

**UR HOLDING S.p.A.**

Registered Office in Trezzano sul Naviglio (MI) - Viale Edison, 44  
 Share capital Euro 275.000.= fully paid-up  
 Registered at the Companies' Register of Milan  
 Fiscal Code n. 12867260155  
 R.E.A. of Milan registration n.1593724

**Consolidated annual report at December 31, 2005**

The amounts are expressed in thousands of Euro.

The financial year closed at December 31, 2005 of UR Holding Group represents a consolidated profit of Euro 407.000 thousand, of which 400.000 thousand pertains to the Group and 7.000 thousand to third parties, net of amortizations and depreciations for Euro 239.000 thousand, current taxes for Euro 249.000 thousand and deferred taxes for Euro 270.000 thousand.

**Outlines about the Group and its activity**

UR Holding S.p.A., parent company, controls the following companies included in the area of consolidation:

Name	City or Foreign Country	Currency	Share capital	Quota % of the Group	Quota % of third parties
UR Gmbh	Germany	Euro	275.000	70	30
UR Sa	Spain	Euro	77.018	70	30
UR Ltd	United Kingdom	Pound	145.921	90	10
UR Sarl	France	Euro	200.000	100	--
UR Ltd	Israel	Shekel	33.406	80	20
UR Ab	Sweden	Corona	95.862	80	20
Lariteck S.r.l.	Trezzano sul Naviglio	Euro	91.800	55	45

For a better understanding of the data, the amount of share capital of the companies indicated in the aforesaid table is expressed in Euro.

Furthermore, UR Holding S.p.A. holds a shareholding of 30% in the company Fabteck S.r.l., with registered office in Castelraimondo (MC).

The Group deals in the sector of electronic components for telecommunications and, limited to the controlled Lariteck S.r.l., in the design and production of electric and electronic devices for the same market.

Such activity started in the eighties in Italy and then has been extended to the European and Israelian market.

In all the companies the majority shareholding is held by UR Holding S.p.A., whereas the minority shareholding is held by the local management, with

exclusion of UR Sarl - France, whose share capital is fully held by the parent company.

## Market conditions, growth strategy and general economic trend

### Macroeconomic analysis and global context

The 2005 economic trend in the whole Euro area has been still characterized by unsatisfactory growth rates, with a further slowdown in the last trimester, coinciding with the general increase of the prices of commodities and energy.

At a global level, the economic trend is still influenced by the negative geopolitical scenario, which affected all the economic sectors.

The recent data spread by ISTAT emphasized that for the year 2005 the growth of the Italian PIL has been equal to zero, showing a clear slowdown in comparison with the dynamics of the previous year, when the PIL rate increased of 1,1%.

The Italian deficit-PIL ratio grew up to 4,1%, against 3,4% of the previous year. The fixed gross investments decreased of 0,6%, also because of the growth of building investments, equal to 0,6%, and of the decrease of machinery purchases, equal to minus 0,8%.

With regard to the dynamics of the labour market we point out that the employment level decreased of 0,4%, though the units of subordinate employment show an increase of 1,3%, whereas the incomes from subordinate employment during 2005 increased of 4,3% and the gross salaries of 4,4%.

In Italy the annual average inflation rate on 2005 settled at 1,9%, improving the preview of 2,2%. The imports of goods and services increased of 1,4%, whereas the exports of goods and services increased of 0,3%.

With regard to the European market, the data spread by the Central European Bank for 2005 emphasize that the Euro area showed a growth of the GDP of 1,4%, compared to 1,8% on 2004 and 0,7% on 2003. The expansion rate of the economic activity has been moderate in the first semester, whereas in the second a trend of strengthening has been observed, thanks to the persistent and strong growth of the global demand and to the particularly favourable financing conditions.

The prevision economic picture for the current year forecasts at European level an increase of inflation, which should settle at a tendential rate of 2,2%, a risk that provoked an increase of the cost of money between December 2005 and March 2006 of half a percentage point, settling at 2,5%. On the side of the economic growth, the projections point out a rather general strengthening of the global growth, projections that however are confirmed by the data of the industrial production in the OCSE countries in the first trimester of 2006.

With regard to the international contest, we point out that the available data of the other countries show an increase of 3,5% for the United States, of 1,8% for the United Kingdom, of 3,4% for Spain and 0,9% for Germany, whereas, at a global level, the global GDP shows an increase of 4,8%, mainly influenced by the particularly positive economic trend of the countries of the Asian area.

The Monetary International Fund deems that the recovery in Europe is strengthening but, unfortunately, the risks connected to the rise of the prices of oil products and to the exchange value between Euro and Dollar remain.

## Business trend of the Group and its growth

The consolidated revenues passed from Euro 37.491 thousand on the financial year 2004 to Euro 38.955 thousand on the financial year 2005, with an increase of Euro 1.464 thousand, equal to about 4%.

On the side of the costs of structure, thanks to the efforts of the management, the search of efficiency started on the previous financial year, which caused reductions of costs, continued, as the costs for services, passed from Euro 3.155 thousand on 2004 to Euro 3.126 thousand on 2005, the costs for rent/lease, passed from Euro 628 thousand on 2004 to Euro 607 thousand on 2005. Stable also the miscellaneous running costs, passed from Euro 236 thousand on 2004 to Euro 233 thousand on 2005.

The personnel costs show an increase of Euro 155 thousand, passing from Euro 4.437 thousand on 2004 to Euro 4.592 on 2005.

## Patrimonial structure

The patrimonial structure of the Group is better underlined in the following reclassified balance sheet.

### Reclassified balance sheet

All the values indicated in the following table are expressed in thousands of Euro.

<b>ASSETS</b>	<b>31/12/2005</b>	<b>31/12/2004</b>
<b>Current assets</b>	<b>13.493</b>	<b>13.209</b>
- Liquid assets	1.016	1.289
- Short term securities	10	
- Receivables	9.985	9.531
- Final stock	2.482	2.389
<b>Fixed assets</b>	<b>2.752</b>	<b>2.829</b>
- Intangible assets	43	57
- Tangible assets	2.679	2.741
- Financial assets	30	31
<b>Invested capital</b>	<b>16.245</b>	<b>16.038</b>
<b>LIABILITIES</b>	<b>31/12/2005</b>	<b>31/12/2004</b>
Short term payables	9.856	9.939
Medium-long term payables and funds	3.276	3.371
Shareholders' equity	3.113	2.728
<b>Sources of the invested capital</b>	<b>16.245</b>	<b>16.038</b>

The receivables are made up with commercial credits for Euro 8,92 million and other credits for Euro 1,06 million (of which 0,26 as advanced taxes).

The stock of products for sale, amounting to Euro 2,48 million, increases of about Euro 90 thousand compared to 2004.

The short term payables are made up with debts payable to banks for Euro 1,37

million, with debts payable to shareholders for Euro 1,94 million, with debts payable to suppliers for Euro 4,67 million, with debts payable to associated companies for Euro 14 thousand and with other debts for Euro 1,66 million, among which tax and social security debts for Euro 0,66 million. Compared to the previous financial year, the item is basically stable, decreasing of about Euro 83 thousand.

The medium-long term payables are made up with debts payable to banks for Euro 1,89 million, represented by a mortgage loan contracted by the German subsidiary for the purchase of an immovable property used for the activity, as well as provisions for risk and cost fund, for employees' retirement allowance and office expiration of directors for total Euro 1,36 million.

### Financial management

The index of primary liquidity (calculated as a ratio between liquidity and short term receivables on one side and short term payables on the other side), is equal to 1,12 against 1,09 of the previous financial year, whereas that of secondary liquidity (calculated as ratio between short term assets and short term payables) is equal to 1,37 against 1,33 of the previous year. It can be inferred that the value of the net floating capital is satisfactory in relation to the amount of the current payables; furthermore, the financial situation continues the trend of positive improvement.

### Economic situation

The economic situation of the Group is underlined in the following reclassified profit and loss account.

	31/12/2005	31/12/2004
<b>Revenues</b>	<b>38.955</b>	<b>37.491</b>
Consumables and goods	(28.886)	(26.854)
Services and rent/lease	(3.733)	(3.783)
<b>Added value</b>	<b>6.336</b>	<b>6.854</b>
Personnel costs	(4.592)	(4.437)
<b>Gross operating margin</b>	<b>1.744</b>	<b>2.417</b>
Other provisions	(102)	(116)
Miscellaneous running costs	(233)	(236)
Tangible and intangible depreciations	(239)	(243)
<b>Operating result</b>	<b>1.170</b>	<b>1.822</b>
Financial income	272	25
Financial costs	(564)	(433)
Currency exchange profits (and losses)	84	23
Depreciations of financial assets	(89)	
Other extraordinary income and costs	53	28
<b>Result before taxes</b>	<b>926</b>	<b>1.465</b>
Taxes	(519)	(466)
<b>Net profit of the year</b>	<b>407</b>	<b>999</b>

The net result of the year, positive for Euro 407 thousand, pertains to the Group for Euro 400 thousand e to third parties for Euro 7 thousand.

### Revenues

The realized revenues amount to Euro 38.955 thousand against Euro 37.491 thousand of the previous year, with an increase of about 4%, divided as follows:

Category	31/12/2005	31/12/2004	Variations
From sales and services	38.826	37.378	1.448
Other revenues	129	113	16
	<b>38.955</b>	<b>37.491</b>	<b>1.464</b>

### Costs

The main costs borne by the Group during the financial year are the following:

Description	Amount
Raw materials	28.461
Personnel costs	4.592
Services	3.126
Rent/lease	607
Amortizations and depreciations	333
Miscellaneous running costs	233
Financial costs	564

### Investments

During the financial year the following investments in tangible assets have been made:

- purchases by the parent company of furniture and fittings for Euro 9 thousand; of computers for Euro 11 thousand and motor vehicles for Euro 22 thousand;
- purchases of equipments by the English subsidiary as a result of the change and enlargement of the registered office for Euro 97 thousand.

### Research and development activity

We point out that during the financial year 2005 the Group did not carry out activity of research and development.

### Remarkable events occurred after the closing of the financial year

No remarkable events occurred after the closing of the financial year.

### Predictable evolution of the business

The business data of the first trimester 2006 show the strengthening of the business and a stable trend of slight growth of the revenues. We deem therefore that, thanks to a higher coverage of the European territories with the constant presence of our managers leading the local realities, to the promotion of the UR brand in the area of higher concentration of highly technological enterprises in the USA, as well as to the favourable conclusion of new contracts of commercial distribution, there are all the premises to look to the future with sufficient optimism.

### Own shares

We point out that the companies of the Group do not hold own shares neither directly nor through trust companies or through third parties, and that the subsidiaries do not hold shares of the parent company.

### **Secondary offices**

The Company did not open secondary offices.

### **Programmatic document on security**

Pursuant to the attachment B, point 26, of D.Lgs. n. 196/2003 containing the “CODICE IN MATERIA DI PROTEZIONE DEI DATI PERSONALI”, the directors state that the Group is working in order to comply with the fulfillments relating to the protection of personal data, according to the regulations provided by D.Lgs. n. 196/2003 and the terms and conditions therein indicated.

The Chairman of the Board of Directors  
Giovannibattista Laghezza