

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

Annual report at December 31, 2005

Dear Shareholders,

The financial year closed at December 31, 2005 represent a profit of Euro 305.279.=, which includes amortizations and depreciations for Euro 189.169.= and income taxes for Euro 421.611.=

Market conditions, growth strategy and business trend

Your Company, as you well know, deals in the sector of electronic components for telecommunications.

Pursuant to art. 2428 of the Italian Civil Code we point out that Company carries out its activity in the registered office of Trezzano sul Naviglio and in the branch-office of Via Baldassarre Castiglione 55 in Rome.

Under the legal aspect the Company directly controls the following companies which carry out commercial activities similar and/or subsidiary to the core business of the parent company.

Name	City or Foreign Country	Percentage of control
UR Gmbh	Germany	70
UR Sa	Spain	70
UR Ltd	United Kingdom	90
UR Sarl	France	100
UR Ltd	Israel	80
UR Ab	Sweden	80
UR Group Inc.	USA	90
Lariteck S.r.l.	Trezzano sul Naviglio	55

During the financial year it didn't occur any modification in the structure of the Group.

We underline that the Company draws up the consolidated financial statement pursuant to D.Lgs. 127/91 Cap III.

General economic trend

The 2005 economic trend, in Italy as well as 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.

The recent data spread by ISTAT emphasized that for the year 2005 the growth of 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 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%.

The annual average inflation rate of 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%.

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%.

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 world 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 Company

Within the negative economic picture painted in the previous paragraph, the Company managed to increase anyway its turnover compared with the previous financial year and to attain positive profit margins.

The efforts of the management in the financial year just closed, besides being dedicated to the increase of revenues, have been focused to limiting the structural costs. With regard to the relations with the subsidiaries, the corporate policy of 2005, as in the previous financial years, has been addressed to the optimization of the management of the operating units located abroad, and precisely in the United Kingdom, Sweden, France, Germany, Spain and Israel. The subsidiary located in California (USA) did not show signs of growth, consequently the management is weighting its total restructuring.

With regard to the business trend of the subsidiaries we point out that only the subsidiary located in Israel suffers a loss. In particular the financial year 2005 finally showed the turnaround of the controlled company located in Sweden that

achieves positive results too, as well as the strengthening of the positive results of the French controlled company.

Main profit and loss data

The reclassified profit and loss account of the Company compared to that of the previous financial year is the following (the values are expressed in units of Euro):

	31/12/2005	31/12/2004	Variation
Net revenues from sales and services	19.757.973	18.369.851	1.388.122
External costs	17.651.339	16.245.515	1.405.824
Added value	2.106.634	2.124.336	(17.702)
Personnel costs	1.212.852	1.107.518	105.334
Gross operating margin (Ebitda)	893.782	1.016.818	(123.036)
Depreciation and value adjustments	108.411	49.277	59.134
Operating result (Ebit)	785.371	967.541	(182.170)
Miscellaneous income	2.385	1.804	581
Financial income and costs	(46.044)	(65.091)	19.047
Ordinary result	741.712	904.254	(162.542)
Net extraordinary income and costs	(14.822)	(1.712)	(13.110)
Result before taxes	726.890	902.542	(175.652)
Taxes on the income for the year	421.611	426.742	(5.131)
Net profit of the year	305.279	475.800	(170.521)

From the comparison between the reclassified profit and loss account of the financial year 2005 and that of 2004 we underline that: (i) the total sales amount to Euro 19,7 millions, against Euro 18,3 millions of the previous financial year, with a positive variation of Euro 1,4 millions, equal to an increase of 7,5%; (ii) the external costs are equal to Euro 17,6 millions, with an increase of Euro 1,4 millions compared to the previous financial year, equal to a variation of 8,6%.

The external costs are mainly made up with cost of sales (purchases + opening stock – closing stock), equal to Euro 15,7 millions and with the cost of services for Euro 1,8 millions. The latter shows a slight decrease (about Euro 60.000) compared to the previous financial year, value lined up with the corporate policy of limiting the costs as at the previous paragraph. (iii) The personnel costs increased of 9,5%, passing from Euro 1,1 millions of 2004 to Euro 1,2 millions of 2005; this as a consequence of both the adjustment of wage levels provided by the present labour contract and the increase of personnel compared to the previous year.

(iv) The operating result (Ebit) passes from Euro 967.541 of 2004 to Euro 785.371 of 2005. (v) Financial income and costs decrease remarkably (from Euro 65.091 negative of 2004 to Euro 46.044 negative of 2005). The net profit passes from Euro 475.800 of the financial year 2004 to Euro 305.279 of the financial year 2005: despite the squeeze of the result before taxes, the tax burden remains basically constant.

Main balance sheet data

The reclassified balance sheet of the Company compared to that of the previous financial year is the following (the values are expressed in units of Euro):

	31/12/2005	31/12/2004	Variation
Net intangible assets	19.005	24.969	(5.964)
Net tangible assets	74.029	46.114	27.915
Shareholdings and other financial assets	1.636.157	1.725.715	(89.558)
Fixed assets	1.729.191	1.796.798	(67.607)
Stock	502.460	742.481	(240.021)
Receivables from customers	5.157.347	5.383.462	(226.115)
Other receivables	2.384.124	1.846.892	537.232
Prepayments and accrued income	46.439	43.211	3.228
Short term operating assets	8.090.370	8.016.046	(74.324)
Payables to suppliers	1.667.076	1.827.288	(160.212)
Taxes and social security institutions payables	225.422	503.909	(278.487)
Other payables	954.619	1.227.007	(272.388)
Accrued liabilities and deferred income	48.624	61.692	(13.068)
Short term operating liabilities	2.895.741	3.619.896	(724.155)
Net operating capital	5.196.629	4.396.150	798.479
Retirement allowance	324.124	263.658	60.466
Taxes and social security institutions payables (more than 12 months)			
Other medium and long term liabilities	1.237.773	1.237.773	
Medium and long term liabilities	1.561.897	1.501.431	60.466
Invested capital	3.632.732	2.894.719	738.013
Shareholders' equity	3.656.665	3.351.388	305.277
Net medium and long term financial position			
Net short term financial position	(755.592)	(309.705)	(445.887)

The receivables, totally equal to Euro 7,5 millions, are made up with commercial credits receivable within 3-5 months for Euro 5,1 millions, with credits receivable from subsidiaries for Euro 1,8 millions, tax credits for Euro 0,27 millions, credits for advanced taxes for Euro 0,26 millions and with other short term credits for about Euro 6 thousand.

The short term payables are made up with debts payable to suppliers for Euro 1,66 millions, with debts payable to subsidiary and associated companies for Euro 0,13 millions, tax and social security debts for about Euro 0,23 millions and with other debts for Euro 0,82 millions.

We do not point out remarkable variations in the fixed assets, including the shareholdings for which we refer to the comment of the proper section of the Notes to the financial statements.

Main financial data

The net financial position at December 31, 2005 was the following (the values are expressed in units of Euro):

	31/12/2005	31/12/2004	Variation
Financial receivables			
Bank and postal deposits	231.362	596.594	(365.232)
Cash and cash equivalents	502	399	103
Liquid assets and own shares	181.530		(445.887)
Financial assets other than fixed assets			
Payables to owners for loans (within 12 months)	1.937.122	1.937.122	
Short term financial payables	1.937.122	1.937.122	
Net short term financial position	(755.592)	(309.705)	(445.887)

The financial situation has been partially described in the paragraph dedicated to the balance sheet. We can herein add that the net short term financial position at December 31, 2005 shows a negative increase of about Euro 446 thousand compared to the previous financial year.

The index of primary liquidity (calculated as a ratio between liquidity – short term receivables and short term payables), is equal to 1,62 against 1,61 of the previous financial year. The financial situation can be therefore defined balanced besides constant compared to the previous financial year. The index of secondary liquidity (calculated as ratio between short term assets and short term payables) is equal to 1,73 against 1,75 of the previous year; from this indicator it can be inferred that the value of the net floating capital is certainly satisfactory in relation to the amount of the current payables.

We point out that during the financial year it has not been necessary to remarkably turn to the bank debt: in fact the payable bank interest amount to about Euro 19 thousand and the receivable bank interest to about Euro 7 thousand.

The financial income and costs, as specified in the proper section of the Notes to the financial statements, are influenced by the trend of the exchange of Euro compared to the other currencies, mainly towards the US dollar. In fact, the profits on currency exchange amount to Euro 505.524 and the losses on currency exchange to Euro 477.317.

Investments

During the financial year investments have been made in the following areas:

- Improvements to the new offices of the branch in Rome Euro 1.200.=
- Telephone installations Euro 4.260.=
- Furniture and fittings Euro 9.761.=
- Computers and office equipments Euro 10.939.=
- Motor vehicles Euro 22.261.=

Taking into consideration the amount of the investments it has not been necessary to turn to particular forms of financing.

Currently no remarkable investments are expected for the financial year 2006.

Research and development activity

Pursuant to article 2428, paragraph 2, number 1 of the Italian Civil Code we point out that during the financial year 2005 the Company did not carry out activity of research and development.

Relations with subsidiary, associated, parent and affiliated companies

As already underlined above in the premises the Company holds shareholdings in subsidiary and associated companies both in Italy and abroad. The relations with the subsidiary and associated companies are summarized in the following table.

During the financial year there have been kept up relations both of commercial

and financial nature. Such relations are regulated under market conditions under the economic and contractual profile and pose objective aspects of economic convenience in the light of an optimal use of the resources within the companies of the Group.

	31/12/2005 - € x 1.000	31/12/2004 - € x 1.000
Financial credits		
UR Sarl - France	--	--
US AB - Sweden	--	--
UR SA - Spain	--	--
UR Ltd - United Kingdom	200	200
UR GmbH - Germany	250	250
UR Ltd - Israel	500	500
UR Inc - USA		81
Lariteck S.r.l. - Italy	--	--
Fabteck S.r.l. - Italy	--	--
Total financial credits	950	1.031
Commercial credits		
UR Sarl - France	975	568
UR SA - Spain	118	89
UR Ltd - United Kingdom	63	2
UR GmbH - Germany	533	526
UR Ltd - Israel	138	39
UR AB - Sweden	12	12
UR Inc - USA	--	45
Lariteck S.r.l. - Italy	--	--
Fabteck S.r.l. - Italy	--	--
Total commercial credits	1.839	1.281
Commercial debts		
UR Sarl - France	--	--
UR SA - Spain	--	--
UR Ltd - United Kingdom	--	--
UR GmbH - Germany	7	95
UR Ltd - Israel	--	--
UR AB - Sweden	--	--
UR Inc. - USA		5
Lariteck S.r.l. - Italy	105	181
Fabteck S.r.l. - Italy	14	15
Total commercial debts	126	296
Revenues and other income		
UR Sarl - France	1.285	1.000
UR SA - Spain	26	26
UR Ltd - United Kingdom	58	65
UR GmbH - Germany	261	105
UR Ltd - Israel	47	25
UR AB - Sweden	--	6
UR Inc. - USA		50
Lariteck S.r.l. - Italy	117	140
Fabteck S.r.l. - Italy	--	--
Total revenues and other income	1.794	1.417
Receivable interest		
UR Sarl - France	--	--
UR SA - Spain	--	--
UR Ltd - United Kingdom	10	7
UR GmbH - Germany	12	13
UR Ltd - Israel	25	25
UR AB - Sweden	--	--
UR Inc. - USA	--	4
Lariteck S.r.l. - Italy	--	--
Fabteck S.r.l. - Italy	--	--

Total receivable interest	47	49
Costs for purchases and services		
UR Sarl - France	--	21
UR SA - Spain	--	--
UR Ltd - United Kingdom	19	11
UR GmbH - Germany	107	244
UR Ltd - Israel	--	--
UR AB - Sweden	--	--
UR Inc - USA	--	22
Lariteck S.r.l. - Italy	246	299
Fabteck S.r.l. - Italy	135	122
Total costs for purchases and services	507	719
Payable interest		
UR Sarl - France	--	--
UR SA - Spain	--	--
UR Ltd - United Kingdom	--	--
UR GmbH - Germany	--	--
UR Ltd - Israel	--	--
UR AB - Sweden	--	--
UR Inc - USA	--	--
Lariteck S.r.l. - Italy	--	--
Fabteck S.r.l. - Italy	--	--
Total payable interest	0	0

Own shares and shares/quotas of parent companies

The Company do not hold directly or indirectly own shares or quotas of parent companies.

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 constant trend of further growth of 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, 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.

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 Company 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.

Allocation of the operating result

We propose to the shareholders' meeting to allocate the operating result as follows:

Profit of the year at 31/12/2005	Euro	305.279
to extraordinary reserve	Euro	226.187
to non distributable reserve for profits on currency exchange not realized (ex art. 2426 nr. 8 bis c.c.)	Euro	79.092

We thank you for the trust granted to us and we ask you to approve the financial statements as submitted.

The Chairman of the Board of Directors
Giovanbattista Laghezza