

Edgar Filing: NATUZZI S P A - Form 6-K

NATUZZI S P A
Form 6-K
November 15, 2006

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 November 2006

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.p.A. (NYSE: NTZ) Announces
Third Quarter 2006 Financial Results

Third Quarter 2006 Financial Highlights

- Total Net Revenues at EUR 158.5 Million in 3Q06 up by 7.7% and Units Sold up 10.0% over 3Q05
- Operating Loss at EUR 1.1 Million in 3Q06 versus Break Even Reported in Third Quarter 2005
- Net Earnings at EUR 0.8 Million versus Net Losses of EUR 2.0 Million in 3Q05

Edgar Filing: NATUZZI S P A - Form 6-K

Business Editors

SANTERAMO IN COLLE, Bari, Italy--(BUSINESS WIRE)--Nov. 15, 2006--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 announces the approval of the consolidated financial statements for the third quarter 2006.

NET SALES

Natuzzi third quarter 2006 total net sales were at EUR 158.5 million, or \$ 202.0 million, up 7.7 percent as compared to third quarter 2005. During the first nine months of the year, total net sales increased by 13.1 percent with respect to the same period of 2005 at EUR 542.4 million, or \$ 675.6 million.

During the third quarter 2006, upholstery net sales were at EUR 142.0 million, or \$ 180.9 million, up 8.8 percent over the third quarter of last year. During the same period, total seats sold increased by 10.0 percent. In the first nine months of 2006, the Company sold 2,236,121 seats, 11.4 percent more than the same comparable period of last year.

Other sales (principally living room accessories, and raw materials produced by the Company and sold to third parties) decreased 1.2 percent to EUR 16.5 million, or \$ 21.0 million, over the third quarter of last year.

During the three months ended on September 30, 2006, net sales in the Americas increased by 1.3 percent over the third quarter 2005 at EUR 60.1 million, or \$ 76.6 million, by 12.1 percent in Europe at EUR 68.8 million, or \$ 87.7 million, by 33.7 percent in the rest of the world at EUR 13.1 million, or \$ 16.7 million.

In the third quarter 2006, two new stores were opened in China, whereas three stores were closed (one in Italy, one in UK and one in Switzerland), thus bringing the total number of stores to 278 as at September 30, 2006. In the same period, twelve galleries were opened, so that the total number of Natuzzi galleries was 560 as at September 30, 2006.

Leather-upholstered furniture net sales were at EUR 123.4 million, or \$ 157.2 million, up 11.7 percent over third quarter 2005, whereas fabric-upholstered net sales were down 7.0 percent at EUR 18.6 million, or \$ 23.7 million.

During the third quarter 2006, net sales for the Natuzzi branded products increased by 2.8 percent over the third quarter 2005 at EUR 83.8 million, or \$ 106.8 million, and by 18.8 percent for the Italsofa products at EUR 58.2 million, or \$ 74.2 million.

GROSS PROFIT & OPERATING INCOME

For the three months ended on September 30, 2006, gross profit increased at EUR 51.1 million, or \$ 65.1 million, as compared to EUR 48.6 million, or \$ 59.3 million, reported for the third quarter of the previous year. Gross profit margin slightly decreased at 32.2 percent, from 33.0 percent reported for the third quarter of 2005, mainly due to the unfavorable currency effect on upholstery net sales.

The Company reported an operating loss of EUR 1.1 million, or \$ 1.4 million, as compared to a break even in the third quarter 2005.

Edgar Filing: NATUZZI S P A - Form 6-K

FOREX & TAXES

During the quarter ended on September 30, 2006, the Company reported a net foreign exchange loss of EUR 0.4 million, or a loss of \$ 0.5 million, as compared to a net foreign exchange loss of EUR 0.9 million, or a net foreign exchange loss of \$ 1.1 million, reported in the same comparable period of last year.

For the third quarter of 2006, the Company had income tax credit of EUR 0.2 million, or \$ 0.3 million, versus income taxes of EUR 0.5 million, or \$ 0.6 million, reported last year.

NET INCOME & EARNINGS PER SHARE

For the third quarter 2006, the Company reported net income of EUR 0.8 million, or \$ 1.0 million, versus net losses of EUR 2.0 million, or \$ 2.4 million, reported in the same quarter of last year. Earning per share (ADR) was EUR 0.01, or \$ 0.01, as compared to net loss per share of EUR 0.04, or \$ 0.05, reported in third quarter 2005.

For the first nine months, in 2006 the Company reported net earnings of EUR 17.5 million, or \$ 21.8 million, versus net losses of EUR 13.9 million, or \$ 17.6 million, for the same comparable period in 2005

CASH FLOW

During the nine month period ended on September 30, 2006, net cash flow from operations increased at EUR 53.6 million, or \$ 66.8 million, from EUR 16.9 million, or \$ 21.3 million, generated for the same period in 2005. On per ADR basis, net operating cash flow was EUR 0.98, or \$ 1.22, up from EUR 0.31, or \$ 0.39, generated during the first nine months of 2005.

Ernesto Greco, Chief Executive Officer of the Natuzzi Group, commented: "As in the prior quarter, the positive net sales performance has not been accompanied by a similar order flow. In fact, in the last few months the Group has been reporting a decrease in the order flow which could lead us to an adjustment of the production level. This decrease is mainly due to the general weak retail environment for home furnishing, confirmed at recent High Point furniture market, accompanied by persisting unfavorable currency conditions. Despite this, the Company expects to report for the full year 2006 an high single digit increase in revenues over year 2005 thanks to the existing order back log.

In this challenging environment, we continue to invest in the Natuzzi brand. At the same time, we are focusing our efforts on an extensive process reengineering program that should improve the overall efficiency of the Group and on the reorganization of sales activities so to better envisage customers' needs and improve their satisfaction. Besides, we are finalizing a new exclusive spring collection for which we expect to obtain a successful reception from our customers at next January Cologne furniture fair.

The combination of the above initiatives - concluded Greco - should better position the Group for future sales growth and profitability recovery".

CONVERSION RATES

Edgar Filing: NATUZZI S P A - Form 6-K

The third quarter 2006 and 2005 dollar figures presented in this announcement were converted at an average noon buying rate of \$1.2742 per EUR and \$1.2196 per EUR, respectively. The nine months figures for 2006 and 2005 were converted at an average noon buying rate of \$ 1.2455 per EUR and \$ 1.2628 per EUR, respectively.

MONTELEONE RESIGNED FROM THE BOARD OF DIRECTORS

Gianluca Monteleone, Group Marketing Director until October 31st, 2006, resigned today from the Board of Directors. For the time being, he will not be replaced.

THIRD QUARTER 2006 TELECONFERENCE

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 Thursday November 16, 2006.

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 125 stores, and 1 Natuzzi Store. Outside Italy, the Company sells to various furniture retailers, as well as through 152 licensed Divani & Divani by Natuzzi and Natuzzi Stores.

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

Edgar Filing: NATUZZI S P A - Form 6-K

on
September 30, 2006 and 2005 on the basis of Italian GAAP
(Expressed in millions of EUR except per share data)

	Three months ended on 30-Sep-06	30-Sep-05	% Over (Under)	Percentage of Sales 30-Sep-06	30-Sep-05
Upholstery net sales	142.0	130.5	8.8%	89.6%	88.7%
Other sales	16.5	16.7	(1.2)%	10.4%	11.3%
Total Net Sales	158.5	147.2	7.7%	100.0%	100.0%
Purchases	(69.6)	(63.4)	(9.8)%	(43.9)%	(43.1)%
Labor	(24.0)	(22.1)	(8.6)%	(15.1)%	(15.0)%
Third-party Manufacturers	(3.6)	(5.2)	30.8%	(2.3)%	(3.5)%
Manufacturing Costs	(8.3)	(8.5)	2.4%	(5.2)%	(5.8)%
Inventories, net	(1.9)	0.6	(416.7)%	(1.2)%	0.4%
Cost of Sales	(107.4)	(98.6)	(8.9)%	(67.8)%	(67.0)%
Gross Profit	51.1	48.6	5.1%	32.2%	33.0%
Selling Expenses	(42.9)	(39.3)	(9.2)%	(27.1)%	(26.7)%
General and Administrative Expenses	(9.3)	(9.3)	0.0%	(5.9)%	(6.3)%
Operating Income (Loss)	(1.1)	0.0	N.M.	(0.7)%	0.0%
Interest Income, net	0.3	0.0		0.2%	0.0%
Foreign Exchange, net	(0.4)	(0.9)		(0.3)%	(0.6)%
Other Income, net	1.7	(0.7)		1.1%	(0.5)%
Earnings (Losses) before taxes and minority interest	0.5	(1.6)	131.3%	0.3%	(1.1)%
Income taxes	0.2	(0.5)		0.1%	(0.3)%
Earnings (Losses) before minority interest	0.7	(2.1)	133.3%	0.4%	(1.4)%
Minority Interest	(0.1)	(0.1)		(0.1)%	(0.1)%
Net Earnings (Losses)	0.8	(2.0)	140.0%	0.5%	(1.4)%
Earnings (Losses) Per Share	0.01	(0.04)			
Average Number of Shares					

Edgar Filing: NATUZZI S P A - Form 6-K

Outstanding* 54,738,538 54,681,628

(*) Net of shares repurchased

N.M. = Not meaningful

Key Figures in U.S. dollars
(millions)

	Three months ended on	
	September 30, 2006	September 30, 2005
Total Net Sales	202.0	179.5
Gross Profit	65.1	59.3
Operating Income (Loss)	(1.4)	0.0
Net Earnings (Losses)	1.0	(2.4)
Earnings (Losses) per Share	0.01	(0.05)
Average exchange rate (U.S. dollar per Euro)	1.2742	1.2196

NATUZZI S.P.A. AND SUBSIDIARIES
Unaudited Consolidated Statement of Earnings
for nine months ended on September 30, 2006 and 2005 on the basis of
Italian GAAP
(Expressed in millions of EUR except per share data)

	Nine months ended on		% Over (Under)	Percentage of Sales	
	30-Sep-06	30-Sep-05		30-Sep-06	30-Sep-05
Upholstery net sales	486.1	421.9	15.2%	89.6%	88.0%
Other sales	56.3	57.5	(2.1)%	10.4%	12.0%
Total Net Sales	542.4	479.4	13.1%	100.0%	100.0%
Purchases	(232.7)	(217.8)	(6.8)%	(42.9)%	(45.4)%
Labor	(80.2)	(78.3)	(2.4)%	(14.8)%	(16.3)%
Third-party Manufacturers Manufacturing Costs	(15.4)	(18.2)	15.4%	(2.8)%	(3.8)%
Inventories, net	(24.4)	(24.7)	1.2%	(4.5)%	(5.2)%
Cost of Sales	(3.3)	15.0	(122.0)%	(0.6)%	3.1%
Gross Profit	(356.0)	(324.0)	(9.9)%	(65.6)%	(67.6)%
Gross Profit	186.4	155.4	19.9%	34.4%	32.4%
Selling Expenses	(137.3)	(133.7)	(2.7)%	(25.3)%	(27.9)%
General and Administrative Expenses	(29.2)	(31.0)	5.8%	(5.4)%	(6.5)%
Operating Income (Loss)	19.9	(9.3)	314.0%	3.7%	(1.9)%
Interest Income, net	0.8	0.0		0.1%	0.0%

Edgar Filing: NATUZZI S P A - Form 6-K

Foreign Exchange, net	(2.0)	(3.9)	(0.4)%	(0.8)%
Other Income, net	4.9	(1.7)	0.9%	(0.4)%
Earnings (Losses) before taxes and minority interest	23.6	(14.9)	258.4%	4.4%
Income taxes	(6.1)	0.9	(1.1)%	0.2%
Earnings (Losses) before minority interest	17.5	(14.0)	225.0%	3.2%
Minority Interest	0.0	(0.1)	0.0%	0.0%
Net Earnings (Losses)	17.5	(13.9)	225.9%	3.2%
Earnings (Losses) Per Share	0.32	(0.25)		
Average Number of Shares Outstanding*	54,738,538	54,681,628		
(*) Net of shares repurchased				

Key Figures in U.S. dollars
(millions)

	Nine months ended on	
	September 30, 2006	September 30, 2005
Total Net Sales	675.6	605.4
Gross Profit	232.2	196.2
Operating Income (Loss)	24.8	(11.7)
Net Earnings (Losses)	21.8	(17.6)
Earnings (Losses) per Share	0.40	(0.32)
Average exchange rate (U.S. dollar per Euro)	1.2455	1.2628

GEOGRAPHIC BREAKDOWN

Sales*		Seat Units	
Three months ended on	% Over	Three months ended on	% Over
30-Sep-	30-Sep-	30-Sep-	30-Sep-

Edgar Filing: NATUZZI S P A - Form 6-K

	06	05	(Under)	30-Sep-06	30-Sep-05	(Under)
Americas	60.1	59.3	1.3%	357,752	326,633	9.5%
% of total	42.3%	45.5%		52.0%	52.2%	
Europe	68.8	61.4	12.1%	274,427	261,848	4.8%
% of total	48.5%	47.0%		39.9%	41.9%	
Rest of the world	13.1	9.8	33.7%	55,392	36,816	50.5%
% of total	9.2%	7.5%		8.1%	5.9%	
TOTAL	142.0	130.5	8.8%	687,571	625,297	10.0%

* Expressed in millions of EUR

BREAKDOWN BY COVERING

	Sales*			Seat Units		
	Three months ended on		% Over	Three months ended on		% Over
	30-Sep-06	30-Sep-05	(Under)	30-Sep-06	30-Sep-05	(Under)
Leather	123.4	110.5	11.7%	582,950	504,545	15.5%
% of total	86.9%	84.7%		84.8%	80.7%	
Fabric	18.6	20.0	(7.0%)	104,621	120,752	(13.4%)
% of total	13.1%	15.3%		15.2%	19.3%	
Total	142.0	130.5	8.8%	687,571	625,297	10.0%

* (Expressed in millions of EUR)

BREAKDOWN BY BRAND

	Sales*			Seat Units		
	Three months ended on		% Over	Three months ended on		% Over
	30-Sep-06	30-Sep-05	(Under)	30-Sep-06	30-Sep-05	(Under)
Natuzzi	83.8	81.5	2.8%	316,702	291,659	8.6%
% of total	59.0%	62.5%		46.1%	46.6%	
Italsofa	58.2	49.0	18.8%	370,869	333,638	11.2%
% of total	41.0%	37.5%		53.9%	53.4%	
TOTAL	142.0	130.5	8.8%	687,571	625,297	10.0%

* (Expressed in millions of EUR)

Edgar Filing: NATUZZI S P A - Form 6-K

GEOGRAPHIC BREAKDOWN

	Sales*			Seat Units		
	Nine months ended on 30-Sep-06	30-Sep-05	% Over (Under)	Nine months ended on 30-Sep-06	30-Sep-05	% Over (Under)
Americas	186.9	176.8	5.7%	1,036,001	1,019,390	1.6%
% of total	38.4%	41.9%		46.3%	50.8%	
Europe	264.4	216.4	22.2%	1,055,359	870,393	21.3%
% of total	54.4%	51.3%		47.2%	43.3%	
Rest of the world	34.8	28.7	21.3%	144,761	118,325	22.3%
% of total	7.2%	6.8%		6.5%	5.9%	
TOTAL	486.1	421.9	15.2%	2,236,121	2,008,108	11.4%

* (Expressed in millions of EUR)

BREAKDOWN BY COVERING

	Sales*			Seat Units		
	Nine months ended on 30-Sep-06	30-Sep-05	% Over (Under)	Nine months ended on 30-Sep-06	30-Sep-05	% Over (Under)
Leather	420.6	351.6	19.6%	1,874,148	1,571,230	19.3%
% of total	86.5%	83.3%		83.8%	78.2%	
Fabric	65.5	70.3	(6.8%)	361,973	436,878	(17.1%)
% of total	13.5%	16.7%		16.2%	21.8%	
Total	486.1	421.9	15.2%	2,236,121	2,008,108	11.4%

* (Expressed in millions of EUR)

BREAKDOWN BY BRAND

	Sales*			Seat Units		
	Nine months ended on 30-Sep-06	30-Sep-05	% Over (Under)	Nine months ended on 30-Sep-06	30-Sep-05	% Over (Under)
Natuzzi	307.3	284.5	8.0%	1,107,774	1,066,735	3.8%
% of total	63.2%	67.4%		49.5%	53.1%	
Italsofa	178.8	137.4	30.1%	1,128,347	941,373	19.9%
% of total	36.8%	32.6%		50.5%	46.9%	
TOTAL	486.1	421.9	15.2%	2,236,121	2,008,108	11.4%

* (Expressed in millions of EUR)

Edgar Filing: NATUZZI S P A - Form 6-K

NATUZZI S.P.A. AND SUBSIDIARIES

Unaudited Consolidated Balance Sheet as of September 30, 2006
and December 31, 2005 (Expressed in millions of EUR)

	30-Sep-06	31-Dec-05

ASSETS		
Current Assets:		
Cash and cash equivalents	123.7	89.7
Marketable debt securities	0.0	0.0
Trade receivables, net	110.5	123.6
Other receivables	42.0	46.3
Inventories	112.3	115.7
Unrealized foreign exchange gains	1.8	0.0
Prepaid expenses and accrued income	2.6	2.6
Deferred income taxes	9.0	6.6
Total current assets	401.9	384.5

Non-Current Assets:		
Net property, plant and equipment	250.1	262.8
Treasury shares	0.0	0.0
Other assets	17.2	16.6
Deferred income taxes	1.1	1.1

TOTAL ASSETS	670.3	665.0

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Short-term borrowings	4.1	7.7
Current portion of long-term debt	1.2	0.4
Accounts payable-trade	70.7	73.5
Accounts payable-other	25.4	24.2
Accounts payable shareholders for dividends	0.6	0.6
Unrealized foreign exchange losses	0.0	4.8
Income taxes	3.9	2.9
Salaries, wages and related liabilities	21.1	22.1
Total current liabilities	127.0	136.2

Long-Term Liabilities:		
Employees' leaving entitlement	34.1	32.3
Long-term debt	2.2	3.6
Deferred income taxes	0.0	0.0
Deferred income for capital grants	14.0	14.8
Other liabilities	5.8	4.4

Minority Interest	0.7	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	381.2	367.7
Total shareholders' equity	486.5	473.0

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	670.3	665.0

Edgar Filing: NATUZZI S P A - Form 6-K

NATUZZI S.P.A. AND SUBSIDIARIES		
Unaudited Consolidated Statements of Cash Flows		
as of September 30, 2006 and 2005 (Expressed in millions of EUR)		
	30-Sep-06	30-Sep-05

Cash flows from operating activities:		
Net earnings (losses)	17.5	(13.9)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23.1	21.9
Employees' leaving entitlement	1.8	1.9
Deferred income taxes	(2.3)	(5.7)
Minority interest	0.0	(0.1)
(Gain) loss on disposal of assets	0.4	0.6
Unrealized foreign exchange (losses) / gain	(6.6)	12.1
Deferred income for capital grants	(0.8)	0.0
Change in assets and liabilities:		
Receivables, net	13.1	31.2
Inventories	3.5	(14.1)
Prepaid expenses and accrued income	(0.1)	0.4
Other assets	4.2	3.3
Accounts payable	(2.9)	(21.2)
Income taxes	1.0	(0.6)
Salaries, wages and related liabilities	(1.0)	1.0
Other liabilities	2.7	0.1
 Total adjustments	 36.1	 30.8
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 53.6	 16.9

Cash flows from investing activities:		
Property, plant and equipment:		
Additions	(11.8)	(19.6)
Disposals	0.2	0.4
Government grants received	0.0	0.0
Marketable debt securities:		
Proceeds from sales	0.0	0.0
Purchase of business, net of cash acquired	(3.1)	(0.3)
Disposal of business	0.0	0.0
NET CASH USED IN INVESTING ACTIVITIES	(14.7)	(19.5)

Cash flows from financing activities:		
Long term debt:		
Proceeds	0.0	0.3
Repayments	(0.6)	(0.5)
Short-term borrowings	(3.6)	1.6
Dividends paid to shareholders	0.0	(3.8)
Dividends paid to minority shareholders	0.0	(0.1)
NET CASH USED IN FINANCING ACTIVITIES	(4.2)	(2.5)

Effect of translation adjustments on cash	(0.7)	3.5
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	34.0	(1.6)

Cash and cash equivalents, beginning of the year	89.7	87.3
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	123.7	85.7

CONTACT: Natuzzi S.p.A.

Edgar Filing: NATUZZI S P A - Form 6-K

Investor Relations Dept.
Tel.: +39-080-8820-812
Fax: +39-080-8820-241
E-mail: investor_relations@natuzzi.com
or
Corporate Press Office
Tel.: +39-080-8820-124
Fax: +39-080-8820-508
E-mail: relazioni.esterne@natuzzi.com
or
www.natuzzi.com

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: November 15th, 2006

By: /s/ GIUSEPPE DESANTIS

Giuseppe Desantis