time increasing the Group s profit and efficiency. To achieve these objectives, the Group s principal strategic objectives include:

Improving efficiency and reducing operating costs - Due to recurring unfavorable currency conditions, pricing pressure especially in the U.S. and general economic conditions that have negatively affected order flows for Natuzzi-branded products, and as part of