Natuzzi S.p.A.

Annual Report on Form 20-F

2023

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

FORM 20-F

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended: December 31, 2023
Commission file number: 001-11854

NATUZZI S.p.A.

(Exact name of Registrant as specified in its charter)

Republic of Italy

(Jurisdiction of incorporation or organization)

Via Iazzitiello 47, 70029, Santeramo in Colle, Bari, Italy

(Address of principal executive offices)

Mr. Pietro Direnzo
Tel.: +39 080 8820 111; pdirenzo@natuzzi.com; Via Iazzitiello 47, 70029 Santeramo in Colle, Bari, Italy

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
American Depositary Shares, each representing five Ordinary Shares	NTZ	New York Stock Exchange
Ordinary Shares, with a par value of €1.00 each*		New York Stock Exchange*

*Not for trading, but only in connection with registration of 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

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

As of December 31, 2023: 55,073,045 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 ☐ No ☒

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 Exchange Act of 1934.

Yes ☐ No ☒

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (§ 15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

☐ Item 17 ☐ Item 18

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 ☐ No ☒

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this annual report on Form 20-F (the "Annual Report"), references to "€" or "Euro" are to the Euro and references to "U.S. dollars," "dollars," "U.S.$" or "$" are to United States dollars.

The consolidated financial statements of Natuzzi S.p.A. as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), including interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS. The consolidated financial statements and the notes thereto included in Item 18 of this Annual Report are referred to collectively as the "Consolidated Financial Statements".

All discussions in this Annual Report are in relation to IFRS, 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 consists of one seat.

In this Annual Report "revenue" is also referred to as "net sales".

The terms "Natuzzi," "Natuzzi Group," "Company," "Group," "we," "us," and "our," unless otherwise indicated or as the context may otherwise require, mean Natuzzi S.p.A. and its consolidated subsidiaries.

None of the websites referred to in this Annual Report, including where a link is provided, nor any of the information contained on such websites is incorporated by reference in this Annual Report.

FORWARD-LOOKING INFORMATION

The Company 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," "anticipate," "likely," "project," "target," "seek," "goal," "aim," "could," "should," "would," "may," "might," "will," "strategy," "future," "continue," "potential" and similar expressions are intended to identify forward-looking statements but are not exclusive means of identifying such statements. These statements are based on management's 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.

Projections and targets included in this Annual Report are intended to describe our current targets and goals, and not as a prediction of future performance or results. The attainment of such projections and targets is subject to a number of risks and uncertainties described in the paragraph below and elsewhere in this Annual Report. See "Item 3. Key Information—Risk Factors."

Forward-looking statements involve inherent risks and uncertainties, as well as other factors that may be beyond our control. 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, the Group's execution of its reorganization plans for its manufacturing facilities, significant changes in labor, material and other costs affecting the construction of new plants, significant changes in the costs of principal raw materials, labor, transportation and energy, 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, the duration, severity and geographic spread of any public health outbreaks (including the spread of new variants of COVID-19), events affecting consumer demand, our supply chain (such as the attacks by Houthi militants from Yemen on commercial shipping in the Gulf of Aden and Red Sea, which have caused the rerouting of shipping away from the Suez Canal) and the Company's financial condition, business operations and liquidity, the geopolitical tensions and market uncertainties resulting from the ongoing armed conflict between Russia and Ukraine and the Israel-Hamas war and the inflationary environment and increases in interest rates. The Company 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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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

Risk Factors

Investing in the Company's American Depositary Shares ("ADSs") involves certain risks. You should carefully consider each of the following risks and all of the information included in this Annual Report.

Uncertain global macro-economic and political conditions could materially adversely affect our business, operations and economic and financial position — Our results of operations are materially affected by economic and political conditions in Italy, in the European Union and in the world, which may be influenced by several factors, most of which are beyond our control. Such factors include public health outbreaks (including the spread of new variants of COVID-19), geopolitical issues (including trade wars, the Russia's invasion of Ukraine, the Israel-Hamas conflict and the attacks by Houthi militants from Yemen on commercial shipping in the Gulf of Aden and Red Sea), stock market performance, interest and exchange rates, inflation, economic and political uncertainty, the availability of consumer credit, tax rates and unemployment levels. Deteriorating general economic conditions and generalized increased inflation may reduce consumers' disposable incomes and, therefore, client demand, which may negatively impact our profitability and put downward pressure on our prices and volumes. Moreover, sales of home furnishing goods tend to be significantly affected during recessionary periods or times of increased interest rates, when the level of disposable income tends to be lower or when consumer confidence is low.

Of particular relevance in the global macro-economic environment are the uncertainties relating to the scope and duration of the ongoing military conflicts. In particular, the conflict between Russia and Ukraine and the sanctions levied by NATO and European Union in connection thereto are determining a worsening in global macro-economic conditions. While our operations in Russia and Ukraine are not significant, the sanctions imposed on Russia had a significant general impact. More specifically, as a result of such sanctions, the global economy have experienced high levels of inflation in recent periods and may continue to experience high levels of inflation in the future, which may result in increases in the costs of raw materials and labor, and other goods or services required to operate and grow our business, and such increases may continue to impact us in the future and expose us to risks associated with significant levels of cost inflation. Moreover, the high inflation rates have resulted in, and may continue to result in, higher interest rates, as central banks adjust interest rates in an attempt to manage the inflationary environment as well as economic volatility. The heightened inflation and increases in interest rates during 2023 affected clients' disposable incomes, thus causing consumers to delay or decrease investments in their existing homes and making them more price conscious, resulting in a shift in demand to less expensive products. In addition, the combination of high interest rates and high levels of inflation resulted in more expensive mortgages, and, therefore, in a weakening of the housing market, by reducing home improvement projects and new construction activity. These factors have affected demand for our products, thus resulting in lower revenues and lower profitability, which adversely affected and may in the future affect our results of operations.

Moreover, although the specific impact of the Israel-Hamas conflict remains uncertain, this could include, among other things, increased volatility in financial and commodity markets, increased energy prices, a higher level of general market and macroeconomic instability, and violent protests or social unrest in areas outside the immediate conflict area. This conflict and other military or geopolitical conflicts that may arise in the future could determine a worsening in global macro-economic conditions, which could materially adversely affect our operations, financial position, and results.

Adverse economic conditions may also affect the financial health and performance of our franchises and large distributors in a manner that will affect sales of our products or their ability to meet their commitments to us. In addition, if our retail customers are unable to sell our products or are unable to access credit, they may experience financial difficulties leading to bankruptcies, liquidations, and other unfavorable events. If any of these events occur, or if unfavorable economic conditions continue to challenge the consumer environment, our future sales, results of operations and liquidity would likely be adversely impacted.

Increases in raw material, transportation and labor costs could have a material adverse effect on our results of operations — Our business is significantly exposed to raw material, transportation and labors costs, which are generally dependent on a

number of factors beyond our control. Specifically, prices of the raw materials we use in our production processes generally depend, among other things, on macroeconomic factors that may affect commodity prices; changes in supply and demand; energy and transportation costs, general economic conditions; significant political events; supply costs; competition; import duties, tariffs, anti-dumping duties and other similar costs; currency exchange rates and government regulation; and events such as natural disasters and widespread outbreaks of infectious diseases.

In 2023, approximately 57.3% of our total upholstered and home furnishings net sales came from leather-upholstered furniture sales. The consumption of cattle hides represented approximately 13% of the total cost of goods sold for the year ended on December 31, 2023. The dynamics of the raw hides market 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, automotive, furniture and clothing.

In 2023, we experienced a steady decrease in the price of certain raw materials, including leather, wood, iron, aluminum, steel, cardboard packaging and polyethylene, as a result of, among other factors, a decrease in energy and transportation costs. As a result, in 2023 our consumption of raw materials, semi-finished and finished products represented 37.2% of revenue compared to 40.9% in 2022. There can be no assurance that current prices will remain stable or continue to decrease in the future.

In addition, we are exposed to increases in transportation costs. Although transportation costs decreased in 2023, representing 8.0% of revenue compared to 11.9% in 2022, there can be no assurance that such costs will not increase in the future due to, among other things, heightened inflation, surge in demand for transportation, or other specific circumstances, such as current geopolitical conflicts, which could cause the rerouting of shipping, as was the case in the last part of 2023 due to the attacks by Houthi militants from Yemen on commercial shipping in the Gulf of Aden and Red Sea, which have caused the rerouting of shipping away from the Suez Canal. The re-routing of vessels could significantly increase traffic in bunkering ports on the alternative routes and cause bunker fuel demand on such routes to rise sharply. Shipping companies could repass the costs of re-routing vessels to their customers, including us, which could significantly increase our freight costs for the shipping of products.

Moreover, our production process is labor-intensive and, therefore, we are exposed to increases in labor costs. In 2023, we experienced an increase in labor-related costs per employee compared to 2022, due to renegotiation of national collective bargaining agreements in certain countries, especially in Romania (where the base salary for our employees increased by 14.2%), Italy (where the base salary for our employees increased by 6.0%), and Brazil (where the base salary for our employees increased by 6.7%).

The profitability of our business depends in part upon the margin between the cost to us of certain raw materials, our production costs associated with converting such raw materials into assembled products (including labor-related costs) and our costs associated with transporting our products to consumers, as compared to the selling price of our products. Although we could offset part of our increased costs with increased pricing for our products, any unrecovered increased operating costs could adversely impact our margins and, therefore, have a material adverse effect on our results of operations. Moreover, an increase in our product prices could negatively affect our business by making consumers more price conscious, thus resulting in a shift in demand to less expensive products.

We have a history of operating losses and cannot assure you that we will be profitable in the future; our future profitability, financial condition and ability to maintain adequate levels of liquidity depend, to a large extent, on our ability to overcome operational challenges — We have a history of operating losses having recorded an operating loss of €10.6 million in 2020, €22.5 million in 2019, €25.5 million in 2018 and €24.0 million in 2017. Although we achieved an operating profit of €8.5 million in the year ended December 31, 2022 and of €4.9 million in the year ended December 31, 2021, we recorded an operating loss of €9.5 million in the year ended December 31, 2023 and we may not be able to achieve or sustain profitable operations in the future or generate positive cash flows from operations.

Our strategy of expanding our retail network of Natuzzi-branded points of sale, consisting of mono-brand stores and galleries within multi-brand malls, whether directly or franchised operated, has required, and might require in the future, significant upfront costs at both the regional and headquarter level. The newly opened mono-brand stores are not fully productive during the first months following their openings and, therefore, investments in the retail and marketing organization are, at the beginning, not adequately returned by sales. While we expect that the newly opened mono-brand stores will progressively improve in productivity to absorb such up-front costs, there is a chance that these investments will not be recouped.

In addition, since 2014, we have been restructuring our operations, including by reducing our Italian workforce. As a result, we may face operational challenges going forward.

Furthermore, during the last twelve years, we have incurred aggregate financial obligations in the amount of €53.8 million (€3.1 million, €0.1 million, €0.3 million, €3.8 million, €3.8 million, €1.4 million, €16.9 million, €4.5 million, €4.5 million, €13.5 million, €1.4 million and €0.6 million for the years 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014, 2013 and 2012

respectively), almost entirely in connection with our efforts to reduce redundant workers. See “—We have redundant workers at our Italian operations, which remains an unresolved issue, and have benefited in 2023 and in previous years from temporary work force reduction programs; if we continue to be unable to reduce our redundant workers and/or if such temporary work force reduction programs are not continued, our business, results of operations and liquidity may continue to be impacted or may be impacted at a greater extent.”

Our results of operations and ability to maintain adequate levels of liquidity in the future will depend on our ability to overcome these and other challenges. Our failure to achieve profitability in the future could adversely affect the trading price of our ADSs and our ability to raise additional capital and, accordingly, our ability to grow our business. There can be no assurance that we will succeed in addressing any or all of these risks, and the failure to do so could have a material adverse effect on our business, results of operations and financial condition.

We have redundant workers at our Italian operations, which remains an unresolved issue, and have benefited in 2023 and in previous years from temporary work force reduction programs; if we continue to be unable to reduce our redundant workers and/or if such temporary work force reduction programs are not continued, our business, results of operations and liquidity may continue to be impacted or may be impacted at a greater extent — Our Italian operations employ redundant workers. In recent years, the Company has entered into a series of agreements with Italian trade unions pursuant to which government funds have been used to pay a substantial portion of the salaries of such redundant workers, who are subject to either temporary layoffs, as in the case of the *Cassa Integrazione Guadagni Straordinaria* (“CIGS”), or reduced work schedules, as in the case of the Solidarity Facility (as defined below). The use of such temporary work force reduction programs has also resulted in a series of lawsuits brought against the Company.

In May 2017, the Italian Supreme Court (*Corte di Cassazione*) rejected the Company’s appeal of a lawsuit brought by two former employees of the Company relating to the implementation of the CIGS, ruling in favor of the plaintiffs. As a result of this decision, several further workers have brought lawsuits against the Company over time for alleged misapplication of the CIGS. Since then, the Company has accordingly increased its provision for legal claims. As of December 31, 2023, provision for legal claims amounted to €7.4 million, of which €5.9 million referred to the probable contingent liability related to the legal proceedings initiated for the alleged misapplication of the CIGS. For additional information, see Note 24 to the Consolidated Financial Statements.

In addition, in October 2016, the Company laid off 176 Italian workers as part of an organizational restructuring, 166 of whom were then re-employed as the Bari Labor Court deemed the dismissals to have been carried out improperly. In March 2017, the Company and the Italian institutions representing those workers agreed to extend the scope of an agreement signed by the Company and the Minister of Labor and Social Politics in 2015 to reduce working hours per day (the “Solidarity Facility”) in order to lessen the impact of re-employments in 2018. Pursuant to the Solidarity Facility, a higher number of workers, as compared to the Company’s need, may continue to work at the Company, though with a salary reduction that is less than proportional to the reduction in working hours as a result of government financial support.

In December 2018 and 2019, the Company and the relevant trade unions and Italian authorities agreed to extend the scope of the Solidarity Facility, which was later suspended following the COVID-19 outbreak. Indeed, from March 2020 to June 2021, in agreement with trade unions, the Company adopted certain social safety nets made available by the Italian Government to mitigate the impacts of the COVID-19 pandemic on the cost of labor. As a result, the scope of the Solidarity Facility was extended until November 2021. In November 2021, the Company and the relevant trade unions and Italian authorities agreed to extend the scope of the Solidarity Facility through November 2023. On November 27, 2023, the Solidarity Facility was further extended until November 3, 2024.

Additionally, starting from December 2018, the Company and the relevant trade unions and Italian authorities agreed on the use by the Company of CIGS in order to support the Company’s reorganization process. From January 1, 2019 until March 2020, the Company benefitted from CIGS for up to 487 workers employed at the plant located in Altamura. From March 2020 to June 2021, in agreement with trade unions, the Company adopted certain social safety nets made available by the Italian Government to mitigate the impacts of the COVID 19 pandemic. As a result, CIGS was extended until February 2022. In February 2022, the Company and the relevant trade unions and Italian authorities signed an agreement allowing the Company to benefit from CIGS for up to 463 workers employed at the plant located in Altamura until mid-February 2023. In January 2023, the Company and the relevant trade unions and Italian authorities signed an agreement allowing the Company to benefit from CIGS for up to 449 workers employed at the plant located in Altamura until December 31, 2023. On July 11, 2023, the Company, the relevant trade unions and Italian authorities signed an agreement (the “Early Retirement Agreement”) that provides for (i) early retirement for employees who are within 60 months of reaching retirement age, (ii) the hiring of new employees, (iii) the implementation of training programs and (iv) access to the CIGS for redundant employees. As a result, among other things, the Company will benefit from CIGS for up to 875 workers employed at various plants of the Group until June 30, 2025.

If these temporary work force reduction programs are not continued in the future, our business, results of operations and liquidity may be significantly impacted.

Furthermore, since 2021, we and the other parties involved have agreed to set up an incentive plan for workers who voluntarily terminate their employment relationship, that will continue to apply in 2024. If this or other efforts to reduce redundant workers are not successful, the labor cost associated with such redundant workers will continue to have an adverse effect on our business, results of operations and financial condition.

Our ability to generate the significant amount of cash needed to service our debt obligations and comply with our other financial obligations, and our ability to refinance all or a portion of our indebtedness or obtain additional financing, depend on multiple factors, many of which may be beyond our control — Our ability to make scheduled payments due on our existing and anticipated debt obligations and on our other financial obligations, and to refinance and to fund planned capital expenditure and development efforts will depend on our ability to generate cash. See "—We have a history of operating losses and cannot assure you that we will be profitable in the future; our future profitability, financial condition and ability to maintain adequate levels of liquidity depend, to a large extent, on our ability to overcome operational challenges." Our ability to obtain cash to service our existing and projected debts is subject to a range of economic, financial, competitive, legislative, regulatory, business and other factors, many of which are beyond our control. We may not be able to generate sufficient cash flow from our operations to satisfy our existing and projected debt and other financial obligations, in which case, we may have to undertake alternative financing plans, sell assets, reduce or delay capital investments, or seek to raise additional capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the financial markets and our financial condition at such time. To the extent we have borrowings under bank overdrafts and short-term borrowings that are payable upon demand or which have short maturities, we may be required to repay or refinance such amounts on short notice, which may be difficult to do on acceptable financial terms or at all.

Given the geopolitical tensions caused by the Russia's invasion of Ukraine and the Israel-Hamas conflict and any potential escalation thereof, the spike in inflation on a global basis, the resulting increases in the interest rates by major central banks in major economies to curb inflation, the resulting impacts on financial markets and the economy as a whole, and the monetary uncertainty, there is an enhanced degree of uncertainty regarding our capital position and availability of capital to fund our liquidity requirements. Recognizing the significant threat to the liquidity of financial markets posed by these factors and the increased inflation, resulting in reduced consumer purchasing power, most of the central banks all over the world have taken significant actions to return inflation levels to their respective expected targets. There can be no assurance that these interventions will be successful and that the financial markets will not experience significant contractions in available liquidity. Additionally, the instability due to the geopolitical tensions caused by the ongoing conflict in Ukraine and the imposition of sanctions, taxes and/or tariffs against Russia and Russia's response to such sanctions has resulted, and may result in the future, in diminished liquidity and credit availability in the market, which could impair our ability to access capital if needed.

At December 31, 2023, we had €22.8 million of bank overdrafts and short-term borrowings outstanding and €33.6 million of cash and cash equivalents. We cannot assure you that any refinancing or restructuring would be possible, that any assets could be sold, or, if sold, of the timing of the sales or the amount of proceeds that would be realized from those sales. We cannot assure you that additional financing could be obtained on acceptable terms, if at all, or would be permitted under the terms of our various debt instruments then in effect. Our failure to generate sufficient cash flow to satisfy our existing and projected debt obligations, or to refinance our obligations on commercially reasonable terms, would have an adverse effect on our business, results of operations and financial condition.

The Company uses a securitization program to manage liquidity risk; should such program be terminated, the Company's ability to manage such risk will be impaired — As a means to manage liquidity risk, in July 2020, the Company renewed its accounts receivables securitization facility (the "Securitization Facility") with an affiliate of Intesa Sanpaolo S.p.A. (the "Assignee") for an additional 5-year period. Originally entered into in July 2015, the Securitization Facility allows the Company to assign trade receivables to the Assignee for a maximum amount of €40.0 million, on a revolving basis, retaining substantially all of the risks and rewards ("*pro-solvendo*") in the assigned trade receivables, in exchange for short-term credit. Therefore, the Securitization Facility continues to provide the Company with an important and stable source of liquidity. Notably, under the Securitization Facility, as renewed, the Company is entitled to assign a wider range of trade receivables, thus adding flexibility to the Company's funding capacity. The Company's ability to continue using this tool to mitigate liquidity risk depends on the assigned receivables meeting certain credit criteria, one such criterion being the continued solvency of the customers owing such receivables. If these criteria are not met, including, for example, because the credit quality of the Company's customers deteriorates, the Securitization Facility may be terminated, thereby depriving the Company of an important tool for managing liquidity risk.

Our operations may be adversely impacted by strikes, slowdowns and other labor relations matters — Many of our employees, including many of the workers at our Italian plants, are unionized and covered by collective bargaining agreements. As

a result, we are subject to the risk of strikes, work stoppages or slowdowns and other labor relations matters, particularly in our Italian plants. Any strikes, threats of strikes, slowdowns or other resistance in connection with our reorganization plan, the negotiation of new labor agreements or otherwise could adversely affect our business and impair our ability to implement further measures to reduce structural costs and improve production efficiencies. A lengthy strike that involves a significant portion of our manufacturing facilities could have an adverse effect on our cash flows, results of operations and financial condition.

Additionally, we renegotiate these collective bargaining agreements at routine intervals and may be unable to renew these collective bargaining agreements on the same or similar terms, or at all.

We may not execute our budget plan, successfully or in a timely manner, which could have a material adverse effect on our results of operations or on our ability to achieve the objectives set forth in our plans — In February 2024, the Company's Board of Directors approved the budget plan for 2024 (the "Budget"), which considers among other factors, the potential impact on our business, at least in the short term, of the current geopolitical uncertainty, inflation, financial market volatility, and related economic downturn. The Budget focuses on several cornerstones including, among others: a) an increased focus on controlled distribution through mono-brand stores and branded galleries, both directly owned and franchised, in priority markets, such as the U.S., China and Europe, primarily the UK and Italy; b) a rationalization of the business model for the wholesale channel, for both the Natuzzi branded business and the unbranded business; c) a continued attention to margins, by focusing on the branded division, which has higher margins than the unbranded business, and, at the same time, by focusing on selected large accounts and serve them with a more efficient go-to-market model; d) a constant revision of our production structure, including the progress of the "Factory 4.0" workflow organization, starting with the Italian factories, with the aim to improve the overall efficiency, and then continuing with the industrial footprint in Asia to further enhance overall efficiency, as well as any potential collaboration with external industrial partners to add flexibility to our industrial operations and support the wholesale business; e) streamlining of our processes and overhead optimization; and f) focus on working capital management in an effort to improve the cash flow from operations.

The Company continues to implement initiatives to divest non-strategic assets, particularly in the U.S. and Italy, with the aim of increasing the flexibility of our operational structure. Proceeds from such divestitures will be reinvested in retail expansion and restructuring programs, particularly within the Italian operations. However, prevailing high-interest rate conditions present challenges to the divestment of non-strategic assets. Failure to complete such divestments may result in the postponement of some investment programs in the Italian factories and the DOS expansion.

The profitability of our business depends on the successful and timely execution of the Budget. Failure to successfully and timely achieve the objectives included in the Budget could result in a failure to reduce costs and improve sales, which could result in losses for the Group.

Although the global context remains uncertain and volatile, we have recently started activities necessary to prepare the business plan for the period 2024-2028, which will take into consideration the current challenges surrounding the business in which the Group operates.

Failure to offer a wide range of products that appeal to consumers in the markets we target and at different price-points could result in a decrease in our future profitability — Our sales depend on our ability to anticipate and reflect consumer tastes and trends in the products we sell in various markets around the world, as well as our ability to offer our products at various price points that reflect the spending levels of our target consumers. While we have broadened the offering of our products in terms of styles and price points over the past several years in order to attract a wider base of consumers, our results of operations are highly dependent on our continued ability to properly anticipate and predict these trends. Our potential inability to anticipate consumer tastes and preferences in the various markets in which we operate, and to offer these products at prices that are competitive to consumers, may negatively affect our ability to generate future earnings.

In addition, with a significant portion of our revenue deriving from the sale of leather-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 grow consistently with our internal projections or that it will not decline.

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. Should current economic conditions worsen (including as a result of current geopolitical tensions), the current rate of housing continue to decline, or rising inflation persist, consumers' disposable incomes could be affected, thus deteriorating consumer demand, as well as consumer confidence, for home furnishings, which may have an adverse effect on our business, results of operations and financial condition. See "—Uncertain global macro-economic and political conditions could materially

adversely affect our business, operations and economic and financial position". Additionally, as stay-at-home orders imposed by governmental authorities due to the COVID-19 outbreak have continued to be lifted during 2022 and 2023, we have been experiencing a slowdown in the upward trend in consumers' demand for home furnishings.

Our inability to accurately forecast demand for our products could affect our profitability — The delivery lead time for certain raw materials that we use in our manufacturing process, such as leather, is lengthy and, therefore, we purchase these raw materials well in advance of their consumption. This requires us to make forecasts and assumptions regarding current and future demand for our products. Inaccuracies in these forecasts and assumptions may hinder our ability to efficiently manage our operations, facilities, and production capacity, thereby adversely affecting our results of operations.

Our forecasts concerning product demand influence inventory management. Over-purchasing certain raw materials may impair the value of our inventory, thus reducing our margins and negatively affecting our financial condition and liquidity. Conversely, under-purchasing certain raw materials may result in an inability to timely meet customer orders, which could also adversely affect our sales, earnings, financial condition, and liquidity.

The furniture market is highly competitive — We operate 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. We mainly compete in the upholstered furniture sub-segment of the furniture market. In Europe, the upholstered furniture market is highly fragmented. In the U.S., the upholstered furniture market includes a number of relatively large companies, some of which are larger and have greater financial resources than us. Some of our competitors offer extensively advertised, well-recognized branded products. 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 Asia and Eastern Europe have increased competition in the lower-priced segment of the market. In November 2021, we launched our e-commerce service for online sales which is currently active in the U.S. only. Therefore, we compete with other retailers offering consumers the ability to purchase home furnishings via the internet for home delivery and expect such competition to increase in the future. As a result of the actions and strength of our competitors and the inherent fragmentation in some markets in which we compete, we are continually subject to the risk of losing market share, which may lower our sales and profits. Market competition may also force us to reduce prices and margins, thereby negatively affecting our cash flows, or prevent us from raising the prices of our products in response to current inflationary pressures or increasing costs, which could result in a decrease in our profit margins.

Fluctuations in currency exchange rates and interest rates may adversely affect our results of operations — We conduct a substantial part of our business outside of the Euro-zone and are exposed to market risks stemming from fluctuations in currency and interest rates. In particular, an increase in the value of the Euro relative to other currencies used in the countries in which we operate has in the past, and may in the future, reduce the relative value of the revenues from our operations in those countries, and therefore may adversely affect our operating results or financial position, which are reported in Euro. Additionally, we are subject to currency exchange rate risk to the extent that our costs are denominated in currencies other than those in which we earn revenues. In 2023, in the ordinary course of business, about 65.2% of the operating payments we received and about 46.5% of the operating payments we made were denominated in currencies other than the Euro. We also hold a substantial portion of our cash and cash equivalents in currencies other than the Euro. Therefore, we are exposed to the risk that fluctuations in currency exchange rates may adversely affect our results, as has been the case in recent years.

In addition, foreign exchange movements might also negatively affect the relative purchasing power of our clients, which could also have an adverse effect on our results of operations. Although we seek to manage our foreign currency risk in order to minimize negative effects from rate fluctuations, including through hedging activities, there can be no assurance that we will be able to do so successfully. Therefore, our business, results of operations and financial condition could be adversely affected by fluctuations in market rates, particularly during times of high volatility, such as those currently experienced due to the adverse effects of the rising inflation and of the ongoing conflicts in Ukraine and between Israel and Hamas on financial markets.

In the normal course of business, we also face risks that are either non-financial or non-quantifiable. Such risks principally include country risk, credit risk and legal risk. For more information about currency and interest rates risks, see "Item 11. Quantitative and Qualitative Disclosures about Market Risk."

We face risks associated with our international operations — We are exposed to risks arising from our international operations, including changes in governmental regulations, tariffs or taxes and other trade barriers (as has been the case for import duties imposed by the U.S. and Canadian administrations for home furnishings imported from some Asian countries), price, wage and currency exchange controls, political, social, and economic instability in the countries where we operate (including as a result of the ongoing conflicts between Russia and Ukraine and Israel and Hamas), natural disasters, such as a fire, an earthquake or a flood, outbreaks or public health crises, such as the spread of new variants of COVID-19, inflation, exchange rate and interest rate

fluctuations, extended lead time in ordering and disruptions in the supply chain due to, among other things, shortage of raw materials or closure of certain routes (see "—Increases in raw material, transportation and labor costs could have a material adverse effect on our results of operations"). Any of these factors could have a material adverse effect on our results of operations.

Compliance with laws may be costly, and changes in laws could make conducting our business more expensive or otherwise change the way we do business — We are subject to numerous regulations, including tax, labor and employment, customs, truth-in advertising, consumer protection, e-commerce, privacy, health and safety, real estate, zoning, occupancy, and environmental, social and governance laws, and other laws and regulations that regulate the operations in our stores, plants and suppliers or otherwise govern our business. In addition, to the extent we expand our operations as a result of engaging in new business initiatives or product lines or expanding into new international markets, we become subject to further regulations and regulatory regimes. We may need to continually reassess our compliance procedures, personnel levels and regulatory framework in order to keep pace with the numerous business initiatives that we are pursuing, and there can be no assurance that we will be successful in doing so. If the regulations applicable to our business operations were to change or were violated by us or our vendors or buying agents, the costs of certain goods could increase, or we could experience delays in shipments of our goods, be subject to fines or penalties, or suffer reputational harm, which could reduce demand for our products and harm our business and results of operations.

Our past results and operations have significantly benefited from government incentive programs, which may not be available in the future — We receive, and received, benefits from certain governments in the form of grants, incentives and tax credits. In the past, we used to benefit from 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 has replaced these incentive programs with an investment incentive program for all under-industrialized regions in Italy, which we are currently benefitting from, that includes grants, research and development benefits.

Moreover, we have started manufacturing operations in China, Brazil and Romania and in some cases we were granted tax benefits and export incentives by the relevant governmental authorities in those countries. There can be no assurance that we will benefit from such grants, benefits, tax credits or export incentives in connection with our current or future investments or relevant governmental authorities will continue to provide such incentives, grants and benefits on similar terms or at all.

Increased expectations relating to environmental, social and governance factors may expose us to new risks — The focus from certain investors, customers and other key stakeholders relating to environmental, social and governance ("ESG") matters, including environmental stewardship, social responsibility, diversity and inclusion, racial justice and workplace conduct, has increased in recent years. As a result, our brand and reputation may be damaged in the event that our corporate responsibility procedures or standards do not meet such increased expectations and/or we do not adapt to and comply with new laws and regulations or changes to legal or regulatory requirements concerning ESG matters. Additionally, in the event that we communicate certain initiatives and goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. Any failure to meet the expectations of our investors and other key stakeholders or our initiatives are not executed as planned could materially and adversely affect our reputation and financial results.

Climate change, or legal, regulatory or market measures to address climate change, may materially adversely affect our financial condition and business operations — Our manufacturing facilities are located in Italy, Romania, China, and Brazil and are engaged in manufacturing processes that, by using energy, produce greenhouse gas emissions ("GHGs"), including carbon dioxide. Some of such jurisdictions are considering implementing, or have already implemented, legislation on climate change and schemes addressing the regulation of carbon emissions. Such regulations on climate change may not be consistent across these countries. As a result, adaptation to such provisions may cause compliance burdens and costs to meet the regulatory obligations and economic and regulatory uncertainty. Any laws or regulations that are adopted to reduce emissions of GHGs could (i) increase our costs for raw materials, (ii) increase our costs to operate and maintain our facilities, (iii) increase costs to administer and manage emissions programs, and (iv) have an adverse effect on demand for our products.

Climate change resulting from increased concentrations of GHGs and carbon dioxide could present risks to our future operations from natural disasters and extreme weather conditions, such as hurricanes, tornadoes, wildfires or flooding. Such extreme weather conditions could pose physical risks to our facilities and disrupt operation of our supply chain and may increase operational costs. In particular, our timber inventory could be affected by such weather conditions with the risk of changes in timber growth cycles, fire damage, insect infestation, disease, prolonged drought and natural disasters, causing a reduction in our timber inventory and adversely affecting our raw material sourcing. Climate change may also subject our business to significant increases or volatility in the prices of certain commodities, including but not limited to electronic componentry, fuel, oil, natural gas, rubber, cotton, plastic resin, steel and chemical ingredients used to produce foam.

Furthermore, any adverse contractual disputes arising from climate change-related disruptions, could result in increased litigation, costs and could also have a negative impact on our business and reputation.

Failure to protect our intellectual property rights could adversely affect us — We believe that our intellectual property rights are important to our success and market position. We attempt to protect our intellectual property rights through a combination of patent and trademark laws, as well as licensing agreements and third-party nondisclosure and assignment agreements or confidentiality and restricted use agreements. We believe that our patents, trademarks and other intellectual property rights are adequately supported by applications for registrations, existing registrations and other legal protections in our principal markets. However, we cannot exclude the possibility that our intellectual property rights may be challenged by others or that agreements designed to protect our intellectual property will not be breached, or that we may be unable to register our patents, trademarks or otherwise adequately protect them in some jurisdictions.

We rely on information technology to operate our business, and any disruption to our technology infrastructure could harm our operations — We operate many aspects of our business including financial reporting and customer relationship management through server and web-based technologies. We store various types of data on such servers or with third parties who in turn store it on servers and in the "cloud." Any disruption to the internet or to our global technology infrastructure or to that of our service providers, including malware, insecure coding, "acts of God", attempts to penetrate networks, data theft or loss and human error, could have adverse effects on our operations. A cyber-attack to our systems or networks that impairs our information technology systems could disrupt our business operations and result in loss of service to customers. Our ability to keep our business operating effectively depends on the functional and efficient operation of our information, data processing and telecommunications systems, including our design, procurement, manufacturing, inventory, sales and payment process. Due to the geopolitical uncertainty following the Russia's invasion of Ukraine and the more recent Israel-Hamas conflict, there is a possibility that the escalation of tensions could result in cyberattacks that could either directly or indirectly affect our operations. While we have invested and continue to invest in information technology risk management, cybersecurity and disaster recovery plans (see "Item 16K. Cybersecurity"), these measures cannot fully insulate us from technology disruptions or data theft or loss and the resulting adverse effect on our operations and financial results.

In response to shifts in employee workplace preferences, we have allowed certain of our employees the option of a hybrid work schedule where they may choose to work partially from home. Although we continue to implement strong physical and cybersecurity measures to ensure that our business operations remain functional and to ensure uninterrupted service to our customers, because of our remote work arrangements, our systems and our operations remain vulnerable to cybersecurity incidents, including breaches of information systems security, which could damage our reputation and commercial relationships, disrupt operations, increase costs and/or decrease net revenues, and expose us to claims from customers, suppliers, financial institutions, regulators, payment card associations, employees and others, any of which could have a material adverse effect on our results of operations and financial conditions. Furthermore, the risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased, including due to the Russia-Ukraine conflict and the more recent Israel-Hamas conflict.

In addition, we are subject to data privacy and other similar laws in various jurisdictions, which require, among other things, that we undertake costly notification procedures in the event we are the target of a cybersecurity attack resulting in unauthorized disclosure of our customer data. If we fail to implement appropriate safeguards or to detect and provide prompt notice of unauthorized access as required by some of these laws, we could be subject to potential claims for damages and other remedies, which could have a material adverse effect on our results of operations.

In 2023, we completed the migration of some core business applications to the cloud, starting from our enterprise resource planning (ERP) system, and in 2024 we will continue our strategy by migrating other business applications to the cloud. Although these cloud migrations have increased, and will continue to increase, efficiency and functionality, such migrations make the Company more reliant on third party service providers. Any material disruption or slowdown of the Company's information systems could result in the loss of critical data, the inability to process and properly record transactions and the material impairment of the Company's ability to conduct business, leading to cancelled orders and lost sales.

We are dependent on qualified personnel — Our ability to maintain our competitive position will depend to some considerable degree upon the personal commitment of our founder and Executive Chairman of the Board of Directors, Mr. Pasquale Natuzzi, as well as on our ability to continue to attract and maintain highly qualified managerial, finance, IT, manufacturing and sales and marketing personnel. There can be no assurance that the loss of key personnel would not have a material adverse effect on our 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 the 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. However, pursuant to the Deposit Agreement (as defined below), ADS holders do have the right to give instructions to BNY Mellon, National Association ("BNY" or the "Depositary"), 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 if they were shareholders of a company incorporated in the United States.

One shareholder has a controlling stake in the Company — Mr. Pasquale Natuzzi, founder of the Company and Executive Chairman of the Board of Directors, beneficially owns, as of the date of this Annual Report, an aggregate amount of 30,967,521 ordinary shares of the Company (the "Ordinary Shares"), representing 56.2% of the Ordinary Shares outstanding (61.3% of the Ordinary Shares outstanding if the Ordinary Shares owned by members of Mr. Natuzzi's immediate family (the "Natuzzi Family") are aggregated). As a result, Mr. Natuzzi has the ability to exert significant influence over our corporate affairs and to control 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 through INVEST 2003 S.r.l., an Italian holding company wholly-owned by Mr. Natuzzi with its registered office located at Via Gobetti 8, Taranto, Italy.

In addition, under the Deposit Agreement dated as of May 15, 1993, as amended and restated from time to time (the "Deposit Agreement"), among the Company, the Depositary, and owners and beneficial owners of ADSs, the Natuzzi Family has a right of first refusal to purchase all the rights, warrants or other instruments which BNY Mellon, as Depositary under the Deposit Agreement, 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.

Past and future grants of share-based awards may have an adverse effect on our financial condition and results of operations and have dilutive impact to your investment — In 2022, we adopted the Natuzzi 2022-2026 Stock Option Plan (the "SOP") to grant share-based compensation awards to key employees and directors to incentivize their performance and align their interests with ours. The maximum number of Ordinary Shares we are authorized to issue pursuant to SOP is 5,485,304 Ordinary Shares. As of March 31, 2024, we have granted stock options for the purchase of a total of 2,812,560 Ordinary Shares (equivalent to 562,512 ADSs), of which 220,000 Ordinary Shares (equivalent to 44,000 ADSs) were subscribed for in 2022. See "Item 6. Directors, Senior Management and Employees—Compensation of Directors and Officers—Natuzzi 2022-2026 Stock Option Plan." If we grant more stock options to attract and retain key personnel, our expenses associated with share-based compensation may increase, which may have an adverse effect on our financial condition and results of operations and have a dilutive impact to your investment. However, if we do not grant stock options or reduce the number of stock options that we grant, we may not be able to attract and retain key personnel.

Purchasers of our Ordinary Shares and ADSs may be exposed to increased transaction costs as a result of the Italian financial transaction tax or the proposed European financial transaction tax — On February 14, 2013, the European Commission adopted a proposal for a directive on the financial transaction tax (hereafter "EU FTT") to be implemented under the enhanced cooperation procedure by 11 member states initially (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovenia, Slovakia and Spain). Following Estonia's formal withdrawal on March 16, 2016, 10 member states are currently participating in the negotiations on the proposed directive. Member states may join or leave the group of participating member states at later stages and, subject to an agreement being reached by the participating member states, a final directive will be enacted. The participating member states will then implement the directive in local legislation. If the proposed directive is adopted and implemented in local legislation, investors in Ordinary Shares and ADSs may be exposed to increased transaction costs.

The Italian financial transaction tax (the "IFTT") applies with respect to trades entailing the transfer of (i) shares or equity-like financial instruments issued by companies resident in Italy, such as the Ordinary Shares; and (ii) securities representing the shares and financial instruments mentioned under (i) above (including depositary receipts such as the ADSs), regardless of the residence of the issuer. The IFTT may also apply to the transfer of Ordinary Shares and ADSs by a U.S. resident. The IFTT does not apply to companies having an average market capitalization lower than €500 million in the month of November of the year preceding the year in which the trade takes place. In order to benefit from this exemption, companies whose securities are listed on a foreign regulated market, such as the Company, need to be included on a list published annually by the Italian Ministry of Economy and Finance. Since the Company has been included in the list issued by the Italian Ministry of Economy and Finance of companies having an average market capitalization lower than €500 million in the month of November 2023, the IFTT would not apply on transfers of Ordinary Shares or ADSs made in 2024. See "Item 10. Additional Information—Taxation—Other Italian Taxes—Italian Financial Transaction Tax."

ITEM 4. INFORMATION ON THE COMPANY

Business Overview

History and development of the Company — Founded in 1959 by Pasquale Natuzzi, Natuzzi Group is one of the most renowned players in the production and distribution of design and luxury furniture. With a global retail network of 678 Natuzzi mono-brand stores, 611 galleries and other smaller distribution areas within multibrand stores as of December 31, 2023, and with manufacturing plants in Italy, China, Romania and Brazil to efficiently serve different markets, Natuzzi distributes its collections worldwide. In 2023, the Company distributed its products in 110 countries on five continents. Natuzzi products embody the finest spirit of Italian design and the unique craftmanship details of the "Made in Italy", as a predominant part of its production takes place in Italy. Natuzzi has been listed on the New York Stock Exchange since May 13, 1993. For additional information on the Company's listing on the New York Stock Exchange, see "Item 9. The Offer and Listing—Trading Markets."

Continuous stylistic research, creativity, innovation, solid craftsmanship, industrial know-how and integrated management throughout the entire value chain are the mainstays that have made Natuzzi one of the few players with global reach in the furniture market.

In the early 2000s, to respond to a global competition based mainly on price, the Company began to reposition its brand by introducing a total living concept in its offer, encompassing the production of sofas and armchairs not only in leather but also in fabric, together with the offering of living room furniture and beds. Moreover, Natuzzi is accelerating its retail expansion worldwide, leveraging on a global manufacturing footprint to strategically support the development of its brands. This is a crucial step as the Company begins to lay the foundations for its transformation from a pure "B2B" manufacturer to a retailer, which has required investments in organization, marketing, R&D, IT and product for more than a decade.

Committed to social responsibility and environmental sustainability since its inception, Natuzzi is ISO 9001 and 14001 certified (Quality and Environment), ISO 45001 certified (Safety in the Workplace) and FSC® Chain of Custody, CoC (FSC-C131540).

The brand portfolio of the Group includes two main brands: ***Natuzzi Italia*** and ***Natuzzi Editions***. For a detailed description of each brand and its target markets, see "Strategy—The Brand Portfolio and Merchandising Strategy" and "Products" below.

As of December 31, 2023, the Group distributed its branded products as follows:

— ***Natuzzi Italia*** branded products are distributed through **238** *Natuzzi Italia* monobrand stores, of which 37 are directly operated by the Group, 13 directly operated by our joint venture in China and 188 by third-party franchisees. Furthermore, *Natuzzi Italia* branded products are sold through **152** *Natuzzi Italia* galleries worldwide (store-in-store points of sales managed by independent partners), in addition to **four** *Natuzzi Italia* concessions, i.e., galleries directly managed by the Mexican subsidiary of the Group. The ***Natuzzi Re-vive*** recliner is included in the *Natuzzi Italia* offering.

— ***Natuzzi Editions*** branded products are distributed through **362** *Natuzzi Editions* stores (of which six directly operated by the Group, three operated in joint venture with a local partner in the U.S., eight operated by our joint venture in China and 345 by third-party franchisees). Furthermore, the *Natuzzi Editions* branded products are distributed through 447 *Natuzzi Editions* galleries worldwide (store-in-store points of sales managed by independent partners) and through other smaller distribution areas within multibrand stores, in addition to **eight** *Natuzzi Editions* concessions, i.e., galleries directly managed by the Mexican subsidiary of the Group. *Natuzzi Editions* products are distributed in Italy under the brand ***Divani&Divani by Natuzzi*** through additional **78** mono-brand stores, of which 12 directly operated by the Group. *Natuzzi Editions* and *Divani&Divani by Natuzzi* are two brands with different banners and store concepts, but with the same merchandising offer (i.e., same positioning and consumers target).

The Group also offers unbranded products (also referred to as "private label" products in this Annual Report) within a dedicated business unit to meet the specific needs of key accounts globally. The Group intends to focus on selected large accounts selling unbranded products and serve them with a more efficient go-to-market model.

Every year, the Group presents its products at the world's leading furniture fairs. In 2023, the Group participated in prominent global furniture events, including "Il FuoriSalone", the collateral event of the Milan Furniture Fair in Italy, and the High Point Furniture Market in North Carolina, United States. Additionally, it was involved in the Clerkenwell Design Week in London and the Shenzhen Fashion and Design Week.

The *statuto* (or By-laws) of the Company provides that the duration of the Company is until December 31, 2050. The Company, which operates under the trademark "Natuzzi," is a *società per azioni* (joint stock company) organized under the laws of the Republic of Italy and was incorporated in 1959 by Mr. Pasquale Natuzzi, who is currently Executive Chairman of the Board of

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Directors and controlling shareholder of the Company. Most of the Company's industrial operations are carried out through various subsidiaries that individually conduct a specialized activity, such as leather processing or furniture manufacturing.

The Company's principal executive offices are located at Via Iazzitiello 47, 70029 Santeramo in Colle, Italy, which is approximately 25 miles from Bari, in Southern Italy. The Company's telephone number is: +39 080 882-0111. The Company's general sales agent subsidiary in the United States is Natuzzi Americas, Inc. ("Natuzzi Americas"), located at 130 West Commerce Avenue, High Point, North Carolina 27260. Natuzzi Americas' telephone number is: +1 336 887-8300.

The SEC maintains a website (www.sec.gov/edgar.shtml) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The Company's website is www.natuzzi.com.

Organizational Structure

Natuzzi S.p.A. is the parent company (the "Parent Company" or the "Parent") of the Natuzzi Group. As of December 31, 2023, the Company's principal operating subsidiaries were:

Name	Percentage of 31/12/2023	Percentage of 31/12/2022	Share/ quota capital	Ownership registered office	Activity
Italsofa Romania S.r.l.	100.00	100.00	RON 109,271,750	Baia Mare, Romania	(1)
Natuzzi (China) Ltd	100.00	100.00	CNY 106,414,300	Shanghai, China	(1)
Italsofa Nordeste S/A	100.00	100.00	BRL 159,300,558	Salvador de Bahia, Brazil	(1)
Natuzzi Quanjiao Limited	100.00	100.00	CNY 10,000,000	Quanjiao County-Anhui province, China	(1)
Natco S.p.A.	99.99	99.99	EUR 4,420,000	Santeramo in Colle, Italy	(2)
Nacon S.p.A.	100.00	100.00	EUR 2,800,000	Santeramo in Colle, Italy	(3)
Lagene S.r.l.	100.00	100.00	EUR 10,000	Santeramo in Colle, Italy	(3)
Natuzzi Americas Inc.	100.00	100.00	USD 89	High Point, N. Carolina, USA	(3)
Natuzzi Florida LLC	51.00	51.00	USD 4,955,186	High Point, N. Carolina, USA	(3)
Natuzzi Iberica S.A.	100.00	100.00	EUR 386,255	Madrid, Spain	(3)
Natuzzi Switzerland AG	100.00	100.00	CHF 2,000,000	Dietikon, Switzerland	(3)
Natuzzi Services Limited	100.00	100.00	GBP 25,349,353	London, UK	(3)
Natuzzi UK Retail Limited	70.00	70.00	GBP 100	Cardiff, UK	(3)
Natuzzi Germany Gmbh	100.00	100.00	EUR 25,000	Köln, Germany	(3)
Natuzzi Japan KK	74.40	74.40	JPY 28,000,000	Tokyo, Japan	(3)
Natuzzi Russia OOO	100.00	100.00	RUB 8,700,000	Moscow, Russia	(3)
Natmx S.DE.R.L.DE.C.V	100.00	100.00	MXN 68,504,040	Mexico City, Mexico	(3)
Natuzzi France S.a.s.	100.00	100.00	EUR 70,727	Paris, France	(3)
Natuzzi Oceania PTI Ltd	74.40	74.40	AUD 320,002	Sydney, Australia	(3)
Natuzzi Singapore PTE. LTD.	74.40	74.40	USD 7,654,207	Singapore, Republic of Singapore	(3)
Natuzzi Netherlands Holding	100.00	100.00	EUR 34,605,000	Amsterdam, Holland	(4)
Natuzzi Trade Service S.r.l.	100.00	100.00	EUR 14,000,000	Santeramo in Colle, Italy	(5)

(1) Manufacture and distribution
(2) Intragroup leather dyeing and finishing
(3) Services and distribution
(4) Investment holding
(5) Dormant

See "Item 18. Financial Statements" of this Annual Report for further information on the Company's subsidiaries.

Strategy

The Group is focused on strengthening its brands, expanding its retail network with Natuzzi monobrand stores in key markets, where the Natuzzi brand is well known, and on its ability to create value by improving the efficiency of its industrial and supply-chain operations. At the same time, the Group focuses on implementing cost control measures to reduce and streamline costs, including the headquarter-related costs.

With the aim of positioning its offering toward the medium and high end of the market and at the same time differentiating its brand and product proposition from the low end of the market, where price is the main driver, in 2016 the Group started reorganizing its commercial operations on the basis of two divisions (the Natuzzi branded division and the unbranded division) and two business models (retail and wholesale). In 2019, the Group further developed its sales organization by focusing on the distribution channel, in addition to its two divisions: the retail channel, represented by mono-brand stores operated directly by the

Group and by third-parties, and the wholesale channel, consisting primarily of Natuzzi-branded galleries in multi-brand stores as well as mass distributors selling unbranded products.

During 2021, 2022 and 2023, the Group continued the transformation of its business to pursue a positioning of the Natuzzi brand as a life-style brand by further focusing principally on the branded part of its business, which is mainly distributed through the retail channel: in 2023, 92.5% of the Group's sale of upholstery furniture and home furnishing accessories came from the sale of its branded products (compared to 89.4% in 2022 and 87.2% in 2021. See Note 32 to the Consolidated Financial Statements). In addition, the Group intends to continue to expand its branded presence in key strategic markets where the Natuzzi brand's awareness is well established, such as the U.S., Greater China and certain European countries, in particular the UK and Italy.

Consistently with such effort, in November 2021, the Group defined a new organizational model, pivoting in particular on the Group's two main brands, *Natuzzi Italia* and *Natuzzi Editions*. Indeed, the *Natuzzi Italia* and *Natuzzi Editions* brands are increasingly pursuing a distinct but complementary development path both in terms of customer segmentation and distribution strategy and, therefore, require a dedicated organization (see below "The Brand Portfolio and Merchandising Strategy"). This new organization relies specifically on two leading roles: a Chief Brand Officer ("CBO") for each of the *Natuzzi Italia* and *Natuzzi Editions* brands. Each CBO is responsible for the performance of the respective brand in terms of top line. Accordingly, the CBOs define the main choices in terms of product merchandising, visual merchandising and marketing, as they have a direct impact on brand positioning and customer experience. In addition, each CBO interacts cross-functionally with other Group functions, such as R&D, Manufacturing and the Creative Department, as well as with each of the Group's Regional Managers (for the North America; Central and South America; West & South Europe, including Italy; Emerging Markets; Greater China and the Rest of APAC) with the aim of identifying business trends and opportunities in the different markets.

Natuzzi is also moving towards the Group's digital transformation with continuous improvement of the Natuzzi global website, which is part of a broader omnichannel strategy to fully integrate the digital and physical sides of the business. The global website, which is available in more than 100 countries, is dedicated to *Natuzzi Italia* and *Natuzzi Editions* collections and it offers a fully operational e-commerce platform for U.S. consumers focusing initially on the *Natuzzi Italia* collection. We are prioritizing the U.S. market, as we believe that it offers the best potential in the e-business segment, with the goal of gradually extending it to other key markets and, in 2025, to the other brand, *Natuzzi Editions*. The Company confirms its strategic decision to digitize sales and service processes, enhance customer relationships, and bolster competitiveness through the utilization of data and artificial intelligence.

As of the date of this Annual report, the Group's strategy is mainly based on the following drivers, with the ultimate goal of creating value for its shareholders:

- **Brand strengthening**: for our *Natuzzi Italia* and *Natuzzi Editions* brands we aspire to the «State of Excellence» which requires to focus on five specific pillars: design, merchandising, marketing, retail and service.
- **Continued development of our core upholstered business** by i) launching a selected number of collections, but meticulously developed following a merchandising approach; ii) exploiting best sellers/iconic products to reinforce the Natuzzi brand uniqueness; iii) focusing on our distinctive characteristics: heritage, comfort, versatility and sustainability.
- **Development of the business outside our historical upholstered segment** by offering new furnishings and accessories collections that will follow the life-style concept, thus further enhancing a full retail experience. We intend to expand our product offering in high potential furnishings categories, such as beds and dining room accessories.
- **Retail excellence**, promoted by creating a dedicated "global retail division", whose main goal is to set the standards for improving the performance of the Group's stores. Examples of levers include the implementation of a customer relationship management (CRM), the creation of 360° performance diagnostic tools, sales force training and the redefinition of the retail experience and storytelling to highlight the uniqueness of the Natuzzi brand.
- **Fostering of the digital transformation**, by developing, among other things, the recently introduced website which has replaced the former existing 46 domains, and offering on-line functionality, at its initial stage, in the U.S. for the *Natuzzi Italia* collection, with the goal of gradually extending it to other key markets and, in 2025, to the other brand, *Natuzzi Editions*. The Company carries on various IT-related projects, to support the Group's main functions, such as manufacturing, supply chain, product, organization, and to provide digital tools for sales.
- **A more flexible and efficient production**: we continue to implement the "Factory 4.0" pilot industrial program in our plants in Italy. This program, which is inspired by the automotive industry, leverages on innovative technologies and provides for a greater involvement of our vendors in the process, so that everyone in the value chain, including our suppliers, can contribute in identifying opportunities to improve and stabilize the overall process flow. We plan to

gradually extend this program to the other Italian plants as well as our plants in China, Romania and Brazil. In addition, we plan to further rely on industrial outsourcing especially for the unbranded production;

- **A new organization to support the brand centricity**, relying on the two Chief Brand Officers, one for *Natuzzi Italia* and one for *Natuzzi Editions*, who will act transversally across the functions (R&D, Manufacturing, Retail, Supply Chain, Furnishings & Accessories) and different geographic markets.
- **Increase in capital efficiency**, through a rigorous approach to cash and working-capital management, the disposal of non-strategic assets and an increased focus on cash generation and margins metrics.

More generally, the Company intends to implement actions aimed at developing its business and improving the Group's overall efficiency on the basis of the following three main levers:

1) Focus on business development by leveraging on its main brands, *Natuzzi Italia* and *Natuzzi Editions*, through:
   - expanding the Group's presence in key geographies, such as the U.S., China and certain European countries, in particular the UK and Italy;
   - leveraging on joint ventures to exploit market opportunities in markets we believe have growth potential;
   - extending the Group's efficient direct-retail model in the U.S. to enhance the productivity of other existing directly operated stores ("DOS"); and
   - expanding the retail branded network in a manner that fosters the transition to a retail and branded company.

2) Focus on margins through:
   - a progressive shift to higher margin Natuzzi branded sales, as compared to unbranded business, to increase the quality of our sales;
   - the enhancement of production efficiency, through the reduction of the industrial complexity and the implementation of innovative technologies and processes in our plants; and
   - a disciplined rationalization of the Group's overhead structure.

3) Focus on capital efficiency through:
   - a more rigorous approach to working-capital management;
   - an increased focus on cash generation and margin metrics;
   - the disposal of non-strategic assets, and
   - the adoption of an "asset light model", as suppliers are directly involved in both production and inventory management for some selected furnishings and accessories.

In addition to the Natuzzi branded business, which has represented over the last few years, and will continue to represent, according to our current plans, the most strategic portion of the business, the Group continues to offer **unbranded** products to a number of wholesale accounts globally. This unbranded division produces and offers leather upholstery to some of the world's renowned wholesale distributors in the medium/low end of the market. This market segment is exposed to all competitors offering products at competitive price ranges, with consequent downward pressure on margins. The Company intends to focus on selected large accounts selling unbranded products and serve them with a more efficient go-to-market model. Over the recent years, the Group further refined its approach to managing the unbranded business, as it intends to focus on those customers who meet specific business requirements, along with a continued simplification of its operating model, by further evolving the engineering processes of the relevant product/model platforms, as well as, by leveraging on the Group's global footprint, identifying the more suitable production allocation to efficiently serve such customers.

In order to enhance efficiency and flexibility, as well as better serve wholesale mass distributors ("Mass Merchants"), in December 2019, we started an outsourcing program in Vietnam intended to supply an increasing portion of Mass Merchants in North America. This program represents an opportunity not only for the unbranded business, but also for the branded business, with specific reference to *Natuzzi Editions*, addressing specifically the wholesale distribution channel.

Since the Group's production manufactured in Asia for the North American market is primarily affected, among the others, by the trade dispute between the U.S. and China, the Group continues to explore further external production capacity in low-cost countries to avoid import custom duties and, at the same time, to increase its production flexibility, particularly with regard to its unbranded production. There is no assurance that such additional outsourced production capacity could be implemented and that the relevant efficiency gains expected could be reached in the future. For information on the Company's revision of its industrial footprint as a result of these challenges, see "—Manufacturing."

The Company has taken steps to sell some non-strategic assets and real estate properties in the U.S. and Italy. The sale of these assets should increase the flexibility of our operations and reduce working capital needs. The sale proceeds will be reinvested mainly in retail expansion, with a specific focus on North America, and restructuring programs, particularly in Italy. Moreover, the Group continued to streamline its overall cost structure, with particular reference to its Italian operations. As part of this strategy, in June 2020, the Company signed a sale agreement with a third party for the disposal of the land located in the "Santeramo in Colle-Iesce" area, just a few miles away from its headquarters. Moreover, in March 2021, the Company completed the sale of IMPE S.p.A. ("IMPE"), a subsidiary dedicated to the production of flexible polyurethane foam, as well as the idle industrial real estate complex "Fornello" located in the city of Altamura (Bari) (see Notes 7 and 8 to the Consolidated Financial Statements). In addition, in May 2021, the Company completed the sale of the idle industrial real estate complex "Via Dell'Avena" located in the city of Altamura (Bari).

The Brand Portfolio and Merchandising Strategy — The Group, through its two brands and its unbranded offering, competes in all price segments of the upholstered furniture market with an increasingly important offer of furnishings and accessories.

Precise market segmentation, clear brand positioning and clearly defined customer and consumer targets are intended to enhance the Group's competitive strengths in all market segments to gain market share through its different product lines, as described below.

— ***Natuzzi Italia*** is the Group's luxury furniture brand, targeting affluent and more sophisticated global consumers. The *Natuzzi Italia* collection is mainly sold through the retail channel in mono-brand stores, concessions and galleries in multi-brand specialized stores and high-end department stores. The offer includes sofas designed and manufactured in Italy at the Company's factories, positioned in the high end of the market, with unique and customized materials, workmanship and finishes thanks to the Natuzzi heritage of fine craftsmanship in the leather sofas segment. The *Natuzzi Italia* product line, which is largely the same across all of our stores globally to better represent the *Natuzzi Italia* brand, includes furnishings and accessories for the living room and beds, bed linens and bedroom furnishings to further expand its product offering.

— ***Natuzzi Editions*** is the Group's contemporary collection designed in Italy, which was initially designed specifically for the U.S. market. This collection includes a wide range of leather upholstery products, targeting the medium/medium-high segment of the market and leveraging the know-how and high credibility of the Natuzzi brand in the leather upholstery industry. *Natuzzi Editions* products are strategically almost entirely manufactured at the Group's industrial plants (located in Romania, China and Brazil) to efficiently serve different geographies and are mainly sold through mono-brand stores and galleries. The retail and merchandising format of *Natuzzi Editions* has evolved over time and now includes also a wider offering of furnishings. *Natuzzi Editions* products are manufactured and distributed in Italy under the brand ***Divani&Divani by Natuzzi***, through both directly-owned and franchise stores. The store merchandising of *Natuzzi Editions* is based on a common collection which is then tailored to best fit the opportunities of each market. *Natuzzi Editions* and *Divani&Divani by Natuzzi* are two brands with different banners and store concepts, but with the same merchandising offer (i.e., same positioning and consumers target). *Divani&Divani by Natuzzi* is focused on the Italian market where it was first launched, whereas *Natuzzi Editions* is distributed in other countries around the world.

— In addition to Natuzzi mono-brand stores and galleries, the Group operates a **key account program** for the distribution of unbranded products and certain *Natuzzi Editions* products to compete in the entry price segments of the market by conducting business mainly through large distributors. Products involved in such key account program are manufactured in the Group's plants located in Romania, China and Brazil, as well as through an outsourcing program in Vietnam.

Improvement of the Group's Retail Program and Brand Development — The Group has made significant investments to improve its existing distribution network and strengthen its Natuzzi brand. The high level of the Natuzzi brand awareness among high-end consumers is the result of efforts the Company has made over the past decade in its products, communication, store experience and customer service. This consumer brand awareness encourages the Company to carry on its brand development and further enhancement of the Group's distribution network, in order to further increase consumers' familiarity with the Natuzzi brand, and their association of it as a high-end brand.

The Group intends to continue the transformation of its commercial operations to become a more retail-oriented company. Accordingly, it is evolving its commercial organization to improve agility and accountability throughout its retail process.

In 2023, we established the Global Retail Division, dedicated to modernizing and professionalizing our retail approach by developing tools to support our regions and dealers in enhancing retail performance and elevating in-store customer experience. We standardized all retail-related KPIs to accelerate the diagnosis of areas requiring immediate intervention to foster organic growth. Leveraging the experience gained in our direct stores, we now offer franchising partners turn-key retail programs, including IT systems, training, and guidelines on store layout, merchandising, and visuals. Moreover, in 2023, we achieved a wider implementation of certain retail tools (such as the 3D product configurator and a traffic counter system) within our network, aimed at ensuring a standardized shopping experience for our customers and gaining better control over all KPIs related to the retail business.

Specifically, in order to implement its retail business model, the Group's Global Retail Division carries out various cross-functional activities, such as: i) analyzing the performance of the Group's DOS to identify possible issues and implement specific action plans, with the support of the Chief Brand Officers and regional commercial managers; ii) defining the Group's retail merchandising platform to support the merchandising team in identifying the right product mix by store cluster and consumer target; iii) defining the Group's retail customer-experience guidelines, including sales ceremonies and in-store communication, in line with the Natuzzi brand's commercial strategies; iv) defining training content aimed at improving the performance of sales staff, their product knowledge and store management; v) developing the trade business through the implementation of procedures and initiatives aimed at attracting trade professionals, such as architects and interior designers; vi) defining guidelines and tools for managing the process of opening new Natuzzi stores.

The Global Retail Division is also responsible for defining strategies for the development of the online business, in close collaboration with the Group's Digital Marketing & E-Commerce Department and in cooperation with the regional commercial teams.

During 2023, 24 *Natuzzi Italia* stores were opened, of which 11 in China, six in the U.S. (and, specifically, in San Diego, Manhasset, Houston, Fort Worth, Atlanta and Miami), two in South Korea and one in each of Brazil, Malta, Russia, Taiwan and Azerbaijan.

Natuzzi Editions and the *Divani&Divani by Natuzzi* retail chains are characterized by a medium positioning in the upholstery business. *Natuzzi Editions* and *Divani&Divani by Natuzzi* are two brands with different banners and store concepts, but with the same merchandising offer (i.e., same positioning and consumers target). *Divani&Divani by Natuzzi* is mostly focused on the Italian market where it was first launched, whereas *Natuzzi Editions* is distributed in other countries around the world. During 2023, 46 *Natuzzi Editions* stores were opened (of which 29 in China, five in Brazil, and one in each of Australia, Austria, Hungary, Kuwait, Malta, Philippines, Ukraine, the United Arab Emirates, Uruguay, the U.S., Ecuador and the UK) and three *Divani&Divani by Natuzzi* stores were opened in Italy. The DOS opened in the U.S. (and, specifically, in Frisco) is managed in joint venture with a local partner.

Product Diversification and Innovation — The Group has continued to collaborate with the most outstanding international designers to launch the new 2023 *Natuzzi Italia* collection called "The Circle of Harmony – Comfortness". The new collection, designed by the Natuzzi Design Center in collaboration with internationally renowned designers, is part of The Circle of Harmony initiative. Launched in 2020, this project aims at creating a physical and virtual community wherein artists, architects, and designers converge to imagine and create *Natuzzi Italia*'s stylistic evolution, using the brand's history and heritage as milestones for this purpose. This creative contamination fosters creative synergy, yielding innovative reinterpretations of the Natuzzi DNA manifested in contemporary furnishing proposals tailored for a global audience seeking an immersive Mediterranean lifestyle experience.

Building upon the thematic explorations of past editions of The Circle of Harmony, which delved into crucial issues of spatial functionality and furniture sustainability, Comfortness now orbits around the concept of comfort. Here, comfort is interpreted as a lifestyle, an intimate and personal aspect, serving as a conduit for fortitude and well-being and which is essential in elevating moments dedicated to self-care and relaxation into precious interludes. Introducing a new paradigm of sustainability, pivotal to enhancing one's quality of life, this latest chapter of The Circle of Harmony aims at combining comfort with design, beauty with functionality.

The Group believes that a wider offer of collections will strengthen its relationships with the world's leading distribution chains, which are interested in offering branded solutions. The Group has also continued to invest in the Natuzzi's style center in Santeramo in Colle, Italy (the "Style Center"), which serves as a creative hub for the Group's design activities.

Manufacturing

As of the date of this Annual Report, our manufacturing facilities are located in Italy, China, Romania and Brazil. Since December 2019, the Group has also used outsourcing programs in Vietnam.

Due to the current challenges arising from global competition, and the continued imposition of tariffs by the U.S. on goods imported from China, and, from 2021, of customs duties imposed by the Canadian authorities on goods imported from China and Vietnam, in 2023, the Group continued a thorough revision of its industrial footprint and plant rightsizing.

In particular, as part of such process, in 2023 we further downsized our Chinese manufacturing plant located in Shanghai, leading to a further reduction in the number of workers. Following the downsizing, our Shanghai plant mainly serves the Chinese market with regard to our *Natuzzi Editions* branded products, whereas production for the North American and Rest of APAC market is gradually being shifted from the Shanghai plant to the plant located in Quanjiao - County - Anhui province, established in 2022. The Quanjiao plant is expected to gradually absorb the production capacity of the Shanghai plant, allowing for a significant reduction in manufacturing costs. The Company plans to definitively close the Shanghai facility within the second half of 2024. In 2023, our total operations in China represented 25% of the Group's total consolidated upholstered revenue. The Group has been operating in China since 2002.

In addition, within the revision of its industrial footprint in Asia, in 2023, the Group continued its outsourcing relationships with three different suppliers located in Vietnam for the production mainly of unbranded products for the North American market, in order to avoid custom duties imposed by the U.S. administration for products imported from China and, therefore, to regain competitiveness.

With the aim of further reducing industrial costs and improving competitiveness in its Asian operations, the Group plans to move part of the production of *Natuzzi Editions* products from China to Vietnam, also through the establishment of a new proprietary industrial facility. The activities for the establishment of this new industrial facility in Vietnam are still in progress and are expected to be finalized by the end of 2024. While the Company is exerting the utmost effort in the implementation of such project, there's no guarantee that operations will begin in 2024.

At the same time, the Company continues to explore further external production capacity in low-cost countries to increase its production capacity and flexibility, particularly with regard to its unbranded production for the EMEAI market. There can be no assurance that such additional outsourced production capacity will be implemented and that the expected efficiency gains expected will be realized in the future.

Our five Italian plants dedicated to the production of upholstered products and three Italian warehouses are located either at or within 25 kilometers from Santeramo in Colle, where the Group's headquarters is located. Collectively, these facilities extend over more than 170,000 square meters. As of December 31, 2023, these facilities employed 1,409 workers, the majority of whom were subject to layoff programs. See "Item 6. Directors, Senior Managers and Employees—Employees." With the exception of the South American market, the Italian plants are the exclusive producers of *Natuzzi Italia* and *Divani&Divani by Natuzzi* products. In 2023, these plants generated 43% of the Group's total consolidated upholstery revenue. In 2023, three plants were restructured according to the Factory 4.0 production model. The Company plans to restructure the remaining two plants according to such model in 2024. For additional information on the Factory 4.0 program, see "Item 4. Information on the Company—Innovation".

We have two plants in China. One is located in Shanghai, currently extending over 38,000 square meters. In addition, we have a production facility located in Quanjiao - County - Anhui province, China, Natuzzi Quanjiao Limited, which is wholly indirectly controlled by the Company through *Natuzzi China*, and which became operational in 2022. As of December 31, 2023, the plant located in Shanghai employed 340 people, of whom 298 were laborers. It manufactures *Natuzzi Editions* and unbranded products mainly for the Asia-Pacific market, including China. As of December 31, 2023, the Natuzzi Quanjiao Limited plant employed 108 workers. In 2023, our Chinese plants produced about 25% of the Group's total consolidated upholstered revenue.

Our Romanian plant is located in Baia Mare. Extending over 75,600 covered square meters, it has been in operation since 2003. During 2023, our Romanian plant was interested from a further restructuring and efficiency recovering process. As of December 31, 2023, it employed 676 people, of whom 561 were laborers. It produces *Natuzzi Editions* and unbranded products for the EMEAI market. In 2023, the Romanian plant produced about 22% of the Group's total consolidated upholstered revenue.

Our Brazilian plant is located in Salvador De Bahia. Extending over 28,700 square meters, it has been in operation since 2000. During 2023 our Brazilian plant was interested from a further restructuring and efficiency recovering process. As of December 31, 2023, our Brazilian plant employed 189 people, of whom 135 were laborers. Since the end of 2016, in addition to *Natuzzi Editions* and unbranded products, the Brazilian plant produces *Natuzzi Italia* branded products for the South American market.

As of December 31, 2023, the Group had one additional plant in Italy, located in Udine (Natco S.p.A. (“Natco”)), and dedicated to the production of leather. As of December 31, 2023, this facility employed 120 people, of whom 103 were laborers. The Natco facility was interested by an optimization process.

As part of part of the Company’s strategy to review its value chain and streamline the Group’s manufacturing processes, focusing on value-added activities within its Italian plants, in March 2021 the Company completed the sale of IMPE to Vita Group. The last tranche of the payment related to this transaction was regularly collected by the Company in March 2022. See Note 7 to the Consolidated Financial Statements.

During 2023, the Company further developed innovative production methods and technologies, including the Factory 4.0 program, coordinated by a new planning and management information system that integrates our suppliers into an extended supply chain. Moreover, we introduced a new set of KPI to deeply monitor production performances, as well as an enhanced quality control system. For additional information on the Factory 4.0 program, see “Item 4. Information on the Company—Innovation”.

The moving line manufacturing model has improved the ergonomics of the work area by breaking down products into lighter pieces at individual stages and also coordinates workers by ensuring they work at a similar pace. The finished product is of higher quality and produced faster. The new moving lines have been implemented in all of the Group’s production facilities. The Group has integrated the following production phases into the moving line production process within our plants: (a) direct integration with wood and foam suppliers to supply each plant according to daily needs (“just in time” supply) with the advantage of reducing the stock of semi-finished goods; and (b) leather cutting and sewing.

The innovative approach used in manufacturing is meant to improve efficiency, quality, service, and reduce production waste.

Raw Materials — The principal raw materials used in the manufacture of the Group’s products are hides (mainly cattle hides), fabrics, polyurethane foam, polyester fiber and wood. In 2023, the total cost of raw materials used in the manufacture of the Group’s products decreased compared to 2022. We continue to see a downward trend in the cost of leather and other raw materials, such as mechanical and electric components, wood and polyurethane.

The Group purchases hides from slaughterhouses and tanneries located primarily in Italy, Brazil, India, Germany and other South American and European countries. The hides purchased by the Group are divided into several categories. The lowest category hides are mainly purchased in South America and India. The middle category hides are purchased in Europe or South America and the highest quality hides are purchased in Italy, Germany and France.

The supply of cattle hides is principally dependent upon beef consumption, rather than demand for leather.

The prices for cattle hides decreased during 2023. As the current situation remains uncertain, and due to the volatile nature of the hides market, there can be no assurance that current prices will remain stable or continue to decrease. Indeed, given the current inflationary environment, exchange rate volatility, the uncertainties surrounding the developments of the war in Ukraine, the Israel-Hamas conflict and any potential escalation thereof, we expect that such prices could trend upward and that raw material supply can be difficult in the second half of 2024. See “Item 3. Key Information—Uncertain global macro-economic and political conditions could materially adversely affect our business, operations and economic and financial position”, “Item 3. Key Information—Risk Factors—The price of the raw materials we use is difficult to predict and material increases to such prices and our energy production costs have had, and may continue to have, a material adverse effect on our results of operations.

The Group also purchases fabrics and microfibers to be used in coverings. Most of the fabrics are purchased in Italy from a dozen of suppliers which provide the finished product. Microfibers are purchased from suppliers in Italy, Spain, South Korea and China. Fabrics and microfibers are generally purchased weekly from suppliers on the basis of purchase orders specifying the quantity (in linear meters) and the delivery date. In 2023, the price for fabrics and microfibers decreased compared to 2022.

In 2023, polyurethane foam prices decreased compared to 2022. The chemical components of polyurethane foam are petroleum-based commodities, and the prices for such components are therefore subject to, among other factors, fluctuations in the price of crude oil.

In 2023, wood prices increased compared to 2022. Such increase was addressed during the year by diversifying the portfolio of wood suppliers. See “Item 3. Key Information—Risk Factors—Increases in raw material, transportation and labor costs could have a material adverse effect on our results of operations”.

Supply-Chain Management

The Supply Chain department is responsible for monitoring logistics solutions to ensure their effectiveness. In addition, in order to improve access to supply chain information across the Group, the Supply Chain department uses a portal that allows it and other

departments (such as the Customer Service and Sales Department) to monitor the movement of goods through the supply chain and to monitor key performance indicators (KPIs).

In 2023, the Group continued to revise its supply chain processes and planning systems, such as the material requirements planning (MRP) system, which determines what raw materials, components and semifinished goods are needed during the production cycle, and when to assemble the finished goods, based on demand and the bill of materials.

The Company has also established a “control tower” that provides full visibility of the entire end-to-end supply chain, allowing management to analyze and proactively respond to potential demand spikes while ensuring availability of production inputs and reducing waste.

This supply chain approach allows management to leverage automation and ensure that work is allocated and processed effectively across the organization, thus allowing the Group to better adapt its business to supply chain challenges, market volatility, and rising costs, with the ultimate goal of improving working capital management.

The Company remains focused on improving the service level and the on-time delivery at global level.

See also “Item 3. Key Information—Risk Factors—Uncertain global macro-economic and political conditions could materially adversely affect our business, operations and economic and financial position”.

Production Planning (Order Management, Warehouse Management, Production, Procurement) — The Group’s commitment to reorganizing procurement logistics is aimed to:

— develop a logistic-production model to customize the level of service to customers; and

— optimize the level of the size of the Group’s inventory of raw materials and/or components. A procedure is being implemented to continuously monitor global finished products inventories in order to determine which in-stock goods are not being sold as part of our existing collections (as a result of being phased-out) and to enable the different commercial branches to promote specific sales campaigns of these goods.

The Group also plans its procurement of raw materials and components as follows:

(i) **“On demand”** for those materials and components (which the Group identifies by code numbers) that require a shorter lead time to complete the order than the standard production planning cycle for customers’ orders. This system allows the Group to handle a higher number of product combinations (in terms of models, versions and coverings) for customers around the world, while maintaining a high level of service and minimizing inventory size. “On demand” procurement of raw materials and components eliminates the risk that these materials and components would become obsolete during the production process; and

(ii) **“Upon forecast”** for those materials and components that require a long lead time to complete the order. The Group uses a forecasting methodology that balances the Group’s desire to maintain low inventory levels with the Sales Department’s need for flexibility in fulfilling orders.

Lead times can be longer than those mentioned above when a large number of unexpected orders are received. Delivery times vary depending on the location of unloading (transportation times vary greatly depending on the distance between the final destination and the production plant).

See “Item 3. Key Information—Risk Factors—Our inability to accurately forecast demand for our products could affect our profitability” for a discussion of the impact of inaccuracies in forecasts and assumptions regarding current and future demand for our products on our production planning”.

Load Optimization and Transportation — The Group delivers goods to customers via common carriers. Goods destined for the Americas and other markets outside Europe are transported by sea in 40-foot high cube containers, while those produced for the European market are generally delivered by truck or rail. In 2023, the Group shipped 2,995 containers overseas and 3,973 fully loaded mega-trailers trucks.

With the aim of decreasing costs and safeguarding product quality, the Group uses a software to manage load optimization.

The Group mainly relies on several shipping and trucking companies operating under “time-volume” service contracts to deliver its products to customers and to transport raw materials to the Group’s plants and processed materials from one plant to another. In general, the Group prices its products to cover its door-to-door shipping costs, including all customs duties and insurance premiums.

See “Item 3. Key Information—Risk Factors—Increases in raw material, transportation and labor costs could have a material adverse effect on our results of operations” for a discussion of the impact of supply chain disruptions and increases in transportation costs”.

Products

Products are mainly designed in the Company’s Style Center, but the Group also collaborates with international designers for the conception and prototyping of certain products in order to enhance brand visibility, especially with respect to the *Natuzzi Italia* product line. See “See “Item 4. Information on the Company—Strategy— Product Diversification and Innovation.”

New models are the result of a constant information flow from the market, in which preferences are analyzed, interpreted and turned into a brief for designers in terms of style, function and price point. Designers draw the sketches of new products in accordance with the guidelines they are provided and, through collaboration with the prototype department, approximately 70 new sofa models are generally introduced each year. The diversity of customer tastes and preferences, as well as the Group’s inclination to offer new solutions, results in the development of products that are increasingly personalized. 65 highly qualified employees conduct the Group’s R&D efforts from its headquarters in Santeramo in Colle, Italy.

The Group’s wide range of products includes a comprehensive collection of sofas and armchairs with particular styles, coverings and functions, with more than two million combinations.

- The ***Natuzzi Italia*** collection stands out for its choice of high-quality materials and finishes, as well as for the creativity and details of its design. As of March 31, 2024, this product line offered 69 models of sofas, 47 armchairs and 10 beds offered in a wide range of covers and colors. This collection also includes a selection of additional furniture pieces (such as wall units, coffee tables, tables, chairs, lamps and carpets) and accessories (including vases, mirrors, magazines racks, trays and decorative objects) to offer a complete suite of furnishings and with the aim of enabling the Group to develop a “lifestyle” brand.
- The ***Natuzzi Editions*** and the ***Divani&Divani by Natuzzi*** collection consisted of 98 models of sofas, 25 armchairs and 12 beds as of March 31, 2024. This vast range of models covers all styles from casual/contemporary to more traditional, suitable for all markets from Europe to Americas to Asia. This collection focuses on leather and offers 14 leather types available in 111 colors. In addition, a collection of 14 fabric articles available in 151 colors was added to the line.
- The **unbranded** collection consisted of 44 models as of March 31, 2024, including exclusive models for key accounts. The products are mainly offered in top grain leather, but are also available in a bonded leather.

In addition to upholstered products, the Group also offers a collection of home furnishing accessories (tables, lamps, rugs, home accessories and wall units in different materials) which are purchased from third-party suppliers. Most of these suppliers are located in Italy, while some hand-made products (such as rugs) are made in India. Before any items are introduced into our collection, they are tested in accordance with European and world safety standards. In the design phase particular attention is paid to the choice of innovative technological solutions that add value to the product and ensure long lasting quality.

The Group operates in accordance with strict quality standards and has earned the ISO 9001 certification for quality and the ISO 14001 certification for the management of environmental impacts. The ISO 14001 certification also applies to the Company’s tannery subsidiary, Natco. Further, the Group has obtained the ISO 45001 certification for management systems of occupation health and safety.

In 2023 the Company accomplished The Responsibility Award. The Responsibility Award is an award issued by Bureau Veritas that confirms Natuzzi’s commitment to the responsible management of the three pillars of corporate management: Quality, Environment, and Corporate Social Responsibility.

Innovation

The Group invests time and resources to design and innovate processes and products to achieve higher levels of efficiency, quality and service.

Decisions on new products are made through a well-defined phase-gate process with explicit, fact-based criteria, such as product lifecycle, forecast, market segment and reduction of complexity of the existing portfolio. Accurate and granular data on product costs and financial sustainability of the business is available at every stage of the value chain (from development through manufacturing, distribution, and support). Standardized development tools (such as product lifecycle management) enable seamless global collaboration between the R&D department and the Group’s industrial footprint. The Group’s global innovation

and product development department aims at integrating processes ("concurrent engineering") by bringing together engineers from different backgrounds in cross-functional product and process teams and by interacting with suppliers to enable a faster product cycle and more efficient product development. Concurrent engineering is a working methodology that emphasizes the parallelization of tasks within a process (i.e., performing tasks concurrently), sometimes called "simultaneous engineering" or "integrated product development", because it uses an integrated product team approach. It is an approach to product development that integrates various functions of design and manufacturing engineering, among others, to reduce the time required to bring a new product to market.

An open innovation network across the business enables collaborations with external entities (e.g., research institutions, universities, innovation centers) to rapidly source new ideas that can be turned into practical products. Once a new idea is applied to projects, it is protected by means of a specific patent.

The Company pays particular attention to the comfort of its products and its certification. The evaluation process is based on an ergonomic-principle conformity check (gap analysis), which includes the performance of several tests selected according to types of evaluation required and performed in the corresponding ergonomic reference areas. The Company performs several types of ergonomic evaluations, including tests performed or supervised by experts (certified European ergonomists), CAD 3D virtual seat evaluations and simulations, and tests with real users selected to represent the categories of end users (e.g., through biomechanical analysis, usability/distraction tests, interviews, focus groups). Based on the specific product type and request, users are asked to interact with the tested products by performing representative tasks of a physical (biomechanical interaction) or cognitive nature (cognitive ergonomics). Such evaluations are carried out to determine the compliance of the products with the ergonomic principles and requirements established by the sector technical standards, and may result in an ergonomic certification. This new evaluation process has allowed to make it possible to achieve the highest certification, Human Centered Design: Product & Organization according to (ISO 92141-210) and (ISO 9241-220).

During 2023, Natuzzi participated in the *Made in Italy Circolare e Sostenibile consortium*("MICS"). MICS is a partnership between universities, research centers, and enterprises financed by MUR - *Ministero dell'Università e della Ricerca* with funds provided by the European Union under the NextGenerationEU (PNRR) program. MICS connects businesses and research in the public and private sectors, creating a unique unity of purpose. Presently, three key sectors of the Italian industrial scenario are involved, namely fashion, furniture, and factory automation. By dividing research into eight thematic areas, referred to as "Spokes", MICS is at the forefront of addressing challenges to Italy's design, production, and consumption models, as well as to end-of-life materials, products, production technologies, and processes necessary for transitioning to greener and more circular pathways and patterns. Through this partnership, Natuzzi aims to enhance its sustainability practices, from product design through the entire order-to-delivery and fulfillment process.

The innovation along the R&D processes and products has been implemented and successfully integrated with the entire value-added chain, with suppliers, production and customers through the experimentation of an innovative production and process model called "Factory 4.0". The Factory 4.0 operational model has been studied since 2020 as a proprietary production model aimed at reducing production costs, based on a bespoke cellular production principle that evolved the moving line production model. Such production model relies on a more advanced technological clustering of industrial processes in order to more efficiently manage the complexity arising from the manufacturing of different product families (also referred to as the "factory within the factory" system).

This new cellular production system is an advanced form of lean production that uses the same basic principles but in a mixed-model environment to efficiently manage the complexity of make-to-order production. The basic underlying principle is that instead of grouping workers by a single process within the same production line, workers are grouped into separate production value streams for each product family. Cellular manufacturing principles can be applied to a wide range of volumes and product mixes, resulting in a more flexible production environment. Cellular production methods involve clustering the processes and machines needed to complete a product family. The goal is to improve value stream efficiency. This new approach to production concept makes it possible to simplify the production flow and reduce part movement, buffer inventory and waste in general. Cellular production focuses on first identifying the value-adding activities of the process, then mapping the value stream, implementing the process flow, creating a pull system, and finally creating quality through continuous improvement.

The new factory model is supported by digital systems based on 4.0 technologies, which make it possible to connect people, machines and systems as a network. All assembly processes and material handling technology are real-time ready. The assembly, sewing, packaging and cutting departments are completely digitalized. Employees work with monitors and personal pads. Workstations and processes have been virtually tested and ergonomically designed. All the warehouses and picking zone are equipped with a digitalized logistics and visual management "Andon" systems, the necessary materials for assembly in a so-called pick zone use ("pick-to-light" systems), advanced transport and handling systems are in use to speed up the efficiency of the internal logistics system. A real-time monitoring approach has been designed and implemented into Factory 4.0, as the resulting

data can now be collected and analyzed at the end of a shift using big data technology. The findings are used to improve existing production processes, prevent efficiency losses and take predictive action. This helps to increase uptime and improve quality.

Networking is not only within Factory 4.0 but also throughout the supply chain from suppliers to production to customers. In coordination with our suppliers, we plan to integrate their systems with the Natuzzi SAP system ("Systems, Applications, Products in Data Processing") and manufacturing execution system (MES) to track arrivals, avoid shortages and enable early detection of discrepancies in the supply chain, thus reducing response time.

As of the date of this Annual Report, Factory 4.0 has been implemented in three Italian plants. However, we plan to gradually extend this program to the other Italian plants in 2024 and, subsequently, to our plants in China, Romania and Brazil.

R&D expenses, which include labor costs for the R&D department, design and modeling consultancy expenses and other costs related to the R&D department, were €3.8 million in 2023, €3.5 million in 2022 and €3.3 million in 2021.

Advertising

Natuzzi's marketing mission continues to capitalize on our brand's core values of harmony, quality and craftsmanship, combining design with innovation, and a commitment to social responsibility. We amplify these values through our brand's dynamic story. Told through our predominant Mediterranean, Italian, modern lifestyle, this brand story honors our history as a quintessential Italian brand while allowing us to promote a broad yet curated product range that results in a combination of product value and personalized experience.

By adopting a fresh, ever-evolving creative approach that is increasingly driven by digital strategies, we have continually reinvigorated our brand, enhancing its desirability and visibility. Our vertically integrated approach allows us to manufacture most of the products we sell in our own plants, which we believe gives us great control over the quality of our products, the service we provide, and flexibility in make-to-order production, thus supporting an exceptional breadth of styles and customization options.

Our combination of creative and analytics-driven strategies enables us to drive new and repeat customer traffic to both our stores worldwide and our new website, natuzzi.com. Using our fully integrated customer relationship management system, we create personalized customer journeys, targeted communications and retargeting campaigns. We develop persuasive, aspirational and relevant messages and we convey them through a variety of media, including direct mail, geo-targeted tools, radio, digital and social channels and email marketing. Taken together, these strategies allow us to constantly expand and update our client base while maintaining existing relationships.

We work on continually improving our digital platform, which includes both brand lines to enhance the user experience across the Natuzzi universe. New technologies and effective user experience solutions contribute to the growth of our digital key performance indicators.

Along with the new digital platform, we maintain the e-commerce channel for *Natuzzi Italia* products in the U.S. market to amplify the brand's potential and make it more accessible to customers. Our e-commerce strategy is to generate business by combining technology with excellent personal service. We consider our website an extension of our retail stores and not a separate segment of our business. We expect most of our customers to use the internet for inspiration and as the beginning of their shopping process to view products and their prices. Since most of our products are customizable, we encourage our website customers to get personal help from our interior design professionals, either in person or online. This complimentary direct contact with one of our knowledgeable interior design professionals, whether remotely or in-person, represents an additional service we provide our website customers. This enhances the online experience and leads to internet customers becoming customers of our network of retail stores.

In particular, as a result of the increased focus on online shopping and virtual merchandising platforms, we continue to strategically focus on digital touchpoints through our ongoing implementation of conversion rate optimization updates. We also invest in targeted search engine optimization and paid search marketing for both national and local markets, driving both referral traffic to our website and physical traffic to our stores. In addition, improved on-site search capabilities, expanded online appointment booking capabilities, and product listing and display page enhancements continue to elevate our users' experience. We continue to promote brand visibility on various social media platforms, placing greater emphasis on visual and video-driven content. Both paid social media campaigns and organic social media presence have helped us grow our social following and take a more prominent place in the cultural conversation.

In 2023, the *Natuzzi Editions* brand continued its transition to become a retail brand by expanding partnerships and improving the quality of distribution through mono-brand stores and galleries that represent the Group's lifestyle concept.

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The developments in the retail environment have also been reinforced with a newly designed in-store communication that enhances the consumer experience, supported by a digital footprint, a new website, and digital tools. All marketing materials are available to our customers through a marketing platform to provide 360° support to our partners in communicating the Group's brand values to our consumers.

We plan to further invest in our digital footprint, including our website, in order to enhance our customer experience, expanding a customized and engaging approach to products. We are also continually improving our customers' journey from the time they visit our website to the delivery of their purchased products or their visit to our points of sale by boosting our engagement tools. We view the combination of online and in-store traffic in a holistic fashion whereby our customers generally experience our brand on our website before visiting a store in person. Our online traffic continues to increase each year and our marketing teams remain focused on enhancing our digital outreach strategies to further drive more traffic and keep our brand relevant in today's social media-oriented world.

Retail Development

The Group is still focused on expanding its retail distribution network internationally in its most important markets, by opening new stores and closing/relocating those store that have not met the expected revenue goals.

During 2023, 24 *Natuzzi Italia* stores were opened, of which 11 in China, six in the U.S. (and, specifically in San Diego, Manhasset, Houston, Fort Worth, Atlanta and Miami), two in South Korea and one in each of Brazil, Malta, Russia, Taiwan and Azerbaijan.

During 2023, 46 *Natuzzi Editions* stores were opened (of which 29 in China, five in Brazil, and one in each of Australia, Austria, Hungary, Kuwait, Malta, Philippines, Ukraine, the United Arab Emirates, Uruguay, the U.S., Ecuador and the UK) and three *Divani&Divani by Natuzzi* stores were opened in Italy.

The expansion of the network will continue in 2024, primarily through dealership agreements within the most relevant geographies, namely the U.S., China and Europe, with a specific focus on the UK and Italy. We plan to open approximately 50 Natuzzi franchises worldwide in 2024. Additionally, the strategic initiative of rationalizing the DOS network by ceasing operations at non-profitable stores is encompassed within the plan. Furthermore, with the aim of further consolidating the strong presence of our brand in the U.S. retail market, we plan to open another *Natuzzi Italia* store in Denver in 2024.

In addition, commencing from the end of the year 2023, the Group initiated a process aimed at revising the classification of points of sale within multi-brand stores to better address the offerings in relation to the type of location and its related clientele, thus leading to a distinction of points of sale within multi-brand stores between galleries and smaller distribution areas.

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Markets

The Group markets its products internationally and in Italy. Historically, the distribution of the Group's products has been through the wholesale channel, which still represents a significant portion of our entire business.

The Group continues in its effort to expand its retail distribution through Natuzzi mono-brand stores, both directly operated and franchises. In 2023, retail sales accounted for 63.5% of our consolidated upholstered and home furnishings revenue, compared to 59.5% in 2022.

The following tables show the number of Group stores (both directly operated and franchises) as of December 31, 2023 according to our principal geographic areas.

STORES		Natuzzi Italia	Natuzzi Editions	Divani&Divani by Natuzzi	TOTAL
Americas[1]	United States and Canada	21	8	—	29
	Other Americas	16	54	—	70
	Total Americas	**37**	**62**	**—**	**99**
EMEAI	West & South Europe (excluding Italy)	30	22	—	52
	Italy	4	—	78	82
	Middle East, Africa and India	25	9	—	34
	Other EMEAI	28	13	—	41
	Total EMEAI	**87**	**44**	**78**	**209**
Asia-Pacific	China [2]	97	249	—	346
	Other Asia-Pacific	17	7	—	24
	Total Asia-Pacific	**114**	**256**	**—**	**370**
TOTAL		**238**	**362**	**78**	**678**

(1) Includes the United States, Canada, Central and South America (including Brazil) (collectively, the "Americas").

(2) Includes 21 Natuzzi stores directly operated by Natuzzi Trading (Shanghai) Co., Ltd., which is 49% owned by the Company, following the agreement with the Kuka group. See "3. Asia-Pacific Region" below.

In addition to the stores indicated in the above table, as of December 31, 2023, there were four *Natuzzi Italia* and eight *Natuzzi Editions* concessions (galleries or store-in-store points of sale), all directly managed by the Company's Mexican subsidiary.

The following tables show the Group's consolidated revenue of upholstery furniture, beds and home furnishing accessories, broken down by geographic market and branded/unbranded business for each of the years indicated therein and in millions of Euro.

	2023		2022		2021	
Americas[1]	**122.8**	**38.4%**	**164.7**	**36.3%**	**157.4**	**38.0%**
Natuzzi brand[2]	109.9	34.4%	146.0	32.2%	136.3	32.9%
Unbranded	12.9	4.0%	18.7	4.1%	21.1	5.1%
EMEAI	**150.8**	**47.2%**	**201.9**	**44.5%**	**183.9**	**44.5%**
Natuzzi brand[2]	141.4	44.2%	175.5	38.7%	154.6	37.4%
Unbranded	9.4	2.9%	26.4	5.8%	29.3	7.1%
Asia-Pacific	**46.2**	**14.4%**	**86.6**	**19.1%**	**72.4**	**17.5%**
Natuzzi brand[2]	44.6	14.0%	83.5	18.4%	69.8	16.9%
Unbranded	1.6	0.4%	3.1	0.7%	2.6	0.6%
Total	**319.8**	**100.0%**	**453.2**	**100.0%**	**413.7**	**100.0%**

(1) Includes the United States, Canada, Central and South America (including Brazil).

(2) The "Natuzzi" brand includes the following lines of product: *Natuzzi Italia*, *Natuzzi Editions* and *Divani&Divani by Natuzzi.* Net sales under the "Natuzzi" brand also includes net sales of beds.

The following tables show the number of upholstered seats sold broken down by geographic market and branded/unbranded business for each of the years indicated therein:

	2023		2022		2021	
Americas[1]	**205,183**	**32.2%**	**234,074**	**28.5%**	**355,963**	**36.4%**
Natuzzi brand[2]	155,797	24.5%	177,684	21.6%	266,193	27.2%
Unbranded	49,386	7.8%	56,390	6.9%	89,770	9.2%
EMEAI	**327,494**	**51.4%**	**442,973**	**53.9%**	**475,071**	**48.6%**
Natuzzi brand[2]	283,635	44.6%	345,757	42.1%	329,595	33.7%
Unbranded	43,859	6.9%	97,215	11.8%	145,476	14.9%
Asia-Pacific	**103,978**	**16.3%**	**144,256**	**17.6%**	**146,993**	**15.0%**
Natuzzi brand[2]	96,760	15.2%	130,619	15.9%	135,338	13.8%
Unbranded	7,218	1.1%	13,637	1.7%	11,655	1.2%
Total	**636,655**	**100.0%**	**821,303**	**100.0%**	**978,027**	**100.0%**

(1) Includes the United States, Canada, Central and South America (including Brazil).

(2) The "Natuzzi" brand includes the following three lines of product: *Natuzzi Italia*, *Natuzzi Editions* and *Divani&Divani by Natuzzi.*

In 2023, net sales of upholstered sofas, beds and home furnishings ("main business") amounted to €319.8 million, a decrease of 29.4% compared to 2022, as a result of a 27.0% decrease in Natuzzi branded sales and a 50.3% decrease in net sales of unbranded products. However, the 2023 net sales compare to the strong performance in 2022, which benefitted from a €58.4 million reduction in the order backlog accumulated through December 31, 2021, due to supply chain disruptions in 2021, which significantly constrained product deliveries in that year. As a results, part of such orders was recognised in 2022, thus contributing to increasing 2022 net sales.

Moreover, during 2023, the Group's sales performance in all main regions and across its brands was negatively affected by the persisting macroeconomic and industry-specific challenges, including high levels of inflation and increases in interest rates, which affected clients' disposable incomes, thus causing consumers to delay or decrease investments in their existing homes and making them more price conscious, resulting in a shift in demand to less expensive products. See "Item 3. Key Information-Risk Factors—Uncertain global macro-economic and political conditions could materially adversely affect our business, operations and economic and financial position." As a result, in 2023, the Group's revenues decreased across the main geographic areas, namely North America, China and Europe compared to both 2022 and 2021.

The Group's strategy is to increase the portion of revenue represented by the Natuzzi branded sales, mainly through the expansion of its retail network in priority markets, such as the U.S., China and Europe, primarily the UK and Italy, and, at the same time, to focus on selected large accounts selling unbranded products to serve them with a more efficient go-to-market model.

For additional information on the results of our operations in 2023 as compared to 2022, see "Item 5. Results of Operations."

1. The Americas

In 2023, net sales of leather and fabric-upholstered furniture and beds as well as home furnishings in the U.S. and the rest of the Americas (including Brazil) were €122.8 million, down 25.4% compared to 2022, and the number of seats sold decreased by 12.3%, to 205,182 in 2023, compared to 2022. In 2023, net sales of our Natuzzi branded products were €109.9 million, down 24.7% compared to 2022, and net sales of unbranded products were €12.9 million, down 30.9% compared to the prior year.

Net sales in the Americas were significantly affected by the weak performance of the wholesale channel, for both branded and unbranded part of the business. Distributors remain focused on reducing their stock rather than placing new orders. Additionally, there has been low traffic in our monobrand points of sales due to high interest rates, resulting in a stagnant housing market and, thus, in a decrease of consumer demand for our products, as well as reduced disposable income for consumers.

The Group's strategy for the Americas is to continue focusing on the branded business mostly through the opening of mono-brand Natuzzi stores in addition to Natuzzi galleries, mainly in the U.S., and at the same time to focus on selected large unbranded distributors in an effort to serve them with a more efficient go-to-market model.

Over the last few years, our unbranded business has been affected by difficult retail conditions experienced in the North American market, resulting in a reduction of their points of sale, and, more generally, by increased price competition in the low segment of the market. In addition, the unbranded division, which has been entirely served by our operations in Asia, has been negatively

affected by tariffs imposed by the U.S. customs authorities on goods manufactured in China and, more recently, by Canadian customs authorities on goods manufactured in China and Vietnam.

In light of the tariffs imposed by the U.S. on goods imported from China, since December 2019, the Company has started outsourcing in Vietnam part of its unbranded production for some key accounts in the U.S. The Company intends to gradually increase its outsourced production in Vietnam to serve most of its Mass Merchants located in the U.S. In addition, the Group is leveraging on its global footprint to mitigate the negative effects from customs duties imposed by Canadian authorities. See “—Manufacturing.”

The Group’s principal customers are major distributors. The Group advertises its products to distributors and, recently, to end-consumers in the U.S., Canada, Central and South America (excluding Brazil) both directly and through the use of various marketing tools. The Group also relies on its network of sales representatives and on furniture fairs held at its High Point, North Carolina, to promote its products.

Natuzzi Americas maintains offices in High Point, North Carolina and provides the Company with agency services. The staff at High Point provides customer service, trademarks and products promotions, credit collection assistance, and generally acts as the customers contact for the Group. As of March 31, 2024, Natuzzi Americas had 39 employees and 16 independent sales representatives.

Our commercial activities in Brazil and South America are overseen from our Salvador de Bahia facility. The Group’s commercial structure for the South American region has been reinforced over the years by an increase in personnel, from 12 representatives in 2012 to 23 as of the end of 2023. 2023 net sales in Brazil were €14.5 million, from €15.4 million in 2022. As a result of the focus to the Brazilian and more generally South American high-end consumer market, the Group currently distributes a *Natuzzi Italia* “made in Brazil” collection, entirely manufactured in Brazil and exclusively dedicated to the South American market.

In 2016, the Group acquired seven *Natuzzi Italia* stores all located in Florida. In December 2016, the Company established a new trading subsidiary located in Mexico, Natmx S.de.R.L.de.C.V. (“NATMX”). In January 2017, NATMX signed an agreement with the owners of Muebleria Standard. Under the agreement, NATMX acquired the three existing *Natuzzi Italia* stores located in Mexico City-Altavista, Guadalajara and Monterrey. In addition to the directly operated stores, as of December 31, 2023, NATMX sells our products in Mexico through 12 directly managed concessions (four under the *Natuzzi Italia* brand and eight under the *Natuzzi Editions* brand) in Palacio de Hierro, a high-end retailer having shopping malls in excellent locations throughout Mexico.

In June 2017, the Company opened its new North American retail store in West Palm Beach, Florida. During 2018, the Company opened four new directly operated stores in the U.S., namely one in Chicago, one in Los Angeles-Costa Mesa, one in Paramus – New Jersey and one in Philadelphia (within the King of Prussia Mall). In 2019, one *Natuzzi Italia* store was opened in the Sarasota and the Fort Lauderdale store, initially opened in 2016, was relocated. In 2022, three new *Natuzzi Editions* stores were opened, of which one in Kennessaw, Georgia, operated directly by the Group, and two *Natuzzi Editions* stores, in South Lake and Dallas, Texas, managed in joint venture with a local partner. In 2023, six *Natuzzi Italia stores* were opened, and, specifically five DOS in San Diego, Manhasset, Houston, Miami and Atlanta, and one franchise in Forth Worth, as well as one *Natuzzi Editions* DOS operated in joint venture with a local partner. These store openings are part of the strategy announced in 2016 to open Company-managed stores in high traffic and prime retail locations, showcasing the new store design, merchandising concept and overall Natuzzi consumer experience.

As of December 31, 2023, there were 19 *Natuzzi Italia* stores in the Americas (17 in the U.S. and two in Mexico), one *Natuzzi Editions* store in the U.S. directly managed by the Group, in addition to three *Natuzzi Editions* stores in the U.S. managed in joint venture with a local partner.

As of the same date, there were also 18 *Natuzzi Italia* stores operating in the Americas that are owned by local franchisees (seven in Brazil, three in the U.S., two in Venezuela, one in each of Argentina, Bolivia, Canada, Colombia, Panama and Paraguay). Furthermore, as of the same date, there were 58 *Natuzzi Editions* franchise stores, of which 46 were located in Brazil, four in the U.S., two in each of Ecuador and Uruguay, and one in each of Argentina, Colombia, Perù and Venezuela.

2. EMEAI

In 2023, net sales of leather and fabric-upholstered furniture and beds as well as home furnishings in Europe (including Italy), the Middle East, Africa and India (collectively, “EMEAI”) were €150.8 million, down 25.3% compared to 2022, with the number of seats decreasing by 26.1% to 327,95 in 2023. Natuzzi branded sales amounted to a total of €141.4 million in 2023 (down 19.4% from 2022), and unbranded products net sales decreased by 64.5% to €9.4 million.

2a) West & South Europe (excluding Italy). The Group sells its products in West & South Europe (outside Italy) mainly through stores (franchises or directly operated stores). As of December 31, 2023, 52 stores were operating in Europe: 30 were under the

Natuzzi Italia name (13 in the UK, eight in Spain, three in Switzerland, two in each of the Netherlands and Portugal, and one in each of Austria and France). As of the same date, there were 22 *Natuzzi Editions stores* of which 17 located in the UK, three in Spain, and one in each of Austria and Ireland. Of these stores, as of December 31, 2023, the Group directly owned 18, of which 15 were operated under the *Natuzzi Italia* name (eight in Spain, three in each of the UK and Switzerland, and one in France) and three were operated under the *Natuzzi Editions* name, of which two in the UK and one in Spain.

2b) Italy. Since 1990, the Group has sold its upholstered products in Italy principally through the *Divani&Divani by Natuzzi* franchise network of furniture stores. As of December 31, 2023, there were 78 *Divani&Divani by Natuzzi* stores (of which 12 directly operated by the Company), and three *Natuzzi Italia* stores, all directly operated by the Company.

2c) Middle East, Africa and India. As of December 31, 2023, the Group had a total of 25 *Natuzzi Italia* stores in the Middle East, Africa and India: six in Israel, four in India, three in the United Arab Emirates, and one in each of Algeria, Bahrain, Bangladesh, Egypt, Ivory Coast, Kuwait, Lebanon, Pakistan, Qatar, Saudi Arabia, Senegal and Tunisia. In addition, four *Natuzzi Editions* stores were operating in Egypt, two in Kuwait and one in each of Israel, Senegal and the United Arab Emirates. All of these stores are operated by franchise partners.

2d) Other EMEAI. As of December 31, 2023, 41 stores were operating in the remaining part of EMEAI: 28 were under the *Natuzzi Italia* name (four in each of Czech Republic and Russia, three in each of Turkey and Ukraine, two in Bosnia, and one in each of Azerbaijan, Croatia, Cyprus, Greece, Hungary, Malta, Poland, Romania, Serbia, Slovakia, Slovenia and Uzbekistan). As of the same date, there were 13 *Natuzzi Editions* of which three in the Czech Republic, two in each of the Croatia and Slovakia, and one in each of Hungary, Malta, Poland, Romania, Serbia and Ukraine.

In January 2012, following the worsening of the European Union's diplomatic relations with Iran and Syria, the Company decided to cease all business relations with these two countries. No impairment issue arose following the cessation of business relations with those two countries. The Group has had no sales in Iran or Syria since 2016. Our prior interests and activities in Iran or Syria were not a material investment risk, either from an economic, financial or reputational point of view. The Group has not had, nor does it plan to have, any commercial contacts with the governments of Iran or Syria, or with entities connected with such governments.

The Group has never generated sales in Sudan, North Korea or Cuba**.**

3. Asia-Pacific Region

In 2023, net sales of leather and fabric-upholstered furniture and beds as well as home furnishings in the Asia-Pacific region were €46.2 million, down 46.6% from €86.6 million in 2022, and the number of seats sold decreased by 27.9% to 103,978 in 2023. In 2023, Natuzzi branded sales decreased by 46.6% to €44.6 million, and unbranded sales decreased by 48.0% to €1.6 million compared to 2022.

The general strategy for the Natuzzi brand is to further expand the store network throughout the region, with a strong emphasis on the Chinese market.

The Group's commercial part of the business throughout the Asia-Pacific region was run by Natuzzi Trading (Shanghai) Co., Ltd. until July 27, 2018. On that date, the Company announced the completion of the transactions (the "Closing") contemplated by the joint venture agreement, signed in March 2018, between the Company and Kuka Furniture (Ningbo) co., Ltd. ("Kuka"). As a result of the Closing, the Company's wholly-owned Chinese subsidiary, Natuzzi Trading (Shanghai) Co., Ltd. ("Trading Co.") became a joint venture in which each of the Company and Kuka owns, as of the date of this Annual Report, a 49% and a 51% stake, respectively. See Note 11 to the Consolidated Financial Statements.

This joint venture is aimed at expanding the Company's retail network in Mainland China, Hong Kong and Macau (the "Territory"). Trading Co. distributes the *Natuzzi Italia* and *Natuzzi Editions* branded products through a network of single-brand directly operated stores and franchise stores in the Territory, as well as through online stores.

In April 2021, the Company announced that it had entered into a preliminary and non-binding agreement (the "Preliminary Agreement") with Truong Thanh Furniture Corporation ("TTF"), a company incorporated under the laws of the Republic of Vietnam and which engages in production and distribution of furniture, to form a partnership aimed at strengthening the Natuzzi Group's operations in the APAC region excluding Greater China (the "Rest of the APAC Territory"). Under the Preliminary Agreement, TTF intended to acquire up to a 20% stake in Natuzzi Singapore PTE. LTD ("Natuzzi Singapore"), which was incorporated by the Company in the Republic of Singapore in April 2020 and became operating in 2021. Natuzzi Singapore engages in sales and distribution of furniture and upholstery products under the trademarks of the Group in the Rest of the APAC Territory. At the time of the Preliminary Agreement, Natuzzi Singapore was 93% controlled by Natuzzi S.p.A., while the remaining 7% stake was owned by Mr. Richard Tan, the head of Natuzzi industrial operations in Asia since their inception in 2001,

as well as a minority shareholder of one of the Group's subsidiaries in China. In March 2022, TTF obtained all applicable authorizations by the relevant Vietnamese authorities and acquired a 20% stake in Natuzzi Singapore, for a total cash consideration of $5.4 million (equivalent to €4.9 million) to Natuzzi Singapore. As a result of the above transaction, Natuzzi S.p.A. TTF and the other minority shareholder, Mr. Richard Tan, own 74.4%, 20.0% and 5.6% of the share capital of Natuzzi Singapore, respectively. In addition, Natuzzi S.p.A. maintains the majority of the board members of Natuzzi Singapore.

As of December 31, 2023, 114 *Natuzzi Italia* franchise stores were operating in the Asia-Pacific market: 95 in China (of which 13 directly operated by the joint venture in China), five in Taiwan, four in each of Australia and South Korea, two in Hong Kong, and one in each of Indonesia, Philippines, Thailand and Vietnam. In addition, as of the same date, the Group had 256 franchise *Natuzzi Editions* stores, of which 248 located in China (including eight directly operated by the joint venture in China), and one in each of Australia, Hong Kong, South Korea, Philippines, Thailand and Vietnam. In addition, in 2023, there two *Natuzzi Editions* stores directly operated by the Group in Australia. The Group also maintains galleries in the Asia-Pacific region under the *Natuzzi Italia* and *Natuzzi Editions*.

Customer Credit Management

The Group maintains an active credit management program. The Group evaluates the creditworthiness of its customers on a case-by-case basis according to each customer's credit history and information available to the Group. Throughout the world, the Group utilizes "open terms" in 80% of its sales and obtains credit insurance for about 84% of this amount; about 10% of the Group's sales are commonly made to customers on a "cash against documents" and "cash on delivery" basis; lastly, about 10% of the Group's sales are supported by a "letter of credit" or "payment in advance and at sight". See Note 31(C) to the Consolidated Financial Statements. In July 2020, the Company renewed the Securitization Facility with the Assignee for an additional 5-year period. Originally entered into in July 2015, the Securitization Facility allows the Company to assign trade receivables to the Assignee for a maximum amount of €40.0 million, on a revolving basis, retaining substantially all of the risks and rewards ("*pro-solvendo*") in the assigned trade receivables, in exchange for short-term credit, thereby continuing to provide the Company with an important and stable source of liquidity. Notably, under the Securitization Facility, the Company is entitled to assign a wide range of trade receivables, thus adding flexibility to the Company's funding capacity.

Incentive Programs and Tax Benefits

Historically, the Group has benefited from the Italian government's investment incentive program for under-industrialized regions in Southern Italy, which includes the area that serves as the center of the Group's operations. The investment incentive program provides tax benefits, capital grants and subsidized loans. 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. See "Item 3. Key Information—Risk Factors—Our past results and operations have significantly benefited from government incentive programs, which may not be available in the future."

In September 2015, the Company presented to the Italian Ministry of Economic Development (*Ministero dello Sviluppo Economico*, the "Ministry") a €49.7 million investment program for industrial development consisting of six programs, including a research and development program and the upgrade of its Italian facilities located in the regions of Puglia and Basilicata. In 2015, the Company formally requested that the grant from the Ministry be €37.3 million from public incentives. On September 23, 2015, the Company entered into a formal agreement (the "Development Contract") with the Ministry and the governments of Puglia and Basilicata reflecting this investment. On January 23, 2017, following its review of such program, the Ministry reduced the amount of investments from €49.7 million to €37.8 million, according to the following allocation: €27.6 million to upgrade the Italian plants located in Puglia and Basilicata and €10.2 million for innovation, research and development expenses. Consequently, grants from public incentives were reduced from €37.3 million to €26.9 million (€11.0 million as a capital grant and €15.9 million as subsidized loan). The Company began the planned investment activity in 2016. Specifically, it invested €5.0 million in 2016 and €2.0 million in 2017. In January 2018, the Ministry issued a decree for the Company to sign. Following the unfavorable judgement by the Labor Court of Bari, which required the Company to re-employ 166 workers, the Company decided not to sign the decree because it considered that the conditions set out in the decree, including the obligation not to fire workers for a 10-year period, were too onerous. On March 5, 2019, the Company presented to the Ministry of Economic Development an updated document concerning the Development Contract. In July 2019, the Ministry issued a decree which valued the Company's investment program at €45.7 million, of which €33.9 million considered eligible for public incentives, and granted the Company: (i) a €4.3 million capital grant and a €12.7 million subsidized loan for the upgrade of the Italian facilities in Puglia and Basilicata and (ii) a €5.9 million capital grant and a €1.2 million subsidized loan for innovation, research and development expenses, for a total of €24.1 million in grants from public incentives. In December 2019, the Company received €7.2 million from the Ministry, equivalent to 30% of the total grants, of which €3.0 million as a capital grant and €4.2 million as a subsidized loan. By signing the decree, the Company undertook to carry out the research and development program and the upgrade of the Italian facilities in

Puglia and Basilicata by December 31, 2020. On July 31, 2020, the Company presented a first set of the expenditure documentation relating to such investment program. Following the COVID-19 outbreak, the Company requested an extension of the deadline to March 31, 2022 to complete the investments under the program.

In March 2022, the Company presented to the Ministry a revised program with a new set of investments aimed at improving the flexibility of the industrial processes in its Italian plants located in the regions of Puglia and Basilicata, through the introduction of the "4.0" technologies together with a new workflow organization based on "cellular manufacturing". According to such revised program, the total amount of investments is €34.4 million, of which €25.3 million is for the upgrade of the Italian plants in Puglia and Basilicata and €9.1 million for innovation, research and development expenses. The amount in grants from public incentives has not changed (i.e., €24.1 million, of which €7.2 million already received in December 2019). In March 2023, the Ministry issued the approval decree providing for a total investment amount of €31.3 million, of which €23.6 million for the upgrade of the Italian plants in Puglia and Basilicata and €7.7 million for innovation, research and development expenses. The amount in grants from public incentives was about 70% of the €31.3 million investment amount, and the Ministry granted the Company a €8.7 million capital grant and €13.6 million subsidized loan. The Company has requested and obtained from the Ministry an extension of the deadline to December 31, 2023 to complete the investments under the program.

During 2023, the Company submitted to the Ministry two distinct sets of expenditure documentation pertaining to the investments and expenses incurred under the program in 2023. Specifically, according to said documentation, the total amount of investments and expenses was equal to €20.0 million, of which €14.8 million allocated for the upgrade of the Italian plants in the Puglia and Basilicata regions, and €5.2 million designated for innovation, research, and development expenses.

As a result, in 2023, the Ministry granted the Company a total of €3.1 million in capital grant (of which €1.6 million for the upgrade of the Italian plants in the Puglia and Basilicata regions, and €1.5 million for innovation, research, and development expenses), and a €5.7 million subsidized loan (of which €5.6 million for the upgrade of the Italian plants in the Puglia and Basilicata regions, and €0.1 million for innovation, research, and development expenses, the latter pertaining to the first set of expenditure documentation submitted to the Ministry in 2023). Of the total €8.8 million granted by the Ministry, €7.6 million was received in 2023, while €1.2 million was received on April 9, 2024.

In addition, the Ministry will grant the Company with further amounts of public grant in the form of subsidized loan for innovation, research and development expenses as a result of the second set of expenditure documentation submitted to the Ministry by the Company in 2023.

Due to the Company's failure to complete the investment program by the deadline, i.e., December 2023, due to the challenging business environment impacting the furniture sector, on December 28, 2023, the Company formally requested an extension of the deadline from the Ministry. This request was approved by the Ministry, which issued a new deadline extending through December 31, 2024.

Management of Exchange Rate Risk

The Group is subject to currency exchange rate risk in the ordinary course of its business to the extent that its costs are denominated in currencies other than those in which it earns revenues. Exchange rate fluctuations also affect the Group's operating results because it recognizes revenues and costs in currencies other than Euro but publishes its financial statements in Euro. The Group also holds a substantial portion of its cash and cash equivalents in currencies other than the Euro. The Group's sales and results may be materially affected by exchange rate fluctuations. For additional information see "Item 3. Key Information—Risk Factors—Fluctuations in currency exchange rates and interest rates may adversely affect our results of operations" and "Item 11. Quantitative and Qualitative Disclosures about Market Risk".

Trademarks and Patents

The Group's products are sold mainly under the *Natuzzi Italia*® and *Natuzzi Editions*® trademarks. These trademarks and certain other trademarks, such as *Divani&Divani by Natuzzi*® and *Natuzzi Re-vive*®, have been registered in all jurisdictions in which the Group has a commercial interest, such as Italy, the EU and elsewhere. To protect its investments in new product development, the Group has also undertaken the practice of registering certain new designs in most of the countries in which such designs are sold. As of the date of this Annual Report, the Group has approximately 650 certificates of design registrations referring to single and multiple applications for a total of 1,200 models (the same model may be registered in more than one country and/or jurisdiction, resulting in about 13,500 registrations related to 1,200 models in several countries) and two patents (registered and pending).

Applications are made with respect to new product introductions that the Group believes will enjoy commercial success and have a high likelihood of being copied.

In 2013, the Natuzzi Group launched Re-vive®, an innovative armchair that was the result of a collaborative effort between Natuzzi's Style Center and the Formway Design Studio of Wellington, New Zealand. The Re-vive® recliner combines style and comfort, Italian artisan expertise and innovative New Zealand design. This innovative armchair is internationally protected by several patents covering both its shape and all of its components. In particular, the design patent was filed in 15 countries, while the mechanism patent was filed in 14 countries.

As for the distribution of the products that are manufactured in the Group's plants and identified under various names (*Natuzzi Italia*®, *Natuzzi Editions*®, *Divani&Divani by Natuzzi*® and *Natuzzi Re-vive*®), the Group has entered into business agreements under the form of sale licenses (product supply and brand usage licenses) with its customers (distributors and retailers).

Furthermore, the Group has supply agreements in place with large wholesalers for the supply of Unbranded products that are manufactured by the Group's industrial plants outside of Italy.

Regulation

The Company is incorporated under the laws of the Republic of Italy. The principal laws and regulations that apply to the operations of the Company—those of Italy and the European Union—are different from those of the United States. Such non-U.S. laws and regulations may be subject to varying interpretations or may be changed, and new laws and regulations may be adopted, from time to time. Our products are subject to regulations applicable in the countries where they are manufactured and sold. Our production processes are regularly inspected to ensure compliance with applicable regulations. While management believes that the Group is currently in compliance in all material respects with such laws and regulations (including rules with respect to environmental matters), there can be no assurance that any subsequent official interpretation of such laws or regulations by the relevant governmental authorities that differs from that of the Company, or any such change or adoption, would not have an adverse effect on the results of operations of the Group or the rights of holders of the Ordinary Shares or the owners of the Company's ADSs. See "—Environmental Regulatory Compliance," "Item 10. Additional Information—Exchange Controls" and "Item 10. Additional Information—Taxation."

Environmental Regulatory Compliance

The Group, to the best of its knowledge, operates all of its facilities in compliance with all applicable laws and regulations.

The Group places environmental sustainability among the priority commitments of its business activities. Since 2003, in compliance with this commitment, the Group has implemented an environmental management system, certified ISO 14001, integrated with a quality management system, certified ISO 9001. Through such systems, the Group is committed to offering high value products and services, operating in respect of the environment and complying with all applicable laws and regulations.

Below are the main commitments made by the Group in relation to environmental sustainability:

1) constant monitoring of the environmental impact of the Group's business activities through:

- implementation of programs aimed at reducing energy and raw material consumption; and
- economic evaluation of the use of the best technologies available on the market to minimize pollution;

2) prioritizing the recovery and recycling of the waste generated rather than its disposal, protecting soil and subsoil from potential spills; managing temporary industrial waste storage areas such as mastics and solvents; separate collection to facilitate waste recovery and disposal;

3) raising awareness and training its employees on the issue of environmental sustainability;

4) promoting the adoption of correct environmental behavior by its suppliers, giving priority to those who offer the greatest guarantee of sharing Natuzzi's corporate policy;

5) maintaining an open and constructive dialogue with public administration bodies and with individual territorial in the areas in which the Group operates.

In 2023 the Company accomplished The Responsibility Award. The Responsibility Award is an award issued by Bureau Veritas that confirms Natuzzi's commitment to the responsible management of the three pillars of corporate management: Quality, Environment, and Corporate Social Responsibility.

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Insurance

The Group maintains insurance against a number of risks. The Group insures against loss or damage to its facilities, loss or damage to its products while in transit to customers, failure to recover receivables, certain potential environmental liabilities, product liability claims and Directors and Officer Liabilities. While the Group's insurance does not cover 100% of these risks, management believes that the Group's present level of insurance is adequate in light of past experience.

Description of Properties

The location, approximate size and function of the principal physical properties used by the Group as of March 31, 2024 are set forth below:

Country	Location	Size (approximate square meters)	Function	Production Capacity per day	Unit of Measure
Italy	Santeramo in Colle (BA)	28,000	Headquarters, prototyping, showroom (owned)	N.A.	N.A.
Italy	Santeramo in Colle (BA)	2,000	Experimental laboratory: leather cutting, sewing, assembling wooden parts for frames, product assembly (owned)	55	Seats
Italy	Santeramo in Colle, Jesce (BA)	28,000	Sewing and product assembly (owned)	298	Seats
Italy	Matera La Martella	38,000	General warehouse of sofas and accessory furnishing (owned)	N.A.	N.A.
Italy	Matera, Jesce	12,500	Leather cutting, sewing, assembling wooden parts for frame, product assembly (owned)	180	Seats
Italy	Graviscella	8,000	Leather cutting, sewing, assembling wooden parts for frame, product assembly (owned)	122	Seats
Italy	Laterza (TA)	12,000	Leather and fabrics warehouse, leather and fabrics cutting (owned)	N.A.	N.A.
Italy	Laterza (TA)	10,500	Sewing, assembling wooden parts for frames, product assembly (owned)	184	Seats
Italy	Laterza (TA)	19,000	Semi-finished products and accessories warehouse (owned)	N.A.	N.A.
Italy	Pozzuolo del Friuli (UD)	21,000	Leather dyeing and finishing (owned)	11,000	Square Meters
U.S.A.	High Point, North Carolina	10,000	Office and showroom for Natuzzi Americas (owned)	N.A.	N.A.
Romania	Baia Mare	75,600	Leather cutting, product assembly, manufacturing of wooden frames, polyurethane foam shaping, fiberfill production and wood and wooden product manufacturing (owned)	850	Seats
China	Shanghai	38,000	Leather cutting, sewing and product assembly, manufacturing of wooden frames, polyurethane foam shaping, fiberfill production (leased)	588	Seats
China	Quanjiao County – Anhui province	3,900	Sewing and product assembly, manufacturing of wooden frames, polyurethane foam shaping, fiberfill production (leased)	286	Seats
Brazil	Salvador de Bahia – Bahia	28,700	Leather cutting, sewing and product assembly, manufacturing of wooden frames, polyurethane foam shaping, fiberfill production (owned)	108	Seats

The Group believes that its production facilities are suitable for its production needs and are well maintained.

Capital Expenditures

The following table sets forth the Group's capital expenditures for the three-year period ended December 31, 2023:

	Year ending December 31, *(millions of Euro)*		
	2023	2022	2021
Land and plants	0.4	1.2	1.1
Equipment	9.8	8.3	5.9
Intangible assets	1.0	1.2	1.5
Total	11.2	10.7	8.5

Capital expenditures in the last three years have been made primarily to make improvements in property, plant and equipment, to expand our retail network, to develop software for analytical accounting and digital archiving, to invest in various projects, such as CRM Dynamics and "Factory 4.0", and for cybersecurity and artificial intelligence purposes (refer to Notes 8 and 10 in the Consolidated Financial Statements).

As of March 31, 2024, the Company spent €1.7 million on capital expenditures since January 1, 2024. The Group expects that capital expenditures in 2024 will be around €10.8 million mainly related to the upgrade of the Italian and foreign factories and the expansion of our retail network. Capital expenditures in 2024 are expected to be financed mainly through long-term borrowings and cash flow generated by operations. For information on potential impacts of macro-economic and political conditions, see "Item 3. Key Information—Risk Factors—Uncertain global macro-economic and political conditions could materially adversely affect our business, operations and economic and financial position."

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

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ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of the Group's results of operations, liquidity and capital resources is based on information derived from the audited Consolidated Financial Statements and the notes thereto included in Item 18 of this Annual Report. These financial statements have been prepared in accordance with IFRS and are included in Item 18 of this Annual Report. All information that is not historical in nature and disclosed under "Item 5. Operating and Financial Review and Prospects" is deemed to be a forward-looking statement. See "Forward-Looking Information."

The consolidated financial statements of Natuzzi S.p.A. as at and for the years ended December 31, 2023 and 2022 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), including interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS.

Non-GAAP Financial Measures

We monitor and evaluate our operating and financial performance using several non-GAAP financial measures including: Adjusted EBITDA, Adjusted EBITDA margin and Net Financial Position.

We believe that these non-GAAP financial measures provide useful and relevant information regarding our performance and our ability to assess our financial performance and financial position. They also provide us with comparable measures that facilitate management's ability to identify operational trends, as well as make decisions regarding future spending, resource allocations and other operational decisions. While similar measures are widely used in the industry in which we operate, the financial measures we use may not be comparable to other similarly titled measures used by other companies nor are they intended to be substitutes for measures of financial performance or financial position as prepared in accordance with IFRS.

Adjusted earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA)

Management has presented the performance measure Adjusted EBITDA because it monitors this performance measure at a consolidated level and it believes that this measure is relevant to an understanding of the Group's financial performance. Adjusted EBITDA is calculated by adjusting profit or loss from continuing operations to exclude the impact of taxation, net finance income/(costs), depreciation, amortisation, government grants only related to depreciation of property, plant and equipment (PPE) and share of profit of equity-method investees.

Adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of Adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

The following tables show the reconciliation of Adjusted EBITDA to profit or loss for the years ended December 31, 2023, 2022 and 2021 (amounts in thousands of euro).

	2023	2022	2021
Profit/(loss) for the year	(16,162)	1,288	4,385
Income tax expense	1,090	2,273	4,389
Profit/(loss) before tax	(15,072)	3,561	8,774
Adjustments for:			
- Addition (subtraction) of net finance income/(costs)	8,470	5,245	(331)
- Addition (subtraction) of share of profit/(loss) equity-method inv.	(2,897)	(356)	(3,561)
- Addition of depreciation	21,331	20,619	20,281
- Addition of amortisation	1,041	1,031	1,090
- Subtraction of government grants only related to PPE	(1,648)	(1,473)	(1,306)
Adjusted EBITDA	**11,225**	**28,627**	**24,947**

In applying IFRS 16, in relation to the leases that were classified as operating leases, the Group recognizes depreciation and interest costs, instead of operating lease expense. In relation to those leases, the Group recognised €12.0 million of depreciation charges and €3.1 million of additional interest costs from leases in 2023 (€11.8 million and €2.9 million, respectively, in 2022; €11.7 million and €2.6 million, respectively, in 2021).

Adjusted EBITDA is presented by management to aid investors in their analysis of the performance of the Group and to assist investors in the comparison of the Group's performance with that of other companies.

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Net Financial Position

Net Financial Position is defined as "Cash and cash equivalents," less "Bank overdrafts and short-term borrowings," less "Current portion of long-term borrowings," less "Non-current portion of long-term borrowings," less "Current portion of lease liabilities," less "Non-current portion of lease liabilities."

As of December 31, 2023, 2022 and 2021 our Net Financial Position was as reported in the following tables (amounts in thousands of euro):

	31/12/2023	31/12/2022	31/12/2021
Cash and cash equivalents	33,610	54,475	53,472
Bank overdrafts and short-term borrowings	(22,834)	(29,254)	(36,147)
Current portion of long-term borrowings	(5,200)	(5,806)	(3,862)
Non-current portion of long-term borrowings	(12,153)	(11,483)	(13,577)
Net Financial Position before lease liabilities, positive (negative)	(6,577)	7,932	(114)
Current portion of lease liabilities	(9,413)	(10,825)	(10,546)
Non-current portion of lease liabilities	(52,914)	(41,024)	(46,592)
Net Financial Position	**(68,904)**	**(43,917)**	**(57,252)**

We believe our Net Financial Position provides useful information for investors because it gives evidence of our consolidated position either in terms of net indebtedness or net cash by measuring our capital resources based on cash and cash equivalents and the total level of our financial indebtedness.

Results of Operations

Summary — In 2023, our results of operations were affected by persisting macroeconomic and industry-specific challenges, including high levels of inflation and increases in interest rates, which resulted in a stagnant real estate market and affected clients' disposable incomes, thus causing consumers to delay or decrease investments in their existing homes and making them more price conscious, resulting in a shift in demand to less expensive products. See "Item 3. Key Information—Risk Factors—Uncertain global macro-economic and political conditions could materially adversely affect our business, operations and economic and financial position". This led to a significant sales decline in 2023, affecting the Company's ability to adequately absorb fixed costs, thereby increasing the weight of overall expenses on revenues. Furthermore, the overall outcome for the year 2023 was burdened by €7.4 million in labor-related costs associated with the Group's staff reduction program, of which €6.3 million were included in the cost of sales, €0.3 million in selling expenses, and €0.8 million in administrative expenses.

Moreover, the 2023 net sales compare to the strong performance in 2022, which benefitted from a €58.4 million reduction in the order backlog accumulated through December 31, 2021, due to supply chain disruptions in 2021, which significantly constrained product deliveries in that year. As a results, part of such orders was recognised in 2022, thus contributing to increasing 2022 net sales.

In 2022, our results of operations were characterized by increased revenue and improved operating results, despite continued supply chain complications during the first months of 2022, the lockdown in China following a resurgence of COVID-19 cases, which prompted local authorities to implement strict containment measures, and the increase in the cost of raw materials, semi-finished goods and energy following the war in Ukraine. In response to this inflationary environment, the Company implemented sequential price-list adjustments, to protect the margins of its operations.

In 2022, our operations in China were limited by the strict lockdown measures imposed by local authorities for most of the second quarter of 2022 in response to the resurgence of the COVID-19 pandemic in some regions, including Shanghai, where our factory is located. This factory produces *Natuzzi Editions* products mainly for the APAC and North America regions. The impact in terms of lost production were estimated at about €15 million for the second quarter, as the factory was completely closed from March 28, 2022 to May 3, 2022, when it resumed its operations at 20% of its capacity. Only at the beginning of June 2022 most of the workforce of Natuzzi China was allowed to return to work. Further, 18 points of sales in China were closed from the end of March through the end of May. Additionally, store traffic in China declined as customers shop less frequently to minimize potential exposure to the COVID-19 pandemic.

In 2021, our results of operations were characterized by increased revenue and a return to profitability, despite the disruptions caused by the COVID-19 pandemic, including supply chain complications that have affected the whole industry during most of 2021 and resulted in low availability of raw materials and semi-finished goods as well as shipping shortages and delays, which have limited our ability to keep pace with continued growing demand.

In the last few years, the Group has started a thorough reorganization process covering its industrial, sales and service operations.

The following table sets forth selected financial highlights of the Group for the years ended December 31, 2023, 2022 and 2021.

	2023	2022	2021
	(millions of euro, except for percentages)		
Consolidated Statement of Profit or Loss Data:			
Revenue	328.6	468.5	427.4
YoY % change in Revenue	-29.9%	9.6%	30.2%
Branded sales on main business*	92.5%	89.4%	87.2%
** Sales of upholstered and other home furnishings products*			
Gross Profit	112.9	164.3	153.8
Gross Margin	34.3%	35.1%	36.0%
Operating Profit/(Loss)	(9.5)	8.5	4.9
Operating Margin	-2.9%	1.8%	1.1%
Adjusted EBITDA	11.2	28.6	24.9
Adjusted EBITDA margin	3.4%	6.1%	5.8%
Group's Cash and cash equivalents (as at Dec. 31)	**33.6**	**54.5**	**53.5**

For a description of how Adjusted EBITDA is computed, see "—Non-GAAP Financial Measures" above. Adjusted EBITDA margin is calculated as the ratio between Adjusted EBITDA and Revenue.

The Company intends to continue to pursue its vision and strategy for the future by focusing on some key cornerstones including: i) a confirmed focus on controlled distribution through single-brand stores, both owned and franchised, in priority markets, such as the U.S., China and Europe, primarily the UK and Italy; ii) a review of the Group's production allocation, including the collaboration with external industrial partners located in low-cost countries to further enhance overall efficiency; iii) the disposal of certain assets no longer in line with the strategic development adopted by the Group to obtain proceeds to be reinvested in retail expansion and restructuring programs; and iv) a generalized streamlining of processes and costs.

2023 Compared to 2022

The Consolidated Financial Statements have been prepared on a going concern basis, which assumes that the Group will be reasonably able to meet its obligations as they fall due within one year from the date of the approval of these consolidated financial statements. The Board of Directors reasonably expects that management's plans, together with the cash equivalents, order flow and unused credit facilities as of December 31, 2023, will be sufficient to enable the Group to meet its obligations. As of December 31, 2023, the Group's cash and cash equivalents amounted to €33.6 million (€54.5 million as of December 31, 2022), while the unused portion of the credit facilities available to the Group (for further details, see Note 26 to the Consolidated Financial Statements) amounted to €31.1 million (€24.3 million as of December 31, 2022).

Revenue for 2023, including sales of leather and fabric-upholstered furniture, home furnishings accessories and other sales (mainly sales of leather and other raw materials sold to third parties), were €328.6 million, down 29.9% from €468.5 million in 2022. This decrease was mainly due to persisting macroeconomic and industry-specific challenges, including high levels of inflation and increases in interest rates, which resulted in a stagnant real estate market and affected clients' disposable incomes, thus causing consumers to delay or decrease investments in their existing homes and making them more price conscious, resulting in a shift in demand to less expensive products.

Sales of upholstery furniture and home furnishing accessories ("main business") were €319.8 million, down 29.4% from €453.2 million in 2022, as a result of a 27.0% decrease in sales in the Natuzzi branded products (*Natuzzi Italia*, *Natuzzi Editions* and *Divani&Divani by Natuzzi*) and a 50.3% decrease in sales in the unbranded products.

Other sales (sales of polyurethane foam and other raw materials to third parties) were €8.8 million in 2023, compared to €15.2 million in 2022.

To provide a better understanding of the different drivers of our operating model, invoiced sales from our main business (upholstered and other home furnishings sales) are hereafter described according to the main dimensions of the Group's business:

- A. Branded/unbranded business
- B. Distribution channels

A. Branded/unbranded business

The Group operates in the branded business (with the *Natuzzi Italia*, *Natuzzi Editions* and *Divani&Divani by Natuzzi brands*) and the unbranded business, the latter with collections dedicated to the large-scale distribution.

A1. Branded business.

Within the branded business, Natuzzi is pursuing a dual-brand strategy that focuses on the *Natuzzi Italia* and *Natuzzi Editions* brands. See “Item 4. Information on the Company—Strategy—The Brand Portfolio and Merchandising Strategy.”

In 2023, Natuzzi’s branded invoiced sales amounted to €295.9 million, a decrease of 27.0% compared to 2022. In 2023, invoiced branded sales represented 92.5% of our main business, compared to 89.4% in 2022. The following is the contribution of each brand to 2023 invoiced sales:

- ***Natuzzi Italia*** invoiced sales amounted to €119.3 million, a decrease of 37.7% compared to 2022;
- ***Natuzzi Editions*** invoiced sales (including sales from “*Divani&Divani by Natuzzi*” in Italy) amounted to €176.6 million, a decrease of 17.3% compared to 2022.

A2. Unbranded business.

Invoiced sales from our unbranded business amounted to €23.9 million, a decrease of 50.3% compared to 2022.

In 2023, unbranded sales were significantly affected by the weak performance of the wholesale channel in the Americas, as distributors remained focused on reducing their stock rather than placing new orders. Additionally, persisting macroeconomic and industry-specific challenges, including high levels of inflation and increases in interest rates, resulted in a stagnant real estate market and affected clients’ disposable incomes. The Group’s strategy is to focus on selected large accounts and serve them with a more efficient go-to-market model.

Over the last years, the unbranded division has also been negatively affected by the trade dispute between the U.S. and China and, more generally, by rising price competition. In light of the tariffs imposed by the U.S. on goods imported from China, the Company has started to outsource in Vietnam part of its unbranded production for some key accounts in the U.S. The Company expects to gradually serve most of its mass-merchant distributors located in North America through such Vietnamese outsourced production.

In addition, over the years the unbranded performance has been affected by the severity of the crisis faced by brick-and-mortar distributors, particularly evident in the U.S., which have been struggling with a shift to online shopping. Therefore, some of the Company’s historical partners have been restructuring their retail assets, resulting in a reduction of their points of sales.

As part of the general review of the Group’s manufacturing footprint, the Company continues to explore further external production capacity in low-cost countries to increase its production capacity and flexibility, particularly with regard to its unbranded production.

B. Distribution

As of December 31, 2023, the Group distributes its branded collections in more than 100 countries through 1,289 points of sales, of which 55 DOS, three DOS in the U.S. managed in joint venture with a local partner, in addition to 21 DOS operated by our joint venture in China, 599 franchise mono-brand Natuzzi stores (“FOS”), 611 points of sale shop-in-shop Natuzzi galleries (including 12 concessions directly operated by the Group) and other smaller points of sale in multibrand stores operated by third parties. See “Item 4. Information on the Company—Markets” for further information regarding our distribution network.

In 2023, sales generated by the points of sales directly operated by the Group (DOS and concessions) were €73.1 million, down 10.9% compared to 2022.

In 2023, invoiced sales from franchise mono-brand Natuzzi stores amounted to €130.0 million, a decrease of 30.8% compared to 2022.

The weight of the invoiced sales generated by the retail network (DOS, concessions and FOS) on total upholstered and home furnishings revenue in 2023 was 63.5% compared to 59.5% in 2022.

The Group also sells its products through the wholesale channel, consisting primarily of Natuzzi-branded galleries in multi-brand stores as well as mass distributors selling unbranded products. In 2023, invoiced sales from the wholesale channel amounted to €116.7 million, a decrease of 36.3% compared to 2022.

Cost of Sales in 2023 was €215.8 million (or 65.7% as a percentage of revenue), as compared to €304.2 million (or 64.9% of revenue) in 2022.

The decrease in sales between 2023 and 2022 resulted in a higher incidence of fixed costs on sales, partially mitigated by enhanced efficiency in raw material consumption, improved brand and channel mix, and pricing discipline.

In 2023 and 2022, the Group continued to implement its program aimed at reducing its redundant workforce. See "Item 3. Key Information—Risk Factors— We have redundant workers at our Italian operations, which remains an unresolved issue, and have benefited in 2023 and in previous years from temporary work force reduction programs; if we continue to be unable to reduce our redundant workers and/or if such temporary work force reduction programs are not continued, our business, results of operations and liquidity may continue to be impacted or may be impacted at a greater extent".

In 2023, within the cost of sales, the Group accounted for labor-related costs of €6.3 million for its incentive program to reduce the redundant workforce at the Italian plants and €1.2 million for the accrual made for legal proceedings risks.

In 2022, the Group accounted for labor-related costs of €4.7 million, of which €2.2 million for its incentive program to reduce the redundant workforce at the Italian plants and €2.5 million for the accrual made for legal proceedings risks.

Gross Profit. During 2023, the Group's consolidated gross profit was €112.9 million, or 34.3% of revenue, compared to €164.3 million in 2022, or 35.1% of revenue. Net of the €6.3 million allocated to its incentive program to reduce the redundant workforce, the gross margin for 2023 would have been 36.3%. Similarly, in 2022, the gross margin, net of the €2.2 million allocated to its incentive program to reduce the redundant workforce, would have been 35.6%.

The decrease in gross profit as a percentage of revenue ("gross margin") was mainly due to the deleveraging of fixed costs due to the decrease in revenue and labor-related expenses incurred from incentive program to reduce the redundant workforce. This is notwithstanding the enhanced efficiency in raw material consumption, improved brand mix (with higher sales of Natuzzi branded products compared to lower-margin unbranded sales), and pricing discipline.

Selling expenses, administrative expenses, impairment on trade receivables and other income/expenses in 2023 were €122.4 million (or 37.2% on revenue) compared to €155.9 million (or 33.3% on revenue) in 2022. The increase in the percentage on revenue is mainly due to the deleveraging of fixed costs due to the decrease in revenue.

In 2023, selling expenses amounted to €91.4 million, down from €124.9 million in 2022. This decrease primarily resulted from a €29.6 million reduction in shipping and handling costs due to lower revenue and renegotiated transportation rates, a €2.5 million decrease in customs duties resulting from reduced manufacturing in Asia for the North American market, and a €1.5 million decrease in sales representative commissions due to lower revenue. Generalized savings from cost-controlling activities offset the €1.3 million increase in selling labor costs, which included €0.3 million for an incentive program to reduce redundant employees and additional costs associated with new DOS openings and retail organization strengthening.

In 2023, the Group did not benefit from the adoption of temporary COVID-19 rent concessions, whereas in 2022, the Group recognized rent concessions of €0.6 million as a reduction of the selling expenses for the year ended December 31, 2022. Moreover, the Group's selling expenses for 2023 did not include any impairment losses for non-financial assets related to certain of our retail operations in Europe, whereas selling expenses for 2022 recorded impairment losses for €0.9 million.

In 2023, administrative expenses were €37.6 million, up from €35.5 million in 2022. This increase primarily resulted from a €1.0 million increase in labor costs, including €0.2 million for hiring specialized personnel and €0.8 million for the incentive program to reduce redundant employees at the Italian headquarters. Additionally, expenses for "office and software maintenance" increased by €0.4 million for IT infrastructure improvements. In 2022, the company received €0.5 million in public contributions for staff training and advisory, which were not confirmed in 2023.

In 2023, the Company also accounted for an accrual of €0.6 million for higher labor cost (€1.0 million in 2022), within selling and administrative expenses, based on an independent qualified third-party estimation of the fair value of the equity instruments granted under the stock option approved in July 2022 by the Company's Board of Directors (the "SOP").

In 2023, the Group accrued nil on trade receivables, compared to €0.3 million in 2022. See Note 31 to the Consolidated Financial Statements.

For further details, see Notes 35 and 36 to the Consolidated Financial Statements.

Operating Result. The Group reported an operating loss of €9.5 million in 2023 compared to an operating profit of €8.5 million in 2022 due to the factors described above.

Net finance income/(costs). The Group had net finance costs of €8.5 million in 2023 as compared to net finance costs of €5.2 million in 2022, mainly due to persisting high interest rates. Net finance costs of 2023 include:

— finance income of €0.9 million (€0.9 million in 2022);

— finance costs of €9.3 million (€8.5 million in 2022); and

— net exchange rate losses of €0.1 million (net exchange rate gains of €2.4 million in 2022).

The Group recorded net exchange rate losses of €0.1 million in 2023, as compared to net exchange rate gains of €2.4 million in 2022. The net exchange rate losses in 2023 primarily reflected the following factors:

— net realized gains of €1.3 million in 2023 (compared to net realized losses of €1.7 million in 2022) on domestic currency swaps due to the difference between the forward rates of the domestic currency swaps and the spot rates at which the domestic currency swaps were settled (the Group uses forward rate contracts to hedge its price risks against unfavorable exchange rate variations);

— net realized losses of €0.4 million in 2023 (compared to net realized gains of €0.5 million in 2022), resulting from the difference between invoice exchange rates and collection/payment exchange rates;

— net unrealized losses of €0.7 million in 2023 (compared to net unrealized gains of €1.5 million in 2022), resulting from the mark-to-market evaluation of domestic currency swaps;

— net unrealized gains of €0.1 million in 2023 (compared to net unrealized gains of €2.3 million in 2022) on trade receivables and payables; and

— net unrealized losses of €0.4 million in 2023 (compared to net unrealized losses of €0.2 million in 2022), from the translation of non-monetary assets for the Company's Romanian subsidiary adopting Euro as its functional currency.

The Group does not use hedge accounting and records all fair value changes of its domestic currency swaps in its statement of profit or loss.

Profit/(loss) before tax and income tax expense. In 2023, the Group reported a loss before tax of €15.1 million and income tax expense of €1.1 million , compared to a profit before tax of €3.6 million and income tax expense of €2.3 million in 2022. For additional information about the Group's income tax expense, see Note 39 to the Consolidated Financial Statements.

Profit/(loss) for the year. As a result of the above-mentioned factors, the Group reported a loss of €16.2 million in 2023, as compared to a profit of €1.3 million in 2022. On a per-ordinary share basis, the Group had a loss of €0.29 in 2023, as compared to a loss of €0.01 in 2022 (see Note 40 to the Consolidated Financial Statements).

2022 Compared to 2021

Please refer to the Company's annual report on Form 20-F filed with the SEC on May 1, 2023.

Liquidity and Capital Resources

Our business has relied on cash flows from operations as well as borrowings under our credit facilities as our primary sources of liquidity. Our liquidity may be adversely affected by uncertain global macro-economic and political conditions. See "Item 3. Key Information—Risk Factors—Uncertain global macro-economic and political conditions could materially adversely affect our business, operations and economic and financial position", "Item 3. Key Information—Risk Factors—Increases in raw material, transportation and labor costs could have a material adverse effect on our results of operations" and "Item 3. Key Information—Risk Factors—Our ability to generate the significant amount of cash needed to service our debt obligations and comply with our

other financial obligations, and our ability to refinance all or a portion of our indebtedness or obtain additional financing, depend on multiple factors, many of which may be beyond our control".

In the ordinary course of business, our use of funds is for the payment of operating expenses, working capital requirements and capital expenditures. The Group's principal source of liquidity has historically been its existing cash and cash equivalents and cash flow from operations, supplemented to the extent needed to meet the Group's short term cash requirements by accessing the Group's existing lines of credit.

In 2023, the Group reported an operating loss of €9.5 million, compared to an operating profit of €8.5 million in 2022. See "Item 3. Key Information—Risk Factors—We have a history of operating losses and cannot assure you that we will be profitable in the future; our future profitability, financial condition and ability to maintain adequate levels of liquidity depend, to a large extent, on our ability to overcome operational challenges".

As of December 31, 2023, the Group's cash and cash equivalents amounted to €33.6 million, its long-term borrowings amounted to €17.4 million, including the current portion of €5.2 million, and its bank overdrafts and short-term borrowings amounted to €22.8 million. Furthermore, as of December 31, 2023, the unused portion of credit facilities available to the Group, for which no commitment fees are due, amounts to €31.1 million. Such unused portion is related to a non-recourse factoring agreement for export-related trade receivables (€28.6 million), borrowings to be secured with trade receivables (€0.3 million) and bank overdrafts (€2.2 million). See Note 26 to the Consolidated Financial Statements.

As of December 31, 2023, the Group's net financial position was negative at €68.9 million, compared to a negative net financial position of €43.9 million at the end of 2022. See Notes 17, 19, 20 and 26 to the Consolidated Financial Statements.

Although we had €33.6 million in cash and cash equivalents as at December 31, 2023, €13.4 million of this amount is located at our Asian subsidiaries, of which €3.8 million at our Chinese subsidiaries and €9.5 million at our Singapore subsidiary. If management intends to move this cash from China by way of a dividend distribution, a withholding tax of 10% and the income taxes in Italy (equal to 24.0% on 5% of the dividends distributed) would have to be paid.

The Group's management continues to apply and improve the stricter procedures introduced for some years to manage liquidity and working capital balances, to generate sufficient operating cash flows to meet its obligations as they fall due. The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows for financial liabilities over the next 60 days. The Group also monitors the level of expected cash inflows from trade and other receivables together with expected cash outflows for trade and other payables.

Specifically, in its cash flow forecasts for the 18-month period through June 2025, the management has taken into account the following factors:

— New long-term loans and credit facilities, which the Group was granted at the beginning of 2024, amounting to €6.8 million, the utilization of the unused portion of available credit facilities, together with the obtaining of further capital grants and subsidized loans from public incentives amounting to €2.0 million. See Note 44 to the Consolidated Financial Statements).

— Renewal of the €2.5 million loan by the Company's majority shareholder, due at the end of March 2027 (see Note 44 in the Consolidated Financial Statements).

— Investment plan focusing only on specific initiatives in either retail, demonstrating short-term revenue potential and margin enhancement, or in production to improve efficiency at our operations in China, Vietnam and Italian plants. Retail investments include only the opening of one DOS in the United States.

— Cash inflow from our joint venture in China, resulting from either a dividend distribution or share capital reduction, amounting to no less than €2.0 million.

— Utilization of certain social safety nets provided by the Italian government (such as CIGS or the Solidarity Agreement), enabling the Company and certain of its subsidiaries in Italy to pay reduced salaries to workers for a specified period.

— Reduction in selling and administrative expenses primarily through: i) decreased marketing expenses, travel expenses, advisory services, and overall stricter control over discretionary costs, and ii) incentives to encourage redundant employees, located in Italy, the U.S., and Spain, to voluntarily leave the Group under individual agreements.

— Optimization of the Group's industrial footprint aimed at reducing the cost of goods sold, primarily through: i) closing the industrial factory in Shanghai and transferring production to a different site in Quanjiao, where a new small industrial plant is operational, to achieve significant production cost reduction; ii) establishing a new industrial plant in Vietnam to primarily serve the North American market, aiming to reduce overall production costs compared to China and avoid import customs duties for products manufactured in Asia destined for North America; iii) further strengthening the current industrial outsourcing program for

the production of certain middle-low-end products, to capitalize on the benefits of low production costs in Vietnam; iv) incentivizing Italian, Chinese, and Romanian workers redundant in comparison to current market needs to leave the Group.

– Disposal of certain assets: a commercial building in High Point and a piece of land in Greensboro, North Carolina, no longer align with the Group's current strategy.

– The disposal of Natco, the Company's owned tannery.

– Discontinuation of supplies of finished products to low-margin distributors, renegotiation of selling prices, and other commercial terms following the expected benefits from outsourcing production in low-cost countries.

– Re-engineering and rationalization of *Natuzzi Italia*, *Natuzzi Editions*, and unbranded collection products to reduce overall industrial complexity and improve working capital and operating margins.

– Improved monitoring of the economic-financial performance of Natuzzi stores managed by franchise partners.

– Opening of one DOS and two Natuzzi stores directly operated by the joint venture in China, in addition to about 50 Natuzzi monobrand stores operated by third-party dealers under franchising agreements.

The actions outlined above delineate the strategies and executive plan that management intends to adopt to address the financial challenges and ensure the operational continuity of the Group, leveraging the strengths of the business, while maintaining a focus on improving profitability and protecting liquidity.

In a worst-case scenario, as prepared by management, cash flow forecasts indicate that, with further anticipated actions such as reduced investments, potential dividends from the Chinese joint venture, and postponement of worker incentives, the Group expects to have adequate funds to meet liabilities within one year from the approval of the Consolidated Financial Statements.

Additionally, the Group is actively pursuing the disposal of certain assets, whose estimated fair value exceeds their book value as of December 31, 2023, including its tannery for leather processing and a commercial building in High Point, North Carolina, to align with strategic goals and secure resources for future retail expansion. As of this Annual Report, these potential cash inflows have not been included in the approved cash flow forecast due to their ongoing uncertainty.

Cash Flows — The Group's cash and cash equivalents, net of bank overdraft, were €31.6 million as of December 31, 2023 compared to €52.7 million as of December 31, 2022. The most significant items in the Group's cash flows in 2023 are described below.

In 2023, net cash provided by operating activities was €3.2 million (in 2022, €18.7 million of net cash provided by operations) as a result of:

- a loss for the period of €16.2 million;
- adjustments for non-monetary items of €26.9 million, of which depreciation and amortization of €22.4 million;
- a positive contribution of €0.7 million from working capital change, primarily due to a €8.0 million decrease in inventory levels, a €9.8 million decrease in trade receivables and other assets, partially offset by a €11.2 million decrease in trade payables and other liabilities, and €4.4 million for payments made in connection with the reduction of the workforce;
- interest and taxes paid of €8.3 million.

During 2023, €7.9 million of net cash was used by investing activities, as a result of €11.8 million of cash invested in capital expenditures, partially offset by €3.0 million collected from our joint venture in China following the share capital reduction, in addition to €0.9 million of public grants received by the Company from the Italian government in connection with the modernization of the Italian factories.

Cash used in financing activities in 2023 was €15.7 million (compared to €13.5 million of cash used in financing activities in 2022), due to the repayment of long-term borrowing for €8.7 million, €6.7 million for short-term borrowing repayment and €11.1 million for lease repayment, partially offset by €10.9 million received from new financing, specifically €6.4 million as subsidized loans in connection with a public incentive program aimed at modernization of the Italian factories and €4.5 million in favor of our Romanian subsidiary.

As a result, as of December 31, 2023, cash and cash equivalents in the statement of cash flows was €31.6 million, compared to €52.7 million as of December 31, 2022.

As of December 31, 2023, the Group's long-term contractual cash obligations and commercial commitments (whose amounts are gross and undiscounted and include contractual interest payments) amounted to €122.3 million, of which €40.5 million comes due in 2024.

In particular, as of December 31, 2023, gross and undiscounted amount related to the Group's Bank overdrafts and borrowings, amounted to €44.3 million, of which €27.5 million comes due in 2024. The Group's undiscounted value of total bank debt represented 64.2% of equity attributable to the owners of the Company as of December 31, 2023 (54.4% as of December 31, 2022). See Note 31 to the Consolidated Financial Statements.

Furthermore, as of December 31, 2023, gross and undiscounted amount related to the Group's lease liabilities amounted to €78.1 million, of which €13.1 million comes due in 2024. The Group's undiscounted value of lease liabilities represented 113.2% of equity attributable to the owners of the Company as of December 31, 2023 (69.9% as of December 31, 2022). See Notes 20 and 31 to the Consolidated Financial Statements.

See "Contractual Obligations and Commitments" below.

The Group's discounted value of long-term borrowings represented 25.2% of equity attributable to the owners of the Company as of December 31, 2023 (19.7% as of December 31, 2022) (see Note 19 to the Consolidated Financial Statements). During 2023, the Company made all installment payments related to its long-term-borrowings.

See also "Item 3. Key Information—Risk Factors—Uncertain global macro-economic and political conditions could materially adversely affect our business, operations and economic and financial position" and Item 3. Key Information—Risk Factors—Increases in raw material, transportation and labor costs could have a material adverse effect on our results of operations" for a discussion of the impact of supply chain disruptions, increases in the price of raw materials, transportation and labor costs and uncertainties resulting from the global macro-economic and political conditions on our capital expenditures.

Contractual Obligations and Commitments — The Group's current policy is to fund its cash needs, accessing its cash on hand and existing lines of credit, consisting of short-term credit facilities and bank overdrafts, to cover any short-term shortfall. The Group's policy is to procure financing and access to credit at the Company level, with the liquidity of certain Group companies managed through a cash-pooling zero-balancing arrangement with a centralized bank account at the Company level and sub-accounts for each subsidiary participating in the arrangement. Under this arrangement, cash is transferred to subsidiaries as needed on a daily basis to cover the subsidiaries' cash requirements, but any positive cash balance at subsidiaries must be transferred back to the top account at the end of each day, thus centralizing coordination of the Group's overall liquidity and optimizing the interest earned on cash held by the Group.

As of December 31, 2023, the undiscounted Group's long-term borrowings consisted of €21.4 million (including €4.7 million of the current portion of such debt) and its short-term borrowings consisted of €22.8 million outstanding under its existing lines of credit, comprised entirely of bank overdrafts and short-term borrowings. The undiscounted lease liabilities amounted to €78.1 million (including €13.1 million as current portion).

The Group maintains cash and cash equivalents in the currencies in which it conducts its operations, principally Euros, Chinese Yuan, U.S. dollars, New Romanian Leu, British pounds and Brazilian reais. See "Item 3. Key Information—Risk Factors—Fluctuations in currency exchange rates and interest rates may adversely affect our results of operations", "Item 4. Information on the Company—Management of Exchange Rate Risk" and "Item 11. Quantitative and Qualitative Disclosures about Market Risk".

The following table sets forth the contractual obligations and commercial commitments of the Group as of December 31, 2023 (the amounts are gross and undiscounted and include contractual interest payments):

	Payments Due by Period (thousands of euro)				
Contractual Obligations	**Total**	**Less than 1 year**	**1-2 years**	**2-5 years**	**After 5 years**
Long-term borrowings	21,423	4,660	4,567	5,341	6,855
Bank overdrafts and short-term borrowings	22,834	22,834	—	—	—
Total Debt	44,257	27,494	4,567	5,341	6,855
Leases liabilities [(1)]	78,069	13,054	12,277	30,032	22,706
Total Contractual Cash Obligations	**122,326**	**40,548**	**16,844**	**35,373**	**29,561**

(1) Lease liabilities relate to the Group's lease contracts for buildings of its retail stores, warehouses, factory facilities and vehicles. See Notes 9 and 20 of the Consolidated Financial Statements.

Under Italian law, the Company and its Italian subsidiaries are required to pay a termination indemnity to their employees when these cease their employment with the Company or the relevant subsidiary. Likewise, the Company and its Italian subsidiaries are required to pay an indemnity to their sales agents upon termination of the sales agent's agreement. As of December 31, 2023, the Group accrued an aggregate employee's leaving entitlement of €12.4 million. In addition, as of December 31, 2023, the Company accrued an aggregate sales agent termination indemnity of €0.9 million. See Notes 22 and 24 of the Consolidated Financial Statements. These amounts are not reflected in the tables above.

In addition, in light of the extraordinary challenges imposed by COVID-19 on the Group, on February 28, 2020, the Company's majority shareholder entered into an agreement with it setting forth its undertaking, should the Company so request, to make advance payments of up to €15.0 million to satisfy the subscription price of a future rights issue. On February 28, 2020, the Company requested an initial payment of €2.5 million which it received on March 2, 2020. Therefore, as at December 31, 2023, the amount of €2.5 million to be paid back to the majority shareholder has been included in the caption "Other payables" of the statement of financial position. On April 9, 2024, a new agreement was executed, terminating the previous agreement entered into on February 28, 2020 and converting the aforementioned €2.5 million into a loan agreement effective from March 31, 2024, with maturity on March 31, 2027, and subject to an interest rate of 2.5%. See Notes 28 and 44 to the Consolidated Financial Statements.

As at December 31, 2023, within the provision for legal claims, €5.9 million (€7.2 million as at December 31, 2022) refers to the probable contingent legal liability related to legal procedures initiated by 138 workers against the Company for the misapplication of the social security procedure called CIGS (*Cassa Integrazione Guadagni Straordinaria*). According to the CIGS procedure, the Company pays a reduced salary to the worker for a certain period of time based on formal agreements signed with the trade unions and other public social parties. In particular, these 138 workers are claiming in the legal procedures that the Company applied CIGS during the period from 2004 to 2016 without foreseeing any time rotation. In May 2017, the Company received from the Italian Supreme Court of Justice ("*Corte di Cassazione*") an adverse decision for the above litigation related to only two workers. Based on this unfavorable decision, the Company, with the support of its legal counsel, has assessed that the liability for legal procedures initiated by all 138 workers is €5.9 million as of December 31, 2023. See Note 24 to the Consolidated Financial Statements.

The Group is involved in a number of claims (including tax claims) and legal actions arising in the ordinary course of business. As of December 31, 2023, the Group had accrued total provisions relating to these contingent liabilities in the amount of €7.9 million. See "Item 8. Financial Information—Legal and Governmental Proceedings" and Note 24 to the Consolidated Financial Statements.

Off-Balance Sheet Arrangements — As of December 31, 2023, neither Natuzzi S.p.A. nor any of its subsidiaries was a party to any off-balance sheet arrangements.

Research and Development

For a description of the Company's research and development policies, see "Item 4. Information on the Company—Products" and "Item 4. Information on the Company—Innovation." See also "Item 4. Information on the Company—Incentive Programs and Tax Benefits" for a description of certain government programs and policies related to our operations.

Trend information

The recovery of the global economy is subject to a number of factors, most of which remain uncertain.

During the first part of 2023, global economic growth rebounded from the trough reached in 2022 but moderated in the second part of the year and at the beginning of 2024, as monetary policy tightening transmitted to the world economy. Growth in global real GDP is estimated to have slowed to 0.8% in the fourth quarter, down from 1.0% in the third quarter of 2023.

Incoming data suggest, however, that global consumption growth is moderating, as tailwinds to consumer spending are fading. Labour markets, while remaining relatively tight, are gradually cooling across major advanced economies, and nominal wage growth is also progressively weakening. Moreover, the stock of excess savings accumulated during the pandemic has largely been reduced. Consumer spending remains weak against the backdrop of developments in the residential real estate market. As a result, global consumer spending, which supported economic activity in the post-pandemic recovery, remains subdued.

As a result, weak global growth this year reflects the continued fading impact of the above-mentioned tailwinds in addition to monetary policy tightening as well as elevated uncertainty amid geopolitical tensions.

World merchandise annualized trade growth turned positive only in the fourth quarter of 2023, after being negative for most of 2023. This improvement reflects a correction of developments that have characterized the post-pandemic recovery, such as the rebalancing of spending from goods towards services and an adjustment in global inventories.

Disruptions to shipping in the Red Sea could restrain the recovery in global merchandise trade, though their impact to date is judged to be limited. Indeed, transit volumes through the Red Sea have fallen significantly as shipping companies are avoiding the area and rerouting their vessels around the Cape of Good Hope. So far, however, global supply chains have remained robust overall and suppliers' delivery times have only lengthened slightly at the global level this year. However, risks to global trade and inflation will remain if the Red Sea disruptions worsen.

The gradual decrease in inflation has continued, although generalized price level still remains higher than its historical trend. Headline consumer price index (CPI) inflation across the member countries of the Organization for Economic Co-operation and Development (OECD) have declined during 2023 and trough the early part of the current year, suggesting that the global disinflation trend is likely to continue in 2024, although the pace of disinflation is expected to slow compared with last year. Conversely, in emerging market economies, inflation is expected to pick up slightly this year before declining again.

Oil prices remain relatively stable, despite heightened geopolitical risk in the Middle East. Attacks by Houthi rebels on ships in the Red Sea have disrupted some oil trading. However, oil trade via the much more important Strait of Hormuz has remained largely unaffected, thus reducing the economic impact of these attacks. Moreover, shipping through the Red Sea has been redirected around the Cape of Good Hope, limiting the upward pressure on oil prices due to higher shipping costs, which only constitute around 1-2% of the oil price. Overall, the global oil market is expected to remain in balance in the first quarter of 2024 and in surplus for the remainder of the year, due to higher oil supply from the United States and weaker oil demand in advanced economies. European gas prices has declined sharply, largely due to weaker demand. Supply factors were also supportive of lower gas prices, as gas storage levels remain high.

In the United States, growth remains robust but is expected to moderate this year. However, high frequency indicators, such as consumer confidence and retail sales, provide rather mixed signals for consumer spending. In addition, the restrictive monetary policy of the Federal Reserve System continues to weigh on economic activity, real estate and housing market in particular. A sectoral breakdown of personal consumption expenditures (PCE) inflation shows the effective transmission of the Federal Reserve's monetary policy during this tightening cycle, with the interest rate-sensitive sectors showing a larger drop in inflation than the non-sensitive sectors.

In China the weak residential property sector remains the key headwind to economic activity and is weighing on private consumption growth in particular. The adjustment in the housing sector has continued into 2024, as new housing sales have declined sharply and construction starts and property sales remain stagnant at very low levels. Against the backdrop of these adverse developments, the equity market has experienced severe volatility recently and consumer confidence has stabilized at a historically low level. Annual core CPI inflation (excluding food and energy) remained positive at 0.4%. This low reading for core-inflation reflects a very subdued level of consumer demand.

In the United Kingdom, economic activity declined in 2023. This contraction was driven also by a fall in private consumption and government spending.

Euro area output remained stagnant at the end of 2023, affected by weak global trade, destocking and the transmission of the ECB's monetary policy tightening. Activity is expected to remain subdued in the near term and gradually recover later in the year, reflecting falling inflation, robust wage growth and strengthening foreign demand. Survey data continue to point to little or no growth in the short term, but the most forward-looking survey indicators are showing some signals of improvement. Private consumption is still weak as consumers remain price-sensitive and hold off major purchases. Depleted order backlogs and tight monetary policy are weighing on the short-term business investment outlook, although an improvement in investor confidence suggests that the pre-conditions could be in place for a recovery later in the year. By contrast, housing investment is likely to remain weak. Although demand for labour continues to slow, employment rose further in the fourth quarter of 2023, in line with the increasing labour force. Over the medium term the recovery will also be supported by the gradual fading of the impact from tight monetary policy.

Considering the uncertainties surrounding the developments of the war in Ukraine, the Israel-Hamas conflict and any potential escalation thereof, and the related inflationary pressure on raw materials and energy prices, and the related repercussions on household purchasing power, it is difficult to determine the likely extent of the economic and social effects of these factors on international markets and, consequently, on the Group's results for the rest of the current year.

Total Group's order flow through the first 16 weeks of 2024 — The robust trend of orders that characterized the post-pandemic period until the first three months of 2022 gave way to a period of weakness that lasted also all 2023 long and through the first 16 weeks of 2024, mainly due to concurring of negative geopolitical and macroeconomics events (including the war in Ukraine, and the recent conflict in the middle East, persisting high levels of inflation, resulting in lower disposable income for consumers, and stock market volatility) that have negatively affected the overall economies of the main regions in which we operate.

In addition, the furniture sector continued to be directly and negatively impacted by specific factors, such as a perduring over-stock of the large retailers, the continued weakness in the housing market and a more prudent buying attitude of consumers towards durable goods. As a result, the furniture sector as a whole experienced a strong change in trajectory, ending 18 months of an expansionary phase that started in the aftermath of the COVID-19 pandemic.

For these reasons, it still makes sense to look at the industry across cycles and still compare our results of the initial weeks of 2024 to 2019, which was the last financial year prior to the COVID-19 pandemic.

In the first 16 weeks of 2024, the sell-in order flow of our branded business (i.e., *Natuzzi Italia*, *Natuzzi Editions* and *Divani&Divani by Natuzzi*) remained substantially consistent when compared to the same period in 2019.

Retail sell-out (from DOS and concessions), which represented approximately 25% of our written orders during the first 16 weeks of 2024 compared to 15% in the same period in 2019, increased by 44.3% compared to same period in 2019.

The Group's unbranded business, which represented 8.4% of our total sell-in in the first 16 weeks of 2024 compared to 25.3% in the same period in 2019, was down by double digit in the first 16 weeks of 2024 compared to the same period in 2019, mainly due to the progressive refocusing of the Company on its branded business.

The sell-in order flow in the first 16 weeks of 2024 was the same as the order flow in the first 16 weeks of 2023 and below high-single digit compared to our internal estimates, due to the factors mentioned above.

We have implemented and continue to implement a number of initiatives to support our sales, including revamping our merchandising, strengthening our commercial organization and improving the management of both retail (direct as well as franchise) and wholesale channels.

However, if the current negative trend persists and our order levels remain low, it might adversely impact our margin and other results of operations in 2024.

Critical Accounting Estimates

Use of Estimates — The accounting policies used by the Group to prepare its financial statements are described in Note 4 to the Consolidated Financial Statements. The application of certain significant accounting policies requires management to make estimates, judgments and assumptions that are subjective and complex, and which affect the reported amounts of assets and liabilities as of any reporting date and the reported amounts of revenues and expenses during any reporting period. The Group's financial results could be materially different if different estimates, judgments or assumptions were used. The following discussion addresses the estimates, judgments and assumptions that the Group considers most material based on the degree of uncertainty and the likelihood of a material impact if a different estimate, judgment or assumption were used. Actual results could differ from such estimates, due to, among other things, uncertainty, lack or limited availability of information, variations in economic inputs such as prices, costs, and other significant factors including the matters described under "Risk Factors."

Impairment of property, plant and equipment and right-of-use assets — Management reviews property, plant and equipment and right-of use assets (herewith also "non-financial assets" or "assets"), for impairment whenever changes in circumstances indicate that the carrying amount of the assets may not be recoverable and would record an impairment charge if necessary. The Company analyzes its overall valuation and performs an impairment analysis of its non-financial assets in accordance with IAS 36 "Impairment of Assets".

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGUs"). Recoverability of assets or CGUs to be held and used is measured by a comparison of the carrying amount of an asset or a CGU to the recoverable amount, which is the higher of its value in use, determined using a discounted cash flow method, and its fair value less cost to sell. Discounted cash flow is significantly impacted by the estimates of the annual sales growth rate, the weighted average cost of capital rate and the long-term growth rate. If the carrying value of an asset or CGU is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the asset or CGU exceeds its estimated recoverable amount.

Assets not in use/to be disposed of are reported at the lower of their carrying amount and their fair value less cost to sell. Estimated fair value is generally determined through various valuation techniques including quoted market values and third-party independent appraisals, as considered necessary.

In 2023, the Company performed the impairment assessment of property, plant and equipment and right-of-use assets included in several cash generating units (CGUs), such as the Italian upholstered furniture plant CGU and certain directly operated retail stores CGUs that presented indicators of impairment. The Company performed the impairment assessment in accordance with its

accounting policy discussed above and in further details in Note 4(i) to the Consolidated Financial Statements. Further, the significant assumptions used by the Company in estimating the value in use for such CGUs were the annual sales growth rates used to estimate the forecasted revenue for the years 2024-2028, the weighted average cost of capital rates and the long-term growth rates, all of which were determined at CGU level, including the possible adverse effects deriving from challenging market conditions and the current geopolitical tensions. Such significant assumptions involved a high degree of subjectivity by management and reasonably possible changes to these assumptions could have a significant effect on the value in use. Specifically, such assumptions are based on the Company's future business performances and other forward-looking assumptions that entail significant judgments by management and are heavily impacted by several external events. Finally, cash flow projections for the years 2024-2028 have been derived from the budget for 2024 approved by the Board of Directors and forecasts have been developed taking into consideration the track records of actual results reported by the Company.

The significant assumptions that were used in performing the 2023 impairment test for the Italian upholstered furniture plant CGU and certain directly operated retail stores CGUs are as follows:

— Italian upholstered furniture plant: weighted average cost of capital rate 9.22%, long-term growth rate 2.07%, annual sales growth rate for 2024 equal to +13.13% and annual sales growth rate (average of 2025-2028 period) equal to +5.00%.

— Directly operated retail stores CGUs located in the U.S.: weighted average cost of capital rate 9.98%, long-term growth rate 2.51%, annual sales growth rate for 2024 equal to +13.74% and annual sales growth rate (average of 2025-2028 period) equal to +5.00%.

— Directly operated retail stores CGUs located in Italy: weighted average cost of capital rate 9.22%, long-term growth rate 2.07%, annual sales growth rate for 2024 equal to +22.84% and annual sales growth rate (average of 2025-2028 period) equal to +5.00%.

— Directly operated retail stores CGUs located in Spain: weighted average cost of capital rate 8.97%, long-term growth rate 2.10%, annual sales growth rate for 2024 equal to +20.72% and annual sales growth rate (average of 2025-2028 period) equal to +6.00%.

— Directly operated retail stores CGUs located in the UK: weighted average cost of capital rate 9.51%, long-term growth rate 2.83%, annual sales growth rate for 2024 equal to -0.64% and annual sales growth rate (average of 2025-2028 period) equal to +5.00%.

As of December 31, 2023, the Company recorded an impairment loss for its property, plant and equipment and right-of-use assets of €1.1 million, entirely offset by an impairment reversal of €1.1 million in the same year. See Notes 8 and 9 to the Consolidated Financial Statements.

The following tables show a breakdown of property, plant and equipment based on the cash generating units in which they are included (amounts in thousands of Euro).

	31/12/23	31/12/22
Italian upholstered furniture plant	30,108	33,087
Romanian upholstered furniture plant	18,769	19,338
Brazilian upholstered furniture plant	3,524	3,350
Chinese upholstered furniture plant	1,419	2,223
Others	30,697	26,433
Total	**84,517**	**84,431**

Instead, the following tables show a breakdown of right-of-use assets based on geographical location of the cash generating units (mainly directly operated retail stores) in which they are included (amounts in thousands of Euro).

	31/12/23	31/12/22
United States of America	25,901	18,938
Italy	12,523	9,249
Spain	2,548	3,473
United Kingdom	6,126	4,985
China	417	2,493
Others	2,929	3,687
Total	**50,444**	**42,825**

The deterioration of the macroeconomic environment, global inflation and the reduced household spending power, worsening of the current conflict in Ukraine and the Israel-Hamas war, could affect our Italian upholstered furniture plant CGU and certain directly operated retail stores CGUs.

Recoverability of Deferred Tax Assets — Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the accounting in the consolidated financial statements of existing assets and liabilities and their respective tax bases, as well as for losses available for carrying forward in the various tax jurisdictions. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available. Deferred tax assets and liabilities are calculated using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the period that includes the enactment date.

In assessing the feasibility of the realization of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and the tax loss carried-forward are utilized. Estimating future taxable income requires estimates about matters that are inherently uncertain and requires significant management judgment, and different estimates can have a significant impact on the outcome of the analysis.

In 2023, because some domestic companies and some of foreign subsidiaries realized significant pre-tax losses and were in a cumulative loss position, management did not consider it probable that the deferred tax assets of those companies would be realized in the scheduled reversal periods (see Note 39 to the Consolidated Financial Statements). In making its determination that a deferred tax asset was required, management considered the scheduled reversal of deferred tax liabilities and tax planning strategies but was unable to identify any relevant tax planning strategies available to recognise the deferred tax assets.

Changes in the assumptions and estimates related to future taxable income, tax planning strategies and scheduled reversal of deferred tax liabilities could affect the recoverability of the deferred tax assets. If actual results differ from such estimates and assumptions the Group financial position and results of operation may be affected.

Provisions — The Group makes estimates and judgements in relation to the provisions for legal claims, service warranties and one time termination benefits for certain employees. Provisions for legal claims, service warranties and one time termination benefits for certain employees are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any item included in the same class of obligations is small. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Actual results related to such provisions may differ significantly from the estimates, due to, among other things, uncertainty, lack or limited availability of information and variation in economic inputs.

New Accounting Standards under IFRS

The standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB") that will have mandatory application in 2024 or subsequent years are listed below.

In January 2020, July 2020 and October 2020, the IASB issued an amendment to IAS 1 regarding the classification of liabilities with uncertain maturity dates as current or non-current. These changes are applied by companies within the first financial year commencing on or after January 1, 2024. The Group does not expect any significant impact from the adoption of these amendments.

In September 2022, the IASB issued an amendment to IFRS 16 related to lease liabilities in a sale-and-leaseback transaction concerning the procedures that the company must follow in recognizing, measuring, presenting in the financial statements, and disclosing supplementary information within lease agreements. In amending IFRS 16, the IASB has specified how the selling lessee should subsequently assess the sale-and-leaseback transaction. These changes are applied by companies within the first financial year commencing on or after January 1, 2024.

The amendments to IAS 7 and IFRS 7, issued in May 2023, require entities to disclose information about their supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on an entity's liabilities and cash

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flows and on an entity's exposure to liquidity risk. The amendments are effective for annual periods beginning on or after 1 January 2024. The Group does not expect any significant impact from the adoption of these amendments.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

As of the date of this Annual Report, the board of directors of Natuzzi S.p.A. consists of eight members, seven of whom were elected at the Company's annual general shareholders' meeting held on May 7, 2021, for a three-year term.

At the annual general meeting held on May 12, 2022, the Company's shareholders appointed a new non-executive director, Mr. Gilles Bonan, whose term of office will expire at the same time as the terms of office of the remaining directors.

As of the date of this Annual Report, the directors and senior executive officers of the Company are as follows:

Name	Age	Position within the Company
Pasquale Natuzzi	84	Executive Chairman of the Board of Directors; ad interim roles: Chief Commercial Officer
Antonio Achille	53	CEO, Executive Director
Antonia Isabella Perrone	54	Non-executive Director
Marco Caneva	54	Non-executive Director
Giuseppe Antonio D'Angelo	59	Non-executive Director
Alessandro Musella	54	Non-executive Director
Gilles Bonan	57	Non-executive Director
Pasquale Junior Natuzzi	33	Chief Brand Officer *Natuzzi Italia* and Chief Creative Officer, Executive Director
Cosimo Bardi	49	Chief Brand Officer *Natuzzi Editions*
Daniele Tranchini	64	Chief Marketing & Communication Officer
Diego Babbo	52	Chief Retail Officer
Codrin Coroama	34	Chief Wholesale Officer
Giovanni Tucci	52	Chief Key Account Officer
Ottavio Milano	57	Regional Manager Central & South Americas, President of Natuzzi Americas
Mina Ciccarone	51	Regional Manager Europe
Matthew Dwarika	31	Regional Manager APAC
Louis Mossotti	62	Retail Regional Manager North America
Scott Kruger	54	Wholesale Regional Manager North America
Francesco Amendola	47	Regional Manager Emerging Markets
Luca Cappelletti	58	Country Manager Italy *Divani&Divani by Natuzzi*
Raimondo Volpe	49	Trade & Contract Sales Advisor
Carlo Silvestri	47	Chief Financial Officer
Pierluigi Binetti	49	Chief Internal Audit Officer
Pierangelo Colacicco	55	Chief Technology & Digital Innovation Officer
Mario de Gennaro	58	Chief HR, Organization & Legal Officer
Domenico Ricchiuti	47	Chief Operations Officer
Sansò Antonio	43	Transformation Office Manager

Pasquale Natuzzi is the Executive Chairman of the Board of Directors. He founded the Company in 1959. He held the title of sole director of the Company from its incorporation in 1972 until 1991, when he became the Chairman of the Board of Directors. He has creative skills and is directly involved with brand development and product styling. He takes care of strategic partnerships with existing and new accounts. As of the date of this Annual Report, he is also the ad interim Chief Commercial Officer.

Antonio Achille is the Chief Executive Officer and an executive director. He joined the Company in 2021 from McKinsey where he was Senior Partner and Global Head of the Luxury Sector. For 25 years, he has been supporting international groups on strategy, digital, retail, organization, supply chain, growth acceleration and operational improvement. In his role as CEO, he focuses on the execution of all the activities required to foster the Natuzzi Group's growth and to enhance its margin generation.

Antonia Isabella Perrone is a non-executive director of the Company. In 1998, she was appointed sole director of a company in the agricultural-food sector, wholly owned by the Natuzzi Family. She joined the Group in 1994, dealing with marketing and communication for the Italian market under the scope of retail development management until 1997. She has been married to Pasquale Natuzzi since 1997.

Marco Caneva is a non-executive director of the Company. Since 2010, he has been a director at large IT-focused companies, such as Phase Motion Control, FOS Group, BaoSteel Italia, an Italy-based joint venture controlled by Chinese giant BaoSteel, and Aurora Imaging Technology. He also served as director on the boards of several other companies, including, Italmatch Chemicals and Gruppo Partecipazioni Industriali S.p.A, the holding company of Pirelli & C. S.p.A., as well as Chairman of the board of Paramed, an Italy-based MRI manufacturer, and its U.S. subsidiary. He started his professional career working in the investment banking department of Goldman Sachs and, from 2009 to 2017, he served as Chief Investment Officer of Hofima S.p.A. In 2017, he founded Calit Advisors, a financial advisory and investment firm based in Italy, Ireland and California.

Giuseppe Antonio D'Angelo is a non-executive director of the Company. He is also Executive Vice President of Anglo-America & CIS regions with Ferrero International SA. Before joining Ferrero in 2009, he acquired significant international experience in general management of multinational companies such as General Mills (from 1997 to 2009), S.C. Johnson & Son (from 1991 to 1997) and Procter & Gamble (from 1989 to 1991). He earned his Bachelor of Arts degree in Economics from LUISS University of Rome in 1988. He received certification from Harvard Business School in the Advanced Management Program in 2004.

Alessandro Musella is a non-executive director of the Company. He is a partner at the law firm BonelliErede, where he focuses on corporate compliance, corporate governance and digital innovation. He is also a non-executive director of Global Assistance S.p.A. and a former member of the Supervisory Board of Equens Worldline SE. He is a member of the Italian bar and holds a law degree from the University of Genoa.

Gilles Bonan is a non-executive director of the Company. He is a strategy consultant for lifestyle companies and private equity funds in France, Italy and Switzerland. He is also an entrepreneur in three start-up companies. He gained significant experience at Roche Bobois SA., where he first served as CFO and International Development Director (1999-2001), and later as Executive Vice President (2001-2008) and as CEO – Chairman of the Executive Board (2008- July 2019). He started his career at the audit firm Mazars before joining General Motors head office in France. He holds a degree from HEC Paris business school and a master's degree in business law.

Pasquale Junior Natuzzi is the Chief Brand Officer *Natuzzi Italia*, the Chief Creative Officer and an executive director. He is responsible for defining the Group's strategy with regard to style and creativity and the development of new products (also as a result of collaborations with internationally well-known designers), managing the transformation of the Company from a furniture player to a lifestyle brand. He is a member of the National Council of Assarredo, the Italian Association representing furniture companies, and oversees FederLegnoArredo Sustainability Task Force (design, sustainability, and synergies for the leadership of the Italian wood/furniture sector). He is the son of Pasquale Natuzzi.

Cosimo Bardi is the Chief Brand Officer *Natuzzi Editions*. He is responsible for the positioning and performance of the *Natuzzi Editions* brand and the customer experience. He joined the Group in 2004 and built his professional career in roles of ever-increasing responsibility. In 2016 he was Chief Style & Merchandising Officer and focused on achieving strategic goals of the Natuzzi brand through the definition and management of the Natuzzi product range. From 2018 to 2021, he was Global Merchandising & Business Development Wholesale Channel Director.

Daniele Tranchini is the Chief Marketing & Communication Officer of the Group. He started his professional career at JWT, where he worked for the agency's major clients and gained significant experience in the consumer goods, services and retail sectors. From 2004 to 2007, he held the position of Chief Global Sales & Marketing Officer at Natuzzi, before taking on external roles in the management of multinational marketing and communication agencies, first at the WPP Group and then at Publicis Groupe Moment. More recently, together with two partners, he founded Essential Brand Advisory, a consultancy specialized in marketing and communications consultancy, with a particular focus on innovation and sustainability strategies for brands.

Diego Babbo is the Chief Retail Officer of the Group. He started his professional career in the construction and maintenance department of Kuwait Petroleum Italia S.p.A. In 2002, after an experience at McKinsey, he joined Natuzzi and took part in the creation of the Retail project, with increasing responsibilities, first as Head of the Retail Design Team, then as Head of the Retail Development department and finally as Head of the Global Retail Division, in charge of the annual store opening plans of the Group's brands (*Natuzzi Italia*, *Natuzzi Editions* and *Divani&Divani by Natuzzi*) and managing the retail operations at worldwide level.

Codrin Coroama is the Chief Wholesale Officer of the Group. He is responsible for implementing the global sales strategy, managing the gallery network and ensuring the highest standards of customer experience and satisfaction. The first important professional experience started in 2014 as co-founder of LaPizzeria, a successful restaurant chain in Romania, where he worked for nine years. In 2015, he assumed the role of General Manager at FurnitureDivano in San Diego until 2017. In 2017 he joined the Natuzzi Group as Sales Manager in North California & Hawaii. From 2020 to 2022, he served as the *Natuzzi Italia* Brand Sales manager for the North American Region. In 2022 he became Natuzzi UK country manager, until the end of that year. He returned to Natuzzi Group in May 2023 as the Global Gallery manager. In April 2024, he assumed the role of Chief Wholesale Officer.

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Giovanni Tucci is the Chief Key Account Officer of the Group. He joined the Group in January 2013 in the same business division for the sole EMEA region and then obtained global responsibilities in 2016. He brings many years of experience in marketing, merchandising and sales in both the automotive and wholesale furniture industries to the Group. He currently focuses on restructuring sales and margins at worldwide level with the largest global retailers and wholesalers, through an evolved global manufacturing proposal. He holds a bachelor's degree in Economics and Business Administration and also achieved flying CPL licenses as part of his aeronautical career.

Ottavio Milano is the Regional Manager Central & South Americas and President of Natuzzi Americas. He joined the Group in 1992 and has worked with the Natuzzi Group for over thirty years. He has held roles of increasing responsibility as Controlling Director, General Manager of Natco S.p.A., CEO of Italsofa Nordeste S.A. and Chief Commercial Officer of South Americas.

Mina Ciccarone is the Regional Manager Europe (included the UK) of the Group. She joined the Group in 1997 starting from the Customer Service Department. She took on roles of increasing responsibility in the commercial department, becoming Regional Manager APAC - China, Hong Kong & Macau in 2019 up to March 2024.

Matthew Dwarika is the Regional Manager APAC - China, Hong Kong & Macau of the Group. He joined the Group in 2024. He has an extensive experience in the retail business, gained, among others, in BoConcept, where he held positions of increasing responsibility, from Global Store Operations Manager to Regional Retail Manager Asia-Pacific and India. In this latest role he successfully led the implementation of strategies for sales growth and profitability of managed stores in target markets.

Louis Mossotti is the Retail Regional Manager North America. He started his career in 1987 at Ethan Allen, with the role of District Manager where he worked for 12 years. In 2001, he joined Target to cover the role of Store Team Leader. Since 1999 he worked for Expo Design Center as Store Manager for more than 3 years. In 2002, he joined Bassett Furniture for more than 19 years in which he achieved the role of Vice President South Eastern Regional Manager. In October 2021, he joined Natuzzi Americas as Vice President Retail Director for *Natuzzi Editions* brand and, recently, *Natuzzi Italia* too.

Scott Kruger is the Wholesale Regional Manager North America. He has an established career in the retail industry, with positions of increasing responsibility at Ashley Furniture Industries where he achieved the role of Vice President of Sales until 2023. He joined the Natuzzi Group in February 2023, as Wholesale Senior Vice President of Natuzzi Americas.

Francesco Amendola is the Regional Manager Emerging Markets of the Group. He is a qualified interpreter and translator. He started his career with the Natuzzi Group in 2001 in the customer service department. Over time, he took on roles of increasing responsibility, becoming Manager of the Eastern Europe Area in 2012, Country Manager Eastern Europe , Russia , Nordics & Baltic and Benelux in 2016, until becoming Regional Manager Emerging Markets in 2023.

Luca Cappelletti is the Country Manager Italy *Divani&Divani by Natuzzi*. He has more than 30 years of experience in the retail sector and has held positions of increasing responsibility, starting his career as Store Manager and then Field Service Manager at McDonald's, before becoming Retail Director Europe and USA at Replay and then Retail Director Italy at PVH Corp (Tommy Hilfiger and Calvin Klein).

Raimondo Volpe is the Trade & Contract Sales Advisor of the Group. He joined the Group in October 2022, after more than 17 years of experience in business development as a leader driving global business and brand growth through the establishment of international business contracts. In this role he is responsible for develop the Contract Business in Natuzzi, offering custom-made solutions for private clients and prestigious developers to provide exquisite residential architecture and interiors for their private villas, penthouses, luxury apartments and residences around the world.

Carlo Silvestri is the Chief Financial Officer of the Company having joined the Group in 2022. With 20 years of experience, he has extensive international experience in luxury brands and is an expert in retail and wholesale logics. He started his career as Internal Auditor at Pirelli & C. S.p.A., where he gained experience in compliance audits in different countries and contexts. He then joined Dolce & Gabbana, first as Group Internal Auditor and then as Asia Pacific Finance & Admin Director at Dolce & Gabbana Hong Kong Ltd. In 2013, he joined the Ferragamo Group as Chief Financial Officer & Retail Excellence Director for Ferragamo Asia, with full responsibility for finance and administration, legal, logistics and IT functions. From 2020, he also took on the responsibility of General Manager for Ferragamo Retail in Hong Kong & Macao, which allowed him to directly influence the retail excellence of the store network in Asia. He holds a degree from Bocconi University and a master's degree in management and risk control from ISTUD.

Pierluigi Binetti is the Chief Internal Audit Officer of the Group. He joined the Group in June 2020 and is responsible for providing assurance to the Board of Directors and the Audit Committee that the Group's processes and internal controls are effective and properly designed to mitigate key business risks. In addition, he is responsible for providing assurance over design and effectiveness of key controls relevant for SOX. During his professional career, he has covered different roles in providing assurance services in primary audit firms, mainly in KPMG S.p.A.

Pierangelo Colacicco is the Chief Technology & Digital Innovation Officer of the Group. He is responsible for upgrading the Group's mindset from traditional to digital through the discovery, adoption and implementation of innovative technologies that make processes simpler while improving customer satisfaction and making the brand more competitive. From 2014 to 2018, he was Chief Information Officer (CIO), Process and Organization Director, and from 2007 to 2014 he was CIO of the Group. He joined the Company's HR & Organization department in 1994. In 1996, he served as a software specialist in the IT department. From 2000 to 2007, he was the IT manager for all sales and distribution processes.

Mario de Gennaro is the Chief HR, Organization & Legal Officer of the Group. He joined the Company in September 2021. Mario has a broad experience in the whole human resources field. He has had several leadership roles in multinational companies such as Unilever, Cementir, ILVA and SEDA Packaging Group.

Domenico Ricchiuti has been the Chief Operations Officer of the Group from August 2022. He joined the Group in 2009 as Total Quality and Lean Manager and built his professional career in roles of ever-increasing responsibility in process and product improvement projects. In 2018, he became Product Development and Innovation Director for all product categories with the goal of coordinating all the processes and activities related to product innovation, development, and industrialization.

Antonio Sansò has been the Transformation Office Manager of the Group from March 2024. He has over 15 years of professional experience in multinational companies, particularly in the field of strategic consulting, such as Accenture and Ernst & Young, where he worked with leading clients on business transformation projects. Prior to his consultancy experience, he held positions with growing responsibility at BV-TECH S.p.A. and later at Vodafone Omnitel.

Compensation of Directors and Officers

As a matter of Italian law and under our By-laws, the compensation of executive directors, including the CEO, is determined by the board of directors, after consultation with the board of statutory auditors, within a maximum amount established by the Company's shareholders. The Company's shareholders determine the base compensation for all members of the board of directors, including non-executive directors. Compensation of the Company's executive officers (for performing their role as such) is determined by the CEO. None of our directors or senior executive officers is party to a contract with the Company that would entitle such persons to benefits upon the termination of service as a director or employee.

Aggregate compensation paid by the Group to the directors and officers was approximately €4.6 million in 2023.

The base compensation recognised in 2023 to each member of the Board of Directors as member of the Board of Directors is set forth below:

Name		Base Compensation
Pasquale Natuzzi	€	60,000.00
Antonio Achille	€	570,000.00
Pasquale Junior Natuzzi	€	25,000.00
Antonia Isabella Perrone	€	25,000.00
Marco Caneva	€	37,500.00
Giuseppe Antonio D'Angelo	€	37,500.00
Alessandro Musella	€	36,400.00
Gilles Bonan	€	25,000.00

For the year 2023, approximately 80 directors and managers around the world were selected to participate in the management by objectives ("MBO") incentive system. The Company, however, due to economic and business conditions, decided to suspend the payment of any form of bonus linked to the MBO system.

Natuzzi 2022-2026 Stock Option Plan

In 2022, we adopted the Natuzzi 2022-2026 Stock Option Plan (the "SOP) to enhance the Company's ability to attract, retain and motivate persons who are expected to contribute to the Company and its subsidiaries' success, and align the interests of the Company's shareholders with those of the beneficiaries under the SOP. The SOP was approved by the Company's shareholders at an extraordinary shareholders' meeting held on July 1, 2022. Subject to certain adjustments, the maximum number of Ordinary Shares available to be purchased under the SOP is 5,485,304 Ordinary Shares.

The following paragraphs describe the principal terms of the SOP:

- *Types of awards*. The SOP permits the awards of options to purchase Ordinary Shares.

• *Award agreements*. Awards granted under the SOP are evidenced by an award agreement that sets forth terms, conditions and limitations for each award.

• *Eligible participants*. The SOP provides for the grant of options to all key employees and directors of the Company and its subsidiaries during the 2022-2026 period.

• *Exercise of options*. Options granted under the SOP will be exercisable in whole or in part at the terms and conditions set forth in the relevant award agreement, provided that the term of any option granted under the SOP will not exceed May 31, 2028. Pursuant to the relevant award agreement, options may be exercisable subject to the continuation of the relevant working relationship and/or the achievement of performance targets as determined by the Company's board of directors.

• *Exercise price*. The exercise price per share subject to an option will be determined by the SOP administrator and set forth in the award agreement.

• *Administration*. The SOP is administered by the Company's board of directors, which may delegate some or all of its powers under the SOP to a committee or any director of the Company.

• *Transfer restrictions*. Unless otherwise agreed upon by the SOP administrator, awards may not be sold, pledged, transferred or disposed of in any manner other than by will or by the laws of descent or distribution.

• *Amendment and termination*. The Board may at any time amend or terminate the SOP, but, subject to certain exceptions, no amendment or termination can be made that would materially and adversely affect the rights of any beneficiary under any outstanding award, without his or her consent. The SOP will expire on December 31, 2026. No award will be granted pursuant to the SOP after such termination date, but awards theretofore granted may extend beyond that date.

For further information on the terms of the SOP see the Natuzzi 2022-2026 Stock Option Plan filed as Exhibit 4.6 to this Annual Report.

In July 2022, the Company granted stock options to certain key employees of the Group for the purchase of a total of 2,812,560 Ordinary Shares (equivalent to 56,512 ADSs) and increased its share capital from €54,853,045 to €55,073,045. As at December 31, 2022, one beneficiary exercised the vested portion of its options by subscribing for 220,000 Ordinary Shares (equal to 44,000 ADSs) at the exercise price of €1.00 per Ordinary Share (equal to €5.00 per ADS), and paying the applicable purchase price in part in 2022 and in part in in 2023.

During 2023 no beneficiary exercised the vested portion of its options. The options that were forfeited during 2023 related to one of the 3 beneficiaries of the SOP, as such beneficiary left the Company at the end of February 2024 and was granted a bonus of €0.1 million. See Note 22 to the Consolidated Financial Statements for further details.

Statutory Auditors

During 2023, the Company's statutory auditors received approximately €0.1 million in compensation in the aggregate for their services to the Company and its Italian subsidiaries. At the Company's annual general shareholders' meeting on May 12, 2022, the following individuals were elected to the Company's board of statutory auditors for a three-year term. The board consists of three members, one of which is the chairman, and two alternates. None of our statutory auditors is party to a contract with the Company that would entitle such person to benefits upon the termination of service as a statutory auditor.

Name	Position
Giuseppe Pio Macario	Chairman
Francesco Campobasso	Member
Andrea Venturelli	Member
Aurelio Franco Colasanto	Alternate
Vito Passalacqua	Alternate

We are subject to Rule 10A-3 ("Rule 10A-3") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which requires, absent an exemption, that a listed company maintain an audit committee composed of members of the issuer's board of directors that meet certain independence requirements.

The Company relies on an exemption from the Rule 10A-3 requirements provided by Rule 10A-3(c)(3) of the Exchange Act for foreign private issuers with a board of statutory auditors established in accordance with local law or listing requirements and subject to independence requirements under local law or listing requirements. See "Item 16D. Exemption from Listing Standards for Audit Committees" for more information.

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Employees

The following table illustrates the breakdown of the Group's employees by qualification and location for the periods indicated:

Qualification	As of December 31 2023	2022	2021	Change 2023/2022	Change 2022/2021
Top managers	37	40	40	(3)	—
Middle managers	201	201	203	—	(2)
Clerks	733	795	804	(62)	(9)
Laborers	2,616	3,017	3,215	(401)	(198)
Total	**3,587**	**4,053**	**4,262**	**(466)**	**(209)**

Location	As of December 31 2023	2022	2021	Change 2023/2022	Change 2022/2021
Italy	2,008	2,117	2,181	(109)	(64)
Outside Italy	1,579	1,936	2,081	(357)	(145)
Total	**3,587**	**4,053**	**4,262**	**(466)**	**(209)**

In 2023, 108 workers have voluntarily left the Company.

In July 2023, the Company and the relevant trade unions and Italian authorities signed an agreement allowing the Company to benefit from CIGS for up to 875 workers employed at various plants of the Group until June 30, 2025. Additionally, in November 2023, the Company and the relevant trade unions and Italian authorities agreed to extend the scope of the Solidarity Facility through October 2024.

Share Ownership

Mr. Pasquale Natuzzi, founder of the Company and Executive Chairman of the Board of Directors, as of the date of this Annual Report, beneficially owns an aggregate amount of 30,967,521 Ordinary Shares, representing 56.2% of the Ordinary Shares outstanding (61.3% of the Ordinary Shares outstanding if the 5.1% of the Ordinary Shares owned by the Natuzzi Family are aggregated).

As a result, Mr. Natuzzi controls Natuzzi S.p.A., including its management and the selection of the members of its board of directors. Since December 16, 2003, Mr. Natuzzi has held his entire beneficial ownership of Natuzzi S.p.A. shares through INVEST 2003 S.r.l., an Italian holding company wholly-owned by Mr. Natuzzi and having its registered office at Via Gobetti 8, Taranto, Italy.

On November 6, 2014, INVEST 2003 S.r.l. completed the purchase of 250,000 ADSs, each representing one Ordinary Share at the time of purchase, at a price of U.S.$2.00 per ADS. The purchase was privately negotiated with a single individual and was effected through an escrow arrangement with BNY Mellon.

On July 30, 2014, INVEST 2003 S.r.l. completed the purchase of 500,000 ADSs, each representing one Ordinary Share at the time of purchase, at a price of U.S. $2.75 per ADS. The purchase was privately negotiated with a single individual and was effected through an escrow arrangement with BNY Mellon. For more information, refer to Schedule 13D (Amendment No. 2), filed with the SEC on September 14, 2014, that amends and supplements the Schedule 13D, filed with the SEC on April 24, 2008 (as amended by Amendment No. 1 filed on April 8, 2013 ("Amendment No. 1").

These two purchases, carried out for investment purposes, brought the number of Ordinary Shares beneficially owned by each of Mr. Natuzzi and INVEST 2003 S.r.l. to 30,967,521 (representing 56.5% of the Ordinary Shares outstanding).

Between September 27, 2011 and April 30, 2013, INVEST 2003 S.r.l. completed the purchase of a total of 859,628 Natuzzi S.p.A. ADSs (each representing one Ordinary Share at the time of purchase, for a total of approximately 1.6% of the Company's total shares then outstanding), at an average price of U.S.$ 2.37 per ADS. These purchases were made in accordance with a purchase plan undertaken pursuant to Rule 10b-18 ("Purchases of Certain Equity Securities by the Issuer and Others") promulgated under the Securities Exchange Act of 1934 (the "Rule 10b-18 Plan").

On April 18, 2008, INVEST 2003 S.r.l. purchased 3,293,183 ADSs, each representing one Ordinary Share at the time of purchase, at the price of U.S.$ 3.61 per ADS. For more information, refer to Schedule 13D, filed with the SEC on April 24, 2008, and related Amendment No. 1 to Schedule 13D, filed with the SEC on April 8, 2013.

On February 8, 2019, the Board of Directors approved a change in the ratio of its ADSs to Ordinary Shares, from one ADS representing one Ordinary Share, to one ADS representing five Ordinary Shares. The effective date of the ratio change was February 21, 2019. There were 4,361,981 ADSs (equivalent to 21,809,905 Ordinary Shares) outstanding as of February 21, 2019.

As of the date of this Annual Report, none of the other directors or officers own 1% or more of the Company's Ordinary Shares or ADSs. For information on the Natuzzi 2022-2026 Stock Option Plan, see "Item 6. Directors, Senior Management and Employees—Compensation of Directors and Officers—Natuzzi 2022-2026 Stock Option Plan".

Disclosure of a Registrant's Action to Recover Erroneously Awarded Compensation

Not applicable.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

The following table sets forth information, as of the date of this Annual Report, with respect to each person who beneficially owns 5% or more of the Company's Ordinary Shares or ADSs:

	Number of Ordinary Shares owned	Percent owned
Pasquale Natuzzi [(1)]	30,967,521	56.2%
Mr. David L. Kanen [(2)]	6,138,425	11.1%

(1) Includes ADSs purchased on April 18, 2008, purchases made from September 27, 2011 through April 30, 2013 under the Rule 10b-18 plan and two privately negotiated purchases executed on July 30, 2014 and November 6, 2014. If Mr. Natuzzi's Ordinary Shares are aggregated with those held by members of the Natuzzi Family, the amount owned would be 33,767,521 and the percentage ownership of Ordinary Shares would be 61.3%.

(2) Aggregate amount beneficially owned by Kanen Wealth Management LLC ("KWM") based on the Form 13F for the quarter ended September 30, 2023, filed by KWM with the SEC on November 14, 2023. Mr. Kanen is the managing member of KWM.

As indicated in "Item 6. — Share Ownership," Mr. Natuzzi controls Natuzzi S.p.A., including its management and the selection of the members of its board of directors. Since December 16, 2003, Mr. Natuzzi has held his entire beneficial ownership of Natuzzi S.p.A. shares through INVEST 2003 S.r.l., an Italian holding company wholly-owned by Mr. Natuzzi and having its registered office at Via Gobetti 8, Taranto, Italy.

In addition, the Natuzzi Family has a right of first refusal to purchase all the rights, warrants or other instruments which BNY, as Depositary under the Deposit Agreement, determines may not lawfully or feasibly be made available to owners of ADSs in connection with each right offering, if any, made to holders of Ordinary Shares. None of the shares held by the above shareholders has any special voting rights.

As of December 31, 2023, the Company's share capital, which is totally authorized and issued, is composed of 55,073,045 ordinary shares with par value of Euro 1 each, for a total of Euro 55,073 thousand.

As of March 31, 2024, there were 4,406,652 ADSs (equivalent to 22,033,260 Ordinary Shares) outstanding. The ADSs represented 40.0% of the total number of Natuzzi Ordinary Shares issued and outstanding.

On February 8, 2019, the Board of Directors approved the Ratio Change, which became effective on February 21, 2019. There were 4,361,981 ADSs (equivalent to 21,809,905 Ordinary Shares) outstanding as of February 21, 2019.

For ADS holders, the Ratio Change had the same effect as a one-for-five reverse ADS split. No new shares were issued in connection with the Ratio Change. As a result of the Ratio Change, the price of the Company's ADSs automatically increased proportionally.

Since certain Ordinary Shares and ADSs are held by brokers or other nominees, the number of direct record holders in the U.S. may not be fully indicative of the number of direct beneficial owners in the U.S. or of where the direct beneficial owners of such shares are resident.

Related Party Transactions

The table below sets forth, in millions of Euro, information about transactions entered into with associates, joint ventures and other related parties as at December 31, 2023 and 2022. See Note 43 to the Consolidated Financial Statements for further details.

	31/12/2023	31/12/2022
Income	38.7	74.1
Cost	0.4	0.0
Amount owned by related parties	8.0	7.5
Amount due to related parties	0.1	0.1

The table below sets forth, in millions of Euro, information about transactions entered into with directors of the Group as at December 31, 2023 and 2022. See Note 43 to the Consolidated Financial Statements for further details.

	31/12/2023	31/12/2022
Income	3.4	3.8
Cost	2.3	3.2
Amount owned by related parties	0.9	0.9
Amount due to related parties	0.4	0.2

In light of the extraordinary challenges imposed by COVID-19 on the Group, on February 28, 2020, the Company's majority shareholder entered into an agreement with it setting forth its undertaking, should the Company so request, to make advance payments of up to €15.0 million to satisfy the subscription price of a future rights issue. On February 28, 2020, the Company requested an initial payment of €2.5 million which it received on March 2, 2020. Therefore, as at December 31, 2023, the amount of €2.5 million to be paid back to the majority shareholder has been included in the caption "Other payables" of the statement of financial position. On April 9, 2024, a new agreement was executed, terminating the previous agreement entered into on February 28, 2020 and converting the aforementioned €2.5 million into a loan agreement effective from March 31, 2024, with maturity on March 31, 2027, and subject to an interest rate of 2.5%. See Notes 28 and 44 to the Consolidated Financial Statements.

Other than the foregoing transactions, neither the Company nor any of its subsidiaries was a party to a transaction with a related party that was material to the Company or the related party, or any transaction that was unusual in its nature or conditions, involving goods, services, or tangible or intangible assets, nor is any such transaction presently proposed. During the same period, neither the Company nor any of its subsidiaries made any loans to or for the benefit of any related party. For further details on related party transactions, see Note 43 to the Consolidated Financial Statements.

ITEM 8. FINANCIAL INFORMATION

Consolidated Financial Statements

Please refer to "Item 18. Financial Statements" of this Annual Report.

Export Sales

Sales of upholstery products manufactured in Italy and sold outside Italy totaled €85.5 million in 2023, down 43.0% from €149.9 million in 2022. This figure represents 30.3% of the Group's 2023 net leather and fabric-upholstered furniture sales (37.6% in 2022).

Legal and Governmental Proceedings

The Group is involved in legal and tax proceedings, including several minor claims and legal actions, arising in the ordinary course of business. The provision recorded against these claims is €7.9 million as of December 31, 2023 (€8.7 million as of December 31, 2022). See "Item 3. Key Information—Risk factors" and Note 24 to the Consolidated Financial Statements.

Apart from the proceedings described above, neither the Company nor any of its subsidiaries is a party to any legal or governmental proceeding that is pending or, to the Company's knowledge, threatened or contemplated against the Company or any such subsidiary that, if determined adversely to the Company or any such subsidiary, would have a materially adverse effect, either individually or in the aggregate, on the business, financial condition or results of the Group's operations.

Dividends

Since the result attributable to the owners of the Company for the financial year ended December 31, 2023 was negative, the Company has decided not to distribute any dividend for the year ended December 31, 2023. The Group has also not paid dividends in any of the prior three fiscal years.

The payment of future dividends will depend on the Company's earnings and financial condition, capital requirements, governmental regulations and policies and other factors. Accordingly, there can be no assurance that dividends in future years will be paid at a rate similar to dividends paid in past years or at all.

Dividends paid to owners of ADSs or Ordinary Shares who are U.S. residents qualifying under the Income Tax Convention will generally be subject to Italian withholding tax at a maximum rate of 15%, provided that certain certifications are given timely. As a result of changes to the foreign tax credit rules for taxable years beginning after December 28, 2021, any Italian income tax withheld from dividends on our ordinary shares or ADSs is unlikely to be treated as creditable unless U.S. owners are either eligible for and elect benefits under the current income tax convention between the United States and Italy (the "Income Tax Convention") or consistently elect to apply a modified version of these rules under recently issued temporary guidance and comply with specific requirements set forth in such guidance. See "Item 10. Additional Information—Taxation—Taxation of Dividends."

ITEM 9. THE OFFER AND LISTING

Trading Markets

Natuzzi's Ordinary Shares are listed on the NYSE in the form of ADSs under the symbol "NTZ". Neither the Company's Ordinary Shares nor its ADSs are listed on a securities exchange outside the United States. BNY Mellon is the Company's Depositary for purposes of issuing the American Depositary Shares evidencing ADSs. Trading in the ADSs on the NYSE commenced on May 13, 1993.

On December 26, 2018 the Company received notice from the NYSE that the Company was no longer in compliance with one of the NYSE's continued listing standards for a listed company, particularly, the average closing price of the Company's ADSs was less than US$1.00 over a consecutive 30-trading day-period.

The Company notified the NYSE on December 27, 2018 of its intention to cure this deficiency within the prescribed timeframe.

On February 8, 2019, the Company's Board of Directors approved a change in the ratio of its ADSs to Ordinary Shares, par value €1.00 per Ordinary Share, from one ADS representing one Ordinary Share, to one ADS representing five Ordinary Shares (the "Ratio Change"). The effective date of the Ratio Change was February 21, 2019. There were 4,361,981 ADSs (equivalent to 21,809,905 Ordinary Shares) outstanding as of February 21, 2019.

For ADS holders, the Ratio Change had the same effect as a one-for-five reverse ADS split. No new shares were issued in connection with the Ratio Change and Natuzzi's ADSs continue to be traded on the NYSE under the same symbol "NTZ." As a result of the Ratio Change, the price of the Company's ADSs automatically increased proportionally.

On March 1, 2019, the Company received confirmation from the NYSE that it had regained compliance with continued listing standards.

On April 7, 2020 the Company received notice from the NYSE that the Company was no longer in compliance with one of the NYSE's continued listing standards for a listed company because the average closing price of the Company's ADSs was less than US$1.00 over a consecutive 30-trading day-period (the "Dollar Price Standard"). The NYSE notified the Company that its ADSs would be delisted if it was not able to comply with the Dollar Price Standard within the applicable period. The Company regained compliance with the Dollar Price Standard on July 2, 2020.

In addition, from March 17, 2020 to August 12, 2020, the Company was not in compliance with the NYSE's continued listing standard set forth in Section 802.01(b) of the NYSE Listed Company Manual, which requires the Company to maintain an average global market capitalization of not less than US$15 million over a consecutive 30-trading day period (the "Capitalization Standard"). On August 12, 2020, the Company was notified by the NYSE that, since the Company's average market capitalization was above US$15 million over a consecutive 30-trading day period, the Company was no longer at an immediate risk of suspension and delisting. The NYSE will continue to monitor the average market capitalization daily to ensure compliance with Capitalization Standard. As of April 19, 2024, the Company's market capitalization was USD 68.8 million.

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ITEM 10. ADDITIONAL INFORMATION

By-laws

The following is a summary of (i) certain information concerning the Company's shares and By-laws (*statuto*) and (ii) the relevant provisions of Italian stock corporations. In particular, Italian issuers of shares that are not listed on a regulated market of the European Union are governed by the rules of the Italian civil code (the "Civil Code"). This summary contains all the information that the Company considers to be material regarding its shares, but does not purport to be complete and is qualified in its entirety by reference to the By-laws or the relevant provisions of Italian law, as the case may be.

General — The issued share capital of the Company consists of 55,073,045 Ordinary Shares, with a par value of €1.00 per share. All the issued shares are fully-paid, non-assessable and in registered form.

The Company is registered with the Companies' Registry of Bari at No. 03513760722, with its registered office in Santeramo in Colle (Bari), Italy.

As set forth in Article 3 of the By-laws, the Company's corporate purpose is the production, marketing and sale of sofas, armchairs, furniture in general and raw materials used for their production. The Company is generally authorized to take any actions necessary or useful to achieve its corporate purpose.

Authorization of Shares — At the extraordinary shareholders' meeting of the Company held on July 23, 2004, the shareholders authorized the Company's board of directors to carry out, within five years from the registration of the aforementioned resolution in the Companies' Registry, a free capital increase of up to €500,000, and a capital increase against payment of up to €3.0 million to be issued, in connection with the grant of stock options to employees of the Company and of other Group companies. On January 24, 2006 the Company's board of directors, in accordance with the Regulations of the "Natuzzi Stock Incentive Plan 2004-2009" (which was approved by the board of directors in a meeting held on July 23, 2004), decided to issue without consideration 56,910 new Ordinary Shares in favor of the beneficiary employees. Consequently, the number of Ordinary Shares increased on the same date from 54,681,628 to 54,738,538. On January 23, 2007, the Company's board of directors, in accordance with the Regulations of the "Natuzzi Stock Incentive Plan 2004-2009," decided to issue without consideration 85,689 new Ordinary Shares in favor of beneficiary employees. Consequently, the number of Ordinary Shares increased on the same date from 54,738,538 to 54,824,227. On January 24, 2008 the Company's board of directors, in accordance with the Regulations of the "Natuzzi Stock Incentive Plan 2004-2009," decided to issue without consideration 28,818 new Ordinary Shares in favor of the beneficiary employees. Consequently, the number of Ordinary Shares increased on the same date from 54,824,227 to 54,853,045.

At the extraordinary shareholders' meeting of the Company held on July 1, 2022, the shareholders, among other things and pursuant to Article 2443 of the Civil Code, granted to the Company's board of directors the right to carry out, within five years from the registration of the aforementioned resolution in the Companies' Registry, an increase in the share capital of the Company with consideration ("*a titolo oneroso*"), in one or more tranches, up to a maximum amount of €5,485,304, with the exclusion of pre-emption rights pursuant to Article 2441, paragraph eight, of the Civil Code, to be carried out in connection with the stock option plan named "Natuzzi 2022-2026 Stock Option Plan" for the benefit of the employees of the Company and other Group companies. As at December 31, 2022, the Company's share capital, which is totally authorized and issued, is composed of 55,073,045 ordinary shares with par value of Euro 1 each, for a total of Euro 55,073 thousand. The share capital increase derives from the subscription of 220,000 shares by one of the beneficiaries of the stock option plan approved by the Company in July 2022. For further information regarding the stock option plan, see Notes 18 and 22 to the Consolidated Financial Statements.

Form and Transfer of Shares — The Company's Ordinary Shares are in certificated form and are freely transferable by endorsement of the share certificate by or on behalf of the registered holder, with such endorsement either authenticated by a notary, in Italy or elsewhere, or by a broker-dealer or a bank in Italy. The transferee must request that the Company enters his name in the register of shareholders in order to exercise his rights as a shareholder of the Company.

Dividend Rights — Payment by the Company of any annual dividend is proposed by the board of directors and is subject to the approval of the shareholders at the annual shareholders' meeting. Before dividends may be paid out of the Company's unconsolidated net income in any year, an amount at least equal to 5% of such net income must be allocated to the Company's legal reserve until such reserve is at least equal to one-fifth of the par value of the Company's issued share capital. If the Company's share capital is reduced as a result of accumulated losses, no dividends may be paid until the capital is reconstituted or reduced by the amount of such losses. The Company may pay dividends out of available retained earnings from prior years, provided that, after such payment, the Company will have a legal reserve at least equal to the legally required minimum. No interim dividends may be approved or paid.

Dividends will be paid in the manner and on the date specified in the shareholders' resolution approving their payment (usually within 30 days from their annual general meeting). Dividends that are not collected within five years of the date on which they become payable are forfeited to the benefit of the Company. Holders of ADSs will be entitled to receive payments in respect of dividends on the underlying shares through BNY, as ADR Depositary, in accordance with the Deposit Agreement.

Voting Rights — Registered holders of the Company's Ordinary Shares are entitled to one vote *per* Ordinary Share.

As a registered shareholder, the Depositary (or its nominee) will be entitled to vote the Ordinary Shares underlying the ADSs. The Deposit Agreement requires the Depositary (or its nominee) to accept voting instructions from holders of ADSs and to execute such instructions to the extent permitted by law. Neither Italian law nor the Company's By-laws limit the right of non-resident or foreign owners of the Company's Ordinary Shares to hold or vote shares of the Company.

Board of directors — Under Italian law and pursuant to the Company's By-laws, the Company may be run by a sole director or by a board of directors, consisting of seven to 11 individuals. The Company is currently run by a board of directors composed of eight individuals (see "Item 6. Directors, Senior Management and Employees"). The board of directors is elected by the ordinary shareholders' meeting of the Company, for the period established at the time of election but in no case for longer than three fiscal years. A director, who may, but is not required to be, a shareholder of the Company, may be reappointed for successive terms. The board of directors has the full power of ordinary and extraordinary management of the Company and in particular may perform all acts it deems advisable for the achievement of the Company's corporate purposes, except for the actions reserved by the applicable law or the By-laws to a vote of the ordinary or extraordinary shareholders' meeting. See also "Item 10. Additional Information—Meetings of Shareholders."

The board of directors must appoint a chairman (*presidente*) and may appoint a vice-chairman, in the event they have not been appointed by the shareholders at the ordinary shareholders' meeting. The chairman of the board of directors is the legal representative of the Company. The board of directors may delegate certain powers to one or more managing directors (*organi delegati*), determine the nature and scope of the powers delegated to each director and revoke such delegation at any time. The managing directors must report to the board of directors and the board of statutory auditors at least every 180 days on the Company's business and the main transactions carried out by the Company or by its subsidiaries.

The board of directors may not delegate certain responsibilities, including the preparation and approval of the draft financial statements, the approval of merger and de-merger plans to be submitted to shareholders' meetings, increases in the amount of the Company's share capital or the issuance of convertible debentures (if any such power has been delegated to the board of directors by vote of the extraordinary shareholders' meeting) and the fulfilment of the formalities required when the Company's capital has to be reduced as a result of accumulated losses that reduce the Company's stated capital by more than one-third. See also "Item 10. Additional Information—Meetings of Shareholders".

The board of directors may also appoint one or more general managers (*direttori generali*), who must report directly to the board of directors and confer powers for single acts or categories of acts to employees of the Company or persons unaffiliated with the Company.

Meetings of the board of directors are called no less than five days in advance by letter sent via fax, telegram or e-mail by the chairman on his own initiative. Meetings may be held in person, by video-conference or tele-conference, in the location indicated in the notice convening the meeting, or in any other destination, each time that the chairman may consider necessary. The quorum for meetings of the board of directors is a majority of the directors in office. Resolutions are adopted by the vote of a majority of the directors present at the meeting. In case of a tie, the chairman has the deciding vote.

Directors having any interest in a proposed transaction must disclose their interest to the board of directors and to the board of statutory auditors, even if such interest is not in conflict with the interest of the Company in the same transaction. The interested director is not required to abstain from voting on the resolution approving the transaction, but the resolution must state explicitly the reasons for, and the benefit to the Company of, the approved transaction. In the event that these provisions are not complied with, or that the transaction would not have been approved without the vote of the interested director, the resolution may be challenged by a director or by the board of statutory auditors if the approved transaction may be prejudicial to the Company. A managing director must solicit prior board approval of any proposed transaction in which he has any interest and that is within the scope of his powers. The interested director may be held liable for damages to the Company resulting from a resolution adopted in breach of the above rules. Finally, directors may be held liable for damages to the Company if they illicitly profit from insider information or corporate opportunities.

The board of directors may transfer the Company's registered office within Italy, set up and eliminate secondary offices and approve mergers by absorption into the Company of any subsidiary in which the Company holds at least 90% of the issued share capital. The board of directors may also approve the issuance of shares or convertible debentures and reductions of the Company's share capital in the case of withdrawal of a shareholder if so authorized by the Company's extraordinary shareholders' meeting.

Under Italian law and pursuant to the Company's By-laws, directors may be removed from their office at any time by the vote of shareholders at an ordinary shareholders' meeting. However, if removed in circumstances where there was no just cause, such directors may have a claim for damages against the Company. Directors may resign at any time by written notice to the board of directors and to the chairman of the board of statutory auditors. The board of directors, subject to the approval of the board of statutory auditors, must appoint substitute directors to fill vacancies arising from removals or resignations to serve until the next ordinary shareholders' meeting. If at any time more than half of the members of the board of directors appointed by the shareholders' meeting of the Company resign, such resignation is ineffective until the majority of the new board of directors has been appointed. In such a case, the remaining members of the board of directors (or the board of statutory auditors if all the members of the board of directors have resigned or ceased to be directors) must promptly call an ordinary shareholders' meeting to appoint the new directors.

The compensation of executive directors, including the CEO, is determined by the board of directors, after consultation with the board of statutory auditors, within a maximum amount established by the Company's shareholders meeting. The Company's shareholders meeting determines the base compensation for all board members, including non-executive directors. Directors are entitled to reimbursement for expenses reasonably incurred in connection with their functions.

Statutory Auditors — In addition to appointing the board of directors, the ordinary shareholders' meeting of the Company, appoints a board of statutory auditors (c*ollegio sindacale*) and its chairman, and sets the compensation of its members. The statutory auditors are elected for a term of three fiscal years, may be re-elected for successive terms and may be removed only for cause and with the approval of a competent court. Expiration of their office will have no effect until a new board is appointed. Membership of the board of statutory auditors is subject to certain good standing, independence and professional requirements, and shareholders must be informed as to the offices the proposed candidates hold in other companies prior to or at the time of their election. In particular, at least one standing and one alternate member must be a chartered public accountant.

The Company's By-laws provide that the board of statutory auditors shall consist of three statutory auditors and two alternate auditors (who are automatically substituted for a statutory auditor who resigns or is otherwise unable to serve).

The Company's board of statutory auditors is required, among other things, to verify that the Company (i) complies with applicable laws and the By-laws, (ii) complies with applicable principles of good governance, and (iii) maintains adequate organizational structure and administrative and accounting systems. The Company's board of statutory auditors must be convened at least once every 90 days. The board of statutory auditors reports to the annual shareholders' meeting on the results of its activity and the results of the Company's operations. In addition, the statutory auditors of the Company must attend the meetings of the Company's board of directors and shareholders' meetings.

The statutory auditors may decide to call a shareholders' meeting, ask information about the management of the Company to the members of the board of directors, carry out inspections and verifications at the Company and exchange information with the Company's external auditors. Additionally, the statutory auditors have the power to initiate a liability action against one or more directors after adopting a resolution with an affirmative vote by two thirds of the auditors in office. Any shareholder may submit a complaint to the board of statutory auditors regarding facts that such shareholder believes should be subject to scrutiny by the board of statutory auditors, which must take any complaint into account in its report to the shareholders' meeting. If shareholders collectively representing 5% of the Company's share capital submit such a complaint, the board of statutory auditors must promptly undertake an investigation and present its findings and any recommendations to a shareholders' meeting of the Company (which must be convened immediately if the complaint appears to have a reasonable basis and there is an urgent need to take action). The board of statutory auditors may report to a competent court serious breaches of directors' duties.

External Auditor — The audit of the Company's accounts is entrusted, as per current legislation, to an independent audit firm whose appointment falls under the competence of the shareholders' meeting, upon the board of statutory auditors' proposal. In addition to the obligations set forth in national auditing regulations, Natuzzi's listing on the NYSE requires that the audit firm issues an audit report on the consolidated financial statements included in the annual report on Form 20-F, in compliance with the auditing standards issued by the Public Company Accounting Oversight Board (United States) (PCAOB). Moreover, the independent audit firm is required, if applicable, to issue an opinion on the effectiveness of the internal control system applied to financial reporting.

The external auditor or the firm of external auditors is appointed for a three-year term, may be re-elected for successive terms, and its compensation is determined by a vote at an ordinary shareholders' meeting of the Company and may be removed only for just cause by a vote of the shareholders' meeting.

Meetings of Shareholders — Shareholders are entitled to attend and vote at ordinary and extraordinary shareholders' meetings. Votes may be cast personally or by proxy. Shareholders' meetings may be called by the Company's board of directors (or the board of statutory auditors) and must be called if requested by holders of at least 10% of the issued shares. If a shareholders' meeting is not called despite the request by shareholders and such refusal is unjustified, a competent court may call the meeting.

Shareholders are not entitled to request that a meeting of shareholders be convened to vote on matters which, as a matter of law, shall be resolved on the basis of a proposal, plan or report by the Company's board of directors.

The Company may hold general meetings of shareholders at its registered office in Santeramo in Colle, or elsewhere in Italy or at locations outside Italy, following publication of notice of the meeting in any of the following Italian newspapers: "*Il Sole 24 Ore*," "*Corriere della Sera*" or "*La Repubblica*" at least 15 days before the date fixed for the meeting**.**

The ordinary shareholders' meeting of the Company must be convened at least once a year. The Company's annual stand-alone financial statements are prepared by the board of directors and submitted for approval to the ordinary shareholders' meeting, which must be convened within 120 days after the end of the fiscal year to which such financial statements relate. This term may be extended by up to 180 days after the end of the fiscal year, as long as the Company continues to be bound by law to draw up consolidated financial statements or if particular circumstances concerning its structure or its purposes so require. At ordinary shareholders' meetings, shareholders also appoint the external auditors, approve the distribution of dividends, appoint the members of the board of directors and of the board of statutory auditors, determine their remuneration and vote on any matter the resolution or authorization of which is entrusted to them by law.

Extraordinary shareholders' meetings may be called to vote on proposed amendments to the By-laws, issuance of convertible debentures, mergers and de-mergers, capital increases and reductions, when such resolutions may not be taken by the board of directors and any matter the resolution or authorization of which is entrusted to them by law or the By-laws. Liquidation of the Company must be resolved by an extraordinary shareholders' meeting.

The notice of a shareholders' meeting of the Company may specify two or more meeting dates for an ordinary or extraordinary shareholders' meeting; such meeting dates are generally referred to as "calls."

The quorum for an ordinary shareholders' meeting of the Company is 50% of the Ordinary Shares, and resolutions are adopted by the majority of Ordinary Shares present or represented. At an adjourned ordinary meeting, no quorum is required, and the resolutions are carried by the majority of Ordinary Shares present or represented. Certain matters, such as amendments to the By-laws, the issuance of shares, the issuance of convertible debentures, mergers and de-mergers, may only be resolved upon at an extraordinary meeting, at which special voting rules apply. Resolutions at an extraordinary meeting of the Company are adopted, on first call, by a majority of the Ordinary Shares. An adjourned extraordinary meeting is validly held with a quorum of one-third of the issued shares and its resolutions are carried by a majority of at least two-thirds of the holders of shares present or represented at such meeting. In addition, certain matters (such as a change in purpose or corporate form of the company, de-mergers, mergers, the transfer of its registered office outside Italy, its liquidation prior to the term set forth in its By-laws, the extension of the term, the revocation of liquidation and the issuance of preference shares) are approved by the holders of more than two-thirds of the shares present and represented at such meeting that must also represent more than one-third of the issued shares.

According to the By-laws, in order to attend any shareholders' meeting, each shareholder of the Company, at least five days prior to the date fixed for the meeting, must deposit its share certificates at the offices of the Company or with such banks as may be specified in the notice of call of the relevant meeting, in exchange for an admission ticket. Owners of ADRs may make special arrangements with the Depositary for the beneficial owners of such ADRs to attend shareholders' meetings, but not to vote at or formally address such meetings. The procedures for making such arrangements will be specified in the notice of such meeting to be mailed by the Depositary to the owners of ADRs.

Shareholders may appoint proxies by delivering in writing an appropriate power of attorney to the Company. Directors, auditors and employees of the Company or of any of its subsidiaries may not be proxies and any one proxy cannot represent more than 20 shareholders.

Pre-emptive Rights — Pursuant to Italian law, holders of Ordinary Shares or of debentures convertible into shares, if any exist, are entitled to subscribe for the issuance of shares, debentures convertible into shares and rights to subscribe for shares, in proportion to their holdings, unless such issues are for non-cash consideration or pre-emptive rights are waived or limited and such waiver or limitation is required in the interest of the Company. There can be no assurance that the holders of ADSs may be able to exercise fully any pre-emptive rights pertaining to Ordinary Shares.

Preference Shares. Other Securities — The Company's By-laws allow the Company to issue preference shares with limited voting rights, to issue other classes of equity securities with different economic and voting rights, to issue so-called participation certificates with limited voting rights, as well as so-called tracking stock. The power to issue such financial instruments is attributed to the extraordinary meeting of shareholders.

The Company, by resolution of the board of directors, may issue debt securities non-convertible into shares, while it may issue debt securities convertible into shares through a resolution of an extraordinary shareholders' meeting.

Segregation of Assets and Proceeds — The Company, by means of an extraordinary shareholders' meeting resolution, may approve the segregation of certain assets into one or more separate pools. Such pools of assets may have an aggregate value not exceeding 10% of the shareholders' equity of the Company. Each pool of assets must be used exclusively to carry out a specific business and may not be attached by the general creditors of the Company. Similarly, creditors with respect to such specific business may only attach those assets of the Company that are included in the corresponding pool. Tort creditors, on the other hand, may always attach any assets of the Company. The Company may issue securities carrying economic and administrative rights relating to a pool. In addition, financing agreements relating to the funding of a specific business may provide that the proceeds of such business be used exclusively to repay the financing. Such proceeds may be attached only by the financing party and such financing party would have no recourse against other assets of the Company.

Liquidation Rights — Pursuant to Italian law and subject to the satisfaction of the claims of all other creditors, shareholders are entitled to a distribution in liquidation that is equal to the nominal value of their shares (to the extent available out of the net assets of the Company). Holders of preference shares, if any such shares are issued in the future by the Company, may be entitled to a priority right to any such distribution from liquidation up to their par value. Thereafter, all shareholders would rank equally in their claims to the distribution or surplus assets, if any. Ordinary Shares rank *pari passu* among themselves in liquidation.

Purchase of Shares by the Company — The Company is allowed to purchase shares, subject to certain conditions and limitations provided for by Italian law. Shares may be purchased out of profits available for dividends and out of distributable reserves, in each case as appearing on the latest stand-alone financial statements approved by the Company's shareholders' meeting. Further, the Company may only repurchase fully paid-in shares. Such purchases must be authorized by the ordinary shareholders' meeting. The aggregate purchase price of such shares may not exceed the distributable dividends and the earnings reserve specifically approved by shareholders. Shares held in violation of the above conditions and limitations must be sold within one year of the date of purchase. Similar limitations apply with respect to purchases of the Company's shares by its subsidiaries.

A corresponding reserve equal to the purchase price of such shares must be created in the statement of financial position, and such reserve is not available for distribution, unless such shares are sold or cancelled. Shares purchased and held by the Company may be resold only pursuant to a resolution adopted at an ordinary shareholders' meeting. The voting rights attaching to the shares held by the Company or its subsidiaries cannot be exercised, but the shares are counted for quorum purposes in shareholders' meetings. Dividends and pre-emptive rights attaching to such shares will accrue to the benefit of other shareholders.

The Company does not own any of its Ordinary Shares.

Notification of the Acquisition of Shares — In accordance with Italian antitrust laws, the Italian Competition Authority prohibits the acquisition of control in a company which would thereby create or strengthen a dominant position in the domestic market or a significant part thereof and which would result in the elimination or substantial reduction of competition on a lasting basis, provided that certain turnover thresholds are exceeded. However, if the turnover of the acquiring party and the company to be acquired exceeds certain other monetary thresholds, the antitrust review of the acquisition falls within the exclusive jurisdiction of the European Commission and will be assessed under the EU Merger Regulation (Council Regulation (EC) No. 139/2004).

Minority Shareholders' Rights. Withdrawal Rights — Shareholders' resolutions which are not adopted in conformity with applicable law or the Company's By-laws may be challenged (with certain limitations and exceptions) within 90 days by absent, dissenting or abstaining shareholders representing individually or in the aggregate at least 5% of Company's share capital (as well as by the board of directors or the board of statutory auditors). Shareholders not reaching this threshold or shareholders not entitled to vote at Company's meetings may only claim damages deriving from the resolution.

Dissenting or absent shareholders may require the Company to buy back their shares as a result of shareholders' meeting resolutions approving, among others things, material modifications of the Company's corporate purpose or of the voting rights of its shares, the transformation of the Company from a stock corporation into a different legal entity, or the transfer of the Company's registered office outside Italy. The buy-back would occur at a price established by the board of directors, upon consultation with the board of statutory auditors and the Company's external auditor, having regard to the net assets value of the Company, its prospective earnings and the market value of its shares, if any. The Company's By-laws may set forth different criteria to determine the consideration to be paid to dissenting shareholders in such buy-backs.

Each shareholder may bring to the attention of the board of statutory auditors facts or actions which are deemed wrongful. If such shareholders represent more than 5% of the share capital of the Company, the board of statutory auditors must investigate without delay and report its findings and recommendations to the shareholders' meeting (which must be convened immediately if the complaint appears to have a reasonable basis and there is an urgent need to take action).

Shareholders representing more than 10% of the Company's share capital have the right to report to a competent court all of the serious breaches of the directors' duties, which may be prejudicial to the Company or to its subsidiaries. In addition, shareholders

representing at least 20% of the Company's share capital may commence derivative suits before a competent court against its directors, statutory auditors and general managers.

The Company may waive or settle the suit unless shareholders holding at least 20% of the shares vote against such waiver or settlement. The Company will reimburse the legal costs of such action in the event that the claim of such shareholders is successful and the court does not award such costs against the relevant directors, statutory auditors or general managers.

Any dispute arising out of or in connection with the By-Laws that may arise between the Company and its shareholders, directors, or liquidators shall fall under the exclusive jurisdiction of the Tribunal of Bari (Italy).

Liability for Mismanagement of Subsidiaries — Under Italian law, companies and other legal entities that, acting in their own interest or the interest of third parties, mismanage a company subject to their direction and coordination powers are liable to such company's shareholders and creditors for ensuing damages suffered by such shareholders. This liability is excluded if (i) the ensuing damage is fully eliminated, including through subsequent transactions, or (ii) the damage is effectively offset by the global benefits deriving in general to the company from the continuing exercise of such direction and coordination powers. Direction and coordination powers are presumed to exist, among other things, with respect to consolidated subsidiaries.

The Company is subject to the direction and coordination of INVEST 2003 S.r.l.

Material Contracts

The Company is not a party to any material contract, other than contracts entered into in the ordinary course of business and the contracts described immediately below:

— The Company entered into a joint venture contract with Jason Furniture (Hangzhou) Co., Ltd. ("Kuka") on March 22, 2018 (the "Joint Venture Agreement") under which the Company's wholly-owned Chinese subsidiary, Natuzzi Trading (Shanghai) Co., Ltd. ("Natuzzi Trading Shanghai") would become a joint venture (the "Joint Venture"). On July 27, 2018, the Company completed the transactions contemplated by the Joint Venture Agreement. As a result of the completion of these transactions, the Company's wholly-owned Chinese subsidiary, Natuzzi Trading (Shanghai) Co., Ltd. ("Trading Co."), became a joint venture in which each of the Company and Kuka owns, as of the date of this Annual Report, a 49% and 51% stake, respectively. Kuka invested €65 million to acquire its stake in Trading Co. The Joint Venture distributes *Natuzzi Italia* and *Natuzzi Editions* branded products through a network of single-brand directly operated stores and franchise stores in Mainland China, Hong Kong and Macau, as well as through online stores. The Joint Venture Agreement is attached as Exhibit 4.1 to this Annual Report.

— The Securitization Facility with Muttley S.r.l., and concerning Banca IMI, Intesa San Paolo for the non-recourse factoring of export-related financial receivables for €40.0 million, dated July 22, 2020. The Securitization Facility is attached as Exhibit 4.2 to this Annual Report.

— On July 11, 2023, the Company, the relevant trade unions and Italian authorities signed an agreement that provides for (i) early retirement for employees who are within 60 months of reaching retirement age, (ii) the hiring of new employees, (iii) the implementation of training programs and (iv) access to the CIGS for redundant employees. As a result, among other things, the Company will benefit from CIGS for up to 875 workers employed at various plants of the Group until June 30, 2025. This agreement is attached as Exhibit 4.3 to this Annual Report.

— On November 27, 2023 the Company, along with trade unions and Italian relevant authorities, entered into an agreement to extend the scope of the Solidarity Facility until November 3, 2024. This agreement is attached as Exhibit 4.4 to this Annual Report.

— On April 9, 2024, the Company entered into an agreement with INVEST 2003 S.r.l., its majority shareholder, under which the amount of €2.5 million received by the Company from INVEST 2003 S.r.l. on March 2, 2020 under the agreement by which INVEST 2003 S.r.l. undertook to make advance payments of up to €15.0 million to satisfy the subscription price of a future rights issue, was converted into a loan made by INVEST 2003 S.r.l. to the Company. This agreement is attached as Exhibit 4.5 to this Annual Report.

Exchange Controls

There are currently no exchange controls, as such, in Italy restricting rights deriving from the ownership of shares. Residents and non-residents of Italy may hold foreign currency and foreign securities of any kind, within and outside Italy. Non-residents may

invest in Italian securities without restriction and may transfer to and from Italy cash, instruments of credit and securities, in both foreign currency and Euro, representing interest, dividends, other asset distributions and the proceeds of any dispositions.

Certain requirements however are imposed by law. Regulations on the use of cash and bearer securities are contained in legislative decree No. 231 of November 21, 2007, as amended from time to time (the “Decree 231”), which implemented in Italy the European directive on anti-money laundering 2005/60/EC (replaced by directive (EU) 2015/849, as amended by directive (EU) 2018/843 and directive (EU) 2019/2177). Such legislation requires that, subject to certain exceptions, transfers of cash or bearer instruments in Euro or in foreign currency, effected for whatsoever reason between different parties, shall be carried out by means of credit institutions, Poste Italiane S.p.A., electronic money institutions and payment institutions providing payment services which are different from those indicated under Article 1, paragraph 1, letter b), number 6) of legislative decree No. 11 of January 27, 2010 when the total amount to be transferred is equal to or higher than €5,000. Cash remittance services are subject to a €1,000 limit. Credit institutions and the other intermediaries effecting such transactions on behalf of residents or non-residents of Italy are required to maintain records of such transactions for 10 years after the end of the relevant business relationship or the closing of the relevant transaction. Such records may be inspected at any time by the competent Italian authorities.

Non-compliance with, *inter alia*, the reporting and record-keeping requirements set forth in the above-mentioned Decree 231 may result in administrative fines or, in the case of (*inter alia*) reporting of false or misleading information or falsification of the information that is relevant for the purposes of compliance with Decree 231, criminal penalties. The Financial Intelligence Unit of the Bank of Italy (the “FIU”) may use the information received and/or transfer it to the anti-mafia investigative directorate (*Direzione investigativa antimafia*), the special monetary police nucleus (*Nucleo speciale di polizia valutaria della Guardia di finanza*) and other competent authorities, to police money laundering, tax evasion and any other unlawful activity. The FIU is required in certain cases to maintain record of the reports for 10 years.

Individuals, non-profit entities and partnerships that are residents of Italy must disclose on their annual tax returns all investments and financial assets held outside Italy. Such obligation lies also on the aforesaid resident taxpayers who, even if do not own directly investments and financial assets held abroad, qualify as “beneficial owner” of the same. No such tax disclosure is required in respect of securities deposited for management with qualified Italian financial intermediaries and in respect of contracts entered into through their intervention, provided that the items of income derived from such foreign financial assets are subjected to withholding tax or substitute tax through the intervention of the same intermediaries. Corporate residents of Italy are exempt from these tax disclosure requirements with respect to their annual tax returns because this information is required to be disclosed in their financial statements.

There can be no assurance that the current regulatory environment in or outside Italy will persist or that particular policies presently in effect will be maintained, although Italy is required to maintain certain regulations and policies by virtue of its membership of the EU and other international organizations and its adherence to various bilateral and multilateral international agreements.

Taxation

The following is a summary of certain U.S. federal and Italian tax matters. The summary contains a description of the principal U.S. federal and Italian tax consequences of the purchase, ownership and disposition of Ordinary Shares or ADSs by a holder who is a citizen or resident of the United States or a U.S. corporation or who otherwise will be subject to U.S. federal income tax on a net income basis in respect of the Ordinary Shares or ADSs (a “U.S. Holder”). The summary is not a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase or hold Ordinary Shares or ADSs. In particular, the summary deals only with beneficial owners who will hold Ordinary Shares or ADSs as capital assets and does not address the tax treatment of a beneficial owner who owns 10% or more of the shares of the Company (measured by voting power or value) or who may be subject to special tax rules, such as banks, tax-exempt entities, insurance companies, partnerships or partners therein, U.S. expatriates, or dealers in securities or currencies, or persons that will hold Ordinary Shares or ADSs as a position in a “straddle” for tax purposes or as part of a “constructive sale” or a “conversion” transaction or other integrated investment comprised of Ordinary Shares or ADSs and one or more other investments. The summary does not address the U.S. Medicare tax on net investment income, the U.S. alternative minimum tax, or any aspect of U.S. state or local tax law. The summary does not discuss the treatment of Ordinary Shares or ADSs that are held in connection with a permanent establishment through which a non-resident beneficial owner carries on business or performs personal services in Italy.

The summary is based upon tax laws and practice of the United States and Italy in effect on the date of this Annual Report, which are subject to change.

Investors and prospective investors in Ordinary Shares or ADSs should consult their own advisors as to the U.S., Italian or other tax consequences of the purchase, beneficial ownership and disposition of Ordinary Shares or ADSs, including, in particular, the effect of any state or local tax laws.

For purposes of the summary, U.S. Holders who are considered residents of the United States for purposes of the Income Tax Convention, and are not subject to an anti-treaty shopping provision that applies in limited circumstances, are referred to as "U.S. owners". Beneficial owners who are citizens or residents of the United States, corporations organized under U.S. law, and U.S. partnerships, estates or trusts (to the extent their income is subject to U.S. tax either directly or in the hands of partners or beneficiaries) generally will be considered to be residents of the United States under the Income Tax Convention. Special rules apply to U.S. owners who are also residents of Italy, according to the Income Tax Convention.

For the purpose of the Income Tax Convention and the United States Internal Revenue Code of 1986, as amended, beneficial owners of ADSs will be treated as the beneficial owners of the Ordinary Shares represented by those ADSs.

Taxation of Dividends

i) Italian Tax Considerations — As a general rule, Italian laws provide for the withholding of income tax on dividends paid by Italian companies to shareholders who are not residents of Italy for tax purposes, currently levied at a 26% rate. Italian laws provide a mechanism under which non-resident shareholders can claim a refund, up to 11/26 of Italian withholding taxes on dividend income by establishing to the Italian tax authorities that the dividend income was subject to income tax in another jurisdiction in an amount at least equal to the total refund claimed. U.S. owners should consult their own tax advisers concerning the possible availability of this refund, which traditionally has been payable only after extensive delays. Alternatively, reduced rates (normally 15%) may apply to non-resident shareholders who are entitled to, and comply with procedures for claiming, benefits under an income tax convention.

Under the Income Tax Convention, dividends derived and beneficially owned by U.S. owners are subject to an Italian withholding tax at a reduced rate of 15%.

However, the amount initially made available to the Depositary for payment to U.S. owners will reflect withholding at the 26% rate. U.S. owners who comply with the certification procedures described below may then claim an additional payment of 11% of the dividend (representing the difference between the 26% rate, and the 15% rate, and referred to herein as a "treaty refund"). This certification procedure will require U.S. owners (i) to obtain from the U.S. Internal Revenue Service ("IRS") a form of certification required by the Italian tax authorities (IRS Form 6166), unless a previously filed certification is effective on the dividend payment date (such certificates, filed together with the statement indicated under (ii) below, should be effective until the end of the fiscal year for which the statement was originally filed), (ii) to produce a statement in accordance with the Italian tax authorities decree of July 10, 2013, whereby the U.S. owner represents to be a U.S. owner individual or corporation with no permanent establishment in Italy, and (iii) to set forth other required information. IRS Form 6166 may be obtained by filing a request for certification on IRS Form 8802. (Additional information, including IRS Form 8802, can be obtained from the IRS website at www.irs.gov. Information appearing on the IRS website is not incorporated by reference into this document.) The time for processing requests for certification by the IRS normally is 30 to 45 days. Accordingly, in order to be eligible for the procedure described below, U.S. owners should begin the process of obtaining certificates as soon as possible after receiving instructions from the Depositary on how to claim a treaty refund.

The Depositary's instructions will specify certain deadlines for delivering to the Depositary the documentation required to obtain a treaty refund, including the certification that the U.S. owners must obtain from the IRS. In the case of ADSs held by U.S. owners through a broker or other financial intermediary, the required documentation should be delivered to such financial intermediary for transmission to the Depositary. In all other cases, the U.S. owners should deliver the required documentation directly to the Depositary. The Company and the Depositary have agreed that if the required documentation is received by the Depositary on or within 30 days after the dividend payment date and, in the reasonable judgment of the Company, such documentation satisfies the requirements for a refund by the Company of Italian withholding tax under the Convention and applicable law, the Company will within 45 days thereafter pay the treaty refund to the Depositary for the benefit of the U.S. owners entitled thereto.

If the Depositary does not receive a U.S. owner's required documentation within 30 days after the dividend payment date, such U.S. owner may for a short grace period (specified in the Depositary's instructions) continue to claim a treaty refund by delivering the required documentation (either through the U.S. owner's financial intermediary or directly, as the case may be) to the Depositary. However, after this grace period, the treaty refund must be claimed directly from the Italian tax authorities rather than through the Depositary. Expenses and extensive delays have been encountered by U.S. owners seeking refunds from the Italian tax authorities.

Distributions of profits in kind will be subject to withholding tax. In that case, prior to receiving the distribution, the holder will be required to provide the Company with the funds to pay the relevant withholding tax.

ii) United States Tax Considerations — Subject to the discussion below under "Passive Foreign Investment Company Rules", the gross amount of any dividends (that is, the amount before reduction for Italian withholding tax) paid to a U.S. Holder generally will be subject to U.S. federal income taxation as foreign-source dividend income and will not be eligible for the dividends-

received deduction allowed to domestic corporations. Dividends paid in Euro will be included in the income of such U.S. Holder in a dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the Depositary or its agent. If the Euro are converted into dollars on the day the Depositary or its agent receives them, U.S. Holders generally should not be required to recognize foreign currency gain or loss in respect of the dividend income. U.S. owners who receive a treaty refund may be required to recognize foreign currency gain or loss to the extent the amount of the treaty refund (in dollars) received by the U.S. owner differs from the U.S. dollar equivalent of the Euro amount of the treaty refund on the date the dividends were received by the Depositary or its agent.

The U.S. dollar amount of dividends received by an individual with respect to the Ordinary Shares or ADSs will be subject to taxation at reduced rates if the dividends are "qualified dividends". Subject to certain exceptions for short-term and hedged positions, dividends paid on the Ordinary Shares or ADSs will be treated as qualified dividends if (i) the Company is eligible for the benefits of a comprehensive income tax treaty with the United States that the IRS has approved for the purposes of the qualified dividend rules and (ii) the Company was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a passive foreign investment company ("PFIC"). The Income Tax Convention has been approved for the purposes of the qualified dividend rules, and the Company believes it is eligible for the benefits of the Income Tax Convention. Based on the Company's financial statements and relevant market and shareholder data, the Company believes that it was not treated as a PFIC for U.S. federal income tax purposes with respect to its 2022 or 2023 taxable year. In addition, based on the Company's financial statements and its current expectations regarding the value and nature of its assets, the sources and nature of its income, and relevant market and shareholder data, the Company does not anticipate becoming a PFIC for its 2024 taxable year.

Subject to generally applicable limitations and conditions, Italian dividend withholding tax paid at the appropriate rate applicable to the U.S. Holder may be eligible for a credit against such U.S. Holder's U.S. federal income tax liability. These generally applicable limitations and conditions include new requirements recently adopted by the U.S. IRS in regulations promulgated in December 2021 and any Italian tax will need to satisfy these requirements in order to be eligible to be a creditable tax for a U.S. Holder. In the case of a U.S. Holder that either (i) is eligible for, and properly elects, the benefits of the Income Tax Convention, or (ii) consistently elects to apply a modified version of these rules under recently issued temporary guidance and complies with specific requirements set forth in such guidance, the Italian tax on dividends will be treated as meeting the new requirements and therefore as a creditable tax. In the case of all other U.S. Holders, the application of these requirements to the Italian tax on dividends is uncertain and we have not determined whether these requirements have been met. If the Italian dividend tax is not a creditable tax for a U.S. Holder or the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued in the same taxable year, the U.S. Holder may be able to deduct the Italian tax in computing such U.S. Holder's taxable income for U.S. federal income tax purposes. Dividends will constitute income from sources without the United States and, for U.S. Holders that elect to claim foreign tax credits, generally will constitute "passive category income" for foreign tax credit purposes.

The availability and calculation of foreign tax credits and deductions for foreign taxes involves the application of rules that depend on a U.S. Holder's particular circumstances. The temporary guidance discussed above also indicates that the Treasury and the IRS are considering proposing amendments to the December 2021 regulations and that the temporary guidance can be relied upon until additional guidance is issued that withdraws or modifies the temporary guidance. U.S. holders are urged to consult their tax advisors whether, and to what extent, a foreign tax credit will be available in light of their particular circumstances.

A beneficial owner of Ordinary Shares or ADSs who is, with respect to the United States, a foreign corporation or a nonresident alien individual, generally will not be subject to U.S. federal income tax on dividends received on Ordinary Shares or ADSs, unless such income is effectively connected with the conduct by the beneficial owner of a trade or business in the United States.

Taxation of Capital Gains

i) Italian Tax Considerations — Under Italian law, capital gains tax ("CGT") is generally levied on capital gains realized by non-residents from the disposal of shares in companies resident in Italy for tax purposes even if those shares are held outside of Italy. However, capital gains realized by non-resident holders on the sale of non-qualified shareholdings (as defined below) in companies listed on a stock exchange and resident in Italy for tax purposes (as is the Company's case) are not subject to CGT. In order to benefit from this exemption, such non-Italian-resident holders may need to file a certificate evidencing their residence outside of Italy for tax purposes.

A "qualified shareholding" consists of securities that entitle the holder to exercise more than 2% of the voting rights of a company with shares listed on a stock exchange in the ordinary meeting of the shareholders or represent more than 5% of the share capital of a company with shares listed on a stock exchange. A "non-qualified shareholding" is any shareholding that does not exceed either of these thresholds. The relevant percentage is calculated taking into account the shareholdings sold during the prior 12-month period.

As a general rule, capital gains realized as of January 1, 2019 upon disposal of a "qualified" shareholding are subject to a 26% substitute tax. If a taxpayer realizes taxable capital gains in excess of capital losses incurred in the same tax year, such excess amount is subject to the 26% substitute tax. If such taxpayer's capital losses exceed its taxable capital gains, then the excess amount can be carried forward and deducted from the taxable amount of capital gains realized by such person in the following tax years, up to the fourth, provided that it is reported in the tax report in the year of disposal.

The above is subject to any provisions of an income tax treaty entered into by the Republic of Italy, if the income tax treaty provisions are more favorable. The majority of double tax treaties entered into by Italy, including the Income Tax Convention, in accordance with the OECD Model tax convention, provide that capital gains realized from the disposal of Italian securities are subject to CGT only in the country of residence of the seller. The Income Tax Convention between Italy and the U.S. provides that a U.S. owner is not subject to the Italian CGT on the disposal of shares, provided that the shares are not held through a permanent establishment of the U.S. owner in Italy.

ii) United States Tax Considerations — Subject to the discussion below under "Passive Foreign Investment Company Rules", gain or loss realized by a U.S. Holder on the sale or other disposition of Ordinary Shares or ADSs will be subject to U.S. federal income taxation as capital gain or loss in an amount equal to the difference between the U.S. Holder's basis in the Ordinary Shares or the ADSs and the amount realized on the disposition, as determined in U.S. dollars. If the amount realized is denominated in a foreign currency, its dollar equivalent generally will be determined at the spot rate in effect on the date of disposition (or, if the Ordinary Shares or ADSs are traded on an established securities market such as the NYSE, in the case of cash basis and electing accrual basis beneficial owners, the settlement date). Any such gain or loss generally would be treated as arising from sources within the United States. Such gain or loss will generally be long-term capital gain or loss if the U.S. Holder holds the Ordinary Shares or ADSs for more than one year. The net amount of long-term capital gain recognised by a U.S. Holder that is an individual holder generally is subject to taxation at a reduced rate. The ability to offset capital losses against ordinary income is subject to limitations. Deposits and withdrawals of Ordinary Shares by U.S. Holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

A U.S. Holder generally will not be entitled to credit any Italian tax imposed on the sale or other disposition of the shares against such U.S. Holder's U.S. federal income tax liability, except in the case of a U.S. Holder that consistently elects to apply a modified version of the U.S. foreign tax credit rules that is permitted under recently issued temporary guidance and complies with the specific requirements set forth in such guidance. Additionally, capital gain or loss recognised by a U.S. Holder on the sale or other disposition of the shares generally will be U.S. source gain or loss for U.S. foreign tax credit purposes. Consequently, even if the withholding tax qualifies as a creditable tax, a U.S. Holder may not be able to credit the tax against its U.S. federal income tax liability unless such credit can be applied (subject to generally applicable conditions and limitations) against tax due on other income treated as derived from foreign sources. If the Italian tax is not a creditable tax, the tax would reduce the amount realized on the sale or other disposition of the shares even if the U.S. Holder has elected to claim a foreign tax credit for other taxes in the same year. The temporary guidance discussed above also indicates that the Treasury and the IRS are considering proposing amendments to the December 2021 regulations and that the temporary guidance can be relied upon until additional guidance is issued that withdraws or modifies the temporary guidance. U.S. Holders should consult their own tax advisors regarding the application of the foreign tax credit rules to a sale or other disposition of the shares and any Italian tax imposed on such sale or disposition.

A beneficial owner of Ordinary Shares or ADSs who is, with respect to the United States, a foreign corporation or a nonresident alien individual will not be subject to U.S. federal income tax on gain realized on the sale of Ordinary Shares or ADSs, unless (i) such gain is effectively connected with the conduct by the beneficial owner of a trade or business in the United States or (ii), in the case of gain realized by an individual beneficial owner, the beneficial owner is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

Passive Foreign Investment Company Rules

Special U.S. tax rules apply to companies that are considered to be passive foreign investment companies ("PFICs"). The Company will be classified as a PFIC in a particular taxable year if, either

- 75 percent or more of its gross income for the taxable year is passive income; or
- 50 percent or more of the average value of its assets (generally determined on the basis of a quarterly average) is attributable to assets that produce or are held for the production of passive income.

For this purpose, passive income generally includes dividends, interest, gains from certain commodities transactions, rents, royalties and the excess of gains over losses from the disposition of assets that produce passive income.

Based on the financial statements and relevant market and shareholder data, the Company believes that it was not treated as a PFIC for U.S. federal income tax purposes with respect to its 2023 taxable year. In addition, based on the Company's financial statements and its current expectations regarding the value and nature of its assets, the sources and nature of its income, and relevant market and shareholder data, the Company does not anticipate becoming a PFIC for its 2024 taxable year or the foreseeable future. However, the determination of whether the Company is a PFIC must be made annually based on the facts and circumstances at that time, including the valuation of its assets, including goodwill and other intangible assets (which may be determined, in part, by reference to the market price of ADSs, which could be volatile). Accordingly, the Company cannot be certain that it will not be a PFIC in the current year or in future years. U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax considerations if the Company is classified as a PFIC.

Taxation of Distributions from Capital Reserves

Italian Tax Considerations — Special rules apply to the distribution of certain capital reserves. Under certain circumstances, such a distribution may be considered as taxable income in the hands of the recipient depending on the existence of current profits or outstanding reserves at the time of distribution and the actual nature of the reserves distributed. The application of such rules may also have an impact on the tax basis in the Ordinary Shares or ADSs held and/or the characterization of any taxable income received and the tax regime applicable to it. Non-resident shareholders may be subject to withholding tax and CGT as a result of such rules. You should consult your tax adviser in connection with any distribution of capital reserves.

Other Italian Taxes

Estate and Inheritance Tax — A transfer of Ordinary Shares or ADSs by reason of death or gift is subject to an inheritance and gift tax levied on the value of the inheritance or gift, as follows:

— Transfers to a spouse or direct descendants or ancestors up to €1,000,000 to each beneficiary are exempt from inheritance and gift tax. Transfers in excess of such threshold will be taxed at a 4% rate on the value of the Ordinary Shares or ADSs exceeding such threshold;

— Transfers between relatives within the fourth degree other than siblings, and direct or indirect relatives-in-law within the third degree are taxed at a rate of 6% on the value of the Ordinary Shares or ADSs (where transfers between siblings up to a maximum value of €100,000 for each beneficiary are exempt from inheritance and gift tax); and

— Transfers by reason of gift or death of Ordinary Shares or ADSs to persons other than those described above will be taxed at a rate of 8% on the value of the Ordinary Shares or ADSs.

If the beneficiary of any such transfer is a disabled individual, whose handicap is recognised pursuant to Law No. 104 of February 5, 1992, the tax is applied only on the value of the assets received in excess of €1,500,000 at the rates illustrated above, depending on the type of relationship existing between the deceased or donor and the beneficiary.

The tax regime described above will not prevent the application, if more favorable to the taxpayer, of any different provisions of a bilateral tax treaty, including the convention between Italy and the United States against double taxation with respect to taxes on estates and inheritances, pursuant to which non-Italian resident shareholders are generally entitled to a tax credit for any estate and inheritance taxes possibly applied in Italy.

Italian Financial Transaction Tax — No IFTT would apply on the transfer of Ordinary Shares or ADSs in 2024.

The IFTT is applicable, among other transactions, to all trades entailing the transfer of title of (i) shares or equity-like financial instruments issued by companies resident in Italy, such as the Ordinary Shares; and (ii) securities representing the shares and financial instruments under (i) above (including depositary receipts such as the ADSs), regardless of the residence of the securities' issuer. The IFTT may also apply to the transfer of Ordinary Shares and ADSs by a U.S. resident.

The IFTT applies at a rate of 0.2% for over-the-counter transactions, reduced to 0.1% for trades executed on a regulated market or multilateral trading facility established in States or territories allowing an adequate exchange of information with the Italian tax authorities. The New York Stock Exchange should qualify as a regulated market for such purposes.

The rules governing the IFTT are fairly complex. As to its basic features, it should be noted that the IFTT (i) is levied on a tax base equal to (x) the market value (calculated by taking the net balance of daily trades on the relevant securities) or, in the absence of any such market value, (y) the consideration paid for each trade; and (ii) is borne by the purchaser but is collected by the financial intermediaries (including non-resident financial intermediaries) intervening in the relevant trades.

However, a number of exemptions apply, including with respect to trades of securities issued by companies having an average market capitalization lower than €500 million in the month of November of the year preceding the year in which the trade takes

place. Companies, the securities of which are listed on a foreign regulated market, and which could benefit from this exemption, such as the Company, need a confirmation from the Italian Ministry of Economy and Finance: such companies must communicate their market capitalization for each tax year to the Ministry, which will then prepare a list of the companies in relation to which the exemption applies. Since the Company has been included in the list issued by the Italian Ministry of Economy and Finance of companies having an average market capitalization lower than €500 million in the month of November 2023, the IFTT would not apply on transfers of Ordinary Shares or ADSs made in 2024.

EU Financial Transaction Tax — On February 14, 2013, the European Commission proposed the implementation of the EU FTT (see "Item 3. Key Information—Risk Factors") that may also apply to the transfer of Ordinary Shares and ADSs by a U.S. resident. This directive has been modified by the European Commission. However, the related EU directive has not yet been enacted. Moreover, the implementation of the proposed EU FTT may also affect the IFTT, as described above.

United States Information Reporting and Backup Withholding Requirements — In general, information reporting requirements will apply to payments by a paying agent within the United States to a non-corporate (or other non-exempt) U.S. Holder of dividends in respect of the Company Shares or ADSs, or the proceeds received on the sale or other disposition of the Company Shares or ADSs. Backup withholding may apply to such amounts if the U.S. Holder fails to provide an accurate taxpayer identification number to the paying agent on a properly completed IRS Form W-9 or otherwise comply with the applicable requirements of the backup withholding rules. A holder that is not a U.S. Holder may be required to comply with certification and identification procedures in order to establish its exemption from information reporting and backup withholding. Amounts withheld as backup withholding will be creditable against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS.

Specified Foreign Financial Assets — Certain U.S. Holders that own "specified foreign financial assets" with an aggregate value in excess of USD 50,000 on the last day of the taxable year or USD 75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. Holders who fail to report the required information could be subject to substantial penalties. You should consult your own tax advisors concerning the application of these rules to your particular circumstances.

Documents on Display

The Company is subject to the information reporting requirements of the Exchange applicable to foreign private issuers. In accordance therewith, the Company is required to file reports, including annual reports on Form 20-F, and other information with the SEC. As a foreign private issuer, we have been required to make filings with the SEC by electronic means since November 4, 2002. Any filings we make electronically will be available to the public over the Internet at the SEC's website at http://www.sec.gov. The Form 20-F and reports and other information filed by the Company with the SEC will also be available for inspection by ADS holders at the offices of BNY Mellon - Issuer Services – Depositary Receipts at 240 Greenwich Street, New York, NY 10286.

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ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion of the Group's risk management activities includes "forward-looking statements" that involve risks and uncertainties. Actual results could differ materially from those projected in the forward-looking statements. See "Forward-Looking Information." A significant portion of the Group's net sales and costs is denominated in currencies other than the Euro.

The Group is exposed to market risks principally from fluctuations in the exchange rates between the Euro and other currencies, including, but not limited to, in particular the U.S. dollar, and to a significantly lesser extent, from variations in interest rates. See Note 31(C)(iv) to the Consolidated Financial Statements.

Exchange Rate Risk — The Group's foreign exchange rate risk in 2023 arose principally in connection with sales denominated in British pounds, U.S. dollars, Euro (for the Company's subsidiary located in Eastern Europe) and Australian dollars, as well as in connection with Chinese yuan, Romanian leu, Brazilian reais, Mexican pesos and Russian rubles, for the Company's subsidiaries operating in currencies other than the Euro.

As of December 31, 2023, the Company was a party to a number of currency forward contracts, all of which are designed to hedge future cash flows from accounts receivables and sales orders denominated in different currencies, net of expected outflows from trade payables. The Group does not use such foreign exchange contracts for speculative trading purposes. As of December 31, 2023 and 2022, the notional amount in Euro terms of all of the Group's outstanding currency forward contracts totaled €19.0 million and €45.0 million, respectively.

The tables below summarize (in thousands of Euro equivalent) the contractual amounts of currency forward contracts intended to hedge future cash flows from accounts receivable and sales orders, net of expected outflow from trade payables, as of December 31, 2023 and 2022:

	December 31,	
	2023	2022
British pounds	3,443	13,753
U.S. dollars	2,816	11,598
Euro*	12,056	9,720
Chinese renminbi	—	7,428
Australian dollars	721	1,624
Japanese yen	—	861
Total	19,036	44,984

** The currency forward contracts denominated in Euro are used by the Group's Romanian subsidiary to hedge its net collections in Euro vs. RON.*

All of these forward contracts had various maturities extending through June 2024.

As of December 31, 2023, these forward contracts had a net unrealized gain of €0.1 million, compared to a net unrealized gain of €0.9 million as of December 31, 2022. The Group recorded this amount in "net exchange rate gains/(losses)" in its Consolidated Financial Statements.

The following tables present information regarding the contract amount in thousands of Euro equivalent and the estimated fair value of all of the Group's foreign exchange contracts: contracts with unrealized gains are presented as "assets" and contracts with unrealized losses are presented as "liabilities."

	December 31, 2023		December 31, 2022	
	Contract Amount	Unrealized gains (losses)	Contract Amount	Unrealized gains (losses)
Assets	4,540	147	38,474	925
Liabilities	14,496	(36)	6,510	(66)
Total	19,036	111	44,984	859

As of December 31, 2023, the potential loss in fair value of all of the Group's forward contracts outstanding that would have resulted from a hypothetical, instantaneous and unfavorable 10% change in currency exchange rates would have been approximately €2.1 million.

For the accounting of transactions entered into in an effort to reduce the Group's exchange rate risks, see Notes 4(s) and 30 to the Consolidated Financial Statements. For further details about the Group's exposure to currency risk, see Note 31(C)(iv) to the Consolidated Financial Statements.

Interest Rate Risk — To a significantly lesser extent, the Group is also exposed to interest rate risk. As of December 31, 2023, the Group had €40.2 million (equivalent to 11.9% of the Group's total assets as of the same date) in debt outstanding (Bank overdrafts and short-term borrowings plus long-term debt, including the current portion of such debt), which is for the most part subject to floating interest rates. See Notes 19, 26 and 31(C)(iv) to the Consolidated Financial Statements.

The potential increase in interest expenses on the Group's total debt (bank overdrafts and long-term debt, including their current portion) that would have resulted from a hypothetical, instantaneous and unfavorable 1.0% increase in the interest rates of the Group's total debt outstanding as of December 31, 2023 would have been approximately €0.6 million.

In the normal course of business, the Group also faces risks that are either non-financial or non-quantifiable. Such risks principally include country risk, credit risk and legal risk.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

ITEM 12A. DEBT SECURITIES

Not applicable.

ITEM 12B. WARRANTS AND RIGHTS

Not applicable.

ITEM 12C. OTHER SECURITIES

Not applicable.

ITEM 12D. AMERICAN DEPOSITARY SHARES

Fees paid by ADS holders — BNY, as Depositary of our ADSs, collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees to make distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Persons depositing or withdrawing shares must pay:	For:
$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	• Depositing or substituting the underlying shares • Selling or exercising rights • Cancellation of ADSs for the purpose of withdrawal, including if the Deposit Agreement terminates
A fee for the distribution of proceeds of sales of securities or rights in an amount equal to the lesser of: (i) the fee for the issuance of ADSs referred to above which would have been charged as a result of the deposit by owners of securities (for purposes hereof treating all such securities as if they were shares) or shares received in exercise of rights distributed to them, respectively, but which securities or rights are instead sold by the Depositary and the net proceeds distributed and (ii) the amount of such proceeds	• Distribution of securities distributed to holders of deposited securities which are distributed by the Depositary to ADS registered holders
Registration or transfer fees	• Transfer and registration of shares on our share register to or from the name of the Depositary or its agent when holders deposit or withdraw shares
Expenses of the Depositary	• Cable, telex and facsimile transmissions (when expressly provided in the Deposit Agreement) • Converting foreign currency to U.S. dollars
Taxes and other governmental charges the Depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	• As necessary
Any charges incurred by the Depositary or its agents for servicing the deposited securities	• As necessary

Fees payable by the Depositary to the Company

i) Fees incurred in past annual period — From January 1, 2023 to December 31, 2023, the Depositary waived a total of $250.00 in administrative fees for routine corporate actions including services relating to Natuzzi's annual general meeting of shareholders.

ii) Fees to be paid in the future — The Company does not have any agreements in place with the Depositary for the payment or reimbursement of fees or other direct or indirect payments by the Depositary to the Company in connection with its ADS program.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures — The Company carried out an evaluation under the supervision and with the participation of Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of December 31, 2023. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of controls and procedures and the Company's management necessarily was required to apply its judgment in evaluating the cost benefit relationship of possible controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Further, it should be noted that the Company has investments in certain non-consolidated entities. As the Company does not control or manage these entities, its disclosure controls and procedures with respect to such entities are necessarily more limited than those it maintains with respect to its consolidated subsidiaries.

Based on the Company's evaluation of its disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2023 to provide reasonable assurance that information required to be disclosed in the reports the Company files and submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's applicable rules and forms, and that it is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control Over Financial Reporting — The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Even when determined to be effective, they can provide only reasonable assurance regarding the reliability of financial reporting and the preparation and presentation of financial statements. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. To assess the effectiveness of the Company's internal control over financial reporting, Company's management, including its Chief Executive Officer and Chief Financial Officer, used the criteria described in "2013 Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's management assessed the effectiveness of its internal control over financial reporting as of December 31, 2023. Based on such assessment, the Company's management has concluded that as of December 31, 2023, the Company's internal control over financial reporting was effective and that there were no material weaknesses in the Company's internal control over financial reporting.

(c) Attestation Report of the Registered Public Accounting Firm — Not applicable.

(d) Changes in Internal Control over Financial Reporting — There were no changes in our internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) that occurred during our most recently completed fiscal year that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Company has determined that, because of the existence and nature of its board of statutory auditors, it qualifies for an exemption provided by Rule 10A-3(c)(3) of the Exchange Act from many of the Rule 10A-3 audit committee requirements. The board of statutory auditors has determined that each of its members is an "audit committee financial expert" as defined in Item 16A of Form 20-F. For the names of the members of the board of statutory auditors, see "Item 6. Directors, Senior Management and Employees—Statutory Auditors" and "Item 16G. Corporate Governance—Audit Committee and Internal Audit Function".

Each of the audit committee financial experts is independent under the NYSE Independence Standards that would apply to audit committee members in the absence of our reliance on the exemption in Rule 10A-3(c)(3).

ITEM 16B. CODE OF ETHICS

The Company has adopted a code of ethics, as defined in Item 16B of Form 20-F under the Exchange Act. This code of ethics applies, among others, to the Company's CEO and CFO. The Company's code of ethics is downloadable from its website at https://www.natuzzigroup.com/en-EN/ir/code-of-ethics.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our independent registered public accounting firm is KPMG S.p.A., Bari, Italy (headquartered in Milan, Italy). PCAOB ID: 1048.

KPMG S.p.A. ("KPMG") served as the Group's principal independent registered public auditor for fiscal years 2023 and 2022, for which it audited the consolidated financial statements for the years ended December 31, 2023 and 2022 included in this Annual Report.

The following table sets forth the aggregate fees billed and billable to the Company by KPMG in Italy and abroad during the fiscal years ended December 31, 2023 and 2022, for audit fees, audit–related fees, tax fees and all other fees for audit.

	2023	2022
	(Expressed in thousands of euros)	
Audit fees	638	681
Audit-related fees	10	44
Tax fees	5	5
All Other fees	—	—
Total fees	**653**	**730**

The decrease in the fees paid to KPMG in 2023 compared to 2022 is mainly due the activities performed by KPMG in connection with the adoption of the Company's SOP and other procedures in 2022, which were not undertaken in 2023.

Audit fees in the above table are the aggregate fees billed and billable in connection with the audit of the Company's consolidated annual financial statements.

Audit related fees relate to regulatory compliance services and agreed upon procedures. Tax fees relate to the identification of tax returns.

The Company's board of statutory auditors expressly pre-approves on a case-by-case basis any engagement of our independent auditors for audit and non-audit services provided to our subsidiaries or to us. All services rendered by our independent auditors for audit and non-audit services were pre-approved by our board of statutory auditors in accordance with this policy.

The Company's shareholders, at the annual general shareholders' meeting held on May 12, 2022, appointed KPMG as the Group's principal independent registered public auditor for fiscal years 2022, 2023 and 2024.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

The Company is relying on the exemption from listing standards for audit committees provided by Exchange Act Rule 10A-3(c)(3). The basis for this reliance is that the Company's board of statutory auditors meets the following requirements set forth in Exchange Act Rule 10A-3(c)(3):

— the board of statutory auditors is established and selected pursuant to Italian law expressly permitting such a board;

— the board of statutory auditors is required under Italian law to be separate from the Company's board of directors;

— the board of statutory auditors is not elected by management of the Company and no executive officer of the Company is a member of the board of statutory auditors;

— Italian law provides for standards for the independence of the board of statutory auditors from the Company and its management;

— the board of statutory auditors, in accordance with applicable Italian law and the Company's governing documents, is responsible, to the extent permitted by Italian law, for the appointment, retention and oversight of the work (including, to the extent permitted by law, the resolution of disagreements between management and the auditor regarding financial reporting) of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; and

— to the extent permitted by Italian law, the audit committee requirements of paragraphs (b)(3), (b)(4) and (b)(5) of Rule 10A-3 apply to the board of statutory auditors.

The Company's reliance on Rule 10A-3(c)(3) does not, in its opinion, materially adversely affect the ability of its board of statutory auditors to act independently and to satisfy the other requirements of Rule 10A-3.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On November 6, 2014, INVEST 2003 S.r.l. completed the purchase of 250,000 ADSs, each representing one Ordinary Share at the time of purchase, at a price of U.S.$2.00 per ADS. The purchase was privately negotiated with a single individual and was effected through an escrow arrangement with BNY Mellon. On July 30, 2014, INVEST 2003 S.r.l. completed the purchase of 500,000 ADSs, each representing one Ordinary Share at the time of purchase, at a price of U.S.$2.75 per ADS. The purchase was privately negotiated with a single individual and was effected through an escrow arrangement with BNY Mellon. For more information, refer to Schedule 13D (Amendment No. 2), filed with the SEC on September 14, 2014, which amends and supplements the Schedule 13D filed with the SEC on April 24, 2008 (as amended by Amendment No. 1 filed on April 8, 2013).

From January 1, 2014 to December 31, 2023 no purchases were made by or on behalf of the Company or any other affiliated purchaser of the Company's Ordinary Shares or ADSs.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

The Company's shareholders, at the annual general shareholders' meeting held on May 12, 2022, appointed KPMG as the Group's principal independent registered public auditor for fiscal years 2022, 2023 and 2024, as per applicable Italian legislation. In addition to the obligations set forth in Italian national auditing regulations, Natuzzi's status as a company registered with the U.S. Securities and Exchange Commission requires that an audit firm issue an audit report on the consolidated financial statements included in the Annual Report on Form 20-F, in compliance with the auditing standards issued by the Public Company Accounting Oversight Board (United States) (PCAOB) (the "US Audit Engagement"). Therefore, on October 1st, 2023 the Company appointed KPMG for the US Audit Engagement in connection with the consolidated financial statements as of and for the year ended December 31, 2023.

KPMG's US Audit Engagement terminated upon completion of its audit of the Company's consolidated financial statements as of December 31, 2023 and 2022 and each of the years in the three-year period ended December 31, 2023 and the issuance of its report thereon. In addition, prior to the date of this Annual Report on Form 20-F, KPMG has requested that the Company cease early

KPMG's appointment as principal independent registered public auditor, which cessation would be subject to the approval by the Company's shareholders at the general shareholders' meeting, as required by applicable Italian law.

The Company's shareholders will also be asked to appoint a new independent registered public auditor, upon the proposal of Company's Board of Statutory Auditors, as per article 13 Italian Legislative Decree n. 39/2010. The new independent registered public auditor will serve in this capacity for a three-year term, for fiscal years 2024, 2025 and 2026.

The audit reports of KPMG on the consolidated financial statements as of December 31, 2023 and 2022 and for each of the years in the three-year period ended December 31, 2023 did not contain an adverse opinion or a disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles. During the two fiscal years ended December 31, 2023 and December 31, 2022 and any subsequent interim period there were: (1) no disagreements (as that term is described in Item 16F(a)(1)(iv) of the Instructions to Form 20-F and the instructions to Item 16F) with KPMG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements, if not resolved to their satisfaction, would have caused them to make reference in connection with their opinion to the subject matter of the disagreement, and (2) no reportable events (as that term is defined in Item 16F(a)(1)(v) of the Instructions to Form 20-F).

A copy of KPMG's letter, dated April 30, 2024, is filed as Exhibit 15.1 to this Annual Report on Form 20-F.

ITEM 16G. CORPORATE GOVERNANCE

Under NYSE rules, the Company is permitted, as a listed foreign private issuer, to adhere to the corporate governance rules of its home country in lieu of certain NYSE corporate governance rules.

Corporate governance rules for Italian stock corporations (*società per azioni*) like the Company, whose shares are not listed on a regulated market in the EU, are set forth in the Civil Code. As described in more detail below, the Italian corporate governance rules set forth in the Civil Code differ in a number of ways from those applicable to U.S. domestic companies under NYSE listing standards, as set forth in the NYSE Listed Company Manual.

As a general rule, Company's main corporate bodies are governed by the Civil Code and are assigned specific powers and duties that are legally binding and cannot be derogated from. The Company follows the traditional Italian corporate governance system, with a board of directors (*consiglio di amministrazione*) and a separate board of statutory auditors (*collegio sindacale*) with supervisory functions. The two boards are separate and no individual may be a member of both boards. Both the members of the board of directors and the members of the board of statutory auditors owe duties of loyalty and care to the Company. As required by Italian law, an external auditing firm (*società di revisione*) is in charge of auditing the Company's financial statements. The members of the Company's board of directors and board of statutory auditors, as well as the external auditor, are directly and separately appointed by shareholder resolution at the shareholders' meetings. This system differs from the unitary system envisaged for U.S. domestic companies by the NYSE listing standards, which contemplate the board of directors serving as the sole governing body.

Below is a summary of the significant differences between Italian corporate governance rules and practices, as the Company has implemented them, and those applicable to U.S. issuers under NYSE listing standards, as set forth in the NYSE Listed Company Manual.

Independent Directors

NYSE Domestic Company Standards — The NYSE listing standards applicable to U.S. companies provide that "independent" directors must comprise a majority of the board. In order for a director to be considered "independent," the board of directors must affirmatively determine that the director has no "material" direct or indirect relationship with the company. These relationships "can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationship (among others)."

More specifically, a director is not independent if, *inter alia*, such director or his/her immediate family members has certain specified relationships with the company, its parent, its consolidated subsidiaries, their internal or external auditors, or companies that have significant business relationships with the company, its parent or its consolidated subsidiaries. Ownership of a significant amount of stock, by itself, is not a per se bar to independence.

Our Practice — The presence of a prescribed number of independent directors on the Company's board is neither mandated by any Italian law applicable to the Company nor required by the Company's By-laws.

However, Italian law sets forth certain independence requirements applicable to the Company's statutory auditors. Statutory auditors' independence is assessed on the basis of the following rules: a person who (i) is a director, or the spouse or a close relative of a director, of the Company or any of its affiliates, or (ii) has an employment or a regular consulting or similar

relationship with the Company or any of its affiliates, or (iii) has an economic relationship with the Company or any of its affiliates which might compromise his/her independence, cannot be appointed to the Company's board of statutory auditors. The law sets forth certain principles aimed at ensuring that any member of the board of statutory auditors who is a chartered public accountant (*iscritto nel registro dei revisori contabili*) be substantively independent from the company subject to audit and not be in any way involved in the company's decision-making process. The Civil Code mandates that at least one standing and one alternative member of the board of statutory auditors be a chartered public accountant. Each of the current members of the board of statutory auditors is a chartered public accountant.

Executive Sessions

NYSE Domestic Company Standards — Non-executive directors of U.S. companies listed on the NYSE must meet regularly in executive sessions, and independent directors should meet alone in an executive session at least once a year.

Our Practice — Under the laws of Italy, neither non-executive directors nor independent directors are required to meet in executive sessions. The members of the Company's board of statutory auditors are required to meet at least every 90 days.

Audit Committee and Internal Audit Function

NYSE Domestic Company Standards — U.S. companies listed on the NYSE are required to have an audit committee that satisfies the requirements of Rule 10A-3 under the Exchange Act and certain additional requirements set by the NYSE. In particular, all members of this committee must be independent and the committee must adopt a written charter. The committee's prescribed responsibilities include (i) the appointment, compensation, retention and oversight of the external auditors; (ii) establishing procedures for handling "whistle blower" complaints regarding accounting, internal accounting controls, or auditing matters; (iii) engaging independent counsel and other advisers, as it determines necessary to carry out its duties and (v) determine appropriate funding for payments to the external auditor, advisors employed by the audit committee and other necessary administrative expenses of the audit committee. A company must also have an internal audit function, which may be outsourced, except to the independent auditor.

Our Practice — Rule 10A-3(c)(3) of the Exchange Act provides that foreign private issuers with a board of statutory auditors established in accordance with local law or listing requirements and meeting specified requirements with regard to independence and responsibilities (including the performance of most of the specific tasks assigned to audit committees by Rule 10A-3, to the extent permitted by local law) (the "Statutory Auditor Requirements") are exempt from the audit committee requirements established by the rule. The Company is relying on this exemption on the basis of its separate board of statutory auditors, which is permitted by the Civil Code and which satisfies the Statutory Auditor Requirements. Nevertheless, our board of statutory auditors, consisting of independent and highly professional experts, complies with the requirements indicated at points (i), (iii) and (iv) of the preceding paragraph. The Company also has an internal audit function, which has not been outsourced, and a control and risk committee. This committee, comprised of three independent directors, has the task of supporting the Board of Directors' evaluations and decisions relating to the internal control and risk management system, as well as those relating to the approval of periodic financial reports.

Nominating and Compensation Committees

NYSE Domestic Company Standards — Under NYSE standards, a domestic company must have a nominating/corporate governance committee (or equivalent) comprised solely of independent directors, which is responsible for nominating directors, and a written charter addressing certain corporate governance matters. Additionally, U.S. companies listed on the NYSE are required to have a compensation committee (or equivalent) comprised solely of independent directors and have a written charter addressing certain corporate governance matters. The compensation committee must approve the compensation of the CEO and make recommendations to the board of directors with regard to the compensation of other officers, incentive compensation plans and equity-based plans. Disclosure of individual management compensation information for these companies is mandated by the Exchange Act's proxy rules, from which foreign private issuers are generally exempt.

Our Practice — We do not have a nominating and compensation committee as it is not required under Italian laws. Under Italian laws, directors may be designated by any of the Company's shareholders but shall be appointed by the shareholders in a general shareholders' meeting. If, during the term of the appointment, one or more directors of the Company resign, the other directors shall replace them by a resolution approved by the board of statutory auditors, provided that the majority of the board is still comprised of directors appointed by the Company's shareholders. The coopted directors remain in office until the next shareholders' meeting. If at any time more than half of the members of the board of directors appointed by the shareholders' meeting resigns, such resignation is ineffective until the majority of the new board of directors has been appointed. In such a case, the remaining members of the board of directors (or the board of statutory auditors if all the members of the board of directors have resigned or ceased to be directors) must promptly call an ordinary shareholders' meeting to appoint the new directors. INVEST 2003 S.r.l., a company controlled by Mr. Pasquale Natuzzi, by virtue of owning a majority of the outstanding shares of the Company, controls the Company and the appointment of its board of directors.

As a matter of Italian law applicable to Italian stock corporations whose shares are not listed on a regulated market in the European Union and under our By-laws, the compensation of executive directors, including the CEO, is determined by the board of directors, after consultation with the board of statutory auditors, within a maximum amount established by the Company's shareholders, while the Company's shareholders determine the base compensation for all members of the board of directors, including non-executive directors. Compensation of the Company's executive officers is determined by the CEO. The Company discloses aggregate compensation of all of its directors and officers as well as individual base compensation of each director in Item 6 of its annual reports on Form 20-F.

Corporate Governance and Code of Ethics

NYSE Domestic Company Standards — Under NYSE standards, a company must adopt governance guidelines and a code of business conduct and ethics for directors, officers and employees. A company must also publish these items on its website and provide printed copies on request. Section 406 of the Sarbanes-Oxley Act requires a company to disclose whether it has adopted a code of ethics for senior financial officers, and if not, the reasons why it has not done so. The NYSE listing standards applicable to U.S. companies provide that codes of conduct and ethics should address, at a minimum, conflicts of interest; corporate opportunities; confidentiality; fair dealing; protection and use of company assets; legal compliance; and reporting of illegal and unethical behavior. Corporate governance guidelines must address, at a minimum, directors' qualifications, responsibilities and compensation; access to management and independent advisers; management succession; director orientation and continuing education; and annual performance evaluation of the board.

Our Practice — In January 2011, the Company's board of directors approved the adoption of a compliance program to prevent certain criminal offenses, according to the Italian Decree 231/2001. The task of supervising the application of the compliance program requested by the above-mentioned Italian Decree has been entrusted to an autonomous supervisory body ("*Organismo di Vigilanza*") that consists of two qualified members. In February 2016, the board of directors approved a new code of ethics that applies to all employees and officers of the Company, including the board of directors and the board of statutory auditors, the CEO, the CFO and principal accounting officer. Additionally, the Company has in place an insider trading policy, which applies to all employees, officers, directors of the Company. The Company believes that its code of ethics and the conduct and procedures adopted by the Company address the relevant issues contemplated by the NYSE standards applicable to U.S. companies noted above. The full text of our code of ethics and insider trading policy and information related to our organizational model pursuant to Italian decree 231/2001 may be found on our website at www.natuzzigroup.com.

Certifications as to Violations of NYSE Standards

NYSE Domestic Company Standards — Under NYSE listing standards, the CEO of a U.S. company listed on the NYSE must certify annually to the NYSE that he or she is not aware of any violation by the company of the NYSE corporate governance standards. The company must disclose this certification, as well as the fact that the CEO/CFO certification required under Section 302 of the Sarbanes-Oxley Act of 2002 has been made in the company's annual report to shareholders (or, if no annual report to shareholders is prepared, its annual report). Each listed company on the NYSE, both domestic and foreign issuers, must submit an annual written affirmation to the NYSE regarding compliance with applicable NYSE corporate governance standards. In addition, each listed company on the NYSE, both domestic and foreign issuers, must submit interim affirmations to the NYSE upon the occurrence of specified events. A domestic issuer must file such an interim affirmation whenever the independent status of a director changes, a director joins or leaves the board, a change occurs to the composition of the audit, nominating/corporate governance, or compensation committee, or there is a change in the company's classification as a "controlled company."

The CEO of both domestic and foreign issuers listed on the NYSE must promptly notify the NYSE in writing if any executive officer becomes aware of any non-compliance with the NYSE corporate governance standards.

Our Practice — Under the NYSE rules, the Company's CEO is not required to certify annually to the NYSE whether he is aware of any violation by the Company of the NYSE corporate governance standards. However, the Company is required to submit an annual affirmation of compliance with applicable NYSE corporate governance standards to the NYSE within 30 days of the filing of its annual report on Form 20-F with the SEC. The Company is also required to submit to the NYSE an interim written affirmation any time it is no longer eligible to rely on, or chooses to no longer rely on, a previously applicable exemption provided by Rule 10A-3, or if a member of its audit committee ceases to be deemed independent or an audit committee member had been added. Under NYSE rules, the Company's CEO must notify the NYSE in writing if any executive officer becomes aware of any material non-compliance by the Company with NYSE corporate governance standards.

Shareholder Approval of Adoption and Modification of Equity Compensation Plans

NYSE Domestic Company Standards — Shareholders of a U.S. company listed on the NYSE must approve the adoption of and any material revision to the company's equity compensation plans, with certain exceptions.

Our Practice — Although the shareholders' meeting of the Company must authorize (i) the issuance of shares in connection with capital increases, and (ii) the buy-back of its own shares, the adoption of equity compensation plans does not per se require prior approval of the shareholders.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

ITEM 16J. INSIDER TRADING POLICIES

Not applicable.

ITEM 16K. CYBERSECURITY

Risk Management and Strategy

Our cybersecurity strategy prioritizes detecting, analyzing, and responding to anticipated or unexpected threats, as well as effectively managing security risks and promoting incident resilience. Our cybersecurity risk management processes include technical security controls, monitoring systems, employee training, third-party contractual arrangements, tools, and related services from third-party providers, and management oversight to assess, identify, and manage material risks arising from cybersecurity threats. These processes are part of our overall enterprise risk management process and are being integrated in the Company's operating procedures, internal controls and information systems.

To address cybersecurity risks, we have developed a scenario-based strategy that identifies various potential cybersecurity threats and incidents to which we may be exposed and outlines the necessary steps to prevent and/or manage them. This approach facilitates and expedites the identification, assessment, and management of cybersecurity threats.

In addition, to enhance the effectiveness of our risk management strategy, we have established cybersecurity and information security awareness training programs that cover the Company's cybersecurity, data privacy and information security policies and procedures. These programs include guidelines for escalating suspicious activities, such as phishing attempts, viruses, spam, insider threats, suspicious human behavior or security issues. Certain employees receive specialized training tailored to their specific job roles to enhance their understanding of potential risks. Fox example, in 2023, all employees in our IT department received specialized training. We also continuously monitor and address cybersecurity risks through targeted phishing campaigns and defense/attack simulation training software to simulate various categories of cybersecurity threats.

In addition, our security posture is supported by a comprehensive defense-in-depth strategy that relies on multiple layers of technology, including client-side and server-side antivirus/antispam software. These technologies automatically initiate remediation actions when potential threats are detected. We use advanced data collection tools to monitor access to corporate IT resources. Such tools use event correlation techniques and advanced protection features (such as detection of simultaneous accesses from different geographical areas with the same account) to promptly detect and manage threats, with notifications sent to the IT department for immediate intervention. In addition, we have contractual arrangements with third-party providers to augment our security measures, such as contracting with a 24/7 Security Operation Center (SOC) for network event monitoring, including threat intelligence, to identify intrusion attempts or attacks in real time across our corporate networks, and specialized external firms for vulnerability assessment and penetration testing. Beginning in 2024, we will conduct annual risk assessments, review our risk profile, and make informed decisions about investments in IT risk management technology and resources based on the results of these assessments.

We also take a risk-based approach to mitigate cybersecurity risks associated with third parties, IT suppliers, and business partners that share IT systems or infrastructure components with our Group. We perform due diligence on such third parties to ensure that they have adequate processes in place to assess, identify, and manage material risks from cybersecurity threats. High-risk cyber suppliers are required to provide us with SOC reports or the results of self-assessments related to cybersecurity and to promptly notify us of any cybersecurity incidents or threats relevant to our operations.

Finally, we have implemented a comprehensive disaster recovery process to ensure business continuity in the event that our primary information technology systems are disrupted or rendered unavailable as a result of a cybersecurity incident.

In 2023 and until the date of this Annual Report, no risks from cybersecurity threats, including those resulting from any previous cybersecurity incidents, have materially affected, or are reasonably likely to materially affect, our business strategy, results of operations, or financial condition.

Governance

Our Board acknowledges the paramount importance of cybersecurity in protecting sensitive data. It is responsible for overseeing overall risk management, including reviewing and approving the enterprise risk management approach and processes to identify, assess, manage, and mitigate risk. The Board has delegated oversight of our cybersecurity and information security framework and risk management to the Audit Committee. The Audit Committee reports to the Board at least annually or, as necessary, particularly in the event of significant cybersecurity incidents.

Moreover, we have identified a team of managers and executives responsible for cybersecurity governance, strategy, and risk management. Management responsible with developing and implementing cybersecurity policies includes individuals with formal education and degrees in information technology or cybersecurity, or relevant experience in these fields, including relevant industry experience.

In particular, the Chief Information Officer ("CIO"), Pierangelo Colacicco, and the IT Infrastructure & Cybersecurity Manager (the "Cybersecurity Manager"), Michele De Palma, who oversees the Telecommunications & Cybersecurity function within the IT department, play pivotal roles in cybersecurity management. With thirty years of experience in information technology at Natuzzi Group, the CIO has held the current position since 2007. Meanwhile, the Cybersecurity Manager has been in his current role at Natuzzi since 2022, having acquired over 15 years of prior experience as an IT Infrastructure and Networking Manager in various organizations. As part of their respective roles, both individuals are involved in addressing cybersecurity issues on a daily basis and are tasked with ensuring the security of the Group's IT infrastructure in its day-to-day operations.

Both the CIO and the Cybersecurity Manager have operational roles in managing and monitoring cybersecurity risks. In particular, the CIO is responsible for, among other things, identifying risks and implementing the necessary controls to mitigate them. This includes assessing cyber risks, threats, and potential consequences to the organization if risk mitigation fails. In addition, the CIO contributes to the development of security policies that establish standards for corporate IT security. Moreover , the CIO is tasked with developing and overseeing the Incident Response Plan, which outlines the organization's protocol for handling security breaches. On the other hand, the Cybersecurity Manager is tasked with ensuring the security of software and is involved in activities such as hardening, prevention, detection, investigation, response, and risk analysis. The Cybersecurity Manager plays an operational role in implementing the necessary controls to mitigate cyber risks.

Quarterly meetings are held between the Audit Committee, the CIO, and the Cybersecurity Manager to discuss governance and cybersecurity risk management, based on regular monitoring activities reported by the "IT Infrastructure & Cybersecurity" function. In any event, the Audit Committee, CIO, and the Cybersecurity Manager meet in the event of cybersecurity incidents to assess materiality and, if warranted, initiate the full disclosure process to investors and relevant internal and external stakeholders within the Group organization.

In addition, from 2024, the Audit Committee, CIO, and the Cybersecurity Manager will meet on annual basis to discuss the outcome of the risk assessments and review our risk profile on the basis of the results of such assessment.

PART III

ITEM 17. FINANCIAL STATEMENTS

Our financial statements have been prepared in accordance with Item 18 hereof.

ITEM 18. FINANCIAL STATEMENTS

Our audited consolidated financial statements are included in this Annual Report beginning at page F-1.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Natuzzi S.p.A.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Natuzzi S.p.A. and subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment assessment of property, plant and equipment and right-of-use assets of the Italian upholstered furniture plant CGU and certain directly operated retail-store CGUs

As discussed in Notes 4(i), 8 and 9 to the consolidated financial statements, at each reporting date the Company reviews the carrying amounts of its cash generating units (CGUs) to determine whether there is any indication of impairment. An impairment loss is recognized if the carrying amount of a CGU exceeds its recoverable amount. The recoverable amount of a CGU is the higher of its value in use, determined using a discounted cash flow method, and its fair value less costs to sell. As of December 31, 2023, the carrying amounts of property, plant and equipment and

right-of-use assets were €84,517 thousand and €50,444 thousand, respectively, a portion of which related to the Italian upholstered furniture plant CGU and certain directly operated retail-store CGUs.

We identified the impairment assessment of property, plant and equipment and right-of-use assets included in the Italian upholstered furniture plant CGU and certain directly operated retail store CGUs as a critical audit matter. This is due to the high degree of subjective auditor judgement that was required to evaluate the significant assumptions used by the Company in estimating the value in use. Specifically, the annual sales growth rates used to estimate the forecasted revenue for the years 2024-2028, weighted average cost of capital rates and long-term growth rates, all of which were determined at the CGU level, including the effects of the duration of the current economic uncertainty. These assumptions were challenging to evaluate as they involved a high degree of subjectivity and reasonably possible changes to these assumptions had a significant effect on the value in use. Furthermore, specialized skills and knowledge were required to assess the weighted average cost of capital rates and the long-term growth rates.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design of certain internal controls related to the impairment assessment process. This included controls related to the determination of the annual sales growth rates, the weighted average cost of capital rates and the long-term growth rates. We evaluated the Company's ability to accurately forecast future revenue by comparing actual results to the Company's historical forecasts at the CGU level and for the Company as a whole. We assessed the annual sales growth rates at the CGU level for the years 2024-2028 by comparing them to the Company's future operating plans included in the 2024 budget and 2025-2028 cash flow projections approved by the Company's Board of Directors, and relevant industry reports. We performed sensitivity analyses over the annual sales growth rates, the weighted average cost of capital rates and the long-term growth rates, to assess the impact of changes in the assumptions on the Company's determination of value in use. Furthermore, we involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the weighted average cost of capital rates and long-term growth rates by comparing them to a range of estimated rates developed independently based on publicly available market data for comparable entities.

/s/ KPMG S.p.A.

We have served as the Company's auditor since 2016.

Bari, Italy
April 30, 2024

Natuzzi S.p.A. and subsidiaries

Consolidated statements of financial position as at December 31, 2023 and 2022

(Expressed in thousands of euros except as otherwise indicated)

	December 31, 2023	December 31, 2022	Note
ASSETS			
Non-current assets			
Property, plant and equipment	84,517	84,431	*8*
Right-of-use assets	50,444	42,825	*9*
Intangible assets and goodwill	4,160	4,254	*10*
Equity-method investees	39,831	37,696	*11*
Other non-current receivables	6,396	5,894	*12*
Other non-current assets	1,603	1,452	*13*
Deferred tax assets	1,665	1,032	*39*
Total non-current assets	**188,616**	**177,584**	
Current assets			
Inventories	62,087	70,120	*14*
Trade receivables	33,304	39,056	*15*
Other current receivables	12,218	16,279	*16*
Other current assets	5,365	7,973	*13*
Current income tax assets	3,000	2,195	*39*
Gains on derivative financial instruments	147	925	*30*
Cash and cash equivalents	33,610	54,475	*17*
Total current assets	**149,731**	**191,023**	
TOTAL ASSETS	**338,347**	**368,607**	
EQUITY			
Share capital	55,073	55,073	*18*
Reserves	20,448	23,292	*18*
Retained earnings	(6,576)	9,493	*18*
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**68,945**	**87,858**	
Non-controlling interests	4,343	4,698	
TOTAL EQUITY	**73,288**	**92,556**	
LIABILITIES			
Non-current liabilities			
Long-term borrowings	12,153	11,483	*19*
Long-term lease liabilities	52,914	41,024	*20*
Employees' leaving entitlement	12,389	13,064	*22*
Non-current contract liabilities	6,800	7,026	*23*
Provisions	9,284	9,432	*24*
Deferred income for government grants	13,135	12,242	*25*
Other non-current liabilities	2,725	—	*21*
Deferred tax liabilities	996	996	*39*
Total non-current liabilities	**110,396**	**95,267**	
Current liabilities			
Bank overdrafts and short-term borrowings	22,834	29,254	*26*
Current portion of long-term borrowings	5,200	5,806	*19*
Current portion of lease liabilities	9,413	10,825	*20*
Trade payables	60,888	78,399	*27*
Other payables	31,719	34,322	*28*
Current contract liabilities	20,333	17,124	*23*
Provisions	2,352	3,114	*24*
Other liabilities	1,549	—	*29*
Liabilities for current income tax	339	1,874	*39*
Losses on derivative financial instruments	36	66	*30*
Total current liabilities	**154,663**	**180,784**	
TOTAL LIABILITIES	**265,059**	**276,051**	
TOTAL EQUITY AND LIABILITIES	**338,347**	**368,607**	

The notes on pages F-8 to F-79 are an integral part of these consolidated financial statements.

Natuzzi S.p.A. and subsidiaries

Consolidated statements of profit or loss for the years ended December 31, 2023, 2022 and 2021

(Expressed in thousands of euros except as otherwise indicated)

	2023	2022	2021	Note
Revenue	328,618	468,487	427,375	*32*
Cost of sales	(215,763)	(304,154)	(273,575)	*33*
Gross Profit	**112,855**	**164,333**	**153,800**	
Other income	7,116	6,524	6,414	*34*
Selling expenses	(91,373)	(124,924)	(121,631)	*35*
Administrative expenses	(37,607)	(35,474)	(33,302)	*36*
Impairment on trade receivables	(33)	(331)	(110)	*15*
Other expenses	(457)	(1,678)	(289)	*34*
Operating profit/(loss)	**(9,499)**	**8,450**	**4,882**	
Finance income	941	868	225	*37*
Finance costs	(9,267)	(8,541)	(6,786)	*37*
Net exchange rate gains/(losses)	(144)	2,428	1,866	*38*
Gain from disposal and loss of control of a subsidiary	—	—	5,026	*7*
Net finance income/(costs)	**(8,470)**	**(5,245)**	**331**	
Share of profit/(loss) of equity-method investees	2,897	356	3,561	*11*
Profit/(loss) before tax	**(15,072)**	**3,561**	**8,774**	
Income tax expense	(1,090)	(2,273)	(4,389)	*39*
Profit/(loss) for the year	**(16,162)**	**1,288**	**4,385**	
Profit/(loss) attributable to:				
Owners of the Company	(16,069)	(540)	3,585	
Non-controlling interests	(93)	1,828	800	
Profit/(loss) per share				
Basic earnings/(loss) per ordinary share	(0.29)	(0.01)	0.07	*40*
Diluted earnings/(loss) per ordinary share	(0.29)	(0.01)	0.07	*40*

The notes on pages F-8 to F-79 are an integral part of these consolidated financial statements.

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Natuzzi S.p.A. and subsidiaries

Consolidated statements of comprehensive income for the years ended December 31, 2023, 2022 and 2021

(Expressed in thousands of euros except as otherwise indicated)

	2023	2022	2021	Note
Profit/(loss) for the year	**(16,162)**	**1,288**	**4,385**	
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Actuarial gains/(losses) on employees' leaving entitlement	(185)	2,309	(627)	*18*
Tax impact	—	—	—	*39*
Total	**(185)**	**2,309**	**(627)**	
Items that are or may be reclassified subsequently to profit or loss				
Exchange rate differences on translation of foreign operations	(3,260)	(260)	4,037	*18*
Tax impact	—	—	—	*39*
Total	**(3,260)**	**(260)**	**4,037**	
Other comprehensive income/(loss) for the year, net of tax	**(3,445)**	**2,049**	**3,410**	*18*
Total comprehensive income/(loss) for the year	**(19,607)**	**3,337**	**7,795**	
Total comprehensive income/(loss) attributable to:				
Owners of the Company	(19,387)	1,338	6,903	
Non-controlling interests	(220)	1,999	892	

The notes on pages F-8 to F-79 are an integral part of these consolidated financial statements.

Natuzzi S.p.A. and subsidiaries

Consolidated statements of changes in equity for the years ended December 31, 2023, 2022 and 2021

(Expressed in thousands of euros except as otherwise indicated)

	Share Capital amount	Translation reserve	IAS 19 reserve	Other reserves	Retained earnings	Equity attributable to owners of the Company	Equity attributable to Non-controlling interests	Total equity
Balance as at December 31, 2020	**54,853**	**1,954**	**(370)**	**11,459**	**6,448**	**74,344**	**1,020**	**75,364**
Gain on disposal of a Non-controlling interests	—	—	—	1,088	—	1,088	144	1,232
Dividend distribution	—	—	—	—	—	—	(545)	(545)
Profit for the year	—	—	—	—	3,585	3,585	800	4,385
Other comprehensive income/(loss) for the year	—	3,945	(627)	—	—	3,318	92	3,410
Balance as at December 31, 2021	**54,853**	**5,899**	**(997)**	**12,547**	**10,033**	**82,335**	**1,511**	**83,846**
Share capital increase	220	—	—	834	—	1,054	—	1,054
Gain on disposal of a Non-controlling interests	—	—	—	3,131	—	3,131	1,739	4,870
Dividend distribution	—	—	—	—	—	—	(551)	(551)
Profit for the year	—	—	—	—	(540)	(540)	1,828	1,288
Other comprehensive income/(loss) for the year	—	(431)	2,309	—	—	1,878	171	2,049
Balance as at December 31, 2022	**55,073**	**5,468**	**1,312**	**16,512**	**9,493**	**87,858**	**4,698**	**92,556**
Share capital increase	—	—	—	474	—	474	—	474
Dividend distribution	—	—	—	—	—	—	(135)	(135)
Profit for the year	—	—	—	—	(16,069)	(16,069)	(93)	(16,162)
Other comprehensive income/(loss) for the year	—	(3,133)	(185)	—	—	(3,318)	(127)	(3,445)
Balance as at December 31, 2023	**55,073**	**2,335**	**1,127**	**16,986**	**(6,576)**	**68,945**	**4,343**	**73,288**

The notes on pages F-8 to F-79 are an integral part of these consolidated financial statements.

Natuzzi S.p.A. and subsidiaries

Consolidated statements of cash flows for the years ended December 31, 2023, 2022 and 2021

(Expressed in thousands of euros except as otherwise indicated)

	2023	2022	2021	Note
Cash flows from operating activities:				
Profit/(loss) for the period	**(16,162)**	**1,288**	**4,385**	
Adjustments for:				
Depreciation	21,331	20,619	20,281	*8 and 9*
Amortisation	1,041	1,031	1,090	*10*
Impairment of non-financial assets	—	890	1,188	*9 and 10*
(Gain)/loss on sale of property, plant and equipment	117	(39)	(2,084)	
Deferred income for capital grants	(1,648)	(1,473)	(1,306)	
Rent concessions	—	(635)	(1,515)	*20*
Interest expenses	7,111	6,474	4,717	*37*
Unrealised foreign exchange (gains)/losses	748	(1,454)	454	*38*
(Gain) from loss of control in a former subsidiary	—	—	(5,026)	*7*
Share of (profit)/loss of equity-method investees	(2,897)	(356)	(3,561)	*11*
Tax expense	1,090	2,273	4,389	*39*
Total adjustment	26,893	27,330	18,627	
Changes in:				
Inventories	8,033	10,091	(16,000)	
Trade and other receivables	7,332	(1,242)	(5,847)	
Other assets	2,457	4,302	(2,690)	
Trade and other payables	(14,205)	(7,758)	13,055	
Contract liabilities	2,983	(4,052)	4,019	
Provisions	(1,412)	(865)	(4,608)	
One-time termination benefit payments	(3,050)	(42)	(275)	
Employees' leaving entitlement	(1,402)	(446)	(940)	
Total changes	736	(12)	(13,286)	
Cash provided by (used in) operating activities	**11,467**	**28,606**	**9,726**	
Interest paid	(5,641)	(5,696)	(4,966)	
Income taxes paid	(2,616)	(4,203)	(4,223)	
Net cash provided by (used in) operating activities	**3,210**	**18,707**	**537**	
Cash flows from investing activities:				
Property, plant and equipment:				
Additions	(10,299)	(8,432)	(3,515)	
Disposals	—	624	4,511	
Intangible assets	(1,519)	(1,174)	(1,476)	
Government grants received for PPE	918	—	507	
Dividends from equity-accounted investees	3,024	3,697	1,744	*11*
Purchase of business, net of cash acquired	—	(461)	(270)	*11*
Disposal of a business, net of cash disposed of	—	1,100	5,515	*7*
Net cash provided by (used in) investing activities	**(7,876)**	**(4,646)**	**7,016**	
Cash flows from financing activities:				
Long-term borrowings:				
Proceeds	10,912	4,038	5,873	
Repayments	(8,715)	(4,473)	(4,788)	
Short-term borrowings	(6,703)	(7,424)	6,210	
Payment of lease liabilities	(11,057)	(10,049)	(10,090)	*9 and 20*
Proceeds from increase in share capital	—	55	—	
Dividends distribution to non-controlling interests	(135)	(551)	(545)	
Capital contribution by non-controlling interests	—	4,870	1,324	
Net cash provided by (used in) financing activities	**(15,698)**	**(13,534)**	**(2,016)**	
Increase (decrease) in cash and cash equivalents	**(20,364)**	**527**	**5,537**	
Cash and cash equivalents as at January 1 (*)	52,721	52,249	46,076	
Effect of movements in exchange rates on cash held	(784)	(55)	636	
Cash and cash equivalents as at December 31 (*)	**31,573**	**52,721**	**52,249**	*17*

(*) As at December 31, 2023, 2022 and 2021 cash and cash equivalents include bank overdrafts of 2,037, 1,754 and 1,223, respectively, that are repayable on demand and form an integral part of the Group's cash management.

The notes on pages F-8 to F-79 are an integral part of these consolidated financial statements.

Natuzzi S.p.A. and Subsidiaries

Notes to consolidated financial statements
(Expressed in thousands of euros except as otherwise indicated)

1 Introduction

The consolidated financial statements of the Natuzzi S.p.A. as at December 31, 2023 and 2022 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), including interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

Natuzzi S.p.A., as SEC Registrant, has also presented the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year ended December 31, 2021.

During 2023, 2022 and 2021 no significant non-recurring events or unusual transactions have occurred. All transactions performed by the Group during 2023, 2022 and 2021 are part of the Group's ordinary business.

2 Description of the business and Group composition

Natuzzi S.p.A. ("Natuzzi", the "Company" or the "Parent") is domiciled in Italy. The Company's registered office is at via Iazzitello 47, 70029 Santeramo in Colle (Bari, Italy). These consolidated financial statements include the accounts of Natuzzi S.p.A. and of its subsidiaries (together with the Company, the "Group"). The Group's primary activity is the design, manufacture and marketing of leather and fabric upholstered furniture (see note 6 on operating segment).

The financial statements utilized for the consolidation are the financial statements of each Group's legal entity as at December 31, 2023, 2022 and 2021. The 2023, 2022 and 2021 financial statements have been adopted by the respective Boards of Directors of the relevant entities. The financial statements of subsidiaries are adjusted, where necessary, to conform to Natuzzi's accounting principles and policies (see note 4), which are consistent with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS (see note 3(a)).

The consolidated financial statements of the Group as at December 31, 2023 have been approved by the Company's Board of Directors (the Board) on April 4, 2024 and authorised on April 30, 2024.

The subsidiaries included in the consolidation as at December 31, 2023 and 2022, together with the related percentages of ownership and other information, are as follows:

Name	Percentage of 31/12/2023	Percentage of 31/12/2022	Share/ quota capital	Ownership registered office	Activity
Italsofa Romania S.r.l.	100.00	100.00	RON 109,271,750	Baia Mare, Romania	(1)
Natuzzi (China) Ltd	100.00	100.00	CNY 106,414,300	Shanghai, China	(1)
Italsofa Nordeste S/A	100.00	100.00	BRL 159,300,558	Salvador de Bahia, Brazil	(1)
Natuzzi Quanjiao Limited	100.00	100.00	CNY 10,000,000	Quanjiao County-Anhui province, China	(1)
Natco S.p.A.	99.99	99.99	EUR 4,420,000	Santeramo in Colle, Italy	(2)
Nacon S.p.A.	100.00	100.00	EUR 2,800,000	Santeramo in Colle, Italy	(3)
Lagene S.r.l.	100.00	100.00	EUR 10,000	Santeramo in Colle, Italy	(3)
Natuzzi Americas Inc.	100.00	100.00	USD 89	High Point, N. Carolina, USA	(3)
Natuzzi Florida LLC	51.00	51.00	USD 4,955,186	High Point, N. Carolina, USA	(3)
Natuzzi Iberica S.A.	100.00	100.00	EUR 386,255	Madrid, Spain	(3)
Natuzzi Switzerland AG	100.00	100.00	CHF 2,000,000	Dietikon, Switzerland	(3)
Natuzzi Services Limited	100.00	100.00	GBP 25,349,353	London, UK	(3)
Natuzzi UK Retail Limited	70.00	70.00	GBP 100	Cardiff, UK	(3)
Natuzzi Germany Gmbh	100.00	100.00	EUR 25,000	Köln, Germany	(3)
Natuzzi Japan KK	74.40	74.40	JPY 28,000,000	Tokyo, Japan	(3)
Natuzzi Russia OOO	100.00	100.00	RUB 8,700,000	Moscow, Russia	(3)
Natmx S.DE.R.L.DE.C.V	100.00	100.00	MXN 68,504,040	Mexico City, Mexico	(3)
Natuzzi France S.a.s.	100.00	100.00	EUR 70,727	Paris, France	(3)
Natuzzi Oceania PTI Ltd	74.40	74.40	AUD 320,002	Sydney, Australia	(3)
Natuzzi Singapore PTE. LTD.	74.40	74.40	USD 7,654,207	Singapore, Republic of Singapore	(3)
Natuzzi Netherlands Holding	100.00	100.00	EUR 34,605,000	Amsterdam, Holland	(4)
Natuzzi Trade Service S.r.l.	100.00	100.00	EUR 14,000,000	Santeramo in Colle, Italy	(5)

Natuzzi S.p.A. and Subsidiaries

Notes to consolidated financial statements
(Expressed in thousands of euros except as otherwise indicated)

(1) Manufacture and distribution
(2) Intragroup leather dyeing and finishing
(3) Services and distribution
(4) Investment holding
(5) Dormant

As at December 31, 2023, the consolidation area has not changed. Furthermore, no business combinations have occurred in 2023 and 2022.

The following table summarises the information relating to the only material non-controlling interests (NCI) related to the Group's subsidiary Natuzzi Florida LLC, before any intra-group eliminations.

Summarised statement of financial position of Natuzzi Florida LLC and Non-controlling interests share in equity as at December 31, 2023 and 2022

	31/12/23	31/12/22
Current assets	9,524	11,684
Non-current assets	13,589	12,337
Current liabilities	(10,469)	(9,246)
Non-current liabilities	(8,797)	(8,473)
Net assets	**3,847**	**6,302**
Net assets attributable to NCI – 49%	**1,885**	**3,088**

Summarised statement of profit or loss of Natuzzi Florida LLC and Non-controlling interests share of loss for the years ended December 31, 2023 and 2022.

	2023	2022
Revenue	18,643	21,481
Expenses	(19,540)	(18,488)
Profit/(loss) for the year	(897)	2,993
Other comprehensive income/(loss)	(219)	195
Total comprehensive income/(loss) for the year	**(1,116)**	**3,188**
Profit/(loss) allocated to NCI – 49%	**(440)**	**1,467**
Other comprehensive income/(loss) allocated to NCI	**(107)**	**96**
Cash flow provided by operating activities	2,463	1,464
Cash flow used in investing activities	(1,122)	(599)
Cash flow used in financing activities (dividends to NCI for years ended December 31, 2023 and 2022, respectively 698, 589)	(2,401)	(1,892)

3 General principles for the preparation of the consolidated financial statements

(a) Compliance with IFRS

The consolidated financial statements of the Natuzzi Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

Details of Group's accounting policies are included in note 4.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments measured at fair value (see note 31).

Natuzzi S.p.A. and Subsidiaries

Notes to consolidated financial statements
(Expressed in thousands of euros except as otherwise indicated)

(c) Basis of preparation

The consolidated financial statements consist of the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes to the consolidated financial statements.

The consolidated statement of financial position has been prepared based on the nature of the transactions, distinguishing: (a) current assets from non-current assets, where current assets are intended as the assets that should be realised, sold or used during the normal operating cycle, or the assets owned with the aim of being sold in the short term (within 12 months); (b) current liabilities from non-current liabilities, where current liabilities are intended as the liabilities that should be paid during the normal operating cycle, or over the 12-month period subsequent to the reporting date.

The consolidated statement of profit or loss has been prepared based on the function of the expenses.

The consolidated statement of cash flows has been prepared using the indirect method.

The consolidated financial statements present all amounts rounded to the nearest thousands of Euro, unless otherwise stated. They also present comparative information in respect to the previous period.

(d) Functional and presentation currency

These consolidated financial statements are presented in Euro (the Group's presentation currency), which is the Natuzzi S.p.A.'s functional currency.

(e) Use of estimates and judgement

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Estimates are based on historical experience and other factors, including expectations about future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

(i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.

— Note 26: reverse factoring, presentation of amounts related to supply chain financing arrangements in the statement of financial position and in the statement of cash flow.

— Notes 4(f), 9 and 20: assessment of the lease term of lease liabilities depending on whether the Group is reasonably certain to exercise the extension options.

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimates as at December 31, 2023 that have an high risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes.

— Notes 4(i), 8 and 9: impairment test of property, plant and equipment and right-of-use assets, for the significant assumptions used by management in estimating the value in use (annual sales growth rates, weighted average cost of capital rates and long-term growth rates).

— Notes 4(n)(i), 15 and 30: measurement of the provision for doubtful accounts, for the significant assumptions used by management in estimating the expected credit losses (weighted-average loss rate or default rate, current and future

Natuzzi S.p.A. and Subsidiaries

Notes to consolidated financial statements
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financial situation of debtors for individual receivables that management is aware will be difficult to collect, future general economic conditions).

— Notes 4(r) and 23: provision for warranties for the significant assumptions underlying the estimation of the expected warranties.

— Notes 4(r), 23 and 41: recognition and measurement of provisions and contingencies for the key assumptions about the likelihood and magnitude of an outflow of resources.

— Notes 4(aa) and 38: recognition of deferred tax assets, for the estimation of the available future taxable profits against which deductible temporary differences and tax losses carried forward can be utilised.

(f) Going concern assumption

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its obligations as they fall due within one year from the date of the approval of these consolidated financial statements. Events and conditions, management's plans and Directors' conclusions on the Group's going concern assumption as at December 31, 2023 are reported below.

(i) Circumstances ed events

The Group, which had reported increased revenue and operating profits in the post-Covid biennium 2021-2022, reported a significant decrease in revenue and an operating loss in 2023, experiencing, like most players in the furniture sector globally, a natural decrease in written orders following the surge that occurred in the post-Covid period, in addition to the effects of uncertainty caused by ongoing geopolitical crises, and the reduction in purchasing power of families generated by the persistence of high levels of inflation and the related surge in interest rates, that have contributed to the contraction of the real estate sector, to which the furniture sector is also closely connected.

The significant decrease in revenue and the impact of the restructuring plan to reduce the number of employees and workers implemented during 2023 in response to the contraction of revenue, for which during 2023 the Group accounted for 7,458 as labor-related costs, have contributed to generate the operating loss of 9,499 for the year ended December 31, 2023. The impact of the aforementioned restructuring plan has been partly offset by lower purchasing prices of raw materials than the prior year. Therefore, in 2023 the gross margin was equal to 34.3%, slightly lower than 35.1% reported in 2022.

Furthermore, the Group reported Net finance costs of 8,470, mainly following the persistent high interest rates on bank overdraft and short-term borrowings and the securitization program. As a consequence, the Group reported a net loss after tax of 16,162 for the year ended December 31, 2023. As of the same date, total equity was 73,288 and net working capital was negative for 1,095 (current asset, net of cash and cash equivalents, minus current liabilities, net of bank overdrafts and short-term borrowings, current portion of long-term borrowings and current portion of lease liabilities).

Despite the decrease in revenue and the reported loss for 2023, the Group continued in executing its investment program, part of which was funded by means of subsidized loans, while repaying its long-term debt at the due dates, which has adversely affected its net financial position before lease liabilities (cash and cash equivalents minus long-term borrowings minus bank overdraft and short-term borrowings minus current portion of long-term borrowings) as at December 31, 2023.

(ii) Management plans

The management plans to mitigate the negative effects of 2023 results leverage on the strengths of the business, namely the focus on the Natuzzi brand and retail distribution channel that offer better opportunities in terms of margins, in addition to the savings in labor and industrial transformation costs that the management expects from the implementation of the restructuring plan already started in 2023 and that will continue also in 2024. In particular, the ability of the Group to continue as a going concern is based on: i) the annual budget for 2024, approved by the Company's Board of Directors on February 23, 2024; ii) the cash flow forecast for the year 2024 and the related sensitivity analysis to support the approved 2024 budget together with further actions that are meant to protect the cash availability in case of a lower level of 2024 revenue than expected and iii) a cash flow forecast extended through the end of June 2025.

(iii) Directors' conclusions

The Directors believe that the above plans, many of which have already been implemented, combined with the cash and cash equivalents and unused credit facilities as at December 31, 2023 will be sufficient to allow the Group to meet its obligations as they fall due within one year from the date of the approval of these consolidated financial statements.

As at December 31, 2023, the Group's cash and cash equivalents amount to 33,610, while its long-term borrowings are of 17,353, including the current portion of 5,200, and its bank overdrafts and short-term borrowings are 22,834. Furthermore, as at December 31, 2023, the unused portion of credit facilities available to the Group, for which no commitment fees are due, amounts to 31,130. See Note 26.

4 Material accounting policy information

This note presents the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been applied consistently by the Group's entities to all the years presented, unless otherwise indicated.

(a) Basis of **consolidation**

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intragroup transactions, balances and unrealised gains on transactions between the Group's entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the transferred asset. The accounting policies of the subsidiaries have been changed where necessary to ensure consistency with those adopted by the Group.

Non-controlling interests (NCI) in the profit or loss and equity of subsidiaries are shown separately in the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of changes in equity. Non-controlling interests are measured initially at their proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (v) below), after initially being recognised at cost.

(iii) Joint arrangements

Under IFRS 11 "Joint Arrangements", investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Natuzzi S.p.A. and Subsidiaries

Notes to consolidated financial statements
(Expressed in thousands of euros except as otherwise indicated)

(iv) Joint ventures

Interests in joint ventures are accounted for using the equity method (see (v) below), after initially being recognised at cost in the consolidated statement of financial position.

(v) Equity method

Under the equity method of accounting, investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of variations in other comprehensive income of the investee. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. The accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 4 (i).

(vi) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Natuzzi S.p.A..

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

(c) Group Companies

(i) Foreign operations that have a functional currency different from the presentation currency

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency (Euro) are translated into the presentation currency as

follows: (a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position; (b) revenue and expenses for each statement of profit or loss and statement of comprehensive income are translated at the average exchange rates of the year (unless this is a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case revenue and expenses are translated at the dates of the transactions); and (c) all resulting exchange differences are recognised in other comprehensive income.

Since January 1, 2017, the Group's date of transition to IFRSs, such differences are recognised in the translation reserve. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(ii) Foreign operations that have a functional currency that is the presentation currency

As at December 31, 2023 and 2022, there is one foreign subsidiary, Italsofa Romania, considered to be an integral part of Natuzzi S.p.A. due to the primary and secondary indicators reported in IAS 21, paragraphs 9 and 10. Therefore, the functional currency for this foreign subsidiary is the Parent's functional currency, namely the Euro. As a result, all monetary assets and liabilities are remeasured, at the end of each reporting period, using the Euro and the resulting gain or loss is recognised in profit or loss. For all non-monetary assets and liabilities, share capital, reserves and retained earnings, the historical exchange rates are used. The average exchange rates of the year are used to translate non-Euro denominated revenue and expenses, except for those non-Euro denominated revenue and expenses related to assets and liabilities which are translated at historical exchange rates. The resulting exchange differences are recognised in profit or loss.

(d) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the closing rate. Non-monetary items that are measured based on their historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency exchange gains and losses are recognised in profit or loss and presented within net exchange rate gains/(losses).

(e) Property, plant and equipment

Items of property, plant and equipment (PPE) are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. The cost of certain buildings as at January, 1 2017, the Group's date of transition to IFRS, was determined with reference to their deemed cost at that date.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on the disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment (see note 8) for current and comparative periods are as follows: (a) buildings, 10–50 years; (b) machinery and equipment, 4–10 years; (c) office furniture and equipment, 5–10 years; (d) retail gallery and store furnishing, 3–4 years; (e) leasehold improvements, 5–10 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Leases

As at December 31, 2023, the Group acts as lessor in some lease contracts for a not significant amount.

(i) Policy applicable from January 1, 2019 as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, which is generally the case for the Group's leases, the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group: (a) where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; (b) uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and (c) makes adjustments specific to the lease to reflect for instance the term of the lease, type of the asset leased, country, currency and security.

Lease payments included in the measurement of the lease liability comprise the following: (a) fixed payments, including in-substance fixed payments; (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (c) amounts expected to be payable under a residual value guarantee; (d) the exercise price under a purchase option that the Group is reasonably certain to exercise; (e) lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and (f) penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities in specific captions in the consolidated statement of financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) COVID-19-Related Rent Concessions

Until the financial statement as at December 31, 2022, the Group has applied "COVID-19-Related Rent Concessions - Amendment to IFRS 16". The Group applied the practical expedient that allowed it not to assess whether eligible rent concessions that were a direct consequence of the COVID-19 pandemic were lease modifications. The Group applied the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group determined not to apply the practical expedient, or that did not qualify for the practical expedient, the Group assessed whether there was a lease modification. The practical expedient was a temporary possibility that is no longer foreseen by the accounting standards and therefore was not applied in the financial statements at 31 December 2023.

(g) Business combinations

(i) Acquisitions on or after January 1, 2017

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see note 4 (a)(i)). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, as a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has the option to apply a "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see note 4(i)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(h) Intangible assets and goodwill

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets, including software, trademarks and patents, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. In respect of acquisitions prior to January 1, 2017, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific intangible asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows: software 3-5 years, trademarks and patents 3–5 years, other 2–5 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (hereinafter also CGUs). Goodwill arising from a business combination is allocated to the CGU or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Joint ventures are arrangements in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income (OCI) of equity-accounted investees, until the date on which significant influence or joint control ceases.

Natuzzi S.p.A. and Subsidiaries

Notes to consolidated financial statements
(Expressed in thousands of euros except as otherwise indicated)

(k) Inventories

Raw materials are stated at the lower of cost (determined under the specific cost method for leather hides and under the weighted-average method for other raw materials) and net realisable value.

Goods in process and finished goods are valued at the lower of production cost and net realisable value. Production cost includes direct production costs and production overhead costs. The production overhead costs are allocated to inventory based on the manufacturing facility's normal capacity.

Finished goods acquired for reselling (e.g., home furnishings accessories) are stated at the lower of cost, determined under the weighted-average method, and net realisable value.

The provision for slow moving and obsolete raw materials and finished goods is based on the estimated realisable value net of the costs of disposal.

(l) Trade and other receivables

Trade receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for doubtful accounts.

In particular, trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 4(n)(i).

The Group derecognises trade receivables when the contractual rights to the cash flows from such financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of such financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of such financial asset.

(m) Cash and cash equivalents

Cash and cash equivalents are recorded at their nominal amount as it substantially coincides with the fair value.

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, on-demand deposits with financial institutions, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within bank overdrafts and short-term borrowings in current liabilities in the statement of financial position.

(n) Impairment of financial assets

The Group has the following types of financial assets that are subject to the expected credit loss model: (i) trade receivables for sales of goods and services; (ii) other receivables; (iii) cash and cash equivalents.

(i) Trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

In particular, for the credit losses on trade receivables determined on a collective basis, the Group adopted the practical expedient to use a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. To measure the expected credit losses, trade receivables are grouped

based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of five years before December 31, 2023 or January 1, 2023, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Group recognised the expected credit losses for individual receivables which are known to be difficult to collect based on the financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation and default or late payments.

The Group records the expected credit losses on trade receivables determined on a collective and individual basis through the provision for doubtful accounts (see note 15). Trade receivables for which an impairment allowance is recognised are written off when there is no reasonable expectation of recovering additional cash. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and a failure to make contractual payments for a period of greater than 180 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit/(loss). Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Other receivables

Other receivables are considered to have low credit risk and the impairment loss is measured on a 12–month expected credit loss basis. Management considers other receivables to have a low credit risk if they have a low risk of default and the Group's counterparties are able to meet its contractual cash flow obligations in the short-term.

(iii) Cash and cash equivalents

The Group considers its cash and cash equivalents to have "low credit risk" based on the external credit ratings of the financial institutions. Indeed, the Group's cash and cash equivalents are held with financial institutions which have external credit risk ratings that are "investment grade". Impairment of cash and cash equivalents is measured on a 12-month expected credit loss basis and reflects the short-term nature of the exposures.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to year-end which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. The Group derecognises trade and other payables when its contractual obligations are discharged or cancelled or expired.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a borrowing that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Further, general and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

(q) Employee benefits

Information about employee benefits accounting policies is reported below.

(i) Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as a expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of SARs, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the SARs. Any changes in the liability are recognised in profit or loss.

(ii) Employees' leaving entitlement

The Group provides its Italian employees with benefits on the termination of their employment. The benefits fall under the definition of defined benefit plans whose existence and amount is certain but whose date is not. The liability is calculated as the present value of the obligation at the reporting date, in compliance with applicable regulations and adjusted to take into account actuarial gains or losses. The amount of the obligation is remeasured annually based on the “projected unit credit” method. Actuarial gains or losses are recorded in full during the relevant period. Actuarial gains/(losses) are stated under “Other comprehensive income” (OCI) in accordance with IAS 19.

(iii) Benefits to employees for termination of the employment relationship

These are the benefits due to employees for the termination of their employment relationship due to the fact that the event that gives rise to the obligation is the termination of the employment relationship. The benefits due to employees for the termination of the employment relationship result from the Group's decision to terminate the employment relationship or from the decision of an employee to accept an offer from the Group consisting of benefits in exchange for the termination of the employment relationship. The liabilities for benefits due to employees for the early termination of the employment relationship (so-called liabilities for termination benefits) are accounted for on the earliest date among the following: (a) the moment in which the company is no longer able to withdraw the offer of such benefits made to employees; and (b) the moment in which the company recognizes the costs of a restructuring that involves the payment of benefits due to employees for the termination of the employment relationship. These liabilities are valued based on the nature of the benefit granted. The liability for termination benefits is determined by applying the provisions envisaged: (i) for short-term benefits, if it is expected that the termination benefits will be paid to employees entirely within twelve months from the closing date of the financial year in which they were recognized; or (ii) for long-term benefits if it is expected that the termination benefits will not be paid to employees in full within twelve months from the end of the financial year in which they were recognized.

(r) Provisions

Provisions for legal claims, service warranties and one-time termination benefits for certain employees are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations is small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(s) Derivative financial instruments and hedging activities

Derivatives financial instruments are accounted for in accordance with IFRS 9, except for hedging activities that are treated in accordance with IAS 39.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets (trade receivables) and highly probable forecast transactions (sales orders) (cash flow hedges).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items (trade receivables and/or sales orders). The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the hedging reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within net exchange rate gains/(losses).

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the hedging reserve within equity. The change in the forward element of the contract that relates to the hedged item ("aligned forward element") is recognised within OCI in the costs of the hedging reserve within equity. In some cases, the Group may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the hedging reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remain in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast

transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in net exchange rate gains/(losses). The fair value of derivative instruments is disclosed in note 30.

(t) Revenue from contracts with customers

The Group has adopted IFRS 15 "Revenue from Contracts with Customers", effective for reporting periods starting from January 1, 2018, using the full retrospective approach, without any of the practical expedients indicated by IFRS 15 C5.

(i) Sale of upholstered furniture and home furnishings accessories – wholesale (distributors and retailers)

The Group sells a wide range of upholstered furniture (upholstered sofas and beds) and home furnishing accessories (for instance coffee tables, lamps, rugs and wall units) in the wholesale market to distributors and retailers. The upholstered furniture is manufactured in the plants located in Italy, Romania, China and Brazil. Sales are recognised when control of the products has been transferred, i.e., when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been dispatched from the Group's warehouse or shipped to the location specified by the wholesaler, the risks of obsolescence and loss have been transferred to the wholesaler, and the Group has objective evidence that all criteria for acceptance have been satisfied.

The goods are often sold with retrospective volume discounts based on aggregate sales over a 12-month period. As part of variable considerations, revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated historical experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognised for expected volume discounts payable to wholesalers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30-90 days, which is consistent with market practice. The Group's obligation to repair or replace faulty products under the standard assurance warranty terms is recognised as a provision (see note 24).

A trade receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

It is the Group's policy not to sell its products to the wholesaler with a right of return.

(ii) Sale of upholstered furniture and home furnishings accessories—retail (end consumers)

The Group operates a chain of retail stores (Natuzzi Italia stores, Natuzzi Editions stores and Divani&Divani by Natuzzi stores) selling to end consumers a wide range of upholstered furniture (upholstered sofas and beds) and home furnishing accessories (for instance coffee tables, lamps, rugs and wall units). The upholstered furniture is manufactured in the plants located in Italy, Romania, China and Brazil.

Revenue from the sale of the goods is recognised when the products are delivered and have been accepted by the customer in store or at its premise.

Payment of the transaction price is due immediately when the product is delivered to the customer. The Group's obligation to repair or replace faulty products under the standard assurance warranty terms is recognised as a provision (see note 24).

It is the Group's policy not to sell its products to the end consumer with a right of return.

(iii) Sale of polyurethane foam and leather processing by-products – wholesale

The Group sells polyurethane foam and leather processing by-products in the wholesale market. Such sales are recognised when control of the products has been transferred, i.e., when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been dispatched from the Group's warehouse or shipped to the location specified by the wholesaler, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract. No element of financing is deemed present as the sales are made with a credit term of 30-90 days, which is consistent with market practice. The Group's obligation to repair or replace faulty products under the standard assurance warranty terms is recognised as a provision (see note 23).

A trade receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

It is the Group's policy not to sell these products to the wholesaler with a right of return.

(iv) Sale of Natuzzi Display System and related slotting fees

The Group sells the Natuzzi Display System (NDS) to retailers, used to set up their stores. Revenue from such sales is recognised over time based on the length of the distribution contract signed with the retailer. Revenue is accounted for based on the price specified in the contract. No element of financing is deemed present as the sales are made with a credit term of 30-90 days, which is consistent with market practice. The deferred revenue for the sales of Natuzzi Display System is included under the caption "Contract liabilities" of the statement of financial position.

The Group pays retailers slotting fees as contributions to prepare the retailer's system to accept and sell the Group's products. Slotting fees are recognised over time based on the length of the contract signed with the retailers and are treated as a reduction of revenue. Deferred slotting fees are included under the caption "Other assets" of the statement of financial position.

(v) Service-type warranty

Customers who purchase the Group's products may require a service-type warranty. The Group allocates a portion of the consideration received to the service-type warranty. This allocation is based on the relative stand-alone selling price. The amount allocated to the service-type warranty is deferred, and is recognised as revenue over time based on the validity period of such warranty. The deferred revenue is included in the caption "Contract liabilities" of the statement of financial position.

(vi) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(u) Cost of sales, selling expenses and administrative expenses

Cost of sales consist of the following expenses: change in opening and closing inventories, purchases of raw materials, purchases of finished goods for reselling, labour costs (included one-time termination benefit accruals), third party manufacturing costs, depreciation expense of property, plant and equipment and right-of-use-assets used in the production of finished goods, impairment of property, plant and equipment and right-of-use-assets, energy and water expenses (for instance light and power expenses), expenses for maintenance and repairs of production facilities, distribution network costs (including inbound freight charges, warehousing costs, internal transfer costs and other logistic costs involved in the

production cycle), security costs for production facilities, small-tools replacement costs, insurance costs and other minor expenses.

Selling expenses consist of the following expenses: shipping and handling costs incurred for transporting finished products to customers, advertising costs, labour costs for sales personnel, expenses related to leases (e.g., short-term and low-value leases), customs duties, commissions to sales representatives and related costs, depreciation expense of property, plant and equipment and right-of-use-assets used in the selling activities, amortisation of intangible assets that, based on their usage, are allocated to selling expenses, impairment of property, plant and equipment and right-of-use-assets, impairment of intangible assets and goodwill, energy and water expenses for trade buildings (for instance, light and heating expenses), sales catalogue and related expenses, exhibition and trade-fair costs, advisory fees for sales and marketing of finished products, expenses for maintenance of stores and other trade buildings, insurance costs for trade receivables and other miscellaneous expenses.

Administrative expenses consist of the following expenses: labour costs for administrative personnel, advisory fees for accounting and information-technology services, non-income tax expenses, traveling expenses for management and other personnel, depreciation expense related to property, plant and equipment and right-of-use-assets used in the administrative activities, amortisation of intangible assets that, based on their usage, are allocated to administrative expenses, impairment of property, plant and equipment and right-of-use-assets, impairment of intangible assets, postage and telephone costs, stationery and other office supplies costs, expenses for maintenance of administrative facilities and softwares, directors' fees, audit committee and external auditors' fees, energy and water expenses for administrative buildings (for instance, light and heating expenses) and other miscellaneous expenses.

As noted above, the costs of the Group's distributions network, which include inbound freight charges, warehousing costs, internal transfer costs and other logistic costs involved in the production cycle, are classified under the "Cost of sales" line item.

(v) Shipping and handling costs

Shipping and handling costs incurred to transport products to customers are expensed in the periods incurred and are included in selling expenses. Under IFRS 15, shipping and handling costs related to activities before the customer obtains control of the finished goods, are accounted for as fulfillment costs under the caption "Other assets" of the statement of financial position. Such costs are recognised in profit or loss consistent with the pattern of transfer of the finished goods. Shipping and handling expenses recorded for the years ended December 31, 2023, 2022 and 2021, come to 26,325, 55,912 and 54,672, respectively (see note 35).

(w) Advertising costs

Advertising costs are expensed in the periods incurred and are included in selling expenses. Advertising expenses recorded for the years ended December 31, 2023, 2022 and 2021 amount to 5,936, 6,193 and 5,576, respectively (see note 35).

(x) Commission expense

Commissions payable to sales representatives and the related expenses are recorded at the time revenue from sale of products is recognised and are included in selling expenses. Commissions are not paid until payment for the related sale's invoice is remitted to the Group by the customer. Under IFRS 15, sale commissions are considered costs of obtaining a contract and the Group has elected to apply the practical expedient under which such costs are expensed in profit or loss, as the amortisation period is less than one year. Commissions expenses recorded in profit or loss for the years ended December 31, 2023, 2022 and 2021 amount to 5,861, 7,318 and 7,503, respectively (see note 35).

(y) Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are deferred and credited to profit or loss on a straight-line basis over the expected lives of the related assets. Amortisation of the deferred grant is recognised in profit or loss as a reduction in the cost of sales, selling expenses or administrative expenses.

(z) Net finance income/(costs)

The Group's net finance income/(costs) include: interest income, interest expense, commission expense, gain or loss on derivative financial instruments, exchange rate gain or loss on financial assets and financial liabilities, and hedge ineffectiveness recognised in profit or loss.

Interest income or expense is recognised using the "effective interest rate". The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(aa) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, meet the definition of income taxes, and therefore accounted for them under IAS 12 "Income Taxes".

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and tax liabilities are offset when the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for: (a) temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; (b) temporary differences related to investments in subsidiaries, associates and joint arrangements (mainly unremitted earnings and withholding taxes) to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and (c) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are

reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

(ab) Operating profit/(loss)

Operating profit/(loss) is the result generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Operating profit/(loss) excludes net finance income/(costs), share of profit/(loss) of equity-accounted investees and income tax expense.

(ac) Fair value measurement

“Fair value” is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as “active” if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Natuzzi S.p.A. and Subsidiaries

Notes to consolidated financial statements
(Expressed in thousands of euros except as otherwise indicated)

(ad) Earnings/(loss) per share

(i) Basic earnings/(loss) per share

Basic earnings/(loss) per share are calculated by dividing the profit/(loss) attributable to the owners of the Parent, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share adjust the figures used in the determination of basic earnings/(loss) per share to take into account the post-income/(loss) tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(ae) New standards, amendments and interpretations issued but not yet effective

The standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB") that will have mandatory application in 2024 or subsequent years are listed below.

In January 2020, July 2020 and October 2020, the IASB issued an amendment to IAS 1 regarding the classification of liabilities with uncertain maturity dates as current or non-current. These changes are applied by companies within the first financial year commencing on or after January 1, 2024. The Group does not expect any significant impact from the adoption of these amendments.

In September 2022, the IASB issued an amendment to IFRS 16 related to lease liabilities in a sale-and-leaseback transaction concerning the procedures that the company must follow in recognizing, measuring, presenting in the financial statements, and disclosing supplementary information within lease agreements. In amending IFRS 16, the IASB has specified how the selling lessee should subsequently assess the sale-and-leaseback transaction. These changes are applied by companies within the first financial year commencing on or after January 1, 2024.

The amendments to IAS 7 and IFRS 7, issued in May 2023, require entities to disclose information about their supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk. The amendments are effective for annual periods beginning on or after 1 January 2024. The Group does not expect any significant impact from the adoption of these amendments.

5 Changes in significant accounting policies

Changes in significant accounting policies for the years ended December 31, 2023 and 2022 are reported below.

(A) COVID-19 Related Rent Concessions

In the financial statements closed as of December 31, 2023, the rent concessions related to COVID-19 were no longer applied, as the corresponding amendment that was applied in the financial statements closed as of December 31, 2022, and in previous years, is no longer in effect.

In response to the COVID-19 coronavirus pandemic, in May 2020, the IASB issued an amendment to IFRS 16 "Leases" to provide practical relief for lessees in accounting for rent concessions. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of

the COVID-19 pandemic and if all of the following criteria are met: (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before June 30, 2021; and (iii) there is no substantive change to the other terms and conditions of the lease. Such amendment is effective for annual periods beginning on or after June 1, 2020. Earlier application is permitted. The Group has adopted this amendment early and applied the practical expedient consistently to eligible rent concessions. The Group has applied this amendment retrospectively. This amendment had no impact on retained earnings as at January 1, 2020.

Furthermore, in March 2021, the IASB issued an additional amendment that allows a one-year extension (i.e., June 30, 2022) to the above practical expedient for "COVID-19 related rent concessions" under IFRS 16 "Leases". Such amendment is effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted. The Group has adopted this amendment early and applied the above practical expedient consistently to eligible rent concessions. The Group has applied this amendment retrospectively. This amendment had no impact on retained earnings as at January 1, 2021.

Due to the adoption of such amendments, the Group recognized lease incentives of 635 and 1,515 in the consolidated statement of profit or loss for the year ended December 31, 2022 and 2021(see note 35), respectively.

Following the discontinuation of the application of this amendment, the Group did not recognize lease incentives for the year 2023 resulting from this concession. In the consolidated income statement closed as of December 31, 2022, the Group had recognized incentives amounting to 635 (see note 35).

(B) Amendment to IAS 12 (International Tax Reform)

In May 2023, the IASB issued an amendment to IAS 12 regarding the application of Pillar Two model rules, which introduced a temporary exception to the recognition of deferred taxes related to the application of Pillar Two provisions published by the OECD, as well as targeted additional disclosures for affected entities. The Group has assessed the potential application of the Pillar Two and does not expect any significant impact from the adoption of these amendments considering that Group consolidated revenue is less than 750,000 in 2023 and in each of the prior three years.

(C) Other standards

The other new accounting principles that came into effect from January 1, 2023, did not have a significant impact on the Group's consolidated financial statements. Specifically, the application of IFRS 17 – "Insurance Contracts", amendments to IAS 1 "Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies", amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates", and amendments to IAS 12 "Income Taxes" had no impact on the Group's consolidated financial statements

6 Operating segment

The Group operates in two operating segments, "Natuzzi brand" and "Private label". The Natuzzi brand segment includes net sales from the "Natuzzi ltalia", "Natuzzi Editions" and "Divani&Divani by Natuzzi" product lines. Segment disclosure is rendered by aggregating the operating segments into one reporting segment, that is the design, manufacture and marketing of leather and fabric upholstered sofas, beds and home furnishings accessories. It offers a wide range of upholstered furniture for sale, manufactured in production facilities located in Italy and abroad (Romania, China and Brazil).

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The two operating segments have been aggregated into a single reporting segment as the two segments have similar characteristics, and are similar in each of the following respects: (a) the nature of the products; (b) the nature of the production processes; (c) the type of customer for their products; (d) the methods used to distribute their products.

Reference should be made to note 32 "Revenue" for details on revenue streams and disaggregation of revenue from contracts with customers by types of goods, geographical markets, geographical location of customers, distribution channels, brands

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and timing of revenue recognition, to note 31(C)(ii-a) "Trade receivables" for information about major customers, and to note 8 "Property, plant and equipment", note 9 "Right-of-use-assets", note 10 "Intangible assets and goodwill" for information about geographical areas of non-current assets.

7 Assets held for sale

Following the preliminary agreement reached in September 2020, on January 8, 2021, the Company signed a "Share Sell and Purchase Agreement" (the "Agreement") with Vita Group, the largest European manufacturer of flexible polyurethane foams, for the sale of its entire interest in the subsidiary IMPE S.p.A. which contains the foam operations. The consideration agreed for this sale was 8,202 and the transaction was finalised on March 1, 2021, providing for the last tranche of 1,100 in March 2022. The collection of this last tranche was received regularly, at the agreed upon date.

8 Property, plant and equipment

Changes in the carrying amount of property, plant and equipment for the years ended December 31, 2023 and 2022 are analysed in the following tables.

	Land and buildings	Machinery and equipment	Office furniture and equipment	Retail gallery and store furnishing	Leasehold improvements	Constr. in progress	Total
Cost as at December 31, 2021	**155,082**	**112,124**	**14,013**	**7,354**	**20,307**	**159**	**309,039**
Additions	1,167	5,125	429	60	1,614	1,099	9,494
Disposals	(331)	(2,757)	(542)	(144)	(77)	(237)	(4,088)
Impairment loss	—	(37)	(6)	—	—	—	(43)
Reclassifications from constr. in progress	—	14	10	—	—	(24)	—
Effect of translation adj.	1,883	510	81	68	275	15	2,832
Cost as at December 31, 2022	**157,801**	**114,979**	**13,985**	**7,338**	**22,119**	**1,012**	**317,234**
Additions	413	1,368	473	104	3,103	4,768	10,229
Disposals	(8)	(667)	(1,392)	(1,688)	(950)	(101)	(4,806)
Impairment loss	—	40	—	—	(118)	—	(78)
Reclassifications from constr. in progress	253	36	—	—	3,532	(3,821)	—
Effect of translation adj.	(592)	276	(71)	104	(636)	(19)	(938)
Cost as at December 31, 2023	**157,867**	**116,032**	**12,995**	**5,858**	**27,050**	**1,839**	**321,641**

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Natuzzi S.p.A. and Subsidiaries

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(Expressed in thousands of euros except as otherwise indicated)

	Land and buildings	Machinery and equipment	Office furniture and equipment	Retail gallery and store furnishing	Leasehold improvements	Constr. in progress	Total
Accumulated depreciation as at December 31, 2021	**(91,422)**	**(99,973)**	**(13,234)**	**(6,918)**	**(14,438)**	**—**	**(225,985)**
Depreciation	(3,611)	(2,990)	(298)	(244)	(1,642)	—	(8,785)
Disposals	168	2,732	541	60	2	—	3,503
Effect of translation adj.	(1,228)	(339)	(60)	67	24	—	(1,536)
Accumulated depreciation as at December 31, 2022	**(96,093)**	**(100,570)**	**(13,051)**	**(7,035)**	**(16,054)**	**—**	**(232,803)**
Depreciation	(3,584)	(3,189)	(323)	(172)	(2,042)	—	(9,310)
Disposals	—	642	1,374	1,685	812	—	4,513
Effect of translation adj.	214	(279)	72	(102)	571	—	476
Accumulated depreciation as at December 31, 2023	**(99,463)**	**(103,396)**	**(11,928)**	**(5,624)**	**(16,713)**	**—**	**(237,124)**
Net book value as at December 31, 2021	**63,660**	**12,151**	**779**	**436**	**5,869**	**159**	**83,054**
Net book value as at December 31, 2022	**61,708**	**14,409**	**934**	**303**	**6,065**	**1,012**	**84,431**
Net book value as at December 31, 2023	**58,404**	**12,636**	**1,067**	**234**	**10,337**	**1,839**	**84,517**
Annual rate of depreciation for 2023 and 2022	**0%-10%**	**10%-25%**	**10%-20%**	**25%-35%**	**10%-20%**	**—**	

As at December 31, 2023 and 2022, the carrying amount of property, plant and equipment temporarily idle is of 5,568 and 5,215, respectively.

As at December 31, 2023, properties with a carrying amount of 31,576 (35,839 as at December 31, 2022) are subject to registered mortgages to guarantee the long-term borrowings (see note 19).

The following tables show a breakdown of property, plant and equipment by country.

	31/12/23	31/12/22
Italy	44,239	46,610
United States of America	18,259	14,807
Romania	17,520	17,952
Brazil	3,167	3,092
Europe	919	957
China	166	695
Other countries	247	318
Total	**84,517**	**84,431**

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The following tables show a breakdown of property, plant and equipment based on the cash generating units in which they are included.

	31/12/23	31/12/22
Italian upholstered furniture plant	30,108	33,087
Romanian upholstered furniture plant	18,769	19,338
Brazilian upholstered furniture plant	3,524	3,350
Chinese upholstered furniture plant	1,419	2,223
Others	30,697	26,433
Total	**84,517**	**84,431**

As at December 31, 2023, the Group performed the impairment assessment of property, plant and equipment and right-of-use assets included in several cash generating units (CGUs), such as the Italian upholstered furniture plant CGU and certain directly operated retail stores CGUs that presented indicators of impairment. The Group performed the impairment assessment in accordance with its accounting policy discussed in note 4(i). In particular, an impairment loss is recognised if the carrying amount of a CGU exceeds its recoverable amount. The recoverable amount of a CGU is the higher of its value in use, determined using a discounted cash flow method, and its fair value less costs to sell.

Further, the significant assumptions used by the Group in estimating the value in use were the annual sales growth rates used to estimate the forecasted revenue for the years 2024-2028, the weighted average cost of capital rates and the long-term growth rates, all of which were determined at CGU level, including the effects of the duration of the current economic uncertainty. Such significant assumptions involved a high degree of subjectivity by management and reasonably possible changes to these assumptions had a significant effect on the value in use. Specifically, such assumptions were based on the Group's future business performances and other forward-looking assumptions that entail significant judgments by management and were heavily impacted by several external events. Finally, budget 2024 and cash flow projections for the years 2025-2028 have been approved by the Board of Directors and forecasts have been developed taking into consideration the track records of actual results reported by the Group.

The significant assumptions that were used in performing the 2023 impairment test for the Italian upholstered furniture plant CGU and certain directly operated retail stores CGUs are as follows:

— Italian upholstered furniture plant: weighted average cost of capital rate 9.22%, long-term growth rate 2.07%, annual sales growth rate for 2024 equal to +13.13% and annual sales growth rate (average of 2025-2028 period) equal to +5.00%.

— Directly operated retail stores CGUs located in US: weighted average cost of capital rate 9.98%, long-term growth rate 2.51%, annual sales growth rate for 2024 equal to +13.74% and annual sales growth rate (average of 2025-2028 period) equal to +5.00%.

— Directly operated retail stores CGUs located in Italy: weighted average cost of capital rate 9.22%, long-term growth rate 2.07%, annual sales growth rate for 2024 equal to +22.84% and annual sales growth rate (average of 2025-2028 period) equal to +5.00%.

— Directly operated retail stores CGUs located in Spain: weighted average cost of capital rate 8.97%, long-term growth rate 2.10%, annual sales growth rate for 2023 equal to +20.72% and annual sales growth rate (average of 2025-2028 period) equal to +6.00%.

— Directly operated retail stores CGUs located in UK: weighted average cost of capital rate 9.51%, long-term growth rate 2.83%, annual sales growth rate for 2024 equal to -0.64% and annual sales growth rate (average of 2025-2028 period) equal to +5.00%.

For property, plant and equipment temporarily idle, the fair value less costs to sell was estimated through independent third-party appraisals, which assessed the fair value of land and buildings using the comparable market method and assessed the fair value of machinery and equipment using the depreciated replacement cost method, adjusted for an obsolescence rate and a marketability rate.

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As a result of the 2023 and 2022 impairment assessment performed by the Group, impairment losses of 118 and 43, respectively, have emerged for property, plant and equipment. Conversely, with reference to other specific CGUs, an impairment reversal of 40 and zero in 2023 and 2022, respectively, has emerged.

9 Right-of-use-assets

Changes in the carrying amount of right-of-use assets for the years ended December 31, 2023 and 2022, are reported in the following tables.

	Buildings	Vehicles	Total
Cost as at December 31, 2021	**81,784**	**1,035**	**82,819**
Additions	6,541	—	6,541
Disposals	(5,371)	—	(5,371)
Adjustments due to remeasurements	(227)	—	(227)
Adjustments due to modifications	(167)	—	(167)
Effect of translation adjustments	1,037	11	1,048
Cost as at December 31, 2022	**83,597**	**1,046**	**84,643**
Additions	7,056	633	7,689
Disposals	(609)	(766)	(1,375)
Adjustments due to remeasurements	584	—	584
Adjustments due to modifications	11,867	—	11,867
Effect of translation adjustments	(903)	(6)	(909)
Cost as at December 31, 2023	**101,592**	**907**	**102,499**
Accumulated depreciation and impairment loss as at Dec. 31, 2021	**(31,201)**	**(863)**	**(32,064)**
Depreciation	(11,699)	(135)	(11,834)
Disposals	3,060	—	3,060
Impairment loss	(848)	—	(848)
Adjustments due to remeasurements	(51)	—	(51)
Adjustments due to modifications	—	—	—
Effect of translation adjustments	(72)	(9)	(81)
Accumulated depreciation and impairment loss as at Dec. 31, 2022	**(40,811)**	**(1,007)**	**(41,818)**
Depreciation	(11,887)	(134)	(12,021)
Disposals	485	766	1,251
Impairment loss	75	—	75
Adjustments due to remeasurements	3	—	3
Adjustments due to modifications	—	—	—
Effect of translation adjustments	449	6	455
Accumulated depreciation and impairment loss as at Dec. 31, 2023	**(51,686)**	**(369)**	**(52,055)**
Net book value as at December 31, 2021	**50,583**	**172**	**50,755**
Net book value as at December 31, 2022	**42,786**	**39**	**42,825**
Net book value as at December 31, 2023	**49,906**	**538**	**50,444**

The Group leases buildings for its retail stores, warehouses and factory facilities. These leases typically run for a period of five to ten years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. Some of such leases provide for additional rent payments that are based on changes in local price indices. For certain of these leases, the Group is restricted from entering into any sub-lease arrangements. A significant portion of retail stores, warehouse and factory facilities leases were entered into several years ago.

The Group leases vehicles under a number of leases. The contract lease term of such leases run for a period of two to four years.

The Group leases also IT and office equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The following tables show a breakdown of right-of-use assets based on geographical location of the cash generating units (mainly directly operated retail stores) in which they are included.

	31/12/23	31/12/22
United States of America	25,901	18,938
Italy	12,523	9,249
Spain	2,548	3,473
United Kingdom	6,126	4,985
China	417	2,493
Others	2,929	3,687
Total	**50,444**	**42,825**

As at December 31, 2023, the Group performed the impairment assessment of property, plant and equipment and right-of-use assets included in several cash generating units (CGUs), such as the Italian upholstered furniture plant CGU and certain directly operated retail stores CGUs that presented indicators of impairment. For additional information on the impairment assessment, reference should be made to note 8.

As result of the 2023, 2022 and 2021 impairment assessment performed by the Group, impairment losses of 1,092, 848, and 1,188 have emerged, with reference to specific retail CGUs, for right-of-use assets, respectively. Conversely, with reference to other specific CGUs, an impairment reversal of 1,167 and zero in each of 2022 and 2021, respectively, has emerged.

Other information about leases for which the Group is a lessee is presented below.

The following tables show the amounts recognized in profit or loss under IFRS 16 for the years ended December 31, 2023, 2022 and 2021.

	2023	2022	2021
Depreciation charge of right-of-use assets	12,021	11,834	11,706
Interest on lease liabilities	3,090	2,877	2,584
Expenses relating to short-term leases	2,326	1,465	1,187
Expenses relating to leases of low-value assets, excluding short-term leases	133	125	169
Covid-19 rent concessions	—	(635)	(1,515)
Total	**17,570**	**15,666**	**14,131**

Lease payments recognised in statement of cash flows for the years ended December 31, 2023, 2022 and 2021 amount to 14,147, 12,926 and 12,693, respectively, and include interests paid for 3,090, 2,877 and 2,603, respectively (see note 20).

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10 Intangible assets and goodwill

Changes in the carrying amount of intangible assets and goodwill for the years ended December 31, 2023 and 2022 are analysed in the following tables.

	Trademarks, patents and other	Software	Goodwill	Total
Cost as at December 31, 2021	**14,116**	**32,236**	**1,921**	**48,273**
Additions	164	1,010	—	1,174
Impairment loss	—	—	—	—
Disposals	—	(120)	—	(120)
Impairment reversal	—	1	—	1
Effect of translation adjustments	(3)	40	—	37
Cost as at December 31, 2022	**14,277**	**33,167**	**1,921**	**49,365**
Additions	188	763	—	951
Disposals	(11,098)	(16,513)	—	(27,611)
Effect of translation adjustments	(8)	(1)	—	(9)
Cost as at December 31, 2023	**3,359**	**17,416**	**1,921**	**22,696**
Accumulated amortisation as at December 31, 2021	**(13,735)**	**(30,392)**	**—**	**(44,127)**
Amortisation	(164)	(867)	—	(1,031)
Disposals	2	84	—	86
Effect of translation adjustments	—	(39)	—	(39)
Accumulated amortisation as at December 31, 2022	**(13,897)**	**(31,214)**	**—**	**(45,111)**
Amortisation	(168)	(873)	—	(1,041)
Disposals	11,098	16,513	—	27,611
Effect of translation adjustments	4	1	—	5
Accumulated amortisation as at December 31, 2023	**(2,963)**	**(15,573)**	**—**	**(18,536)**
Net book value as at December 31, 2021	**381**	**1,844**	**1,921**	**4,146**
Net book value as at December 31, 2022	**380**	**1,953**	**1,921**	**4,254**
Net book value as at December 31, 2023	**396**	**1,843**	**1,921**	**4,160**

As at December 31, 2023 and 2022, goodwill of 1,921 only relates to the “Italy – retail stores” CGU. It arose on the 2017 acquisition by the Parent of three “*Divani&Divani by Natuzzi*” stores located in the North East of Italy. This acquisition was performed with a related party at arm’s length conditions.

In 2023, the item "disposals" refers to the retirement of assets fully depreciated.

As result of such impairment tests in 2023, no impairment losses have emerged on goodwill.

With reference to goodwill, since it is allocated to specific DOS, the Group has carried out an impairment test on property, plant and equipment, right-of-use assets as well as the goodwill for each cash-generating unit (CGU) of directly managed retail stores.

Further, the cash flows included specific estimates for five years and a long-term growth rate thereafter. Cash flows projections have been approved by the Board of Directors. For additional information on the impairment assessment, reference should be made to note 8.

Impairment tests have been performed on goodwill in 2023, 2022 and 2021 and no impairment was recorded.

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11 Equity-method investees

Changes in the carrying amount of equity-method investees for the years ended December 31, 2023 and 2022 are analysed as follows.

	Natuzzi Trading Shanghai	Nars Miami LLC	Natuzzi Texas LLC	Natuzzi Store (UK) ltd	Foundation "Made in Italy circolare e sostenibile"	Salena S.r.l.	Total
Balance as at December 31, 2021	**44,230**	**4**	**270**	**18**	**—**	**—**	**44,522**
Acquisition of non-controlling interests	—	—	453	—	8	—	461
Share of profit for the year	436	431	(547)	36	—	—	356
Share of other comprehensive income	(784)	—	—	—	—	—	(784)
Dividends received	(3,697)	—	—	—	—	—	(3,697)
Share capital reduction	(3,156)	—	—	—	—	—	(3,156)
Effect of translation adjustments	—	(4)	—	(2)	—	—	(6)
Balance as at December 31, 2022	**37,029**	**431**	**176**	**52**	**8**	**—**	**37,696**
Acquisition of non-controlling interests						—	—
Share of profit for the year	2,873	197	(688)	515	—	—	2,897
Loss allowance	—	—	502	—	—	—	502
Share of other comprehensive income	(1,257)	—	—	—	—	—	(1,257)
Dividends received	—	—	—	—	—	—	—
Share capital reduction	—	—	—	—	—	—	—
Effect of translation adjustments	—	(19)	10	2	—	—	(7)
Balance as at December 31, 2023	**38,645**	**609**	**—**	**569**	**8**	**—**	**39,831**

As at December 31, 2023 and 2022 equity-method investees include: (a) the 49% stake in the joint venture Natuzzi Trading Shanghai; (b) the 49% stake in the associate Nars Miami LLC; (c) the 51% stake in the joint venture Natuzzi Texas LLC; (d) the 30% stake in the associate Natuzzi Store (UK) ltd; (e) the 49% interest in the associate Salena S.r.l., whose carrying value was totally impaired in 2014 in consideration of some legal disputes among shareholders.

All such investments are accounted for using the equity method.

(i) Disclosures on Natuzzi Trading (Shanghai) Co. Ltd., joint venture

The following table shows the reconciliation of the carrying amount of the retained interest in Natuzzi Trading Shanghai as at December 31, 2021 with the carrying amount as at December 31, 2022 included in the consolidated statement of financial position.

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Carrying amount as at December 31, 2021		**44,230**
Dividends distribution		(3,697)
Share capital reduction		(3,156)
Group's share of profit for the year	3,020	
Elimination of amortisation of Natuzzi's trademarks	367	
Elimination of intercompany profit on inventories	(2,562)	
Amortisation of intangibles assets	(519)	
Reversal of deferred tax liabilities	130	
Group's share of profit for the year, net of equity method adjustments	436	436
Group's share of other comprehensive income		(784)
Carrying amount as at December 31, 2022		**37,029**

The following table shows the reconciliation of the carrying amount of the retained interest in Natuzzi Trading Shanghai as at December 31, 2022 with the carrying amount as at December 31, 2023 included in the consolidated statement of financial position.

Carrying amount as at December 31, 2022		**37,029**
Dividends distribution		—
Share capital reduction		—
Group's share of profit for the year	751	
Elimination of amortisation of Natuzzi's trademarks	367	
Elimination of intercompany profit on inventories	2,144	
Amortisation of intangibles assets	(519)	
Reversal of deferred tax liabilities	130	
Group's share of profit for the year, net of equity method adjustments	2,873	2,873
Group's share of other comprehensive income		(1,257)
Carrying amount as at December 31, 2023		**38,645**

Summarised financial information of the joint venture Natuzzi Trading Shanghai, based on its IFRS financial statements, and reconciliation with the carrying amount of the Group's share in net assets and in profit or loss as reported in the consolidated financial statements are set out below.

Summarised statement of financial position of Natuzzi Trading Shanghai and Group's share in net assets as at December 31, 2023 and 2022

	31/12/23	**31/12/22**
Current assets	54,190	64,298
Non-current assets	16,681	19,833
Current liabilities	(28,413)	(42,049)
Non-current liabilities	(3,222)	(1,794)
Net Assets	**39,236**	**40,288**
Group's share in net assets – 49% of net assets	**19,226**	**19,742**
Intangible assets	1,796	2,312
Goodwill	26,140	26,140
Elimination of intercompany profit from licensing Natuzzi's trademarks	(5,357)	(5,727)
Elimination of intercompany profit on inventories	(2,712)	(4,860)
Deferred tax liabilities	(448)	(578)
Group's carrying amount of interest	**38,645**	**37,029**

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As at December 31, 2023 and 2022 cash and cash equivalents, bank overdrafts and borrowings, lease liabilities current and non-current are set out below.

	31/12/23	31/12/22
Cash and cash equivalents	31,706	32,844
Bank overdrafts and borrowings	—	—
Lease liabilities current	(1,570)	(2,648)
Lease liabilities non-current	(3,222)	(1,794)
Total, net	**26,914**	**28,402**

Summarised statement of profit or loss of Natuzzi Trading Shanghai and Group's share of profit for the year ended December 31, 2023, 2022 and 2021.

	2023	2022	2021
Revenue	69,939	98,483	96,272
Cost of sales	(39,823)	(60,481)	(57,120)
Other income and expenses, net	(747)	(91)	(39)
Selling expenses	(24,297)	(24,473)	(23,937)
Administrative expenses	(3,332)	(5,665)	(4,983)
Net finance income	315	1,037	1,213
Profit before tax	2,055	8,810	11,406
Income tax expense	(522)	(2,646)	(3,111)
Profit for the period	**1,533**	**6,164**	**8,295**
Other comprehensive profit/(loss)	(2,565)	(1,600)	4,734
Total comprehensive profit for the period	**(1,032)**	**4,564**	**13,029**
Group's share of profit for the period – 49%	**751**	**3,020**	**4,065**
Elimination of amortisation of Natuzzi's trademarks	367	367	367
Elimination of intercompany profit on inventories	2,144	(2,562)	(634)
Amortisation of intangible assets	(519)	(519)	(519)
Deferred tax liabilities	130	130	130
Group's share of profit/(loss), net of equity method adj.	**2,873**	**436**	**3,409**
Group's share of other comprehensive income/(loss) for the period	(1,257)	(784)	2,320
Group's share of total comprehensive income/(loss) for the period	**1,616**	**(348)**	**5,729**
Dividends received by the Group	**—**	**3,697**	**1,490**

For the years ended December 31, 2023, 2022 and 2021, depreciation and amortisation, interest income, interest expense and income tax expense are set below.

	2023	2022	2021
Depreciation and amortisation	5,571	1,945	4,507
Interest income	557	1,729	1,529
Interest expense	242	692	316
Income tax expense	522	2,646	3,111

(ii) Disclosures on Nars Miami LLC, associate

Nars Miami LLC, an immaterial associate, is engaged in the sale of the Group's upholstery furniture and home furnishings accessories to end customers, under a franchisee agreement. The principal place of business of such associate is in Miami, Florida (USA).

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(iii) Disclosures on Natuzzi Texas LLC, joint venture

Natuzzi Texas LLC is an immaterial joint venture, set up in 2021, which is engaged in the sale of the Group's Natuzzi upholstery furniture and home furnishings accessories to end consumers through directly-operated single-brand stores (Natuzzi Italia stores). The company opened its first store in February 2022.

(iv) Disclosures on Natuzzi Stores (UK) Ltd, associate

Natuzzi Stores (UK) Ltd is an immaterial associate, in which the Group acquired a 30% stake in early 2021. Natuzzi Stores (UK) Ltd is engaged in the sale of upholstered furniture and home furnishings accessories to end consumers through directly-operated Natuzzi Italia mono-brand stores.

12 Other non-current receivables

Other non-current receivables consist of the following:

	31/12/23	31/12/22
Security deposits for lease and other contracts	6,396	5,776
Receivable from disposal of assets	—	118
Total	**6,396**	**5,894**

The security deposits for lease contracts, essentially consisting of leasing contracts, include the restricted cash for 892 which relates to the early retirement contract that the Company signed with certain employees in 2023 (see note 21).

13 Other assets (non-current and current)

Other assets are analysed as follows:

	31/12/23	31/12/22
Advances to suppliers	2,622	4,697
Deferred delivery and commission costs related to finished goods	1,490	1,655
Deferred costs for Natuzzi Display System	1,665	1,579
Deferred costs for slotting fees	641	725
Deferred costs for Service-Type Warranty	254	209
Other prepaid expenses and accrued income	296	560
Total other assets	6,968	9,425
Less current portion	(5,365)	(7,973)
Non-current portion	**1,603**	**1,452**

"Advances to suppliers" represent advance payments for raw materials, services and other expenses.

"Deferred delivery and commission costs related to finished goods" are related to the deferral of shipping and handling costs and commission expenses for finished goods that had not been delivered at year-end.

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“Deferred costs for Natuzzi Display System” refer to the deferred costs incurred by the Company to purchase store fittings, which are then sold to retailers and used to set up their stores (“Natuzzi Display System” – NDS). Such costs are recognised over the life of the distribution contract signed with the retailer (usually five years).

“Deferred costs for slotting fees” refer to contributions made by the Company to retailers to prepare the retailer’s system to accept and sell the Group’s products. Such fees are recognised over the life of the contract signed with the retailers (usually five years).

“Deferred costs for Service-Type Warranty” refer to the deferral of costs incurred by the Company for the sale of a service-type warranty to end customers, considering that this insurance is provided by a third-party. Such costs are recognised over the life of the contractual insurance period, which is five years.

14 Inventories

Inventories are analysed as follows:

	31/12/23	31/12/22
Leather and other raw materials	17,847	27,003
Goods in process	9,790	10,464
Finished goods	34,450	32,653
Total	**62,087**	**70,120**

The following tables summarise the changes to the provision for slow moving and obsolete raw materials and finished goods included in inventories for the years ended December 31, 2023 and 2022.

	31/12/23	31/12/22
Balance at beginning of year	16,406	15,568
Additions	480	1,819
Reductions	(1,900)	(981)
Balance at end of year	**14,986**	**16,406**

The additions and reductions are included in “cost of sales”.

For the years ended December 31, 2023, 2022 and 2021, inventories of 120,949, 190,023 and 168,492, respectively, were recognised as an expense and included in “cost of sales” (see note 33).

There are no pledged inventories that could be limited in their availability.

15 Trade receivables

Trade receivables are due primarily from distributors and retailers who sell directly to end customers.

Trade receivables disaggregated by nature of the relationship with the customers are as follows:

	31/12/23	31/12/22
Third parties	29,601	37,203
Related parties	7,966	7,457
Gross trade receivables	37,567	44,660
Allowance for doubtful accounts	(4,263)	(5,604)
Total trade receivables	**33,304**	**39,056**

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Transactions with related parties are conducted at arm's length (see note 43).

Trade receivables by geographic region are analysed as follows:

	31/12/23	31/12/22
Italian customers	8,349	10,124
Other European customers	6,553	10,761
North American customers	9,182	8,233
Chinese customers	4,347	5,589
South American customers	5,447	5,047
Other foreign customers	3,689	4,906
Gross trade receivables	37,567	44,660
Provision for doubtful accounts	(4,263)	(5,604)
Total trade receivables	**33,304**	**39,056**

The following tables provide the movements in the provision for doubtful accounts for the years ended December 31, 2023 and 2022.

	31/12/23	31/12/22
Balance at beginning of year	5,604	5,325
Charges – bad debt expense	33	330
Reductions – write off of uncollectible amounts	(1,409)	(95)
Foreign exchange effect	35	44
Balance at end of year	4,263	5,604

The Parent sold trade receivables to a financial institution for cash advances (for further details, see note 31(C)(iii)). These trade receivables have not been derecognized from the statement of financial position, because the Parent retains substantially all of the risks and rewards – primarily credit risk. The amount received on their transfer has been recognised as a secured bank borrowing (see note 26). The arrangement with the financial institution is such that the customers remit cash directly to the Parent and the Parent transfers the collected amounts to the financial institution. The receivables are considered to be held within a held-to-collect business model consistent with the Group's continuing recognition of the receivables.

The following information shows the reporting-date carrying amount of trade receivables that have been transferred but have not been derecognised and the associated liabilities.

	31/12/23	31/12/22
Carrying amount of trade receivables transferred	11,412	18,670
Carrying amount of associated liabilities	(10,752)	(17,307)
Total, net	660	1,363

Information about the Group's exposure to credit risk and impairment losses for trade receivables is included in note 31(C)(ii-a).

16 Other current receivables

Other current receivables are analysed as follows:

	31/12/23	31/12/22
VAT	2,091	3,051
Receivables from National Institute for Social Security	4,446	3,823
Receivables for share capital reduction	—	3,337
Other	5,681	6,068
Total	**12,218**	**16,279**

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The “VAT” receivables include value added taxes and related interest reimbursable to the various companies of the Group. While currently due at the reporting date, the collection of the VAT receivable may extend over a maximum period of up to two years.

The “Receivables from National Institute for Social Security” represent the amounts anticipated by the Company on behalf the governmental institute related to salaries and wages for those workers and employees subject to temporary work force reduction.

The "Receivables for share capital reduction" derives from the reduction of the share capital which was approved by the shareholders of the joint venture Natuzzi Trading Shanghai Co, Ltd. in October 2022 and collected in January 2023.

The “Other” caption primarily includes certain receivables related to green incentives for photovoltaic investment.

17 Cash and cash equivalents

Cash and cash equivalents are analysed as follows:

	31/12/23	31/12/22
Cash on hand	125	89
Bank accounts	33,485	54,386
Total	**33,610**	**54,475**

The following tables show the Group’s cash and cash equivalents broken-down by region.

	31/12/23	31/12/22
Europe	15,356	32,779
Asia	13,449	15,649
North America	3,659	4,482
South America	1,061	1,498
Other	85	67
Total	**33,610**	**54,475**

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	31/12/23	31/12/22	31/12/21
Cash and cash equivalents in the statement of financial position	33,610	54,475	53,472
Bank overdrafts repayable on demand	(2,037)	(1,754)	(1,223)
Cash and cash equivalents in the statement of cash flows	**31,573**	**52,721**	**52,249**

Bank overdrafts repayable on demand form an integral part of the Group’s cash management (see note 26).

18 Share capital, reserves and retained earnings

As at December 31, 2023, 2022 and 2021 the equity attributable to owners of the Company is analysed as follows:

	31/12/23	31/12/22	31/12/21
Share capital	55,073	55,073	54,853
Reserves	20,448	23,292	17,449
Retained earnings	(6,576)	9,493	10,033
Total	**68,945**	**87,858**	**82,335**

As at December 31, 2023, the Company’s share capital, which is totally authorized and issued, is composed of 55,073,045 ordinary shares with par value of Euro 1 each, for a total of 55,073.

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Ordinary shareholders have the right to receive dividends, as approved by shareholders' meetings, and to express one vote per each share owned.

Share capital is owned, as at December 31, 2023, 2022 and 2021, as follows:

	31/12/23	31/12/22	31/12/21
Mr. Pasquale Natuzzi	56.2%	56.2%	56.5%
Mrs. Anna Maria Natuzzi	2.6%	2.6%	2.6%
Mrs. Annunziata Natuzzi	2.5%	2.5%	2.5%
Other investors	38.7%	38.7%	38.4%
Total	100.0%	100.0%	100.0%

An analysis of "Reserves" is as follows:

	31/12/23	31/12/22	31/12/21
Legal reserve	10,971	10,971	10,971
Majority shareholder capital contribution	488	488	488
Shareholders: unpaid share capital	—	(165)	—
Share premium reserve	175	175	—
Stock option reserve	1,133	824	—
Reserve for gain on disposal of Non-controlling interests	4,219	4,219	1,088
Foreign operations translation reserve	2,335	5,468	5,899
Remeasurement of defined benefit plan	1,127	1,312	(997)
Total	20,448	23,292	17,449

The "Legal reserve" is connected to the requirements of the Italian law, which provide that 5% of net income of the Parent Company is retained as a legal reserve, until such reserve is 20% of the issued share capital. The legal reserve may be utilized to offset losses; any portion which exceeds 20% of the issued share capital is distributable as dividends. The legal reserve totaled 10,971 as at December 31, 2022, 2021 and 2020.

The "Majority shareholder capital contribution" is one of the Parent Company's reserves, which is restricted for capital grants received.

The "Shareholders: unpaid share capital" reserve is zero as of December 31, 2023, as the Group collected the residual part of the share capital that was subscribed by a beneficiary of the stock options.

The "Share premium reserve" refers to the value of the service provided by the beneficiary who subscribed to the stock option, for the portion accrued in 2022.

The "Stock option reserve" represents the value of the services provided as at 31 December 2023 by the beneficiaries of stock option plan and includes both the part accrued but not yet exercised and the part relating to the tranche not yet expired.

The "Reserve for gain on disposal of Non-controlling interests" reports, as for December 31, 2022, the recognition, for the share pertaining to the Group, of the contribution by the new shareholder Troung Thanh Furniture (TTF) who carried out the relevant payment in March 2022 for the acquisition of 20% stake in Natuzzi Singapore PTE LTD. No further contribution took place in 2023.

The "Foreign operations translation reserve" relates to the translation of foreign subsidiaries' financial statements for those subsidiaries which have assessed their functional currency being different from Euro.

The "Remeasurement of defined benefit plan" refers to the calculation of the present value of the employees' leaving entitlement at each reporting date, in compliance with applicable regulations and adjusted to take into account actuarial gains or losses. In particular, such actuarial gains or losses are reported in OCI (see note 4 (q)).

OCI accumulated in reserves, net of tax, is reported in the following tables.

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	31/12/23	31/12/22	31/12/21
Foreign operation translation	2,335	5,468	5,899
Remeasurement of defined benefit plan	1,127	1,312	(997)
Owners of the Company	3,462	6,780	4,902
Non-controlling interests	(17)	144	(27)
Total OCI	**3,445**	**6,924**	**4,875**

The disaggregation of changes of OCI by each type of reserve in equity is shown in the tables below.

Year ended December 31, 2023

	Foreign operations translation reserve	Remeasurement of defined benefit plan	Total
Exchange difference on translation of foreign operations	(2,003)	—	(2,003)
Share of OCI of equity-method investees	(1,257)	—	(1,257)
Actuarial gains/(losses) on employees' leaving entitlement	—	(185)	(185)
Total	**(3,260)**	**(185)**	**(3,445)**

Year ended December 31, 2022

	Foreign operations translation reserve	Remeasurement of defined benefit plan	Total
Exchange difference on translation of foreign operations	524	—	524
Share of OCI of equity-method investees	(784)	—	(784)
Actuarial gains/(losses) on employees' leaving entitlement	—	2,309	2,309
Total	**(260)**	**2,309**	**2,049**

Year ended December 31, 2021

	Foreign operations translation reserve	Remeasurement of defined benefit plan	Total
Exchange difference on translation of foreign operations	1,709	—	1,709
Share of OCI of equity-method investees	2,328	—	2,328
Actuarial gains/(losses) on employees' leaving entitlement	—	(627)	(627)
Total	**4,037**	**(627)**	**3,410**

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital.

The Group monitors capital using a ratio of "net debt" to "equity". Net debt is calculated as total liabilities (as shown in the consolidated statement of financial position) less cash and cash equivalents. Equity comprises all components of equity. As at December 31, 2023, the Group's policy is to keep the ratio below 3.20.

The Group's net debt to equity ratio as at December 31, 2023 and 2022 is as follows:

	31/12/23	31/12/22
Total liabilities	265,059	276,051
Less cash and cash equivalents	(33,610)	(54,475)
Net debt (a)	231,449	221,576
Total equity (b)	73,288	92,556
Net debt to equity ratio (a/b)	3.16	2.39

19 Long-term borrowings

Long-term borrowings (debts) as at December 31, 2023 and 2022 consist of the following:

	31/12/23	31/12/22
Six-month Euribor (360) plus a 2.5% spread long-term debt with final payment due July 2025	3,563	2,344
Six-month Euribor (360) plus a 2.75% spread long-term debt with final payment due March 2025	—	3,215
11.76% fixed long-term debt with final payment due October 2023	—	116
2.3% fixed long-term debt with final payment due January 2026	2,358	3,451
1.5% fixed long-term debt with final payment due September 2027	298	345
0.21% fixed long-term debt with final payment due December 2034	6,799	2,916
80% of six-month Euribor (360) plus a 0.95% spread long-term debt with final payment due January 2035	1,135	864
Three-month Euribor (360) plus a 2.00% spread long-term debt with final payment due December 2027	3,200	4,000
0.055% fixed long-term debt with final payment due December 2025	—	38
Total long-term borrowings	17,353	17,289
Less current installments	(5,200)	(5,806)
Long-term borrowings, excluding current installments	**12,153**	**11,483**

During 2023, the actual level of rates ranged from 3.35% and 8.15%. During 2023, the EURIBOR has gradually increased as a result of the monetary policy by ECB to curb a generalized high level of inflation following geopolitical instability, notwithstanding a difficult economic context .

During 2023, the Romanian subsidiary renegotiated the two pre-existing loans, respectively, with nominal amounts of 10,000 obtained in 2015 with residual debt renewals every two years, and due in August 2023, with a balance of 2,344 as of December 31, 2022, and with a nominal amount of 5,000 due in March 2025, with a government guarantee, and a balance of 3,215 as of December 31, 2022, into a single loan with a balance of 3,563 as of December 31, 2023. The new amortization plan involves monthly repayments until July 2025. The variable interest rate is based on the six-month Euribor (360) plus a spread of 2.5%. The loan is secured by a mortgage on the Romanian plant for 16,628 and by the following covenants: (a) cash receipts >= 60% of turnover; (b) earnings before taxes and depreciation (EBITDA) >= 4.5%; (c) net debt / EBITDA <=3; (d) Debt Service Cover Ratio >= 1.35. The decision to consolidate the two loans into a single position was made to avoid continuing to bear the additional costs of the government guarantee, and this operation resulted in an increase in the monthly repayment commitment without the bank renegotiating the covenants, as the reference period was considered short (July 2023 - July 2025). However, this consolidation operation led to the breach of one covenant, particularly the Debt Service Coverage Ratio (DSCR), due to the increase in the monthly repayment amount, which becomes 187.5, while the other covenants were respected. However, the bank did not call the company to pay back, as the reasons for this breach were known and previously explained. As confirmation that the bank does not see any particular risks - given that the company has always paid the installments regularly, that two of the three parameters are still met, and that the failure to comply with the DSCR is a direct consequence of the loan restructuring - it issued a statement to the company reaffirming its intention not to request either early repayment or renegotiation of the covenant.

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In May 2020, the Brazilian subsidiary obtained a long-term loan from a financial institution, amounting to 314. This loan has been obtained as part of the COVID-19 measures to support business approved by the Brazilian government. Such loan has installments repayable on a monthly basis starting from 2020, after the six-month interest-only period, and ending in October 2023. This long-term debt was paid during the course of 2023.

In July 2017, the Company incurred long-term debt for a 7,000 nominal amount with installments payable on a monthly basis, fixed interest rate of 2.3% and with final payment due January 2026. This long-term fixed-rate debt, of which 2,358 remains at year-end, is assisted by a mortgage on the properties located in Matera (Italy) for an amount of 14,000.

In March 2020, the Swiss subsidiary obtained a long-term loan from a financial institution, amounting to 378. This loan has been obtained as part of the COVID-19 measures to support business approved by the Swiss government. Such loan, of which 298 remains at year-end, has installments repayable on a six-month basis starting from 2022 and ending in September 2027. Since April 2023, the bank has informed us that the government authority has decided to apply a fixed annual interest rate of 1.5%.

In December 2019, the Company incurred long-term debt for a 4,181 nominal amount with installments payable on semi-annual basis, fixed interest rate of 0.21% and with final payment due December 2034. This long-term debt, of which 6,799 remains at year-end following a further disbursement obtained in 2023 for a nominal amount of 5,647, is guaranteed by a mortgage on the properties located in Ginosa, Laterza and Santeramo in Colle (Italy) for a total amount of 13,936.

In December 2019, one of the Italian subsidiaries incurred long-term debt for a 435 nominal amount with installments payable on semi-annual basis and with final payment due January 2035. This long-term debt, already increased in 2021, and of which 1,135 remains at year-end following a further disbursement of 581 obtained in 2023, provides for variable interest installments determined based on the 80% of six-month Euribor (360) plus 0.95% spread. Such loan is guaranteed by a mortgage on the properties located in Pozzuolo del Friuli (Italy) for a total amount of 3,000.

In January 2022, the Parent obtained a long-term loan from a financial institution, amounting to 4,000. This loan, which is guaranteed by an Italian governmental authority, has been made available by the Italian government as part of the COVID-19 measures to support businesses. Such loan, of which 3,200 remains at year-end, has installments repayable on a quarterly basis starting from January 2023, after the 12-month interest-only period, and ending in December 2027. This long-term debt provides for variable interest installments determined based on the three-month Euribor (360) plus a 2.00% spread.

In March 2022, the Parent obtained a long-term loan from a financial institution, amounting to 38. This loan, which is guaranteed by an Italian governmental authority, has been made available as part of the measures to support the participation by the Group to furniture fairs. Such loan has installments repayable on a semi-annual basis starting from June 2023, after the 12-month interest-only period, and ending in December 2025. This long-term debt provides for a 0.055% subsidized fixed interest installments. This long-term loan was completely repaid in 2023.

During 2023 and 2022, the Company made all installment payments related to the aforementioned long-term borrowings.

Interest expense related to long-term borrowings for the years ended December 31, 2023, 2022 and 2021 is 599, 423 and 405, respectively. Interest due is paid with the related installment.

20 Lease liabilities (non-current and current)

The non-current and current portion of the lease liabilities as at December 31, 2023 and 2022 is as follows:

	31/12/23	31/12/22
Non-current portion of the lease liabilities	52,914	41,024
Current portion of the lease liabilities	9,413	10,825
Total	**62,327**	**51,849**

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Changes in the carrying amount of the lease liabilities for the year ended December 31, 2023 and 2022 are reported in the following tables.

	31/12/23	31/12/22
Balance at beginning of year	51,849	57,138
Additions for new leases	9,773	7,909
Interest expenses	3,090	2,877
Lease payments	(14,147)	(12,926)
Disposal of leases	(172)	(2,568)
Adjustments due to remeasurements	584	(227)
Adjustments due to modifications	11,867	(167)
Covid-19 rent concessions	—	(635)
Effect of translation adjustments	(517)	448
Balance at end of year	**62,327**	**51,849**

As at December 31, 2023, the incremental borrowing rate is within the range of 3% and 12% (the same range as at December 31, 2022).

The maturity analysis of the contractual undiscounted cash flows of the lease liabilities as at December 31, 2023 and 2022 are reported in the tables below.

	31/12/23	31/12/22
Less than one year	13,054	13,404
One to five years	42,309	35,116
More than five years	22,706	12,820
Total undiscounted lease liabilities	78,069	61,340

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of 42.613 (26,254 as at December 31, 2022).

21 Other non-current liabilities

The item reports the non-current portion of the debt to employees of the Parent Company following acceptance of the offer ("early retirement agreement") for termination of the employment relationship regulated by a specific legislative regulation providing for the early retirement of specific employees. On 30 November 2023, 59 employees of the Parent Company signed up to a voluntary exit plan regulated by specific Italian regulations aimed at encouraging the retirement of staff earlier than indicated by Italian laws, with the commitment of the Company to hire new staff with professional skills more suited to current and prospective needs.

The early retirement agreement provides that the Company makes monthly payments to the public body, INPS-National Social Security Institute, for the people who have left, equal to the amount of the allowance communicated by the same public body, whose amount is lower than the salary such people were entitled to, and the related social contribution according to a plan that for each individual employee covers the time period remaining until accrual of pension rights.

The total amount quantified by the public entity to be paid in the coming years through a installment plan of up to 60 monthly payments, concluding in 2028, amounts to 3,878, of which the debt to be paid beyond the year (from 2025 onwards) amounts to 2,984.

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The total debt has been discounted at a rate of 6.308%, and the amount of the discounted debt beyond the year is equal to 2,725.

The early retirement agreement required the opening of a deposit account as collateral for 892 (see note 12) and the issuance of a guarantee of 4,459 requested by the government agency (see note 42).

	31/12/23	31/12/22
Other non-current liabilities	2,725	—
Total Other non-current liabilities	**2,725**	**—**

22 Employees' leaving entitlement

Changes to employees' leaving entitlement occurring during 2023 and 2022 are analysed as follows:

	31/12/23	31/12/22
Balance at beginning of year	13,064	15,588
Current service cost	91	80
Interest expense	451	151
Benefits paid	(1,402)	(446)
Actuarial losses/(gains)	185	(2,309)
Balance at end of year	**12,389**	**13,064**

The employees' leaving entitlement refers to a defined benefit plan provided for by the Italian legislation due and payable upon termination of employment, assuming immediate separation (see note 4(q)).

The principal assumptions used in determining the present value of such defined benefit obligation ("DBO") related to the employee benefit obligation are reported as follows:

	31/12/23	31/12/22
Annual discount rate	3.08%	3.63%
Annual future salary increase rate	2.00%	2.30%
Annual inflation rate	2.00%	2.30%
Annual DBO increase rate	3.00%	3.23%
Mortality	RG48 mortality tables published by the General State Accounting	
Inability	National Institute for Social Security tables, by age and sex	
Retirement	100% upon achievement of AGO requisites	
Annual frequency of turnover	2.00%	2.00%
Annual frequency of DBO advances	2.00%	2.00%

A quantitative sensitivity analysis for significant assumptions impacting the DBO as at December 31, 2023 and 2022 is reported as follows:

	31/12/23	31/12/22
+1% on turnover rate	40	70
-1% on turnover rate	(43)	(76)
+0.25% on annual inflation rate	158	175
-0.25% on annual inflation rate	(155)	(172)
+0.25% on annual discount rate	(242)	(268)
-0.25% on annual discount rate	250	276

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The sensitivity analysis above has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. Such analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

The following are the expected payments of the employees' leaving entitlement in future years:

	31/12/23	31/12/22
Within 1 year	1,154	1,027
Between 2 and 5 years	2,902	2,857

The average duration of the defined benefit plan as at December 31, 2023 and 2022 are 9.0 and 9.5 years, respectively.

Employee benefits

Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

A. Description of share-based payment arrangement

In 2022, the Group adopted a stock option plan.

In particular, on July 1, 2022, the extraordinary shareholders' meeting of Natuzzi S.p.A. approved the "Natuzzi 2022-2026" Stock Option Plan for the Natuzzi Group's key employees and directors (the "SOP") and granted the Company's Board of Directors the right to carry out an increase in the share capital of Natuzzi S.p.A., in one or more tranches, with the exclusion of preemptive rights that will be necessary to issue ordinary shares of the Company to the beneficiaries under the SOP.

On July 15, 2022, Natuzzi S.p.A. entered into an award agreement with each of three key officers of the Natuzzi Group having strategic functions. The award agreements have the following characteristics:

- The beneficiaries of the awards have the right to exercise a predetermined number of options to purchase ordinary shares of Natuzzi S.p.A.;
- The right to exercise options by each beneficiary is subject to the continuation of the relevant working relationship as specified in the individual award agreements;
- If the continuation of the relevant working relationship requirement is met, then the beneficiary of the award will be entitled to exercise the options on the dates specified in the relevant individual award agreement;
- The award agreement also regulates specific events such as termination of continuous service status, disability, death, change in control and delisting of Natuzzi S.p.A.

The ordinary shares of Natuzzi S.p.A. are listed on the New York Stock Exchange ("NYSE") in the form of American Depositary Shares ("ADSs"), issued by a U.S. depositary bank. Each ADS represents 5 ordinary shares of Natuzzi S.p.A.

To determine the fair value of an option, it was necessary to compare the price of the underlying ADS of the Company with the strike price relating to each tranche subject to evaluation, the latter multiplied by 5, since each ADS represents 5 ordinary shares of Natuzzi S.p.A.

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The terms and conditions of the award agreements entered into are set forth below.

Grant date/beneficiaries	Number of equity-based instruments	Vesting conditions	Contractual life of the options
Three key officers having strategic functions – July 15, 2022	562,512 ADSs equivalent to 2,812,560 ordinary shares	Continuous service status until the vesting date	From 1 to 6 years

In particular, the number of ordinary shares of Natuzzi S.p.A. that each of the three beneficiaries can subscribe for pursuant to the relevant award agreements is broken down below and shown in terms of ADS equivalent.

Vesting Date	Beneficiary 1	Beneficiary 2	Beneficiary 3	Total
15/Aug/22	36,533	6,583	44,000	87,116
31/May/23	54,800	9,874	33,000	97,674
31/May/24	54,800	9,874	38,338	103,012
31/May/25	73,067	13,165	5,338	91,570
31/May/26	73,067	13,165	5,338	91,570
31/May/27	73,067	13,165	5,338	91,570
Total	**365,334**	**65,826**	**131,352**	**562,512**

The date by which the options can be exercised is December 31, 2027 for beneficiaries 1 and 2 and December 31 of each vesting year up to December 31, 2027 for beneficiary 3. In particular, beneficiary 3 was granted two sets of stock options with different exercise prices: the first set vesting through December 31, 2024 and granting such beneficiary the right to subscribe for up to 550,000 ordinary shares of Natuzzi S.p.A. (equivalent to 110,000 ADSs) and the second set vesting through December 31, 2027 and granting such beneficiary the right to subscribe for up to 106,760 ordinary shares of Natuzzi S.p.A. (equivalent to 21,352 ADSs). Beneficiary 3 left the Company at the end of February 2024.

B. Measurement of fair values

The fair value of the stock options granted to each of the three beneficiaries was measured based on the binomial tree model by Cox, Ross e Rubinstein (binomial tree lattice model). Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

The inputs used in the measurement of the fair values at grant date of the stock options were as follows:

Input data	Beneficiary 1	Beneficiary 2	Beneficiary 3 (sub 1)	Beneficiary 3 (sub 2)
Fair value of the ADS option at grant date	$ 4.3900	$ 4.3000	$ 4.5300	$ 3.3700
EURUSD exchange rate at grant date	n.a.	n.a.	1.0059	n.a.
Closing price of the ADS at grant date	$ 8.8700	$ 8.8700	$ 8.8700	$ 8.8700
Currency of the exercise price	U.S. dollar	U.S. dollar	Euro	U.S. dollar
Exercise price	$ 14.5950	$ 15.3450	$ 5.0295	$ 15.6000
Expected volatility of the stock price (weighted-average)	67.73%	67.73%	67.73%	67.73%
Expected volatility of the EURUSD exchange rate	n.a.	n.a.	7.27%	n.a.
Expected life (weighted-average) *	2.72 years	2.72 years	0.51 years	0.59 years
Expected dividends	—	—	—	—
Risk-free interest rate (based on government bonds)	2.80%	2.80%	2.80%	2.80%

(*) average of the different vesting dates.

Expected volatility was based on an evaluation of the historical volatility of both the price of the underlying ADSs of Natuzzi S.p.A. and EURUSD exchange rate, in particular by considering the relevant time series of the preceding 260 business days.

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The total fair value of the SOP as at July 15, 2022, as determined by the abovementioned financial method, was equal to $2,458,542.

C. Reconciliation of outstanding share options

The number and weighted-average exercise prices of the stock options granted in 2023 are the following:

	Number of options (ADS)		Weighted-average exercise price (ADS)
Outstanding as at January 1, 2023	518,512	$	13.51
Granted during the year	—		—
Forfeited during the year	87,352	$	7.61
Exercised during the year	—		—
Outstanding as at December 31, 2023	431,160	$	14.71
Exercisable as at December 31, 2023	107,790	$	14.71

There are no further options granted during the year in addition to those granted on 15 July 2022.

During 2023 no beneficiary exercised the vested portion of its options, whereas in 2022 only one beneficiary exercised the vested portion of its options by subscribing for 220,000 ordinary shares (equivalent to 44,000 ADSs) at the exercise price of €1.00 per ordinary share (equal to €5.00 per ADS), and paying the applicable purchase price in part in 2022 and in part in in 2023.

The forfeited options related to beneficiary 3, as such beneficiary left the Company at the end of February 2024 and was granted a bonus of 124.

23 Contract liabilities (non-current and current)

Contract liabilities as at December 31, 2023 and 2022 consist of the following:

	31/12/23	31/12/22
Advance payments from customers	18,977	15,735
Deferred income from licensing of Natuzzi's trademarks	5,577	5,960
Deferred revenue for Natuzzi Display System	2,162	2,049
Deferred revenue for Service-Type Warranty	417	406
Total contract liabilities	27,133	24,150
Less current portion	(20,333)	(17,124)
Non-current portion	**6,800**	**7,026**

"Advance payments from customers" are related to considerations received by the Group upon sale of the Group's products, and before their delivery to end customers.

"Deferred income from licensing Natuzzi's trademarks" refers to the deferral of revenue deriving from licensing Natuzzi's Trademarks, to the former subsidiary Natuzzi Trading Shanghai. Such revenue, in the amount of 5,577 (net of the elimination of intercompany profit on the transaction), has been deferred over the useful life (20 years) of the licensed trademarks.

"Deferred revenue for Natuzzi Display System" refers to the deferral of revenue deriving from the sale of store fittings to retailers, which are used to set up their stores ("Natuzzi Display System" – NDS). Such revenue is recognised over time based on the length of the distribution contract signed with the retailer (usually five years).

"Deferred revenue for Service-Type Warranty" refers to the deferral of revenue deriving from the sale of a service-type warranty to end customers, which is recognised over time based on the contractual length of the insurance period (five years).

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The amount of revenue recognised for the years ended December 31, 2023, 2022 and 2021 that was included in the opening contract liabilities balance amounts to 17,124, 20,797 and 16,150, respectively.

24 Provisions (non-current and current)

Provisions as at December 31, 2023 and 2022 consist of the following:

	31/12/23	31/12/22
Provision for legal claims	7,432	8,626
Provision for tax claims	489	64
Provision for warranties	2,352	3,114
Termination indemnities for sales agents	861	742
Other provisions	502	—
Total provisions	11,636	12,546
Less current portion	(2,352)	(3,114)
Non-current portion	**9,284**	**9,432**

The provision for legal claims includes the amounts accrued by the Group for the probable contingent liability related to legal procedures initiated by several third parties as result of past events.

The provision for tax claims refers to the amounts accrued by the Group for the probable liability that will be paid to settle some tax claims.

The provision for warranties includes the estimated liabilities for the Group's obligation to repair or replace faulty products under the assurance warranty terms (see notes 4(r) and 4(t)). The warranty claims for the finished products sold are estimated based on past experience of the level of repairs, faulty products and disputes with customers. The Company expects that these costs will be incurred mainly in the next financial year. Significant assumptions used to calculate the provision for such assurance type warranty are the warranty period for all products sold, current sales levels and historical information available about repairs, faulty products and dispute with customers.

The termination indemnities for sales agents refer to termination indemnities, provided for by the current regulations, due to the Group's agents upon termination of their agreement with the Company or relevant subsidiary.

Changes in the above provisions for the years ended December 31, 2023 and 2022 are analysed as follows:

	Provision for legal claims	Provision for tax claims	Provision for warranties	Termination indemnities for sales agents	Other provisions	Total
Balance as at December 31, 2021	**9,403**	**229**	**2,839**	**940**	**—**	**13,411**
Provisions made during the year	4,785	—	1,774	75	—	6,634
Provisions used during the year	(4,888)	(165)	(1,499)	(273)	—	(6,825)
Provisions reversed during the year	(674)	—	—	—	—	(674)
Balance as at December 31, 2022	**8,626**	**64**	**3,114**	**742**	**—**	**12,546**
Provisions made during the year	1,723	425	785	119	502	3,554
Provisions used during the year	(2,403)	—	(1,542)	—	—	(3,945)
Provisions reversed during the year	(514)	—	(5)	—	—	(519)
Balance as at December 31, 2023	**7,432**	**489**	**2,352**	**861**	**502**	**11,636**

As at December 31, 2023, the provision for legal claims refers for 5,907 (7,163 as at December 31, 2022) to the probable contingent legal liability related to legal procedures initiated by 138 workers against the Company for the misapplication of the social security procedure "CIGS—*Cassa Integrazione Guadagni Straordinaria*". According to the "CIGS" procedure, the Company pays a reduced salary to the worker for a certain period of time based on formal agreements signed with the Trade Unions and other Public Social parties. In particular, these 138 workers are claiming in the legal procedures that the Company

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applied the “CIGS” during the period from 2004 to 2016 without foreseeing any time rotation. In May 2017, the Company received from the Italian Supreme Court of Justice (“*Corte di Cassazione*”) an adverse verdict for the above litigation related only to two workers. Based on this unfavorable verdict, the Company, with the support of its legal counsel, has assessed that the liability for legal procedures initiated by all the 138 workers is 5,907 .

25 Deferred income for government grants

Changes in the carrying amount of deferred income for government grants for the years ended December 31, 2023 and 2022 are analysed as follows:

	31/12/23	31/12/22
Balance at beginning of year	12,242	12,754
Additions	2,757	1,204
Credit to profit or loss	(1,864)	(1,716)
Balance at end of year	**13,135**	**12,242**

Government grants are related to benefits the Group obtained in 2023 and previous years from the Italian government as part of the incentive programs for under-industrialised regions in Southern Italy. They have been received to compensate the Group for the purchase of certain items of property, plant and equipment and for certain expenses mainly related to research projects. Deferred income for grants related to property, plant and equipment are credited to profit or loss on a straight-line basis over the expected lives of the related assets. Deferred income for grants related to expenses are credited to profit or loss in the periods in which the costs are recognised.

There are no unfulfilled conditions or contingencies attached to these grants, except for that in accordance with the terms of some grants, the Group is prohibited from selling certain items of property, plant and equipment for a period of five years from the date on which the related grant was finally approved by the Italian governmental agency. As at December 31, 2023 the carrying amount of those property, plant and equipment that were actually realized in 2023 amounted to 4,182.

26 Bank overdrafts and short-term borrowings

Bank overdrafts and short-term borrowings as at December 31, 2023 and 2022 are analysed as follows:

	31/12/23	31/12/22
Bank overdrafts	2,037	1,754
Borrowings related to a recourse factoring agreement	10,752	17,307
Borrowings secured with trade receivables not part of factoring agreement	9,282	9,703
Borrowings unsecured	763	490
Total	**22,834**	**29,254**

The weighted average interest rates on the bank overdrafts and short-term borrowings for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Bank overdrafts	7.81%	5.12%
Borrowings	5.65%	3.30%

As at December 31, 2023, the unused portion of credit facilities available to the Group, for which no commitment fees are due, amount to 31,130 (24,307 as at December 31, 2022). Such unused portion is related to a recourse factoring agreement for export-related trade receivables (28,588), borrowings to be secured with trade receivables (282) and bank overdrafts (2,260).

27 Trade payables

Trade payables as at December 31, 2023 and 2022 are analysed as follows:

	31/12/23	31/12/22
Invoices received - supplier not part of factoring facility	38,863	42,609
Invoices received - supplier factoring facility	9,758	14,294
Accruals for invoices to be received	12,267	21,496
Total	**60,888**	**78,399**

Trade payables mainly represent amounts payable for purchases of goods and services in Italy and abroad.

Trade payables include amounts due to related parties amounting to 75 and 59 as at December 31, 2023 and 2022, respectively (see note 43).

The Parent participates in a supply chain finance programme (SCF) under which certain of its suppliers may elect to receive early payment of their invoices from a bank by factoring their receivables from the Parent. Under the arrangement, a bank agrees to pay amounts to a participating supplier in respect of invoices owed by the Parent and receives settlement from the Parent at a later date. The principal purpose of this programme is to facilitate efficient payment processing and enable the willing suppliers to sell their receivables due from the Parent to a bank before their due date.

The Parent has not derecognised the original liabilities to which the arrangement applies because neither a legal release was obtained nor was the original liability substantially modified on entering into the arrangement. From the Parent's perspective, the arrangement does not significantly extend payment terms beyond the normal terms agreed with other suppliers that have not elected to participate in the program. The Parent, therefore, presents the amounts factored by these suppliers as trade payables because the nature and function of the financial liability remain the same as those of other trade payables but discloses disaggregated amounts in this note. All payables under the SCF program are classified as current as at December 31, 2023 and 2022.

The payments to the bank are included within operating cash flows because they continue to be part of the Group's normal operating cycle and their principal nature remains operating – i.e., payments for the purchase of goods and services.

28 Other payables

Other payables as at December 31, 2023 and 2022 are analysed as follows:

	31/12/23	31/12/22
Salaries and wages	10,491	9,503
Social security contributions	5,285	6,179
Vacation accrual	4,869	4,342
Withholding taxes on payroll and on others	2,902	1,886
Advance payment from the Parent's majority shareholder	2,500	2,500
Other accounts payable	5,672	9,912
Total	**31,719**	**34,322**

As at December 31, 2023, the amount of 2,500 refers to the payment received from the Parent's majority shareholder and that the Parent Company would have reimbursed in March 2024, as the Board of Directors of the Company did not call a shareholders' meeting to resolve upon the increase in share capital. Specifically, in light of the extraordinary challenges imposed by COVID-19 on the Group, on February 28, 2020, the Parent's majority shareholder entered into an agreement with

it setting forth its undertaking, should the Parent so request, to make advance payments of up to 15,000 to satisfy the subscription price of a future rights issue. On February 28, 2020, the Parent requested an initial payment of 2,500 which it received on March 2, 2020. Therefore, as at December 31, 2023, the amount of 2,500 to be paid back to the majority shareholder has been included in the caption "Other payables" of the statement of financial position. On April 9, 2024, the signing of a new agreement occurred, transforming the amount of 2,500 into a loan contract effective from March 31, 2024, with maturity on March 31, 2027, and the application of an interest rate of 2.5% (see note 44).

The item 'Salaries and wages' includes the short-term portion of the early retirement agreement amounting to 637 (see note 21).

29 Other liabilities

Other liabilities as at December 31, 2023 and 2022 are analysed as follows:

	31/12/23	31/12/22
Advance payments for government grants	1,549	—
Total	**1,549**	**—**

As at December 31, 2023 and 2022, advance payments for government grants are related to considerations received by the Parent for government grants obtained for next year's purchases of some research projects.

30 Derivative financial instruments

A significant portion of the Group's revenue and costs are denominated in currencies other than the Euro. Consequently, a significant portion of its revenue and costs is exposed to fluctuations in the exchange rates between the Euro and other currencies. The Group uses forward exchange contracts (known in Italy as domestic currency swaps) to reduce its exposure to the risks of short-term decrease in the value of its foreign currency denominated revenue. The Group uses such derivative instruments to protect the value of its foreign currency denominated revenue, and not for speculative or trading purposes. Despite being entered into such domestic currency swaps with the intent to reduce the foreign currency exposure risk for trade receivables and expected sales, the Group's derivative financial instruments do not qualify for being accounted for as hedging instruments according to IAS 39. Therefore, the Company reflects the positive or negative changes in the fair value of those derivatives through profit or loss in the caption "Net exchange rate gains/(losses)".

The tables below summarise in euro equivalent the contractual amounts of forward exchange contracts used to hedge principally future cash flows from trade receivables and sale orders as at December 31, 2023 and 2022.

	31/12/23	31/12/22
British pounds	3,443	13,753
U.S. dollars	2,816	11,598
Euro	12,056	9,720
Chinese renminbi	—	7,428
Australian dollars	721	1,624
Japanese yen	—	861
Total	19,036	44,984

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The following tables present information regarding the contract amount in euro equivalent amount and the estimated fair value of all of the Group's forward exchange contracts. Contracts with net unrealized gains are presented as "assets" and contracts with net unrealized losses are presented as "liabilities".

	2023		2022	
	Contract amount	Unrealised gains/(losses)	Contract amount	Unrealised gains/(losses)
Assets	4,540	147	38,474	925
Liabilities	14,496	(36)	6,510	(66)
Total	19,036	111	44,984	859

As at December 31, 2023 and 2022, the forward exchange contracts have a net unrealized income 111 and 859, respectively. These amounts are recorded in net exchange rate gains/(losses) in the consolidated statements of profit or loss (see note 38).

31 Financial Instruments – Fair values and risk management

IFRS 9 "Financial Instruments" sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaced IAS 39 "Financial Instruments: Recognition and Measurement". The Group has applied this new standard from January 1, 2018 (date of initial application), but has elected not to apply the new requirements for hedge accounting.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model within which a financial asset is managed and its contractual cash flow characteristics.

The Group's principal financial assets, other than derivatives, include cash and cash equivalents, trade and other receivables that derive directly from operations. The Group's principal financial liabilities, other than derivatives, comprise of long-term borrowings, lease liabilities, bank overdrafts and short-term borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group also enters into derivative transactions, namely forward exchange contracts, to protect the value of its foreign currency denominated revenue, not for speculative or trading purposes (see note 30).

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see notes 4(l), 4(m), 4(n), 4(o), 4(p) and 4(s).

A. Accounting classification of financial assets and financial liabilities

The following tables show the classification and carrying amounts of Group's financial assets and financial liabilities as at December 31, 2023 and 2022.

Financial assets	31/12/23	31/12/22
Financial assets measured at amortised cost		
Other non-current receivables	6,396	5,894
Trade receivables	33,304	39,056
Other current receivables	12,218	16,279
Cash and cash equivalents	33,610	54,475
Total (a)	85,528	115,704
Financial assets measured at fair value		
Forward exchange contracts	147	925
Total (b)	147	925
Total financial assets (a+b)	85,675	116,629

Financial assets measured at amortised cost include trade receivables, other receivables (non-current and current) and cash and cash equivalents. Financial assets at fair value reflect the positive change in fair value of forward exchange contracts that are not designated as hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk for future cash flows from accounts receivables and sale orders.

For further details on “Trade receivables”, “Other receivables”, “Cash and cash equivalents” and “Forward exchange contracts” reference should be made to notes 15, 12-16, 17 and 30, respectively.

Financial liabilities	**31/12/23**	**31/12/22**
Financial liabilities measured at amortised cost		
Long-term borrowings	17,353	17,289
Lease liabilities	62,327	51,849
Bank overdrafts and short-term borrowings	22,834	29,254
Trade payables	60,888	78,399
Other payables	31,719	34,322
Other non-current liabilities	2,725	—
Total (a)	197,846	211,113
Financial liabilities measured at fair value		
Forward exchange contracts	36	66
Total (b)	36	66
Total financial liabilities (a+b)	197,882	211,179

Financial liabilities measured at amortised cost include long-term borrowings (non-current and current portion), lease liabilities (non-current and current portion), bank overdrafts and short-term borrowings, trade payables and other payables. Financial liabilities measured at fair value reflect the negative change in fair value of forward exchange contracts that are not designated as hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk for expected future cash flows from trade receivables and sale orders.

For further details on “Long-term borrowings”, “Lease liabilities”, “Other non-current liabilities", “Bank overdrafts and short-term borrowings”, “Trade payables”, “Other payables” and “Forward exchange contracts” reference should be made to notes 19, 20, 21, 26, 27, 28 and 30, respectively.

B. Fair value and measurement of fair values of financial assets and financial liabilities

Management has assessed that the fair values of cash and cash equivalents, trade and other receivables, trade and other payables, bank overdrafts and short-term borrowings approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following tables show the carrying amount and fair value of Group’s financial assets and financial liabilities as at December 31, 2023 and 2022, other than those with carrying amount that are reasonable approximation of fair value.

	31/12/23		**31/12/22**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Forward exchange contracts	147	147	925	925
Financial liabilities				
Floating-rate borrowings	7,898	8,200	10,423	10,540
Fixed rate borrowings	9,455	12,459	6,866	7,925
Total long-term borrowings	17,353	20,659	17,289	18,465
Forward exchange contracts	36	36	66	66

As at December 31, 2023 and 2022, the fair value measurement hierarchy of the forward exchange contracts and long-term borrowings is “significant observable inputs” (level 2).

There were no transfers between level 1 (quoted prices in active markets) and level 2 during 2023 and 2022. There were no level 3 (significant unobservable inputs) fair values estimated as at December 31, 2023 and 2022.

The following methods and assumptions are used to estimate the fair values.

Forward exchange contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity.

The fair values of the Group's interest-bearing borrowings are determined using the discounted cash flow method. The discount rate used reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at December 31, 2023 and 2022 is determined to be insignificant.

C. Financial risk management

The Group has exposure to the following risks arising from financial instruments:
— credit risk;
— liquidity risk and
— market risk.

(i) Risk management framework

The management of the Group's risks arising from financial instruments is performed on the basis of guidelines set by the Company's Board of Directors. The main purpose of these guidelines is to balance the Group's liabilities and assets, in order to ensure an adequate capital viability. The main financial sources of the Group are represented by a mix of equity and financial liabilities, including long-term borrowings used to finance investments, bank overdrafts and short-term borrowings used to finance the Group's working capital.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in this note.

Impairment losses on financial assets recognised in profit or loss for the years ended December 31, 2023, 2022 and 2021 are related mainly to trade receivables and are as follows:

	2023	2022	2021
Impairment loss on trade receivables	33	331	110

(ii-a) Trade receivables

The Group's customers are distributors, retailers and end consumers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in note 32.

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Customer credit risk is managed on the basis of the Group's established policies, procedures and controls relating to customer credit risk management.

In particular, the Group has established a credit policy under which each customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. After such review, sale limits are established for each customer and reviewed periodically. Any sales exceeding those limits require approval from senior management.

Furthermore, the Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period in the range of 30-90 days for individual customers. During 2022, the Group extended the credit terms to up to 120 days for certain customers who placed orders concerning the fitting out of the point of sale (so-called "sampling" orders). All extensions were granted within current sales limits after careful consideration of the creditworthiness of the customer and each customer that was granted an extension is closely monitored for credit deterioration. In order to mitigate credit risk, sales to distributors or retailers for which no payment extensions are granted due to an uncertain creditworthiness assessment, are required to be settled in cash ("cash against documents", "cash on delivery", "payment in advance"). Furthermore, sales to the end consumers are also required to be settled in cash or using major credit cards, thus mitigating the credit risk.

More than 80% of the Group's distributors and retailers have been transacting with the Group for at least five years, and none of these customers' balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a distributor or retailer, their geographic location, industry, trading history with the Group and the existence of previous financial difficulties.

The Group does not require collateral to be given for trade receivables. The Group does not have trade receivables for which no loss allowance is recognised because of collateral provided.

Management closely monitors the outstanding trade receivables to prevent losses.

Finally, in order to significantly reduce its exposure to credit risk, the Group insures the non-collection risk related to a significant portion of its trade receivables with a third party insurer and, in the case of customer insolvency, the insurance company refunds about 85% of the uncollected outstanding balances. Accordingly, the credit risk is entirely borne by the Group for non-insured trade receivables while it is only exposed to approximately 15% for insured trade receivables.

The Group evaluates the concentration of risk with respect to trade receivables and revenue as low, as its customers are located in several jurisdictions and operate in largely independent markets (see notes 15 and 32). Furthermore, as at December 31, 2023, 2022 and 2021, the Group had one customer, the joint venture Natuzzi Trading Shanghai, whose purchases exceeded 5% of revenue and trade receivables (see note 43).

	31/12/23	**31/12/22**	**31/12/21**
Revenue	26,523	59,838	48,457
Trade receivables	4,198	5,314	6,953

As at December 31, 2023 and 2022, insured and non-insured trade receivables are as follows:

	31/12/23	**31/12/22**
Insured trade receivables	25,706	25,624
Non-insured trade receivables	11,861	19,036
Gross trade receivables	37,567	44,660
Provision for doubtful accounts	(4,263)	(5,604)
Net trade receivables	**33,304**	**39,056**

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As at December 31, 2023 and 2022 the ageing of trade receivables is as follows:

	31/12/23	31/12/22
Current (not past due)	25,520	29,111
From 1 to 29 days past due	4,707	7,158
From 30 to 60 days past due	1,053	1,355
From 61 to 90 days past due	429	563
More than 90 days past due	5,858	6,473
Gross trade receivables	37,567	44,660
Provision for doubtful accounts	(4,263)	(5,604)
Net trade receivables	**33,304**	**39,056**

The movements in the provision for doubtful accounts in respect of trade receivables for the years ended December 31, 2023 and 2022 are reported in note 15.

The provision for doubtful accounts is estimated by the Group based on the insurance in place, the credit worthiness of its customers, historical trends, as well as current and future general economic conditions.

Specifically, for receivables subject to collective valuation an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The impairment allowance rates (default rates) are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and coverage by credit insurance). The calculation reflects the probability-weighted outcome based on reasonable and supportable information available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Instead, for individual receivables which are known to be difficult to collect an impairment analysis is performed at each reporting date to measure expected credit losses. The impairment allowance is estimated by the Group based on the financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or late payments.

Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix as at December 31, 2023 and 2022, further to the adoption of IFRS 9.

December 31, 2023

	Days past due				
	<30 days	30-60 days	61-90 days	> 90 days	Total
Trade receivables subject to collective valuation	1,798	83	78	36	1,995
Trade receivables subject to specific valuation					35,572
Total gross carrying amount					37,567
Default rate	0.86%	13.06%	37.78%	95.31%	
Expected credit loss	15	11	29	34	89

December 31, 2022

	Days past due				
	<30 days	30-60 days	61-90 days	> 90 days	Total
Trade receivables subject to collective valuation	2,332	68	84	30	2,514
Trade receivables subject to specific valuation					42,146
Total gross carrying amount					44,660
Default rate	0.53%	5.46%	17.08%	43.47%	
Expected credit loss	12	4	14	13	43

(ii-b) Other receivables

As at December 31, 2023 and 2022 other receivables current and non-current amount to 18.164 and 22,173, respectively. Such receivables are considered to have a low credit risk and the impairment loss has been measured on a 12-months expected credit loss basis. Management considers its other receivables to have a low credit risk as they have a low risk of default and their counterparties are able to meet their contractual cash flow obligations in the short-term. As at December 31, 2023 and 2022 the identified impairment loss of other receivables is immaterial.

(ii-c) Cash and cash equivalents

As at December 31, 2023 and 2022 the Group has cash and cash equivalents of 33,610 and 54,475, respectively. Indeed, the Group considers its cash and cash equivalents to have a low credit risk based on the external credit ratings of the financial institutions. Indeed, the Group's cash and cash equivalents are held with financial institutions, which have external credit risk ratings that are equivalent to the understood definition of "investment grade". Impairment of cash and cash equivalents has been measured on a 12-months expected credit loss basis and reflects the short-term nature of the exposures. As at December 31, 2023 and 2022 the identified impairment loss of cash and cash equivalents is immaterial.

(ii-d) Derivative financial instruments

Domestic currency swaps (see note 30) are entered into with financial institutions that have outstanding external credit ratings ("investment grade"). As at December 31, 2023 and 2022 the identified impairment loss of the favourable domestic currency swaps is immaterial.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities over the next 60 days. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. As at December 31, 2023, the expected cash flows from trade and other receivables maturing within two months were in excess of the expected cash outflows for trade and other payables due within two months. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

As described in note 27, the Group also participates in a supply chain financing arrangement (SCF) with the principal purpose of facilitating efficient payment processing of supplier invoices. The SCF allows the Group to centralise payments of trade payables to the bank rather than paying each supplier individually. While the SCF does not significantly extend payment terms beyond the normal terms agreed with other suppliers that have not participated, the arrangement assists in making cash outflows more predictable.

Therefore, the Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, short-term borrowings and long-term borrowings.

The steps taken by the Group in 2023, 2022 and 2021 to respond to possible future liquidity constraints, arising from the effects of inflation and high level of interest rates that have characterized both 2023 and 2022, together with the impact of those steps on the consolidated financial statements, include the following.

— In July 2020, the Parent signed the renewal for an additional five-year period of a factoring agreement with a major Italian financial institution. Under this agreement, the Parent assigns certain trade receivables to such financial institution in exchange for short-term borrowings for a maximum amount of 40,000. Trade receivables sold under such agreement

are not derecognised from the statement of financial position, because the Parent retains substantially all of the risk and rewards – primarily credit risk (see note 15). The amount received on their transfer is recognised as a secured bank borrowing (see note 26).

— During 2023, the Romanian subsidiary renegotiated the two existing loans, one amounting to 10,000 obtained in 2015 with residual debt renewals every two years and maturing in August 2023, with a balance as of December 31, 2022, of 2,344, and the other amounting to 5,000 maturing in March 2025 with government guarantee, having a balance as of December 31, 2022, of 3,215, into a single loan with a balance as of December 31, 2023, of 3,563. The new repayment plan involves monthly installments until July 2025. The variable interest rate is based on the performance of the 6-month Euribor (360) plus a spread of 2.5% (see note 19).

— In January 2022, the Parent obtained a long-term loan from a financial institution, amounting to 4,000. This loan, which is guaranteed by an Italian governmental authority, has been made available by the Italian government as part of the COVID-19 measures to support businesses. Such loan has installments repayable on a quarterly basis starting from January 2023, after the 12-month interest-only period, and ending in December 2027. This long-term debt provides for variable interest installments determined based on the three-month Euribor (360) plus a 2.00% spread (see note 19).

— In January 2023, the Parent Company received an amount of 3,337 following the reduction of capital of the Joint Venture Natuzzi Trading Shanghai Co. Ltd resolved in 2022.

— During 2023, the Parent Company received 7,609 from an Italian government authority, both as contributions for 1,962 and as subsidized finance for 5,647, related to the investments and research and development expenses accounted for (see note 19).

— During 2023, an Italian subsidiary obtained subsidized finance of 581 for documented productive investments (see note 19).

— At the beginning of 2024, the Parent Company obtained a long-term bank loan in the nominal amount of 3,000 with quarterly payments starting from June 2024, at an interest rate of Euribor 3M + spread of 2.95% and final payment on December 31, 2028. Additionally, a Chinese subsidiary entered into a revolving credit line with a Chinese bank up to 30 million CNY (equivalent to 3,821) aimed at managing working capital (see note 44).

— On April 4, 2024, the majority shareholder of the Parent Company signed an agreement with the Parent Company whereby the Equity Commitment Agreement signed in 2020 for the amount of 2,500 and paid by the majority shareholder in the same year, for which the Parent Company had committed to repayment by March 31, 2024, transforms into an interest-bearing loan effective from March 31, 2024, with maturity on March 31, 2027, and an annual interest rate of 2.50% (see note 44).

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The tables below summarize the remaining contractual maturities of financial liabilities as at December 31, 2023 and 2022. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

December 31, 2023

	Less than 2 months	2 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total
Long-term borrowings	674	3,986	4,567	5,341	6,855	21,423
Lease liabilities	2,198	10,856	12,277	30,032	22,706	78,069
Bank overdrafts and short-term borrowings	22,834	—	—	—	—	22,834
Trade and other payables	31,719	63,613	—	—	—	95,332
Losses on derivative financial instruments	36	—	—	—	—	36
Total financial liabilities	57,461	78,455	16,844	35,373	29,561	217,694

December 31, 2022

	Less than 2 months	2 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total
Long-term borrowings	577	6,015	4,124	5,534	2,273	18,523
Lease liabilities	1,895	11,509	10,190	24,926	12,820	61,340
Bank overdrafts and short-term borrowings	29,254	—	—	—	—	29,254
Trade and other payables	34,322	78,399	—	—	—	112,721
Losses on derivative financial instruments	66	—	—	—	—	66
Total financial liabilities	66,114	95,923	14,314	30,460	15,093	221,904

In addition, the following is to be considered: (a) as at December 31, 2023, the Group has unused credit lines of 31,130 (see note 26); (b) the Company can use the credit facilities of its subsidiaries adhering to the cash pooling contract in place; from time to time, the Company evaluates the adequacy of such credit facilities, requesting additional facilities as needed; (c) the Group holds cash at foreign subsidiaries, that can be withdrawn by the Company subject to the approval of a dividend distribution; some of these dividends are subject to withholding taxes; (d) the Company can apply for long-term borrowings to sustain long-term investments; (e) there are no significant liquidity risk concentrations, both on financial assets and on financial liabilities.

(iv) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (e.g., interest rates, foreign exchange rates). Market risk, mainly, depends on the trend of the demand for furniture and other finished products, the trend in prices of raw materials and the fluctuation of interest rates and foreign currencies.

The market demand risk is managed by way of a constant monitoring of markets, performed by the commercial division of the Group, market diversification in the different geographical locations of customers and a product diversification in the different brands and models.

In order to manage the prices of raw materials risk, the Group constantly monitors procurement policies and attempts to diversify suppliers while respecting the quality standards expected by the market.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term borrowings obligations with floating interest rates. The Group manages its interest rate risk by having a portfolio of fixed and variable rate borrowings. As at December 31, 2023, approximately 45.5% of the Group's borrowings were at a

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fixed rate of interest (2022: 39.7%). No derivative financial instruments were entered into by the Group to manage the cash flow risk on floating interest-rate borrowings.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

	Increase/decrease in basis points	**Effect on profit before tax**
December 31, 2023	+45	(40)
December 31, 2023	-45	40
December 31, 2022	+45	(52)
December 31, 2022	-45	52
December 31, 2021	+45	(43)
December 31, 2021	-45	43

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries. In particular, a significant portion of the Group's revenue and costs are denominated in currencies other than the Euro. Consequently, a significant portion of its revenue and costs is exposed to fluctuations in the exchange rates between the Euro and other currencies. The Group uses forward exchange contracts (known in Italy as domestic currency swaps) to reduce its exposure to the risks of short-term decreases in the value of its foreign currency denominated revenue. For further details, see note 30.

When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of the derivative to match the terms of the hedged exposure. For hedges of forecast transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable that is denominated in the foreign currency.

The following tables demonstrate the sensitivity to a reasonably possible change in foreign exchange rates, with all other variables held constant.

The Group's profit before tax is affected through the change in foreign in exchange rates as follows:

	Change in foreign exchange rates	**Effect on profit before tax**
December 31, 2023	+5%	1,707
December 31, 2023	-5%	(1,848)
December 31, 2022	+5%	4,287
December 31, 2022	-5%	(4,798)
December 31, 2021	+5%	5,381
December 31, 2021	-5%	(5,113)

As at December 31, 2023 and 2022 the Group's financial assets and financial liabilities denominated in foreign currency are as follows:

Financial assets	**31/12/23**	**31/12/22**
Trade receivables	23,353	25,055
Cash and cash equivalents	29,471	45,820
Total financial assets	**52,824**	**70,875**

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Financial liabilities	**31/12/23**	**31/12/22**
Long-term borrowings	293	461
Lease liabilities	43,152	35,602
Bank overdraft and short-term borrowings	8,826	14,668
Trade payables	23,278	27,169
Total financial liabilities	**75,549**	**77,900**

As at December 31, 2023 and 2022, the summary quantitative data about Group's exposure to currency risk as reported to the management of the Group is as follows:

December 31, 2023

	Financial Assets (a)	**Financial liabilities (b)**	**Net Exposure (c) = (a)-(b)**
U.S. dollars	29,865	47,648	(17,783)
Chinese Yuan	10,280	5,820	4,460
British pounds	3,873	8,126	(4,253)
Brazilian Reais	4,288	1,596	2,692
Romanian Leu	482	6,583	(6,101)
Mexican pesos	1,906	1,674	232
Canadian dollars	198	99	99
Other	1,932	4,003	(2,071)
Total	**52,824**	**75,549**	**(22,725)**

December 31, 2022

	Financial Assets (a)	**Financial liabilities (b)**	**Net Exposure (c) = (a)-(b)**
U.S. dollars	35,160	41,618	(6,458)
Chinese Yuan	14,681	8,206	6,475
British pounds	9,499	10,089	(590)
Brazilian Reais	4,457	2,371	2,086
Canadian dollars	397	427	(30)
Romanian Leu	2,723	8,732	(6,009)
Mexican pesos	1,713	1,850	(137)
Other	2,245	4,607	(2,362)
Total	**70,875**	**77,900**	**(7,025)**

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(v) Reconciliation of movements of liabilities to cash flows arising from financing activities

The following tables show the reconciliation of movements of financial liabilities to cash flows arising from financing activities for the three years ended December 31, 2023, 2022 and 2021.

December 31, 2023

	Jan. 1, 2023	Cash outflows	Cash inflows	Changes in fair value	Other changes	Dec. 31, 2023
Long-term borrowings	17,290	(8,715)	10,912	—	(2,134)	17,353
Lease liabilities	51,849	(11,057)	—	—	21,535	62,327
Short-term borrowings	27,500	(6,703)	—	—	—	20,797
Bank overdrafts	1,754	—	283	—	—	2,037
Non-controlling interests	4,698	(135)	—	—	(220)	4,343
Total liabilities from financing activities	**103,091**	**(26,610)**	**11,195**	**—**	**19,181**	**106,857**

Bank overdrafts are used only for cash management purposes.

December 31, 2022

	Jan. 1, 2022	Cash outflows	Cash inflows	Changes in fair value	Other changes	Dec. 31, 2022
Long-term borrowings	17,439	(4,473)	4,038	—	286	17,290
Lease liabilities	57,138	(10,049)	—	—	4,760	51,849
Short-term borrowings	34,924	(7,424)	—	—	—	27,500
Bank overdrafts	1,223	—	531	—	—	1,754
Non-controlling interests	1,511	(551)	1,739	—	1,999	4,698
Total liabilities from financing activities	**112,235**	**(22,497)**	**6,308**	**—**	**7,045**	**103,091**

Bank overdrafts are used only for cash management purposes.

December 31, 2021

	Jan. 1, 2021	Cash outflows	Cash inflows	Changes in fair value	Other changes	Dec. 31, 2021
Long-term borrowings	16,426	(4,788)	5,873	—	(72)	17,439
Lease liabilities	53,593	(10,090)	—	—	13,635	57,138
Short-term borrowings	28,701	—	6,210	—	13	34,924
Bank overdrafts	2,111	(888)	—	—	—	1,223
Non-controlling interests	1,020	(545)	144	—	892	1,511
Total liabilities from financing activities	**101,851**	**(16,311)**	**12,227**	**—**	**14,468**	**112,235**

Bank overdrafts are used only for cash management purposes.

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32 Revenue

(i) Revenue streams

The Group generates revenue primarily from the sale of leather and fabric upholstered furniture and home furnishing accessories to its customers. Other sources of revenue include sale of polyurethane foam, sale of leather-by products, sale of Natuzzi Display System and sale of Service Type Warranty.

Therefore, all the Group's revenue is related to revenue from contracts with customers.

(ii) Disaggregation of revenue from contracts with customers

In the following tables, revenue from contracts with customers are disaggregated by types of goods, primary geographical markets, geographical location of customers, distribution channels, brands and timing of revenue recognition.

Types of goods	2023	2022	2021
Sale of upholstery furniture	281,638	398,768	373,936
Sale of home furnishing accessories	38,199	54,478	39,803
Sale of polyurethane foam	2,509	5,208	7,660
Sale of other goods	6,272	10,033	5,976
Total	**328,618**	**468,487**	**427,375**

The sale of upholstery furniture includes the following categories: stationary furniture (sofas, loveseats and armchairs), sectional furniture, motion furniture, sofa beds and occasional chairs, including recliners and massage chairs.

Geographical markets	2023	2022	2021
Europe, Middle East and Africa	159,570	215,596	197,584
Americas	122,820	165,453	157,373
Asia-Pacific	46,228	87,438	72,418
Total	**328,618**	**468,487**	**427,375**

Geographical location of customers	2023	2022	2021
United States of America	87,250	119,749	117,012
Italy	39,037	61,284	53,157
United Kingdom	36,291	55,300	45,864
China	26,211	59,358	48,857
Brazil	14,498	15,544	14,166
Spain	11,634	16,037	15,864
Mexico	8,197	10,594	7,509
Canada	8,117	15,033	13,127
Australia	6,256	9,864	6,335
Belgium	5,302	8,084	9,250
United Arab Emirates	4,839	4,453	3,034
South Korea	3,518	6,150	7,574
Israel	3,371	5,804	5,236
Taiwan	3,326	329	2,342
Other countries (none greater than 5%)	70,771	80,904	78,048
Total	**328,618**	**468,487**	**427,375**

Distribution channels	2023	2022	2021
Wholesale (distributors and retailers)	255,507	386,421	359,021
Directly operated stores (end consumers)	73,111	82,066	68,354
Total	**328,618**	**468,487**	**427,375**

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Brands	**2023**	**2022**	**2021**
Natuzzi Editions	176,600	213,481	203,849
Natuzzi Italia	119,323	191,624	156,977
Private label	23,914	48,141	52,922
Other	8,781	15,241	13,627
Total	**328,618**	**468,487**	**427,375**

Timing of revenue recognition	**2023**	**2022**	**2021**
Goods transferred at a point in time	327,316	467,255	426,200
Goods and services transferred over time	1,302	1,232	1,175
Total	**328,618**	**468,487**	**427,375**

(iii) Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

	31/12/23	**31/12/22**
Trade receivables	33,304	39,056
Contract liabilities	27,133	24,150

Reference should be made to note 15 “Trade receivables” and note 23 “Contract liabilities (non-current and current)” for details about such contract balances.

(iv) Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in the customer contract. The Group recognises revenue when it transfers control over a good or service to a customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it controls the goods or services before transferring them to the customer.

In determining the transaction price for its contracts with customers, the Group considers the effects of variable consideration and the existence of significant financing components.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. The allocation of the transaction price to the Group’s performance obligations is performed using the relative stand-alone selling price method.

For detailed information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms and related revenue recognition policies, see note 4(t).

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The transaction price allocated to the remaining performance obligations (partially unsatisfied) as at December 31, 2023 and 2022 is as follows:

	31/12/23	31/12/22
Sale of the license for Natuzzi trademarks		
Within a year	383	383
More than a year	5,194	5,577
Total	**5,577**	**5,960**
Sale of Natuzzi Display System		
Within a year	813	849
More than a year	1,349	1,200
Total	**2,162**	**2,049**
Sale of Service-Type Warranties		
Within a year	160	157
More than a year	257	249
Total	**417**	**406**

(v) Variable considerations

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of furniture provide customers with volume discounts, which give rise to variable consideration.

In particular, the Group provides retrospective volume discounts to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Discounts are offset against amounts payable by the customer. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. A refund liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

(vi) Financing components

For information about financing components, reference should be made to note 4(t)(vi).

(vii) Warranty obligations

The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law.

Customers who purchase the Group’s upholstered furniture and home furnishings accessories may require a service-type warranty. As disclosed in note 4(t)(v), the Group allocates a portion of the consideration received to the service-type warranty, based on the relative stand-alone selling price. The amount allocated to the service-type warranty is deferred, and is recognised as revenue over the time based on the validity period of such warranty.

These warranties are accounted for under IAS 37. Refer to the accounting policy on warranty provision in note 4(r).

(viii) Cost to obtain a contract

The Group pays sales commission to its agents for each contract that they obtain. For information about the accounting policy elected by the Group on sales commissions, reference should be made to note 4(x).

(ix) Fulfillment costs

The Group accounts for shipping and handling costs related to activities before the customer obtains control of the finished goods as fulfillment costs under the caption “Other assets” of the consolidated statement of financial position. For information about the accounting policy applied by the Group for shipping and handling costs, reference should be made to note 4(v).

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33 Cost of sales

Cost of sales is analysed as follows:

	2023	2022	2021
Opening inventories	70,120	80,211	63,909
Purchases of raw materials	92,457	152,181	161,625
Purchases of finished products	20,459	27,751	23,169
Labour costs	72,862	86,352	80,346
Depreciation and amortisation	8,639	8,356	7,895
Third party manufacturers costs	1,276	1,587	2,172
Other manufacturing costs	13,540	19,250	15,922
Government grants related to PPE	(1,503)	(1,414)	(1,252)
Closing inventories	(62,087)	(70,120)	(80,211)
Total	**215,763**	**304,154**	**273,575**

The line item “Depreciation and amortisation” includes the depreciation expenses of property plant and equipment and right-of-use assets used in the production of finished goods.

34 Other income and other expenses

Other income is analysed as follows:

	2023	2022	2021
Gain on disposal of certain items of property	4	157	2,105
VAT relief	1,475	1,573	1,395
Reimbursements	2,875	1,289	580
Release of provisions for contingent liabilities	—	—	—
Other	2,762	3,505	2,334
Total	**7,116**	**6,524**	**6,414**

During 2023, 2022 and 2021 the Brazilian subsidiary obtained a VAT relief of 1,475, 1,573 and 1,395, respectively, connected to local tax rules on VAT payments.

During 2023, 2022 and 2021, the Company recorded reimbursements of 2.875, 1,289 and 580, respectively, mainly related to refund of transportation expenses and other items.

The item "Other" includes the revenues deriving from active leases obtained by an American subsidiary for 590, as well as contributions from the sale of photovoltaic energy and other minor items.

Other expenses amounted to 457 in 2023 and mainly refer to minor costs incurred by the Group and not related to cost of sales, selling and administrative expenses.

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35 Selling expenses

Selling expenses are analysed as follows:

	2023	2022	2021
Shipping and handling costs	26,325	55,912	54,672
Labour costs	25,971	24,615	24,241
Depreciation and amortisation	12,369	11,832	11,819
Customs duties	5,473	7,929	10,614
Commissions to sales representatives	5,861	7,318	7,503
Advertising expenses	5,936	6,193	5,576
Utilities	3,960	3,675	2,668
Fairs	596	1,050	807
Other insurance costs	1,042	1,034	946
Impairment of non-financial assets	3	890	1,188
Leases	1,627	785	607
Promotions	632	661	655
Advisory services	528	611	546
Insurance costs on trade receivables	312	567	347
Samples	505	546	687
COVID-19 government grants	—	—	(299)
COVID-19 rent concessions	—	(635)	(1,515)
Other	233	1,941	569
Total	**91,373**	**124,924**	**121,631**

During 2023, the “COVID-19-Related Rent Concessions - Amendment to IFRS 16” issued on 28 May 2020 (see note 5(A)) was no longer in effect. The Group was granted lease incentives of 635 and 1,515 as a reduction of the selling expenses for the year ended December 31, 2022 and 2021, respectively. No such concessions were granted in 2023.

36 Administrative expenses

Administrative expenses are analysed as follows:

	2023	2022	2021
Labour costs	20,416	19,447	17,342
Professional services costs	2,979	3,151	3,690
Indirect taxes	1,991	2,177	3,617
Directors and audit committee fees	1,886	1,895	1,868
Office and software maintenance	2,549	2,138	1,784
Depreciation and amortisation	1,364	1,462	1,657
Travel expenses	2,677	2,689	1,388
Mail and Phone	552	550	519
Printing and Stationery	519	570	354
Car costs	661	467	257
Government grants related to PPE	(145)	(59)	(54)
Other	2,158	987	880
Total	**37,607**	**35,474**	**33,302**

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37 Finance income and costs

Finance income is analysed as follows:

	2023	2022	2021
Interest income from financial institutions	711	29	39
Other interest income	230	839	186
Total	**941**	**868**	**225**

The amount of finance income collected in 2023, 2022 and 2021 was, respectively, 941, 868 and 225.

Finance costs are analysed as follows:

	2023	2022	2021
Interest expenses due to financial institutions	3,346	2,564	1,857
Interests expenses related to lease liabilities	3,090	2,877	2,584
Other interest expenses	675	1,033	276
Financial institution commissions	2,156	2,067	2,069
Total	**9,267**	**8,541**	**6,786**

38 Net exchange rate gains/(losses)

Net exchange rate gains/(losses) are analysed as follows:

	2023	2022	2021
Net realised gains/(losses) on derivative instruments	1,251	(1,663)	(1,428)
Net realised gains/(losses) on trade receivables and payables	(422)	530	4,612
Total net realised gains/(losses) (a)	**829**	**(1,133)**	**3,184**
Net unrealised gains/(losses) on derivative instruments	(746)	1,454	(454)
Net unrealised gains/(losses) on trade receivables and payables	142	2,286	(144)
Net unrealised gains/(losses) on non-monetary assets	(369)	(179)	(720)
Total net unrealised gains/(losses) (b)	**(973)**	**3,561**	**(1,318)**
Total realised and unrealised exchange rate gains/(losses) (a+b)	**(144)**	**2,428**	**1,866**

"Net unrealised gains/(losses) on non-monetary assets" refers to the remeasurement of non-monetary assets of the subsidiary Italsofa Romania , since such entity has the same functional currency as the Parent, namely the Euro (see note 4(c)(ii)).

39 Income tax expense

Italian companies are subject to two enacted income taxes at the following rates:

	2023	2022	2021
IRES (state tax)	24.00%	24.00%	24.00%
IRAP (regional tax)	4.82%	4.82%	4.82%

IRES is a state tax and is calculated on the taxable income determined on the income before taxes modified to reflect all temporary and permanent differences regulated by the tax law.

IRAP is a regional tax and each Italian region has the power to increase the current rate of 3.90% by a maximum of 0.92%. In general, the taxable base of IRAP is a form of gross profit determined as the difference between gross revenues (excluding interest and dividend income) and direct production costs (excluding interest expense and other financial costs). The enacted IRAP tax rate due in Puglia region for 2023, 2022 and 2021 is 4.82% (3.90% plus 0.92%).

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Total income taxes for the years ended December 31, 2023, 2022 and 2021 are allocated as follows:

	2023	2022	2021
Current:			
- Domestic	(1,065)	(838)	(2,116)
- Foreign	(659)	(1,582)	(3,170)
Total (a)	**(1,724)**	**(2,420)**	**(5,286)**
Deferred:			
- Domestic	—	—	—
- Foreign	634	147	897
Total (b)	**634**	**147**	**897**
Total (a + b)	**(1,090)**	**(2,273)**	**(4,389)**

Consolidated profit/(loss) before income taxes and Non-controlling interests of the consolidated statement of profit or loss for the years ended December 31, 2023, 2022 and 2021, is analysed as follows:

	2023	2022	2021
Domestic	(12,078)	(7,448)	(1,551)
Foreign	(2,994)	11,009	10,325
Total	**(15,072)**	**3,561**	**8,774**

The effective income taxes differ from the expected income tax expense (computed by applying the IRES state tax, which is 24% for 2023, 2022 and 2021, to profit before income taxes and non-controlling interests) as follows:

	2023	2022	2021
Expected tax benefit (expense) at statutory tax rates	3,617	(855)	(2,106)
Effect of:			
- Tax exempt income	4,530	2,618	2,320
- Aggregate effect of different tax rates in foreign jurisdictions	(481)	(79)	191
- Italian regional tax	(8)	(28)	(78)
- Non-deductible expenses	(5,675)	(1,635)	(5,152)
- Tax effect on unremitted earnings	—	(755)	(515)
- Non taxable gain from disposal of a subsidiary	—	—	1,057
- Chinese withholding tax on income not recoverable	(1,100)	—	(699)
- Effect of net change in deferred tax assets unrecognised	(1,973)	(1,539)	593
Actual tax charge	**(1,090)**	**(2,273)**	**(4,389)**

In 2023, the Group reported a loss before tax of 15,072 and income tax expense of 1,090, compared to a profit before tax of 3,561 and income tax expense of 2,273 in 2022, and a profit before tax of 8,774 and income tax expense of 4,389 in 2021.

The tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities as at December 31, 2023 and 2022 are presented below:

Deferred tax assets	31/12/23	31/12/22
Tax loss carry forward	704	—
Inventories obsolescence	574	745
Provision for contingent liabilities	390	492
Other temporary differences	2	22
Intercompany profit on inventories	305	706
Total deferred tax assets	**1,975**	**1,965**

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Deferred tax liabilities	31/12/23	31/12/22
Withholding tax on unremitted earnings of subsidiaries	(516)	(516)
Withholding tax on liquidation of subsidiaries	(480)	(480)
IAS 19 adjustment - employees' leaving entitlement	—	(302)
Unrealised net gains on foreign exchange rate	(305)	(479)
Other temporary differences	(5)	(152)
Total deferred tax liabilities	**(1,306)**	**(1,929)**

Movements in deferred tax balances occurred during 2021, 2022 and 2023 are analysed as follows:

	Def. tax assets	Def. tax liabilities	Total
Balance as at December 31, 2020	**2,023**	**(2,515)**	**(492)**
Recognised in profit or loss	(728)	1,110	382
Recognised in OCI	—	—	—
Recognised directly in equity	—	—	—
Balance as at December 31, 2021	**1,295**	**(1,405)**	**(110)**
Recognised in profit or loss	670	(524)	146
Recognised in OCI	—	—	—
Recognised directly in equity	—	—	—
Balance as at December 31, 2022	**1,965**	**(1,929)**	**36**
Recognised in profit or loss	10	623	633
Recognised in OCI	—	—	—
Recognised directly in equity	—	—	—
Balance as at December 31, 2023	**1,975**	**(1,306)**	**669**

The following tables show the reconciliation of deferred tax assets and deferred tax liabilities with the balances included in the consolidated statements of financial position as at December 31, 2023 and 2022.

	31/12/23	31/12/22
Deferred tax assets	1,975	1,965
Deferred tax liabilities compensated	(310)	(933)
Net deferred tax assets	1,665	1,032
Deferred tax liabilities	(996)	(996)

As of December 31, 2023, deferred tax assets mainly relate to carried-forward tax losses, inventory write-down for obsolescence, and provision for risks accounted for by some subsidiaries.

In assessing the reliability of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will not be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and the tax loss carry-forwards are utilised.

Given the cumulative loss position of the domestic companies and of some of foreign subsidiaries as at December 31, 2023 and 2022, management has considered the scheduled reversal of deferred tax liabilities and tax planning strategies, in making their assessment. After an analysis as at December 31, 2023 and 2022, management has not identified any relevant tax planning strategies prudent and feasible available to recognise the deferred tax assets. Therefore, as at December 31, 2023 and 2022 the realisation of the deferred tax assets is primarily based on the scheduled reversal of deferred tax liabilities, except in certain historically profitable jurisdictions.

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Based upon this analysis, management believes that the Natuzzi Group will realise the deferred tax assets of 1,975 as at December 31, 2023 (1,965 as at December 31, 2022).

As at December 31, 2023 and 2022 deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

Unrecognised deferred tax assets	31/12/223		31/12/22	
	Gross Amount	Tax effect	Gross Amount	Tax effect
Tax loss carry-forwards	367,620	90,025	366,175	90,713
Provision for contingent liabilities	6,588	1,893	7,673	2,207
Inventory obsolescence	7,803	2,197	8,266	2,327
Allowance for doubtful accounts	3,744	899	5,125	1,230
Intercompany profit on inventories	7,890	2,274	4,716	1,359
Provision for warranties	2,613	753	3,375	973
Impairment of non-financial assets	2,613	591	3,284	870
IAS 19 adjustment - employees’ leaving entitlement	—	—	—	—
Other temporary differences	16,141	3,503	10,868	1,925
Total unrecognised deferred tax assets	**415,012**	**102,135**	**409,482**	**101,604**

As at December 31, 2023 and 2022, taxes that will be due on the distribution of the portion of shareholders’ equity equal to unremitted earnings of some subsidiaries are 1,090 and 1,129, respectively. Of these deferred taxes, the Group recognized in both 2023 and 2022 the amount of 516 on the share of the aforementioned retained earnings, as it is likely they will be distributed as dividends by the subsidiaries in the coming years.

As at December 31, 2023 and 2022 the tax losses carried-forward of the Group expire as follows:

	2023	Expire date	2022	Expire date
Expire in five years	4,582	2024-2028	5,132	2023-2027
Expire after five years	378	> 2028	347	> 2027
Never expire	362,660	—	360,696	—
Total	**367,620**		**366,175**	

In Italy all tax losses carried-forward no longer expire, with the only limitation being that such tax losses carried-forward can be utilised to off-set a maximum of 80% of the taxable income in each following year.

The income tax payable recorded as at December 31, 2023 and 2022 is 339 and 1,874, respectively. Whereas, the current income tax receivable recorded as at December 31, 2023 and 2022 is 3,000 and 2,195, respectively.

Of the Group’s income tax payable, nil (2022: 300) relates to management’s estimation of the amount for the ongoing tax review of the Parent, which the Italian tax authority commenced in October 2020. The uncertain tax treatment relates to the interpretation of how the tax legislation applies to the Group’s transfer pricing arrangements. Due to the uncertainty involved, there is a possibility that the outcome of such tax review may be significantly different to the amount currently recognised. Although management has used a single best estimate of the tax amount expected to be paid, it is anticipated that the remaining ongoing tax review will reasonably result in determining current tax liabilities of zero due to the tax loss position of the relevant years.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

The Company operates in many foreign jurisdictions. With no substantial exceptions, the Company and its main subsidiaries located in Romania and China are no longer subject to tax audits for years preceding 2018.

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40 Earnings/(loss) per share

Basic and diluted earnings/(loss) per share is analysed as follows:

	2023	2022	2021
Weighted average number of ordinary shares	55,073,045	54,899,456	54,853,045
Basic earnings/(losses) per share	(0.29)	(0.01)	0.07
Diluted earnings/(losses) per share	(0.29)	(0.01)	0.07

Basic earnings/(loss) per share is calculated by dividing earnings/(loss) for the year, attributable to ordinary equity holders of the Parent Company, by the weighted average number of ordinary shares outstanding.

Diluted earnings/(loss) per share as at December 31, 2023, 2022 and 2021 equals the basic earnings/(loss) per share. Diluted earnings/(losses) per share equals basic earnings/(losses) per share because all options are antidilutive.

Since the value of 1 ADR as at December 31, 2023 is lower than the exercise price set in the stock option plan, it is unlikely that, with reference to the shares vested and not exercised at December 31, 2023, the beneficiaries will exercise the rights vested and therefore the consequent dilution.

On February 8, 2019 the Company announced a change in the ratio of its American Depositary Receipts (ADRs) to ordinary shares, from 1 ADR representing 1 share to 1 ADR representing 5 shares. The effective date of the ratio change was February 21, 2019. No new shares have been issued in connection with the ratio change.

41 Expenses by nature

The following tables show the expenses by nature for the years ended December 31, 2023, 2022 and 2021 as required by IAS 1.104.

	2023	2022	2021
Changes in inventories	8,033	10,091	(16,302)
Purchases of raw materials	92,457	152,181	161,625
Purchases of finished products	20,459	27,751	23,169
Services costs	75,457	110,773	100,656
Employee benefits expenses	119,249	130,414	121,929
Depreciation and amortisation, net of government grants	20,724	20,177	20,065
Other	8,364	13,165	17,366
Total cost of sales, selling and administrative expenses	**344,743**	**464,552**	**428,508**

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Natuzzi S.p.A. and Subsidiaries

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(Expressed in thousands of euros except as otherwise indicated)

The following tables show in which caption is included the depreciation and amortisation, net of government grants.

	2023	2022	2021
Included in cost of sales			
Depreciation of property, plant and equipment	6,535	6,234	5,970
Depreciation of right-of-use assets	2,102	2,120	1,923
Amortisation of intangible assets	2	2	2
Government grants	(1,503)	(1,414)	(1,252)
Total (a)	7,136	6,942	6,643
Included in selling expenses			
Depreciation of property, plant and equipment	2,450	2,253	2,285
Depreciation of right-of-use assets	9,919	9,579	9,534
Amortisation of intangible assets	—	—	—
Total (b)	12,369	11,832	11,819
Included in administrative expenses			
Depreciation of property, plant and equipment	325	298	320
Depreciation of right-of-use assets	—	135	249
Amortisation of intangible assets	1,039	1,029	1,088
Government grants	(145)	(59)	(54)
Total (c)	1,219	1,403	1,603
Total depreciation and amortisation (a+b+c)	20,724	20,177	20,065

The following tables show in which caption is included the employee benefits expenses.

	2023	2022	2021
Included in cost of sales			
Salaries and wages	49,968	58,913	58,552
Social security contributions	14,825	17,788	14,696
Employees' leaving entitlement	4,611	4,598	3,493
Other costs	3,458	5,053	3,605
Total (a)	**72,862**	**86,352**	**80,346**
Included in selling expenses			
Salaries and wages	20,641	19,218	19,359
Social security contributions	3,716	3,507	3,512
Employees' leaving entitlement	604	513	492
Other costs	1,010	1,377	878
Total (b)	**25,971**	**24,615**	**24,241**
Included in administrative expenses			
Salaries and wages	15,376	14,345	12,666
Social security contributions	3,007	3,026	3,012
Employees' leaving entitlement	643	657	619
Other costs	1,390	1,419	1,045
Total (c)	**20,416**	**19,447**	**17,342**
Total employee benefits expenses (a+b+c)	**119,249**	**130,414**	**121,929**

Natuzzi S.p.A. and Subsidiaries

Notes to consolidated financial statements
(Expressed in thousands of euros except as otherwise indicated)

42 Commitments and contingent liabilities

As at December 31, 2023, the Group is not committed to investing in significant property, plant and equipment, intangibles assets and other capital expenditure.

Certain financial institutions have provided guarantees as at December 31, 2023 to secure payments to third parties amounting to 9,067, (4,424 as at December 31, 2022). These guarantees are unsecured and have various maturities extending through December 31, 2028.

The most significant guarantee was issued in December 2023 in the interest of Natuzzi Spa towards the public entity INPS for 4,459, in relation to the early retirement agreement signed with governmental authorities to encourage and incentivize the departure of 59 employees meeting specific requirements and to accompany them into retirement. This guarantee has a duration of 60 months (see note 21).

The Group is involved in a number of claims (including tax claims) and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters, after the provisions accrued, will not have a material adverse effect on the Group's consolidated financial position or results of operations (see note 24).

43 Related parties

Related parties of the Group include mainly associates and joint ventures of the Group and the Group's key management personnel.

The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial year.

(i) Compensation of key management personnel of the Group

The compensation of key management personnel of the Group is analysed as follows:

	2023	2022	2021
Directors' fee	849	854	511
Short-term employee benefits	2,772	1,851	1,934
Social security contributions and defined contribution plans	777	685	692
Employee benefit obligations	188	125	132
Expenses for stock options	587	998	—
Total	**5,173**	**4,513**	**3,269**

The amounts disclosed in the tables are the amounts recognised as an expense during the reporting period related to key management personnel. No loans and/or guarantees have been provided for or agreed to with key management personnel.

(ii) Transactions with directors of the Group

The aggregate value of transactions and outstanding balances related to directors were as follows.

	2023		2022		2021	
	Cost	Amounts due	Cost	Amounts due	Cost	Amounts due
Finished products purchased from TTF	1,340	412	1,852	178	—	—
Purchase of agency services from the company REFLEX MARKETING	992	1	1,360	1	998	1
Total	2,332	413	3,212	179	998	1

Natuzzi S.p.A. and Subsidiaries

Notes to consolidated financial statements
(Expressed in thousands of euros except as otherwise indicated)

	2023		2022		2021	
	Income	Amounts owed	Income	Amounts owed	Income	Amounts owed
Selling of finished products to NAT STORE LTD	1,631	171	1,354	233	1,065	441
Selling of finished products to IN CASA GROUP PTY	1,735	732	2,401	654	1,545	619
Total	3,366	903	3,755	887	2,610	1,060

With reference to the advance of 2,500 related to the future increase in share capital received from the majority shareholder of the Parent Company, please refer to note 28 and note 44.

With reference to the purchases of finished products from the outsourcer Truong Thanh Furniture Corporation ("TTF"), which since March 2022 has become a minority partner with a 20% stake in the subsidiary Natuzzi Singapore, and whose president, Mr. Mai Hữu Tín, has become a Board Member of the same Natuzzi Singapore, the supply business relationship is based on agreements signed in 2020, which are still in force.

With reference to the purchase of agency services from the company REFLEX MARKETING and the sale of finished products to NAT STORE LTD, a company in which Mr. R. Mynett is a partner, who is also a minority shareholder at 30% in the subsidiary Natuzzi UK Retail Limited and its Board Member, the business relationship is based on pre-existing agreements predating the establishment of Natuzzi UK Retail Limited.

With reference to the sales of finished products to the company IN CASA GROUP PTY, where Ms. J. Francis serves as director, who is also a Board Member of Natuzzi Oceania PTI Ltd, the business relationship is based on agreements predating her entry into the subsidiary Natuzzi Oceania.

From time to time, Directors of the Group, or their related entities, may buy goods from the Group. These purchases are made on the same terms and conditions as those entered into by the Group’s other employees or customers.

(iii) Transactions with associates, joint ventures and other related parties

The following tables provide the total amount of transactions that have been entered into with such related parties for the relevant financial year. Such transactions have been conducted at arm’s length.

December 31, 2023

	Sales	Expenses	Dividends received	Amounts owed by related parties	Amounts due to related parties
Natuzzi Trading Shanghai Co, Ltd. (joint venture)	26,523	—	—	4,198	—
Nars Miami LLCC (associate)	167	431	—	103	75
Natuzzi Texas LLC (joint venture)	1,951	—	—	2,598	—
Natuzzi Stores (UK) LTD (associate)	5,876	—	—	44	—
Natuzzi Design S.a.s. (other related party)	2,130	—	—	724	—
Natuzzi Arredamenti S.r.l. (other related party)	1,619	—	—	243	—
Natuzzi Sofa S.r.l. (other related party)	385	—	—	56	—
Total	**38,651**	**431**	**—**	**7,966**	**75**

Natuzzi S.p.A. and Subsidiaries

Notes to consolidated financial statements
(Expressed in thousands of euros except as otherwise indicated)

December 31, 2022

	Sales	Expenses	Dividends received	Amounts owed by related parties	Amounts due to related parties
Natuzzi Trading Shanghai Co, Ltd. (joint venture)	59,838	—	3,697	5,314	—
Nars Miami LLCC (associate)	1,484	16	—	231	59
Natuzzi Texas LLC (joint venture)	992	—	—	1,193	—
Natuzzi Stores (UK) LTD (associate)	7,110	—	—	14	—
Natuzzi Design S.a.s. (other related party)	2,550	—	—	426	—
Natuzzi Arredamenti S.r.l. (other related party)	1,734	26	—	231	—
Natuzzi Sofa S.r.l. (other related party)	399	—	—	48	—
Total	**74,107**	**42**	**3,697**	**7,457**	**59**

December 31, 2021

	Sales	Expenses	Dividends received	Amounts owed by related parties	Amounts due to related parties
Natuzzi Trading Shanghai Co, Ltd. (joint venture)	48,457	—	1,490	6,953	—
Nars Miami LLCC (associate)	806	—	254	123	—
Natuzzi Texas LLC (joint venture)	—	—	—	—	—
Natuzzi Stores (UK) LTD (associate)	—	—	—	—	—
Natuzzi Design S.a.s. (other related party)	1,820	—	—	710	—
Natuzzi Arredamenti S.r.l. (other related party)	989	—	—	191	—
Natuzzi Sofa S.r.l. (other related party)	232	—	—	51	—
Total	**52,304**	**—**	**1,744**	**8,028**	**—**

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within three months of the reporting date. None of the balances are secured. No guarantees have been given or received.

To support the activities of such joint ventures and associates, the Group and the other investors in these entities have agreed to make additional contributions in proportion to their interests to make up any losses, if required.

There are no borrowings received from or given to the above joint ventures, associates and other related parties, for the years ended December 31, 2023, 2022 and 2021.

44 Subsequent events

The following events have occurred in the period between the reporting date and the date of authorisation of these consolidated financial statements.

In January 2024, the Parent Company obtained a long-term bank loan in the nominal amount of 3,000 with quarterly installments starting from June 2024, at an interest rate of Euribor 3 M+spread equal to 2.95%, and final payment on 31/12/2028. The debt is guaranteed by a government entity guaranteeing 90% of the loan.

Additionally, a Chinese subsidiary also in the same month obtained a revolving credit line from a Chinese bank up to 30 million CNY (equivalent to 3,821) aimed at managing working capital.

On April 9, 2024, the majority shareholder of the Parent Company signed an agreement with the Parent Company, whereby the Equity Commitment Agreement signed in 2020 is declared resolved, and the amount of 2,500, paid by the majority shareholder in 2020 and for which the Parent Company had committed to repayment by March 31, 2024, is converted into an interest-bearing loan effective from March 31, 2024, with maturity on March 31, 2027, and an annual interest rate of 2.50%.

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ITEM 19. EXHIBITS

1.1	English translation of the by-laws (Statuto) of the Company, as amended and restated as of March 21, 2023 (incorporated by reference to the Form 20-F filed by Natuzzi S.p.A. with the Securities and Exchange Commission on May 1, 2023, file number 001-11854).
2.1	Deposit Agreement dated as of May 15, 1993, as amended and restated as of December 31, 2001, among the Company, The Bank of New York, as Depositary, and owners and beneficial owners of ADRs (incorporated by reference to the Form 20-F filed by Natuzzi S.p.A. with the Securities and Exchange Commission on April 30, 2019, file number 001-11854).
2.2	Description of Securities registered under Section 12 of the Exchange Act (incorporated by reference to Exhibit 2.2. to the Form 20-F filed by Natuzzi S.p.A. with the Securities and Exchange Commission on June 15, 2020, file number 001-11854).
4.1^	English translation of the Joint Venture Contract between Natuzzi S.p.A. and Jason Furniture (Hangzhou) CO., Ltd., dated March 22, 2018 (incorporated by reference to Exhibit 4.8 to the Form 20-F filed by Natuzzi S.p.A. with the Securities and Exchange Commission on April 30, 2018, file number 001-11854).
4.2^	English translation of the New Framework Agreement for Assignment of Receivables between Natuzzi S.p.A. and Muttley S.r.l., dated July 22, 2020 (incorporated by reference to Exhibit 4.13 to the Form 20-F filed by Natuzzi S.p.A. with the Securities and Exchange Commission on April 30, 2021, file number 001-11854).
4.3*	English translation of the agreement among the Company, certain trade unions and Italian authorities therein related to (i) early retirement for employees who are within 60 months of reaching retirement age, (ii) the hiring of new employees, (iii) the implementation of training programs and (iv) access to the CIGS for redundant employees, dated July 11, 2023.
4.4*	English translation of the agreements among the Company, certain trade unions and Italian authorities therein related to the Solidarity Facility, dated November 27, 2023.
4.5*^+	English translation of the agreement between the Company and INVEST 2003 S.r.l. dated April 9, 2024.
4.6	Natuzzi 2022-2026 Stock Option Plan (incorporated by reference to Exhibit 4.1 to the Form S-8 filed by Natuzzi S.p.A. with the Securities and Exchange Commission on July 29, 2022, file number 333-266414).
8.1*	List of Significant Subsidiaries.
12.1*	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2*	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1*	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.1*	KPMG Change in Auditors 16F Item Letter.
97.1*	Policy for the Recovery of Erroneously Awarded Compensation.
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents.
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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* Filed herewith

^ Portions of this exhibit (indicated by asterisks) have been omitted pursuant to the Instructions as to Exhibits of Form 20-F.

+ Schedules to this exhibit have been omitted pursuant to the Instructions as to Exhibits of Form 20-F.

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SIGNATURE

The registrant, Natuzzi S.p.A., hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

NATUZZI S.p.A.

By /s/ Antonio Achille
Name: Antonio Achille
Title: Chief Executive Officer

Date: **April 30, 2024**

Exhibit 4.3

RECORD OF AGREEMENT

On 11 July 2023, a meeting is held by video conference in order to conduct the joint examination, pursuant to Article 24 of Legislative Decree No. 148/2015, aimed at entering into, under the auspices of the government, an 'early retirement agreement' under Article 41 of that same legislative decree, as replaced by Article 26-*quater* of Law Decree No. 34/2019, converted, with amendments, into Law No. 58/2019, as subsequently amended by Article 39 of Law Decree No. 73 of 25 May 2021 and by Article 1(215) of Law No. 234/2021, taking into account the provisions of National Social Security Institution (INPS) Circular No. 88/2022 and Article 25(1-*bis*) of Law Decree No. 48/2023, converted, with amendments, into Law No. 85/2023.

The following attend the meeting:

- for the Ministry of Labor and Social Policy: Francesca Girimonte, an official of Division IV of the General Directorate of Labor and Industrial Relations;
- for Natuzzi S.p.A.: Mario de Gennaro, Maria Patrizia Ragazzo, Flavio Barile, Leonardo Lamanna and Enrico Claudio Schiavone;
- for the Confederation of Italian Industry (Confindustria): Giuseppe Bisceglie and Giorgio Meschiari;
- for the FENEAL UIL trade union: Mauro Franzolini, Massimo Fiorucci, Mino Paolicelli, Saverio Loiudice and Luigi Fiore;
- for the FILCA CISL trade union: Claudio Sottile, Antonio Delle Noci , Margherita Dell'Otto, Luigi Sideri and Francesca Centrone;
- for the FILLEA CGIL trade union: Tatiana Fazi, Angelo Vaccaro, Ignazio Marcello Savino and Francesco Bardinella;
- for the FILCAMS CGIL trade union: Barbara Neglia and Antonio Miccoli;
- for the FISASCAT CISL trade union: Daniele Meniconi and Maria Ruta;
- for the USB LAVORO PRIVATO trade union: Pierpaolo Corallo;
- for the CONFEDERAZIONE COBAS LAVORO PRIVATO trade union: Felice Dileo and Rosa Dileo.

The unitary trade union representative bodies (RSU) / single trade union representative bodies (RSA) of the affected sites are also in attendance.

WHEREAS

A. Natuzzi S.p.A. has submitted to the Ministry of Labor and Social Policy a request for a joint examination, pursuant to Article 24 of Legislative Decree No. 148/2015, aimed at entering to an 'early retirement agreement' with the sectoral trade union organizations under Article 41 of the said decree, as replaced by Article 26-*quater* of Law Decree No. 34/2019, converted, with amendments, into Law No. 58/2019, as subsequently amended by Article 39 of Law Decree No. 73 of 25 May 2021 and by Article 1(215) of Law No. 234/2021, taking into account the provisions of INPS Circular No. 88/2022.

B. The Parties have been convened today to this meeting held by video conference.

C. At the meeting, the Company states the following:

- Natuzzi S.p.A. operates in the furniture industry and exports 90 percent of its sales to 123 countries. The registered office is located in Santeramo in Colle (BA) and the Company operates plants and has offices located in the provinces of Bari, Matera, Taranto and Milan.
- Specifically, in Italy, the Company is classified by INPS as belonging to the industrial sector, and operates with the following production units, whose workforce as of 31 May 2023 – leaving aside 28 executives – is set out in the table hereunder for each of the said production units:

Production Unit	Address	FIRST-LINE MANAGERS	OFFICE WORKERS	INTERMEDIATE WORKERS	FACTORY WORKERS	Total
Santeramo in Colle (BA)	Via lazzitiello 47	88	272	13	90	463
Santeramo in Colle lBA)	SS 271 per Matera Km 50,200	1	9	13	251	274
Milan (MI)	Via Durini 24	2	4			6
Matera (MT)	Via Appia Antica S.C. Km 13,500	2	4	9	180	195
Matera (MT)	Zona lndustriale Località La Martella	1	14	4	75	94
Laterza (TA)	C.da Madonna delle Grazie	2	20	26	371	419
Altamura	Graviscella	1	11	28	406	446
Total		97	334	93	1,373	1,897

- The employment relationship of blue-collar, white-collar and middle management workers in Natuzzi S.p.A. is governed by the national collective bargaining agreement for employees of companies in the wood sector (1,567 employees) and the national collective bargaining agreement for employees of companies in the tertiary, distribution and services sector (330 employees).
- Natuzzi has long been engaged in industrial and commercial redesign initiatives aimed at increasing competitiveness and maintaining its position on the market and consequently safeguarding employment levels.
- That path has entailed and is entailing important action in terms of industrial upgrading from a digital standpoint, aimed also at valuing eco-sustainability and shifting the Italian living room industry to "high-end" production, in order to meet the needs of the market that recognizes "Made in Italy" as having a greater added value in connection with a quality and design that is greater than the commercial average.
- Functional to this objective is thus the specialization of production and the necessary training (reskilling and upskilling) of the workforce, as well as the hiring of new workers with distinctive

skills missing within the Company and required for the ongoing process of reconversion.

- For this reason, from the aforementioned perspective of relaunching the business in manufacturing and commercial terms and gradually solving structural overstaffing, on 2 March 2022 Natuzzi provided the government and all of the trade union organizations with its 2022 - 2026 Business Plan that is developed in accordance with the following guidelines:
  1) refocusing of the organization to enhance the global value of the brands with recognition, in the value chain for the consumer, of the "Puglian" dimension and craftsmanship of Natuzzi brands;
  2) strong investment in retail, both directly-owned stores and franchising, in order to support a growth in sales volumes and awareness, i.e. the conscious sharing by consumers of the Company's values;
  3) rightsizing, i.e. organizational reorganization with the reskilling of internal human resources and the hiring of workers with the missing skills that cannot be acquired through retraining processes;
  4) boosting of e-commerce as part of a multi-channel approach;
  5) regaining of competitiveness through investments in production sites, including for Natuzzi Italia output, in accordance with the new logic of Factory 4.0;
  6) strengthening of corporate social responsibility initiatives with particular reference to issues of safety in the workplace, environmental protection and the welfare of workers, as always in a logic of general sustainability of the business.
- The new Factory 4.0 model – mentioned in point 5) above – has multiple elements with the potential to improve various production factors:
  - it is strongly industrial in nature, through a refocusing of activities toward the Company's core business at a time of shrinking markets and demand for Italian products;
  - it is managerial, through defensive action and the preservation of economic resources that must be centered on conservation, consolidation and business continuity;
  - it is innovative, designed with Lean Manufacturing in mind, and assumes strategic importance in that it will achieve very competitive production processes that will enable the production in Italy of lines currently excluded by cost differentials, all to the advantage of additional production areas;
  - it implements advanced prevention and protection models in a logic of a Total Safety System, focusing not only on "mandatory" safety issues, but intervening with the support of greater automation in order to improve the ergonomic conditions of workers;
  - it is aimed at greater environmental protection through the constant search for the use of environmentally friendly materials with a view to a circular economy.
- Within the framework of the dialogue and discussions that have been underway for some time, the Company has informed the government and social partners that it has set itself the objective of avoiding traumatic solutions in managing structural overstaffing through recourse to tools supporting restructuring programs (Agreements of 6, 7 and 11 April 2022).
- In particular, in the said agreements the Parties have identified precisely the "early retirement agreement" as an elective tool to manage overstaffing, an instrument that fosters inter-generational turnover – through implementing actions aimed at creating new employment – and facilitates the

voluntary exit of personnel closest to retirement.

D. Therefore, in order to support the reorganization and transformation program, the Company and the trade union organizations intend to have recourse to an "early retirement agreement", as a tool that will sustain the business process and foster inter-generational turnover through voluntary early retirement under Article 41(5-*bis*) of Legislative Decree No. 148/2015.

HAVING REGARD TO

Article 41 of Legislative Decree No. 148 of 14 September 2015, introduced by Article 26-*quater* of Law Decree No. 34 of April 30, 2019, in conjunction with Conversion Law No. 58 of 28 June 2019, as subsequently amended by Article 39 of Law Decree No. 73 of 25 May 2021 and Article 1(215) of Law No. 234/2021;

Ministry of Labor and Social Policy Circulars No. 16 of 6 September 2019 and No. 18 of 17 October 2019;

INPS Circular No. 88/2022;

Article 25(1-*bis*) of Law Decree No. 48/2023, converted, with amendments, into Law No. 85/2023.

THEREFORE THE PARTIES AGREE AS FOLLOWS

1) The recitals form an integral part of this agreement and are herein incorporated in full by reference.

2) Natuzzi and the trade union organizations confirm their intention to enter into an "early retirement agreement" under the aforementioned legislation.

3) The Parties agree on the need to continue the digital and technological transformation program initiated in order to ensure the maintenance of the employment levels set out in the Business Plan and the consistency of the new skills needed within the business, through the following actions:
    a. implementation, for the personnel operating in the business but not eligible for the measure referred to in subparagraph c) below, of additional training courses dedicated to and aimed at retraining, reskilling and upskilling processes in line with the technological and digital innovation introduced in the Company and which thus make it possible to avoid skills obsolescence by instead favoring a virtuous process of migration to skill sets that facilitate a better and more rational use of resources;
    b. initiation of a recruitment program aimed at hiring in the market workers with skill sets consistent with the business reorganization plan and unattainable through retraining under the preceding subparagraph a);
    c. initiation of a redundancy plan for personnel meeting the requirements of paragraphs 5 and 5-*bis* of Article 41 of Legislative Decree No. 148/2015 as amended;
    d. initiation of a program to reduce working hours in the manner set forth in paragraph 7 of the aforementioned Article 41;
    e. commitment to maximum respect for the principles of gender equality in the implementation of the measures listed above and initiation of a program of positive action in terms of sustainability, inclusiveness and corporate welfare.

A. RETRAINING, RESKILLING AND UPSKILLING PROGRAM

Natuzzi intends to equip the workforce that will remain with the business with new skills, through a structured training plan pursuant to Article 41(8) of Legislative Decree 148/2015 as amended in order to sustain the new technological and digital scenario, within the framework of the dialogue and discussion that has been ongoing for some time, as always using the tools to support restructuring programs (see the agreements of 8 February 2022 and 23 January 2023 as well as of 12 and 13 December 2022 and also entailing support from the New Skills Fund).

Functional to that goal is specialization of production and necessary training (reskilling and upskilling) of the workforce to regain competitiveness and thus foster job retention. Retraining will be achieved in line with the requirements of the Business Plan and the Training and Retraining Project in cooperation with local institutions and social partners, so as to give effect to those implementation programs that serve to facilitate “conversion” and updating of the skills necessary and preparatory to the attainment of business strategies. Those measures aim to create the right skills through a continuing education logic that also covers that "generation gap" of non-digital natives.

Therefore, the Company intends to carry out an additional training program that will involve all personnel engaged, directly or indirectly, in this fundamental process of change toward the paradigm of digital and ecological transition, essential for a greater valuing of resources while ensuring reskilling that allows for the development of innovative skills in line with the drive towards technology and the digitalization of activities.

Added to this is the second step of "advanced training" for CRM (Customer Relationship Management), which, through the Microsoft Dynamics 365 platform, will amplify the flow and especially the "intelligent management" of information and data whose complexity requires not only a renewed professional approach, but the continuous updating of digital skills in staff and in the commercial area.

Moreover, in this highly digitalized context, the ever-increasing attention to data protection requires a conspicuous investment also in continuous training through the development, in several steps, of the themes of Cybersecurity and Big Data analysis, new SAP, Power Bl, etc. Finally, always committed to social responsibility and environmental sustainability, the Company intends to boost the dissemination and momentum of already existing certifications, extending training on related activities to all personnel, until total alignment of the required skill sets. In this regard, specific training on ESG Environment, Social, Governance must be completed to supplement the financial statements with specific information on sustainability issues, on energy efficiency and the circular economy, for a proper system of waste reduction and waste treatment in the business, and on innovation of goods produced with reduced environmental impact (FSC - sustainable use of wood as a raw material of our products).

Last but not least, the strategic commitment to increasingly valuing and improving professional skills dedicated to innovation and total product quality as a function of full customer satisfaction aimed at increasing market share, sustaining global competitiveness and preserving employment levels locally. The goal is to maintain a constant market orientation while maximizing the value of the sustainable production chain through waste reduction, a more rational use of resources, and the enhancement of quality by design.

Among the tools identified for upgrading the skills of the workforce, after the various previous training phases as detailed above, the Company is finalizing a detailed system of skills matrix by areas of activity (for example, sewing assistant, finished product assembly assistant, cutting assistant and drum assembly assistant), which aims to verify technical knowledge also in relation to technological and digital developments. This will allow the Company to set training objectives, including group training, through the assessment of direct supervisors together with the workers themselves. The skill map resulting from the evaluations will highlight the specific objectives on which to base the new training courses.

The set of training measures, their scheduling, and any particularly critical situations will be discussed with the unitary trade union representative bodies (RSU) and single trade union representative bodies (RSA) at plant level.

This concerns not only the manufacturing sphere (taken here as an example}, but the entire business organization according to a logic that allows training processes to be improved through a *train-and-check* approach and with the implementation of certified and certifiable mechanisms of learning that the workers concerned can also use externally and thus in the broader labor market. In this regard, specific certificates will be issued to the participants in the training programs who have demonstrated that they have acquired the new skills, and an individual training booklet will be created to attest to the entire retraining process undertaken.

To ensure the quality of the training and retraining process, the activities related to the delivery of the training courses associated with the early retirement agreement will be certified, managed and monitored with the support of Istituto Formazione Operatori Aziendali (IFOA), an entity that amongst other things will be charged with monitoring the implementation of the program through verification, including online, of the activities carried out and/or through surveys and interviews with the participants. Its role also covers identifying any room for improvement.

B. RECRUITMENT PROGRAM

In view of the possibilities of realigning the wealth of internal job-related skills referred to in Section A above and also considering the termination of the employment contracts of the workers who meet the requirements set out in Section C below, by 30 November 2024 the Company intends to hire <u>28 workers</u> on a permanent basis or under an apprenticeship contract. The newly hired personnel will already have skills and knowledge consistent with the Business Plan and will ensure that the 1:3 ratio provided for in Article 41(5-*bis*) of the above-mentioned Legislative Decree is satisfied.

This is both to achieve a first step in the employability goal envisioned by the rationale of the early termination agreement and to access the market by tapping into skill sets that cannot be found or recreated within the Company’s own human capital.

In this first phase the recruitment program will target resources that will mainly strengthen the Corporate and Commercial departments, ensuring full support for the mechanisms of digitalization, assistance for customer relationship management, e-commerce and marketing. And also providing skills in cross-service activities that will ensure maximum support to markets, with the centrality of customers, external and internal, in mind.

To this end, the positions shown in the following table with their associated status and professional roles are an indication of those that the recruitment plan will address:

Position
Process and Organization Specialist
IT Network Specialist
Human Resources Retail Manager
Copywriter
Human Resources Business Partner
Process Improvement Specialist
Marketing & Communication Manager
e-commerce Professional
Quality. safety and environment Professional
Commodity Buyer
Human Resources Generalist
Human Resources Generalist
Transportation & Logistic Professional
Transportation & Logistic Specialist
Payroll Specialist
Credit & Financial Analyst
Process Improvement Specialist
Legal Specialist
Commodity Buyer
Supplier & Customer Accounting Manager
Senior Industrial Analyst
Commodity Buyer
Retail Merchandiser
Product Merchandiser
Health and Safety Professional
Sales Manager
Digital & Communication Specialist
Project Manager

As specified in more detail in Section C below, if during the course of the 2022-2026 Business Plan, it turns out to be possible – because of legislative changes – to achieve a greater number of redundancies, relying on the tools referred to in paragraphs 5 and 5-*bis* of Articles 41(5) and 41(5-*bis*) of Legislative Decree 148/2015 as amended, than those provided for in this agreement, Natuzzi will develop a broader recruitment program that, extending also to the manufacturing area, keeps faith with what was established in terms of employment levels by the agreements of 6, 7 and 11 April 2022.

C. REDUNDNACY PROGRAM PURSUANT TO ARTICLES 41(5) AND 41(5-*BIS*) OF LEGISLATIVE DECREE NO. 148/2015

Based on the data in the Company's possession, 84 members of its workforce could, in 2023, potentially obtain the monthly allowance envisaged by the combined provisions of paragraphs 5, 5-*bis*, 6 and 9 of Article 41 of Legislative Decree No 148/2015 subject to individually accepting the redundancy plan agreed with the trade union organizations, satisfying the associated prerequisites and complying with the relevant procedures.

Therefore, in accordance with the laws and regulations in force, the redundancy plan will cover workers, up to a maximum total number of 84 units, who have consensually terminated their employment by 30 November 2023 and who on the date of termination meet the prerequisites set out in point 3.1. of INPS Circular No. 48 of 24 March 2021. In order to be able to give effect to the exit plan by that date, the workers concerned will have to have expressed in writing their wish to be included in the redundancy program referred to in the combined provisions of the agreements of 6, 7 and 11 April 2022 and of 20 and 23 June 2022.

At the time of their exit, i.e. 30 November 2023, and in in order to obtain the allowance granted by Article 41, the workers concerned will have to meet the prerequisites of paragraphs 5 or 5-*bis* of the provision in question. In other words, respectively:

i. be no more than sixty months away from accruing the right to an old-age pension (*pensione di vecchiaia*) and fulfil the minimum social security contribution requirement under Article 24 of Law No. 241/2011 as amended;
ii. be no more than sixty months away from the first starting date of an early-retirement pension (*pensione anticipata*) under Article 24 of Law No. 241/2011 as amended.

Workers will not be able to choose which pension to opt for because they will be obliged to accept the first pension for which they meet the relevant requirements.

For workers who avail themselves of the early redundancy plan, subsequent pension reforms, if any, may not under any circumstances change the requirements for eligibility for pension benefits in effect at the time of signing up for the plan under Article 41 of Legislative Decree No. 148/2015.

Upon termination of employment and for the entire period until the earliest date that the workers concerned can draw a pension, the employer will pay them a monthly allowance, commensurate with the employee's accrued gross retirement benefit at the time of termination, as determined by the INPS. If the earliest date that a worker can draw a pension is that of an early-retirement pension, the employer will also pay the social security contributions required to accrue that right.

For the entire period in which a worker is theoretically entitled to received unemployment insurance benefit (*NASPI*), the monthly allowance payable by the employer shall be reduced by an amount equal to that of the said benefit under Article 1 of Legislative Decree No. 22/2015 and the amount of the social security contributions payable by the employer so as to enable the worker concerned to accrue the right to an early-retirement pension shall be reduced by an amount equal to that of the notional contribution under Article 12 of Legislative Decree No. 22/2015, without prejudice to the criteria for calculating the notional contribution in each case.

For the purpose of implementing this early retirement agreement, Natuzzi S.p.A. will submit an appropriate application to INPS, accompanied by the provision of a bank guarantee to ensure solvency in relation to its obligations. The Company undertakes to make monthly payments to INPS to fund the allowance and the notional social security contribution.

The Parties agree that the redundancies will concern solely and exclusively those personnel who on a voluntary basis so opt and who meet all of the prerequisites set forth in point 3.1 of INPS Circular No. 48 of 24 March 2021. Therefore, the allowance is not granted for the purposes of obtaining an old-age or early-retirement pension with the accumulation of insurance periods under Article 1, paragraphs 239 *et seq*., of Law No. 228 of 24 December 2012, an early-retirement pension (so-called 'Quota 103', 'Quota 102' or 'women's option') under respectively Articles 14 and 16 of Law Decree No. 4 of 28 January 2019 as amended or a so-called 'precocious workers' early-retirement pension under Article 1, paragraphs 199 *et seq*., of Law No. 232 of 11 December 2016 as amended.

To enable verification of fulfillment of the prerequisites, eligible personnel must express their interest to the Company no later than 30 August 2023 on the appropriate forms that will be prepared. The application will have to be accompanied by one of the following documents:

a. delegation of authority to Natuzzi S.p.A. to allow it to check fulfilment of the statutory prerequisites;
b. statement from INPS (obtained through a citizens advice bureau) of fulfilment of the statutory prerequisites.

This will allow the Company to access the INPS-run PRAT portal to apply for certification of entitlement in the 90 days prior to the scheduled date of termination of employment. Upon certification by INPS and in any case no later than 15 October 2023, the final lists of workers included in the redundancy plan will be compiled through signing the appropriate statement of non-opposition or acceptance of consensual termination.

Once their employment relationship is terminated, the employees concerned will receive the allowance directly from INPS, while the Company will proceed to pay the amounts it has to bear to INPS. In order to enable the male and female workers to fully understand how the mechanism works, the Parties agree to set up a help desk staffed by both company experts and the union or citizens advice bureau representatives indicated by the trade union organizations signatories to this agreement.

In addition, the Company has declared its willingness to pay employees who participate in the redundancy plan a gross sum as a redundancy incentive, the details and amounts of which are specified in the side agreement signed between the Parties on 7 July 2023.

However, the Parties stress that the current measures do not appear to be exhaustive of the needs identified in the 2022-26 Business Plan and the subsequent agreements of 6, 7 and 11 April 2022. Hopeful of new legislation that will extend the term of application of early termination agreements, they believe that it is important to underline that the number of resources initially earmarked for possible redundancy was 315 through 2026.

It follows that should there be legislative changes that merely prolong the current rules, the expanded range of workers eligible for the scheme will be discussed subject to maintaining the same conditions set out in this agreement. By contrast, should changes to the scheme occur and/or new measures to support redundancies be introduced, the Parties will meet to establish how this agreement can be adapted to the new scenario. If, on the other hand, no legislative changes occur by the deadline for availing of the scheme set out in Section D below, not even a prolonging of the scheme, the Parties will identify different joint solutions that are in any case not traumatic.

Should this scheme and/or the entire apparatus provided for in the agreements of 6, 7 and 11 April 2022 be availed of to a degree that is not consistent with the provisions of the plan and the agreements in place, the Parties shall meet to seek other solutions that will still allow for the sustainability and competitiveness of the business and the achievement of the employment goals envisaged. In order to facilitate that outcome, a high level of joint monitoring will be maintained and monthly meetings will be scheduled to adopt a common stance on developments.

In order to allow INPS to monitor the resources allocated by Law No. 234/2021, based on the calculation guidance provided by the latter to the Ministry of Labor and Social Policy, the amount of expenditure was quantified taking into account:

a. a number of beneficiaries equal to 84 workers;
b. a number of months of application of the allowance equal to 36;
c. a start date for the allowance of 1 December 2023, on foot of consensual termination up to 30 November 2023.

Therefore, the total amount to cover the allowance referred to in Article 41(5-*bis*) of Legislative Decree No. 148/2015 is estimated at EUR 5,418,278.00, broken down as follows by year:

- 2023: EUR 180,650.00;
- 2024: EUR 2,093,727.00;
- 2025: EUR 1,706,107.00;
- 2026: EUR 1,437,794.00.

D. REDUCTION OF WORKING HOURS IN ACCORDANCE WITH ARTICLE 41(7) OF LEGISLATIVE DECREE NO. 148/2015

With reference to the workforce, the reduction in working hours applying the measures referred to in Article 41(7) of Legislative Decree 148/2015 will affect a maximum number of **1,897 workers**.

The envisaged reduction in working hours, instrumental to the general purposes of the Reindustrialization Plan and this current expansion contract, will start on 1 January 2024 (the authorized short-time working schemes will operate until that date) and last for total of 18 months, consecutive or otherwise, with an average reduction in working hours of 30%, corresponding to 569 full time equivalents and involving all production unit personnel, as summarized by category in the table set out on page 2 of this agreement.

Within the company average, reductions of up to 100% of working hours may be agreed upon for each worker. Reductions may be on a daily, weekly and monthly basis, also considering the provisions of

Article 18 of the national collective bargaining agreement for employees of companies in the wood sector and Article 131 of the national collective bargaining agreement for employees of companies in the tertiary, distribution and services sector regarding multi-week average hours.

The suspension of working hours to the maximum average extent specified serves to implement the Business Plan and Training and Retraining Project. The selection and rotation criteria will be as follows:

i. in relation to the technical and organizational measures put in place in execution of the Plan, all personnel in the above table may have their working hours suspended or reduced;
ii. with reference to the above, a rotation will be carried out that, within the same job descriptions and positions, will be proportional save for specific technical, organizational and production requirements;
iii. different solutions may also be implemented at plant level and between departments and/or areas having regard to output needs and to maintain manufacturing balance, in order to ensure adequate flexibility and rapid market reaction times and to guarantee essential services.

ln addition, in light also of the aforementioned new skills aimed at ensuring that employees are correctly aligned with new industrial and market logic, the training courses already carried out and the retraining, reskilling or upskilling measures referred to in Section A above, the Parties are engaged in a discussion, within the framework of second-level collective bargaining with a view to defining the skills matrix and performance expected from each position/job description. This will not invalidate the mechanisms for applying the reduction in working hours but may make it necessary to provide for reductions that are not completely homogeneous depending on the progressive acquisition and consolidation of the new skills.

The Company will bring forward short-time working scheme payments to the standard pay dates.

The Parties agree to meet at the request of either of them in order to monitor how rotation is operating.

Natuzzi S.p.A. quantified the costs of covering applications for short-time working scheme payments as EUR 13,537,489.00.

E. GENDER EQUALITY AND POSITIVE ACTION FOR SUSTAINABILITY, INCLUSIVENESS AND WELFARE

All of the actions described above and, in any case, the entire implementation process of the 2022-26 Business Plan is based on the principles of maximum respect for gender equality, sustainability, inclusiveness and welfare. To this end, it should be emphasized that the Parties are currently engaged in an important discussion on second-level collective bargaining, which will not be limited only to the issues of regaining competitiveness and workers' participation in business results and the discussion on new skills and the organization of company work.

Indeed, the Parties, also in the wake of the detailed platform presented by the trade union organizations, have decided to devote special attention to the issues of the environment, health and safety, protection and welfare, dedicating special round tables to those issues. This is part of a well-established though not fully structured approach that has seen Natuzzi for some time engaged in research activities aimed at ensuring

corporate sustainability through the use also of recycled raw materials, a strong commitment to wood components sourced from FSC-certified suppliers and the increasing use of sustainable energy, including self-generated (solar power). ln addition, the Parties believe it is important to emphasize that business competitiveness is also based on the Company's ability to mirror society in order to predict and anticipate the needs of present and future consumers.

With this in mind, in a vision of a society that is taking on increasingly multicultural, multiethnic, and multi-gender characteristics, the process of inclusion and integration is a winning formula for business success, and the Parties will progressively encourage positive actions in this regard.

The Parties agree to monitor with periodic follow-up meetings the implementation of this agreement.

With the signing of this agreement under the auspices of the government, the Parties agree to implement an expansion contract under Article 41 of Legislative Decree No. 148/2015, as replaced by Article 26-*quater* of Law Decree No. 34/2019, converted, with amendments, into Law No. 58/2019 and subsequently amended by Article 1(215) of Law No. 234/2021.

The Ministry of Labor and Social Policy, noting the agreement reached by the Parties under the auspices of the government in relation to an "early termination agreement", declares that the procedure under Article 24 of Legislative Decree No. 148/2015 has been successfully completed.

Read, confirmed and signed.

MINISTRY OF LABOR AND SOCIAL POLICY

NATUZZI S.P.A.

CONFINDUSTRIA

FENEAL

UIL FILCA

CISL FILLEA

CGIL

FILCAM CGIL

FISACAT CIGL

USB LAVORO PRIVATO

CONFEDERAZIONE COBAS LAVORO

PRIVATO

RSU/RSA

Exhibit 4.4

RECORD OF AGREEMENT

On 27 November 2023 a hybrid meeting is held at the Bari offices of the Confederation of Italian Industry (Confindustria) between:

Natuzzi S.p.A., represented by Mario de Gennaro, Director of Human Resources Organization and Legal WW, Maria Patrizia Ragazzo, Trade Union Relations and HRBP Italy Manufacturing, Flavio Barile, HRBP Corporate, and Leonardo Lamanna, HR Operations and Labor Cost, assisted by Mr. Giuseppe Bisceglie of the Bari chapter of Confindustria;

- the FENEAL UIL trade union: represented by Mauro Franzolini, Mina Paolicelli and Saverio Loiudice;
- the FILCA CISL trade union: represented by Claudio Sottile, Margherita Dell'Otto and Antonio Delle Noci;
- the FILLEA CGIL trade union: represented by Tatiana Fazi, Angelo Vaccaro and Ignazio Marcello Savino;
-
- all the local branches and unitary trade union representative bodies (RSU) / single trade union representative bodies (RSA) of Puglia and Basilicata of the FENEAL UIL, FILCA CISL and FILLEA CGIL trade union organizations;

to continue the discussion related to the implementation of the new Natuzzi Group 2022-2026 Business Plan, already illustrated by the Company at the Crisis Round Table held at Ministry for Economic Development (MISE) in the presence of all the social partners and government representatives involved and in particular to discuss the Solidarity Agreement referred to in the agreement of 4 November 2021 and the subsequent one of 24 October 2023.

WHEREAS

Natuzzi S.p.A. operates in the furniture industry and exports 90% of its sales to 123 countries. The registered office is located in Santeramo in Colle (BA) and the Company operates plants and has offices located in the provinces of Bari, Matera, Taranto and Milan.

Specifically, in Italy, the Company is classified by the National Social Security Institution (INPS) as belonging to the industrial sector, and operates with the following production units, whose workforce as of 31 October 2023 – leaving aside 29 executives – is set out in the table hereunder for each of the said production units:

Production Unit	Address	FIRST-LINE MANAGERS	OFFICE WORKERS	INTERMEDIATE WORKERS	FACTORY WORKERS	Total
Santeramo in Colle (BA)	Via Iazzitiello 47	87	267	13	90	457

Santeramo in Colle lBA)	SS 271 per Matera Km 50,200	1	8		13	249	271
Milan (MI)	Via Durini 24	2	4				6
Matera (MT)	Via Appia Antica S.C. Km 13,500	2	5		9	179	195
Matera (MT)	Zona lndustriale Località La Martella	1	14		4	75	94
Laterza (TA)	C.da Madonna delle Grazie	2	20		26	370	418
Altamura	Graviscella	1	11		28	405	445
Total		**96**	**329**		**93**	**1,368**	**1,886**

The employment relationship of factory workers, intermediate workers and first-line managers in Natuzzi S.p.A. is governed by the national collective bargaining agreement for employees of companies in the wood sector (1,562 employees) and the national collective bargaining agreement for employees of companies in the tertiary, distribution and services sector (324 employees).

Natuzzi has long been engaged in industrial and commercial redesign initiatives aimed at increasing competitiveness and maintaining its position on the market and consequently safeguarding employment levels.

That path has entailed and is entailing important actions in terms of industrial upgrading from a digital standpoint, aimed also at valuing eco-sustainability and shifting the Italian living room industry to "high-end" production, in order to meet the needs of the market that recognizes "Made in Italy" as having a higher added value in connection with a quality and design that is greater than the commercial average.

Functional to this objective is thus the specialization of production and the necessary training (reskilling and upskilling) of the workforce, as well as the hiring of new workers with distinctive skills missing within the Company and required for the ongoing process of reconversion.

For this reason, from the aforementioned perspective of relaunching the business in manufacturing and commercial terms and gradually solving structural overstaffing, on 2 March 2022 Natuzzi provided the government and all of the trade union organizations with its 2022-2026 Business Plan that is developed in accordance with the following guidelines:

1. refocusing of the organization to enhance the global value of the brands with recognition, in the value chain for the consumer, of the "Puglian" dimension and craftsmanship of Natuzzi brands;

2. strong investment in retail, both directly-owned stores and franchising, in order to support a growth in sales volumes and awareness, i.e. the conscious sharing by consumers of the Company's values;

3. rightsizing, i.e. organizational reorganization with the reskilling of internal human resources and the hiring of workers with the missing skills that cannot be acquired through retraining processes;

4. boosting of e-commerce as part of a multi-channel approach;

5. regaining competitiveness through investments in production sites, including for Natuzzi Italia output, in accordance with the new logic of Factory 4.0;

6. strengthening of corporate social responsibility initiatives with particular reference to issues of safety in the workplace, environmental protection and the welfare of workers, as always in a logic of general sustainability of the business.

The new Factory 4.0 model – mentioned in point 5 above – has multiple elements with the potential to improve various production factors:

a) it is strongly industrial in nature, through a refocusing of activities toward the Company's core business at a time of shrinking markets and demand for Italian products;

b) it is managerial, through defensive action and the preservation of economic resources that must be centered on conservation, consolidation and business continuity;

c) it is innovative, designed with Lean Manufacturing in mind, and assumes strategic importance in that it will achieve very competitive production processes that will enable the production in Italy of lines currently excluded by cost differentials, all to the advantage of additional production areas;

d) it implements advanced prevention and protection models in a logic of a Total Safety System, focusing not only on “mandatory” safety issues, but intervening with the support of greater automation in order to improve the ergonomic conditions of workers;

e) it is aimed at greater environmental protection through the constant search for the use of environmentally friendly materials with a view to a circular economy.

Within the framework of the dialogue and discussions that have been underway for some time, the Company has informed the government and social partners that it has set itself the objective of avoiding traumatic solutions in managing structural overstaffing through recourse to tools supporting restructuring programs (Agreements of 6, 7 and 11 April 2022, which are which are incorporated herein by reference and form an integral part hereof).

As far back as 2021, moreover, the Parties had discussed equipping Natuzzi with the right tools to manage the human resources surplus and to enable the Company to utilize a detailed and diversified method of application of the provisions of Legislative Decree No. 148/2015 as amended in order to ensure that the relevant social safety net measures were consistent with the different ways in which action would be taken in various business areas.

To this end, on 19 October 2021 the Company initiated the procedure pursuant to Article 24 of Legislative Decree No. 148/20015 to enter into a 2-year solidarity agreement for the so-called “living room area” and the corporate department.

The Parties embarked on an intense discussion on this issue, which concluded with the signing of the agreement of 4 November 2021, incorporated by reference herein and forming an integral part hereof.

As a result, Natuzzi proceeded to implement the Solidarity Agreement for a total of 1,489 affected workers, with an average monthly reduction of 40% in working hours, a maximum number of workers that can be simultaneously involved of 595FTE and a maximum individual reduction of 70% in working hours.

The said Solidarity Agreement was due to expire on 7 November 2023 but, as there were technical and organizational reasons as well as market needs that made an extension thereof necessary, on 24 October 2023 the Parties proceeded – in compliance with the law – to extend the term thereof until 31 December 2023.

The reasons for that decision were connected to a sharp fall in orders that made it impossible for the production plants and support services to operate regularly. This was mainly due to the general inflationary environment affecting the global economy primarily due to international tensions and associated higher energy costs. Another cause was a reduced propensity by consumers to purchase durable goods, who in such a scenario and after the Covid pandemic have preferred to spend on travel and entertainment.

This situation, which was serious for the entire industry, hit Natuzzi in the midst of its ongoing reorganization process and heightened the need for tools to support that process and the retraining of surplus workers.

Despite the seriousness of the reasons described above, the Parties chose only a short extension so as to also facilitate a temporary realignment mechanism with another human resources management tool in place in the group, namely an extended special short-time work scheme pursuant to Article 44(11-*ter*) adopted in other production units.

The above was due to the fact that the Parties had previously reached a detailed understanding on an early retirement agreement pursuant to Article 41 of Legislative Decree No. 148/2015 as amended. That agreement, signed on 11 July 2023 at the Ministry of Labor, is in being implemented as regards the redundancy plan specified therein but provides for the application of a short-time working scheme under Article 41(7) of Law Decree No. 148/20015 as amended starting from 1 January 2024.

That said, in the agreement of 24 October 2023 the Parties undertook to open discussions by the end of November 2023 to consider a further extension of the Solidarity Agreement entered into through the said agreement. They did so in view of the need to intervene where the continuation of unfavorable market situations and a consequent flow of orders lower than that taken into account for the agreement of 11 April 2023 would require recourse to additional support measures.

The current context now makes it crucial to proceed in that direction against the backdrop of a business situation that, although slightly improving, still appears far from the volumes hoped for last July.

Moreover, in the Group's detailed Business Plan, a fundamental element is the investment program linked to the Development Contract signed with Invitalia and which envisages important measures at the Jesce 1, Jesce 2 and Laterza plants and at the Matera La Martella warehouse.

The sequence of those investments will result in a need to freeze the Company's production capacity with a consequent recourse, during the period of implementation of the investments themselves, to suspensions of working hours that will reach levels in individual production units even higher than those witnessed so far.

In light of the above, on 20 November 2023 Natuzzi – by registered mail hand delivered to the trade union organizations listed in the caption above – gave appropriate notice explaining the reasons described above in order to immediately start discussions on the matter.

Paragraph 10 of Article 41 of Legislative No. Decree 148/2015 as amended establishes that the measures envisaged by that article can be combined with other measures provided for in the Decree as a whole.

THEREFORE

In order to fully endorse the applicability of the Business Plan as outlined above, the Parties agree as follows.

1. The recitals hereto as well as the agreements of 4 November 2021 and 24 October 2023 form an integral part of this present agreement.

2. The existing Solidarity Agreement is extended for the production units of Jesce 1, jesce 2, Laterza and Matera La Martella until 3 November 2024 while the expiry date for the units not indicated below remains 31 December 2023.

3. The human resources involved are set out in the following table:

Production Unit	**Address**	**FIRST-LINE MANAGERS**	**OFFICE WORKERS**	**INTERMEDIATE WORKERS**	**FACTORY WORKERS**	**Total**
Santeramo in Colle (BA)	SS 271 per Matera Km 50,200	1	8	13	249	271
Matera (MT)	Via Appia Antica S.C. Km 13,500	2	5	9	179	195
Matera (MT)	Zona lndustriale Località La Martella	1	14	4	75	94
Laterza (TA)	C.da Madonna delle Grazie	2	20	26	370	418
Total		**6**	**47**	**52**	**873**	**978**

4. The level of reduction in working hours in the period from 1 January 2024 to 3 November 2024 will entail a maximum number of FTE units that can be simultaneously involved of 526 FTE, a maximum individual reduction of 70% in working hours, an average monthly reduction in the entire period of 45% and an actual average monthly reduction of 54%.

5. The selection criteria, rotation methods and differentiations between various plants, various areas and departments and various divisions remain those established in previous agreements.

6. As of 4 November 2024 the measures referred to in Article 41(7) of Legislative Decree No. 148/2015 as amended will be initiated for these production units in accordance with the agreement of 11 July 2023.

7. In the other production units not covered by this present agreement to extend the Solidarity Agreement, the reduction in working hours provided for in the early retirement agreement of 11 July 2023 will be applied, as provided therein starting on 1 January 2024. Apart from individual situations that are governed within the limits provided for the above-mentioned Article 41(7), it will be ensured that the average reduction in working hours implemented will not exceed – in the period from 1 January 2024 to 3 November 2024 – the limits set for the Solidarity Agreement applied in the other production units and indicated in point 4 above. Such without prejudice to the overall limits of the scheme laid down by law and in the agreement of 11 July 2023.

By means of this present agreement the Parties hereby declare the procedure itself pursuant to Article 24 of Legislative Decree No. 148/2015 as amended has been successfully concluded, overcoming any formal defect there may be.

The Company will arrange to forward the documents and application to the Ministry of Labor and INPS for the purposes of the issuance of the relevant decrees and the fulfilment of the operational formalities in this regard.

The Parties also agree on the importance of constantly monitoring the application of this present agreement, which, because of the sophisticated measures on which it is based and the complexity it entails, will ensure compliance with the principle of fairness sought by the Parties over the entire period of its application.

For these reasons, the Company and the unitary trade union representative bodies (RSU) / single trade union representative bodies (RSA) will meet at the level of individual production units on a biweekly basis in order to verify how to implement the agreement and the organizational solutions to facilitate its applicability.

In addition, on a monthly basis, without prejudice to the entire January - early November period, the Company will provide the national, regional and local trade union secretariats and the unitary trade union representative bodies (RSU) / single trade union representative bodies (RSA) with a summary report of the situation recorded in the previous month.

Finally, the Parties confirm the importance of framing this present agreement within the broader discussion on the Business Plan and in particular on the business growth prospects, on the underlying strategies and on the investments in communication and retail that are intended to be implemented to achieve the Group's more overall objectives.

To this end, the Parties agree to meet by next January, with a large delegation from the Company’s side, to present the 2024-2028 Business Plan, which, building on the one already discussed in March 2022, confirms its direction and frames it in the context of the current market outlook.

That discussion will be preparatory to the broader institutional roundtable at the Ministry of Business and Made in Italy (MIMIT), which the Parties believe is essential in any case and which is scheduled to be held by February 2024.

Read, confirmed and signed

National secretariats

FENEAL UIL

FILCA CISL

FILLEA CGIL

Puglia regional secretariats

FENEAL UIL

FILCA CISL

FILLEA CGIL

Basilicata regional secretariats

FENEAL UIL

FILCA CISL
FILLEA CGIL

Local secretariats
FENEAL UIL
FILCA CISL
FILLEA CGIL

RSU/RSA

NATUZZI S.P.A.

Exhibit 4.5

Certain information in this document, marked by [***], has been excluded because it is not material and is the type of information that the registrant treats as private or confidential.

Santeramo in Colle, 9 April 2024

On 8 April 2024 we received via certified e-mail the proposal for a private instrument in writing that we transcribe hereunder

PRIVATE INSTRUMENT IN WRITING

embodying an

INTEREST-BEARING LOAN AGREEMENT

Dated 31 March 2024

between:

INVEST 2003 SRL, with registered office at Via Gobetti 8 in Taranto, Tax Identification and VAT No. 02492540733, registered at the Taranto Register of Enterprises – Economic and Administrative List (REA) No. TA/149847, represented by the Sole Director Pasquale Natuzzi, born in Matera on 24 March 1940, resident at Via Iazzitiello 55 in Santeramo (Bari) and with personal tax identification number NTZPQL40C24F052F, and certified e-mail address invest2003srl@legalmail.it

and

NATUZZI SPA, with registered office at Via Iazzitiello 47 in Santeramo in Colle (Bari), Tax Identification and VAT No. 03513760722, registered in the Bari Register of Enterprises – Economic and Administrative List (REA) No. BA/261878, represented by the Chief Executive Officer and pro-tempore legal representative Achille Antonio, born in Bologna on 22 May 1971, resident at Via Bergognone 65 in Milan and with personal tax identification number CHLNTN71E22A944U, and certified e-mail natuzzi@legalmail.it

WHEREAS

A)

INVEST 2003 SRL is a shareholder of NATUZZI SPA and holds a 56.23% stake in the share capital of NATUZZI SPA amounting to € 55,073,045.00.

B)

In February 2020 INVEST 2003 SRL and NATUZZI SPA entered into an "Equity Commitment Agreement" aimed at supporting the financial needs of NATUZZI SPA during the period of implementation of the Business and Transformation Plan approved by the Board of Directors in October 2019 and prepared with the assistance and support of McKinsey & Co. Such plan immediately required specific amendments in the wake of the occurrence of the Covid 19 emergency, including commencing from the initial area of contagion (China) that affected the Company's own production facilities.

The Plan provided that INVEST 2003 SRL would make advance payments, in one or more installments, to NATUZZI SPA, should the Company so request, in respect of a future rights issue, up to a total of € 15,000,000.00 (fifteen million euros and zero cents).

C)

In that same Agreement NATUZZI SPA undertook to do everything in its power to ensure that by no later than 30 September 2020 a shareholders' meeting would be held to approve the rights issue reserved for subscription by all shareholders for a minimum amount (including any share premium) of € 15,000,000.00 (fifteen million euros and zero cents) to be paid in by 31 December 2020, including in several tranches, in cash.

D)

The payments, as indicated in the above subparagraph B), were subject to the condition subsequent that the rights issue not be approved by the First Term and not be executed by the Second Term. Consequently, upon fulfilment of that condition, the sums disbursed pursuant to the Agreement would have to be immediately returned by NATUZZI SPA to its shareholder INVEST 2003 SRL, in whole or in part, to the extent that they exceeded the amount of the rights issue actually executed.

E)

On 2 March 2020 the shareholder INVEST 2003 SRL arranged to pay NATUZZI SPA the sum of €

2,500,000.00 (two million five hundred thousand euros and zero cents).

F)

On 6 August 2020 the parties signed a first “addendum” amending the Agreement under which they agreed to extend the First Term until 31 December 2020 and the Second Term until 31 March 2021. On 30 December 2020 the parties signed a second “addendum” – again constituting an integral and substantive part of the Agreement – under which they agreed to extend the First Term until 31 December 2021 and Second Term until 31 March 2022.

On 25 July 2022 the parties finalized and signed an additional “addendum” to the Equity Commitment Agreement under which they agreed to extend the First Term until 31 March 2023 and the Second Term until 30 September 2023, after having deemed it unnecessary as matters stood to consider a rights issue in view of the Company’s results, assets, liabilities and financial position following the end of fiscal 2021 and initial performance in fiscal 2022.

On 9 November 2023, having noted that the final deadline agreed upon to give effect to the Equity Commitment Agreement had already expired on 30 September 2023, INVEST 2003 SRL requested NATUZZI SPA to return the sum of € 2,500,000.00 (two million fife hundred thousand euros and zero cents) disbursed on 2 March 2020. In a notice of acknowledgement sent on that same date, NATUZZI SPA requested that the deadline thereby specified for the return of the funds be extended to 31 March 2024.

G)

In its last financial statements for the year ended 31 December 2022, NATUZZI SPA depicted the Agreement in question in the following terms:

“As of 31 December 2022 the amount of € 2,500,000 refers to the advance received from the Company’s majority shareholder. Specifically, in light of the extraordinary circumstances imposed by COVID-19 on the Group, on 28 February 2020 the Company’s majority shareholder entered into an agreement with the Company whereby it undertook, should the Company so request, to make advance payments of up to € 15,000,000 to satisfy the subscription price of a future rights issue. On 28 February 2020 the Company requested an initial payment of € 2,500,000, which it received on 2

March 2020. Since the Company's board of directors has not called a shareholders' meeting to resolve on the capital increase, the sum of € 2,500,000 will be repaid in September 2023. For this reason, the amount of € 2,500,000 has been included in the item 'other payables'."

H)

Article 10 of the current Bylaws of NATUZZI SPA provides that the Company "may obtain from its shareholders loans free of charge or against payment, with or without the obligation to reimburse, in compliance with applicable rules, with special reference to the rules regulating the collection of public savings".

I)

The parties deem that it is necessary to proceed to clarify and regulate the relations that have arisen between them following the signing of the "Equity Commitment Agreement" on 28 February 2020. Such in any case in the mutual conviction that it has enabled the corporate purpose to be attained and maintained at a lower cost than that stemming from other means of financing in view of the lack on the part of NATUZZI SPA, in the predetermined and agreed terms, of any initiatives aimed at adopting a resolution to increase its share capital. A benefit that NATUZZI SPA may continue to obtain as a result of the entering into of this present agreement on the facilitated interest rate for the loan until the due date for its repayment compared to the higher interest rate charged by banks for similar financing.

THEREFORE THE PARTIES AGREE AND STIPULATE AS FOLLOWS:

1.

RECITALS AND ANNEXES

The recitals and annexes form an integral and substantive part of this agreement, and no changes may be made hereto without written agreement between the parties.

2.

SUBJECT MATTER OF THE AGREEMENT

NATUZZI SPA and INVEST 2003 SRL – the latter holding a 56.23% stake in the share capital of NATUZZI SPA – hereby declare that the "Equity Commitment Agreement" entered into on 28

February 2020 and all subsequent "addenda" agreed are terminated for all purposes.

As a result of that termination, the parties expressly declare and mutually acknowledge that the sum of € 2,500,000.00 (two million five hundred thousand euros and zero cents) disbursed on 2 March 2020 by the shareholder INVEST 2003 SRL to NATUZZI SPA by means of a wire transfer from the bank account **[***]** in the name of INVEST 2003 SRL to the bank account **[***]** in the name of NATUZZI SPA was paid as an interest-bearing loan as provided for and permitted by Article 10 of the Bylaws with interest due as and from 31 March 2024.

The parties jointly declare and acknowledge that the accounting and financial effects resulting from the termination of the Equity Commitment Agreement shall run from 31 March 2024. **(Annex 1)**

3.

REPAYMENT OF THE LOAN

The sum of € 2,500,000.00 (two million five hundred thousand euros and zero cents) so disbursed – plus interest on an annual basis at the rate of 2.50 % (two point five percent) running from 31 March 2024 – shall be repaid by NATUZZI SPA to INVEST 2003 SRL on the due date of 31 March 2027.

INVEST 2003 SRL will demand payment of the annual interest accrued during the relevant period on the due dates of 31 March 2025 and 31 March 2026. Without prejudice to the payment of the interest accrued during the period from 1 April 2026 to 31 March 2027 together with the repayment of the sum of € 2,500,000.00 (two million five hundred thousand euros and zero cents) as well as, if not previously paid, the interest accrued from 1 April 2024 to 31 March 2025 and from 1 April 2025 to 31 March 2026. The parties agree that the repayment of the disbursed amounts covered by this loan agreement, including the amounts due by way of accrued interest, shall be made by wire transfer to the bank account in the name of INVEST 2003 SRL **[***]**.

By signing this agreement INVEST 2003 SRL undertakes to notify NATUZZI SPA by certified e-mail of any change regarding the identifying particulars of its bank account and through which the loan is to be repaid.

4.

APPLICABLE LAW

For all matters not provided for in this agreement, the parties shall refer to the provisions contained in

the Civil Code and special laws governing such matters.

5.

JURISDICTION AND VENUE

The parties agree that the Courts of Bari shall have jurisdiction in the event of any dispute arising in connection with this agreement.

6.

PROCESSING OF PERSONAL DATA

By signing this agreement, pursuant to Regulation (EU) 2026/676, the parties undertake to process the personal data of which they will become aware in connection with this agreement in compliance with all the criteria set forth in the said Regulation and for the sole purpose of the correct, complete and timely performance of the agreement.

7.

METHOD OF SIGNATURE

With reference to the signing of this agreement and satisfying the requirement laid down by Article 48 of Legislative Decree No. 14 of 12 January 2019 regarding a definite date, INVEST 2003 SRL and NATUZZI SPA, acting through their respective legal representatives, sign the agreement by digital signature with time stamp affixed. Such because:

- Paragraph 1-*bis* of Article 20 (“Validity and probative value of computer documents”) of Legislative Decree No. 82 of 7 March 2005 (“Digital Administration Code”) establishes that a computer document, i.e. “an electronic document that contains the computer representation of legally relevant acts, events or data satisfies the requirement of written form and has the probative value provided for by Article 2702 of the Civil Code when a digital signature, other type of qualified electronic signature or an advanced electronic signature is affixed to it or, in any case, it is formed after computer identification of its author, through a process meeting the requirements established by AgID (Agency for Digital Italy) pursuant to Article 71 in such a way as to ensure the security, integrity and inalterability of the document and, in a manifest and unequivocal manner, its traceability back to the author ... the date and time of formation of the computer

document are enforceable against third parties if affixed in accordance with the guidelines";

- Article 41(1) of Prime Ministerial Decree of 22 March 2013 on "Technical rules on the generation, affixing and verification of advanced electronic signatures, qualified electronic signatures and digital signatures pursuant to Articles 20(3) 24(4), 28(3), 32(3)(b), 35(2), 36(2) and 71" of the Digital Administration Code provides that "time references made by accredited certifiers in accordance with the provisions of Title IV are enforceable against third parties pursuant to Article 20(3) of the Digital Administration Code";
- Title IV referred to for that purpose sets out the "Rules for time validation through time stamps".

Annexed hereto:

1) Bank records evidencing the payment of 2 March 2020.

Santeramo, 31 March 2024

INVEST 2003 SRL NATUZZI SPA

The legal representative The legal representative

By signing this letter, we confirm our full acceptance of the proposal for an agreement set forth in the preceding pages.

Natuzzi SPA

The legal representative

Exhibit 8.1

List of Significant Subsidiaries:

Name	Percentage of 31/12/2023	Percentage of 31/12/2022	Share/ quota capital	Ownership registered office	Activity
Italsofa Romania S.r.l.	100.00	100.00	RON 109,271,750	Baia Mare, Romania	(1)
Natuzzi (China) Ltd	100.00	100.00	CNY 106,414,300	Shanghai, China	(1)
Italsofa Nordeste S/A	100.00	100.00	BRL 159,300,558	Salvador de Bahia, Brazil	(1)
Natuzzi Quanjiao Limited	100.00	100.00	CNY 10,000,000	Quanjiao County-Anhui province, China	(1)
Natco S.p.A.	99.99	99.99	EUR 4,420,000	Santeramo in Colle, Italy	(2)
Nacon S.p.A.	100.00	100.00	EUR 2,800,000	Santeramo in Colle, Italy	(3)
Lagene S.r.l.	100.00	100.00	EUR 10,000	Santeramo in Colle, Italy	(3)
Natuzzi Americas Inc.	100.00	100.00	USD 89	High Point, N. Carolina, USA	(3)
Natuzzi Florida LLC	51.00	51.00	USD 4,955,186	High Point, N. Carolina, USA	(3)
Natuzzi Iberica S.A.	100.00	100.00	EUR 386,255	Madrid, Spain	(3)
Natuzzi Switzerland AG	100.00	100.00	CHF 2,000,000	Dietikon, Switzerland	(3)
Natuzzi Services Limited	100.00	100.00	GBP 25,349,353	London, UK	(3)
Natuzzi UK Retail Limited	70.00	70.00	GBP 100	Cardiff, UK	(3)
Natuzzi Germany Gmbh	100.00	100.00	EUR 25,000	Köln, Germany	(3)
Natuzzi Japan KK	74.40	74.40	JPY 28,000,000	Tokyo, Japan	(3)
Natuzzi Russia OOO	100.00	100.00	RUB 8,700,000	Moscow, Russia	(3)
Natmx S.DE.R.L.DE.C.V	100.00	100.00	MXN 68,504,040	Mexico City, Mexico	(3)
Natuzzi France S.a.s.	100.00	100.00	EUR 70,727	Paris, France	(3)
Natuzzi Oceania PTI Ltd	74.40	74.40	AUD 320,002	Sydney, Australia	(3)
Natuzzi Singapore PTE. LTD.	74.40	74.40	USD 7,654,207	Singapore, Republic of Singapore	(3)
Natuzzi Netherlands Holding	100.00	100.00	EUR 34,605,000	Amsterdam, Holland	(4)
Natuzzi Trade Service S.r.l.	100.00	100.00	EUR 14,000,000	Santeramo in Colle, Italy	(5)

(1) Manufacture and distribution
(2) Intragroup leather dyeing and finishing
(3) Services and distribution
(4) Investment holding
(5) Dormant

Exhibit 12.1

I, Antonio Achille, certify that:

1. I have reviewed this annual report on Form 20-F of Natuzzi S.p.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: **April 30, 2024**

/s/ Antonio Achille

Name: Antonio Achille

Title: Chief Executive Officer

Exhibit 12.2

I, Carlo Silvestri, certify that:

1. I have reviewed this annual report on Form 20-F of Natuzzi S.p.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: **April 30, 2024**

/s/ Carlo Silvestri

Name: Carlo Silvestri

Title: Chief Financial Officer

Exhibit 13.1

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Natuzzi S.p.A. (the "Company") does hereby certify, to such officer's knowledge, that:

The Annual Report on form 20-F for the year ended **December 31, 2023** (the "Form 20-F") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: **April 30, 2024**

/s/ Antonio Achille
Antonio Achille
Chief Executive Officer

Dated: **April 30, 2024**

/s/ Carlo Silvestri
Carlo Silvestri
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Natuzzi S.p.A. and will be retained by Natuzzi S.p.A. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 15.1

April 30, 2024

Securities and Exchange Commission
Washington, D.C. 20549

Ladies and Gentlemen:

We were previously principal accountants for Natuzzi S.p.A. and, under the date of April 30, 2024, we reported on the consolidated financial statements of Natuzzi S.p.A. as of December 31, 2023 and 2022 and for each of the years in the three-year period ended December 31, 2023. On April 12, 2024, we notified Natuzzi S.p.A that we decline to stand for reelection as principal independent registered public auditor at the May 30, 2024 general shareholders' meeting.

We have read Natuzzi S.p.A.'s statements included under Item 16-F of its Form 20-F dated April 30, 2024, and we agree with such statements.

Very truly yours,

/s/ KPMG S.p.A.

Bari, Italy

Exhibit 97.1

NATUZZI S.P.A. POLICY FOR THE RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

1. Purpose. The purpose of this Policy is to describe the circumstances in which Executive Officers will be required to repay or return Erroneously Awarded Compensation to the Company in accordance with the Clawback Rules. Each Executive Officer shall be required to sign and return to the Company the Acknowledgement and Acceptance Form attached hereto as Exhibit A pursuant to which such Executive Officer will acknowledge that he or she is bound by the terms of this Policy; provided, however, that this Policy shall apply to, and be enforceable against, any Executive Officer and his or her successors (as specified in Section 11 of this Policy) regardless of whether or not such Executive Officer properly signs and returns to the Company such Acknowledgement and Acceptance Form and regardless of whether or not such Executive Officer is aware of his or her status as such.

2. Administration. Except as specifically set forth herein, this Policy shall be administered by the Administrator. Any determinations made by the Administrator shall be final and binding on all affected individuals and need not be uniform with respect to each individual covered by this Policy. Subject to any limitation under applicable law, the Administrator may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee).

3. Definitions. For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(a) "***Accounting Restatement***" shall mean an accounting restatement: (i) due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a "Big R" restatement); or (ii) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a "little r" restatement).

(b) "***Administrator***" shall mean the Committee or any other committee designated by the Board to administer the Policy, and in the absence of such designation, the Board.

(c) "***Board***" shall mean the Board of Directors of the Company.

(d) "***Clawback Eligible Incentive Compensation***" shall mean, with respect to each individual who served as an Executive Officer at any time during the applicable performance period for any Incentive-based Compensation (whether or not such individual is serving as an Executive Officer at the time the Erroneously Awarded Compensation is required to be repaid to the Company), all Incentive-based Compensation Received by such individual: (i) on or after the Effective Date; (ii) after beginning service as an Executive Officer; (iii) while the Company has a class of securities listed on the Listing Exchange; and (iv) during the applicable Clawback Period.

(e) "***Clawback Period***" shall mean, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date and any transition period (that results from a change in the Company's fiscal year) of less than nine months within or immediately following those three completed fiscal years.

(f) "***Clawback Rules***" shall mean Section 10D of the Exchange Act and any applicable rules or standards adopted by the SEC thereunder (including Rule 10D-1 under the Exchange Act) or the Listing Exchange pursuant to Rule 10D-1 under the Exchange Act (including Section 303A.14 of the New York Stock Exchange Listed Company Manual), in each case as may be in effect from time to time.

(g) "***Committee***" shall mean the Compensation Committee of the Board.

(h) "***Company***" shall mean Natuzzi S.p.A. (and as the Administrator determines is applicable, together with each of its direct and indirect subsidiaries).

(i) "***Effective Date***" shall mean October 2, 2023.

(j) "***Erroneously Awarded Compensation***" shall mean, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Clawback Eligible Incentive Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid.

(k) "***Executive Officer***" shall mean any individual who is or was an executive officer as determined by the Administrator in accordance with the definition of "executive officer" as set forth in the Clawback Rules and any other senior executive, employee or other personnel of the Company who may from time to time be deemed subject to the Policy by the Administrator. For the avoidance of doubt, the Administrator shall have full discretion to determine which individuals in the Company shall be considered an "Executive Officer" for purposes of this Policy.

(l) "***Exchange Act***" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(m) "***Financial Reporting Measures***" shall mean measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return shall for purposes of this Policy be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented within the Company's financial statements or included in a filing with the SEC.

(n) "***Incentive-based Compensation***" shall mean any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(o) "***Impracticable***" shall mean, in accordance with the good faith determination of the Committee, or if the Committee does not consist of independent directors, a majority of the independent directors serving on the Board, that either: (i) the direct expenses paid to a third party to assist in enforcing the Policy against an Executive Officer would exceed the amount to be

recovered, after the Company has made a reasonable attempt to recover the applicable Erroneously Awarded Compensation, documented such reasonable attempt(s) and provided such documentation to the Listing Exchange; (ii) recovery would violate Italian law where that law was adopted prior to November 28, 2022, provided that, before concluding that it would be Impracticable to recover any amount of Erroneously Awarded Compensation based on violation of Italian law, the Company has obtained an opinion of Italian counsel, acceptable to the Listing Exchange, that recovery would result in such a violation and a copy of the opinion is provided to the Listing Exchange; or (iii) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

(p) "***Listing Exchange***" shall mean the New York Stock Exchange or such other U.S. national securities exchange or national securities association on which the Company's securities are listed.

(q) "***Method of Recovery***" shall include, but is not limited to: (i) requiring reimbursement of Erroneously Awarded Compensation; (ii) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards; (iii) offsetting the Erroneously Awarded Compensation from any compensation otherwise owed by the Company to the Executive Officer; (iv) cancelling outstanding vested or unvested equity awards; and/or (v) taking any other remedial and recovery action permitted by applicable law, as determined by the Administrator.

(r) "***Policy***" shall mean this Policy for the Recovery of Erroneously Awarded Compensation, as the same may be amended and/or restated from time to time.

(s) "***Received***" shall, with respect to any Incentive-based Compensation, mean deemed receipt and Incentive-based Compensation shall be deemed received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if the payment or grant of the Incentive-based Compensation occurs after the end of that period. For the avoidance of doubt, Incentive-Based Compensation that is subject to both a Financial Reporting Measure vesting condition and a service-based vesting condition shall be considered received when the Financial Reporting Measure is achieved, even if the Incentive-Based Compensation continues to be subject to the service-based vesting condition.

(t) "***Restatement Date***" shall mean the earlier to occur of: (i) the date the Board, a committee of the Board or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement; or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

(u) "***SEC***" shall mean the U.S. Securities and Exchange Commission.

4. Repayment of Erroneously Awarded Compensation.

(a) In the event the Company is required to prepare an Accounting Restatement, the Administrator shall reasonably promptly (in accordance with the applicable Clawback Rules) determine the amount of any Erroneously Awarded Compensation for each Executive Officer in

connection with such Accounting Restatement and shall reasonably promptly thereafter provide each Executive Officer with written notice containing the amount of Erroneously Awarded Compensation and a demand for repayment or return, as applicable. For Clawback Eligible Incentive Compensation based on stock price or total shareholder return where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement, the amount shall be determined by the Administrator based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Clawback Eligible Incentive Compensation was Received (in which case, the Company shall maintain documentation of such determination of that reasonable estimate and provide such documentation to the Listing Exchange). The Administrator is authorized to engage, on behalf of the Company, any third-party advisors it deems advisable in order to perform any calculations contemplated by this Policy. For the avoidance of doubt, recovery under this Policy with respect to an Executive Officer shall not require the finding of any misconduct by such Executive Officer or such Executive Officer being found responsible for the accounting error leading to an Accounting Restatement.

(b) In the event that any repayment of Erroneously Awarded Compensation is owed to the Company, the Administrator shall recover reasonably promptly the Erroneously Awarded Compensation through any Method of Recovery it deems reasonable and appropriate in its discretion based on all applicable facts and circumstances and taking into account the time value of money and the cost to shareholders of delaying recovery. For the avoidance of doubt, except to the extent permitted pursuant to the Clawback Rules, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Executive Officer's obligations hereunder. Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated in this Section 4(b) if recovery would be Impracticable. In implementing the actions contemplated in this Section 4(b), the Administrator will act in accordance with the listing standards and requirements of the Listing Exchange and with the applicable Clawback Rules.

(c) Subject to the discretion of the Administrator, an applicable Executive Officer may be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering Erroneously Awarded Compensation in accordance with Section 4(b).

5. Reporting and Disclosure. The Company shall file all disclosures with respect to this Policy in accordance with the requirements of U.S. federal securities laws, including any disclosure required by applicable SEC rules.

6. Indemnification Prohibition. The Company shall not be permitted to indemnify any Executive Officer against the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy and/or pursuant to the Clawback Rules or to pay or reimburse any Executive Officer for the cost of third-party insurance purchased by an Executive Officer to cover any such loss under this Policy and/or pursuant to the Clawback Rules. Further, the Company shall not enter into any agreement that exempts any Incentive-based Compensation from the application of this Policy or that waives the Company's right to recovery of any Erroneously Awarded Compensation and this Policy shall supersede any such agreement

(whether entered into before, on or after the Effective Date). Any such purported indemnification (whether oral or in writing) shall be null and void.

7. Interpretation. The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of the Clawback Rules. The terms of this Policy shall also be construed and enforced in such a manner as to comply with applicable law, including the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, and any other law or regulation that the Administrator determines is applicable. In the event any provision of this Policy is determined to be unenforceable or invalid under applicable law, such provision shall be applied to the maximum extent permitted by applicable law and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required by applicable law.

8. Effective Date. This Policy shall be effective as of the Effective Date.

9. Amendment; Termination. The Administrator may modify or amend this Policy, in whole or in part, from time to time in its discretion and shall amend any or all of the provisions of this Policy as it deems necessary, including as and when it determines that it is legally required by the Clawback Rules, or any federal securities law, SEC rule or Listing Exchange rule. The Administrator may terminate this Policy at any time. Notwithstanding anything in this Section 9 to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate the Clawback Rules, or any federal securities law, SEC rule or Listing Exchange rule. Furthermore, unless otherwise determined by the Administrator or as otherwise amended, this Policy shall automatically be deemed amended in a manner necessary to comply with any change in the Clawback Rules.

10. Other Recoupment Rights; No Additional Payments. The Administrator intends that this Policy will be applied to the fullest extent permitted by applicable law. The Administrator may require that any employment agreement, equity award agreement, or any other agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require an Executive Officer to agree to abide by the terms of this Policy. Executive Officers shall be deemed to have accepted continuing employment on terms that include compliance with the Policy, to the extent of its otherwise applicable provisions, and to be contractually bound by its enforcement provisions. Executive Officers who cease employment or service with the Company shall continue to be bound by the terms of the Policy with respect to Clawback Eligible Incentive Compensation. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company under applicable law, regulation or rule or pursuant to the terms of any similar policy in any employment agreement, cash-based bonus plan, equity award agreement or similar agreement and any other legal remedies available to the Company. To the extent that an Executive Officer has already reimbursed the Company for any Erroneously Awarded Compensation Received under any duplicative recovery obligations established by the Company or applicable law, it shall be appropriate for any such reimbursed amount to be credited to the amount of Erroneously Awarded Compensation that is

subject to recovery under this Policy, as determined by the Administrator in its sole discretion. Nothing in this Policy precludes the Company from implementing any additional clawback or recoupment policies with respect to Executive Officers or any other service provider of the Company. Application of this Policy does not preclude the Company from taking any other action to enforce any Executive Officer's obligations to the Company, including termination of employment or institution of civil or criminal proceedings or any other remedies that may be available to the Company with respect to any Executive Officer.

11. Successors. This Policy shall be binding and enforceable against all Executive Officers and their beneficiaries, estates, heirs, executors, administrators or other legal representatives to the extent required by the Clawback Rules or as otherwise determined by the Administrator.

* * *

Exhibit A

NATUZZI S.P.A. POLICY FOR THE RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

ACKNOWLEDGEMENT AND ACCEPTANCE FORM

Capitalized terms used but not otherwise defined in this Acknowledgement and Acceptance Form shall have the meanings ascribed to such terms in the Natuzzi S.p.A. Policy for the Recovery of Erroneously Awarded Compensation (the "***Policy***"). By signing below, the undersigned executive officer (the "***Executive Officer***") acknowledges and confirms that the Executive Officer has received and reviewed a copy of the Policy and, in addition, the Executive Officer acknowledges and agrees as follows:

(a) the Executive Officer is and will continue to be subject to the Policy and that the Policy will apply both during and after the Executive Officer's employment with the Company;

(b) to the extent necessary to comply with the Policy, the Policy hereby amends any employment agreement, equity award agreement or similar agreement that the Executive Officer is a party to with the Company and shall apply and govern Incentive-based Compensation Received by any Executive Officer, notwithstanding any contrary or supplemental term or condition in any document, plan or agreement including without limitation any employment contract, indemnification agreement, equity agreement, or equity plan document;

(c) the Executive Officer shall abide by the terms of the Policy, including, without limitation, by returning any Erroneously Awarded Compensation to the Company to the extent required by, and in a manner permitted by, the Policy;

(d) any amounts payable to the Executive Officer, including any Incentive-based Compensation, shall be subject to the Policy as may be in effect and modified from time to time in the sole discretion of the Administrator or as required by applicable law or the requirements of the Listing Exchange, and that such modification will be deemed to amend this acknowledgment;

(e) the Company may recover compensation paid to the Executive Officer through any Method of Recovery the Administrator deems appropriate, and the Executive Officer agrees to comply with any request or demand for repayment by the Company in order to comply with the Policy;

(f) the recovery of Erroneously Awarded Compensation under this Policy will not give rise to any right to voluntarily terminate employment for "good reason," or due to a "constructive termination" (or any similar term of like effect) under any plan, program or policy of or agreement with the Company;

(g) the Company may, to the greatest extent permitted by applicable law, reduce any amount that may become payable to the Executive Officer by any amount to be recovered by the Company pursuant to the Policy to the extent such amount has not been returned by the Executive Officer to the Company prior to the date that any subsequent amount becomes payable to the Executive Officer; and

(h) any assertion or application of any rights under federal, state, local or foreign law or in contract or equity that would otherwise conflict with or narrow the Company's authority to interpret, apply and enforce the Policy to its fullest extent, including but not limited to, the Company's authority to withhold or divert wages pursuant to the Policy, is hereby waived by the Executive Officer.

______
Signature

______
Print Name

______
Date