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NATUZZI S P A
Form 6-K
April 02, 2007

Securities and Exchange Commission
Washington, D.C. 20549

FORM 6-K

Report of Foreign Issuer
Pursuant To Rule 13a-16 Or 15d-16
Of The
Securities Exchange Act of 1934

For the month of April 2007

Commission File Number 1-11854

NATUZZI S.p.A.
(Translation of Registrant's name into English)

Via Iazzitiello 47
70029 Santeramo, Italy
(Address of principal office)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

(Check One) Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

(Check One) Yes No

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b). 82- .)

Natuzzi's Board of Directors Announces Fourth Quarter
and Full Year 2006 Financial Results

FY06 FINANCIAL HIGHLIGHTS

- REVENUES UP 9.8% FROM EUR 669.9 MILLION IN 2005 TO EUR 735.5 MILLION IN 2006
- OPERATING PROFIT AT EUR 16.5 MILLION VERSUS OPERATING LOSS OF EUR 14.7 MILLION IN 2005

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- NET PROFIT AT EUR 12.3 MILLION FROM NET LOSSES OF EUR 14.6 MILLION IN 2005
- 2006 NET EARNINGS PER SHARE AT EUR 0.22, VERSUS NET LOSSES PER SHARE OF EUR 0.27 IN 2005
- FULL YEAR 2006 CASH FLOW FROM OPERATIONS AT EUR 66.9 MILLION AS COMPARED TO EUR 23.2 MILLION IN 2005

SANTERAMO IN COLLE, Bari, Italy--(BUSINESS WIRE)--April 2, 2007--The Board of Directors of Natuzzi S.p.A. (NYSE: NTZ) ('Natuzzi' or 'the Company'), the world's leading manufacturer of leather-upholstered furniture, today presents the consolidated financial statements for the fourth quarter and full year 2006.

NET SALES

During the fourth quarter of 2006, Natuzzi total net sales increased by 1.3% at EUR 193.1 million from EUR 190.6 million reported for the last quarter of 2005. During the same period, units sold decreased by 2.9%. Considering the whole 2006, total net sales increased by 9.8% at EUR 735.5 million, from EUR 669.9 million reported in 2005.

For the last three months of 2006, upholstery net sales slightly increased at EUR 174.2 million from EUR 173.0 million of the previous year's fourth quarter. Other sales (principally living-room accessories and raw material produced by the Company and sold to third parties) increased by 7.4% at EUR 18.9 million from EUR 17.6 million reported for the last quarter of 2005.

In the fourth quarter of 2006 net sales in the Americas were at EUR 58.5 million, down 9.9% from EUR 64.9 million reported in 2005 fourth quarter, whereas in the same period net sales in Europe increased by 5.5% at EUR 102.2 million, and in the rest of the world by 20.5% at EUR 13.5 million on a quarterly basis.

During the three months ended on December 31, 2006, total net sales from our chains Divani & Divani by Natuzzi stores and Natuzzi Stores were at EUR 37.3 million, up 15.5% from EUR 32.3 million reported for the fourth quarter of 2005. During the same period, three new stores were opened (1 in Turkey, 1 in Australia and 1 in New Zealand), whereas three stores were closed (1 in France and 2 in Spain), thus maintaining the total number of stores to 278 as at December 31, 2006. At the same date there were 560 Natuzzi Galleries, whereas one year earlier there were 605 Natuzzi galleries.

Leather upholstered furniture net sales in the fourth quarter of 2006 were at EUR 152.5 million, increasing 3.5% from EUR 147.4 million reported for the last quarter of 2005, whereas fabric upholstered net sales decreased by 15.2% at EUR 21.7 million with respect to EUR 25.6 million reported in fourth quarter 2005.

During the fourth quarter of 2006 net sales for the Natuzzi branded products were down 1.4% at EUR 108.9 million, whereas, over the same period, net sales of Italsofa products increased 4.5% at EUR 65.3 million.

GROSS PROFIT & OPERATING INCOME

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For the three-month period ended on December 2006, the Company reported a gross profit of EUR 58.5 million, increasing by 6.4% with respect to EUR 55.0 million reported for the same comparable period of the previous year. As percentage of sales, gross margin increased from 28.9% to 30.3% on a quarterly basis, showing a material improvement in the manufacturing process.

During 2006 fourth quarter the Company reported a net operating loss of EUR 3.4 million, as compared to a net operating loss of EUR 5.4 million reported for the same quarter of 2005.

FOREX, EXTRAORDINARY ITEMS AND TAXES

During the fourth quarter of 2006 the Company had a net foreign exchange gain of EUR 2.8 million, as compared to a net foreign exchange gain of EUR 2.4 million reported in 2005 fourth quarter.

The comparison of other income/(losses) on a quarterly base was negatively affected by provisions for contingent liabilities accounted for in the fourth quarter 2006, amounting at EUR 5.6 million, and extraordinary income represented by the Government grants of EUR 4.4 million received by the Company in 2005.

Over the same period, Company's income taxes were EUR 1.0 million, versus income taxes of EUR 4.0 million reported one year earlier.

Considering the twelve-month period, for the 2006 the Company reported income taxes of EUR 7.1 million, as compared to EUR 3.1 million reported for the whole 2005.

NET INCOME & EARNINGS PER SHARE

During 2006 fourth quarter, the Company reported net losses of EUR 5.1 million, as compared to net losses of EUR 0.7 million reported for the same quarter of 2005. Losses per share (ADR) for the fourth quarter of 2006 were at EUR 0.09 from EUR 0.01 losses per share reported for the last quarter of 2005.

Considering the twelve-month period, in 2006 the Company reported net earnings of EUR 12.3 million, versus net losses of EUR 14.6 million in 2005. Net earnings per share were EUR 0.22 in 2006 versus net losses per share of EUR 0.27 reported for the whole 2005.

CASH FLOW

In 2006 cash flow from operations was EUR 66.9 million, increasing from EUR 23.2 million generated during the whole 2005. The cash increase was mainly due to a more efficient inventory management. On ADR basis, net operating cash flow was EUR 1.22, as compared to EUR 0.42 generated in 2005.

Ernesto Greco, Chief Executive Officer of the Group, commented "We are pleased with the positive net sales performance reported year over year, return to profit and strong cash flow from operations achieved in 2006. However, as anticipated, the revenue performance was supported by the reduction of the orders backlog.

The business scenario, unfortunately, has been and continues to be very soft due to the very aggressive pricing competition and unfavorable exchange rates. This challenging environment has been confirmed by major players in the market. As a result, the first part of 2007 has seen, relatively to the same period of last year, a high

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single digit reduction in the order flow, while revenues slowed down at a double digit rate.

In this challenging market, we remain committed to invest in the repositioning of the Natuzzi brand and reorganization of our sales activities and we continue to be focused on the current restructuring process of our operations, so to regain competitiveness and profitability".

CONVERSION RATES

The fourth quarter 2006 and 2005 dollar figures presented in this announcement were converted at an average noon buying rate of \$1.2894 per EUR and \$1.1890 per EUR, respectively. The 2006 and 2005 figures were converted at an average noon buying rate of \$1.2565 per EUR and \$1.2449 per EUR, respectively.

FRANCHINI RESIGNED FROM THE BOARD OF DIRECTORS

Daniele Franchini, Natuzzi Chief Sales & Marketing Officer, resigned from the Company and Board of Directors, effective from April 30th, 2007.

FOURTH QUARTER AND FULL 2006 TELECONFERENCE

Pasquale Natuzzi, Chairman, Ernesto Greco, Chief Executive Officer, Filippo Simonetti, Chief Financial Officer, and Nicola Dell'Edera, Finance Director, will discuss financial results, followed by a question and answer session, in a teleconference at 10:00 a.m. New York time (3:00 p.m. London time - 4:00 p.m. Italian time) on Tuesday April 3rd, 2007.

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ABOUT NATUZZI S.P.A.

Founded in 1959 by Pasquale Natuzzi, Natuzzi S.p.A. designs and manufactures a broad collection of leather-upholstered residential furniture.

Italy's largest furniture manufacturer, Natuzzi is the global leader in the leather segment, exporting its innovative, high-quality sofas and armchairs to 123 markets on 5 continents.

Since 1990, Natuzzi has sold its furnishings in Italy through the popular Divani & Divani by Natuzzi chain of 124 stores, and 1 Natuzzi Store. Outside Italy, the Company sells to various furniture retailers, as well as through 158 licensed Divani & Divani by Natuzzi and Natuzzi Stores.

Natuzzi S.p.A. was listed on the New York Stock Exchange on May

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13, 1993. The Company is ISO 9001 and 14001 certified.

FORWARD-LOOKING STATEMENTS

Statements in this press release other than statements of historical fact are "forward-looking statements". Forward-looking statements are based on management's current expectations and beliefs and therefore you should not place undue reliance on them. These statements are subject to a number of risks and uncertainties, including risks that may not be subject to the Company's control, that could cause actual results to differ materially from those contained in any forward-looking statement. These risks include, but are not limited to, fluctuations in exchange rates, economic and weather factors affecting consumer spending, competitive and regulatory environment, as well as other political, economical and technological factors, and other risks identified from time to time in the Company's filings with the Securities and Exchange Commission, particularly in the Company's annual report on Form 20-F. Forward looking statements speak as of the date they were made, and the Company undertakes no obligation to update publicly any of them in light of new information or future events.

NATUZZI S.P.A. AND SUBSIDIARIES

Unaudited Consolidated Statement of Earnings for the quarters ended on
December 31, 2006 and 2005 on the basis of Italian GAAP
(Expressed in millions of EUR except per share data)

| | ----- | | % Over (Under) | Percent of Sales ----- | |
|-------------------------------------|------------------------------------|----------------|-------------------|---------------------------|----------------|
| | Three months ended on 31-Dec-06 | 31-Dec-05 | | 31-Dec-06 | 31-Dec-05 |
| Upholstery net sales | 174.2 | 173.0 | 0.7% | 90.2% | 90.8% |
| Other sales | 18.9 | 17.6 | 7.4% | 9.8% | 9.2% |
| Total Net Sales | 193.1 | 190.6 | 1.3% | 100.0% | 100.0% |
| Purchases | (80.5) | (77.5) | (3.9)% | (41.7)% | (40.7)% |
| Labor | (29.2) | (30.1) | 3.0% | (15.1)% | (15.8)% |
| Third-party Manufacturers | (4.3) | (7.2) | 40.3% | (2.2)% | (3.8)% |
| Manufacturing Costs | (8.6) | (8.9) | 3.4% | (4.5)% | (4.7)% |
| Inventories, net | (12.0) | (11.9) | (0.8)% | (6.2)% | (6.2)% |
| Cost of Sales | (134.6) | (135.6) | 0.7% | (69.7)% | (71.1)% |
| Gross Profit | 58.5 | 55.0 | 6.4% | 30.3% | 28.9% |
| Selling Expenses | (49.0) | (48.4) | (1.2)% | (25.4)% | (25.4)% |
| General and Administrative Expenses | (12.9) | (12.0) | (7.5)% | (6.7)% | (6.3)% |
| Operating Income (Loss) | (3.4) | (5.4) | 37.0% | (1.8)% | (2.8)% |
| Interest Income, net | 0.7 | 0.0 | | 0.4% | 0.0% |
| Foreign Exchange, net | 2.8 | 2.4 | | 1.5% | 1.3% |
| Other Income (losses), net | (4.3) | 6.2 | | (2.2)% | 3.3% |

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| | | | | | |
|---|------------|------------|----------|--------|--------|
| Earnings (Losses) before taxes and minority interest | (4.2) | 3.2 | (231.3)% | (2.2)% | 1.7% |
| Income taxes | (1.0) | (4.0) | | (0.5)% | (2.1)% |
| Earnings (Losses) before minority interest | (5.2) | (0.8) | (550.0)% | (2.7)% | (0.4)% |
| Minority Interest | (0.1) | (0.1) | | (0.1)% | (0.1)% |
| Net Earnings (Losses) | (5.1) | (0.7) | (628.6)% | (2.6)% | (0.4)% |
| Earnings (Losses) Per Share | (0.09) | (0.01) | | | |
| Average Number of Shares Outstanding* | 54,738,538 | 54,681,628 | | | |
| (*) Net of shares repurchased | | | | | |

| Key Figures in U.S. dollars (millions) | Three months ended on | |
|--|-----------------------|----------------------|
| | December 31, 2006 | December 31, 2005 |
| Total Net Sales | 249.0 | 226.6 |
| Gross Profit | 75.4 | 65.4 |
| Operating Income (Loss) | (4.4) | (6.4) |
| Net Earnings (Losses) | (6.6) | (0.8) |
| Earnings (Losses) per Share | (0.12) | (0.01) |
| Average exchange rate (U.S. dollar per Euro) | 1.2894 | 1.1890 |

NATUZZI S.P.A. AND SUBSIDIARIES
 Unaudited Consolidated Statement of Earnings for the twelve-month
 periods ended on
 December 31, 2006 and 2005 on the basis of Italian GAAP
 (Expressed in millions of EUR except per share data)

| | Twelve months ended on | | % Over (Under) | Percent of Sales | |
|------------------------------|------------------------|-----------|-------------------|------------------|-----------|
| | 31-Dec-06 | 31-Dec-05 | | 31-Dec-06 | 31-Dec-05 |
| Upholstery net sales | 660.3 | 594.8 | 11.0% | 89.8% | 88.8% |
| Other sales | 75.2 | 75.1 | 0.1% | 10.2% | 11.2% |
| Total Net Sales | 735.5 | 669.9 | 9.8% | 100.0% | 100.0% |
| Purchases | (313.2) | (295.3) | (6.1)% | (42.6)% | (44.1)% |
| Labor | (109.4) | (108.3) | (1.0)% | (14.9)% | (16.2)% |
| Third-party Manufacturers | (19.6) | (25.3) | 22.5% | (2.7)% | (3.8)% |
| Manufacturing Costs | (33.1) | (33.6) | 1.5% | (4.5)% | (5.0)% |
| Inventories, net | (15.3) | 3.1 | (593.5)% | (2.1)% | 0.5% |

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| | | | | | |
|---|------------|------------|--------|---------|---------|
| Cost of Sales | (490.6) | (459.4) | (6.8)% | (66.7)% | (68.6)% |
| Gross Profit | 244.9 | 210.5 | 16.3% | 33.3% | 31.4% |
| Selling Expenses General and Administrative Expenses | (186.2) | (182.2) | (2.2)% | (25.3)% | (27.2)% |
| Operating Income (Loss) | 16.5 | (14.7) | 212.2% | 2.2% | (2.2)% |
| Interest Income, net | 1.5 | 0.0 | | 0.2% | 0.0% |
| Foreign Exchange, net | 0.8 | (1.6) | | 0.1% | (0.2)% |
| Other Income, net | 0.5 | 4.5 | | 0.1% | 0.7% |
| Earnings (Losses) before taxes and minority interest | 19.3 | (11.8) | 263.6% | 2.6% | (1.8)% |
| Income taxes | (7.1) | (3.1) | | (1.0)% | (0.5)% |
| Earnings (Losses) before minority interest | 12.2 | (14.9) | 181.9% | 1.7% | (2.2)% |
| Minority Interest | (0.1) | (0.3) | | 0.0% | 0.0% |
| Net Earnings (Losses) | 12.3 | (14.6) | 184.2% | 1.7% | (2.2)% |
| Earnings (Losses) Per Share | 0.22 | (0.27) | | | |
| Average Number of Shares Outstanding* | 54,738,538 | 54,681,628 | | | |
| (*) Net of shares repurchased | | | | | |

| Key Figures in U.S. dollars (millions) | Twelve months ended on | |
|--|------------------------|-------------------|
| | December 31, 2006 | December 31, 2005 |
| Total Net Sales | 924.2 | 834.0 |
| Gross Profit | 307.7 | 262.1 |
| Operating Income (Loss) | 20.7 | (18.3) |
| Net Earnings (Losses) | 15.5 | (18.2) |
| Earnings (Losses) per Share | 0.28 | (0.34) |
| Average exchange rate (U.S. dollar per Euro) | 1.2565 | 1.2449 |

GEOGRAPHIC BREAKDOWN

| Sales* | | Seat Units | |
|---------------------------------------|--------------------------------|---------------------------------------|--------------------------------|
| Three months ended on 31-Dec-06 | % Over (Under) 31-Dec-05 | Three months ended on 31-Dec-06 | % Over (Under) 31-Dec-05 |
| | | | |

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| Americas | 58.5 | 64.9 | (9.9%) | 328,872 | 366,939 | (10.4%) |
|-------------------|--------------|--------------|-------------|----------------|----------------|---------------|
| % of total | 33.6% | 37.5% | | 42.1% | 45.7% | |
| Europe | 102.2 | 96.9 | 5.5% | 394,338 | 392,494 | 0.5% |
| % of total | 58.7% | 56.0% | | 50.5% | 48.8% | |
| Rest of the world | 13.5 | 11.2 | 20.5% | 57,372 | 44,198 | 29.8% |
| % of total | 7.7% | 6.5% | | 7.3% | 5.5% | |
| TOTAL | 174.2 | 173.0 | 0.7% | 780,582 | 803,631 | (2.9%) |

* Expressed in millions of EUR

BREAKDOWN BY COVERING

| | Sales* | | | Seat Units | | |
|--------------|--------------------|--------------|-------------|--------------------|----------------|---------------|
| | Three months ended | | % Over | Three months ended | | % Over |
| | on | | (Under) | on | | (Under) |
| | 31-Dec-06 | 31-Dec-05 | | 31-Dec-06 | 31-Dec-05 | |
| Leather | 152.5 | 147.4 | 3.5% | 670,025 | 653,604 | 2.5% |
| % of total | 87.5% | 85.2% | | 85.8% | 81.3% | |
| Fabric | 21.7 | 25.6 | (15.2%) | 110,557 | 150,027 | (26.3%) |
| % of total | 12.5% | 14.8% | | 14.2% | 18.7% | |
| Total | 174.2 | 173.0 | 0.7% | 780,582 | 803,631 | (2.9%) |

* (Expressed in millions of EUR)

BREAKDOWN BY BRAND

| | Sales* | | | Seat Units | | |
|--------------|--------------------|--------------|-------------|--------------------|----------------|---------------|
| | Three months ended | | % Over | Three months ended | | % Over |
| | on | | (Under) | on | | (Under) |
| | 31-Dec-06 | 31-Dec-05 | | 31-Dec-06 | 31-Dec-05 | |
| Natuzzi | 108.9 | 110.4 | (1.4%) | 399,207 | 384,606 | 3.8% |
| % of total | 62.5% | 63.9% | | 51.1% | 47.9% | |
| Italsofa | 65.3 | 62.5 | 4.5% | 381,375 | 419,025 | (9.0%) |
| % of total | 37.5% | 36.1% | | 48.9% | 52.1% | |
| TOTAL | 174.2 | 173.0 | 0.7% | 780,582 | 803,631 | (2.9%) |

GEOGRAPHIC BREAKDOWN

| | Sales* | | | Seat Units | | |
|-------------------|---------------------|-----------|---------|---------------------|-----------|---------|
| | Twelve months ended | | % Over | Twelve months ended | | % Over |
| | on | | (Under) | on | | (Under) |
| | 31-Dec-06 | 31-Dec-05 | | 31-Dec-06 | 31-Dec-05 | |
| Americas | 245.4 | 241.7 | 1.5% | 1,364,873 | 1,386,329 | (1.5%) |
| % of total | 37.2% | 40.6% | | 45.2% | 49.3% | |
| Europe | 366.6 | 313.2 | 17.0% | 1,449,696 | 1,262,887 | 14.8% |
| % of total | 55.5% | 52.7% | | 48.1% | 44.9% | |
| Rest of the world | 48.3 | 39.9 | 21.1% | 202,133 | 162,523 | 24.4% |
| % of total | 7.3% | 6.7% | | 6.7% | 5.8% | |

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| | | | | | | |
|-------|-------|-------|-------|-----------|-----------|------|
| TOTAL | 660.3 | 594.8 | 11.0% | 3,016,702 | 2,811,739 | 7.3% |
|-------|-------|-------|-------|-----------|-----------|------|

* (Expressed in millions of EUR)

BREAKDOWN BY COVERING

| | Sales* | | | Seat Units | | |
|------------|---------------------|-----------|---------|---------------------|-----------|---------|
| | Twelve months ended | | % Over | Twelve months ended | | % Over |
| | on | on | (Under) | on | on | (Under) |
| | 31-Dec-06 | 31-Dec-05 | (Under) | 31-Dec-06 | 31-Dec-05 | (Under) |
| Leather | 573.1 | 498.9 | 14.9% | 2,544,174 | 2,224,834 | 14.4% |
| % of total | 86.8% | 83.9% | | 84.3% | 79.1% | |
| Fabric | 87.2 | 95.9 | (9.1%) | 472,528 | 586,905 | (19.5%) |
| % of total | 13.2% | 16.1% | | 15.7% | 20.9% | |
| Total | 660.3 | 594.8 | 11.0% | 3,016,702 | 2,811,739 | 7.3% |

* (Expressed in millions of EUR)

BREAKDOWN BY BRAND

| | Sales* | | | Seat Units | | |
|------------|---------------------|-----------|---------|---------------------|-----------|---------|
| | Twelve months ended | | % Over | Twelve months ended | | % Over |
| | on | on | (Under) | on | on | (Under) |
| | 31-Dec-06 | 31-Dec-05 | (Under) | 31-Dec-06 | 31-Dec-05 | (Under) |
| Natuzzi | 416.2 | 395.0 | 5.4% | 1,506,981 | 1,451,341 | 3.8% |
| % of total | 63.0% | 66.4% | | 50.0% | 51.6% | |
| Italsofa | 244.1 | 199.9 | 22.1% | 1,509,721 | 1,360,398 | 11.0% |
| % of total | 37.0% | 33.6% | | 50.0% | 48.4% | |
| TOTAL | 660.3 | 594.8 | 11.0% | 3,016,702 | 2,811,739 | 7.3% |

NATUZZI S.P.A. AND SUBSIDIARIES

Unaudited Consolidated Balance Sheet as of December 31, 2006
and December 31, 2005 (Expressed in millions of EUR)

31-Dec-06 31-Dec-05

ASSETS

Current Assets:

| | | |
|-------------------------------------|-------|-------|
| Cash and cash equivalents | 128.1 | 89.7 |
| Marketable debt securities | 0.0 | 0.0 |
| Trade receivables, net | 119.3 | 123.6 |
| Other receivables | 44.7 | 46.3 |
| Inventories | 100.3 | 115.7 |
| Unrealized foreign exchange gains | 5.5 | 0.0 |
| Prepaid expenses and accrued income | 2.0 | 2.6 |
| Deferred income taxes | 7.5 | 6.6 |

Total current assets 407.4 384.5

Non-Current Assets:

| | | |
|-----------------------------------|-------|-------|
| Net property, plant and equipment | 246.3 | 262.8 |
| Treasury shares | 0.0 | 0.0 |

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| | | |
|---|-------|-------|
| Other assets | 18.7 | 16.6 |
| Deferred income taxes | 2.3 | 1.1 |
| ----- | | |
| TOTAL ASSETS | 674.7 | 665.0 |
| ----- | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Short-term borrowings | 3.8 | 7.7 |
| Current portion of long-term debt | 0.3 | 0.4 |
| Accounts payable-trade | 79.5 | 73.5 |
| Accounts payable-other | 22.5 | 24.2 |
| Accounts payable shareholders for dividends | 0.6 | 0.6 |
| Unrealized foreign exchange losses | 0.0 | 4.8 |
| Income taxes | 4.6 | 2.9 |
| Salaries, wages and related liabilities | 21.7 | 22.1 |
| ----- | | |
| Total current liabilities | 133.0 | 136.2 |
| ----- | | |
| Long-Term Liabilities: | | |
| Employees' leaving entitlement | 35.3 | 32.3 |
| Long-term debt | 2.4 | 3.6 |
| Deferred income taxes | 0.0 | 0.0 |
| Deferred income for capital grants | 14.1 | 14.8 |
| Other liabilities | 10.5 | 4.4 |
| ----- | | |
| Minority Interest | 0.6 | 0.7 |
| ----- | | |
| Shareholders' Equity: | | |
| Share capital | 54.7 | 54.7 |
| Reserves | 42.3 | 42.3 |
| Additional paid-in capital | 8.3 | 8.3 |
| Retained earnings | 373.5 | 367.7 |
| ----- | | |
| Total shareholders' equity | 478.8 | 473.0 |
| ----- | | |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 674.7 | 665.0 |
| ----- | | |

NATUZZI S.P.A. AND SUBSIDIARIES

Unaudited Consolidated Statements of Cash Flows

as of December 31, 2006 and 2005 (Expressed in millions of EUR)

| | 31-Dec-06 | 31-Dec-05 |
|---|-----------|-----------|
| | ----- | ----- |
| Cash flows from operating activities: | | |
| Net earnings (losses) | 12.3 | (14.6) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 30.5 | 33.0 |
| Employees' leaving entitlement | 2.9 | 2.4 |
| Deferred income taxes | (2.1) | (6.3) |
| Minority interest | (0.1) | (0.2) |
| (Gain) loss on disposal of assets | 0.8 | (0.2) |
| Unrealized foreign exchange (losses) / gain | (10.2) | 11.9 |
| Deferred income for capital grants | (1.1) | (5.6) |
| Change in assets and liabilities: | | |
| Receivables, net | 4.3 | 10.6 |
| Inventories | 15.5 | (1.6) |
| Prepaid expenses and accrued income | 0.6 | (0.1) |
| Other assets | 1.4 | (1.4) |
| Accounts payable | 6.0 | (7.4) |

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|--|----------|----------|
| Income taxes | 1.7 | 0.4 |
| Salaries, wages and related liabilities | (0.4) | 3.3 |
| Other liabilities | 4.8 | (1.0) |
| Total adjustments | 54.6 | 37.8 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 66.9 | 23.2 |
| ----- | | |
| Cash flows from investing activities: | | |
| Property, plant, equipment and intangibles: | | |
| Additions | (20.0) | (20.9) |
| Disposals | 0.3 | 0.9 |
| Government grants received | 0.6 | 1.0 |
| Marketable debt securities: | | |
| Proceeds from sales | 0.0 | 0.0 |
| Purchase of business, net of cash acquired | (3.3) | (2.0) |
| Disposal of business | 0.0 | 0.0 |
| NET CASH USED IN INVESTING ACTIVITIES | (22.4) | (21.0) |
| ----- | | |
| Cash flows from financing activities: | | |
| Long term debt: | | |
| Proceeds | 0.4 | 0.5 |
| Repayments | (1.6) | (2.1) |
| Short-term borrowings | (4.0) | 1.6 |
| Dividends paid to shareholders | 0.0 | (3.8) |
| Dividends paid to minority shareholders | 0.0 | 0.0 |
| NET CASH USED IN FINANCING ACTIVITIES | (5.2) | (3.8) |
| ----- | | |
| Effect of translation adjustments on cash | (0.9) | 4.0 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 38.4 | 2.4 |
| ----- | | |
| Cash and cash equivalents, beginning of the year | 89.7 | 87.3 |
| CASH AND CASH EQUIVALENTS, END OF THE PERIOD | 128.1 | 89.7 |
| ----- | | |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NATUZZI S.p.A.
(Registrant)

Date: April 2nd, 2007

By: /s/ FILIPPO SIMONETTI

Filippo Simonetti