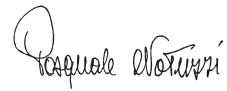


NATUZZI

2004 ANNUAL REPORT



*"The global market is like the ocean and we face it
- just as in the long crossings - by sailing toward the future with
unique strength and energy, sticking together during hard
times and working closely on common goals"*

A handwritten signature in black ink, reading "Pasquale Natuzzi". The signature is fluid and cursive, with the first name "Pasquale" and the last name "Natuzzi" clearly distinguishable.

Pasquale Natuzzi
CEO and owner of the sailing boat Antonisa

FINANCIAL HIGHLIGHTS	5
LETTER FROM THE CHAIRMAN	7
THE EVOLUTION OF THE NATUZZI BRAND	8
THE GROWTH OF ITALSOFA	15
FROM ORDERING TO DELIVERY, CUSTOMER SERVICE IMPROVEMENT	16
ATTACHED FORM 20-F	17



CORPORATE PROFILE **VALUES** Our most important values are integrity and respect for people and the environment. We are both an Italian and an international company. Our mission is to create value for our customers, people and shareholders. **LEADERSHIP** Natuzzi was founded in 1959 by Pasquale Natuzzi. The Group designs and produces sofas, armchairs and living room accessories. Natuzzi is the largest Italian furniture company with 2004 revenues of €753,4 million, and is the worldwide leader in the production of leather upholstery. In 1993, Natuzzi became the only foreign furniture company to list on Wall Street. It is a solid company with a sound financial structure that allows it to finance its growth internally: almost 80% of its earnings have been reinvested into the company over the past years. The Group exports its products to 135 countries in five continents and employed 7,459 people as of May 31, 2005. Innovation, efficiency, quality and service are the basis of Natuzzi's culture. **INNOVATION** Natuzzi is one of the largest investors in research and development in the furniture industry. Pasquale Natuzzi directly manages this strategic activity through the Style Centre located in Santeramo in Colle, where 150 professionals are dedicated to the design, the study of worldwide market trends, and the selection of materials. Every year the designers draw new models. Pasquale Natuzzi's team chooses the best projects and follows the entire product evolution, from the first prototype to the introduction in the market. Every year more than 100 new sofas, in different styles, coverings and colours, set new trends in the world of furniture. This strong commitment to innovation has produced the widest collection of sofas and armchairs in the world with more than 2 million combinations of styles, coverings and functions. **EFFICIENCY** Natuzzi is vertically integrated through 12 factories in Italy and 5 abroad (two in China, two in Brazil and one in Romania), as of May 31, 2005. Raw materials are purchased directly from the primary markets and then finished in the company's facilities, specializing in manufacturing leather, wood and metal frames, foam and finished products. By controlling the entire supply chain, the Group increases efficiency and achieves excellent quality levels. Natuzzi's products are hand-made by expert craftsmen, whose know-how Natuzzi preserves and passes on through its own Training Schools in Italy. **QUALITY** Natuzzi is committed to high quality standards. A constant effort, confirmed since 1995, throughout the ISO 9001 System of Quality certification, and reconfirmed in December 2001 when the Company received the ISO 14001 Certification for Environmental Control and furthermore in July 2003 with the Certification of the Integrated Management System Quality/Environment ISO 9001/2000. Natuzzi products are covered by a 10 year guarantee on the frame and 2 years on foam and leather coverings. **SERVICE** Customer service and the entire sales network is managed directly in Italy by the headquarters in Santeramo in Colle, Bari, and from Natuzzi Americas in the US, Natuzzi Asia in Shanghai, Natuzzi Nordic in Scandinavia, Natuzzi Benelux in Belgium and the Netherlands, Natuzzi Iberica in Spain and Portugal, Natuzzi Switzerland, Natuzzi Germany and Natuzzi UK. The Group guarantees a high level service to its customers: delivery at retailer's premises, anywhere in the world, products invoiced in the retailer's currency, and complete on-line pre- and post-sales assistance through the technologically advanced "Natuzzi Business Portal". The Group directly carries out the research and development of its products; plans its new factories; and develops the management information systems and the extranet that allow customers, everywhere in the world, to directly track and manage their orders.

FINANCIAL HIGHLIGHTS

twelve months ended December 31
(Italian GAAP)

	2004		2003		Change %	2004		2003
	Euro millions (except as otherwise indicated)					USD millions (except as otherwise indicated)		
Net Sales	753.4	100.0%	769.6	100.0%	-2.1%	(b)	1,020.0	969.4
Gross Profit	268.8	35.7%	260.8	33.9%	3.1%	(b)	363.9	328.5
Operating Income	40.0	5.3%	42.3	5.5%	-5.4%	(b)	54.2	53.2
Net Income	18.4	2.4%	37.3	4.8%	-50.7%	(b)	24.9	47.0
Net Income per ADS (a)	(€)	0.34		0.68	-50.0%	\$ (b)	0.46	0.86
Cash Dividend per ADS (a)	(€)	0.07		0.14	-50.0%	\$ (b)	0.09	\$ (c) 0.17
Debt		11.1		10.3		(b)	15.1	13.0
Long-term Debt		5.0		4.2		(b)	6.8	5.3
Short-term Debt		6.1		6.1		(b)	8.3	7.7
Stockholders' Equity		487.9		515.1		(b)	660.5	648.9

Shares Outstanding	(#) 54,681,628	(#) 54,681,628
---------------------------	-----------------------	-----------------------

(a) Each Natuzzi American Depositary Share (ADS)
represents one Ordinary Share

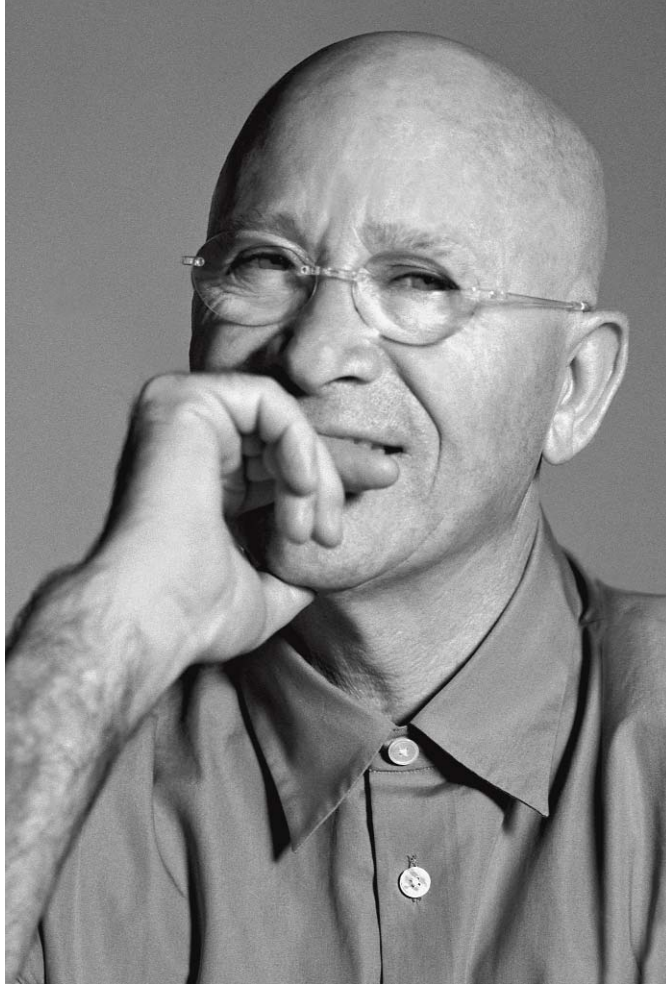
(b) Noon Buying Rate on December 31	1.3538	1.2597
-------------------------------------	--------	--------

(c) Noon Buying rate on the date dividends were paid		1.2385
--	--	--------

Quarterly Stock Price - Closing Price per ADS

(Amount in USD)

	2004		2003		2002	
	High	Low	High	Low	High	Low
First	11.55	10.15	10.05	7.24	15.70	13.91
Second	11.55	10.15	9.60	7.99	16.10	13.35
Third	10.80	9.23	10.39	7.82	15.04	10.92
Fourth	11.17	10.01	11.00	9.46	10.97	9.12
Full Year	11.55	9.23	11.00	7.24	16.10	9.12



LETTER FROM THE CHAIRMAN

Dear Shareholders,

2004 was a year of contrasting signs. The economic recovery in the USA did not lead to an increase in demand for furniture products, which remains low. The appreciation of the Euro against the dollar further penalized Italian exports towards the American market, where, additionally, a high pressure on price still remains. Economic growth in Europe is still weak. Furthermore, consumption has been adversely affected by the increase in oil prices, which has led to a rise in energy bills and price of fuel. This being the case, manufacturers in low-cost countries have grown rapidly, as they have been able to take advantage of the generally reduced purchasing power and the favourable context in which they operate.

Consequently Group sales amounted to €753.4 million in 2004, 2.1% down on the previous year. Net profit dropped 50.7% from €37.3 million in 2003 to €18.4 million in 2004. Despite such an economic environment that has never before penalized Italian and European manufacturers to such an extent, Natuzzi continues to be a solid company, but has to act rapidly in order to be more competitive and recover profitability. In light of the above, in May 2005 our Board of Directors approved a Reorganization Plan providing for investments in support of the Natuzzi brand, and considerably reducing costs in all the departments, with a particular focus on the Italian facilities. Points of sale will have a fundamental role in explaining consumers the unique and distinctive advantages of choosing a Natuzzi. In 2004, the opening of 19 stores and 176 galleries further strengthened our presence and the visibility of the Natuzzi brand across the world. As a consequence investments in marketing and advertising will continue. Becoming profitable and competitive again is of paramount importance if we want to consolidate our position as world leader in the upholstery market, and respond to the growth of new competitors. With this in mind the reorganization of production plants and offices has already begun. This Reorganization Plan will allow us, by the end of 2005, to reduce the Group's workforce in Italy by up to 1,320 employees through the application for the State Redundancy Fund. This will enable us to achieve greater efficiency in services and adjust the production capacity of the plants to market demand.

Ahead of us lies a critical challenge for our company's future: focusing investments on priority activities, simplifying management and reducing costs while further improving the quality of our products and customer services. Our knowledge of product and the worldwide markets makes us confident that we can maintain our share in the mid-high segment of the market, targeting a consumer who appreciates the design, quality and prestige of the Italian products. At the same time we will continue to invest in our Italsofa promotional line, that in 2004 recorded sales for €158.5 million, up 2.6% over 2003.

The company is aware of the market challenges and sacrifices that must be made in order to maintain and consolidate its leading market position acquired over our 46-year history. The stock option plan launched in December 2004 is a clear indication of the direct and confident commitment of the Natuzzi management and employees. I conclude this letter, dear shareholders, by expressing my most heartfelt thanks to you for the trust you have shown in our work, and I sincerely hope to be able to count on your indispensable support in the future so that the Natuzzi project can continue to develop and grow.

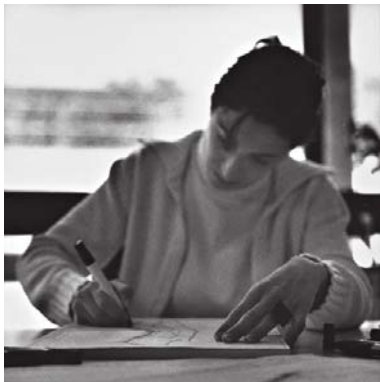


Pasquale Natuzzi
Chairman of the Board of Directors

THE EVOLUTION OF THE NATUZZI BRAND

The mission of the Natuzzi brand is to make Italian style and quality affordable for all. To meet this objective the Group continually invests in research and development, making full use of the know-how it has acquired over its 46-year history.

The study of new fashions continues unabated in the Natuzzi Style Centre, an activity carried out in conjunction with the Research & Development department where 150 highly-skilled professionals develop new projects on the basis of market trends, carrying each one through from the initial idea to the creation of a new living-room. A highly efficient team effort, coordinated by the President and Creative Director, Pasquale Natuzzi, which combines the skills of product managers with those of



designers, architects, material experts, colorists, interior decorators, prototype designers, and quality engineers.

The result is a collection of 325 models, updated each year with 100 new designs.



The Casual style is designed to provide happiness and tranquillity. Materials are natural, and the light and bright colours alternate with darker shades to create smooth contrasts and a Mediterranean atmosphere

The Natuzzi brand is divided into two separate lines:


- The top-of-the-range Pasquale Natuzzi Collection with products of extremely high quality in terms of creativity, detail of design, and choice of materials and finishes.
- The Natuzzi range which successfully embodies the various values of the brand such as innovation, elegance, reliability and easily accessible quality.

Both collections are divided into three different styles – Casual, Urban and Vintage – that are aimed at customers with different lifestyles and aesthetic tastes. Casual is a style aimed at the younger customer, someone who loves freedom, whose home is informal in style and for whom comfort and functionality are essential. Urban is a cosmopolitan and eclectic style, for those who love to surround themselves with extremely refined things. Vintage

is the range for those who desire objects with symbolic value.

The Natuzzi collection also includes a wide and up-to-the-minute range of upholstery and functions designed to reconcile look with maximum comfort. A generous selection of complementary furniture (tables, lamps, rugs) and accessories (vases, containers/holders, candles) designed by the Style Centre allows for a completely coordinated living room.





The Urban colours are deep and highly expressive with neutral shades ranging from ivory to black, exploring the warm tones of leather and brown along the way. The materials are strong on refined contrasts with printed hides alternating with suede surfaces.



The new Natuzzi Store in downtown Stockholm

The image of the retail outlet is just as important as the product in the Natuzzi strategy. Over the last five years, the Group has invested €37 million in the opening of new Natuzzi stores and galleries and developing

innovative concepts in cooperation with its clients. The Group communicates its brand values in an effort to maximize the pleasure of the consumer's shopping experience. As of May 31, 2005, there were 275 Stores and 552 Galleries worldwide.

Through its single-brand stores, Natuzzi is increasingly visible in major world cities such as Rome, Paris, Madrid, Copenhagen, Stockholm, New York, Beijing, Sydney, and Auckland. The network of Natuzzi Galleries across the world is also wide-reaching and of great prestige. The entire exhibition area taken up by the Natuzzi brand across the world stands at 204,428 m². Investments already made in communications, and those planned for the next few years, will, through brand and traffic building campaigns, contribute

significantly to further support the awareness of the Natuzzi brand.

The aim remains that of communicating brand values and philosophy, but above all drawing customers to the retail outlets, both stores and galleries, via a wide range of communication tools. Such tools include announcements in the daily and periodical press, below-the-line



*Care of each detail is
the unmistakable feature that characterizes
the Natuzzi stores worldwide:
a showcase of the latest trends in
interior design for those who want to
enjoy quality and Italian style*



materials, product media relations, web marketing activities, press presentations of new collections and consumer events at Natuzzi retail outlets.

379 advertising initiatives in 27 different markets have taken place in support of the stores. Communication in support of the Galleries was managed through the use of the Natuzzi Retail Advertising Kit, a collection of 61 different ready-to-use templates that enable the advertising of the Natuzzi brand in conjunction with the retailer's brand. 180 clients in 28 different countries have carried out communication activities using the Retail Advertising Kit. These figures highlight the international dimension that the branding project reached during 2004.

An important priority over the next few months will be the consolidation of the current distribution network through an improvement in the performance of the existing outlets and the addition of new, but highly selected locations. As such, the Group plans to intensify the training of its store managers and Natuzzi Stores and Galleries' sales staff.

A new advertisement created to emphasize style and innovation







Italsofa
The Italian touch

*The Italian touch is essential to deliver Italsofa's image,
as shown by the new logo, unveiled at the beginning
of 2005 at the Cologne Trade Fair.*

THE GROWTH OF ITALSOFA

Italsofa is the promotional line of sofas and armchairs introduced in 2000 and manufactured in the Group's factories located in China, Brazil and Romania.

In 2004 sales of Italsofa's reached €158.5 million, a 2.6% increase over 2003, confirming the line's success especially among North American and European retail clients.

These figures also confirm the Group's ability to seize the opportunities in a rapidly expanding promotional market segment that continues to show a high growth in demand.



This is why we have worked hard to constantly develop the offer, in line with the market demand. The Italsofa collection currently consists of 90 modern, contemporary and classic models, with simple lines and functionality such as reclining armchairs, sofas and sectional

sofas. The Italian creativity and innovation are essential to Italsofa's image, as shown by the new logo, unveiled at the beginning of 2005 at the Cologne Trade Fair.

In line with its positioning in the promotional market sector, the 2005 product range is oriented towards customers who are sensitive to prices but who also appreciate "the Italian touch".

Communications supporting sales are aimed exclusively at the trade and involve press campaigns in sector magazines that emphasize the line's strength and distinctiveness.

All the models are designed in our Italian Style Centre and manufactured in the Group's foreign plants that manage the integrated cycle from the transformation of wood, to the cut of leather and fabric, to the sewing and assembly. The organization of the factories and the management of the production cycle fully comply with Natuzzi's standards as far as process technologies, reliability, safety and respect for the environment are concerned. Also important in this



field is the training activity carried out by the Group's engineers and specialized workforce.

To further support the growth of Italsofa, investments were made also in 2004 to increase production capacity in Brazil and China. Two new factories have been opened in Pojuca and Shanghai respectively, involving a total investment of €27.6 million. As of May 31, 2005 Italsofa had a total factory production area of about 181,000 m² with a total production capacity of approximately 4,500 pieces a day. At the same date, the Italsofa products represented roughly 40% of the Group's entire production.



FROM ORDERING TO DELIVERY, CUSTOMER SERVICE IMPROVEMENT



The Group schedules its manufacture and procurement of raw materials and components “on demand”.

This system allows to manage a high number of product combinations (in terms of number of models, versions and covering codes) that are offered to customers around the world while maintaining a high level of customer service and low inventory.

“On demand” planning reduces the risk of obsolescence even if the products have short lifetimes.

The Group’s material flow policies aim at reducing all lead times to 5 weeks (average of all orders).

The time required for the delivery to the customer varies depending on where the customer is located (transport lead times vary widely depending on the distance between the final destination and the production units).

All planning activities (finished goods load optimization, customer orders acknowledgement, production and supplier’s planning) are synchronized in order to guarantee that during the production process, the correct materials are located in the right place at the right time, thereby achieving a maximum level of service as well as minimum handling and transportation costs.

Once production is scheduled, the Group’s “Material Requirement Planning Information System” produces a proposed list of raw materials and components to be ordered. This list is analyzed, reviewed and combined with the Group’s global procurement scheduling. All purchases from suppliers are then planned. Procurement lead times are relatively short; leather is generally available

within three weeks of ordering and certain components are supplied by a “ready from stock” service.

The Group delivers goods to customers by couriers. In 2004, the Group shipped 15,863 containers to overseas countries and approximately 7,224 full load mega-trailer trucks to European destinations. In order to guarantee the best price and quality of transportation services, the Group negotiates directly with shipping companies and logistic operators without resorting to the use of intermediaries.

In general, the Group prices its products to cover its door-to-door shipping costs, including all customs duties and insurance premiums. Some of the Group’s overseas suppliers are responsible for delivering raw materials to the port of departure; therefore transportation costs for these materials are generally under the Group’s control.



ATTACHED FORM 20-F



Natuzzi SpA
Via Iazzitiello, 47
70029 Santeramo in Colle (Bari) Italy
tel. +39 080 8820111
fax +39 080 8820555
www.natuzzi.com/codeofethics/

Investor Relations
Information requests from security
analyst and other members of the
financial community can be directed to:
Investor Relations Department
Nicola Dell'Edera
Tel. +39 080 8820812
Fax +39 080 8820241
investor_relations@natuzzi.com

ADS Depositary Bank
The Bank of New York
101 Barclay Street - 22nd floor
New York, NY 10286
tel. 1-888-BNY-ADRS
(or from International +1-610-382-7836)
fax (212) 571 3050

The Bank of New York maintains
a Global Buy Direct Plan for Natuzzi.
For additional information
please contact 1-800-345-1612

The most significant differences between the Natuzzi Group's Corporate Governance practices and those followed by U.S. companies under NYSE listing standards are only made available on the web site at the following address: www.natuzzi.com/corporategovernance/

In order to improve the quality of our financial communication, we kindly ask you, dear Shareholder, to fill out a short questionnaire downloadable at the following link: www.natuzzi.com/questionari/ir

Natuzzi PR Department:	Giacomo Ventolone
Art Direction:	Mariantonietta Petruzzi - Natuzzi
Editorial Coordination:	Beppe Firrao - Natuzzi
Photography:	Marco Craig, Antonio e Roberto Tartaglione, Ruy Teixeira
Printing:	Nava Press, Milano